No securities are being offered pursuant to this prospectus. No securities regulatory authority has expressed an opinion about these securities and it is an offence to claim otherwise. Unless otherwise indicated, this prospectus has been prepared assuming that the Transaction (as defined herein) has been completed. An investment in New Sagicor (as defined herein) is subject to a number of risks that should be carefully considered by investors. In reviewing this prospectus, an investor should carefully consider the matters described under the heading "Risk Factors".

PROSPECTUS

Non-Offering Prospectus February 7, 2019

ALIGNVEST ACQUISITION II CORPORATION

(to be renamed Sagicor Financial Company Ltd. in connection with its qualifying acquisition with Sagicor Financial Corporation Limited)

No securities are being offered pursuant to this prospectus. This prospectus is being filed with the securities regulatory authorities in each of the provinces and territories of Canada, other than Québec, by Alignvest Acquisition II Corporation ("**Alignvest**"), which is a special purpose acquisition corporation incorporated under the laws of the Province of Ontario. Alignvest was organized for the purpose of effecting an acquisition of one or more businesses or assets by way of a merger, share exchange, asset acquisition, share purchase, reorganization or other similar business combination involving Alignvest that will qualify as its "qualifying acquisition". Since no securities are being sold pursuant to this prospectus, no proceeds will be raised pursuant to this prospectus.

On November 27, 2018, Alignvest announced that it had entered into a definitive arrangement agreement (the "**Arrangement Agreement**") with Sagicor Financial Corporation Limited ("**Sagicor**" or the "**Company**") pursuant to which, among other things, Alignvest shall acquire all of the shares of Sagicor by way of a scheme arrangement pursuant to Section 99 of the BCA (the "**Sagicor Arrangement**"). The Sagicor Arrangement constitutes Alignvest's proposed qualifying acquisition.

Sagicor is a leading provider of insurance products and related financial services in the Caribbean region, mainly in Barbados, Jamaica and Trinidad and Tobago. Sagicor also provides life insurance and annuity products in the United States, as well as banking services in Jamaica. Sagicor's wide range of products and services include life and health insurance, annuities, pension investment and administration services, property and casualty insurance, asset management, commercial and retail banking, investment management and other financial services. Sagicor's common shares are currently publicly listed on the Barbados Stock Exchange, the Trinidad and Tobago Stock Exchange and, via depositary interests, on the London Stock Exchange.

This prospectus is being filed in accordance with section 1028 of the Toronto Stock Exchange Company Manual in connection with the completion of Alignvest's proposed qualifying acquisition**. Unless otherwise indicated, or unless the context otherwise requires, this prospectus has been prepared assuming that the transactions contemplated by the Arrangement Agreement, including the Sagicor Arrangement, have been completed.**

Existing shareholders of Alignvest will continue to hold an interest in Alignvest after giving effect to the Sagicor Arrangement (referred to herein as "**New Sagicor**"). In connection with the Sagicor Arrangement, Alignvest will, among other things, be renamed "Sagicor Financial Company Ltd." and will discontinue as a corporation under the laws of Ontario and continue as an exempted company under the laws of Bermuda, where Sagicor is incorporated. New Sagicor will own 100% of Sagicor. See "*The Business of Sagicor*".

Alignvest's Class A restricted voting shares ("**Alignvest Class A Restricted Voting Shares**") are currently listed for trading on the Toronto Stock Exchange (the "**TSX**") under the symbol "AQY.A". The closing price of the Alignvest Class A Restricted Voting Shares on the TSX on November 26, 2018, the last trading day before the Arrangement Agreement was announced, was C$9.95. The closing price of the Alignvest Class A Restricted Voting

Shares on the TSX on February 6, 2019, was C$10.03. The share purchase warrants of Alignvest (the "**Alignvest Warrants**") are also currently listed for trading on the TSX under the symbol "AQY.WT". The closing price of the Alignvest Warrants on November 26, 2018, the last trading day before the Arrangement Agreement was announced, was C$0.40. The closing price of the Alignvest Warrants on February 6, 2019, was C$0.30. The completion of the Sagicor Arrangement is conditional upon, among other things, approval by the TSX.

An investment in New Sagicor is subject to a number of risks that should be carefully considered by investors, including the risk that, in the event that redemptions of Alignvest Class A Restricted Voting Shares exceed 61% and, despite reasonable commercial efforts, Alignvest is unable to raise additional funds in the manner described in this prospectus, then Sagicor would be expected to terminate the Arrangement Agreement. In reviewing this prospectus, an investor should carefully consider the matters described under the heading "*Risk Factors*".

As the Sagicor Arrangement constitutes Alignvest's proposed qualifying acquisition, holders of Alignvest Class A Restricted Voting Shares can elect to redeem, subject to the conditions thereof, all or a portion of their Alignvest Class A Restricted Voting Shares provided that they deposit (and do not validly withdraw) their shares for redemption prior to the Redemption Deadline.

A redeeming Alignvest Shareholder is entitled, subject to the conditions thereof, to receive an amount per Alignvest Class A Restricted Voting Share, payable in cash, equal to the pro-rata portion of: (A) the escrowed funds available in Alignvest's escrow account at the time immediately prior to the Redemption Deadline, including interest and other amounts earned thereon; less (B) an amount equal to the total of (i) applicable taxes payable by Alignvest on such interest and other amounts earned in the escrow account, and (ii) actual and expected direct expenses related to the redemption, each as reasonably determined by Alignvest. If the Transaction is completed on or prior to May 25, 2019, the redemption amount per Alignvest Class A Restricted Voting Share is expected to be approximately C$10.19 (rounded to the nearest cent). If the Extension Resolution is approved and the Transaction is not completed on or prior to May 25, 2019, the redemption amount per Alignvest Class A Restricted Voting Share is expected to be approximately C$10.20 (rounded to the nearest cent). Registered holders of Alignvest Class A Restricted Voting Shares may elect to redeem their Alignvest Class A Restricted Voting Shares irrespective of whether they vote for or against, or do not vote on, the Alignvest Arrangement and/or the Extension.

Original purchasers of Alignvest Class A Restricted Voting Shares and/or Alignvest Warrants from the underwriters in Alignvest's initial public offering may, following closing in certain circumstances, have a contractual right of action for rescission or damages against New Sagicor and certain other persons. See "*Contractual Right of Action*".

This prospectus does not constitute an offer to sell or the solicitation of an offer to buy any securities.

Shareholders should be aware that the acquisition, holding and disposition of the securities described in this prospectus may have tax consequences in Canada and elsewhere depending on each particular shareholder's specific circumstances. Shareholders should consult their own tax advisors with respect to such tax considerations. See "*Certain Canadian Federal Income Tax Considerations*".

No underwriters have been involved in the preparation of this prospectus or performed any review or independent due diligence of the contents of this prospectus.

This document is not, and under no circumstances is to be construed as, an advertisement or a public offering of securities in Barbados.

The sale and distribution of shares in Barbados is made without the filing of a prospectus. The distribution of securities in Barbados is made relying upon certain prospectus exemptions under the *Securities Act* Chapter 318A of the laws of Barbados (the "**Barbados Securities Act**"), and no prospectus will be filed in Barbados unless required by the Barbados Financial Services Commission ("**FSCB**"). The issuer shall cause notice of the distribution of shares to be made by filing a report with the FSCB under the Barbados Securities Act within 10 days of the completion of the distribution of shares. In the event that the FSCB does require a filing, it is not anticipated that it would contain any information which is materially different from what is contained in this prospectus.

None of the FSCB, the Barbados Stock Exchange or similar authority in Barbados has reviewed this document, or in any way evaluated or passed an opinion on the merits of the securities offered hereunder, and any representation to the contrary is an offence.

The permission of the Bermuda Monetary Authority is required, under the provisions of the Exchange Control Act 1972 and related regulations, for all issuances and transfers of shares (which includes the New Sagicor Common Shares) of Bermuda companies to or from a non-resident of Bermuda for exchange control purposes, other than in cases where the Bermuda Monetary Authority has granted a general permission. The Bermuda Monetary Authority, in its notice to the public dated June 1, 2005, has granted a general permission for the issue and subsequent transfer of any securities of a Bermuda company from and/or to a non-resident of Bermuda for exchange control purposes for so long as any "Equity Securities" of the company (which would include the New Sagicor Common Shares) are listed on an "Appointed Stock Exchange" (which would include the TSX). In granting the general permission the Bermuda Monetary Authority accepts no responsibility for New Sagicor's financial soundness or the correctness of any of the statements made or opinions expressed in this prospectus. Certain issues and transfers of shares involving persons deemed resident in Bermuda for exchange control purposes may require the specific consent of the Bermuda Monetary Authority.

In addition, no New Sagicor Common Shares may be offered or sold in Bermuda unless in compliance with the provisions of the Investment Business Act 2003 of Bermuda (as amended). Additionally, non-Bermudian persons may not carry on or engage in any trade or business in Bermuda unless such persons are authorized to do so under applicable Bermuda legislation. Engaging in the activity of offering or marketing securities to persons in Bermuda may be deemed to be carrying on business in Bermuda.

Neither the Registrar of Companies in Bermuda nor the Bermuda Monetary Authority or any other relevant Bermuda authority or governmental body in Bermuda has approved or disapproved of this prospectus or passed upon the adequacy of this prospectus.

The head and registered offices of Alignvest are located at 100 King Street West, 70th Floor, Suite 7050, Toronto, Ontario, Canada M5X 1C7. The head office of New Sagicor will be located at Cecil F De Caires Building, Wildey, St. Michael, Barbados.

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GLOSSARY OF TERMS

"**2022 Notes**" has the meaning ascribed to it under the heading "Management's Discussion and Analysis of Sagicor – Significant Transactions";

"**AA**" means Appointed Actuary;

"**Advance Notice Provisions**" has the meaning ascribed to it under the heading "Description of Securities – Advance Notice Requirements for Director Nominations";

"**AIM**" means Alignvest Investment Management Corporation;

"**Alignvest**" means Alignvest Acquisition II Corporation;

"**Alignvest Arrangement**" means the arrangement of Alignvest under section 182 of the OBCA on the terms and subject to the conditions set forth in the Alignvest Plan of Arrangement, subject to any amendments or variations thereto made in accordance with the terms of the Arrangement Agreement or made at the discretion of the Ontario Court in the Final Order with the prior written consent of each of Alignvest and Sagicor, each acting reasonably;

"**Alignvest Arrangement Resolution**" means the special resolution of the Alignvest Shareholders approving the Alignvest Arrangement to be considered at the Alignvest Meeting;

"**Alignvest Articles of Arrangement**" means the articles of arrangement of Alignvest in respect of the Alignvest Arrangement required by the OBCA to be sent to the Director after the Final Order is made, which shall include the Alignvest Plan of Arrangement and otherwise be in a form and content satisfactory to Alignvest and Sagicor, each acting reasonably;

"**Alignvest Audited Annual Financial Statements**" means the audited financial statements of Alignvest as of and for the year ended March 31, 2018, together with the notes thereto and the auditors' report thereon, and attached to this prospectus as Appendix A;

"**Alignvest Certificate of Arrangement**" means the certificate of arrangement to be issued by the Director pursuant to subsection 183(2) of the OBCA in respect of the Alignvest Articles of Arrangement;

"**Alignvest Class A Restricted Voting Shares**" means the Class A restricted voting shares in the capital of Alignvest, and each an "**Alignvest Class A Restricted Voting Share**";

"**Alignvest Class A Restricted Voting Units**" means the Class A restricted voting units offered to the public under Alignvest's initial public offering at an offering price of C$10.00 per Alignvest Class A Restricted Voting Unit, each comprised of one Alignvest Class A Restricted Voting Share and one-half of an Alignvest Warrant;

"**Alignvest Class B Shares**" means the Class B shares in the capital of Alignvest, and each an "**Alignvest Class B Share**";

"**Alignvest Continuance**" means the discontinuance of Alignvest as a corporation under the laws of Ontario and the continuance of Alignvest as an exempted company under the laws of Bermuda, as contemplated in the Alignvest Plan of Arrangement;

"**Alignvest Continuance Resolution**" means the special resolution of the Alignvest Shareholders approving the Alignvest Continuance to be considered at the Alignvest Meeting;

"**Alignvest directors**" has the meaning ascribed to it under the heading "Contractual Right of Action";

"**Alignvest Effective Date**" means the date shown on the Alignvest Certificate of Arrangement giving effect to the Alignvest Arrangement;

"**Alignvest Effective Time**" means 12:01 a.m. (Toronto time) on the Alignvest Effective Date, or such other time as Alignvest and Sagicor agree to in writing before the Alignvest Effective Date;

"**Alignvest Expenses**" means all Alignvest expenses (other than expenses paid on or prior to November 27, 2018 and any expenses paid with Alignvest's working capital (as at November 27, 2018) on or prior to the Effective Date), which include deferred underwriter fees and expenses related to the initial public offering of Alignvest, Alignvest's ongoing affairs and the transactions contemplated under the Transaction, together with a reasonable reserve for future expenses; provided that all such Alignvest expenses, in the aggregate, shall not exceed US$20 million;

"**Alignvest Forward Purchase Agreements**" means the subscription agreements between Alignvest, on the one hand, and each of the Alignvest Forward Purchasers, on the other hand, together with any other subscription for Alignvest Class B Shares (plus, if applicable, Alignvest Warrants) entered into prior to the Alignvest Effective Time;

"**Alignvest Forward Purchase Unit**" means one New Sagicor Common Share and one-third of an Alignvest Warrant to be purchased by Alignvest Forward Purchasers under the Alignvest Forward Purchase Agreements, excluding the Alignvest Class B Shares already issued;

"**Alignvest Forward Purchasers**" means the investors that are a party to the Alignvest Forward Purchase Agreements with Alignvest;

"**Alignvest Forward Purchases**" means the subscriptions by the Alignvest Forward Purchasers for, and the issuance by Alignvest to the Alignvest Forward Purchasers of an aggregate of 11,300,000 New Sagicor Common Shares and 3,766,659 Alignvest Warrants, together with certain Alignvest Class B Shares already issued and any other subscription for Alignvest Class B Shares (plus, if applicable, Alignvest Warrants) entered into prior to the Alignvest Effective Time, for an aggregate purchase price of C$10 per Alignvest Forward Purchase Unit and/or Alignvest Class B Share (plus, if applicable, Alignvest Warrants), and otherwise on the terms set out in the Alignvest Forward Purchase Agreements contemporaneously with or prior to the Alignvest Effective Time, as set out in the Alignvest Forward Purchase Agreements;

"**Alignvest Founders**" means, collectively, Alignvest II, Vince Hemmer, Azim Jamal, Anthony Lacavera, Lee Lau, Nadir Mohamed, Joe Natale, Helmut Swarovski, and Donald Walker;

"**Alignvest II**" means Alignvest II LP;

"**Alignvest Meeting**" means the special meeting of Alignvest Shareholders, including any adjournment(s) or postponement(s) of such special meeting in accordance with the terms of the Arrangement Agreement, to be called and held in accordance with, in part, the Interim Order to consider, among other things, the Alignvest Arrangement Resolution, the Extension Resolution, the Alignvest Continuance Resolution and for any other purpose as may be set out in the management information circular to be sent out to Alignvest Shareholders in connection therewith;

"Alignvest Partners" means Alignvest Partners Master Fund LP;

"**Alignvest Plan of Arrangement**" means the plan of arrangement in respect of Alignvest being carried out pursuant to the Arrangement Agreement, subject to any amendments or variations to such plan made in accordance with the terms thereof or made at the direction of the Ontario Court proposed under Section 182 of the OBCA with the prior written consent of Alignvest and Sagicor, each acting reasonably;

"**Alignvest Resolutions**" means the resolutions of the Alignvest Shareholders to be considered at the Alignvest Meeting, including the resolutions approving the Alignvest Arrangement Resolution and the Alignvest Continuance Resolution, together with resolutions to consider such other matters as may be contemplated by the Arrangement Agreement or required by the TSX and/or the Alignvest Securities Authorities;

“**Alignvest Securities Authorities**” means, collectively, the Alberta Securities Commission, British Columbia Securities Commission, Manitoba Securities Commission, Financial and Consumer Services Commission of New Brunswick, Office of the Superintendent of Securities Service Newfoundland and Labrador, Office of the Superintendent of Securities of Northwest Territories, Nova Scotia Securities Commission, Nunavut Securities Office, Ontario Securities Commission, Office of the Superintendent of Securities of Prince Edward Island, Financial and Consumer Affairs Authority of Saskatchewan and the Office of the Yukon Superintendent of Securities;

“**Alignvest Securities Laws**” means the Securities Act (Ontario) and all the securities laws of each province and territory of Canada, except Quebec, and the rules, regulations and policies of the TSX;

“**Alignvest Shareholder Approval**” means the approval by the Alignvest Shareholders of the Alignvest Arrangement Resolution and the Alignvest Continuance Resolution by special resolution (in each case, with holders of both classes of Alignvest Shares voting as if they were a single class), and/or such other approval as may be required by the Ontario Court with respect to the Alignvest Arrangement Resolution, by the TSX or by the Alignvest Securities Authorities;

“**Alignvest Shareholders**” means (a) prior to the Effective Time, the registered or beneficial holders of the Alignvest Shares, as the context requires, and (b) at and after the completion of the transactions contemplated herein, the registered and/or beneficial holders of the New Sagicor Common Shares;

“**Alignvest Shares**” means the Alignvest Class A Restricted Voting Shares and the Alignvest Class B Shares;

“**Alignvest Warrants**” means the share purchase warrants to acquire New Sagicor Common Shares commencing 30 days after the completion of Alignvest’s qualifying acquisition, at an exercise price of CDN$11.50 per share;

“**allowable capital loss**” has the meaning ascribed to it under the heading “Certain Canadian Federal Income Tax Considerations – Disposition of Securities”;

“**ALM**” means asset and liability management;

“**A.M. Best**” means A.M. Best Company;

“**AMC**” means Alignvest Management Corporation;

“**Arrangement Agreement**” means the arrangement agreement dated November 27, 2018, between Alignvest and Sagicor relating to, among other things, the Sagicor Arrangement, as amended by the First Amendment to the Arrangement Agreement dated January 28, 2019, and as it may further be amended, supplemented or otherwise modified from time to time;

“**Audit Committee**” has the meaning ascribed to it under the heading “Audit Committee”;

“**Barbados Insurance Act**” means the Insurance Act Cap. 310 of the laws of Barbados;

“**Barbados Securities Act**” means the Securities Act Chapter 318A of the laws of Barbados;

“**BCA**” means the Companies Act 1981 of Bermuda;

“**Bermuda Court**” means the Supreme Court of Bermuda;

“**Bermuda Court Order**” means the order of the Bermuda Court sanctioning the Sagicor Arrangement pursuant to Section 99 of the BCA;

“**BNS**” means The Bank of Nova Scotia;

"**BNS Caribbean**" means Scotiabank Caribbean Holdings Limited;

"**BNS Jamaica**" means The Bank of Nova Scotia Jamaica Limited;

"**BNS TT**" means Scotiabank Trinidad & Tobago Limited;

"**Board Appointment Letter Agreement**" has the meaning ascribed to it under the heading "Material Contracts";

"**Book Value**" means the aggregate total shareholders' equity of New Sagicor, as at the last day of any calendar quarter on or after Book Value Baseline Date and determined in accordance with IFRS as in effect as at the Book Value Baseline Date;

"**Book Value Baseline**" means the aggregate total shareholders' equity of New Sagicor as at the Book Value Baseline Date;

"**Book Value Baseline Date**" means the date that is the last day of the calendar quarter ending immediately after the Effective Time;

"**BSA**" means the Banking Services Act of Jamaica;

"**BSE**" means the Barbados Stock Exchange;

"**Business Day**" means any day except a Saturday, a Sunday or any other day on which commercial banks are required or authorized to close in Toronto, Ontario or Hamilton, Bermuda;

"**C&HR Committee**" means the Compensation and Human Resources Committee of New Sagicor;

"**CAGR**" means compound annual growth rate;

"**CALM**" means the Canadian Asset Liability Method, and in certain cases as described in this prospectus, PPM has been used as an approximation for CALM;

"**Cash Consideration**" means the cash consideration in the amount of US$1.75 per Scheme Share made available to each Scheme Shareholder as at the Election Record Date in respect of each Scheme Share up to the Specified Number of Scheme Shares held by each such Scheme Shareholder as at the Election Record Date (provided that each such Scheme Share up to the Specified Number of Scheme Shares continues to be held by such Scheme Shareholder at the Effective Time) in exchange for the transfer of each such Scheme Share to Alignvest at the Effective Time pursuant to the Sagicor Arrangement;

"**Cash Qualifying Scheme Shareholder**" means a Scheme Shareholder as at the Election Record Date which has validly elected to receive the Cash Consideration in respect of each Scheme Share up to the Specified Number of Scheme Shares held by such Scheme Shareholder as at the Election Record Date (provided that each such Scheme Share up to the Specified Number of Scheme Shares continues to be held by such Scheme Shareholder at the Effective Time), such election having been made by such Scheme Shareholder and received by Sagicor on or prior to the election deadline;

"**Central Banks**" means the central banks of the jurisdictions where Sagicor carries on business, including the Federal Reserve Bank, the Central Bank of Bahamas, the Cayman Islands Monetary Authority, the Eastern Caribbean Central Bank, the Bank of Jamaica and the Central Bank of Barbados;

"**CFATF**" means Caribbean Financial Action Task Force;

"**CG&E Committee**" means the Corporate Governance and Ethics Committee of New Sagicor;

"**CGUs**" means cash generating units;

“**CIA**” means Canadian Institute of Actuaries;

“**Closing Exchange Rate**” means the CAD/USD exchange rate as of 5:00PM (Toronto Time) on the date which is one (1) Business Day prior to the Effective Date (or such earlier date as is required by a Governmental Authority or mutually agreed by Sagicor and Alignvest) using the mid-rate from the “BFIX” screen of Bloomberg (and if such rate or screen is not available, a replacement data source to be mutually agreed upon by Alignvest and Sagicor, each acting reasonably);

“**Co-lead Underwriters**” has the meaning ascribed to it under the heading “Securities Subject to Contractual Restriction on Transfer – Founders’ Shares”;

“**Code of Ethics**” has the meaning ascribed to it under the heading “Corporate Governance – Ethical Business Conduct”;

“**Company**” means Sagicor Financial Corporation Limited;

“**Director**” means the Director appointed pursuant to Section 278 of the OBCA;

“**ECOFIN**” means the European Union Economic and Financial Affairs Council;

“**Effective Date**” means the date on which the Effective Time occurs;

“**Effective Time**” means the date and time at which an office copy of the Bermuda Court Order shall have been filed with the Registrar of Companies in Bermuda for registration;

“**Election Record Date**” means 5:00 p.m. (Toronto time) on December 6, 2018, or such other date as is required by a Governmental Authority;

“**Escrow Agreement**” means the escrow agreement among Alignvest, TSX Trust Company, and its successors and permitted assigns, and Scotia Capital Inc., dated May 25, 2017;

“**ESP Plan**” means the employee share purchase plan that New Sagicor expects to adopt following the Transaction, subject to receipt of any applicable regulatory approvals;

“**EU**” means the European Union;

“**Exchange Ratio**” means the number which is the quotient of (i) 1.75 divided by (ii) the product of 10.00 and the Closing Exchange Rate;

“**Extension**” means, conditional on the Transaction not being completed on or prior to May 25, 2019, the extension of the permitted timeline for Alignvest to complete the Transaction by up to four months to September 25, 2019;

“**Extension Resolution**” means the ordinary resolution of the holders of Alignvest Class A Restricted Voting Shares approving the Extension as presented at the Alignvest Meeting substantially in the form set out in the management information circular to be sent out to Alignvest Shareholders in connection with the Alignvest Meeting, which may be voted on by the holders of Alignvest Class A Restricted Voting Shares only;

“**Extraordinary Dividends**” means any dividend paid by New Sagicor, together with all other dividends payable by New Sagicor in the same calendar year, that has an aggregate absolute dollar value which is greater than C$0.25 per share, with the adjustment to the applicable price (as the context may require) being a reduction equal to the amount of the excess;

“**FAFT**” means the Financial Action Task Force on Money Laundering;

"**Final Order**" means the final order of the Ontario Court pursuant to Section 182(5)(f) of the OBCA in a form acceptable to Alignvest and Sagicor, each acting reasonably, approving the Alignvest Arrangement, as such order may be amended by the Ontario Court (with the consent of both Alignvest and Sagicor, each acting reasonably) or, if appealed, then, unless such appeal is withdrawn or denied, as affirmed or as amended (provided that any such amendment is acceptable to both Alignvest and Sagicor, each acting reasonably) on appeal;

"**Finsac**" has the meaning ascribed to it under the heading "Legal Proceedings and Regulatory Actions";

"**FIO**" means the Federal Insurance Office of the United States of America;

"**First Share Consideration**" means the share consideration with an agreed value of US$1.75 per Scheme Share made available to each Sagicor shareholder as at the Election Record Date and payable in the form of New Sagicor Common Shares equal to the product of the Exchange Ratio multiplied by the number of Scheme Shares up to the Specified Number held by such Scheme Shareholder as at the Election Record Date (provided that each such Scheme Share up to the Specified Number continues to be held by such Scheme Shareholder at the Effective Time) in exchange for the transfer of such Scheme Share at the Effective Time to Alignvest pursuant to the Scheme of Arrangement, rounded down for each applicable Scheme Shareholder to the next whole number of New Sagicor Common Shares;

"**Fitch**" means Fitch Ratings, Ltd.;

"**Form 41-101F1**" means Form 41-101F1 – *Information required in a Prospectus*;

"**forward looking information**" has the meaning ascribed to it under the heading "Management's Discussion and Analysis of Sagicor – Caution Regarding Forward-Looking Statements";

"**forward looking statement**" has the meaning ascribed to it under the heading "Caution Regarding Forward-Looking Statements";

"**Forward Purchase Warrants**" means the 3,766,659 Alignvest Warrants to be purchased by the Alignvest Forward Purchasers pursuant to the Alignvest Forward Purchase Agreements;

"**FSCB**" means Financial Services Commission of Barbados;

"**FSCJ**" means Financial Services Commission of Jamaica;

"**FVOCI**" means fair value through other comprehensive income;

"**FVTPL**" means fair value through profit or loss;

"**GAAP**" means generally accepted accounting principles;

"**GoB**" means the Government of Barbados;

"**Governmental Authority**" means any: (a) country, nation, state, commonwealth, province, territory, county, municipality, district or other jurisdiction of any nature; (b) federal, state, provincial, local, municipal, foreign or other government; (c) governmental authority of any nature (including any governmental division, department, agency, commission, instrumentality, organization, body or entity and any court or other tribunal), including, for greater certainty, a Securities Authority; (d) any quasi-governmental or private body exercising any regulatory, expropriation or taxing authority under or for the account of any of the foregoing; (e) applicable stock exchanges; (f) applicable Central Banks; or (g) applicable self-regulatory organizations, including, if applicable, the Investment Industry Regulatory Organization of Canada and the Financial Industry Regulatory Authority;

"**Group**" means Sagicor and each of its subsidiaries;

“**Guarantors**” means Sagicor and Sagicor Life Inc.;

“**Guardian**” means Guardian General Insurance Co. Ltd;

“**Guidelines**” has the meaning ascribed to it under the heading “Corporate Governance – Statement of Corporate Governance Practices”;

“**Harmony**” means Harmony General Insurance Company Ltd.;

“**Holder**” has the meaning ascribed to it under the heading “Certain Canadian Federal Income Tax Considerations”;

“**HSR Act**” means the U.S. Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, and the regulations promulgated thereunder;

“**IAIS**” means the International Association of Insurance Supervisors;

“**IBNR**” means a claim under an insurance policy that is incurred but not reported;

“IESBA Code” means International Ethics Standards Board for Accountants’ Code of Ethics for Professional Accountants;

“**IFC**” means the International Finance Corporation;

“**IFRS**” means International Financial Reporting Standards (IFRS) promulgated by the International Accounting Standards Board (IASB), together with its pronouncements thereon from time to time, and applied on a consistent basis;

“**IFRS 2**” means IFRS 2 – Share-based Payments;

“**IFRS 3**” means IFRS 3 – Business Combinations;

“**IFRS 9**” means IFRS 9 – Financial Instruments;

“**IMF**” means the International Monetary Fund;

“**Indemnity Agreement**” has the meaning ascribed to it under the heading “Legal Proceedings and Regulatory Actions”;

“**Initial Forward Purchase Agreements**” means the Alignvest Forward Purchase Agreements entered into concurrently with the closing of Alignvest’s initial public offering;

“**Interim Order**” means the interim order of the Ontario Court pursuant to Section 182(5) of the OBCA in a form acceptable to Alignvest and Sagicor, each acting reasonably, providing for, among other things, the calling and holding of the Alignvest Meeting to consider the Alignvest Arrangement, as such order may be amended by the Ontario Court with the consent of each of Alignvest and Sagicor, each acting reasonably;

“**Investment Assets**” has the meaning ascribed to it under the heading “Certain Canadian Federal Income Tax Considerations – Offshore Investment Fund Property”;

“**IRI**” means the Insurance Retirement Institute;

“**IRIS**” means the NAIC Insurance Regulatory Information System;

“**IT**” means information technology;

"**Jamaica Insurance Act**" means the Insurance Act of Jamaica;

"**Law**" means any federal, state, local, municipal, provincial, foreign or other law, statute, constitution, principle of common law, resolution, ordinance, code, edict, consent order, consent decree, decree, order, judgment, rule, regulation, ruling, directive, regulatory guidance, agreement or requirement issued, enacted, adopted, promulgated, implemented or otherwise put into effect by or with or under the authority of any Governmental Authority;

"**LIMRA**" means the Life Insurance Marketing and Research Association;

"**Lock-Up Agreement**" has the meaning ascribed to it under the heading "Securities Subject to Contractual Restriction on Transfer – Lock-Up Agreements";

"**Lock-Up Restrictions**" has the meaning ascribed to it under the heading "Securities Subject to Contractual Restriction on Transfer – Lock-Up Agreements";

"**Locked-Up Shareholder**" means each of Dodridge D. Miller, Ravi C. Rambarran, Anthony O. Chandler, Althea C. Hazzard, Ronald B. Blitstein, J. Andrew Gallagher, Bart F. Catmull, J. Edward Clarke, Keston D. Howell, Robert J. L. Trestrail, Sir Hilary Beckles, Peter Clarke, Monish Dutt, John Shettle and Stephen McNamara;

"**LOMA**" means Life Office Management Association;

"**MCCSR**" means, at a particular time, the Guideline A – Minimum Continuing Capital and Surplus Requirements, as promulgated by OSFI, in force at such time or, at any time on or after January 1, 2018, as in force at December 31, 2017;

"**MGA**" means managing general agents;

"**Moody's**" means Moody's Investors Services, Inc.;

"**MPA Agreement**" means the proposed agreement between Scotiabank and Sagicor MPA Provider relating to the establishment of a strategic relationship with regard to Scotiabank's distribution of MPA Products and Services underwritten by the Sagicor MPA Provider to Scotiabank customers in Jamaica and Trinidad and Tobago;

"**MPA Products and Services**" means the products and services, including creditor life and health, creditor home and auto and non-creditor insurance products and services to be offered under the MPA Agreement;

"**MPA Term Sheet**" has the meaning ascribed to it under the heading "Proposed Acquisitions – Proposed Acquisitions of SJLIC and SLTT";

"**NAIC**" means National Association of Insurance Commissioners;

"**NEO**" means named executive officer;

"**New Sagicor**" means Alignvest, the corporation to be discontinued from Ontario under the OBCA and continued to Bermuda under the BCA after giving effect to the transactions contemplated by the Alignvest Arrangement;

"**New Sagicor Board**" means the board of directors of New Sagicor;

"**New Sagicor Common Shares**" means the common shares in the capital of Alignvest, and includes, where applicable, common shares in the capital of New Sagicor following the Alignvest Continuance;

"**New Sagicor Extraordinary Dividend**" means any dividend or distribution (whether payable in cash or in specie) on any New Sagicor Common Share, together with all other dividends and distributions (whether payable in cash or in specie) payable in the same calendar year, that has an aggregate dollar value which is greater than US$0.25 per share, treating the value of any reinvestment of dividends under any dividend reinvestment plan as the cash amount of the related dividend or distribution, in which case the value of the New Sagicor Extraordinary Dividend shall be the amount in excess of such US$0.25 amount (but any such excess amount related to any reinvestment of dividends under any dividend reinvestment plan shall be excluded therefrom);

"**New Sagicor Pro Forma Financial Statements**" means the unaudited pro forma financial statements of Alignvest, after giving effect to the Transaction, and, separately, the acquisitions of SJLIC and SLTT thereafter, for the year ended December 31, 2017 and as of and for the nine months ended September 30, 2018, together with the notes and assumptions thereto, and attached to this prospectus as Appendix G;

"**New Sagicor Shareholders**" means the holders of New Sagicor Common Shares registered in the register of members of New Sagicor as such at the applicable time;

"**NI 52-110**" means National Instrument 52-110 – Audit Committees;

"**NI 58-101**" means National Instrument 58-101 – Disclosure of Corporate Governance Practices;

"**Non-Significant Acquisition**" means the acquisition of Harmony by Sagicor;

"**Note Trustee**" means Republic Bank Limited – Trust and Asset Management Division or any other trustee or trustees under the Trust Deed and includes the successors and assigns of the Note Trustee whether immediate or derivative;

"**NP 58-201**" means National Policy 58-201 – Corporate Governance Guidelines;

"**OBCA**" means the Business Corporations Act (Ontario), as it may be amended from time to time;

"**OECD**" means the Organization for Economic Cooperation and Development;

"**Ontario Court**" means the Ontario Superior Ontario Court of Justice (Commercial List) or other court as applicable;

"**Order**" means any order, writ, assessment, decision, injunction, decree, judgment, ruling, award, settlement or stipulation issued, promulgated or entered into by or with any Governmental Authority;

"**OSFI**" means the Office of the Superintendent of Financial Institutions (Canada);

"**Other Share Consideration**" means the share consideration with an agreed value of US$1.75 per Scheme Share made available to each Scheme Shareholder as at the Election Record Date and payable in the form of New Sagicor Common Shares equal to the product of the Exchange Ratio multiplied by the number of Scheme Shares held by such Scheme Shareholder as at the Effective Time (other than the Scheme Shares held by such Scheme Shareholder being exchanged for Cash Consideration or First Share Consideration) in exchange for the transfer of each such Scheme Share to Alignvest at the Effective Time pursuant to the Scheme of Arrangement, rounded down for each applicable Scheme Shareholder to the next whole number of New Sagicor Common Shares;

"**Outside Date**" means June 30, 2019, which may be extended to July 31, 2019 pursuant to the Arrangement Agreement, or such other date as Sagicor and Alignvest mutually agree;

"**P&C**" means property and casualty;

"**PALIG**" means Pan-American Life Insurance Group;

"**Participating Alignvest Shareholder**" means an Alignvest Shareholder, other than a Redeeming Alignvest Shareholder;

“**Participating Company**” has the meaning ascribed to it under the heading “Equity Incentive Plan Descriptions – Employee Share Purchase Plan”;

“**Parties**” means, together, Alignvest and Sagicor, and each, a “**Party**”;

“**PCFS**” means Pan Caribbean Financial Services;

“**PEMCO**” means PEMCO Mutual Insurance Company;

“**PfAD**” means provision for adverse deviation, which is an insurance concept;

“**PPM**” means Policy Premium Method;

“**Programs and Policies**” has the meaning ascribed to it under the heading “Notice to Readers”;

“**RBC Jamaica**” means, collectively, RBC Royal Bank (Jamaica) Limited and RBTT Securities Jamaica Limited;

“**RDSP**” has the meaning ascribed to it under the heading “Certain Canadian Federal Income Tax Considerations – Eligibility for Investment”;

“**Redeeming Alignvest Shareholder**” means an Alignvest Class A Restricted Voting Share shareholder who has validly elected to redeem his, her or its Alignvest Class A Restricted Voting Shares in accordance with the redemption rights provided in the constating documents of Alignvest, who has not withdrawn such election, and whose Alignvest Class A Restricted Voting Shares have not been previously redeemed prior to the effective time of the Alignvest Arrangement;

“**Redemption Date**” means the date that is five business days after the Redemption Deadline;

“**Redemption Deadline**” means the date and time fixed by Alignvest on which holders of Alignvest Class A Restricted Voting Shares must deposit their Alignvest Class A Restricted Voting Shares for (conditional on closing of the Sagicor Arrangement) redemption by Alignvest in accordance with Alignvest’s constating documents and the Arrangement Agreement;

“**Register of Members**” means the register of members of Sagicor (including the branch registers);

“**Regulations**” has the meaning ascribed to it under the heading “Certain Canadian Federal Income Tax Considerations”;

“**Replacement Option**” has the meaning ascribed to it under the heading “Corporate Structure – Principal Steps of the Alignvest Arrangement”;

“**Required Minimum Book Value Increase**” means US$125 million, except that such amount shall be (a) increased by the amount of any additional share capital raised, and (b) reduced by the amount of any share capital reductions and/or by the aggregate amount payable on all then issued and outstanding New Sagicor Common Shares of any New Sagicor Extraordinary Dividends, in each case of clauses (a) and (b), after the Book Value Baseline Date;

“**RESP**” has the meaning ascribed to it under the heading “Certain Canadian Federal Income Tax Considerations – Eligibility for Investment”;

“**Restricted Parties**” has the meaning ascribed to it under the heading “Securities Subject to Contractual Restriction on Transfer – Founders’ Shares”;

“**ROE**” means return on equity;

"**RRIF**" has the meaning ascribed to it under the heading "Certain Canadian Federal Income Tax Considerations – Eligibility for Investment";

"**RRSP**" has the meaning ascribed to it under the heading "Certain Canadian Federal Income Tax Considerations – Eligibility for Investment";

"**RSU**" means restricted share unit;

"**RSU Plan**" means the RSU plan that New Sagicor expects to adopt following the Transaction, subject to receipt of all required regulatory approvals (including approval by the TSX);

"**S&P**" means Standard & Poor's Rating Service, a division of The McGraw Hill Companies, Inc.;

"**Sagicor**" means Sagicor Financial Corporation Limited;

"**Sagicor Arrangement**" means the scheme of arrangement pursuant to Section 99 of the BCA on the terms and subject to the conditions set forth in the Scheme of Arrangement, subject to any amendments or variations thereto made in accordance with the terms of the Arrangement Agreement or made at the direction of the Bermuda Court in the Bermuda Court Order with the prior written consent of each of Alignvest and Sagicor, each acting reasonably;

"**Sagicor Audited Annual Financial Statements**" means (a) the audited consolidated financial statements of Sagicor as of and for the year ended December 31, 2017, together with the notes thereto and the auditor's report dated April 4, 2018 thereon, (b) the audited consolidated financial statements of Sagicor as of and for the year ended December 31, 2016, together with the notes thereto and the auditor's report dated March 31, 2017 thereon, and (c) the audited consolidated financial statements of Sagicor as of and for the year ended December 31, 2015, together with the notes thereto and the auditor's report dated April 8, 2016 thereon, all as attached to this prospectus as Appendix E;

"**Sagicor Bank**" means Sagicor Bank Jamaica Limited;

"**Sagicor Common Shares**" means common shares in the capital of Sagicor, and each a "**Sagicor Common Share**";

"**Sagicor General**" means Sagicor General Insurance Inc.;

"**Sagicor Group**" means Sagicor and each of its subsidiaries;

"**Sagicor Interim Financial Statements**" means the unaudited condensed consolidated interim financial statements of Sagicor as of and for the nine months ended September 30, 2018 and 2017, together with the notes thereto, and attached to this prospectus as Appendix F;

"**Sagicor Investments**" means Sagicor Investments Jamaica Limited;

"**Sagicor Jamaica**" means Sagicor Group Jamaica Limited;

"**Sagicor Life**" means Sagicor Life Inc.;

"**Sagicor Life USA**" means Sagicor Life Insurance Company;

"**Sagicor Meeting**" means the meeting of Sagicor shareholders to be convened at the direction of the Bermuda Court for the purposes of considering and, if thought fit, approving the Scheme of Arrangement and other mutually agreed matters;

"**Sagicor MPA Provider**" has the meaning ascribed to it under the heading "Proposed Acquisitions – Proposed Acquisitions of SJLIC and SLTT - Master Program Agreement Term Sheet";

“**Sagicor Option**” has the meaning ascribed to it under the heading “Corporate Structure – Principal Steps of the Alignvest Arrangement”;

“**Sagicor Resolution**” means the resolutions of Sagicor shareholders approving the Sagicor Arrangement to be considered at the Sagicor Meeting;

“**Sagicor Securities Laws**” means all the securities laws of each of Barbados, Trinidad and Tobago, and the United Kingdom, and the rules, regulations and policies of the Barbados Stock Exchange, the London Stock Exchange and the Trinidad and Tobago Stock Exchange;

“**Sagicor Share Plans**” means: (i) that certain executive long-term incentive plan of Sagicor, effective as of December 31, 2005; and (ii) that certain share ownership plan of Sagicor for employees and advisors, effective as of December 31, 2005;

“**Sagicor Shareholder Approval**” means the affirmative vote of a majority in number of certain Sagicor shareholders representing at least three-fourths of the Sagicor Common Shares held by the Sagicor shareholders present and voting in person or by proxy at the Sagicor Meeting;

“**Sagicor USA**” means Sagicor USA, Inc.;

“**Scheme Consideration**” means the consideration payable to Scheme Shareholders as at the Effective Time in exchange for the transfer of the Scheme Shares to Alignvest in accordance with the Scheme of Arrangement, comprising (1) for eligible Persons, the option of the Cash Consideration, the First Share Consideration, or a combination of both, for up to the Specified Number held by each eligible Scheme Shareholder at the Effective Time, and (2) in all other cases, the Other Share Consideration;

“**Scheme of Arrangement**” means the scheme of arrangement document substantially in the form exhibited to the Arrangement Agreement, subject to any amendments or variations to such document made in accordance with the terms thereof or made at the direction of the Bermuda Court in the Bermuda Court Order with the prior written consent of each of Alignvest and Sagicor, each acting reasonably;

“**Scheme Shareholders**” means the holders of Scheme Shares appearing on the Register of Members as at the applicable time;

“**Scheme Shares**” means all of the Sagicor Common Shares in issue as at the applicable time;

“**SCI**” means Scotia Capital Inc., a wholly-owned subsidiary of BNS;

“**Scotia Agreements**” means the purchase agreements between Sagicor and each of the Vendors, dated November 27, 2018, and each a “**Scotia Agreement**”;

“**Scotia Audited Financial Statements**” means the audited financial statements of SLTT and SJLIC as of and for the years ended October 31, 2018 and 2017, and December 31, 2017 and 2016, respectively, together with the notes thereto and the auditors’ reports thereon, and attached to this prospectus as Appendix H;

“**Scotia Interim Financial Statements**” means the unaudited condensed interim financial statements of SJLIC as of and for the nine months ended September 30, 2018, together with the notes thereto, and attached to this prospectus as Appendix H;

“**Scotiabank**” has the meaning ascribed to it under the heading “Proposed Acquisitions – Proposed Acquisitions of SJLIC and SLTT - Master Program Agreement Term Sheet”;

“**Securities**” has the meaning ascribed to it under the heading “Certain Canadian Federal Income Tax Considerations”;

"**Securities Authority**" means the Governmental Authority having jurisdiction to enforce Alignvest Securities Laws or Sagicor Securities Laws, as applicable;

"**SEL**" means Sagicor Europe Limited;

"**SGJL**" means Scotia Group Jamaica Limited;

"**Share Qualifying Scheme Shareholders**" means the Scheme Shareholders as at the Effective Time (1) who or which are eligible to and have validly elected to receive the First Share Consideration; and (2) in all other cases, who or which are entitled to receive the Other Share Consideration;

"**Short Term Notes**" means the registered notes of Sagicor issued on March 21, 2016 in the aggregate principal amount of US$75,000,000 comprising US Dollar Fixed Rate Short Term Notes 2019 constituted by the Trust Deed;

"**SJLIC**" means Scotia Jamaica Life Insurance Company Limited;

"**SLTT**" means ScotiaLife Trinidad and Tobago Limited;

"**Specified Number**" means 10,000 Sagicor Common Shares;

"**Specified Securities**" has the meaning ascribed to it under the heading "Securities Subject to Contractual Restrictions on Transfer – Lock-Up Agreements";

"**Sponsor**" means Alignvest II;

"**Tax Act**" has the meaning ascribed to it under the heading "Certain Canadian Federal Income Tax Considerations";

"**Tax Proposals**" has the meaning ascribed to it under the heading "Certain Canadian Federal Income Tax Considerations";

"**taxable capital gain**" has the meaning ascribed to it under the heading "Certain Canadian Federal Income Tax Considerations – Taxation of Capital Gains and Capital Losses";

"**TCI**" means total comprehensive income;

"**Termination Fee**" has the meaning ascribed to it under the heading "Proposed Acquisitions – Proposed Acquisitions of SJLIC and SLTT - Master Program Agreement Term Sheet";

"**TFSA**" has the meaning ascribed to it under the heading "Certain Canadian Federal Income Tax Considerations – Eligibility for Investment";

"**Transaction**" means the transactions contemplated by the Arrangement Agreement, including the Alignvest Arrangement, Sagicor Arrangement, and Alignvest Continuance;

"**Transaction Costs**" means transaction costs and listing expenses determined in accordance with reverse asset acquisition accounting (which include the impact of the Alignvest Class B Shares issued and outstanding prior to closing) and the estimated value of common shares issuable on closing of the Transaction to key Sagicor executives, as described in notes 3(e) and 3(q) of the New Sagicor Pro Forma Financial Statements attached hereto as Appendix G;

"**Transfer Restrictions Agreement and Undertaking**" has the meaning ascribed to it under the heading "Securities Subject to Contractual Restriction on Transfer – Founders' Shares";

"**Trinidad and Tobago**" means the Republic of Trinidad and Tobago;

“**Trust Deed**” means the Amended and Restated Trust Deed dated December 20, 2016 between Sagicor and the Note Trustee, and any Schedules thereto relating to the Short Term Notes;

“**TSX**” means the Toronto Stock Exchange;

“**Vendors**” means BNS Jamaica and BNS TT, and each a “**Vendor**”; and

“**Warrant Agreement**” means the warrant agency agreement between Alignvest and TSX Trust Company, as warrant agent, dated May 25, 2017, as it may be amended from time to time.

PROSPECTUS SUMMARY

The following is a summary of this prospectus and should be read together with the more detailed information and financial data and statements contained elsewhere in this prospectus.

Alignvest and AMC

Alignvest is a special purpose acquisition corporation incorporated under the laws of the Province of Ontario for the purpose of effecting an acquisition of one or more businesses or assets, by way of a merger, share exchange, asset acquisition, share purchase, reorganization, or any other similar business combination involving Alignvest, which is referred to throughout this prospectus as Alignvest's proposed "qualifying acquisition".

On November 27, 2018, Alignvest announced that it had entered into the Arrangement Agreement with Sagicor pursuant to which, among other things, Alignvest shall acquire all of the shares of Sagicor by way of a scheme of arrangement under the laws of Bermuda, where Sagicor is incorporated. The Sagicor Arrangement constitutes Alignvest's proposed qualifying acquisition.

This proposed qualifying acquisition is entirely consistent with the approach and the objectives outlined at the time of Alignvest's initial public offering, notably:

- Alignvest is partnering with a strong, experienced, well-aligned management team, who want to continue to build their business;
- Sagicor operates in an industry in which Alignvest has expertise and can be a value-added partner;
- There is a clear and demonstrated opportunity to execute accretive follow-on acquisitions; and
- Sagicor presents an opportunity to generate attractive risk-adjusted returns on invested capital.

AMC, the parent of the Sponsor of Alignvest, is a leading alternative investment management firm that seeks to deliver superior risk-adjusted returns for its clients, which include pension plans, foundations, and ultra-high net worth family offices, by identifying and exploiting market discontinuities, and by attracting the very best talent to build industry-leading investment platforms. The partners of the firm have a strong combination of investment and operational expertise, having created and managed numerous successful operating businesses, and having built and led large, highly profitable businesses within global financial and consulting firms.

AMC was formed in 2011 and has raised equity and investment capital from a number of private family offices and institutions. AMC's founding partners have committed to invest over C$230 million of their personal capital into funds managed by AMC, on a fully discretionary basis, with the capital subject to full recyclability (including all gains). AMC believes that this long term, discretionary, and aligned pool of capital provides the firm with a strong and differentiated foundation. AMC is currently parent to five investment platforms: Alignvest Private Capital, which makes direct private investments; Alignvest Student Housing Real Estate Investment Trust, a Real Estate Investment Trust focused on consolidating the Canadian purpose-built student accommodation sector; Alignvest Investment Management, which provides institutional portfolio management services; Alignvest Capital Management, which executes public market investment strategies; and Alignvest Acquisition II Corporation, AMC's second TSX-listed special purpose acquisition corporation.

AMC is headquartered in Toronto, Ontario, with an additional office in London, United Kingdom.

Sagicor

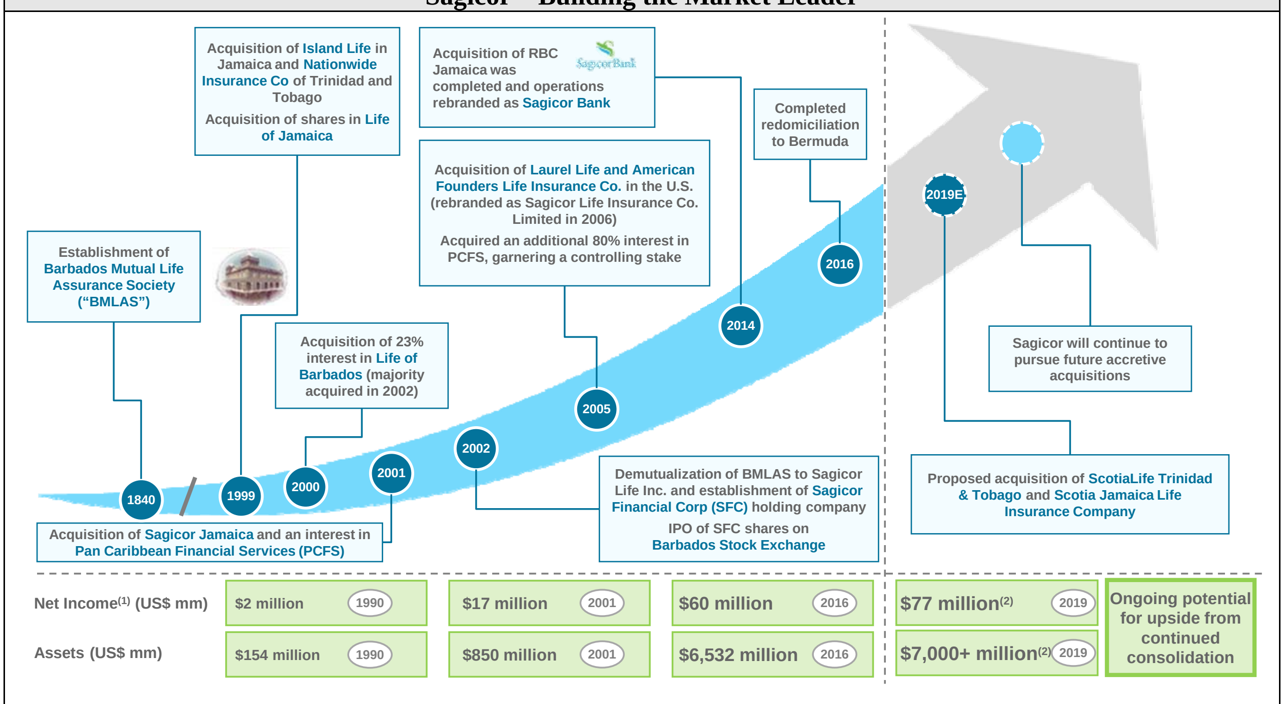
Overview

Sagicor is a market-leading provider of insurance products and related financial services in the Caribbean region, notably in Jamaica, Barbados, and Trinidad and Tobago, and has a growing presence as a provider of life insurance products in the United States. Sagicor has an over 175-year history of operations in the region and is the second oldest insurer in the Americas. With its over 2,800 employees and over 1,200 agents, Sagicor has a presence in 22 countries, operates in four different languages, and manages 13 different currencies.

Originally established in 1840 as The Barbados Mutual Life Assurance Society, Sagicor is one of the oldest insurers in the Americas. Sagicor's business grew organically with little change in product lines until 1969, when Sagicor introduced two unit trusts, a bond fund and an equity fund, to manage corporate pension funds, and in the 1970s, when Sagicor introduced group life insurance and health insurance products. Sagicor expanded its business through acquisitions in the 1980s and 1990s, transforming from a domestic to a regional and international company and from having a single line product to multi-line products. Because Sagicor's structure as a mutual company limited its growth, Sagicor demutualized in November 2002 and listed its shares on the Barbados Stock Exchange, subsequently listing on the Trinidad and Tobago Stock Exchange and, via depositary interests, the London Stock Exchange.

Sagicor has been transforming itself into a financial services leader over the last 30 years, growing its net income of approximately US$2 million in 1990 to over US$77 million targeted in 2019.[1] As a result of its purposeful strategy, local market experience, comprehensive and innovative products and distribution strategy, Sagicor holds an important competitive position across numerous business lines and is targeting growing its assets from US$154 million to over US$7 billion in just under three decades.

Sagicor – Building the Market Leader



1. Net income to shareholders from continuing operations, excluding one-time Transaction Costs.
2. Reflects targeted figures; net income is before one-time Transaction Costs. See "*Management's Discussion and Analysis of Sagicor – Financial Outlook*".

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[1] Excluding one-time Transaction Costs.

Sagicor's core products and services include life and health insurance, annuities, pension investment and administration, property and casualty insurance, and a suite of ancillary non-insurance financial products and services, including banking and investment management, which it provides to two client segments: individuals and groups. Where Sagicor distributes these products, it utilizes a captive distribution network in the Caribbean and a network of independent insurance brokers in the United States.

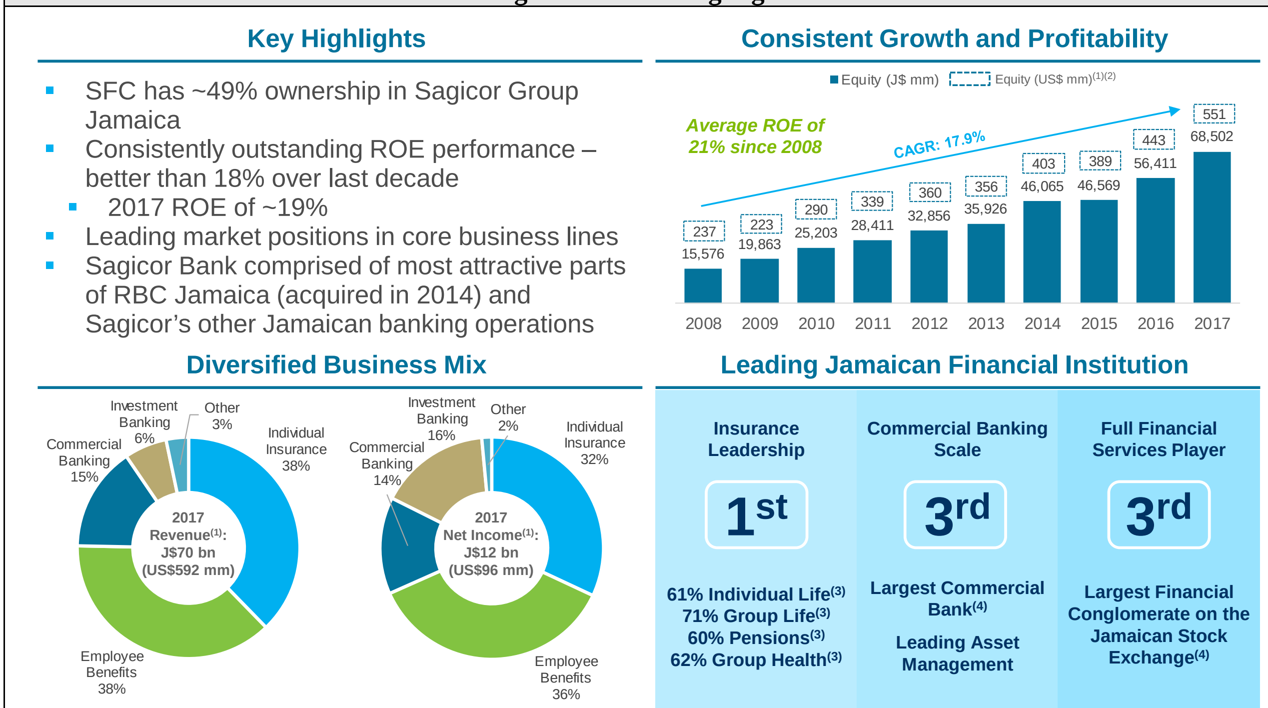
Sagicor is among the most recognizable and well-regarded financial services brands in the Caribbean and has increasing product recognition via its growing United States operations. Driven by its proven management team with long standing local market experience, its diversified assets, comprehensive and innovative product offerings, and extensive distribution platform, Sagicor holds an important competitive position across numerous business lines.

Sagicor operates through its three main business segments: Sagicor Jamaica, Sagicor Life and Sagicor USA.

Sagicor Jamaica

Sagicor operates in Jamaica through its controlled subsidiary, Sagicor Jamaica. Sagicor Jamaica is a full-service financial institution offering a wide range of insurance and non-insurance solutions. Sagicor Jamaica's primary insurance products are individual life insurance and employee benefits, which is comprised of both group health and group pension. Sagicor Jamaica's non-insurance solutions include banking and investment management products and services. Sagicor Jamaica's strong brand, together with Sagicor's wide range of products and skilled sales force, has allowed it to maintain a leading position in Jamaica's life insurance market, and has allowed the company to expand into new areas as opportunities arise, while maintaining consistent growth over time.

Sagicor Jamaica Highlights



Source: Insurance Association of Jamaica
1. Adjusted for inter-segment items.
2. Reflects figures from Sagicor's segmented financial statements.
3. Based on 2017 data.
4. Based on profitability.

Sagicor Life

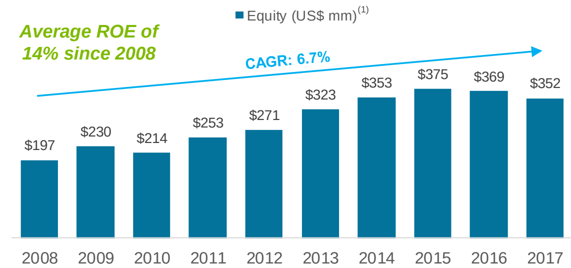
Sagicor operates in the Caribbean primarily through its subsidiary, Sagicor Life. Sagicor Life operates in the Southern Caribbean in Trinidad and Tobago as well as Barbados. Sagicor's operations in the Eastern Caribbean are conducted in seven territories (Antigua, Anguilla, the Commonwealth of Dominica, St. Lucia, Grenada, St. Kitts and Nevis, and St. Vincent) through three branches (Antigua, Grenada, and St. Lucia) and three agencies (Dominica, St. Kitts and Nevis and St. Vincent). Sagicor no longer writes new business in Anguilla. Sagicor also operates in the Dutch and North Caribbean. It is the leading insurance player in its various markets. Sagicor Life provides life, health, annuity insurance business, pension administration services and asset management.

Sagicor Life Highlights

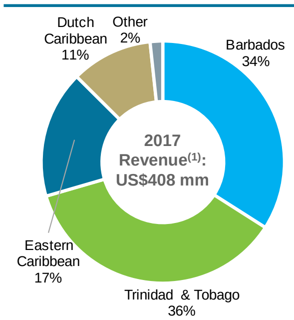
Key Highlights

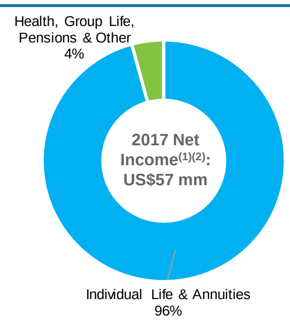
- Leading regional financial services company in the Southern Caribbean with strong customer loyalty
- 2017 ROE of 16%
- Demonstrated track record of premium growth via new customer acquisition and product diversification - notwithstanding market leading position

Consistent Growth and Profitability



Product Mix & Geographies





Leading Market Share Across Caribbean

Country	Market Share(3)
St. Vincent & the Grenadines	73%
St. Lucia	70%
Dominica	68%
Antigua & Barbuda	68%
Barbados	64%
St. Kitts & Nevis	61%
Grenada	43%
Trinidad & Tobago	17%

Source: Financial Services Authority (St. Vincent & the Grenadines), Financial Services Regulatory Authority (St. Lucia), Financial Services Unit (Dominica), Financial Services Regulatory Commission (Antigua & Barbuda and St. Kitts & Nevis), Barbados' FSC, Grenada Authority for the Regulation of Financial Institutions, ATTIC
1. Adjusted for inter-segment items.
2. Reflects net income attributable to shareholders from continuing operations.
3. 2017 market share figures, except for Dominica, which is as of 2016.

Sagicor USA

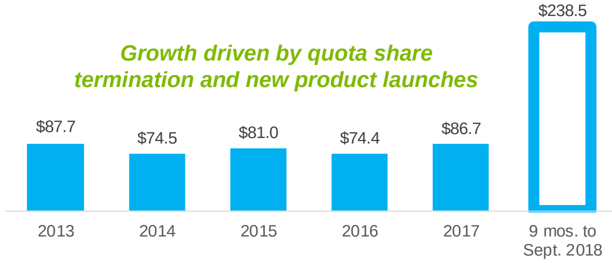
Sagicor USA is part of the Company's strategy to expand into markets with significant growth potential and markets where the Company can develop global best practices that it can then introduce into its core geographies. It continues to look for opportunities to grow its policy and premium base by acquiring strategic blocks of life insurance business or policies, or other life insurance companies. Sagicor USA currently offers life insurance and annuities.

Sagicor USA Highlights

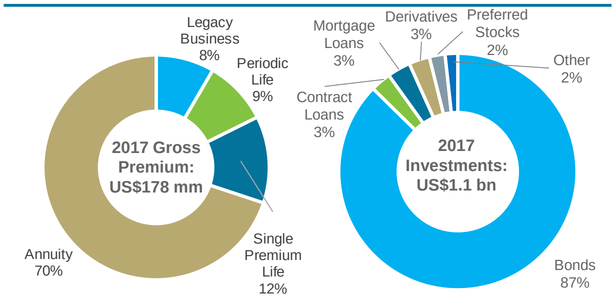
Key Highlights

- Simple and "easy-to-buy" Life and Annuity products targeting a familiar customer profile
- State-of-the-art and scalable IT platform to be leveraged across the Caribbean
- Excellent product recognition – fixed annuity products with guaranteed rates ranked top two by Barron's (2018)
- Strong distribution relationships supported by A- (Excellent) financial strength rating

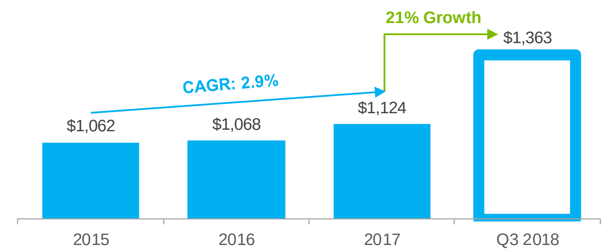
Net Premiums Earned (US$ mm)



Strong Annuity Revenues & Conservative Investments



Financial Asset Growth (US$ mm)



Rated A- (Excellent) by A.M. Best

Source: SNL Financial

Financial Overview of Sagicor

The following table provides a financial overview of Sagicor as it relates to the Company's corporate and capital structure.

Overview of Sagicor – Corporate and Capital Structure

Funding / Capitalization[(1)]

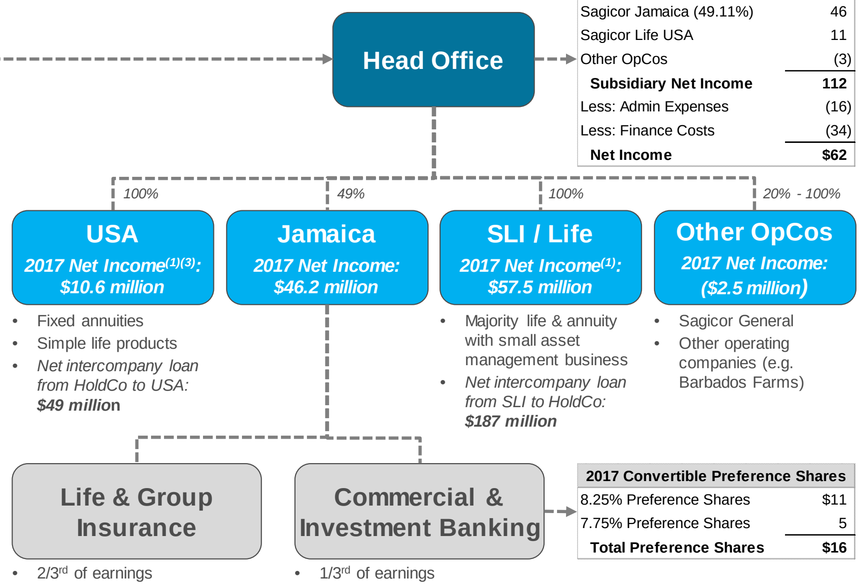
(US$ millions)

2017 Funding	
Notes & Loans Payable	$397
Shareholders' Equity[(2)]	625
Total Funding	**$1,022**

2017 Capitalization	
Sagicor Life	$352
Sagicor Jamaica (49.11%)	271
Sagicor Life USA	290
Head Office & Other OpCos	110
Total Capitalization	**$1,022**

Corporate and Capital Structure

(US$ millions)



2017 Net Income	
Sagicor Life	$57
Sagicor Jamaica (49.11%)	46
Sagicor Life USA	11
Other OpCos	(3)
Subsidiary Net Income	**112**
Less: Admin Expenses	(16)
Less: Finance Costs	(34)
Net Income	**$62**

2017 Convertible Preference Shares	
8.25% Preference Shares	$11
7.75% Preference Shares	5
Total Preference Shares	**$16**

1. Adjusted for inter-segment items.
2. Equity available to SFC common shareholders before non-controlling interests.
3. Finance costs reported in the USA segment allocated to holding company.

As discussed above, Sagicor is an amalgamation of several businesses with varying profitability. As illustrated in the table below Sagicor, on a consolidated basis, reported ROE of 10.7% for the fiscal year ended December 31, 2017. Adjusting for Sagicor USA, whose ROE is expected by Sagicor to increase as the segment continues to benefit from operational scale and increased asset leverage, the remaining Caribbean operations of Sagicor would have reported a 16.8% ROE for fiscal year ended December 31, 3017. Focusing solely on Sagicor's core Caribbean segments comprised of Sagicor Life and Sagicor Jamaica (and removing certain administrative and non-core expenses), each generated ROE of 15.9% and 19.0%, respectively, for the fiscal year ended December 31, 2017.

Sagicor ROE Breakdown (2017)

ROE Breakdown – 2017A[(1)]

(US$ millions)	2017 Consolidated	*Less: Sagicor USA*	Caribbean RemainCo	Less: HoldCo	Less: Other OpCos	Core Carib. Segments	Of Which: SLI	Of Which: Jamaica
Sagicor Life	57.5	--	57.5	--	--	57.5	57.5	--
Sagicor Jamaica	46.2	--	46.2	--	--	46.2	--	46.2
Sagicor USA	10.6	(10.6)	--	--	--	--	--	--
Other	(2.5)	--	(2.5)	--	2.5	--	--	--
Total Income from Continuing Operations	**$111.8**	**($10.6)**	**$101.2**	**--**	**$2.5**	**$103.7**	**$57.5**	**$46.2**
Less: Admin Expenses	(16.0)	--	(16.0)	16.0	--	--	--	--
Less: Finance Costs	(33.7)	--	(33.7)	33.7	--	--	--	--
Net Income to Shareholders	**$62.1**	**($10.6)**	**$51.5**	**$49.7**	**$2.5**	**$103.7**	**$57.5**	**$46.2**
Add: Min. Interests / Particip. Policies	43.0	--	43.0	--	3.8	46.9	(1.0)	47.9
Reported Income from Continuing Operations	**$105.2**	**($10.6)**	**$94.6**	**$49.7**	**$6.4**	**$150.6**	**$56.4**	**$94.1**
2016A Net Assets	537.1	(259.5)	277.6	397.3	(88.4)	586.4	369.1	217.4
2017A Net Assets	624.6	(289.8)	334.8	396.7	(109.1)	622.4	351.9	270.5
Average Net Assets	**$580.8**	**($274.6)**	**$306.2**	**$397.0**	**($98.8)**	**$604.4**	**$360.5**	**$244.0**
Implied ROE[(2)]	**10.7%**	**3.9%**	**16.8%**	**n.a.**	**n.a.**	**17.2%**	**15.9%**	**19.0%**

1. Figures are adjusted for inter-segment items, except for Sagicor Jamaica's income.
2. Calculated as net income to shareholders from continuing operations divided by average net assets.

Alignvest's Investment Rationale

Sagicor and Alignvest believe that the Transaction will unlock significant value for both Sagicor shareholders and Alignvest Shareholders.

For Sagicor, Alignvest's listing on the TSX is expected to provide the Company with access to a liquid market and sophisticated institutional investors that understand the insurance business. Many major Canadian insurance companies are world-class insurers with world-wide operations. Company management expects that the willingness and ability of those investors to actively evaluate the merits of the business will help secure an appropriate valuation. Additionally, assuming a limited number of redemptions by Alignvest Shareholders, New Sagicor is anticipated to benefit from a primary injection of Alignvest's equity, which is expected to enable New Sagicor to realize its organic and inorganic growth strategies. Finally, the proposed capital structure and Alignvest's TSX listing are expected to enable New Sagicor to materially lower its cost of capital, which is expected to both increase New Sagicor's profitability and further enhance its ability to execute on its strategic initiatives, both organic and inorganic.

Since Alignvest began evaluating potential investment targets in May 2017, none of them have presented as compelling an investment opportunity as Sagicor.

- **The transaction is being offered at a valuation Alignvest believes is highly attractive.** Based on the purchase price, Sagicor is valued at 1.0x book value, 7.9x targeted 2019 net income, and 6.5x targeted 2020 net income, taking into account the proposed SLTT and SJLIC acquisitions – a substantial discount to the median price / book and price / earnings ratios of Canadian and Caribbean financial institutions, and to Alignvest's estimate of the Company's intrinsic value. See "*Management's Discussion and Analysis of Sagicor — Financial Outlook*".[2]

- **Best-in-class management team with extensive insurance and local-market experience.** Sagicor's senior management team has been with the Company for an average of 14 years and has significant experience managing businesses across multiple jurisdictions and markets.

- **Sagicor has an outstanding core business**. Sagicor has significant market share in numerous growing business lines including individual life insurance and annuities, group life and benefits administration, and banking and investment management. The Company also has leading market positions and brand name recognition in its key insurance markets of Jamaica, Trinidad and Tobago, Barbados, and the Eastern Caribbean.

- **Substantial opportunity for accretive consolidation.** As evidenced by the proposed acquisitions of SLTT and SJLIC, Sagicor believes that there is opportunity for further consolidation within the insurance industry in the Caribbean. Additionally, management has the ability to successfully grow outside of Sagicor's core business and markets through strategic acquisitions, as evidenced by Sagicor's 2005 acquisition of Sagicor Life USA and Sagicor's 2014 acquisition of RBC's Jamaican banking operations. The proposed SLTT and SJLIC transactions will not be completed until after the Sagicor Arrangement and are subject to various conditions, and as a result, do not form part of Alignvest's qualifying transaction.

- **Comprehensive and innovative product offering.** Sagicor has a highly diversified insurance product mix including individual and group life, health, annuity and pension, personal disability, and property and casualty insurance that allows the Company to serve its customers' needs at each step of their financial life cycle, resulting in high customer retention rates and cross-selling opportunities. Importantly, Sagicor has no exposure to either long-term care or variable annuity products.

- **Extensive distribution platform.** Sagicor has unparalleled access to its customer base in the Caribbean through its extensive distribution network of dedicated advisors and brokers. The Company operates the

[2] 2019 target excludes one-time Transaction Costs.

largest network of exclusive advisors in the Caribbean region – one of Sagicor's core competitive advantages.

- **Significant "scale-up" opportunity in U.S. market**. Sagicor has built a strong technology and distribution platform in the U.S., targeting customers similar to those it has a demonstrated ability to serve in the Caribbean. Sagicor's U.S. platform is profitable, has an attractive investment spread relative to its peers and, as Sagicor continues to execute on its growth plan, is expected by Sagicor to benefit from operational scale and increased asset leverage.

- **Strong operating and underwriting record, with proven resiliency across cycles.** Sagicor has managed to sustain a strong operating track record through economic cycles as demonstrated by the Company's consistent net income growth, dividend growth, and book value per share growth.

- **Prudently managed and well-diversified balance sheet.** Sagicor manages its balance sheet using best-in-class risk management tools. For example, the Company voluntarily adopted the Canadian MCCSR standards following its demutualization, and has maintained MCCSR ratios in excess of 220% in every year since 2004. Sagicor's prudent capital management policies and conservative reserving complement its stable and diversified product mix.

