



**SAGICOR FINANCIAL COMPANY LTD.
(formerly Sagicor Financial Corporation Limited)**

**CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND DECEMBER 31, 2019**

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December 31, 2020 and December 31, 2019

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ACRONYMS

December 31, 2020 and December 31, 2019

Certain acronyms have been used throughout the financial statements and notes thereto to substitute phrases.

The more frequent acronyms and associated phrases are set out below.

Acronym	Phrase
AA	Appointed Actuary
EAD	Exposure at Default
ECL	Expected Credit Losses
FVOCI	Fair Value through Other Comprehensive Income
FVTPL	Fair Value through Profit and Loss
IAS	International Accounting Standards
IASB	International Accounting Standards Board
IFRS	International Financial Reporting Standards
IFRS 9	International Financial Reporting Standard No.9 – Financial Instruments
IFRS 16	International Financial Reporting Standard No.16 – Leases
LGD	Loss Given Default
MCCSR	Minimum Continuing Capital and Surplus Requirement
OCI	Other Comprehensive Income
PD	Probability of Default
POCI	Purchased or Originated Credit-Impaired
SICR	Significant Increase in Credit Risk
SPPI	Solely Payments of Principal and Interest

**SAGICOR FINANCIAL COMPANY LTD.
APPOINTED ACTUARY'S
2019 & 2020 REPORT TO THE SHAREHOLDERS AND
POLICYHOLDERS**

I have performed or reviewed the valuation of the consolidated policy liabilities of Sagicor Financial Company Ltd. ("Sagicor") which includes the policy liabilities of its life insurance subsidiaries:

-  A — Sagicor Life Inc. (Barbados) ("SLI"),
-  B — Capital Life Insurance Company Bahamas Limited (Bahamas) ("CLIC"),
-  C — Sagicor Life Aruba NV (Aruba),
-  D — Sagicor Panamá SA (Panama),
-  E — Nationwide Insurance Company Limited (Trinidad & Tobago),
-  F — Sagicor Life (Eastern Caribbean) Inc. ("SLECI"),
-  G — Sagicor Life Jamaica Limited (Jamaica) *,
-  H — Sagicor Life of the Cayman Islands Limited (Cayman Islands) *, and
-  I — Sagicor Life Insurance Company (USA) *,

for the balance sheets, at 31st December 2019 and at 31st December 2020, and their change in the respective consolidated statement of operations, for the years then ended, for each organization and on a consolidated basis in accordance with accepted actuarial practice, including selection of appropriate assumptions and methods.

The valuation of Sagicor and its Life Insurance Subsidiaries was conducted by myself, or other actuaries (indicated by a "*" above), using either the Policy Premium Method ("PPM") or the Canadian Asset Liability Method ("CALM") where appropriate, assuming best-estimate assumptions together with margins for adverse deviations in accordance with the Standards of Practice (Life) of the Canadian Institute of Actuaries. For those where other actuaries completed the valuation, I have reviewed and accepted their valuation and have relied on their work in order to issue this certificate.

In my opinion, the amount of policy liabilities makes appropriate provision for all policyholder obligations and the financial statements fairly represent the results of the valuation.

A handwritten signature in blue ink that reads 'Sylvain Goulet' with a large, stylized flourish underneath.

Sylvain Goulet, FCIA, FSA, MAAA

Affiliate Member of the Institute and Faculty of Actuaries

Member of the Caribbean Actuarial Association

Appointed Actuary for Sagicor Financial Company Ltd., and the above Life Subsidiaries A to F

12th March 2021



Independent auditor's report

To the Shareholders of Sagicor Financial Company Ltd.

Our opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Sagicor Financial Company Ltd. (the Company) and its subsidiaries (together 'the Group') as of December 31, 2020 and December 31, 2019, and their consolidated financial performance and their consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRS).

What we have audited

Sagicor Financial Company Ltd.'s consolidated financial statements comprise:

- the consolidated statements of financial position as of December 31, 2020 and December 31, 2019;
- the consolidated statements of income for the years then ended;
- the consolidated statements of comprehensive income for the years then ended;
- the consolidated statements of changes in equity for the years then ended;
- the consolidated statements of cash flows for the years then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

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

Independence

We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code). We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.



Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
<p>Actuarial methodologies and assumptions used in the valuation of actuarial liabilities</p> <p><i>Refer to Note 3 Critical accounting estimates and judgements, and Note 13 Actuarial liabilities, to the consolidated financial statements.</i></p> <p>The Group’s total actuarial liabilities was \$4.2 billion as of December 31, 2020 and is the most significant liability on the Group’s statement of financial position.</p> <p>We focused on this area as it involves significant judgement over uncertain future outcomes, mainly the ultimate total settlement value of long-term policyholder liabilities. Economic assumptions, such as investment return, associated discount rates and borrowing rates, policy expenses, and operating assumptions such as mortality, morbidity and persistency are the key inputs used by management to estimate these long-term liabilities.</p> <p>Management uses qualified internal actuaries and an independent external actuary to assist in determining these assumptions and in valuing the actuarial liabilities.</p> <p>Based on management’s assessment, Covid-19 did not have a significant impact on the actuarial assumptions of the Group.</p>	<p>Our approach to addressing the matter involved the following procedures, amongst others:</p> <ul style="list-style-type: none"> • updated our understanding for any changes impacting the assumptions, specifically, investment returns, associated discount rates and borrowing rates, policy expenses and operating assumptions such as mortality, morbidity and persistency, including consideration of the impact of Covid-19. • assessed the competence and capability of management’s actuarial experts. • evaluated the methodologies and assumptions utilized by management’s actuaries, considering published industry studies, market data and component specific facts and circumstances with the assistance of our actuarial experts. • for the Sagikor Life and Sagikor Jamaica segments, tested a sample of contracts to assess whether contract features corresponded to the data on the policy master file and tested the accuracy and completeness of the transfer of that data to the actuarial valuation systems. • for the Sagikor USA and Sagikor Life segments, tested a sample of contracts to assess whether policyholder data and contract features corresponded to the data in the actuarial valuation system. In addition, for the Sagikor USA segment, compared data on a sample basis between the policy administration system and the valuation system to test completeness.



Expected Credit Loss (ECL) - Probabilities of Default & Forward Looking Assumptions of financial investments

Refer to Note 3 Critical accounting estimates and judgements, and Note 41.3 Credit impairment losses - financial investments subject to impairment, to the consolidated financial statements.

The Group's total financial investments was \$6.6 billion as of December 31, 2020 and the related credit impairment losses in relation to those financial assets was \$24.0 million for the year ended December 31, 2020.

We have focused on the following areas because there are a number of significant management determined judgements within the ECL model, including the following:

- Probabilities of default (PD): These represent the likelihood of a borrower defaulting on its obligation over the next twelve months or over the remaining lifetime of the obligation. This is one of the three elements used in the ECL calculation. PDs are developed with reference to external data collated by international credit rating agencies, with specific adjustments for industries and country specific risks, where necessary.
- Use of multiple forward looking economic scenarios. Management performed regression analysis to determine the impact of future economic conditions on probabilities of default in the countries and industries where the Group has investment securities. A macroeconomic indicator is determined, which is statistically linked to the credit risk of the sovereign exposure and/or

Our approach to addressing the matter involved the following procedures, amongst others:

With the assistance of our valuation experts, we performed the following procedures:

- updated our understanding of management's ECL model including any changes to source data, assumptions and tested the mathematical integrity of the model.
- evaluated the design and tested the operating effectiveness of the relevant controls for the forward looking information in the ECL determination, by inspection of the review and approval of key assumptions, judgments and forward-looking assumptions prior to being incorporated within the ECL model.
- on a sample basis, tested the critical data fields used in the ECL model for the PD determination, such as the credit rating, date of default (if any), and type of debt security by tracing back to source documents including external public information where available.
- evaluated the appropriateness of management's judgements pertaining to forward looking information, including macroeconomic factors, which is the basis of the multiple economic scenarios used. Sensitised the various inputs and assumptions as part of our reasonability tests. This evaluation considered the impact of Covid-19 on credit risk.
- For SICR as it pertains to debt securities and loans and advances, we performed the following procedures:
 - For debt securities, tested on a sample basis the accuracy of the initial credit risk and the credit risk at the reporting date using rating agency definitions of 'investment grade' and evaluated the



<p>corporate exposure. The Group has selected economic scenarios that reflect current views on the future economic impact of the Covid-19 pandemic.</p> <ul style="list-style-type: none"> The economic impact of Covid-19 resulted in a significant increase in credit risk (SICR) for a number of borrowers (both debt securities and loans and advances) which migrated from Stage 1 to Stage 2 based on an assessment of the industry in which the borrower operates and other relevant factors. <p>Management engaged a credit modeller expert to assist in the more complex aspects of the design of the expected credit loss model.</p>	<p>appropriateness of the Group stage migration applied to borrowers.</p> <ul style="list-style-type: none"> Performed an independent qualitative assessment for a sample of borrowers to determine whether there was any adverse information affecting the criteria used to perform the staging. For the Sagicor Jamaica segment, inspected the financial information of a sample of borrowers to determine whether there was any significant downturn in financial performance before and during the pandemic. This aided in assessing management's staging for borrowers, particularly for those which requested forbearance as a result of Covid-19.
<p><i>Impairment assessment for the Group's interest in associated company</i></p> <p><i>Refer to Note 2.2(d) Associates and joint ventures, and Note 6.2 Associates and Joint Ventures - Impairment, to the consolidated financial statements.</i></p> <p>During the financial year, Playa Hotels & Resorts, an associated company of the Group, incurred losses as a result of travel restrictions and property closures, due mainly to the effects of Covid-19. Additionally, at various points during the financial year, the market capitalisation of the Group's shareholding was below its carrying value, as determined using equity accounting. These were considered to be indicators of potential impairment, which required further consideration by management, as to whether a formal impairment assessment was required.</p> <p>The Group's investment in the associated company is carried at \$116.8 million in the</p>	<p>Our approach to addressing the matter involved the following procedures, amongst others. In all our procedures, the impact of Covid-19 was a key consideration.</p> <ul style="list-style-type: none"> Examined management's assessment of the forecast performance of its investment and compared underlying financial data used in the assessment to audited financial statements and evaluated key assumptions such as occupancy levels against industry forecast data. Performed inquiries with key management of the Group and of the associated company regarding its forecast earnings, occupancy levels, leverage and cost of capital. We were assisted by our valuation expert in executing these procedures. Evaluated management's VIU calculation with the assistance of our valuation expert. This included evaluating management's assumptions in relation to future EBITDA, discount rates and terminal growth rates by forming our own independent expectation, referencing historical entity performance information as well as economic and statistical data.



statement of financial position as at December 31, 2020.

Management concluded that an impairment assessment was required and performed a Value In Use ('VIU') calculation to determine a value for the recoverable amount, as required by IAS 36, "Impairment of non-financial assets". Based on the assessment, impairment charges of \$31.8 million were recognised for the year ended December 31, 2020.

We focused on this due to its subjectivity and the sensitivity to changes in inputs, as the performance of VIU calculations involves the use of a number of estimates including earnings before interest, taxes, depreciation and amortisation (EBITDA), discount rates and terminal growth rates.

The judgement involved in determining the impact of Covid-19 on the key assumptions also caused us to focus on this area.

Other information

Management is responsible for the other information. The other information comprises Management's Discussion and Analysis (but does not include the consolidated financial statements and our auditor's report thereon), which we obtained prior to the date of this auditor's report, and the Annual Report, which is expected to be made available to us after that date.

Our opinion on the consolidated financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the Annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.



Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.



- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Gerald Mahon.

PricewaterhouseCoopers SRL

PricewaterhouseCoopers SRL
Bridgetown, Barbados
March 30, 2021

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As of December 31, 2020 and December 31, 2019

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

Amounts expressed in US\$000

	Note	2020	2019
ASSETS			
Investment property	5	78,295	95,577
Property, plant and equipment	7	266,569	289,870
Associates and joint ventures	6	165,791	230,558
Intangible assets	8	95,872	106,864
Financial investments	9	6,626,839	6,080,758
Financial investments repledged	9	611,730	604,886
Reinsurance assets	10	715,739	724,237
Income tax assets	11	26,330	26,594
Miscellaneous assets and receivables	12	239,538	208,059
Cash		359,972	273,072
Restricted cash		79,638	88,396
Total assets		9,266,313	8,728,871

LIABILITIES

	Note	2020	2019
Actuarial liabilities	13	4,152,701	3,604,653
Other policy liabilities	14	292,676	286,960
Investment contract liabilities	15	437,604	424,340
Total policy liabilities		4,882,981	4,315,953
Notes and loans payable	16	471,622	517,732
Lease liabilities	48	39,609	35,700
Deposit and security liabilities	17	1,826,759	1,752,689
Other liabilities / retirement benefit liabilities	18	66,542	59,795
Income tax liabilities	19	65,128	56,889
Accounts payable and accrued liabilities	20	255,462	240,333
Total liabilities		7,608,103	6,979,091

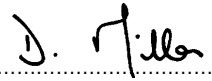
EQUITY

Share capital	21	1,463	1,477
Share premium	21	753,490	762,015
Reserves	22	(14,868)	(9,023)
Retained earnings		369,695	399,582
Total shareholders' equity		1,109,780	1,154,051
Participating accounts	23	1,607	1,223
Non-controlling interests	4.4	546,823	594,506
Total equity		1,658,210	1,749,780

Total liabilities and equity **9,266,313** **8,728,871**

These financial statements have been approved for issue by the Board of Directors on March 30, 2021.


Director


Director

CONSOLIDATED STATEMENTS OF INCOME

Year ended December 31, 2020 and December 31, 2019

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

Amounts expressed in US\$000

	Note	2020	2019
REVENUE			
Premium revenue	24	1,501,952	1,323,252
Reinsurance premium expense	24	(98,525)	(81,708)
Net premium revenue		1,403,427	1,241,544
Gain on derecognition of amortised cost investments		8,889	12,920
Gain on derecognition of assets carried at FVOCI		20,169	29,954
Interest income earned from financial assets measured at amortised cost and FVOCI	26	314,759	308,014
Other investment income	26	16,144	111,800
Credit impairment losses		(23,997)	(4,877)
Fees and other revenue	27	138,976	167,971
Total revenue, net		1,878,367	1,867,326
BENEFITS			
Policy benefits and change in actuarial liabilities	25	1,269,184	1,169,640
Policy benefits and change in actuarial liabilities reinsured	25	(90,418)	(107,308)
Net policy benefits and change in actuarial liabilities		1,178,766	1,062,332
Interest costs	28.1	42,893	54,192
Total benefits		1,221,659	1,116,524
EXPENSES			
Administrative expenses		340,567	333,236
Commissions and related compensation		121,158	120,155
Premium and asset taxes		14,914	14,560
Finance costs	28.2	44,885	43,633
Depreciation and amortisation		39,559	35,506
Listing expense and other transaction costs	1	-	43,396
Total expenses		561,083	590,486

	Note	2020	2019
OTHER			
Loss arising on business combinations, acquisitions and divestitures	37	(1,262)	(379)
Share of operating (loss) / income of associates and joint ventures	6.1	(34,957)	3,347
Loss on impairment of investment in associates and joint ventures	6.1	(31,804)	-
Total other (loss) / income		(68,023)	2,968
INCOME BEFORE TAXES FROM CONTINUING OPERATIONS		27,602	163,284
Income taxes	32	(42,732)	(59,710)
NET (LOSS) / INCOME FROM CONTINUING OPERATIONS		(15,130)	103,574
Net income from discontinued operation	38	-	517
NET (LOSS) / INCOME FOR THE YEAR		(15,130)	104,091
Net (loss) / income is attributable to:			
Common shareholders:			
From continuing operations		(3,605)	43,981
From discontinued operation		-	517
		(3,605)	44,498
Participating policyholders		1,359	(1,937)
Non-controlling interests	4.1	(12,884)	61,530
		(15,130)	104,091
Basic earnings per common share:	34		
From continuing operations		(2.4) cents	57.5 cents
From discontinued operation		0.0 cents	0.7 cents
		(2.4) cents	58.2 cents
Fully diluted earnings per common share:	34		
From continuing operations		(2.4) cents	54.1 cents
From discontinued operation		0.0 cents	0.6 cents
		(2.4) cents	54.7 cents

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Year ended December 31, 2020 and December 31, 2019

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

Amounts expressed in US\$000

OTHER COMPREHENSIVE INCOME	Note	2020	2019	TOTAL COMPREHENSIVE INCOME	2020	2019
Items net of tax that may be reclassified subsequently to income:	35			Net (loss) / income	(15,130)	104,091
Financial assets measured at FVOCI:				Other comprehensive (loss) / income	(21,797)	43,726
Gains on revaluation		97,266	168,707	TOTAL COMPREHENSIVE (LOSS) / INCOME FOR THE YEAR	(36,927)	147,817
Gains transferred to income		(16,567)	(20,374)			
Net change in actuarial liabilities		(51,973)	(94,999)	Total comprehensive (loss) / income is attributable to:		
Cash flow hedges		(753)	(3,086)	Common shareholders:		
Retranslation of foreign currency operations		(38,195)	(16,641)	From continuing operations	(3,045)	80,671
Other reserves		(20)	(126)	From discontinued operation	-	517
		(10,242)	33,481		(3,045)	81,188
Items net of tax that will not be reclassified subsequently to income:	35			Participating policyholders	577	(2,655)
Losses on revaluation of owner-occupied and owner-managed property		(14,880)	(971)	Non-controlling interests	(34,459)	69,284
(Losses) / gains on equity securities designated at FVOCI		(149)	18		(36,927)	147,817
Gains on defined benefit plans		3,474	11,198			
		(11,555)	10,245			
OTHER COMPREHENSIVE (LOSS) / INCOME FROM CONTINUING OPERATIONS		(21,797)	43,726			

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
Year ended December 31, 2020 and December 31, 2019

Sagicor Financial Company Ltd. (formerly Sagicor Financial Corporation Limited)
Amounts expressed in US\$000

	Share Capital (note 21)	Share Premium (note 21)	Reserves (note 22)	Retained Earnings	Total Shareholders' Equity	Participating Accounts (note 23)	Non-controlling Interests	Total Equity
2020								
Balance, December 31, 2019	1,477	762,015	(9,023)	399,582	1,154,051	1,223	594,506	1,749,780
Total comprehensive income from continuing operations	-	-	(2,779)	(266)	(3,045)	577	(34,459)	(36,927)
Transactions with holders of equity instruments:								
Allotment of common shares	15	6,848	-	-	6,863	-	-	6,863
Repurchase of shares (note 21)	(29)	(15,367)	-	2,095	(13,301)	-	-	(13,301)
Movements in treasury shares	-	(6)	-	-	(6)	-	-	(6)
Changes in reserve for equity compensation benefits	-	-	(3,921)	42	(3,879)	-	64	(3,815)
Dividends declared (note 21)	-	-	-	(33,243)	(33,243)	-	(13,664)	(46,907)
Changes in ownership interest in subsidiaries	-	-	-	(70)	(70)	-	(251)	(321)
Acquisition/disposal of subsidiary and insurance business	-	-	-	-	-	-	(108)	(108)
Transfers and other movements	-	-	855	1,555	2,410	(193)	735	2,952
Balance, December 31, 2020	1,463	753,490	(14,868)	369,695	1,109,780	1,607	546,823	1,658,210

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
Sagicor Financial Company Ltd. (formerly Sagicor Financial Corporation Limited)
Year ended December 31, 2020 and December 31, 2019
Amounts expressed in US\$000

	Share Capital (note 21)	Share Premium (note 21)	Reserves (note 22)	Retained Earnings	Total Shareholders' Equity	Participating Accounts (note 23)	Non-controlling Interests	Total Equity
2019								
Balance, December 31, 2018	3,061	300,665	(76,995)	374,138	600,869	4,078	530,514	1,135,461
Total comprehensive income from continuing operations	-	-	28,030	52,641	80,671	(2,655)	69,284	147,300
Total comprehensive income from discontinued operation	-	-	-	517	517	-	-	517
Transactions with holders of equity instruments:								
Exchange of shares (note 1)	(2,270)	2,270	-	-	-	-	-	-
Repurchase of shares (note 1)	(116)	(19,930)	-	-	(20,046)	-	-	(20,046)
New share issue (note 1)	798	478,818	-	-	479,616	-	-	479,616
Movements in treasury shares	4	192	-	-	196	-	-	196
Allocated to warrant reserve	-	-	20,062	-	20,062	-	-	20,062
Changes in reserve for equity compensation benefits	-	-	9,187	(938)	8,249	-	24	8,273
Dividends declared (note 21)	-	-	-	(15,316)	(15,316)	-	(21,539)	(36,855)
Acquisition/disposal of subsidiary and insurance business	-	-	-	-	-	-	17,070	17,070
Transfers and other movements	-	-	10,693	(11,460)	(767)	(200)	(847)	(1,814)
Balance, December 31, 2019	1,477	762,015	(9,023)	399,582	1,154,051	1,223	594,506	1,749,780

CONSOLIDATED STATEMENTS OF CASH FLOWS
Sagikor Financial Company Ltd. (formerly Sagikor Financial Corporation Limited)
Year ended December 31, 2020 and December 31, 2019
Amounts expressed in US\$000

	Note	2020	2019		Note	2020	2019
OPERATING ACTIVITIES				FINANCING ACTIVITIES			
Income before taxes from continuing operations		27,602	163,284	Allotment of common shares		-	474,906
Adjustments for non-cash items, interest and dividends	36.1	371,057	172,204	Repurchase of common shares		(13,301)	(20,046)
Interest and dividends received		329,337	318,564	Purchase of treasury shares		(6)	(371)
Interest paid		(84,672)	(95,332)	Redemption of preference shares		(6)	-
Income taxes paid		(39,610)	(53,060)	Shares issued to / (purchased from) non-controlling interests		455	(1,562)
Net change in investments and operating assets	36.1	(876,462)	(582,684)	Notes and loans payable, net	36.3	(41,269)	31,695
Net change in operating liabilities	36.1	173,640	118,499	Lease liability principal paid	36.4	(5,697)	(4,225)
Net cash flows - operating activities		(99,108)	41,475	Dividends paid to common shareholders		(33,279)	(15,003)
INVESTING ACTIVITIES				Dividends paid to preference shareholders		(1)	-
Property, plant and equipment, net	36.2	(14,993)	(7,493)	Dividends paid to non-controlling interests		(5,746)	(21,539)
Associates and joint ventures		(5,951)	-	Net cash flows - financing activities		(98,850)	443,855
Dividends received from associates and joint ventures		708	640	Effects of exchange rate changes		(5,782)	(4,933)
Purchase of intangible assets		(3,840)	(4,738)	NET CHANGE IN CASH AND CASH EQUIVALENTS - CONTINUING OPERATIONS		(228,136)	436,027
Changes in subsidiary holdings, net of cash and cash equivalents		(320)	(32,779)	Net change in cash and cash equivalents – discontinued operation		-	17,756
Net cash flows - investing activities		(24,396)	(44,370)	Cash and cash equivalents, beginning of year		775,344	321,561
				CASH AND CASH EQUIVALENTS, END OF YEAR	36.5	547,208	775,344

1 GENERAL INFORMATION

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

On November 27, 2018, Sagicor Financial Corporation Limited ("SFCL") entered into a definitive arrangement agreement as amended on January 28, 2019 with Alignvest Acquisition II Corporation ("Alignvest"), a special purpose acquisition company ("SPAC"), pursuant to which on December 5, 2019, Alignvest acquired all of the issued and outstanding shares of SFCL by way of an Ontario court approved plan of arrangement and a Bermuda court approved scheme of arrangement (the "Arrangement"). On closing, Alignvest changed its name to Sagicor Financial Company Ltd., whose operations continue as SFC, and owns 100% of the shares in the capital of SFCL.

As part of this transaction, subject to certain limitations, each of SFCL's eligible previous shareholders (excluding the Company's management team and continuing directors, all of whom elected to roll 100% of their equity into this transaction) had the option of tendering up to 10,000 shares for \$1.75 of cash, up to a total cash share purchase of \$205,000 less certain other amounts, as per the Arrangement. SFCL common shares not purchased for cash were exchanged for common shares of Sagicor on an exchange ratio of one Sagicor common share for 4.328 of SFCL common shares ("Exchange Ratio").

On closing of the transaction, 11,548,327 common shares of SFCL were tendered for purchase by the previous shareholders of SFCL. Sagicor purchased 11,548,327 common shares of SFCL for total cash consideration of \$20,046 and the remaining 295,007,317 common shares of SFCL were exchanged for 67,992,191 common shares of Sagicor in accordance with the Arrangement.

1 GENERAL INFORMATION (continued)

On closing, the common shares and warrants of Sagicor were listed on the Toronto Stock Exchange and are traded under the symbols "SFC" and "SFC.WT", respectively. With a listing on the Toronto Stock Exchange, SFCL's common shares, formerly listed on the Barbados Stock Exchange, the Trinidad and Tobago Stock Exchange and the London Stock Exchange, have ceased trading and are being delisted from these exchanges.

While Alignvest is the legal acquirer of SFCL, SFCL has been identified as the acquirer for accounting purposes. As Alignvest does not meet the definition of a business as defined in IFRS 3 - Business Combinations ("IFRS 3"), the acquisition is not within the scope of IFRS 3 and is accounted for as a share-based payment transaction in accordance with IFRS 2 - Share-based Payments ("IFRS 2"). These consolidated financial statements represent the continuance of SFCL and reflect the identifiable assets acquired and the liabilities assumed of Alignvest at fair value. Under IFRS 2, the transaction was measured at the fair value of the common shares, escrowed shares and warrants deemed to have been issued by SFCL, in order for the ownership interest in the combined entity to be the same as if the transaction had taken the legal form of SFCL acquiring 100% of Alignvest. Any difference between the fair value of the common shares, escrowed shares and warrants deemed to have been issued by SFCL and the fair value of Alignvest's identifiable net assets acquired and liabilities assumed represents a listing expense.

As a result of this reverse asset acquisition, a listing expense of \$18,777 has been recorded to reflect the difference between the estimated fair value of the common shares, escrowed shares and warrants deemed issued to the shareholders of Alignvest and the net fair value of the assets of Alignvest acquired. Transaction-related expenses of \$24,619 were expensed as incurred. Transaction-related expenses were comprised of professional fees of \$6,279, cash bonus and other contract benefits paid to executives of \$2,736, common shares issued to executives of \$5,994, arranger's fee of \$8,585 and other costs of \$1,025.

1 GENERAL INFORMATION (continued)

The details of the listing expense and transaction-related expenses are as follows:

	<u>2019</u>
Fair Value of consideration transferred:	
Common shares	448,293
Escrowed common shares	25,328
Warrants	<u>20,062</u>
Total fair value of consideration transferred	493,683
Fair value of net assets acquired and shares repurchased:	
Cash	454,860
Cash for the repurchase of shares	<u>20,046</u>
Total fair value of net assets acquired and shares repurchased	474,906
Listing expense	18,777
Transaction-related expenses	<u>24,619</u>
Listing expense and other transaction costs	<u>43,396</u>

The fair value of the consideration transferred to acquire Alignvest, under reverse takeover accounting, was \$493,683 calculated as 72,433,368 common shares at \$6.19 per common share, 6,444,877 escrowed common shares with fair value of \$3.93 per escrowed common share and 34,774,993 warrants with fair value of \$0.58 per warrant.

The fair value per common share was based on the fair value of SFCL common shares.

The fair value of escrowed common shares was determined using a probability-weighted model with an estimated fair value per common share of \$6.19 resulting in total fair value of \$25,328.

The fair value of warrants was determined based on the market closing price of \$0.58 per warrant.

As a result of the closing of this transaction, 147,838,907 common shares of the Company were issued and outstanding immediately after the closing. At December 31, 2020, 146,381,394 common shares were outstanding.

1 GENERAL INFORMATION (continued)

Sagicor and its subsidiaries ("the Group") operate across the Caribbean and in the United States of America (USA). There was a discontinued operation in the United Kingdom. Details of Sagicor's holdings and operations are set out in notes 4 and 38.

The principal activities of the Sagicor Group are as follows:

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

and its principal operating companies are as follows:

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

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

For ease of reference, when the term "insurer" is used in the following notes, it refers to either one or more Group subsidiaries that engages in insurance activities.

These consolidated financial statements for the year ended December 31, 2020 have been approved by the Board of Directors on March 30, 2021. Neither the Company's owners nor others have the power to amend the financial statements after issue.

2 ACCOUNTING POLICIES

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

2.1 Basis of preparation

These consolidated financial statements are prepared in accordance with, and comply with, International Financial Reporting Standards (IFRS).

The Group has adopted accounting policies for the computation of actuarial liabilities of life insurance and annuity contracts using approaches consistent with the principles of the Canadian standards of practice. As no specific guidance is provided by IFRS for computing actuarial liabilities, management has judged that the Canadian standards of practice should continue to be applied. The adoption of IFRS 4 – Insurance Contracts, permits the Group to continue with this accounting policy, with the modification required by IFRS 4 that rights under reinsurance contracts are measured separately.

The consolidated financial statements are prepared under the historical cost convention except as modified by the revaluation of investment property, owner-occupied property, financial assets carried at fair value through other comprehensive income, financial asset and liabilities held at fair value through income, discontinued operations, actuarial liabilities and associated reinsurance assets.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas when assumptions and estimates are significant to the consolidated financial statements, are disclosed in note 3.

All amounts in these financial statements are shown in thousands of United States dollars, unless otherwise stated.

2.1 Basis of preparation (continued)Amendments to existing IFRS and IAS effective January 1, 2020

The Group has adopted the amendments to IFRS and IAS set out in the following tables. None of these amendments have a material effect on the Group's financial statements.

Standard	Description of amendment
IFRS 3 – Definition of a Business	This amendment revises the definition of a business. According to feedback received by the IASB, application of the current guidance is commonly thought to be too complex, and it results in too many transactions qualifying as business combinations.
IAS 1 and IAS 8 – The Definition of Material	These amendments to IAS 1, 'Presentation of financial statements', and IAS 8, 'Accounting policies, changes in accounting estimates and errors', and consequential amendments to other IFRSs: i) use a consistent definition of materiality throughout IFRSs and the Conceptual Framework for Financial Reporting; ii) clarify the explanation of the definition of material; and iii) incorporate some of the guidance in IAS 1 about immaterial information.
IFRS 9, IAS 39 and IFRS 7 – Interest Rate Benchmark Reform	These amendments provide certain reliefs in connection with interest rate benchmark reform. The reliefs relate to hedge accounting and have the effect that IBOR reform should not generally cause hedge accounting to terminate. However, any hedge ineffectiveness should continue to be recorded in the income statement. Given the pervasive nature of hedges involving IBOR-based contracts, the reliefs will affect companies in all industries.

2.1 Basis of preparation (continued)Amendments to existing IFRS and IAS effective January 1, 2020 (continued)

Standard	Description of amendment
Conceptual Framework for Financial Reporting	The Conceptual Framework was revised because important issues were not addressed, and some indications were outdated or unclear. This revised version includes, among other things, a new chapter on valuation, guidance on the presentation of financial performance and improved definitions of an asset and a liability and guidance in support of those definitions. The Conceptual Framework helps entities to develop their accounting method when no IFRS is applicable to a specific situation.

2.2 Basis of consolidation(a) Subsidiaries

Subsidiaries are entities over which the Group has control. The Group has control over an entity when the Group is exposed to the variable returns from its ownership interest in the entity and when the Group can affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group, and subsidiaries are de-consolidated from the date on which control ceases.

All material intra-group balances, transactions and gains are eliminated on consolidation. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the accounting policies adopted by the Group.

The Group uses the acquisition method of accounting when control over entities and insurance businesses is obtained by the Group. The cost of an acquisition is measured as the fair value of the identifiable assets given, the equity instruments issued, and the liabilities incurred or assumed at the date of exchange. Identifiable assets acquired, and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date irrespective of the extent of any non-controlling interest. Acquisition-related costs are expensed as incurred.

The excess of the cost of the acquisition, the non-controlling interest recognised and the fair value of any previously held equity interest in the acquiree, over the fair value of the net identifiable assets acquired is recorded as goodwill. If there is no excess and there is a shortfall, the Group reassesses the net identifiable assets acquired. If after reassessment, a shortfall remains, the acquisition is deemed to be a bargain purchase and the shortfall is recognised in income as a gain on acquisition.

Subsequent ownership changes in a subsidiary, without loss of control, are accounted for as transactions between owners in the statement of changes in equity.

2.2 Basis of consolidation (continued)

Non-controlling interest balances represent the equity in a subsidiary not attributable to Sagikor's interest.

On an acquisition by acquisition basis, the Group recognises, at the date of acquisition, the components of any non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's net identifiable assets. The latter option is only available if the non-controlling interest component is entitled to a proportionate share of net identifiable assets of the acquiree in the event of liquidation. For certain components of non-controlling interests, other IFRS may override the fair value option.

Non-controlling interest balances are subsequently re-measured by the non-controlling's proportionate share of changes in equity after the date of acquisition.

(b) Discontinued operation

In December 2012, the Group agreed to sell Sagikor Europe Limited, its subsidiary Sagikor at Lloyd's Limited and its interest in Lloyd's of London syndicate 1206. The decision to sell resulted in the closure of the Sagikor Europe operating segment and therefore met the criteria of a discontinued operation. The sale was concluded in December 2013.

(c) Sale of subsidiaries

On the sale of or loss of control of a subsidiary, the Group derecognises the related assets, liabilities, non-controlling interest and associated goodwill of the subsidiary. The Group reclassifies its share of balances of the subsidiary previously recognised in other comprehensive income either to income or to retained earnings as appropriate. The gain (or loss) on sale recorded in income is the excess (or shortfall) of the fair value of the consideration received over the derecognised and reclassified balances.

2.2 Basis of consolidation (continued)

(d) Associates and joint ventures

The investments in associated companies, which are not majority-owned or controlled but where significant influence exists, are included in these consolidated financial statements under the equity method of accounting. Investments in companies are accounted for as associates in instances when significant influence exists even though the shareholding may be less than 20%.

Investments in associate and joint venture companies are originally recorded at cost and include intangible assets identified on acquisition.

Accounting policies of associates and joint ventures have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group. Assets of certain associates include significant proportions of investment property and financial instruments invested in investment property which are carried at fair value in accordance with the valuation procedures outlined in note 2.5.

The Group recognises in income its share of associate and joint venture companies' post-acquisition income and its share of the amortisation and impairment of intangible assets which were identified on acquisition. Unrealised gains or losses on transactions between the Group and its associates and joint ventures are eliminated to the extent of the Group's interest.

The Group recognises in other comprehensive income, its share of post-acquisition other comprehensive income. The Group recognises an impairment of its net investment in an associate or a joint venture when there is objective evidence that the carrying amount exceeds its recoverable amount. The recoverable amount is the higher of the associate's or joint venture's fair value less costs to sell and its value in use.

2.2 Basis of consolidation (continued)**(e) Pension and investment funds**

Insurers have issued deposit administration and unit linked contracts in which the full return of the assets supporting these contracts accrues directly to the contract-holders. As these contracts are not operated under separate legal trusts, they have been consolidated in these financial statements.

The Group manages segregated pension funds, mutual funds and unit trusts. These funds are segregated and investment returns on these funds accrue directly to unitholders. Consequently, the assets, liabilities and activity of these funds are not included in these consolidated financial statements unless the Group has a significant holding in the fund. Where a significant holding exists, the Group either consolidates the assets, liabilities and activity of the fund and accounts for any non-controlling interest as a financial liability or accounts for the fund as an associate.

(f) Employees share ownership plan (ESOP)

The Company has established an ESOP Trust, which either acquires Company shares on the open market, or is allotted new shares by the Company. The Trust holds the shares on behalf of employees until the employees' retirement or termination from the Group. Until distribution to employees, shares held by the Trust are accounted for as treasury shares. All dividends received by the Trust are applied towards the future purchase of Company shares.

2.3 Foreign currency translation**(a) Functional and presentational currency**

Items included in the financial statements of each reporting unit of the Group are measured using the currency of the primary economic environment in which the entity operates (the functional currency). A reporting unit may be an individual subsidiary, a branch of a subsidiary or an intermediate holding company group of subsidiaries.

The consolidated financial statements are presented in thousands of United States dollars, which is the Group's presentational currency.

(b) Reporting units

The results and financial position of reporting units that have a functional currency other than the Group's presentational currency are translated as follows:

- (i) Income, other comprehensive income, movements in equity and cash flows are translated at average exchange rates for the year.
- (ii) Assets and liabilities are translated at the exchange rates ruling on December 31.
- (iii) Resulting exchange differences are recognised in other comprehensive income.

Currencies which are pegged to the United States dollar are converted at the pegged rates. Currencies which float are converted to the United States dollar by reference to the average of buying and selling rates quoted by the respective central banks. Exchange rates of the other principal operating currencies to the United States dollar are set out in the following table.

	2020 closing	2020 average	2019 closing	2019 average
Barbados dollar	2.0000	2.0000	2.0000	2.0000
Eastern Caribbean dollar	2.7000	2.7000	2.7000	2.7000
Jamaica dollar	142.4534	141.7506	132.5324	132.8772
Trinidad & Tobago dollar	6.7612	6.7462	6.7624	6.7510

2.3 Foreign currency translation (continued)

On consolidation, exchange differences arising from the translation of the net investment in foreign entities are recorded in other comprehensive income. On the disposal or loss of control of a foreign entity, such exchange differences are transferred to income.

Goodwill and other intangible assets recognised on the acquisition of a foreign entity are treated as assets of the foreign entity and translated at the rate ruling on December 31.

(c) Transactions and balances

Foreign currency transactions are translated into the functional currency at the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses, which result from the settlement of foreign currency transactions and from the retranslation of monetary assets and liabilities denominated in foreign currencies, are recognised in the income statement. Non-monetary assets and liabilities, primarily deferred policy acquisition costs and unearned premiums, are maintained at the transaction rates of exchange.

The foregoing exchange gains and losses which are recognised in the income statement are included in other revenue.

Exchange differences on the retranslation of the fair value of non-monetary items such as equities held at fair value through income are reported as part of the fair value gain or loss. Exchange differences on the retranslation of the fair value of non-monetary items such as equities held as FVOCI are reported as part of the fair value gain or loss in other comprehensive income.

2.4 Segments

Reportable operating segments have been defined in accordance with performance and resource allocation decisions of the Group's Chief Executive Officer.

2.5 Investment property

Investment property consists of freehold lands and freehold properties which are held for rental income and/or capital appreciation. Investment property is recorded initially at cost. In subsequent financial years, investment property is recorded at fair values as determined by independent valuation, with the appreciation or depreciation in value being taken to investment income. Fair value represents the price (or estimates thereof) that would be agreed upon in an orderly transaction between market participants at the valuation date. Fair values are derived using the market value approach and the income capitalisation approach, which reference market-based evidence, using comparable prices adjusted for specific factors such as nature, location and condition of property.

Investment property includes property partially owned by the Group and held under joint operations with third parties for which the Group recognises its share of the joint operation's assets, liabilities, revenues, expenses and cash flows.

Transfers to or from investment property are recorded when there is a change in use of the property. Transfers to owner-occupied property or to real estate developed for resale are recorded at the fair value at the date of change in use. Transfers from owner-occupied property are recorded at their fair value and any difference with carrying value at the date of change in use is dealt with in accordance with note 2.6.

Investment property may include property of which a portion is held for rental to third parties and the other portion is occupied by the Group. In such circumstances, the property is accounted for as an investment property if the Group's occupancy level is not significant in relation to the total available occupancy. Otherwise, it is accounted for as an owner-occupied property.

Rental income is recognised in accordance with note 2.10(a).

2.6 Property, plant and equipment

Property, plant and equipment are recorded initially at cost. Subsequent expenditure is capitalised when it will result in future economic benefits to the Group.

2.6 Property, plant and equipment (continued)

Owner-occupied properties and owner-managed hotel properties are re-valued at least every three years to their fair value as determined by independent valuation. Fair value represents the price (or estimates thereof) that would be agreed upon in an orderly transaction between market participants at valuation date. Revaluation of a property may be conducted more frequently if circumstances indicate that a significant change in fair value has occurred. Movements in fair value are reported in other comprehensive income, unless there is a cumulative depreciation in respect of an individual property, which is then recorded in income. Accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset.

Owner-occupied properties include property held under joint operations with third parties for which the Group recognises its share of the joint operation's assets, liabilities, revenues, expenses and cash flows. On the disposal of the property, the amount included in the fair value reserve is transferred to retained earnings.

The Group, as lessor, enters into operating leases with third parties to lease certain property, plant and equipment. Income from these activities is recognised in accordance with note 2.10(a) in accordance with IFRS 16 - Leases.

Depreciation is calculated on the straight-line method to write down the cost or fair value of property, plant and equipment to residual value over the estimated useful life. Estimated useful lives are reviewed annually and are as follows:

Asset	Estimated useful life
Owner-occupied buildings	40 to 50 years
Owner-managed hotel buildings	40 to 50 years
Furnishings and leasehold improvements	2 to 10 years, or lease term
Computer and office equipment	1 to 10 years
Vehicles	4 to 5 years
Right-of-use assets	1.5 to 12 years

Lands are not depreciated.

2.6 Property, plant and equipment (continued)

An impairment loss is recognised for the amount by which an asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and its value in use.

Gains or losses recognised in income on the disposal of property, plant and equipment are determined by comparing the net sale proceeds to the carrying value.

2.7 Intangible assets**(a) Goodwill**

Goodwill (defined in note 2.2(a)) arising from an acquisition of a subsidiary or insurance business is allocated to appropriate cash generating units which are defined by the Group's operating segments. Goodwill arising in a reportable operating segment is allocated to that segment. Goodwill arising in a Group entity, which is not within a reportable operating segment, is allocated to that entity's own operations, or, if that entity is managed in conjunction with another Group entity, to their combined operations.

Goodwill arising from an investment in an associate is included in the carrying value of the investment.

Goodwill is tested annually for impairment and whenever there is an indication of impairment. Goodwill is carried at cost less accumulated impairment. An impairment loss is recognised for the amount by which the carrying amount of goodwill exceeds its recoverable amount. The recoverable amount is the higher of an operating segment's (or operation's) fair value less costs to sell and its value in use.