- **Opportunity for Alignvest to add significant value**. Alignvest is delivering significant value to Sagicor as part of this transaction. First, AIM will leverage its team's extensive experience managing global portfolios to optimize Sagicor's investment portfolio, consider additional investment strategies, lower third party advisor costs, and further enhance risk-management practices. Second, Alignvest has recruited highly experienced directors to the board. Third, Andre Mousseau, Alignvest's Chief Operating Officer and Partner of Alignvest Private Capital, will be joining Sagicor as Group Chief Financial Officer. And finally, Alignvest has been responsible for sourcing and executing the proposed acquisitions of SLTT and SJLIC.

As a result of the above, Alignvest and Sagicor see a clear path to substantial equity value creation for all New Sagicor Shareholders. We believe that we have an opportunity to grow Sagicor's net income from continuing operations attributable to common shareholders from US$62 million, for the year ended December 31, 2017, to a target of US$115 million in 2020, based on the following:

- Organic revenue growth has been assumed as 6% per annum for Sagicor's continuing operations in 2019 and 5% in 2020; and

- Alignvest and Sagicor expect that the acquisition of SLTT and SJLIC will contribute annual run-rate net income of approximately US$30 million following the anticipated closing in 2020, subject to regulatory approval. The completion of these transactions is not cross-conditional on each other, but both are conditional on the close of the Sagicor Arrangement, and they may close at different times. See "*Proposed Acquisitions – Proposed Acquisitions of SJLIC and SLTT*".

Subject to, among other things, the precise timing of when these initiatives take effect, Sagicor is targeting 2019 net income from continuing operations attributable to common shareholders of approximately US$77 million.[3]

Importantly, Alignvest and Sagicor believe that Sagicor trades at an unwarranted discount to its Canadian and Caribbean peers in large part due to the Company's disaggregated shareholder base and muted price discovery on its current stock exchanges. Alignvest and Sagicor expect that the discount at which the Company currently trades on the Barbados and Trinidad and Tobago stock exchanges compared to Canadian peers should be reduced or eliminated over time as a result of Alignvest's listing on the TSX.

See "*Management's Discussion and Analysis of Sagicor — Financial Outlook*" for the assumptions on which the foregoing financial outlook is based.

[3] Excluding one-time Transaction Costs.

The purpose of disclosing the financial outlook is to provide investors with more information concerning the financial impact that Alignvest and Sagicor currently believe is achievable based on Sagicor's growth strategies described above and elsewhere in this prospectus. The foregoing description of New Sagicor's potential growth opportunities is forward-looking information for purposes of applicable securities laws in Canada and readers are therefore cautioned that actual results may vary from those described above. See "*Caution Regarding Forward-Looking Statements*" and "*Risk Factors*" elsewhere in this prospectus for a description of the assumptions underlying the forward-looking information and of the risks and uncertainties that impact New Sagicor's business and that could cause actual results to vary.

Alignvest and Sagicor approved this outlook on November 26, 2018.

NOTICE TO READERS

This prospectus is being filed by Alignvest Acquisition II Corporation ("**Alignvest**"), which is a special purpose acquisition corporation incorporated under the laws of the Province of Ontario. Alignvest was organized for the purpose of effecting an acquisition of one or more businesses or assets by way of a merger, share exchange, asset acquisition, share purchase, reorganization or other similar business combination involving Alignvest that will qualify as its "qualifying acquisition".

On November 27, 2018, Alignvest announced that it had entered into the Arrangement Agreement with Sagicor pursuant to which, among other things, Alignvest shall acquire, directly or indirectly, all of the shares of Sagicor by way of a scheme of arrangement. Existing shareholders of Alignvest (who, in the case of holders of Alignvest Class A Restricted Voting Shares (as defined below), do not choose to redeem their shares) will continue to hold an interest in Alignvest after giving effect to the Sagicor Arrangement (referred to herein as "**New Sagicor**"). In connection with the Sagicor Arrangement, Alignvest is seeking to be renamed "Sagicor Financial Company Ltd.". New Sagicor will own 100% of Sagicor. See "*The Business of Sagicor*".

Alignvest's Class A restricted voting shares ("**Alignvest Class A Restricted Voting Shares**") are currently listed for trading on the Toronto Stock Exchange (the "**TSX**") under the symbol "AQY.A". The closing price of the Alignvest Class A Restricted Voting Shares on the TSX on November 26, 2018, the last trading day before the Arrangement Agreement was announced, was C$9.95. The closing price of the Alignvest Class A Restricted Voting Shares on the TSX on February 6, 2019, was C$10.03. The share purchase warrants of Alignvest (the "**Alignvest Warrants**") are also currently listed for trading on the TSX under the symbol "AQY.WT". The closing price of the Alignvest Warrants on November 26, 2018, the last trading day before the Arrangement Agreement was announced, was C$0.40. The closing price of the Alignvest Warrants on February 6, 2019, was C$0.30. The completion of the Sagicor Arrangement is conditional upon, among other things, approval by the TSX. The Sagicor Arrangement constitutes Alignvest's proposed qualifying acquisition.

Sagicor is a company that was formed under the laws of Barbados and continued as an exempted company under the laws of Bermuda on July 20, 2016. Sagicor is a leading provider of insurance products and related financial services in the Caribbean region, mainly in Barbados, Jamaica and Trinidad and Tobago. Sagicor also provides life insurance and annuity products in the United States, as well as banking services in Jamaica. Sagicor's wide range of products and services include life and health insurance, annuities, pension investment and administration, property and casualty insurance, asset management, commercial and retail banking, investment management and other financial services. Sagicor Common Shares are currently publicly listed on the Barbados Stock Exchange, the Trinidad and Tobago Stock Exchange and, via depositary interests, the London Stock Exchange.

This prospectus is being filed in accordance with section 1028 of the Toronto Stock Exchange Company Manual in connection with the completion of Alignvest's qualifying acquisition. **Unless otherwise indicated, or unless the context otherwise requires, the disclosure in this prospectus has been prepared assuming that the transactions contemplated by the Arrangement Agreement, including the Sagicor Arrangement, have become effective (the "Transaction").** References to "New Sagicor" in this prospectus are to Alignvest after giving effect to the Transaction. Following the Transaction, New Sagicor will own 100% of Sagicor. See "*The Business of Sagicor*" and "*Risk Factors*".

The information provided herein concerning New Sagicor following the completion of the Transaction is provided as of the date of this prospectus. Accordingly, the information provided herein is subject to change prior or subsequent to the Effective Date. See "*Caution Regarding Forward-Looking Statements*".

Unless otherwise indicated, references herein to the programs, policies, procedures, practices, guidelines, mandates and plans (collectively, the "**Programs and Policies**") of New Sagicor refer, in each case, to the Programs and Policies of New Sagicor, which are expected to be formally ratified and adopted by New Sagicor Board subsequent to the closing of the Transaction. Unless otherwise indicated, the disclosure in respect of the Programs and Policies contained in this prospectus is presented on the assumption that the Programs and Policies have been formally ratified by the New Sagicor Board in such form and have been instituted at New Sagicor. Notwithstanding the foregoing, prior to the formal ratification and adoption of each of the Programs and Policies, it is expected that the New Sagicor Board will review and adjust such Programs and Policies to the extent necessary to seek to ensure that the specific requirements of New Sagicor and its operations are met. Accordingly, the disclosure contained in this prospectus in respect of such Programs and Policies remains subject to revision prior or subsequent to the Effective Date.

Unless otherwise specified, all dollar amounts are expressed in United States dollars and all references to "$" or "US$" are to United States dollars. References to "C$" are to Canadian dollars, "BBD" are to Barbadian dollars, "J$" are to Jamaican dollars, and "TTD" are to Trinidad and Tobago dollars.

The following table sets forth, for the periods indicated, the average and period-end rates of exchange for one U.S. dollar during the respective periods.

	Nine months ended September 2018		**Year ended December 2017**	
	Closing Rate	**Average Rate**	**Closing Rate**	**Average Rate**
Bahamas dollar	1.0000	1.0000	1.0000	1.0000
Barbadian dollar	2.0000	2.0000	2.0000	2.0000
Belize dollar	2.0000	2.0000	2.0000	2.0000
Canadian dollar	1.29680	1.27820	1.25280	1.29640
Cayman Islands dollar	0.8350	0.8350	0.8350	0.8350
Eastern Caribbean dollar	2.7000	2.7000	2.7000	2.7000
Jamaica dollar	134.5434	128.1390	124.5754	128.0938
Netherlands Antillean guilder	1.8000	1.8000	1.8000	1.8000
Trinidad and Tobago dollar	6.7522	6.7442	6.7628	6.7428
United States dollar	1.0000	1.0000	1.0000	1.0000

Source: Central banks of the relevant countries.

Unless otherwise stated, for the purposes of values presented in this prospectus involving a US dollar to Canadian dollar exchange rate, a US dollar to Canadian dollar exchange rate of approximately 1:1.33 is assumed.

The exchange rates above are provided solely for information and convenience. No representation is made that the US dollar could have been, or could be, converted into Canadian dollars, or any other represented currency, at all or at the exchange rates stated. The exchange rates set forth above demonstrate trends in exchange rates, but the actual exchange rates used throughout this prospectus may vary.

The New Sagicor Pro Forma Financial Statements included in Appendix G to this prospectus assume the completion of the Transaction as well, subsequent thereto, of the proposed acquisitions of SJLIC and SLTT. The New Sagicor Pro Forma Financial Statements should be read in conjunction with the Alignvest Audited Annual Financial Statements, the Sagicor Audited Annual Financial Statements, the Sagicor Interim Financial Statements, and the Scotia Interim Financial Statements and Scotia Audited Financial Statements, included in Appendix A, Appendix E, Appendix F, and Appendix H to this prospectus, respectively. The US dollar to Canadian dollar exchange rates used for the purposes of the New Sagicor Pro Forma Financial Statements are described in note 2 therein.

The prospective financial information included in this prospectus has been prepared by the Company's management as of November 26, 2018. Such information is the sole responsibility of Company's management. PricewaterhouseCoopers SRL has neither audited, reviewed, examined, compiled, nor applied agreed-upon procedures to the accompanying prospective financial information for the purpose of its inclusion herein, and, accordingly, PricewaterhouseCoopers SRL does not provide any form of assurance with respect thereto for the purpose of this offering document. The PricewaterhouseCoopers SRL reports included in this offering document relate solely to the Company's historical financial information. PricewaterhouseCoopers SRL reports do not cover any other information in this offering document and should not be read to do so.

CAUTION REGARDING FORWARD-LOOKING STATEMENTS

Certain statements in this prospectus are prospective in nature that constitute forward-looking information and/or forward-looking statements within the meaning of applicable securities laws (collectively, "**forward-looking statements**"). Forward-looking statements include, but are not limited to: statements concerning the completion and proposed terms of, and matters relating to, the Transaction, the proposed acquisitions of SJLIC and SLTT, and any expected timing related thereto; the likelihood of the Transaction and the proposed acquisitions of SJLIC and SLTT being completed; the redemption amount in respect of the Alignvest Class A Restricted Voting Shares; the members of the New Sagicor Board and the executive officers of New Sagicor following the Transaction; the expected operations, financial results and condition of New Sagicor following the Transaction; general economic trends; statements based on the New Sagicor Pro Forma Financial Statements; New Sagicor's Programs and Policies; New Sagicor's future objectives and strategies to achieve those objectives; the listing or continued listing of the New Sagicor Common Shares and the Alignvest Warrants on the TSX; any market created for New Sagicor's securities; the estimated cash flow, capitalization and adequacy thereof for New Sagicor following the Transaction; the expected benefits of the Transaction to, and resulting treatment of, holders of Alignvest Class A Restricted Voting Shares, Alignvest Class B Shares and the Alignvest Warrants; the amount and frequency of any dividend paid on the New Sagicor Common Shares; the anticipated effects of the Transaction; provisions in New Sagicor's bye-laws; the number of New Sagicor Common Shares outstanding following the Transaction; New Sagicor's compensation of its directors and officers; the likelihood of the Transaction being completed; principal steps to the Sagicor Arrangement and Alignvest Arrangement; the satisfaction of the conditions to consummate the transactions contemplated by the Arrangement Agreement; as well as other statements with respect to management's beliefs, plans, estimates and intentions, and similar statements concerning anticipated future events, results, circumstances, performance or expectations that are not historical facts. Forward-looking statements generally can be identified by the use of forward-looking terminology such as "outlook", "objective", "may", "will", "expect", "intend", "estimate", "anticipate", "believes", "should", "plans" or "continue", or similar expressions suggesting future outcomes or events.

Forward-looking statements reflect management's current beliefs, expectations and assumptions and are based on information currently available to management, management's historical experience, perception of trends and current business conditions, expected future developments and other factors which management considers appropriate. With respect to the forward-looking statements included in this prospectus, Alignvest and Sagicor have made certain assumptions with respect to, among other things: the anticipated approval of the Sagicor Arrangement by the Sagicor shareholders and the Bermuda Court; the anticipated approval of the Alignvest Arrangement by the Alignvest Shareholders and the Ontario Court; the anticipated approval of the Alignvest Continuance by the Alignvest Shareholders; the anticipated receipt of any required regulatory approvals and consents (including the approval of the TSX); the expectation that each of Alignvest and Sagicor will comply with the terms and conditions of the Arrangement Agreement; the expectation that no event, change or other circumstance will occur that could give rise to the termination of the Arrangement Agreement; the expectation that the acquisitions of SJLIC and SLTT will be completed and integrated into New Sagicor; that no unforeseen changes in the legislative and operating frameworks for New Sagicor will occur; that New Sagicor will meet its future objectives and priorities; that New Sagicor will have access to adequate capital to fund its future projects and plans; that New Sagicor's future projects and plans will proceed as anticipated; taxes payable; customer growth, pricing, usage and churn rates; technology deployment; data based on good faith estimates that are derived from management's knowledge of the industry and other independent sources; as well as assumptions concerning general economic and industry growth rates, commodity prices, currency exchange and interest rates and competitive intensity.

Readers are cautioned not to place undue reliance on forward-looking statements, as there can be no assurance that the future circumstances, outcomes or results anticipated or implied by such forward-looking statements will occur or that plans, intentions or expectations upon which the forward-looking statements are based will occur. By their nature, forward-looking statements involve known and unknown risks and uncertainties and other factors that could cause actual results to differ materially from those contemplated by such statements. Factors that could cause such differences include, but are not limited to: fluctuations in the fixed income markets may adversely affect New Sagicor's profitability and financial condition; the success of New Sagicor's operations in the United States depends on New Sagicor's ability to grow its business; New Sagicor's financial targets may prove materially inaccurate or incorrect; New Sagicor's exposure to the credit risk of its counterparties could adversely affect its profitability; differences between actual claims experience and estimated claims at the time the product was priced may result in increased losses, and so New Sagicor's reserves may be insufficient to cover actual policy benefits; New Sagicor could be forced to sell investments at a loss to cover policyholder withdrawals; New Sagicor's risk management policies and procedures could leave New Sagicor exposed to unidentified or unanticipated risk, which could negatively affect New Sagicor's business or result in losses; illiquidity of certain investment assets may prevent New Sagicor from selling investments at fair prices in a timely manner; New Sagicor's fiduciary relationship with certain counterparties could adversely affect its profitability; a prolonged labour dispute could hurt New Sagicor's business; a failure to successfully integrate New Sagicor's acquisitions could adversely affect New Sagicor's operations and profitability; a high level of redemptions of Alignvest Class A Restricted Voting Shares may necessitate sourcing of additional debt or equity to fund the proposed SJLIC and SLTT acquisitions; a failure to successfully execute current and future strategic acquisitions could adversely affect New Sagicor's profitability; if the conditions to the Transaction are not met, the Transaction may not occur; New Sagicor may be required to make an offer to purchase all of the 2022 Notes and Short Term Notes, but may not be financially able to repurchase the notes upon a change of control; New Sagicor's business is highly regulated and subject to numerous laws and regulations; litigation and regulatory proceedings outcomes could adversely affect New Sagicor's business; companies in the financial services industry are sometimes the target of law enforcement investigations and the focus of increased regulatory scrutiny; there may be adverse consequences if the status of New Sagicor's independent contractors is successfully challenged; failures to implement or comply with legally required anti-money laundering practices could subject New Sagicor to sanctions and/or criminal and civil penalties; the amount of statutory capital that New Sagicor's insurance subsidiaries have and the amount of statutory capital that they must hold to maintain their financial strength and credit ratings and meet other requirements can vary significantly from time to time and are sensitive to a number of factors outside of New Sagicor's control; a failure to maintain adequate levels of surplus capital may result in increased regulatory scrutiny or a downgrade by the private rating agencies; New Sagicor's financial condition may be adversely affected by geopolitical events; a change of control of New Sagicor may be difficult to effect under applicable laws; New Sagicor operates in a highly competitive industry; New Sagicor faces significant competition mainly from national and regional insurance companies and from self-insurance, and New Sagicor also faces competition from global companies – this competition could limit New Sagicor's ability to gain or maintain its position in the industry and could materially adversely affect its business, financial condition and results of operations; brokers that sell New Sagicor's products may sell insurance products of New Sagicor's competitors and such brokers may choose not to sell New Sagicor's products; computer viruses, network security breaches, disasters or other unanticipated events could affect New Sagicor's data processing systems or those of its business partners and could damage New Sagicor's business and adversely affect its financial condition and results of operations; a financial strength downgrade in New Sagicor's A.M. Best ratings or any other negative action by a rating agency may increase policy surrenders and withdrawals, adversely affect relationships with advisors and negatively affect New Sagicor's financial condition and results of operations; the unpredictable nature of the property and casualty insurance industry, or the impact of IFRS on the cashless exercise feature of Alignvest Warrants (unless removed), may cause fluctuations in New Sagicor's results; New Sagicor may be unable to reinsure risks on terms that are commercially reasonable or satisfactory to New Sagicor, or New Sagicor's reinsurers may fail to meet assumed obligations, increase rates, or be subject to adverse developments, negatively affecting New Sagicor's business, financial condition and result of operations; New Sagicor's business model depends on the performance of various third parties including actuarial consultants and other service providers; negative publicity in the insurance industry could adversely affect New Sagicor; New Sagicor depends on key personnel, and if they were to leave New Sagicor, New Sagicor might have an insufficient number of qualified employees; New Sagicor is highly dependent upon economic, political and other conditions and developments in Barbados, Jamaica, Trinidad and Tobago, the United States and the other jurisdictions in which it operates; New Sagicor's financial condition and operating results may be adversely affected by foreign exchange fluctuations; foreign exchange controls may restrict New Sagicor's ability to receive distributions from its subsidiaries and any such distributions may be subject to foreign withholding taxes; catastrophes and weather-related events, such as hurricanes, may adversely affect New Sagicor; the performance of New Sagicor's group life insurance may be adversely affected by the characteristics of the employees insured or through unexpected catastrophic events such as natural disasters; New Sagicor's credit ratings may be reduced, which may adversely affect New Sagicor; New Sagicor may be subject to Bermuda tax; Bermuda's compliance with the Organization for Economic Cooperation and Development international tax standards could subject New Sagicor to additional taxes; legislation enacted in Bermuda in response to the European Union's review of harmful tax competition could adversely affect New

Sagicor's operations and financial condition; tax on corporate emigration under the Income Tax Act (Canada) could adversely affect New Sagicor; if New Sagicor were subject to Canadian federal income taxation, New Sagicor's after-tax returns and the value of New Sagicor Common Shares could be materially reduced; any additional taxes resulting from changes to tax regulations or the interpretation thereof in countries in which it does business could negatively impact New Sagicor's financial condition; New Sagicor is a Bermuda company and it may be difficult to enforce judgments against New Sagicor or its directors and officers; certain of New Sagicor's operating subsidiaries are incorporated outside of Canada and it may be difficult to enforce judgments against them or their directors and officers; Bermuda law differs from the laws in effect in Canada and may afford less protection to shareholders; New Sagicor may not pay dividends; potentially adverse tax consequences may result from the receipt of dividends on New Sagicor Common Shares; New Sagicor is a holding company that has no material assets other than its interest in Sagicor and, accordingly, it is dependent upon distributions from Sagicor to pay taxes and other expenses; although New Sagicor exercises management control over its material subsidiaries, New Sagicor will be required to consider the interests of minority shareholders in Sagicor Jamaica; the market price of the New Sagicor Common Shares may be highly volatile; redemptions of a significant number of Alignvest Class A Restricted Voting Shares could adversely affect New Sagicor; sales of a substantial number of New Sagicor Common Shares may cause the price of New Sagicor Common Shares to decline; further equity financing may dilute the interests of shareholders of New Sagicor and depress the price of New Sagicor Common Shares; the trading market for New Sagicor Common Shares is influenced by securities industry analyst research reports; if New Sagicor is unable to implement and maintain effective internal control over financial reporting, New Sagicor might not be able to report financial results accurately and on a timely basis or prevent fraud, and/or investors may lose confidence in the accuracy and completeness of New Sagicor's financial reports and the market price of New Sagicor Common Shares may be negatively affected.

All forward-looking statements included in and incorporated into this prospectus are qualified by these cautionary statements. Unless otherwise indicated, the forward-looking statements contained herein are made as of the date of this prospectus. New Sagicor intends to provide updates on the net income targets on at least an annual basis, including information on previously disclosed targets, actual results and a discussion of variances, in its continuous disclosure documents. Except as outlined above or expressly required by applicable law, New Sagicor undertakes no obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future events or otherwise.

Readers are cautioned that the actual results achieved will vary from the information provided herein and that such variations may be material. Consequently, there are no representations by Alignvest that actual results achieved will be the same in whole or in part as those set out in the forward-looking statements.

MARKET AND INDUSTRY DATA

This prospectus relies on and refers to information regarding various companies and certain market and industry data. Alignvest and Sagicor have obtained this information and market and industry data from independent market research reports and information made publicly available by such companies. Such reports generally state that the information contained therein has been obtained from sources believed to be reliable, but the accuracy or completeness of such information is not guaranteed. Although Alignvest and Sagicor believe the market research and publicly available information is reliable, Alignvest and Sagicor have not independently verified and cannot guarantee the accuracy or completeness of that information and investors should use caution in placing reliance on such information.

TRADEMARKS AND TRADENAMES

This prospectus and the information incorporated herein by reference include certain trademarks and trade names, such as Sagicor, Sagicor International, SagicorNOW and Accelewriting, which are protected under applicable intellectual property laws and are the property of Sagicor or its subsidiaries. Solely for convenience, Sagicor's or its subsidiaries' trademarks and tradenames referred to in this prospectus may appear without the ® or ™ symbol, but such references are not intended to indicate, in any way, that Sagicor and/or its subsidiaries will not assert, to the fullest extent under applicable law, its right to these trademarks and tradenames. All other trademarks used in this prospectus are the property of their respective owners, whether they appear with or without a ® or ™ symbol.

CORPORATE STRUCTURE

Alignvest Acquisition II Corporation

Name, Address and Incorporation

Alignvest was incorporated under the OBCA on February 8, 2017. Its head office and registered office are located at 100 King Street West, 70th Floor, Suite 7050, Toronto, Ontario, Canada M5X 1C7. On May 1, 2017, Alignvest amended its Articles to increase the authorized capital to create an unlimited number of Class A Restricted Voting Shares and an unlimited number of common shares. On May 18, 2017, Alignvest amended its Articles to replace the definition of "IPO" and the definition of "Sponsor".

Transaction

As of the date of this prospectus, Alignvest is a special purpose acquisition corporation incorporated under the laws of the Province of Ontario for the purpose of effecting an acquisition of one or more businesses or assets, by way of a merger, share exchange, asset acquisition, share purchase, reorganization, or any other similar business combination involving Alignvest, which is referred to throughout this prospectus as Alignvest's "qualifying acquisition".

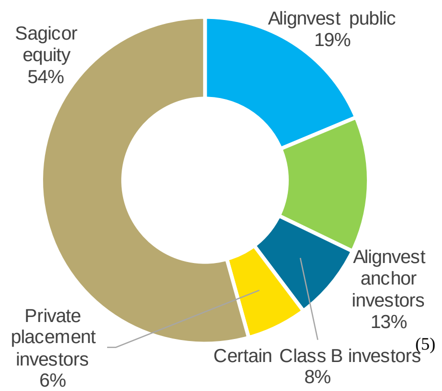
Alignvest's sponsor, Alignvest II LP ("**Alignvest II**"), is a limited partnership of which Alignvest II Corporation is the general partner, and which is indirectly controlled by AMC. AMC is a leading international alternative investment management firm that seeks to deliver exceptional risk adjusted returns for its clients. AMC manages investment capital on behalf of private family offices and institutions. AMC's founding partners have committed to invest over C$230 million of their personal capital into Alignvest Partners, which is managed by AMC. AMC is the parent company of five investment platforms: Alignvest Capital Management Inc., which invests in public market strategies; Alignvest Private Capital, which makes direct private investments; Alignvest Student Housing Real Estate Investment Trust, a Real Estate Investment Trust focused on consolidating the Canadian purpose-built student accommodation sector; Alignvest Investment Management Corporation, which provides institutional portfolio management services; and Alignvest Acquisition II Corporation, a special purpose acquisition corporation. AMC has offices in Toronto, Ontario, Canada, and London, United Kingdom.

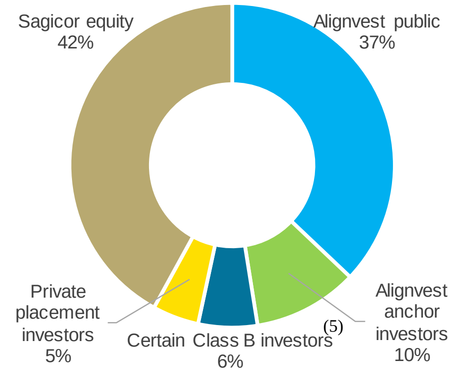
On November 27, 2018, Alignvest announced that it had entered into a definitive arrangement agreement (the "**Arrangement Agreement**") with Sagicor Financial Corporation Limited ("**Sagicor**" or the "**Company**") pursuant to which, among other things, Alignvest shall acquire all of the shares of Sagicor by way of a scheme of arrangement under the laws of Bermuda, where Sagicor is incorporated (the "**Sagicor Arrangement**"). The Sagicor Arrangement constitutes Alignvest's proposed qualifying acquisition.

Assuming Sagicor shareholders elect to sell the maximum number of shares for cash, which management believes is a likely outcome, the pro forma share ownership is shown in the table below under different Alignvest redemption scenarios.

Pro Forma New Sagicor Common Share Ownership

Alignvest Delivers Minimum Cash[(1)(2)(3)(4)]	Alignvest Delivers Maximum Cash (No Alignvest Redemptions)[(2)(3)(4)]





(1) "Minimum cash" means US$220 million after expenses and represents a redemption level of approximately 61.0%
(2) Excludes 6.508 million founders' shares subject to forfeiture if targets not met
(3) Assumes full take-up by Sagicor shareholders of US$205 million cash consideration
(4) Assumes an exchange rate of US$1.00 to C$1.33
(5) Represents Alignvest Class B Shares except those held by private placement investors

In the event that the Alignvest redemption level is 25%, Alignvest public, Alignvest anchor investors, certain class B investors, private placement investors, and Sagicor equity investors would own 31%, 11%, 6%, 5%, and 46% of New Sagicor on a pro forma basis, respectively.

The level of dissent rights exercised pursuant to the Arrangement Agreement will not be known until the date of the Alignvest Meeting. However, given the presence of redemption rights described elsewhere in this prospectus, and past special purpose acquisition corporation experience, no dissent rights are expected to be exercised, as to exercise dissent rights would be much more cumbersome than simply redeeming.

Pursuant to subscription agreements entered into on or prior to the date of the Arrangement Agreement, certain third party investors have agreed to subscribe for Alignvest Class B Shares at a price of C$10 per Alignvest Class B Share, which are expected to provide additional cash proceeds to Alignvest of C$50 million.

Corporate Structure and Organization

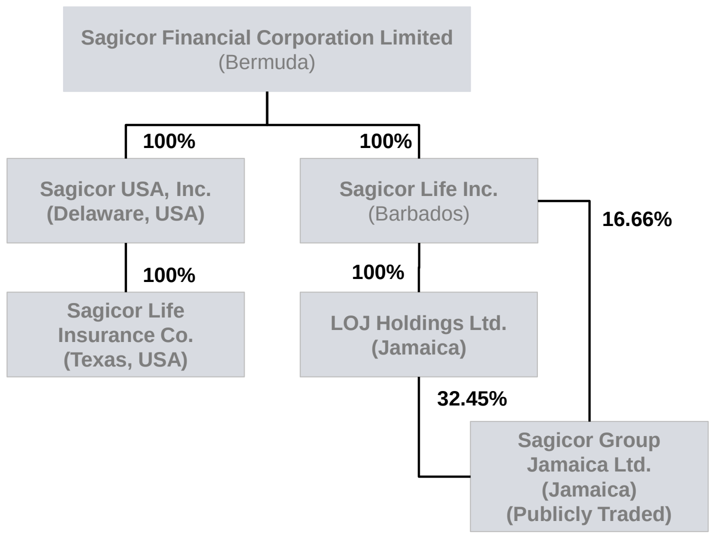
Organizational Structure

Sagicor has a legacy organizational structure with several layers of stacked subsidiaries, arising from its origins as a mono-line, domestic mutual insurance entity and its subsequent evolution into an international, publicly-listed entity with multiple lines of insurance and related financial businesses.

Sagicor has operations in 22 countries, operates in four different languages, and manages 13 different currencies.

The following chart outlines Sagicor's main subsidiaries.

Sagicor's Pre-Transaction Corporate Structure



Shareholder Structure

Sagicor demutualized in 2002, using the Canadian demutualization model, transforming its policyholders into shareholders. Today, Sagicor is a widely held company, with the single largest shareholder being the National Insurance Board of Barbados at 6%.

As at December 31, 2017, Sagicor had 36,019 holders of Sagicor Common Shares with 43.0% in Trinidad and Tobago, 32.8% in Barbados, 19.7% in the Eastern Caribbean, 0.7% in other Caribbean countries and territories, and 3.8% in other countries outside of the Caribbean.

As illustrated in the table below, approximately 90% of Sagicor's shareholder base has fewer than 10,000 shares.

Sagicor Shareholder Base Summary

	Shareholders		Shares Held	
Shareholders' Size of Holding	#	%	#	%
1 - 10,000	32,332	89.8%	80,662,984	26.3%
10,001 & Above	3,687	10.2%	225,892,660	73.7%
Total	**36,019**	**100.0%**	**306,555,644**	**100.0%**

As part of this transaction, each of Sagicor's eligible existing shareholders (excluding the Company's senior management team and continuing directors, all of whom have elected to roll 100% of their equity into this transaction) will have the option of tendering up to 10,000 shares for US$1.75 of cash, up to a maximum aggregate cash amount of US$205 million, as per the Scheme of Arrangement and Arrangement Agreement, provided that such maximum aggregate cash amount may be adjusted per the terms of the Arrangement Agreement. Each share of Sagicor not purchased for cash will be exchanged for a number of New Sagicor Common Shares determined based on the Exchange Ratio which Sagicor and Alignvest have agreed has a value of US$1.75 per Sagicor Common Share. The purpose of offering cash to Sagicor shareholders is to provide liquidity to those who desire it, especially smaller shareholders, while giving all Sagicor shareholders the ability to remain invested in the company and to participate in the growth of the company going forward.

Sagicor's management team believes that by consolidating the Company's shareholder base and that by introducing a balanced mix of individual and institutional shareholders, drawn from the Caribbean and Canada, the Company's shareholders will have greater appetite to support Sagicor's growth strategies and the creation of long-term value.

Sagicor Jamaica

Sagicor has a controlling interest in Sagicor Jamaica, a publicly traded company incorporated in Jamaica, held through its wholly-owned subsidiaries Sagicor Life and LOJ Holdings Ltd. Sagicor Jamaica is a full-service financial group offering a wide range of insurance and non-insurance solutions, primarily through its material subsidiaries Sagicor Life Jamaica Limited, Sagicor Bank Jamaica Limited and Sagicor Investments Jamaica Limited.

As of December 31, 2017, Sagicor Jamaica was authorized to issue 13,598,340,000 ordinary shares, and there were 3,905,634,916 ordinary shares at no par value and 21,309,010 treasury shares (held by Sagicor Jamaica itself) issued and outstanding. Sagicor Jamaica's shares are listed on the Jamaica Stock Exchange.

Arrangement Agreement

The description of the Arrangement Agreement, both below and elsewhere in this prospectus, is a summary only, is not exhaustive and is qualified in its entirety by reference to the terms of the Arrangement Agreement, which can be found on Alignvest's profile on SEDAR at www.sedar.com as of the date of this prospectus.

Representations and Warranties

The Arrangement Agreement contains customary representations and warranties made by Alignvest to Sagicor and Sagicor to Alignvest, including representations and warranties related to due organization and qualification, capitalization and authorization to enter into the Arrangement Agreement and carry out their respective obligations thereunder. In addition, Sagicor made certain customary representations and warranties particular to the conduct of its business, the ownership and sufficiency of its assets, the accuracy of its books and records and financial statements, certain employee matters and the lack of any claims, actions or proceedings that may cause a material adverse effect. Sagicor also made certain representations and warranties with respect to the nature and conduct of its insurance operations. The representations and warranties were made solely for the purposes of the Arrangement Agreement and may be subject to important qualifications, limitations and exceptions agreed to by the Parties.

The representations and warranties of Sagicor and Alignvest contained in the Arrangement Agreement shall not survive the Effective Time and shall expire and be terminated on the earlier of the Effective Time and the date on which the Arrangement Agreement is terminated in accordance with its terms.

Mutual Conditions to Closing

Under the terms of the Arrangement Agreement, Alignvest and Sagicor agreed that their respective obligations to complete the Sagicor Arrangement are subject to fulfillment, at or prior to the Effective Time, of, among others, each of the following mutual conditions precedent, each of which may only be waived by the Party entitled to the benefit thereof, to the extent permitted by applicable law:

(i) The Alignvest Resolutions have been approved and adopted by the Alignvest Shareholder Approval at the Alignvest Meeting.

(ii) The Sagicor Resolution has been approved and adopted by the Sagicor Shareholder Approval at the Sagicor Meeting.

(iii) Each of the Interim Order, the Final Order and the Bermuda Court Order has been obtained on terms consistent with the Arrangement Agreement, and have not been set aside or modified in a manner unacceptable to either Alignvest or Sagicor, each acting reasonably, on appeal or otherwise.

(iv) Approval from the TSX shall have been obtained by Alignvest to enable the Sagicor Arrangement to qualify as Alignvest's "qualifying acquisition" within the meaning of Part X of the TSX Company Manual and for the listing of the common shares of New Sagicor on the TSX after the Effective Time.

(v) The issuance of a final receipt for the prospectus by the Alignvest Securities Authorities.

(vi) The Sagicor Insurance and Banking Approvals and Alignvest Insurance and Banking Approvals (each as defined in the Arrangement Agreement) shall have been received or concluded on terms satisfactory to Sagicor and Alignvest and without undue burden on either of them, acting reasonably, and in each case without the imposition of any Restraint (as defined in the Arrangement Agreement).

(vii) Any waiting period (and extensions thereof) applicable to the transactions contemplated by the Arrangement Agreement (including the Sagicor Arrangement) under the HSR Act shall have expired or early termination thereof shall have been granted and (2) the clearances, approvals and consents required to be obtained under applicable non-U.S. Antitrust Laws (as defined in the Arrangement Agreement) to permit Sagicor and Alignvest to consummate the Transaction shall have been obtained.

(viii) The approval of the Exchange Control Authority of the Central Bank of Barbados shall have been obtained for the transfer of the Sagicor Common Shares by the Barbados resident Sagicor shareholders pursuant to applicable exchange controls and foreign currency laws and regulations under the laws of Barbados.

(ix) All regulatory approvals set forth in Section 7.01(i) of the Sagicor disclosure schedule delivered by Sagicor to Alignvest on the date of the Arrangement Agreement shall have been received or concluded on terms satisfactory to Alignvest and Sagicor and without undue burden on either of them, each acting reasonably, and in each case without the imposition of any Restraint (as defined in the Arrangement Agreement) that would reasonably be expected to have a Sagicor Material Adverse Effect or an Alignvest Material Adverse Effect (each as defined in the Arrangement Agreement), as applicable.

(x) No Law or Order of a competent Governmental Authority (as defined in the Arrangement Agreement) shall have been enacted, issued, promulgated, enforced or entered and shall continue to be in effect, in each case, that makes illegal, enjoins or otherwise prohibits the consummation of the Sagicor Arrangement.

(xi) The Investment Management Agreement (as defined in the Arrangement Agreement) shall have been entered into and shall remain in full force and effect.

(xii) Dissent Rights (as defined in the Arrangement Agreement) have not been validly exercised and not withdrawn with respect to more than 10% of the issued and outstanding Alignvest Class A Restricted Voting Shares as of November 27, 2018.

(xiii) (i) Alignvest shall have adopted a restricted share unit plan, dividend reinvestment plan and employee share purchase plan on terms mutually acceptable to Alignvest and Sagicor, each acting reasonably and (ii) Alignvest and Sagicor shall have entered into an assignment and assumption agreement, pursuant to which the rights and obligations of Sagicor under the Sagicor Share Plans shall be assigned to, and assumed by, Alignvest, in each case, at the Effective Time, and such agreement shall remain in full force and effect.

(xiv) The following registrations, approvals, consents, receipts and/or relief shall have been obtained:

a. (A) registration of Alignvest as a reporting issuer with the Trinidad and Tobago Securities Exchange Commission or (B) confirmation from the Trinidad and Tobago Securities Exchange Commission that such registration is not required;

b. (A) publishing a prospectus and all related filings and approvals in Barbados under the Barbados Securities Act or (B) confirmation from the Financial Services Commission of Barbados that the transactions contemplated in the Arrangement Agreement do not require the filing of a prospectus or similar disclosure document with the Financial Services Commission;

c. (A) publishing a prospectus and all related filings and approvals with the Financial Conduct Authority of the United Kingdom or (B) confirmation from the Financial Conduct Authority of the United Kingdom that the transactions contemplated in the Arrangement Agreement do not require the filing of a prospectus or similar disclosure document with the Financial Conduct Authority and do not require any Party to obtain a listing in the United Kingdom;

d. receipt for Alignvest's final Prospectus from the Alignvest Securities Authorities;

e. consent from the Ontario Securities Commission regarding the Alignvest Continuance;

f. consent from the Ontario Minister of Finance regarding the Alignvest Continuance;

g. consent from the Bermuda Monetary Authority pursuant to the Exchange Control Act 1972 for (A) the New Sagicor Shareholders to hold the New Sagicor Common Shares; and (B) the issue and transfer of the New Sagicor Common Shares and other equity securities of New Sagicor from and/or to persons non-resident of Bermuda for exchange control purposes for so long as any equity securities of New Sagicor are listed on an "Appointed Stock Exchange" (as such term is defined in the BCA and including the TSX), without the approval of the Bermuda Monetary Authority, in each case following the Alignvest Continuance;

h. confirmation from the Barbados Revenue Authority that Alignvest will, following the Alignvest Continuance, be deemed a company resident in Barbados for the purpose of the Barbados Income Tax Act and the CARICOM Treaty; and

(xv) approval by the TSX of the listing application for the New Sagicor Common Shares.

Alignvest Conditions to Closing

Under the terms of the Arrangement Agreement, Alignvest and Sagicor agreed that the obligations of Alignvest to complete the Sagicor Arrangement are subject to fulfillment, at or prior to the Effective Time, of, among others, each of the following conditions precedent, each of which may only be waived by Alignvest, to the extent permitted by applicable law:

(i) The representations and warranties of Sagicor contained in the Arrangement Agreement (without giving effect to any "materiality" or "Sagicor Material Adverse Effect" (as defined in the Arrangement Agreement) qualifiers) shall be true and correct in all respects as of the Effective Time with the same effect as of made as of the Effective Time (other than such representations and warranties that are made as of a specified date, which representations and warranties shall be true and correct as of such specified date), except where the failure of any such representations and warranties to be so true and correct has not had a Sagicor Material Adverse Effect.

(ii) Sagicor shall have performed or complied in all material respects with all of its obligations and covenants required to be performed or complied with by it under the Arrangement Agreement at or prior to the Effective Time.

(iii) Alignvest shall have received a certificate executed by the chief executive officer or chief financial officer of Sagicor, dated as of the Closing Date, certifying to the effect that the conditions set forth in the foregoing clauses (i) and (ii) have been duly satisfied.

(iv) Each of the Lock-up Agreements shall have been entered into and shall remain in full force and effect.

(v) Alignvest shall have received a certificate of Sagicor's transfer agent as to the number of Sagicor Preference Shares (as defined in the Arrangement Agreement) and Sagicor Common Shares that are issued and outstanding as of the Effective Time.

Sagicor Conditions to Closing

Under the terms of the Arrangement Agreement, Alignvest and Sagicor agreed that the obligations of Sagicor to complete the Sagicor Arrangement are subject to fulfillment, at or prior to the Effective Time, of, among others, each of the following conditions precedent, each of which may only be waived by Sagicor, to the extent permitted by applicable law:

(i) The representations and warranties of Alignvest contained in the Arrangement Agreement (without giving effect to any "materiality" or "Alignvest Material Adverse Effect" (as defined in the Arrangement Agreement) qualifiers) shall be true and correct in all respects as of the Effective Time with the same effect as of made as of the Effective Time (other than such representations and warranties that are made as of a specified date, which representations and warranties shall be true and correct as of such specified date), except where the failure of any such representations and warranties to be so true and correct has not had an Alignvest Material Adverse Effect.

(ii) Alignvest shall have performed or complied in all material respects with all its obligations and covenants required to be performed or complied with by it under the Arrangement Agreement at or prior to the Effective Time. If the Alignvest Arrangement and the Alignvest Continuance have both been approved, Alignvest shall be in a position to implement them as soon as practicable following the Effective Time; provided that the Bermuda Law bye-laws to be adopted by Alignvest in connection with the Alignvest Continuance shall be in a form acceptable to Alignvest and Sagicor, each acting reasonably.

(iii) Sagicor shall have received a certificate executed by the chief executive officer or chief financial officer of Alignvest, dated as of the Closing Date, certifying to the effect that the conditions set forth in the foregoing clauses (i) and (ii) have been duly satisfied.

(iv) Alignvest shall have entered into each of the Employment Agreements (as defined in the Arrangement Agreement) and (assuming the employee party thereto has entered into such Employment Agreement) each such Employment Agreement shall, conditional on the occurrence of the Effective Time, be in full force and effect.

(v) Alignvest shall have available immediately prior to the Effective Time a minimum cash amount (net of (i) Alignvest Expenses, (ii) amounts payable in respect of Alignvest Class A Restricted Voting Shares for which notices of redemption have been provided and not withdrawn, (iii) the amount equal to the number of Alignvest Class A Restricted Voting Shares for which Dissent Rights (as defined in the Arrangement Agreement) have been validly exercised and not withdrawn multiplied by the redemption amount per Alignvest Class A Restricted Voting Share to which redeeming Alignvest Shareholders are entitled, (iv) 50% of any broker fees or stock exchange fees payable in connection with the block trade over the Barbados Stock Exchange contemplated in the Sagicor Arrangement (with Scheme Shareholders at the Effective Time being responsible for the other 50%, as provided in the Sagicor Arrangement), and (v) any documentary, stamp, property transfer, transfer or other taxes (as set forth in Section 7.03(e) of the Alignvest Disclosure Schedule (as defined in the Arrangement Agreement) that may be payable by Alignvest pursuant to applicable Law in respect of its purchase of Scheme Shares) of at least US$220 million, consisting of: (i) money in Alignvest's escrow account; (ii) the amount received by Alignvest from the Alignvest Forward Purchase Agreements; and (iii) any amounts that Sagicor elects to provide to Alignvest, in Sagicor's sole and absolute discretion, to enable Alignvest to satisfy this requirement; which will be available for the sole purposes of (A) paying the Cash Consideration payable to the Cash Qualifying Scheme Shareholders pursuant to Section 2.12 of the Arrangement Agreement and the Scheme of Arrangement and (B) capitalizing Sagicor or its Subsidiaries upon the occurrence of the Effective Time; provided, however, that in the event that this minimum cash requirement is not met due to excessive redemptions of Alignvest Class A Restricted Voting Shares, (A) Alignvest shall use reasonable commercial efforts to seek to obtain additional debt or equity or other financing sufficient to restore Alignvest's cash level to meet this minimum cash requirement, or make other appropriate arrangements to seek to complete the Sagicor Arrangement and (B) Sagicor shall use reasonable commercial efforts to cooperate with Alignvest's efforts to seek to obtain such financing.

(vi) Subject to Section 6.06(c) of the Arrangement Agreement, each founder as at November 27, 2018 shall have entered into an agreement pursuant to which Alignvest shall have the automatic right to repurchase certain of such founder's Alignvest Class B Shares (which will become New Sagicor Common Shares following completion of the Alignvest Arrangement) in accordance with the terms and conditions set out in Section 6.06 of the Arrangement Agreement. Alignvest shall have caused each party to the initial Alignvest Forward Purchase Agreements (either directly or via the power of attorney granted to Alignvest in the initial Alignvest Forward Purchase Agreements) to agree to Alignvest exercising the automatic right of repurchase of their Alignvest Class B Shares (which will become New Sagicor Common Shares following completion of the Alignvest Arrangement) on the terms and conditions set out in Section 6.06 of the Arrangement Agreement.

(vii) In the event the transactions contemplated under the Arrangement Agreement constitute a Change of Control (as defined in the Note Indenture), Sagicor shall have received a waiver from the Holders (as defined in the Note Indenture) of a majority in principal amount of the Notes then outstanding of the obligation of Sagicor Finance (2015) Limited to make the Change of Control Offer (as defined in the Note Indenture) pursuant to Section 4.07 of the Note Indenture.

As described elsewhere in this prospectus, there is a risk that, in the event that redemptions of Alignvest Class A Restricted Voting Shares exceed 61% and, despite reasonable commercial efforts, Alignvest is unable to raise additional funds in the manner described in this prospectus, then Sagicor would be expected to terminate the Arrangement Agreement.

A more complete summary of the covenants contained in the Arrangement Agreement can be found in the management information circular to be mailed to Alignvest Shareholders in connection with the Alignvest Meeting. In addition, the full Arrangement Agreement can be found on Alignvest's profile on SEDAR at www.sedar.com.

Termination of the Arrangement Agreement

The Arrangement Agreement may be terminated prior to the Effective Time by:

(i) the mutual written agreement of Alignvest and Sagicor;

(ii) either Alignvest or Sagicor if:

a. the Effective Time shall not have occurred on or before the Outside Date; provided that, if on the Outside Date certain of the mutual conditions contained in the Arrangement Agreement, as set forth in the "Mutual Conditions to Closing" section above in paragraphs (iv), (vi), (vii), (viii), (ix), and (x) (to the extent relating to the matters set forth above in paragraphs (vi), (vii), (viii), or (ix)), shall not have been satisfied but all other conditions precedent shall have been satisfied or waived (other than those conditions that by their terms are to be satisfied at the Effective Time, but provided that such conditions shall then be capable of being satisfied if the Effective Time were to occur on the Outside Date), then the Outside Date may be extended by either Party by delivery of written notice to the other Party to July 31, 2019 and such date shall become the Outside Date for purposes of the Arrangement Agreement; and provided, further that, the right to terminate the Arrangement Agreement pursuant to this section shall not be available to any Party if the failure of the Effective Time to occur on or before the Outside Date is caused by a failure of such Party to perform any of its obligations under the Arrangement Agreement required to be performed at or prior to the Effective Time and such action or failure to perform constitutes a breach in any material respect of the Arrangement Agreement;

b. a Governmental Authority of a competent jurisdiction shall have issued a final and non-appealable Order having the effect of permanently restraining, enjoining or otherwise prohibiting the consummation of the Sagicor Arrangement; provided that the right to terminate the Arrangement Agreement pursuant to this section shall not be available to a Party if the issuance of such final, non-appealable Order is caused by a failure of such Party to perform or comply with any of its obligations or covenants under the Arrangement Agreement; and provided, further that the Party seeking to terminate the Arrangement Agreement pursuant to this section shall have complied with its obligations under Section 6.02 of the Arrangement Agreement to prevent, oppose or remove such Order; or

c. if the permitted timeline (as it may be extended) expires;

(iii) Alignvest if:

a. a breach of any representation or warranty or failure to perform any covenant or agreement on the part of Sagicor under the Arrangement Agreement occurs that would cause any closing condition to the obligation of Alignvest to effect the Sagicor Arrangement not to be satisfied, and such breach or failure is incapable of being cured by the Outside Date, and Alignvest is not then in breach of the Arrangement Agreement so as to cause any closing condition to the obligation of Sagicor to effect the Sagicor Arrangement not to be satisfied, or any closing condition to the obligation of Alignvest to effect the Sagicor Arrangement is otherwise not able to be satisfied; or

b. Sagicor's board of directors fails to unanimously recommend or withdraws, amends or modifies the Sagicor Board Recommendation (as defined in the Arrangement Agreement) or publicly proposes or states its intention to do so;

(iv) Sagicor if:

a. if the board of directors of Sagicor authorizes Sagicor to enter into a written agreement (other than an Acceptable Sagicor Confidentiality Agreement (as defined in the Arrangement Agreement)) with respect to a Superior Sagicor Proposal (as defined in the Arrangement Agreement), provided that Sagicor is then in compliance with Section 5.06 and Section 5.09 of the Arrangement Agreement and that prior to or concurrent with such termination Sagicor acknowledges its obligation to pay the Termination Fee (as defined in the Arrangement Agreement) in accordance with Section 8.04 of the Arrangement Agreement;

b. a breach of any representation or warranty or failure to perform any covenant or agreement on the part of Alignvest under the Arrangement Agreement occurs that would cause any closing condition to the obligation of Sagicor to effect the Sagicor Arrangement not to be satisfied, and such breach or failure is incapable of being cured by the Outside Date, and Sagicor is not then in breach of the Arrangement Agreement so as to cause any closing condition to the obligation of Alignvest to effect the Sagicor Arrangement not to be satisfied, or any closing condition to Sagicor's obligation is otherwise not able to be satisfied; or

c. the board of directors of Alignvest fails to recommend or withdraws, amends or modifies the Alignvest Board Recommendation (as defined in the Arrangement Agreement) or publicly proposes or states its intention to do so.

Principal Steps of the Alignvest Arrangement

Under the Alignvest Plan of Arrangement, commencing at the Effective Time (as defined in the Plan of Arrangement), the following principal steps, among other things, shall occur in the following order:

(i) any Alignvest Class A Restricted Voting Shares held by a Redeeming Alignvest Shareholder who duly exercised his, her or its redemption rights in accordance with the constating documents of Alignvest shall be redeemed and cancelled and such Alignvest Class A Restricted Voting Shares shall cease to be outstanding, and each such Redeeming Alignvest Shareholder shall cease to have any rights as an Alignvest Shareholder other than the right to be paid the redemption amount for their Alignvest Class A Restricted Voting Shares in accordance with the constating documents of Alignvest and the Escrow Agreement;

(ii) the Alignvest Forward Purchases shall become effective, as shall any agreements with any other persons who agree with Alignvest after the date of the Arrangement Agreement and at or before the Alignvest Effective Time to purchase securities of Alignvest;

(iii) consistent with the articles of Alignvest, each non-redeemed Alignvest Class A Restricted Voting Share and each Alignvest Class B Share that is outstanding at the Alignvest Effective Time that is legally and/or beneficially held by a Participating Alignvest Shareholder shall be converted into one New Sagicor Common Share;

(iv) the terms of the Alignvest Warrants shall be deemed to be amended to be share purchase warrants to acquire New Sagicor Common Shares 30 days following the Alignvest Effective Date, at an exercise price of C$11.50 per share, but otherwise unamended;

(v) at the Effective Time, the Sagicor Arrangement will become effective;

(vi) each unvested common share of Sagicor under the Sagicor Share Plans that is outstanding at the Effective Time will, in accordance with its terms, be exchanged for or become a right, subject to the applicable vesting conditions being satisfied, to receive from New Sagicor the number of New Sagicor Common Shares equal to the product of the Exchange Ratio multiplied by the number of such common shares of Sagicor, rounded down to the nearest whole number of New Sagicor Common Shares, and subject to the foregoing, the term of expiry, vesting conditions, and all other terms and conditions of the right to receive such New Sagicor Common Shares will be the same as the terms and conditions of such grant under such Sagicor Share Plan, and any document or agreement previously evidencing such grant under such Sagicor Share Plan shall thereafter evidence and be deemed to evidence such right to receive New Sagicor Common Shares;

(vii) each option to acquire common shares of Sagicor under a Sagicor Share Plan (a "**Sagicor Option**") to acquire common shares of Sagicor that is outstanding at the Alignvest Effective Time (and that is not exercised for common shares of Sagicor prior to the Alignvest Effective Time) and will, in accordance with its terms, be exchanged for or become an option (a "**Replacement Option**") to purchase New Sagicor Common Shares equal to the product of the Exchange Ratio multiplied by the number of common shares of Sagicor that may be purchased as if such Sagicor Option were exercisable and exercised immediately prior to the Alignvest Effective Time. Such Replacement Option shall provide for an exercise price per New Sagicor Common Share equal to the exercise price per common share of Sagicor of such Sagicor Option immediately prior to the Alignvest Effective Time divided by the Exchange Ratio. If the foregoing calculation results in a Replacement Option being exercisable for a fraction of an New Sagicor Common Share, then the number of New Sagicor Common Shares subject to such Replacement Option shall be rounded down to the next whole number of New Sagicor Common Shares and the total exercise price for the Replacement Option will be reduced by the exercise price of the fractional New Sagicor

Common Shares. Subject to the foregoing, the term to expiry, conditions to and manner of exercising, vesting schedule, and all other terms and conditions of such Replacement Option will be the same as the terms and conditions of such Sagicor Option, and any document or agreement previously evidencing such Sagicor Option shall thereafter evidence and be deemed to evidence such Replacement Option;

(viii) Alignvest shall be authorized to apply to the Director to continue from the laws of Ontario to the laws of Bermuda; and

(ix) at the time that a certificate of continuance for Alignvest is issued by the Registrar of Companies in Bermuda under the BCA Alignvest shall be continued in Bermuda as an exempted company.

Principal Steps of the Sagicor Arrangement

(i) At the Effective Time, in consideration of the rights of the Scheme Shareholders under the Sagicor Arrangement and in exchange for each Scheme Share issued and outstanding immediately prior to the Effective Time and notwithstanding any term of any relevant document, the following shall occur:

a. all the Scheme Shares shall be transferred to Alignvest, together with all rights and entitlements attaching to them as at the Effective Time without the need for any further act by any Scheme Shareholder, and free and clear of all liens, claims and encumbrances;

b. each holder of Scheme Shares at the Effective Time shall cease to be the holder of such Scheme Shares and shall cease to have any rights as a holder of such Scheme Shares and each such holder's name will be removed from the Register of Members and New Sagicor will be recorded as the registered holder of all of the Scheme Shares in the Register of Members and will be deemed to be the legal and beneficial owner of such Scheme Shares, free and clear of all liens, claims and encumbrances;

c. in exchange for the Scheme Shares the Company shall procure that New Sagicor shall issue and allot or pay (as applicable) the Scheme Consideration to the Scheme Shareholders as follows:

i. in respect of the Cash Consideration, to those eligible shareholders, cheques for payment of the Cash Consideration will be made to each Cash Qualifying Scheme Shareholder as soon as possible but in any event within 30 business days following this Scheme becoming effective;

ii. in respect of the First Share Consideration, New Sagicor shall, as at the Effective Time, allot and issue, credited as fully paid, free and clear of all liens, claims and encumbrances, the relevant Share Consideration to each Share Qualifying Scheme Shareholder that elected to receive First Share Consideration or that did not make a valid election by the Election Deadline (as defined in the Sagicor Arrangement), whereupon such Share Qualifying Scheme Shareholder shall become a registered holder of New Sagicor Common Shares; and

iii. in respect of the Other Share Consideration, New Sagicor shall, as at the Effective Time, allot and issue, credited as fully paid, free and clear of all liens, claims and encumbrances, the relevant Share Consideration to such Share Qualifying Scheme Shareholder whereupon such Share Qualifying Scheme Shareholder shall become a registered holder of New Sagicor Common Shares.

(ii) The Specified Number has been determined based on the number of Scheme Shares issued to the Scheme Shareholders existing at or about the time of execution of the Arrangement Agreement and assuming that (i) all of such Scheme Shareholders were entitled to and fully elected to receive the Cash Consideration in respect of up to their first 10,000 Scheme Shares; and (ii) that such number of Scheme Shares continued to be held by the Scheme Shareholders at the Election Record Date and at the Effective Time. In the event that the aggregate amount of Cash Consideration elected by Cash Qualifying Scheme Shareholders is, together with any amount payable under clause 3 below and under Section 7.03(e) of the Arrangement Agreement, greater than US$205 million (or such other amount as Alignvest and Sagicor mutually agree, with a potential floor as Alignvest and Sagicor may mutually agree), then the Specified Number shall be adjusted in accordance with Section 2.12(b) of the Arrangement Agreement.

(iii) In the event that it would be contrary to applicable Laws to offer or pay the First Share Consideration or the Other Share Consideration in respect of Scheme Shares held by a Person located in any jurisdiction, both Alignvest and Sagicor may take such action as either may deem necessary to comply with such Laws, and in addition or in the alternative Alignvest may in its discretion pay US$1.75 per each such Scheme Share if it determines that compliance with such Laws would be excessively costly or impractical, acting reasonably.

New Sagicor

New Sagicor will own 100% of Sagicor. Sagicor is a leading provider of insurance products and related financial services in the Caribbean region, mainly in Barbados, Jamaica and Trinidad and Tobago. Sagicor also provides life insurance and annuity products in the United States, as well as banking services in Jamaica. Sagicor's wide range of products and services include life and health insurance, annuities, pension investment and administration, property and casualty insurance, asset management, commercial and retail banking, investment management and other financial services. The Sagicor Common Shares are currently publicly listed on the Barbados Stock Exchange, the Trinidad and Tobago Stock Exchange and, via depositary interests, the London Stock Exchange. The Sagicor Common Shares are expected to be delisted on such exchanges upon completion of the Sagicor Arrangement. See "*The Business of Sagicor*" and "*Risk Factors*".

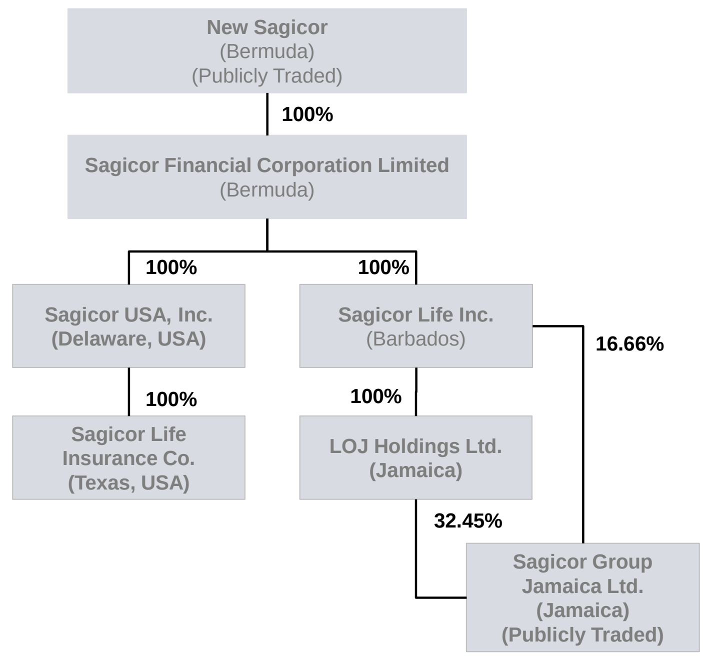
In connection with the Transaction, New Sagicor will continue out of the jurisdiction of Ontario under the OBCA and into the jurisdiction of Bermuda under the BCA. Bermuda is a sophisticated U.K.-style common law English-speaking, first world and democratic jurisdiction with a thriving insurance sector. For a discussion on certain differences between the OBCA and the BCA, please refer to Appendix M. Since two of Sagicor's material subsidiaries, namely, Sagicor Life and Sagicor Jamaica, are incorporated in Barbados and Jamaica, respectively, Appendix N briefly compares the differences in rights available to shareholders under Canadian corporate law relative to Barbados and Jamaica corporate law.

The head office of New Sagicor will be located at Cecil F De Caires Building, Wildey, St. Michael, Barbados. The books and records, including the minute books, corporate seal (if applicable) and corporate records, of New Sagicor will be located at Clarendon House, 2 Church Street, Hamilton HM11, Bermuda. There will be no restrictions on the access of such records by the New Sagicor Board. New Sagicor will be a reporting issuer in all of the provinces and territories of Canada other than Québec, as well as in certain Caribbean jurisdictions.

Inter-corporate Relationships

The organizational chart below indicates the proposed inter-corporate relationships of New Sagicor and its material subsidiaries, including their jurisdiction of incorporation in parentheses, after giving effect to the Transaction.

New Sagicor's Corporate Structure



Since Sagicor will be wholly-owned by New Sagicor following the closing of the Transaction and is expected to have the same directors and executive officers as New Sagicor, it is expected that the board of directors of New Sagicor will be able to, subject to applicable law, cause Sagicor to transfer the requisite funds in connection with satisfying New Sagicor's expenses and other obligations. If funds were available and required to be provided for this purpose by Sagicor Jamaica, then the board of directors of Sagicor Jamaica could determine to provide a loan to Sagicor or New Sagicor or could determine to pay a dividend. If a dividend were paid, then the minority shareholders of Sagicor Jamaica would receive their pro rata share thereof. If funds were not available at the level of Sagicor Jamaica, they could be loaned to Sagicor Jamaica from its operating subsidiaries or such operating subsidiaries could determine to pay a dividend, in each case, subject to any applicable regulatory and/or board approvals. Sagicor and New Sagicor could also obtain needed funds from their other, wholly-owned, subsidiaries without the complexities arising from minority shareholders applying.

Expected Accounting Treatment

While Alignvest is the legal acquirer of Sagicor, Sagicor has been identified as the acquirer for accounting purposes. As Alignvest does not meet the definition of a business as defined in IFRS 3 – Business Combinations ("**IFRS 3**"), the acquisition is not within the scope of IFRS 3 and is accounted for as a share-based payment transaction in accordance with IFRS 2 – Share-based Payments ("**IFRS 2**"). The transaction will be accounted for as the continuance of Sagicor with recognition of the identifiable assets acquired and the liabilities assumed of Alignvest at fair value. Under IFRS 2, the transaction is measured at fair value of the common shares deemed to have been issued by Sagicor in order for the ownership interest in New Sagicor to be the same as if the transaction had taken the legal form of Sagicor acquiring 100% of Alignvest. Any difference in the fair value of the common shares deemed to have been issued by Sagicor and the fair value of Alignvest's identifiable net assets acquired and liabilities assumed represents a Transaction Cost.

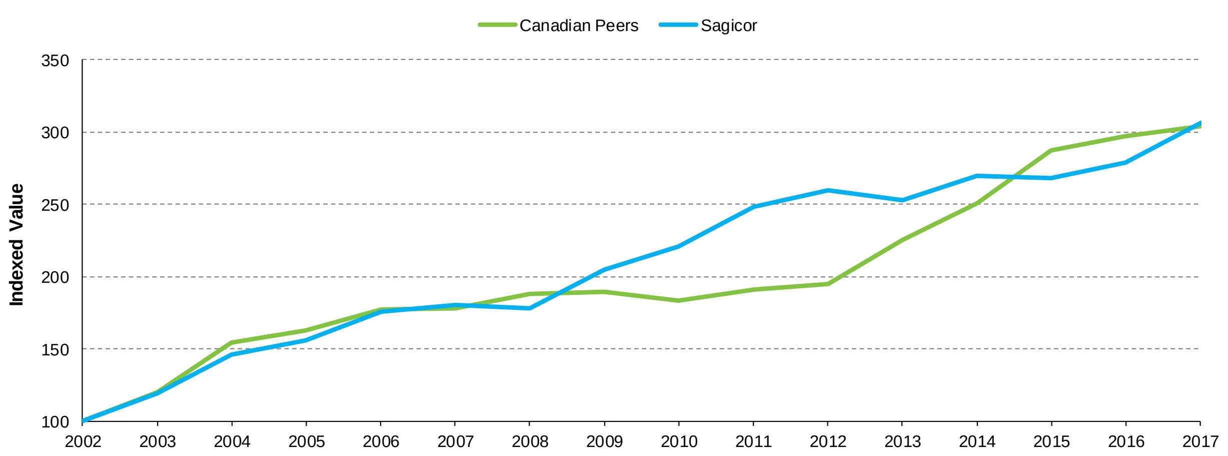
INDUSTRY OVERVIEW

Sagicor is a provider of life insurance and ancillary financial products. The Company's largest markets include Jamaica, the Southern & Eastern Caribbean, and the United States, which represented 46%, 28%, and 13% of Sagicor's 2017 revenues, respectively.

The life-insurance industry constitutes a significant part of the global economy and the financial services industry. Notably, the life insurance market is global in nature and many large life insurers domiciled in either Canada or in the United States have well-established subsidiaries outside of their home country that generate a significant proportion of their revenue and earnings from abroad. For example, based on market research, in the second quarter of 2018, Manulife Financial Corporation, Great-West Lifeco Inc., and Sun Life Financial Inc., three of Canada's largest life insurance companies, generated ~55% to ~80% of their normalized earnings from outside of Canada. Based on market research, in the United States, approximately one-third of the business mix of 13 leading life insurance companies[4] is comprised of international operations.

Life insurance companies have a unique business model relative to other financial service companies. Because the vast majority of a life insurer's assets are invested conservatively in longer-term fixed income investments, to appropriately match the long-dated tenor of their liabilities, life insurers are generally insulated from shorter-term market volatility. The effect of this insulation is particularly evident during severe market turbulence, such as the 2008 financial crisis. During this time, many financial services companies, including investment banks, depositories, and thrifts, faced significant liquidity pressures as institutional and retail clients withdrew their account balances and deposits, and in doing so severely constricted the core funding sources of those businesses. However, because the majority of life insurers do not rely on short-term funding sources, most of them were not nearly as negatively affected by the situation. To illustrate, the SNL U.S. Insurance Life and Health Index outperformed the S&P Financials index by 7% during the 2008 economic crisis.[5] Importantly, Alignvest and Sagicor believe that this differentiated business model, and the corresponding reduction in short-term volatility, is one of the factors that allows life insurance companies to grow book value per share consistently over time, as illustrated in the table below.

Consistent Book Value per Share Growth[6]



[4] Includes Aflac Incorporated, Ameriprise Financial Inc., Athene Holding Ltd., Brighthouse Financial, Inc., CNO Financial Group Inc., Lincoln National Corporation, MetLife, Inc., Principal Financial Group Inc., Prudential Financial, Inc., Reinsurance Group of America Inc., Torchmark Corporation, Unum Group, and Voya Financial Inc. Based on 2018E business mix.
[5] Calculated using price performance from 1/1/2008 to 12/31/2008.
[6] Sagicor calculation based on change in book value per share adjusted for discontinued operations. Canadian peers include: Great-West Lifeco Inc., Sun Life Financial Inc., Industrial Alliance Insurance and Financial Services Inc., and Manulife Financial Corporation.

In addition to the structural advantages of the life insurance business model, there are meaningful industry tailwinds that Alignvest and Sagicor expect will have a positive influence on both the industry, broadly, and on the Company's specific markets, each of which is discussed in greater detail below:

- the aging of the global population is increasing the need for income generation and capital protection products, which life insurers are well-positioned to provide;

- high government debt levels are likely to result in reduced government sponsored healthcare and retirement benefits, which will create an opportunity for individual and group health insurance products as well as life insurance savings products to meet these needs; and

- corporate defined benefit plans are likely to be restructured over time. For example, the Employee Benefit Research Institute estimates that in the U.S. participation in an employment-based defined benefit plan among private sector workers declined from 38% in 1979 to 13% in 2013. Sagicor's U.S. life insurance industry should benefit from this through its group benefits businesses, which provide pension de-risking options for defined benefit plans.

The following is a brief industry overview of each of the markets in which Sagicor operates.

Jamaica

Jamaica is a former British colony that gained independence in 1962. After achieving independence, Jamaica established a political and legal system which closely resembles that of the United Kingdom. The insurance industry in Jamaica is regulated by FSCJ under the Financial Services Act.

The Jamaican economy is heavily dependent on services, which account for almost 70% of GDP. Per Moody's, in 2017, the GDP per capita was approximately US$5,193.

According to the Life Insurance Company Association of Jamaica, the Jamaican insurance market is one of the largest in the English-speaking Caribbean, based on life insurance premiums written. Per BMI Research, the life insurance segment constitutes the largest part of the overall Jamaican insurance market, accounting for roughly 57% of total written insurance premiums in 2017. Per BMI Research, estimated life insurance premiums in 2017 reached US$412 million following a year over year rise of 7.3% on a constant currency basis. The life insurance segment is expected to benefit from Jamaica's improving economic environment, as improvements in the disposable incomes of households may transfer to an increase in demand for life and non-life insurance products.

In Jamaica, Sagicor provides life insurance, critical illness and health insurance, annuities, pension administration, investment management, securities dealing, and commercial banking products and services.

Southern & Eastern Caribbean

Sagicor's Southern Caribbean operations include Trinidad and Tobago and Barbados. The Company's operations in the Eastern Caribbean are conducted in seven territories: Antigua, Anguilla, the Commonwealth of Dominica, St. Lucia, Grenada, St. Kitts and Nevis, and St. Vincent. Of these operations, Trinidad and Tobago and Barbados are the largest. Sagicor no longer writes new business in Anguilla.

Trinidad and Tobago is a former British colony that gained independence in 1962. In 1976, the country became a republic with a parliamentary democracy. The insurance industry in Trinidad and Tobago is regulated by the Central Bank of Trinidad and Tobago. It is an English-speaking and U.K. common law-based democratic jurisdiction with insurance and banking regulators and stock exchanges.

Trinidad and Tobago relies on its energy sector for much of its economic activity. Oil and related downstream industries are the country's main economic drivers. Per Moody's, GDP per capita was approximately US$16,110 in 2017.

By regional Caribbean standards, the Trinidadian insurance sector is well developed. Positive economic and demographic trends are likely to underpin steady growth across the majority of major insurance product lines in the near future in addition to the continued emergence of smaller insurance product lines, such as health and personal accident insurance.

Barbados is an English-speaking former British colony that gained independence in 1966. Its government is a parliamentary democracy under a constitutional monarchy, and it is a U.K. common law-based jurisdiction. As is the case in Jamaica, the Barbados Financial Services Commission regulates non-bank financial institutions (including insurance companies) and the securities industry under the Financial Services Commission Act.

Barbados is one of the most developed countries in the region with a GDP per capita of approximately US$17,858 in 2017, per Moody's. Tourism is the main economic driver in Barbados and indirectly drives activity in construction, distribution and business and general services sectors. Foreign direct investment also drives economic activity in Barbados particularly in the construction and business and general services sectors.

The insurance industry in Barbados benefits from a high-quality financial infrastructure and absence of taxes on offshore businesses. Per BMI Research, the estimated 2017 life insurance premiums written were US$126 million following a year over year rise of 3.2% on a constant currency basis. Evolving demographic factors and growing trends towards private healthcare spending and savings and investment activity are expected to create further opportunities for insurers in the health and personal accident and life insurance segments.

In Trinidad and Tobago and Barbados, Sagicor provides life, critical illness and health insurance, annuities, pension investment, and pension administration services.

United States

The United States is the world's largest economy and center of global trade and finance, supported by flexible markets and highly developed financial infrastructure. The U.S. economy continues to expand at a robust pace driven by increasing private consumption and business fixed investment, supported in part by fiscal stimulus from the US$1.5 trillion tax cut package approved in December 2017. Continued strength in the economy has resulted in the U.S. unemployment rate declining to 3.7% (lowest level since 1969) with an annualized Q3 2018 GDP growth rate of 3.5% for the nine months ended September 30, 2018, per the U.S. Bureau of Labor Statistics and the U.S. Bureau of Economic Analysis.

The insurance industry in the United States is subject to regulation and supervision by state insurance regulators. Although the United States federal government does not directly regulate the insurance business at this time, United States federal legislation, administrative policies and court decisions can affect the insurance industry in the United States.

The United States represents the largest individual insurance market in the world. The U.S. life insurance market has US$2.75 trillion in total assets in annuities and approximately US$12.0 trillion of individual life insurance in-force. Alignvest and Sagicor believe that the shift away from defined benefit plans and the concern over government social safety net programs, occurring at a time of significant demographic change in the aging of the population in the United States, present an opportunity to assist individuals in planning for their long-term financial security. According to IRI, each day 10,000 Americans reach the age of 65 and this is expected to continue through at least 2030. Furthermore, an estimated fifty percent of households have no retirement savings in a defined contribution plan, and Social Security is expected to replace only 40% of an individual's pre-retirement earnings. Alignvest and Sagicor believe that the Company's retirement-focused asset accumulation business will likely benefit from this trend.

In the US, Sagicor markets life insurance and annuity products to individuals.

REGULATORY OVERVIEW

Since New Sagicor will not be an operating company, it will not require licenses or permits to operate the Group's businesses. However, in general, Sagicor is subject to regulation by different regulatory bodies in each of the jurisdictions in which it transacts business. Notwithstanding the varying degrees of regulation, the Caribbean region has shown a tendency to harmonize legislation and increase cross-border collaboration in insurance and banking regulation. Most of the Caribbean countries in which Sagicor does business have embraced the international principles promoted by the International Association of Insurance Supervisors ("**IAIS**") and the regional economic integration initiatives advanced by the Caribbean Single Market and Economy.

Sagicor's banking business is subject to extensive regulation and supervision by the applicable regulatory authorities in Jamaica. In addition, Sagicor's banking business follows the principles of Basel II and the Sagicor Group is subject to the various financial institution acts in the jurisdictions in which it operates.

Sagicor also seeks to comply with the principles approved by the Financial Action Task Force on Money Laundering ("**FAFT**") and Caribbean Financial Action Task Force ("**CFATF**") on anti-money laundering and anti-terrorist financing procedures.

While governments and insurance and banking regulators are able to impose restrictions from time to time, absent financial distress or major regulatory breaches or based on financial sector "fit and proper" criteria, unwarranted material restrictions on Sagicor's ability to operate its business are not viewed as a material risk. Other than insurance and banking regulations, there are not perceived to be any material laws and/or customs that would affect the ownership of Sagicor's material assets, which are primarily located in the U.S., Barbados, Trinidad and Tobago, and Jamaica.

The following is a brief regulatory overview of the primary jurisdictions in which Sagicor operates.

Caribbean

Barbados

The industry is regulated by the Insurance Division of the Barbados Financial Service Commission (as authorized by the Financial Services Commission Act, 2010-21), which is responsible for the supervision and regulation of insurance businesses in Barbados. The statutory framework relating to the licensing and administration of insurance companies is the Insurance Act Cap 310 (the "**Barbados Insurance Act**").

Relevant Regulations

Pursuant to the continuing reporting obligations under the Barbados Insurance Act, licensed insurance companies in Barbados are required to provide information to the Financial Services Commission of Barbados ("**FSCB**") on an ongoing basis. Such information includes both corporate and financial information such as copies of the annual report, signed and audited annual financial statements, annual financial returns, and other monthly, quarterly and annual financial information that must be filed with the FSCB 90 days following the close of the financial year end. Annual returns must be filed with the FSCB within four months following the financial year end. The FSCB analyzes this information and conducts examinations of insurance companies. In line with the IAIS principles, the FSCB has moved increasingly towards applying a risk-based supervisory methodology for assessing financial institutions. As such, the individual characteristics of a financial institution such as size, scope, complexity, and risk profile of an institution are taken into account. In applying this framework, the FSCB assesses the net risk of an institution by assessing the manner in which inherent risks are mitigated by the quality of risk management for each significant activity of the institution. Inherent risks include credit, market, liquidity, insurance, operational, legal and regulatory, and strategic risk. In determining a company's overall financial condition, the FSCB looks at, among other things, the earnings performance and adequacy of capital. The FSCB assesses each of these areas and makes recommendations to the company with respect to any situations that may need improvement. Failure to maintain minimum capital levels may result in a directive to increase or take some other action to rectify any capital deficiency.

The Barbados Insurance Act mandates minimum capital and solvency requirements on all insurance companies insuring risks located within Barbados and in respect of which premiums originate within Barbados. The current solvency test requires general insurance companies to maintain assets that exceed liabilities by the greater of BBD$500,000 or 25% of the written premium in the prior year. Minimum capital requirements are imposed on insurance companies under the Barbados Insurance Act which require: companies that carry on long term insurance business to have a minimum paid-up share capital of not less than BBD$3 million; companies that carry on general insurance business to have a minimum paid-up share capital of not less than BBD$3 million; and companies that carry on both long-term and general insurance business to have a minimum paid-up share capital of not less than BBD$5 million. Insurance companies that propose to carry on long-term insurance business are also required to deposit with the FSCB a sum of BBD$1 million and in the case of insurance companies that propose to carry on general insurance business the deposit must be an amount equal to 40% of the premium income of the company with respect to the general insurance business of the company in Barbados during the financial year last preceding the date of deposit, but not less than BBD$250,000 and not more than BBD$1 million.

The FSCB has developed several guidelines for insurance companies operating in Barbados. These guidelines include corporate governance, internal controls and risk management, market conduct, related parties, asset valuation, and statutory reporting. These guidelines will set out requirements for the board of directors, senior management, the risk management framework, internal controls, and independent oversight in respect of corporate governance. The FSCB has also developed a guideline for anti-money laundering and combating financing terrorism. This guideline covers all non-banking institutions for which the FSCB has responsibility.

New Regulatory Developments

As part of an OECD anti-base erosion and profit shifting initiative in respect of ring-fencing, the prior bifurcation of exempt insurance and domestic insurance business has been removed, and all entities will now be licensed within a specific class under the Barbados Insurance Act.

Jamaica

Relevant Insurance Regulations

Insurance companies operating in Jamaica are required to provide the Financial Services Commission of Jamaica ("**FSCJ**") with information on a monthly, quarterly, half-yearly and annual basis. Annual filing requirements include the filing of both corporate and financial information such as copies of the annual report, audited annual financial statements, annual financial returns, the reports of the actuary, the company's investment and lending policies, summary of significant suits and claims against the company and certifications from the company's independent auditor and actuary. The Jamaica Insurance Act also requires the company to publish a copy of its audited financial statements in a daily newspaper with national circulation in Jamaica within 14 days of making the filing of its annual statements. In addition, Sagicor is required to file with FSCJ an audited consolidated balance sheet and income statement for the group parent, as is required for insurance companies that are associated with other companies in a group.

In line with international core principles advanced by the IAIS, the FSCJ has been moving towards a more risk-based approach to insurance regulation. As part of this risk-based approach to supervision, insurance companies are required to have a minimum paid-up and unencumbered capital, surplus, reserve or equivalent fund of J$150,000,000 if they intend to operate life and/or sickness and health insurance business and J$90,000,000 if they intend to operate a general insurance business. Life and/or sickness and health insurance providers are also required to satisfy a MCCSR of 100%, while general insurance companies must satisfy solvency requirement in the form of a Minimum Asset Test of 100%.

Insurance companies operating in Jamaica are also required to deposit a minimum of J$90,000,000 if they carry on life and/or sickness and health insurance and J$45,000,000 if they intend to do general insurance. The deposit must consist of cash, unencumbered securities of, or guaranteed by, the Government or Jamaica; other securities, at an accepted value and on the conditions established by FCSJ or a combination of the foregoing.

In order to ensure corporate responsibility, the FSCJ requires insurance companies to establish audit, conduct review and investment and loan committees to oversee their respective areas. In addition, all persons managing or controlling the company are required to complete and submit to the FSCJ a “Fit and Proper” questionnaire. The FSCJ closely monitors transactions with related parties of the company to ensure that where these do not exceed the statutory limit of 5% of total assets.

Jamaican insurance regulators have increasingly embraced the international core principles of the IAIS. Such principles continue to influence the FSCJ in increasing their level of scrutiny and control over the insurance industry.

Relevant Banking Regulations

The Banking Services Act (“**BSA**”) and its regulations contain provisions governing the supervision, licensing and operations of deposit-taking institutions (including banks) and financial holding companies in Jamaica.

The current regulatory structure for the banking and financial services sector in Jamaica prescribes, in addition to other requirements and restrictions, compulsory reserve requirements and capital adequacy requirements. Sagicor’s commercial banking subsidiary is licensed under the BSA and Sagicor Investments is registered and operates under the Securities Act of the laws of Jamaica and supporting regulations.

The Bank of Jamaica Act

The provisions of the Bank of Jamaica Act relevant to banks include prescriptions concerning the cash reserve deposits with the Bank of Jamaica and liquid assets to be maintained. Except as notified by the Bank of Jamaica pursuant to Section 28 of the Bank of Jamaica Act, a bank or other deposit-taking institution operating in Jamaica must maintain a cash reserve deposit with the Bank of Jamaica equivalent to between 5% and 25% of its liabilities as may be prescribed by the Bank of Jamaica. The current rate prescribed by the Bank of Jamaica is 12%. Where a bank or other deposit-taking institution fails to maintain such cash reserve deposit, the bank or other deposit-taking institution must pay interest to the Bank of Jamaica at a rate prescribed by the Bank of Jamaica from time to time which currently stands at 45% per annum on the amount of the deficiency of the cash reserve deposit.

Other than as notified by the Bank of Jamaica pursuant to Section 29 of the Bank of Jamaica Act, every bank or other deposit-taking institution must ensure that its liquid assets do not fall below the percentage of its liabilities prescribed under the section. Currently, the prescribed percentage is 15%. Failure by a bank or other deposit-taking institution to maintain the required amounts as liquid assets will result in an interest charge at a rate prescribed by the Bank of Jamaica.

Under current banking regulatory regime, commercial banks in Jamaica are required, inter alia, to maintain, on a daily basis, a capital adequacy ratio of at least 10% (that is to say the ratios of its regulatory capital (the numerator) and the aggregate of its (i) risk-weighted balance sheet assets, (ii) off-balance sheet items, (iii) funds under management and (iv) foreign exchange exposure (the denominator)). The ratio is calculated on a consolidated basis. Notably, retained earnings are excluded from regulatory capital although allowed under BASEL II and BASEL III.

If a bank’s capital adequacy ratio falls to 11%, the Supervisor under the BSA shall issue an early warning notice requesting the bank to restore the ratio within a specified period above the benchmark trigger. If that is not done, the directors of the bank will be required to give personal undertakings to take capital restoration action as may be mandated by the Supervisor.

As at November 30, 2018, Sagicor Bank’s capital ratio stood at 13.90%. The current banking regulations are based on BASEL 1 and the Supervisory Department of the Bank of Jamaica has confirmed that they intend to transition to BASEL II and BASEL III. Accordingly the capital adequacy ratio is expected to increase. The local press has reported the Bank of Jamaica as saying that it does not foresee adoption of the more stringent BASEL IV in the foreseeable future.

Licensed securities dealers (which provide investment banking services) are also required under Securities (Prudential) Regulations, 2014 to maintain a capital adequacy ratio of 10%. The FSCJ has an early warning benchmark of 14% and if that is triggered, the securities dealer is required to provide the FSCJ with a plan outlining steps that will be taken to prevent further deterioration in the ratio. The capital adequacy ratio of Sagicor Investments stood at 14.1% as at November 30, 2018.

Under the BSA, regulatory limits for loans or credit are computed based on percentages of regulatory capital. Regulatory capital is defined as Tier 1 Capital plus Tier 2 Capital less deductions prescribed under applicable regulations under the BSA. As of November 30, 2018, Sagicor Bank's regulatory capital was J$13,200,129,000.

In addition, the Bank of Jamaica imposes continuing and periodic reporting requirements on licensed banks. Sagicor Bank and Sagicor Investments are required to submit weekly, monthly and quarterly regulatory reports to the Bank of Jamaica and are also subject to periodic on-site reviews and meetings with management with the Bank of Jamaica.

Jamaica is considered to be a "co-operative jurisdiction" for purposes of combating money laundering and terrorist financing as determined by the Financial Action Task Force and has enacted legislation substantially in compliance with its 40 recommendations. Consequently, Jamaica has anti-money laundering legislation which generally incorporates the following features:

- criminalizing money laundering;
- providing for an expansive definition of "money laundering" to include proceeds of crime and not just proceeds of illegal drug trafficking;
- allowing the seizure for proceeds of crime and freezing of bank accounts;
- establishing an anti-money laundering authority or financial intelligence unit to fight money laundering and allowing that authority to share information with similar authorities in other countries; and
- regulating a number of persons and entities as "financial institutions" for the purpose of anti-money laundering statutes, including banks, trusts, insurance companies, accountants, and lawyers.

Under the Bank of Jamaica's guidance notes on the detection and prevention of money laundering and terrorist financing and the guidelines for anti-money laundering & counter-financing of terrorism issued by the financial services commission, Sagicor Bank and Sagicor Investments are required to have a compliance officer whose responsibility it is to ensure conformity with the legislation and regulatory guidance. In addition, periodic reviews are conducted by internal audit to test adherence to Sagicor Bank and Sagicor Investments' anti-money laundering policies and reporting. A report is tabled annually to the board of directors. Background checks and police reports are conducted on employees prior to employment.

Jamaica also imposes common law requirements to keep matters concerning a customer's affairs confidential and not to disclose information obtained during the banking relationship without the express or implied consent of the customer or where required to do so under compulsion of law, when it is in the interest of the banker to do so, or when it is in the public's interest to do so. Disclosure of confidential information outside of these narrow exceptions can create civil liability to the bank in all locations where it operates. Accordingly, Sagicor Jamaica requires all employees to execute confidentiality agreements, maintain adequate security controls over Sagicor Jamaica's physical and electronic records, shred documents and annually destroy physical records beyond seven years, the period required by law to maintain client information.

New Regulatory Developments

Jamaican insurance regulators have increasingly embraced the international core principles of the IAIS. Such principles continue to influence the FSCJ in increasing their level of scrutiny and control over the insurance industry.

Trinidad and Tobago

By regional Caribbean standards, the Trinidadian insurance sector is well developed. The industry is regulated by the Central Bank of Trinidad and Tobago, pursuant to the Insurance (Amendment) Act of 2004. The trade association is the Association of Trinidad and Tobago Insurance Companies. Both institutions are collaborating in relation to a revision to the Insurance Act of 1980, as part of broader reform of the financial sector which includes changes to the Credit Union Act, the Occupational Pensions Plan Act, the Unit Trust Corporation Act and a new act which will likely require that all real estate agents be licensed. According to the report following the latest Article IV consultation between the International Monetary Fund and the Government, which was published in September 2014, the new insurance legislation is based mainly on Canadian law, including solvency requirements based on risk-based capital.

Relevant Regulations

Insurance companies operating in Trinidad and Tobago provide information to the Central Bank of Trinidad and Tobago on an ongoing basis. Such information includes both corporate and financial information such as copies of the annual report, signed and audited annual financial statements, annual financial returns, and various quarterly and annual financial information. The Central Bank of Trinidad and Tobago also conducts occasional on-site inspections of insurance companies. The Central Bank of Trinidad and Tobago's continuing supervision includes analysis of this information and regular examinations of insurance companies.

To ensure the stability of the financial system, the Central Bank of Trinidad and Tobago conducts regular inspections (or examinations) of the operations of licensed financial institutions through its Financial Institutions Supervision Department. The first Supervision Department was established in 1968 and since that time, the Department has evolved from compliance-based and transaction-testing examinations to risk-based examinations.

The Banking Act of 1964 initially established the Central Bank of Trinidad and Tobago's supervisory and regulatory function. The Banking Act of 1964 gave way to the Financial Institutions Act of 1993 which was later repealed and a new Financial Institutions Act 2008 was passed. The Financial Institutions Act 2008 provides the legal authority for the Central Bank of Trinidad and Tobago's supervisory and regulatory activities. Regulations and several guidelines were also developed to empower the Central Bank of Trinidad and Tobago to intervene or restructure licensees when necessary.

In recent years, there has been a steady evolution of the supervisory framework employed by the Central Bank of Trinidad and Tobago. This framework has shifted from a focus on ratios to an approach that emphasizes the risks faced by the institution and internal systems and processes to measure, monitor and control risk exposures.

As part of this risk-based approach to supervision, Trinidad and Tobago enforces minimum solvency requirements on all insurance providers. The solvency test requires general insurance companies to maintain admissible assets that exceed liabilities by the greater of TTD$250,000 or 20% of their respective general premium income in the prior year. Admissible assets are those assets which the regulation specifically allows for statutory purposes. A deposit requirement is also imposed on companies, which requires deposits to exceed the greater of TTD$250,000 for long term insurance or TTD$250,000 or 40% of the net written premium income in the prior year, whichever is greater, for companies that intend to carry on neither long-term or motor vehicle insurance business.

The regulations require either 25% of net profit after tax in respect of a licensed domestic institution or 25% of net profit after tax of a licensed foreign institution related to its business in Trinidad and Tobago be deposited each year and maintained in a statutory reserve fund until the amount standing to the credit of the statutory reserve fund is not less than the stated capital or assigned capital (amount of cash or approved securities deposited with the Central Bank of Trinidad and Tobago).

In addition to the regulation of the insurance sector by the Central Bank of Trinidad and Tobago under the Insurance Act of 1980, the Office of the Financial Services Ombudsman was established by the Central Bank of Trinidad and Tobago in conjunction with the commercial banks and insurance companies. Its primary responsibility is to investigate complaints from individuals and small businesses with regard to financial services and insurance products provided by the participating financial institutions, insurance companies and their respective subsidiaries.

The aim of the Office is to render impartial and prompt resolution to those complaints that customers have not been able to resolve satisfactorily with their commercial banks or insurance companies.

The Financial Services Ombudsman can consider complaints about a wide range of products and services offered by the participating financial institutions, insurance companies and their respective licensed subsidiaries. Some of these products and services offered by commercial banks include, but are not limited to: loan accounts, investment services, trust accounts and mutual funds. On the other hand, products and services offered by insurance companies include, but are not limited to: life insurance policies, group life and health insurance, individual annuity contracts, first-party motor insurance and property insurance.

The recommendations of the Ombudsman are not binding except when an award is made by the Ombudsman and is accepted by the customer.

New Regulatory Developments

Insurance regulation in Trinidad and Tobago has been evolving towards a higher level of complexity and scrutiny in line with the international core principles of the IAIS. The Central Bank of Trinidad and Tobago intends to increase its level of scrutiny and control over the insurance industry and establish a new regulatory framework for the insurance industry.

Upon the Insurance Act of 2018 being proclaimed into law by the President of the Republic of Trinidad and Tobago, the Central Bank of Trinidad and Tobago's powers to regulate the insurance sector will be enhanced and new regulations establishing, amongst other things, new capital adequacy requirements for insurance companies will be implemented. In addition to other expanded powers, the new Insurance Act permits the Central Bank of Trinidad and Tobago to intervene in circumstances where an insurance company is considered to not be acting in the best interests of policyholders.

United States

In the United States, the extent of regulation varies, but generally has its source in statutes that delegate regulatory, supervisory and administrative authority to a department of insurance in each state.

Relevant Regulations

General State Supervision

In the United States, Sagicor's U.S. subsidiary is domiciled in the state of Texas and is an authorized insurer in 45 states and the District of Columbia. Insurance products are sold via a network of over 5,000 independent and career producers. As a licensed insurance company, Sagicor's U.S. subsidiary is subject to considerable regulation and supervision by state insurance departments, led by the Texas Department of Insurance as its primary regulator. Texas statutes generally follow model rules and regulations developed by the National Association of Insurance Commissioners ("**NAIC**") and then passed into law by the State of Texas Legislature. Among other things, states regulate insurer solvency standards, insurer and agent licensing, authorized investments, premium and crediting rates of certain products, restrictions on the size of risks that may be insured under a single policy, loss and expense reserves and provisions for unearned premiums, and deposits of securities for the benefit of policyholders. The states' regulatory schemes also extend to policy form approval and market conduct regulation, including the use of credit information in underwriting and other underwriting and claims practices.

Many states have insurance holding company laws which require notice to, and approval by, the state insurance commissioner before declaration or payment of any extraordinary dividend. The meaning of extraordinary dividend varies by state, but generally depends on the company's earned policyholders' surplus and net income. These same holding company laws will in many instances require notice (at times on a prior approval basis) of certain intra-group transactions and agreements.

Virtually all states require licensed insurers to participate in guaranty associations to bear a part of losses suffered by those whose insurers become insolvent. Depending upon the state's laws, insurers are assessed between 1% and 2%

of annual premiums written. Assessments are generally recoverable through premium tax credits or policy surcharges.

Many state insurance laws intended primarily for the protection of policyholders require advance approval by state insurance commissioners of any change in control of an insurance company that is domiciled (or, in some cases, having such substantial business that it is deemed to be commercially domiciled) in that state. "Control" is generally presumed to exist through the ownership of 10% or more of the voting securities of a domestic insurance company or of any company that controls a domestic insurance company. In addition, many state insurance laws contain provisions that require advance notification to the insurance commissioner of a change in control of a non-domestic admitted insurance company in that state. Generally, the states in which the insurer maintains a non-domestic license give significant regulatory deference to the company's state of domicile regarding a change in control. Any future transactions that would constitute a change in control of Sagicor's U.S. subsidiary would generally require prior approval by the insurance departments of the insurance subsidiary's state of domicile or commercial domicile and may require pre-acquisition notification in applicable states that have adopted pre-acquisition notification provisions.

Risk-based Capital

In order to enhance the regulation of insurer solvency, a risk-based capital formula and model were adopted by NAIC in the early 1990s, and has been enhanced several times since then. Risk-based capital is designed to assess minimum capital requirements and raise the level of protection that statutory surplus provides for policyholder obligations. The risk-based capital formula for life insurance companies measures four major areas of risk: (i) underwriting, which encompasses the risk of adverse loss developments and general 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 (reinsurance), guarantees for affiliates or other contingent liabilities and reserve and premium growth. Pursuant to applicable law, insurers not maintaining the statutory surplus required by the risk-based capital calculation are subject to regulatory action in proportion to the level of capital inadequacy.

The risk-based capital methodology provides for four levels of regulatory action. The extent of regulatory intervention and action increases as the level of surplus to risk-based capital falls. The "Company Action Level" (as defined by the NAIC) requires an insurer to submit a plan of corrective actions to the regulator if surplus falls below 200% of the risk-based capital amount. The "Regulatory Action Level" (as defined by the NAIC) requires an insurer to submit a plan containing corrective actions and permits the relevant insurance commissioner to perform an examination or other analysis and issue a corrective order if surplus falls below 150% of the risk-based capital amount. The "Authorized Control Level" (as defined by the NAIC) allows the relevant insurance commissioner to rehabilitate or liquidate an insurer in addition to the aforementioned actions if surplus falls below 100% of the risk-based capital amount. The "Mandatory Control Level" (as defined by the NAIC) requires the relevant insurance commissioner to rehabilitate or liquidate the insurer if surplus falls below 70% of the risk-based capital amount.

The formulas have not been designed to differentiate among adequately capitalized companies that operate with higher levels of capital. Therefore, it is inappropriate and ineffective to use the formulas to rate or to rank such companies.

<u>NAIC ratios</u>

The NAIC Insurance Regulatory Information System ("**IRIS**") was developed to assist state regulators in identifying companies that may require special attention. IRIS consists of a statistical phase and an analytical phase whereby financial examiners review annual statutory basis statements and financial ratios. The statistical phase consists of 11 key financial ratios that are generated from the NAIC database annually. Each ratio has an established "usual range" of results. These ratios assist state insurance departments in executing their statutory mandate to oversee the financial condition of insurance companies.

A ratio result falling outside the usual range of IRIS ratios is not considered a failing result; rather, unusual values are viewed as part of the regulatory early monitoring system. Furthermore, in some years, it may not be unusual for financially sound companies to have several ratios with results outside the usual ranges. An insurance company may fall out of the usual range for one or more ratios because of specific transactions that are in themselves immaterial. Generally, an insurance company will become subject to regulatory scrutiny if it falls outside the usual ranges of four or more of the ratios. In normal years, 15% of the companies included in IRIS are expected by the NAIC to be outside the usual range on four or more ratios.

U.S. Federal Initiatives

Although, with limited exceptions, the U.S. federal government does not directly regulate the business of insurance, federal initiatives often have an impact on the insurance industry. Subsequent to the Great Recession of 2008, the Federal Insurance Office ("**FIO**") was formed to provide guidance to the White House and U.S. Congress in regard to insurance matters. The FIO also represents the U.S. government with the IAIS. Current and proposed federal and state measures that may affect the industry may include: possible changes to the tax laws governing companies (especially the favorable treatment of certain life products), best interest/ fiduciary regulations, and tort reform.

SAGICOR INVESTMENT RATIONALE

Sagicor and Alignvest believe that the Transaction will unlock significant value for both Sagicor shareholders and Alignvest Shareholders.

For Sagicor, Alignvest's listing on the TSX is expected to provide the Company with access to a liquid market and sophisticated institutional investors that understand the insurance business. Many major Canadian insurance companies are world-class insurers with world-wide operations. Company management expects that the willingness and ability of those investors to actively evaluate the merits of the business will help secure an appropriate valuation. Additionally, assuming a limited number of redemptions by Alignvest Shareholders, New Sagicor is anticipated to benefit from a primary injection of Alignvest's equity, which is expected to enable New Sagicor to realize its organic and inorganic growth strategies. Finally, the proposed capital structure and Alignvest's TSX listing are expected to enable New Sagicor to materially lower its cost of capital, which is expected to both increase New Sagicor's profitability and further enhance its ability to execute on its strategic initiatives, both organic and inorganic.

Since Alignvest began evaluating potential investment targets in May 2017, none of them have presented as compelling an investment opportunity as Sagicor.

Highlights of Alignvest's investment thesis are discussed below.

- **The transaction is being offered at a valuation Alignvest believes is highly attractive.** Based on the purchase price, Sagicor is valued at 1.0x book value, 7.9x targeted 2019 net income, and 6.5x targeted 2020 net income, taking into account the proposed SLTT and SJLIC acquisitions – a substantial discount to the median price / book and price / earnings ratios of Canadian and Caribbean financial institutions, and to Alignvest's estimate of the Company's intrinsic value. See "*Management's Discussion and Analysis of Sagicor — Financial Outlook*". [7]

- **Best-in-class management team with extensive insurance and local-market experience.** Sagicor's senior management team has been with the Company for an average of 14 years and has significant experience managing businesses across multiple jurisdictions and markets.

- **Sagicor has an outstanding core business**. Sagicor has significant market share in numerous growing business lines including individual life insurance and annuities, group life and benefits administration, and banking and investment management. The Company also has leading market positions and brand name recognition in its key insurance markets of Jamaica, Trinidad and Tobago, Barbados, and the Eastern Caribbean.

- **Substantial opportunity for accretive consolidation.** As evidenced by the proposed acquisitions of SLTT and SJLIC, Sagicor believes that there is opportunity for further consolidation within the insurance industry in the Caribbean. Additionally, management has the ability to successfully grow outside of Sagicor's core business and markets through strategic acquisitions, as evidenced by Sagicor's 2005 acquisition of Sagicor Life USA and Sagicor's 2014 acquisition of RBC's Jamaican banking operations. The proposed SLTT and SJLIC transactions will not be completed until after the Sagicor Arrangement and are subject to various conditions, and as a result, do not form part of Alignvest's qualifying transaction.

- **Comprehensive and innovative product offering.** Sagicor has a highly diversified insurance product mix including individual and group life, health, annuity and pension, personal disability, and property and casualty insurance that allows the Company to serve its customers' needs at each step of their financial life cycle, resulting in high customer retention rates and cross-selling opportunities. Importantly, Sagicor has no exposure to either long-term care or variable annuity products.

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[7] 2019 target excludes one-time Transaction Costs.

- **Extensive distribution platform.** Sagicor has unparalleled access to its customer base in the Caribbean through its extensive distribution network of dedicated advisors and brokers. The Company operates the largest network of exclusive advisors in the Caribbean region – one of Sagicor's core competitive advantages.

- **Significant "scale-up" opportunity in U.S. market**. Sagicor has built a strong technology and distribution platform in the U.S., targeting customers similar to those it has a demonstrated ability to serve in the Caribbean. Sagicor's U.S. platform is profitable, has an attractive investment spread relative to its peers and, as Sagicor continues to execute on its growth plan, is expected by Sagicor to benefit from operational scale and increased asset leverage.

- **Strong operating and underwriting record, with proven resiliency across cycles.** Sagicor has managed to sustain a strong operating track record through economic cycles as demonstrated by the Company's consistent net income growth, dividend growth, and book value per share growth.

- **Prudently managed and well-diversified balance sheet.** Sagicor manages its balance sheet using best-in-class risk management tools. For example, the Company voluntarily adopted the Canadian MCCSR standards following its demutualization, and has maintained MCCSR ratios in excess of 220% in every year since 2004. Sagicor's prudent capital management policies and conservative reserving complement its stable and diversified product mix.

- **Opportunity for Alignvest to add significant value**. Alignvest is delivering significant value to Sagicor as part of this transaction. First, AIM will leverage its team's extensive experience managing global portfolios to optimize Sagicor's investment portfolio, consider additional investment strategies, lower third party advisor costs, and further enhance risk-management practices. Second, Alignvest has recruited highly experienced directors to the board. Third, Andre Mousseau, Alignvest's Chief Operating Officer and Partner of Alignvest Private Capital, will be joining Sagicor as Group Chief Financial Officer. And finally, Alignvest has been responsible for sourcing and executing the proposed acquisitions of SLTT and SJLIC.

As a result of the above, Alignvest and Sagicor see a clear path to substantial equity value creation for all New Sagicor Shareholders. We believe that we have an opportunity to grow Sagicor's net income from continuing operations attributable to common shareholders from US$62 million, for the year ended December 31, 2017, to a target of US$115 million in 2020, based on the following:

- Organic revenue growth has been assumed as 6% per annum for Sagicor's continuing operations in 2019 and 5% in 2020; and

- Alignvest and Sagicor expect that the acquisition of SLTT and SJLIC will contribute annual run-rate net income of approximately US$30 million following the anticipated closing in 2020, subject to regulatory approval. The completion of these transactions is not cross-conditional on each other, but both are conditional on the close of the Sagicor Arrangement, and they may close at different times. See "*Proposed Acquisitions – Proposed Acquisitions of SJLIC and SLTT*".

Subject to, among other things, the precise timing of when these initiatives take effect, Sagicor is targeting 2019 net income from continuing operations attributable to common shareholders of approximately US$77 million.[8]

Importantly, Alignvest and Sagicor believe that Sagicor trades at an unwarranted discount to its Canadian and Caribbean peers in large part due to the Company's disaggregated shareholder base and muted price discovery on its current stock exchanges. Alignvest and Sagicor expect that the discount at which the Company currently trades on the Barbados and Trinidad and Tobago stock exchanges compared to Canadian peers should be reduced or eliminated over time as a result of Alignvest's listing on the TSX.

[8] Excluding one-time Transaction Costs.

See “*Management’s Discussion and Analysis of Sagicor — Financial Outlook*” for the assumptions on which the foregoing financial outlook is based.

The purpose of disclosing the financial outlook is to provide investors with more information concerning the financial impact that Alignvest and Sagicor currently believe is achievable based on Sagicor’s growth strategies described above and elsewhere in this prospectus. The foregoing description of New Sagicor’s potential growth opportunities is forward-looking information for purposes of applicable securities laws in Canada and readers are therefore cautioned that actual results may vary from those described above. See “*Caution Regarding Forward-Looking Statements*” and “*Risk Factors*” elsewhere in this prospectus for a description of the assumptions underlying the forward-looking information and of the risks and uncertainties that impact New Sagicor’s business and that could cause actual results to vary.

Alignvest and Sagicor approved this outlook on November 26, 2018.

THE BUSINESS OF SAGICOR

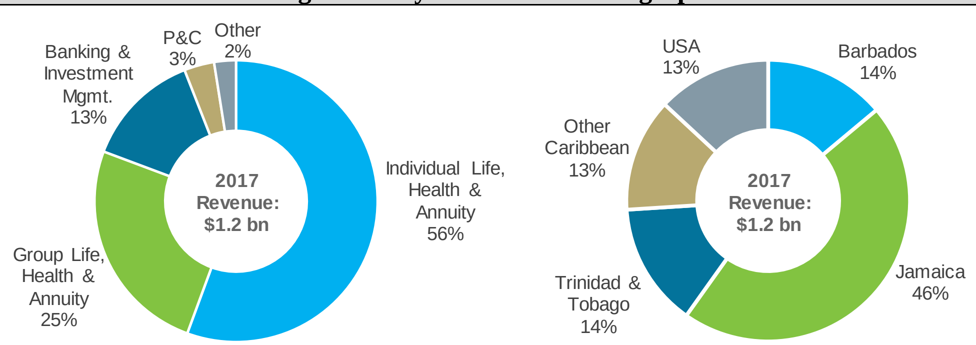
Overview

Sagicor is a market-leading provider of insurance products and related financial services in the Caribbean region, notably in Jamaica, Barbados, and Trinidad and Tobago, and has a growing presence as a provider of life insurance products in the United States. Sagicor has an over 175-year history of operations in the region and is the second oldest insurer in the Americas. With its over 2,800 employees and over 1,200 agents, Sagicor has operations in 22 countries, operates in four different languages, and manages 13 different currencies.

The 22 countries are: Anguilla, Antigua and Barbuda, Aruba, Bahamas, Barbados, Belize, Dominica, Cayman Islands, Costa Rica, Curacao, Grenada, Haiti, Jamaica, Montserrat, Panama, St. Kitts-Nevis, St. Lucia, St. Maarten, St. Vincent and the Grenadines, Trinidad and Tobago, Turks and Caicos, and the United States of America. The four languages are the major languages of the Caribbean, namely English (which is the primary language used by Sagicor), French, Dutch and Spanish. The 13 currencies are: Eastern Caribbean dollar, Aruban florin, Bahamian dollar, Barbadian dollar, Belize dollar, Cayman Islands dollar, Costa Rican colón, Netherlands Antillean guilder, Haitian gourde, Jamaican dollar, Panamanian balboa, Trinidad and Tobago dollar, and United States dollar.

Sagicor's core products and services include life and health insurance, annuities, pension investment and administration, property and casualty insurance, and a suite of ancillary non-insurance financial products and services, including banking and investment management, which it provides to two client segments: individuals and groups. Where Sagicor distributes these products, it utilizes a captive distribution network in the Caribbean and a network of independent insurance brokers in the United States. Sagicor's business by product and by geography is shown below.

Sagicor's Key Products and Geographies



Sagicor is among the most recognizable and well-regarded financial services brands in the Caribbean and has increasing product recognition via its growing United States operations. Driven by its proven management team with long standing local market experience, its diversified assets, comprehensive and innovative product offerings, and extensive distribution platform, Sagicor holds an important competitive position across numerous business lines as highlighted in the table below.

Sagicor's Leading Market Positioning					
	Rank	Market Share		Rank	Market Share
Jamaica	1st	▪ 61% Individual Life(1) ▪ 71% Group Life(1) ▪ 60% Pensions(1) ▪ 62% Group Health(1)	Barbados	1st	▪ 64% Life, Health and Annuities(2)
Trinidad & Tobago	2nd	▪ 17% Ordinary Life ▪ 8% Group Life ▪ 17% Pensions ▪ 22% Group Health ▪ 22% Individual Health	Other Caribbean Life	1st	▪ Countries include: St. Vincent, Antigua, St. Lucia, Dominica, and Grenada

Source: Insurance Association of Jamaica, Association of Trinidad and Tobago Insurance Companies, Barbados' Financial Services Commission.
(1) Based on 2017 data.
(2) Based on preliminary 2017 data.

Sagicor operates through its three main business segments: Sagicor Jamaica, Sagicor Life and Sagicor USA.

Sagicor Jamaica

Sagicor operates in Jamaica through its controlled subsidiary, Sagicor Jamaica. Sagicor Jamaica is a full-service financial institution offering a wide range of insurance and non-insurance solutions. Sagicor Jamaica's primary insurance products are individual life insurance and employee benefits, which is comprised of both group health and group pension. Sagicor Jamaica's non-insurance solutions include banking and investment management products and services. Sagicor Jamaica's strong brand, together with Sagicor's wide range of products and skilled sales force, has allowed it to maintain a leading position in Jamaica's life insurance market, and has allowed the company to expand into new areas as opportunities arise, while maintaining consistent growth over time.

Sagicor Life

Sagicor operates in the Caribbean primarily through its subsidiary, Sagicor Life. Sagicor Life operates in the Southern Caribbean in Trinidad and Tobago as well as Barbados. Sagicor's operations in the Eastern Caribbean are conducted in seven territories (Antigua, Anguilla, the Commonwealth of Dominica, St. Lucia, Grenada, St. Kitts and Nevis, and St. Vincent) through three branches (Antigua, Grenada, and St. Lucia) and three agencies (Dominica, St. Kitts and Nevis and St. Vincent). Sagicor no longer writes new business in Anguilla. Sagicor also operates in the Dutch and North Caribbean. It is the leading insurance player in its various markets. Sagicor Life provides life, health, annuity insurance business, pension administration services and asset management.

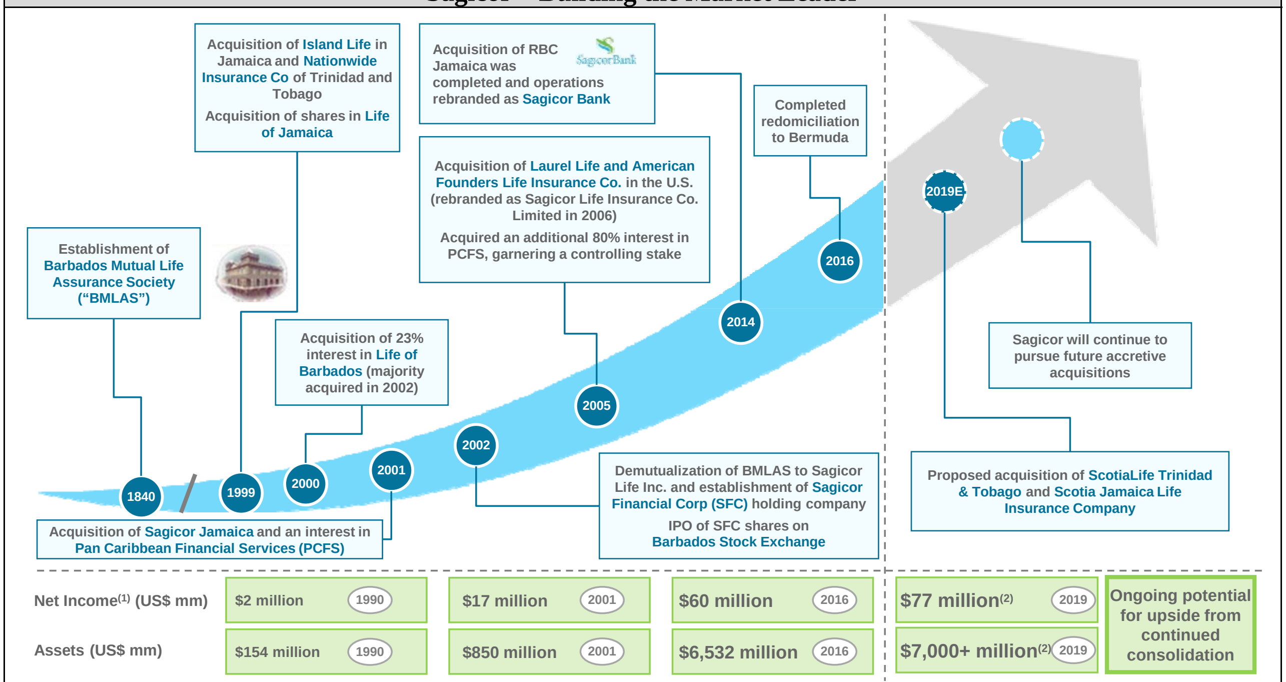
Sagicor USA

Sagicor USA is part of the Company's strategy to expand into markets with significant growth potential and markets where the Company can develop global best practices that it can then introduce into its core geographies. It continues to look for opportunities to grow its policy and premium base by acquiring strategic blocks of life insurance business or policies, or other life insurance companies. Sagicor USA currently offers life insurance and annuities.

History and Transformation of Sagicor

Originally established in 1840 as The Barbados Mutual Life Assurance Society, Sagicor is one of the oldest insurers in the Americas. Sagicor's business grew organically with little change in product lines until 1969, when Sagicor introduced two unit trusts, a bond fund and an equity fund, to manage corporate pension funds, and in the 1970s, when Sagicor introduced group life insurance and health insurance products. Sagicor expanded its business through acquisitions in the 1980s and 1990s, transforming from a domestic to a regional and international company and from having a single line product to multi-line products. Because Sagicor's structure as a mutual company limited its growth, Sagicor demutualized in November 2002 and listed its shares on the Barbados Stock Exchange, subsequently listing on the Trinidad and Tobago Stock Exchange and, via depositary interests, the London Stock Exchange.

Sagicor – Building the Market Leader



1. Net income to shareholders from continuing operations, excluding one-time Transaction Costs.
2. Reflects targeted figures; net income is before one-time Transaction Costs. See "*Management's Discussion and Analysis of Sagicor – Financial Outlook*".

Sagicor has been transforming itself into a financial services leader over the last 30 years, growing its net income from continuing operations attributable to common shareholders of approximately US$2 million in 1990 to over US$77 million targeted in 2019.[9] As a result of its purposeful strategy, local market experience, comprehensive and innovative products and distribution strategy, Sagicor holds an important competitive position across numerous business lines and is targeting growing its assets from US$154 million to over US$7 billion in just under three decades.

Key acquisitions contributing to Sagicor's transformation include:

Sagicor Jamaica

- 1999: Sagicor acquired Island Life Insurance Company Limited and shares in Life of Jamaica Limited.

[9] Excluding one-time Transaction Costs.

- 2001: Sagicor acquired Sagicor Jamaica and an interest in Pan Caribbean Financial Services ("**PCFS**"). PCFS offers securities dealing, merchant banking, foreign exchange dealing, corporate trust services and mutual fund management.

- 2005: Sagicor acquired a controlling interest in PCFS through a series of acquisitions.

- 2008: Sagicor Jamaica acquired the insurance business of Blue Cross Jamaica Limited, comprised of approximately 7,000 group health insurance contracts.

- 2014: Sagicor Jamaica acquired a Canadian chartered bank's Jamaican banking operations, and rebranded the business together with PCFS as Sagicor Bank. The net assets acquired had a fair value of US$113.4 million for purchase consideration of US$84.4 million.

Sagicor Life

- 1987: Acquisition of Travelers portfolio and re-branding of Aruba, Bahamas, Cayman Islands, Curacao, St. Maarten and Haiti to Capital Life.

- 1999: Sagicor Life acquired Nationwide Insurance Co. of Trinidad and Tobago.

- 2000: Acquired a 23% interest in Life of Barbados Limited, and went on to acquire a majority in 2002.

- 2005: Sagicor Life purchased a 20% interest in FamGuard Corporation Limited, the parent company of a leading insurance company in the Bahamas, Family Guardian Insurance Company Limited.

- 2008: Acquired a 77% interest in Barbados Farms Limited**,** whose common shares are listed on the Barbados Stock Exchange. BFL engages in agriculture, primarily the production of sugar cane, and owns parcels of land, some of which are utilized for agriculture while others are either leased, being developed for resale or not in use.

Sagicor USA

- 2005: Acquired Laurel Life Insurance Company and its operating subsidiary, American Founders Life Insurance Company. Sagicor subsequently rebranded these businesses as Sagicor Life USA, a U.S.-based life insurance company with business in 41 states and the District of Columbia, concentrated in Texas, Arizona, Ohio, California and Indiana to diversify and extend its geographical reach.

- 2012: Acquired Washington-based company PEMCO, bringing over 10,000 policyholders under the Sagicor umbrella.

Sagicor believes that these acquisitions have allowed it to further strengthen its financial position and create growth opportunities in both the Caribbean and the U.S. insurance markets by enabling Sagicor to diversify its geographic exposure and gain economies of scale.

The success of the Company's transformation to date is the result of Sagicor's consistent focus on achieving the four key objectives detailed below:

Become the market-leading insurer in the Caribbean

Sagicor has become a leading provider of insurance products and related financial services in the Caribbean through strategic acquisitions over the years, and the subsequent identification and realization of synergies from these acquisitions, including asset portfolio acquisitions in Jamaica, Barbados, Trinidad & Tobago and other regions in the Caribbean.

Expand into new markets both within and outside of the Caribbean

Sagicor has consistently grown through strategic acquisitions. In 2005, for example, Sagicor expanded outside its core Caribbean market by acquiring Sagicor Life USA. In 2014, Sagicor acquired a Canadian chartered bank's Jamaican banking operations and rebranded the business as Sagicor Bank, which significantly enhanced Sagicor's banking presence in Jamaica.

Implement best-in-class governance practices

Sagicor's internal management is bolstered by a progressive governance framework. As far back as 1991, Sagicor voluntarily adopted the MCCSR, a Canadian risk-based assessment which governs minimum capitalization for insurance companies, which Sagicor believes is more conservative than the regulatory standards in the regions in which the Company operates.

Sagicor created its first iteration of an enterprise risk management approach in 1998. Under this approach, Sagicor regularly measures and monitors risks for each business and geographic location in which it operates. That assessment of risks, together with an estimation of return potential, influences the allocation of capital to Sagicor's businesses. The organization continues to evolve and enhance its approach to risk management seeks to ensure that it adopts best-in-class practices. The development of these risk management practices and policies is further discussed below under "*— Overall Corporate Strategy – Focus on capital optimization, through centralization and enterprise risk management.*"

In addition, Sagicor has developed and implemented a strong internal corporate governance architecture. One clear example of this is Sagicor's standing Corporate Governance and Ethics committee of the board of directors of Sagicor, which is tasked with developing and recommending policies and procedures that establish and maintain the highest standards of corporate governance and corporate ethics. This committee also manages the process for director succession, director performance, the operation of the President, the composition of Sagicor's board of directors and committees, shareholder communications, and Sagicor's corporate image. The committee's composition meets the independence requirements of Sagicor's Corporate Governance Policy. In addition, Sagicor's main subsidiaries each have required independent directors as part of their respective boards of directors. New Sagicor intends to maintain strong corporate governance.

As part of Sagicor's implementation of best-in-class practices, the Company regularly schedules executive management committee meetings designed to enable collaboration, operational oversight, and ongoing strategic discussions across Sagicor's divisions.

Optimize capital structure

Sagicor has consistently pursued strategies to enhance the flexibility of its capital. For example, in 2002, Sagicor demutualized the company, which resulted in easier access to less expensive capital. Sagicor listed its shares on the Barbados in 2003 and Trinidad exchanges in 2004.

In 2006, a subsidiary of Sagicor launched a successful U.S. bond offering, which was refinanced in 2015. The Company's last bond issuance was rated BBB by S&P, a rating that was effectively capped by the Barbados sovereign credit rating. In order to circumvent this issue in the future, in 2016, Sagicor redomiciled from Barbados to Bermuda - a jurisdiction that has a higher sovereign credit rating. Sagicor believed that this redomiciliation would allow the Company's ratings to better reflect its robust capitalization and balance sheet strength.

Overall Corporate Strategy

Sagicor strives to be a leading insurance and financial services provider of world class products and services to better serve its customers and broader stakeholders, while focusing on stable cash flow generation, delivering profitable growth, and realizing high shareholder returns.

In pursuit of these goals, Sagicor's strategy is based on the following components:

Drive further consolidation of Sagicor's core Caribbean insurance markets

Sagicor believes there is room for further consolidation in the Caribbean insurance industry. While there has already been significant consolidation in Barbados and Jamaica (in which Sagicor has been a major participant), Sagicor believes there are still many opportunities to further consolidate in Jamaica, Trinidad and Tobago and, to a lesser extent, the Eastern Caribbean. Furthermore, the property and casualty insurance sector remains highly fragmented with several small players each of whom have unclear competitive strategies. With Sagicor's lead rankings in this region, and the Company's proven ability to identify and execute acquisitions, Sagicor is well-positioned to be an active consolidator in the space. Additionally, Sagicor believes that there are significant benefits from the acquisition of new businesses, notably through the strengthening of Sagicor's geographic coverage in key markets and through the development of complementary products that can better serve Sagicor's customers' needs.

Continue to extract synergies from existing and acquired operations

Depending on the geography, Sagicor operates as a well-established leading insurance carrier or a young mid-market entrant. Across the Caribbean, the Sagicor brand is well known, highly regarded, and associated with strength and prudence. By contrast, in the United States, Sagicor seeks to gain increased brand recognition and market share. In the Caribbean, strategies are oriented towards promoting and exploiting market consolidation opportunities as well as defending and protecting market share. In the United States, strategies are focused on gaining share, driving speed to market, agility, and innovation.

Across all regions, Sagicor continually seeks to streamline its operations to increase efficiency, to control and reduce costs and to improve its service. In furtherance of these goals, Sagicor has established a shared services division, which streamlines information technology ("**IT**") operations across Sagicor's businesses and enhances effectiveness and efficiency in the delivery of IT services. Sagicor intends to further streamline its operational processes by adding additional back-office functions to its shared services model. Sagicor's "Branch Network" is an innovation that allows customer-driven activities to be initiated in their country of origin but be processed, based on available skills and personnel, in any of the jurisdictions in which Sagicor operates. *See "—Information Technology — Systems Framework— Systems of Record."*

Presently, the finance function is transitioning from dated legacy platforms to a single contemporary solution that will operate across all territories and all business lines. This new platform is likely to affect how the Group operates insurance, including but not limited to product development, actuarial, and underwriting activities. Potential expense synergies and reductions in unit costs should not only have a beneficial impact on operating profitability, but also potentially unlock substantial reserves associated with future cost assumptions for the in-force book of business.

Additionally, Sagicor believes that the continued growth of its business will enable Sagicor to generate further economies of scale, other operational efficiencies and increased margins.

Pursue profitable growth strategies by increasing insurance penetration

Consistent with the Company's historical performance, Sagicor continues to believe it will be able to grow its business at rates above those of the economies in which it operates, principally by exploiting opportunities to sell more products to its current customer base and to leverage Sagicor's growing platform in the United States.

There is a substantial opportunity for Sagicor to leverage its extensive distribution network to both acquire new customers and to pursue new growth opportunities through the cross-selling of its insurance products.

In the United States, Sagicor intends to continue to take advantage of profitable growth opportunities, expanding its business into new markets and complementing its product portfolio with tailored solutions to its customers. Sagicor Life USA continues to look for opportunities to grow its policy and premium base by acquiring strategic blocks of insurance portfolios or other life insurance companies. In addition, it is using cutting edge technology to expedite the underwriting process, thereby helping it acquire policies.

Continue to leverage cutting edge technology to further business objectives

Through technological innovation, Sagicor is quick to sense changes in market conditions, formulate responses, execute its plans, and deliver superior service swiftly to its policyholders, prospects, agents, and agencies.

Sagicor plans to deploy a fully-integrated IT platform based on commercial solutions, to introduce advanced systems that measure and manage its finance functions, risk processes, and standardize pricing models across jurisdictions, while still allowing for local adjustments based on country specific assumptions. As noted above, the finance function is presently transitioning from dated legacy platforms to a single contemporary solution that will operate across all territories and all business lines. This has been completed in the Southern Caribbean and is expected to be concluded for all jurisdictions in 2019. As mastery of the new system grows, new organization constructs may emerge that will also potentially unlock reserves associated with going forward cost assumptions for the in-force book of business.

Sagicor not only recognizes the United States as a growth market but also as its technology incubator. Management believes that, at this time, U.S. competitors do not have the ability to auto-adjudicate underwriting and thereby accelerate the process from weeks to minutes. Accelewriting®, a Sagicor innovation, continues to lead the industry. Accelewriting was launched in 2014, went on to receive innovation awards for digital and omnichannel solutions in 2016, and remains effectively unchallenged by competitors who are 50 to 100 times larger than Sagicor's U.S. operations. Technology concepts and innovation are trialed first in the U.S. and then, if applicable, exported to the Caribbean. This serves to keep the U.S. business competitive and vibrant but also allows Sagicor's Caribbean businesses to be early adopters of proven solutions and further enhances existing barriers to entry for competitors.

Focus on capital optimization, through centralization and enterprise risk management

Sagicor allocates capital by optimizing the balance between management's expected risk and return as it relates to each capital allocation decision. Through a group-wide enterprise risk management approach, Sagicor regularly measures and monitors risks for each business and geographic location in which it operates. That assessment of risks, together with expected returns, influences the allocation of capital to its businesses. In addition to Sagicor's internal models, Sagicor also regularly manages its allocation of capital against both regulatory and rating agency risk-based capital models.

Products and Services

This section describes in detail Sagicor's products and services. Sagicor's main lines of business are life and health insurance, employee benefits, asset management and banking services and property and casualty insurance. Sagicor sells these products and services to both individuals and groups. Sagicor's customers and suppliers are diversified. More detail on these products can be found below.

- Insurance products include those that pay benefits on life's contingencies including death, survivorship, accident, sickness, disability, and critical illness.

- Property and casualty insurance addresses property damage that may arise from natural disasters or other types of accidents.

- Annuities are provided on both a payout basis, typically after retirement, and on an accumulation basis, typically before retirement.

- Asset management services are provided primarily through mutual funds, in which some life insurance policies participate.

- Banking products and services consist primarily of deposits, secured loans, and debit and credit cards, the latter of which are solely provided by Sagicor's Jamaican subsidiaries.

Gross premiums from individual insurance products collectively contributed 67.6% and 60.7% of Sagicor's gross premium income and fees in the nine months ended September 30, 2018 and the year ending December 31, 2017, respectively.

Gross premiums from Sagicor's group insurance products collectively represented 18.2% and 25.4% of Sagicor's gross premium income and fees in the nine months ended September 30, 2018 and the year ending December 31, 2017, respectively.

Fees from Sagicor's non-insurance products and services represented 8.2% and 7.0% of Sagicor's revenue and fees in the nine months ended September 30, 2018 and the year ending December 31, 2017, respectively.

The following table shows a breakdown of gross premium revenues and fees as well as other revenues for ancillary services of these lines of business for the year ended December 31, 2017 and the nine months ended September 30, 2018.

Sagicor's Gross Premium Revenue and Fees

	Year ended December 31, 2017	**Nine months ended September 30, 2018[(1)]**
	(in millions of US$)	
Individual Insurance:		
Life	378.0	296.1
Annuities	194.5	273.4
Health	13.8	11.0
Total individual	586.3	580.5
Group Insurance:		
Health	140.2	114.7
Life	28.7	20.9
Creditor	12.4	8.6
Annuities	63.5	11.6
Total group	244.8	155.8
Property and casualty insurance	67.3	52.8
Asset management products	31.2	28.1
Banking	36.9	41.7
Total	**966.5**	**858.9**

(1) Unaudited.

Life Insurance Products

Life insurance is sold on an individual and group basis. Life insurance products include whole life, term life, creditor life, endowment, unit-linked, disability insurance, and critical illness insurance.

Sagicor does not sell any universal life products with secondary guarantees. Additionally, Sagicor does not sell any universal life or other products with side accounts without explicit investment size limits.

Whole life insurance provides lifetime protection against death, with a cash value that increases over time and is subject to withdrawal charges. Premiums remain constant over the life of the policy.

Term life insurance provides protection for a limited period of time. The customer specifies the period of cover and the amount of protection and the policy typically pays death benefits during the specified term. Term policies do not accumulate a cash value. The policies can usually be renewed upon expiration and premiums typically increase upon renewal. Term life sold to groups usually provide a benefit based on a multiple of pay.

Endowments pay the same benefit either on death or on survival at the end of the term.

Unit-linked products have variable maturities and variable premiums and part of the premium can be invested in certain mutual funds. The benefits upon death or maturity are equal to the value of the units and in certain cases subject to a minimum of the guaranteed benefits.

Disability insurance replaces a percentage of an insured individual's monthly income should that individual be unable to work.

Critical illness insurance pays a predetermined benefit on the diagnosis of a serious illness like cancer, stroke, and heart disease.

Creditor Life

Creditor life insurance is provided on a group basis only and sold to lenders, who generally pass the costs through to participating customers. It repays a loan made by a lending institution upon the death of the insured borrower prior to the maturity of the loan.

Annuities

Annuities are sold on an individual and group basis. Payout annuities are purchased with a single premium with level benefits during an individual's lifetime. The benefits may be paid for a minimum period of time on the death of the individual within the minimum period. The benefits may increase either by a fixed rate or by reference to an index. There is usually no surrender value.

An accumulation annuity can be purchased either with a single or regular premium. The basis of accumulation can be referenced to an interest rate, which can be reset at predetermined times, or a stock index. The policy can be surrendered for a cash value prior to maturity. The cash value is subject to a predetermined or variable charge linked to market conditions.

Annuities can be sold to either individuals or to groups.

Sagicor does not offer any variable annuity products.

Health

Health insurance is sold on an individual and group basis. Health insurance reimburses individuals against acute illness. Expenses covered include doctor's office visits, laboratory tests, surgical expenses, hospital accommodation and overseas emergency medical care. The benefits are usually subjected to co-payments by the individual and limits on lifetime medical expenses. Health products can be sold to either individuals or to groups.

Sagicor does not offer any long-term care insurance products as part of its health insurance offerings.

Property and Casualty Insurance Products

Sagicor sells primarily property and motor vehicle insurance to individuals and groups. Property and motor vehicle insurance provides a benefit on losses due to occurrences such as, among others, natural disasters, fires, accidents and theft. Motor vehicle insurance indemnifies to a maximum amount on physical damage to a third party and/or insured and any consequential liability. The indemnification is subject to a deductible borne by the insured.

Gross premiums from Sagicor's property and casualty insurance collectively represented 6.1% and 7.0% of Sagicor's gross premium income and fees in the nine months ended September 30, 2018 and the year ending December 31, 2017, respectively.

Asset Management Products

Asset management products include mutual funds and interest rate sensitive products. Asset management products accounted for 3.3% and 3.2% of Sagicor's revenues in the nine months ended September 30, 2018 and the year ending December 31, 2017, respectively. Sagicor's total assets under management were US$3.2 billion and US$3.2 billion as of September 30, 2018 and December 31, 2017, respectively.

Banking Products

Banking products include deposits, secured loans and credit and debit cards. Banking products accounted for 4.9% and 3.8% of Sagicor's revenues in the nine months ended September 30, 2018 and the year ending December 31, 2017, respectively.

Operations

Sagicor operates primarily through its three business segments: Sagicor Jamaica, Sagicor Life and Sagicor Life USA. Net income to shareholders for continuing operations in 2017 for Sagicor Jamaica was US$46.2 million, for Sagicor Life was US$64.8 million and for Sagicor Life USA was US$13.5 million. Each of these segments is discussed in further detail below.

Sagicor Jamaica

Overview

Sagicor operates in Jamaica through its controlled subsidiary, Sagicor Jamaica, which is headquartered in Jamaica. Sagicor Jamaica is a full service financial institution offering a wide range of insurance and non-insurance solutions, such as banking and investment management, products and services. Sagicor Jamaica's books and records, including its minute books, corporate seal and corporate records, are located at its headquarters in Jamaica. However, Sagicor has access thereto, including electronically.

Sagicor Jamaica continues to be focused on delivering strong client service, showing improvement with a 43% net promoter score as of December 31, 2017,[10] well above industry standards. It is continually looking for ways to innovate and cross sell to add value to its clients. It recently upgraded its banking and investment systems, which allow it to launch new products more seamlessly. Sagicor Jamaica is also focused on cementing the Sagicor brand with its recent "Smiles" brand campaign.

Sagicor Jamaica's primary insurance products are individual life insurance and employee benefits, which is comprised of both group health and group pension. Sagicor Jamaica's strong brand, together with Sagicor's wide range of products and skilled sales force, has allowed it to maintain a leading position in Jamaica's life insurance market, and has allowed the company to expand into new areas as opportunities arise, while maintaining consistent growth over time.

[10] Source: LOMA independent survey of selected clients.

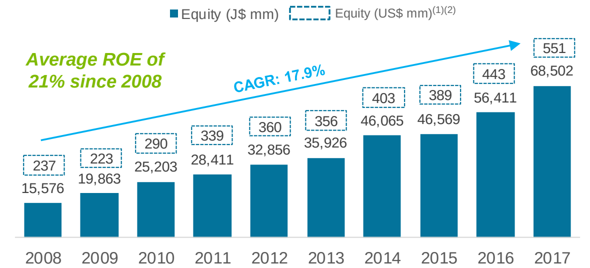
Financial and market highlights of Sagicor's Jamaican operations are in the table below.

Sagicor Jamaica Highlights

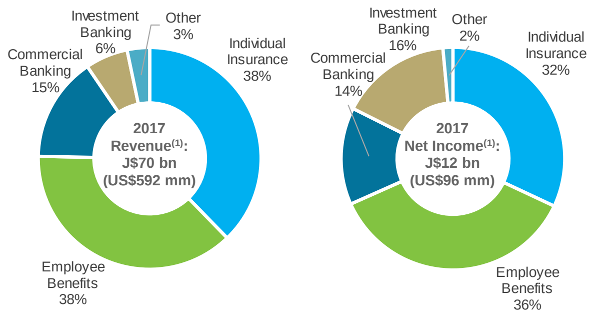
Key Highlights

- SFC has ~49% ownership in Sagicor Group Jamaica
- Consistently outstanding ROE performance – better than 18% over last decade
  - 2017 ROE of ~19%
- Leading market positions in core business lines
- Sagicor Bank comprised of most attractive parts of RBC Jamaica (acquired in 2014) and Sagicor's other Jamaican banking operations

Consistent Growth and Profitability



Diversified Business Mix



Leading Jamaican Financial Institution

Insurance Leadership	Commercial Banking Scale	Full Financial Services Player
1st	3rd	3rd
61% Individual Life(3) 71% Group Life(3) 60% Pensions(3) 62% Group Health(3)	Largest Commercial Bank(4) Leading Asset Management	Largest Financial Conglomerate on the Jamaican Stock Exchange(4)

Source: Insurance Association of Jamaica
1. Adjusted for inter-segment items.
2. Reflects figures from Sagicor's segmented financial statements.
3. Based on 2017 data.
4. Based on profitability.

Sagicor Jamaica's acquisition of a Canadian chartered bank's Jamaican operations in June 2014 was a part of its efforts to grow. The acquisition included RBC Royal Bank (Jamaica) Limited, a commercial bank, and an inactive securities dealer, RBTT Securities Jamaica Limited. The merged commercial banking operation, now called Sagicor Bank, is the third largest commercial bank in Jamaica by assets with J$125.2 billion of total assets as of December 31, 2017.

Sagicor Bank principally provides commercial banking services, including lending, accepting deposits, trading foreign exchange and corporate secretarial services across three market segments: retail, commercial and corporate clients. As an investment bank, Sagicor Investments (an affiliate of Sagicor Bank) focuses on securities trading, asset management, stock brokerage, corporate finance, advisory services, underwriting, cash management and custody services. It has several securities licenses and designations including as a Bank of Jamaica primary dealer, and unit trust and stockbroking licenses. With the RBC Jamaica acquisition, Sagicor Bank now operates through 16 branches located in key markets throughout Jamaica, including Kingston, Mandeville, May Pen, Black River, Savanna-la-mar, Montego Bay, and Ocho Rios.

Products and Distribution

<u>Insurance</u>

Individual life insurance is one of Sagicor's key products offered in Jamaica, representing about 38% of revenue in 2017. Sagicor markets its individual insurance products in Jamaica to a wide cross-section of the population.

As of September 30, 2018 Sagicor had a portfolio of 530,562 life insurance policies in force in Jamaica, as compared to 507,610 life insurance policies as of December 31, 2017, which represents an annualized premium income of US$141.8 million and a sum assured or face value of policies of US$8.7 billion as of September 30, 2018, as compared to US$131.5 million and US$8.1 billion as of December 31, 2017, respectively.

Sagicor Jamaica offers several group products including group health and group pensions. These products are both captured under the umbrella of employee benefits. As of September 30, 2018, Sagicor had a portfolio of 2,758 group policies in force in Jamaica, as compared to 2,789 group policies as of December 31, 2017, which represents an annualized premium income of US$98.2 million and a sum assured or face value of policies of US$6.2 billion as of September 30, 2018, as compared to US$94.6 million and US$5.8 billion as of December 31, 2017, respectively.

Commercial banking services

Sagicor Bank provides commercial banking services in Jamaica. Through a 16 branch network (physically shared between Sagicor Bank and Sagicor Investments), Sagicor Bank now provides such services to a wider market of individuals and businesses, while Sagicor Investments also has a wider footprint to provide non-banking financial services in clearly identified areas within the commercial bank branch network. Sagicor Bank's operations are located entirely in Jamaica and serve over 195,000 clients.

Sagicor Bank is credit-driven with loans available in both U.S. and Jamaican currency. The retail loan products include mortgages, car loans, credit cards and overdrafts and the commercial loan products include working capital loans, equipment and commercial real estate financing. Sagicor Bank also offers letters of credit and guarantees. Loans may be secured with appropriate collateral. Sagicor Bank's retail lending represents 36% of the portfolio by value while commercial lending is approximately 64%.

Depository products include certificates of deposit, chequing and savings accounts, with accounts available in local currency and U.S. dollars. Sagicor Bank is the fourth largest foreign exchange dealer in the Jamaican market.

Sagicor Bank also provides share registrar services to listed companies, and has a small but growing business in providing depository and other transaction services to non-banking financial institutions.

For the nine months ended September 30, 2018 and the year ended December 31, 2017, revenues from commercial banking were US$84.7 million (J$10.8 billion) and US$73.6 million (J$9.2 billion), respectively.

Non-banking financial products

Sagicor Investments, as a securities dealer, offers a wide range of non-banking financial services. It trades money market instruments in primarily J$ and US$. It also actively trades in local, regional and US$ bonds with local and off-shore institutions. Sagicor Investments is also an underwriter and distributor among secondary market dealers of Government of Jamaica securities, Sagicor Investments' activities are integrated with its cash management services to institutional investors and investment management services to high net worth individuals. These services are located entirely in Jamaica and are available in the expanded distribution network. Sagicor Investments caters to approximately 10,000 clients.

Sagicor Investments trades local, regional and U.S. stocks for clients. Locally, it is recognized as one of the top five stockbrokers annually in volumes and value traded among the 12 stockbrokers in Jamaica.

Sagicor Investments also provides advice for entities looking to raise both debt and equity capital, which may include listing of these instruments on the local exchange. Additionally, it provides micro-credit small business financing through a pool of funds managed by Sagicor Investments and wholesaled as an agent on a non-recourse basis to institutions, who lend these funds to the small business sector. Sagicor Investments also provides business valuation, research, underwriting, and other related services.

Sagicor Investments is the largest unit trust manager in Jamaica with over 50% market share, and the funds have consistently been top of the tables in returns each year.

For the nine months ended September 30, 2018 and the year ended December 31, 2017, revenues from investment banking were US$34.4 million (J$4.4 billion) and US$32.5 million (J$4.1 billion), respectively.

Market and Competition

The Jamaican insurance industry is concentrated among a few large companies. Sagicor has a very strong position in the insurance market and estimates that it was the largest insurance company in Jamaica in 2016 based on gross life insurance premiums written. Furthermore, according to the Insurance Association of Jamaica, Sagicor is the largest provider of individual life and the largest provider of group life insurance in Jamaica based on gross premiums. Sagicor is also the largest provider of health insurance and pensions in Jamaica based on in-force business.

The insurance market and the principal competitive advantages affecting Sagicor's insurance business in Jamaica are:

- the size and strength of the distribution channel through Sagicor's career agency force;
- Sagicor's financial strength and claims paying reputation;
- the breadth of Sagicor's product lines and product quality;
- Sagicor's visibility in the market place;
- the quality of Sagicor's service; and
- Sagicor's asset management performance.

Sagicor's primary competitor for individual life insurance, health insurance, pension, and group life business in Jamaica is Guardian Group. One of the defining features of the life segment in Jamaica is the amount of market share captured by Sagicor and Guardian. Both groups together account for approximately 70% of all premiums written in Jamaica's life segment.

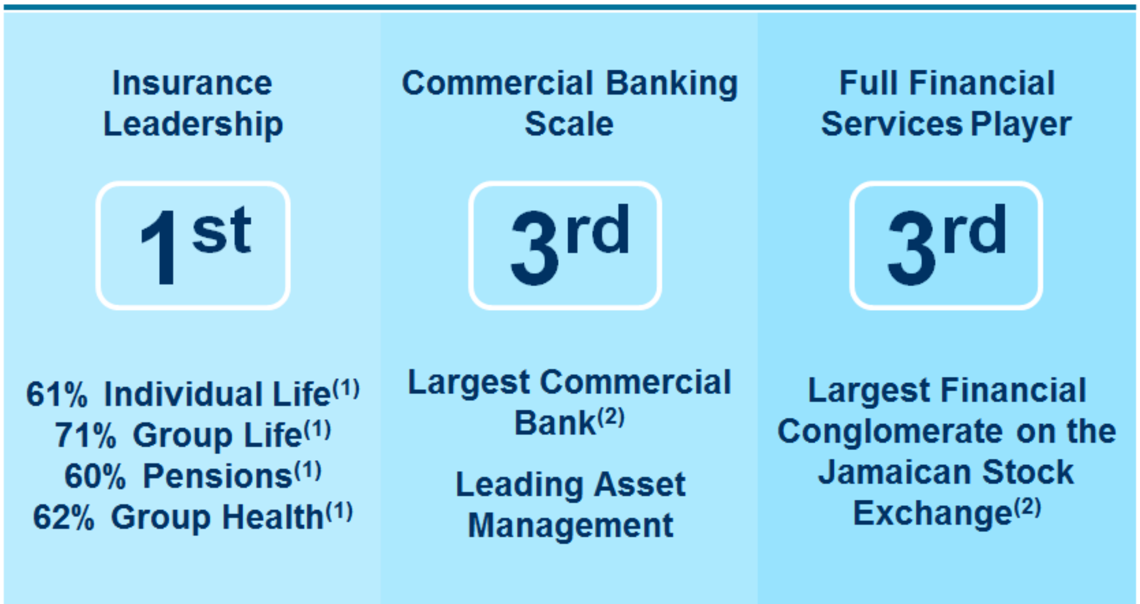
Smaller players include Scotia Jamaica Life Insurance Company Limited ("**SJLIC**"), which primarily sells creditor insurance, an indirect subsidiary of BNS, and the local arm of CUNA Mutual. With a global headquarters in Madison, Wisconsin, CUNA Mutual provides loan protection, savings, group life and funeral insurance products to credit union members in Jamaica. Jamaica's National Commercial Bank also distributes life insurance and wealth management solutions.

The number of active market participants in the financial services industry in Jamaica has remained stable over the last few years. Sagicor expects this trend to continue**.**

Sagicor Bank Jamaica and Sagicor Investments (along with their direct parent Sagicor Jamaica) have primary competitors that consist of financial conglomerates with diverse financial services operations that are licensed and regulated by either the Bank of Jamaica (BOJ) or the Financial Services Commission (FSC). The main competitors include The NCB Financial Group, Jamaica Money Market Brokers (JMMB) Group and the Jamaica National (JN) Group, as well as the Scotia Group (primarily banking and creditor insurance).

The competitive product offerings and demographics of the customer base within the peer groups are fairly similar.

The following graphic shows Sagicor's market share in Jamaica:



(1) Based on 2017 data.
(2) Based on profitability.

Sagicor Life

Overview

Sagicor operates in the Caribbean primarily through its subsidiary, Sagicor Life. Sagicor Life is the successor to The Barbados Mutual Life Assurance Society, which was founded in Barbados in 1840. Accordingly, Sagicor Life is headquartered in Barbados. Sagicor Life operates in the Southern Caribbean in Trinidad and Tobago as well as Barbados. Sagicor's operations in the Eastern Caribbean are conducted in seven territories (Antigua, Anguilla, the Commonwealth of Dominica, St. Lucia, Grenada, St. Kitts and Nevis, and St. Vincent) through three branches (Antigua, Grenada, and St. Lucia) and three agencies (Dominica, St. Kitts and Nevis and St. Vincent). Sagicor no longer writes new business in Anguilla. Sagicor also operates in the Dutch and North Caribbean. It is the leading insurance player in its various markets. Sagicor Life provides life, health, annuity insurance business, pension administration services and asset management.

Sagicor Life's books and records, including its minute books, corporate seal and corporate records, are co-located at its and Sagicor's headquarters in Barbados. Accordingly, Sagicor has access thereto, including electronically.

While a majority of Sagicor's operations in the Caribbean operate through Sagicor Life, Sagicor provides some of its products in this region through its other subsidiary operating companies, such as Sagicor General and Sagicor Asset Management Inc.

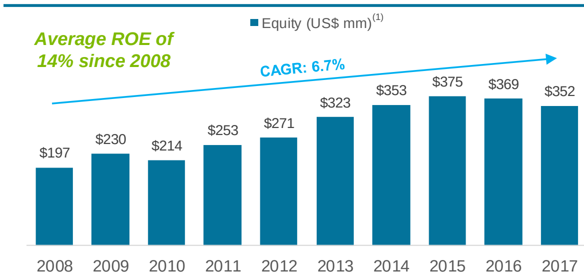
Financial and market highlights of Sagicor Life's operations are in the table below.

Sagicor Life Highlights

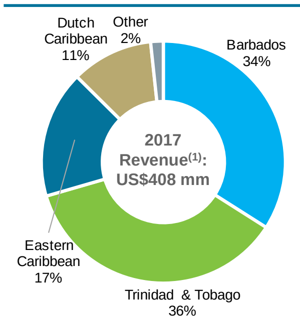
Key Highlights

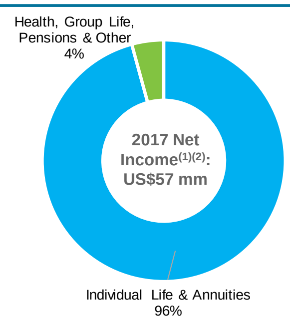
- Leading regional financial services company in the Southern Caribbean with strong customer loyalty
- 2017 ROE of 16%
- Demonstrated track record of premium growth via new customer acquisition and product diversification - notwithstanding market leading position

Consistent Growth and Profitability



Product Mix & Geographies





Leading Market Share Across Caribbean

Country	Market Share[3]
St. Vincent & the Grenadines	73%
St. Lucia	70%
Dominica	68%
Antigua & Barbuda	68%
Barbados	64%
St. Kitts & Nevis	61%
Grenada	43%
Trinidad & Tobago	17%

Source: Financial Services Authority (St. Vincent & the Grenadines), Financial Services Regulatory Authority (St. Lucia), Financial Services Unit (Dominica), Financial Services Regulatory Commission (Antigua & Barbuda and St. Kitts & Nevis), Barbados' FSC, Grenada Authority for the Regulation of Financial Institutions, ATTIC

1. Adjusted for inter-segment items.
2. Reflects net income attributable to shareholders from continuing operations.
3. 2017 market share figures, except for Dominica, which is as of 2016.