On the disposal of a subsidiary or insurance business, the associated goodwill is derecognised and is included in the gain or loss on disposal. On the disposal of a subsidiary or insurance business forming part of a reportable operating segment, the proportion of goodwill disposed is the proportion of the fair value of the asset disposed to the total fair value of the operating segment.

2.7 Intangible assets (continued)**(b) Other intangible assets**

Other intangible assets identified on acquisition are recognised only if future economic benefits attributable to the asset will flow to the Group and if the fair value of the asset can be measured reliably. In addition, for the purposes of recognition, the intangible asset must be separable from the business being acquired or must arise from contractual or legal rights. Intangible assets acquired in a business combination are initially recognised at their fair value.

Other intangible assets, which have been acquired directly, are recorded initially at cost.

On acquisition, the useful life of the asset is estimated. If the estimated useful life is definite, then the cost of the asset is amortised over its life, and the asset is tested for impairment when there is evidence of same. If the estimated useful life is indefinite, the asset is tested annually for impairment. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. The estimated useful lives of recognised intangible assets are as follows:

Class of intangible asset	Asset	Estimated useful life
Customer-related	Customer relationships	5 - 20 years
	Broker relationships	10 years
	Trade Names	10 years
Contract-based	Licences	15 years
Technology-based	Software	2 - 5 years

2.8 Real estate developed or held for resale

Lands being made ready for resale along with the cost of infrastructural works are classified as real estate held for resale and are stated at the lower of carrying value and fair value less costs to sell. Real estate acquired through foreclosure is classified as real estate held for resale and is stated at the lower of carrying value and fair value less costs to sell.

Gains and losses realised on the sale of real estate are included in revenue at the time of sale.

2.9 Financial investments**(a) Classification of financial assets**

The Group utilises a principles-based approach to the classification of financial assets. Debt instruments, including hybrid contracts, are measured at fair value through profit or loss ("FVTPL"), fair value through other comprehensive income ("FVOCI") or amortised cost based on the nature of the cash flows of these assets and the Group's business model. Equity instruments are measured at FVTPL, unless they are not held for trading purposes, in which case an irrevocable election can be made on initial recognition to measure them at FVOCI with no subsequent reclassification to profit or loss.

Financial assets are measured on initial recognition at fair value and are classified as and subsequently measured either at amortised cost, at FVOCI or at FVTPL. Financial assets are recognised when the Group becomes a party to the contractual provision of the instrument. Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset.

(b) Classification of debt instruments

Classification and subsequent measurement of debt instruments depend on:

- the Group's business model for managing the asset; and
- the cash flow characteristics of the asset.

Based on these factors, the Group classifies its debt instruments into one of the following three measurement categories.

Measured at amortised cost

Debt instruments that are held to collect the contractual cash flows and that contain contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest, such as most loans and advances to banks and customers and some debt securities, are measured at amortised cost. In addition, most financial liabilities are measured at amortised cost. The carrying value of these financial assets at initial recognition includes any directly attributable transactions costs.

2.9 Financial investments (continued)Measured at fair value through other comprehensive income (FVOCI)

Debt instruments held for a business model that is achieved by both collecting contractual cash flows and selling and that contain contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest are measured at FVOCI. These comprise primarily debt securities and money market funds.

Measured at fair value through profit and loss (FVTPL)

Debt instruments are classified in this category if they meet one or more of the criteria set out below and are so designated irrevocably at inception:

- the use of the designation removes or significantly reduces an accounting mismatch;
- when the performance of a group of financial assets is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy;
- when the debt instruments are held for trading and are acquired principally for the purpose of selling in the short-term or if they form part of a portfolio of financial assets in which there is evidence of short-term profit-taking.

Business model assessment

Business models are determined at the level which best reflects how the Group manages portfolios of assets to achieve business objectives. Judgement is used in determining business models, which is supported by relevant, objective evidence including:

- The nature of liabilities, if any, funding a portfolio of assets;
- The nature of the market of the assets in the country of origination of a portfolio of assets;
- How the Group intends to generate profits from holding a portfolio of assets;
- The historical and future expectations of asset sales within a portfolio.

2.9 Financial investments (continued)Solely payments of principal and interest ("SPPI")

Where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell, the Group assesses whether the financial instruments' cash flows represent solely payments of principal and interest. In making this assessment, the Group considers whether the contractual cash flows are consistent with a basic lending arrangement. Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related financial assets are classified and measured at FVTPL.

(c) Unit linked funds fair value model

The Group's liabilities include unit linked funds which are components of insurance contracts issued or unit linked investment contracts issued with terms that the full investment return earned on the backing assets accrue to the contract-holders. Where these liabilities are accounted for at FVTPL, the financial investments backing these liabilities are consequently classified as and measured at FVTPL. This is to eliminate any accounting mismatch.

(d) Impairment of financial assets measured at amortised cost and FVOCI

At initial recognition of a financial asset, allowance (or provision in the case of some loan commitments and financial guarantees) is required for Expected Credit Losses (ECL) resulting from default events that are possible within the next 12 months (or less, where the remaining life is less than 12 months) ('12-month ECL').

2.9 Financial investments (continued)

In the event of a significant increase in credit risk (SICR), an allowance (or provision) is required for ECL resulting from all possible default events over the expected life of the financial instrument ('lifetime ECL'). Financial assets where 12-month ECL are recognised are defined as 'Stage 1'; financial assets which are considered to have experienced a significant increase in credit risk are in 'Stage 2'; and financial assets for which there is objective evidence of impairment are defined as being in default or otherwise credit-impaired are in 'Stage 3'. Purchased or originated credit-impaired financial assets ("POCI") are treated differently as set out below.

To determine whether the lifetime credit risk has increased significantly since initial recognition, the Group considers reasonable and supportable information that is available, including information from the past and forward-looking information. Factors, such as whether payments of principal and interest are in default, an adverse change in credit rating of the borrower and adverse changes in the borrower's industry and economic environment, are considered in determining whether there has been a significant increase in the credit risk of the borrower.

(e) Purchased or originated credit-impaired assets (POCI)

Financial assets that are purchased or originated at a deep discount that reflects the incurred credit losses are considered to be POCI. These financial assets are credit-impaired on initial recognition. The Group calculates the credit-adjusted effective interest rate, which is calculated based on the fair value origination of the financial asset instead of its gross carrying amount and incorporates the impact of expected credit losses in estimated future cash flows. The ECL of these assets is always measured on a lifetime basis.

At each reporting date, the Group shall recognise in profit or loss the amount of the change in lifetime expected credit losses as an impairment gain or loss. The Group will recognise favourable changes in lifetime expected credit losses as an impairment gain, the gain occurs when the lifetime expected credit losses are less than the amount of expected credit losses that were included in the estimated cash flows on initial recognition.

2.9 Financial investments (continued)**(f) Definition of default**

The Group determines that a financial instrument is credit-impaired and in Stage 3 by considering relevant objective evidence, primarily whether:

- contractual payments of either principal or interest are past due for 90 days or more;
- there are other indications that the borrower is unlikely to pay such as that a concession has been granted to the borrower for economic or legal reasons relating to the borrower's financial condition; and
- the financial asset is otherwise considered to be in default.

If such unlikeliness to pay is not identified at an earlier stage, it is deemed to occur when an exposure is 90 days past due.

(g) Write-off

Financial assets (and the related impairment allowances) are normally written off, either partially or in full, when there is no realistic prospect of recovery. Where loans are secured, this is generally after receipt of any proceeds from the realisation of security. In circumstances where the net realisable value of any collateral has been determined and there is no reasonable expectation of further recovery, write-off may be earlier.

(h) The general approach to recognising and measuring ECL

The measurement of ECL reflects:

- An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- The time value of money;
- Reasonable and supportable information that is available without undue cost or effort, at the reporting date, about past events, current conditions and forecasts of future economic conditions.

2.9 Financial investments (continued)

Measurement

Expected credit losses are calculated by multiplying three main components, being the probability of default ("PD"), loss given default ("LGD") and the exposure at default ("EAD"), discounted at the original effective interest rate. Management has calculated these inputs based on the historical experience of the portfolios adjusted for the current point in time. A simplified approach to calculating the ECL is applied to contract and other receivables which do not contain a significant financing component. Generally, these receivables are due within 12 months unless there are extenuating circumstances. Under this approach, an estimate is made of the lifetime ECL on initial recognition (i.e. Stage 3). For ECL provisions modelled on a collective basis, a grouping of exposures is performed on the basis of shared risk characteristics, such that risk exposures within a group are homogeneous.

The PD, LGD and EAD models which support these determinations are reviewed regularly in light of differences between loss estimates and actual loss experience; but given that IFRS 9 requirements have only been applied since January 1, 2018, the historical period for such review is limited. Therefore, the underlying models and their calibration, including how they react to forward-looking economic conditions, remain subject to review and refinement. This is particularly relevant for lifetime PDs, which have not been previously used in regulatory modelling, and for the incorporation of 'downside scenarios' which have not generally been subject to experience gained through stress testing. The exercise of judgement in making estimations requires the use of assumptions which are highly subjective and sensitive to the risk factors, and particularly to changes in economic and credit conditions across wide geographical areas. Many of the factors have a high degree of interdependency and there is no single factor to which loan impairment allowances are sensitive. Therefore, sensitivities are considered in relation to key portfolios which are particularly sensitive to a few factors and the results should not be further extrapolated.

The main difference between Stage 1 and Stage 2 expected credit losses is the respective PD horizon. Stage 1 estimates will use a maximum of a 12-month PD while Stage 2 estimates will use a lifetime PD. Stage 3 estimates will continue to leverage pre-January 1, 2018 processes for estimating losses on impaired loans; however, these processes will be updated as experience develops, including the requirement to consider multiple forward-looking scenarios. An expected credit loss estimate will be produced for each individual exposure, including amounts which are subject to a more simplified model for estimating expected credit losses.

2.9 Financial investments (continued)

The measurement of expected credit losses for each stage and the assessment of significant increases in credit risk must consider information about past events and current conditions as well as reasonable and supportable forecasts of future events and economic conditions. The estimation and application of forward-looking information will require significant judgment.

For a revolving commitment, the Group includes the current drawn balance plus any further amount that is expected to be drawn up to the current contractual limit by the time of default, should it occur.

For defaulted financial assets, based on management's assessment of the borrower, a specific provision of expected lifetime losses which incorporates collateral recoveries, is calculated and recorded as the ECL. The resulting ECL is the difference between the carrying amount and the present value of expected cash flows discounted at the original effective interest rate.

Forward-looking information

The estimation and application of forward-looking information will require significant judgment. PD, LGD and EAD inputs used to estimate Stage 1 and Stage 2 credit loss allowances are modelled based on the macroeconomic variables (or changes in macroeconomic variables) that are most closely correlated with credit losses in the relevant portfolio.

Each macroeconomic scenario used in the expected credit loss calculation will have forecasts of the relevant macroeconomic variables – including, but not limited to, unemployment rates and gross domestic product, for a three-year period, subsequently reverting to long-run averages. Our estimation of expected credit losses in Stage 1 and Stage 2 will be a discounted probability-weighted estimate that considers a minimum of three future macroeconomic scenarios. Our base case scenario will be based on macroeconomic forecasts where available. Upside and downside scenarios will be set relative to our base case scenario based on reasonably possible alternative macroeconomic conditions.

2.9 Financial investments (continued)

Scenario design, including the identification of additional downside scenarios will occur on at least an annual basis and more frequently if conditions warrant. Scenarios will be probability-weighted according to our best estimate of their relative likelihood based on historical frequency and current trends and conditions. Probability weights will be updated on a quarterly basis.

(i) Modification of loans

The Group sometimes renegotiates or otherwise modifies the contractual cash flows of loans to customers and debt instruments. When this happens, the Group assesses whether the new terms are substantially different from the original terms. The Group does this by considering, among others, the following factors:

- If the borrower is in financial difficulty, whether the modification merely reduces the contractual cash flow to amounts the borrower is expected to be able to pay.
- Whether any substantial new terms are introduced, such as a profit-share/equity-based return that substantially affects the risk profile of the loan.
- Significant extension of the loan term when the borrower is not in financial difficulty.
- Significant change in the interest rate.
- Change in the currency in which the loan is denominated.
- Insertion of collateral, other security or credit enhancements that significantly affect the credit risk associated with the loan.

If the terms are substantially different, the Group derecognises the original financial investment and recognises a new investment at fair value and recalculates the new effective interest rate for the investment. The date of negotiation is consequently considered to be the date of initial recognition for impairment calculation purposes and the purpose of determining if there has been a significant increase in credit risk.

(j) Reclassified balances

The Group reclassifies debt securities when and only where its business model for managing those investments changes. The reclassification takes place from the start of the first reporting period following the change. Such changes are expected to be very infrequent.

2.9 Financial investments (continued)**(k) Classification of equity instruments**

The Group classifies and subsequently measures all equity investments at FVTPL, except where the Group's management has elected, at initial recognition, to irrevocably designate an equity investment at FVOCI. The Group's policy is to designate equity investments as FVOCI when those investments are held for purposes other than to generate investment returns.

(l) Embedded derivatives

The Group may hold debt securities and preferred equity securities which may contain embedded derivatives. The embedded derivative of a financial investment is classified in the same manner as the host contract.

(m) Presentation in the statements of income and other comprehensive income (OCI)**Financial instruments measured at FVTPL**

Realised changes in fair value, unrealised changes in fair value, interest income and dividend income are included in other investment income.

Financial instruments at amortised cost

- Interest income is included in interest income earned from financial assets measured at amortised cost in the consolidated statement of income.
- Credit impairment losses are included in the consolidated statement of income.
- Gain or loss on derecognition of debt securities is presented in the consolidated statement of income.

Financial instruments measured at FVOCI

- Interest income is included in interest income earned from financial assets measured at FVOCI in the consolidated statement of income.
- Credit impairment losses are included in the consolidated statement of income.
- Unrealised gains and losses arising from changes in fair value are presented in OCI.
- On derecognition, the cumulative fair value gain or loss is transferred from OCI and is presented in the consolidated statement of income.

2.9 Financial investments (continued)

Equity securities measured at FVOCI

- Dividend income is included in other investment income.
- Unrealised changes in fair value presented in OCI. Any impairment losses are included with fair value changes.
- On derecognition, the cumulative gain or loss in OCI remains in the fair value reserve for FVOCI assets.

2.10 Leases

(a) Leases held as lessor

The Group holds finance leases with third parties to lease assets. Finance leases are leases in which the Group has transferred substantially the risks of ownership to the lessee. The finance lease, net of unearned finance income, is recorded as a receivable and the finance income is recognised over the term of the lease using the effective yield method. Impairment of finance lease receivables is measured in accordance with the requirements for amortised cost debt instruments.

The Group holds operating leases primarily for the rental of investment property and certain owner-occupied property. The Group recognises revenue from these activities on a straight-line basis or on another systematic basis if that basis is more representative of the pattern of use of the underlying asset.

(b) Leases held as lessee

At the inception of a rental contract for office space or a contract for the use of an asset, the Group assesses whether the contract contains a lease. A contract is, or contains, a lease if it conveys to the Group the right to control the use of the office space or asset for a time period in exchange for consideration. The Group has elected to use the exemption for lease periods with a term of 12 months or less, or those leases for which the underlying asset has a low value, in which case the lease payments are recognised in administrative expenses. Low value assets comprise IT equipment and small items of office furniture.

2.10 Leases (continued)

For a contract that contains a lease, the Group may account for the lease component separately from the non-lease component. As a practical expedient, the Group elected, by class of underlying asset, not to separate the non-lease and lease components, and instead account for the contract as a lease.

As of the date the asset is available for use by the Group (the commencement date), a right-of-use asset and a corresponding lease liability are recognised.

The cost of the right-of-use asset comprises:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- restoration costs.

The Group recognises the costs described in paragraph (d) as part of the cost of the right-of-use asset when it incurs an obligation for those costs.

Right-of-use assets are presented within property, plant and equipment and are subsequently measured at cost less depreciation. Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

At the commencement date, the Group measures the lease liability as the present value of the lease payments that are not paid at that date. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

2.10 Leases (continued)

At the commencement date, the lease payments included in the measurement of the lease liability comprise the following payments for the right to use the underlying asset during the lease term that are not paid at the commencement date:

- (a) fixed payments, less any lease incentives receivable;
- (b) amounts expected to be payable by the lessee under residual value guarantees;
- (c) payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

Extension and termination options are included in a number of property and equipment leases across the Group. These terms are used to maximise operational flexibility in terms of managing contracts. The extension and termination options need to be approved by the lessor. There are no variable lease payments and there were no residual value guarantees on leases.

Lease payments are allocated between principal and finance cost. The Group recognises interest on the lease liability in each accounting period during the lease term, which is the amount that produces a constant periodic rate of interest on the remaining balance of the lease liability.

After the commencement date, the lease liability is measured by:

- (a) increasing the carrying amount to reflect interest on the lease liability;
- (b) reducing the carrying amount to reflect the principal portion of lease payments made; and
- (c) remeasuring the carrying amount to reflect reassessment or lease modifications, or to reflect revised fixed lease payments.

Lease liabilities are included in lease liabilities in the statement of financial position. The associated interest is included in finance costs in the statement of income. Leases give rise to lease liability principal elements and interest elements in the statement of cash flows.

2.11 Financial liabilities

During the ordinary course of business, the Group issues investment contracts or otherwise assumes financial liabilities that expose the Group to financial risk.

Classification

Financial liabilities are measured at initial recognition at fair value and are classified as and subsequently measured either at amortised cost, or at fair value through profit and loss (FVTPL). Financial liabilities are recognised when the Group becomes a party to the contractual provision of the instrument.

Financial liabilities are derecognised when they are extinguished (i.e. when the obligation specified in the contract is discharged, cancelled or expires).

The financial liabilities described under the unit linked fair value model (note 2.9 (c)) are classified and measured at FVTPL as the Group is obligated to provide investment returns to the unit holder in direct proportion to the investment returns on a specific portfolio of assets, which are also carried at FVTPL. Derivative financial liabilities are carried at FVTPL (note 2.12). All other financial liabilities are carried at amortised cost. It is noted that the financial liabilities measured at FVTPL do not have a cumulative own credit adjustment gain or loss.

The recognition and measurement of the Group's principal types of financial liabilities are disclosed in note 2.14(b) (vii) and in the following paragraphs.

(a) Securities sold for repurchase

Securities sold for repurchase are treated as collateralised financing transactions and are recorded at the amount at which the securities were sold. Securities sold subject to repurchase are not derecognised but are treated as pledged assets when the transferee has the right by contract or custom to sell or repledge the collateral. The difference between the sale and repurchase price is treated as interest and is accrued over the life of the agreements using the effective yield method.

The liability is extinguished when the obligation specified in the contract is discharged, assigned, cancelled or has expired.

2.11 Financial liabilities (continued)

(b) Deposit liabilities

Deposits are recognised initially at fair value and are subsequently stated at amortised cost using the effective yield method.

(c) Loans and other debt obligations

Loans and other debt obligations are recognised initially at fair value, being their issue proceeds, net of transaction costs incurred. Subsequently, obligations are stated at amortised cost and any difference between net proceeds and the redemption value is recognised in the income statement over the period of the loan obligations using the effective yield method.

Obligations undertaken for the purposes of financing operations and capital support are classified as notes or loans payable. Loan obligations undertaken for the purposes of providing funds for on-lending, leasing or portfolio investments are classified as deposit and security liabilities.

(d) Fair value

Fair value amounts represent the price (or estimates thereof) that would be agreed upon in an orderly transaction between market participants at valuation date.

(e) Presentation in the statement of income

For notes and loans payable measured at amortised cost, the associated interest is included in finance costs.

For deposit and security liabilities measured at amortised cost, the associated interest expense is included within interest costs.

For financial liabilities measured at FVTPL, the associated interest and fair value changes are included within interest costs.

2.12 Derivative financial instruments and hedging activities

Derivatives are financial instruments that derive their value from the price of underlying items such as equities, bonds, interest rates, foreign exchange, credit spreads, commodities or other indices. Derivatives enable users to increase, reduce or alter exposure to credit or market risk. The Group transacts derivatives for three primary purposes: to create risk management solutions for customers, for proprietary trading purposes, and to manage its own exposure to credit and market risk.

Derivative financial instruments are initially recognised at fair value on the date a derivative contract is entered into, and subsequently are re-measured at their fair value at each financial statement date. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. Fair values are obtained from quoted market prices, discounted cash flow models and option pricing models as appropriate.

The Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as risk management objectives and strategies for undertaking various hedging transactions. The Group also documents its assessments, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

For cash flow hedges, gains and losses relating to the effective portion of changes in the fair value of derivatives are initially recognised in other comprehensive income; and are transferred to the statement of income when the forecast cash flows affect income. The gain or loss relating to the ineffective portion is recognised immediately in the statement of income.

Gains and losses from changes in the fair value of derivatives that do not qualify for hedge accounting are included in net investment income or interest expense.

2.13 Offsetting financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position when there is a legally enforceable right to offset and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

2.14 Policy contracts

(a) Classification

The Group issues policy contracts that transfer insurance risk and/or financial risk from the policyholder.

The Group defines insurance risk as an insured event that could cause an insurer to pay significant additional benefits in a scenario that has a discernible effect on the economics of the transaction.

Insurance contracts transfer insurance risk and may also transfer financial risk. Once a contract has been classified as an insurance contract, it remains an insurance contract for its duration, even if the insurance risk reduces significantly over time. Investment contracts transfer financial risk and no significant insurance risk. Financial risk includes credit risk, liquidity risk and market risk.

A reinsurance contract is an insurance contract in which an insurance entity cedes assumed risks to another insurance entity.

2.14 Policy contracts (continued)

Certain insurance contracts contain a discretionary participation feature. A discretionary participation feature entitles the holder to receive, supplementary to the main benefit, additional benefits or bonuses:

- that are likely to be a significant portion of the total contractual benefits;
- for which the amount or timing is contractually at the discretion of management; and
- that are contractually based on
 - the performance of a specified pool of contracts;
 - investment returns on a specified pool of assets held by the insurer; or
 - the profit or loss of a fund or insurer issuing the contract.

Policy bonuses and policy dividends constitute discretionary participation features which the Group classifies as liabilities.

Residual gains in the participating accounts constitute discretionary participation features which the Group classifies as equity (see also note 2.21).

(b) Recognition and measurement

(i) Property and casualty insurance contracts

Property and casualty insurance contracts are generally one-year renewable contracts issued by the insurer covering insurance risks over property, motor, accident and liability.

Property insurance contracts provide coverage for the risk of property damage or of loss of property. Commercial property, homeowners' property, motor and certain marine property are common types of risks covered. For commercial policyholders, insurance may include coverage for loss of earnings arising from the inability to use property which has been damaged or lost.

Casualty insurance contracts provide coverage for the risk of causing physical harm or financial loss to third parties. Personal accident, employers' liability, public liability, product liability and professional indemnity are common types of casualty insurance.

2.14 Policy contracts (continued)

Premium revenue is recognised as earned on a pro-rated basis over the term of the respective policy coverage. If alternative insurance risk exposure patterns have been established over the term of the policy coverage, then premium revenue is recognised in accordance with the risk exposure. The provision for unearned premiums represents the portion of premiums written relating to the unexpired terms of coverage.

Claims and loss adjustment expenses are recorded as incurred. Claim reserves are established for both reported and unreported claims. Claim reserves represent estimates of future payments of claims and related expenses less anticipated recoveries with respect to insured events that have occurred up to the date of the financial statements.

An insurer may obtain reinsurance coverage for its property and casualty insurance risks. The reinsurance ceded premium is expensed on a pro-rata basis over the term of the respective policy coverage or of the reinsurance contract as appropriate. Reinsurance claim recoveries are established at the time of the recording of the claim liability and are computed on a basis which is consistent with the computation of the claim liability. Profit-sharing commission due to the Group is accrued as commission income when there is reasonable certainty of earned profit.

Commissions and premium taxes payable are recognised on the same basis as premiums earned. At the date of the financial statements, commissions and premium taxes attributable to unearned premiums are recorded as deferred policy acquisition costs. Profit-sharing commission payable by the Group arises from contracts between an insurer and a broker; it is accrued on an individual contract basis and recognised when the reinsurance premium is recorded.

(ii) Health insurance contracts

Health insurance contracts are generally one-year renewable contracts issued by the insurer covering insurance risks for medical expenses of insured persons.

Premium revenue is accrued when due for contracts where the premium is billed monthly. For contracts where the premium is billed annually or semi-annually, premium revenue is recognised as earned on a pro-rata basis over the term of the respective policy coverage. The provision for unearned premiums represents the portion of premiums written relating to the unexpired terms of coverage.

2.14 Policy contracts (continued)

Claims are recorded on settlement. Reserves are recorded as described in note 2.15.

An insurer may obtain reinsurance coverage for its health insurance risks. The reinsurance ceded premium is expensed on a pro-rata basis over the term of the respective policy coverage or of the reinsurance contract as appropriate.

Commissions and premium taxes payable are recognised on the same basis as premiums earned.

(iii) Long-term traditional insurance contracts

Long-term traditional insurance contracts are generally issued for fixed terms of five years or more, or for the remaining life of the insured. Benefits are typically a death, disability or critical illness benefit, a cash value on termination and/or a monthly annuity. Annuities are generally payable until the death of the beneficiaries with a proviso for a minimum number of payments. Some of these contracts have a discretionary participation feature in the form of regular bonuses or dividends. Other benefits such as disability and waiver of premium on disability may also be included in these contracts. Some contracts may allow for the advance of policy loans to the policyholder and may also allow for dividend withdrawals by the policyholder during the life of the contract.

Premium revenue is recognised when due. Typically, premiums are fixed and are required to be paid within the due period for payment. If premiums are unpaid, either the contract may terminate, an automatic premium loan may settle the premium, or the contract may continue at a reduced value.

Policy benefits are recognised on the notification of death, disability or critical illness, on the termination or maturity date of the contract, on the declaration of a cash bonus or dividend, or on the annuity payment date. Policy loans advanced are recorded as loans and receivables in the financial statements and are secured by the cash values of the respective policies. Policy bonuses may be "non-cash" and utilised to purchase additional amounts of insurance coverage. Accumulated cash bonuses and dividends are recorded as interest-bearing policy balances.

Reserves for future policy liabilities are recorded as described in note 2.15.

2.14 Policy contracts (continued)

An insurer may obtain reinsurance coverage for death benefit insurance risks. Typically, coverage is obtained for individual coverage exceeding prescribed limits. The reinsurance premium is expensed when due, which generally coincides with when the policy premium is due. Reinsurance claim recoveries are established at the time of claim notification.

Commissions and premium taxes payable are recognised on the same basis as earned premiums.

(iv) Long-term universal life and unit linked insurance contracts

Universal life and unit linked insurance contracts are generally issued for fixed terms or for the remaining life of the insured. Benefits are typically a death, disability or critical illness benefit, a cash value on termination and/or a monthly annuity. Annuities are generally payable until the death of the beneficiaries with a proviso for a minimum number of payments. Benefits may include amounts for disability or waiver of premium on disability.

Universal life and unit linked contracts have either an interest-bearing investment account or unit linked investment accounts. Either gross premiums or gross premiums net of allowances are deposited to the investment accounts. Investment returns which are credited to the investment accounts and expenses, not included in the afore-mentioned allowances, are debited to the investment accounts. Interest-bearing investment accounts may include provisions for minimum guaranteed returns or returns based on specified investment indices. Allowances and expense charges are in respect of applicable commissions, cost of insurance, administrative expenses and premium taxes. Fund withdrawals may be permitted.

Premium revenue is recognised when received and consists of all monies received from the policyholders. Typically, premiums are fixed at the inception of the contract or periodically thereafter, but additional non-recurring premiums may be paid.

Policy benefits are recognised on the notification of death, disability or critical illness, on the receipt of a withdrawal request, on the termination or maturity date of the contract, or on the annuity payment date. Reserves for future policy liabilities are recorded as described in note 2.15.

2.14 Policy contracts (continued)

An insurer may obtain reinsurance coverage for death benefit insurance risks. Typically, coverage is obtained for individual coverage exceeding prescribed limits. The reinsurance premium is expensed when due, which generally coincides with when the policy premium is due. Reinsurance claims recoveries are established at the time of claim notification.

Commissions and premium taxes payable are generally recognised only on settlement of premiums.

(v) Reinsurance contracts assumed

Reinsurance contracts assumed by an insurer are accounted for in a similar manner as if the insurer has assumed the risk directly from a policyholder.

Reinsurance contracts assumed include blocks of life and annuity policies assumed from third party insurers. In some instances, the Group also administers these policies.

(vi) Reinsurance contracts held

As noted in sections (i) to (iv) above, an insurer may obtain reinsurance coverage for insurance risks underwritten. The Group cedes insurance premiums and risk in the normal course of business in order to limit the potential for losses arising from its exposures. Reinsurance does not relieve the originating insurer of its liability.

Reinsurance contracts held by an insurer are recognised and measured in a similar manner to the originating insurance contracts and in accordance with the contract terms. Reinsurance premium ceded and reinsurance recoveries on claims are offset against premium revenue and policy benefits in the income statement.

The benefits to which an insurer is entitled under its reinsurance contracts held are recognised as reinsurance assets or receivables. Reinsurance assets and receivables are assessed for impairment. If there is evidence that the asset or receivable is impaired, the impairment is recorded in the statement of income. The obligations of an insurer under reinsurance contracts held are included in accounts payable and accrued liabilities and in actuarial liabilities.

Reinsurance balances are measured consistently with the insurance liabilities to which they relate.

2.14 Policy contracts (continued)*(vii) Deposit administration and other investment contracts*

Deposit administration contracts are issued by an insurer to registered pension schemes for the deposit of pension plan assets with the insurer.

Deposit administration liabilities are recognised initially at fair value and are subsequently stated at:

- amortised cost where the insurer is obligated to provide investment returns to the pension scheme in the form of interest;
- fair value through profit and loss (FVTPL) where the insurer is obligated to provide investment returns to the pension scheme in direct proportion to the investment returns on specified blocks of assets.

Deposit administration contributions are recorded directly as liabilities. Withdrawals are deducted directly from the liability. The interest or investment return provided is recorded as an interest expense.

In addition, the Group may provide pension administration services to the pension schemes. The Group earns fee income for both pension administration and investment services.

Other investment contracts are recognised initially at fair value and are subsequently stated at amortised cost and are accounted for in the same manner as deposit administration contracts which are similarly classified.

(c) Embedded derivatives

Certain insurance contracts contain embedded derivatives which are options for which value may vary in response to changes in interest rates or other market variables.

The Group does not separately measure embedded derivatives that are closely related to the host insurance contract or that meet the definition of an insurance contract. Options to surrender an insurance contract for a fixed amount are also not measured separately. In these cases, the entire contract liability is measured as set out in note 2.15.

2.14 Policy contracts (continued)*(d) Liability adequacy tests*

At the date of the financial statements, liability adequacy tests are performed by each insurer to ensure the adequacy of insurance contract liabilities, using current estimates of the related expected future cash flows. If a test indicates that the carrying value of insurance contract liabilities is inadequate, then the liabilities are adjusted to correct the deficiency. The deficiency is included in the income statement under benefits.

2.15 Actuarial liabilities*(a) Life insurance and annuity contracts*

The determination of actuarial liabilities of long-term insurance contracts has been done using approaches consistent with the principles of the Canadian standards of practice. These liabilities consist of the amounts that, together with future premiums and investment income, are required to provide for future policy benefits, expenses and taxes on insurance and annuity contracts. Canadian standards may change from time to time, but infrequently.

The process of calculating life insurance and annuity actuarial liabilities for future policy benefits necessarily involves the use of estimates concerning such factors as mortality and morbidity rates, future investment yields, future expense levels and persistency, including reasonable margins for adverse deviations. As experience unfolds, these resulting provisions for adverse deviations will be included in future income to the extent they are released when they are no longer required to cover adverse experience. Assumptions used to project benefits, expenses and taxes are based on insurer and industry experience and are updated annually.

2.15 Actuarial liabilities (continued)

Net insurance contract liabilities represent the amount which, together with estimated future premiums and net investment income, will be sufficient to pay projected future benefits, policyholder dividends and refunds, taxes (other than income taxes) and expenses on policies in-force net of reinsurance premiums and recoveries.

The determination of net insurance liabilities is based on an explicit projection of cash flows using current assumptions plus a margin for adverse deviation for each material cash flow item. Investment returns are projected using the current asset portfolios and projected reinvestment yields. The period used for the projection of cash flows is the policy lifetime for most individual insurance contracts.

The Group segments assets to support liabilities by major product segment and geographic market and establishes investment strategies for each liability segment. Projected net cash flows from these assets and the policy liabilities being supported by these assets are combined with projected cash flows from future asset purchases to determine expected rates of return on these assets for future years. Investment strategies are based on the target investment policies for each segment and the reinvestment returns are derived from current and projected market rates for fixed income investments. Investment return assumptions for each asset class make provision for expected future asset credit losses, expected investment management expenses and a margin for adverse deviation.

Under this methodology, assets of each insurer are selected to back its actuarial liabilities. Changes in the carrying value of these assets may generate corresponding changes in the carrying amount of the associated actuarial liabilities. These assets include financial investments, for which unrealised gains or losses in fair value are recorded in other comprehensive income. The fair value reserve for actuarial liabilities has been established in the statement of changes in equity for the accumulation of changes in actuarial liabilities which are recorded in other comprehensive income and which arise from recognised unrealised gains or losses in FVOCI.

2.15 Actuarial liabilities (continued)

Certain life insurance policies issued by the insurer contain equity-linked policy side funds. The investment returns on these unitised funds accrue directly to the policies with the insurer assuming no credit risk. Investments held in these side funds are accounted for as financial assets at fair value through profit and loss and unit values of each fund are determined by dividing the value of the assets in the fund at the date of the financial statements by the number of units in the fund. The resulting liability is included in actuarial liabilities.

(b) Health insurance contracts

The actuarial liabilities of health insurance policies are estimated in respect of claims that have been incurred but not yet reported or settled.

2.16 Presentation of current and non-current assets and liabilities

In note 41.5, the maturity profiles of financial and insurance assets and liabilities are identified. For other assets and liabilities, balances presented in notes 5 to 8, 10 to 12, 14, 18, 19 and 33 are non-current unless otherwise stated in those notes.

2.17 Employee benefits

(a) Pension benefits

Group companies have various pension schemes in place for their employees. Some schemes are defined benefit plans and others are defined contribution plans.

The liability in respect of defined benefit plans is the present value of the defined benefit obligation at December 31 less the fair value of plan assets. The defined benefit obligation is computed using the projected unit credit method. The present value of the defined benefit obligation is determined by the estimated future cash outflows using appropriate interest rates on government bonds for the maturity dates and currency of the related liability.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to other comprehensive income and retained earnings or non-controlling interest in the period in which they arise. Past service costs are charged to income in the period in which they arise.

For defined contribution plans, the Group pays contributions to the pension schemes on a mandatory or contractual basis. Once paid, the Group has no further payment obligations. Contributions are recognised in income in the period in which they are due.

Where a minimum funding requirement exists, the Group assesses the obligation, to determine whether the additional contributions would affect the measurement of the defined benefit asset or liability.

(b) Other retirement benefits

Certain Group subsidiaries provide supplementary health and life insurance benefits to qualifying employees upon retirement. The entitlement to these benefits is usually based on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment, using an accounting methodology similar to that for defined benefit pension plans. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to other comprehensive income and retained earnings or non-controlling interest in the period in which they arise.

2.17 Employee benefits (continued)

(c) Profit-sharing and bonus plans

The Group recognises a liability and an expense for bonuses and profit-sharing, based on various profit and other objectives of the Group or of individual subsidiaries. An accrual is recognised where there are contractual obligations or where past practice has created a constructive obligation.

(d) Equity compensation benefits

The Group has a number of share-based compensation plans in place for administrative, sales and managerial staff.

(i) Equity-settled share-based transactions with staff

The services received in an equity-settled transaction with staff are measured at the fair value of the equity instruments granted. The fair value of those equity instruments is measured at grant date.

If the equity instruments granted vest immediately and the individual is not required to complete a further period of service before becoming entitled to those instruments, the services received are recognised in full on grant date in the income statement for the period, with a corresponding increase in equity.

Where the equity instruments do not vest until the individual has completed a further period of service, the services received are expensed in the income statement during the vesting period, with a corresponding increase in the reserve for equity compensation benefits or in non-controlling interest.

Non-market vesting conditions are included in assumptions about the number of instruments that are expected to vest. At each reporting financial statement date, the Group revises its estimates of the number of instruments that are expected to vest based on the non-marketing vesting conditions and adjusts the expense accordingly.

Amounts held in the reserve for equity compensation benefits are transferred to share capital or non-controlling interest either on the distribution of share grants or on the exercise of share options.

2.17 Employee benefits (continued)

The grant by the Company of its equity instruments to employees of Group subsidiaries is treated as a capital contribution in the financial statements of the subsidiary. The full expense relating to the grant is recorded in the subsidiary's income statement.

(ii) Cash-settled share-based transactions with staff

The services received in a cash-settled transaction with staff and the liability to pay for those services, are recognised at fair value as the individual renders service. Until the liability is settled, the fair value of the liability is re-measured at the date of the financial statements and at the date of settlement, with any changes in fair value recognised in income during that period.

(iii) Measurement of the fair value of equity instruments granted

The equity instruments granted consist either of grants of, or options to purchase, common shares of listed entities within the Group. For common shares granted, the listed price prevailing on the grant date determines the fair value. For options granted, the fair value is determined by reference to the Black-Scholes valuation model, which incorporates factors and assumptions that knowledgeable, willing market participants would consider in setting the price of the equity instruments.

(e) Termination benefits

Termination benefits are payable whenever an employee's employment is terminated before the normal retirement date or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to either terminate the employment of current employees according to a detailed formal plan without the possibility of withdrawal or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than twelve months after the date of the financial statements are discounted to present value.

2.18 Taxes**(a) Premium taxes**

Insurers are subject to tax on premium revenues generated in certain jurisdictions. The principal rates of tax are summarised in the following table.

Premium tax rates	Life insurance and non-registered annuities	Health insurance	Property and casualty insurance
Barbados	3% - 6%	4%	3% - 5%
Jamaica	Nil	Nil	Nil
Trinidad and Tobago	Nil	Nil	Nil
United States of America	0.75% - 3.5%	Nil	Nil

Premium tax is recognised gross in the statement of income.

(b) Asset tax

The Group is subject to an asset tax in Jamaica and Barbados. In Jamaica, the asset tax is levied on insurance, securities dealers and deposit-taking institutions, and is 0.25% of adjusted assets held at the end of the year. In Barbados, the asset tax is levied on insurance, deposit-taking institutions and credit unions and is 0.35% of adjusted assets held at the end of a period. Taxes are accrued monthly.

(c) Income taxes

The Group is subject to taxes on income in the jurisdictions in which business operations are conducted. Rates of taxation in the principal jurisdictions for the current year are set out in the next table.

2.18 Taxes (continued)

Income tax rates	Life insurance and non-registered annuities	Registered annuities	Other lines of business
Barbados	2% of profit before tax	2% of profit before tax	2% of profit before tax
Jamaica	25% of profit before tax	Nil	25% - 33.33 % of profit before tax
Trinidad and Tobago	15% (deductions granted only in respect of expenses pertaining to long-term business investment income)	Nil	30% of net income
United States of America	21% of net income	Nil	21% of profit before tax

(i) Current income taxes

Current tax is the expected tax payable on the taxable income for the year, using the tax rates in effect for the year. Adjustments to tax payable from prior years are also included in current tax.

(ii) Deferred income taxes

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income taxes are computed at tax rates that are enacted or substantially enacted by the end of the reporting period. Deferred tax assets are only recognised when it is probable that taxable profits will be available against which the asset may be utilised.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to do so and they relate to the same entity. Deferred tax, related to fair value re-measurement of FVOCI investments and cash flow hedges which are recorded in other comprehensive income, is recorded in other comprehensive income and is subsequently recognised in income together with the deferred gain or loss.

2.19 Other liabilities / Retirement benefit liabilities

Liabilities are recognised when the Group has a legal or constructive obligation, as a result of past events, if it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made.

2.20 Common shares

In exchange for consideration received, the Company has issued common shares that are classified as equity. Incremental costs directly attributable to the issue of common shares are recorded in share capital as a deduction from the share issue proceeds.

Where a Group entity purchases the Company's common shares, the consideration paid, including any directly attributable cost, is deducted from share capital and is recorded as treasury shares. Where such shares are subsequently sold to a third party, the deduction from share capital is reversed, and any difference with net consideration received is recorded in retained earnings.

On the declaration by the Company's directors of common share dividends payable, the total value of the dividend is recorded as an appropriation of retained earnings.

2.21 Participating accounts*(a) "Closed" participating account*

For participating policies of Sagicor Life Inc in force at de-mutualisation, Sagicor Life Inc established a closed participating account in order to protect the guaranteed benefits and future policy dividends, bonuses and other non-guaranteed benefits of the afore-mentioned policies. The rules of this account require that premiums, benefits, actuarial reserve movements, investment returns, expenses and taxes, attributable to the said policies, are recorded in a closed participating fund. Policy dividends and bonuses of the said policies are paid from the participating fund on a basis substantially the same as prior to de-mutualisation.

2.21 Participating accounts (continued)

Distributable profits of the closed participating account are distributed to the participating policies in the form of declared bonuses and dividends. Undistributed profits remain in the participating account for the benefit of participating policyholders.

The participating account also includes an ancillary fund comprising the required provisions for adverse deviations as determined in the computation of actuarial liabilities of the said policies. Changes in the ancillary fund are not recorded in the participating account, but are borne by the general operations of Sagicor Life Inc.

(b) “Open” participating account

Sagicor Life Inc also established an open participating account for participating policies it issues after de-mutualisation. The rules of this account require that premiums, benefits, actuarial reserve movements, investment returns, expenses and taxes, attributable to the said policies are recorded in an open participating account.

The open participating account was established at de-mutualisation. On February 1, 2005, Sagicor Life Inc amalgamated with Life of Barbados Limited, and participating policies of the latter were transferred to the open participating account. Accordingly, the liabilities of these participating policies and matching assets were transferred to the open participating account. The liabilities transferred included an ancillary fund comprising the provisions for adverse deviations on the transferred policies. Changes in the ancillary fund are not recorded in the participating account, but are borne by the general operations of Sagicor Life Inc.

Additional assets to support the profit distribution to shareholders (see below) were also transferred to the account.