Products

Sagicor's products in the Southern and Eastern Caribbean include life and health, employee benefits, including pensions, annuities, asset management and property and casualty insurance.

Sagicor targets middle to high-net worth individuals through superior customer service and an efficient and effective career agent distribution network. In the Eastern Caribbean and other Caribbean regions, Sagicor markets primarily to lower-middle and middle-income clients.

Sagicor's strong corporate image, together with its wide range of products and skilled sales force, has allowed Sagicor to maintain a leading position in the mature life insurance market in the Caribbean. Sagicor Life has an "A-u" (Developing) rating from A.M. Best.

The Company hopes to continue to grow its business in this market by cross-selling its broad range of products, including non-traditional life insurance and critical illness insurance to existing Sagicor customers, most of whom currently only hold one Sagicor product. Sagicor also plans to launch a suite of unit-linked products, which, in addition to being attractive and competitive, will allow a more efficient use of Sagicor's capital.

As Sagicor seeks to grow its business, Sagicor intends to adjust its recruiting of advisors to enhance its entry into under-served markets and to develop its financial advisory business in order to further penetrate the high net worth segment.

As of September 30, 2018, Sagicor had 85,985 life insurance policies in force in Barbados, as compared to 75,574 as of December 31, 2017, which represents an annualized premium income of US$64.1 million and a sum assured of US$4.1 billion as of September 30, 2018, as compared to US$3.9 billion for the year ended December 31, 2017. In Trinidad and Tobago, Sagicor had 86,914 life insurance policies in force as of September 30, 2018, as compared to 86,049 life insurance policies as of December 31, 2017. This represented annualized premium income of US$77.9 million as of September 30, 2018, as compared to US$76.2 million as of December 31, 2017, and a sum assured of US$3.8 billion as of September 30, 2018 as compared to US$3.8 billion for the year ended December 31, 2017. In the Eastern Caribbean, Sagicor had a portfolio of 59,928 life insurance policies in force as of September 30, 2018, as compared to 59,255 life insurance policies in force as of December 31, 2017, representing annualized premium income of US$43.9 million and a sum assured of US$3.3 billion as of September 30, 2018, as compared to US$44.6 million and a sum assured of US$3.2 billion as of December 31, 2017. In its other Caribbean regions, Sagicor had a portfolio of 31,647 life insurance policies in force as of September 30, 2018, as compared to 31,740 life insurance policies in force as of December 31, 2017, representing annualized premium income of US$32.8 million and a sum assured of US$2.4 billion as of September 30, 2018, as compared to US$32.8 million and a sum assured of US$2.4 billion for the year ended December 31, 2017.

Market and Competition

The Southern and Eastern Caribbean is a mature market for traditional insurance products, including life insurance and property and casualty insurance. Sagicor is one of the largest companies providing group life insurance and group health insurance in the Southern and Eastern Caribbean based on gross premiums based on gross premiums.

Sagicor's competitors include other regional insurers that compete with Sagicor in many jurisdictions, as well as local insurers that specialize in smaller territories. In some jurisdictions, Sagicor faces competition from banks, securities brokerage firms, investment advisors, and other financial intermediaries marketing insurance products, annuities and mutual funds.

Sagicor's primary competitors for life and annuity insurance business in the Southern Caribbean are PALIG, Guardian Life Insurance and ScotiaLife Trinidad and Tobago Limited ("**SLTT**"), which primarily sells creditor insurance. In the property and casualty insurance market, Sagicor primarily competes with Guardian, Massy United and Insurance Corporation of Barbados Limited (IBCL). Sagicor's primary competitors for insurance business in the Eastern Caribbean are Nagico (which competes with Sagicor only for group insurance business), PALIG and Demerara Mutual (which compete with Sagicor only for individual insurance business).

In the life insurance market, three of the four largest life insurance companies are groups that have successfully expanded beyond their home bases across the Caribbean region. Guardian Group, which is based in Trinidad and Tobago, is the largest life company based on FY2017 Gross Premiums Written, followed by Sagicor Life and SLTT (which focuses primarily on creditor insurance), an indirect subsidiary of BNS.

Regarding the non-life market, the sister company of Guardian Life, Guardian General, leads the non-life insurance sector in the Trinidadian market, with a 25.7% share of premiums in 2017. Much like its life sector counterpart, Guardian enjoys the advantages of scale and a nationwide network of branches, as well as a well-established brand.

Moreover, Beacon is an indigenous composite (but mainly non-life) group with a 7.8% market share that is based in Trinidad and Tobago. It operates through branches in twelve locations across the country, and in Barbados, Grenada and St Lucia. It is represented by agents in eight locations in Trinidad and Tobago, as well as in Dominica, St Kitts & Nevis and in St. Vincent.

The following table shows Sagicor Life's market share as of December 31, 2017.

Total Market Share - December 31, 2017				
	As of December 31, 2017			
	Currency	Sagicor Gross Premium Written	Regulator's Industry Revenue	Market Share
		(in millions of US$)		
Antigua & Barbuda	EC	27.8	40.9	68%
Barbados[(1)]	BDS	209.0	328.7	64%
Dominica[(2)]	EC	10.8	15.9	68%
Grenada	EC	15.9	37.4	43%
St. Kitts Nevis	EC	13.9	22.8	61%
St. Lucia	EC	39.2	55.6	70%
St. Vincent & the Grenadines	EC	16.7	22.7	73%
Trinidad and Tobago	TTD	782.0	4,591.2	17%

(1) Data provided by the regulator in Barbados (FSC) includes offshore business written by one competitor which has skewed the gross premiums written for the industry. Without it, Sagicor would have approximately 85% market share.
(2) Calculated as at December 31, 2016.

Significant price competition exists for sales through brokerage distribution. Sagicor attempts to mitigate this competition by selling its products principally through dedicated advisors and by increasing the number of Sagicor's advisors in the Southern and Eastern Caribbean.

The principal competitive factors affecting Sagicor's life, group and non-life business in the Southern and Eastern Caribbean are:

- the size and strength of the distribution channel through Sagicor's career agency force;
- Sagicor's financial strength and claims paying reputation;
- breadth of Sagicor's product lines and product quality;
- Sagicor's visibility in the market place;
- the quality of Sagicor's service; and
- Sagicor's asset management performance.

In addition to the factors outlined above, in the Eastern and Dutch Caribbean there is an additional requirement of managing Sagicor's business across many small islands. This creates compliance burdens and logistical challenges, which is a key differentiating factor for Sagicor given its scale and detailed market knowledge and provides barriers to entry for potential new competitors.

Sagicor Life USA

Overview

Sagicor moved beyond its core Caribbean markets in 2004 when Sagicor established Sagicor USA to spearhead the Company's move into the United States. In 2005, Sagicor acquired American Founders Life Insurance Company, the predecessor of Sagicor Life USA, Sagicor's USA-based operating subsidiary. This acquisition was part of Sagicor's strategy to expand into markets with significant growth potential or where the Company can develop global best practices that it can then introduce into its core geographies.

Since its acquisition, Sagicor Life USA has been following a clearly defined strategy of creating the Sagicor story in the United States by providing innovative customer solutions to the middle-income American. While the Company continues to look for opportunities to grow its policy and premium base by acquiring strategic blocks of life insurance business or other life insurance companies, the focus has been on organic growth since 2007, developing and marketing its own products. As just one example of this innovative approach, the Company was one of the first companies in 2014 to incorporate advanced underwriting techniques to automate the application process, shaving weeks off the policy issuance time schedule and providing consumers with the ability to obtain an underwriting decision within minutes of application submission. The Company's Accelewriting platform has been recognized as one of the best in the industry by several leading firms. In a further innovation, the Company expanded its Accelewriting platform to allow consumers to buy directly from the Company through its online site, SagicorNOW™, if an agent is not desired. SagicorNOW frees the consumer to obtain coverage when they would like to 24 hours a day, 7 days a week, and 365 days a year without ever having to speak to someone, if that is what the customer wants. SagicorNOW is available in 22 states and it is expected to be in the remaining 23 states the Company is licensed in by the end of 2018.

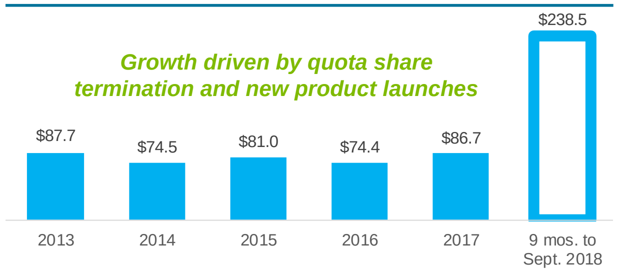
Financial and market highlights of Sagicor USA's operations are in the table below.

Sagicor USA Highlights

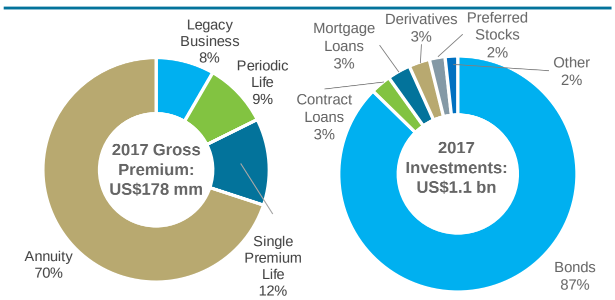
Key Highlights

- Simple and "easy-to-buy" Life and Annuity products targeting a familiar customer profile
- State-of-the-art and scalable IT platform to be leveraged across the Caribbean
- Excellent product recognition – fixed annuity products with guaranteed rates ranked top two by Barron's (2018)
- Strong distribution relationships supported by A- (Excellent) financial strength rating

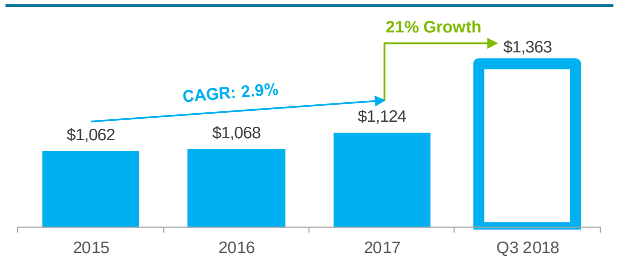
Net Premiums Earned (US$ mm)



Strong Annuity Revenues & Conservative Investments



Financial Asset Growth (US$ mm)



Rated A- (Excellent) by A.M. Best

Source: SNL Financial

As of December 31, 2017, Sagicor Life USA was licensed in 45 states in addition to the District of Columbia. It markets a full array of life and annuity policies through a network of field marketing organizations, independent producers, and career agents. Approximately 53% of Sagicor Life USA's premiums are written in Texas, Florida, California, Arizona, Missouri, Ohio, and Minnesota, with only Texas accounting for more than 10% overall. A.M. Best currently assigns Sagicor Life USA a rating of "A- u." (Developing) Sagicor Life USA has administrative offices in Scottsdale, Arizona and Tampa, Florida.

Products and Distribution

Sagicor Life USA offers a wide array of life and annuity products. While these products can serve all facets of the U.S. market, Sagicor Life USA is focused on the large, underserved middle market. Sagicor Life USA was one of the first companies to offer a full suite of life and annuity products with crediting rates based on the movement of popular equity indices as well as global baskets. Sagicor Life USA offers term, whole life (non-participating periodic premium and single premium (indexed and standard)), universal life (indexed as well as no-lapse versions), indexed annuities, single premium immediate annuities, and multi-year guaranteed annuities.

The Company purchases custom options (hedges) that are selected to materially replicate the policy benefits that are associated with the equity indexed components of certain of the Company's products. These options are appropriate to reduce or minimize the risk of movements in the equity market (market risk). The hedging transactions are accounted for as call options and are originally valued at the premium paid, with the statement carrying value being adjusted to fair value. To minimize potential counterparty risk from the purchase of these customized contracts from broker dealers, the Company limits its transactions to only banks and brokers carrying an unsecured debt rating of at least A or P-1 by either Standard and Poor's or Moody's. See note 41.6 of the 2017 Sagicor Audited Annual Financial Statements.

Sagicor Life USA principally offers life and annuity products to individuals through independent marketing organizations across the country. It does not market health, disability, long-term care, or variable products and while some of its products can and are sold in worksite situations, it does not actively market in that environment nor does it have traditional group products.

As of September 30, 2018, Sagicor Life USA had a portfolio of approximately 95,700 life insurance policies and annuity policies in force, as compared to approximately 95,500 life insurance and annuity policies as of December 31, 2017, representing annualized premium income of US$238.5 and US$153.5 million, respectively. This represented US$6.9 billion sum assured as of September 30, 2018 and US$6.3 billion sum assured as of December 31, 2017. Sagicor Life USA had US$1.9 billion in total assets as of September 30, 2018, as compared to US$1.7 billion as of December 31, 2017. The net growth in policy count is a result of strong new business production offsetting the natural decline in policies written prior to 2007 through death, lapse or surrender.

Market and Competition

Sagicor Life USA markets its life insurance products through approximately 5,300 third-party marketing firms, financial institutions and independent and career agents located in 45 states and the District of Columbia. Sagicor Life USA markets its products primarily to individuals and small businesses and is focused on the large, underserved middle market, which is similar to the target demographic for which it is the market leader in the Caribbean.

The U.S. insurance market is highly fragmented. Where insurance is a commodity, scale, size and volume are necessary to achieve profitability amid strong competition. As a result, a portion of Sagicor's strategy in the United States continues to be to acquire blocks of individual life policies that can easily be assimilated into its systems and to purchase small life insurance companies.

Sagicor Life USA has numerous competitors in each of its product lines and growth strategies. In the life and annuity market, Sagicor's main competitors could consist of small to medium regional companies or large, nationally and globally renowned companies. Some market through captive sales forces while others compete with Sagicor for the attention of independent brokers or look to attract business through aggressive online marketing. In the direct to consumer space, SagicorNOW competes directly with web-based approaches established by large, global renowned companies as well as several InsurTech start-ups. Other competitive factors in Sagicor's markets in the United States include the development of products to suit customer needs, the development of distribution networks and investment performance. As of the end of 2017 (the last reporting date), Sagicor Life USA was ranked 151st of the top 200 life insurance companies by total assets. When Sagicor Life USA was acquired by Sagicor, it was ranked 175th. It is consistently mentioned as one of the top term life companies in the country, as well as its recently introduced multi-year guaranteed annuities which were ranked in the top 50 best annuities, according to a Barron's 2018 report.

The following table shows the main competitors and their market shares in the United States insurance market, for the periods indicated.

Main competitors market share	2017	2016
Fixed Annuity New Sales		
New York Life Insurance Company	10.0%	8.6%
Allianz Group	7.5%	9.3%
American International Group, Inc.	6.4%	7.0%
Global Atlantic Financial Group Limited	6.0%	4.7%
Athene Holding Ltd.	5.4%	4.8%
Nationwide Mutual Insurance Company	5.1%	2.9%
American Financial Group, Inc.	4.3%	4.0%
American Equity Investment Life Holding Company	4.2%	6.5%
Symetra Financial Corporation	3.3%	3.4%
Security Benefit Corporation	2.7%	3.2%
Brighthouse Financial, Inc.	2.7%	2.4%
Midland National Life Insurance Company.	2.5%	3.8%
FGL Holdings	2.4%	2.3%
Pacific Mutual Holding Company	2.3%	2.2%
Principal Financial Group, Inc.	2.3%	2.3%
North American Company for Life and Health Insurance	2.0%	2.5%
Lincoln National Corporation	2.0%	1.8%
Delaware Life Insurance Company	1.9%	1.6%
American National Insurance Company	1.8%	1.0%
Massachusetts Mutual Life Insurance Company	1.8%	1.7%
Total Life Insurance Issued (by Face Amount Issued)		
MetLife, Inc.	8.9%	6.8%
Prudential Financial, Inc.	6.6%	6.1%
The Northwestern Mutual Life Insurance Company	5.2%	5.3%
Securian Financial Group, Inc.	5.0%	5.6%
New York Life Insurance Company	4.2%	3.9%
Lincoln National Corporation	3.7%	3.9%
Unum Group	3.6%	3.4%
Principal Financial Group, Inc.	2.9%	2.8%
Massachusetts Mutual Life Insurance Company	2.9%	2.4%
Primerica, Inc.	2.8%	2.8%
State Farm Mutual Automobile Insurance Company	2.8%	2.9%
Cigna Corporation	2.5%	2.7%
American International Group, Inc.	2.4%	2.2%
The Guardian Life Insurance Company of America	2.4%	2.5%
Liberty Life Assurance Company of Boston	2.1%	2.3%
Mutual of Omaha Insurance Company	2.0%	2.1%
Aetna Inc.	2.0%	2.6%
StanCorp Financial Group, Inc.	1.9%	2.6%
The Hartford Financial Services Group, Inc.	1.9%	2.7%
Transamerica Corporation	1.8%	2.4%

Source: Market Research.

Net Policy Benefits

Net policy benefits consist of:

- life insurance, proceeds from death claims, matured policies and policies surrendered;
- payments under annuity contracts;
- health claims in the normal course of business; and
- net property and casualty insurance claims.

The tables below summarizes the distribution of Sagicor's net policy benefits by segment as of December 31, 2017.

Sagicor Net Policy Benefits

	As of December 31, 2017				
	Sagicor Life	**Sagicor Jamaica**	**Sagicor USA**	**Head office and other**	**Total**
	(in millions of US$)				
Net policy benefits[(1)]	197.8	171.1	87.6	27.1	483.6
Net change in actuarial liabilities	11.9	83.3	27.1	-	122.3
Net policy benefits and change in actuarial liabilities	209.7	254.4	114.7	27.1	605.9
Interest expense	12.2	37.5	2.1	3.1	54.9
Total benefits	221.9	291.9	116.8	30.2	660.8

(1) Net policy benefits consist of: (i) life insurance, proceeds from death claims, matured policies and policies surrendered; (ii) payments under annuity contracts; (iii) health claims in the normal course of business; and (iv) net property and casualty insurance claims.

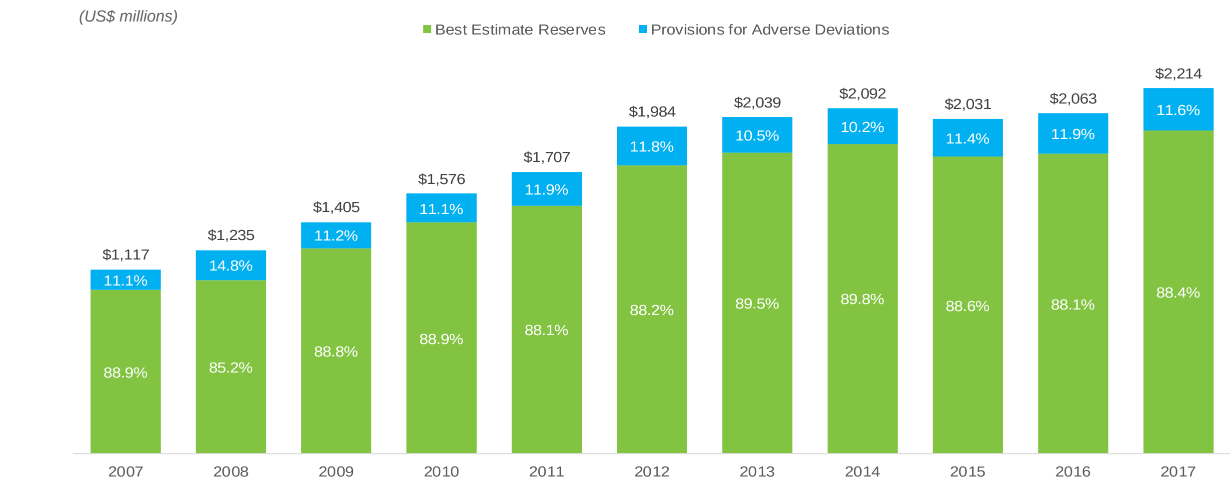
Claims, Capital and Reserving Policy

Overview

Sagicor's capital and reserving policy is part of an integrated enterprise risk management system. Sagicor voluntarily adopted the Canadian risk based capital and reserving standards in the mid-1990s because there were no uniform capital and reserving standards in the Caribbean and the statutory standards were weaker. In 2001, the Government of Jamaica adopted the Canadian risk based capital and reserving standards. The policy allows Sagicor to have a common platform to assess the performance of each principal operating entity and therefore allocate capital more efficiently. Sagicor targets a capital ratio of at least 175% of MCCSR under the most recent Canadian MCCSR standards in place as of year-end 2017, and it has exceeded this target since adoption.

Sagicor follows a prudent reserving philosophy including voluntary adherence to Canadian actuarial standards, which strengthens the resilience of its liability coverage. As part of its reserving policy, Sagicor records provisions to account for potential adverse deviations in addition to its best estimate reserves. These reserves, which are estimated using best estimate assumptions, are validated by internal and external specialists. As of 2017, Sagicor's reserves include US$256.0 million of PfADs, which will eventually be reclassified into equity if no such adverse deviations occur as reserves are released and paid out. As illustrated in the table below, Sagicor's aggregate PfADs have consistently ranged from 10% to 12% of net reserves for each of the last nine years, which includes a wide array of economic conditions.

Provisions for Adverse Deviations[1]



	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
MCCSR	263%	244%	273%	224%	269%	250%	259%	273%	301%	249%[2]	258%[2]

(1) Net reserves represent gross reserves less ceded reserves.
(2) For 2016 and 2017, the methodology to compute the MCCSR was updated.

For life insurance and annuities, the reserves are the sum of the expected claims and expenses less premiums over the expected life of each policy. The expected claims, expenses and premiums are based on assumptions for future economic factors, namely, interest rates and inflation, and future policyholder behavior, namely, mortality and lapses and future company behavior, namely, expenses. All assumptions have two components: a best estimate and a margin for adverse deviation. Therefore, the reserves have two components: a best estimate and a PfAD. In addition, the reserves are determined under prescribed economic scenarios, and the reserves under the worst economic scenario are chosen; typically, this is a declining interest rate scenario for Caribbean countries. The difference between the best and worst case economic scenarios was US$133 million or 15% of total equity as of December 31, 2017.

For the Company’s property and casualty and health insurance claims, reserves are primarily related to incurred but not paid claims.

The following sections discuss Sagicor’s claims and reserving policies in greater detail. Sagicor administers its claims internally, namely, adjudication and payment, within specific target performance standards.

Life Insurance

Claims

Sagicor manages its exposure to claims risk through detailed underwriting and claims guidelines. These guidelines provide direction to Sagicor’s staff as it relates to the classification of risks and to the adjudication of claims. Exposure to claims risk is further minimized by reinsurance guidelines, which limit the amount of risk retained under any one policy. Policies in excess of pre-defined limits are partially reinsured with other companies. All of Sagicor’s claims administration and management is done in-house.

Reserving

Sagicor follows the Canadian standards for valuation as set by the Canadian Institute of Actuaries to the extent that they can be applied to the Caribbean. The primary bases used are the Canadian Asset Liability Method (“**CALM**”) and Policy Premium Method (“**PPM**”). CALM and PPM are asset-liability matching methodologies that allocate specific assets to cover the future net policy cash-flows.

Under CALM, the actuarial liabilities (reserves) of each insurer are determined by the value of specified assets (in the form of investments and cash) required to mature the net policy cash-flows of the contracts over the remaining lives of the insureds.

The individual life and annuity insurance actuarial reserves for all entities combined, as of December 31, 2017, were US$2.2 billion.

Sagicor's group life and group creditor reserves are generally valued using PPM using the interest rate arrays generated under CALM for individual life. The reserves for group life and group creditor, as of December 31, 2017, were US$32.0 million.

The CALM methodology produces the total reserve requirement for each CALM fund. In general, the CALM methodology is used to determine the net overall actuarial liabilities required by an insurer. PPM equivalents are used to determine the amount of reinsurance balances in the reserve, the distribution of the total reserve by country (for statutory reporting), and the distribution of the reserve by policy (for MCCSR negative reserves). PPM equivalents and other approximations to CALM have also been used in calculating certain components in the actuarial liabilities.

Actuarial liabilities include two major components: a best estimate reserve and a provision for adverse deviations. The latter provision reflects the uncertainty in computing best estimate reserves, allowing for possible mis-estimation of actual experience in an effort to provide greater comfort that reserves will be adequate to pay future benefits. For additional information on Sagicor's assumptions and provisions for adverse deviations, see note 13.3 to the Sagicor Audited Annual Financial Statements, included elsewhere in this prospectus.

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 for each major geographical segment: Jamaica, Trinidad and Tobago, Barbados, the United States, and other Caribbean countries.

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

Health Insurance

Claims

Sagicor receives health insurance claims under individual contracts and group contracts. These claims are fully administered and managed internally by Sagicor's claims section. Sagicor's aim is to provide timely, efficient, high-quality claim services to its clients while maintaining control of its costs. Sagicor has independent chief medical officers at Sagicor Life and Sagicor Jamaica and has access to designated medical officers in the jurisdictions in which it operates. These medical officers provide oversight assistance with certain large claims in an attempt to prevent fraud.

Reserving

The Modified Completion Factor Method is used to estimate the aggregate reserves needed for health insurance. This method provides for claims incurred but not reported, or IBNR, as well as claims reported but not yet paid. The reserves for health insurance were, as of December 31, 2017, approximately US$47.3 million.

Property and Casualty Insurance

Claims

Sagicor receives claims in its property and casualty insurance business with respect to property, automotive and casualty. Property claims consist primarily of loss or damage to insured property caused by fire, flood, hurricane or storm damage, burglary or theft. Motor claims primarily result from injury or damage to vehicles, passengers and pedestrians. Casualty claims normally result from bodily injury to employees or members of the public in offices, restaurants or at other places of work, such as construction sites.

Sagicor settles claims internally and uses external experts to advise on complex cases. Sagicor refers personal injury claims to its independent panel of medical advisors, led by its independent chief medical officer.

Reserving

Sagicor maintains loss reserves in its general insurance lines to cover its estimated ultimate liability for losses and loss adjustment expenses for reported and unreported losses incurred as of the end of each accounting period. Loss reserves do not represent an exact calculation of liability, but rather are estimates of the expected cost of the ultimate settlement of losses. These estimates are based on statistical projections of facts and circumstances and trends in loss severity and other variable factors, including new bases of liability and general economic conditions.

Reserving for liability claims is subject to significant uncertainties that generally exceed those presented with other types of claims. These uncertainties include long reporting delays and unresolved legal issues about the policy and the value of the policy. As a consequence, in addition to traditional loss reserving techniques, Sagicor relies on internal expertise and external legal and professional advisors.

The reserves for liability claims were, as of December 31, 2017, approximately US$32.2 million.

Reinsurance

Overview

Sagicor uses reinsurance in each of its three principal business segments to achieve different objectives, namely, protection of the capital base from catastrophes (all segments), as a source of capital to fund growth (Sagicor Life USA), which program ended as of March 2018, and to protect its net income stream from volatility from large claims primarily in the Caribbean health insurance operations (Sagicor Life Inc., Sagicor Life Jamaica Limited, and Sagicor Life of the Cayman Islands Ltd., the Caribbean life insurance operations). Sagicor has reinsurance for both its individual and group insurance business.

Sagicor uses a panel of high quality reinsurers. Sagicor's reinsurance is conducted with reinsurers that either have an investment grade rating or provide collateral against the risk. The maximum capacity loss for Sagicor under its reinsurance arrangements is US$8 million. Sagicor has long standing relationships with its reinsurers and has had no material issues.

The table below lists some of Sagicor's key reinsurance providers and their respective A.M. Best ratings:

Company	A.M. Best 2018	A.M. Best 2017
Allianz Life Ins Co of North America	A+	A+
Employers Reassurance Corp	A-	A-
Guggenheim Life and Annuity Co	B++	B++
Hannover Life Reassurance Co of Am	A+	A+
Heritage Life Insurance Co	NR	NR
Lincoln National Life	A+	A+
MedAmerica Insurance Company	NR	NR
National Foundation Life Ins Co	B+	B+
Optimum Re Insurance Co	A-	A-
RGA Reinsurance Co	A+	A+
Sagicor Life, Inc.	A-	A-
SCOR Global Life Americas Reinsurance Co	A+	A
SCOR Global Life USA Reinsurance Co	A+	A
Scottish Re (U.S.), Inc.	NR	NR
Security Life of Denver	A	A
Sterling Investors Life	NR	NR
Swiss Re Life & Health America	A+	A+
The Canada Life Assurance Company	A+	A+
Transamerica Life Ins Co	A+	A+
Transamerica Premier Life Ins Co	A+	A+
Washington National Ins Co	A-	A-

The form of reinsurance is usually an excess of loss cover, where a claim in excess of a predetermined amount is borne by the reinsurer, and/or quota share, where a predetermined portion of the original premium and claim are received and paid by the reinsurer. The predetermined amounts vary by operating entity. If a reinsurer were not to satisfy obligations, Sagicor could be adversely affected.

Sagicor has filed an application to establish a life reinsurer in Bermuda with the aim of streamlining its reinsurance programs.

Catastrophe Reinsurance

The life reinsurance is payable on an event involving three or more deaths. There is a deductible of US$1.125 million. The annual aggregate limit is US$40.3 million. The reinsurers are RGA Reinsurance Company, Missouri (50%) and Hannover Reuck SE, Hannover (50%). Sagicor has made no claim on this policy.

The property and casualty is payable after the first US$7.5 million of claims. Sagicor also purchases premium protection to seek to ensure 100% reinstatement of coverage.

Life Reinsurance

Sagicor Life USA, the U.S. operations, have reinsurance coverages that are product specific with the reinsurer being responsible for claims above US$50,000 to US$500,000, depending on the specific block of business.

Sagicor's Caribbean operations, Sagicor Jamaica and Sagicor Life Inc., have reinsurance coverage for individual life claims above US$500,000, and for group life claims above US$125,000.

Asset and Liability Management and Investments

Overview

Sagicor's enterprise risk management includes an integrated approach to its corporate governance structure, ALM, investment policy and capital and reserving policy.

Each principal operating entity has an Investment and Risk Committee of its board of directors. Each committee reviews investment policies and performance, risk measures and ALM studies. ALM and investment management are mainly managed internally by each operating entity.

Asset and Liability Management

The insurance liabilities are measured under the Canadian reserving standards on a fair value basis. Assets equal to the insurance liabilities are allocated to those liabilities. The remaining assets are allocated to shareholder capital. The insurance liabilities are sensitive to the following:

- economic factors, such as interest rates and inflation;
- economies of scale; and
- policyholder behavior, including mortality and policy lapses.

The assets are sensitive to the following:

- economic factors;
- interest rates; and
- credit events.

Sagicor uses mainly fixed income securities, namely, bonds, mortgages, deposits, and policy loans, of similar currency, duration and cash flows, to match its insurance liabilities. The broad matching approach reduces the risk of Sagicor having to (i) sell assets in poor market conditions, (ii) buy assets in a falling interest rate climate, and (iii) borrow at high interest rates to meet benefits requirements. Broad matching also reduces the risk of shocks to net income and capital. Sagicor uses a broader mix of assets, including property, equities and foreign fixed income securities to match its shareholder capital. Unit-linked liabilities are matched with units in the relevant underlying investment funds.

Sagicor's life insurance liabilities have a longer duration than its other liabilities because of the inherent nature of life insurance liabilities. This discrepancy is compounded by the non-investment grade status of some of the countries that Sagicor operates in, restrictions on foreign investments, and the lack of variety of long term fixed income securities in the Caribbean. However, Sagicor has low liquidity risk because of net positive operating cash flows.

ALM risks are managed by:

- matching capital with the preferences of investment grade assets and/or US$ assets, where practical;
- a deliberate mismatch of foreign currency assets, preferably investment grade assets against local currency liabilities of non-investment grade countries, where practical;
- designing products so that Sagicor has the ability to pass through investment risks for certain classes of policies;
- structuring the mix of products such that some liabilities offset each other (e.g. Sagicor's annuities products offset Sagicor's ordinary life insurance products);
- originating mortgages with recourse to match long-term liabilities;
- limiting the exposure to any one counterparty;

- limiting the exposure both within and across asset classes;

- reinsurance of catastrophe risks with companies that have high credit ratings; and

- regular stress and scenario testing.

Sagicor's ALM is reflected in the tables below showing its foreign exchange sensitivity and interest rate sensitivity.

Foreign exchange sensitivity

Sagicor is exposed to foreign exchange risk as a result of fluctuations in exchange rates since its financial assets and liabilities are denominated in a number of different currencies. Sagicor is exposed to this currency risk in its operating currencies, whose values have noticeably fluctuated against the United States dollar.

For example, the effect of a 10% depreciation in the J$ relative to the US$ arising from J$ reporting units as of December 31, 2017 and for the year then ended are considered in the following table.

	Amounts denominated in		**Total amounts**	**Effect of a 10% depreciation**
(in thousands of US$)	**J$**	**US$**		
Financial position:				
Assets	1,566,473	1,112,196	2,678,669	(156,647)
Liabilities	1,121,819	988,958	2,110,777	(112,182)
Net position	444,654	123,238	567,892	(44,465)
Represented by: Currency risk of the Group's investment in foreign operations				(44,465)
Income statement:				
Revenue	483,662	71,483	555,145	(36,381)
Benefits	(226,671)	(46,464)	(273,135)	22,667
Expenses	(157,339)	(14,856)	(172,195)	15,734
Income taxes	(22,826)	-	(22,826)	2,283
Net income	76,826	10,163	86,989	4,303
Represented by:				
Currency risk relating to the future cash flows of monetary balances				11,985
Currency risk of reported results of foreign operations				(7,682)
				4,303

The tables above show that a 10% decline in the J$ relative to the US$ will result in a US$44.5 million decline in the net assets resulting from translation losses and net income gains of approximately US$4.3 million. A 10% appreciation in the J$ relative to the US$ would have equal but opposite effects to those disclosed above.

Interest rate sensitivity

Sagicor is exposed to interest rate risks. Sensitivity to interest rate risk is considered by operating subsidiaries. The effects of changes in interest rates of assets backing actuarial liabilities are examined below.

Sensitivity arising from the valuation of actuarial liabilities

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

Sensitivity	**Scenario**		
	Sagicor Life Inc. Segment	**Sagicor Jamaica Segment**	**Sagicor USA Segment**
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% per year 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.

The following table represents the estimated sensitivity of the above scenarios to net actuarial liabilities for insurers by segment.

	Sagicor Life Segment		**Sagicor Jamaica Segment**		**Sagicor Life USA Segment**	
	2017	**2016**	**2017**	**2016**	**2017**	**2016**
Base net actuarial liability	956,305	936,049	374,483	327,183	623,269	580,784
Scenario	Increase/(decrease) in liability		Increase/(decrease) in liability		Increase/(decrease) in liability	
High interest rate	(89,289)	(84,334)	(111,058)	(98,734)	(37,115)	(34,545)
Low interest rate	161,474	156,127	102,183	124,400	42,637	39,771

The Group’s property and casualty operations are not exposed to a significant degree of interest rate risk, since the majority of its interest bearing instruments has short-term maturities.

The sensitivity of the Group’s principal operating subsidiaries engaged in banking, investment management and other financial services are considered in the following paragraphs:

<u>Sagicor Investments Jamaica Limited and Sagicor Bank Jamaica Limited</u>

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.

Sagicor is exposed to interest rate risks. The occurrence of an adverse change in interest rates on invested assets may result in financial loss to Sagicor in fulfilling the contractual returns on insurance and financial liabilities.

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 available-for-sale financial assets 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.

2017			
Change in interest rate		**Effect on net income**	**Effect on total comprehensive income**
J$	**US$**		
-1%	- 0.5%	8,525	21,297
+1%	+ 0.5%	(8,856)	(19,691)

Investments

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

As of September 30, 2018, Sagicor had US$5.1 billion of diversified financial assets and net investment income of US$163.4 million, a net investment return of 3.2%, which reflects the impact of the GoB debt exchange. Since becoming a public company in 2002, Sagicor has had positive and stable investment portfolio performance. Sagicor believes such stability of its investment returns is a direct result of its ALM strategy and its management of the ALM risks.

Carrying Values

The first table below shows the carrying value of Sagicor's investment portfolio for the year ended December 31, 2017 as well as the current year through September 30, 2018. The second table below shows Sagicor's net investment return for the year ended December 31, 2017, as well the current year through September 30, 2018.

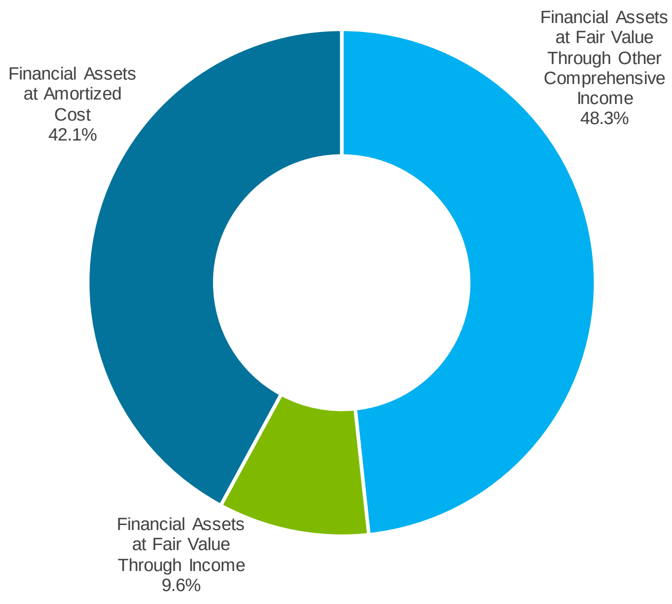
On January 1, 2018, Sagicor adopted IFRS 9. Previously, investments were accounted for in accordance with IAS 39. Debt instruments, including hybrid contracts, are measured at fair value through profit or loss ("**FVTPL**"), fair value through other comprehensive income ("**FVOCI**") or amortized cost based on the nature of the cash flows of these assets and the Group's business model. Equity instruments are measured at FVTPL, unless they are not held for trading purposes, in which case an irrevocable election can be made on initial recognition to measure them at FVOCI with no subsequent reclassification to profit or loss. Financial assets are measured on initial recognition at fair value and are classified as and subsequently measured either at amortised cost, at FVOCI or at FVTPL. For a discussion of Sagicor's treatment of carrying values, see "*Management's Discussion and Analysis of Sagicor*".

Carrying Value of Sagicor's Consolidated Investment Portfolio				
	As of September 30, 2018 (IFRS 9)		As of December 31, 2017 (IAS 39)	
	Carrying Value	Carrying value (as % of total)	Carrying value	Carrying value (as % of total)
	(in millions of US$, except percentages)			
Investments at fair value through other comprehensive income (2017 – available for sale)				
Debt securities	2,451.2	48.3%	2,266.3	45.8%
Equity securities	0.4	-	86.9	1.8%
Total	2,451.6	48.3%	2,353.2	47.6%
Investments at fair value through profit and loss (2017 - fair value through income)				
Debt securities	177.2	3.5%	180.5	3.6%
Equity securities	252.8	5.0%	158.6	3.2%
Derivative financial instruments	27.0	0.5%	32.5	0.7%
Mortgage loans	30.6	0.6%	45.4	0.9%
Total	487.6	9.6%	417.0	8.4%
Investments at amortised cost (2017 – loans and receivables)				
Debt securities	1,050.2	20.6%	1,051.7	21.2%
Mortgage loans	292.4	5.8%	296.9	6.0%
Policy loans	145.0	2.9%	142.1	2.9%
Finance loans and finance leases	517.3	10.2%	564.4	11.4%
	30.2	0.6%		
Securities purchased under agreements to resell			16.5	0.3%
Deposits	102.9	2.0%	111.4	2.2%
Total	2,138.0	42.1%	2,183.0	44.0%
Total financial investments	5,077.2	100.0%	4,953.2	100.0%

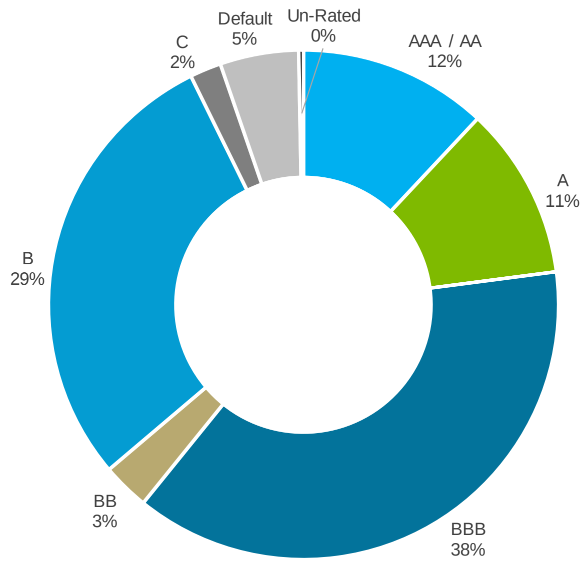
Sagicor's Net Investment Results		
	As of September 30, 2018	Year ended December 31, 2017
	(in millions of US$)	
Income		
Rental income from investment property	2.7	3.9
Interest income:		
Debt securities	156.2	204.0
Mortgage loans	13.2	18.7
Policy loans	7.5	9.7
Finance loans and finance leases..............................	46.5	58.7
Securities purchased under agreements to resell	1.0	0.5
Deposits	1.9	3.1
Dividend income	1.5	3.8
Net gains on financial investments	27.5	78.3
Net fair value gains on investment property	1.5	0.1
Other investment income	3.0	10.2
Gross Income..	262.5	391.0
Expenses		
Direct operating expense of investment property	(1.5)	(2.0)
Allowances for credit impairment losses	(96.0)	(8.4)
Other investment expenses.......................................	(1.6)	(1.4)
	(3.1)	(11.8)
Investment income net of credit impairment losses...	163.4	379.2

The pie charts below present a breakdown of the carrying value and risk exposure of Sagicor's consolidated investments portfolio as of September 30, 2018:

Investment Portfolio
as of September 30, 2018
Carrying Value
(as % of total)



Investment Portfolio Risk Exposure
as of September 30, 2018
(% of total)

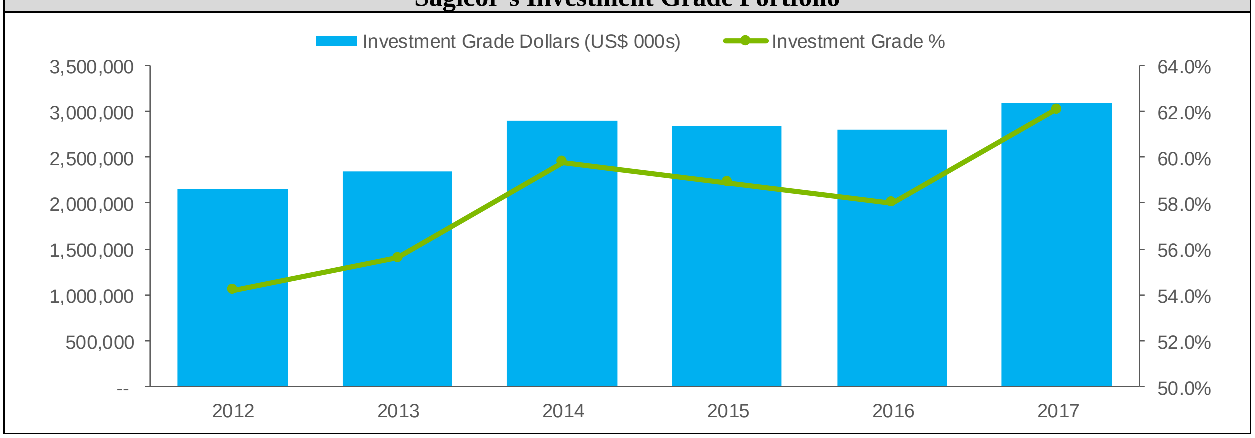


See "—*Asset and liability management and investments—Overview of investment portfolios*" for further information.

Credit Exposure

Sagicor's portfolio predominantly consists of fixed income securities as a consequence of its ALM policy. Sagicor has a strategic objective of increasing its exposure to investment grade assets subject to investment regulations in each country. The table below shows that both the absolute value and the proportion of investment grade assets have generally increased over time.

Sagicor's Investment Grade Portfolio



In addition, as of September 30, 2018, the investment portfolio was comprised of 65% or US$3.625 billion investment grade assets and 35% or US$1.8 billion non-investment grade assets. In particular, the Government of Jamaica exposure represented 47% of the non-investment grade portfolio or 16% of the whole portfolio while the Government of Barbados exposure represented 13% of the non-investment grade portfolio or 5% of the whole portfolio. Furthermore, a portion of the investment experiences from the non-investment grade portfolio are borne by customers which amounted to US$526 million or 29%.

Under the Canadian risk based capital and reserving policy, Sagicor holds capital for the credit risk, with higher required capital for lower credit quality.

(As at September 30, 2018; exposure in US$ millions)

Credit Rating	Exposure	%
AAA, AA	1,002	19%
A	622	12%
BBB	1,737	34%
Total Investment Grade	**3,361**	**65%**
BB	192	4%
B	1,311	25%
CCC,CC	76	1%
C	9	0%
Default (D)	195	4%
Unrated	17	0%
Total Non-Investment Grade (N-IG)	**1,800**	**35%**
Total	**5,161**	**100%**

Credit Risk Pass Through	N-IG Exposure	% of N-IG
Securities sold for re-purchase	480	27%
Deposit administration contracts	46	3%
Total	**526**	**29%**

Counterparty	Credit Rating	Exposure	% of N-IG
Government of Jamaica	B	839	47%
Government of Barbados	D, CCC*	242	13%
Government of St Lucia	B	69	4%
Government of Bahamas	BB	52	3%
Total		**1,202**	**67%**

*$47 of bonds (internally rated CCC) have a protective clause approved by the Supreme Court prohibiting restructuring by the Government of Barbados at any time.

Sagicor has developed an internal credit rating standard. The internal rating is a 10-point scale which allows for distinctions in risk characteristics and is referenced in the rating scales of international credit rating agencies.

Sagicor’s largest exposures to individual counterparty credit risks as of September 30, 2018 and December 31, 2017 are set out below. The individual ratings reflect the rating of the counterparty listed below, while the amounts include exposures with subsidiaries of the counterparty.

Sagicor's Counterparty Credit Risk				
	Nine months ended September 30,		Year ended December 31,	
	Risk Rating	2018	Risk rating	2017
	(in millions of US$, except for ratings)			
Investment portfolios:				
Government of Jamaica	5	839.3	5	861.3
Government of Trinidad and Tobago	3	196.7	3	265.2
Government of Barbados[1]	6	47.0	-	-
Government of Barbados	8	195.5	6	280.4
A Canadian chartered bank	2	43.5	2	56.4
Government of St Lucia	5	68.6	5	71.6
The Federal National Mortgage Association	1	128.2	1	108.9
The Federal Home Loan Mortgage Corporation	1	77.8	1	61.6
Lending portfolios:				
Value Assets International S.A. and Egret Limited	4	29.3	4	29.1
Reinsurance assets:				
Guggenheim Partners[2]	3	501.4	3	531.3

(1) Bonds issued by the Government of Barbados in the amount of US$46.6 were not subject to the Government of Barbados' restructuring plan, and have been classified separately from the remaining Government of Barbados debt.
(2) The reinsurance assets held in the name of Guggenheim Partners are secured by assets held in trust. For the year ending December 31, 2017 these assets totaled US$574.1 million.

Foreign Exchange Risk

The table below presents the foreign exchange risk of Sagicor's investment portfolio by currency as of September 30, 2018.

FX Risk of Investment Portfolio – September 30, 2018							
	As of September 30, 2018						
	BBD	J$	TTD	Eastern Caribbean $	US$	Other currencies	Total
	(in millions of US$)						
Financial investments[1]	331.8	936.1	420.6	139.9	2,844.7	150.9	4,824.0
Cash resources	15.5	99.8	44.1	13.5	143.3	49.0	365.2

(1) Monetary balances only.

The table below presents the foreign exchange risk of Sagicor's investment portfolio by currency as of December 31, 2017.

FX Risk of Investment Portfolio – December 31, 2017

	As of December 31, 2017						
	BBD	J$	TTD	Eastern Caribbean $	US$	Other currencies	Total
	(in millions of US$)						
Financial investments[(1)]	444.4	942.7	430.7	140.7	2,598.4	150.9	4,707.8
Cash resources	30.5	103.3	28.5	16.0	122.9	58.9	360.1

(1) Monetary balances only.

Barbados Debt Restructuring

The Government of Barbados ("**GoB**") suspended payment on external sovereign debt on June 7, 2018 but continued to pay interest on domestic debt. On October 15, 2018, the GoB announced that its proposal to exchange domestic debt for new debt with lower coupons and extended maturities was accepted by its domestic creditors. Sagicor holds US$337 million of GoB debt, composed of US$278 million of domestic debt and US$59 million of external debt. The GoB has not yet announced any restructuring terms for external US dollar denominated debt. Sagicor has determined the net impact of the credit events on GoB debt to shareholders at approximately US$43.0 million for the nine months ended September 30, 2018 (gross expected credit losses of US$101 million less actuarial offset), of which all have been reserved for as reflected in the September 30, 2018 financial statements, and which was the main factor causing the decrease in Sagicor's results. Sagicor does not expect that there will be any incremental impact on Sagicor as it relates to the external US dollar denominated debt. Additional details may be found under "*Management's Discussion and Analysis of Sagicor — Financial Summary – Nine Months Ended September 30, 2018 Compared to Nine Months Ended September 30, 2017*."

Overview of AIM

Alignvest Investment Management Corporation ("**AIM**") is a provider of institutional portfolio management services. AIM strives to deliver strong, risk-adjusted returns to long-horizon investors by building upon the best practices of leading pension and endowment investment models and offers sophisticated multi-asset class investment management solutions and expertise across global public and private markets, as well as customized institutional advisory mandates.

AIM's world-class team has extensive CIO- and board-level experience at major asset owners, including Canada Pension Plan Investment Board (CPPIB), as well as other pension funds, endowments, asset managers, and insurance firms.

As part of their approach, AIM develops customized solutions to maximize long-term, risk-adjusted expected returns based on the belief that the most important long-run investment decision is strategic asset allocation and the careful selection of globally diversified portfolios of alternative assets. AIM's team further adds value using tactical asset allocation based on proprietary medium-term macroeconomic research.

Within global asset classes, AIM's portfolios use a state-of-the-art, factor-based approach. AIM's building block portfolios use a hybrid of internal and external management to incorporate low-cost passive and cost-conscious, active strategies to enhance risk-adjusted expected returns. AIM seeks out active strategies that are focused or concentrated within inefficient, overlooked, and illiquid markets. Finally, dynamic risk management is an integral part of its investment strategy, designed to keep desired active risk exposures and to remove unwanted risk.

AIM provides a high level of service to its clients that draws on its team's deep experience and insight into investment policies, asset allocation, portfolio management, and risk management.

AMC and Sagicor intend to enter into an arm's length agreement prior to the close of the proposed Transaction. Pursuant to the agreement, AMC will arrange for AIM and, where applicable, other AMC subsidiaries or divisions to provide investment management and related services to New Sagicor.

AIM is an affiliated entity of AMC; AMC also indirectly controls the Sponsor. Accordingly, AIM's and AMC's involvement could be seen as a non-arm's length transaction. The key terms of the agreement with AMC will be negotiated at arm's length between AMC and Sagicor. In connection therewith, the board of directors of Alignvest has determined that the fair market value of the proposed services to be provided is *de minimis* and that the agreement is on arm's length terms.

AIM Investment Professionals

Donald Raymond

Donald Raymond is a Managing Partner of AIM and Chief Investment Officer at Alignvest Management Corporation. He is a director of Great-West Lifeco Inc., the current Chair of the Board of Trustees of Queen's University and was the past Chair of the university's Investment Committee. Mr. Raymond is also an Adjunct Professor of Finance and Chair Emeritus of the International Centre for Pension Management, both at the University of Toronto's Rotman School of Management. Mr. Raymond is also a member of the Investments and Risk Advisory Panel of the Monetary Authority of Singapore. Prior to joining Alignvest in 2014, Mr. Raymond was the Chief Investment Strategist for the US$220 billion CPP Investment Board (CPPIB) where he devoted 12 ½ years of his career to helping build CPPIB into a leading global investment organization. He built CPPIB's Public Market Investments department from inception and was also its first Chief Investment Strategist. In this role, he chaired CPPIB's Investment Planning Committee, responsible for overseeing the portfolio design and management of one of the fastest-growing pools of capital in the world. He was also the principal architect of CPPIB's innovative Total Portfolio Approach, and was instrumental in the development of the United Nations' Principles of Responsible Investing (UNPRI), as well as their adoption by CPPIB in 2005. Prior to joining CPPIB in 2001, Mr. Raymond worked for Goldman Sachs, first in Toronto as a top-ranked fixed-income strategist before moving into a global equity and fixed-income portfolio management role in New York. He began his investment career in the fixed-income derivatives department of Burns Fry, a predecessor of BMO Capital Markets Inc. Prior to developing an interest in finance, Mr. Raymond worked for Schlumberger in China and trained as a pilot in the Canadian military. He holds a Ph.D. in Electrical Engineering from Queen's University and a Chartered Financial Analyst charter.

Kerry Stirton

Kerry Stirton is a Managing Partner of Alignvest Investment Management and a Member of the AIM Investment Committee. Mr. Stirton has more than 20 years' investment experience including equity portfolio management, equity research, hedge fund investing, activist investing, and commodity trading. Prior to joining Alignvest, Mr. Stirton was Head of Research at Tetrem Capital, and former Managing Director at CIBC Asset Management, where he led a US$25 billion Institutional Advisory Business. Mr. Stirton's experience includes the roles of Equity Investor in Goldman Sachs' Proprietary Investment Group, Senior Research Analyst at Sanford C. Bernstein, and a Manager at McKinsey and Company. Mr. Stirton has also been an Investment Committee Member of the Ben Gurion University Endowment. Mr. Stirton holds law degrees from Harvard Law School and University of Oxford where he was a Rhodes Scholar, and has received an MA from University of Toronto. Mr. Stirton has successfully passed Finra's Series 7, 63, and 55 Examinations and the NFA's Series 3 National Commodities Futures Examination.

Dr. Randolph Cohen

Randy Cohen is a Partner at Alignvest Investment Management. Mr. Cohen also teaches finance and entrepreneurship in the MBA program at Harvard Business School. Mr. Cohen has helped to start and grow a number of investment management firms and has also served as an actuarial consultant specializing in pension plan asset/liability management. He is a frequent speaker at investment conferences globally, such as the Sovereign Investor Institute and the Foundation and Endowment Asset Management conference. Mr. Cohen is a highly respected researcher whose main focus is on the relationship between institutional investors and the stock market. He has published frequently cited articles on the ex-ante identification of outstanding investment managers and the prediction of security and asset-class performance. His work has been published in top academic journals including the Journal of Finance, Quarterly Journal of Economics and Journal of Financial Economics. His 2003 paper "The Value Spread" (with Christopher Polk and Tuomo Vuolteenaho) and his 2005 article "Judging Fund Managers by the Company They Keep" (with Joshua Coval and Lubos Pastor), were both nominated for the annual Smith-Breeden Prize for the best asset-pricing paper published in the Journal of Finance. Mr. Cohen holds an AB in Mathematics from Harvard College and a PhD in Finance from the University of Chicago.

Information Technology

Strategy and Philosophy

The goal of Sagicor's IT strategy is to proactively harness leading computing technologies that can enable Sagicor to achieve its business objectives, promote strategic ambitions, and enlarge future opportunities. Technology represents a key enabler to achieve share growth in the massive U.S. market and helps fuel the Caribbean operations. Properly conceived information technologies help reduce operating costs, deliver an improved customer experience, promote growth, and drive innovations to create new competitive advantage and shareholder value. Sagicor aims to compete in time by accelerating its enterprise velocity in the areas of sensing, analyzing, formulating and reacting to be faster than its competition, which positively enhances customer experience and overall net income.

Support Services and Structure

Comprehensive IT support services, deployed as a shared service, are provided to all Sagicor subsidiaries and across all territories through a modern network that connects Sagicor's various businesses and branch offices. Sagicor's IT capabilities and services are delivered through two primary data centers in the United States and Jamaica as well as four satellite centers that primarily host local files, print, and select business applications. IT staff are located in Barbados, Trinidad, Jamaica, and the United States. Disaster recovery is provided through third-party agreements aligned to the Company's requirements. The banking business in Jamaica has dedicated facilities that are locally operated.

Strategic Initiatives

Information Technology is recognized as a critical factor in solidifying Sagicor's market positions as well as cost-effectively servicing a broad, geographically dispersed customer base across multiple distribution channels. To succeed, Sagicor is building its digital transformation strategy on a foundation of systems, processes, and investments that promote ongoing innovation and reinvention. Sagicor understands that customers expect great experiences and require easy to use and frictionless digital interactions. Insurance and banking products and services must become as intuitive and reliable for the customer as replenishing their pantry from online retailers. Improving velocity is the strategy and digital transformation is the tactic used at Sagicor to deliver on these customer expectations.

Technology-related investment is aligned against four strategic pillars: top-line growth, enhance net income, improve the customer's experience, and mitigate risk exposures. Each pillar is segmented into underlying levers that may be used to drive improved outcomes. For instance, top-line growth has seven levers: acquire portfolios, enter new geographies, penetrate new and existing segments, deploy new distribution channels, enhance existing distribution channels, develop new products, and improve policy holder persistency.

Systems Framework

Sagicor stratifies its IT systems into three categories: systems of record, engagement, and insight. Sagicor recognizes that achieving robust linkages within and across these strata requires a vibrant integration fabric or enterprise service bus. Cybersecurity is woven throughout the framework as well as across the ecosystem of Sagicor's key suppliers.

Systems of Record

Sagicor expects to harmonize its life administration systems across its businesses in the United States and Southern Caribbean. Sagicor's Jamaica business is also evaluating its transition to the new common platform. Sagicor's goal is to have all its entities utilizing modern, flexible, rules-based solutions that are common for the relevant business vertical. Beyond systems implications, this approach is likely to affect how product development, actuarial, underwriting, and finance activities are delivered. By defining a single common base code for Individual Life as well as Group businesses, Sagicor will consolidate common interfaces and modifications into one shared software release leading to platform consistency. In effect, each jurisdiction will leverage a software bundle that consists of base code, custom code for use by all jurisdictions, and custom code that is only for that jurisdiction. This will accelerate how innovations are propagated across the business lines.

Sagicor has deployed workflow-based technologies to boost operational efficiency and enhance the customer experience. Sagicor's "Branch Network" allows customer-driven activities to be received in their country of origin and based on available skills and personnel, be completed in any of the jurisdictions in which Sagicor operates. "Cross-skilling" the branch workforce allows better workload balancing and re-assignment of non-peak tasks away from peak periods - providing real productivity gains, improved customer experience, and better job satisfaction for employees.

Sagicor is also exploring the use of on-demand services for computationally intensive applications like actuarial modeling, as these services may hold the promise of substantially shrinking processing time, which would allow more scenarios and solution permutations to be quickly explored by actuaries and business leaders.

Systems of Engagement

Sagicor understands that it must deliver the customer journey through more personalized, seamless interactions across the various touchpoints the consumer encounters, which include internal systems as well as those provided by third-parties inclusive of call centers, email marketing, mobile apps, content systems, portals, social media channels, etc.

To improve communications with policyholders, independent intermediaries, and captive sales channels, Sagicor employs portal technologies to promote self-service and convenience. Investments in expert systems and predictive analytics provide the means to deliver a final underwriting decision with a material reduction in cycle time. In 2016, Sagicor was recognized by Celent, a leading IT advisory company, for its Accelewriting® innovation. Where permitted by regulation, Sagicor enables a straight-through process for electronic delivery from application to contract, thus eliminating time-consuming mailing procedures so that clients can more quickly enjoy the benefits of insurance.

Sagicor's workflow systems are also externally focused customer-centric solutions; they do more than move internal workload efficiently through relevant business processes. When properly mined and analyzed, they reveal the means to use customer service as a source of sustainable competitive advantage. This helps raise barriers to entry for Sagicor's home markets and promote local and near-shore productivity in highly competitive markets such as the United States.

Sagicor has also launched mobile solutions to enhance agent productivity and reach consumers on their terms for a growing variety of transactional tasks. Additionally, Sagicor supports non-traditional payment platforms to address emerging payment preferences. Sagicor's digital strategy and lead management efforts allow it to leverage its digital footprint and offer a more personalized experience as well as greater convenience for consumers. It serves to shape the customer experience into the relationship Sagicor strives to cultivate. The data derived from digital channels and internal databases allows Sagicor to accelerate value creation and enhance top line growth. Sophisticated geo-tagging, content management, personalization algorithms, and data visualizations help fuel Sagicor's growth story.

Systems of Insight

To elevate the customer experience, Sagicor consumes, collects, and analyzes data from traditional systems and external sources in both structured and unstructured formats. Systems of insight use advanced analytics to identify correlations and causations, so they may inform decision-making, marketing initiatives, and product development. Sagicor leverages these techniques to detect, repel, and prosecute healthcare fraud, identify underserved demographics, improve channel efficacy, and recognize product opportunities. Sagicor plans to extend this approach to enhance the customer's experience across individual life and group health for key customer-driven transactions.

Enterprise Service Bus

Key to these advances is the ability to deliver tight integration across systems, complete with real-time audit trails. Sagicor is expanding its architecture built on an enterprise service bus (ESB) that provides message queueing, data extraction, error correction, data transformation, data retransmission, and failure alerts. Sagicor's ESB architecture allows Sagicor's employees to focus on analysis and discovery versus data entry, data formatting, and data uploading.

Cybersecurity

Sagicor employs a defense-in-depth strategy for cybersecurity. Multiple layers of security controls are placed throughout the environment. The design strives to protect data relating to policyholders, prospects, partners, and financial performance regardless of an adversary's knowledge of Sagicor's deployment landscape. Intrusion detection, prevention, vulnerability scans, and penetration tests are important pieces of Sagicor's defense approach, while a robust patching cadence seeks to limit exposure to new vulnerabilities.

Sagicor uses third-party services to monitor externally facing profiles of key suppliers so that they do not become sources of contagion to the enterprise. Sagicor uses the U.S. National Institute of Standards and Technology (NIST) security framework to inform its security program. The NIST Cybersecurity Framework consists of standards, guidelines, and best practices to manage cybersecurity-related risk. It represents a prioritized, flexible, and cost-effective approach to promote cyber protection and resilience. Though no company can claim completely secure computing, Sagicor makes prudent investments designed to meet the challenges of new and emerging attack vectors.

Employees and Labour Relations

General

Sagicor's human resource philosophy is built on the compelling propositions the Group makes in all labour markets as an employer of choice. This philosophy is supported by career opportunities, modern people policies, competitive compensation and benefits programs, and recognition and rewards programs. Personal, professional and industry specific training programs build strategically focused competencies and associated behaviors for a performance based culture. Special programs and events improve employee morale and engagement and provide a talent pool that is aligned to the Company's strategy. Sagicor's human resource strategy focuses on the development of a strong customer service culture firmly supported by systems that recognize and reward performance. Group companies review compensation annually and use market compensation data to seek to ensure that compensation and benefits are competitive and support the group's talent management strategy. Annual incentives are linked to corporate, business unit, and individual performances using Sagicor's balanced scorecard methodology.

Employee performance is managed using the success factors talent management suite to set goals, manage performance, and for decisions on promotions and compensation.

Group companies monitor employee engagement using the LOMA surveys. These surveys measure the state of emotional and intellectual commitment of employees. The dimensions explore components of employee morale, company image, organizational commitment, job satisfaction and specific aspects of the work experience, employee involvement, leadership, rewards and recognition, and quality of work life. Most group companies reported incremental improvements improvement in their survey results for 2014 including increased survey participation rates and positive trends on all dimensions for morale, employee engagement, and leadership, recognition and rewards and quality of work life. Management reviews survey results and recommendations and includes programs to support initiatives and address concerns in each year's business plans.

Workforce and Labour Relations

As of December 31, 2017, Sagicor had a total workforce of 3,958 people, including Sagicor's advisors. The following table shows the breakdown of Sagicor's workforce by geographical segment as of December 31, 2017.

Sagicor's Workforce by Geography		
	Workforce	Percentage of Sagicor workforce
Barbados		
Employees	512	12.9%
Advisors	144	3.6%
Jamaica		
Employees	1,697	42.9%
Advisors	588	14.9%
Trinidad and Tobago		
Employees	265	6.7%
Advisors	256	6.5%
Eastern Caribbean		
Employees	87	2.2%
Advisors	116	2.9%
Other Caribbean		
Employees	46	1.2%
Advisors	70	1.8%
United States		
Employees	148	3.7%
Advisors	29	0.7%
Total	3,958	100.0%

The following table shows the breakdown of Sagicor's workforce by type of employee and union-status as of September 30, 2018.

Sagicor's Workforce by Employee Type			
	Union	Non-union	Union membership % of each classification
Sales			
Senior management	-	4	0.0%
Branch management	-	41	0.0%
Sagicor advisors	21	1,096	1.9%
Total	21	1,141	1.8%
Operations			
Executives	-	30	0.0%
Senior management	-	96	0.0%
Middle management	-	237	0.0%
Professional	-	55	0.0%
Administrative support	672	1,976	25.4%
Total	672	2,394	21.9%

As of September 30, 2018, Sagicor's workforce consisted of 4,228 employees, which represents 693 union employees and 3,535 non-union employees.

Sagicor has good relations with the trade unions that represent Sagicor's employees and advisors and has not experienced a work stoppage in more than ten years.

In October 2007, the Barbados courts determined that Sagicor's advisors/sales agents who Sagicor traditionally treated as "independent contractors" were "employees", having considered the working arrangements and benefits provided to this group. While Sagicor continues to treat its advisors in other Caribbean jurisdictions as independent contractors, Sagicor anticipates that regional courts may follow the determination of the Barbados courts. Sagicor does not believe the change of legal status will have a material effect on its business.

Labour Relations

In Barbados at December 31, 2017 only 20 Sagicor advisors and 10 administrative employees, or 4.5% of Sagicor's employees, were members of a trade union. There is no union agreement in place at this time. There has been no industrial action.

In St. Lucia there has been no communication with the trade union since the last collective agreement ended on December 31, 2014. There has been no industrial action.

In Antigua, Sagicor Eastern Caribbean Inc. signed a collective agreement effective from January 1, 2017 for 10 non-management administrative employees or 18% of the total workforce (Sales and Operations) in Antigua. The negotiations were cordial. There has been no industrial action.

In Jamaica, a two-year agreement is in place with the trade union. New negotiations commenced for the period 2019-2020 in November 2018. Sagicor Jamaica continues to maintain a cordial relationship with the trade union through regular consultations with union representatives. The last industrial action occurred in 1995, prior to Sagicor's acquisition of Sagicor Jamaica, and there has been no industrial action since the acquisition.

Training and Development

Sagicor provides structured industry training for all staff, and they are encouraged to achieve professional insurance designations. Considerable support is offered to students pursing professional designations in accounting, actuarial science, investments and IT through grants, loans, study leave programs and facilitating attendance at the annual LOMA and LIMRA conferences, where attendees benefit from presentations and discussions on a number of insurance industry issues.

Applicable employees are required to complete the 280 and 290 modules of the industry training provided by LOMA. Many pursue the Fellow, Life Management Institute (FLMI) and Associate of Customer Service designations. Group companies use LOMA, LIMRA, local campuses of the University of the West Indies, and international universities for Management and for Executive Development programs. Leadership programs topped the list of strategic training development programs over the past two years.

Diversity Statistics

Sagicor has strong gender diversity within its leadership team. There are currently 69 men and 58 women, or 54.3% and 45.7% respectively, who hold positions as executives and senior managers in Sagicor. Additionally, there are 59 men and 18 women, or 76.6% and 23.4% respectively, on the various boards that comprise the Sagicor Group.

THE BUSINESS OF ALIGNVEST

Alignvest is a special purpose acquisition corporation incorporated under the laws of the Province of Ontario. Alignvest was organized for the purpose of effecting an acquisition of one or more businesses or assets by way of a merger, share exchange, asset acquisition, share purchase, reorganization or other similar business combination involving Alignvest that will qualify as its “qualifying acquisition”.

On November 27, 2018, Alignvest announced that it had entered into the Arrangement Agreement with Sagicor pursuant to which, among other things, Alignvest shall acquire, directly or indirectly, all of the shares of Sagicor by way of a scheme of arrangement under the laws of Bermuda, where Sagicor is incorporated. The Sagicor Arrangement constitutes Alignvest’s proposed qualifying acquisition.

This proposed qualifying acquisition is entirely consistent with the approach and the objectives outlined at the time of Alignvest’s initial public offering, notably:

- Alignvest is partnering with a strong, experienced, well-aligned management team, who want to continue to build their business;
- Sagicor operates in an industry in which Alignvest has expertise and can be a value-added partner;
- There is a clear and demonstrated opportunity to execute accretive follow-on acquisitions; and
- Sagicor presents an opportunity to generate attractive risk-adjusted returns on invested capital.

Alignvest has carried out substantial due diligence on Sagicor with the help of experienced financial industry executives, including Rik Parkhill and Alister Campbell, and major accounting and legal firms. Alignvest has performed on-site due diligence and visited Sagicor’s key premises in the U.S., Jamaica, Barbados, and Trinidad and Tobago. Further, Alignvest or its representatives have also met or spoken to key regulators of Sagicor, including in Jamaica, Barbados and Trinidad and Tobago.

AMC, the parent of the Sponsor of Alignvest, is a leading alternative investment management firm that seeks to deliver superior risk-adjusted returns for its clients, which include pension plans, foundations, and ultra-high net worth family offices, by identifying and exploiting market discontinuities, and by attracting the very best talent to build industry-leading investment platforms. The partners of the firm have a strong combination of investment and operational expertise, having created and managed numerous successful operating businesses, and having built and led large, highly profitable businesses within global financial and consulting firms.

AMC was formed in 2011 and has raised equity and investment capital from a number of private family offices and institutions. AMC’s founding partners have committed to invest over C$230 million of their personal capital into funds managed by AMC, on a fully discretionary basis, with the capital subject to full recyclability (including all gains). AMC believes that this long term, discretionary, and aligned pool of capital provides the firm with a strong and differentiated foundation. AMC is currently parent to five investment platforms: Alignvest Private Capital, which makes direct private investments; Alignvest Student Housing Real Estate Investment Trust, a Real Estate Investment Trust focused on consolidating the Canadian purpose-built student accommodation sector; Alignvest Investment Management, which provides institutional portfolio management services; Alignvest Capital Management, which executes public market investment strategies; and Alignvest Acquisition II Corporation, AMC’s second TSX-listed special purpose acquisition corporation.

AMC is headquartered in Toronto, Ontario, with an additional office in London, United Kingdom.

PROPOSED ACQUISITIONS

Consistent with the Company's past practices and in the normal course of business, the Company is continuously engaged in discussions with respect to possible acquisitions of and investments in new assets and businesses, dispositions of existing assets and related financings and refinancings. There can be no assurance that any of these discussions will result in a definitive agreement, and, if they do, what the terms or timing of any acquisition, investment, disposition, financing or refinancing would be, if consummated. The Company expects to continue current discussions and actively pursue acquisition, investment, disposition, financing and refinancing opportunities.

The Company has recently entered into definitive agreements to acquire:

- All of the shares of SJLIC from The Bank of Nova Scotia Jamaica Limited ("**BNS Jamaica**"); and

- All of the shares of SLTT from Scotiabank Trinidad and Tobago Limited ("**BNS TT**").

As of the date hereof, other than the proposed acquisitions of SJLIC and SLTT, as described in more detail below, the Company is not a party to any other material definitive agreements in respect of acquisitions.

Proposed Acquisitions of SJLIC and SLTT

Overview

Scotia Group Jamaica Limited ("**SGJL**") and BNS TT are majority-owned and publicly traded subsidiaries of The Bank of Nova Scotia ("**BNS**"), and are held through Scotiabank Caribbean Holdings Limited ("**BNS Caribbean**"). SGJL (through its subsidiary BNS Jamaica) and BNS TT are among the leading banks in their respective countries, with broad customer bases, strong profitability and robust capitalizations. While each is primarily focused on providing banking services to retail and commercial clients, they also provide their banking clients with access to complementary insurance products through their local insurance subsidiaries, SJLIC and SLTT.

Sagicor is acquiring SJLIC and SLTT from BNS Jamaica and BNS TT, whose decisions to sell these local insurance subsidiaries were driven by a shift in BNS's priorities away from "non-core" insurance businesses and a desire to focus the operations of SGJL and BNS TT on their core banking business.

SJLIC

SJLIC is a member of the SGJL corporate group, a publicly listed holding company trading on the Jamaica Stock Exchange. SGJL is owned 71.78% by BNS Caribbean. A summary corporate structure is shown below.

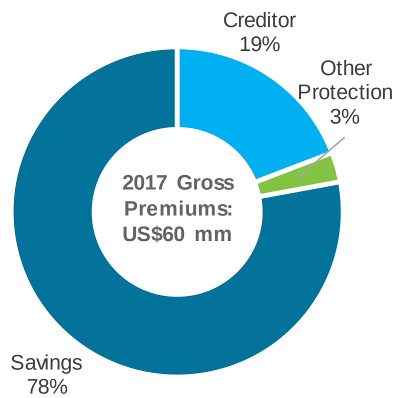
SJLIC Corporate Structure

SJLIC was incorporated in 1995. The company employs approximately 90 total staff members dedicated to the distribution and servicing of SJLIC's insurance products. Those products are distributed through SGJL's extensive retail branch network throughout Jamaica. The products include:

- **Creditor Insurance.** This includes creditor life, creditor health, creditor home and creditor auto. These products are distributed directly out of BNS Jamaica's branches.

- **Other Protection and Savings.** This includes critical illness, whole life, universal life and pension savings. These products are distributed out of BNS Jamaica's branches but referred to SJLIC's licensed agents, who are located outside the retail bank distribution environment.

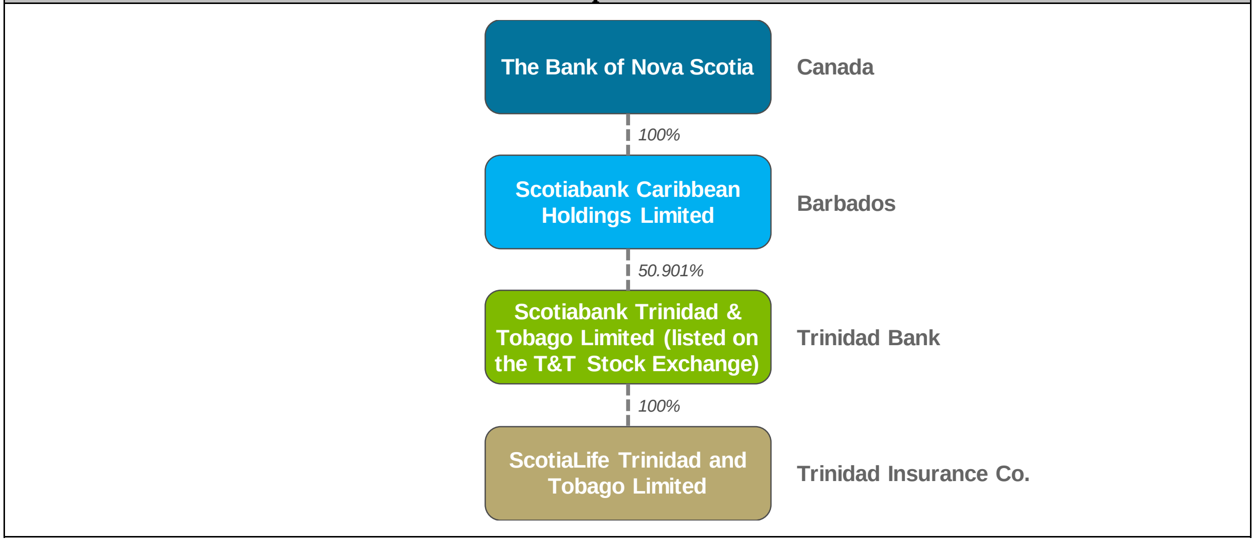
SJLIC Business Mix



SLTT

SLTT is a member of the BNS TT corporate group, a publicly listed holding company trading on the Trinidad and Tobago Stock Exchange. BNS TT is owned 50.901% by BNS Caribbean. A summary corporate structure is shown below.

SLTT Corporate Structure

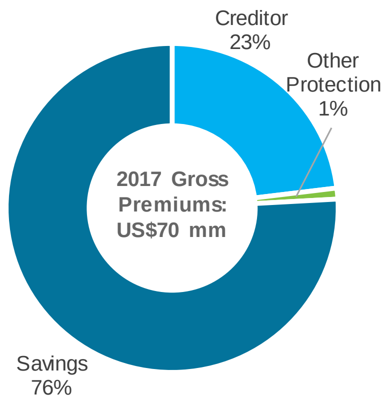


SLTT was incorporated in 2000. The company employs approximately 70 total staff members dedicated to the distribution and servicing of SLTT's insurance products. Those products are distributed through BNS TT's extensive retail branch network throughout Trinidad and Tobago. Those products include:

- **Creditor Insurance.** This includes creditor life, creditor health, creditor home and creditor auto. These products are distributed directly out of BNS TT's branches.

- **Other Protection and Savings.** This includes whole life, universal life and annuities. These products are distributed out of BNS TT's branches but referred to SLTT's licensed agents, who are located outside the retail bank distribution environment.

SLTT Business Mix



General

The SLTT and SJLIC transactions are not conditioned on each other. They are each conditional on the closing of the Sagicor Arrangement and other conditions to closing, including certain regulatory approvals. Accordingly, they will not be completed until after the closing of the Sagicor Arrangement and are thus not part of Alignvest's qualifying acquisition.

SJLIC and SLTT Share Purchase Agreements

Sagicor and each of BNS Jamaica and BNS TT (each, a "**Vendor**" and, collectively, the "**Vendors**") have agreed on a transaction with three components, as detailed in the purchase agreements dated November 27, 2018 (each a "**Scotia Agreement**", and, collectively, the "**Scotia Agreements**"). First, the Vendors will extract a pre-transaction dividend of over US$100 million of capital over 150% of MCCSR (currently approximately US$38 million in SJLIC and US$63 million in SLTT). Second, Sagicor will provide the Vendors with up-front cash proceeds of US$240 million (before adjustments) in exchange for all of the issued and outstanding shares of SJLIC and SLTT. Third, Sagicor and the Vendors will enter into a "bancassurance"-type agreement whereby the Vendors or their affiliates will be permitted to sell Sagicor products – on a white-label basis – to the Vendors' banking customers, in return for which Sagicor will pay commissions to the Vendors. The commission rate will vary depending on the type of product sold – see "*Master Program Agreement Term Sheet*". The purchase price contemplated by the Scotia Agreements is subject to adjustment based on the amount by which a pre-closing estimate of capital in excess of 150% of MCCSR is greater or lesser than the amount of capital in excess of 150% of MCCSR at closing. The purchase prices paid under the Scotia Agreements are subject to further post-closing adjustment on the basis of the shareholder equity of each of SJLIC and SLTT as at closing and calculated 90 days following closing, such adjustment currently estimated to be approximately US$23 million in the aggregate.

Sagicor plans to fund the transaction via US$140 million of equity from Alignvest and new local currency borrowing of US$100 million. There can be no assurance that such funding will be available or as to the terms thereof. If Alignvest suffers redemptions such that all or part of such US$140 million is not available, Alignvest and Sagicor will need to source replacement debt or equity to complete the transaction or renegotiate it. The transactions are not subject to financing conditions in favour of Sagicor and are not inter-conditional on each other. However, they are conditional on the completion of the Sagicor Arrangement. They are not expected to be completed until after the closing of the Sagicor Arrangement, and are thus not part of Alignvest's qualifying acquisition.

Representations and Warranties

The Scotia Agreements each contain limited representations and warranties of the applicable Vendor (on their own behalf and on behalf of SJLIC and SLTT), respectively, in favour of Sagicor. They include representations and warranties with respect to due incorporation, corporate power and authority, conflicts, certain financial matters, litigation, investment assets, claims history, taxation matters, and compliance with laws (including regulatory compliance).

The Scotia Agreements each also contain certain limited representations and warranties of Sagicor in favour of the applicable Vendor, as well as certain limited representations and warranties of Alignvest in favour of the applicable Vendor.

Covenants

During the interim period, each Vendor is required to continue to administer the applicable business being acquired in good faith and in substantially the same manner as done in the ordinary course, respectively, with no material change in activity, including not entering into any material contracts, selling any assets, or materially changing any actuarial assumptions, subject to certain exceptions.

Certain short-term transitional services are to be provided by each of BNS Jamaica and BNS TT to Sagicor following closing.

Conditions

Sagicor's obligation to complete the transactions contemplated in each of the Scotia Agreements are subject to the satisfaction of certain conditions precedent, including, among others: obtaining certain required regulatory approvals, the Transaction closing, and the restructuring of BNS Jamaica and BNS TT, as applicable, operations to satisfy local regulatory requirements and to enable the parties to execute the MPA Agreement. There can be no assurance that such conditions will be satisfied or waived. In the case of BNS TT, the restructuring of its operations may require the approval of BNS TT shareholders.

Indemnification

Under each of the Scotia Agreements, each of the applicable Vendors (i.e., BNS Jamaica in the Scotia Agreement between Sagicor and BNS Jamaica, and BNS TT in the Scotia Agreement between Sagicor and BNS TT) agrees to indemnify Sagicor against certain costs, claims, liabilities, expenses or demands (subject to certain exceptions) relating to or arising out of any breach of its respective representations, warranties or covenants. The Scotia Agreements contain certain monetary limitations respecting indemnity obligations for beaches of representations and warranties. In particular, breaches by the vendor of non-fundamental representations and warranties are capped at fifteen percent (15%) of the base purchase price, with a certain subset of non-fundamental representations (including general compliance with laws and regulatory compliance) having access for indemnity purposes to an additional ten per cent (10%) of the base purchase price, up to an amount equal to an aggregate amount of 25% of the base purchase price. Damages related to breaches by the vendor of fundamental representations and warranties have a cap equal to the base purchase price. Damages related to breaches by the vendor of fundamental representations and warranties have a cap equal to the base purchase price. Breaches of representations and warranties by Sagicor have similar monetary caps (15% of the base purchase price for non-fundamental representations, equal to the base purchase price for breaches of fundamental representations).

As well, under each of the Scotia Agreements, Sagicor has agreed to indemnify the applicable Vendor from losses suffered by the applicable Vendor in connection with a breach by Sagicor of its representations and warranties or covenants in the applicable Scotia Agreement.

No party is required to indemnify another party under the Scotia Agreements unless the damages suffered by the indemnified party exceed a certain materiality threshold. In the case of the Scotia Agreement with BNS Jamaica, that threshold is approximately US$1.4 million, and in the case of the Scotia Agreement with BNS TT, that threshold is approximately US$1 million. Once the total of the damages of an indemnified party exceeds such materiality threshold, the indemnifying party is liable for the damages in excess of such threshold.

Termination and Termination Fee

Each of the Scotia Agreements may be terminated: (a) by mutual agreement by the parties thereto; or (b) by any party upon the inability of the other party to satisfy conditions of closing. In the event that either Scotia Agreement is terminated as a result of the Transaction not occurring and, in such a circumstance, where either an "Expense Reimbursement Event" or a "Termination Fee Event" is paid under the Arrangement Agreement, then a termination fee is to be paid to the Vendors, as applicable, under the Scotia Agreements. Such a payment must also be made in the event that either Alignvest or Sagicor waives its right to an "Expense Reimbursement Event" or a "Termination Fee Event". Under the Scotia Agreement with BNS Jamaica, the termination fee is approximately US$4 million, and under the Scotia Agreement with BNS TT, the termination fee is approximately US$3 million.

Master Program Agreement Term Sheet

Pursuant to the terms of the Scotia Agreements, each of the Vendors or such of their affiliates as may be appropriate (collectively, "**Scotiabank**") agreed to enter into a distribution agreement (the "**MPA Agreement**") with Sagicor or such of its affiliates as may be appropriate (the "**Sagicor MPA Provider**"), in a mutually satisfactory form, having regard to a certain non-binding Master Program Agreement Term Sheet (**"MPA Term Sheet**"), which sets forth certain terms and conditions of the proposed agreement between the parties. The MPA Agreement is for the establishment of a strategic relationship with regard to Scotiabank's distribution of MPA Products and Services underwritten by the Sagicor MPA Provider to Scotiabank customers in Jamaica and Trinidad and Tobago. The MPA Agreement is proposed to have a 20-year term and is proposed to be entered into on the closing of the Scotia Agreements.

The following description of the proposed terms of the MPA Agreement is based on a term sheet agreed to by the Vendors, Sagicor and Alignvest. As described above, the completion of the transactions contemplated by the Scotia Agreements are subject to obtaining certain required regulatory approvals. These regulatory approvals include approvals of the final terms of the MPA Agreement by, respectively, the Bank of Jamaica and the Central Bank of Trinidad and Tobago. In the case of Trinidad and Tobago, regulatory approval may require a restructuring of the operations of BNS TT which may require further approval of BNS TT shareholders and adjustments to the distribution model contemplated in the MPA Term Sheet. The parties have agreed to work together in good faith to negotiate terms that will be compliant with applicable law and regulatory requirements in Trinidad and Tobago while still meeting the parties' mutual objectives for the program.

Under the MPA Agreement as contemplated by the MPA Term Sheet, either party may propose that new MPA Products and Services be developed and offered as part of a white-label bancassurance program pursuant to which the MPA Products and Services will be marketed and promoted to Scotiabank customers, and which will be underwritten and provided by the Sagicor MPA Provider but branded as Scotiabank MPA Products and Services, to the extent permitted by applicable law. The Sagicor MPA Provider will be required to perform its obligations under the MPA Agreement at or above certain service standard levels.

The Sagicor MPA Provider will pay monthly commissions to the Vendors as follows in respect of the following products:

- Creditor insurance – 35% of premiums (new and renewals);
- Property insurance – 20% of premiums (new and renewals);
- Auto insurance – 15% of premiums (new and renewals);
- Term insurance and other long-term products – 40% of premiums on new business and 5% of premiums on renewals;
- Savings and deposit products – annual rate of 50 basis points, payable monthly, calculated on the average policyholder funds for any given month; and

- Annuities – one-time commission of a percentage of the amount paid for the annuity; such percentage to be determined between Scotiabank and Sagicor MPA Provider such that the total commissions for savings, deposit and annuities products would have replicated the total agreed economics for the 0.50% of savings funds as previously agreed between the parties.

Additionally, the Sagicor MPA Provider intends to commit a minimum of 1.5% of gross written premiums (excluding spread products) to each of (i) the maintenance and development of technology in respect of the program, and (ii) to marketing activities, in each case on an annual basis over the term.

Under the MPA Agreement, the Sagicor MPA Provider will be exclusively entitled to underwrite the policies offered under the program and to implement certain insurance solutions offered under the program, and should Scotiabank propose to develop or offer to its customers something other than a Product or Service in Jamaica and Trinidad and Tobago during the term of the MPA Agreement, the Sagicor MPA Provider will have a right of first offer. If the Sagicor MPA Provider elects to offer such insurance solutions, it will be Scotiabank's exclusive financial institution partner for the purposes of marketing or promoting such insurance solutions. The Sagicor MPA Provider and its affiliates will not be permitted to enter into any comparable program agreement (as to be defined in the MPA Agreement) in Jamaica and Trinidad and Tobago directly or indirectly with any Scotiabank competitor (as to be defined in the MPA Agreement).

The MPA Agreement will provide for customary representations, warranties and indemnities for an arrangement of this nature. In addition, Scotiabank may terminate the MPA Agreement upon a change of control of the Sagicor MPA Provider, a ratings downgrade of the Sagicor MPA Provider or a failure by the Sagicor MPA Provider to meet certain service standards, among other termination events. The Sagicor MPA Provider may terminate the MPA Agreement upon a change of control of BNS Jamaica or BNS TT (as applicable) where the acquirer is a "direct competitor" (as defined in the MPA Agreement) of Sagicor, among other termination events. Upon expiration, non-renewal or termination of the MPA Agreement, the Sagicor MPA Provider is obligated to provide certain transition services to Scotiabank. In addition, upon the early termination of an MPA Agreement by:

(i) Scotiabank in respect of either Jamaica or Trinidad and Tobago due to a change of control of BNS Jamaica (in relation to the Jamaica MPA Agreement) or BNS TT (in relation to the Trinidad and Tobago MPA Agreement); or

(ii) the Sagicor MPA Provider for specified termination events in favour of the Sagicor MPA Provider;

a termination fee will be payable by Scotiabank (the "**Termination Fee**"). In addition, upon expiration or early termination of an MPA Agreement for a termination event referenced above, the applicable Sagicor MPA Provider will transfer and assign outstanding creditor policies together with matching financial assets to a new carrier, and outstanding non-creditor policies will continue to be serviced by the applicable Sagicor MPA Provider on a run-off basis.

Upon an early termination of an MPA Agreement by Scotiabank for other specified termination events in favour of Scotiabank, one-half of the Termination Fee will be payable by Scotiabank. In addition, the applicable Sagicor MPA Provider will transfer and assign outstanding creditor policies together with matching financial assets to a new carrier, and Scotiabank will have a right to require that outstanding non-creditor policies be transferred and assigned to a new carrier, at fair market value or book value, as set out in the MPA Agreements.

The Termination Fee in the initial year of each MPA Agreement will equal the purchase price paid under the applicable Scotia Agreement in excess of: (I) Closing Date Shareholder Equity (as defined in the applicable Scotia Agreement) plus (II) the portion of US$30 million attributable to the applicable country on the same basis as the purchase price was attributable to each country under the Scotia Agreements; but declining each year during the term of the MPA Agreement on a straight-line basis by 1/20 of the initial amount.

Transaction Rationale

Sagicor's management team believes that the transaction is highly attractive, from several perspectives.

- **Profitable base business at attractive valuation.** SLTT and SJLIC earned pre-tax net income of US$18.3 million and US$36.6 million, respectively, in fiscal year 2017. As an illustration, the figure below adjusts that pre-tax income for: (i) reinsurance premiums that SLTT would no longer cede following the transaction; (ii) intercompany commissions that SLTT would no longer pay following the transaction; (iii) foregone income on the excess capital to be extracted via pre-close dividend; (iv) the commissions that Sagicor management estimates would have been payable in 2017 under the agreed-upon commission structure; and (v) estimated taxes.

Adjusted Fiscal 2017 Net Income on Base Business			
	Trinidad and Tobago	**Jamaica**	**Total**
Reported IFRS Net Income	13.9	27.3	41.2
Plus: Income Tax	4.4	9.3	13.7
2017 Pre-Tax Income	**18.3**	**36.6**	**54.9**
Plus: Pre-Tax Reinsurance	6.8	-	6.8
Plus: Pre-Tax Commission Fee Arrangement	0.8	-	0.8
Less: Pre-Tax Foregone Income	(3.2)	(2.7)	(5.9)
Less: Pre-Tax Commissions to be Paid	(6.9)	(6.2)	(13.1)
Estimated Pre-Tax Net Income	**15.8**	**27.7**	**43.5**
			-
Tax Rate	30%	25%	27%
Less: Tax	(4.7)	(6.9)	(11.7)
After-Tax Net Income on Base Business	**11.1**	**20.8**	**31.8**

Based on up-front proceeds to BNS Jamaica and BNS TT of US$240 million, Sagicor is paying an unlevered multiple of 7.5x adjusted 2017 net income.[11] Depending on the interest rate of the borrowing, Sagicor management expects the levered multiple of net income to be considerably lower.

- **Improve penetration of current SJLIC and SLTT products among the existing customer base.** It is a policy of BNS Jamaica and BNS TT that prospective borrowers must take out creditor insurance to secure their loans. However, that creditor insurance is not required to come from SJLIC or SLTT. Indeed, as shown in the table below, a meaningful proportion of BNS Jamaica's and BNS TT's customers do not obtain creditor insurance from SJLIC or SLTT. Sagicor management believes that it can improve the rate of sales of creditor insurance to BNS Caribbean customers using its proprietary technology and insurance expertise.

[11] Adjusted net income represents a non-IFRS financial measure. The Company has provided adjusted net income figures relating to SJLIC and SLTT because it believes the figures will assist investors in understanding the Company's ongoing operations. Following the acquisition of SJLIC and SLTT, the income statements associated with the businesses will be materially different when compared to the income statements pre-transaction. As outlined in the table above, the adjusted net income figures adjust reported IFRS net income for (i) reinsurance premiums that SLTT and SJLIC would no longer cede following the transaction; (ii) the commissions that Sagicor management estimates would have been payable in 2017 under the agreed-upon commission structure; (iii) foregone income on the excess capital to be extracted by BNS via pre-close dividend; and (iv) estimated taxes. Since non-IFRS financial measures do not have standardized definitions and meaning, they may differ from the non-IFRS financial measures used by other institutions and should not be viewed as an alternative to measures of financial performance determined in accordance with IFRS. See "*Management's Discussion and Analysis of Sagicor – Non-IFRS Financial Information*".

Creditor Health Protection – Penetration Rates			
	New Eligible Accounts	**New Retail Insurance Sales**	**% Cross Sell**
SLTT			
Auto Loans	1,820	1,324	72.7%
Credit Cards	7,097	4,407	62.1%
Credit Cards (Small Bus.)	239	130	54.4%
Mortgage	730	89	12.2%
ScotiaLine	720	540	75.0%
SPL	11,445	9,546	83.4%
Total	**22,051**	**16,036**	**72.7%**
SJLIC			
Auto Loans	2,186	1,192	54.4%
Credit Cards	5,348	2,716	50.8%
Credit Cards (Small Bus.)	329	183	55.6%
Mortgage	462	76	16.5%
ScotiaLine	483	380	78.7%
SPL	9,459	7,820	82.7%
Total	**18,267**	**12,367**	**67.7%**

Creditor Life Protection – Penetration Rates			
	New Eligible Accounts	**New Retail Insurance Sales**	**% Cross Sell**
SLTT			
Auto Loans	1,815	1,388	76.5%
Credit Cards	7,097	4,515	63.6%
Credit Cards (Small Bus.)	239	131	54.8%
Mortgage	726	184	25.3%
Sandpiper Line	720	559	77.6%
SPL	11,341	9,895	87.2%
Total	**21,938**	**16,672**	**76.0%**
SJLIC			
Auto Loans	2,179	1,262	57.9%
Credit Cards	5,348	2,843	53.2%
Credit Cards (Small Bus.)	329	184	55.9%
Mortgage	462	123	26.6%
ScotiaLine	483	386	79.9%
SPL	9,447	8,185	86.6%
Total	**18,248**	**12,983**	**71.1%**

- **Opportunity to sell incremental products to a large new customer base.** Sagicor has a highly diversified insurance product mix including individual and group life, health, annuity and pension, personal disability, and property and casualty insurance. Sagicor management believes that BNS Jamaica and BNS TT customers will find those products highly attractive, and that the bancassurance agreement will enable Sagicor management to generate revenue significantly in excess of that produced by SJLIC and SLTT on a standalone basis in 2017 and prior.

SJLIC/SLTT – Sagicor Product Comparison

	SJLIC/SLTT	Sagicor
Individual Creditor	✓	✓
Other Traditional Life Insurance	✗	✓
Individual Annuities	✓	✓
Accidental Death & Dismemberment	✗	✓
Long-Term Disability	~	✓
Health Insurance	~	✓
Group Health	✗	✓
Group Creditor	✗	✓
Group Pension and Critical Illness	✗	✓
Property & Casualty Insurance	✗	✓

Note: Immaterial product categories denoted with a "~"

Financial Statements

The Scotia Audited Financial Statements and Scotia Interim Financial Statements are set forth in Appendix H. The New Sagicor Pro Forma Financial Statements are set forth in Appendix G.

SELECTED CONSOLIDATED FINANCIAL INFORMATION

Pro Forma Consolidated Capitalization

As the Sagicor Arrangement constitutes Alignvest's proposed qualifying acquisition, holders of Alignvest Class A Restricted Voting Shares can elect to redeem, subject to the conditions thereof, all or a portion of their Alignvest Class A Restricted Voting Shares provided that they deposit (and do not validly withdraw) their shares for redemption prior to the Redemption Deadline. A description of the redemption rights will be included in the management information circular to be mailed to Alignvest Shareholders in connection with the Alignvest Meeting. A redeeming Alignvest Shareholder is entitled, subject to the conditions thereof, to receive an amount per Alignvest Class A Restricted Voting Share, payable in cash, equal to the pro-rata portion of: (A) the escrowed funds available in Alignvest's escrow account at the time immediately prior to the Redemption Deadline, including interest and other amounts earned thereon; less (B) an amount equal to the total of (i) applicable taxes payable by Alignvest on such interest and other amounts earned in the escrow account, and (ii) actual and expected direct expenses related to the redemption, each as reasonably determined by Alignvest. If the Transaction is completed on or prior to May 25, 2019, the redemption amount per Alignvest Class A Restricted Voting Share is expected to be approximately C$10.19 (rounded to the nearest cent). If the Extension Resolution is approved and the Transaction is not completed on or prior to May 25, 2019, the redemption amount per Alignvest Class A Restricted Voting Share is expected to be approximately C$10.20 (rounded to the nearest cent). Registered holders of Alignvest Class A Restricted Voting Shares may elect to redeem their Alignvest Class A Restricted Voting Shares irrespective of whether they vote for or against, or do not vote on, the Alignvest Arrangement and/or the Extension.

The following table sets forth the consolidated capitalization of Sagicor as of September 30, 2018 adjusted to give effect to the Transaction assuming different levels of redemptions. Since September 30, 2018, other than in the normal course of business, there has been no material change in the equity and debt capital of Sagicor, on a consolidated basis.

Consolidated Capitalization				
(in thousands of US$)	**As of September 30, 2018**	**As of September 30, 2018 after giving effect to the Alignvest Forward Purchase Agreements and the Transaction, and assuming certain levels of redemption of Alignvest Class A Restricted Voting Shares**		
		0% redemptions	25% redemptions	Alignvest Delivers "Minimum Cash"
Debt[(1)]	404,353	404,353	404,353	404,353
Shareholders' equity	598,107	813,507	734,614	611,745
Total Capitalization	1,002,460	1,217,860	1,138,967	1,016,098

(1) Pro-forma debt does not include any borrowings required to complete the acquisitions of SJLIC and SLTT.

This table should be read in conjunction with the Alignvest Audited Annual Financial Statements, the Sagicor Audited Annual Financial Statements, the Sagicor Interim Financial Statements and the New Sagicor Pro Forma Financial Statements included in Appendix A, Appendix E, Appendix F and Appendix G, respectively, to this prospectus.

Summary Historical and Pro Forma Consolidated Financial Information

The following table sets out unaudited historical and pro forma summary consolidated financial information of the Company, in each case, for the periods ended and as of the dates indicated. The selected consolidated financial information of the Company has been derived from the Sagicor Audited Annual Financial Statements, and the Sagicor Interim Financial Statements, appearing elsewhere in this prospectus.

The selected unaudited pro forma summary financial information as of and for the nine months ended September 30, 2018 and for the year ended December 31, 2017 has been derived from the unaudited pro forma condensed consolidated financial statements of the Company appearing elsewhere in this prospectus and give effect to the transactions described in the notes to those statements as if they had occurred on September 30, 2018 for the unaudited pro forma condensed consolidated statement of financial position as of September 30, 2018 and as if they had occurred on January 1, 2017 for the unaudited pro forma condensed consolidated statement of income and comprehensive income for the nine months ended September 30, 2018 and for the year ended December 31, 2017.

The summary financial information should be read in conjunction with the Sagicor Audited Annual Financial Statements and the Sagicor Interim Financial Statements and the related notes as well as "*Management's Discussion and Analysis of Sagicor*", and the unaudited pro forma condensed consolidated financial statements of the Company.

The selected pro forma condensed financial information is unaudited, for informational purposes only, and not necessarily indicative of what the Company's results of operations would have been had such transaction been completed as at the dates indicated and does not purport to represent what the Company's results of operations might be for any future period. In addition to the pro forma adjustments that comprise this pro forma financial information, various other factors will have an effect on the financial condition and results of operations of New Sagicor following the completion of the Transaction, including an adjustment as it relates to the closing of the Sagicor Arrangement which assumes no redemption of Alignvest Class A Restricted Voting Shares. See "*Notes to the Pro Forma Condensed Consolidated Combined Financial Information*" included in Appendix G for a discussion of the pro forma adjustments. See also "*Caution Regarding Forward-Looking Statements*".

(Amounts expressed in US$000)	As of and for the nine months ended September 30			As of and for the year ended December 31			
	2018		2017	2017		2016	2015
	Pro-forma	Historical	Historical	Pro-forma	Historical	Historical	Historical
	$	$	$	$	$	$	$
Operations							
Net premium revenue	778,145	720,000	558,804	827,426	745,632	663,956	673,925
Total revenue	1,162,139	1,068,704	910,929	1,346,370	1,220,869	1,134,147	1,104,219
Total benefits	579,846	537,381	475,149	714,723	660,761	560,359	552,943
Total expenses	465,768	442,958	329,148	481,410	436,362	424,191	427,714
Net income from continuing operations	78,848	55,774	77,605	120,944	105,169	107,897	98,443
Net income from continuing operations attributable to common shareholders	51,615	28,541	46,536	77,898	62,123	60,259	56,327
Net income attributable to common shareholders	54,806	31,732	54,561	88,008	72,233	61,671	34,679
Financial position							
Cash resources	391,015	365,170			360,064	279,070	
Total assets	7,627,554	6,821,394			6,814,642	6,531,920	
Total policy liabilities	4,131,664	3,590,893			3,553,997	3,361,060	
Total liabilities	6,516,301	5,925,541			5,882,314	5,736,506	
Shareholders' equity	813,507	598,107			623,374	536,149	

The historical financial information of Alignvest, SJLIC and SLTT has been translated to US dollars using the average and period end spot rates of exchange for the US dollar, expressed in Canadian dollars as follows:

	C$ to US$	J$ to US$	TTD to US$
Pro Forma condensed consolidated statement of income and comprehensive income for the year ended December 31, 2017	0.782597	0.007712	0.145995
Pro Forma condensed consolidated statement of income and comprehensive income for the nine months ended September 30, 2018	0.776782	0.007736	0.147043
Pro Forma condensed consolidated statement of financial position as at September 30, 2018	0.774170	0.007390	0.146250

Non-historical financial information has been translated to U.S. dollars using the same period end spot rates as the pro forma condensed consolidated statement of financial position as at September 30, 2018.

DIVIDEND POLICY AND DIVIDEND REINVESTMENT PLAN

The declaration of dividends on New Sagicor Common Shares will be at the sole discretion of the New Sagicor Board.

New Sagicor currently intends to seek to pay an annual dividend of up to US$0.225 per share, expected to be paid quarterly with a targeted first payment date in Q2 2019 on the New Sagicor Common Shares. Notwithstanding the foregoing, New Sagicor may not declare or pay a dividend or make a distribution out of contributed surplus if there are reasonable grounds for believing that New Sagicor is, or would after the payment be, unable to pay its liabilities as they become due or that the realizable value of New Sagicor's assets would thereby be less than its liabilities.

As part of a proposed dividend reinvestment plan, subject to applicable law and regulatory requirements, holders of New Sagicor Common Shares are expected to be provided with the right to acquire additional New Sagicor Common Shares at 95% of the then five day volume-weighted average market price in lieu of cash dividends, net of applicable withholding taxes.

The Sponsor has agreed to receive its dividends in the form of additional New Sagicor Common Shares rather than cash until otherwise determined by the New Sagicor Board.

Subject to reduction under the terms of an applicable tax treaty, withholding tax will generally apply at a rate of 5% on dividends paid by New Sagicor to New Sagicor Shareholders resident in jurisdictions that are not party to the CARICOM Treaty (including Canada and the United States).

MANAGEMENT'S DISCUSSION AND ANALYSIS OF SAGICOR

This Management's Discussion and Analysis ("MD&A") contains important information about Sagicor's business and its performance for the years ended, and as of, December 31, 2017, 2016 and 2015, and as of and for the nine months ended September 30, 2018 and 2017. The discussion and analysis of Sagicor's financial condition and results of operations covers periods prior to the completion of the Arrangement Agreement. This MD&A should be read in conjunction with the Sagicor Audited Annual Financial Statements and the Sagicor Interim Financial Statements, prepared in accordance with IFRS in effect on the date of such information, attached as Appendix E, and Appendix F to this prospectus, respectively.

The following discussion is based on the financial condition and results of operations of Sagicor, unless otherwise specified or indicated. Financial information for the years ended, and as of, December 31, 2017, 2016 and 2015 and as of and for the nine months ended September 30, 2018 and 2017 is presented in US$. Amounts for subtotal, totals and percentage variances included in tables in this MD&A may not sum or calculate using the numbers as they appear in the tables due to rounding.

Changes in Accounting Policies and Restatements

As discussed in the Sagicor Financial Corporation Limited, Interim Financial Statements for the nine-months ended September 30, 2018, as of January 1, 2018, the Group adopted IFRS 9 - Financial Instruments ("IFRS 9"). As a result of the application of this new standard, the Group changed its accounting policies. As permitted by the transition provisions in IFRS 9, the Group has elected not to restate comparative period results; accordingly, all comparative period information on financial instruments is presented in accordance with IAS 39 Financial Instruments, the accounting policies disclosed in notes 2.8, 2.12, 2.14 and 2.22 of the annual 2017 consolidated financial statements. Adjustments to the carrying amounts of financial assets and financial liabilities as of January 1, 2018 were recognised in equity. New or amended interim disclosures have been provided for in the current period, where applicable, and comparative period disclosures are consistent with those made in 2017. For further details on the impacts of the application of IFRS 9, including the description of accounting policies selected, refer to note 2 of the September 30, 2018 Interim Financial Statements. The annual financial statements as of December 31, 2017, December 31, 2016 and December 31, 2015 and the MD&A analysis thereon have not been adjusted for the adoption of IFRS 9.

Effective January 1, 2018, the Sagicor Group also adopted IFRS 15. This standard clarifies revenue recognition principles and provides a framework for recognising revenue and cash flows from service contracts from customers. IFRS 15 does not apply to the Group's primary activities of insurance and banking which are governed by IFRS 4 – 'Insurance Contracts' and IFRS 9 – 'Financial Instruments'. In accordance with the transition provisions in IFRS 15, the standard has been implemented using the modified retrospective method with no restatement of comparative information. There was no significant impact on the Group resulting from the implementation of the standard and consequently no transition adjustment has been recorded in the statement of equity. The standard introduces new disclosure requirements for interim financial statements which are set out in note 4.5 of the September 30, 2018 interim financial statements.

Certain prior year restatements were made in the September 30, 2018 Interim Financial Statements. Note Appendix F attached. The MD&A analysis following in respect of December 31, 2017, December 31, 2016 and December 31, 2015 does not reflect these adjustments as their effect was not deemed to be material to the ability to properly assess the performance and/or the financial position of the company and the Group.

This MD&A is current as of September 30, 2018 and was approved by Sagicor's board of directors.

Forward-Looking Statements

Certain statements in this document are forward-looking statements within the meaning of certain securities laws, including applicable Canadian securities legislation. Additional information concerning forward-looking statements and important risk factors that could cause the assumptions, estimates, expectations and projections to be inaccurate and actual results or events to differ materially from those expressed in or implied by such forward-looking statements can be found in "*Cautionary Statement Regarding Forward-Looking Statements*" in this document.

Non-IFRS Financial Information

Sagicor reports its financial results and statements in accordance with International Financial Reporting Standards (IFRS). It also publishes certain financial measures that are not based on IFRS (non-IFRS). A financial measure is considered a non-IFRS measure for Canadian securities law purposes if it is presented other than in accordance with the generally accepted accounting principles used for the Company's audited financial statements. These non-IFRS financial measures are often accompanied by and reconciled with IFRS financial measures. For certain non-IFRS financial measures, there are no directly comparable amounts under IFRS. The Company believes that these non-IFRS financial measures provide additional information to better understand the Company's financial results and assess its growth and earnings potential, and that they facilitate comparison of the quarterly and full-year results of the Company's ongoing operations. Since non-IFRS financial measures do not have standardized definitions and meaning, they may differ from the non-IFRS financial measures used by other institutions and should not be viewed as an alternative to measures of financial performance determined in accordance with IFRS. The Company strongly encourages investors to review its financial statements and other publicly filed reports in their entirety and not to rely on any single financial measure.

Sagicor believes that certain non-IFRS measures described below are more reflective of its ongoing operating results and provide readers with a better understanding of management's perspective on the Company's performance. These measures enhance the comparability of the Company's financial performance from period to period, as well as measure relative contribution to shareholder value. Non-IFRS measures do not have a standardized meaning and may not be comparable to similar measures disclosed by other financial institutions.

The following represent non-IFRS financial measures:

1. Return on Shareholders' Equity

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

2. Book value per share

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

3. MCCSR

The MCCSR was a capital adequacy measure for life insurance companies established by the Office of the Superintendent of Financial Institutions Canada ("**OSFI**"). It was a measure used to monitor that insurers maintain adequate capital to meet their financial obligations with 150% being the minimum standard that was recommended by Canadian regulators when it was in effect; companies were expected to establish and meet an internal target greater than 150%. Refer to note 46.2 of the 2017 Sagicor Audited Annual Financial Statements for details.

4. Debt to capital ratio

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

5. Dividend payout ratio

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

Market and Other Industry Data

This MD&A includes and refers to information and statistics regarding the economy of and the insurance and financial industries in Barbados, Jamaica, Trinidad and Tobago, the United States and the Eastern Caribbean, and regarding Sagicor's competitors. Sagicor obtained this information and these statistics from various third-party and official Government sources and other publicly available publications and industry research reports. Specifically, one of Sagicor's sources for data and information related to Jamaica's insurance market is the Bank of Jamaica (http://www.boj.org.jm/), and one of Sagicor's sources for data and information related to Trinidad and Tobago's insurance market is the Central Bank of Trinidad and Tobago (http://www.central-bank.org.tt/). Some data is also based on Sagicor's good faith estimates, which are derived from management's knowledge of the industry and independent sources. Industry publications, surveys and projections generally state that the information contained therein has been obtained from sources believed to be reliable. Sagicor has not independently verified any of the data from third-party sources nor has it ascertained the underlying economic assumptions relied upon therein. Statements as to Sagicor's market position are based on market data currently available to it. Sagicor's estimates involve risks and uncertainties and are subject to change based on various factors, including those discussed under the headings "*Risk Factors*" and "*Caution Regarding Forward-Looking Statements*" in this prospectus. Projections and other forward-looking information obtained from independent sources are subject to the same qualifications and uncertainties as the other forward-looking statements in this prospectus.

About Sagicor

Sagicor is a 178-year old financial services company focused on insurance operations in the Caribbean region mainly in Barbados, Jamaica, Trinidad and Tobago, and the United States. Established in 1840 as The Barbados Mutual Life Assurance Society, Sagicor is one of the oldest providers of insurance in the Americas. Sagicor offers a wide range of products and services including life and health insurance, annuities, pension administration, property and casualty insurance, asset management, investment and merchant banking, securities brokerage, mutual funds and real estate development, and commercial banking. Sagicor's business grew organically with little change in product lines until 1969, when Sagicor introduced two unit trusts (a bond fund and an equity fund), to manage corporate pension funds, and in the 1970s, when Sagicor introduced group life insurance and health insurance products. Sagicor expanded its business through acquisitions in the 1980s and 1990s, transforming from a domestic to a regional and international company and from having a single line product to multi-line products. Sagicor demutualised in November 2002 and listed its shares on the Barbados Stock Exchange (BSE:SFC), with subsequent listings on the Trinidad and Tobago Stock Exchange (TTSE:SFC) and, via depositary interests, the London Stock Exchange (LSE:SFI). Sagicor discontinued from Barbados and continued to Bermuda as an exempted company on July 20, 2016.

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

Sagicor operates its business primarily through three reporting operating segments. These segments are (i) Sagicor Life, which comprises Group subsidiaries conducting the life, health and annuity insurance business, and pension administration services in Barbados, Eastern Caribbean, Dutch Caribbean, Bahamas, Central America and Trinidad and Tobago; and mutual funds and asset management in Barbados; (ii) Sagicor Jamaica, which comprises Group subsidiaries conducting the life, health, annuity, property and casualty insurance business, and pension administration services and financial services in Jamaica and Cayman Islands and banking services in Jamaica; and (iii) Sagicor Life USA, which comprises Sagicor's life insurance operations in the United States. Sagicor's objective is to be a leading insurance and financial services provider of world class products and services to better serve its customers and other stakeholders in its markets. Sagicor is expanding its banking and asset management business in the Caribbean, where it has strong brand recognition and market shares.

Result of Operations

An understanding of Sagicor's financial condition and the results and related risks of Sagicor's operations for the periods discussed in this prospectus requires an understanding of Sagicor's business. Accordingly, the following discussion should be read in conjunction with the discussion of these and related matters that appear elsewhere in this prospectus, including under the following headings: (i) Risk Factors; (ii) The Business of Sagicor; and (iii) Accounting and Control Measures.

Arrangement Agreement

On November 27, 2018, Sagicor and Alignvest announced that they had entered into the Arrangement Agreement to effect the Transaction. Pursuant to the Arrangement Agreement, Alignvest will acquire all of the outstanding Sagicor Common Shares by means of a scheme of arrangement under Section 99 of the BCA. Immediately following the implementation of the Alignvest Arrangement and Sagicor Arrangement, Alignvest shall, subject to certain conditions, discontinue as a corporation under the laws of Ontario and continue as an exempted company under the laws of Bermuda. See "*Arrangement Agreement*" elsewhere in this prospectus.

Financial Summary

The summary consolidated financial data is derived from the Sagicor Audited Annual Financial Statements, attached as Appendix E to this prospectus, for each of the periods indicated on the following table.

(US$ millions, unless otherwise noted)		Nine months ended September 30, 2018	2017	2016	2015
Profitability	**Net income (loss)**				
	Attributable to Common Shareholders From Continuing Operations	28.5	62.1	60.3	56.3
	Earnings Per Sagicor Common Share (US$)				
	Basic EPS (from Continuing Operations)	0.093	0.204	0.195	0.182
	Diluted EPS (from Continuing Operations)	0.091	0.199	0.187	0.173
	Return on Shareholders' Equity (%)(1)	6.4%	11.3%	12.3%	11.7%
Growth	**Revenue**				
	Individual Life, Health and Annuity	674.6	678.9	635.3	636.1
	Group Life, Health and Annuity	210.2	307.0	276.9	273.4
	Property and Casualty Insurance	34.7	42.0	36.6	32.7
	Banking and Investment Management	127.1	162.5	157.5	150.1
	Farming and Unallocated Revenues	22.1	30.5	27.8	11.9
	Total Revenue	1,068.7	1,220.9	1,134.1	1,104.2
	Net Premium Revenue				
	Life Insurance	302.1	389.2	357.4	352.8
	Annuity	269.2	178.4	138.7	152.6
	Health Insurance	122.4	149.1	149.6	150.3
	Property and Casualty Insurance	26.3	28.9	18.3	18.2
	Total Net Premium Revenue	720.0	745.6	664.0	673.9
	Assets from Continuing Operations	6,808.1	6,804.5	6,531.9	6,399.9
	Total Assets	6,821.4	6,814.6	6,531.9	6,399.9
	Operating Liabilities	5,519.9	5,466.3	5,339.9	5,183.6
	Non-Current Financial Liabilities(2)	405.6	416.0	396.6	477.1
	Book Value per Sagicor Common Share (US$)(1)	1.96	2.038	1.770	1.660
Financial Strength	**MCCSR ratio(1)(3)**	248%	258%	249%	301%
	Debt to Capital (1)	31.1%	30.7%	33.2%	39.2%
	Dividend				
	Dividend payout ratio(1)	27.5%	25.1%	24.1%	23.1%
	Dividends per Common Share (US$)	0.025	0.050	0.045	0.040
	Total capital	1,300.2	1,346.1	1,190.6	1,214.7

1. Represents a non-IFRS financial measure. See "*Management's Discussion and Analysis of Sagicor – Non-IFRS Financial Information*" in this prospectus.
2. Includes Notes and Loans Payable and derivative financial liabilities.
3. For 2016 and 2017, the methodology used to compute the MCCSR was updated.

Three Months Ended September 30, 2018 Compared to Three Months Ended September 30, 2017

Sagicor results

Net income for the three months ended September 30th

The table below summarises Sagicor's net income for the three months ended September 30, 2018 and 2017.

	Three months ended September 30,	
	2018	2017
Net income	(in millions of US$)	
Net Income from continuing operations	19.7	37.5
Net Income (loss) from discontinued operations	(0.1)	2.0
Total	19.6	39.5

Net income, which comprises net income from continuing operations and net income from discontinued operations, totaled US$19.6 million for the three months ended September 30, 2018, compared to US$39.5 million for the same period in 2017.

Net income from continuing operations declined to US$19.7 million for the three-month period ended September 30, 2018 compared to US$37.5 million for the same period ended September 30, 2017; a decline of US$17.8 million (47.5%).

On September 7, 2018 the Government of Barbados (GoB) entered into a staff-level agreement with the International Monetary Fund (IMF) to provide financial and technical assistance. As part of the programme, the GoB launched a debt exchange offer for GoB Domestic Barbados-dollar debt holders on September 7, 2018. The GoB announced on October 15, 2018 that its exchange offer received unanimous support from the domestic creditors. A restructuring plan has not been announced for external US dollar denominated debt. The Sagicor Group has held approximately US$337.0 million in GoB debt, of which US$278.0 million was domestic Barbados-dollar debt. During the period, the Sagicor Group revised its provision based on new information on the exchange offer. The Group has determined the net impact of the credit events on the GoB debt to shareholders at approximately US$13.0 million for the three month period ended September 30, 2018 (gross expected credit loss of US$35.8 million less actuarial offset), which was the main factor causing the decrease in the Company's results. Sagicor does not expect that there will be any incremental impact on Sagicor as it relates to the external US dollar denominated debt.

Income from Sagicor's discontinued operation was US$2.1 million lower for the three-month period ended September 30, 2018, closing with a loss of US$0.1 million compared to net income of US$2.0 million for the same period in 2017. This decline in net income was due to lower income earned from the movement in the price adjustment (US$2.0 million).

Consolidated income from continuing operations

The table below summarises Sagicor's consolidated income from continuing operations for the three months ended September 30, 2018 and 2017.

Consolidated income from continuing operations	Three months ended September 30, 2018	2017
	(in millions of US$)	
Revenue	430.1	348.3
Benefits	(239.0)	(195.7)
Expenses	(156.0)	(104.9)
Income taxes	(15.4)	(10.2)
Net income	19.7	37.5

Sagicor's net income from continuing operations totaled US$19.7 million for the three-month period ended September 30, 2018, a 47.5% decrease from US$37.5 million reported for the three-month period ended September 30, 2017. This decrease was primarily as a result of a 48.7% increase in expenses paid, which includes the gross expected credit losses associated mainly with the restructuring of the GoB domestic Barbados-dollar debt (US$38.2 million) and a 22.1% increase in benefits due to increased provision for new business, which was offset by a 23.5% increase in revenue (US$81.8 million) and a 51.0% increase in income taxes.

Revenue

The following table summarises the main items of Sagicor's revenue for the three-month periods ended September 30, 2018 and 2017.

Revenue	Three months ended September 30, 2018	2017
	(in millions of US$)	
Net insurance premiums:		
Life and annuity	259.7	173.9
Health	41.2	37.7
Property and casualty	9.0	7.1
	309.9	218.7
Net investment income[(1)]	92.3	105.4
Fees and other revenues	27.9	24.2
Total	430.1	348.3

(1) This includes a loss of US$2.1 million and income of US$4.6 million representing the Company's share of operating (losses)/ income from associated companies, for the three-month periods ended September 30, 2018 and September 30, 2017, respectively.

The following table summarises Sagicor's revenues by operating segment for the three months ended September 30, 2018.

Three months ended September 30, 2018	Sagicor Life	Sagicor Jamaica	Sagicor Life USA	Head office and other	Adjustments	Total
			(in millions of US$)			
Net premium revenue	77.1	77.4	146.4	9.0	-	309.9
Interest income	19.6	38.4	14.3	1.7	-	74.0
Other investment income	0.6	11.2	5.8	0.6	0.1	18.3
Fees and other revenues	1.7	25.3	(3.5)	4.0	0.4	27.9
Gain arising on acquisition	0.5	-	-	(0.5)	-	-
Inter-segment revenues	3.8	-	-	0.9	(4.7)	-
Total revenue	103.3	152.3	163.0	15.7	(4.2)	430.1

The following table summarises Sagicor's revenues by operating segment for the three months ended September 30, 2017:

Three months ended September 30, 2017	Sagicor Life	Sagicor Jamaica	Sagicor Life USA	Head office and other	Adjustments	Total
			(in millions of US$)			
Net premium revenue	75.9	112.3	23.2	7.3	-	218.7
Interest income	20.0	40.3	12.6	2.2	-	75.1
Other investment income	0.3	23.9	6.1	-	-	30.3
Fees and other revenues	1.9	17.7	(0.8)	5.4	-	24.2
Inter-segment revenues	3.2	-	-	0.7	(3.9)	-
Total revenue	101.3	194.2	41.1	15.6	(3.9)	348.3

Revenues from continuing operations reached US$430.1 million for the three months period ended September 30, 2018, an increase of US$81.8 million compared to US$348.3 million for the three months period ended September 30, 2017, for the reasons detailed below.

Net premium revenue from life insurance and annuity was US$259.7 million for the three months period ended September 30, 2018, a 49.3% increase from US$173.9 million for the same period in 2017. The increase in revenue was mainly due to growth in premium income in the USA segment.

Net premium revenue from health insurance totalled US$41.2 million for the three months ended September 30, 2018, an increase (9.3%) from the US$37.7 million reported for the three months ended September 30, 2017. Net premium revenue from property and casualty insurance totalled US$9.0 million for the three months ended September 30, 2018, a 26.8% increase from US$7.1 million recorded for the same period in 2017.

Overall, Sagicor generated net insurance premiums of US$309.9 million for the three-month period ended September 30, 2018, a 41.7% increase from US$218.7 million for the three-month period ended September 30, 2017, due primarily to business growth in the Company's USA segment.

Net investment income was US$92.3 million for the three months ended September 30, 2018 compared to US$105.4 million for the same period in 2017, a decline of US$13.1 million. Sagicor's Jamaica segment experienced lower investment gains and was impacted by reduced interest rates.

Income from fees and other revenues totaled US$27.9 million for the three months ended September 30, 2018, compared to US$24.2 million, for the same period in 2017, an increase of US$3.7 million largely due to strong fee income and foreign exchange gains in the Jamaica segment.

Benefits

The table below summarises Sagicor's expenses incurred in providing policy benefits and change in Sagicor's actuarial liabilities for the three months ended September 30, 2018 and 2017.

	Three months ended September 30,	
	2018	2017
Benefits and change in actuarial liabilities	(in millions of US$)	
Net insurance benefits:		
Life and annuity	105.2	85.7
Health	28.8	30.0
Property and casualty	4.8	12.1
Changes in actuarial liabilities	88.7	54.6
	227.5	182.4
Interest expense	11.5	13.3
Total	239.0	195.7

Life and annuity benefits totaled US$193.1 million for the three months ended September 30, 2018, of which US$105.2 million related to current benefits and US$87.9 million related to future benefits. The corresponding amounts for the same period in 2017 were a total of US$139.8 million, of which US$85.7 million related to current benefits and US$54.1 million related to future benefits. The change in current benefits for the three-month periods ended September 2017 versus September 2018 represented a 22.8% increase; changes in future benefits increased by US$33.8 million largely due to new business growth from annuities in the USA segment over the same period.

Total health insurance benefits were US$28.8 million at for the three months ended September 30, 2018 representing an overall claims to premium ratio of 76.8%. The comparative 2017 amounts were US$30.0 million and an overall claims to premium ratio of 83.3%.

Property and casualty claims amounted to US$4.8 million for the quarter ended September 30, 2018, lower than the US$12.1 million reported for the same period in 2017

Interest expense totalled US$11.5 million in for the thee-month period ended September 30, 2018, a 13.5% decrease from US$13.3 million for the same period in 2017. This decrease was primarily due to changes in the interest environment.

Expenses and taxes

The table below summarises Sagicor's expenses and taxes from continuing operations for the three months ended September 30, 2018 and 2017.

	Three months ended September 30,	
	2018	**2017**
	(in millions of US$)	
Expenses and taxes		
Administrative expenses	73.6	64.8
Commissions and related compensation	27.8	23.6
Finance costs, depreciation and amortization	14.6	14.0
Credit impairment losses	38.2	-
Premium, asset taxes and income taxes	17.3	12.6
Total	171.5	115.0

Expenses and taxes totalled US$171.5 million for three months ended September 30, 2018, up by 49.1% (US$56.5 million) compared to the same period in 2017 (US$115.0 million). This increase was mainly due to the inclusion of a provision for losses on all assets (US$38.2 million) and was largely driven by impairment of the Government of Barbados securities (US$35.8 million).

Premium, assets and income taxes were US$17.3 million for the three-month period ended September 30, 2018, higher than US$12.6 million reported for the same period in 2017, an increase of US$4.7 million.

Discontinued operation

The table below summarises Sagicor's discontinued operation for the three months ended September 30, 2018 and 2017.

Discontinued operation	Three months ended September 30,	
	2018	**2017**
	(in millions of US$)	
Income		
Currency translation (loss)/gain	(0.1)	-
Expenses of sale and other items	-	-
Movement in price adjustment	-	2.0
Net income	(0.1)	2.0

Nine Months Ended September 30, 2018 Compared to Nine Months Ended September 30, 2017

Sagicor results

Net income for the nine months ended September 30th

The table below summarises Sagicor's net income for the nine months ended September 30, 2018 and 2017.

	Nine months ended September 30,	
	2018	**2017**
Net income	**(in millions of US$)**	
Net Income from continuing operations	55.8	77.6
Net Income from discontinued operations	3.2	8.2
Total	59.0	85.8

Net income, which comprises net income from continuing operations and net income from discontinued operation, totaled US$59.0 million for the nine months ended September 30, 2018, compared to US$85.8 million, for the same period in 2017.

Net income from continuing operations decreased to US$55.8 million for the nine month period ended September 30, 2018 compared to US$77.6 million for the same period ended September 30, 2017; a decrease of US$21.8 million or 28.1%.

On September 7, 2018 the GoB entered into a staff-level agreement with the IMF to provide financial and technical assistance. As part of the programme, the GoB launched a debt exchange offer for GoB domestic Barbados-dollar debt holders on September 7, 2018. The GoB announced on October 15, 2018 that its debt exchange offer received unanimous support from the domestic creditors. A restructuring plan has not yet been announced for external US dollar denominated debt. The Sagicor Group holds approximately US$337.0 million in GoB debt, of which US$278.0 million is domestic Barbados-dollar debt. Sagicor has determined the net impact of the credit events on GoB debt to shareholders at approximately US$43.0 million for the nine months ended September 30, 2018 (gross expected credit losses of US$101 million less actuarial offset), of which all have been reserved for as reflected in the September 30, 2018 financial statements, and which was the main factor causing the decrease in the Company's results. Sagicor does not expect that there will be any incremental impact on Sagicor as it relates to the external US dollar denominated debt.

Income from Sagicor's discontinued operation was US$5.0 million lower for the nine month period ended September 30, 2018, closing at US$3.2 million compared to US$8.2 million for the same period in 2017. This decline in net income earned (US$5.0 million), when compared to the same period in 2017, was due to lower income earned from the movement in the price adjustment of US$4.6 million coupled with marginal foreign exchange losses of US$0.4million. See "*The Business of Sagicor— Asset and Liability Management and Investments – Barbados Debt Restructuring*" elsewhere in this prospectus.

Consolidated income from continuing operations

The table below summarises Sagicor's consolidated income from continuing operations for the nine months ended September 30, 2018 and 2017.

	Nine months ended September 30,	
	2018	**2017**
Consolidated income from continuing operations	**(in millions of US$)**	
Revenue	1,068.7	910.9
Benefits	(537.4)	(475.1)
Expenses	(443.0)	(329.1)
Income taxes	(32.5)	(29.1)
Net income	55.8	77.6

Sagicor's net income from continuing operations totaled US$55.8 million for the nine month period ended September 30, 2018, a 28.1% decrease from US$77.6 million reported for the nine month period ended September 30, 2017. This decrease was primarily as a result of a 34.6% increase in expenses paid, which includes the gross expected credit losses associated mainly with the restructuring of the GoB Domestic Barbados-dollar debt of US$96.0 million and a 13.1% increase in benefits paid, which was offset by a 17.3% increase in revenue of US$157.8 million and an 11.7% increase in income taxes.

Revenue

The sources of Sagicor's revenue are insurance premiums from customers, investment income, fees and other revenues. Sagicor markets a range of life and annuity products, most of which are long-term contracts for which a monthly premium is paid by the customer. For some long-term contracts, however, a single premium (usually a lump sum) is paid at the beginning of the contract. There are also annual renewable contracts which are marketed largely to employers to provide coverage to their employees on a group basis. In addition, Sagicor markets annual renewable health insurance contracts to employers and associations, which provide benefits against medical costs incurred by insured persons. Sagicor also markets property and casualty insurance contracts to individuals and commercial enterprises in the Caribbean region. Income is also generated from Sagicor's investments. Finally, Sagicor recognises income from fees and other revenue, which are comprised of commission income and portfolio and other management advisory and service fees. The following table summarises the main items of Sagicor's revenue for the period ended September 30, 2018 and 2017:

Revenue	Nine months ended September 30, 2018	2017
	(in millions of US$)	
Net insurance premiums:		
Life and annuity	571.3	425.0
Health	122.4	111.8
Property and casualty	26.3	22.0
	720.0	558.8
Net investment income[1]	259.4	281.5
Fees and other revenues	89.3	70.6
Gain arising on disposal	-	-
Total	1,068.7	910.9

(1) This includes US$1.5 million and US$8.5 million of the company's share of operating income from associated companies, for the nine month periods ended September 30, 2018 and September 30, 2017, respectively.

The following table summarises Sagicor's revenues by operating segment for the nine months ended September 30, 2018:

Nine months ended September 30, 2018	Sagicor Life	Sagicor Jamaica	Sagicor Life USA	Head office and other	Adjustments	Total
	(in millions of US$)					
Net premium revenue	230.8	224.4	238.5	26.3	-	720.0
Interest income	59.4	119.8	41.2	5.8	-	226.2
Other investment income	3.6	22.5	7.0	0.7	(0.6)	33.2
Fees and other revenues	12.8	71.0	(8.5)	13.9	0.1	89.3
Gain arising on disposal	0.5	-	-	(0.5)	-	-
Inter-segment revenues	11.3	-	-	39.1	(50.4)	-
Total revenue	318.4	437.7	278.2	85.3	(50.9)	1,068.7

The following table summarises Sagicor's revenues by operating segment for the nine months ended September 30, 2017:

Nine months ended September 30, 2017	Sagicor Life	Sagicor Jamaica	Sagicor Life USA	Head office and other	Adjustments	Total
			(in millions of US$)			
Net premium revenue	223.3	247.9	64.4	23.2	-	558.8
Interest income	58.8	119.0	36.6	6.7	-	221.1
Other investment income	6.2	37.0	17.0	0.4	(0.2)	60.4
Fees and other revenues	8.3	48.6	(1.4)	15.2	(0.1)	70.6
Gain arising on acquisition	-	-	-	-	-	-
Inter-segment revenues	9.6	-	-	48.2	(57.8)	-
Total revenue	306.2	452.5	116.6	93.7	(58.1)	910.9

Revenues from continuing operations reached US$1,068.7 million as of September 30 2018, an increase of US$157.8 million compared to US$910.9 million as of September 30, 2017, for the reasons detailed below.

Net premium revenue from life insurance and annuity was US$571.3 million as of September 30, 2018, a 34.4% increase from US$425.0 million as of September 30, 2017. The increase in revenue was mainly due to growth in premiums in the USA segment.

Net premium revenue from health insurance totalled US$122.4 million for the nine months ended September 30, 2018, an increase from the US$111.8 reported for the nine months ended September 30, 2017. Net premium revenue from property and casualty insurance totalled US$26.3 million for the nine months ended September 30, 2018, a 19.5% increase from US$22.0 million recorded for the same period in 2017. Sagicor increased its retention of this business in the nine months ended September 30, 2018 when compared to the same period in the prior year.

Overall, Sagicor generated net insurance premiums that totalled US$720.0 million for the nine month period ended September 30, 2018, a 28.8% increase from US$558.8 million for the nine month period ended September 30, 2017.

Net investment income was US$259.4 million for the nine months ended September 30, 2018 compared to US$281.5 million for the same period in 2017, a decline of US$22.1 million, primarily due to lower investment gains in Sagicor's international investment portfolios.

Income from fees and other revenues totaled US$89.3 million as of September 30, 2018, compared to US$70.6 million, for the same period in 2017, an increase of US$18.7 million largely due to increased other fees and commission and foreign exchange gains generated in the Jamaica segment.

Benefits

Insurance benefits comprise amounts payable to policyholders and beneficiaries, in accordance with the contract terms of insurance policies issued or assumed by the Company. Interest is payable to investment contract-holders or financial institutions which have placed funds with Sagicor and is treated as interest expense. Benefits from continuing operations totaled US$537.4 million for the nine month period ended September 30, 2018, a 13.1% increase from US$475.1 million for the nine months ended September 30, 2017. This increase was primarily driven by the growth in new business and changes in the interest rate environment.

The table below summarises Sagicor's expenses incurred in providing policy benefits and change in Sagicor's actuarial liabilities for the nine months ended September 30, 2018 and 2017.

	Nine months ended September 30,	
	2018	**2017**
Benefits and change in actuarial liabilities	**(in millions of US$)**	
Net insurance benefits:		
Life and annuity	290.5	258.5
Health	94.2	85.4
Property and casualty	13.1	20.3
Changes in actuarial liabilities	102.1	69.1
	499.9	433.3
Interest expense	37.5	41.8
Total	537.4	475.1

Life insurance and annuity benefits are recognised on the notification of death, disability or critical illness of an insured person; on the maturity or surrender of a policy; on the declaration of a policy bonus or dividend; or on annuity payment date. Future life insurance and annuity benefits are recognised in the financial statements on in-force long-term insurance contracts based on reserving methodologies adopted by Sagicor in accordance with established Canadian accepted actuarial standards.

Life and annuity benefits totaled US$392.1 million for the nine months ended in September 30, 2018, of which US$290.5 million related to current benefits and US$101.6 million related to future benefits. Life and annuity benefits for the same period in 2017 were a total of US$328.3 million, of which US$258.5 million related to current benefits and US$69.8 million related to future benefits. The change in current benefits for the nine months ended September 30, 2018 compared to the same period in 2017 represented a 12.4% increase; changes in actuarial liabilities increased by US$31.8 million largely due to new business growth from annuities from Sagicor Life USA over the same period**.**

Health and property and casualty insurance benefits are recognised either on the notification or settlement (for short notification periods) of a claim from policyholders and beneficiaries, in accordance with the contract terms of insurance policies issued or assumed by the Company. In addition, based on the methodologies adopted by Sagicor in accordance with established Canadian accepted actuarial standards, IBNR benefits are recognised in accordance with established or expected trends for claims incurred. The amount of future benefits recorded in the statement of income is a function of the policy contracts in-force and of the appropriate actuarial assumptions which are made to value them.

Total health insurance benefits were US$94.2 million for the nine months ended September 30, 2018 representing an overall claims to premium ratio of 77.7%., compared to total health insurance benefits of US$85.4 million and an overall claims to premium ratio of 77.1%, for the same period in 2017.

Property and casualty claims amounted to US$13.1 million for the nine months ended September 30, 2018, lower than the US$20.3 million reported for the same period in 2017

Interest expense totalled US$37.5 million in for the nine month period ended September 30, 2018, a 10.3% decrease from US$41.8 million for the same period in 2017. This decrease was primarily due to changes in the interest environment.

Expenses and taxes

The table below summarises Sagicor's expenses and taxes from continuing operations for the nine months ended September 30, 2018 and 2017

	Nine months ended September 30,	
	2018	2017
	(in millions of US$)	
Expenses and taxes		
Administrative expenses	212.6	204.0
Commissions and related compensation	79.4	72.9
Finance costs, depreciation and amortization	43.3	41.7
Credit impairment losses	96.0	-
Premium, asset taxes and income taxes	44.2	39.5
Total	475.5	358.1

Expenses and taxes totalled US$475.5 million for nine months ended September 30, 2018, an increase of 32.8% or US$117.4 million compared to US$358.1 million for the same period in 2017. This increase was mainly due to the inclusion of a provision for losses on all assets of US$96.0 million from the adoption of IFRS 9 and was largely driven by the performance of the Government of Barbados securities, representing US$91.8 million.

Sagicor is subject to a variety of direct taxes, with premium and income taxes comprising the main types of tax. Taxes are incurred in the jurisdiction in which the income is generated. Premium tax is customarily a percentage of gross premium revenue, while income tax is usually either a percentage of investment income or a percentage of profits.

Premium, assets and income taxes were US$44.2 million for the nine months ended September 30, 2018, compared to US$39.5 million reported for the same period in 2017, an increase of US$4.7 million.

Discontinued operation

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

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

The terms of the sale included:

(i) The purchase by Sagicor for US$1.2 million (prior to the sale) of the legal 7.0% shareholding interest held by the minority shareholders;

(ii) Initial consideration of US$91.9 million paid to Sagicor on the sale;

(iii) The cancellation of the banker's letters of credit which formed part of the financing of SEL and the return to Sagicor of the associated collateral of US$50.1 million; and

(iv) Future price adjustment to the sale consideration, representing adjusted profits or losses from January 1, 2013 in the run-off of the 2011, 2012 and 2013 underwriting years of account of syndicate 1206 and 44. The total price adjustments are subject to a limit based on the terms of the agreement. As a result of movements in the price adjustments, amounts due to Sagicor closed at US$13.3 million at September 30, 2018, compared to US$8.2 million at September 30, 2017. The price adjustments include underwriting, investment and foreign exchange results and are subject to a reasonable risk premium adjustment by the buyer.

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

The table below summarises Sagicor's discontinued operation for the nine months ended September 30, 2018 and 2017.

Discontinued operation	**Nine months ended September 30,**	
	2018	**2017**
	(in millions of US$)	
Income		
Currency translation (loss)/gain	(0.4)	-
Expenses of sale and other items	-	-
Movement in price adjustment	3.6	8.2
Net income	3.2	8.2
Financial position		
Assets	13.3	8.2
Liabilities	-	-
Net assets receivable from buyer	13.3	8.2

The discontinued operation net income totalled US$3.2 million for the nine months ended September 30 2018, a 61.0% decrease from US$8.2 million, for the same period in 2017. This decline in net income of US$5.0 million when compared to the same period in 2017, was due to a decrease of US$4.6 million in income earned from the movement in the price adjustment coupled with the marginal foreign exchange losses incurred during the period under review of US$0.4 million.

Shareholder returns

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

For the nine months ended September 30, 2018, US$28.5 million of net income from continuing operations was allocated to the holders of common shares of the Company, which corresponded to earnings per share for continuing operations of US 9.3 cents. The comparative amounts for the first nine months of the 2017 fiscal year were US$46.5 million of net income from continuing operations allocated to the holders of common shares, which corresponded to earnings per share for continuing operations of US 15.3 cents, (fully diluted). The respective returns on average shareholders' equity (annualized) were 6.4% for September 30, 2018 and 11.4% for September 30, 2017.

The table below summarises Sagicor's common shareholder returns from continuing operations for the nine months ended September 30, 2018 and 2017.

	Nine months ended September 30,	
	2018	2017
Common shareholder returns [(1)]		
Net income – millions of US$	28.5	46.5
Basic earnings per share – US$	0.093	0.153
Diluted earnings per share – US$	0.091	.0.150
Return on equity – %[(2)]	6.4	11.4

(1) From continuing operations except for dividends.
(2) Calculated as net income attributable to common shareholders divided by average shareholders' equity.

Comprehensive income

The table below summarises Sagicor's total comprehensive (loss) / income for the nine months ended September 30, 2018 and 2017.

	Nine months ended September 30,	
	2018	2017
	(in millions of US$)	
Total comprehensive income / (loss)		
Net Income	59.0	85.8
Other comprehensive (loss)/income	(65.6)	22.5
Total comprehensive (loss)/ income for the period	(6.6)	108.3

Gains and losses recorded within other comprehensive income arise from fair value changes of certain classes of assets and from the retranslation of foreign currency operations.

Total comprehensive loss for the nine months ended September 30, 2018, was US$6.6 million compared to total comprehensive income of US$108.3 million for the nine months ended September 30, 2017, a decline of US$114.9 million. This result was primarily due to marked-to-market declines on debt instruments in Sagicor's international portfolio coupled with a reduction in net income to US$59.0 million for the nine months ended September 30, 2018 from US$85.8 million for the nine months ended September 30, 2017.

Other comprehensive losses from continuing operations totalled US$65.6 million for the first nine months of 2018, a substantial decrease from the other comprehensive income of US$22.5 million reported for the same period in 2017. The principal source of the decrease was marked-to-market declines in Sagicor's international bond portfolio (US$57.6 million), for the nine month period ended September 30, 2018, compared to increases of US$42.7 million for the same period in 2017. The Company also reported losses of US$34.9 million for the nine months ended September 30, 2018, as compared to US$5.2 million for the same period in 2017, primarily representing the impact of the devaluation of the Jamaican dollar relative to the US dollar. Net change in actuarial liabilities reduced the impact of these movements with a positive movement of US$27.3 million for the nine months ended September 30, 2018, compared to negative movement of US$17.2 million for the same period in 2017.

Sagicor's revaluation of owner-occupied property totalled a net gain of US$0.8 million in for the nine months ended September 30, 2018; no revaluation changes were reported for the same period in 2017.

Net income and other comprehensive income together result in total comprehensive income. Summarising Sagicor's results, total comprehensive losses were US$6.6 million for the nine months ended September 30, 2018 compared to income of US$108.3 million for the nine months ended September 30, 2017.

The table below summarises Sagicor's consolidated Statement of Financial position as at September 30, 2018 and 2017, respectively.

	September 30, 2018	**September 30, 2017**
	(in millions of US$)	
ASSETS		
Financial investments	5,077.1	5,005.2
Other assets	1,731.0	1,766.5
Assets of discontinued operations	13.3	8.2
Total assets	6,821.4	6,779.9
LIABILITIES		
Policy liabilities	3,590.9	3,474.6
Other liabilities	2,334.6	2,416.7
Total liabilities	5,925.5	5,891.3
EQUITY		
Shareholders' equity	598.1	601.0
Participating accounts	(10.5)	0.6
Non-controlling interest	308.3	287.0
	895.9	888.6
Total liabilities and equity	6,821.4	6,779.9

Year Ended December 31, 2017 Compared to Year Ended December 31, 2016

Sagicor results

Net income for the year

The table below summarises Sagicor's net income for the years ended December 31, 2017 and 2016.

	Year ended December 31,	
	2017	**2016**
Net income	**(in millions of US$)**	
Net income from continuing operations	105.2	107.9
Net income from discontinued operations	10.1	1.4
Total	115.3	109.3

Net income totalled US$115.3 million in 2017, an increase from US$109.3 million in 2016. This increase, as explained in more detail below, was primarily driven by a substantial increase in net income from discontinued operations of US$10.1 million in 2017 compared with a net income of US$1.4 million in 2016 and was offset by a 2.5% decrease in net income from continuing operations to US$105.2 million in 2017 from US$107.9 million in 2016.

Consolidated income from continuing operations

The table below summarises Sagicor's consolidated income from continuing operations for the years ended December 31, 2017 and 2016.

	Year ended December 31,	
	2017	2016
Consolidated income from continuing operations	(in millions of US$)	
Revenue	1,220.9	1,134.1
Benefits	(660.8)	(560.4)
Expenses	(436.4)	(424.2)
Income taxes	(18.5)	(41.6)
Net income	105.2	107.9

Sagicor's net income from continuing operations totalled US$105.2 million in 2017, a 2.5% decrease from US$107.9 million in 2016. This decrease was primarily a result of a 17.9% increase in benefits paid and a slight increase in expenses of 2.9%, which was offset slightly by a 7.6% increase in revenue and a 55.5% decrease in income taxes.

Revenue

The following table summarises the main items of Sagicor's revenue for the periods ended December 31, 2017 and 2016:

	Year ended December 31,	
	2017	2016
Revenue	(in millions of US$)	
Net insurance premiums:		
Life and annuity	567.6	496.2
Health	149.1	149.6
Property and casualty	28.9	18.2
	745.6	664.0
Net investment income (1)	379.2	353.3
Fees and other revenues	93.7	116.8
Gain arising on disposal	2.4	-
Total	1,220.9	1,134.1

(1) This includes US$9.8 million and US$5.4 million of operating income from associated companies in 2017 and 2016, respectively.

The following table summarises Sagicor's revenues by operating segment for the year ended December 31, 2017:

Year ended December 31, 2017	Sagicor Life	Sagicor Jamaica	Sagicor Life USA	Head office and other	Adjustments	Total
			(in millions of US$)			
Net premium revenue	308.6	320.1	86.7	30.2	-	745.6
Interest income	77.5	159.4	48.8	9.0	-	294.7
Other investment income.......	10.3	47.4	26.2	0.7	(0.1)	84.5
Fees and other revenues.........	11.9	62.5	(2.5)	21.8	-	93.7
Gain arising on acquisition	-	2.4	-	-	-	2.4
Inter-segment revenues..........	12.9	-	-	71.2	(84.1)	-
Total revenue	421.2	591.8	159.2	132.9	(84.2)	1,220.9

The following table summarises Sagicor's revenues by operating segment for the year ended December 31, 2016:

Year ended December 31, 2016	Sagicor Life	Sagicor Jamaica	Sagicor Life USA	Head office and other	Adjustments	Total
			(in millions of US$)			
Net premium revenue	299.6	268.5	74.4	21.5	-	664.0
Interest income	77.4	157.8	48.0	9.7	-	292.9
Other investment income.......	3.1	42.7	10.4	2.9	1.3	60.4
Fees and other revenues.........	19.1	55.0	16.1	26.7	(0.1)	116.8
Gain arising on acquisition	-	-	-	-	-	-
Inter-segment revenues..........	11.9	-	-	60.1	(72.0)	-
Total revenue	411.1	524.0	148.9	120.9	(70.8)	1,134.1

Revenues from continuing operations reached US$1,220.9 million in 2017, an increase of US$86.8 million from US$1,134.1 million in 2016, for the reasons detailed below.