Distributable profits of the open participating account are shared between participating policies and shareholders in a ratio of 90:10. Profits are distributed to the participating policies in the form of declared bonuses and dividends. Profits which are distributed to shareholders are included in the allocation of Group net income to shareholders. Undistributed profits / (losses) remain in the participating account in equity.

2.21 Participating accounts (continued)

(c) Financial statement presentation

The assets and liabilities of the participating accounts are included but not presented separately in the financial statements. The revenues, benefits and expenses of the participating accounts are also included but not presented separately in the financial statements. However, the overall surplus of assets held in the participating funds over the associated liabilities is presented in equity as the participating accounts. The overall net income and other comprehensive income that are attributable to the participating funds are disclosed as allocations.

The initial allocation of additional assets to the participating funds is recognised in equity as a transfer from retained earnings to the participating accounts. Returns of additional assets from the participating funds are accounted for similarly.

2.22 Statutory reserves

Statutory reserves are established when regulatory accounting requirements result in lower distributable profits or when an appropriation of retained earnings is required or permitted by law to protect policyholders, insurance beneficiaries or depositors.

2.23 Premium / (discount) paid on repurchase of shares

The premium / (discount) paid on repurchase of shares is recorded directly in retained earnings.

2.24 Interest income and interest expense

Interest income (expense) is computed by applying the effective interest rate to the gross carrying amount of a financial asset (liability), except for financial assets that are purchased, originated or subsequently become credit-impaired. For credit-impaired financial assets, the effective interest rate is applied to the net carrying amount of the financial asset (i.e. after deduction of the loss allowance). Interest includes coupon interest and accrued discount and premium on financial instruments. Dividend income is recorded when declared.

2.25 Fees and other revenue

The Group earns fee income from:

- the management and administration of third-party investment funds, pension plans and insurance benefit plans (managed funds or administrative service only (ASO) benefit plans);
- hotel revenue from room services, and food and beverage sales;
- certain of its insurance and investment contracts;
- the provision of corporate finance, stockbroking, trust and related services.

Other revenue includes:

- commission income on insurance contracts;
- hotel revenue from other services and sale of goods;
- rental income from owner-occupied property;
- foreign exchange gains / (losses).

Service contract revenue

Revenues from service contracts include management and administrative fees and hotel revenue from guest reservations. These service contracts generally impose single-performance obligations, each consisting of a series of similar related services to the customer. The Group's performance obligations within these service arrangements are generally satisfied over time as the customers simultaneously receive and consume contracted benefits.

Revenue from service contracts with customers is recognised when or as the Group satisfies the performance obligation. For obligations satisfied over time, revenue is recognised monthly or over the applicable period. For performance obligations satisfied at a point in time, service contract revenue is recognised at that point in time.

2.26 Cash flows

The following classifications apply to the cash flow statement.

Cash flows from operating activities consist of cash flows arising from revenues, benefits, expenses, taxes, operating assets and operating liabilities. Cash flows from investing activities consist of cash flows arising from long-term tangible and intangible assets to be utilised in the business and in respect of changes in subsidiary holdings, insurance businesses, and associated company and joint venture investments. Cash flows from financing activities consist of cash flows arising from the issue, redemption and exchange of equity instruments and notes and loans payable and from equity dividends payable to holders of such instruments.

Cash and cash equivalents comprise:

- cash balances,
- call deposits,
- money market funds,
- other liquid balances with maturities of three months or less from the acquisition date,
- less bank overdrafts which are repayable on demand.

Cash equivalents are subject to an insignificant risk of change in value and exclude restricted cash.

2.27 Future accounting developments and reporting changes

Certain new standards and amendments to existing standards have been issued but are not effective for the periods covered by these financial statements. The changes in standards and interpretations which may have a significant effect on future presentation, measurement or disclosure of the Group's financial statements are summarised in the following tables.

Amendment to IFRS 16 – Leases; COVID-19 related rent concessions, effective for annual periods beginning on or after June 1, 2020**Subject / Comments**

As a result of the coronavirus (COVID-19) pandemic, rent concessions have been granted to lessees. Such concessions might take a variety of forms, including payment holidays and deferral of lease payments. On May 28, 2020, the IASB published an amendment to IFRS 16 that provides an optional practical expedient for lessees from assessing whether a rent concession related to COVID-19 is a lease modification. Lessees can elect to account for such rent concessions in the same way as they would if they were not lease modifications. In many cases, this will result in accounting for the concession as variable lease payments in the period(s) in which the event or condition that triggers the reduced payment occurs.

This standard has not yet been adopted and it will have no material effect on the Group.

Amendments to IFRS 17 and IFRS 4 – Insurance contracts; deferral of IFRS 9, effective January 1, 2021**Subject / Comments**

These amendments defer the date of application of IFRS 17 by two years to January 1, 2023 and change the fixed date of the temporary exemption in IFRS 4 from applying IFRS 9 – Financial Instruments, until January 1, 2023.

The effect of these standards on the Group follows in this note in the section, "IFRS 17 – Insurance Contracts, effective January 1, 2023".

2.27 Future accounting developments and reporting changes (continued)**Amendments to IFRS 7, IFRS 4 and IFRS 16 – Interest Rate Benchmark Reform, Phase 2, effective January 1, 2021****Subject / Comments**

The Phase 2 amendments address issues that arise from the implementation of the reforms, including the replacement of one benchmark with an alternative one.

This standard will have no material effect on the Group.

Amendments to IAS 1 – Liabilities as current or non-current, effective January 1, 2022**Subject / Comments**

In January 2020, the IASB made amendments to IAS 1 'Presentation of financial statements' to clarify the criteria for classifying a liability as non-current. These are to be applied retroactively.

The impact of this standard on the Group is currently being analysed.

Amendments to IFRS 3 – Business combinations, effective January 1, 2022**Subject / Comments**

These amendments update a reference in IFRS 3 to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations.

This standard will have no material effect on the Group.

2.27 Future accounting developments and reporting changes (continued)

Amendments to IAS 16 – Property, plant and equipment, effective January 1, 2022**Subject / Comments**

These amendments prohibit a company from deducting from the cost of property, plant and equipment, amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognise such sales proceeds and related cost in profit or loss.

This standard will have no material effect on the Group.

Amendments to IAS 37 – Provisions, contingent liabilities and contingent assets, effective January 1, 2022**Subject / Comments**

These amendments specify which costs a company includes when assessing whether a contract will be loss-making.

This standard will have no material effect on the Group.

IFRS 17 – Insurance Contracts, effective January 1, 2023**Subject / Comments**

IFRS 17 was issued in May 2017 as replacement for IFRS 4 - Insurance Contracts. A further exposure draft (ED) was issued in June 2019 and final amendments were published in June 2020. The amendments aim to help companies implement the standard and to make explanation of financial performance easier. The standard requires a current measurement model where estimates are re-measured each reporting period.

2.27 Future accounting developments and reporting changes (continued)

IFRS 17 – Insurance Contracts, effective January 1, 2023 (continued)**Subject / Comments**

Contracts are measured using the building blocks of:

- discounted probability-weighted cash flows,
- an explicit risk adjustment, and
- a contractual service margin (“CSM”) representing the unearned profit of the contract which is recognised as revenue over the coverage period.

It allows a choice between recognising changes in discount rates either in the income statement or directly in other comprehensive income. The choice is likely to reflect how insurers account for their financial assets under IFRS 9.

An optional, simplified premium allocation approach is permitted for the liability for the remaining coverage for short duration contracts which are often written by non-life insurers.

There is a modification of the general measurement model called the ‘variable fee approach’ for certain contracts written by life insurers where policyholders share in the returns from underlying items. When applying the variable fee approach, the entity’s share of the fair value changes of the underlying items is included in the contractual service margin.

The new rules will affect the financial statements and key performance indicators of all entities that issue insurance contracts or investment contracts with discretionary participation features.

Sagikor has established a group-wide project for the implementation of this standard and has allocated substantial resources to this exercise. Project activities involve the establishment of various technical and oversight teams, and the evaluation and assessment of the Group’s business. The Group is carrying out internal training programmes, workshops and assessments of all areas affected by the standard as it works towards implementation. Project work is ongoing in all areas.

2.27 Future accounting developments and reporting changes (continued)

Annual Improvements to Standards	Description of amendment
IFRS 1 - First-time Adoption of International Financial Reporting Standards	To simplify the application of IFRS 1 by a subsidiary that becomes a first-time adopter of IFRSs after its parent company has already adopted them. The amendment relates to the measurement of cumulative translation differences.
IFRS 9 - Financial Instruments	To clarify the fees a company includes in assessing the terms of a new or modified financial liability to determine whether to derecognise a financial liability.
Illustrative Examples accompanying IFRS 16 Leases	To remove the potential for confusion regarding lease incentives by amending an Illustrative Example accompanying IFRS 16.
IAS 41 - Agriculture	To align the fair value measurement in IAS 41 with those in other IFRSs.
The annual improvements are effective January 1, 2022 and have not yet been applied.	

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The development of estimates and the exercise of judgment in applying accounting policies may have a material impact on the Group's reported assets, liabilities, income and other comprehensive income. The items which may have the most effect on the Group's financial statements are set out below.

3.1 Impairment of financial assets

In determining ECL (defined in note 2.9(d)), management is required to exercise judgement in defining what is considered a significant increase in credit risk and in making assumptions and estimates to incorporate relevant information about past events, current conditions and forecasts of economic conditions. Further information about the judgements involved is included in note 2.9 under sections 'Measurement' and 'Forward-looking information'.

(a) Establishing staging for debt securities and deposits

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

3.1 Impairment of financial assets (continued)

The scale is set out in the following table:

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

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

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

3.1 Impairment of financial assets (continued)

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

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

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

Qualitative test

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

Backstop criteria

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

- (c) Forward-looking information

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

3.2 Fair value of securities not quoted in an active market

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

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

3.3 Recognition and measurement of intangible assets

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

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

3.4 Impairment of intangible assets

(a) Goodwill

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

The Group updates its business unit financial projections annually and applies discounted cash flow or earnings multiple models to these projections to determine if there is any impairment of goodwill. The assessment of whether goodwill is impaired can be highly sensitive to the inputs of cash flows, income after tax, discount rate, growth rate or capital multiple, which are used in the computation. Further details of the inputs used are set out in note 8.2.

(b) Other intangible assets

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

3.5 Valuation of actuarial liabilities

(a) Canadian Actuarial Standards

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

3.5 Valuation of actuarial liabilities (continued)

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

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

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

Further details of the inputs used are set out in note 43.

(b) Best estimate reserve assumptions & provisions for adverse deviations

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

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

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

The principal assumptions and margins used in the determination of actuarial liabilities are summarised in note 13.3. However, the liability resulting from the application of these assumptions can never be definitive as to the ultimate timing or the amount of benefits payable and is therefore subject to future reassessment.

3.6 Investment in associate

As at October 1, 2018, Sagicor Group Jamaica (SGJ) had a shareholding in Playa of 15%, which increased to 16% on June 15, 2020 (see note 6.1). From an accounting perspective, IAS 28 (Investments in Associate and Joint Ventures) paragraph 5, 6 and 8 guidance was considered as follows:

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

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

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

In assessing whether potential voting rights contribute to significant influence, the entity examines all facts and circumstances (including the terms of exercise of the potential voting rights and any other contractual arrangements whether considered individually or in combination) that affect potential rights, except the intentions of management and the financial ability to exercise or convert those potential rights. Management has one representative out of eight on the Board of Playa.

Management has previously concluded, given its participation in the policy-making decisions, significant involvement in, and influence over strategic financial and operational decision-making of Playa, that it has significant influence over Playa and as such was of the view that SGJ's strategic investment in Playa should be treated as an investment in associate in accordance with IAS 28, even though Sagicor owns less than 20% of Playa's shares. Subsequent to the year end, SGJ has sold a portion of its investment as part of Playa's secondary public offering and transferred the remaining shares to SFCL (see note 50). Management concluded that the investment in Playa did not meet the definition of held for sale as at December 31, 2020.

4 SEGMENTS

The management structure of the Group consists of the parent company Board of Directors, the Group Chief Executive Officer (CEO), subsidiary company Boards of Directors and subsidiary company CEOs. For the parent company and principal subsidiaries, there are executive management committees made up of senior management who advise the respective CEOs. The principal subsidiaries have a full management governance structure, a consequence of them being regulated insurance and financial services entities, and of the range and diversity of their products and services.

The Group CEO serves as Board Chairman or as a Board Member of the principal subsidiaries and is the Group's Chief Operating decision-maker. Through subsidiary company reporting, the Group CEO obtains details of Group performance and of resource allocation needs. Summarisation of planning and results and prioritisation of resource allocation is done at the parent company level where strategic decisions are taken.

In accordance with the relevant financial reporting standard, the Group has determined that there are three principal subsidiary Groups which represent the reportable operating segments of Sagicor. These segments and other Group companies are set out in the following sections.

Details of the discontinued operating segment are set out in note 38.

(a) Sagicor Life

This group comprises Sagicor Life Inc, its branches and associates, and certain of its subsidiaries in Barbados, Trinidad & Tobago, Eastern Caribbean, Dutch Caribbean, Bahamas and Central America.

The companies comprising this segment are set out in the following table.

4 SEGMENTS (continued)

Sagicor Life Segment Companies	Principal Activities	Country of Incorporation	Effective Shareholders' Interest
Sagicor Life Inc	Life and health insurance, annuities and pension administration services	Barbados	100%
Sagicor Life (Eastern Caribbean) Inc. ⁽¹⁾	Life and health insurance, annuities and pension administration services	St. Lucia	100%
Sagicor Life Aruba NV	Life and health insurance, annuities and pension administration services	Aruba	100%
Capital Life Insurance Company Bahamas Limited	Life insurance	The Bahamas	100%
Sagicor Panamá, SA	Life and health insurance	Panamá	100%
Nationwide Insurance Company Limited	Life insurance	Trinidad & Tobago	100%
Sagicor International Management Services Inc	Investment management	USA	100%
⁽¹⁾ Sagicor Life (Eastern Caribbean) Inc became a subsidiary of Sagicor Financial Corporation Limited on October 10, 2014 and a subsidiary of the Group on October 10, 2014. The company commenced operations on May 31, 2019.			
Associates			
FamGuard Corporation Limited	Investment holding company	The Bahamas	20%
Principal operating company: Family Guardian Insurance Company Limited	Life and health insurance and annuities	The Bahamas	20%

4 SEGMENTS (continued)

Associates			
RGM Limited	Property ownership and management	Trinidad & Tobago	33%
Primo Holding Limited	Property investment	Barbados	38%

(b) Sagikor Jamaica

This segment comprises the Sagikor Jamaica Group of companies, which conduct life, health, annuity, property and casualty insurance business, pension administration services, banking and financial services, hospitality and real estate investment services in Jamaica, Cayman Islands Costa Rica and USA. The companies comprising this segment are as follows:

Sagikor Jamaica Segment Companies	Principal Activities	Country of Incorporation	Effective Shareholders' Interest
Sagikor Group Jamaica Limited	Group holding company	Jamaica	49.11%
Sagikor Life Jamaica Limited	Life and health insurance and annuities	Jamaica	49.11%
Sagikor Life of the Cayman Islands Limited	Life insurance	The Cayman Islands	49.11%
Sagikor Investments Cayman Ltd.	Investment services	The Cayman Islands	49.11%
Sagikor Pooled Investment Funds Limited	Pension fund management	Jamaica	49.11%
Employee Benefits Administrator Limited	Pension administration services	Jamaica	49.11%
Sagikor Re Insurance Limited	Property and casualty insurance	The Cayman Islands	49.11%
Sagikor Insurance Brokers Limited	Insurance brokerage	Jamaica	49.11%
Sagikor International Administrators Limited	Group insurance administration	Jamaica	49.11%

4 SEGMENTS (continued)

Sagikor Jamaica Segment Companies (continued)	Principal Activities	Country of Incorporation	Effective Shareholders' Interest
Sagikor Insurance Managers Limited	Captive insurance management services	The Cayman Islands	49.11%
Sagikor Property Services Limited	Property management	Jamaica	49.11%
Sagikor Investments Jamaica Limited	Investment banking	Jamaica	49.11%
Sagikor Bank Jamaica Limited	Commercial banking	Jamaica	49.11%
LOJ Holdings Limited	Insurance holding company	Jamaica	100%
Sagikor Securities Jamaica Limited	Securities trading	Jamaica	49.11%
Travel Cash Jamaica Limited	Microfinance	Jamaica	25.05%
Sagikor Real Estate X-Fund Limited	Investment in real estate activities	St. Lucia	14.39%
X Fund Properties Limited	Hospitality and real estate investment	Jamaica	14.39%
X Fund Properties LLC	Hospitality	USA	14.39%
Jamziv MoBay Jamaica Portfolio Limited	Holding Company	Jamaica	8.75%
Phoenix Equity Holdings Limited (1)	Holding Company	Barbados	49.11%
Advantage General Insurance Co. Limited (note 37)	Property and casualty insurance	Jamaica	29.47%
Bailey Williams Limited (note 37)	Real estate development	Jamaica	34.38%
Associate and joint venture			
Sagikor Costa Rica SCR, S.A.	Life insurance	Costa Rica	24.56%
Playa Hotel & Resorts N.V. (note 6.1)	Hospitality	Netherlands	2.41%

4 SEGMENTS (continued)

(b) Sagikor Jamaica (continued)

Control of Sagikor Group Jamaica Limited is established through the following:

- The Group's effective shareholder's interest gives it the power to appoint the directors of the company and thereby direct relevant activities.
- The Group is exposed to the variable returns from its effective shareholder's interest.
- The Group has the ability to use the power to affect the amount of investor's returns.

(1) The company became a subsidiary of Sagikor Investments Jamaica Limited on July 19, 2019 and a subsidiary of the Group on July 19, 2019.

(c) Sagikor Life USA

This segment comprises Sagikor's life insurance operations in the USA and comprises the following:

Sagikor Life USA Segment Companies	Principal Activities	Country of Incorporation	Effective Shareholders' Interest
Sagikor Life Insurance Company	Life insurance and annuities	USA - Texas	100%
Sagikor USA Inc	Insurance holding company	USA - Delaware	100%
Sage Distribution, LLC	Life insurance and annuities	USA - Delaware	100%
Sage Partners, LLC	Life insurance and annuities	USA - Delaware	100%
Sagikor Financial Partners, LLC	Life insurance and annuities	USA - Delaware	51%

4 SEGMENTS (continued)

(d) Head office function and other operating companies

Head office and other Group Companies	Principal Activities	Country of Incorporation	Effective Shareholders' Interest
Sagikor Financial Company Ltd. ⁽¹⁾	Group parent company	Bermuda	100%
Sagikor Financial Corporation Limited	Holding company	Bermuda	100%
Sagikor General Insurance Inc ⁽²⁾	Property and casualty insurance	Barbados	99.30%
Sagikor Finance Inc	Loan and lease financing, and deposit-taking	St. Lucia	70%
Sagikor Investments Trinidad & Tobago Limited ⁽³⁾	Investment management	Trinidad & Tobago	100%
Sagikor Asset Management Inc.	Investment management	Barbados	100%
Sagikor Asset Management (Eastern Caribbean) Limited	Investment management	Barbados	100%
Sagikor Special Opportunity Funds ⁽⁴⁾	Investment management	Barbados	100%
Barbados Farms Limited	Farming and real estate development	Barbados	77%
Sagikor Funds Incorporated	Mutual fund holding company	Barbados	100%
The Mutual Financial Services Inc	Financial services holding company	Barbados	73%
Sagikor Finance Limited	Group financing vehicle	The Cayman Islands	100%
Sagikor Finance (2015) Limited	Group financing vehicle	The Cayman Islands	100%

(1) Sagikor Financial Company Ltd. formerly Alignvest Acquisition II Corporation effective December 5, 2019, became a member of the Group.

(2) At December 31, 2019, the effective shareholders' interest was 98%. Sagikor continues to acquire shares of Sagikor General Insurance Inc with a view to achieving an ownership interest of 100%.

(3) Sagikor Investments Trinidad & Tobago Limited, formerly Sagikor Asset Management (T&T) Limited.

(4) Sagikor Special Opportunity Funds was formed during the year but is not yet operational.

4 SEGMENTS (continued)(d) Head office function and other operating companies

Head office and other Group Companies	Principal Activities	Country of Incorporation	Effective Shareholders' Interest
Sagikor Reinsurance Bermuda Ltd ⁽¹⁾	Reinsurance	Bermuda	100%
1222948 B.C. Ltd. ⁽²⁾	Corporate management	Canada	100%
The Estates Group Holdings Limited	Holding company	Barbados	100%
The Estates (Senior Care Services) Limited	Retirement Community	Barbados	100%
The Estates (Senior Care Properties) Limited	Retirement Community	Barbados	100%
The Estates (Residential Properties) Limited	Retirement Community	Barbados	100%
The Estates (Management Services) Limited ⁽³⁾	Retirement Community	Barbados	100%

⁽¹⁾ Sagikor Reinsurance Bermuda became a subsidiary of Sagikor Financial Corporation Limited on October 4, 2017 and a subsidiary of the Group on October 4, 2017. During the period ended June 30, 2020, SRBL executed a reinsurance arrangement with Sagikor Insurance Company ("SLIC") through a segregated account of SRBL (see note 39). 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. At the year end, the financial statements reflect the consolidated assets and reserves of each of the subsidiaries and the inter-entity balances have been eliminated.

⁽²⁾ 1222948 B.C. Ltd. became a subsidiary of Sagikor Financial Corporation Limited on September 11, 2019.

⁽³⁾ The Estates (Management Services) Limited became a subsidiary of The Estates Group Holdings Limited on October 22, 2019.

4.1 Statement of income by segment

2020	Sagikor Life	Sagikor Jamaica	Sagikor Life USA	Head office and other	Adjustments	Total
Net premium revenue	414,240	355,406	597,068	36,713	-	1,403,427
Gain on derecognition of amortised cost investments	623	8,271	(5)	-	-	8,889
Gain / (loss) on derecognition of assets carried at FVOCI	2,847	21,704	(4,204)	(178)	-	20,169
Interest income earned from financial assets measured at amortised cost and FVOCI	74,828	160,472	74,820	4,639	-	314,759
Other investment income	4,148	(14,266)	18,903	7,469	(110)	16,144
Credit impairment losses	(7,450)	(12,083)	(4,002)	(462)	-	(23,997)
Fees and other revenue	11,374	112,446	(3,639)	19,344	(549)	138,976
Inter-segment revenue	22,713	-	-	7,668	(30,381)	-
Total revenue, net	523,323	631,950	678,941	75,193	(31,040)	1,878,367
Net policy benefits	220,707	231,006	177,244	15,643	-	644,600
Net change in actuarial liabilities	97,026	(26,298)	463,438	-	-	534,166
Interest costs	12,663	27,239	2,463	528	-	42,893
Administrative expenses	80,732	166,594	33,981	57,634	1,626	340,567
Commissions and premium and asset taxes	44,843	54,100	27,617	9,512	-	136,072
Finance costs	70	7,886	322	36,607	-	44,885
Depreciation and amortisation	8,945	20,249	4,247	6,118	-	39,559
Inter-segment expenses	4,118	2,072	4,271	21,822	(32,283)	-
Total benefits and expenses	469,104	482,848	713,583	147,864	(30,657)	1,782,742
Loss arising on business combinations, acquisitions and divestitures	-	(1,262)	-	-	-	(1,262)
Loss on impairment of associates and joint ventures	-	(31,804)	-	-	-	(31,804)
Share of operating income / (loss) of associates and joint ventures	3,250	(38,207)	-	-	-	(34,957)
Segment income / (loss) before taxes	57,469	77,829	(34,642)	(72,671)	(383)	27,602
Income taxes	(8,386)	(40,034)	7,517	(1,426)	(403)	(42,732)
Segment net income / (loss) from continuing operations	49,083	37,795	(27,125)	(74,097)	(786)	(15,130)
Net loss attributable to non-controlling interests	-	(12,726)	-	(158)	-	(12,884)
Total comprehensive income / (loss) attributable to shareholders - continuing operations	56,749	41,327	(25,664)	(74,337)	(1,120)	(3,045)

4.1 Statement of income by segment

2019	Sagicor Life	Sagicor Jamaica	Sagicor Life USA	Head office and other	Adjustments	Total
Net premium revenue	409,161	350,054	444,697	37,632	-	1,241,544
Gain on derecognition of amortised cost investments	455	13,285	(30)	(790)	-	12,920
Gain on derecognition of assets carried at FVOCI	6,158	21,299	2,497	-	-	29,954
Interest income earned from financial assets measured at amortised cost and FVOCI	74,164	160,322	70,201	3,327	-	308,014
Other investment income	10,845	52,146	46,923	2,470	(584)	111,800
Credit impairment losses	1,434	(6,089)	(415)	193	-	(4,877)
Fees and other revenue	11,027	144,293	(2,355)	17,152	(2,146)	167,971
Inter-segment revenue	19,965	-	-	41,692	(61,657)	-
Total revenue, net	533,209	735,310	561,518	101,676	(64,387)	1,867,326
Net policy benefits	221,331	219,056	115,237	21,925	-	577,549
Net change in actuarial liabilities	94,082	59,270	325,930	-	5,501	484,783
Interest costs	15,951	30,611	7,121	509	-	54,192
Administrative expenses	77,908	180,410	35,611	36,934	2,373	333,236
Commissions and premium and asset taxes	48,273	50,704	26,253	9,485	-	134,715
Finance costs	57	7,806	518	35,252	-	43,633
Depreciation and amortisation	7,394	20,385	4,730	2,997	-	35,506
Listing expense and other transaction costs	-	-	-	43,396	-	43,396
Inter-segment expenses	5,025	2,456	1,311	19,281	(28,073)	-
Total benefits and expenses	470,021	570,698	516,711	169,779	(20,199)	1,707,010
Loss arising on business combinations, acquisitions and divestitures	(379)	-	-	-	-	(379)
Share of operating income of associates and joint ventures	3,980	(633)	-	-	-	3,347
Segment income / (loss) before taxes	66,789	163,979	44,807	(68,103)	(44,188)	163,284
Income taxes	(7,868)	(40,426)	(9,410)	(2,170)	164	(59,710)
Segment net income / (loss) from continuing operations	58,921	123,553	35,397	(70,273)	(44,024)	103,574
Net income / (loss) attributable to non-controlling interests	-	62,184	-	(654)	-	61,530
Total comprehensive income / (loss) attributable to shareholders - continuing operations	68,734	74,568	48,259	(67,680)	(43,210)	80,671

4.2 Variations in segment income

Variations in segment income may arise from non-recurring or other significant factors. The most common factors contributing to variations in segment income are as follows:

(i) Credit impairment losses - financial investments

The determination of ECL involves judgement in establishing various assumptions based on economic conditions and historical trends. Changes in assumptions will impact the ECL allowances recorded in the income statement.

Significant changes in borrowers classified as Stage 3 will be triggered by changes affecting individual borrowers or groups of borrowers, leading to significant variations in losses recorded in the income statement.

(ii) Fair value gains / (losses) of financial investments

Significant gains and losses may be triggered by changes in market prices of assets carried at fair value.

For FVOCI investments, management may be able to time the disposal of such investments and consequently, impact the quantum of the realised gain or loss recognised in the statement of income.

For FVTPL investments, management may also be able to time the disposal of such investments. However, since the majority of these assets fund unit linked liabilities, the impact to Group net income is mitigated by any increased return due to the holders of the unit linked liabilities.

4.2 Variations in segment income (continued)

(iii) Gains on acquisitions and divestitures

On acquisition of a business or portfolio, if the fair value of the net assets acquired exceeds the total consideration transferred, the difference is recognised directly in the statement of income. Similarly, on sale if the consideration received exceeds the carrying value of the business or portfolio a gain is recognised in the statement of income. As acquisitions and disposals occur infrequently and with no consistent trend, the gain or loss recorded in the income statement may vary significantly from year to year.

(iv) Foreign exchange gains and losses

Movements in foreign exchange rates may generate significant exchange gains or losses when the foreign currency denominated monetary assets and liabilities are retranslated to the relevant functional currency at the date of the financial statements.

(v) Movements in actuarial liabilities arising from changes in assumptions

The change in actuarial liabilities for the year includes the effects arising from changes in assumptions. The principal assumptions in computing the actuarial liabilities on life and annuity contracts relate to mortality and morbidity, lapse, investment yields, asset default and operating expenses and taxes. As the process of changes in assumptions is applied to all affected insurance contracts, changes in assumptions may have a significant effect in the period in which they are recorded.

(vi) Impairment of investments in associates and joint ventures

Losses on impairment of investments in associates and joint ventures may result when impairment assessments indicate that impairment of investments in associates and joint ventures has occurred. An impairment assessment is performed when an investment's value, based on quoted market prices, is lower than its carrying value recorded by the Group, or when conditions impacting the associate or joint venture suggest that the Group's investment in associate or joint venture may be impaired.

4.2 Variations in segment income (continued)

The table below summarises by segment the individual line items within income from continuing operations which are impacted by the foregoing factors.

Variations in income by segment	2020					2019				
	Sagicor Life Inc	Sagicor Jamaica	Sagicor Life USA	Head Office and Other	Total	Sagicor Life Inc	Sagicor Jamaica	Sagicor Life USA	Head Office and Other	Total
Credit impairment losses	(7,450)	(12,083)	(4,002)	(462)	(23,997)	1,434	(6,089)	(415)	193	(4,877)
Gain / (loss) on derecognition of assets carried at FVOCI	2,847	21,704	(4,204)	(178)	20,169	6,158	21,299	2,497	-	29,954
Foreign exchange gains / (losses)	(410)	1,296	-	3,192	4,078	(3,261)	3,647	-	(1,491)	(1,105)
Gains / (losses) on acquisitions / divestitures	-	(2,761)	-	1,499	(1,262)	(379)	-	-	-	(379)
Loss on impairment of investment in associates and joint ventures	-	(31,804)	-	-	(31,804)	-	-	-	-	-
Decrease / (increase) in actuarial liabilities from changes in assumptions	30,133	43,807	(83,858)	-	(9,918)	(23,457)	15,341	(94,291)	-	(102,407)

4.3 Other comprehensive income

Variations in other comprehensive income may arise also from non-recurring or other significant factors. The most common are as follows:

(i) Unrealised investment gains and losses

Fair value investment gains and losses are recognised on the revaluation of debt and equity securities classified as FVOCI. Therefore, significant gains and losses may be triggered by changes in market prices.

(ii) Changes in actuarial liabilities

Changes in unrealised investment gains identified in (i) above may also generate significant, but off-setting, changes in actuarial liabilities as a result of the use of asset liability matching in the liability estimation process.

The table below summarises by segment the individual line items within other comprehensive income from continuing operations which are impacted by the foregoing factors.

4.3 Other comprehensive income (continued)*(iii) Foreign exchange gains and losses*

Movements in foreign exchange rates may generate significant exchange gains or losses on the retranslation of the financial statements of foreign currency reporting units.

(iv) Defined benefit plans' gains and losses

Experience adjustments and changes in actuarial assumptions gives rise to gains or losses on defined benefit plans.

	Variations in other comprehensive income by segment					Total
	Sagicor Life	Sagicor Jamaica	Sagicor Life USA	Head office	Adjustments	
2020						
Unrealised investment gains	5,536	44,399	46,841	490	-	97,266
Changes in actuarial liabilities	2,421	(5,236)	(49,158)	-	-	(51,973)
Retranslation of foreign currency operations	(235)	(37,703)	-	(57)	(200)	(38,195)
Gains / (losses) on defined benefit plans	3,204	516	-	(246)	-	3,474
2019						
Unrealised investment gains	28,630	66,127	73,026	924	-	168,707
Changes in actuarial liabilities	(22,513)	(14,510)	(57,976)	-	-	(94,999)
Retranslation of foreign currency operations	545	(17,889)	-	407	296	(16,641)
Gains on defined benefit plans	6,624	4,304	-	270	-	11,198

4.4 Statement of financial position by segment

	Sagicor Life	Sagicor Jamaica	Sagicor Life USA	Head office and other	Adjustments	Total
2020						
Financial investments	1,551,028	2,714,543	2,556,319	416,679	-	7,238,569
Other external assets	337,603	730,018	767,817	192,306	-	2,027,744
Inter-segment assets	390,589	10,572	58,950	185,232	(645,343)	-
Total assets	2,279,220	3,455,133	3,383,086	794,217	(645,343)	9,266,313
Policy liabilities	1,477,944	824,538	2,507,838	72,661	-	4,882,981
Other external liabilities	82,757	1,690,379	452,582	499,404	-	2,725,122
Inter-segment liabilities	126,407	12,943	152,797	353,196	(645,343)	-
Total liabilities	1,687,108	2,527,860	3,113,217	925,261	(645,343)	7,608,103
Net assets	592,112	927,273	269,869	(131,044)	-	1,658,210
Net assets attributable to non-controlling interests	-	530,284	-	16,539	-	546,823
2019						
Financial investments	1,438,618	2,670,339	2,040,771	535,916	-	6,685,644
Other external assets	341,370	795,798	735,747	170,312	-	2,043,227
Inter-segment assets	335,784	15,903	65,224	141,760	(558,671)	-
Total assets	2,115,772	3,482,040	2,841,742	847,988	(558,671)	8,728,871
Policy liabilities	1,379,761	865,914	1,997,405	72,873	-	4,315,953
Other external liabilities	77,259	1,673,057	437,936	474,886	-	2,663,138
Inter-segment liabilities	120,000	6,097	110,835	321,739	(558,671)	-
Total liabilities	1,577,020	2,545,068	2,546,176	869,498	(558,671)	6,979,091
Net assets	538,752	936,972	295,566	(21,510)	-	1,749,780
Net assets attributable to non-controlling interests	-	577,429	-	17,077	-	594,506

4.5 Segment cash flows

(a) Additions to non-current assets by segment

Segment operations include certain non-current assets comprising investment property, property, plant and equipment, investment in associated companies and intangible assets. Additions to these categories for the year are as follows:

	2020	2019
Sagicor Life	8,139	5,771
Sagicor Jamaica	16,933	23,697
Sagicor Life USA	14,829	1,753
Head office and other	2,792	1,342
	<u>42,693</u>	<u>32,563</u>

(b) Summarised cash flows of the Sagicor Jamaica segment

Set out below are the summarised cash flows of the Sagicor Jamaica segment which has material non-controlling interests.

	2020	2019
Net cash flows:		
Operating activities	184,274	70,626
Investing activities	(8,552)	(37,024)
Financing activities	(39,223)	(26,704)
Effects of exchange rate changes	(4,930)	(1,812)
Net change in cash and cash equivalents for the year	131,569	5,086
Cash and cash equivalents, beginning of year	129,822	124,736
Cash and cash equivalents, end of year	<u>261,391</u>	<u>129,822</u>

4.6 Products and services

Total external revenues relating to the Group's products and services are summarised as follows:

	2020	2019
Life, health and annuity insurance contracts issued to individuals	1,270,678	1,214,656
Life, health and annuity insurance and pension administration contracts issued to groups	304,785	317,892
Property and casualty insurance	82,276	61,960
Banking, investment management and other financial services	171,192	192,246
Hospitality services	14,251	41,693
Unallocated revenues	35,185	38,879
	<u>1,878,367</u>	<u>1,867,326</u>

4.7 Geographical areas

The Group operates in certain geographical areas which are determined by the location of the subsidiary or branch initiating the business. Group operations in geographical areas include certain non-current assets comprising investment property, property, plant and equipment, associates and intangible assets. Total external revenues and non-current assets by geographical area are summarised below.

	External revenue		Non-current assets	
	2020	2019	2020	2019
Barbados	185,631	178,959	171,889	179,905
Jamaica	576,118	657,191	111,902	141,973
Trinidad & Tobago	255,861	239,463	66,999	69,382
Other Caribbean	164,800	191,084	28,476	27,291
USA	695,957	600,629	227,261	304,318
	<u>1,878,367</u>	<u>1,867,326</u>	<u>606,527</u>	<u>722,869</u>

4.8 Revenues from fees recognised

The following table discloses revenue from fees recognised by reportable segment.

Year ended December 31, 2020	Fees recognised		
	- at a point in time	- over time	Total
Sagikor Life	-	8,159	8,159
Sagikor Jamaica	40,680	50,086	90,766
Sagikor USA	148	-	148
Head office and other	-	2,976	2,976
	40,828	61,221	102,049

Year ended December 31, 2019	Fees recognised		
	- at a point in time	- over time	Total
Sagikor Life	-	7,909	7,909
Sagikor Jamaica	57,164	74,933	132,097
Sagikor USA	224	-	224
Head office and other	-	2,968	2,968
	57,388	85,810	143,198

5 INVESTMENT PROPERTY

The movement in investment property for the year is as follows:

	2020	2019
Balance, beginning of year	95,577	93,494
Additions at cost	266	82
Amounts assumed on acquisition (note 37)	-	5,530
Disposals	(15,256)	(2,238)
Fair value changes recorded in net investment income	(598)	(566)
Effects of exchange rate changes	(1,694)	(725)
Balance, end of year	78,295	95,577

Investment property includes \$8,646 (2019 - \$9,516) which represents the Group's proportionate interest in joint operations summarised in the following table.

Country	Description of property	Percentage ownership recognised
Barbados	Freehold lands	50%
	Freehold office buildings	25% - 33%
Trinidad & Tobago	Freehold office building	60%

Pension Funds managed by the Group own the remaining 50% interest in freehold lands in Barbados, and a 33% interest in a freehold office building in Barbados.

6 ASSOCIATES AND JOINT VENTURES

6.1 Interests in Associates and Joint Ventures

Name of Entity	Country of Incorporation	% interest recognised		Nature of relationship	Measurement Method	Carrying Amount	
		2020	2019			2020	2019
RGM Limited	Trinidad & Tobago	33%	33%	Associate	Equity Method	26,092	25,315
FamGuard Corporation Limited ⁽¹⁾	Bahamas	20%	20%	Associate	Equity Method	17,837	16,703
Primo Holding Limited	Barbados	38%	38%	Associate	Equity Method	312	318
Sagikor Costa Rica SCR, S.A.	Costa Rica	50%	50%	Joint Venture	Equity Method	4,795	3,293
Playa Hotels and Resorts N.V. ⁽²⁾	United States	16%	15%	Associate	Equity Method	116,755	184,929
						165,791	230,558

⁽¹⁾ FamGuard Corporation Limited is listed on the Bahamas International Securities Exchange. The proportionate share of market value calculated on the basis of the year-end closing rate of \$8.40 per share was \$16,800 (2019 – \$15,000).

⁽²⁾ On October 1, 2018, Sagikor Group Jamaica (SGJ) obtained control over Sagikor Real Estate X-Fund Limited, which in turn controlled a shareholding of 15% in Playa Hotels and Resorts NV (Playa). The management of SGJ Jamaica has one representative (out of eight) on the Board of Playa. The management of SGJ has concluded that, given its participation in the policy-making decisions of Playa, SGJ has significant influence over Playa's financial and operating results even though SGJ controls less than 20% of Playa.

On June 12, 2020, in addition to entering into certain financing transactions to support its ongoing operations, Playa sold ordinary shares which resulted in a 0.6% dilution of Sagikor Group Jamaica Limited's 15.4% shareholding, and ultimately the Sagikor Group's ownership interest of 15.4%, in Playa. On June 15, 2020, Sagikor Financial Corporation Limited, the intermediate parent company of SGJ, acquired further shares of Playa. This represented an increase of 1.1% in the Group's shareholding, bringing the Group's total shareholding in Playa to 15.9%. See note 37.1.

Following the transactions, the effective interest in Playa attributable to the shareholders of Sagikor Financial Company Ltd. is 2.41%, representing 1.11% due to the acquisition of additional shares, in addition to the effective interest of 1.30% (2019 - 1.31%).

As at December 31, the book value of Playa Hotel and Resorts was \$116,755 (2019 - \$184,929). 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 \$118,378 (2019 - \$166,282).

Subsequent to year end, SGJ disposed of its interest in Playa (see note 50).

6.1 Interests in Associates and Joint Ventures (continued)

The reconciliation of carrying amounts for the year of the investment in associates and joint ventures is as follows:

	RGM Limited		FamGuard Corporation Limited		Primo Holding Limited		Sagicor Costa Rica SCR, S.A.		Playa Hotels and Resort N.V.	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
Investment, beginning of year	25,315	23,497	16,703	15,332	318	324	3,293	2,596	184,929	194,383
Additions	-	-	-	-	-	-	-	-	5,951	-
Negative goodwill arising on acquisition	-	-	-	-	-	-	-	-	1,499	-
Dividends received	(148)	-	(560)	(640)	-	-	-	-	-	-
Share of income / (loss)	1,441	2,290	1,815	1,696	(6)	(6)	2,193	110	(40,400)	(743)
Loss on impairment of investment in associates and joint ventures	-	-	-	-	-	-	-	-	(31,804)	-
Share of amortisation or impairment of intangible assets which were identified on acquisition	-	-	(10)	(10)	-	-	-	-	-	-
Share of income taxes	(515)	(531)	-	-	-	-	-	-	-	-
Share of OCI	-	-	(111)	325	-	-	(453)	686	(2,840)	(8,802)
Disposal of interest	-	-	-	-	-	-	-	-	(3,112)	-
Effects of exchange rate changes	(1)	59	-	-	-	-	(238)	(99)	2,532	91
Investment, end of year	26,092	25,315	17,837	16,703	312	318	4,795	3,293	116,755	184,929

6.1 Interests in Associates and Joint Ventures (continued)

The reconciliation of the share of net assets based on the summarised financial information to carrying amounts of the investment in associates and joint ventures is as follows:

	RGM Limited		FamGuard Corporation Limited		Primo Holding Limited		Sagicor Costa Rica SCR, S.A.		Playa Hotels and Resort N.V.	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
Net Assets	78,276	75,945	93,992	88,270	823	838	9,591	6,587	560,864	803,214
% Interest	33%	33%	20%	20%	38%	38%	50%	50%	16%	15%
Share of net assets	26,092	25,315	18,799	17,654	312	318	4,795	3,293	89,664	123,111
Goodwill arising from investment in associate	-	-	38	49	-	-	-	-	47,511	77,416
Goodwill arising from associate's investment	-	-	-	-	-	-	-	-	(12,402)	(11,989)
Movement in treasury shares	-	-	-	-	-	-	-	-	(4,976)	(535)
Fair value adjustment on consolidation	-	-	-	-	-	-	-	-	(3,042)	(3,074)
Preference shares	-	-	(1,000)	(1,000)	-	-	-	-	-	-
Investment, end of year	26,092	25,315	17,837	16,703	312	318	4,795	3,293	116,755	184,929

6.2 ImpairmentInterest in FamGuard Corporation Limited.

An impairment assessment of FamGuard Corporation Limited was performed at the end of the year as its value based on quoted market prices is lower than its carrying value recorded by the Group.