Net premium revenue from life insurance and annuity was US$567.6 million in 2017, a 14.3% increase from US$496.2 million in 2016.

Sagicor generated net insurance premiums that totalled US$745.6 million in 2017, a 12.3% increase from US$664.0 million in 2016. Life and annuity represented 76.1% of net premium revenue in 2017 and 74.7% in 2016. While premium income increased in all business segments, the issuance of a large single premium annuity relating to the Jamaica segment was the main contributing factor. Net premium revenue from health insurance totalled US$149.1 million in 2017, a slight decrease from US$149.6 million in 2016. Net premium revenue from property and casualty insurance totalled US$28.9 million in 2017, a 58.7% increase from US$18.2 million in 2016. Sagicor increased its retention of this business in 2017 when compared to the prior year.

Net investment income was US$379.2 million in 2017 compared to US$353.3 million in 2016, an improvement of US$25.9 primarily due to higher investment gains in Sagicor's international investment portfolios.

The interest yields achieved on financial investments were as follows:

	Year ended December 31, 2017	2016
Interest yields		
Debt securities	6.1%	6.2%
Mortgage loans	5.7%	6.1%
Policy loans	7.2%	6.9%
Finance loans and finance leases	11.6%	12.6%
Securities purchased for resale	5.1%	9.2%
Deposits	2.3%	1.0%

Income from fees and other revenues totalled US$93.7 million compared to US$116.8 million in the prior year, a decrease of US$23.1 million. This reduction was primarily as a result of a reduction in commissions income on insurance and reinsurance contracts in the Company's USA segment. Foreign exchange gains/(losses) also showed a loss of US$4.1 million, compared to gains of US$12.6 million in the prior year, a decrease of US$16.7 million. Exchange movements were affected by a strengthening of the Jamaica dollar when compared to the United States dollar in 2017, resulting in foreign exchange declines in financial assets denominated in United States dollars in the Company's Jamaica segment. In addition, the prior year included exchange gains relating to declines in the Trinidad and Tobago dollar when compared to the United States dollar, but there was no significant foreign exchange movement relative to this currency in 2017.

Benefits

Benefits from continuing operations totalled US$660.7 million in 2017, a 17.8% increase from US$560.4 million in 2016. This increase was primarily a result of the increases in life and annuity benefits, a change in actuarial liabilities and property and casualty benefits. This was partially offset by a decrease in health benefits.

The table below summarises Sagicor's expenses incurred in providing policy benefits and change in Sagicor's actuarial liabilities for the years ended December 31, 2017 and 2016.

	Year ended December 31, 2017	2016
Benefits and change in actuarial liabilities	(in millions of US$)	
Net insurance benefits:		
Life and annuity	465.5	375.8
Health	113.6	115.5
Property and casualty	26.7	7.7
	605.8	499.0
Interest expense	54.9	61.4
Total	660.7	560.4

Life and annuity benefits totalled US$465.5 million in 2017, of which US$343.2 million related to current benefits and US$122.3 million related to future benefits. The corresponding amounts for 2016 were a total of US$375.8 million, of which US$330.5 million related to current benefits and US$45.3 million related to future benefits. The change to current benefits from 2016 to 2017 represented a 3.9% increase. This increase in benefits occurred mainly as a result of strong growth in new business when compared to 2016.

Total health insurance benefits were US$113.6 million representing an overall claims to premium ratio of 76.6%. The comparative 2016 amounts were US$115.5 million and an overall claims to premium ratio of 77.6%.

Property and casualty claims amounted to US$26.7 million in 2017, an increase of US$19.0 million from US$7.7 million in 2016. The Company decided to increase its retention of this business in 2017. Property and casualty claims also included US$8.5 million relating to claims exposure from hurricane activity during the year.

Interest expense totalled US$54.9 million in 2017, a 10.5% decrease from US$61.4 million in 2016. This decrease was primarily due to a decrease in the interest expense related to securities sold for repurchase, which decreased from US$18.5 million in 2016 to US$14.2 million in 2017, a 23.2% change.

The interest returns that Sagicor has provided to investment contract-holders and financial institutions which have advanced funds are summarised in the following table:

	Year ended December 31,	
	2017	2016
Interest yields		
Investment contracts	5.6%	6.1%
Other funding instruments	2.1%	1.9%
Customer deposits	2.0%	2.1%
Securities sold for repurchase	3.6%	4.5%

Expenses and taxes

The table below summarises Sagicor's expenses and taxes from continuing operations for the years ended December 31, 2017 and 2016.

	Year ended December 31,	
	2017	2016
	(in millions of US$)	
Expenses and taxes		
Administrative expenses	267.4	255.3
Commissions and related compensation	98.7	98.6
Finance costs, depreciation and amortization	56.6	59.6
Premium, asset and income taxes	32.2	52.4
Total	454.9	465.9

Expenses and taxes totalled US$454.9 million for 2017, down from US$465.9 million for 2016. Expenses of administration represent the largest expense category and totalled US$267.4 million in 2017 compared to US$255.3 million in 2016, an increase of US$12.1 million. The Jamaica segment incurred some non-recurring costs, together with higher administration costs relating to the expansion of its cards and payments business.

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

Premium, asset and income taxes were US$32.2 million compared to US$52.4 million in the prior year, a reduction of US$20.2 million. Of the total taxes, income taxes were US$18.5 million, compared to US$41.7 million in the prior year, a reduction of US$23.2 million. This was principally related to the Company's USA segment. During 2017 the Tax Cuts and Jobs Act was signed into law in the United States, which reduced the effective corporation tax rate from 35% to 21%. This contributed to a decrease of US$19.9 million in income taxes.

Discontinued operation

The table below summarises Sagicor's discontinued operation (SEL) for the years ended December 31, 2017 and 2016. Refer to the discontinued operations analysis at September 30, 2018 which provides details on the disposal agreement.

Discontinued operation	**Year ended December 31,**	
	2017	**2016**
	(in millions of US$)	
Income		
Currency translation gain realised on sale	-	1.8
Expenses of sale and other items	-	(0.9)
Movement in price adjustment	10.1	0.5
Net income	10.1	1.4

	2017	**2016**
	(in millions of US$)	
Financial position		
Assets	10.1	-
Liabilities	-	-
Net assets	10.1	-

The discontinued operation net income totalled US$10.1 million in 2017, a 621.4% increase from US$1.4 million in 2016. This income was based on a receivable of US$10.1 million due to Sagicor.

Shareholder returns

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

For the 2017 financial year, US$62.1 million of net income from continuing operations was allocated to the holders of Sagicor Common Shares, which corresponded to earnings per share for continuing operations of US$0.204. The comparative amounts for the 2016 fiscal year were US$60.3 million of net income from continuing operations allocated to the holders of common shares, which corresponded to earnings per share for continuing operations of US$0.195. The respective annual returns on average shareholders' equity were 11.3% for 2017 and 12.3% for 2016.

The dividends declared and paid in respect of Sagicor Common Shares in respect of 2017 totalled US$15.2 million and represented US$0.05 per common share. Dividends of US$0.045 per share were declared in 2016.

The table below summarises Sagicor's common shareholder returns from continuing operations for the years ended December 31, 2017 and 2016.

	Year ended December 31,	
	2017	2016
Common shareholder returns [1]		
Net income – millions of US$	62.1	60.3
Dividends – millions of US$	(15.2)	(13.6)
Earnings per share – US$	0.204	0.195
Diluted earnings per share – US$	0.199	0.187
Dividends per share – US$	0.050	0.045
Return on equity – %[2]	11.3	12.3

(1) From continuing operations except for dividends.
(2) Calculated as net income attributable to common shareholders divided by average shareholders' equity.

Comprehensive income

The table below summarises Sagicor's total comprehensive income / (loss) for the years ended December 31, 2017 and 2016.

	Year ended December 31,	
	2017	2016
	(in millions of US$)	
Total comprehensive income / (loss)		
Net Income for the year	115.3	109.3
Other comprehensive income/(loss)	64.0	(12.6)
Total comprehensive income for the year	179.3	96.7

Gains and losses recorded within other comprehensive income arise from fair value changes of certain classes of assets and from the retranslation of foreign currency operations.

Total comprehensive income for 2017 totalled US$179.3 million, a significant increase from US$96.7 million loss in 2016. This improvement was primarily due to a gain of US$64.0 million in 2017, a substantial increase in other comprehensive income from a loss of US$12.6 million in 2016, and an increase in net income to US$115.3 million in 2017 from US$109.3 million in 2016. The improvement in net income is discussed in "*– Sagicor Results – Net Income for the Year*."

Other comprehensive income from continuing operations totalled US$64.0 million in 2017, a substantial increase from US$12.6 million loss in 2016. The principal sources of the increase were an improvement in net gains on financial assets of US$18.7 million, resulting from marked-to-market gains on financial assets in the Company's international portfolios, a positive movement of US$38.2 million on retranslation of foreign currency operations, resulting from a gain in the Jamaica dollar when compared to the United States dollar and a positive change in gains/(losses) on defined benefit plans for employees of US$37.8 million.

Sagicor's revaluation of owner-occupied property totalled a net loss of US$1.8 million in 2017, compared to a net gain of US$5.1 million in 2016.

Net income and other comprehensive income together result in total comprehensive income. Summarising Sagicor's results from continuing operations, total comprehensive income was US$179.3 million for 2017 compared to US$96.7 million for 2016.

Operating segments

Sagicor's principal reporting operating segments, as defined by IFRS, are Sagicor Life, Sagicor Jamaica, Sagicor Life USA, The performance of these segments in 2017 is discussed below.

Sagicor Life segment

The Sagicor Life segment consists of Sagicor's life insurance subsidiaries, which conduct business in Barbados, Trinidad and Tobago, the Eastern and Dutch Caribbean islands, Belize, Bahamas and Panama. The main activities of this segment are the provision of life insurance, annuities, health insurance, pension investment and pension administration services.

The net segment income for the Sagicor Life segment totalled US$63.7 million in 2017, a 1.9% decrease from US$64.9 million in 2016. This decrease is mainly a result of the factors discussed below. After accounting for the income allocated to policyholders, the net income attributable to shareholders for the Sagicor Life segment totalled US$64.8 million in 2017, substantially the same as the US$64.8 million in 2016.

The table below summarises the results of the Sagicor Life segment for the years ended December 31, 2017 and 2016.

Sagicor Life	**Year ended December 31,**	
	2017	**2016**
	(in millions of US$)	
Net premium revenue	308.6	299.6
Interest income	77.5	77.4
Other investment income	10.4	3.1
Fees and other revenues	11.8	19.1
Gains arising on acquisitions	-	-
Inter-segment revenues	12.9	11.9
Total revenue	421.2	411.1
Benefits and change in actuarial liabilities	(221.8)	(212.7)
Expenses and taxes	(113.8)	(113.1)
Depreciation and amortization	(6.4)	(6.5)
Inter-segment expenses	(5.6)	(5.7)
Segment income before taxes	73.6	73.1
Income taxes	(9.9)	(8.2)
Net segment income	63.7	64.9
Net segment income attributable to shareholders	64.8	64.8

	2017	**2016**
	(in millions of US$)	
Financial investments	1,386.2	1,403.9
Other assets	566.6	524.4
Total assets	1,952.8	1,928.3
Policy liabilities	1,296.5	1,272.5
Other liabilities	116.9	126.3
Total liabilities	1,413.4	1,398.8
Net assets	539.4	529.5

The Sagicor Life segment generated revenue that totalled US$421.2 million in 2017, a 2.5% increase from US$411.1 million in 2016. This increase was primarily due to gains in the individual life portfolio and other investment income. There was a 3.0% increase in net premium revenue to US$308.6 million in 2017 from US$299.6 million in 2016, due to a combination of rate increase and growth in the number of policies. Fees and other revenue totalled US11.8 million in 2017, a 38.2% decrease from US$19.1 million in 2016. This decrease was augmented by a significant increase in other investment income to US$10.4 million in 2017 from US$3.1 million in 2016.

The benefits and change in actuarial liabilities for the Sagicor Life segment totalled US$221.8 million in 2017, an increase of US$9.1 million or 4.3% from US$212.7 million in 2016.

Total expenses and taxes for the Sagicor Life segment totalled US$113.8 million in 2017, a 0.6% decrease from US$113.1 million in 2016. There was a 3.2% increase in commissions and premium taxes to US$45.6 million in 2017 from US$44.2 million in 2016, which was partially offset by a 1.3% decrease in administrative expenses to US$68.1 million in 2017 from US$69.0 million in 2016.

The Sagicor Life segment had net assets of US$539.4 million in 2017 compared to US$529.5 million in 2016, an increase of 1.9%, which was largely a result of an increase in total assets representing organic growth in investment assets. Financial investments totalled US$1,386.2 million and comprised 71.0% of the segment's total assets, and policy liabilities totalled US$1,296.5 million and comprised 91.7% of the segment's total liabilities at the end of 2017.

Financial investments totalled US$1,403.9 million and comprised 72.8% of the segment's total assets, and policy liabilities totalled US$1,272.5 million and comprised 91.0% of the segment's total liabilities at the end of 2016.

Sagicor Jamaica segment

This segment comprises Sagicor's subsidiaries in Jamaica, Cayman Islands and Costa Rica. The principal activities of the segment are the provision of life, critical illness and health insurance, annuities, pension administration, investment management, securities dealing and commercial banking.

The net segment income for the Sagicor Jamaica segment totalled US$94.1 million in 2017, a 4.4% increase from US$90.1 million in 2016. This increase was mainly a result of significant increase in net premium revenue which was US$320.1 million in net premium revenue in 2017 compared to US$268.5 million in 2016. The net income attributable to shareholders for the Sagicor Jamaica segment totalled US$46.2 million in 2017, an increase of 4.3% from US$44.3 million in 2016.

The table below summarises the results of the Sagicor Jamaica segment for the years ended December 31, 2017 and 2016.

Sagicor Jamaica	Year ended December 31,	
	2017	2016
	(in millions of US$)	
Net premium revenue	320.1	268.5
Interest income	159.4	157.8
Other investment income	47.4	42.7
Fees and other revenue	62.5	55.0
Gain arising on acquisition	2.4	-
Inter-segment revenues	-	-
Total revenue	591.8	524.0
Benefits and change in actuarial liabilities	(291.9)	(248.7)
Expenses and taxes	(171.9)	(152.1)
Depreciation and amortization	(9.2)	(8.0)
Inter-segment expenses	(1.9)	(1.4)
Segment income before taxes	116.9	113.8
Income taxes	(22.8)	(23.7)
Net segment income	94.1	90.1
Net segment income attributable to shareholders(1)	46.2	44.3
Financial investments	2,291.2	2,212.2
Other assets	545.0	461.6
Total assets	2,836.2	2,673.8
Policy liabilities	766.6	675.0
Other liabilities	1,509.5	1,548.4
Total liabilities	2,276.1	2,223.4
Net assets	560.1	450.4

(1) Sagicor only owned 49.1% of Sagicor Jamaica in 2016 and 2017.

This segment generated revenue of US$591.8 million in 2017, an increase of US$67.8 million over the 2016 total. The main revenue component was premium income which totalled US$320.1 million compared to US$268.5 million in 2016, an increase of US$51.6 million. The Jamaica segment benefited from the issuance of a significant single premium annuity during 2017.

Investment income totalled US$206.8 million compared to US$200.5 million in the prior year and benefited from significant investment gains.

Benefits totalled US$291.9 million and was higher than the prior year amount of US$248.7million, an increase of US$43.2 million. This is consistent with the growth in premium revenue and represents partially the impact of the provision for future benefits on the single premium annuity.

Expenses and taxes incurred totalled US$171.9 million in 2017 compared to US$152.1 million in 2016, an increase of US$15.8 million over the prior year. The Jamaica segment incurred some non-recurring costs, together with higher administration costs relating to the expansion of cards and payments business.

The Sagicor Jamaica segment had net assets of US$560.1 million in 2017 compared to US$450.4 million in 2016, an increase of 24.4%, which was largely a result of mark-to-market gains on financial instruments and a gain on defined benefits plan. Financial investments totalled US$2,291.2 million and comprised 80.8% of the segment's total assets at the end of 2017. Policy liabilities totalled US$766.6 million and other external liabilities totalled US$1,509.5 million, comprising 33.7% and 66.3% of the segment's total liabilities at the end of 2017, respectively. In comparison, financial investments totalled US$2,212.2 million and comprised 82.7% of the segment's total assets at the end of 2016. Policy liabilities totalled US$675.0 million and other external liabilities totalled US$1,548.4 million, comprising 30.4% and 69.6% of the segment's total liabilities at the end of 2016, respectively.

Sagicor Life USA segment

This segment consists of Sagicor's operations in the United States, which markets life insurance and annuity products to individuals.

The net segment income for the Sagicor Life USA segment totalled US$13.5 million in 2017, a 28.6% increase from US$10.5 million in 2016, mainly as a result of the factors described below.

The table below summarises the results of the Sagicor Life USA segment for the years ended December 31, 2017 and 2016.

Sagicor Life USA	**Year ended December 31,**	
	2017	**2016**
	(in millions of US$)	
Net premium revenue	86.7	74.4
Interest income	48.8	48.0
Other investment income	26.2	10.4
Fees and other revenues	(2.5)	16.1
Total revenue	159.2	148.9
Benefits and change in actuarial liabilities	(116.8)	(86.3)
Expenses and taxes	(43.5)	(48.3)
Depreciation and amortization	(2.5)	(1.6)
Inter-segment expenses	3.0	3.6
Segment income before taxes	(0.6)	16.3
Income taxes	14.1	(5.8)
Net segment income	13.5	10.5
Net segment income attributable to shareholders	13.5	10.5

	2017	**2016**
	(in millions of US$)	
Financial investments	1,123.6	1,068.2
Other assets	858.8	832.6
Total assets	1,982.4	1,900.8
Policy liabilities	1,495.3	1,434.7
Other liabilities	246.4	247.7
Total liabilities	1,741.7	1,682.4
Net assets	240.7	218.4

The Sagicor Life USA segment generated revenue that totalled US$159.2 million in 2017, a 6.9% increase from US$148.9 million in 2016. The increase in revenue occurred mainly as a result of higher new annuity business written in the United States when compared to 2016, which resulted in a 16.5% increase in net premium revenue to US$86.7 million in 2017 from US$74.4 million in 2016 and a 115.5% decrease in fees and other revenues to a loss of US$2.5 million in 2017 from US$16.1 million in 2016. In 2016, fees and other revenues included commissions earned on the reinsurance of the new annuity business in the United States. There was also a 151.5% increase in other investment income to US$26.2 million in 2017 from US$10.4 million in 2016 due to higher investment gains resulting from market changes on index options.

The benefits and change in actuarial liabilities for the Sagicor Life USA segment totalled US$116.8 million in 2017, a 35.3% increase from US$86.3 million in 2016. This increase was primarily due to greater annuity business in 2017, which resulted in a 613.2% increase in net change in actuarial liabilities to US$27.1 million in 2017 from US$3.8 million in 2016. There was also a 10.0% increase in net policy benefits to US$87.6 million in 2017 from US$79.6 million in 2016.

Total expenses and taxes for the Sagicor Life USA segment totalled US$43.5 million in 2017, a 9.9% decrease from US$48.3 million in 2016. This decrease was primarily due to lower administrative expenses. Administrative expenses totalled US$28.3 million in 2017 down from US$31.8 million in 2016, a decrease of US$4.5 million.

The Sagicor Life USA segment had net assets of US$240.7 million in 2017 compared to US$218.4 million in 2016, an increase of 10.2%, which was largely a result of an increase in the value of investments. Financial investments totalled US$1,123.6 million and comprised 56.7% of the segment's total assets, and policy liabilities totalled US$1,495.3 million and comprised 85.9% of the segment's total liabilities at the end of 2017. Financial investments totalled US$1,068.2 million and comprised 56.2% of the segment's total assets, and policy liabilities totalled US$1,434.7 million and comprised 85.3% of the segment's total liabilities at the end of 2016.

Year Ended December 31, 2016 Compared to Year Ended December 31, 2015

Sagicor results

Net income for the year

The table below summarises Sagicor's net income for the years ended December 31, 2016 and 2015.

	Year ended December 31,	
	2016	2015
Net income	(in millions of US$)	
Net Income from continuing operations	107.9	98.4
Net Income (loss) from discontinued operations	1.4	(21.6)
Total	109.3	76.8

Net income totalled US$109.3 million in 2016, a significant increase from US$76.8 million in 2015. This increase, as explained in more detail below, was primarily driven by a 106.5% decrease in net loss from discontinued operations of US$1.4 million in 2016 compared with a net loss of US$21.6 million in 2015, and was augmented by a 9.6% increase in net income from continuing operations to US$107.9 million in 2016 from US$98.4 million in 2015.

Consolidated income from continuing operations

The table below summarises Sagicor's consolidated income from continuing operations for the years ended December 31, 2016 and 2015.

	Year ended December 31,	
	2016	2015
Consolidated income from continuing operations	(in millions of US$)	
Revenue	1,134.1	1,104.2
Benefits	(560.4)	(552.9)
Expenses	(424.2)	(427.8)
Income taxes	(41.6)	(25.1)
Net income	107.9	98.4

Sagicor's net income from continuing operations totalled US$107.9 million in 2016, a 9.7% increase from US$98.4 million in 2015. This increase was primarily a result of a 2.7% increase in revenue, a 1.35% increase in benefits and a 65.7% increase in income taxes, offset in part by a 0.8% decrease in expenses.

Revenue

The following table summarises the main items of Sagicor's revenue for the periods ended December 31, 2016 and 2015:

Revenue	Year ended December 31, 2016	2015
	(in millions of US$)	
Net insurance premiums:		
Life and annuity	496.2	505.4
Health	149.6	150.3
Property and casualty	18.2	18.2
	664.0	673.9
Net investment income	353.3	322.2
Fees and other revenue	116.8	109.1
Gain/(loss) arising on acquisition	-	(1.0)
Total	1,134.1	1,104.2

The following table summarises Sagicor's revenues by operating segment for the year ended December 31, 2016:

Year ended December 31, 2016	Sagicor Life	Sagicor Jamaica	Sagicor Life USA	Head office and other	Adjustments	Total
			(in millions of US$)			
Net premium revenue	299.6	268.5	74.4	21.5	-	664.0
Interest income	77.4	157.8	48.0	9.7	-	292.9
Other investment income	3.1	42.7	10.4	2.9	1.3	60.4
Fees and other revenues	19.1	55.0	16.1	26.7	(0.1)	116.8
Gain arising on acquisition	-	-	-	-		-
Inter-segment revenues	11.9	-	-	60.1	(72.0)	-
Total revenue	411.1	524.0	148.9	120.9	(70.8)	1,134.1

The following table summarises Sagicor's revenues by operating segment for the year ended December 31, 2015:

Year ended December 31, 2015	Sagicor Life	Sagicor Jamaica	Sagicor Life USA	Head office and other	Adjustments	Total
			(in millions of US$)			
Net premium revenue	291.2	278.3	81.0	23.4	-	673.9
Interest income	73.1	159.8	51.2	9.3	-	293.4
Other investment income	1.9	21.1	8.8	(0.1)	(2.9)	28.8
Fees and other revenues	12.6	53.3	20.1	23.1	-	109.1
Gain arising on acquisition	-	(1.0)	-	-	-	(1.0)
Inter-segment revenues	92.6	-	(82.9)	39.9	(49.6)	-
Total revenue	471.4	511.5	78.2	95.6	(52.5)	1,104.2

Sagicor's revenue from continuing operations totalled US$1,134.1 million in 2016, an increase of 2.7% from US$1,104.2 million in 2015. This increase was primarily the result of a 10.0% growth in net investment income, including share of operating income of associated companies, to US$353.3 million in 2016 from US$322.2 million in 2015 and a negative adjustment of US$1.0 million in goodwill from the acquisition of the banking operation in Jamaica in 2014. The acquisition was recorded based on provisionally determined values in 2014. These balances were finalized during 2015. The adjustments were recognized in 2015 as they were not material to the Sagicor Group. This increase in revenue from continuing operations was partially offset by a decrease in premium revenue, which is explained in more detail below.

Premium revenue from life insurance and annuity was US$496.2 million in 2016, compared to US$505.4 million in 2015, a 1.8% decrease. Premium revenue from life insurance and annuity represented 74.7% of total premium revenue in 2016 as opposed to 75.0% in 2015. This decrease was primarily due to lower annuity business written in Sagicor's USA segment, together with the impact of the depreciation of the Jamaica Dollar to the US dollar on translated premiums.

Net premium revenue from health insurance totalled US$149.6 million in 2016, a decrease of 0.5% from US$150.3 million in 2015. This decrease was primarily a result of lower organic growth. Net premium revenue from property and casualty insurance totalled US$18.2 million in 2016, the same as in 2015.

Net investment income was US$353.3 million in 2016, a 9.7% increase compared to US$322.2 million in 2015 an improvement of US$31.1 million. Investment income benefited from significant realised gains in the Jamaica segment. Net investment gains on securities amounted to US$60.3 million in 2016 from US$33.3 million in 2015 and interest income from finance loans and leases which increased by 11.5% to US$56.2 million in 2016 from US$50.4 million in 2015. This increase is primarily a result of the acquisition of RBC Jamaica.

The interest yields achieved on financial investments were as follows:

	Year ended December 31,	
	2016	**2015**
Interest yields		
Debt securities	6.2%	6.4%
Mortgage loans	6.1%	6.5%
Policy loans	6.9%	7.3%
Finance loans and finance leases	12.6%	12.7%
Securities purchased for resale	9.2%	2.4%
Deposits	1.0%	0.9%

Revenue from fees and other revenues totalled US$116.8 million in 2016, a 7.0% increase from US$109.1 million in 2015. Foreign exchange gains totalled US$12.6 million in 2016 compared to US$2.8 million in 2015, an increase of US$9.8 million primarily due to the Trinidad and Tobago dollar decline against the United States dollar in the Sagicor Life segment. This was partially offset by a decline commission income on insurance and reinsurance which closed at US$29.4 million in 2016 from US$32.8 million in 2015, a decline of US$3.4 million or 10.4%. This was primarily the result of a decrease in annuity business written in the United States as a result of Sagicor's change in strategy regarding this business.

Benefits

Benefits from continuing operations totalled US$560.4 million in 2016, a 1.3% increase from US$552.9 million in 2015. This increase was primarily a result of the decrease in life and annuity and property and casualty benefits, partially offset by the increases in health benefits and changes in actuarial liabilities. Life and annuity benefits totalled US$330.5 million in 2016, a 4.6% decrease from US$346.4 million in 2015.

The table below summarises Sagicor's expenses incurred in providing policy benefits and changes in Sagicor's actuarial liabilities for the years ended December 31, 2016 and 2015.

	Year ended December 31,	
	2016	**2015**
Benefits and change in actuarial liabilities	**(in millions of US$)**	
Net insurance benefits:		
Life and annuity	330.5	346.4
Health	115.5	111.5
Property and casualty	7.7	9.7
Changes in actuarial liabilities	45.3	26.5
	499.0	494.1
Interest expense	61.4	58.8
Total	560.4	552.9

Life and annuity benefits totalled US$330.5 million in 2016, a 4.6% decrease from US$346.4 million in 2015. However, this was offset by a 70.9% increase in actuarial changes to US$45.3 million in 2016 from US$26.5 million in 2015. The reduction in these benefits occurred mainly as a result of lower annuity payments in the United States in 2016 when compared to 2015, coupled with Life insurance benefits for the same period in both the Sagicor Life and Sagicor USA segments.

Health insurance net benefits totalled US$115.5 million in 2016, a 3.6% increase from US$111.5 million in 2015.

Property and casualty insurance net benefits totalled US$7.7 million in 2016, a decrease of 20.6% from US$9.7 million in 2015. This decrease was primarily a result of a reduction in IBNR claims with the improvement in the settlement of outstanding claims.

Interest expense totalled US$61.4 million in 2016, a 4.4% increase from US$58.8 million in 2015. This increase was primarily due to increase in interest expenditure on customer deposits which increased from US$11.8 million in 2015 to US$16.2 million in 2016. The average customer deposit balances were higher in 2016.

The interest returns that Sagicor has provided to investment contract-holders and financial institutions which have advanced funds are summarised in the following table:

	Year ended December 31,	
	2016	**2015**
Interest yields		
Investment contracts	6.1%	5.2%
Other funding instruments	1.9%	2.2%
Customer deposits	2.1%	1.9%
Securities sold for repurchase	4.5%	3.7%

Expenses and taxes

The table below summarises Sagicor's expenses and taxes from continuing operations for the years ended December 31, 2016 and 2015.

	Year ended December 31,	
	2016	2015
	(in millions of US$)	
Expenses and taxes		
Administrative expenses	255.3	251.9
Commissions and related compensation	98.6	105.0
Finance costs, depreciation and amortization	59.6	55.8
Premium and asset taxes and income taxes	52. 4	39.9
Total	465.9	452.6

Sagicor's expenses from continuing operations totalled US$465.9 million in 2016, a 2.9% increase from US$452.6 million in 2015. This increase was primarily due to a 31.3% increase in taxes of US$52.4 million in 2016 from US$39.9 million in 2015, as there was a substantial increase in the taxable income for Corporation Taxes in the Company's Jamaica segment. This impact was partially reduced by a reduction in asset taxes on Life Insurance Companies in the same segment. This increase was offset in part by a 6.1% decrease in commission and compensation related expenses to US$98.6 million in 2016 from US$105.0 million in 2015, which was mainly due to lower commission expense on lower annuity business written in the United States. Commissions represent compensation and benefits payable to insurance agents and brokers who generate new and renewal premium revenue.

As a result of the foregoing, Sagicor's net income from continuing operations before taxes totalled US$149.6 million in 2016, a 21.0% increase from US$123.6 million in 2015.

Premium, asset and income taxes from continuing operations totalled US$52.4 million in 2016, a 31.3% increase from US$39.9 million in 2015, which was primarily due to a substantial increase in the taxable income in the Company's Jamaica segment.

Discontinued operation

For a description of Sagicor's discontinued operations see "*Management's Discussion and Analysis of Sagicor — Financial Summary —Year Ended December 31, 2017 Compared to Year Ended December 31, 2016*."

The table below summarises Sagicor's discontinued operation for the years ended December 31, 2016 and 2015.

Discontinued operation	Year ended December 31,	
	2016	2015
	(in millions of US$)	
Income		
Currency translation gain	1.8	1.6
Other expenses	(0.9)	(0.2)
Movement in price adjustment	0.5	(23.0)
Net income/(loss)	1.4	(21.6)
Financial position		
Assets	-	-
Liabilities	-	46.0
Net assets	-	(46.0)

The discontinued operation net operating gain totalled US$1.4 million in 2016, a 106.5% increase in profit from the loss of US$21.6 million in 2015. The gain in 2016 resulted mainly from movements in the price adjustments.

Shareholder returns

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

For the 2016 financial year, US$60.3 million of net income from continuing operations was allocated to the holders of common shares of the Company, which corresponded to earnings per share for continuing operations of US$0.195. The comparative amounts for the 2015 fiscal year were US$56.3 million of net income from continuing operations allocated to the holders of common shares, which corresponded to earnings per share for continuing operations of US$0.182. The respective annual returns on average shareholders' equity were 12.3% for 2016 and 11.7% for 2015.

The dividends declared and paid in respect of Sagicor Common Shares in 2016 totalled US$13.6 million, and represented US$0.045 per common share.

The table below summarises Sagicor's common shareholder returns from continuing operations for the years ended December 31, 2016 and 2015.

	Year ended December 31,	
	2016	2015
Common shareholder returns[(1)]		
Net income – millions of US$	60.3	56.3
Dividends – millions of US$	13.6	12.0
Earnings per share – US$	0.195	0.182
Diluted earnings per share – US$	0.187	0.173
Dividends per share – US$	0.045	0.040
Return on average equity – %[(2)]	12.3	11.7

(1) From continuing operations except for dividends.
(2) Calculated as net income attributable to common shareholders divided by average shareholders' equity.

Comprehensive income

The table below summarises Sagicor's total comprehensive income / (loss) for the years ended December 31, 2016 and 2015.

	Year ended December 31,	
	2016	2015
	(in millions of US$)	
Total comprehensive income / (loss)		
Net Income for the year	109.3	76.8
Other comprehensive loss	(12.6)	(77.4)
Total comprehensive income / (loss) for the year	96.7	(0.6)

Gains and losses recorded within other comprehensive income arise from fair value changes of certain classes of assets and from the retranslation of foreign currency operations.

Total comprehensive income for 2016 totalled US$96.7 million, a significant increase from a US$0.6 million loss in 2015. This improvement was primarily due to a lower comprehensive loss of US$12.6 million in 2016, a 83.7% improvement from the loss of US$77.4 million in 2015, and a significant increase in net income to US$109.3 million in 2016 from US$76.8 million in 2015. The improvement in net income is discussed in "*—Sagicor Results—Net Income for the Year*."

The table below summarises Sagicor's other comprehensive income for the years ended December 31, 2016 and 2015.

	Year ended December 31,	
	2016	**2015**
	(in millions of US$)	
Other comprehensive income		
Comprehensive loss from continuing operations	(12.6)	(77.4)
Comprehensive income from discontinued operations	-	-
Total	(12.6)	(77.4)

Other comprehensive loss from continuing operations totalled US$12.6 million in 2016, an 84.7% improvement from a US$77.4 million loss in 2015. The main contributor to the improvement in comprehensive income was an underlying improvement in net gains on financial assets of US$142.3 million. Included in comprehensive income were net gains for the year on financial assets of US$39.2 million, resulting from mark-to-market gains on financial assets associated with Sagicor's international portfolio.

The Jamaican dollar declined against the US dollar by 6.7% while the Trinidad and Tobago dollar declined against the US dollar by 5.1%, resulting in retranslation losses of US$28.5 million.

Sagicor's revaluation of owner-occupied property totalled a net gain of US$5.1 million in 2016, compared to a net loss of US$0.3 million in 2015; this gain partially offset the net losses of Sagicor's other comprehensive income items.

The discontinued operation (Sagicor at Lloyds) was sold on December 23, 2013. At the end of 2016 there were no amounts outstanding with respect to the discontinued operation.

Operating segments

The performance of Sagicor's Sagicor Life, Sagicor Jamaica, Sagicor Life USA segments and the SEL discontinued operation in 2016 are discussed below.

Sagicor Life segment

The net segment income for the Sagicor Life segment totalled US$64.9 million in 2016, an 8.3% decrease from US$70.8 million in 2015. After accounting for the income allocated to policyholders, the net income attributable to shareholders for the Sagicor Life segment totalled US$64.8 million in 2016, a decrease of 6.8% from US$69.5 million in 2015.

The table below summarises the results of the Sagicor Life segment for the years ended December 31, 2016 and 2015.

Sagicor Life	**Year ended December 31,**	
	2016	**2015**
	(in millions of US$)	
Net premium revenue	299.6	291.2
Interest income	77.4	73.1
Other investment income	3.1	1.9
Fees and other revenues	19.1	12.6
Gains arising on acquisitions	-	-
Inter-segment revenues	11.9	92.6
Total revenue	411.1	471.4
Benefits and change in actuarial liabilities	(212.7)	(199.7)
Expenses and taxes	(113.1)	(105.7)
Depreciation and amortization	(6.5)	(5.8)
Inter-segment expenses	(5.7)	(82.6)
Segment income before taxes	73.1	77.6
Income taxes	(8.2)	(6.9)
Net segment income	64.9	70.7
Net segment income attributable to shareholders	64.8	69.5

	2016	**2015**
	(in millions of US$)	
Financial investments	1,403.9	1,402.8
Other assets	524.4	501.3
Total assets	1,928.3	1,904.1
Policy liabilities	1,272.5	1,271.8
Other liabilities	126.3	115.9
Total liabilities	1,398.8	1,387.7
Net assets	529.5	516.4

The Sagicor Life segment generated revenue that totalled US$411.1 million in 2016, a 12.8% decrease from US$471.4 million in 2015. In 2015, Sagicor Life benefited from inter-segment revenues arising from a reinsurance arrangement with a related company, valued at US$90.5 million; this did not repeat in 2016. Aside from inter-segment revenues, all other areas of revenue generation saw growth over the 2015 results. Interest income totalled US$77.4 million in 2016, a 5.9% increase from US$73.1 million in 2015. Fees and other revenues moved from US$12.6 million in 2015 to US$19.1 million in 2016 and includes exchange gains relating to declines in the Trinidad and Tobago dollar when compared to the United States dollar.

The benefits and change in actuarial liabilities for the Sagicor Life segment totalled US$212.7 million in 2016, a 6.5% increase from US$199.7 million in 2015. Net changes in actuarial liabilities moved from a release of US$1.5 million in 2015, to an increase of US$3.2 million 2016, resulting in an increase of US$4.7 million, mainly due to changes in actuarial assumptions. Net policy benefits totalled US$196.1 million in 2016, up from US$189.9 million in 2016, an increase of US$6.2 million, due to higher policy surrenders. Interest expense totalled US$13.4 million up from US$11.2 million in 2015.

Total expenses and taxes for the Sagicor Life segment totalled US$113.1 million in 2016, a US$7.4 million increase from US$105.7 million in 2015. This was primarily due to an increase in administrative expenses, which increased by US$4.0 million to US$69.0 million in 2016 from US$65.0 million in 2015, coupled with increased commissions and premium and asset taxes of US$3.4 million, moving from US$40.7 million in 2015 to US$44.2 million in 2016.

The Sagicor Life segment had net assets of US$529.5 million in 2016 compared to US$516.4 million in 2015, an increase of 2.5%. Financial investments totalled US$1,403.9 million and comprised 72.8% of the segment's total assets, and policy liabilities totalled US$1,272.5 million and comprised 91.0% the segment's total liabilities at the end of 2016. In comparison, financial investments totalled US$1,402.8 million and comprised 73.7% the segment's total assets at the end of 2015, while policy liabilities totalled US$1,271.8 million and comprised 91.6% the segment's total liabilities.

Sagicor Jamaica segment

The net segment income for the Sagicor Jamaica segment totalled US$90.1 million in 2016, a 12.5% increase from US$80.1 million in 2015. After accounting for the income allocated to non-controlling interest, the net income attributable to shareholders for the Sagicor Jamaica segment totalled US$44.3 million in 2016, an increase of 12.7% from US$39.3 million in 2015.

The table below summarises the results of the Sagicor Jamaica segment for the years ended December 31, 2016 and 2015.

Sagicor Jamaica	**Year ended December 31,[1]**	
	2016	**2015**
	(in millions of US$)	
Net premium revenue	268.5	278.3
Interest income	157.8	159.8
Other investment income	42.7	21.1
Fees and other revenues	55.0	52.2
Inter-segment revenues	-	-
Total revenue	524.0	511.4
Benefits and change in actuarial liabilities	(248.7)	(249.0)
Expenses and taxes	(152.1)	(159.3)
Depreciation and amortization	(8.0)	(6.5)
Inter-segment expenses	(1.4)	(0.9)
Segment income before taxes	113.8	95.7
Income taxes	(23.7)	(15.6)
Net segment income	90.1	80.1
Net segment income attributable to shareholders[1]	44.3	39.3

	2016	**2015**
	(in millions of US$)	
Financial investments	2,212.2	2,087.1
Other assets	461.6	426.1
Total assets	2,673.8	2,513.2
Policy liabilities	675.0	646.9
Other liabilities	1,548.4	1,468.7
Total liabilities	2,223.4	2,115.6
Net assets	450.4	397.6

(1) Sagicor only owned 49.1% of Sagicor Jamaica in 2016 and 2015.

The Sagicor Jamaica segment generated revenue that totalled US$524.0 million in 2016, a 2.5% increase from US$511.4 million in 2015. This increase was primarily due to higher returns on other investment income.

The benefits and change in actuarial liabilities for the Sagicor Jamaica segment totalled US$248.7 million in 2016, a slight decrease from US$249.0 million in 2015. Net policy benefits totalled US$168.8 million, a 3.2% increase, up from US$163.6 million in 2015. Interest expense moved from US$40.8 million in 2015 to US$41.5 million in 2016, a slight increase of US$0.7 million due to changes in interest rates. These changes were partially offset by a decrease in the net change in actuarial liabilities which were US$38.4 million in 2016 down from US$44.6million in 2015, a decrease of US$6.2 million. Both net policy benefits and changes in actuarial liabilities were impacted by an annuity contract.

Total expenses and taxes for the Sagicor Jamaica segment totalled US$152.1 million in 2016, a 4.5% decrease from US$159.3 million in 2015. The decrease was due to administrative expenses, which closed at US$112.2 million in 2016, down 2.4% from US$115.0 million in 2015. In the prior year, the Jamaica segment incurred restructuring and rebranding costs associated with the acquisition of RBC Jamaica.

The Sagicor Jamaica segment had net assets of US$450.4 million in 2016 compared to US$397.6 million in 2015, an increase of 13.3% which was largely a result of retranslation losses from the depreciation of the Jamaican dollar during this period. Financial investments totalled US$2,212.2 million and comprised 82.7% of the segment’s total assets at the end of 2016. Policy liabilities totalled US$675.0 million and other external liabilities totalled US$1,548.4 million, comprising 30.3% and 69.7% of the segment’s total liabilities at the end of 2016, respectively. In comparison, financial investments totalled US$2,087.1 million and comprised 83.0% of the segment’s total assets at the end of 2015, while policy liabilities totalled US$646.9 million and other external liabilities totaled US$1,468.7 million, comprising 30.6% and 69.7% of the segment’s total liabilities at the end of 2015, respectively.

Sagicor Life USA segment

The net segment income for the Sagicor Life USA segment totalled US$10.5 million in 2016, a 59.1% increase from US$6.6 million in 2015.

The table below summarises the results of the Sagicor Life USA segment for the years ended December 31, 2016 and 2015.

Sagicor Life USA	**Year ended December 31,**	
	2016	**2015**
	(in millions of US$)	
Net premium revenue	74.4	81.0
Interest income	48.0	51.2
Other investment income	10.4	8.9
Fees and other revenues	16.1	20.1
Inter-segment revenues	-	(82.9)
Total revenue	148.9	78.3
Benefits and change in actuarial liabilities	(86.3)	(88.1)
Expenses and taxes	(48.3)	(60.4)
Depreciation and amortization	(1.6)	(1.3)
Inter-segment expenses	3.6	81.2
Segment income before taxes	16.3	9.7
Income taxes	(5.8)	(3.1)
Net segment income	10.5	6.6
Net segment income attributable to shareholders	10.5	6.6

	2016	**2015**
	(in millions of US$)	
Financial investments	1,068.2	1,061.6
Other assets	832.6	721.3
Total assets	1,900.8	1,782.9
Policy liabilities	1,434.7	1,309.9
Other liabilities	247.7	267.9
Total liabilities	1,682.4	1,577.8
Net assets	218.4	205.1

The Sagicor Life USA segment generated revenue that totalled US$148.9 million in 2016, a 90.2% increase from US$78.3 million in 2015. The 2015 amount reflected an US$83.0 million reduction for the one-time ceding of an existing block of annuities to Sagicor Life. Net premium revenue of US$74.4 million in 2016 represented a decrease from US$81.0 million in 2015. There was also a 19.9% decrease in fees and other revenues to US$16.1 million in 2016 from US$20.1 million in 2015. Fees and other revenues include commissions and reinsurance ceding allowances and hedge option reimbursements to reinsurers This decrease was partially offset by a 16.9% increase in other investments income to US$10.4 million in 2016 from US$8.9 million in 2015, due primarily to net gains on investments.

The benefits and change in actuarial liabilities for the Sagicor Life USA segment totalled US$86.3 million in 2016, a 2.0% decrease from US$88.1 million in 2015. Net changes in actuarial liabilities increased from a release of US$16.6 million in 2015 to an increase of US$3.7 million in 2016; an increase of US$20.3 million or 122.2% and was due to changes in actuarial assumptions. Interest expense was slightly above 2015 levels totaling US$2.9 million in 2016 compared to US$2.7 million in 2015. Net policy benefits closed at US$79.6 million, down from US$101.9 million in 2015.

Total expenses and taxes for the Sagicor Life USA segment totalled US$48.3 million in 2016, a 20.0% decrease from US$60.1 million in 2015. This decrease was primarily due to lower new annuity business written when compared to 2015, which resulted in a 37.1% decrease in commissions and premium taxes to US$15.6 million in 2016 from US$24.8 million in 2015, and an 8.1% decrease in administration expenses to US$32.8 million in 2016 from US$35.7 million in 2015.

The Sagicor Life USA segment had net assets of US$218.4 million in 2016 compared to US$205.1 million in 2015, an increase of 6.5%. Financial investments totalled US$1,068.2 million and comprised 56.2% of the segment's total assets; policy liabilities totalled US$1,434.7million and comprised 85.3% of the segment's total liabilities at the end of 2016. In comparison, financial investments totalled US$1,061.6 million and comprised 59.5% of the segment's total assets at the end of 2015, while policy liabilities totalled US$1,309.9 million and comprised 83.0% of the segment's total liabilities.

Liquidity and Capital Resources

The following discussion is qualified by reference to Sagicor's statement of cash flows set forth in Sagicor's Audited Annual Financial Statements and the related notes thereto included elsewhere in this prospectus.

Liquidity sources immediately available to the Company include: (i) existing cash and cash equivalents; (ii) the Company's portfolio of highly rated, highly liquid investments; (iii) cash flow from operating activities which include net premiums receipts, fee income and investment income; and (iv) bank loan facilities. These funds are used primarily to pay claims and operating expenses, service the Company's long-term debt, purchase investments to support claims reserves, and for distribution of dividends.

Sagicor expects to have sufficient liquidity to fund its operations and to meet its current business plans. However, should the need arise, additional liquidity sources include further bank loans and new issuances of debt or shares in the private or public markets.

Cash flow

For the nine months ended September 30, 2018, Sagicor's net cash from operating activities was US$86.4 million compared to US$77.3 million for the same period in 2017. This increase of US$9.1 million, or 11.8%, was primarily due to operating cash inflows generated in the Company's USA segment in 2018.

Sagicor's net cash used in investing activities was US$27.5 million compared to US$21.3 million for the nine month period ended September 30, 2017, an increase of US$6.2 million, or 29.1%. In 2017, investing outflows were impacted by a change in the share of ownership in an associate company in the Jamaica segment, of approximately US$6.9 million, which did not recur in 2018.

Sagicor's net cash used in financing activities was US$21.6 million for the nine months ended September 30, 2018, compared to US$4.1 million for the same period in 2017, an increase of US$17.5 million. Cash inflows from the issue of convertible preference shares of US$15.8 million during the nine months ended September 30, 2017 reduced the impact of net cash outflows associated with financing activities for that period, conversely for the nine month period ended September 30, 2018, no preference shares were issued, which resulted in a decline in cash inflows, and redemptions totaled US$5.0 million, thereby increasing cash flows for financing activities.

In the nine months ended September 30, 2018, the effect of exchange rate changes was a loss of US$8.5 million compared to a loss of US$1.3 million in the same period in 2017.

In 2017, Sagicor's net cash from operating activities was US$52.5 million compared to US$126.3 million in 2016. This decrease of US$73.8 million, or 58.4%, was primarily due to higher levels of withdrawals from customer deposits held in the Company's Jamaica segment.

In 2017, Sagicor's net cash used in investing activities was US$18.7 million compared to US$22.5 million in 2016; a decrease of US$3.8 million, or 16.9%. While investing outflows on property, plant and equipment, intangible assets as well as investments in associated companies remained relatively stable combined, these were off-set by investing inflows from a change in the share of ownership in an associated company in the Jamaica segment. This investing did not recur in 2017. Sagicor's net cash used in financing activities was US$21.8 million compared to net cash used in financing activities of US$127.4 million in 2016. This decrease of US$105.6 million, or 83.8%, was primarily due to the redemption of Sagicor preference shares in 2016 for US$120.0 million.

In 2017, the effect of exchange rate changes was US$1.6 million compared to a loss of US$4.6 million in 2016.

In 2016, Sagicor's net cash from operating activities was US$126.3 million compared to a net cash outflow for operating activities of US$92.0 million in 2015. This increase of US$218.4 million, or 237.3%, was primarily due to lower investing in debt securities.

In 2016, Sagicor's net cash used in investing activities was US$22.5 million compared to US$60.8 million in 2015 a decrease of US$38.3 million or 63.0%. In 2015, the Company's Jamaica segment made an investment in an associated company to the tune of US$28.5 million. This level of investment did not repeat in 2016. In addition, investing activities on intangible assets closed lower in the latter year.

In 2016, Sagicor's net cash used in financing activities was US$127.4 million compared to net cash from financing activities of US$121.8 million in 2015. This decrease of US$249.2 million, or 204.6%, was primarily due to the fact that 2015 includes cash received from a new bond facility issued in August of that year. In addition, Sagicor preference shares were redeemed to the tune of US$120.0 million, thereby contributing to the year on year variance.

In 2016, the effect of exchange rate changes was a loss of US$4.6 million compared to a loss of US$3.9 million in 2015.

The insurance policies Sagicor underwrites are long-term in nature. Sagicor's policy is to invest in assets to produce cash flows that are synchronised with the timing and the amounts of payments that must be paid to policyholders, while also managing reinvestment risks by reducing the need for reinvestment. Sagicor attempts to stay abreast of regulatory developments that may affect Sagicor's capital requirements as part of Sagicor's risk management by maintaining regular contact with the various regulators.

Debt funding and liquidity

Notes and loans payable

Sagicor had a debt to shareholders' equity ratio of 45.1% as of September 30, 2018 compared to 44.4% at December 31, 2017. To determine the debt to shareholders' equity, Loans and notes payable, as defined in note 16 to the Sagicor Audited Annual Financial Statements, is divided by total equity.

As of September 30, 2018, Sagicor had US$404.3 million in notes and loans payable compared to US$413.8 million at December 31, 2017. All of Sagicor's notes and loans payable are denominated in U.S. dollars.

As of September 30, 2018, and December 31, 2017, Sagicor had US$311.2 million and US$317.0 million, respectively, outstanding on Sagicor's 8.875% senior notes due 2022.

	As of September 30, 2018		As of December 31, 2017	
	Carrying value	Fair value	Carrying value	Fair value
	(in millions of US$)			
8.875% senior notes due 2022	311.2	329.9	317.0	364.1
8.25% convertible redeemable preference shares due 2020(2)	10.5	10.5	11.3	11.9
7.75% convertible redeemable preference shares due 2018(2)	-	-	5.2	5.4
4.85%/5.0% notes due 2019(1)	75.9	74.6	74.9	76.2
Bank loans and other funding instruments	6.7	6.7	5.4	5.4
Total	404.3	421.7	413.8	463.0

As of December 31, 2017, Sagicor had a debt to shareholders' equity ratio of 44.4%, compared to 49.7% and 64.3% as of December 31, 2016 and December 31, 2015, respectively.

As of December 31, 2017, Sagicor had US$413.8 million in notes and loans payable compared to US$395.2 million at December 31, 2016. All of Sagicor's notes and loans payable are denominated in U.S. dollars.

As of December 31, 2017, and 2016, Sagicor had US$317.0 million and US$315.4 million, respectively, outstanding on Sagicor's 8.875% senior notes due 2022.

	As of December 31,			
	2017		2016	
	Carrying value	Fair value	Carrying value	Fair value
	(in millions of US$)			
8.875% senior notes due 2022	317.0	364.1	315.4	364.1
8.25% convertible redeemable preference shares due 2020[(2)]	11.3	11.9	-	-
7.75% convertible redeemable preference shares due 2018[(2)].......	5.2	5.4	-	-
4.85%/5.0% notes due 2019[(1)]	74.9	76.2	74.8	75.5
Bank loans and other funding instruments	5.4	5.4	5.0	5.0
Total..	413.8	463.0	395.2	444.6

(1) On March 22, 2016, the Company repaid, before maturity, the US$43.4 million eighteen-month 4.6% notes. On March 21, 2016, the Company issued fourteen-month notes with a par value of US$75.0 million which were due in 2017 and carried a 5.0% annual rate of interest. Effective December 20, 2016, the notes were extended at an annual rate of interest of 4.85% with a maturity date of August 14, 2019. Financial covenants in respect of these notes are summarised in note 46.3 (b) of the 2017 Sagicor Audited Annual Financial Statements.

(2) On March 2, 2017, Sagicor Bank Jamaica Limited issued:

i. Cumulative redeemable preference shares with a tenor of three (3) years at 8.25% interest per annum.
ii. Cumulative redeemable preference shares with a tenor of eighteen (18) months at 7.75% interest per annum, which were repaid on September 2, 2018.

On August 11, 2015, Sagicor issued seven year senior notes in the amount of US$320.0 million which mature in 2022. The notes carry a fixed annual rate of interest of 8.875% payable semi-annually. Financial covenants in respect of these notes are summarised in note 46.3(a) of the 2017 Sagicor Audited Annual Financial Statements.

On March 22, 2016, the Company repaid, before maturity, the US$43.4 million of short term debt. On March 21, 2016, the Company issued a tranche of fourteen-month notes with par value of US$75.0 million which were repayable in 2017 and carried a 5.0% annual rate of interest.

Effective December 20, 2016, the notes were extended at an annual rate of interest of 4.85% with a maturity date of August 14, 2019. Financial covenants in respect of these notes are summarised in note 46.3(b) of the 2017 Sagicor Audited Annual Financial Statements.

On July 18, 2016, the Company redeemed the 120,000,000 of the 6.5% convertible redeemable preference shares due 2016. See note 21 of the 2017 Sagicor Audited Annual Financial Statements.

A measure of financial stability is the debt (borrowings) to capital ratio which for the Sagicor Group was 30.7% in 2017, down slightly from 33.2% for the prior year. Despite a slight increase in debt outstanding at 2017, capital grew by US$155.5 million or 13.1% due to higher profitability and increased gains on revaluation, thereby contributing to the decline in the debt to capital ratio.

Deposit and security liabilities

Deposit and security liabilities represent sources of funds for on-lending, leasing and portfolio investments. These liabilities comprised other funding instruments, customer deposits, securities sold under agreements to repurchase and bank overdrafts. Other funding instruments were US$381.3 million as of September 30, 2018. As of December 31, 2017 and 2016 other funding instruments were US$279.9 million and US$349.5 million, respectively. Customer deposits were US$705.0 million as of September 30, 2018. As of December 31, 2017 and 2016 customer deposits totalled US$750.9 million and US$915.2 million, respectively. Securities sold under agreements to repurchase were US$480.1 million as of September 30, 2018. As of December 31, 2017 and 2016 Securities sold for re-purchase were US$476.0 million and US$320.6 million respectively. Bank overdrafts were US$0.8 million, as of September 30, 2018. As of December 31, 2017 and 2016 Bank overdrafts totalled US$2.6 million and US$1.9 million, respectively.

The increases at September 30, 2018 compared to December 31, 2017 in other funding instruments were primarily an increase in financing within Sagicor's USA segment.

	As at September		Year ended December 31,			
	2018		2017		2016	
At amortised cost:	**Carrying value**	**Fair value**	**Carrying value**	**Fair value**	**Carrying value**	**Fair value**
			(in millions of US$)			
Other funding instruments	381.3	385.5	279.9	285.0	349.5	346.2
Customer deposits	705.0	707.2	750.9	749.8	915.2	915.4
Securities sold for re-purchase	480.1	480.1	476.0	473.8	320.6	320.6
Bank overdrafts	0.8	0.8	2.6	2.6	1.9	1.9
Total	1,567.2	1,573.6	1,509.4	1,511.2	1,587.2	1,584.1
At fair value through income:						
Structured products	63.8	63.8	47.6	47.6	34.8	34.8
Derivative financial instruments	1.2	1.2	2.2	2.2	1.4	1.4
Sub total	65.0	65.0	49.8	49.8	36.2	36.2
Total	1,632.2	1,638.6	1,559.2	1,561.0	1,623.4	1,620.3

Contractual obligations

The following table shows Sagicor's contractual obligations as of September 30, 2018:

	Payments due by period			
	Total	**Less than one year**	**One to five years**	**More than five years**
		(in millions of US$)		
Policy liabilities				
Actuarial liabilities(1)	2,974.5	204.1	772.5	1,997.9
Investments contracts liabilities(2)	386.5	356.1	19.1	11.3
Other policy liabilities(3)	199.7	123.2	19.4	57.1
Total	3,560.7	683.4	811.0	2,066.3
Loans payable(4)	528.6	113.7	414.9	-
Accounts payable	194.1	193.2	0.4	0.5
Purchase obligations(5)	129.0	107.3	13.8	7.9
Total	851.7	414.2	429.1	8.4

The following table shows Sagicor's contractual obligations as of December 31, 2017:

	Payments due by period			
	Total	Less than one year	One to five years	More than five years
	(in millions of US$)			
Policy liabilities				
Actuarial liabilities[(1)]	2,950.8	208.2	696.5	2,046.1
Investments contracts liabilities[(2)]	385.9	320.8	53.9	11.2
Other policy liabilities[(3)]	191.6	118.6	20.9	52.1
Total	3,528.3	647.6	771.3	2,109.4
Loans payable[(4)]	567.4	41.0	526.4	-
Accounts payable	266.5	173.7	91.7	1.0
Purchase obligations[(5)]	141.3	116.8	11.1	13.4
Total	975.2	331.5	629.2	14.4

(1) Actuarial liabilities account for US$2,974.5 million at September 30, 2018 (December 31, 2017 - US$2,950.8 million) in liabilities. Amounts making up this obligation generally comprise policies or contracts for which no current disbursements are incurred and for which the determination of potential payments is dependent on assumptions like mortality and persistency. In the absence of a specific contractual disbursement schedule, these amounts have been classified as long term in nature. Sagicor conducted a specific analysis of the contracts in force, particularly the endowments and the accumulation funds, for their maturity dates in order to classify them according to their payment due date. The payments due in the less than one-year column will generally relate to IBNR claims which Sagicor anticipates will be settled in the year immediately following. Amounts included in the actuarial liabilities, within the contractual obligations table, represent the AA's best estimate, with additional margins, of the present value of all future cash flow obligations related to the current policies and contracts in force within Sagicor.

(2) Deposit administration contracts are held for the benefit of employees participating in pension schemes developed by their employer. Sagicor's experience has been that these deposits are typically held for more than five years.

(3) This liability is made of policyholders' dividends left on deposit which Sagicor considers demand deposits, benefits in the course of settlement as well as the unearned premiums reserves which the Company assumes will be either disbursed or released in the course of the following year.

(4) Interest to be paid over the maturity period is included in these amounts.

(5) Purchase obligations include the following at September 30, 2018: commitments to advance loans of US$75.5 million (December 31, 2017 - US$79.0 million); non-cancellable operating lease and rental payments of US$11.2 million (December 31, 2017 - US$13.3 million); capital commitments of US$ nil (December 31, 2017 - US$17.8 million); and guarantees, acceptances and other financial liabilities of US$42.3 million (December 31, 2017 - US$31.2 million).

Capital adequacy

Sagicor Life

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

To assist in evaluating the current business and strategy opportunities, a risk-based capital approach is a core measure of financial performance. The risk-based assessment measure which has been adopted is the Canadian MCCSR standard. The minimum standard recommended by the Canadian regulators for companies is an MCCSR of 150.0%. A number of jurisdictions in the Caribbean region have no internationally recognised capital adequacy requirements, and in accordance with its objectives for managing capital, Sagicor has adopted the Canadian MCCSR standard. Jamaica and the United States have recognised capital adequacy standards.

Sagicor's consolidated MCCSR as of September 30, 2018 has been estimated at 248%, compared to 258% and 249% at December 31, 2017 and December 31, 2016, respectively. This is the principal standard of capital adequacy used to assess Sagicor's overall strength. However, because of the variations in capital adequacy standards across jurisdictions, the consolidated result should be regarded as applicable to the life insurers of the

Sagicor Group as a whole and not necessarily applicable to each individual segment, insurance subsidiary or insurance subsidiary branch.

Sagicor Life Jamaica

Sagicor Life Jamaica is governed by the Jamaican MCCSR regime (based on Canadian standards in effect in 2001), which requires an insurer to maintain a minimum ratio of 150.0%. For the years ended December 31, 2017 and 2016, this ratio was 186.0% and 156.5%, respectively. At September 30, 2018, the ratio was 190.2%.

Sagicor Life Insurance Company (USA)

A risk-based capital formula and model were adopted by the NAIC of the United States. Risk-based capital is designed to assess minimum capital requirements and raise the level of protection that statutory surplus provides for policyholder obligations. The risk-based capital formula for life insurance companies measures four major areas of risk: (i) underwriting, which encompasses the risk of adverse loss developments; (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 risk-based capital calculation, it will be subject to varying degrees of regulatory action, depending on the level of capital inadequacy.

The risk-based capital methodology provides for four levels of regulatory action. The extent of regulatory intervention and action increases as the ratio of surplus to risk-based capital 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 risk-based capital amount.

Sagicor Life USA looks to maintain at least 300% of the Company Action Level and has maintained these ratios as of September 30, 2018 and December 31, 2017 and 2016, respectively.

Sagicor Investments and Sagicor Bank

The capital adequacy and the use of regulatory capital are monitored monthly by management employing techniques based on the guidelines developed by the FSCJ, the Bank of Jamaica, Basel II and the Risk Management and Compliance Unit. The required information is filed with the respective regulatory authorities at stipulated intervals. The Bank of Jamaica and the FSCJ 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 2018, 2017 and 2016, all applicable externally imposed capital requirements were complied with.

	Sagicor Investments			**Sagicor Bank**		
	September 2018	**December 2017**	**December 2016**	**September 2018**	**December 2017**	**December 2016**
Actual capital base to risk weighted assets	14%	16%	13%	13%	15%	14%
Required capital base to risk weighted assets	10%	10%	10%	10%	10%	10%

Significant Transactions

Sagicor's results of operations during the last three fiscal years were affected by a number of significant transactions. The following is a description of those transactions.

Senior notes issued

On August 11, 2015, Sagicor issued seven year senior notes in the amount of US$320.0 million which mature in 2022 (the "**2022 Notes**"). The notes carry a fixed annual rate of interest of 8.875% payable semi-annually. The 2022 Notes were issued to refinance the existing senior notes, convertible redeemable preference shares and short-term Notes which were due to mature in May 2016. Financial covenants in respect of the 2022 Notes are summarised in note 46.3(a) of the 2017 Sagicor Audited Annual Financial Statements.

Preferred shares issued to the International Finance Corporation

On July 18, 2016, the Company redeemed the 120,000,000 convertible redeemable preference shares which were originally issued on July 18, 2011.

Short term debt repayment

On March 22, 2016, the Company repaid, before maturity, the US$43.4 million of short term debt. On March 21, 2016, the Company issued a tranche of fourteen-month notes with par value of US$75.0 million which were repayable in 2017 and carried a 5.0% annual rate of interest. Effective December 20, 2016, these notes were extended at an annual rate of interest of 4.85% with a maturity date of August 14, 2019. Financial covenants in respect of these notes are summarised in note 46.3(b) of the 2017 Sagicor Audited Annual Financial Statements.

Barbados Debt Restructuring

On September 7, 2018 the Government of Barbados (GoB) entered into a Staff-Level Agreement with the International Monetary Fund (IMF) to provide financial and technical assistance. As part of the programme, the GoB launched a debt exchange offer for GoB domestic Barbados dollar debt holders on September 7, 2018. The GoB announced on October 15, 2018 that its exchange offer received unanimous support from the domestic creditors. This concluded the domestic debt restructuring. A restructuring plan has not yet been announced for the external US dollar denominated debt. The Sagicor Group holds approximately US$337 million in GoB debt, of which US$278 million is Domestic Barbados-dollar denominated debt. The Sagicor Group has determined the net impact of the credit events on GoB debt to shareholders at approximately US$43.0 million for the nine months ended September 30, 2018 (gross expected credit losses of US$101 million less actuarial offset), of which all have been reserved for as reflected in the September 30, 2018 financial statements, and which was the main factor causing the decrease in the Company's results. Sagicor does not expect that there will be any incremental impact on Sagicor as it relates to the external US dollar denominated debt.

Ratings

	A.M. Best[1]	**S&P**[2]	**Fitch**[3]
Sagicor Life Insurance Company			
Financial Strength	A- u (Developing)		
Issuer Credit Rating	a- u (Developing)		
Sagicor Life Jamaica Limited			
Financial Strength	B++ u (Developing)		
Issuer Credit Rating	bbb+ u (Developing)		
Sagicor Life Inc.			
Financial Strength	A- u (Developing)		
Issuer Credit Rating	a- u (Developing)		
Sagicor Financial Corporation Limited			
Issuer Credit Rating	bbb- u (Developing)	BB- (Developing)	B (Stable) (Long term issuer default rating)
Sagicor Finance (2015) Limited			
Senior Unsecured	bbb u (Developing)	BB- (Developing)	
Sagicor General Insurance Inc.			
Financial Strength	A- u (Developing)		
Issuer Credit Rating	a- u (Developing)		

(1) Updated November 29, 2018. On November 29, 2018, A.M. Best placed all current ratings under review with developing implications following the announcement of the Transaction.
(2) Updated June 7, 2018 (event driven regarding Barbados debt).
(3) Updated June 6, 2018.

See the section entitled "*Credit Ratings*" in this prospectus for more information.

Outstanding Share Data

A description of Sagicor's share data at September 30, 2018 is presented in the table below.

	Number of Shares	**Amount**
		(in thousands of US$)
Common shares	**305,872,015**	**303,530**

Additional Financial Disclosure

Selected Quarterly Financial Information

The following table provides a summary of Sagicor's results for the eight most recently completed quarters.

		Quarterly Results						
(US$ millions, unless otherwise noted)	**Q3'18**	Q2'18	Q1'18	Q4'17	Q3'17	Q2'17	Q1'17	Q4'16
Total revenue	430.1	342.0	296.6	309.9	348.3	280.2	282.5	283.7
Net income (loss)								
Attributable to Common Shareholders from Continuing Operations	7.0	2.0	19.5	14.4	28.6	5.6	12.4	10.1
From Continuing Operations	19.7	(2.4)	38.5	27.6	37.5	17.5	22.7	19.9
Earnings Per Sagicor Common Share (US$)								
Diluted EPS (from Continuing Operations) (US$)	0.022	0.007	0.062	0.051	0.092	0.018	0.040	0.033
Basic EPS (from Continuing Operations) (US$)	0.023	0.007	0.064	0.053	0.094	0.018	0.041	0.033
Net income (loss) by segment								
Sagicor Life	1.1	5.2	27.8	14.1	30.3	7.0	13.3	9.9
Sagicor Jamaica	12.6	11.7	10.6	11.1	13.3	11.5	10.1	6.7
Sagicor Life USA	12.1	2.8	(3.2)	4.1	2.9	2.8	2.8	6.5
Head office and other	(17.2)	19.4	(15.1)	7.5	(17.7)	21.9	(5.0)	13.8
Corporate eliminations	(1.6)	(37.1)	(0.6)	(22.4)	(0.2)	(37.6)	(8.8)	(26.8)
Net income (loss)	7.0	2.0	19.5	14.4	28.6	5.6	12.4	10.1

Note: The results for Q1'17, Q2'17, Q3'17 and Q4'17 have been restated. See "*Management's Discussion and Analysis of Sagicor – Changes in Accounting Policies and Restatements*", above.

Third Quarter 2018

Net income from continuing operations attributable to shareholders was US$7.0 million in the three month period ended September 30, 2018. The Company benefited from increased new business growth through the sale of annuities, compared to the previous quarter (June 2018). Total benefits also exceeded the prior quarter's levels (June 2018) due to new business growth and refinements made to the actuarial assumptions in response to changes in the interest rate environment.

On September 7, 2018 the GoB entered into a staff-level agreement with the International Monetary Fund (IMF) to provide financial and technical assistance. As part of the programme, the GoB launched a debt exchange offer for GoB Domestic Barbados-dollar debt holders on September 7, 2018. The GoB announced on October 15, 2018 that its debt exchange offer received unanimous support from the domestic creditors. A restructuring plan has not been announced for external US dollar denominated debt. The Sagicor Group holds approximately US$337 million in GoB debt, of which US$278 million is Domestic Barbados-dollar debt. Consequently, expenses for the September 2018 quarter (three-month period), include an additional US$38.2 million in credit impairment losses. The year to date total gross credit impairment losses amount to US$96.0 million.

Second Quarter 2018

Net income from continuing operations attributable to shareholders was US$2.0 million in the second quarter of 2018, down from US$19.5 million reported for the first quarter of 2018. Revenue reported for the three-month period ended June 30, 2018 grew over that reported for the three months ended March 31, 2018, however this was negated by increased benefits driven by new business growth, primarily due to acquired annuities, and changes in the interest rate environment. Expenses for the June 2018 quarter also included credit impairment losses totaling US$57.8 million, as the GoB signaled its intention to suspend all payments to creditors of external commercial debt. Of the US$57.8 million reported, US$56.0 million related to the GoB debt.

First Quarter 2018

Net income from continuing operations, attributable to shareholders, was US$19.5 million in the first quarter of 2018 (first quarter March 2017 – US$12.4 million). The Company benefited from net premium growth and lower net benefits when compared to the same period in 2017, however net investment fell short of that reported for the same period in 2017. The first quarter results also included a one-time gain of US$5.3 million on the acquisition of the British American insurance portfolio from the GoB. Compared to the prior quarter (three-month period ended December 31, 2017), premium growth was marginal but was expected to grow as the year progressed. Benefits were however substantially lower than the previous quarter's resulting in a higher profitability reported for the first quarter of 2018.

Fourth Quarter 2017

Net income from continuing operations attributable to shareholders was US$14.4 million in the fourth quarter of 2017, closing US$14.2 million lower the previous quarter (third quarter of 2017). The quarter's results included net benefits of US$8.5 million relating to claims exposure from hurricane activity during the year as well as impairment losses to the tune of US$6.7 million which were not incurred in the previous quarter.

Third Quarter 2017

Net income from continuing operations attributable to shareholders was US$28.6 million for the three-month period ended September 30, 2017. During the quarter the Company benefited from the issuance of a significant single premium annuity relating to the Company's Jamaica segment. This transaction generated higher premiums and benefits reported than in the prior three-month period (ended June 30, 2017). During this three-month period, the Company also benefitted from higher net investment income of US$21.9 million, when compared to the previous quarter (ended June 30, 2017) due to higher investments gains generated on the Company's international portfolio.

Second Quarter 2017

Net income from continuing operations attributable to shareholders was US$5.6 million for the three-month period ended June 30, 2017. While net premium revenue grew moderately over the prior quarter (three-months ended March 30, 2017), net investment income and fees and other revenue fell short when compared to the prior quarter (ended March 30, 2017) due to lower gains earned on the international market. The Company's Jamaica segment also continued to incur non-recurring costs associated with the expansion of cards and payments business.

First Quarter 2017

Net income from continuing operations attributable to shareholders was US$12.4 million for the first three months of 2017. Total revenue closed the period at US$282.5 million, (first quarter of 2016 – US$264.4 million), largely due to net premium growth and increased revenue earned on the Company's investment portfolio. Benefits totaled US$137.2 million and were marginally above the US$134.0 million reported for the same period in 2016. The level of expenses incurred during the first quarter of 2017 was higher than that reported for the same period in the prior year as a result of the expansion of the cards and payments business in the Company's Jamaica segment along with the incurrence of some non-recurring costs also relating to the Jamaica segment.

Key Factors Affecting Results

A variety of factors affect Sagicor's results, including: sales of Sagicor's core products and services; Sagicor's policy experience; the Sagicor Group's claims experience; Sagicor's expansion into new geographic markets (in the United States) and product markets (in Jamaica) through the acquisition of portfolios of policies or of companies; and the continuing availability of appropriately priced reinsurance treaties for life, health and property and casualty insurance.

Investments and Interest Rates

Sagicor's results of operations are significantly affected by the returns it realises on its investment portfolio. The financial services sector in the Caribbean has been impacted by excess liquidity in some regions. This excess liquidity has resulted in the trend towards lower prevailing interest rates. In 2017, interest rates started to show modest increases in some regions and these trends have largely continued into 2018.

Movements in both short and long-term interest rates affect Sagicor's gains and losses on fixed income securities. Generally, a sustained period of lower interest rates will reduce the investment income yield of Sagicor's investment portfolio over time as higher-yielding investments are called, mature or are sold and proceeds are reinvested at lower rates. However, declining interest rates will generally increase unrealised gains, as well as realised gains to the extent fixed income securities are sold. Conversely, a sustained period of rising interest rates will increase the investment income yield on the portfolio over time but will generally lead to a reduction in the value of the portfolio.

Sagicor is subject to extensive regulation and supervision by the regulatory authorities of the jurisdictions in which it operates. Existing regulations governing insurance companies in the region require Sagicor's subsidiaries to establish and maintain insurance funds generally equivalent to insurance liabilities and contingency reserves within the countries where it operates. In addition, in certain countries, Sagicor's subsidiaries are subject to further administrative or legislative regulation and restrictions imposed on the conversion and movement of foreign exchange. Sagicor's insurance activities in the region are significant and, consequently, it must make substantial investments in the region to comply with domestic investment and reserve rules. Sagicor invests in securities issued by government or government-related entities. These securities include Treasury Bills, Bonds, Statutory Deposits and loans and are for terms of up to 50 years.

A portion of Sagicor's investment portfolio is also held in equity securities. Equities markets in the United States and around the world can produce highly volatile and significantly varied results. Sagicor also maintains equity investments in issuers in Barbados and other emerging market countries. Such equity markets are small and developing and may be affected by regional economic and market conditions. The volatility of the investment markets impacts Sagicor's investment performance. The impact of interest rates and equity market fluctuations may be reduced through the diversification of Sagicor's investment portfolio, principally developed as a result of the geographic spread of Sagicor's insurance businesses and the corresponding strategy of matching assets and liabilities to the extent possible by currency and maturity. Sagicor's current strategy is to reduce Sagicor's equity investments to more closely align Sagicor's current and projected cash flows with Sagicor's projected obligations.

Sagicor's investment returns are also susceptible to changes in general economic conditions, including changes that impact the general creditworthiness of the issuers of debt securities and equity securities held in Sagicor's portfolio. The value of Sagicor's fixed income securities may be affected by changes in the issuer's credit rating. Where the credit rating of the issuer of the debt securities drops, the value of the fixed income security may also decline. Should the credit rating of an issuer whose debt securities Sagicor holds fall substantially, Sagicor may realise a significant loss on investment upon its disposal.

Financial Instruments and Other Instruments

The Group's derivative activities give rise to open positions in portfolios of derivatives. These positions are managed to seek to ensure that they remain within acceptable risk levels, with matching deals being utilised to achieve this where necessary. When entering into derivative transactions, the Group employs its credit risk management procedures to assess and approve potential credit exposures.

Derivatives are carried at fair value and presented in the financial statements as separate assets and liabilities. Asset values represent the cost to the Group of replacing all transactions with a fair value in the Group's favour assuming that all relevant counterparties default at the same time, and that transactions can be replaced instantaneously. Liability values represent the cost to the Group counterparties of replacing all their transactions with the Group with a fair value in their favour if the Group were to default. Derivative assets and liabilities on different transactions are only set off if the transactions are with the same counterparty, a legal right of set-off exists and the cash flows are intended to be settled on a net basis. The contract or notional amounts of derivatives and their fair values are set out below.

(in thousands of US$)	**Contract / notional amount**	**Fair Value**	
		Assets	**Liabilities**
September 2018			
Derivatives held for trading:			
Equity indexed options	722,505	27,015	1,237
	722,505	27,015	1,237
December 2017			
Derivatives held for trading:			
Equity indexed options	713,452	32,477	2,232
	713,452	32,477	2,232
December 2016			
Derivatives held for trading:			
Equity indexed options	673,264	28,980	1,364
	673,264	28,980	1,364

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, equity indexed options give the holder the ability to participate in the upward movement of an equity index while being protected from downward risk. The Group is exposed to credit risk on purchased options only, and only to the extent of the carrying amount, which is their fair value.

For certain universal life and annuity insurance contracts, an insurer has purchased custom call options that are selected to materially replicate the policy benefits that are associated with the equity indexed components within the policy contract. These options are appropriate to reduce or minimise the risk of movements in specific equity markets. Credit risk that the insurer has regarding the options is mitigated by ensuring that the counterparty is sufficiently capitalized. Both the asset and the associated actuarial liability are valued at fair market value on a consistent basis, with the change in values being reflected in the income statement. The valuations combine external valuations with internal calculations. See "*The Business of Sagicor – Products and Services – Annuities*".

Related Party Transactions

Notes 47 and 48 of the 2017 Sagicor Audited Annual Financial Statements provide additional information on related party transactions.

As at December 31, 2017, balances owed to Sagicor Life Jamaica Limited exceeded the regulated 5% maximum of related party balances to total assets of the Company. Management is in discussions with the regulator, FSCJ, in relation to this matter. The regulator has given certain exemptions and not imposed any penalty.

Financial Outlook

Alignvest and Sagicor see a clear path to substantial equity value creation for all New Sagicor Shareholders. We believe that we have an opportunity to grow Sagicor's net income from continuing operations attributable to common shareholders from US$62 million, for the year ended December 31, 2017, to a target of US$115 million in 2020, based on the following:

- Alignvest and Sagicor expect that the acquisition of SLTT and SJLIC will contribute annual run-rate net income of approximately US$30 million following the anticipated closing in 2020, subject to regulatory approval. The completion of these transactions is not cross-conditional on each other, but both are conditional on the close of the Sagicor Arrangement, and they may close at different times. See "*Proposed Acquisitions – Proposed Acquisitions of SJLIC and SLTT*".

Alignvest and Sagicor are targeting the following contributions to net income in 2019 and 2020:

<u>Sagicor's Continuing Operations</u>

2019	US$77 million
2020	US$85 million

<u>SJLIC Acquisition and SLTT Acquisition</u>

2020	US$30 million (annualized run-rate)

Alignvest and Sagicor are accordingly targeting 2019 net income from continuing operations attributable to common shareholders of approximately US$77 million and 2020 net income from continuing operations attributable to common shareholders of approximately US$115 million.[12]

Importantly, Alignvest and Sagicor believe that Sagicor trades at an unwarranted discount to its Canadian and Caribbean peers in large part due to the Company's disaggregated shareholder base and muted price discovery on its current stock exchanges. Alignvest and Sagicor expect that the discount at which the Company currently trades on the Barbados and Trinidad and Tobago stock exchanges compared to Canadian peers should be reduced or eliminated over time as a result of Alignvest's listing on the TSX.

In developing the targets set forth above, Alignvest and Sagicor have made the following assumptions and relied on the following factors and considerations:

- The targets are based on discussions with the management and historical results, particularly in respect of 2018 year to date results.

- The acquisitions of SJLIC and SLTT will close in Q4, 2019, but the completion of these transactions is not cross-conditional on each other, but both are conditional on the close of the Sagicor Arrangement.

- Organic revenue growth has been assumed as 6% per annum for Sagicor's continuing operations in 2019 and 5% in 2020.

- Revenue growth has been assumed to be 14% in 2020 for the SJLIC and SLTT acquisitions as new product penetration of the BNS Jamaica and BNS TT customer base increases.

- Investment returns in each of the three core segments have been assumed to be consistent with historical experience, excluding the GoB debt.

[12] 2019 target excludes one-time Transaction Costs.

- Product mixes have been assumed to be stable in the core business of Sagicor, and to move to a mix consisting of 12% life insurance starting in 2020 in the case of the SJLIC and SLTT acquisitions.

- Head office costs are assumed to remain stable in 2019 and 2020.

- Benefits and expenses are assumed to remain relatively consistent in 2019 and 2020 as a percentage of revenues.

- The acquisition of SJLIC and SLTT are assumed to be financed with US$100 million of new borrowing at after-tax 6% per annum and US$140 million of Alignvest capital.

- Policy lapses, maturities and renewals, and claims histories are assumed to be consistent with the year 2017.

Alignvest and Sagicor have also assumed that business and economic conditions affecting the businesses will continue substantially in the ordinary course, including, without limitation, with respect to general industry conditions, foreign exchange rates, interest rates, competition, regulations, reserve requirements, taxes, that there will be no catastrophic events or pandemics that are not adequately covered by reinsurance, and that there will be no material changes in customer or employee relations.

"Organic revenue growth" refers to growth which comes from the base business rather than by acquisition. Management's projected 6% and 5% revenue growth targets assume revenue growth slightly below the revenue CAGR from 2015 – year-to-date 2018 of 9.7%, and well below revenue growth in 2017 and year-to-date 2018 of 7.6% and 16.7%, respectively. Those figures are shown below.

Historical Revenue Growth

(US$ mm)	**2015**	**2016**	**2017**	**YTD 2018**	**'15 - YTD '18 CAGR**
Net Premium Revenue	674	664	746	720	13.7%
Annualized Growth	*7.7%*	*(1.5%)*	*12.3%*	*28.7%*	
Other Revenue	430	470	475	349	2.9%
Annualized Growth	*2.5%*	*9.3%*	*1.1%*	*(2.2%)*	
Total Revenue	**$1,104**	**$1,134**	**$1,221**	**$1,069**	**9.7%**
Annualized Growth	*5.7%*	*2.7%*	*7.6%*	*16.7%*	

To arrive at the targets, Alignvest and Sagicor assumed consistent growth in the Life, Jamaica and Head Office & Other segments, and slower growth in the U.S. than historically seen, as shown below.

Historical Segment Revenue Growth[(1)]					
(US$ mm)	**2015**	**2016**	**2017**	**YTD 2018**	**'15 - YTD '18 CAGR**
Sagicor Life	379	399	408	307	2.9%
Sagicor Jamaica	511	524	592	438	4.9%
Sagicor Life USA	161	149	159	278	35.4%
Head Office & Other	53	62	62	46	5.4%
Total	**$1,104**	**$1,134**	**$1,221**	**$1,069**	**9.7%**

(1) Figures exclude inter-segment revenues.

With regard to SJLIC and SLTT, it is assumed that revenue generated through sales of the products that those businesses are currently selling will remain flat (i.e., that growth will be 0%), and that Sagicor will be able to leverage its complete product suite to sell one additional life policy for every forty banking customers in SJLIC and SLTT.

Assuming that benefits and expenses remain relatively consistent in 2019 and 2020 as a percentage of revenues with historical figures, as shown in the table below, the revenue targets translate into US$77 million of net income (excluding one-time Transaction Costs) in 2019 and US$85 million in 2020.

Historical Benefits and Expenses [(1)]					
	2015	**2016**	**2017**	**YTD 2018**	**'15 - YTD '18 CAGR**
Sagicor Life	311	332	342	282	7.2%
Sagicor Jamaica	415	409	473	344	3.7%
Sagicor Life USA	150	136	163	263	36.3%
Head Office & Other	105	107	119	91	5.4%
Total	**$981**	**$985**	**$1,097**	**$980**	**11.0%**
% of Revenue	*88.8%*	*86.8%*	*89.9%*	*91.7%*	

(1) Figures exclude inter-segment revenues.

Deal pricing was based primarily on 2019 targets, and, accordingly, these targets have been presented to provide investors with the information that was used by Alignvest and Sagicor in negotiating the purchase prices of the various businesses.

These targets, and the related assumptions, involve known and unknown risks and uncertainties that may cause actual results to differ materially. Alignvest and Sagicor approved these targets on November 26, 2018 and, while they believe that there is a reasonable basis for these targets, such targets may not be met.

These targets represent forward-looking information. Actual results may vary and differ materially from the targets. Furthermore, there can be no assurance that foreign currency exchange rates, taxation rates, level of indebtedness, or interest expense will be consistent with Alignvest's and Sagicor's assumptions, as actual rates and levels may vary in the future, or that New Sagicor will be able to successfully complete or integrate acquisitions.

The foregoing description of New Sagicor's potential growth opportunities is based on Alignvest's and Sagicor's current strategies, assumptions and expectations concerning New Sagicor's growth opportunities, and Alignvest's and Sagicor's assessment of the opportunities for the business and the industry as a whole, and has been calculated using accounting policies that are generally consistent with Alignvest's and Sagicor's current accounting policies.

The purpose of disclosing the financial outlook is to provide investors with more information concerning the financial impact that Alignvest and Sagicor currently believe is achievable based on Sagicor's growth strategies described above and elsewhere in this prospectus. The foregoing description of New Sagicor's potential growth opportunities is forward-looking information for purposes of applicable securities laws in Canada and readers are therefore cautioned that actual results may vary from those described above. See "*Caution Regarding Forward-Looking Statements*" and "*Risk Factors*" elsewhere in this prospectus for a description of the assumptions underlying the forward-looking information and of the risks and uncertainties that impact New Sagicor's business and that could cause actual results to vary.

Alignvest and Sagicor approved this outlook on November 26, 2018.

Accounting and Control Measures

Critical Accounting Estimates and Judgments

Impairment of financial assets

In determining ECL, 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 the earlier sections "Measurement" and "Forward-looking information".

(a) Establishing staging for debt securities and deposits

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

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 which of the three stages an asset is to be categorized for the purposes of ECL.

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

Stage 1 investments are rated (i) investment grade, or (ii) below investment grade 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 and have been downgraded more than 2 notches since origination. Stage 3 investments are assets in default.

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

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

Qualitative test

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

Backstop Criteria

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

(c) Forward looking information

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

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, among other things, marketing related, customer related, contract based or technology based. For significant amounts of intangibles arising from a business combination, Sagicor uses independent professional advisors to assist management in determining the recognition and measurement of these assets.

Impairment of intangible assets

Goodwill

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 CGUs for which the fair value less costs to sell methodology is used, the financial projections are used as inputs to determine maintainable earnings over time to which an appropriate earnings multiple is applied. For those CGUs for which the value in use methodology is used, cash flows are estimated to which are applied appropriate discount factors and residual growth rates, or alternatively, the cash flows are estimated for 50 years using an actuarial appraisal value technique which incorporates appropriate discount rates and solvency capital requirements. Sagicor obtains independent professional advice in order to select the relevant discount factors, residual growth rates and earnings multiples.

Goodwill impairment is calculated on a yearly basis. No impairment charges were recognized for the year ended December 31, 2017. Sagicor had a carrying value of US$44.2 million in goodwill for the year ended December 31, 2017. Additional information on goodwill can be found in note 8 of the 2017 Sagicor Audited Annual Financial Statements.

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.

Actuarial liabilities

Canadian asset liability method

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

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

The AA identifies a conservative economic scenario forecast, and together with the existing investment portfolio as of 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 seek 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 (for statutory reporting), and the distribution of the reserve by policy, and other individual components in the actuarial liabilities.

Best estimate reserve assumptions and 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 participating, non-participating and universal life/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 the Canadian Standards of Practice.

The following is a discussion of the assumptions used in calculating the reserves:

Process used to set actuarial assumptions and margins for adverse deviations

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

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 CIA. Appropriate modification factors are selected and applied to underwritten and non-underwritten business respectively. Annuitant mortality is determined by reference to CIA tables or to other established scales. Assumptions for morbidity are determined after taking into account insurer and industry experience.

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.

Assumptions for investment yields

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

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.

Asset default

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

Margins for adverse deviations

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

	As of December 31,		
	2017	2016	2015
	(in millions of US$)		
Mortality and morbidity	96.1	90.0	82.4
Lapse	69.4	63.9	59.6
Investment yields and asset default	68.9	69.1	68.8
Operating expenses and taxes	10.8	11.1	11.1
Other	10.8	10.5	10.0
Total	256.0	244.6	231.9

(1) Unaudited.

Property and casualty insurance contracts

Reserves for claims and loss adjustment expenses fall into two categories: case reserves for reported claims and reserves for unreported claims.

Case reserves for reported claims are based on estimates of future payments that will be made in respect of claims, including loss adjustment expenses related to such claims. Such estimates are made based on the facts and circumstances available at the time the reserves are established. The estimates reflect the judgment of knowledgeable claims personnel and analysis of the nature and maximum value of the claim. These case reserves are regularly re-evaluated in the ordinary course of the settlement process and adjustments are made as new information becomes available.

Reserves for unreported claims are established to recognise losses that have occurred but where Sagicor has not yet been notified. These reserves are established to recognise the estimated costs, including expenses, necessary to bring claims to final settlement. Sagicor relies on past experience, adjusted for current trends and statistical projections.

Qualitative and Quantitative Disclosure About Market Risk

Sagicor is in the business of taking risks and must manage those risks effectively to generate profitable growth, safeguard Sagicor's reputation and protect Sagicor's solvency. Sagicor's activities are related principally to the use of financial instruments and insurance contracts. Therefore, in Sagicor's daily activities it is exposed to a number of risks, the most significant of which include product risk, credit risk, foreign exchange risk, interest rate risk, liquidity risk, insurance risk, reinsurance risk and fiduciary risk. These risks can result in direct financial loss, damage to reputation, inability to conduct business or service customers, each of which can impact shareholder value. The effective identification and management of these risks is critical to Sagicor's profitability. In Sagicor's risk management, the Company seeks to optimize the relationship between risk and reward and to limit possible losses resulting from Sagicor's risk exposure. A discussion of the risks associated with these risk management techniques is included in note 41 to the 2017 Sagicor Audited Annual Financial Statements included elsewhere in this prospectus.

Product risk

Product risk is the risk of loss due to actual experience emerging differently than assumed when the product was designed and priced. Sagicor manages product risk by regularly reviewing emerging experience against predicted losses and then re-pricing and redesigning products when necessary. In addition, Sagicor shares product risk on large exposures through reinsurance.

Credit risk

Sagicor takes on exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Credit risks are primarily associated with financial investments and reinsurance contracts held. Credit risk is the possibility that counterparties may not be able to meet payment obligations when they become due. As premiums, deposits and other receivables are received; these funds are invested to pay for future policyholder and other obligations. Sagicor typically bears the risk for investment performance—return of principal and interest. Although Sagicor has not experienced any significant credit defaults with respect to any of Sagicor's counterparties in recent years, any such defaults or other reductions in the value of their securities or loans could have a material adverse effect on Sagicor's business, results of operations and financial condition.

The investment committees of Sagicor's operating companies set policies to manage credit risk. Specific limits are set for concentration by asset class and issuer, in addition to minimum standards for asset quality. Further, Sagicor deals only with highly rated reinsurers in an effort to manage counterparty risk. The Company minimizes credit risk from financial investments through holding a diversified portfolio of investments, purchasing securities and advancing loans only after careful assessment of borrowers, and placing deposits with financial institutions that have a strong capital base. Sagicor's policy is to not invest more than 10% of funds in the debt of a single borrower. However, many jurisdictions mandate that the operating companies invest a portion of the assets supporting the policy liabilities in government instruments such as treasury bills and bonds.

Sagicor has significant concentrations of credit risk with respect to Sagicor's holding of bonds and treasury bills issued by the governments of Jamaica, Barbados and Trinidad and Tobago, reinsurance treaties entered into with Swiss Re and Munich Re and cash resources held by FirstCaribbean International Bank. In the United States, Sagicor has significant exposure to United States Government issued and/or government-backed investments (including state and local governments). Sagicor's current panel of reinsurers includes Guggenheim Partners, Heritage Life Insurance Company, Washington National, SCOR Global Life USA Reinsurance Co, Hanover Life Reinsurance Co of America, and Swiss Re Life and Health America.

In Sagicor Jamaica's banking business, Sagicor is exposed to credit risk in both Sagicor's securities and lending activities. In connection with securities activities, Sagicor Investments trades on a "delivery versus payment" policy where Government of Jamaica securities are accepted on a mark-to-market basis with its counterparties. Exposure limits are also established and monitored. In its lending activities, Sagicor Jamaica seeks to adequately collateralise its loans, particularly where they exceed certain thresholds. Loan applicants undergo a thorough screening and credit analysis process.

Foreign exchange risk

Sagicor is exposed to foreign exchange risk as a result of fluctuations in exchange rates since Sagicor's financial assets and liabilities are denominated in a number of different currencies. In order to manage the risk associated with movements in currency exchange rates, Sagicor seeks to maintain investments and cash in each operating currency sufficient to match liabilities denominated in the same currency. Sagicor also invests limited amounts in United States dollar assets, which are held to pay liabilities in operating currencies. Management believes that this strategy adequately meets Sagicor's asset and liability management goals with respect to currencies and in the long-term is likely to either maintain capital value or provide satisfactory returns.

Sagicor Jamaica seeks to manage its exposure to currency risks (primarily U.S. and Caribbean currencies) through assessing the trade-off between interest rate spreads and currency movements, adherence to stop-loss limits and frequent monitoring of positions. Sagicor Jamaica measures, monitors and attempts to manage liquidity and price risks in these major currencies in determining currency strategy.

The following table shows currency conversion rates to US$ for currencies to which Sagicor has foreign exchange risk for the periods indicated:

	Nine months ended September 2018		Year ended December 2017	
	Closing Rate	Average Rate	Closing Rate	Average Rate
Bahamas dollar	1.0000	1.0000	1.0000	1.0000
Barbadian dollar	2.0000	2.0000	2.0000	2.0000
Belize dollar	2.0000	2.0000	2.0000	2.0000
Canadian dollar	1.29680	1.27820	1.25280	1.29640
Cayman Islands dollar	0.8350	0.8350	0.8350	0.8350
Eastern Caribbean dollar	2.7000	2.7000	2.7000	2.7000
Jamaica dollar	134.5434	128.1390	124.5754	128.0938
Netherlands Antillean guilder	1.8000	1.8000	1.8000	1.8000
Trinidad and Tobago dollar	6.7522	6.7442	6.7628	6.7428
United States dollar	1.0000	1.0000	1.0000	1.0000

	Year ended December 2017		Year ended December 2016		Year ended December 2015	
	Closing Rate	Average Rate	Closing Rate	Average Rate	Closing Rate	Average Rate
Bahamas dollar	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000
Barbadian dollar	2.0000	2.0000	2.0000	2.0000	2.0000	2.0000
Belize dollar	2.0000	2.0000	2.0000	2.0000	2.0000	2.0000
Cayman Islands dollar	0.8350	0.8350	0.8350	0.8350	0.8350	0.8350
Eastern Caribbean dollar	2.7000	2.7000	2.7000	2.7000	2.7000	2.7000
Jamaica dollar	124.5754	128.0938	127.9824	124.7554	119.9758	116.7122
Netherlands Antillean guilder	1.8000	1.8000	1.8000	1.8000	1.8000	1.8000
Trinidad and Tobago dollar	6.7628	6.7428	6.7458	6.6190	6.4196	6.3412
United States dollar	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000

Source: Central banks of the relevant countries.

The exchange rates above are provided solely for information and convenience. No representation is made that the US dollar could have been, or could be, converted into Canadian dollars, or any other represented currency, at all or at the exchange rates stated. The exchange rates set forth above demonstrate trends in exchange rates, but the actual exchange rates used throughout this prospectus may vary.

The following table shows Sagicor's significant foreign exchange exposure by presenting Sagicor's assets and liabilities by the currency in which they are denominated for Sagicor's continuing operations:

	2017 equivalents of balances denominated in						
	Barbados $	Jamaica $	Trinidad $	Eastern Caribbean $	U.S. $	Other currencies	Total
	(in millions of US$)						
Assets							
Financial investments[1]	444.5	942.7	430.7	140.7	2,598.4	150.8	4,707.8
Reinsurance assets	5.0	0.3	7.6	8.5	762.7	1.7	785.8
Receivables[1]	16.3	124.2	7.9	16.9	15.3	6.0	186.6
Cash resources	30.5	103.3	28.5	16.0	122.9	58.9	360.1
Total monetary assets	496.3	1,170.5	474.7	182.1	3,499.3	217.4	6,040.3
Other assets[2]	203.7	360.6	72.8	20.2	109.0	(2.0)	764.3
Total assets of continuing operations	700.0	1,531.1	547.5	202.3	3,608.3	215.4	6,804.6
Liabilities							
Actuarial liabilities	401.4	351.9	337.7	54.4	1,710.2	95.2	2,950.8
Other insurance liabilities[1]	69.2	23.1	30.4	19.8	38.6	10.5	191.6
Investments contract	34.3	71.6	149.4	44.7	70.1	8.9	379.0
Notes and loans payable	-	16.5	-	-	397.3	-	413.8
Deposit and security liabilities	82.3	547.8	1.3	15.7	895.4	16.8	1,559.3
Provisions	29.4	28.4	12.9	0.7	1.8	6.8	80.0
Accounts payable and accruals	43.0	133.3	16.9	4.6	42.9	6.4	247.1
Total monetary liabilities	659.6	1,172.6	548.6	139.9	3,156.3	144.6	5,821.6
Other liabilities[2]	14.8	1.2	15.7	4.1	22.8	2.2	60.8
Total liabilities of continuing operations	674.4	1,173.8	564.3	144.0	3,179.1	146.8	5,882.4
Net position	25.6	357.3	(16.8)	58.3	429.2	68.6	922.2

(1) Monetary balance only.
(2) Non-monetary balances, income tax balances and retirement plan assets.

Interest rate risk

Sagicor is exposed to interest rate risk, which arises when the returns earned from invested assets decrease.

The return on investments may be variable, fixed for a term or fixed to maturity. Upon reinvestment of a matured investment, the returns available on new investments may be significantly different from the returns formerly achieved. Sagicor guarantees minimum returns on the cash values of certain types of policies, for example universal life and annuity contracts, and decreased investment returns may be insufficient to pay these guaranteed returns.

Sagicor is thereby exposed to the effects of fluctuations in the prevailing levels of market interest rates on Sagicor's financial position and cash flows. Interest margins may increase or decrease as a result of such changes. Interest rate changes may also result in losses if asset and liability cash flows are not closely matched with respect to timing and amount.

Movements in short-term and long-term interest rates affect the level and timing of recognition of gains and losses on securities Sagicor holds, and cause changes in realised and unrealised gains and losses. Generally, Sagicor's investment income will be reduced during sustained periods of lower interest rates as higher yielding fixed income securities are called, mature, or are sold and the proceeds reinvested at lower rates. During periods of rising interest rates, the market value of Sagicor's existing fixed income securities will generally decrease and Sagicor's realised gains on fixed income securities will likely be reduced. Realised losses will be incurred following significant increases in interest rates only if the securities are sold; otherwise the losses will be unrealised as assets are fairly matched to similar duration liabilities so may be held to maturity. Conversely, declining interest rates result in unrealised gains in the value of fixed income securities Sagicor continues to hold, as well as realised gains to the extent the relevant securities are sold.

Sagicor's primary interest rate exposures relate to Sagicor's long term insurance and annuities liabilities as well as funds on deposit. Sagicor may incur a loss on certain contracts where the investment return does not exceed the interest credited to the policyholder.

The effective interest rates for Sagicor's financial assets and liabilities as of December 31, 2017 and 2016 are set out below:

	As of December 31,	
	2017	**2016**
Assets		
Debt securities	6.1%	6.2%
Mortgage loans	5.7%	6.1%
Policy loan	7.2%	6.9%
Finance loans and finance leases	11.6%	12.6%
Securities purchased under agreements to resell	5.1%	9.2%
Deposits	2.3%	1.0%
Liabilities		
Other funding instrument	2.1%	1.9%
Deposits	2.0%	2.1%
Securities	3.6%	4.5%

(1) Unaudited.

Given Sagicor's exposure to fixed income securities at December 2017 of US$4,533.2 million, if interest rates were to rise by ten basis points the fair value of the fixed income portfolio would fall by approximately US$23.0 million.

Liquidity risk

Liquidity risk is inherent in much of Sagicor's business. Liquidity risk is risk stemming from a lack of marketability in Sagicor's assets. Some liabilities are surrenderable while some assets have low liquidity such as mortgage loans and real estate. In order to manage liquidity risks, Sagicor seeks to maintain levels of cash and short-term deposits in each of Sagicor's operating currencies that are sufficient to meet Sagicor's expected short-term obligations.

Sagicor is exposed to daily demands on Sagicor's available cash resources for payment of policy benefits and withdrawals, operating expenses and taxes, loan draw-downs, repayment of borrowings, maturing deposit liabilities and other security obligations. Sagicor maintains cash resources to meet what Sagicor predicts it will have to pay as policy benefits. Demands on Sagicor's cash resources may exceed Sagicor's projections.

Sagicor seeks to diversify Sagicor's liability portfolio by limiting concentrations of liabilities in each market segment. Where practical, given Sagicor's operating environment, Sagicor seeks to match maturities of assets and liabilities while maintaining a portfolio of short-term, highly liquid securities to meet funding gaps. Sagicor monitors its daily, weekly and monthly liquidity risk and manages Sagicor's maturing asset and liability portfolios.

The Company purchases custom options (hedges) that are selected to materially replicate the policy benefits that are associated with the equity indexed components of certain of the Company's products. These options are appropriate to reduce or minimize the risk of movements in the equity market (market risk). The hedging transactions are accounted for as call options and are originally valued at the premium paid, with the statement carrying value being adjusted to fair value. To minimize potential counterparty risk from the purchase of these customized contracts from broker dealers, the Company limits its transactions to only banks and brokers carrying an unsecured debt rating of at least A or P-1 by either Standard and Poor's or Moody's. See note 41.6 of the 2017 Sagicor Audited Annual Financial Statements.

Underwriting risk

Sagicor is exposed to underwriting risk on Sagicor's insurance contracts, which is the risk that Sagicor may underestimate the magnitude or probability of the risks Sagicor assumes when issuing Sagicor's policies. In establishing the amount of premium, Sagicor assesses the benefits that may be payable under the contract considering the nature and amount of the risk assumed and recent experience and industry statistics of the benefits payable. Sagicor also establishes deductibles to limit potential losses. For long-term insurance contracts, Sagicor assesses the cash flows attributable to the contract. Sagicor also may include specific medical tests and other inquiries that affect Sagicor's assessment of the risk. Sagicor then assesses the likely benefits and cash flows, determines the premium payable under the contract and estimates the balance sheet liability arising from the contract.

For long-term contracts in force, Sagicor invests in assets with cash flow characteristics that closely match the cash flow characteristics of the related policy liabilities. The primary purpose of this matching is to seek to ensure that cash flows from these assets are synchronised with the timing and the amounts of payments that must be paid to policyholders.

Policy benefits payable under short-term contracts are generally triggered by an insurable event, i.e., a property or casualty claim, a medical expense or a death claim. Settlement of these benefits is expected generally within one month. However, some benefits are settled over a longer duration.

Policy benefits payable under long-term contracts may be triggered by an insurable event (such as a death, disability or critical illness claim) a specified time (such as for an annuity settlement or a policy maturity) or on the exercise of a surrender or withdrawal request by the policyholder. While settlement of these benefits is therefore expected over the remaining lives of the insureds and annuitants, Sagicor remains subject to uncertainty related to the timing of future benefit cash outflows.

For Sagicor's property and casualty insurance business, significant risk exposures arise from low-frequency, high-severity events such as hurricanes. Single events, such as major fires and accidents may also generate significant claims.

For Sagicor's health insurance contracts, significant risk exposures arise from mortality and morbidity experience.

For Sagicor's long-term life insurance contracts, significant risks arise from mortality and morbidity experience. Worsening mortality and morbidity will increase the incidence of death and disability claims. Improving mortality will lengthen the payout period of annuities.

Sagicor carries significant underwriting risks concentrated in certain countries within the Caribbean, namely Antigua, Barbados, Cayman Islands, Jamaica, Netherlands Antilles, St. Lucia and Trinidad and Tobago. In these countries, Sagicor insures a substantial proportion of the insured population (life, annuity, health). See note 42 of the 2017 Sagicor Audited Annual Financial Statements included elsewhere in this prospectus.

Reinsurance risk

To limit Sagicor's loss exposure on insurance policies, Sagicor may cede some risk to reinsurers that have well-established capability to meet their contractual obligations and that generally have high credit ratings, which ratings Sagicor monitors, or Sagicor requires that a trust account be maintained as collateral for the obligations.

Under reinsurance contracts, Sagicor retains some part of the risk (amounts below the "retention limit") and coverage in excess of these limits is ceded to reinsurers. The retention programs used by Sagicor may be found in notes 42.3 and 43.3 to the 2017 Sagicor Audited Annual Financial Statements included elsewhere in this prospectus. Sagicor also maintains catastrophic reinsurance coverage whereby reinsurance coverage is obtained for multiple claims arising from one event or occurring within a specified time period.

Fiduciary risk

Sagicor provides investment management, administration and corporate trust services as a fiduciary for pension and mutual funds and other corporate entities. This requires Sagicor to make allocation, purchase and sale decisions in relation to a wide range of investments on behalf of those funds. These services may expose Sagicor to claims for maladministration or underperformance of these investments. As of September 30, 2018, Sagicor administered US$3,173.6 million in assets on behalf of these funds, a decrease from US$3,205.2 million at December 31, 2017.

Cautionary Statement Regarding Forward-Looking Information

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

This forward-looking information and these assumptions include, but are not limited to, statements about Sagicor's objectives and strategies to achieve those objectives, and about its beliefs, plans, expectations, anticipations, estimates, or intentions. Information included in this MD&A that is not a statement of historical fact is forward-looking information. When used in this MD&A, words such as "believes," "may," "will," "estimate," "should," "shall," "plans," "assumes," "continue," "outlook," "could," "anticipates," "intends," "expects," and words of similar import, are intended to identify statements containing forward-looking statements. These statements appear in a number of places throughout the document. Such forward-looking statements are based on Sagicor's estimates, assumptions, strategies and projections and subject to known and unknown risks, uncertainties and other factors, all of which are difficult to predict and many of which are beyond its control and which may cause actual results, events or developments to be significantly different from any future results, events or developments expressed or implied by such forward-looking statements.

These factors include, but are not limited to, the following: fluctuations in the fixed income markets may adversely affect New Sagicor's profitability and financial condition; the success of New Sagicor's operations in the United States depends on New Sagicor's ability to grow its business; New Sagicor's financial targets may prove materially inaccurate or incorrect; New Sagicor's exposure to the credit risk of its counterparties could adversely affect its profitability; differences between actual claims experience and estimated claims at the time the product was priced may result in increased losses, and so New Sagicor's reserves may be insufficient to cover actual policy benefits; New Sagicor could be forced to sell investments at a loss to cover policyholder withdrawals; New Sagicor's risk management policies and procedures could leave New Sagicor exposed to unidentified or unanticipated risk, which could negatively affect New Sagicor's business or result in losses; illiquidity of certain investment assets may prevent New Sagicor from selling investments at fair prices in a timely manner; New Sagicor's fiduciary relationship with certain counterparties could adversely affect its profitability; a prolonged labour dispute could hurt New Sagicor's business; a failure to successfully integrate New Sagicor's acquisitions could adversely affect New Sagicor's operations and profitability; a high level of redemptions of Alignvest Class A Restricted Voting Shares may necessitate sourcing of additional debt or equity to fund the proposed SJLIC and SLTT acquisitions; a failure to successfully execute current and future strategic acquisitions could adversely affect New Sagicor's profitability; if the conditions to the Transaction are not met, the Transaction may not occur; New Sagicor may be required to make an offer to purchase all of the 2022 Notes and Short Term Notes, but may not be financially able to repurchase the notes upon a change of control; New Sagicor's business is highly regulated and subject to numerous laws and regulations; litigation and regulatory proceedings outcomes could adversely affect New Sagicor's business; companies in the financial services industry are sometimes the target of law enforcement investigations and the focus of increased regulatory scrutiny; there may be adverse consequences if the status of New Sagicor's independent contractors is successfully challenged; failures to implement or comply with legally required anti-money laundering practices could subject New Sagicor to sanctions and/or criminal and civil penalties; the amount of statutory capital that New Sagicor's insurance subsidiaries have and the amount of statutory capital that they must hold to maintain their financial strength and credit ratings and meet other requirements can vary significantly from time to time and are sensitive to a number of factors outside of New Sagicor's control; a failure to maintain adequate levels of surplus capital may result in increased regulatory scrutiny or a downgrade by the private rating agencies; New Sagicor's financial condition may be adversely affected by geopolitical events; a change of control of New Sagicor may be difficult to effect under applicable laws; New Sagicor operates in a highly competitive industry; New Sagicor faces significant competition mainly from national and regional insurance companies and from self-insurance, and New Sagicor also faces competition from global companies – this competition could limit New Sagicor's ability to gain or maintain its position in the industry and could materially adversely affect its business, financial condition and results of operations; brokers that sell New Sagicor's products may sell insurance products of New Sagicor's competitors and such brokers may choose not to sell New Sagicor's products; computer viruses, network security breaches, disasters or other unanticipated events could affect New Sagicor's data processing systems or those of its business partners and could damage New Sagicor's business and adversely affect its financial condition and results of operations; a financial strength downgrade in New Sagicor's A.M. Best ratings or any other negative action by a rating agency may increase policy surrenders and withdrawals, adversely affect relationships with advisors and negatively affect New Sagicor's financial condition and results of operations; the unpredictable nature of the property and casualty insurance industry, or the impact of IFRS on the cashless exercise feature of Alignvest Warrants (unless removed), may cause fluctuations in New Sagicor's results; New Sagicor may be unable to reinsure risks on terms that are commercially reasonable or satisfactory to New Sagicor, or New Sagicor's reinsurers may fail to meet assumed obligations, increase rates, or be subject to adverse developments, negatively affecting New Sagicor's business, financial condition and result of operations; New Sagicor's business model depends on the performance of various third parties including actuarial consultants and other service providers; negative publicity in the insurance industry could adversely affect New Sagicor; New Sagicor depends on key personnel, and if they were to leave New Sagicor, New Sagicor might have an insufficient number of qualified employees; New Sagicor is highly dependent upon economic, political and other conditions and developments in Barbados, Jamaica, Trinidad and Tobago, the United States and the other jurisdictions in which it operates; New Sagicor's financial condition and operating results may be adversely affected by foreign exchange fluctuations; foreign exchange controls may restrict New Sagicor's ability to receive distributions from its subsidiaries and any such distributions may be subject to foreign withholding taxes; catastrophes and weather-related events, such as hurricanes, may adversely affect New Sagicor; the performance of New Sagicor's group life insurance may be adversely affected by the characteristics of the employees insured or through unexpected catastrophic events such as natural disasters; New Sagicor's credit ratings may be reduced, which may adversely affect New Sagicor; New Sagicor may be subject to Bermuda tax; Bermuda's compliance with the Organization for Economic Cooperation and Development international tax standards could subject New Sagicor to additional taxes; legislation enacted in Bermuda in response to the European Union's review of harmful tax competition could adversely affect New Sagicor's operations and financial condition; tax on corporate emigration under the Income Tax Act (Canada) could adversely affect New Sagicor; if New Sagicor were subject to Canadian federal income taxation, New Sagicor's after-tax returns and the value of New Sagicor Common Shares could be materially reduced; any additional taxes resulting from changes to tax regulations or the interpretation thereof in countries in which it does business could negatively impact New Sagicor's financial condition; New Sagicor is a Bermuda company and it may be difficult to enforce judgments against New Sagicor or its directors and officers; certain of New Sagicor's operating subsidiaries are incorporated outside of Canada and it may be difficult to enforce judgments against them or their directors and officers; Bermuda law differs from the laws in effect in Canada and may afford less protection to shareholders; New Sagicor may not pay dividends; potentially adverse tax consequences may result from the receipt of dividends on New Sagicor Common Shares; New Sagicor is a holding company that has no material assets other than its interest in Sagicor and, accordingly, it is dependent upon distributions from Sagicor to pay taxes and other expenses; although New Sagicor exercises management control over its material subsidiaries, New Sagicor will be required to consider the interests of minority shareholders in Sagicor Jamaica; the market price of the New Sagicor Common Shares may be highly volatile; redemptions of a significant number of Alignvest Class A Restricted Voting Shares could adversely affect New Sagicor; sales of a substantial number of New Sagicor Common Shares may cause the price of New Sagicor Common Shares to decline; further equity financing may dilute the interests of shareholders of New Sagicor and depress the price of New Sagicor Common Shares; the trading market for New Sagicor Common Shares is influenced by securities industry analyst research reports; if New Sagicor is unable to implement and maintain effective internal control over financial reporting, New Sagicor might not be able to report financial results accurately and on a timely basis or prevent fraud, and/or investors may lose confidence in the accuracy and completeness of New Sagicor's financial reports and the market price of New Sagicor Common Shares may be negatively affected.

In light of these risks, uncertainties and assumptions, readers should not place undue reliance on any forward-looking statements, which speak only as of the date hereof, as actual results could differ materially. Please note that a cautionary discussion of risks and uncertainties is provided under the heading "*Risk Factors*", as well as the heading "*Caution Regarding Forward-Looking Statements*". These risk factors, as they relate to Sagicor, could cause Sagicor's actual results to differ materially from expected results. Readers are cautioned that other factors discussed in this MD&A, although not enumerated here, also could materially affect Sagicor's future results. Sagicor disclaims any obligation to update any such factors or publicly announce the result of any revisions to any of the forward-looking statements contained herein to reflect future results, events or developments, except as expressly required by law.

DESCRIPTION OF SECURITIES

The following is a summary of the expected rights, privileges, restrictions and conditions attaching to the shares in the capital of New Sagicor after giving effect to the Transaction, which are subject to change. Following completion of the Transaction, it is expected that New Sagicor will have an authorized share capital partly consisting of 10,000,000,000 New Sagicor Common Shares of par value US$0.01 each. In addition, consistent with common Canadian practice, New Sagicor will have as part of its authorized share capital a class of 10,000,000,000 preference shares of par value US$0.01 each issuable in series with such terms as are determined by the New Sagicor Board from time to time. New Sagicor does not intend to use the preference shares for anti-take-over bid purposes.

The summary does not purport to be complete and is subject to, and is qualified in its entirety by reference to, all of the provisions of New Sagicor's memorandum of continuance and bye-laws. New Sagicor's memorandum of continuance and bye-laws will be made available on New Sagicor's SEDAR profile at www.sedar.com.

The number of New Sagicor Common Shares expected to be issued and outstanding upon completion of the Transaction will be approximately 115 million (assuming (i) an exchange rate of US$1.00 to C$1.33 and (ii) no Alignvest Shareholders elect to redeem any of their Alignvest Class A Restricted Voting Shares). No preference shares are expected to be issued and outstanding upon completion of the Transaction. Assuming redemption levels of Alignvest Class A Restricted Voting Shares of 25% and the "minimum cash" threshold, it is expected that there will be approximately 105 million and 90.5 million New Sagicor Common Shares, respectively, outstanding upon completion of the Transaction.

Subject to the discussion on certain differences between the OBCA and the BCA contained in Appendix M, a shareholder under corporate law in Bermuda and our proposed bye-laws and memorandum of continuance is expected to have similar material substantive protections, rights and remedies as a shareholder would have under the OBCA. The substantive protections, rights and remedies available to a shareholder are contained in the BCA and New Sagicor's memorandum of continuance and bye-laws. Please see Appendix M. See also "*Risk Factors – Risks Related to New Sagicor's Capital Structure, Public Company and Tax Status and Capital Financing Policies – New Sagicor is a Bermuda company and it may be difficult to enforce judgments against New Sagicor or its directors and officers*" elsewhere in this prospectus.

Common Shares of New Sagicor

The following rights, restrictions and conditions will attach to the New Sagicor Common Shares following New Sagicor's discontinuance from Ontario and continuance to Bermuda.

Notice of Meeting and Voting Rights

The holders of New Sagicor Common Shares shall be entitled to receive notice of and to attend all general meetings of the New Sagicor Shareholders. The holders of New Sagicor Common Shares shall be entitled to one vote per New Sagicor Common Share on all matters submitted to a vote by New Sagicor Shareholders.

Dividend and Liquidation Entitlements

The holders of New Sagicor Common Shares shall be entitled, as such, to receive dividends and New Sagicor shall pay dividends thereon, as and when declared by New Sagicor Board, in their absolute discretion, in such amount and in such form as the New Sagicor Board may from time to time determine, and all dividends which New Sagicor may declare on New Sagicor Common Shares shall be declared and paid in equal amounts per share on all New Sagicor Common Shares at the time issued and outstanding. Any payment of a dividend will at all times be subject to a solvency test such that New Sagicor must not declare or pay a dividend if there are reasonable grounds for believing that New Sagicor is, or would after the payment be, unable to pay its liabilities as they become due or that the realizable value of New Sagicor's assets would thereby be less than its liabilities.

In the event of New Sagicor's liquidation, dissolution or winding up, the New Sagicor Shareholders shall be entitled to share equally and ratably in New Sagicor's assets, if any, remaining after the payment of all of New Sagicor's debts and liabilities, subject to any liquidation preference on any issued and outstanding preference shares at the time of such liquidation, dissolution or winding up. No preference shares are currently issued.

Advance Notice Requirements for Director Nominations

It is anticipated that New Sagicor's bye-laws will contain an advance notice provision pertaining to New Sagicor Shareholders (who meet the necessary qualifications to be outlined in the bye-laws) seeking to nominate a candidate for election as a director at any annual meeting of New Sagicor Shareholders, or at any special meeting of New Sagicor Shareholders if one of the purposes for which the special meeting was called was the election of directors (the "**Advance Notice Provisions**"). The following description is a summary only and is qualified in its entirety by the full text of the applicable provisions of New Sagicor's bye-laws which will be made available on New Sagicor's SEDAR profile at www.sedar.com.

In addition to any other applicable requirements, for a nomination of a director for election to be made, New Sagicor Shareholders will be required, *inter alia*, to give timely notice thereof to New Sagicor of the intention to propose a director and of the individual's willingness to serve as a director of New Sagicor. Where a director is to be elected at a general meeting, where notice of the general meeting is given fifty (50) days prior to the date of the general meeting, the notice must be given to the Company not later than thirty (30) days prior to the date of the general meeting. Where a director is to be elected at an annual general meeting, where notice of the annual general meeting is given less than fifty (50) days prior to the date of the annual general meeting, the notice must be given to the Company not later than the close of business on the tenth (10^{th}) day following the date on which public disclosure of the date of the annual general meeting was first made. Where a director is to be elected at a special general meeting, where notice of the special general meeting is given less than fifty (50) days prior to the date of the special general meeting, the notice must be given to the Company not later than the close of business on the fifteenth (15^{th}) day following the date on which public disclosure of the date of the special general meeting was first made.

The chairperson of the general meeting shall have the power to determine whether any proposed nomination was made in accordance with the Advance Notice Provisions and, if any proposed nomination is not in compliance with such provisions, must declare that such defective nomination shall not be considered at any meeting of New Sagicor Shareholders.

Notwithstanding the foregoing, the New Sagicor Board may, in its sole discretion, waive any requirement in the Advance Notice Provisions.

EQUITY INCENTIVE PLAN DESCRIPTIONS

Subject to receipt of all required approvals (including approval by the TSX), New Sagicor expects to adopt a restricted share unit plan (the "**RSU Plan**") and an employee share purchase plan (the "**ESP Plan**"). New Sagicor intends to adopt the RSU Plan and the employee share purchase plan following the completion of the Transaction. New Sagicor expects the employee share purchase plan will be on terms mutually acceptable to Alignvest and Sagicor, each acting reasonably. The following is a summary of the anticipated material terms of the RSU Plan and ESP Plan.

RSU Plan

Eligible Participants

The RSU Plan will be administered by the C&HR Committee. Employees, directors and eligible consultants of New Sagicor and its designated subsidiaries are eligible to participate in the RSU Plan. In accordance with the terms of the RSU Plan, New Sagicor, under the authority of the New Sagicor Board through the C&HR Committee, will approve those employees, directors and eligible consultants who are entitled to receive restricted share units ("**RSUs**") and the number of RSUs to be awarded to each participant. RSUs awarded to participants are credited to them by means of an entry in a notional account in their favour on the books of New Sagicor. Each RSU awarded conditionally entitles the participant to receive one New Sagicor Common Share (or the cash equivalent) upon attainment of the RSU vesting criteria. In certain circumstances, the New Sagicor may grant options to purchase New Sagicor Common Shares in lieu of RSUs and such grants of options will be governed by the terms and conditions of the RSU Plan, except that the New Sagicor Board may, in its sole discretion, amend the terms and conditions of the RSU Plan as they apply to grants of options to provide for an exercise price that is at least equal to the fair market value of a New Sagicor Common Share at the time of the grant, to provide that a participant will have the right to exercise their options for New Sagicor Common Shares and to impose different expiry dates and conditions in respect of options than are provided for RSUs under the RSU Plan.

Vesting

The vesting of RSUs is conditional upon the expiry of time-based or performance-based vesting criteria, provided that in the event a participant's employment is terminated without cause within 12 months of a Change of Control (as defined in the RSU Plan), all outstanding RSUs will immediately vest. The duration or conditions of the vesting period and other vesting terms applicable to the grant of the RSUs shall be determined at the time of the grant by the C&HR Committee.

Once the RSUs vest, the participant is entitled to receive the equivalent number of underlying New Sagicor Common Shares or cash equal to the Market Value (as defined in the RSU Plan) of the equivalent number of New Sagicor Common Shares. The vested RSUs may be settled through the issuance of New Sagicor Common Shares, by the delivery of New Sagicor Common Shares purchased in the open market, in cash or in any combination of the foregoing (at the discretion of New Sagicor). If settled in cash, the amount shall be equal to the number of New Sagicor Common Shares to which the participant is entitled multiplied by the Market Value of a New Sagicor Common Share on the payout date. "Market Value" per share is defined in the RSU Plan and means, as at any date the arithmetic average of the closing price of the New Sagicor Common Shares traded on the TSX for the five (5) trading days on which a board lot was traded immediately preceding such date (or on any such other stock exchange on which the New Sagicor Common Shares are then listed and posted for trading as may be selected for such purpose by the New Sagicor Board). The RSUs shall be settled on the payout date, which shall be the vesting date or such other date as the C&HR Committee may determine at the time of the grant, which in any event shall be no later than the expiry date for such RSUs. The expiry date of RSUs will be determined by the C&HR Committee at the time of grant. However, unless otherwise determined by the C&HR Committee at the time of grant, the maximum term for all RSUs is two years after the participant ceases to be an employee, director or eligible consultant of New Sagicor or any designated subsidiary. All vested or expired RSUs are available for future grants.

Maximum Number of New Sagicor Common Shares Issued

RSUs may be granted in accordance with the RSU Plan provided the aggregate number of RSUs outstanding pursuant to the RSU Plan from time to time shall not exceed 10% of the number of issued and outstanding New Sagicor Common Shares from time to time. The maximum number of New Sagicor Common Shares which may be reserved, set aside and made available for issuance under the RSU Plan is a variable number equal to 10% of the issued and outstanding New Sagicor Common Shares as of the date of the grant on a non-diluted basis. All of the New Sagicor Common Shares covered by settled, cancelled or terminated RSUs will automatically become available New Sagicor Common Shares for the purposes of RSUs that may be subsequently granted under the RSU Plan.

The RSU Plan provides that the maximum number of New Sagicor Common Shares issuable to insiders (as that term is defined by the TSX) pursuant to the RSU Plan, together with any New Sagicor Common Shares issuable pursuant to any other security-based compensation arrangement of New Sagicor, will not exceed 10% of the total number of issued and outstanding New Sagicor Common Shares. In addition, the maximum number of New Sagicor Common Shares issued to insiders under the RSU Plan, together with any New Sagicor Common Shares issued to insiders pursuant to any other security-based compensation arrangement of New Sagicor within any one year period, will not exceed 10% of the total number of issued and outstanding New Sagicor Common Shares.

It is expected that at any given time, the number of RSUs granted to independent directors under the RSU Plan, in combination with all other equity awards (if any) granted to independent directors, shall be limited to 1% of the issued and outstanding New Sagicor Common Shares in aggregate. In addition, the maximum annual equity award value (based on grant date fair value as determined by the board of directors of New Sagicor) will be US$50,000 per independent director.

Adjustments to Shares Subject to Plan

The RSU Plan also provides that appropriate adjustments, if any, will be made in connection with a subdivision of shares, consolidation or other capital reorganization, merger, amalgamation, take-over bid, compulsory acquisition or arrangement or other similar corporate transaction in connection therewith.

Cessation of Entitlement

Unless otherwise determined by New Sagicor in accordance with the RSU Plan, RSUs which have not vested on a participant's termination date shall terminate and be forfeited. If a participant who is an employee ceases to be an employee as a result of termination of employment without cause, in such case, at New Sagicor's discretion (unless otherwise provided in the applicable grant agreement), all or a portion of such participant's RSUs may be permitted to continue to vest, in accordance with their terms, during any statutory or common law severance period or any period of reasonable notice required by law or as otherwise may be determined by New Sagicor in its sole discretion. All forfeited RSUs are available for future grants. If a participant's termination date is prior to the payout date with respect to any RSUs that have vested, the payout date shall be accelerated to the participant's termination date.

Transferability

RSUs are not assignable or transferable other than by operation of law, except, if and on such terms as New Sagicor may permit, to a current or former spouse or minor children or grandchildren or a personal holding company or family trust controlled by a participant, the sole shareholders or beneficiaries of which, as the case may be, are any combination of the participant, the participant's current or former spouse, minor children or minor grandchildren, and after the participant's lifetime shall enure to the benefit of and be binding upon the participant's designated beneficiary.

Amendments to the RSU Plan

The New Sagicor Board may, without notice, at any time and from time to time, without shareholder approval, amend the RSU Plan or any provisions thereof in such manner as the New Sagicor Board, in its sole discretion, determines appropriate including, without limitation:

(a) for the purposes of making formal minor or technical modifications to any of the provisions of the RSU Plan;

(b) to correct any ambiguity, defective provision, error or omission in the provisions of the RSU Plan;

(c) to change the vesting provisions of RSUs;

(d) to change the termination provisions of RSUs or the RSU Plan that does not entail an extension beyond the original expiry date of the RSU;

(e) to preserve the intended tax treatment of the benefits provided by the RSU Plan, as contemplated therein;

(f) to make any amendments contemplated by the RSU Plan; or

(g) any amendments necessary or advisable because of any change in applicable laws;

provided, however, that:

1. no such amendment of the RSU Plan may be made without the consent of each affected participant if such amendment would adversely affect the rights of such affected participant(s) under the RSU Plan; and

2. shareholder approval shall be obtained in accordance with the requirements of the TSX for any amendment that results in:

    (i) an increase in the maximum number of New Sagicor Common Shares issuable pursuant to the RSU Plan other than as already contemplated in the RSU Plan;

    (ii) an extension of the expiry date for RSUs granted to insiders under the RSU Plan;

    (iii) expansion of the rights of a participant to assign RSUs beyond what is currently permitted in the RSU Plan; or

    (iv) the addition of new categories of participants, other than as already contemplated in the RSU Plan.

Pursuant to the RSU Plan, for purposes of compliance with Section 409A of the *U.S. Internal Revenue Code of 1986*, certain terms of the RSUs held by U.S. taxpayers may differ from those described above.

New Sagicor will have the ability to grant RSUs and, in limited circumstances, options under the RSU Plan until three years from the date it is approved.

Employee Share Purchase Plan

Eligible Participants

Designated persons who are employed on a regular full-time or regularly scheduled part-time basis by New Sagicor and any other corporation which is a subsidiary of New Sagicor that elects to participate in the ESP Plan with the consent of New Sagicor (collectively, a "**Participating Company**"), and who have completed three continuous months of service, will be eligible to participate in the ESP Plan. Participation in the ESP Plan is subject to, *inter alia*, the exercise of the sole discretion by New Sagicor and any applicable laws in the applicable jurisdiction(s). Participation in the ESP Plan is entirely voluntary and will not be construed to give any eligible employee the right to be employed or to continue to be employed by a Participating Company. Participation starts on the first day of the month coincident with or directly following satisfaction of eligibility and enrolment requirements, as determined by New Sagicor. Employees who participate in the ESP Plan are Members (as defined in the ESP Plan). Each Member will be required to confirm on the enrolment form that such Member is not aware of any undisclosed material information at the time of enrolment. An enrolment form may not be given during a "blackout period" under any insider trading policy of New Sagicor then in force.

Contributions

As further described in the terms of the ESP Plan, Members will have an account to which they can contribute funds by means of regular payroll deductions. Members may choose the amount of the deduction, subject to certain limitations based on the amount of remuneration received by the Member as base pay and any additional components determined by New Sagicor. In addition to each Member's contribution to their account, New Sagicor may contribute to a Member's account under the ESP Plan. Any contribution by New Sagicor will be subject to certain limitations. The New Sagicor Board reserves the right to reduce or suspend New Sagicor's contribution in its sole discretion.

New Sagicor Common Share Purchases

The amounts that each Member contributes to the ESP Plan, combined with any contributions from New Sagicor, are to be used to purchase New Sagicor Common Shares (including fractional shares). Such purchases will be made on the open market at the market price at the time of the acquisition.

Purchase of Shares

The contributions (from both the Member and, if applicable, New Sagicor) allocated to a Member's account as well as any income paid on existing New Sagicor Common Shares held in the Member's account will be used to purchase New Sagicor Common Shares. Income from New Sagicor Common Shares purchased therewith will be promptly recorded in the Member's account.

Account Management

The New Sagicor Common Shares are to be purchased by an independent trustee on a monthly basis on behalf of the Member. The independent trustee will also be responsible for maintaining separate accounts for each Member in which all purchased New Sagicor Common Shares are to be held in trust on behalf of the applicable Member. The independent trustee is to provide each Member with a quarterly statement outlining any and all accumulation in the Member's account.

All dividends, if any, are to be reinvested in the Member's account for further purchases of New Sagicor Common Shares. The independent trustee shall take all reasonable steps to ensure that all rights with respect to New Sagicor Common Shares held in each Member's account by the independent trustee on behalf of such Member, including rights of conversion and voting, may be exercisable by such Member, upon instruction to the independent trustee, and any income payable on such New Sagicor Common Shares will be credited to such Member's account.

The independent trustee is to be appointed by New Sagicor and, at New Sagicor's discretion, may be removed and a successor appointed. The independent trustee will be fully protected and indemnified by New Sagicor in respect of any acts done in good faith and in reliance on certain documents and other information, as described in the terms of the ESP Plan.

All costs of administering the ESP Plan will be paid for by New Sagicor, including brokerage fees for the purchase of New Sagicor Common Shares. Members will be responsible for selling expenses or brokerage fees and other direct costs incurred when requesting payment or withdrawals from their account.

Member Withdrawals

A Member may write to New Sagicor to withdraw part or all of the balance of New Sagicor Common Shares in the Member's account. Withdrawals may be made in specie and/or cash, pursuant to the terms of the ESP Plan. Withdrawals from a Member's accounts are subject to restrictions on the frequency of withdrawals and any applicable laws. In the case of an instruction to sell, the Member must confirm that they are not aware of any undisclosed material information at the time of instruction. The instruction to sell may not be given during a "blackout period" under any insider trading policy of New Sagicor then in force. Provided a credit balance remains after the distribution of New Sagicor Common Shares or cash, the Member may continue to be considered a Member of the ESP Plan.

Cessation of Entitlement

A Member's membership in the ESP Plan automatically terminates upon termination of employment with a Participating Company. Within sixty (60) days of a Member's membership terminating, the Member is to direct the independent trustee to distribute all of the New Sagicor Common Shares in the Member's account in specie (or as cash in lieu of New Sagicor Common Shares) plus cash in lieu of fractions thereof held in the Member's account. Fractional shares will be valued at the most recent trading price prior to termination of employment. Upon receipt of instruction for distribution in specie, the New Sagicor Common Shares shall be registered in the name of the Member or as the Member may otherwise instruct in writing. In the event that the Member fails to so direct the independent trustee, the independent trustee will upon expiry of such sixty (60) day period, distribute the balance of the Member's account in New Sagicor Common Shares plus any cash in lieu of fractions thereof, if any.

Transferability

The rights and interests of any Member in the New Sagicor Common Shares or other assets held by the independent trustee on his or her behalf under the ESP Plan will not be assignable or transferable, in whole or in part, either directly or by operation of law or otherwise in any manner but excluding devolution by death or mental incompetency. No attempted assignment or transfer thereof will be effective.

Amendments to the ESP Plan

The New Sagicor Board may suspend, terminate or discontinue the ESP Plan (or any one or more provision of the ESP Plan) at any time, subject to applicable law and to the prior approval, if required, of the TSX or any other regulatory body having authority over New Sagicor. The New Sagicor Board may similarly amend or revise the terms of the ESP Plan at any time without the consent of the Members, subject to any regulatory and shareholder approvals, where required.

RIGHTS TO PURCHASE SECURITIES

Warrants

31,175,000 Alignvest Warrants were issued as part of the 2017 initial public offering of Alignvest and are outstanding as of the date of this prospectus. 3,766,659 Forward Purchase Warrants are expected to be outstanding at the completion of the Transaction, which are to be issued immediately prior to, but in connection with, the completion of the Sagicor Arrangement. Pursuant to the Alignvest Arrangement, the terms of both the Alignvest Warrants and of the Forward Purchase Warrants shall represent share purchase warrants to acquire New Sagicor Common Shares following 30 days after the Effective Date, at an exercise price of C$11.50 per share, but otherwise unamended.

The 31,175,000 Alignvest Warrants and the 3,766,659 Forward Purchase Warrants are governed by the terms of the Warrant Agreement. It is expected that in connection with the completion of the Alignvest Arrangement, subject to the receipt of the required approval of the warrantholders, New Sagicor will adopt a supplemental warrant agency agreement pursuant to which, among other things, the cashless exercise feature of the Warrant Agreement will be eliminated. If the cashless exercise feature is eliminated pursuant to the adoption of the supplemental warrant agency agreement, the Alignvest Warrants may only be exercised by a warrantholder in the event the warrantholder pays to New Sagicor the exercise price of C$11.50, in accordance with the terms of the Warrant Agreement. If not, the cashless exercise feature could result in more volatile financial results because, with the cashless exercise feature, the Alignvest Warrants are classified as a liability and are therefore recorded at fair value. As the fair value of an Alignvest Warrant fluctuates, the changes would be reflected in income.

Options

The following table sets forth the aggregate number of options to purchase New Sagicor Common Shares that are expected to be outstanding upon completion of the Transaction:

Option Table			
Category	**Number of Options to acquire New Sagicor Common Shares**	**Exercise Price[(1)]**	**Expiration Date**
All of New Sagicor's executive officers and past executive officers, as a group (13 in total)	3,363,267	US$5.07	From 2019 to 2028
All of New Sagicor's directors and past directors who are not also executive officers, as a group (0 in total)	Nil	Nil	Nil
All other of New Sagicor's employees and past employees, as a group (27 in total)	1,350,616	US$5.06	From 2019 to 2028
All other of New Sagicor's consultants and past consultants, as a group (0 in total)	Nil	Nil	Nil
Total	**4,713,883**	**US$5.07**	**From 2019 to 2028**

(1) Represents the weighted average exercise price of all outstanding options to purchase New Sagicor Common Shares, whether vested or unvested.

Restricted Share Table		
Category	**Number of Restricted Shares Unvested**	**Total Number of Restricted Shares**
All of New Sagicor's executive officers and past executive officers, as a group (23 in total)	512,755	3,845,774
All of New Sagicor's directors and past directors who are not also executive officers, as a group (0 in total)	Nil	Nil
All other of New Sagicor's employees and past employees, as a group (53 in total)	216,923	1,337,754
All other of New Sagicor's consultants and past consultants, as a group (0 in total)	Nil	Nil
Total	**729,678**	**5,183,528**

For a description of New Sagicor's expected equity-based incentive compensation plans, see "*Equity Incentive Plan Descriptions*".

SECURITIES SUBJECT TO CONTRACTUAL RESTRICTION ON TRANSFER

The following sets out the anticipated number of securities of New Sagicor that will be subject to a contractual restriction on transfer upon the completion of the Transaction. To the knowledge of Alignvest and Sagicor, no other securities of New Sagicor will be held in escrow or will be subject to contractual restrictions on transfer.

Designation of Class	Number of Securities Subject to Contractual Restriction	Percentage of Class
New Sagicor Common Shares(1)	15,493,900(2)	13.5%(3)

(1) See "*Lock-Up Agreements*"; "*Founders' Shares*" and "*Forward Purchasers' Shares*" below for a summary of the contractual restrictions on transfer.

(2) Assumes an exchange rate of US$1.00 to C$1.33 for the purposes of computing New Sagicor Common Shares held by the Locked-Up Shareholders.

(3) Assumes no redemptions of Alignvest Class A Restricted Voting Shares. Assuming redemption levels of Alignvest Class A Restricted Voting Shares of 25% and the "minimum cash" threshold, the percentage of New Sagicor Common Shares that would be subject to contractual restrictions on transfer would be approximately 14.8% and 17.1%, respectively.

Lock-Up Agreements

In accordance with the Arrangement Agreement, it is expected that each of Dodridge D. Miller, Ravi C. Rambarran, Anthony O. Chandler, Althea C. Hazzard, Ronald B. Blitstein, J. Andrew Gallagher, Bart F. Catmull, J. Edward Clarke, Keston D. Howell, Robert J. L. Trestrail, Sir Hilary Beckles, Peter Clarke, Monish Dutt, John Shettle and Stephen McNamara (each, a "**Locked-Up Shareholder**") will enter into a lock-up agreement (a "**Lock-Up Agreement**") with Alignvest. Pursuant to the Lock-Up Agreements, each Locked-Up Shareholder shall not, without the prior written consent of New Sagicor:

(i) sell, assign, pledge, dispose of, or transfer any equity securities of New Sagicor Common Shares or securities convertible into or exchangeable for New Sagicor Common Shares, or any rights associated therewith, in each case as held immediately following the Effective Time (collectively, the "**Specified Securities**");

(ii) enter into any swap, forward or other arrangement that transfers all or a portion of the economic consequences associated with the ownership of the Specified Securities (regardless of whether any such arrangement is to be settled by the delivery of securities of New Sagicor, securities of another person and/or otherwise); or

(iii) agree to do any of the foregoing,

(collectively, the "**Lock-Up Restrictions**").

The Lock-Up Restrictions shall remain in place from the Effective Date until the earliest of: (i) with respect to 50% of the New Sagicor Common Shares held by each Locked-Up Shareholder immediately following the Effective Time, one year following the Effective Date; (ii) with respect to the remaining 50% of the New Sagicor Common Shares held by each Locked-Up Shareholder immediately following the Effective Time, 24 months following the Effective Date; (iii) with respect to 100% of the New Sagicor Common Shares held by each Locked-Up Shareholder immediately following the Effective Time, the date following the Effective Date on which New Sagicor completes a liquidation, amalgamation, merger, scheme of arrangement, share exchange, take-over bid or other similar transaction (except an internal reorganization) that results in all of the holders of New Sagicor Common Shares receiving in exchange for or having the right to exchange their New Sagicor Common Shares for cash, securities or other property; (iv) with respect to 100% of the New Sagicor Common Shares held by each Locked-Up Shareholder immediately following the Effective Time, the date on which the closing share price of the New Sagicor Common Shares equals or exceeds C$12.00 per share (as adjusted for share splits, share capitalizations, reorganizations, Extraordinary Dividends, recapitalizations and the like) for any 20 trading days within a 30-trading day period at any time following the Effective Date; and (v) with respect to 100% of the New Sagicor Common Shares held by the Locked-up Shareholder immediately following the Effective Time, the date on which the applicable Locked-up Shareholder's employment with New Sagicor (or its applicable affiliate) is terminated without "cause" by New Sagicor (or such applicable affiliate) or such Locked-Up Shareholder resigns his or her employment with New Sagicor (or such applicable affiliate) for "good reason", as such terms are defined in the Locked-Up Shareholder's employment agreement with New Sagicor (or such applicable affiliate).

The Lock-Up Restrictions are subject to certain exemptions, including: transfers to wholly-owned affiliates (that remain as such and are similarly bound), any family members of the Locked-Up Shareholder (who are similarly bound), or company, trust or other entity owned by or maintained for the benefit of the Locked-Up Shareholder or any family member of the Locked-Up Shareholder (who are similarly bound); transfers occurring by operation of law or in connection with transactions arising as a result of death or incapacitation; the exercise of securities granted under any of the Sagicor Share Plans; pledges to a financial institution as security for *bona fide* indebtedness; and transfers made pursuant to a *bona fide* take-over bid.

Founders' Shares

On the closing of Alignvest's initial public offering, the Alignvest Founders (the "**Restricted Parties**") entered into the transfer restrictions agreement and undertaking (the "**Transfer Restrictions Agreement and Undertaking**") with the co-lead underwriters for the initial public offering of Alignvest (the "**Co-Lead Underwriters**") pursuant to which each Restricted Party agreed to certain transfer restrictions in respect of their aggregate 12,887,500 founders' Alignvest Class B Shares (which were acquired for nominal consideration) and 11,050,000 Alignvest Warrants (which were acquired for C$1.00 per Alignvest Warrant). These restrictions will continue to apply to the New Sagicor Common Shares following closing but will cease to apply to the Alignvest Warrants.

Pursuant to the Transfer Restrictions Agreement and Undertaking, the Restricted Parties agreed not to transfer any of their founders' New Sagicor Common Shares, without prior consent of Alignvest and the Co-Lead Underwriters, until the earliest of: (i) with respect to 50% of the founders' New Sagicor Common Shares, one year following completion of the Sagicor Arrangement; (ii) with respect to the remaining 50% of the founders' New Sagicor Common Shares, two years following completion of the Sagicor Arrangement; (iii) with respect to 100% of the founders' New Sagicor Common Shares, the date following the completion of the Sagicor Arrangement on which New Sagicor completes a liquidation, merger, amalgamation, arrangement, share exchange or other similar transaction that results in all of the holders of New Sagicor Common Shares receiving in exchange for or having the right to exchange their New Sagicor Common Shares for cash, securities or other property; and (iv) with respect to 100% of the founders' New Sagicor Common Shares, the date on which the closing price of New Sagicor Common Shares equals or exceeds C$12.00 per share (as adjusted for share splits, share capitalizations, reorganizations, Extraordinary Dividends, recapitalizations and the like) for any 20 trading days within any 30-trading day period at any time following the closing of the Sagicor Arrangement; in each case, subject to applicable securities laws and TSX rules. Any New Sagicor Common Shares of New Sagicor resulting from Alignvest Class A Restricted Voting Shares held by the Restricted Parties are not subject to the forfeiture or transfer restrictions set out in the Transfer Restrictions Agreement and Undertaking.

As a condition to the completion of the Transaction, each of the Restricted Parties must agree to deposit the share certificates and any dividends in respect of approximately 50% of their founder's Alignvest Class B Shares held by it (which will be converted into New Sagicor Common Shares upon the completion of the Transaction) with a third party escrow agent, which will be held by such escrow agent, in accordance with the terms of an escrow agreement, for a period of up to five years following the last day of the calendar quarter immediately following the completion of the Transaction, subject to earlier release. In the event the founder's share certificates and any dividends in respect of the New Sagicor Common Shares are not released from escrow prior to the expiry of such five (5) year period as described below, such shares will be purchased for cancellation for nominal consideration on the business day immediately following the expiry of such five (5) year period.

Approximately twenty five percent (25%) of the Restricted Parties' founder's New Sagicor Common Shares will be released from escrow prior to the expiry of such five (5) year period on the date on which the closing share price of the New Sagicor Common Shares has exceeded C$12.00 (as adjusted for share splits or combinations, share dividends, New Sagicor Extraordinary Dividends, reorganizations and recapitalizations) for any 20 trading days within a 30-trading day period during such five (5) year period. In addition, approximately twenty five percent (25%) of the Restricted Parties' founder's New Sagicor Common Shares will be released from escrow prior to the expiry of such five (5) year period on the date on which aggregate Book Value of New Sagicor, as measured at the end of any calendar quarter during such five (5) year period, has increased by at least the Required Minimum Book Value Increase from its value on the date that is the last day of the calendar quarter ending immediately after the Effective Time. One-hundred percent (100%) of the Restricted Parties' founder's New Sagicor Common Shares will be released from escrow prior to the expiry of such five (5) year period on the date of completion of certain change in control transactions involving New Sagicor. While each Restricted Party's New Sagicor Common Shares are deposited in escrow, such Restricted Party will not be entitled to exercise voting rights or receive dividends in respect of such shares.

In the event that any Restricted Party does not agree to the provisions described above, Alignvest II LP will subject the same number of its founder's Alignvest Class B Shares to the escrow and repurchase provisions described above in lieu of such Restricted Party.

Forward Purchasers' Shares

On the closing of Alignvest's initial public offering, the Alignvest Forward Purchasers entered into Alignvest Forward Purchase Agreements pursuant to which each Alignvest Forward Purchaser agreed to certain transfer restrictions in respect of their Alignvest Class B Shares and Alignvest Warrants. These restrictions will continue to apply to the New Sagicor Common Shares following closing but will cease to apply to the Alignvest Warrants.

Pursuant to the Initial Forward Purchase Agreements, the Alignvest Forward Purchasers agreed not to transfer any of their Alignvest Class B Shares and New Sagicor Common Shares into which such Alignvest Class B Shares are convertible until the earlier of: (i) one year following completion of the Sagicor Arrangement; (ii) the date following the completion of the Sagicor Arrangement on which New Sagicor completes a liquidation, merger, amalgamation, arrangement, share exchange or other similar transaction that results in all of New Sagicor Shareholders receiving in exchange for or having the right to exchange their shares of New Sagicor for cash, securities or other property.

Notwithstanding the foregoing, if, subsequent to completion of the Sagicor Arrangement, the closing price of New Sagicor Common Shares equals or exceeds C$12.00 per share (as adjusted for share splits, share capitalizations, reorganizations, extraordinary dividends (being any dividend that, together with all other dividends payable in the same calendar year, has an aggregate dollar value which is greater than C$0.25 per share), recapitalizations and the like) for any 20 trading days within any 30 trading day period commencing at least 150 days after the completion of the Sagicor Arrangement, the New Sagicor Common Shares shall be released from the transfer restrictions in the Initial Forward Purchase Agreements.