In conducting the impairment assessment, management determined a recoverable value for Famguard, using the value in use method. To determine the value in use, management used an actuarial embedded value technique which incorporates appropriate discount rates and solvency capital requirements to determine the present value of future distributable profits. Management's value in use calculations did not identify any impairment.

6.2 Impairment (continued)*Interest in Playa Hotels and Resorts N.V.*

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 have resulted in a downturn in revenues and profits, thereby negatively impacting the carrying value of this asset.

Assessments of the carrying value of this investment have been performed at each quarter end. 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 (EBITDA), terminal growth rates and a discount factor. Value-in-use calculations are very sensitive to changes in these estimates. In arriving at its estimates for EBITDA, management also considered the impact of the uncertainty surrounding the COVID-19 coronavirus and its impact on the tourism sector going forward. As a result of this exercise, the investment was written down by US\$31.8 million as at the year-end date.

As part of its impairment assessment, management performed the following sensitivity analyses, using reasonably possible changes in EBITDA, terminal growth rates and discount factors. The sensitivity analyses were done individually, while holding all other variables constant. In practice, this is unlikely to occur as changes in one variable can impact the others.

Variable	Change in Estimate	Indicator of additional impairment	Estimate of additional impairment
EBITDA	5% reduction	Yes	US\$16.8 million
EBITDA	15 – 20% reduction	Yes	US\$55.0 million – US\$74.3 million
Terminal Growth Rates	0.5% reduction	Yes	US\$10.2 million
Terminal Growth Rates	0.5% increase	No	N/A
Discount factor	0.25% percentage point reduction	No	N/A
Discount factor	0.25% percentage point increase	Yes	US\$5.9 million

6.3 Commitments and contingent liabilities

Other commitments at the year-end if called are \$304 (2019 – \$764) and contingent liabilities exist of \$50 (2019 – Nil).

6.4 Summarised Financial Information

Summarised financial information from the financial statements of associates and joint ventures is set out in the three tables which follow.

	RGM Limited		FamGuard Corporation Limited		Primo Holding Limited		Sagikor Costa Rica SCR, S.A.		Playa Hotels and Resorts N.V.	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
ASSETS										
Property, plant and equipment	751	461	36,911	39,086	-	-	452	600	1,722,434	1,917,329
Financial investments	-	-	288,970	261,221	-	-	14,987	11,705	-	-
Cash resources	6,132	4,727	18,832	20,415	-	-	3,979	926	171,957	20,717
Other investments and assets	122,309	124,235	15,531	20,354	1,000	1,000	12,352	15,636	221,872	243,603
Total assets	129,192	129,423	360,244	341,076	1,000	1,000	31,770	28,867	2,116,263	2,181,649
LIABILITIES										
Policy liabilities	-	-	254,553	240,005	-	-	9,249	13,600	-	-
Notes and loans payable	-	-	-	-	-	-	5,800	6,007	1,244,728	1,061,620
Other liabilities	50,916	53,478	11,699	12,801	177	162	7,130	2,673	310,671	316,815
Total liabilities	50,916	53,478	266,252	252,806	177	162	22,179	22,280	1,555,399	1,378,435
Net assets	78,276	75,945	93,992	88,270	823	838	9,591	6,587	560,864	803,214

6.4 Summarised Financial Information (continued)

	RGM Limited		FamGuard Corporation Limited		Primo Holding Limited		Sagicor Costa Rica SCR, S.A.		Playa Hotels and Resorts N.V.	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
WORKING CAPITAL										
Current assets	10,651	8,287	33,814	40,769	-	-	22,539	17,943	254,265	144,311
Current liabilities	5,351	5,518	11,286	12,801	44	43	17,084	16,834	246,835	273,715
Net current assets / (liabilities)	5,300	2,769	22,528	27,968	(44)	(43)	5,455	1,109	7,430	(129,404)
Cash and cash equivalents included in current assets	6,132	4,727	18,832	20,415	-	-	3,979	926	146,151	20,717
Current financial liabilities (excluding trade and other payables and provisions) included in current liabilities	2,415	2,319	549	-	-	-	1,908	1,059	111,604	77,752
NON-CURRENT ASSETS / LIABILITIES										
Non-current assets	118,541	121,136	326,430	300,307	1,000	1,000	9,231	10,924	1,861,998	2,037,338
Non-current liabilities	45,565	47,960	254,966	240,005	133	119	5,095	5,446	1,308,564	1,104,720
Non-current financial liabilities (excluding trade and other payables and provisions) included in non-current liabilities	45,565	47,960	254,553	238,840	-	-	5,093	5,446	1,179,222	983,867

6.4 Summarised Financial Information (continued)

	RGM Limited		FamGuard Corporation Limited		Primo Holding Limited		Sagikor Costa Rica SCR, S.A.		Playa Hotels and Resort N.V.	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
REVENUE										
Net premium revenue	-	-	99,506	100,427	-	-	22,567	17,702	-	-
Hotel revenue	-	-	-	-	-	-	-	-	346,499	635,510
Net investment and other income	25,607	26,209	26,353	31,887	-	-	1,956	217	-	-
Total revenue	25,607	26,209	125,859	132,314	-	-	24,523	17,919	346,499	635,510
BENEFITS AND EXPENSES										
Benefits	-	-	76,586	85,040	-	-	5,229	8,294	-	-
Hotel expenses	-	-	-	-	-	-	-	-	509,896	610,333
Finance costs	3,808	3,975	-	-	-	-	396	428	81,625	44,020
Depreciation and amortisation	233	243	2,269	1,592	-	-	133	88	92	102
Other expenses	17,276	14,705	36,296	38,307	16	16	12,957	8,765	261	3,093
Total benefits and expenses	21,317	18,923	115,151	124,939	16	16	18,715	17,575	591,874	657,548
INCOME BEFORE TAXES FROM CONTINUING OPERATIONS										
	4,290	7,286	10,708	7,375	(16)	(16)	5,808	344	(245,375)	(22,038)
Income taxes	(1,544)	(1,593)	-	-	-	-	(1,424)	(125)	627	17,194
NET INCOME FOR THE YEAR	2,746	5,693	10,708	7,375	(16)	(16)	4,384	219	(244,748)	(4,844)
Other comprehensive income	-	-	(1,102)	276	-	-	(1,410)	1,371	(6,321)	(30,551)
Total comprehensive income	2,746	5,693	9,606	7,651	(16)	(16)	2,974	1,590	(251,069)	(35,395)
Interest income	-	-	13,475	13,071	-	-	713	586	-	-
Interest expense	3,808	3,975	-	-	-	-	-	-	-	-

7 PROPERTY, PLANT AND EQUIPMENT

	2020					2019				
	Owner-occupied properties	Owner-managed hotel properties	Office furnishings, equipment & vehicles	Right-of-use assets	Total	Owner-occupied properties	Owner-managed hotel properties	Office furnishings, equipment & vehicles	Right-of-use assets	Total
Net book value, beginning of year	110,172	96,608	53,721	29,369	289,870	104,629	98,974	58,685	-	262,288
Recognised on adoption of IFRS 16	-	-	-	-	-	-	-	-	23,853	23,853
Additions at cost	270	176	17,984	14,206	32,636	906	145	12,965	14,350	28,366
Additions arising from acquisitions	-	-	-	-	-	7,411	-	1,252	-	8,663
Transfer to intangible assets (note 8)	-	-	(3,388)	-	(3,388)	-	-	(3,031)	-	(3,031)
Other transfers	-	-	-	(81)	(81)	1,375	-	(1,183)	-	192
Disposals and divestures	-	-	(1,907)	(4,879)	(6,786)	(6,180)	-	(192)	(2,247)	(8,619)
Fair value changes recorded in OCI	1,818	(18,963)	-	-	(17,145)	3,580	545	-	-	4,125
Depreciation charge	(2,206)	(2,386)	(14,379)	(6,150)	(25,121)	(1,009)	(2,506)	(13,922)	(6,644)	(24,081)
Effects of exchange rate changes	(1,316)	589	(1,175)	(1,514)	(3,416)	(540)	(550)	(853)	57	(1,886)
Net book value, end of year	108,738	76,024	50,856	30,951	266,569	110,172	96,608	53,721	29,369	289,870
Represented by:										
Cost or valuation	111,073	85,957	161,705	42,582	401,317	112,465	104,120	165,285	36,024	417,894
Accumulated depreciation	(2,335)	(9,933)	(110,849)	(11,631)	(134,748)	(2,293)	(7,512)	(111,564)	(6,655)	(128,024)
	108,738	76,024	50,856	30,951	266,569	110,172	96,608	53,721	29,369	289,870

Owner-occupied properties consist mainly of commercial offices but include lands of \$35,245 (2019 – 35,636) utilised largely in farming operations.

Owner-occupied properties, equipment & vehicles include operating leases held as lessor.

8 INTANGIBLE ASSETS**8.1 Analysis of intangible assets and changes for the year**

	2020					2019				
	Goodwill	Customer & broker relationships	Trade Names	Software	Total	Goodwill	Customer & broker relationships	Trade Names	Software	Total
Net book value, beginning of year	63,325	16,331	3,320	23,888	106,864	56,455	13,199	2,590	25,068	97,312
Additions at cost	-	-	-	3,840	3,840	-	-	-	4,738	4,738
Transfer from property, plant and equipment (note 7)	-	-	-	3,388	3,388	-	-	-	3,031	3,031
Identified on acquisition (note 37):										
Advantage General Insurance Company Ltd	163	-	-	-	163	7,795	5,599	933	694	15,021
Subsidiary acquisitions and disposals	-	-	-	(2)	(2)	-	-	-	-	-
Amortisation/impairment charges	(3,000)	(2,118)	(119)	(9,191)	(14,428)	-	(2,006)	(127)	(9,282)	(11,415)
Effects of exchange rate changes	(2,101)	(1,041)	(231)	(580)	(3,953)	(925)	(461)	(76)	(361)	(1,823)
Net book value, end of year	58,387	13,172	2,970	21,343	95,872	63,325	16,331	3,320	23,888	106,864
Represented by:										
Cost or valuation	61,387	36,874	6,532	89,320	194,113	63,325	39,505	7,021	85,309	195,160
Accumulated depreciation and impairments	(3,000)	(23,702)	(3,562)	(67,977)	(98,241)	-	(23,174)	(3,701)	(61,421)	(88,296)
	58,387	13,172	2,970	21,343	95,872	63,325	16,331	3,320	23,888	106,864

8.2 Impairment of intangible assets

Goodwill arises from past acquisitions and is allocated to cash-generating units (CGUs). Goodwill is tested annually for impairment. The recoverable amount of a CGU is determined as the higher of its value in use or its fair value less costs to sell.

For those CGU's where the fair value less costs of disposal methodology is used, financial projections are used as inputs to determine maintainable earnings over time to which is applied an appropriate earnings' multiple. For those CGU's where the value in use methodology is used, cash flows are extracted from financial projections to which are applied appropriate discount factors and residual growth rates, or alternatively, the cash flows from the financial projections are extended to 50 years using an actuarial appraisal value technique which incorporates appropriate discount rates and solvency capital requirements. As disclosed in note 2.7(a), goodwill is allocated to the Group's reportable operating segments.

The Group obtains independent professional advice in order to select the relevant discount factors, residual growth rates and earnings multiples.

The carrying values of goodwill and the impairment test factors used are considered in the following sections.

(a) Sagikor Life operating segment

	2020	2019
Carrying value of goodwill	26,554	26,552

8.2 Impairment of intangible assets (continued)*(i) Years ended December 31, 2020 & 2019*

An actuarial appraisal value technique was adopted to test goodwill impairment. The principal assumptions included the following:

- Discount rates of 10% (2019, 10%) for individual life and annuity in force business;
- New individual life and annuity business was included for the seven-year period 2021 to 2027, (seven year period 2020 to 2026);
- Annual growth rate for new individual life and annuity business were 8.0% - 51.0% for 2021 and 4.0% - 10.0 % from 2022 to 2027 (2019 - 10.0% - 47.0% for the year 2020 and 3.0% to 11.0% from 2021 to 2026);
- Discount rates of 14% (2019, 14%) for new individual life and annuity business;
- Required Minimum Continuing Capital and Surplus Ratio (MCCSR) of 175% (2019 – 175%).

Sensitivity

The excess of the appraisal value over carrying value of the operating segment was also tested by varying the discount rates and capital ratios. The results are set out in the following tables.

Sagikor Life Inc Segment			MCCSR target ratio		
			Low	Mid	High
Discount rate	Inforce	New business	150%	175%	200%
Low	8%	12%	361,006	353,634	346,085
Mid	10%	14%	179,869	167,736	155,311
High	12%	16%	45,025	29,783	14,206

8.2 Impairment of intangible assets (continued)*(b) Sagicor Jamaica operating segment*

	2020	2019
Carrying value of goodwill	29,152	31,092

The fair value less costs of disposal methodology was adopted to test goodwill impairment in both years. The after-tax multiple used for the segment 11.0 (2019 – 11.2) was derived from a pre-tax factor of 8.1 (2019 – 8.4) using an iterative method.

Sensitivity

The possible impairment of goodwill is sensitive to changes in earnings multiples and after-tax earnings. This is illustrated in the following table.

	2020 test		
	Scenario 1	Scenario 2	Scenario 3
After-tax earnings multiples	11.0	9.4	6.6
Reduction in forecast earnings	n/a	10%	10%
Excess of recoverable amount (of 49.11% interest)	195,741	93,847	n/a
Impairment (of 49.11% interest)	Nil	Nil	(44,405)

8.2 Impairment of intangible assets (continued)*(c) Sagicor General Insurance Inc*

	2020	2019
Carrying value of goodwill	2,681	5,681

The value in use methodology has been used to test goodwill impairment in both years. The pre-tax discount factor was 18.9% (2019 – 18.0%) which was derived from an after-tax factor of 15.0% (2019 – 14.0%) using an iterative method. The residual growth rate was 2.0% (2019 – 2.5%).

During the year, goodwill of US\$3.0 million has been impaired relating to Sagicor General Insurance Inc. This amount is included within Depreciation and amortisation in the consolidated statement of income.

Sensitivity

The possible impairment of goodwill is sensitive to changes in the after-tax discount factor and residual growth rate. This is illustrated in the following table.

	2020 test		
	Scenario 1	Scenario 2	Scenario 3
After-tax discount factor	15.0	14.5	16.5
Residual growth rate	2.0	2.0	1.5
Excess of recoverable amount	1,473	2,793	Nil
Impairment	Nil	Nil	(2,028)

9 FINANCIAL INVESTMENTS

9.1 Analysis of financial investments

	2020		2019	
	Carrying value	Fair value	Carrying value	Fair value
Investments at FVOCI:				
Debt securities and money market funds	3,611,917	3,611,917	3,673,421	3,673,421
Equity securities	1,054	1,054	1,291	1,291
	<u>3,612,971</u>	<u>3,612,971</u>	<u>3,674,712</u>	<u>3,674,712</u>
Investments at FVTPL:				
Debt securities	348,874	348,874	243,107	243,107
Equity securities	659,519	659,519	370,173	370,173
Derivative financial instruments	37,188	37,188	36,891	36,891
Mortgage loans	26,065	26,065	28,933	28,933
	<u>1,071,646</u>	<u>1,071,646</u>	<u>679,104</u>	<u>679,104</u>
Investments at amortised cost:				
Debt securities (note 41.5 (d))	1,269,486	1,490,099	1,148,739	1,361,973
Mortgage loans	393,214	390,938	362,547	362,341
Policy loans	151,038	177,813	151,533	181,902
Finance loans	555,384	560,543	595,307	602,512
Securities purchased for resale	57,110	57,110	10,904	10,904
Deposits	127,720	127,720	62,798	62,798
	<u>2,553,952</u>	<u>2,804,223</u>	<u>2,331,828</u>	<u>2,582,430</u>
Total financial investments	<u>7,238,569</u>	<u>7,488,840</u>	<u>6,685,644</u>	<u>6,936,246</u>

9.1 Analysis of financial investments (continued)

Non-derivative investments at FVTPL	FVTPL	FVTPL	Total
	mandatory designation	designation by election	
2020			
Equity securities	580,919	78,600	659,519
Debt securities	201,797	147,077	348,874
Mortgage loans	34	26,031	26,065
	<u>782,750</u>	<u>251,708</u>	<u>1,034,458</u>
2019			
Equity securities	286,764	83,409	370,173
Debt securities	115,104	128,003	243,107
Mortgage loans	-	28,933	28,933
	<u>401,868</u>	<u>240,345</u>	<u>642,213</u>

	2020	2019
Debt securities:		
Government and government-guaranteed debt securities	2,084,812	1,849,154
Collateralised mortgage obligations	545,411	572,128
Corporate debt securities	2,433,389	2,072,446
Money market funds and other securities	166,665	571,539
	<u>5,230,277</u>	<u>5,065,267</u>
Included in financial investments are:		
Exchange-traded funds included in equity securities	301,732	23,290
Debt securities issued by associates	24,135	25,278
Mutual funds managed by the Group	175,704	217,170

9.2 Financial investments repledged

Debt securities are pledged as collateral under repurchase agreements with customers and other financial institutions and for security relating to overdraft and other facilities with other financial institutions. Of the assets pledged as security, the following represents the total for those assets pledged for which the transferee has the right by contract or custom to sell or repledge the collateral.

	2020	2019
Financial investments repledged	611,730	604,886

Balance sheet presentation

Financial investments	6,626,839	6,080,758
Financial investments repledged	611,730	604,886
	7,238,569	6,685,644

Analysis of financial investments repledged

	2020	2019
	Pledged value	Pledged value
Investments at FVOCI:		
Debt securities and money market funds	610,684	602,288
Investments at amortised cost :		
Debt securities	632	2,188
Securities purchased for resale	37	37
Deposits	377	373
	1,046	2,598
Financial investments repledged	611,730	604,886

9.3 Collateral assets

Debt and equity securities include \$2,806 (2019 - \$20,644) as collateral for loans payable and other funding instruments.

Collateral for the obligation to the Federal Home Loan Bank of Dallas (FHLB) which is included in other funding instruments (note 17), consists of an equity holding in the FHLB with a market value of \$17,261 (2019 - \$16,114), and mortgages and mortgage backed securities having a total market value of \$365,714 (2019 - \$391,141).

9.4 Financial investments held under the unit linked fair value model

Financial investments include the following amounts for which the full income and capital returns accrue to the holders of unit linked insurance and investment contracts. These investments are measured at FVTPL and amortised cost for mortgages.

	2020	2019
Debt securities	157,187	154,111
Equity securities	186,069	225,276
Mortgage loans	53,417	58,154
	396,673	437,541

10 REINSURANCE ASSETS

	2020	2019
Reinsurers' share of:		
Actuarial liabilities (note 13.1)	639,797	661,811
Policy benefits payable (note 14.2)	34,708	28,700
Provision for unearned premiums (note 14.3) (i)	26,860	24,828
Other items	14,374	8,898
	<u>715,739</u>	<u>724,237</u>

(i) Amount is expected to be realised within one year.

11 INCOME TAX ASSETS

	2020	2019
Deferred income tax assets (note 33)	7,050	6,494
Income and withholding taxes recoverable	19,280	20,100
	<u>26,330</u>	<u>26,594</u>

Income and withholding taxes recoverable are expected to be recovered within one year of the financial statements' date.

12 MISCELLANEOUS ASSETS AND RECEIVABLES

	2020	2019
Net defined benefit assets (note 31)	16,728	9,040
Real estate developed or held for resale	46,456	28,571
Prepaid and deferred expenses (i)	37,055	33,583
Premiums receivable	59,780	57,584
Legal claim (note 20)	1,126	1,073
Service contract receivables	-	1,411
Finance leases	822	768
Other assets and accounts receivable	77,571	76,029
	<u>239,538</u>	<u>208,059</u>
Amounts due from managed funds included in receivables	2,938	4,537
Amounts expected to be realised within one year included in real estate developed or held for resale	21,502	8,153

(i) Amounts are expected to be realised within one year.

13 ACTUARIAL LIABILITIES**13.1 Analysis of actuarial liabilities**

	Gross liability		Reinsurers' share	
	2020	2019	2020	2019
Contracts issued to individuals:				
Life insurance - participating policies	192,866	194,551	76	66
Life insurance and annuity - non-participating policies	3,160,834	2,590,528	626,361	647,417
Health insurance	8,741	12,511	192	236
Unit linked funds	253,229	288,504	-	-
Reinsurance contracts held	40,767	32,585	-	-
	3,656,437	3,118,679	626,629	647,719
Contracts issued to groups:				
Life insurance	27,541	28,862	104	107
Annuities	436,590	428,050	12,900	13,837
Health insurance	32,133	29,062	164	148
	496,264	485,974	13,168	14,092
Total actuarial liabilities	4,152,701	3,604,653	639,797	661,811

The following notes are in respect of the foregoing table:

- Life insurance includes coverage for disability and critical illness.
- Actuarial liabilities include \$80,331 (2019 - \$77,391) in assumed reinsurance.
- The liability for reinsurance contracts held occurs because the reinsurance premium costs exceed the mortality costs assumed in determining the gross liability of a policy contract.

13.2 Movement in actuarial liabilities

	Gross liability		Reinsurers' share	
	2020	2019	2020	2019
Balance, beginning of year	3,604,653	3,024,464	661,811	653,722
Changes in actuarial liabilities:				
Recorded in income (note 25)	512,140	492,875	(22,026)	8,092
Recorded in OCI	65,039	110,409	-	-
Derecognised on divestiture	-	(8,292)	-	(2)
Other movements	(1,057)	163	5	-
Effect of exchange rate changes	(28,074)	(14,966)	7	(1)
Balance, end of year	4,152,701	3,604,653	639,797	661,811
Analysis of changes in actuarial liabilities				
Arising from increments and decrements of inforce policies and from the issuance of new policies	589,905	453,393	(23,881)	2,719
Arising from changes in assumptions for mortality, lapse, expenses, partial withdrawal, universal life premium persistence, investment yields and asset default	9,918	102,407	187	1,093
Other changes:				
Actuarial modelling refinements and improvements	5,221	(1,560)	1,664	-
Changes in margins for adverse deviations	-	2,714	-	-
Arising from fair value changes of Segregated Funds	(15,471)	55,891	-	-
Other items	(12,394)	(9,561)	4	4,280
Total	577,179	603,284	(22,026)	8,092

13.3 Assumptions – life insurance and annuity contracts**(a) Process used to set actuarial assumptions and margins for adverse deviations**

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

Any changes in actuarial standards and practice are also incorporated in the current valuation.

(b) Assumptions for mortality and morbidity

Mortality rates are related to the incidence of death in the insured population. Morbidity rates are related to the incidence of sickness and disability in the insured population.

Annually, insurers update studies of recent mortality experience. The resulting experience is compared to external mortality studies including tables from the Canadian Institute of Actuaries. Appropriate modification factors are selected and applied to underwritten and non-underwritten business respectively. Annuitant mortality is determined by reference to CIA tables or to other established scales.

Assumptions for morbidity are determined after reflecting insurer and industry experience.

(c) Assumptions for lapse

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

13.3 Assumptions – life insurance and annuity contracts (continued)**(d) Assumptions for investment yields**

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

The ultimate rate of return is the assumed rate that will ultimately be earned on long-term government bonds. It is established for each geographic area and is summarised in the following table.

Ultimate rate of return	2020	2019
Barbados	7.50%	7.50%
Jamaica	5.50%	5.50%
Trinidad & Tobago	5.00%	5.00%
Other Caribbean	4.50% - 7.50%	4.50% - 7.50%
USA	4.00% - 5.50%	3.90% - 5.40%

(e) Assumptions for operating expenses and taxes

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

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

13.3 Assumptions – life insurance and annuity contracts (continued)**(f) Asset defaults**

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

(g) Margins for adverse deviations

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

Provisions for adverse deviations	2020	2019
Mortality and morbidity	97,305	95,203
Lapse	90,733	76,390
Investment yields and asset default	69,887	65,971
Operating expenses and taxes	10,495	10,019
Other	14,949	13,889
	<u>283,369</u>	<u>261,472</u>

13.4 Assumptions – health insurance contracts

The outstanding liabilities for health insurance claims incurred but not yet reported and for claims reported but not yet paid are determined by statistical methods using expected loss ratios which have been derived from recent historical data. No significant claim settlements are anticipated after one year from the date of the financial statements.

14 OTHER POLICY LIABILITIES**14.1 Analysis of other policy liabilities**

	2020	2019
Dividends on deposit and other policy balances	60,236	61,518
Policy benefits payable	174,375	166,350
Provision for unearned premiums	58,065	59,092
	292,676	286,960

14.2 Policy benefits payable

	Gross liability		Reinsurers' share	
	2020	2019	2020	2019
Analysis of policy benefits payable:				
Life insurance and annuity benefits	111,231	97,364	17,415	16,916
Health claims	4,260	5,252	6,251	2,846
Property and casualty claims	58,884	63,734	11,042	8,938
	174,375	166,350	34,708	28,700

14.2 Policy benefits payable (continued)

	Gross liability		Reinsurers' share	
	2020	2019	2020	2019
Movement for the year:				
Balance, beginning of year	166,350	140,163	28,700	39,085
Subsidiary and insurance portfolio acquisitions	(1,771)	27,090	-	351
Policy benefits incurred	761,510	682,891	118,824	107,425
Policy benefits paid	(748,079)	(683,339)	(112,420)	(117,894)
Effect of exchange rate changes	(3,635)	(455)	(396)	(267)
Balance, end of year	174,375	166,350	34,708	28,700

14.3 Provision for unearned premiums

	Gross liability		Reinsurers' share	
	2020	2019	2020	2019
Analysis of the provision:				
Property and casualty insurance	56,119	56,986	26,860	24,828
Health insurance	1,946	2,106	-	-
	58,065	59,092	26,860	24,828

The provision for unearned premiums is expected to mature within a year of the financial statements' date.

14.3 Provision for unearned premiums (continued)

	Gross liability		Reinsurers' share	
	2020	2019	2020	2019
Movement for the year:				
Balance, beginning of year	59,092	44,435	24,828	14,727
Subsidiary and insurance portfolio acquisitions	-	22,278	-	7,650
Premiums written	128,027	97,235	65,917	45,844
Premium revenue	(127,661)	(104,980)	(63,210)	(43,446)
Effect of exchange rate changes	(1,393)	124	(675)	53
Balance, end of year	58,065	59,092	26,860	24,828

15 INVESTMENT CONTRACT LIABILITIES

	2020		2019	
	Carrying value	Fair value	Carrying Value	Fair value
Liabilities at amortised cost:				
Deposit administration liabilities	117,046	117,046	113,767	113,767
Other investment contracts	166,116	169,002	148,188	149,928
	283,162	286,048	261,955	263,695
Liabilities at FVTPL:				
Unit linked deposit administration liabilities	154,442	154,442	162,385	162,385
	437,604	440,490	424,340	426,080

16 NOTES AND LOANS PAYABLE

The following table presents the carrying values and estimated fair values of notes and loans payable.

Amounts in US \$000	2020		2019	
	Carrying value	Fair value	Carrying value	Fair Value
Liabilities at amortised cost:				
8.875% senior notes due 2022 (a)	315,938	324,704	318,227	330,197
5.10% unsecured bond due 2020 (b)	-	-	33,700	34,256
5.95% unsecured bond due 2020 (c)	-	-	42,904	44,826
5.50% unsecured bond due 2022 (c)	31,957	32,790	-	-
6.25% unsecured bond due 2022 (c) & (d)	27,000	28,530	-	-
5.00% notes due 2020 (e)	-	-	16,857	17,257
6.75% notes due 2024 (e)	15,434	16,275	16,589	15,845
Mortgage loans (g)	59,607	60,767	75,019	77,034
Bank loans and other funding instruments (f)	21,686	21,686	14,436	14,436
	471,622	484,752	517,732	533,851

(a) Valuation of Call Option Embedded Derivative

As at December 31, 2020, the Group had US\$318 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 the scenario as summarised below and described in more detail herein:

Optional Redemption with 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\$5.9 million as at December 31 (2019 - US\$2.8 million).

16 NOTES AND LOANS PAYABLE (continued)

(b) On September 18 and 26, 2019, Sagicor Financial Corporation Limited issued US\$30.6 million and US\$3.4 million notes respectively, carrying an annual rate of 5.10%. The notes matured October 26, 2020.

(c) On September 26, 2019, Sagicor Financial Corporation Limited issued a Jamaican \$ bond in the amount of J\$5,731,140,000 carrying an annual interest rate of 5.95% per annum. The bond matured October 26, 2020.

On October 27, 2020, Sagicor Financial Corporation Limited refinanced the above facility with the issue of a bond in two Tranches, Tranche A up to J\$5,737,140,000 and Tranche B up to US\$31,807,000, carrying annual interest rates of 6.25% and 5.50% respectively. Interest is payable quarterly commencing January 27, 2021. The Tranches mature on April 26, 2022, with an option for further extension.

(d) At December 31, 2020, Sagicor Investments Jamaica Limited held an investment of US\$13.5 million in Tranche A above.

(e) On August 16, 2019, Sagicor Investments Jamaica Limited issued J\$4.4 billion notes in two Tranches, Tranche A J\$2.22 billion and Tranche B J\$2.18 billion, carrying annual rates of 5.00% and 6.75% respectively. Tranche A matured on September 16, 2020 and Tranche B has a maturity date of August 16, 2024.

(f) Bank loans and other funding instruments include the following:

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

(ii) On October 1, 2020, The Estates (Residential Properties) Limited issued cumulative preference shares in the amount of US\$9 million. Dividends accrue at a rate of 6.75% per annum and are payable semi-annually. The preference shares are redeemable on September 30, 2027.

16 NOTES AND LOANS PAYABLE (continued)

(g) Mortgage Loans

	Issuer / mortgagor	2020	2019
4.90% USD mortgage notes due 2025 ⁽¹⁾	X Fund Properties LLC	45,822	45,741
4.75% USD mortgage notes due 2021 ⁽¹⁾	Sagicor X-Fund Real Estate Limited	2,188	2,112
5.00% USD mortgage notes due 2020	X Fund Properties Limited	-	4,255
8.75% JMD mortgage notes due 2020	X Fund Properties Limited	-	10,136
9.00% JMD mortgage notes due 2048 ⁽¹⁾	X Fund Properties Limited	3,356	3,598
8.00% JMD mortgage notes due 2021 ⁽¹⁾	X Fund Properties Limited	3,134	3,548
10.00% JMD mortgage notes due 2026 ⁽¹⁾	X Fund Properties Limited	3,220	3,511
3.26%/ 3.61% mortgage notes due 2026 ⁽¹⁾	X Fund Properties Limited	934	996
Development loan ⁽²⁾	X Fund Properties Limited	953	1,122
		59,607	75,019

⁽¹⁾ These notes have a breach of loan covenant which has been disclosed in note 46.3.

⁽²⁾ This note is interest-free with annual forgiveness of debt over ten years, if certain conditions are met.

X Fund Properties LLC

The 4.90% USD mortgage note is secured by the investment in hotel property. Interest on the mortgage note is paid monthly through to maturity, upon which the outstanding principal is due and payable. The Group may prepay the mortgage note prior to the maturity date only in conjunction with the sale of a property or as a result of casualty or condemnation. The note is payable on October 6, 2025 and attracts a fixed rate interest of 4.90%.

16 NOTES AND LOANS PAYABLE (continued)

Sagicor X-Fund Real Estate Limited

This mortgage note was issued in three tranches (A,B,C). Tranches A and B have matured while Tranche C, which attracts interest of 4.75%, has a maturity date of May 2021 with an option for further extension. This loan was originally secured by a debenture over units in the Sigma Real Estate Portfolio. This has been substituted for shares in Jamziv MoBay Jamaica Portfolio Limited which holds shares of Playa Hotel and Resorts N.V.

X Fund Properties Limited

These mortgage notes are secured by:

- a charge over Jamziv MoBay Jamaica Portfolio Limited allocated to X Fund Properties Limited,
- a charge over the assets and undertakings of X Fund Properties Limited.

Movement for the year to December 31,	2020	2019
Balance, beginning of year	517,732	490,275
Valuation of call option embedded derivative	(3,082)	(2,831)
Additions:		
Gross principal	68,660	197,114
less Expenses	(415)	(967)
	68,245	196,147
Repayments:		
Principal	(109,514)	(164,452)
Interest	(37,414)	(37,871)
	(146,928)	(202,323)
Finance leases reclassified to lease liabilities	-	(4,255)
Amortisation during the year	3,588	2,974
Accrued Interest	38,838	38,282
Effects of exchange rate changes	(6,771)	(537)
Balance, end of the year	471,622	517,732

17 DEPOSIT AND SECURITY LIABILITIES

	2020		2019	
	Carrying value	Fair value	Carrying value	Fair value
Liabilities at amortised cost:				
Other funding instruments	388,523	387,206	418,047	418,932
Customer deposits	861,652	867,317	808,119	811,715
Securities sold for repurchase	575,604	575,604	512,857	512,857
Bank overdrafts	980	980	6,646	6,646
	1,826,759	1,831,107	1,745,669	1,750,150
Liabilities at FVTPL:				
Structured products	-	-	6,756	6,756
Derivative financial instruments (note 41.9)	-	-	264	264
	-	-	7,020	7,020
	1,826,759	1,831,107	1,752,689	1,757,170

Other funding instruments consist of loans from banks and other financial institutions and include balances of \$348,559 (2019 - \$375,219) due to the Federal Home Loan Bank of Dallas (FHLB). The Group participates in the FHLB programme in which funds received from the Bank are invested in mortgages and mortgage-backed securities.

Structured products are offered by a banking subsidiary. A structured product is a pre-packaged investment strategy created to meet specific needs that cannot be met from the standardised financial instruments available in the market. Structured products can be used as an alternative to a direct investment, as part of the asset allocation process to reduce risk exposure of a portfolio, or to capitalise on current market trends.

Collateral for other funding instruments and securities sold under agreements to resell is set out in note 9.2.

18 OTHER LIABILITIES / RETIREMENT BENEFIT LIABILITIES

	2020	2019
Net defined benefit liabilities (note 31)	66,342	59,597
Other provisions	200	198
	<u>66,542</u>	<u>59,795</u>

19 INCOME TAX LIABILITIES

	2020	2019
Deferred income tax liabilities (note 33)	48,873	51,198
Income taxes payable	16,255	5,691
	<u>65,128</u>	<u>56,889</u>

Income taxes payable are expected to be settled within a year of the financial statements' date.

20 ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2020	2019
Suspense and other amounts due	44,078	46,257
Amounts due to reinsurers	28,461	17,993
Legal claim (i)	1,126	1,073
Other accounts payable and accrued liabilities	181,797	175,010
	<u>255,462</u>	<u>240,333</u>

- (i) On March 17, 2014, the Supreme Court of Jamaica granted judgement in favour of a claimant in a case brought against Sagicor Bank Jamaica Limited ("the Bank"), (formerly RBC Royal Bank Jamaica Limited). This claim pre-dated the acquisition of the Bank by Sagicor Group Jamaica Limited, and pre-dated the acquisition of control of the Bank by RBTT from Finsac Limited ("Finsac") in 2001.

By virtue of the Share Sale Agreement between Finsac, RBTT Financial Holdings Limited and RBTT International Limited, Finsac agreed to fully indemnify RBTT International Limited against any loss the bank may suffer in this matter. As the current owner of Sagicor Bank Jamaica Limited, Sagicor Group is the current beneficiary of the Indemnity. The Indemnity from Finsac is further supported by a Government of Jamaica Guarantee on a full indemnity basis.

Sagicor appealed the Supreme Court decision and judgment was delivered on July 31, 2018, which ruled that the award previously made to the Claimant be reduced with costs to the Claimant, subject to an accounting exercise to determine the apportionment of costs between the parties. This reduced award took into account lower interest rates, applying simple interest rather than compounding interest. The issue of costs remains to be determined by the courts following a subsequent application to amend the judgment which was delivered in January 2019. The amount previously awarded to the Claimant has been recorded as payable to the claimant, plus accrued interest, and a corresponding receivable from Finsac/Government of Jamaica has been recorded (note 12).

On July 1, 2019, the Claimant filed an application for conditional leave to appeal to the Privy Council on the issue of costs, with final leave being granted on October 26, 2020.

21 COMMON SHARES

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

The common shares issued are as follows:

	2020			2019				
	Number in 000's	Share capital	Share premium	Total	Number in 000's	Share capital	Share premium	Total
Issued and fully paid:								
Balance, beginning of year	147,839	1,478	762,290	763,768	306,556	3,066	301,132	304,198
Exchange of shares (note 1)	-	-	-	-	(227,016)	(2,270)	2,270	-
Repurchase of shares (note 1)	(2,974)	(29)	(15,367)	(15,396)	(11,548)	(116)	(19,930)	(20,046)
	144,865	1,449	746,923	748,372	67,992	680	283,472	284,152
Allotments arising from:								
Common shares	1,516	15	6,848	6,863	-	-	-	-
New share issue (note 1)	-	-	-	-	79,847	798	478,818	479,616
Balance, end of year	146,381	1,464	753,771	755,235	147,839	1,478	762,290	763,768
Treasury shares:								
Shares held for LTI and ESOP, end of year (note 30.1)	(50)	(1)	(275)	(276)	(50)	(1)	(275)	(276)
Shares repurchased but not cancelled	(1)	-	(6)	(6)	-	-	-	-
Total	146,330	1,463	753,490	754,953	147,789	1,477	762,015	763,492

21.1 Share buyback programme

During the year, the board of directors of SFC authorised a share buyback programme that allows the Company to repurchase its common shares (the "NCIB Shares"). The Toronto Stock Exchange (the "TSX") accepted the Company's notice of intention to make a normal course issuer bid ("NCIB") through which the Company may purchase the NCIB Shares during the 12-month period commencing June 22, 2020 and ending June 21, 2021. The Company was initially authorised to repurchase up to 3,000,000 of its common shares under the programme, however, the NCIB was subsequently amended to increase the number of shares that may be repurchased to 8,000,000 common shares. Under the NCIB, purchases may be made on the open market through the facilities of the TSX and/or alternative Canadian trading systems at the market price at the time of acquisition, as well as by other means as may be permitted by TSX rules and applicable securities laws.

21 COMMON SHARES (continued)**21.1 Share buyback programme (continued)**

During the year, the Company repurchased 2,942,500 shares, at a total cost of US\$13.1 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 discount arising on the repurchase of shares has been recorded directly in retained earnings.

The cost of shares totalling US\$0.006 million, which were repurchased at the year end date but not cancelled, has been reflected in treasury shares.

21.2 Common share dividends

Common share dividends declared, paid and proposed are set out in the following table.

	2020		2019	
	Per share	Total	Per share	Total
Dividends declared and paid during the year:				
Three-month period ended:				
– March 31	5.625¢	8,353	-	-
– June 30	5.625¢	8,387	2.5¢	7,658
– September 30	5.625¢	8,262	-	-
– December 31	5.625¢	8,241	2.5¢	7,658
Total		33,243		15,316

22 RESERVES

	Fair value reserves					Warrant reserve ⁽¹⁾	Other reserves	Total reserves
	Owner-occupied and owner-managed property	FVOCI assets	Actuarial liabilities	Cash flow hedges	Currency translation reserves			
2020								
Balance, December 31, 2019	25,151	94,270	(78,707)	(270)	(124,421)	20,062	54,892	(9,023)
Total comprehensive income from continuing operations	(1,753)	68,375	(49,877)	(4)	(19,518)	-	(2)	(2,779)
Transactions with holders of equity instruments:								
Allocated to reserve for equity compensation benefits	-	-	-	-	-	-	6,978	6,978
Eliminated from reserve for equity compensation benefits	-	-	-	-	-	-	(10,899)	(10,899)
Transfers to retained earnings and other movements	(509)	46	-	-	-	-	1,318	855
Balance, December 31, 2020	22,889	162,691	(128,584)	(274)	(143,939)	20,062	52,287	(14,868)

⁽¹⁾ The Group has 34,774,993 (2019 - 34,774,993) warrants outstanding which have an exercise price of CDN \$11.50 per share. These warrants expire on December 5, 2024. The warrants are listed on the Toronto Stock Exchange.

22 RESERVES (continued)

	Fair value reserves							Total reserves
	Owner-occupied and owner-managed property	FVOCI assets	Actuarial liabilities	Cash flow hedges	Currency translation reserves	Warrant reserve	Other reserves	
2019								
Balance, December 31, 2018	23,163	(27,525)	9,362	-	(116,953)	-	34,958	(76,995)
Total comprehensive income from continuing operations	1,514	117,758	(83,392)	(270)	(7,569)	-	(11)	28,030
Transactions with holders of equity instruments:								
Allocated to warrant reserve	-	-	-	-	-	20,062	-	20,062
Allocated to reserve for equity compensation benefits	-	-	-	-	-	-	12,998	12,998
Eliminated from reserve for equity compensation benefits	-	-	-	-	-	-	(3,811)	(3,811)
Transfers to retained earnings and other movements	474	4,037	(4,677)	-	101	-	10,758	10,693
Balance, December 31, 2019	25,151	94,270	(78,707)	(270)	(124,421)	20,062	54,892	(9,023)

23 PARTICIPATING ACCOUNTS

The movements in the participating accounts during the year and the amounts in the financial statements relating to participating accounts were as follows:

	Closed participating account		Open participating account	
	2020	2019	2020	2019
Movement for the year:				
Balance, beginning of year	902	2,774	321	1,304
Total comprehensive income / (loss)	(613)	(1,872)	1,190	(783)
Return of transfer to support profit distribution, to shareholders	-	-	(193)	(200)
Balance, end of year	289	902	1,318	321
Financial statement amounts:				
Assets	63,075	65,913	152,294	151,907
Liabilities	62,786	65,011	150,976	151,586
Revenues	4,589	7,004	16,023	19,751
Benefits	4,599	7,523	12,999	18,798
Expenses	264	511	1,178	1,522
Income taxes	54	84	159	254

The Group no longer sells participating policies in the Eastern Caribbean. As a result, the size of the participating policyholders fund in this region has been decreasing annually and has reached a size where it is no longer beneficial to the policyholders to continue to maintain a separate fund.

Consequently, the participating policies in the Eastern Caribbean were converted to non-participating policies on May 31, 2019 with the level of participating benefits in the form of bonuses and or dividends being guaranteed at conversion.

24 PREMIUM REVENUE

	Gross premium		Ceded to reinsurers	
	2020	2019	2020	2019
Life insurance	470,363	460,623	30,094	29,992
Annuity	736,620	592,400	132	283
Health insurance	176,622	179,101	5,089	5,974
Property and casualty insurance	118,347	91,128	63,210	45,459
	1,501,952	1,323,252	98,525	81,708

25 POLICY BENEFITS AND CHANGE IN ACTUARIAL LIABILITIES

	Gross benefit		Ceded to reinsurers	
	2020	2019	2020	2019
Life insurance benefits	263,130	236,624	24,440	13,523
Annuity benefits	324,994	270,376	77,391	78,864
Health insurance claims	133,185	140,748	3,115	4,834
Property and casualty claims	35,735	29,017	7,498	1,995
Total policy benefits	757,044	676,765	112,444	99,216
Change in actuarial liabilities (note 13.2)	512,140	492,875	(22,026)	8,092
Total policy benefits and change in actuarial liabilities	1,269,184	1,169,640	90,418	107,308

26 NET INVESTMENT INCOME

	2020	2019
Investment income:		
Interest income (amortised cost assets):		
Debt securities	83,907	81,695
Mortgage loans	21,052	20,458
Policy loans	10,881	10,519
Finance loans	61,171	60,941
Securities purchased for resale	804	542
Deposits, cash and other items	951	1,320
	178,766	175,475
Interest income (FVOCI assets):		
Debt securities and money market funds	135,993	132,539
Interest income earned from financial assets measured at amortised cost and FVOCI	314,759	308,014

26 NET INVESTMENT INCOME (continued)

	2020	2019
Interest income earned from financial assets measured at amortised cost and FVOCI	314,759	308,014
Fair value changes and interest income (FVTPL assets):		
Debt securities	16,636	25,319
Equity securities	(9,229)	49,298
Mortgage loans	553	2,524
Derivative financial instruments	10,759	35,701
Other items	2	27
	18,721	112,869
Investment income		
Other income on financial investments	477	253
Investment property – rental income	5,406	8,406
Investment property – (realised losses) / gains	(2,987)	27
Investment property – unrealised losses	(598)	(566)
Other investment income / (expense)	1,724	(259)
	4,022	7,861
Investment expenses:		
Direct operating expenses of investment property that generated rental income	4,060	6,319
Other direct investment expenses	2,539	2,611
	6,599	8,930
Other investment income	16,144	111,800
Net investment income	330,903	419,814

27 FEES AND OTHER REVENUE

	Fees Recognised		Other Revenue	Total
	at a point in time	over time		
2020				
Service contract revenue	26,008	43,889	-	69,897
Fee income – assets under administration	-	2,976	-	2,976
Commission income on reinsurance contracts	-	4	15,647	15,651
Other fees and commission income	11,585	2,188	10,792	24,565
Finance lease income	-	-	75	75
Foreign exchange gains	-	-	4,078	4,078
Hotel revenue	3,076	12,164	1,885	17,125
Other operating and miscellaneous income	159	-	4,450	4,609
	<u>40,828</u>	<u>61,221</u>	<u>36,927</u>	<u>138,976</u>
2019				
Service contract revenue	39,856	50,461	-	90,317
Fee income – assets under administration	-	2,968	-	2,968
Commission income on reinsurance contracts	-	-	7,932	7,932
Other fees and commission income	9,349	3,595	8,876	21,820
Finance lease income	-	-	62	62
Foreign exchange losses	-	-	(1,105)	(1,105)
Hotel revenue	7,970	28,786	2,938	39,694
Other operating and miscellaneous income	213	-	6,070	6,283
	<u>57,388</u>	<u>85,810</u>	<u>24,773</u>	<u>167,971</u>

28 INTEREST AND FINANCE COSTS**28.1 Interest costs**

	2020	2019
Interest expense (amortised cost liabilities):		
Investment contracts	8,464	7,950
Other funding instruments	3,511	9,934
Customer deposits	9,767	10,168
Securities sold for repurchase	12,449	13,814
Insurance contracts and other items	1,604	1,966
	35,795	43,832
Fair value changes and interest expense (FVTPL liabilities)	7,098	10,360
Total interest costs	42,893	54,192

28.2 Finance costs

	2020	2019
8.875% senior notes due 2022	30,740	30,297
8.25% convertible redeemable preference shares due 2020	-	428
4.85% notes due 2019	-	2,324
5.50% unsecured bond due 2022	333	-
6.25% unsecured bond due 2022	311	-
5.10% unsecured bond due 2020	1,744	604
5.95% unsecured bond due 2020	2,385	794
5.00% notes due 2020	556	316
6.75% notes due 2024	1,041	419
Mortgage Loans	5,020	5,180
Lease liabilities ⁽¹⁾	2,184	2,423
Bank loans & other funding instruments	571	848
	44,885	43,633

⁽¹⁾ Interest expense arising from lease liabilities is recognised from 2019 in conformity with IFRS 16.

29 EMPLOYEE COSTS

Included in administrative expenses, commissions and related compensation are the following:

	2020	2019
Administrative and hotel staff salaries, directors' fees and short-term benefits	145,860	137,432
Social security and defined contribution retirement costs	11,852	10,409
Equity-settled compensation benefits (note 30.1 to 30.2)	9,375	15,142
Defined benefit expense (note 31 (b))	12,491	7,707
	179,578	170,690

30 EQUITY COMPENSATION BENEFITS**30.1 Sagikor Financial Company Ltd.**

Effective December 31, 2005, SFCL introduced the LTI plan and the ESOP. A total of 26,555,274 common shares of SFCL (or 10% of shares then in issue) has been set aside for the purposes of the long-term incentive (LTI) plan and the Employee Share Ownership Plan (ESOP).

In 2017, the shareholders of SFCL approved the increase in the number of SFCL's shares reserved for the LTI and ESOP from 26,555,274 common shares to 40,400,000 common shares.

On December 5, 2019, concurrent with the closing of the transaction between Alignvest Acquisition II Corporation ("Alignvest") and Sagikor Financial Corporation Limited ("SFCL"), restricted share grants, share options and ESOP awards were exchanged for grants, options and awards in SFC using the Exchange Ratio as defined in note 1. 3,680,687 restricted share grants were exchanged for 850,276 restricted share grants and 2,297,517 ESOP awards were exchanged for 526,831 ESOP awards in SFC (the "Replacement Grants"). 20,250,604 options were exchanged for 4,678,152 options to purchase common shares of Sagikor Financial Company Ltd. (the "Replacement Options"). The Replacement Options provide an optionee the ability to purchase common shares of Sagikor Financial Company Ltd. at a price per share linked to the award year (as adjusted by the exchange ratio), and the terms and conditions of the Replacement Options have remained the same as the initial terms and conditions. The terms of the Replacement Grants remain unchanged. Since these modifications did not increase the total fair value of the Replacement Options or the Replacement Grants, the Group continues to account for the cost of compensation services received as consideration for the equity instruments granted as if the replacement had not occurred.

The fair value of stock options granted is estimated at the date of grant using the Black-Scholes option pricing model as disclosed in section (b) below.

30.1 Sagikor Financial Company Ltd. (continued)**(a) LTI plan (2005) – restricted share grants**

Restricted share grants have been granted to designated key management of the Group. Share grants may vest over a four-year period beginning at the grant date. The vesting of share grants is conditional upon the relative profitability of the Group as compared to a number of peer companies. Relative profitability is measured with reference to the financial year preceding the vesting date.

The movement in restricted share grants during the year is as follows:

	2020		2019	
	Number of grants '000	Weighted average price	Number of grants '000	Weighted average price
Balance, beginning of year	856	US\$4.50	656	US\$4.50
Grants issued	779	US\$4.74	1,056	US\$6.28
Grants vested	(910)	US\$4.94	(779)	US\$5.54
Grants lapsed/forfeited	(24)	US\$4.98	(77)	US\$4.07
Balance, end of year	701	US\$5.02	856	US\$4.50

30.1 Sagikor Financial Company Ltd. (continued)

(a) LTI plan – restricted share grants (continued)

Grants issued may be satisfied out of new shares issued by Sagikor Financial Company Ltd. or by shares acquired in the market. The shares acquired in the market and/or distributed during the year were as follows:

	2020		2019	
	Number in 000's	\$000	Number in 000's	\$000
Balance, beginning of year and end of year	40	206	40	206

During 2019, a cash settlement was made in lieu of share issue.

(b) LTI plan – share options

No share options have been granted to designated key management of the Group during the year. Up to 2008, options were granted at the fair market price of SFCL shares at the time that the option was granted. From 2009, options have been granted at the fair market price of SFCL shares prevailing one year before the option is granted. Options vest over four years, 25% each on the first four anniversaries of the grant date. Options are exercisable up to 10 years from the grant date.

30.1 Sagikor Financial Company Ltd. (continued)

(b) LTI plan – share options (continued)

The movement in share options for the year and details of the share options and assumptions used in determining their pricing are as follows:

	2020		2019	
	Number of options '000	Weighted average exercise price	Number of options '000	Weighted average exercise price
Balance, beginning of year	4,673	US\$4.85	3,814	US\$5.24
Options granted	-	-	1,782	US\$4.42
Options exercised	(2,615)	US\$5.09	-	US\$3.90
Options lapsed/forfeited	(37)	US\$4.72	(923)	US\$5.50
Balance, end of year	2,021	US\$4.61	4,673	US\$4.85
Exercisable at the end of the year	931	US\$4.46	2,568	US\$5.06
Share price at grant date	US\$3.72 - 10.82		US\$3.72 - 10.82	
Fair value of options at grant date	US\$0.67 - 2.99		US\$0.67 - 2.99	
Expected volatility	18.6% - 35.8%		18.3% - 35.8%	
Expected life	7.0 years		7.0 years	
Expected dividend yield	2.6% - 4.7%		2.6% - 4.7%	
Risk-free interest rate	4.5% - 6.8%		4.5% - 6.8%	

The expected volatility of options is based on statistical analysis of monthly share prices over the 7 years prior to grant date.

30.1 Sagikor Financial Company Ltd. (continued)LTI plan (2019) – restricted share grants

On December 5, 2019, also concurrent with the closing of the transaction between Alignvest Acquisition II Corporation and Sagikor Financial Corporation Limited, the Company introduced a replacement award for years 2020, 2021 and 2022 under a Sagikor Financial Company Ltd. equity-based plan, in lieu of the foregoing award of restricted share units of the LTI plan introduced for certain executives in December 31, 2005.

Under the plan, certain executives are awarded a number of restrictive share units of Sagikor Financial Company Ltd. which will vest in accordance with the conditions noted below:

- Subject to the executives' continued employment on the first, second and third anniversary dates of the vesting commencement date;
- Subject to the Company achieving its return on equity target for the relevant year, as laid out in the Company's strategic plan or executive award agreement approved by the Company.
- Subject to the shares of the Company trading above Canadian \$12.00 per share for 20 out of any 30-day consecutive trading days prior to December 31, 2024.

As at December 31, 2020, 545,000 shares have been granted under this plan and are subject to vesting conditions.

The movement in restricted share grants during the year is as follows:

	2020		2019	
	Number of grants '000	Weighted average price	Number of grants '000	Weighted average price
Balance, beginning of year	-	-	-	-
Grants issued	545	US\$5.92	-	-
Grants vested	(350)	US\$5.92	-	-
Balance, end of year	195	US\$5.92	-	-

30.1 Sagikor Financial Company Ltd. (continued)(c) ESOP

From 2006, SFCL approved awards under the ESOP in respect of permanent administrative employees and sales agents of SFCL and certain subsidiaries. The ESOP is administered by the Company and the amount awarded is used to acquire Sagikor Financial Company Ltd. shares. Shares vest over a four-year period in equal tranches, and are issued as they vest. The shares acquired by the Company during the year were as follows:

	2020		2019	
	Number in 000's	\$000	Number in 000's	\$000
Balance, beginning of year	10	70	63	266
Shares acquired	-	-	53	371
Shares distributed	-	-	(106)	(567)
Balance, end of year	10	70	10	70

30.2 Sagikor Group Jamaica Limited(a) Long-term incentive plan

Sagikor Group Jamaica Limited offers stock grants and stock options to senior executives as part of its long-term incentive plan. The group has set aside 150,000,000 of its authorised but un-issued shares at no par value for the stock grants and stock options.

In January 2007, the group introduced a new long-term incentive (LTI) plan which replaced the previous Stock Option plan. Under the LTI plan, executives are entitled but not obliged to purchase the group stock at a pre-specified price at some future date. The options are granted each year on the date of the Board of Directors Human Resources Committee meeting following the performance year at which the stock option awards are approved. Stock options vest in 4 equal instalments beginning the first December 31 following the grant date and for the next three December 31 dates thereafter (25% per year).

30.2 Sagikor Group Jamaica Limited (continued)

(a) Long-term incentive plan (continued)

Options are not exercisable after the expiration of 7 years from the date of grant. The number of stock options in each stock option award is calculated based on the LTI opportunity via stock options (percentage of applicable salary) divided by the Black-Scholes value of a stock option of Sagikor Group Jamaica Limited stock on March 31 of the measurement year. The exercise price of the options is the closing bid price on March 31 of the measurement year.

Details of the share options outstanding are set out in the following table. J\$ represents Jamaica dollars.

	2020		2019	
	Number of options '000	Weighted average exercise price	Number of options '000	Weighted average exercise price
Balance, beginning of year	9,600	J\$23.44	14,614	J\$13.60
Options granted	3,430	J\$39.99	3,375	J\$36.45
Options exercised	(1,689)	J\$13.97	(7,174)	J\$12.00
Options lapsed/forfeited	(307)	J\$37.08	(1,215)	J\$25.52
Balance, end of year	11,034	J\$29.58	9,600	J\$23.44
Exercisable at the end of the year	6,636	J\$25.79	5,742	J\$18.98

Further details of share options and the assumptions used in determining their pricing are as follows:

	2020	2019
Fair value of options outstanding	J\$47,995,000	J\$30,190,000
Share price at grant date	J\$7.11 - 39.99	J\$7.11 - 36.45
Exercise price	J\$7.11 - 39.99	J\$7.11 - 36.45
Standard deviation of expected share price returns	31.0%	27.0%
Remaining contractual term	0.25 - 7 years	0.25 - 7 years
Risk-free interest rate	4.43%	4.60%

The expected volatility is based on statistical analysis of daily share prices over seven years.

30.2 Sagikor Group Jamaica Limited (continued)

(b) Employee share purchase plan

Sagikor Group Jamaica Limited has in place a share purchase plan which enables its administrative and sales staff to purchase shares at a discount. The proceeds from shares issued under this plan totalled \$688 (2019 - \$2,017).

31 EMPLOYEE RETIREMENT BENEFITS

The Group maintains a number of defined contribution and defined benefit retirement benefit plans for eligible sales agents and administrative employees. The plans for sales agents and some administrative employees provide defined contribution benefits. The plans for administrative employees in Barbados, Jamaica, Trinidad, Eastern Caribbean and certain other Caribbean countries provide defined benefits based on final salary and number of years active service. Also, in these countries, retired employees may be eligible for medical and life insurance benefits which are partially or wholly funded by the Group. The principal defined benefit retirement plans are as follows:

Funded Plans	Unfunded Plans
Sagicor Life Barbados & Eastern Caribbean Pension	Sagicor Life Trinidad Pension
Sagicor Life Jamaica Pension	Sagicor Life (Heritage Life of Barbados - Barbados & Eastern Caribbean) Pension
Sagicor Investments Jamaica Pension	Group medical and life plans

The above plans also incorporate employees of the Company and other subsidiaries, whose attributable obligations and attributable assets are separately identified for solvency, contribution rate and reporting purposes.

The assets of the Sagicor Life Trinidad and Sagicor Life (Heritage Life of Barbados) pension plans are held under deposit administration contracts with Sagicor Life Inc and because these assets form part of the Group's assets, these plans are presented as unfunded in accordance with IAS 19 (revised).

The above pension plans are registered with the relevant regulatory authorities in the Caribbean and are governed by Trust Deeds which conform with the relevant laws. The plans are managed by the Group under the direction of appointed Trustees.

31 EMPLOYEE RETIREMENT BENEFITS (continued)

The group medical and life obligations arise from employee benefit insurance plans where benefits are extended to retirees.

All disclosures in sections 31 (a) to (f) of this note relate only to defined benefit plans.

(a) Amounts recognised in the statement of financial position

	2020	2019
Present value of funded pension obligations	290,443	316,471
Fair value of retirement plan assets	(306,255)	(326,582)
	(15,812)	(10,111)
Present value of unfunded pension obligations	39,258	37,453
Present value of unfunded medical and life benefits	26,168	23,215
Net liability	49,614	50,557
Represented by:		
Amounts held on deposit by the Group as deposit administration contracts	25,335	60,944
Other recognised liabilities	41,007	(1,347)
Total recognised liabilities (note 18)	66,342	59,597
Recognised assets (note 12)	(16,728)	(9,040)
Net liability	49,614	50,557

Pension plans have purchased annuities from insurers in the Group to pay benefits to plan retirees. These obligations which amount to \$37,962 (2019 - \$36,490) are included in actuarial liabilities in the statement of financial position and are included as retirement plan assets in this note.

31 EMPLOYEE RETIREMENT BENEFITS (continued)

(b) Movements in balances

	2020				2019			
	Medical and life benefits	Retirement obligations	Retirement plan assets	Total	Medical and life benefits	Retirement obligations	Retirement plan assets	Total
Net liability / (asset), beginning of year	23,215	353,924	(326,582)	50,557	21,784	327,372	(285,172)	63,984
Current service cost	(177)	7,553	9	7,385	667	6,067	-	6,734
Interest expense / (income)	1,530	21,730	(22,654)	606	1,472	18,962	(19,336)	1,098
Past service cost and gains / losses on settlements	84	4,416	-	4,500	-	-	(125)	(125)
Net expense recognised in income	1,437	33,699	(22,645)	12,491	2,139	25,029	(19,461)	7,707
(Gains) / losses from changes in assumptions	(3,948)	(15,755)	2,185	(17,518)	(1,052)	(6,658)	(316)	(8,026)
(Gains) / losses from changes in experience	8,057	(26,112)	28,402	10,347	(239)	8,595	(12,512)	(4,156)
Return on plan assets excluding interest income	-	-	2,629	2,629	-	-	25	25
Change in asset ceiling excluding interest expense / (income)	-	-	767	767	-	(1,295)	201	(1,094)
Net (gains) / losses recognised in other comprehensive income	4,109	(41,867)	33,983	(3,775)	(1,291)	642	(12,602)	(13,251)
Contributions made by the Group	-	-	(9,951)	(9,951)	-	-	(10,007)	(10,007)
Contributions made by employees and retirees	-	7,443	(7,443)	-	-	6,980	(6,980)	-
Benefits paid	(954)	(18,638)	18,638	(954)	(813)	(14,846)	14,794	(865)
Other items	-	9,711	(7,160)	2,551	2,233	15,774	(14,131)	3,876
Effect of exchange rate movements	(1,639)	(14,571)	14,905	(1,305)	(837)	(7,027)	6,977	(887)
Other movements	(2,593)	(16,055)	8,989	(9,659)	583	881	(9,347)	(7,883)
Net liability / (asset), end of year	26,168	329,701	(306,255)	49,614	23,215	353,924	(326,582)	50,557

31 EMPLOYEE RETIREMENT BENEFITS (continued)(c) Retirement plan assets

	<u>2020</u>	<u>2019</u>
Equity unit linked pension funds under Group management:		
Sagikor Equity Fund (Barbados)	(39,719)	(39,155)
Sagikor Bonds Fund (Barbados)	(21,398)	(21,706)
Sagikor Eastern Caribbean Fund (St. Lucia)	(8,929)	(3,624)
Sagikor Pooled Investment Funds (Jamaica):		
Equity Funds	(61,267)	(80,993)
Mortgage & Real Estate Fund	(26,616)	(33,196)
Fixed Income Fund	(17,454)	(21,443)
Foreign Currency Funds	(26,008)	(25,290)
Money Market Fund	(1,336)	(1,865)
Other Funds	(10,912)	(10,212)
	<u>(213,639)</u>	<u>(237,484)</u>
Other assets	(92,616)	(89,098)
Total plan assets	<u>(306,255)</u>	<u>(326,582)</u>

The equity unit linked pension funds are funds domiciled in Barbados and Jamaica. Annual reports of these funds are available to the public.

31 EMPLOYEE RETIREMENT BENEFITS (continued)

(d) Significant actuarial assumptions

The significant actuarial assumptions for the principal geographic areas were as follows:

Pension plans	2020		
	Barbados & Eastern Caribbean	Jamaica	Trinidad
Discount rate - local currency benefits	7.75%	9.00%	5.50%
Discount rate - US\$ indexed benefits	n/a	5.00%	n/a
Expected return on plan assets	7.75%	9.00%	5.50%
Future promotional salary increases	0.00%	9.00%	0.00%
Future inflationary salary increases	2.00%	9.00%	2.00%
Future pension increases	2.00%	0.50%	0.00%
Future increases in National Insurance Scheme Ceilings	3.50%	n/a	4.00%
Mortality table	UP94 with projection scale AA	American 1994 Group Annuitant Mortality (GAM 94) table with 5-year improvement	UP94 with projection scale AA
Termination of active members	3% - 18.40% up to age 30, reducing to 1% - 7.2% at age 50, 0% at age 51	2% - 5.8% up to age 30, to 3.8% - 5.8% at age 50, 2.7% - 3.8% at age 51	3% up to age 30, reducing to 1% at age 50, 0% at age 51
Early retirement	100% at the earliest possible age to receive unreduced benefits	n/a	100% at the earliest possible age to receive unreduced benefits

31 EMPLOYEE RETIREMENT BENEFITS (continued)

Pension plans	2019		
	Barbados & Eastern Caribbean	Jamaica	Trinidad
Discount rate - local currency benefits	7.75%	7.50%	5.00%
Discount rate - US\$ indexed benefits	n/a	5.00%	n/a
Expected return on plan assets	7.75%	7.00%	5.00%
Future promotional salary increases	0.00%	9.00%	0.00%
Future inflationary salary increases	2.00%	9.00%	2.00%
Future pension increases	2.00%	0.50%	0.00%
Future increases in National Insurance Scheme Ceilings	3.50%	n/a	4.00%
Mortality table	UP94 with projection scale AA	American 1994 Group Annuitant Mortality (GAM 94) table with 5-year improvement	UP94 with projection scale AA
Termination of active members	3% - 18.40% up to age 30, reducing to 1% - 7.2% at age 50, 0% at age 51	2% - 5.8% up to age 30, 3.8% - 5.8% at age 50, 2.7% - 3.8% at age 51	3% up to age 30, reducing to 1% at age 50, 0% at age 51
Early retirement	100% at the earliest possible age to receive unreduced benefits	n/a	100% at the earliest possible age to receive unreduced benefits

31 EMPLOYEE RETIREMENT BENEFITS (continued)

Group medical and life plans	2020		2019	
	Barbados	Jamaica	Barbados	Jamaica
Long-term increase in health costs	4.25%	7.00%	4.25%	5.00%

(e) Sensitivity of actuarial assumptions

The sensitivity of the pension retirement benefit obligations to individual changes in actuarial assumptions is summarised below:

	December 31, 2020		
	Barbados & Eastern Caribbean	Jamaica	Trinidad
Base pension obligation	96,217	178,979	15,247
Change in absolute assumption	Increase / (decrease) in pension obligations		
Decrease discount rate by 1.0%	8,211	9,311	1,226
Increase discount rate by 1.0%	(6,713)	(7,175)	(870)
Decrease salary growth rate by 0.5%	(515)	(1,423)	(194)
Increase salary growth rate by 0.5%	608	1,636	179
Increase average life expectancy by 1 year	2,405	635	390
Decrease average life expectancy by 1 year	(3,171)	(649)	(190)

31 EMPLOYEE RETIREMENT BENEFITS (continued)

(e) Sensitivity of actuarial assumptions (continued)

	2019		
	Barbados & Eastern Caribbean	Jamaica	Trinidad
Base pension obligation	91,216	210,451	14,804
Change in absolute assumption	Increase / (decrease) in pension obligations		
Decrease discount rate by 1.0%	8,226	14,563	1,482
Increase discount rate by 1.0%	(6,525)	(10,987)	(1,026)
Decrease salary growth rate by 0.5%	(561)	(2,306)	(238)
Increase salary growth rate by 0.5%	563	2,474	288
Increase average life expectancy by 1 year	1,302	994	461
Decrease average life expectancy by 1 year	(1,968)	(1,035)	(188)

31 EMPLOYEE RETIREMENT BENEFITS (continued)

(e) Sensitivity of actuarial assumptions (continued)

The sensitivity of the medical and life benefits obligations to individual changes in actuarial assumptions is summarised below:

	December 31, 2020
	Jamaica
Base medical and life obligation	26,018
	Increase / (decrease) in medical and life obligations
Change in absolute assumption	
Decrease discount rate by 1.0%	4,631
Increase discount rate by 1.0%	(3,664)
Decrease salary growth rate by 0.5%	(85)
Increase salary growth rate by 0.5%	103
Increase average life expectancy by 1 year	823
Decrease average life expectancy by 1 year	(823)

31 EMPLOYEE RETIREMENT BENEFITS (continued)

(e) Sensitivity of actuarial assumptions (continued)

The sensitivity of the medical and life benefits obligations to individual changes in actuarial assumptions is summarised below:

	December 31, 2019
	Jamaica
Base medical and life obligation	23,215
	Increase / (decrease) in medical and life obligations
Change in absolute assumption	
Decrease discount rate by 1.0%	4,037
Increase discount rate by 1.0%	(3,189)
Decrease salary growth rate by 0.5%	(115)
Increase salary growth rate by 0.5%	123
Increase average life expectancy by 1 year	671
Decrease average life expectancy by 1 year	(678)

(f) Amount, timing and uncertainty of future cash flows

In addition to the annual actuarial valuations prepared for the purpose of annual financial statement reporting, full actuarial valuations of pension plans are conducted every 3 years. These full valuations contain recommendations for Group and employee contribution levels which are implemented by the Group.

For the 2021 financial year, the total Group contributions to its defined benefits pension plans are estimated to be \$14,779.

32 INCOME TAXES

Group companies are taxed according to the taxation rules of the countries where the operations are carried out. The principal rates of taxation are summarised in note 2.18(c). The income tax expense is set out in the following table.

	2020	2019
Current tax:		
Current tax on profits for the year	51,549	37,968
Adjustments to current tax of prior periods	1,007	(654)
Total current tax expense	52,556	37,314
Deferred tax:		
(Increase) / decrease in deferred tax assets (note 33)	(1,884)	7,879
Increase / (decrease) in deferred tax liabilities (note 33)	(8,455)	13,986
Total deferred tax expense	(10,339)	21,865
Share of tax of associated companies	515	531
Total tax expense	42,732	59,710

32 INCOME TAXES (continued)

Income tax on the total income subject to taxation differs from the theoretical amount that would arise as follows:

	2020	2019
Income before income tax expense	27,602	163,284
Taxation at the applicable rates on income subject to tax	22,185	60,546
Adjustments to current tax for items not subject to or allowed for tax	11,995	(10,888)
Other current tax adjustments	(1,179)	(193)
Adjustments for current tax of prior periods	1,578	(587)
Movement in unrecognised deferred tax assets	3,957	5,330
Deferred tax relating to the origination of temporary differences	(22)	(20)
Deferred tax relating to changes in tax rates or new taxes	862	1,505
Deferred tax that arises from the write-down of a tax asset	-	229
Tax on distribution of profits from policyholder funds	12	42
Other taxes	3,344	3,746
	42,732	59,710

In addition to the above, the income tax on items in other comprehensive income is set out in note 35.

33 DEFERRED INCOME TAXES

The analysis and movement for the year of deferred tax asset balances are set out in the following table.

	Defined benefit liabilities	Unrealised losses on financial investments	Unused tax losses	Other items	Total
2020					
Balance, beginning of year	5,213	(1,587)	695	2,173	6,494
(Charged)/credited to:					
Income	353	(822)	(581)	2,934	1,884
Other comprehensive income	(284)	(443)	-	(150)	(877)
Effect of exchange rate changes	(372)	122	(36)	(165)	(451)
Balance, end of year	4,910	(2,730)	78	4,792	7,050
Balance to be recovered within one year					(1,618)
2019					
Balance, beginning of year	6,207	10,700	7,105	3,571	27,583
(Charged)/credited to:					
Income	116	15	(6,122)	(1,888)	(7,879)
Other comprehensive income	(868)	(11,869)	-	609	(12,128)
Amounts assumed on acquisition	-	-	-	1	1
Effect of exchange rate changes	(242)	(433)	(288)	(120)	(1,083)
Balance, end of year	5,213	(1,587)	695	2,173	6,494
Balance to be recovered within one year					(464)

33 DEFERRED INCOME TAXES (continued)

Unrecognised tax losses and potential deferred income tax assets are as follows:

	2020	2019
Expiry period for unrecognised tax losses:		
2020	-	24,763
2021	19,882	19,882
2022	71,162	71,162
2023	87,255	87,442
2024	55,900	60,566
2025	63,723	64,077
2026	59,167	79,220
2027	63,620	-
No specified expiry date	-	559
Total unrecognised tax losses	420,709	407,671
Potential deferred income tax assets	10,546	25,442

33 DEFERRED INCOME TAXES (continued)

The analysis and movement for the year of deferred tax liability balances are set out in the following table.

	Accelerated tax depreciation	Policy liabilities taxable in the future	Defined benefit assets	Accrued interest	Unrealised gains on financial investments	Off-settable tax assets relating to unused tax losses and other items	Other Items	Total
2020								
Balance, beginning of year	3,721	39,282	(17)	1,501	27,243	(22,134)	1,602	51,198
Charged/(credited) to:								
Income	2,150	(6,076)	167	(131)	1,345	(1,349)	(4,561)	(8,455)
Other comprehensive income	(4,271)	(13,067)	20	-	21,314	-	225	4,221
Amounts assumed on acquisition	2,041	-	-	-	-	-	-	2,041
Effect of exchange rate changes	267	-	(16)	(17)	(538)	-	172	(132)
Balance, end of year	3,908	20,139	154	1,353	49,364	(23,483)	(2,562)	48,873
Balance to be settled within one year								6,338
2019								
Balance, beginning of year	3,106	48,046	325	1,128	1,302	(25,451)	502	28,958
Charged/(credited) to:								
Income	259	6,647	(822)	177	1,309	3,317	3,099	13,986
Other comprehensive income	113	(15,411)	1,184	-	23,859	-	(2,091)	7,654
Amounts assumed on acquisition	134	-	(705)	195	759	-	34	417
Effect of exchange rate changes	109	-	1	1	14	-	58	183
Balance, end of year	3,721	39,282	(17)	1,501	27,243	(22,134)	1,602	51,198
Balance to be settled within one year								13,274

34 EARNINGS PER COMMON SHARE

The computation of diluted earnings per common share recognises the dilutive impact of LTI share grants and share options (note 30.1), ESOP shares grants (note 30.1) and share warrants. In computing diluted earnings per share, the weighted average number of common shares is adjusted by the dilutive impacts of the afore-mentioned share grants and options.

	2020	2019
(Loss) / income attributable to common shareholders	(3,605)	44,498
Weighted average number of shares in issue (in thousands)	147,830	76,452
LTI restricted share grants and share options (in thousands)	1,570	1,724
ESOP shares (in thousands)	545	541
Share warrants (in thousands)	-	2,572
Adjusted weighted average number of shares in issue (in thousands)	149,945	81,289
Basic earnings per common share	(2.4)¢	58.2¢
Attributable to continuing operations	(2.4)¢	57.5¢
Attributable to discontinued operation	0.0¢	0.7¢
Fully diluted earnings per common share	(2.4)¢	54.7¢
Attributable to continuing operations	(2.4)¢	54.1¢
Attributable to discontinued operation	0.0¢	0.6¢

Basic earnings per share and fully diluted earnings per share computed on the loss for the year are equal, as the LTI restricted share grants and share options, ESOP share grants and share warrants, are considered to be antidilutive and have been excluded from the computation of fully diluted earnings per share. This treatment is in accordance with IAS 33 – Earnings Per Share.

35 OTHER COMPREHENSIVE INCOME (OCI)

Analysis of OCI:

	2020					2019				
	OCI tax impact	After tax OCI is attributable to			Total after tax OCI	OCI tax impact	After tax OCI is attributable to			Total after tax OCI
		Shareholders	Participating policyholders	Non-controlling interests			Shareholders	Participating policyholders	Non-controlling interests	
Items that may be reclassified subsequently to income:										
FVOCI assets:										
Gains / (losses) arising on revaluation	(21,036)	76,003	(1,398)	22,661	97,266	(36,329)	130,440	4,828	33,439	168,707
(Gains) / losses transferred to income	(982)	(7,555)	15	(9,027)	(16,567)	2,716	(12,691)	(1,253)	(6,430)	(20,374)
Net change in actuarial liabilities	13,066	(49,877)	569	(2,665)	(51,973)	15,410	(83,392)	(4,223)	(7,384)	(94,999)
Cash flow hedges	-	(4)	-	(749)	(753)	-	(270)	-	(2,816)	(3,086)
Retranslation of foreign currency operations	-	(19,518)	32	(18,709)	(38,195)	-	(7,569)	(70)	(9,002)	(16,641)
Other	-	(2)	-	(18)	(20)	-	(11)	-	(115)	(126)
	(8,952)	(953)	(782)	(8,507)	(10,242)	(18,203)	26,507	(718)	7,692	33,481
Items that will not be reclassified subsequently to income:										
Gains / (losses) arising on revaluation of owner-occupied and owner-managed property	4,155	(1,753)	-	(13,127)	(14,880)	474	1,514	-	(2,485)	(971)
Gains / (losses) on equity securities designated at FVOCI	-	(73)	-	(76)	(149)	-	9	-	9	18
Defined benefit plan gains / (losses)	(301)	3,339	-	135	3,474	(2,053)	8,660	-	2,538	11,198
	3,854	1,513	-	(13,068)	(11,555)	(1,579)	10,183	-	62	10,245
Total OCI movements	(5,098)	560	(782)	(21,575)	(21,797)	(19,782)	36,690	(718)	7,754	43,726
Allocated to equity reserves		(2,779)					28,030			
Allocated to retained earnings		3,339					8,660			
		560					36,690			

36 CASH FLOWS**36.1 Operating activities**

	2020	2019
Adjustments for non-cash items, interest and dividends:		
Income from financial investments	(364,788)	(464,010)
Loss arising on business combinations, acquisitions and divestitures	1,262	379
Loss on impairment of investment in associates and joint ventures	31,804	-
Net increase in actuarial liabilities	534,166	484,783
Interest costs and finance costs	87,778	97,825
Credit impairment losses	23,997	4,877
Depreciation and amortisation	39,559	35,506
Provision for unearned premiums	(2,326)	4,532
Other items	19,605	8,312
	<u>371,057</u>	<u>172,204</u>
Net change in investments and operating assets:		
Investment property	12,003	1,253
Debt securities	(482,157)	(379,645)
Equity securities	(331,990)	(55,711)
Mortgage loans	(35,181)	(8,023)
Policy loans	715	(3,782)
Finance loans	6,592	(114,788)
Securities purchased for resale	(5,203)	6,772
Deposits	3,060	9,808
Other assets and receivables	(44,301)	(38,568)
	<u>(876,462)</u>	<u>(582,684)</u>

36.1 Operating activities (continued)

The gross changes in investment property, debt securities and equity securities are as follows:

	2020	2019
Investment property:		
Purchases	(266)	(82)
Disposal proceeds	12,269	1,335
	<u>12,003</u>	<u>1,253</u>
Debt securities:		
Purchases	(2,336,535)	(3,025,432)
Disposal proceeds	1,854,378	2,645,787
	<u>(482,157)</u>	<u>(379,645)</u>
Equity securities:		
Purchases	(442,491)	(200,101)
Disposal proceeds	110,501	144,390
	<u>(331,990)</u>	<u>(55,711)</u>
Net change in operating liabilities:		
Insurance liabilities	18,520	(9,660)
Investment contract liabilities	16,784	36,643
Other funding instruments	(36,236)	(11,480)
Deposits	79,425	43,841
Securities sold for repurchase	69,972	97,583
Other liabilities and payables	25,175	(38,428)
	<u>173,640</u>	<u>118,499</u>

36.2 Investing activities

	2020	2019
Property, plant and equipment:		
Purchases	(18,430)	(14,016)
Disposal proceeds	3,437	6,523
	<u>(14,993)</u>	<u>(7,493)</u>

36.3 Financing activities

	2020	2019
Notes and loans payable:		
Proceeds	68,245	196,147
Repayments	(109,514)	(164,452)
	<u>(41,269)</u>	<u>31,695</u>

36.4 Lease liability payments

	2020	2019
Principal paid	(5,697)	(4,225)
Interest paid	(2,124)	(1,316)
	<u>(7,821)</u>	<u>(5,541)</u>

36.5 Cash and cash equivalents

	2020	2019
Cash	359,972	273,072
Call deposits and other liquid balances	188,216	508,918
Bank overdrafts	(980)	(6,646)
	<u>547,208</u>	<u>775,344</u>

37 CHANGES IN SUBSIDIARY AND ASSOCIATE HOLDINGS**37.1 Playa Hotels & Resorts N.V.**

On June 12, 2020, in addition to entering into certain financing transactions to support its ongoing operations, Playa sold 4,878,049 ordinary shares at a price of \$20 million which resulted in a 0.6% dilution of Sagicor Group Jamaica Limited'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 \$3.9676 per share, for a total of \$5,966.4 including commissions paid. This represented an increase of 1.1% in the Group's shareholding, bringing the Group's total shareholding in Playa to 15.9%.

The transactions gave rise to a net loss of \$2,753 on dilution of the shareholding (deemed disposal), and negative goodwill of \$1,499 on the acquisition of additional shares, as follows:

(i) Deemed disposal of 0.6% holding in associate:

The Group's share of the carrying value of the investment in Playa on its balance sheet as at June 30, 2020 was compared to its share of the proceeds of \$20 million received by Playa and adjusted for recycling of net unrealised foreign exchange gains and unrealised interest rate swap losses in OCI to income.

Group's share of proceeds received by Playa on issuance of shares	2,963
Share of carrying value of investment in Playa as an associate on the balance sheet of SGJ as at June 30, 2020	(6,075)
	<u>(3,112)</u>
Net unrealised gains recycled to income	359
Loss on deemed disposal of 0.6% holding in associate	<u>(2,753)</u>

37.1 Playa Hotels & Resorts N.V. (continued)

(ii) Acquisition of 1.1% holding in associate:

The Group compared its share of the net identifiable assets and liabilities of Playa, at fair value, to the purchase price paid. The resulting negative goodwill has been recorded in these financial statements.

Share of net assets acquired	7,465
Purchase consideration	<u>(5,966)</u>
Negative goodwill arising on acquisition	<u>1,499</u>

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.

37.2 Advantage General Insurance Company Limited (AGI)

Effective September 30, 2019, the Group acquired 60% of the share capital of Advantage General Insurance Company Limited.

During the year, certain purchase price adjustments were made which impacted the determination of the final goodwill identified on acquisition. Details of the net assets acquired, purchase consideration and goodwill are as follows:

	2020	2019
	Final Fair Value	Provisional Fair Value
Net assets acquired:		
Investment property (note 5)	5,530	5,530
Property, plant and equipment (note 7)	8,663	8,663
Intangible assets	7,226	7,226
Financial investments	62,811	62,811
Reinsurance assets	7,793	7,793
Income tax assets	3,027	3,027
Miscellaneous assets and receivables	8,916	8,916
Cash resources	1,847	1,847
Other policy liabilities	(47,478)	(49,367)
Deposit and security liabilities	(5,945)	(5,945)
Other liabilities / Retirement benefit liabilities	(1,514)	(1,515)
Income tax liabilities	(2,593)	(416)
Accounts payable and accrued liabilities	(9,597)	(9,597)
Total net assets	38,686	38,973
Share of net assets acquired	23,210	23,383
Purchase consideration	31,178	31,178
Goodwill arising on acquisition	7,968	7,795

37.2 Advantage General Insurance Company Limited (AGI) (continued)

Goodwill arising on acquisition has been recognised as follows:

– December 31, 2019 (note 8)	7,795
– December 31, 2020 (note 8)	163
Effect of exchange rate changes	10
	<u>7,968</u>

The acquiree's net income and total revenue are as follows:

	Total Revenue	Net Income
For the year ended December 31, 2019	43,222	4,364
Consolidated from October 1, 2019 to December 31, 2019	10,973	1,076

37.3 Bailey Williams Limited

On November 30, 2019, Sagicor Life Jamaica Limited purchased 70% of the issued share capital of Bailey Williams Limited. The transaction was accounted for an asset purchase, as at the time of the acquisition, Bailey Williams was not a business, as defined by IFRS 3. In accounting for the asset purchase, the purchase consideration for the shares was allocated among the identifiable assets in proportion to their relative fair values. There was no fair valuation of the identifiable assets which were recognised on acquisition. As stipulated by IFRS 3 for asset acquisitions, no goodwill or negative goodwill was recognised. Non-controlling interest in the transaction was determined by reference to the non-controlling interest's proportionate share of the value of the assets recognised. This was a related party transaction.

Details of the net assets acquired and the purchase consideration, determined on a provisional basis, were as follows:

2019	
Net assets acquired:	
Income tax assets	1
Land developed for resale	5,329
Cash resources	7
Deposit and security liabilities	(352)
Accounts payable and accrued liabilities	(49)
Total net assets	4,936
Purchase consideration	3,455
Non-controlling interest	1,481
	4,936

37.4 Disposal of insurance portfolios

On April 8, 2019, the Group disposed of its insurance portfolios in the territories of Anguilla, Montserrat and St Maarten. The disposal was concluded by contractual agreement and transferred assets to the purchaser in exchange for the assumption of the insurance liabilities by the purchaser. The Group recorded a loss on the sale of these branches of \$379.

The net loss recorded by the Group in its consolidated statement of income for the period to sale in 2019 is as follows:

	Period to April 8, 2019
Total net loss	(589)
Loss attributable to shareholders	(589)
St Maarten	(364)
Anguilla	(61)
Montserrat	(164)
	(589)

38 DISCONTINUED OPERATION

On July 29, 2013, SFCL entered into an agreement to sell Sagikor Europe and its subsidiaries to AmTrust Financial Services, Inc. (AmTrust), subject to regulatory approvals. Final regulatory approvals were obtained on December 23, 2013, on which date the sale was completed.

The operations of the Sagikor Europe operating segment are presented as discontinued operations in these financial statements.

The terms of the sale required SFCL to take certain actions and provide certain commitments which included future price adjustments to the consideration up to December 31, 2018, representing adjusted profits or losses from January 1, 2013 in the run-off of the 2011, 2012 and 2013 underwriting years of account of syndicates 1206 and 44, the total price adjustments subject to a limit.

Movement in Price Adjustments	2019
Balance receivable, beginning of year	(17,239)
Payment received	17,756
Net currency movements	(517)
Receivable end of year	-

The price adjustments were subject to a limit based on the terms of the agreement. These results were subject to further underwriting, investment and foreign currency adjustments constrained by the limit as the experience develops.

The net gain recognised in the statement of income is as follows:

	2019
Net gain and total comprehensive gain	517

38 DISCONTINUED OPERATION (continued)**Cash Flows**

	2019
Net Cash flows - Operating Activities	17,756

On February 12, 2019, Sagikor Financial Corporation Limited completed a review of the consideration, related to the price adjustments to December 31, 2018, and entered into a Deed of Release with AmTrust to close this exposure. The final settlement amount of £13.5 million was received on February 26, 2019.

39 CONTINGENT LIABILITIES AND COMMITMENTS

Guarantee and financial facilities at the date of the financial statements for which no provision has been made in these financial statements include the following:

	2020	2019
Customer guarantees and letters of credit ⁽¹⁾	35,155	34,769

⁽¹⁾ There are equal and offsetting claims against customers in the event of a call on the above commitments for customer guarantees and letters of credit.

(a) Legal proceedings

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

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

39 CONTINGENT LIABILITIES AND COMMITMENTS (continued)**(a) Legal proceedings (continued)**

Significant matters are outlined below:

- (i) Suit has been filed by a customer against one of the Group's subsidiaries for breach of contract, and breach of trust in the amount of US\$8,928 being loss allegedly suffered as a result of what the claimants say is the unlawful withholding of insurance proceeds by the subsidiary. No provision was made in these financial statements for this claim as the outcome of this matter cannot be properly assessed until it has been heard.
- (ii) Suit has been filed by an independent contractor against one of the Group's subsidiaries for breach of contract arising from alleged contractual agreement. The Claimant alleges that the company failed to pursue initiatives contemplated by the contract with a third party and that by not doing so, it caused the Claimant company significant losses which they have estimated at over US\$300,000. No provision was made in these financial statements for this claim as the claim has been stayed to accommodate arbitration as required under the Agreement between the parties coupled with the assessment by the Group of a probable favourable outcome.

(b) Tax assessments

The Group is also subject to tax assessments during the normal course of business. Adequate provision has been made for all assessments received to date and for tax liabilities accruing in accordance with management's understanding of tax regulations. Potential tax assessments may be received by the Group which are in addition to accrued tax liabilities. No provisions have been made in these financial statements for such potential tax assessments.

39 CONTINGENT LIABILITIES AND COMMITMENTS (continued)**(c) Commitment**

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 was issued on behalf of Sagicor Reinsurance Bermuda Ltd (SRBL) in favour of Sagicor Life Insurance Company (SLIC), USA, in support of a coinsurance agreement between the two parties (note 4(d)). The letter of credit facility is guaranteed by Sagicor Financial Corporation Limited and SRBL. It is due to expire on June 26, 2021 and is deemed to be automatically extended for one-year periods, subject to notice of the intention to terminate the facility being given sixty days prior to an expiration date.

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.

40 FAIR VALUE OF PROPERTY

Investment property, owner-occupied property and owner-managed hotel property are carried at fair value as determined by independent valuations using internationally recognised valuation techniques. Direct sales comparisons, when such data is available, and income capitalisation methods, when appropriate, are included in the assessment of fair values. The highest and best use of a property may also be considered in determining its fair value.

Some tracts of land are currently used for farming operations or are undeveloped or are leased to third parties. In determining the fair value of all lands, their potential for development within a reasonable period is assessed, and if such potential exists, the fair value reflects that potential. These lands are mostly in Barbados and the Group has adopted a policy of orderly development and transformation to realise their full potential over time.

The fair value hierarchy has been applied to the valuations of the Group's property. The different levels of the hierarchy are as follows:

- Level 1 - fair value is determined by quoted unadjusted prices in active markets for identical assets;
- Level 2 - fair value is determined by inputs other than quoted prices in active markets that are observable for the asset either directly or indirectly;
- Level 3 - fair value is determined from inputs that are not based on observable market data.

The results of applying the fair value hierarchy to the Group's property are as follows:

	Level 1	Level 2	Level 3	Total
2020				
Investment property	-	-	78,295	78,295
Owner-occupied properties	-	-	108,738	108,738
Owner-managed hotel properties	-	-	76,024	76,024
	-	-	263,057	263,057
2019				
Investment property	-	-	95,577	95,577
Owner-occupied properties	-	-	110,172	110,172
Owner-managed hotel properties	-	-	96,608	96,608
	-	-	302,357	302,357

40 FAIR VALUE OF PROPERTY (continued)

For Level 3 investment property, reasonable changes in fair value would affect net income. For Level 3 owner-occupied properties and owner-managed hotel properties, reasonable changes in fair value would affect other comprehensive income. The movements for the year in investment property, owner-occupied properties and owner-managed hotel properties are set out in notes 5 and 7.

41 FINANCIAL RISK

The Group's activities of issuing insurance contracts, of accepting funds from depositors, of investing insurance premium and deposit receipts in a variety of financial and other assets, banking and dealing in securities, exposes the Group to various insurance and financial risks. Financial risks include credit default, liquidity and market risks. Market risks arise from changes in interest rates, equity prices, currency exchange rates or other market factors. The principal insurance risks are identified in notes 42 and 43.

The overriding objective of the Group's risk management framework is to enhance its capital base through competitive earnings growth and to protect capital against inherent business risks. This means that the Group accepts certain levels of risk in order to generate returns, and the Group manages the levels of risk assumed through enterprise-wide risk management policies and procedures. Identified risks are assessed as to their potential financial impact and as to their likelihood of occurrence.

Disclosures in this note, notes 42 and 43, exclude amounts of the discontinued operation.

41.1 Credit risk

Credit risk is the exposure that the counterparty to a financial instrument is unable to meet an obligation, thereby causing a financial loss to the Group. Credit risks are associated primarily with financial investments and reinsurance assets.

Credit risk from financial investments is minimised through:

- holding a diversified portfolio of investments;
- purchasing quality securities;
- advancing loans only after careful assessment of the borrower and obtaining collateral;
- placing deposits with financial institutions with a strong capital base;
- placing limits on the amount of exposure in relation to any one borrower;
- obtaining collateral and guarantees from borrowers.

Investment portfolio assets are mostly unsecured except for securities purchased under agreement to resell, for which title to the securities is transferred to the Group for the duration of each agreement.

For mortgage loans, the collateral is real estate property, and the approved loan limit is 75% to 95% of collateral value. For finance loans, the collateral often comprises a vehicle or other form of security and the approved loan limit is 50% to 100% of the collateral value. Unsecured finance loans are only granted when the initial amount is less than \$4,900.

The Group may foreclose on overdue mortgage loans and finance loans by repossessing the pledged asset. The Group will seek to dispose of the pledged asset by sale. In some instances, the Group may provide re-financing to a new purchaser on customary terms.

Policy loans are advanced on the security of the underlying insurance policy cash values. Cash loans are advanced to a maximum of 80% to 100% of the cash surrender value. Automatic premium loans may be advanced to the extent of available cash surrender value.

41.1 Credit risk (continued)

Renegotiated assets

The Group may renegotiate the terms of any financial investment to facilitate borrowers in financial difficulty. Arrangements to waive, adjust or postpone scheduled amounts due may be entered into. The Group classifies these amounts as past due, unless the original agreement is formally revised, modified or substituted.

Rating of financial assets

The Group's credit rating model (note 3.1) applies a rating scale to three categories of exposures:

- Investment portfolios, comprising debt securities and money market funds, deposits, securities purchased for resale, and cash;
- Lending portfolios, comprising mortgage, policy and finance loans;
- Reinsurance exposures, comprising reinsurance assets for life, annuity and health insurance (see note 43.3) or realistic disaster scenarios for property and casualty insurance (see note 42.3).

For lending portfolios, the three default ratings of 8, 9 and 10 are utilised, while for investment portfolios and reinsurance assets, one default rating of 8 is utilised.

In sections 41.2, 41.3 and 41.4, we set out for the Group its credit risk exposures and credit impairments.

41.2 Credit risk exposure

The total credit risk exposures of the Group by operating segment is as follows:

	2020					2019				
	Sagicor Life	Sagicor Jamaica	Sagicor USA	Head office & other	Total	Sagicor Life	Sagicor Jamaica	Sagicor USA	Head office & other	Total
Investment portfolios	1,165,431	1,776,123	2,148,295	129,754	5,219,603	1,045,244	1,697,643	1,770,475	513,997	5,027,359
Lending portfolios	365,869	660,707	99,761	15,933	1,142,270	368,576	681,736	82,652	17,685	1,150,649
Cash	94,111	227,188	59,245	59,066	439,610	88,905	189,433	40,236	42,894	361,468
Reinsurance assets	5,547	12,052	665,221	6,059	688,879	6,968	4,752	679,605	8,084	699,409
Receivables	34,759	63,261	23,312	17,145	138,477	39,480	74,598	6,546	15,473	136,097
Total financial statement exposures	1,665,717	2,739,331	2,995,834	227,957	7,628,839	1,549,173	2,648,162	2,579,514	598,133	7,374,982
Lending commitments	21,897	42,875	-	-	64,772	24,314	54,392	-	-	78,706
Customer guarantees and letters of credit	-	35,155	-	-	35,155	-	34,769	-	-	34,769
Total off financial statement exposures	21,897	78,030	-	-	99,927	24,314	89,161	-	-	113,475
Total	1,687,614	2,817,361	2,995,834	227,957	7,728,766	1,573,487	2,737,323	2,579,514	598,133	7,488,457

41.2 Credit risk exposure (continued)

The principal individual credit exposures of the Group are as follows:

	Sagicor Risk Rating	2020	2019
Gov't of Jamaica debt securities	5	1,152,509	1,069,946
Gov't of Trinidad & Tobago debt securities	3	383,122	237,384
Gov't of Barbados debt securities (note 41.4 (c) & (d))	5	259,461	234,261
Federal National Mortgage Association (USA) debt securities	1	170,406	153,395
Guggenheim Partners reinsurance asset (note 41.4 (a))	2	438,900	458,483
Heritage Life Insurance reinsurance asset (note 41.4 (b))	3	142,979	150,726

41.2 Credit risk exposure (continued)

For assets measured at FVOCI or amortised cost, credit risk exposure is the gross carrying amount. For assets measured at FVTPL, the Group's credit risk exposure is the carrying amount. The components of investment and lending portfolios by accounting classification are summarised below.

	2020	2019
Investment portfolios:		
Debt securities and money market funds at FVOCI	3,408,773	3,558,991
Debt securities at amortised cost	1,275,567	1,151,247
Securities purchased for resale	57,110	10,904
Deposits at amortised cost	129,279	63,110
Debt securities at FVTPL	348,874	243,107
	<u>5,219,603</u>	<u>5,027,359</u>
Lending portfolios:		
Mortgage loans at amortised cost	396,822	364,439
Finance loans at amortised cost	568,047	605,547
Policy loans at amortised cost	151,336	151,730
Mortgage loans at FVTPL	26,065	28,933
	<u>1,142,270</u>	<u>1,150,649</u>

41.2 Credit risk exposure (continued)Credit risk exposure – financial investments subject to impairment

Financial assets carried at amortised cost or FVOCI are subject to credit impairment losses which are recognised in the statement of income. The following tables analyse the credit risk exposure of financial investments as at December 31 for which an ECL allowance is recognised.

	Debt securities and money market funds – FVOCI					Debt securities and money market funds – FVOCI Debt securities – FVOCI				
	2020					2019				
	ECL Staging			POCI	Total	ECL Staging			POCI	Total
Stage 1 12-month ECL	Stage 2 lifetime ECL	Stage 3 lifetime ECL	Stage 1 12-month ECL			Stage 2 lifetime ECL	Stage 3 lifetime ECL			
December 31:										
Credit grade:										
Investment	2,433,495	9,882	-	-	2,443,377	2,780,003	4,085	-	-	2,784,088
Non-investment	774,601	154,191	4,071	28,572	961,435	678,149	66,421	-	30,144	774,714
Watch	-	-	-	45	45	-	189	-	-	189
Default	-	-	3,841	-	3,841	-	-	-	-	-
Unrated	75	-	-	-	75	-	-	-	-	-
Gross carrying amount	3,208,171	164,073	7,912	28,617	3,408,773	3,458,152	70,695	-	30,144	3,558,991
Loss allowance	(2,572)	(8,465)	(6,176)	-	(17,213)	(2,484)	(5,734)	1	-	(8,217)
Carrying amount	3,205,599	155,608	1,736	28,617	3,391,560	3,455,668	64,961	1	30,144	3,550,774

41.2 Credit risk exposure – financial investments subject to impairment (continued)

	Debt securities – amortised cost					Debt securities – amortised cost				
	2020					2019				
	ECL Staging			POCI	Total	ECL Staging			POCI	Total
	Stage 1 12-month ECL	Stage 2 lifetime ECL	Stage 3 lifetime ECL			Stage 1 12-month ECL	Stage 2 lifetime ECL	Stage 3 lifetime ECL		
December 31:										
Credit grade:										
Investment	346,233	-	-	-	346,233	236,049	-	-	-	236,049
Non-investment	717,611	5,269	-	172,192	895,072	751,032	3,218	-	152,799	907,049
Watch	1,700	23,071	2,592	4,972	32,335	670	1,337	-	5,547	7,554
Default	-	-	1,334	-	1,334	-	-	-	-	-
Unrated	575	-	-	18	593	573	-	-	22	595
Gross carrying amount	1,066,119	28,340	3,926	177,182	1,275,567	988,324	4,555	-	158,368	1,151,247
Loss allowance	(2,378)	(1,887)	(1,402)	(414)	(6,081)	(1,378)	(759)	-	(371)	(2,508)
Carrying amount	1,063,741	26,453	2,524	176,768	1,269,486	986,946	3,796	-	157,997	1,148,739

41.2 Credit risk exposure – financial investments subject to impairment (continued)

	Mortgage loans – amortised cost					Mortgage loans – amortised cost				
	2020					2019				
	ECL Staging			POCI	Total	ECL Staging			POCI	Total
	Stage 1 12-month ECL	Stage 2 lifetime ECL	Stage 3 lifetime ECL			Stage 1 12-month ECL	Stage 2 lifetime ECL	Stage 3 lifetime ECL		
December 31:										
Credit grade:										
Investment	189,346	30,349	2,436	-	222,131	210,652	19,929	388	-	230,969
Non-investment	116,728	9,543	15,052	-	141,323	89,906	17,710	2,563	-	110,179
Watch	41	2,929	17,007	-	19,977	89	1,127	12,400	-	13,616
Default	-	-	13,391	-	13,391	-	-	9,675	-	9,675
Gross carrying amount	306,115	42,821	47,886	-	396,822	300,647	38,766	25,026	-	364,439
Loss allowance	(1,261)	(556)	(1,791)	-	(3,608)	(611)	(339)	(942)	-	(1,892)
Carrying amount	304,854	42,265	46,095	-	393,214	300,036	38,427	24,084	-	362,547

41.2 Credit risk exposure – financial investments subject to impairment (continued)

	Policy loans – amortised cost					Policy loans – amortised cost				
	2020					2019				
	ECL Staging			POCI	Total	ECL Staging			POCI	Total
	Stage 1 12-month ECL	Stage 2 lifetime ECL	Stage 3 lifetime ECL			Stage 1 12-month ECL	Stage 2 lifetime ECL	Stage 3 lifetime ECL		
December 31:										
Credit grade:										
Investment	144,287	-	-	-	144,287	144,556	-	-	-	144,556
Non-investment	7,049	-	-	-	7,049	7,174	-	-	--	7,174
Gross carrying amount	151,336	-	-	-	151,336	151,730	-	-	-	151,730
Loss allowance	(298)	-	-	-	(298)	(197)	-	-	-	(197)
Carrying amount	151,038	-	-	-	151,038	151,533	-	-	-	151,533

41.2 Credit risk exposure – financial investments subject to impairment (continued)

	Finance loans – amortised cost					Finance loans – amortised cost				
	2020					2019				
	ECL Staging			POCI	Total	ECL Staging			POCI	Total
	Stage 1 12-month ECL	Stage 2 lifetime ECL	Stage 3 lifetime ECL			Stage 1 12-month ECL	Stage 2 lifetime ECL	Stage 3 lifetime ECL		
December 31:										
Credit grade:										
Investment	258	-	-	-	258	1,444	-	-	-	1,444
Non-investment	523,336	26,388	-	-	549,724	578,412	10,927	-	-	589,339
Watch	-	7,099	-	-	7,099	-	2,048	-	-	2,048
Default	-	-	10,966	-	10,966	-	-	12,716	-	12,716
Gross carrying amount	523,594	33,487	10,966	-	568,047	579,856	12,975	12,716	-	605,547
Loss allowance	(5,208)	(903)	(6,552)	-	(12,663)	(3,757)	(729)	(5,754)	-	(10,240)
Carrying amount	518,386	32,584	4,414	-	555,384	576,099	12,246	6,962	-	595,307

41.2 Credit risk exposure – financial investments subject to impairment (continued)

	Securities purchases for resale – amortised cost					Securities purchases for resale – amortised cost				
	2020					2019				
	ECL Staging			POCI	Total	ECL Staging			POCI	Total
	Stage 1 12-month ECL	Stage 2 lifetime ECL	Stage 3 lifetime ECL			Stage 1 12-month ECL	Stage 2 lifetime ECL	Stage 3 lifetime ECL		
December 31:										
Credit grade:										
Non-investment	57,110	-	-	-	57,110	10,904	-	-	-	10,904
Gross carrying amount	57,110	-	-	-	57,110	10,904	-	-	-	10,904
Loss allowance	-	-	-	-	-	-	-	-	-	-
Carrying amount	57,110	-	-	-	57,110	10,904	-	-	-	10,904

41.2 Credit risk exposure – financial investments subject to impairment (continued)

	Deposits – amortised cost					Deposits – amortised cost				
	2020					2019				
	ECL Staging			POCI	Total	ECL Staging			POCI	Total
	Stage 1 12-month ECL	Stage 2 lifetime ECL	Stage 3 lifetime ECL			Stage 1 12-month ECL	Stage 2 lifetime ECL	Stage 3 lifetime ECL		
December 31:										
Credit grade:										
Investment	35,702	-	-	-	35,702	35,977	-	-	-	35,977
Non-investment	81,217	249	-	-	81,466	25,367	246	-	-	25,613
Watch	428	11,246	-	-	11,674	716	371	-	-	1,087
Unrated	437	-	-	-	437	433	-	-	-	433
Gross carrying amount	117,784	11,495	-	-	129,279	62,493	617	-	-	63,110
Loss allowance	(288)	(1,271)	-	-	(1,559)	(261)	(51)	-	-	(312)
Carrying amount	117,496	10,224	-	-	127,720	62,232	566	-	-	62,798

41.3 Credit impairment losses – financial investments subject to impairment

The allowance for ECL is recognised in each reporting period and is impacted by a variety of factors, as described below:

- Transfers between stages due to financial instruments experiencing significant increases (or decreases) of credit risk or becoming credit-impaired during the period;
- Additional allowances for new financial instruments recognised during the period, as well as releases for financial instruments derecognised in the period;
- Impact on the measurement of ECL due to inputs used in the calculation, including the effect of 'step-up' (or 'step down') between 12-month and lifetime ECL;
- Impacts on the measurement of ECL due to changes made to models and assumptions; and
- Foreign exchange retranslations for assets denominated in foreign currencies and other movements.

41.3 Credit impairment losses – financial investments subject to impairment (continued)

LOSS ALLOWANCES

	Debt securities and money market funds – FVOCI					Debt securities and money market funds – FVOCI				
	2020					2019				
	ECL Staging			POCI	Total	ECL Staging			POCI	Total
	Stage 1 12-month ECL	Stage 2 lifetime ECL	Stage 3 lifetime ECL			Stage 1 12-month ECL	Stage 2 lifetime ECL	Stage 3 lifetime ECL		
Loss allowance, beginning of year	2,484	5,733	-	-	8,217	1,646	8,011	19,555	-	29,212
Transfers:										
Stage 1 to Stage 2	(1,002)	1,002	-	-	-	(70)	70	-	-	-
Stage 2 to Stage 1	-	-	-	-	-	2	(2)	-	-	-
Stage 2 to Stage 3	-	(1,525)	1,525	-	-	-	-	-	-	-
Securities originated or purchased	1,981		-	-	1,981	1,695	-	-	-	1,695
Securities fully derecognised	(577)	(2,614)	-	-	(3,191)	(609)	(3,481)	(19,257)	-	(23,347)
Write-offs	-	-	-	-	-	(9)	-	-	-	(9)
Changes in ECL inputs, models and / or assumptions	(227)	5,871	4,665	-	10,309	(138)	1,251	(15)	-	1,098
Effect of exchange rate changes	(87)	(2)	(14)	-	(103)	(33)	(116)	(283)	-	(432)
Loss allowance, end of year	2,572	8,465	6,176	-	17,213	2,484	5,733	-	-	8,217
Credit impairment (loss) recorded in income					(9,367)					(3,626)

41.3 Credit impairment losses – financial investments subject to impairment (continued)

LOSS ALLOWANCES

	Debt securities – amortised cost					Debt securities – amortised cost				
	2020					2019				
	ECL Staging			POCI	Total	ECL Staging			POCI	Total
	Stage 1 12-month ECL	Stage 2 lifetime ECL	Stage 3 lifetime ECL			Stage 1 12-month ECL	Stage 2 lifetime ECL	Stage 3 lifetime ECL		
Loss allowance, beginning of year	1,378	759	-	371	2,508	1,855	1,228	161	612	3,856
Transfers:										
Stage 1 to Stage 2	(326)	326	-	-	-	(12)	12	-	-	-
Stage 1 to Stage 3	-	-	-	-	-	(108)	-	108	-	-
Stage 2 to Stage 3	-	(663)	663	-	-	-	-	-	-	-
Securities originated or purchased	621	-	-	1	622	323	-	-	-	323
Securities fully derecognised	(229)	(2)	-	(3)	(234)	(152)	(51)	(270)	4	(469)
Changes in ECL inputs, models and / or assumptions	948	1,466	739	45	3,198	(505)	(429)	1	(245)	(1,178)
Effect of exchange rate changes	(14)	1	-	-	(13)	(23)	(1)	-	-	(24)
Loss allowance, end of year	2,378	1,887	1,402	414	6,081	1,378	759	-	371	2,508
Credit impairment (loss) / loss reduction recorded in income					(3,585)					1,815

41.3 Credit impairment losses – financial investments subject to impairment (continued)

LOSS ALLOWANCES

	Mortgage loans – amortised cost					Mortgage loans – amortised cost				
	2020					2019				
	ECL Staging			POCI	Total	ECL Staging			POCI	Total
	Stage 1 12-month ECL	Stage 2 lifetime ECL	Stage 3 lifetime ECL			Stage 1 12-month ECL	Stage 2 lifetime ECL	Stage 3 lifetime ECL		
Loss allowance, beginning of year	611	339	942	-	1,892	625	283	1,472	-	2,380
Transfers:										
Stage 1 to Stage 2	(104)	104	-	-	-	(193)	193	-	-	-
Stage 1 to Stage 3	(103)	-	103	-	-	(314)	-	314	-	-
Stage 2 to Stage 1	83	(83)	-	-	-	97	(97)	-	-	-
Stage 2 to Stage 3	-	(135)	135	-	-	-	(20)	20	-	-
Stage 3 to Stage 2	-	1,019	(1,019)	-	-	-	46	(46)	-	-
Stage 3 to Stage 1	123	-	(123)	-	-	145	-	(145)	-	-
Loans originated or purchased	514	-	-	-	514	580	-	-	-	580
Loans fully derecognised	(23)	(9)	(236)	-	(268)	50	(112)	(525)	-	(587)
Changes in ECL inputs, models and / or assumptions	165	(658)	1,988	-	1,495	(377)	48	(115)	-	(444)
Effect of exchange rate changes	(5)	(21)	1	-	(25)	(2)	(2)	(33)	-	(37)
Loss allowance, end of year	1,261	556	1,791	-	3,608	611	339	942	-	1,892
Credit impairment (loss) recorded in income					(1,785)					(219)

41.3 Credit impairment losses – financial investments subject to impairment (continued)

LOSS ALLOWANCES

	Policy loans – amortised cost					Policy loans – amortised cost				
	2020					2019				
	ECL Staging			POCI	Total	ECL Staging			POCI	Total
	Stage 1 12-month ECL	Stage 2 lifetime ECL	Stage 3 lifetime ECL			Stage 1 12-month ECL	Stage 2 lifetime ECL	Stage 3 lifetime ECL		
Loss allowance, beginning of year	197	-	-	-	197	110	-	-	-	110
Changes in ECL inputs, models and / or assumptions	105	-	-	-	105	91	-	-	-	91
Effect of exchange rate changes	(4)	-	-	-	(4)	(4)	-	-	-	(4)
Loss allowance, end of year	298	-	-	-	298	197	-	-	-	197
Credit impairment (loss) recorded in income					(116)					(92)

41.3 Credit impairment losses – financial investments subject to impairment (continued)

LOSS ALLOWANCES

	Finance loans – amortised cost					Finance loans – amortised cost				
	2020					2019				
	ECL Staging			POCI	Total	ECL Staging			POCI	Total
	Stage 1 12-month ECL	Stage 2 lifetime ECL	Stage 3 lifetime ECL			Stage 1 12-month ECL	Stage 2 lifetime ECL	Stage 3 lifetime ECL		
Loss allowance, beginning of year	3,757	729	5,754	-	10,240	4,441	1,196	7,731	-	13,368
Transfers:										
Stage 1 to Stage 2	(379)	379	-	-	-	(299)	299	-	-	-
Stage 1 to Stage 3	(722)	-	722	-	-	(530)	-	530	-	-
Stage 2 to Stage 1	147	(147)	-	-	-	343	(343)	-	-	-
Stage 2 to Stage 3	-	(103)	103	-	-	-	(76)	76	-	-
Stage 3 to Stage 1	45	-	(45)	-	-	41	-	(41)	-	-
Loans originated or purchased	1,818	-	-	-	1,818	2,240	-	-	-	2,240
Loans fully derecognised	(640)	(217)	(1,761)	-	(2,618)	(862)	(374)	(2,698)	-	(3,934)
Changes in ECL inputs, models and / or assumptions	1,380	283	2,013	-	3,676	(1,470)	70	428	-	(972)
Effect of exchange rate changes	(198)	(21)	(234)	-	(453)	(147)	(43)	(272)	-	(462)
Loss allowance, end of year	5,208	903	6,552	-	12,663	3,757	729	5,754	-	10,240
Credit impairment (loss) recorded in income					(7,896)					(2,865)

41.3 Credit impairment losses – financial investments subject to impairment (continued)

LOSS ALLOWANCES

	Deposits – amortised cost					Deposits – amortised cost				
	2020					2019				
	ECL Staging			POCI	Total	ECL Staging			POCI	Total
	Stage 1 12-month ECL	Stage 2 lifetime ECL	Stage 3 lifetime ECL			Stage 1 12-month ECL	Stage 2 lifetime ECL	Stage 3 lifetime ECL		
Loss allowance, beginning of year	261	51	-	-	312	355	64	-	-	419
Transfers:										
Stage 1 to Stage 2	(103)	103	-	-	-	(51)	51	-	-	-
Deposits originated or purchased	265	-	-	-	265	121	-	-	-	121
Deposits fully derecognised	(140)	-	-	-	(140)	(224)	(65)	-	-	(289)
Changes in ECL inputs, models and / or assumptions	5	1,117	-	-	1,122	60	1	-	-	61
Loss allowance, end of year	288	1,271	-	-	1,559	261	51	-	-	312
Credit impairment (loss) / loss reduction recorded in income					(1,248)					110

41.3 Credit impairment losses – financial investments subject to impairment (continued)**(a) Economic variable assumptions**

During 2019, updates were made to the regression models. With the exception of the utility and energy sector, the macroeconomic indicators for all sectors were updated to produce regressions which are better fitted to explain the relationship between the respective default rates and the macroeconomic variables.

The GBP USD and NZD USD currency pairs were introduced to enhance the explanation of the default rates in the respective sectors. This was considered critical since currency risk and sovereign risk vary among currency pairs and currency shocks can result in major losses for companies and impact their ability to satisfy their debt and consequently result in defaults.

In addition to the currency pairs, it is noted that market indices such as the S&P 500 Financial Index and the Dow Jones Industrial Average Index have demonstrated a stronger correlation to the performance of our investments in the financial and industrial sectors.

The inclusion of the additional variables in the model has improved its robustness.

A comparison of the sensitivity analyses using the old and updated models produced, especially for the financial sector, a more reliable and supportable fit between the default rate and the macroeconomic variables.

41.3 Credit impairment losses – financial investments subject to impairment (continued)**(a) Economic variable assumptions (continued)**

Sagcor has selected seven economic factors which provide the overall macroeconomic environment in considering forward-looking information for base, upside and downside forecasts. These are as follows:

	As of December 31, 2020			As of December 31, 2019		
	2021	2022	2023	2020	2021	2022
GDP Growth (USA)						
Base	2.0%	3.7%	2.8%	1.6%	1.8%	1.9%
Upside	4.5%	3.3%	2.4%	2.2%	2.5%	2.5%
Downside	-0.2%	1.5%	1.5%	1.2%	1.4%	1.3%
World GDP						
Base	5.2%	4.2%	3.8%	3.4%	3.6%	3.6%
Upside	7.8%	6.3%	5.7%	5.0%	5.3%	5.3%
Downside	2.6%	2.6%	2.6%	2.5%	2.7%	2.7%
WTI Oil Prices/10						
Base	\$4.82	\$4.67	\$4.58	\$5.62	\$5.32	\$5.19
Upside	\$9.39	\$9.39	\$9.39	\$9.47	\$9.47	\$9.47
Downside	\$2.02	\$1.96	\$1.92	\$3.45	\$3.27	\$3.19
DOW Jones Industrial Average Index EPS						
Base	\$1,505.82	\$1,739.89	\$1,739.89	\$1,733.64	\$1,885.49	\$1,885.49
Upside	\$2,237.09	\$2,584.83	\$2,584.83	\$2,450.69	\$2,665.34	\$2,665.34
Downside	\$882.91	\$1,020.16	\$1,020.16	\$1,045.02	\$1,136.56	\$1,136.56

41.3 Credit impairment losses – financial investments subject to impairment (continued)

(b) Economic variable assumptions (continued)

	As of December 31, 2020			As of December 31, 2019		
	2021	2022	2023	2020	2021	2022
S&P 500 Financial Index - EPS						
Base	\$33.11	\$38.95	\$38.95	\$38.46	\$41.44	\$41.44
Upside	\$49.96	\$58.77	\$58.77	\$54.31	\$58.52	\$58.52
Downside	\$21.71	\$25.54	\$25.54	\$25.42	\$27.39	\$27.39
GBP/USD						
Base	\$1.37	\$1.37	\$1.38	\$1.31	\$1.32	\$1.32
Upside	\$1.49	\$1.55	\$1.61	\$1.43	\$1.49	\$1.54
Downside	\$1.25	\$1.20	\$1.15	\$1.18	\$1.15	\$1.11
NZD/USD						
Base	\$0.72	\$0.72	\$0.72	\$0.65	\$0.65	\$0.65
Upside	\$0.79	\$0.83	\$0.85	\$0.70	\$0.73	\$0.75
Downside	\$0.64	\$0.61	\$0.58	\$0.59	\$0.57	\$0.74

41.3 Credit impairment losses – financial investments subject to impairment (continued)

(a) Economic variable assumptions (continued)

Sagicor's lending operations in Barbados, Trinidad, and Jamaica have limited readily available information regarding economic forecasts. Management has examined the information within the market and selected economic drivers that have the best correlation to the portfolio's performance. Economic state is assigned to reflect the driver's impact on ECL.

As of December 31, 2020		
Barbados	Expected state for the next 12 months	Scenario
Unemployment rate	Base	Negative
	Upside	Stable
	Downside	Super Negative
GDP growth	Base	Negative
	Upside	Stable
	Downside	Super Negative
Trinidad & Tobago		
	Expected state for the next 12 months	Scenario
Unemployment rate	Base	Negative
	Upside	Stable
	Downside	Super Negative
GDP growth	Base	Negative
	Upside	Stable
	Downside	Super Negative
Jamaica		
	Expected state for the next 12 months	Scenario
Interest rate	Base	Stable
	Upside	Positive
	Downside	Stable
Unemployment rate	Base	Negative
	Upside	Stable
	Downside	Super Negative

41.3 Credit impairment losses – financial investments subject to impairment (continued)

(a) Economic variable assumptions (continued)

As of December 31, 2019		
Barbados	Expected state for the next 12 months	Scenario
Unemployment rate	Base	Negative
	Upside	Stable
	Downside	Negative
GDP growth	Base	Stable
	Upside	Stable
	Downside	Negative
Trinidad & Tobago		
Trinidad & Tobago	Expected state for the next 12 months	Scenario
Unemployment rate	Base	Negative
	Upside	Stable
	Downside	Negative
GDP growth	Base	Stable
	Upside	Positive
	Downside	Negative
Jamaica		
Jamaica	Expected state for the next 12 months	Scenario
Interest rate	Base	Positive
	Upside	Positive
	Downside	Stable
Unemployment rate	Base	Positive
	Upside	Super Positive
	Downside	Stable

41.3 Credit impairment losses – financial investments subject to impairment (continued)

(b) Significant increase in credit risk (SICR)

The ECL impact of a SICR for debt securities has been estimated as follows:

SICR criteria (see note 3.1)	Actual threshold applied	Change in threshold	ECL impact of change in threshold	
			2020	2019
Investments	2-notch downgrade since origination	1-notch downgrade since origination	4,988	419

The staging for lending products is based primarily on days past due with 30-day used as backstop, thus sensitivity analysis is not performed.

(c) Loss given default (LGD)

From the inception of IFRS 9, the Group has used the LGD for sovereigns as provided by Moody's. The 45% LGD in Moody's current report represents the losses derived using the average trading prices method for US denominated external debt. Due to the limited trading activity and the small percentage of US denominated sovereign debt in our portfolio, we do not believe it is appropriate to use the average trading price method. An analysis of this calculation shows that this LGD includes losses for places such as Greece, Russia and African countries and does not truly reflect a Caribbean experience.

During 2019, an analysis of the LGD calculation was done, still using Moody's data as a base but exploring different scenarios for deriving the LGD for Caribbean territories.

Sagicor Life Inc's sovereign exposure is primarily in the Caribbean region where bond markets are very thinly traded. For the majority of our sovereign exposures an internal valuation method is used to produce accurate fixed income prices. To determine the accurate fair value for disclosure purposes in financial reporting, we use the present value of the bond's expected cash flows.

41.3 Credit impairment losses – financial investments subject to impairment (continued)(c) Loss given default (LGD) (continued)

Using Moody's NPV method results in a loss given default (LGD) of approximately 35% regardless of the inclusion of members CARICOM solely or all global defaults. Furthermore, Barbados, the most recent defaulted bond issuer in the Caribbean suffered a maximum loss of approximately 36% on the restructured domestic debt which is in line with the LGD using the NPV method.

In light of the above, we adopted the NPV method for determining the LGD for Caribbean Sovereigns and reduced the LGD to 35% as derived from the calculation.

The ECL impact of changes in LGD rates is summarised as follows:

Debt securities	2020			
	LGD		ECL impact of	
	Rate applied	Change in rate	increase in value	decrease in value
Corporate	53%	(- /+ 5) %	1,198	(1,198)
Sovereign, excluding Barbados and Jamaica	35%	(- /+ 5) %	509	(509)
Sovereign - Barbados - BAICO bonds	17%	(- /+ 5) %	50	(50)
Sovereign - Jamaica	15%	(- /+ 5) %	650	(650)

41.3 Credit impairment losses – financial investments subject to impairment (continued)(c) Loss given default (LGD) (continued)

The ECL impact of changes in LGD rates is summarised as follows:

Debt securities	2019			
	LGD		ECL impact of	
	Rate applied	Change in rate	increase in value	decrease in value
Corporate	52%	(- /+ 5) %	826	(786)
Sovereign, excluding Barbados and Jamaica	35%	(- /+ 5) %	317	(317)
Sovereign - Barbados - BAICO bonds	17%	(- /+ 5) %	25	(25)
Sovereign - Jamaica	15%	(- /+ 5) %	254	(254)

41.3 Credit impairment losses – financial investments subject to impairment (continued)(d) Scenario design

The weightings assigned to each economic scenario as at December 31, 2020 are set out in the following table. These weightings are unchanged from the prior year.

	Base	Upside	Downside
Sagicor Life portfolios	80%	10%	10%
Sagicor Jamaica portfolios	80%	10%	10%
Sagicor Life USA	80%	10%	10%

The results of varying the upside and downside scenarios are as follows:

	Base – 80% Upside – 5% Downside – 15%		Base – 80% Upside – 15% Downside – 5%	
	Increase in ECL		Decrease in ECL	
	2020	2019	2020	2019
Debt securities	628	269	(628)	(\$269)
Lending products	253	43	(208)	(\$40)

41.4 Gross Carrying Values – financial investments subject to impairment

The following tables explain the movement in the gross carrying amounts of investments and in the ECL classifications for the year. Gross carrying amounts represent the maximum exposure to credit risk.

	Debt securities and money market funds – FVOCI					Debt securities and money market funds – FVOCI				
	2020					2019				
	ECL Staging			POCI	Total	ECL Staging			POCI	Total
	Stage 1 12-month ECL	Stage 2 lifetime ECL	Stage 3 lifetime ECL			Stage 1 12-month ECL	Stage 2 lifetime ECL	Stage 3 lifetime ECL		
Gross carrying amount, beginning of year	3,458,152	70,695	-	30,144	3,558,991	2,566,176	97,233	54,279	-	2,717,688
Transfers:										
Stage 1 to Stage 2	(120,488)	120,488	-	-	-	(4,147)	4,147	-	-	-
Stage 1 to Stage 3	(164)	-	164	-	-	-	-	-	-	-
Stage 2 to Stage 1	-	-	-	-	-	267	(267)	-	-	-
Stage 2 to Stage 3	-	(7,014)	7,014	-	-	-	-	-	-	-
Securities originated or purchased	1,347,322	-	-	45	1,347,367	1,699,054	-	-	30,140	1,729,194
Securities fully derecognised	(1,310,349)	(18,052)	-	(72)	(1,328,473)	(717,305)	(30,568)	(53,493)	-	(801,366)
Changes in principal and interest	(113,924)	(4,120)	755	(1,503)	(118,792)	(57,536)	1,183	-	-	(56,353)
Effect of exchange rate changes	(52,378)	2,076	(21)	3	(50,320)	(28,357)	(1,033)	(786)	4	(30,172)
Gross carrying amount, end of year	3,208,171	164,073	7,912	28,617	3,408,773	3,458,152	70,695	-	30,144	3,558,991

41.4 Gross Carrying Values – financial investments subject to impairment (continued)

	Debt securities – amortised cost					Debt securities – amortised cost				
	2020					2019				
	ECL Staging			POCI	Total	ECL Staging			POCI	Total
	Stage 1 12-month ECL	Stage 2 lifetime ECL	Stage 3 lifetime ECL			Stage 1 12-month ECL	Stage 2 lifetime ECL	Stage 3 lifetime ECL		
Gross carrying amount, beginning of year	988,324	4,555	-	158,368	1,151,247	931,848	12,152	798	156,099	1,100,897
Transfers:										
Stage 1 to Stage 2	(24,570)	24,570	-	-	-	(180)	180	-	-	-
Stage 1 to Stage 3	-	-	-	-	-	(305)	-	305	-	-
Stage 2 to Stage 3	-	(3,874)	3,874	-	-	-	-	-	-	-
Securities originated or purchased	309,544	-	-	271	309,815	225,588	-	-	550	226,138
Securities fully derecognised	(178,539)	-	-	(66)	(178,605)	(135,291)	(7,294)	(1,100)	(86)	(143,771)
Changes in principal and interest	(6,468)	3,089	52	18,609	15,282	(20,044)	(483)	(3)	1,805	(18,725)
Effect of exchange rate changes	(22,172)	-	-	-	(22,172)	(13,292)	-	-	-	(13,292)
Gross carrying amount, end of year	1,066,119	28,340	3,926	177,182	1,275,567	988,324	4,555	-	158,368	1,151,247

41.4 Gross Carrying Values – financial investments subject to impairment (continued)

	Mortgage loans – amortised cost					Mortgage loans – amortised cost				
	2020					2019				
	ECL Staging			POCI	Total	ECL Staging			POCI	Total
	Stage 1 12-month ECL	Stage 2 lifetime ECL	Stage 3 lifetime ECL			Stage 1 12-month ECL	Stage 2 lifetime ECL	Stage 3 lifetime ECL		
Gross carrying amount, beginning of year	300,647	38,766	25,026	-	364,439	297,646	17,079	24,675	-	339,400
Transfers:										
Stage 1 to Stage 2	(35,869)	35,869	-	-	-	(31,398)	31,398	-	-	-
Stage 1 to Stage 3	(11,294)		11,294	-	-	(8,080)		8,080	-	-
Stage 2 to Stage 1	14,771	(14,771)	-	-	-	6,559	(6,559)	-	-	-
Stage 2 to Stage 3	-	(16,969)	16,969	-	-	-	(3,258)	3,258	-	-
Stage 3 to Stage 2	-	1,518	(1,518)	-	-	-	648	(648)	-	-
Stage 3 to Stage 1	2,410	-	(2,410)	-	-	2,318	-	(2,318)	-	-
Loans originated or purchased	75,363	-	-	-	75,363	68,059	-	-	-	68,059
Loans fully derecognised	(23,769)	(1,345)	(1,605)	-	(26,719)	(12,622)	(3,749)	(7,483)	-	(23,854)
Write-offs	-	-	-	-	-	-	-	(21)	-	(21)
Changes in principal and interest	(11,205)	181	309	-	(10,715)	(19,884)	3,305	(318)	-	(16,897)
Effect of exchange rate changes	(4,939)	(428)	(179)	-	(5,546)	(1,951)	(98)	(199)	-	(2,248)
Gross carrying amount, end of year	306,115	42,821	47,886	-	396,822	300,647	38,766	25,026	-	364,439

41.4 Gross Carrying Values – financial investments subject to impairment (continued)

	Finance loans – amortised cost					Finance loans – amortised cost				
	2020					2019				
	ECL Staging			POCI	Total	ECL Staging			POCI	Total
	Stage 1 12-month ECL	Stage 2 lifetime ECL	Stage 3 lifetime ECL			Stage 1 12-month ECL	Stage 2 lifetime ECL	Stage 3 lifetime ECL		
Gross carrying amount, beginning of year	579,856	12,975	12,716	-	605,547	497,099	15,233	15,522	-	527,854
Transfers:										
Stage 1 to Stage 2	(30,723)	30,723	-	-	-	(9,367)	9,367	-	-	-
Stage 1 to Stage 3	(5,050)	-	5,050	-	-	(3,838)	-	3,838	-	-
Stage 2 to Stage 1	2,372	(2,372)	-	-	-	5,050	(5,050)	-	-	-
Stage 2 to Stage 3	-	(1,743)	1,743	-	-	-	(848)	848	-	-
Stage 3 to Stage 1	93	-	(93)	-	-	75	-	(75)	-	-
Loans originated or purchased	130,947	-	-	-	130,947	233,332	-	-	-	233,332
Loans fully derecognised	(97,688)	(4,778)	(3,844)	-	(106,310)	(97,897)	(3,674)	(4,996)	-	(106,567)
Write-offs	(11)	(10)	-	-	(21)	-	-	(79)	-	(79)
Changes in principal and interest	(25,278)	(1,453)	(4,018)	-	(30,749)	(29,312)	(1,608)	(1,865)	-	(32,785)
Effect of exchange rate changes	(30,924)	145	(588)	-	(31,367)	(15,286)	(445)	(477)	-	(16,208)
Gross carrying amount, end of year	523,594	33,487	10,966	-	568,047	579,856	12,975	12,716	-	605,547

41.4 Gross Carrying Values – financial investments subject to impairment (continued)

	Securities purchased for resale – amortised cost					Securities purchased for resale – amortised cost				
	2020					2019				
	ECL Staging			POCI	Total	ECL Staging			POCI	Total
	Stage 1 12-month ECL	Stage 2 lifetime ECL	Stage 3 lifetime ECL			Stage 1 12-month ECL	Stage 2 lifetime ECL	Stage 3 lifetime ECL		
Gross carrying amount, beginning of year	10,904	-	-	-	10,904	7,170	-	-	-	7,170
Securities originated or purchased	1,283,926	-	-	-	1,283,926	1,772,783	-	-	-	1,772,783
Securities fully derecognised	(1,237,810)	-	-	-	(1,237,810)	(1,769,238)	-	-	-	(1,769,238)
Changes in principal and interest	837	-	-	-	837	(38)	-	-	-	(38)
Effect of exchange rate changes	(747)	-	-	-	(747)	227	-	-	-	227
Gross carrying amount, end of year	57,110	-	-	-	57,110	10,904	-	-	-	10,904

41.4 Gross Carrying Values – financial investments subject to impairment (continued)

	Deposits – amortised cost					Deposits – amortised cost				
	2020					2019				
	ECL Staging			POCI	Total	ECL Staging			POCI	Total
	Stage 1 12-month ECL	Stage 2 lifetime ECL	Stage 3 lifetime ECL			Stage 1 12-month ECL	Stage 2 lifetime ECL	Stage 3 lifetime ECL		
Gross carrying amount, beginning of year	62,493	617	-	-	63,110	107,156	371	-	-	107,527
Transfers:										
Stage 1 to Stage 2	(7,471)	7,471	-	-	-	(616)	616	-	-	-
Deposits originated or purchased	192,962	-	-	-	192,962	41,932	-	-	-	41,932
Deposits fully derecognised	(143,456)	(245)	-	-	(143,701)	(79,081)	(371)	-	-	(79,452)
Changes in principal and interest	13,393	3,652	-	-	17,045	(6,071)	1	-	-	(6,070)
Effect of exchange rate changes	(137)	-	-	-	(137)	(827)	-	-	-	(827)
Gross carrying amount, end of year	117,784	11,495	-	-	129,279	62,493	617	-	-	63,110

41.4 Gross Carrying Values – financial investments subject to impairment (continued)

	Policy loans					Policy loans				
	2020					2019				
	ECL Staging			POCI	Total	ECL Staging			POCI	Total
	Stage 1 12-month ECL	Stage 2 lifetime ECL	Stage 3 lifetime ECL			Stage 1 12-month ECL	Stage 2 lifetime ECL	Stage 3 lifetime ECL		
Gross carrying amount, beginning of year	151,730	-	-	-	151,730	147,156	-	-	-	147,156
Policy loans originated or purchased	4,464	-	-	-	4,464	5,990	-	-	-	5,990
Policy loans fully derecognised	(4,580)	-	-	-	(4,580)	(1,265)	-	-	-	(1,265)
Changes in principal and interest	(216)	-	-	-	(216)	(8)	-	-	-	(8)
Effect of exchange rate changes	(62)	-	-	-	(62)	(143)	-	-	-	(143)
Gross carrying amount, end of year	151,336	-	-	-	151,336	151,730	-	-	-	151,730

41.4 Gross Carrying Values – financial investments subject to impairment (continued)**(a) Reinsurance asset – Guggenheim Partners**

The reinsurance asset held in the name of Guggenheim Partners is secured by assets held in a trust. The excess of the fair value of the trust assets over the reinsurance asset is as follows:

	2020	2019
Fair value of trust assets	472,395	526,146
Carrying value of reinsurance asset	(438,900)	(458,483)
	33,495	67,663

(b) Reinsurance asset – Heritage Life Insurance Company

The reinsurance asset held in the name of Heritage Life Insurance Company is secured by assets held in a trust. The excess of the fair value of the trust assets over the reinsurance asset is as follows:

	2020	2019
Fair value of trust assets	170,191	168,524
Carrying value of reinsurance asset	(142,979)	(150,726)
	27,212	17,798

(c) Government of Barbados debt securities in default – Events in 2018

During the month of June 2018, the Government of Barbados (GOB) suspended all payments to creditors of its external commercial debt which is denominated primarily in US dollars. Interest payments due on June 5, 2018 and June 15, 2018 were not made. Principal payments on matured domestic debt which is denominated in Barbados dollars were suspended and debt-holders were required to roll over principal balances.

41.4 Gross Carrying Values – financial investments subject to impairment (continued)

The announcement of the suspended payments was evidence that the financial assets were credit-impaired and consequently, in June, Sagicor reclassified its GOB debt security holdings to Stage 3 with a probability of default of 100%. Some GOB debt instruments were purchased more recently and therefore there were instruments that had not yet experienced a significant increase in credit risk relative to the initial credit risk that moved from Stage 1 to Stage 3 upon the announcement.

On September 7, 2018, the GOB announced its debt-restructuring programme which is being done in conjunction with the economic recovery plan and an International Monetary Fund (IMF) programme. The IMF programme will allow Barbados to reduce its current debt service cost substantially and it is expected that the manageability of the restructured cash flows will improve the credit quality of the instrument offered in the debt exchange.

As at September 30, 2018, the negotiations of the new bond were materially completed and on October 1, 2018, Sagicor signed an agreement with the Government of Barbados which outlined the terms of the debt exchange. In exchange for its debt, the Group has accepted the following securities, the majority of which are series G:

Series G

A 50-year amortising bond which includes a 15-year grace period on principal payments. The interest rates on the bond range from 4% per annum for the first 15 years to 8% for years 26 through 50, with interest capitalisation of 100% for the first five years.

Series C

A 15-year amortising bond with interest rates ranging from 1.0% for the first 3 years to 3.75% for years 5 through to maturity. Interest on these bonds is to be paid quarterly with the first payment due on December 31, 2018. The principal will be repaid in four equal quarterly instalments commencing one year prior to maturity.

Series D

A 35-year amortising bond with interest rates ranging from 1.5% for the first 5 years to 7.5% for years 16 through to maturity. Interest on these bonds is paid quarterly with the first payment due on November 30, 2018. The principal will be repaid in three equal instalments commencing one year prior to maturity with the final payment on August 31, 2053.

41.4 Gross Carrying Values – financial investments subject to impairment (continued)Credit impairment loss and derecognition of original domestic debt securities

As a result of the debt restructure outlined above, a credit impairment loss was recognised in the statement of income. In addition, the domestic debt securities were derecognised since the maturity profile and interest rates of the replacement debt securities were materially different. In November 2018, management derived a yield curve from which the initial fair values of the replacement securities were determined. The yield curve was derived from the Central Bank of Barbados base-line yield curve to which management applied a further risk premium considering:

- the GOB credit rating relative to investment grade,
- the potential for further default,
- the lack of liquidity of the debt, and
- the economic uncertainty as Barbados enters a period of severe economic reform and structural adjustment.

The risk premium derived is summarised in the following table.

Years	Spread (basis points)
0-10	25
11-21	50
22-24	75
25-29	100
30-50	150

The replacement debt securities are classified as “originated credit-impaired” (POCI).

The consequential movement in the carrying values of GOB debt for the period referred to above is summarised in the table which follows:

41.4 Gross Carrying Values – financial investments subject to impairment (continued)

<u>GOB Debt Securities</u>	<u>Domestic debt</u>	<u>External debt</u>	<u>Total</u>
Gross carrying value prior to default	275,805	50,741	326,546
Loss allowance prior to default	(7,890)	(1,645)	(9,535)
Net carrying value prior to default	267,915	49,096	317,011
Accrued interest and other adjustments	2,664	7,975	10,639
Credit impairment loss arising from the default	(75,394)	(16,508)	(91,902)
Carrying value as of October 1, 2018	195,185	40,563	235,748
Accrued interest and other adjustments	1,014		
Domestic debt not included in restructure ⁽¹⁾	(49,765)		
Adjusted carrying value on restructure	146,434		
Fair value on recognition of replacement securities	147,250		
Gain on derecognition of original securities	816		

⁽¹⁾ As part of the acquisition of the British American Insurance Company (BAICO) insurance portfolio, Sagicor received bonds issued by the Government of Barbados of US\$46.6 million to support the policyholder liabilities transferred. In order to safeguard the interest of policyholders, these bonds were issued with a protective clause in accordance with the sale and purchase agreement approved by the Supreme Court which prevented the Government of Barbados from restructuring these bonds at any time. Accordingly, these bonds have been excluded from the Government of Barbados’ restructuring plan, and, have been classified as Stage 1.

41.4 Gross Carrying Values – financial investments subject to impairment (continued)(d) Government of Barbados debt securities in default – Update for 2019External Debt

The negotiations for the exchange of the external debt were completed on December 11, 2019. In exchange for its debt, the Group has accepted the following:

- Cash in the amount of \$264.
- Government of Barbados 6.5% 2021 bond offered in exchange for the accrued or past due interest outstanding (PDI). The interest rate on the bond is 6.5% per annum from October 1, 2019 to, but excluding February 1, 2021 with interest payable on October 1, 2020 and February 1, 2021. The final maturity date on this bond is February 1, 2021.
- Government of Barbados 6.5% 2029 bond offered in exchange for the principal outstanding. The interest rate on the bond is 6.5% per annum from October 1, 2019 to, but excluding October 1, 2029 with interest payable each on April 1 and October 1, commencing on April 1, 2020. The final maturity date on this bond is October 1, 2029.

Fair value of FVOCI Government of Barbados debt securities

The fair value of the restructured instruments was determined with reference to the price at which the securities were traded at immediately subsequent to the issue of the restructured securities. These trades were between third parties conducted at arm's length and the prices at which the trades occurred was independently verified.

41.4 Gross Carrying Values – financial investments subject to impairment (continued)

The consequential movement in the carrying values of the external debt from the default in 2018 to the restructure in 2019 is summarised as follows:

<u>GOB Debt Securities</u>	<u>External debt</u>
Gross carrying value prior to default in June 2018	50,741
Loss allowance prior to default	(1,645)
Net carrying value prior to default	49,096
Accrued interest and other adjustments	7,975
Credit impairment loss recognised in 2018 arising from the default	(16,508)
Carrying value as of October 3, 2018	40,563
Disposals and adjustments recognised in 2019 before restructure	(12,978)
Adjusted carrying value on restructure as of December 11, 2019	27,585
Fair value on recognition of replacement securities	30,107
Gain on derecognition of original securities	2,522

41.5 Liquidity risk

Liquidity risk is the exposure that the Group may encounter difficulty in meeting obligations associated with financial or insurance liabilities that are settled by cash or by another financial asset. Liquidity risk also arises when excess funds accumulate resulting in the loss of opportunity to increase investment returns.

Asset liability matching is a tool used by the Group to mitigate liquidity risks, particularly in operations with significant maturing short-term liabilities. For long-term insurance contracts, the Group has adopted a policy of investing in assets with cash flow characteristics that closely match the cash flow characteristics of its policy liabilities. The primary purpose of this matching is to ensure that cash flows from these assets are synchronised with the timing and the amounts of payments that must be paid to policyholders.

Group companies monitor cash inflows and outflows in each operating currency. Through experience and monitoring, the Group is able to maintain sufficient liquid resources to meet current obligations.

(a) Insurance liabilities

The Group's monetary insurance liabilities mature in periods which are summarised in the following table. Amounts are stated at their carrying values recognised in the financial statements and are analysed by their expected due periods, which have been estimated by actuarial or other statistical methods.

	Expected discounted cash flows			Total
	Maturing within 1 year	Maturing 1 to 5 years	Maturing after 5 years	
2020				
Actuarial liabilities	323,144	1,251,502	2,578,055	4,152,701
Other policy liabilities	149,355	18,067	67,189	234,611
Total	472,499	1,269,569	2,645,244	4,387,312
2019				
Actuarial liabilities	260,048	1,004,307	2,340,298	3,604,653
Other policy liabilities	127,054	30,549	70,265	227,868
Total	387,102	1,034,856	2,410,563	3,832,521

41.5 Liquidity risk (continued)**(b) Financial liabilities and commitments**

Contractual cash flow obligations of the Group in respect of its financial liabilities and commitments are summarised in the following table. Amounts are analysed by their earliest contractual maturity dates and consist of the contractual un-discounted cash flows. Where the interest rate of an instrument for a future period has not been determined as of the date of the financial statements, it is assumed that the interest rate then prevailing continues until final maturity.

	2020 - Contractual un-discounted cash flows				2019 - Contractual un-discounted cash flows			
	On demand or within 1 year	1 to 5 years	After 5 years	Total	On demand or within 1 year	1 to 5 years	After 5 years	Total
Financial liabilities:								
Investment contract liabilities	372,337	56,534	21,091	449,962	347,937	66,481	22,160	436,578
Notes and loans payable	23,543	480,314	11,123	514,980	445,894	45,297	68,286	559,477
Lease liabilities	9,462	24,827	22,300	56,589	8,289	25,638	13,164	47,091
Deposit and security liabilities:								
Other funding instruments	355,050	38,831	24,347	418,228	397,057	14,110	19,918	431,085
Customer deposits	852,836	17,106	6	869,948	815,410	278	-	815,688
Structured products	-	-	-	-	6,842	-	-	6,842
Securities sold for repurchase	577,998	-	-	577,998	514,594	-	-	514,594
Derivative financial instruments	-	-	-	-	264	-	-	264
Bank overdrafts	980	-	-	980	6,646	-	-	6,646
Accounts payable and accrued liabilities	248,212	1,852	385	250,449	238,569	1,291	473	240,333
Total financial liabilities	2,440,418	619,464	79,252	3,139,134	2,781,502	153,095	124,001	3,058,598
Off financial statement commitments:								
Loan commitments	63,831	313	628	64,772	66,614	10,999	1,093	78,706
Non-cancellable lease and rental payments	434	-	-	434	485	-	-	485
Investments and Investment management fees	32,526	2,322	-	34,848	14,330	4,822	-	19,152
Customer guarantees and letters of credit	20,095	5,417	9,643	35,155	14,385	9,009	11,375	34,769
Capital commitments	15,304	-	-	15,304	17,931	-	-	17,931
Total off financial statement commitments	132,190	8,052	10,271	150,513	113,745	24,830	12,468	151,043
Total	2,572,608	627,516	89,523	3,289,647	2,895,247	177,925	136,469	3,209,641

41.5 Liquidity risk (continued)

(c) Financial and insurance assets

The contractual maturity periods of monetary financial assets and the expected maturity periods of monetary insurance assets are summarised in the following table. Amounts are stated at their carrying values recognised in the financial statements. For this disclosure, monetary insurance assets comprise policy loans and reinsurance assets.

	2020 – Contractual or expected discounted cash flows				2019 – Contractual or expected discounted cash flows			
	Maturing within 1 year	Maturing 1 to 5 years	Maturing after 5 years	Total	Maturing within 1 year	Maturing 1 to 5 years	Maturing after 5 years	Total
Debt securities and money market funds	699,719	944,657	3,585,901	5,230,277	1,166,928	774,148	3,124,191	5,065,267
Mortgage loans	24,138	72,260	322,881	419,279	21,172	38,956	331,352	391,480
Policy loans	4,589	13,756	132,693	151,038	5,264	14,343	131,926	151,533
Finance loans	160,965	207,243	187,176	555,384	184,442	286,589	124,276	595,307
Securities purchased for resale	57,110	-	-	57,110	10,904	-	-	10,904
Deposits	127,559	161	-	127,720	58,255	2,741	1,802	62,798
Derivative financial instruments	37,188	-	-	37,188	36,891	-	-	36,891
Reinsurance assets: share of actuarial liabilities	67,237	291,116	281,444	639,797	70,578	279,520	311,713	661,811
Reinsurance assets: other	48,893	-	189	49,082	37,409	-	189	37,598
Premiums receivable	59,780	-	-	59,780	57,584	-	-	57,584
Other assets and accounts receivable	76,876	2,044	522	79,442	75,886	2,083	544	78,513
Cash resources	439,610	-	-	439,610	361,468	-	-	361,468
Total	1,803,664	1,531,237	4,510,806	7,845,707	2,086,781	1,398,380	4,025,993	7,511,154

41.5 Liquidity risk (continued)

(d) Sale and purchase of held-to-collect debt securities

In September 2020, given its continued focus on mitigating liquidity risks by improving its asset liability matching, the Group made a decision to purchase long-term bonds issued by the Government of Trinidad & Tobago (GOTT) in the amount of US\$164 million. The transaction was facilitated and financed by the sale of several shorter-term bonds totalling US\$129 million which had been included in the "held to collect" category in accordance with this IFRS 9 classification, based on the business model for managing these instruments and their contractual cash flow characteristics. Given the purpose of the transaction, which was not profit-oriented and which yielded an immaterial gain of US\$0.3 million, the new instruments acquired have been classified as "held to collect" under the business model, which remains unchanged, and given the contractual terms governing their cash flows.

41.6 Interest rate risk

The Group is exposed to interest rate risks. Cash flow interest rate risk is the risk that future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the fair value of a financial instrument will fluctuate because of changes in market interest rates. The occurrence of an adverse change in interest rates on invested assets may result in financial loss to the Group in fulfilling the contractual returns on insurance and financial liabilities.

The return on investments may be variable, fixed for a term or fixed to maturity. On reinvestment of a matured investment, the returns available on the new investment may be significantly different from the returns formerly achieved. This is known as reinvestment risk.

Guaranteed minimum returns exist within cash values of long-term traditional insurance contracts, long-term universal life insurance contracts, annuity options, deposit administration liabilities and policy funds on deposit. Where the returns credited exceed the guaranteed minima, the insurer usually has the option to adjust the return from period to period. For other financial liabilities, returns are usually contractual and may only be adjusted on contract renewal or contract re-pricing.

41.6 Interest rate risk (continued)

The Group is therefore exposed to the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. Interest margins may increase or decrease as a result of such changes. Interest rate changes may also result in losses if asset and liability cash flows are not closely matched with respect to timing and amount.

The Group is exposed to risk under embedded derivatives contained in a host insurance contract. These risks include exposures to investment returns which may produce losses to the insurer arising from the following contract features:

- minimum annuity rates which are guaranteed to be applied at some future date;
- minimum guaranteed death benefits which are applicable when the performance of an interest-bearing or unit linked fund falls below expectations;
- minimum guaranteed returns in respect of cash values and universal life investment accounts.

The Group manages its interest rate risk by various measures including, where feasible, the selection of assets which best match the maturity of liabilities; the offering of investment contracts which match the maturity profile of assets; the re-pricing of interest rates on loans receivable; policy contracts and financial liabilities in response to market changes. In certain Caribbean markets, where availability of suitable investments is often a challenge, the Group holds many of its fixed-rate debt securities to maturity and therefore mitigates the transient interest rate changes in these markets.

41.6 Interest rate risk (continued)

The table following summarises the exposures to interest rates on the Group's monetary insurance and financial liabilities (excluding actuarial liabilities which are disclosed in note 43). It includes liabilities at carrying amounts, categorised by the earlier of contractual re-pricing or maturity dates. Insurance liabilities are categorised by their expected maturities.

	2020					2019				
	Exposure within 1 year	Exposure 1 to 5 years	Exposure after 5 years	Not exposed to interest	Total	Exposure within 1 year	Exposure 1 to 5 years	Exposure after 5 years	Not exposed to interest	Total
Other policy liabilities	13,676	4,103	66,466	150,366	234,611	8,074	3,897	49,277	166,620	227,868
Investment contract liabilities	366,918	46,710	23,894	82	437,604	346,154	60,441	17,657	88	424,340
Notes and loans payable	15,343	445,706	9,859	714	471,622	419,647	27,052	71,479	(446)	517,732
Lease liabilities	7,691	20,547	10,251	1,120	39,609	6,527	19,036	4,232	5,905	35,700
Deposit and security liabilities:										
Other funding instruments	352,306	20,285	15,721	211	388,523	395,444	9,798	12,569	236	418,047
Customer deposits	845,326	14,934	5	1,387	861,652	804,901	216	-	3,002	808,119
Structured products	-	-	-	-	-	6,756	-	-	-	6,756
Securities sold for repurchase	573,540	-	-	2,064	575,604	511,309	-	-	1,548	512,857
Derivative financial instruments	-	-	-	-	-	-	-	-	264	264
Bank overdrafts	969	-	-	11	980	6,646	-	-	-	6,646
Accounts payable and accrued liabilities	826	1,127	-	248,497	250,450	1,074	1,074	-	238,185	240,333
Total	2,176,595	553,412	126,196	404,452	3,260,655	2,506,532	121,514	155,214	415,402	3,198,662

41.6 Interest rate risk (continued)

The table following summarises the exposures to interest rate and reinvestment risks of the Group's monetary insurance and financial assets. Assets are stated at carrying amounts, categorised by the earlier of contractual re-pricing or maturity dates. Reinsurance assets and policy loans are categorised by their expected maturities.

	2020					2019				
	Exposure within 1 year	Exposure 1 to 5 years	Exposure after 5 years	Not exposed to interest	Total	Exposure within 1 year	Exposure 1 to 5 years	Exposure after 5 years	Not exposed to interest	Total
Debt securities and money market funds	787,764	889,132	3,472,756	80,625	5,230,277	1,308,182	727,057	2,969,807	60,221	5,065,267
Equity securities	-	-	-	660,573	660,573	-	-	-	371,464	371,464
Mortgage loans	93,733	65,789	256,392	3,365	419,279	77,676	30,276	281,183	2,345	391,480
Policy loans	3,925	13,380	127,849	5,884	151,038	4,400	14,141	131,791	1,201	151,533
Finance loans	528,923	15,279	6,192	4,990	555,384	572,442	15,574	5,665	1,626	595,307
Securities purchased for resale	57,011	-	-	99	57,110	10,871	-	-	33	10,904
Deposits	125,411	2,092	-	217	127,720	57,918	2,733	1,802	345	62,798
Derivative financial instruments	-	-	-	37,188	37,188	264	-	-	36,627	36,891
Reinsurance assets: other	-	-	189	48,893	49,082	151	-	189	37,258	37,598
Premiums receivable	-	-	-	59,780	59,780	105	-	-	57,479	57,584
Other assets and accounts receivable	896	1,127	-	77,419	79,442	2,804	1,179	-	74,530	78,513
Cash resources	84,246	-	-	355,364	439,610	220,494	-	-	140,974	361,468
Total	1,681,909	986,799	3,863,378	1,334,397	7,866,483	2,255,307	790,960	3,390,437	784,103	7,220,807

41.6 Interest rate risk (continued)

The table below summarises the average interest yields on certain financial investments and financial liabilities held during the year.

	2020	2019
Financial investments carried at FVOCI and amortised cost:		
Debt securities and money market funds	4.6%	5.1%
Mortgage loans	5.8%	6.0%
Policy loans	7.5%	7.3%
Finance loans	11.2%	11.6%
Securities purchased for resale	2.4%	6.2%
Deposits	1.0%	1.6%
Financial liabilities carried at amortised cost:		
Investment contract liabilities	2.8%	2.6%
Notes and loans payable	8.3%	8.1%
Other funding instruments	0.9%	2.3%
Deposits	1.2%	1.3%
Securities sold for repurchase	2.3%	3.0%

a) Sensitivity

Sensitivity to interest rate risk is considered by operating subsidiaries. The effects of changes in interest rates of assets backing actuarial liabilities are disclosed in note 43.4. The Group's property and casualty operations are not exposed to a significant degree of interest rate risk, since the majority of their interest-bearing instruments have short-term maturities. The sensitivity of the Group's principal operating subsidiaries engaged in banking, investment management and other financial services are considered in the following paragraphs.

41.6 Interest rate risk (continued)Sagicor Investments Jamaica Limited and Sagicor Bank Jamaica Limited

The following table indicates the sensitivity to a reasonable possible change in interest rates, with all other variables held constant, on net income and total comprehensive income (TCI) of the above companies which operate in Jamaica.

The sensitivity of income is the effect of the assumed changes in interest rates on income based on floating-rate debt securities and financial liabilities. The sensitivity of TCI is calculated by revaluing fixed rate financial assets carried at FVOCI for the effects of the assumed changes in interest rates. The correlation of a number of variables will have an impact on market risk. It should be noted that movements in these variables are non-linear and are assessed individually.

2020				2019			
Change in interest rate		Effect on net income	Effect on TCI	Change in interest rate		Effect on net income	Effect on TCI
JMD	USD			JMD	USD		
- 1%	- 0.5%	3,454	48,538	- 1%	- 0.5%	2,501	21,906
+ 1%	+ 0.5%	(3,454)	(42,924)	+ 1%	+ 0.5%	(2,501)	(30,360)

41.7 Foreign exchange risk

The Group is exposed to foreign exchange risk as a result of fluctuations in exchange rates as its financial assets and liabilities are denominated in different currencies.

In order to manage the risk associated with movements in currency exchange rates, the Group seeks to maintain investments and cash in each operating currency, which are sufficient to match liabilities denominated in the same currency. Exceptions are made to invest amounts in United States dollar assets which are held to back liabilities in Caribbean currencies. Management considers that these assets diversify the range of investments available in the Caribbean, and in the long-term are likely to either maintain capital value and/or provide satisfactory returns.

Assets and liabilities by currency are summarised in the following tables.

41.7 Foreign exchange risk (continued)

2020	US\$000 equivalents of balances denominated in						Total
	Barbados \$	Jamaica \$	Trinidad \$	Eastern Caribbean \$	US \$	Other Currencies	
ASSETS							
Financial investments ⁽¹⁾	362,242	1,296,881	575,067	164,029	4,065,554	114,223	6,577,996
Reinsurance assets ⁽¹⁾	1,805	10,129	1,206	1,218	673,676	845	688,879
Receivables ⁽¹⁾	21,195	57,964	12,654	13,213	31,103	3,915	140,044
Cash resources	29,335	98,249	42,160	15,489	203,805	50,572	439,610
Total monetary assets	414,577	1,463,223	631,087	193,949	4,974,138	169,555	7,846,529
Other assets ⁽²⁾	202,633	416,232	87,267	19,912	692,692	1,048	1,419,784
Total assets of continuing operations	617,210	1,879,455	718,354	213,861	5,666,830	170,603	9,266,313
LIABILITIES							
Actuarial liabilities	441,850	330,888	456,668	82,634	2,713,759	126,902	4,152,701
Other policy liabilities ⁽¹⁾	81,774	54,671	32,132	11,893	40,128	14,013	234,611
Investment contracts	30,571	74,781	175,492	55,993	91,151	9,616	437,604
Notes and loans payable	21,686	51,948	-	-	397,988	-	471,622
Lease liabilities	439	19,520	427	4	18,452	767	39,609
Deposit and security liabilities	25	694,015	19,273	15,184	1,080,462	17,800	1,826,759
Other liabilities / Retirement benefit liabilities	16,011	26,019	13,065	(57)	576	10,928	66,542
Accounts payable and accruals	45,469	88,415	19,072	4,426	87,339	5,730	250,451
Total monetary liabilities	637,825	1,340,257	716,129	170,077	4,429,855	185,756	7,479,899
Other liabilities ⁽²⁾	20,207	45,733	14,165	4,959	35,791	2,338	123,193
Total liabilities of continuing operations	658,032	1,385,990	730,294	175,036	4,465,646	188,094	7,603,092
Net position	(40,822)	493,465	(11,940)	38,825	1,201,184	(17,491)	1,663,221

⁽¹⁾ Monetary balances only⁽²⁾ Non-monetary balances, income tax balances and retirement plan assets

41.7 Foreign exchange risk (continued)

2019	US\$000 equivalents of balances denominated in						Total
	Barbados \$	Jamaica \$	Trinidad \$	Eastern Caribbean \$	US \$	Other Currencies	
ASSETS							
Financial investments ⁽¹⁾	341,196	1,344,085	474,248	150,089	3,879,177	125,385	6,314,180
Reinsurance assets ⁽¹⁾	6,739	3,774	4,767	2,146	681,582	401	699,409
Receivables ⁽¹⁾	22,843	69,362	10,309	15,746	14,785	5,023	138,068
Cash resources	21,158	91,584	26,510	9,658	165,368	47,190	361,468
Total monetary assets	391,936	1,508,805	515,834	177,639	4,740,912	177,999	7,513,125
Other assets ⁽²⁾	199,216	477,784	90,844	20,828	425,766	1,308	1,215,746
Total assets of continuing operations	591,152	1,986,589	606,678	198,467	5,166,678	179,307	8,728,871
LIABILITIES							
Actuarial liabilities	438,452	411,439	366,143	79,372	2,194,599	114,648	3,604,653
Other policy liabilities ⁽¹⁾	80,640	55,802	32,844	12,187	31,725	14,670	227,868
Investment contracts	31,632	81,800	182,907	53,405	65,321	9,275	424,340
Notes and loans payable	14,436	104,402	-	-	398,894	-	517,732
Lease liabilities	2,764	23,251	2,317	128	6,392	848	35,700
Deposit and security liabilities	1,276	684,219	1,087	15,316	1,033,146	17,645	1,752,689
Other liabilities / Retirement benefit liabilities	11,901	25,238	12,871	46	2,294	7,445	59,795
Accounts payable and accruals	40,699	116,864	18,115	1,902	57,389	5,364	240,333
Total monetary liabilities	621,800	1,503,015	616,284	162,356	3,789,760	169,895	6,863,110
Other liabilities ⁽²⁾	18,749	32,529	15,199	5,079	42,210	2,215	115,981
Total liabilities of continuing operations	640,549	1,535,544	631,483	167,435	3,831,970	172,110	6,979,091
Net position	(49,397)	451,045	(24,805)	31,032	1,334,708	7,197	1,749,780

⁽¹⁾ Monetary balances only⁽²⁾ Non-monetary balances, income tax balances and retirement plan assets

41.7 Foreign exchange risk (continued)**(a) Sensitivity**

The Group is exposed to currency risk in its operating currencies for which values have noticeably fluctuated against the United States dollar (USD).

The exposure to currency risk may result in three types of risk, namely:

- Currency risk relating to the future cash flows of monetary balances

This occurs when a monetary balance is denominated in a currency other than the functional currency of the reporting unit to which it belongs. In this instance, a change in currency exchange rates results in the monetary balances being retranslated at the date of the financial statements, and the exchange gain or loss is taken to income (note 27).

- Currency risk of reported results of foreign operations

This occurs when a reporting unit's functional currency depreciates or appreciates in value when retranslated to the USD, which is the Group's presentational currency. In this instance, the conversion of the reporting unit's results at a different rate of exchange results in either less or more income being consolidated in the Group's income statement.

- Currency risk of the Group's investment in foreign operations

This occurs when a reporting unit's functional currency depreciates or appreciates in value when retranslated to the USD, which is the Group's presentational currency. In this instance, the conversion of the reporting unit's assets and liabilities at a different rate of exchange results in a currency loss or gain which is recorded in the currency translation reserve (note 22). If the reporting unit is disposed of, either wholly or in part, then the corresponding accumulated loss or gain in the currency translation reserve would be transferred to income or retained earnings.

The operating currency for which value noticeably fluctuates against the USD is the Jamaica dollar (JMD). The theoretical impact of JMD currency risk on reported results, and of the Group's investment in foreign operations, is considered in the following section.

41.7 Foreign exchange risk (continued)JMD currency risk

The effect of a 10% depreciation in the JMD relative to the USD arising from JMD reporting units as of December 31, 2020 and for the year then ended are considered in the following table.

	Amounts denominated in		Total amounts	Effect of a 10% depreciation
	JMD	USD		
Financial position:				
Assets	2,637,242	1,139,538	3,776,780	(263,725)
Liabilities	1,746,457	982,566	2,729,023	(174,646)
Net position	890,785	156,972	1,047,757	(89,079)
Represented by:				
Currency risk of the Group's investment in foreign operations				(89,079)
Income statement:				
Revenue	488,376	89,822	578,198	(33,063)
Benefits	(204,982)	(6,035)	(211,017)	20,498
Expenses	(196,552)	(13,693)	(210,245)	19,655
Income taxes	(42,949)	-	(42,949)	4,295
Net income	43,893	70,094	113,987	11,385
Represented by:				
Currency risk relating to the future cash flows of monetary balances				15,775
Currency risk of reported results of foreign operations				(4,390)
				11,385

A 10% appreciation in the JMD relative to the USD would have equal and opposite effects to those disclosed above.

41.8 Fair value of financial instruments

The fair value of financial instruments is measured according to a fair value hierarchy which reflects the significance of market inputs in the valuation. This hierarchy is described and discussed in sections (i) to (iii) below.

(i) Level 1 – unadjusted quoted prices in active markets for identical instruments

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange or other independent source, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The Group considers that market transactions should occur with sufficient frequency that is appropriate for the particular market, when measured over a continuous period preceding the date of the financial statements. If there is no data available to substantiate the frequency of market transactions of a financial instrument, then the instrument is not classified as Level 1.

(ii) Level 2 – inputs that are observable for the instrument, either directly or indirectly

A financial instrument is classified as Level 2 if:

- The fair value is derived from quoted prices of similar instruments which would be classified as Level 1; or
- The fair value is determined from quoted prices that are observable but there is no data available to substantiate frequent market trading of the instrument.

In estimating the fair value of non-traded financial assets, the Group uses a variety of methods such as obtaining dealer quotes and using discounted cash flow techniques. Where discounted cash flow techniques are used, estimated future cash flows are discounted at market-derived rates for government securities in the same country of issue as the security; for non-government securities, an interest spread is added to the derived rate for a similar government security rate according to the perceived additional risk of the non-government security.

41.8 Fair value of financial instruments (continued)

In assessing the fair value of non-traded financial liabilities, the Group uses a variety of methods including obtaining dealer quotes for specific or similar instruments, and the use of internally developed pricing models such as the use of discounted cash flows. If the non-traded liability is backed by a pool of assets, then its value is equivalent to the value of the underlying assets.

(iii) Level 3 – inputs for the instrument that are not based on observable market data

A financial instrument is classified as Level 3 if:

- The fair value is derived from quoted prices of similar instruments that are observable and which would be classified as Level 2; or
- The fair value is derived from inputs that are not based on observable market data.

Level 3 assets designated as FVTPL include mortgage loans, debt securities and equities for which the full income and capital returns accrue to holders of unit linked liabilities. These assets are valued with inputs other than observable market data.

The techniques and methods described in the preceding section (ii) for non-traded financial assets and liabilities may also be used in determining the fair value of Level 3 instruments.

41.8 Fair value of financial instruments (continued)

(a) Financial instruments carried at fair value

	2020				2019			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
FVOCI securities:								
Debt securities and money market funds	428,362	3,183,555	-	3,611,917	488,832	3,184,589	-	3,673,421
Equity securities	498	513	43	1,054	754	491	46	1,291
	428,860	3,184,068	43	3,612,971	489,586	3,185,080	46	3,674,712
FVTPL investments:								
Debt securities	21,160	194,394	133,320	348,874	17,719	104,123	121,265	243,107
Equity securities	347,056	286,545	25,918	659,519	85,389	262,344	22,440	370,173
Derivative financial instruments	-	-	37,188	37,188	-	264	36,627	36,891
Mortgage loans	-	-	26,065	26,065	-	-	28,933	28,933
	368,216	480,939	222,491	1,071,646	103,108	366,731	209,265	679,104
Total assets	797,076	3,665,007	222,534	4,684,617	592,694	3,551,811	209,311	4,353,816
Total assets by percentage	17%	78%	5%	100%	14%	81%	5%	100%
FVTPL investment contracts:								
Unit linked deposit administration liabilities	-	-	154,442	154,442	-	-	162,385	162,385
FVTPL deposit and security liabilities:								
Structured products	-	-	-	-	-	-	6,756	6,756
Derivative financial instruments	-	-	-	-	-	264	-	264
	-	-	-	-	-	264	6,756	7,020
Total liabilities	-	-	154,442	154,442	-	264	169,141	169,405
Total liabilities by percentage	-	-	100%	100%	0%	0%	100%	100%

41.8 Fair value of financial instruments (continued)

For Level 3 instruments, reasonable changes in inputs which could be applied to the valuation of FVOCI securities would affect other comprehensive income. Reasonable changes in inputs which could be applied to the valuations of investments designated at FVTPL are largely offset in income, since the changes in fair value are borne by contract holders. Changes in the valuations of structured products reflect changes in the underlying securities and are borne by the contract holders. The following table presents the movements in Level 3 instruments for the year.

Level 3 Financial Instruments	2020				2019	2020			2019
	FVOCI investments	FVTPL investments	Derivative instruments	Total assets	Total assets	FVTPL investment contracts	FVTPL structured products	Total liabilities	Total liabilities
Balance, beginning of year	46	172,638	36,627	209,311	140,433	162,385	6,756	169,141	213,792
Additions	-	50,682	22,848	73,530	87,418	-	-	-	-
Issues	-	-	-	-	-	19,792	-	19,792	21,255
Settlements	-	-	-	-	-	(26,271)	(6,884)	(33,155)	(68,192)
Fair value gains / (losses) recorded in net investment income	-	(1,206)	7,677	6,471	35,633	-	-	-	-
Fair value gains / (losses) recorded in interest expense	-	-	-	-	-	(1,527)	156	(1,371)	4,806
Disposals and divestitures	-	(26,017)	(29,964)	(55,981)	(53,424)	-	-	-	-
Transfers (out of) Level 3 classification ⁽¹⁾	-	(11,019)	-	(11,019)	-	-	-	-	-
Effect of exchange rate changes	(3)	225	-	222	(749)	63	(28)	35	(2,520)
Balance, end of year	43	185,303	37,188	222,534	209,311	154,442	-	154,442	169,141
Fair value changes recorded in investment income for instruments held at end of year	-	(1,228)	14,748	13,520	15,627	-	-	-	-
Fair value changes recorded in interest expense for instruments held at end of year	-	-	-	-	-	(1,527)	-	(1,527)	2,488

⁽¹⁾ In the course of reviewing the classification of fair value assets, the Group determined that fixed income assets previously classified as Level 3 would be more appropriately disclosed as Level 2. The fair value of these assets is determined by third party investment brokers based on observable market inputs.

41.8 Fair value of financial instruments (continued)

(b) Financial instruments carried at amortised cost

The carrying values of the Group's non-traded financial assets and financial liabilities carried at amortised cost approximate their fair value in notes 10, 12, and 20. The fair value hierarchy of other financial instruments carried at amortised cost is set out in the following tables.

As of December 31, 2020				
Financial assets at amortised cost	Level 1	Level 2	Level 3	Total
Debt securities	-	736,175	753,924	1,490,099
Mortgage loans	-	-	390,938	390,938
Policy loans	-	-	177,813	177,813
Finance loans	-	-	560,543	560,543
Securities purchased for resale	-	-	57,110	57,110
	-	736,175	1,940,328	2,676,503
Financial liabilities at amortised cost	Level 1	Level 2	Level 3	Total
Investment contracts:				
Deposit administration liabilities	-	-	117,046	117,046
Other investment contracts	-	-	169,002	169,002
	-	-	286,048	286,048
	-	395,833	83,006	478,839
Notes and loans payables				
Deposit and security liabilities:				
Other funding instruments	-	348,559	38,647	387,206
Customer deposits	-	1,233	866,084	867,317
Securities sold for repurchase	-	18,226	557,378	575,604
	-	368,018	1,462,109	1,830,127
	-	763,851	1,831,163	2,595,014

41.8 Fair value of financial instruments (continued)

(b) Financial instruments carried at amortised cost (continued)

As of December 31, 2019				
Financial assets at amortised cost	Level 1	Level 2	Level 3	Total
Debt securities	-	752,806	609,167	1,361,973
Mortgage loans	-	-	362,341	362,341
Policy loans	-	-	181,902	181,902
Finance loans	-	-	602,512	602,512
Securities purchased for resale	-	-	10,904	10,904
	-	752,806	1,766,826	2,519,632
Financial liabilities at amortised cost	Level 1	Level 2	Level 3	Total
Investment contracts:				
Deposit administration liabilities	-	-	113,767	113,767
Other investment contracts	-	-	149,928	149,928
	-	-	263,695	263,695
	-	332,893	200,958	533,851
Notes and loans payable				
Deposit and security liabilities:				
Other funding instruments	-	-	418,932	418,932
Customer deposits	-	1,121	810,594	811,715
Securities sold for repurchase	-	-	512,857	512,857
	-	1,121	1,742,383	1,743,504
	-	334,014	2,207,036	2,541,050

(c) Equity price risk

The Group is exposed to equity price risk arising from changes in the market values of its equity securities. The Group mitigates this risk by establishing overall limits of equity holdings for each investment portfolio and by maintaining diversified holdings within each portfolio of equity securities.

41.8 Fair value of financial instruments (continued)Sensitivity

The sensitivity to fair value changes in equity securities arises from those instruments which are not held under the unit linked model. The table below sets out the source markets of such equity securities and the effects of an across the board 20% change in equity prices on income before tax (IBT) as at December 31, 2020.

	Carrying value	Effect of 20% change on IBT
Listed on Caribbean stock exchanges and markets	37,854	7,571
Listed on US stock exchanges and markets	396,451	79,290
Listed on other exchanges and markets	39,145	7,829
	<u>473,450</u>	<u>94,690</u>

41.9 Derivative financial instruments and hedging activities

The Group's derivative activities give rise to open positions in portfolios of derivatives. These positions are managed to ensure that they remain within acceptable risk levels, with matching deals being utilised to achieve this, where necessary.

Derivatives are carried at fair value and presented in the financial statements as separate assets and liabilities. Asset values represent the cost to the Group of replacing all transactions with a fair value in the Group's favour, assuming that all relevant counterparties default at the same time and that transactions can be replaced instantaneously. Liability values represent the cost to the Group counterparties of replacing all their transactions with the Group with a fair value in their favour if the Group were to default. Derivative assets and liabilities on different transactions are only set off if the transactions are with the same counterparty, a legal right of set-off exists, and the cash flows are intended to be settled on a net basis.

41.9 Derivative financial instruments and hedging activities (continued)

The contract or notional amounts of derivatives and their fair values are set out in the table which follows.

	Contract / notional amount	Fair value	
		Assets	Liabilities
2020			
Derivatives held for trading:			
Equity indexed options	756,586	37,188	-
2019			
Derivatives held for trading:			
Equity indexed options	807,020	36,891	264

(i) Equity indexed options

The Group has purchased equity indexed options in respect of structured products and in respect of life and annuity insurance contracts.

For certain structured product contracts with customers (note 17), equity indexed options give the holder the ability to participate in the upward movement of an equity index while being protected from downward risk.

For certain universal life and annuity insurance contracts, an insurer has purchased custom call options that are selected to materially replicate the policy benefits that are associated with the equity indexed components within the policy contract. These options are appropriate to reduce or minimise the risk of movements in specific equity markets. Both the asset and the associated actuarial liability are valued at fair market value on a consistent basis, with the change in values being reflected in the income statement. The valuations combine external valuations with internal calculations.

41.10 Offsetting Financial Assets and Liabilities

The Group is eligible to present certain financial assets and financial liabilities on a net basis in the statement of financial position pursuant to criteria described in note 2.13. The following table provides information on (i) the impact of offsetting in the consolidated statement of financial position; (ii) the financial impact of netting for instruments which are subject to enforceable master-netting arrangements or similar agreements, and (iii) cash and financial instrument collateral which can be potentially offset.

	Gross amounts of financial assets	Gross amounts set off in the statement of financial position	Net amounts of financial assets as presented in the statement of financial position	Impact of master netting arrangements	Impact of offsetting financial instrument collateral	Net amount
2020						
ASSETS						
Non-derivative financial investments	7,201,381	-	7,201,381	(557,378)	(384,337)	6,259,666
Derivative financial instruments	37,188	-	37,188	-	-	37,188
	<u>7,238,569</u>	<u>-</u>	<u>7,238,569</u>	<u>(557,378)</u>	<u>(384,337)</u>	<u>6,296,854</u>
LIABILITIES						
Non-derivative deposit and security liabilities	1,826,759	-	1,826,759	(557,378)	(348,559)	920,822
2019						
ASSETS						
Non-derivative financial investments	6,648,753	-	6,648,753	(512,857)	(396,952)	5,738,944
Derivative financial instruments	36,891	-	36,891	(264)	-	36,627
	<u>6,685,644</u>	<u>-</u>	<u>6,685,644</u>	<u>(513,121)</u>	<u>(396,952)</u>	<u>5,775,571</u>
LIABILITIES						
Non-derivative deposit and security liabilities	1,752,425	-	1,752,425	(512,857)	(386,981)	852,587
Derivative financial instruments	264	-	264	(264)	-	-
	<u>1,752,689</u>	<u>-</u>	<u>1,752,689</u>	<u>(513,121)</u>	<u>(386,981)</u>	<u>852,587</u>

42 INSURANCE RISK – PROPERTY & CASUALTY CONTRACTS

Property and casualty insurers in the Group are exposed to insurance risks such as underwriting, claims and availability of reinsurance, and to credit risk in respect of reinsurance counterparties.

Sagicor General Insurance and Advantage General Insurance are the principal insurers within the Group's continuing operations that issue property and casualty insurance contracts. They operate mainly in Barbados, Trinidad and Tobago and Jamaica.

The principal insurance risks affecting property and casualty contracts are disclosed in the following sections.

42.1 Underwriting risk

Risks are priced to achieve an adequate return on capital on the insurer's business. This return is expressed as a premium target return. Budgeted expenses and reinsurance costs are included in the pricing process. Various pricing methodologies, including benchmark exposure rates and historic experience are used and are generally applied by class of insurance. All methods produce a technical price, which is compared against the market to establish a price margin.

Annually, the overall risk appetite is reviewed and approved. The risk appetite is defined as the maximum loss the insurer is willing to incur from a single event or proximate cause. Risks are only underwritten if they fall within the risk appetite. Individual risks are assessed for their contribution to aggregate exposures by nature of risk, by geography, by correlation with other risks, before acceptance. Underwriting a risk may include specific tests and enquiries which determine the insurer's assessment of the risk. Insurers may also establish deductibles, exclusions, and coverage limits which will limit the potential losses incurred.

Inaccurate pricing or inappropriate underwriting of insurance contracts, which may arise from poor pricing or lack of underwriting control, can lead to either financial loss or reputational damage to the insurer.

42.2 Claims risk

Incurred claims are triggered by an event and may be categorised as:

- attritional losses, which are expected to be of reasonable frequency and are less than established threshold amounts;
- large losses, which are expected to be relatively infrequent and are greater than established threshold amounts;
- catastrophic losses, which are an aggregation of losses arising from one incident or proximate cause, affecting one or more classes of insurance. These losses are infrequent and are generally very substantial.

The insurer records claims based on submissions made by claimants. The insurer may also obtain additional information from loss adjustors, medical reports and other specialist sources. The initial claim recorded may only be an estimate, which is refined over time until final settlement occurs. In addition, from the pricing methodology used for risks, it is assumed that at any date, there are claims incurred but not reported (IBNR).

Claims risk is the risk that incurred claims may exceed expected losses. Claims risk may arise from:

- invalid or fraudulent claim submissions;
- the frequency of incurred claims;
- the severity of incurred claims;
- the development of incurred claims.

Claims risk may be concentrated in geographic locations, altering the risk profile of the insurer. The most significant exposure for this type of risk arises where a single event could result in very many claims. Concentration of risk is mitigated through risk selection, line sizes, event limits, quota share reinsurance and excess of loss reinsurance.

Total insurance coverage on insurance policies provides a quantitative measure of absolute risk. However, claims arising in any one year are a very small proportion in relation to the total insurance coverage provided. The total amounts insured by the Group at December 31, gross and net of reinsurance, are summarised by class of insurance.

42.2 Claims risk (continued)

Total insurance coverage		2020	2019
Property	Gross	10,355,536	9,918,290
	Net	1,829,004	1,685,857
Motor	Gross	980,814	985,202
	Net	739,197	628,383
Accident and liability	Gross	3,444,904	3,308,670
	Net	3,168,727	3,064,125
Total	Gross	14,781,254	14,212,162
	Net	5,736,928	5,378,365

Each insurer assesses its exposures by modelling realistic disaster scenarios of potential catastrophic events. Claims arising from windstorms, earthquakes and floods, and events triggering multi-coverage corporate liability claims, are potential sources of catastrophic losses arising from insurance risks. Realistic disaster scenarios modelled for 2020 are presented below and result in estimated gross and net losses.

Sagicor General Insurance (SGI)

	Gross loss	Net loss
A Barbados and St. Lucia windstorm having a 200-year return period	257,408	5,000

**Advantage General Insurance Co. Limited (AGI)
(subsidiary of Sagicor Group Jamaica Ltd)**

	Gross loss	Net loss
A Jamaican windstorm having a 250-year return period for properties	110,616	500

The occurrence of one or more catastrophic events in any year may have a material impact on the reported net income of the Group.

42.2 Claims risk (continued)**Development claim liabilities**

In addition to sensitivity analysis, the development of insurance liabilities provides a measure of SGI's and AGI's ability to estimate the ultimate value of claims. The table below illustrates how SGI's and AGI's estimate of the ultimate claims liability for accident years 2015 - 2020 has changed at successive year ends, up to 2020. Updated unpaid claims and adjustment expenses (ULAE) and IBNR estimates in each successive year, as well as amounts paid to date are used to derive the revised amounts for the ultimate claims liability for each accident year, used in the development calculations. The most recent estimate is then reconciled to the liability recognised in the statement of financial position.

Gross	2015	2016	2017	2018	2019	2020	Total
Estimate of ultimate claims incurred:							
At the end of financial reporting year	40,662	37,074	52,834	43,895	40,980	31,603	
One year later	39,211	41,534	58,785	45,367	39,833		
Two years later	40,422	40,627	60,154	45,520			
Three years later	38,426	41,338	60,630				
Four years later	38,260	41,351					
Five years later	38,726						
Current estimate of cumulative claims	38,726	41,351	60,630	45,520	39,833	31,603	257,663
Cumulative payments to date	(35,782)	(37,889)	(55,196)	(37,790)	(28,578)	(14,678)	(209,913)
Liability recognised	2,944	3,462	5,434	7,730	11,255	16,925	47,750
Liability in respect of prior years and ULAE							11,134
Total liability (note 14.2)							58,884

42.2 Claims risk (continued)**Development claim liabilities (continued)**

The reinsurers' share of the amounts is set out below in the following table.

Reinsurance	2015	2016	2017	2018	2019	2020	Total
Estimate of reinsurance recoveries:							
At the end of financial reporting year	14,654	15,354	13,200	6,075	2,625	8,025	
One year later	13,892	15,578	16,883	6,795	3,349		
Two years later	12,236	12,725	15,093	4,399			
Three years later	11,561	12,591	15,141				
Four years later	11,401	12,329					
Five years later	11,076						
Current estimate of reinsurance recoveries	11,076	12,329	15,141	4,399	3,349	8,025	54,319
Cumulative reinsurance receipts to date	(10,061)	(11,447)	(14,141)	(4,252)	(2,517)	(3,175)	(45,593)
Recoverable recognised	1,015	882	1,000	147	832	4,850	8,726
Recoverable in respect of prior years							2,316
Total recoverable from reinsurers (note 14.2)							11,042

42.3 Reinsurance risk

To limit the potential loss for single-policy claims and for aggregations of catastrophe claims, the insurer may cede certain levels of risk to a reinsurer. Reinsurance however does not discharge the insurer's liability. Reinsurance risk is the risk that reinsurance is not available to mitigate the potential loss on an insurance policy. The risk may arise from:

- the credit risk of holding a recovery from a reinsurer;
- the unavailability of reinsurance cover in the market at adequate levels or prices;
- the failure of a reinsurance layer upon the occurrence of a catastrophic event.

The Group selects reinsurers which have well-established capability to meet their contractual obligations and which generally have a Sagicor credit risk rating of 1 or 2. Insurers also place reinsurance coverage with various reinsurers to limit their exposure to any one reinsurer.

The reinsurance programmes are negotiated annually with reinsurers for coverage generally over a 12-month period. It is done by class of insurance, though for some classes there is aggregation of classes and/or subdivision of classes by the location of risk.

For its property risks, insurers use quota share and excess of loss catastrophe reinsurance treaties to obtain reinsurance cover. Catastrophe reinsurance is obtained for multiple claims arising from one event or occurring within a specified time period. However, treaty limits may apply and may expose the insurer to further claim exposure. Under some treaties, when treaty limits are reached, the insurer may be required to pay an additional premium to reinstate the reinsurance coverage. Excess of loss catastrophe reinsurance treaties typically cover up to four separate catastrophic events per year.

For other insurance risks, insurers limit their exposure, by event or per person, by excess of loss or quota share treaties.

42.3 Reinsurance risk (continued)

Retention limits represent the level of risk retained by the insurer. Coverage in excess of these limits is ceded to reinsurers up to the treaty limit. Claim amounts in excess of reinsurance treaty limits revert to the insurer. Principal features of retention programmes used by Sagicor General and Advantage General for their property insurance class are summarised in the following table.

Type of risk	Retention by Sagicor General Insurance - currency amounts in thousands
Property	<ul style="list-style-type: none"> • maximum retention of \$4,500 for a single event; • maximum retention of \$5,000 for a catastrophic event; • quota share retention to maximum of 20% in respect of treaty limits; • quota share retention is further reduced to a maximum of \$375 per event.

Type of risk	Retention by Advantage General Insurance Co. Limited - currency amounts in thousands
Property	<ul style="list-style-type: none"> • maximum quota share treaty retention of \$700 for a single event; • maximum excess of loss retention of \$500 for a catastrophic event; • quota share retention to maximum of 10% in respect of treaty limits. • quota share retention is further reduced to a maximum of \$500 per event.

The effects of reinsurance ceded are disclosed in notes 14, 24 and 25 and information on reinsurance balances is included in notes 10, 20 and 41.

42.3 Reinsurance risk (continued)

In order to assess the potential reinsurance recoveries on the occurrence of a catastrophic insurance event, the Sagicor credit risk ratings of the reinsurance recoverable are assessed using the following realistic disaster scenario:

- Hurricane with a 200-year return period affecting Barbados and St. Lucia and an earthquake with a 250-year return period affecting Trinidad within a 24-hour period.
- Hurricane and earthquakes with a 250-year return period affecting Jamaica.

The reinsurance recoveries derived from the foregoing are assigned internal credit ratings as follows:

Risk Rating	Classification	Exposure \$000	Exposure %
1	Minimal risk	432,775	48%
2	Low risk	467,395	52%
3	Moderate risk	-	-
4	Acceptable risk	-	-
5	Average risk	-	-
6	Higher risk	-	-
7	Special mention	-	-
8	Substandard	-	-
TOTAL		900,170	100%

43 INSURANCE RISK – LIFE, ANNUITY & HEALTH CONTRACTS

Insurers are exposed to insurance risks such as product design and pricing, mortality and morbidity, lapse, expense, reinsurance, and actuarial liability estimation in respect of life, annuity and health contracts. Disclosure of these risks is set out in the following sections.

43.1 Contracts without investment returns

These contracts are principally term life, critical illness and health insurance. Individual term life and critical illness products are generally long-term contracts while group term life and health insurance products are generally one-year renewable. The principal insurance risks associated with these contracts are product design and pricing, and mortality and morbidity.

43.1 Contracts without investment returns (continued)**(a) Product design and pricing risk**

Product design and pricing risk arises from poorly designed or inadequately priced contracts and can lead to both financial loss and reputational damage to the insurer.

Risks are priced to achieve an adequate return on capital on the insurer's business. In determining the pricing of an insurance contract, the insurer considers the nature and amount of the risk assumed, and recent experience and industry statistics of the benefits payable. Pricing inadequacy may arise either from the use of inadequate experience and statistical data in deriving pricing factors or from market-softening conditions.

The underwriting process has established pricing guidelines and may include specific medical tests and enquiries which determine the insurer's assessment of the risk. Insurers may also establish deductibles and coverage limits for health risks which will limit the potential claims incurred. Term life and critical illness risks have limitations of insured amounts. The pricing of a contract therefore consists of establishing appropriate premium rates, deductibles and coverage limits.

(b) Mortality and morbidity risk

Mortality risk is the risk that worsening mortality rates will result in an increase of death claims. Morbidity is the incidence of disease or illness and the associated risk is that of increased disability and medical claims. Insurance claims are triggered by the occurrence of a medical claim, the diagnosis of a critical illness or by death of the person insured.

For contracts providing death benefits, higher mortality rates would result in an increase in death claims. The Group annually reviews its mortality experience and compares it to industry mortality tables. This review may result in future adjustments to the pricing or re-pricing of these contracts.

Critical illness claims arise from the diagnosis of a specific illness incurred by the policy beneficiary. The Group annually reviews its critical illness claims experience and compares it to industry statistics. This review may result in future adjustments to the pricing or re-pricing of these contracts.

The concentration risks of term life and critical illness contracts are included in the related disclosure on other long-term contracts in note 43.2(b).

43.1 Contracts without investment returns (continued)

The cost of health-related claims depends on the incidence of beneficiaries becoming ill, the duration of their illness, and the cost of providing medical services. An increase in any of these three factors will result in increased health insurance claims. In such circumstances, the insurer may adjust the pricing or re-pricing of these contracts.

For health insurance contracts, the concentration of insurance risk is illustrated by the distribution of premium revenue by the location of the insured persons.

2020 Premium revenue by location of insureds	Gross	Ceded	Net
Barbados	28,099	986	27,113
Jamaica	87,901	2,866	85,035
Trinidad & Tobago	36,957	99	36,858
Other Caribbean	23,618	1,105	22,513
USA	47	33	14
Total	176,622	5,089	171,533

(c) Sensitivity of incurred claims

The sensitivity of term life and critical illness claims is included in the related disclosure on other long-term contracts in note 43.4. The impact on gross claims of increasing the total liability by 5% for un-reinsured health insurance claims is illustrated in the following table.

	2020		2019	
	Liability	5% increase in liability	Liability	5% increase in liability
Actuarial liability	40,874	2,044	41,573	2,079
Claims payable	4,260	213	5,252	263
	45,134	2,257	46,825	2,342

43.2 Contracts with investment returns

Life and annuity insurance contracts with investment returns generally have durations of 5 or more years. The contract terms provide for the policyholder to pay either a single premium at contract inception, or periodic premiums over the duration of the contract. From the premium received, acquisition expenses and maintenance expenses are financed. Investment returns are credited to the policy and are available to fund surrender, withdrawal and maturity policy benefits. The principal risks associated with these policies are in respect of product design and pricing, mortality and longevity, lapse, expense and investment.

(a) Product design and pricing risk

Product design and pricing risk arises from poorly designed or inadequately priced contracts and can lead to both financial loss and reputational damage to the insurer.

Risks are priced to achieve an adequate return on capital on the insurer's business as a whole. In determining the pricing of a contract, the insurer considers the age of the policyholder and/or beneficiary, the expenses and taxes associated with the contract, the prospective investment returns to be credited to the contract, and the guaranteed values within the contract. Pricing inadequacy may arise either from the use of inadequate experience and statistical data in deriving pricing factors or from future changes in the economic environment.

(b) Mortality and longevity risk

Mortality risk is the risk that worsening mortality rates will result in an increase of death claims. Longevity risk is the risk that improving mortality rates will lengthen the pay-out period of annuities.

For contracts providing death benefits, higher mortality rates will result in an increase in death claims over time. For contracts providing the pay-out of annuities, improving mortality rates will lead to increased annuity benefits over time. Insurers annually review their mortality experience and compare it to industry mortality tables. This review may result in future adjustments to the pricing or re-pricing of these contracts.

43.2 Contracts with investment returns (continued)

Mortality risk may be concentrated in geographic locations, affecting the risk profile of the insurer. The most significant exposure for this type of risk arises where a single event or pandemic could result in very many claims.

Total insurance coverage on insurance policies provides a quantitative measure of absolute mortality risk. However, claims arising in any one year are a very small proportion in relation to the total insurance coverage provided. The total amounts insured by the Group in respect of both contracts with or without investment returns at December 31, gross and net of reinsurance, are summarised by geographic area below.

Total insurance coverage		2020		2019	
		Individual contracts	Group contracts	Individual contracts	Group contracts
Barbados	Gross	4,541,510	1,348,210	4,386,200	1,260,085
	Net	4,273,518	1,299,099	4,113,950	1,204,619
Jamaica	Gross	9,972,092	7,014,650	9,571,001	7,032,326
	Net	9,820,069	6,912,347	9,438,735	6,929,672
Trinidad & Tobago	Gross	3,936,798	2,593,200	3,738,534	2,498,258
	Net	3,358,690	2,424,954	3,159,462	2,348,251
Other Caribbean	Gross	8,752,868	1,554,039	8,376,550	1,526,610
	Net	7,801,984	1,371,882	7,414,626	1,338,472
USA	Gross	8,507,242	32,723	7,414,643	33,354
	Net	3,728,123	29,497	3,356,037	32,466
Total	Gross	35,710,510	12,542,822	33,486,928	12,350,633
	Net	28,982,384	12,037,779	27,482,810	11,853,480

43.2 Contracts with investment returns (continued)

Total liability under annuity contracts provide a good measure of longevity risk exposure.

Total liability under annuity contracts		2020		2019	
		Individual contracts	Group contracts	Individual contracts	Group contracts
Barbados	Gross	132,153	51,697	131,757	48,771
	Net	132,153	51,697	131,757	48,771
Jamaica	Gross	808	366,268	875	359,566
	Net	808	366,268	875	359,566
Trinidad & Tobago	Gross	234,514	-	166,644	-
	Net	234,514	-	166,644	-
Other Caribbean	Gross	60,885	84	53,752	31
	Net	60,885	84	53,716	31
USA	Gross	2,133,520	18,541	1,663,194	19,682
	Net	1,480,655	5,641	982,045	5,845
Total	Gross	2,561,880	436,590	2,016,222	428,050
	Net	1,909,015	423,690	1,335,037	414,213

43.2 Contracts with investment returns (continued)**(c) Lapse risk**

Lapse risk is that, on average, policyholders will terminate their policies ahead of the insurer's expectation. Early lapse may result in the following:

- Acquisition costs are not recovered from the policyholder;
- In order to settle benefits, investments are liquidated prematurely resulting in a loss to the insurer;
- Maintenance expenses are allocated to the remaining policies, resulting in an increase in expense risk.

(d) Expense risk

The Group monitors policy acquisition and policy maintenance expenses. Expenses are managed through policy design, fees charged and expense control. However, there are a significant number of inforce contracts for which insurers have limited or no ability to re-price for increases in expenses caused by inflation or other factors. Therefore, growth in maintenance expenses is funded either by increasing the volume of inforce policies or by productivity gains. Failure to achieve these goals will require increases in actuarial liabilities held.

(e) Investment risk

A substantial proportion of the Group's financial investments support insurer obligations under life and annuity contracts with investment returns. The financial risks outlined in note 41 pertaining to credit, liquidity, interest rate, foreign exchange and equity price are considered integral investment risks associated with these insurance contracts.

Asset defaults, mismatches in asset and liability cash flows, interest rate and equity price volatility generally have the effect of increasing investment risk and consequential increases in actuarial liabilities held.

43.3 Reinsurance risk

To limit its exposure of potential loss on an insurance policy, the insurer may cede certain levels of risk to a reinsurer. The Group selects reinsurers which have well-established capability to meet their contractual obligations and for new business a Sagikor credit risk rating of 1 or 2 is usually selected. Reinsurance ceded does not discharge the insurer's liability and failure by a reinsurer to honour its commitments could result in losses to the Group.

Insurers have limited their exposure per person by excess of loss or quota share treaties. Retention limits represent the level of risk retained by the insurer. Coverage in excess of these limits is ceded to reinsurers up to the treaty limit. The principal features of retention programs used by insurers are summarised in the following table.

Type of insurance contract	Retention by insurers - currency amounts in thousands
Health insurance contracts with individuals	Retention per individual to a maximum of \$88
Health insurance contracts with groups	Retention per individual to a maximum of \$150
Life insurance contracts with individuals	Retention per individual life to a maximum of \$500
Life insurance contracts with groups	Retention per individual life to a maximum of \$250

43.4 Sensitivity arising from the valuation of actuarial liabilities

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

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

- the economic scenario used,
- the investments allocated to back the liabilities,
- the underlying assumptions used (note 13.3 (b) to (f)), and
- the margins for adverse deviations (note 13.3 (g)).

43.4 Sensitivity arising from the valuation of actuarial liabilities (continued)

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

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

43.4 Sensitivity arising from the valuation of actuarial liabilities (continued)

The following table represents the estimated sensitivity of each of the above scenarios to net actuarial liabilities for insurers by segment. Correlations that may exist between scenario assumptions were not explicitly taken into account.

	Sagikor Life Inc segment		Sagikor Jamaica segment		Sagikor Life USA segment	
	2020	2019	2020	2019	2020	2019
Base net actuarial liability	1,136,488	1,038,694	345,376	359,954	1,734,757	1,212,162
Scenario	Increase in net liability		Increase in net liability		Increase in net liability	
Worsening rate of lapse	202,878	177,552	87,972	78,539	25,481	18,430
High interest rate	(94,942)	(97,634)	(112,512)	(116,591)	(99,495)	(72,194)
Low interest rate	199,405	163,321	83,857	97,115	123,193	83,064
Worsening mortality / morbidity	69,512	42,585	48,908	56,942	16,304	16,980
Higher expenses	39,156	20,419	17,066	20,894	2,630	2,908

43.5 Financial Condition Testing

The Financial Condition Testing (FCT) is a technique used by the Group to assess the adequacy of the insurer's financial condition by stress-testing the future solvency of the company under different future adverse economic and experience scenarios. The FCT assesses the impact over the next 5 years on the insurer's financial condition under specific scenarios. The period of 5 years and the specific scenarios have been selected by the Appointed Actuary as per the FCT guidance from the Canadian Institute of Actuaries.

The financial position of an insurer is reflected by the amounts of assets, liabilities and equity in the financial statements at a given date, such as at the end of its most recent fiscal year. The financial position therefore relies on the valuation assumptions used for establishing the actuarial liabilities being adequate to measure future adverse deviations in experience. The financial position does not offer any indication of an insurer's ability to execute its business plan.

The financial condition of an insurer at a particular date is its prospective ability at that date to meet its future obligations, especially obligations to policyholders, those to whom it owes benefits and to its shareholders. The financial condition analysis examines both an insurer's ability to execute its business plan and to absorb adverse experience beyond that provided for when its actuarial liabilities are established. The analysis projects the expected future financial position under these scenarios over the FCT period.

The purpose of the FCT is:

- to develop an understanding of the sensitivity of the total equity of the insurer and future financial condition to changes in various experience factors and management policies;
- to alert management to material, plausible and imminent threats to the insurer's solvency; and
- to describe possible courses of action to address these threats.

An FCT is conducted periodically by some insurers within the Group.

44 FIDUCIARY RISK

The Group provides investment management and pension administration services to investment and pension funds which involve the Group making allocation, purchase and sale decisions in relation to a wide range of investments. These services give rise to fiduciary risk that may expose the Group to claims for mal-administration or under-performance of these funds.

In the ordinary course of business, the Group manages assets of pension funds, mutual funds and unit trusts which are held in a fiduciary capacity and are not included in the Group's financial statements. The investments and cash under administration are summarised in the following table.

	2020	2019
Pension and insurance fund assets	2,145,393	2,469,920
Mutual fund, unit trust and other investment fund assets	1,375,284	1,665,672
	3,520,677	4,135,592

45 STATUTORY RESTRICTIONS ON ASSETS

Insurers are registered to conduct insurance business under legislation in place in each relevant jurisdiction. This legislation may prescribe requirements with respect to deposits, investment of funds and solvency for the protection of policyholders. In general, these requirements do not restrict the ability of the insurer to trade investments. Banking subsidiaries may also be required to hold deposits with Central Banks which regulate the conduct of banking operations.

To satisfy the above requirements, invested assets and cash totalling \$1,521,634 (2019 - \$1,431,443) have been deposited with regulators or are held in trust to the order of regulators.

In some countries where the Group operates, there are exchange controls or other restrictions on the remittance of funds out of those countries.

46 CAPITAL MANAGEMENT

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

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

46.1 Capital resources

The principal capital resources of the Group are as follows:

	2020	2019
Shareholders' equity	1,109,780	1,154,051
Non-controlling interests' equity	546,823	594,506
Notes and loans payable (debt)	471,622	517,732
Total financial statement capital resources	2,128,225	2,266,289

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

46.2 Capital adequacy

The capital adequacy of the principal operating subsidiaries is discussed in this section.

(a) Life insurers

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

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

The consolidated MCCSR for the life insurers of the Sagicor Group as of December 31 has been estimated as 252.2% (2019 – 253.2%). This is the principal standard of capital adequacy used to assess the overall strength of the life insurers of the Sagicor Group. However, because of the variations in capital adequacy standards across jurisdictions, the consolidated result should be regarded as applicable to the life insurers of the Group and not necessarily applicable to each individual segment, insurance subsidiary or insurance subsidiary branch.

The Group complies with all regulatory capital requirements.

46.2 Capital adequacy (continued)**(i) Sagikor Life Jamaica**

Sagikor Life Jamaica is governed by the Jamaican MCCSR regime which requires an insurer to maintain a minimum ratio of 150%. For the years ended December 31, 2020 and 2019, this ratio was 183.1% and 179.4% respectively.

(ii) Sagikor 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.

Sagikor Life Insurance Company looks to maintain a surplus of at least 300% of the RBC amount, and the company has maintained these ratios as of December 31, 2020 and 2019 respectively.

46.2 Capital adequacy (continued)**(b) Sagikor Investments Jamaica Limited and Sagikor Bank Jamaica Limited**

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

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

The table below summarises the capital adequacy ratios. During 2020 and 2019, all applicable externally imposed capital requirements were complied with.

	Sagikor Investments Jamaica		Sagikor Bank Jamaica	
	2020	2019	2020	2019
Actual capital base to risk-weighted assets	15%	20%	14%	14%
Required capital base to risk-weighted assets	10%	10%	10%	10%

46.3 Financial covenants(a) 8.875% Senior Notes

Under the indenture entered into by the Group on the issue of these senior notes the Group has to comply with a number of covenants as follows:

COVENANT	DESCRIPTION
Limitation of indebtedness	Under this covenant, the Group is restricted to incremental borrowing up to a prescribed level. The Group must maintain a fixed charge coverage ratio, in excess of 2:1 in order to incur additional debt.
Limitation on restricted payments covenant	This covenant limits cash outflows, dividends, acquisition and investments by the Group. The Group must maintain a fixed charge coverage ratio of 2:1 and an MCCR capital ratio in excess of 175%.
Limitation on restricted distributions from subsidiaries	This covenant limits the subsidiaries from creating encumbrances or restrictions on their ability to make distributions to the Parent.
Limitation on sale of assets of subsidiary stock	This covenant restricts the Group from selling material subsidiary assets without using the proceeds to either reinvest in the business or offer to buy back bondholders.
Limitation on affiliate transactions	This covenant restricts affiliate transactions of the Group.
Change in control ⁽¹⁾	This covenant allows investors to put their bonds back to the Group at a certain value when a specified event has changed ownership/control of the Group.
Limitation on liens	This covenant restricts the Group's ability to secure future debt with the Group's assets.
Optional Redemption	The notes are redeemable at the Group's option after August 11, 2018 at specified redemption rates.

At December 31, 2020, the Group was in compliance with the specified covenants.

46.3 Financial covenants (continued)

- (1) See note 1, for further details on the arrangement agreement with Alignvest Acquisition II Corporation. On December 20, 2019, the Group made an Offer to purchase for cash, any and all of the outstanding \$320.0 million aggregate principal amount of 8.875% Senior Notes due 2022. On January 27, 2020, \$1.9 million notes were tendered, purchased and cancelled.

46.3 Financial covenants (continued)

(b) Unsecured bond, 5.50% and 6.25% tranches due 2022

Under a trust deed dated September 26, 2019 entered into by the Group on the issue of these securities, the Group has to comply with a number of covenants as follows:

COVENANT	DESCRIPTION
Change in control	Under a change in control, each holder has the right to require the issuer to purchase all or any part of the bonds.
Limitation on indebtedness	SFCL will not create, or permit to subsist, any security interest on any of its present or future assets without the prior consent in writing of the Trustee.
Limitation on indebtedness	SFCL will not seek to incur any additional indebtedness where the incurrence of additional indebtedness will give rise to any breach of the Financial Covenants, except with the prior written consent of the Trustee.
	<u>Financial Covenants</u> SFCL will maintain the following ratios: <ul style="list-style-type: none"> (i) Minimum Interest Services Coverage Ratio of 1.5. (ii) Maximum Debt to Equity Ratio of 75%
Restrictions on dividends	Except with the prior written consent of the Trustee, SFCL will not pay any dividends while SFCL is in breach of any of the financial covenants.
Restrictions on dealing with affiliates	The covenant restricts affiliate transactions of the Group.

At December 31, 2020, the Group was in compliance with the specified covenants.

46.3 Financial covenants (continued)

(c) Sagikor General Insurance Inc 3.50% loan agreement

COVENANT	DESCRIPTION
Debt service coverage ratio	The guarantor subsidiary, Sagikor Life Inc, must maintain a minimum debt service coverage ratio of 1.5 to 1.0.
Effective net worth	The subsidiary net worth must not fall below US\$15.0 million.
Total funded debt to net worth	The total funded debt to net worth ratio of the subsidiary must not exceed 1.0 to 1.0.

At December 31, 2020, the Group was in compliance with the specified covenants.

(d) 4.90% USD mortgage notes due 2025

COVENANT	DESCRIPTION
Debt service coverage ratio	The mortgage note contains a minimum debt service coverage ratio of 1.25 and, upon failing to meet the debt service coverage ratio, substantially all the cash flows from the hotel must be directed to accounts controlled by the lender. As at December 31, 2020, the subsidiary was not in compliance with the debt service coverage ratio covenant.

46.3 Financial covenants (continued)

(e) 4.75% USD mortgage notes due 2021

COVENANT	DESCRIPTION
Interest coverage ratio, Debt to EBITDA ratio and a maximum loan to security value ratio.	<p>The company must maintain a minimum interest coverage of 1.35. The company was not compliant at year end.</p> <p>The company must maintain a maximum ratio of 4.75 for total debt to EBITDA. In 2020, the subsidiary failed to meet its debt covenants of minimum interest coverage and maximum debt to earnings before interest, taxes, depreciation and amortisation (EBITDA) ratio.</p> <p>There were no penalties for the breaches.</p> <p>The company must maintain a maximum loan to security value ratio of 75%. The company was compliant at year end.</p>

46.3 Financial covenants (continued)

(f) 9.00% JMD mortgage notes due 20488.00% JMD mortgage notes due 202110.00% JMD mortgage notes due 20263.26%/3.61% mortgage notes due 2026

COVENANT	DESCRIPTION
Interest coverage ratio and maximum debt to equity ratio	<p>The mortgage notes contain a minimum interest coverage of 1.5 which is EBITDA divided by interest charges. The company was not compliant at year end.</p> <p>A maximum debt to equity ratio of 1.8 is to be maintained. The company was compliant at year end.</p> <p>As a result of the breach of covenant, the notes payable have been classified as "On demand or within 1 year" (see note 41.5).</p>

47 RELATED PARTY TRANSACTIONS

Other than as disclosed in notes 5, 9, 12, 16, 27, 30, 31 and 44, there are no material related party transactions except as disclosed below.

Key management transactions and balances

Key management comprises directors and senior management of the Company and of Group subsidiaries. Key management includes those persons at or above the level of Vice President or its equivalent. Compensation of and loans to these individuals are summarised in the following tables.

	2020	2019
Compensation:		
Salaries, directors' fees and other short-term benefits	31,325	26,174
Optional contract benefit	-	1,390
Equity-settled contract benefits (note 1)	-	5,994
Equity-settled compensation benefits	7,067	7,289
Pension and other retirement benefits	1,369	1,341
	39,761	42,188

	Mortgage loans	Other loans	Total loans
Balance, beginning of year	4,095	2,690	6,785
Advances	554	242	796
Repayments	(1,230)	(2,084)	(3,314)
Effects of exchange rate changes	(25)	(168)	(193)
Balance, end of year	3,394	680	4,074
Interest rates prevailing during the year	3.75% - 7.50%	4.00% - 19.95%	

47 RELATED PARTY TRANSACTIONS (continued)Investment advisory and management advisory agreement.

On April 10, 2019, Sagicor Financial Corporation Limited (Sagicor) entered into an Investment Advisory and Management Agreement with Alignvest Management Corporation (Alignvest) for the provision of investment advisory services and/or discretionary investment management services in respect of Sagicor's and its subsidiaries' assets. Under this agreement, Alignvest was appointed to provide specified advisory services and has a right of first offer to provide other investment advisory services or investment management services to Sagicor and its subsidiaries where Sagicor wishes to externalise these services, provided that Alignvest or its affiliates have clearly defined and relevant core competencies. Any such services would be provided by Alignvest or its affiliates on arm's length commercial terms. As consideration for services rendered and performed under the agreement, Alignvest or its applicable affiliates will receive a fee equal to \$2.5 million, reduced annually for any fees paid to Alignvest or its affiliates with respect to investment management services or other services provided. The Agreement commenced on December 5, 2019, when Sagicor completed its proposed transaction between Alignvest Acquisition II Corporation and will continue for an initial term of three years unless terminated for cause. On December 5, 2019, Alignvest gave notice that it had assigned certain rights and obligations under the agreement to High Vest Partners Inc, a joint venture between Alignvest and KGT Investments, LLC.

Sagicor Real Estate X-Fund Group – disposal of investment property.

On September 22, 2020, Sagicor Real Estate X-Fund Group sold an investment property, Jewel Grande Montego Bay Resort and Spa, to Sagicor Pooled Investment Funds Limited, a fund managed by Sagicor Life Jamaica Limited. The terms of sale were established by independent valuation of the property and the transaction resulted in a loss to the Group of US\$2.9 million.

48 LEASE LIABILITIES

The lease liabilities recognised are as follows:

	December 31, 2020	December 31, 2019
Current lease liabilities	8,556	7,748
Non-current lease liabilities	31,053	27,952
	39,609	35,700

The lease liabilities relate to the following right-of-use assets:

	December 31, 2020	December 31, 2019
Land & buildings	30,424	29,058
Office furnishing, equipment & vehicles	527	311
Total right-of-use assets⁽¹⁾	30,951	29,369

⁽¹⁾ Included in property, plant and equipment

49 DEVELOPMENTS DURING THE YEAR

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. At various stages during the year, most Caribbean countries have 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 and uncertainty, both in the U.S. and around the world, and has fuelled concerns that have led to a global recession.

The pandemic has also caused a contraction in the economies in which the Group operates. The spread of the virus, which resulted in widespread travel restrictions and cancellations, has had a significant, negative effect on global travel and the demand for entertainment and related products offered in key markets in which the Group holds investments. Declines in global demand for oil and gas impacted prices and also constrained the Group's customers.

Investment portfolios have been impacted by the widening of credit spreads which resulted in significant fall-off in asset prices, causing significant reduction in investment income and portfolio management fee income. While international markets have largely recovered, those in the Caribbean remain depressed. Income has also been negatively affected by waivers and reduction of fees associated with loans, in addition to the decline in loan volumes due to contraction in economic activity.

The Group, on recognising that certain of its customers were experiencing financial difficulties, offered extensions of moratoriums, payment deferrals and other accommodative measures to several clients on a case by case basis. By offering some reprieve in these areas, the Group noted positive effects on the delinquency levels of its borrowing and insurance portfolios. Despite these measures, the Group has made significant adjustments to ECLs to recognise the increased credit risk associated with the fall-out in relation to its borrowing and investment portfolios, driven by the downturn in the economy.

49 DEVELOPMENTS DURING THE YEAR (continued)

In response to the changing, and increasingly uncertain, economic environment, the Sagikor Group has performed reviews and updated its assumptions, including those related to asset impairment, where necessary. Changes in the economic outlook data have been reported in note 41.3 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 has been impaired relating to the subsidiary, Sagikor General Insurance Inc (note 8.2). Impairment related to the investment in Playa is detailed in note 6.2 and the Group has revalued downwards certain of its hotel properties. Management considered the potential impact of the pandemic on actuarial reserves but concluded that it had not had a significant impact on actuarial assumptions and the valuation of actuarial liabilities of the Group.

The Group continues to monitor the health crisis and the economic impact on its investments, actuarial reserves, customer and trading partners, and the effect on the industries in which it operates. While global vaccination programmes should allow the world, and more particularly the markets in which the Group operates, to gradually return to normal, this will take time. As a result, the pandemic may continue to negatively impact levels of new business and the level of policyholder lapses and surrenders, as well as loan and credit card delinquencies.

50 SUBSEQUENT EVENTS

- i. On January 15, 2021, Sagikor Group Jamaica (SGJ) completed the disposal of its 14.9% equity interest (20,000,000 ordinary shares) in Playa for a net cash consideration of US\$96 million. The sale of shares took place in a public offering of 11,499,000 ordinary shares held by the Group, concurrent to an underwritten public offering of 25,000,000 new shares by Playa at a public offering price of US\$5.00 per share. These transactions were simultaneous with an assignment of an additional 8,501,000 ordinary shares in Playa held by SGJ to Sagikor Financial Corporation Limited, for cash consideration, at a price equal to the price offered through the public offering, less commission expenses associated with the public offering.

Following this transaction, SFCL holds 10,001,000 shares directly in Playa and the Group's reduced interest in Playa will result in the investment being designated as a FVTPL investment.

- ii. Subsequent to the year end, the Board of Directors of Sagikor Financial Company Ltd. approved and declared a quarterly dividend of US\$0.05625 per common share payable on April 21, 2021 to the shareholders of record at the close of business on March 31, 2021.