The transfer restrictions in the Initial Forward Purchase Agreements are subject to certain exemptions, including: (i) to New Sagicor's officers or directors, any affiliates or family members of any of New Sagicor's officers or directors, any members of the Sponsor or their affiliates, or any affiliates of the Sponsor; (ii) in the case of an individual, by gift or transfer to a member(s) of the individual's immediate family or to a trust, the beneficiary of which is a member of one of the individual's immediate family, an affiliate of such person, or in the case of any person, by gift or transfer to a charitable organization; (iii) in the case of an individual, by virtue of laws of descent and distribution upon death of the individual; (iv) in the case of an individual, pursuant to a qualified domestic relations order; (v) in the event of completion of a liquidation, merger, amalgamation, arrangement, share exchange or other similar transaction which results in all of New Sagicor's Shareholders receiving in exchange for or having the right to exchange their shares of New Sagicor any for cash, securities or other property subsequent to the completion of the Sagicor Arrangement; (vi) as a bona fide gift or gifts; (vii) as a distribution to limited partners, members or stockholders of the Alignvest Forward Purchaser; (viii) to the Alignvest Forward Purchaser's affiliates, to any investment fund or other entity controlled or managed by the Alignvest Forward Purchaser, or to any investment manager or investment advisor of the Alignvest Forward Purchaser or an affiliate of any such investment manager or investment advisor, (ix) to a nominee or custodian of a person or entity to whom a disposition or transfer would be permissible under clauses (i) through (viii) above, and (x) pursuant to an order of a court or regulatory agency; provided, however, that in the case of clauses (i) through (iv) and (vi) through (ix) these permitted transferees must enter into a written agreement agreeing to be bound by these transfer restrictions.

As a condition to the completion of the Transaction, each of the Alignvest Forward Purchasers party to an Initial Forward Purchase Agreement will deposit the share certificates and any dividends in respect of approximately 50% of their Alignvest Class B Shares acquired pursuant to such Initial Forward Purchase Agreement (which will be converted into New Sagicor Common Shares upon the completion of the Transaction) with a third party escrow agent, which will be held by such escrow agent, in accordance with the terms of an escrow agreement, for a period of up to five years following the last day of the calendar quarter immediately following the completion of the Transaction, subject to earlier release. In the event such Alignvest Forward Purchasers' the share certificates and any dividends in respect of New Sagicor Common Shares are not released from escrow prior to the expiry of such five (5) year period as described below, such shares will be purchased for cancellation for nominal consideration on the business day immediately following the expiry of such five (5) year period.

Approximately twenty five percent (25%) of each such Alignvest Forward Purchaser's New Sagicor Common Shares will be released from escrow prior to the expiry of such five (5) year period on the date on which the closing share price of the New Sagicor Common Shares has exceeded C$12.00 (as adjusted for share splits or combinations, stock dividends, New Sagicor Extraordinary Dividends, reorganizations and recapitalizations) for any 20 trading days within a 30-trading day period during such five (5) year period. In addition, approximately twenty five percent (25%) of the each such Alignvest Forward Purchaser's New Sagicor Common Shares will be released from escrow prior to the expiry of such five (5) year period on the date on which aggregate Book Value of New Sagicor, as measured at the end of any calendar quarter during such five (5) year period, has increased by at least the Required Minimum Book Value Increase value on the date that is the last day of the calendar quarter ending immediately after the Effective Time. One-hundred percent (100%) of the Restricted Parties' founder's New Sagicor Common Shares will be released from escrow prior to the expiry of such five (5) year period on the date of completion of certain change in control transactions involving New Sagicor. While each Alignvest Forward Purchaser's New Sagicor Common Shares are deposited in escrow, such Alignvest Forward Purchaser will not be entitled to exercise voting rights or receive dividends in respect of such shares.

In the event that any Alignvest Forward Purchaser does not complete the transactions contemplated by its Initial Forward Purchase Agreement and the obligations of any such Alignvest Forward Purchaser thereunder are not otherwise satisfied in full, then its Alignvest Class B Shares acquired pursuant to such Initial Forward Purchase Agreement shall be automatically repurchased by Alignvest for nominal consideration and the number of shares subject to the provisions above shall be reduced by 50% of the Alignvest Class B Shares repurchased by Alignvest from such Alignvest Forward Purchaser.

Additional Subscriptions

Pursuant to subscription agreements entered into on or prior to the date of the Arrangement Agreement, certain third party investors have agreed to subscribe for Alignvest Class B Shares at a price of C$10 per Alignvest Class B Share, which are expected to provide additional cash proceeds to Alignvest of C$50 million. See also "*Principal Shareholders – Loan Arrangements*".

One such third party investor is Alignvest Partners, which has subscribed for C$17 million of the C$50 million in additional subscriptions. Alignvest Partners is an affiliated entity of AMC; AMC also indirectly controls the Sponsor. Accordingly, Alignvest Partners' subscription could be seen as a non-arm's length transaction. In connection therewith, Alignvest has determined that the fair market value of the subscription is less than 25% of Alignvest's market capitalization and that the subscription agreement is on arm's length terms.

PRIOR SALES

Alignvest has not issued any shares or securities convertible into shares during the 12-month period before the date of this prospectus.

The Alignvest Class A Restricted Voting Shares are listed on the TSX and trade under the symbol "AQY.A". The following table sets forth, for the periods indicated, the reported high and low prices and the aggregate volume of trading of the Class A Restricted Voting Shares on the TSX:

Period	High (C$)	Low (C$)	Volume
February (1-6) 2019………………………………………………………	10.03	10.01	2,674,423
January 2019….…………………………………………………………..	10.02	10.00	2,909,596
December 2018. …….…………………………………………………….	10.00	9.93	970,489
November 2018. …….……………………………………………………	9.96	9.91	418,841
October 2018……………………………………………………………..	9.94	9.85	665,041
September 2018…………………………………………………………...	9.84	9.72	1,404,101
August 2018……………………………………………………………….	9.79	9.73	47,540
July 2018………………………………………………………………….	9.78	9.72	654,523
June 2018…………………………………………………………………	9.78	9.70	253,203
May 2018…………………………………………………………………	9.79	9.67	1,112,691
April 2018………………………………………………………………...	9.82	9.67	1,914,200
March 2018……………………………………………………………….	9.80	9.65	1,144,292
February 2018…………………………………………………………….	9.80	9.70	2,279,709

The Alignvest Warrants are listed on the TSX and trade under the symbol "AQY.WT". The following table sets forth, for the periods indicated, the reported high and low prices and the aggregate volume of trading of the Alignvest Warrants on the TSX:

Period	High (C$)	Low (C$)	Volume
February (1-6) 2019………………………………………………………	N/A	N/A	600
January 2019.……………………………………………………………..	0.35	0.22	138,600
December 2018…………………………………………………………...	0.55	0.40	574,805
November 2018…….…………………………………………………….	0.50	0.38	553.550
October 2018……………………………………………………………..	0.44	0.44	500
September 2018…………………………………………………………..	0.43	0.40	355,638
August 2018………………………………………………………………	0.42	0.40	7,053
July 2018………………………………………………………………….	0.49	0.40	467,577
June 2018…………………………………………………………………	0.54	0.40	129,679
May 2018…………………………………………………………………	0.60	0.45	373,190
April 2018………………………………………………………………...	0.65	0.56	455,068
March 2018……………………………………………………………….	0.62	0.55	138,100
February 2018…………………………………………………………….	0.65	0.55	1,002,800

PRINCIPAL SHAREHOLDERS

The following table discloses the names of the persons or companies who, upon completion of the Transaction and assuming that no Alignvest Shareholders elect to redeem their Alignvest Class A Restricted Voting Shares, will, to Alignvest and Sagicor's knowledge, beneficially own or control, directly or indirectly, more than 10% of the combined voting rights attached to the New Sagicor Common Shares (including those subject to the forfeiture restrictions).

Name	Number and Type of Securities(1)	Type of Ownership	Percentage of Class(1)(2)	Total Voting Power(1)(2)
Alignvest Management Corporation(5)	14,419,126 New Sagicor Common Shares(3)	Registered	12.5%	12.5%(4)

(1) Assumes an exchange rate of US$1.00 to C$1.33, and includes all forfeitable shares.
(2) Based on approximately 115,037,745 New Sagicor Common Shares outstanding upon completion of the Transaction.
(3) AMC's holdings are subject to forfeiture as further described below in this section under the headings "*Bonuses*" and "*Loan Transactions*".
(4) Assuming levels of redemptions of Alignvest Class A Restricted Voting Shares of 25% and the "minimum cash" threshold, "Total Voting Power" would be 13.7% and 15.9%, respectively.
(5) Includes AMC, Sponsor, and Alignvest Partners.

Bonuses

Following closing, AMC intends to pay the following bonuses to certain of its personnel who have been instrumental in sourcing and completing the Transaction (with all Alignvest Founder's New Sagicor Common Shares to be reduced proportionately by any forfeiture thereof), and in all cases subject to similar anti-dilution provisions which apply to the warrants:

(i) to Mr. Sanjil Shah, an officer of AMC, an amount equal to the value, determined once all contractual resale and forfeiture restrictions have expired, of (i) 138,125 Alignvest Warrants, plus (ii) 138,903 New Sagicor Common Shares;

(ii) to Mr. Andy Moysiuk, a director of AMC, an amount equal to the value, determined once all contractual resale and forfeiture restrictions have expired, of (i) 29,835 Alignvest Warrants, plus (ii) 30,003 New Sagicor Common Shares;

(iii) to Mr. Andre Mousseau, an employee of AMC and a proposed officer of New Sagicor, an amount equal to the value, determined once all contractual resale and forfeiture restrictions have expired, of (i) 138,125 Alignvest Warrants, plus (ii) 156,403 New Sagicor Common Shares; and

(iv) to certain other employees or consultants of AMC or affiliated entities who will not be officers or directors of either AMC or New Sagicor, an amount equal to the value, determined once all contractual resale and forfeiture restrictions have expired, of (i) 497,250 Alignvest Warrants, plus (ii) 513,051 New Sagicor Common Shares.

In the case of Alignvest Founder's New Sagicor Common Shares which are subject to forfeiture, if the recipient is not actually engaged by AMC for any reason at the date of forfeiture, no bonus shall be payable in respect thereof (in certain cases, death or disability are excluded events). As well, if at any time prior to the date of payment either (I) there is a termination for cause, or (II) the individual in question breaches any material obligation owed to AMC or its affiliates which is not cured within 10 days following written notice thereof, then no bonus shall be owing to the terminated individual. Despite the foregoing, all of Mr. Mousseau's entitlements will vest on closing, except that he will receive no value in respect of any forfeited shares.

The bonus will be payable in cash and net of withholding or other taxes. The bonus will be generally be due in whole or in part following the sale by AMC of New Sagicor Common Shares, provided that after a specified term AMC will have the option to pay in kind.

Alignvest has consented to these arrangements.

Loan Arrangements

AMC owes the following individuals the amounts specified below on a non-interest bearing basis:

(i) C$138,403 to Mr. Sanjil Shah, an officer of AMC;

(ii) C$138,403 to Mr. Nadir Mohamed, a director of AMC;

(iii) C$19,930 to Mr. Andy Moysiuk, a director of AMC;

(iv) C$138,403 to Mr. Andre Mousseau, an employee of AMC and a proposed officer of New Sagicor;

(v) a total of C$9,965 to various other employees of AMC or affiliated entities who will not be officers or directors of either AMC or New Sagicor.

The loans in question may be required to be repaid in the discretion of each individual on 30 days' prior written notice following the expiry of all contractual resale and forfeiture restrictions applicable to the New Sagicor Common Shares owned by AMC (or on a pro rata basis as any such restrictions expire in part).

Following closing, the individuals intend to permit AMC (subject to any required approvals) to repay the loans as follows. For each C$10,000 owing, the loan could be repaid either by way of (I) the transfer to the individual of (i) approximately 9,980 Alignvest Warrants, plus (ii) approximately 10,000 New Sagicor Common Shares (reduced proportionately by any forfeiture thereof), and with (i) and (ii) subject to similar anti-dilution provisions which apply to the warrants, or (II) the cash equivalent thereof determined as of the date of payment (grossed up for any additional tax payable as a result of paying in cash rather than in securities).

In certain cases, if an individual has not required repayment within five years following the closing of the Sagicor Arrangement then AMC may in its discretion elect to repay the loans on the same terms.

In certain cases, if an individual receives securities, 50% of the securities received shall be subject to resale restrictions for a 12 month period, which shall be accelerated, on a pro rata basis, in proportion to sales of similar securities by AMC from its holdings.

Certain restrictive covenants apply to the individuals in question.

Alignvest has consented to these arrangements.

DIRECTORS AND EXECUTIVE OFFICERS

The names, municipality of residence and positions with New Sagicor of the persons who are expected to serve as directors and executive officers of New Sagicor after giving effect to the Transaction are set out below. Each of the twelve (12) proposed members of the New Sagicor Board will be formally appointed to the New Sagicor Board at or immediately prior to the closing of the Transaction. The current directors of Alignvest, with the exception of Reza Satchu and Timothy Hodgson, intend to resign at or immediately prior to the closing of the Transaction, and their replacements plus three (3) new directors are expected to be appointed at that time.

The New Sagicor Board is expected to be comprised as follows:

Directors

Name and Province/State and Country of Residence	Present Principal Occupation
Dodridge Miller Florida, USA	President and Chief Executive Officer of Sagicor
Stephen McNamara Castries, St. Lucia	Senior Partner of McNamara & Company, Attorney-at-Law of St. Lucia
Sir Hilary Beckles St. Thomas, Barbados	Vice Chancellor of the University of the West Indies
Peter Clarke Maraval, Trinidad	Chairman of Guardian Media Ltd. and former Chairman of the Trinidad and Tobago Stock Exchange
Stephen Facey Kingston, Jamaica	Chairman and CEO of PanJam Investment Limited
Monish Dutt Washington D.C., USA	Former Chief Credit Officer for Global Financial Institutions & Private Equity Funds at IFC
John Shettle(1) Florida, USA	Operating Manager of Stone Point Capital
Reza Satchu Ontario, Canada	Managing Partner, Alignvest Management Corporation
Timothy Hodgson(2) Ontario, Canada	Managing Partner, Alignvest Management Corporation
Alister Campbell(3) Ontario, Canada	Former CEO of The Guarantee and Zurich Insurance Canada
Rik Parkhill Ontario, Canada	Former CEO of CIBC FirstCaribbean
Mahmood Khimji New York, United States	Founding Principal of Highgate

Notes:

(1) Proposed Chair of the Audit Committee
(2) Proposed Chairman of the New Sagicor Board
(3) Proposed Chair of the Investment and Risk Committee

As all of the proposed directors of New Sagicor set forth above, other than Reza Satchu and Timothy Hodgson, who are currently directors of Alignvest, are not current directors of Alignvest and will not become directors of New Sagicor until the completion of the Transaction, they will not be subject to liability as directors for any misrepresentation in this prospectus. All but Messrs. Satchu, Hodgson, Campbell and Khimji, who are North

American residents, have experience in the Caribbean. All of the proposed directors of New Sagicor, other than Mr. Khimji, have visited Sagicor's operations and met with local management in key Caribbean jurisdictions on several occasions. Mr. Khimji has met with Sagicor's key management in New York. All of the proposed directors of New Sagicor, other than Messrs. Shettle, Satchu, and Khimji, have visited Sagicor Jamaica and met with local management of Sagicor Jamaica.

Each new director of New Sagicor will thereafter be elected by New Sagicor Shareholders at each annual meeting of shareholders or at a special general meeting of the shareholders convened for such purpose, and will hold office for such term as the shareholders may determine or, in the absence of such determination, until the end of the next annual meeting of New Sagicor or until their successors are elected or appointed, unless: (i) his or her office is earlier vacated in accordance with the bye-laws of New Sagicor; or (ii) he or she becomes disqualified to act as a director.

Executive Officers

Name and Residence	Proposed Position with New Sagicor	Present Principal Occupation
Dodridge Miller Florida, USA	President and Chief Executive Officer	President and Chief Executive Officer of Sagicor
Ravi Rambarran Kingston, Jamaica	Group Chief Operating Officer	Chief Operating Officer of Sagicor
Andre Mousseau Ontario, Canada	Group Chief Financial Officer[13]	Chief Operating Officer of Alignvest
Chris Zacca Kingston, Jamaica	President of Sagicor Jamaica	President and Chief Executive Officer of Sagicor Group Jamaica Limited
Bart Catmull Florida, USA	President of Sagicor USA	President and Chief Operating Officer of Sagicor USA

Based on the expected shareholdings following completion of the Transaction, the proposed directors and executive officers of New Sagicor, as a group, are expected to beneficially own, or control or direct, directly or indirectly, approximately 18.1 million New Sagicor Common Shares, representing approximately 15.8% of the expected number of outstanding New Sagicor Common Shares, and 15.8% of the total voting power of New Sagicor upon completion of the Transaction, assuming no redemptions of Alignvest Class A Restricted Voting Shares. Assuming redemption levels of Alignvest Class A Restricted Voting Shares of 25% and the "minimum cash" threshold, the proposed directors and officers are expected to hold approximately 17.3% and 20% of the total voting power of New Sagicor.

See note 4 of the New Sagicor Pro Forma Financial Statements for additional information regarding the issued and outstanding securities of New Sagicor following the Transaction.

All of the expected executive officers but Mr. Mousseau have experience in the Caribbean as a result of their employment with Sagicor or its affiliates. The following expected directors and executive officers of New Sagicor have experience conducting business in Barbados and Jamaica: Dodridge Miller, Stephen McNamara, Sir Hilary Beckles, Peter Clarke, Stephen Facey, Monish Dutt, John Shettle, Rik Parkhill, Ravi Rambarran, Chris Zacca and Bart Catmull.

Biographies

The following are brief profiles of the proposed directors and executive officers of New Sagicor, including a description of each individual's principal occupation within the past five years.

[13] Mr. Mousseau will be directly employed by a Canadian subsidiary of Sagicor to be incorporated.

Directors

Dodridge Miller. Dodridge Miller has been Group President and Chief Executive Officer of Sagicor since July 2002, and has been a director since December 2002. A citizen of Barbados and the United States of America, Mr. Miller is a Fellow of the Association of Chartered Certified Accountants (FCCA), and obtained his MBA from the University of Wales and Manchester Business School. He holds an LLM in Corporate and Commercial Law from the University of the West Indies and, in October 2008, he was conferred with an Honorary Doctor of Laws degree by the University of the West Indies. He has more than 30 years' experience in the banking, insurance and financial services industries. Prior to his appointment as Group President and Chief Executive Officer, he previously held the positions of Treasurer and Vice President – Finance and Investments, Deputy Chief Executive Officer and Chief Operating Officer. Mr. Miller joined Sagicor in 1989. He is a director of Sagicor Life, Sagicor USA, Sagicor Jamaica, Sagicor Life Jamaica, Sagicor Investments Jamaica and a number of other subsidiaries within Sagicor.

Stephen McNamara. Dr. McNamara was called to the Bar at Lincoln's Inn, and in St. Lucia in 1972. He is the senior partner of McNamara & Company, Attorneys-at-Law of St. Lucia. The barrister/solicitor specializes in the representation of foreign investors in St Lucia in the Tourism, Manufacturing and Banking sectors. He served as Chairman of the St Lucia Tourist Board for nine years. Dr. McNamara is the Chairman of the Group's main operating subsidiaries, Sagicor Life Inc., Sagicor USA and Sagicor Finance Inc., and formerly served as Vice Chairman, Sagicor Financial Corporation Limited, between June 2007 and January 2010. He is a director of Sagicor Group Jamaica Limited and a number of other subsidiaries within the Group. Dr. McNamara's St Lucia-based service includes the Board of St. Lucia Electricity Services Ltd., where he was elected Chairman in December 2015, and served until his retirement at the end of 2017, and as President of the St Lucia Tennis Association. Dr. McNamara was made a Commander of the Order of the British Empire (CBE) in the 2015 Queen's Birthday Honours for public service and services to the legal profession. Also in 2015 he was awarded an honorary doctorate from the University of the West Indies for his outstanding achievements and contribution to the region in the areas of business, sport and general philanthropy for more than forty years.

Sir Hilary Beckles. Sir Hilary earned his PhD from Hull University, United Kingdom, and received an Honorary Doctorate of Letters from the same University in 2003. He is the Vice Chancellor of the University of the West Indies, and has previously served as the Head of the History Department and Dean of the Faculty of Humanities. In 1998, he was appointed Pro-Vice-Chancellor for Undergraduate Studies and, in 2002, the Principal of Cave Hill Campus. Sir Hilary has published widely on Caribbean economic history, cricket history and culture and higher education, and serves on the Editorial Boards of several academic journals. He has lectured in Africa, Asia, Europe and the Americas. He was elected a director of Sagicor Life Inc. in 2005. He is Chairman of the Caribbean Examinations Council. He is a member of the Secretary General of the UN, Advisory Board on Science and Sustainable Development, a member of UNDP's Advisory Panel on the Caribbean Human Development Report, Vice President of UNESCO's Slave Route Project, and also Vice President of the Commonwealth Ministers' Advisory Board on Sport.

Peter Clarke. Mr. Clarke obtained a Bachelor of Arts degree from Yale University and a Law degree from Downing College, Cambridge University. He was called to the Bar as a member of Grays Inn, London, in 1979 and to the Bar of Trinidad and Tobago in 1980. Mr. Clarke is a Financial Consultant, who formerly practiced as a Barrister-at-Law before embarking on a 22-year career in stockbroking. From 1984 to 2000, he was the Managing Director of Money Managers Limited, and Chief Executive of West Indies Stockbrokers Limited from 2001 until his retirement in 2005. Mr. Clarke is the Chairman of Guardian Media Ltd in Trinidad and Tobago, as well as a director of a number of companies including the Trinidad and Tobago Stock Exchange. He is also a member of the Finance Council of the Roman Catholic Archdiocese of Port of Spain. From 2002 to 2005, he was a director of the Trinidad and Tobago Chamber of Industry and Commerce. Mr. Clarke also serves as a director of Sagicor Life Inc., Sagicor Group Jamaica Limited and Sagicor Life Jamaica Limited.

Stephen Facey. Mr. Stephen B. Facey is the Chairman and Chief Executive Officer of PanJam Investment Limited (PanJam). He has over 35 years of experience in architecture, real estate development and management, and private equity investing. An Architect by training, Mr. Facey holds a BA in architecture from Rice University and a M. Arch. from the University of Pennsylvania. He is the Chairman of Jamaica Property Company Limited, the Jamaica Developers Association, Kingston Restoration Company Limited and the New Kingston Civic Association. Mr. Facey is the Chairman of the Boys' Town Infant and Primary School, as well as the C. B. Facey Foundation, the charitable arm of PanJam. Mr. Facey is also the Chairman of the New Castle Group of Companies. He is a director of Sagicor Group Jamaica Limited, Sagicor Life Jamaica Limited, Chukka Caribbean Adventures Limited and the National Gallery of Jamaica, and a Trustee of the Institute of Jamaica.

Monish Dutt. Monish Dutt has been an independent director of Sagicor since 2012 and is a citizen of India and a permanent resident of the United States of America. He holds an MBA with a concentration in Finance from the London Business School, London University, and a BA in Economics from the University of Delhi. He is a Fellow of the Institute of Chartered Accountants (FCCA), London, England. Currently a Consultant on Emerging Markets, Mr. Dutt is a seasoned investment professional who, for the 25 years preceding 2011, was employed with the IFC, a member of the World Bank Group. While at IFC, he held various positions, the most recent of which was Chief Credit Officer for Global Financial Institutions & Private Equity Funds. He was formerly the Head of IFC's Private Equity Advisory Group, the Head of the Baltics, Central Europe, Turkey and Balkans Group, Principal Investment Officer for Asia, Senior Investment Officer for Central & Eastern Europe, and an Investment Officer for Africa, Latin America and Asia. Mr. Dutt has extensive experience evaluating investment proposals in financial institutions and private equity funds globally, structuring investments, tracking global investment portfolios, and providing quality control guidance to private equity fund investments. Mr. Dutt has also represented IFC on boards of investee companies. Mr. Dutt serves as a director of Sagicor Bank.

John Shettle. John Shettle, Jr. has been an independent director of Sagicor since June 2008, and is a citizen of the United States of America. Mr. Shettle received his undergraduate degree from Washington & Lee University, and holds an MBA from the Sellinger School of Business at Loyola College, Maryland. Mr. Shettle is an Operating Partner of Stone Point Capital, a private equity firm in the global financial services industry. He has over 35 years' experience in senior management positions in the property/casualty, health and insurance-related services industry. More recently, Mr. Shettle has served as Senior Advisor to Lightyear Capital, a private equity firm, and President and Chief Executive Officer of the Victor O Schinnerer Company. Prior to that, he was the Chief Executive Officer of Tred Avon Capital Advisors, Inc., a firm providing advisory services to companies and private equity firms focused on the insurance sector. He has held senior management positions at Securitas Capital, Swiss Reinsurance Company and Frederick, Maryland based AVEMCO Corporation (NYSE). Mr. Shettle is also a director of Sagicor USA and a number of subsidiaries within the Group.

Reza Satchu. Reza Satchu is a Managing Partner and co-founder of Alignvest Management Corporation. Previously, Mr. Satchu was the President, Chief Executive Officer, and a director of Alignvest Acquisition II Corporation, where he participated in sourcing, evaluating, and executing the qualifying acquisition. Mr. Satchu has co-founded, built, and/or managed several operating businesses from inception including: Alignvest Management Corporation, SupplierMarket, a supply chain software company that was sold to Ariba Inc. for share consideration implying an enterprise value of US$924 million; StorageNow, which became one of Canada's largest self-storage companies prior to being sold to InStorage REIT for cash consideration of C$110 million; and KGS-Alpha Capital Markets L.P., a U.S. fixed-income broker dealer, that was sold to BMO Financial Group. Previously, Mr. Satchu was a General Partner at Fenway Partners, a US$1.4 billion private equity firm focused on acquiring leading middle market companies and a Financial Analyst at Merrill Lynch in the High Yield Finance and Restructuring Group. Mr. Satchu has received "Canada's Top 40 Under 40™" Award and the 2011 Management Achievement Award from McGill University. Mr. Satchu is on the board of directors of Trilogy International Partners Inc. and he previously served on the Boards of KGS-Alpha Capital Markets and the Toronto Hospital for Sick Children Foundation where he was Vice-Chairman of the Board from 2009 to 2011. He is currently a member of the Advisory Board of the Arthur Rock Center for Entrepreneurship at Harvard Business School and he is the Founding Chairman of Next Canada, an intensive entrepreneurship program for Canada's most promising young entrepreneurs. Mr. Satchu has a bachelor's degree in economics from McGill University and a MBA from Harvard University.

Timothy Hodgson. Timothy Hodgson is a Managing Partner of Alignvest Management Corporation. Previously, Mr. Hodgson also served as the Chairman and a director of Alignvest Acquisition II Corporation, where he participated in sourcing, evaluating, and executing the qualifying acquisition. Prior to joining Alignvest Management Corporation, Mr. Hodgson was Special Advisor to Governor Mark Carney at the Bank of Canada from 2010 to 2012. From 1990 to 2010, Mr. Hodgson held various positions in New York, London, Silicon Valley, and Toronto with Goldman Sachs. His expertise spanned several industry verticals, capital markets products, merger advisory services and merchant banking. In 2005, Mr. Hodgson was tasked with rebuilding Goldman Sachs Canada after the firm had curtailed its Canadian investment banking, fixed income, and equity research operations in 2003.

From 2005 to 2010, he served as Chief Executive Officer of Goldman Sachs Canada with overall responsibilities for the firm's operations, client relationships and regulatory matters in the region. Under his leadership, the firm significantly increased its headcount, and expanded the scope of its operations. Mr. Hodgson has advised Canadian governments, corporations and high net worth individuals. Selected clients in the financing, mergers and merchant banking businesses included the Province of Ontario Government, the Canada Pension Plan Investment Board, the Ontario Teachers' Pension Plan, the Ontario Municipal Employees Retirement System, the Caisse de dépôt et placement du Québec, and Brookfield Asset Management. Mr. Hodgson currently sits on the boards of Hydro One, PSP Investments, MEG Energy Corp., and Next Canada. Mr. Hodgson's prior directorships include The Global Risk Institute, KGS-Alpha Capital Markets, Bridgepoint Health and the Richard Ivey School of Business. Mr. Hodgson holds a Masters of Business Administration from The Richard Ivey School of Business at the University of Western Ontario and a Bachelor of Commerce from the University of Manitoba. He is a Fellow of the Institute of Chartered Public Accountants and a member of the Institute of Corporate Directors.

Alister Campbell. Alister Campbell is the incoming CEO of the Property and Casualty Insurance Compensation Corporation (PACICC), the Canadian industry-funded resolution authority for the insurance sector. Previously, Mr. Campbell served as the President and CEO of The Guarantee Company of North America, a market-leading specialty insurer and surety underwriter in Canada with an expanding surety underwriting presence in the United States. In that role, he led a period of strong growth and increased profitability. Prior to his role at The Guarantee, Mr. Campbell was President, Chief Executive Officer and Chief Agent of Zurich North America Canada, a Canadian market leader in corporate, commercial and specialty insurance. Mr. Campbell is a 30-year insurance industry veteran and began his career in the brokerage sector where he helped found and lead Canada's first significant broker consolidator – Trivest Insurance Network. He then began his first period with Zurich Canada rising to the position of President, Personal Insurance where he was accountable for the growth and profitability of both Property & Casualty and Life Insurance. Upon the sale of those businesses, Mr Campbell was invited to join the Senior Executive of ING Canada (now Intact Financial) where he served in various roles including as Senior Vice-President, Marketing & Communications - accountable for the ING brand as well as direct-insurer brands BelairDirect and GreyPower Insurance. Mr. Campbell was also accountable for Investor Relations during the period when ING Canada first became publicly traded on the TSX. Alister has previously served the industry as Chair of the board of directors of PACICC and as Deputy Chair of the Board of the Insurance Bureau of Canada (IBC). Currently, he is a member of the board of directors of the Global Risk Institute in Financial Services and a Senior Fellow at the C.D. Howe Institute. Alister holds a BA (Hons.) from the University of Toronto, a M.Sc. from the London School of Economics and an MBA (Finance) from the Wharton Graduate School of Business at the University of Pennsylvania.

Rik Parkhill. Rik Parkhill has over 30 years of experience in the financial services industry, including managing banks, brokerage firms and exchanges. He is currently Managing Partner and Founder of Parkhill Advisory Inc., which provides advisory services to corporations and institutional investors, with a focus on strategy, capital markets and banking. He also serves as a non-executive director on corporate boards in Canada and the Caribbean. Mr. Parkhill was the CEO of CIBC FirstCaribbean International Bank from 2011 to 2015, and also served as Chairman of several of the bank's operating subsidiary boards. He was Managing Director, Head of Cash Equities and Capital Markets Sales at CIBC World Markets from 2008 to 2011. From 2001 to 2008, Mr. Parkhill held a number of senior positions at the TMX Group, including Interim Co-Chief Executive Officer and President, TSX Markets. Prior to 2001, he worked at several investment firms over a span of seventeen years, including Research Capital, BZW Canada, Deacon Morgan McEwen Easson, and Jones Heward. During this period, he held diverse positions, such as Head of Capital Markets, Head of Institutional Equities, Head of Research, and also worked as an Oil and Gas Analyst. Mr. Parkhill holds a Bachelor of Arts (Honours) degree from Queen's University.

Mahmood Khimji. Mahmood Khimji is a founding Principal of Highgate, a fully integrated real estate investment, management, and development company. Highgate is active in Domestic and European markets with corporate offices located in New York, London, Dallas, Los Angeles, and Seattle. Highgate targets investments in a broad range of real estate assets, portfolios, and companies. With a primary focus on the hospitality sector, Highgate has owned over 125 hotel properties and currently holds over 34,000 owned, managed, asset-managed, or under-development rooms in its portfolio. Highgate has also been an active acquirer of real estate outside of the hospitality sector, with significant investment experience in office assets, multifamily, mixed-use and high-street retail acquisitions. Mahmood attended the University of British Columbia and graduated from the University of Houston, summa cum laude, with a Bachelor of Arts degree. He attended Columbia Law School, from which he earned a Juris

Doctor and subsequently practised law at the Manhattan firm of Paul, Weiss, Rifkind, Wharton & Garrison. Mahmood was formerly a member of the Boards of Directors for MeriStar Hospitality Corporation, Interstate Hotels, and Morgans Hotel Group. He currently serves on the Board of Visitors for Columbia Law School and is a member of the Young Presidents' Organization (YPO). In addition, Mahmood is a member of the Real Estate Forum and serves on the National Committee for the Aga Khan Foundation USA and is on the Board of Asia Society.

Executive Officers

Dodridge Miller. Please see Mr. Miller's biography above.

Ravi Rambarran. Ravi Rambarran was appointed to the post of Group Chief Operating Officer with responsibility for Sagicor Life Inc. Southern Caribbean on January 1, 2018. He first joined the Sagicor Group of Companies in 1997 in Jamaica, where he held senior management positions with Sagicor Life Jamaica Limited. A director on the Sagicor Life USA Board since 2008, he was previously the Appointed Actuary of the Subsidiaries, the Group's President and Chief Executive Officer – International Division, and most recently, the Executive Vice President-Corporate Strategy and Investor Relations and Sagicor. Mr. Rambarran was awarded an Open Mathematics Scholarship by the Government of Trinidad and Tobago, has a BSc (Hons) in Actuarial Science from City University, London, an MSc in Finance from the University of London, and is a Fellow of the Institute of Actuaries. Mr. Rambarran has more than 20 years of experience, both regionally and internationally, in the pensions, insurance and asset management industries. He is also a member of the Executive of the Caribbean Actuarial Association and represents the Caribbean on the International Actuarial Association.

Andre Mousseau. Andre Mousseau was most recently a Partner at Alignvest Private Capital. Before joining Alignvest, Mr. Mousseau was a Portfolio Manager in the Long Term Equities group at the Ontario Teachers' Pension Plan, the largest single-profession pension plan in Canada. The Long Term Equities group focused on investments, both public and private, with steady cash flow and growth potential that can hold their value and act as a hedge against inflation. During Mr. Mousseau's tenure, the Long Term Equities group made investments in Camelot Group plc, Impark Corp., Baybridge Seniors Housing and Aircastle Ltd. Prior to joining Ontario Teachers' Pension Plan, Mr. Mousseau was a Principal at EdgeStone Capital Partners, one of Canada's leading independent private equity managers. Mr. Mousseau joined EdgeStone Capital Partners as an Associate in 2006 and worked on a variety of successful investments, portfolio company initiatives and exits across multiple industries. Prior to this, Mr. Mousseau started his career in investment banking with CIBC World Markets and Genuity Capital Markets. Mr. Mousseau is a director of Edgewood Health Network, a portfolio investment of Alignvest. Previously, Mr. Mousseau served on the boards of Impark Corp., one of North America's largest parking management providers, Premier Lotteries, Ontario Teachers' Pension Plan's holding company for lottery management investments, and Aurigen Reinsurance, a Bermuda-based life reinsurance provider focused on the reinsurance of life insurance policies of North American residents, and was an alternate board member of Camelot Group PLC, the operator of the UK National Lottery. Mr. Mousseau earned a Masters of Business Administration at the Richard Ivey School of Business at the University of Western Ontario where he graduated as an Ivey Scholar, and an undergraduate degree in economics from McGill University.

Chris Zacca. Chris Zacca was appointed President and CEO of Sagicor Group Jamaica Limited in May 2017. Mr. Zacca holds a BSc in Engineering from the Massachusetts Institute of Technology and an MBA from the University of Florida. Mr. Zacca has more than 30 years of experience in public and private sector management, in particular during the period of 1982-2009, during which he held various senior management positions in the private sector. Mr. Zacca also served as a special advisor for the Prime Minister of Jamaica from 2009 to 2011. In 2014, Mr. Zacca was conferred with the National Honour of the Order of Distinction in the rank of Commander for his invaluable contribution to the private and public sectors in Jamaica.

Bart Catmull. Bart Catmull was appointed President and Chief Operating Officer of Sagicor USA in 2013. He joined Sagicor in 2005, and worked at the predecessor company since 1999. Mr. Catmull is a Certified Public Accountant (CPA), and obtained his Bachelors of Science degree from Brigham Young University. Mr. Catmull has more than 20 years' experience in the insurance industry. Prior to his appointment as President, he held the positions of Chief Operating Officer, Chief Financial Officer, Treasurer and Chief Accounting Officer at Sagicor.

Other Reporting Issuer Experience

The following table sets out the proposed directors of New Sagicor that are directors of other reporting issuers (or the equivalent) in Canada or a foreign jurisdiction, other than Alignvest, as of the date hereof:

Name	Name of Reporting Issuer
Dodridge Miller	Sagicor Financial Corporation Limited
	Sagicor Group Jamaica Limited
	FamGuard Corporation Limited
Stephen McNamara	Sagicor Financial Corporation Limited
	Sagicor Group Jamaica Limited
Sir Hilary Beckles	Sagicor Financial Corporation Limited
Peter Clarke	Sagicor Financial Corporation Limited
	Sagicor Group Jamaica Limited
Stephen Facey	Sagicor Group Jamaica Limited
	Panjam Investments Limited
Monish Dutt	Sagicor Financial Corporation Limited
	Ecobank Transnational Incorporated
John Shettle	Sagicor Financial Corporation Limited
	AmTrust Financial Services, Inc.
Reza Satchu	Trilogy International Partners Inc.
Timothy Hodgson	MEG Energy Corp.
	Hydro One Limited
	Public Sector Pension Investment Board (PSP)

Cease Trade Orders, Bankruptcies, Penalties or Sanctions

To the knowledge of Alignvest and Sagicor, no proposed nominee for election as a director or proposed executive officer of New Sagicor has been, at the date of the prospectus or within the last 10 years: (a) a director, chief executive officer or chief financial officer of any company that, while that person was acting in that capacity, (i) was the subject of a cease trade or similar order or an order that denied the company access to any exemption under securities legislation, for a period of more than 30 consecutive days, or (ii) was the subject of an event that resulted, after that person ceased to be a director or chief executive officer or chief financial officer, in the company being the subject of such an order; or (b) a director or executive of a company that, while that person was acting in that capacity or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets.

No proposed director or executive officer of New Sagicor has been subject to (a) any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or (b) any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable securityholder in making an investment decision.

To the knowledge of Alignvest, no proposed director or executive officer of New Sagicor has, within the 10 years before the date of the prospectus, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the director or executive officer.

Majority Voting Policy

It is expected that New Sagicor will adopt a majority voting policy consistent with TSX requirements prior to the first uncontested meeting of shareholders at which directors are to be elected.

Exclusive Jurisdiction Bye-law

It is expected that New Sagicor's bye-laws will include a provision providing for an exclusive jurisdiction for the adjudication of certain disputes whereby, unless New Sagicor approves or consents in writing to the selection of an alternative jurisdiction (and New Sagicor will, to the fullest extent permitted by law, always provide such consent with respect to the Superior Court of Justice of the Province of Ontario, Canada and the appellate courts therefrom), the courts of competent jurisdiction located in Bermuda shall, to the fullest extent permitted by law, be the sole and exclusive jurisdiction for any dispute concerning the BCA or out of or in connection with New Sagicor's bye-laws, including any question regarding the existence and scope of any bye-law and/or whether there has been any breach of the BCA or its bye-laws by an officer or director of New Sagicor (whether or not such a claim is brought in the name of a shareholder of New Sagicor or in the name of New Sagicor).

Conflicts of Interest

Certain of the proposed directors and executive officers of New Sagicor are officers and directors of, or are associated with, other public and private companies. Such associations may give rise to conflicts of interest with New Sagicor from time to time. Under Bermuda law, every director and officer of the company owes certain statutory and common law duties, as applicable, to the company as a whole. In exercising their powers and discharging their duties, every director and officer shall act honestly and in good faith with a view to the best interests of the company and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances. Pursuant to the BCA, if a director or officer is interested in a material contract or a proposed material contract with New Sagicor or any of its subsidiaries, or has a material interest in any person that is a party to such material contract or proposed material contract with New Sagicor or any of its subsidiaries, they must declare that interest to the board of directors at the first opportunity. It is expected that New Sagicor's bye-laws will stipulate that, subject to certain exceptions, an interested director shall not be entitled to vote in respect of any material contract or proposed material contract in which they have an interest, provided that: (i) no such contract or proposed contract shall be void or voidable by reason only that the interested director did vote in respect of such contract or proposed contract or did not declare their interest as required by the BCA and the interested director shall not be liable to account to New Sagicor for any profit realised thereby, if the interest was disclosed to the shareholders and the shareholders subsequently approved such contract by special resolution, and (ii) an interested director is not prohibited from voting in respect of such contract or proposed contract (w) relating to their remuneration as a director, officer, employee or agent of New Sagicor or its affiliates, (x) relating to their indemnification or insurance under the New Sagicor bye-laws, (y) with an affiliate of New Sagicor, or (z) in connection with the direct or indirect ownership of shares in New Sagicor by any director. See also "*Corporate Governance*" and "*Risk Factors*" in this prospectus.

Indemnification of Directors and Officers

Section 98 of the BCA provides generally that a Bermuda company may indemnify its directors, officers and auditors against any liability which by virtue of any rule of law would otherwise be imposed on them in respect of any negligence, default, breach of duty or breach of trust, except in cases where such liability arises from fraud or dishonesty of which such director, officer or auditor may be guilty in relation to the company. Section 98 further provides that a Bermuda company may indemnify its directors, officers and auditors against any liability incurred by them in defending any proceedings, whether civil or criminal, in which judgment is awarded in their favour or in which they are acquitted or granted relief by the Supreme Court of Bermuda pursuant to section 281 of the BCA.

It is expected that New Sagicor's bye-laws will provide that New Sagicor shall indemnify its officers and directors in respect of their actions and omissions, except in respect of their fraud or dishonesty.

Directors' and Officers' Liability Insurance

Section 98A of the BCA permits a Bermuda company to purchase and maintain insurance for the benefit of any officer or director in respect of any loss or liability attaching to him in respect of any negligence, default, breach of duty or breach of trust, regardless of whether or not such officer or director is otherwise indemnified. It is expected that New Sagicor's bye-laws will provide that the Company may purchase and maintain insurance for the benefit of its directors and officers against any liability incurred by them under the BCA in their capacity as a director or officer or indemnifying such director or officer in respect of any loss arising or liability attaching to them by virtue of any rule of law in respect of any negligence, default, breach of duty or breach of trust of which the director or officer may be guilty in relation to New Sagicor or any subsidiary thereof. New Sagicor intends to carry a directors' and officers' liability insurance policy which will be designed to protect New Sagicor and its directors and officers against any legal action which may arise as a result of wrongful acts on the part of directors and/or officers of New Sagicor. Such policy will be written with a maximum limit and be subject to a corporate deductible on all claims.

Directors and Executive Officers of Material Subsidiaries

The directors and officers of the material subsidiaries of New Sagicor other than Sagicor itself are expected to be:

Sagicor Life USA

Directors: Dodridge Miller, Stephen McNamara, Arthur Bethell, Ken Marshall, Monish Dutt, William Lucie-Smith, Peggy Rubin-Dittenmore, Todd Campbell, Ravi Rambarran, John Shettle and Vikki Pryor

Officers: Dodridge Miller (Chief Executive Officer), Shaun Williams (Chief Financial Officer) and Bart Catmull (Chief Operating Officer)

Sagicor Life

Directors: Stephen McNamara, Andrew Aleong, Sir Hilary Beckles, Peter Clarke, Jeannine Comma, Patricia Downes-Grant, William Lucie-Smith, Dodridge Miller, David Wright and Ian Carrington

Officers: Ravi Rambarran (President and Chief Executive Officer) and Althea Hazzard (General Counsel)

Sagicor Jamaica

Directors: Richard Byles, Christopher Zacca, R.D. Williams, Peter Clarke, Jeffrey Cobham, Jacqueline Coke-Lloyd, Richard Downer, Paul Facey, Stephen Facey, Marjorie Fyffe Campbell, Paul Hanworth, Stephen McNamara, Peter Melhado, and Dodridge Miller

Officers: Christopher Zacca (Chief Executive Officer) and Ivan Carter (Chief Financial Officer)

DIRECTORS' AND EXECUTIVE OFFICERS' COMPENSATION

New Sagicor operates in a competitive and rapidly evolving market. To succeed in this environment and to achieve its business and financial objectives, New Sagicor needs to attract, retain and motivate a highly talented team of executives. New Sagicor expects its team to possess and demonstrate strong leadership and management capabilities, as well as foster New Sagicor's company culture, which is at the foundation of its success and remains a pivotal part of its everyday operations.

New Sagicor's executive compensation program is expected to be designed to achieve the following objectives:

- provide market-competitive compensation opportunities in order to attract and retain talented, high-performing and experienced executive officers, whose knowledge, skills and performance are critical to New Sagicor's success;

- motivate these executive officers to achieve New Sagicor's business objectives;

- align the interests of New Sagicor's executive officers with those of its shareholders by tying a meaningful portion of compensation directly to the long-term value and growth of New Sagicor's business; and

- provide incentives that encourage appropriate levels of risk-taking by the executive team.

Named Executive Officers

It is expected that the five (5) "named executive officers" ("**NEOs**") of New Sagicor will include Dodridge D. Miller as President and Chief Executive Officer, Ravi Rambarran as Group Chief Operating Officer, Andre Mousseau as Group Chief Financial Officer, Chris Zacca as President of Sagicor Jamaica and Bart Catmull as President of Sagicor USA. All are currently executive officers of Sagicor and/or its subsidiaries except Andre Mousseau, who is currently Chief Operating Officer of Alignvest. An issuer's "named executive officers" are comprised of its Chief Executive Officer and Chief Financial Officer (or individuals who serve in similar capacities), and its three most highly compensated executive officers, other than the Chief Executive Officer and Chief Financial Officer, whose total compensation is, individually, more than C$150,000.

It is anticipated that the New Sagicor Board will adopt a written charter for the CG&E Committee and the C&HR Committee that establishes, among other things, the CG&E Committee's and the C&HR Committee's purpose and its responsibilities with respect to executive compensation (see "*Corporate Governance – Compensation and Human Resources Committee*" and "*Corporate Governance – Corporate Governance and Ethics Committee*"). The charters of the CG&C Committee and the C&HR Committee will provide that such committees shall, among other things, assist the New Sagicor Board in its oversight of executive compensation, management development and succession, director compensation and executive compensation disclosure.

It is expected that, following the Effective Date, such executive officers' compensation will include the following major elements: (i) base salary; (ii) short-term incentives, consisting of an annual bonus, based on the results of an executive's scorecard; (iii) long-term equity incentives, as may be granted from time-to-time under the proposed restricted share unit plan to be adopted by New Sagicor (see "*Equity Incentive Plan Descriptions – RSU Plan*"); and (iv) customary benefit programs. The historical executive compensation of the NEOs of Sagicor is generally not expected to be reflective of the expected compensation of the NEOs of New Sagicor.

The existing employment agreement between Sagicor Jamaica and Chris Zacca provides for: (i) base salary; (ii) short-term incentives, consisting of an annual bonus; (iii) long-term equity incentives, as may be granted from time-to-time under the RSU Plan; and (iv) customary benefit programs.

The existing employment agreement between Sagicor USA and Bart Catmull provides for: (i) base salary; (ii) short-term incentives, consisting of an annual bonus; (iii) long-term equity incentives expected to be granted from time-to-time under the RSU Plan; and (iv) customary benefit programs.

New Sagicor expects to continue to evaluate its philosophy and compensation programs as circumstances require and plans to review compensation on an annual basis. As part of this review process, New Sagicor expects to be guided by the philosophy and objectives outlined above, as well as other factors which may become relevant, such as the cost to New Sagicor if it were required to find a replacement for a key employee.

Compensation, Employment Agreements, Termination and Change of Control Benefits

Each of Dodridge Miller, Ravi Rambarran and Andre Mousseau intend to enter into a new employment agreement, which is conditional on the completion of the proposed transactions with Sagicor. Except as disclosed below, any restricted share unit awards that may be granted in the year ended December 31, 2019 have not been determined at this time. Amounts discussed in connection with annual incentive plan compensation reflect the maximum annual bonuses that could be awarded to the applicable NEO in 2019 in respect of the year ended December 31, 2019. The actual amount of cash bonuses paid out in 2019 may change depending on New Sagicor's ongoing performance. It is expected that none of the NEOs will be entitled to perquisites or other personal benefits which, in the aggregate, are worth over C$50,000 or over 10% of their base salary.

Regarding Chris Zacca's and Bart Catmull's employment agreement, the amounts discussed in connection with annual incentive plan compensation reflect the maximum annual bonuses that could be awarded to the applicable NEO in 2019 in respect of the year ended December 31, 2019. The actual amount of cash bonuses paid out in 2019 may change depending on Sagicor Jamaica's and Sagicor USA's, as applicable, ongoing performance. None of these NEOs are entitled to perquisites or other personal benefits which, in the aggregate, are worth over C$50,000 or over 10% of their base salary.

Dodridge D. Miller, President and Chief Executive Officer

In respect of the year ended December 31, 2019, Mr. Miller is expected to have a base salary of US$700,000 per annum. This base salary will be reviewed annually by the New Sagicor Board and may be adjusted in the sole discretion of the New Sagicor Board based on such review, but will not be reduced by the New Sagicor Board unless a material adverse change in the financial condition or operations of Sagicor has occurred or unless Mr. Miller's responsibilities are altered to reflect less responsibility. In addition, he will be entitled to a one-time lump sum cash payment equal to US$1,345,800 in consideration for his agreement to substantially reduce his base pay that is currently in effect.

In 2019, Mr. Miller will also have the opportunity to earn an annual incentive bonus payable in cash of up to 1.91 times his base salary (the maximum bonus would require maximum performance metrics to be satisfied, failing which a lesser or no bonus would be awarded). In later years, different short-term incentive plans may be adopted, but this remains to be determined.

Mr. Miller's existing equity incentives, consisting of options to acquire 5,549,200 Sagicor Common Shares exercisable at exercise prices between US$0.86 to US$2.50 per share expiring in 2020 to 2028 and unvested restricted share awards in respect of 889,305 Sagicor Common Shares vesting 25% on the grant date and in equal amounts of 25% over the succeeding three years thereafter, will be replaced by New Sagicor Common Shares with equivalent economics and other terms. As a result, after the Effective Time, Mr. Miller will have options to acquire approximately 1,294,813 New Sagicor Common Shares and unvested restricted share awards in respect of 207,505 New Sagicor Common Shares, subject to the same terms and conditions in place as of the date hereof. The foregoing assume a US dollar to Canadian exchange rate of approximately 1:1.33.

Mr. Miller will, at the Effective Time, also be granted a long-term incentive consisting of restricted share units ("**RSUs**") in respect of 675,000 New Sagicor Common Shares. 1/3rd of these RSUs will vest on a time basis (1/9th per year in each of 2019, 2020 and 2021), 1/3rd will vest based on return on equity targets, and 1/3rd will vest only if the New Sagicor Common Shares trade above C$12.00 per share for 20 out of 30 consecutive trading days within 5 years from the Effective Time.

Mr. Miller will continue to participate in his existing pension arrangements (taking into account the lump sum cash payment described above pro-rated over three years). As at December 31, 2017, Mr. Miller had accrued 28.6 years of credited service. The present value of the defined benefit obligation is US$9,338,212, and would result in annual benefits payable of US$850,000 at age 65.

Mr. Miller will also be entitled to a grant, on the Effective Date, of 1,000,000 New Sagicor Common Shares in consideration of his agreement to very substantially reduce his severance entitlement (by an amount that is materially greater than the C$10,000,000 million value ascribed to this share grant), and to remove its "single trigger" feature. The employment agreement with Mr. Miller specifies the amounts payable, including severance, to Mr. Miller in the event that he is terminated, with or without cause or due to disability, or resigns with or without good reason. The payment of severance to Mr. Miller is conditioned on his execution of a general release of claims against New Sagicor in a form reasonably acceptable to New Sagicor. If Mr. Miller is terminated without cause, terminated due to disability or resigns with good reason, then under the employment agreement, New Sagicor will be required to pay to Mr. Miller: (1) his accrued but unpaid base salary and accrued vacation pay up to the termination date; (2) his earned and unpaid annual bonus (if any); (3) an amount equal to his unreimbursed business expenses that are subject to reimbursement under New Sagicor's then current policy on business expenses; and (4) severance in an amount equal to two (2) times the sum of the base salary and the target annual bonus. Severance will be paid by New Sagicor to Mr. Miller as a lump sum within 60 days of Mr. Miller's termination in the event of a termination without cause or resignation with good reason, and within 30 days of Mr. Miller's termination in the event of a termination due to disability. If Mr. Miller's employment is terminated with cause or due to his resignation other than with good reason, then under the employment agreement**,** New Sagicor will be required to pay to Mr. Miller: (1) his accrued but unpaid base salary up to the termination date; and (2) an amount equal to his unreimbursed business expenses that are subject to reimbursement under New Sagicor's then current policy on business expenses.

Mr. Miller's compensation package is structured, in part, to compensate Mr. Miller for: (1) a reduction in salary compared to his pre-transaction salary; (2) forfeiture of his pre-transaction severance entitlement; and (3) a reduction in severance compared to his pre-transaction entitlement. Overall, the value of Mr. Miller's total compensation is expected to be substantially less for the year ended December 31, 2019 than for the year ended December 31, 2018.

Mr. Miller's employment agreement also contains customary confidentiality and indemnification arrangements and certain restrictive covenants that will continue to apply following the termination of his employment, including non-competition and non-solicitation provisions which are in effect during Mr. Miller's employment and for the one year following the termination of his employment. Customary benefits will include vacation, a travel allowance, a housing allowance, a vehicle allowance and customary group life and health benefits.

The term of Mr. Miller's employment agreement is initially for three (3) years, with automatic renewal for successive one year periods absent at least 60 days' prior written notice from either party before the renewal date.

<u>Chris Zacca</u>

In respect of the year ended December 31, 2019, Mr. Zacca will have a base salary of US$500,000 per annum. He will receive an annual incentive cash bonus, in accordance with Sagicor's annual incentive plan, equal to the amount payable to presidents and/or chief executive officers under such plan, and will receive an annual long term equity-based incentive, in accordance with the rules governing the RSU Plan, equal to the amount issuable to presidents and/or chief executive officers under such plan. Either (1) Sagicor will purchase Mr. Zacca a motor vehicle which Sagicor will maintain for the exclusive use by Mr. Zacca, or (2) Sagicor will provide Mr. Zacca with a motor vehicle allowance as would be appropriate for a president and chief executive officer. Mr. Zacca will have his reasonable expenses incurred while travelling reimbursed by Sagicor. Sagicor will also offer Mr. Zacca customary group health and pension benefits including in respect of short-term disability, vacation and illness. Mr. Zacca's compensation package will be subject to annual review by the board of directors of Sagicor and the C&HR Committee, and the C&HR Committee may amend the terms of Mr. Zacca's compensation package. Mr. Zacca's employment agreement may be amended concurrently with the completion of the Transaction to reflect his participation in the RSU Plan following closing of the Transaction and other appropriate amendments and clarifications.

The employment agreement with Mr. Zacca specifies the amounts that could be payable to Mr. Zacca in the event that he is terminated. Sagicor will not be required to make any payments to Mr. Zacca under his employment agreement if Mr. Zacca is terminated for cause. The following list includes situations which would constitute for cause termination of Mr. Zacca under his employment agreement: Mr. Zacca willfully, intentionally and negligently fails to substantially perform his duties (other than by reason of incapacity due to physical or mental illness); Mr. Zacca willfully engages in conduct which is demonstrably and materially injurious to Sagicor; Mr. Zacca is convicted of an offence or has a judgment obtained against him any civil proceeding involving fraud, misappropriation of property or moral turpitude that could, in the opinion of the board of directors of Sagicor, adversely affect the integrity, reputation, business or operations of Sagicor; Mr. Zacca commits an act of fraud or misappropriation of property against Sagicor or any subsidiary or affiliate; Mr. Zacca materially breaches his employment agreement and such breach is not remedied within 30 days; and Mr. Zacca commits any other act or omission that justifies dismissal for cause. If Mr. Zacca is wrongfully terminated or constructively dismissed, Sagicor will be required to pay Mr. Zacca: (1) an amount equal to 12 months current compensation in lieu of the required notice; plus (2) a termination or severance payment equal to four weeks' of Mr. Zacca's current total compensation for each year, or part year thereof, of employment, provided that (A) the amount paid under this part (2) shall not, when added with part (1), exceed 30 months' current total compensation, and (B) the termination package under this part (2) shall not be less than the statutory minimum under the laws of Jamaica. If Mr. Zacca is constructively terminated due to Mr. Zacca's death or Mr. Zacca is terminated because he is incapacitated or prevented by physical or mental illness, injury, accident, disability or any other circumstance beyond his control from discharging his duties under his employment agreement for a total of 180 days in any 12 consecutive calendar months, Sagicor will be required to pay Mr. Zacca (or his estate, as applicable) a termination package equal to 24 months' current compensation.

Mr. Zacca's employment agreement also contains customary confidentiality arrangements and certain restrictive covenants that will continue to apply following the termination of his employment, including non-competition and non-solicitation provisions which are in effect during Mr. Zacca's employment and for the one year following the termination of his employment.

The term of Mr. Zacca's employment agreement is initially for three (3) years, with automatic renewal for successive one year periods unless either of the parties terminates the employment agreement in accordance with its terms.

Bart Catmull

In respect of the year ended December 31, 2019, Mr. Catmull will have a base salary of US$381,000 per annum. He will receive an annual incentive cash bonus, in accordance with Sagicor's annual incentive plan, equal to the amount payable to presidents and/or chief operating officers under such plan, and is expected to receive an annual long term equity-based incentive, in accordance with the rules governing the RSU Plan, equal to the amount issuable to presidents and/or chief operating officers under such plan. Mr. Catmull will receive an annual motor vehicle allowance of US$17,250, will have his reasonable expenses incurred while travelling reimbursed by Sagicor USA, and Sagicor USA will provided Mr. Catmull with a place of residence. Sagicor USA will also offer Mr. Catmull customary group health and pension benefits including in respect of short-term disability, vacation and illness. Mr. Catmull's compensation package will be subject to annual review by the board of directors of Sagicor USA and Sagicor USA's Human Resource Committee, and Sagicor USA's Human Resource Committee may amend the terms of Mr. Catmull's compensation package. Mr. Catmull's employment agreement may be amended concurrently with the completion of the Transaction to reflect his participation in the RSU Plan following closing of the Transaction and other appropriate amendments and clarifications.

The employment agreement with Mr. Catmull specifies the amounts that could be payable to Mr. Catmull in the event that he is terminated. Sagicor USA will not be required to make any payments to Mr. Catmull under his employment agreement if Mr. Catmull is terminated for cause. The following list includes situations which would constitute for cause termination of Mr. Catmull under his employment agreement: Mr. Catmull willfully, intentionally and negligently fails to substantially perform his duties (other than by reason of incapacity due to physical or mental illness); Mr. Catmull willfully engages in conduct which is demonstrably and materially injurious to Sagicor USA; Mr. Catmull is convicted of an offence or has a judgment obtained against him any civil proceeding involving fraud, misappropriation of property or moral turpitude that could, in the opinion of the board of directors of Sagicor USA, adversely affect the integrity, reputation, business or operations of Sagicor USA; Mr. Catmull commits an act of fraud or misappropriation of property against Sagicor USA or any subsidiary or affiliate; Mr. Catmull materially breaches his employment agreement and such breach is not remedied within 30 days; and Mr.

Catmull commits any other act or omission that justifies dismissal for cause. If Mr. Catmull is wrongfully terminated or constructively dismissed, Sagicor USA will be required to pay Mr. Catmull: (1) an amount equal to 24 months current compensation in lieu of the required notice; plus (2) a termination or severance payment equal to five weeks' of Mr. Catmull's current total compensation for each year, or part year thereof, of employment, provided that (A) the amount paid under this part (2) shall not, when added with part (1), exceed 30 months' current total compensation, and (B) the termination package under this part (2) shall not be less than the statutory minimum under the laws of the State of Florida. If Mr. Catmull is constructively terminated due to Mr. Catmull's death or Mr. Catmull is terminated because he is incapacitated or prevented by physical or mental illness, injury, accident, disability or any other circumstance beyond his control from discharging his duties under his employment agreement for a total of 180 days in any 12 consecutive calendar months, Sagicor USA will be required to pay Mr. Catmull (or his estate, as applicable) a termination package equal to 24 months' current compensation.

Mr. Catmull's employment agreement also contains customary confidentiality arrangements and certain restrictive covenants that will continue to apply following the termination of his employment, including non-competition and non-solicitation provisions which are in effect during Mr. Catmull's employment and for the one year following the termination of his employment.

The term of Mr. Catmull's employment agreement is initially for three (3) years, with automatic renewal for successive one year periods unless either of the parties terminates the employment agreement in accordance with its terms.

Ravi Rambarran and Andre Mousseau

The terms of employment of Ravi Rambarran and Andre Mousseau are expected to be finalized prior to the completion of the Transaction.

Directors

New Sagicor expects to implement a director compensation program consisting of board retainer fees, meeting fees and committee retainer fees on market terms.

INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS

Other than as described below, none of the directors, executive officers, employees, former directors, former executive officers or former employees of Sagicor or any of its subsidiaries, and none of their respective associates, is or has within 30 days before the date of this prospectus or at any time since the beginning of the most recently completed financial year been indebted to Sagicor or any of its subsidiaries or another entity whose indebtedness is the subject of a guarantee, support agreement, letter of credit or other similar agreement or understanding provided by New Sagicor or any of its subsidiaries. The amounts in the table below do not include "routine indebtedness" (as defined in National Instrument 51-102 – Continuous Disclosure Obligations).

AGGREGATE INDEBTEDNESS (US$)

Purpose	To Sagicor or its Subsidiaries (US$ millions)	To Another Entity
Share purchases	Nil	Nil
Other	US$23.5	Nil

AUDIT COMMITTEE

The following disclosure is based on the present expectation of New Sagicor that the formal establishment of the Audit Committee (the "**Audit Committee**") of the New Sagicor Board (without changes to the proposed composition) and the ratification and adoption of its proposed mandate (without any material modifications) will occur following completion of the Transaction. However, such disclosure remains subject to revision prior or subsequent to the Effective Date. See "*Notice to Readers*" in this prospectus. The proposed mandate of the Audit Committee is set out in Appendix K to this prospectus.

Composition of New Sagicor Audit Committee

On the Effective Date, the Audit Committee is expected to consist of John Shettle, Alister Campbell, Peter Clarke, Stephen Facey and Rik Parkhill. John Shettle is expected to be the chair of the Audit Committee. Each member of the Audit Committee is expected to be independent (as defined in NI 52-110) and none are expected to receive, directly or indirectly, any compensation from New Sagicor other than for service as a member of the New Sagicor Board and its committees. All proposed members of the Audit Committee will be financially literate (as defined under NI 52-110).

For the relevant education and experience of the members of the Audit Committee, please refer to the biographies of John Shettle, Alister Campbell, Peter Clarke, Stephen Facey and Rik Parkhill in "*Directors and Executive Officers – Biographies*" in this prospectus.

Pre-Approval Policies and Procedures

The Audit Committee will adopt requirements regarding pre-approval of non-audit services as part of its Audit Committee Mandate. The Audit Committee Mandate will require that the Audit Committee must approve in advance any retainer of the auditors to perform any non-audit service to New Sagicor (together with all non-audit service fees) that it deems advisable in accordance with applicable requirements and the New Sagicor Board approved policies and procedures. The Audit Committee intends to consider the impact of such service and fees on the independence of the auditor. The Audit Committee may delegate pre-approval authority to a member of the Audit Committee; however, the decisions of any member of the Audit Committee to whom this authority has been delegated must be presented to the full Audit Committee at its next scheduled Audit Committee meeting.

External Audit Service Fees

All audit and non-audit services to be provided by New Sagicor's external auditor will be required to be pre-approved by the Audit Committee. It is expected that on an annual basis, New Sagicor's Audit Committee will pre-approve a budget for certain specific non-audit services such as assistance with tax returns.

PricewaterhouseCoopers SRL is the Group's external auditor. Following is a statement of the fees paid to the external auditors for audit and non-audit services during 2016 and 2017.

	Fees Paid (US$ '000)		
	As at Sept. 30, 2018	**Fiscal 2017**	**Fiscal 2016**
Audit Fees[(1)]	2,918	3,675	2,950
Audit-Related Fees[(2)]	857	Nil	Nil
Tax Fees[(3)]	192	349	273
Other Fees[(4)]	1,125	1,196	1,398
Total Fees Paid	5,092	5,220	4,621

Notes:

(1) "Audit Fees" include fees necessary to perform the annual audit of the consolidated financial statements.

(2) "Audit-Related Fees" include fees for assurance and related services by the external auditor that are reasonably related to the performance of the audit or review of Sagicor's financial statements other than those fees included in "Audit Fees".

(3) "Tax Fees" include fees for all tax services other than those included in "Audit Fees" and "Audit-Related Fees". This category includes fees for tax compliance, tax advice and tax planning.

(4) "Other Fees" include fees for products and services provided by the auditor other than those included above, mainly due to statutory audits.

CORPORATE GOVERNANCE

Unless otherwise indicated, the following disclosure is based on the present expectations of New Sagicor in respect of its corporate governance practices and the formal establishment of committees of the New Sagicor Board described below (without changes to the proposed composition) and the ratification and adoption of their respective proposed mandates (without any material modifications) will occur following completion of the Transaction. However, such disclosure remains subject to revision prior or subsequent to the Effective Date. See "*Notice to Readers*" in this prospectus.

Statement of Corporate Governance Practices

New Sagicor's corporate governance disclosure obligations are set out in the Canadian Securities Administrators' NI 58-101, NP 58-201 and NI 52-110. These instruments set out a series of guidelines and requirements for effective corporate governance (collectively, the "**Guidelines**"). The Guidelines address matters such as the constitution and independence of corporate boards, the functions to be performed by boards and their committees and the effectiveness and education of board members. NI 58-101 requires the disclosure by each listed corporation of its approach to corporate governance with reference to the Guidelines.

Set out below is a description of New Sagicor's anticipated approach to corporate governance in relation to the Guidelines.

Board of Directors

On the Effective Date, it is expected that the New Sagicor Board will be comprised of twelve directors, as set out in "*Directors and Executive Officers*" in this prospectus. Each of the twelve (12) proposed members of the New Sagicor Board will be formally appointed to the New Sagicor Board at or prior to the closing of the Transaction. The current directors of Alignvest, with the exception of Reza Satchu and Timothy Hodgson, intend to resign serially at, or prior to, the closing of the Transaction, and their replacements plus three (3) new directors are expected to be appointed at that time.

As the proposed directors of New Sagicor, other than Reza Satchu and Timothy Hodgson, who are currently directors of Alignvest, are not current directors of Alignvest and will not become directors of New Sagicor until the completion of the Transaction, they will not be subject to liability as directors for any misrepresentation in this prospectus.

Each director of New Sagicor will thereafter be required to be elected by New Sagicor Shareholders at each annual meeting of shareholders or at a special general meeting of the New Sagicor Shareholders convened for such purpose, and will hold office for the term stipulated in the applicable New Sagicor Shareholder resolution, unless: (i) his or her office is earlier vacated in accordance with the bye-laws of New Sagicor; or (ii) he or she becomes disqualified to act as a director. In the event that a term is not stipulated in the applicable New Sagicor Shareholder resolution, directors will hold office until the end of the next annual general meeting following their appointment or until their successors are elected or appointed.

The primary function of the New Sagicor Board will be to supervise the management of the business and affairs of New Sagicor, including the responsibility for the strategic planning process, risk management, succession planning, approving and communicating a communications policy and disclosure policy, setting internal controls, including appropriate signing limits on all material bank and investment accounts, corporate governance, senior management compensation and oversight, director compensation and assessment and approving material transactions and contracts. It is not expected that there will be any material differences in internal control over financial reporting from a corporate governance standpoint when compared to Canadian standards. Because Sagicor's executives supervise the management of Sagicor Jamaica as an operational matter, and consolidate its financial results, Sagicor's internal controls are also applied at the Sagicor Jamaica level. The New Sagicor Board will also be responsible for reviewing the succession plans for New Sagicor, including appointing, training and monitoring senior management to seek to ensure that the New Sagicor Board and management have appropriate skill and experience. The New Sagicor Board will establish an Audit Committee, a CG&E Committee, a C&HR Committee and an Investment and Risk Committee.

The New Sagicor Board is expected to be composed of the same individuals as the board of directors of its wholly-owned subsidiary, Sagicor, which will continue to control Sagicor Jamaica following the Transaction, and the executive officers of the two companies are also expected to be the same. Accordingly, the New Sagicor Board will be in a position (i) to cause Sagicor to provide New Sagicor, which will be the sole shareholder of Sagicor, with the funds necessary to pay its expenses, and (ii) to remove any officers of New Sagicor or Sagicor (or its controlled subsidiaries) wherever appropriate. In the case of Sagicor Jamaica, as it is publicly traded, the process of replacing a director could take longer as it would likely require a shareholders' meeting to be held. Other than at an annual shareholders meeting of Sagicor Jamaica, in order to remove a director of Sagicor Jamaica, the directors or officers of Sagicor (which is expected to have the same directors and officers as New Sagicor) could request (and failing which, Sagicor could requisition) that a shareholders meeting of Sagicor Jamaica be called for the purpose of electing or removing directors of Sagicor Jamaica.

English is the language used by Sagicor and expected to be used by New Sagicor (including for the purposes of all board matters, reports, and material documents relating to Sagicor) and all of the directors are fluent in it. Certain directors or officers have fluency in one or more other languages as well. Accordingly, no language barriers are anticipated.

Following the Effective Date, the New Sagicor Board intends to adopt a majority voting policy for the election of directors in uncontested elections. For a description of such proposed policy, see "*Directors and Executive Officers — Majority Voting Policy*" in this prospectus.

The New Sagicor Board will delegate to the applicable committee those duties and responsibilities set out in each committee's proposed mandate. The primary mandate of the Audit Committee will be to provide assistance to the New Sagicor Board in fulfilling its responsibility to New Sagicor Shareholders, potential shareholders and the investment community, to oversee the work and review the qualifications and independence of the external auditors of New Sagicor, to review the financial statements of New Sagicor and public disclosure documents containing financial information and to assist New Sagicor with the legal compliance and ethics programs as established by management and by the New Sagicor Board and as required by law.

The primary mandate of the CG&E Committee with respect to corporate governance and ethics will be to develop and recommend to the New Sagicor Board policies and procedures to establish and maintain best practice standards of corporate governance; manage the process for director succession, nomination and recommendation to shareholders for (re-)election as directors; establish and direct the processes for assessing the performance of the New Sagicor Board, its committees and individual directors; supervise the operation of the President and Chief Executive Officer; and oversee the processes relating to communications and public policy and New Sagicor's corporate image.

The primary mandate of the C&HR Committee with respect to compensation and human resources will be to advise the New Sagicor Board with respect to: compensation policies, programs and plans; human resources policies and practices to attain New Sagicor's strategic goals; management succession plans for executive management of New Sagicor and its subsidiaries; and New Sagicor's pension plans and the pension plans of participating subsidiaries of New Sagicor.

The primary mandate of the Investment and Risk Management Committee will be to: direct and oversee enterprise risk management of New Sagicor and its subsidiaries; seek to ensure that New Sagicor's origination and management of risk, whether at the transaction, portfolio, or enterprise level, is consistent with stated risk philosophy, risk policies and processes, legal and regulatory requirements, and with management authorities; understand the significant risks to which New Sagicor and its subsidiaries are exposed and the policies, procedures and controls used by management to assess and manage these risks; and review actions taken to maintain a consistently sound risk profile.

Independence of the New Sagicor Board

NI 58-101 defines an "independent director" as a director who has no direct or indirect material relationship with New Sagicor. A "material relationship" is in turn defined as a relationship which could, in the view of the New Sagicor Board, be reasonably expected to interfere with such member's independent judgment. In determining whether a particular director is an "independent director" or a "non-independent director", the New Sagicor Board will consider the factual circumstances of each director in the context of the Guidelines.

It is expected that the New Sagicor Board will be comprised of twelve members. Dodridge Miller is not considered independent for the purposes of NI 58-101 because he will be part of management of New Sagicor. Reza Satchu is not considered independent for the purposes of NI 58-101 because he was, prior to the Effective Date, an executive officer of Alignvest, New Sagicor's predecessor company. Timothy Hodgson is not considered independent for the purposes of NI 58-101 because he is an executive officer of AMC, which was previously the parent of Alignvest. Accordingly, the New Sagicor Board will not have an independent Chairman; however, it is expected that an independent director will be appointed as lead independent director by the New Sagicor Board and will seek to ensure that the directors who are independent have opportunities to meet without management present, as required.

Chairman

Timothy Hodgson will serve as the Chairman of New Sagicor. The Chairman's role will be to seek to ensure the management, development and effective functioning of the New Sagicor Board and will provide leadership in every aspect of its work. The position description for New Sagicor's Chairman is expected to set out the Chairman's key responsibilities. The Chairman and each committee can also engage outside consultants without consulting management. This helps ensure they receive independent advice as they feel necessary.

Meeting in-camera

The New Sagicor Board and committees are expected to hold regularly scheduled meetings without management and non-independent directors. These discussions will generally form part of the committee chairs' reports to the New Sagicor Board. New Sagicor's lead independent director is expected to encourage open and candid discussions among the independent directors by providing them with an opportunity to express their views on key topics before decisions are taken.

Succession planning

The CG&E Committee is expected to provide primary oversight of succession planning for New Sagicor's President and Chief Executive Officer and the performance assessment of New Sagicor's President and Chief Executive Officer, while the C&HR Committee is expected to provide primary oversight of succession planning for New Sagicor's other executive officers as well as the executive management of New Sagicor's subsidiaries. The CG&E Committee and the C&HR Committee are expected to conduct in-depth reviews of succession options relating to senior management positions and, when appropriate, are expected to approve the rotation of senior executives into new roles to broaden their responsibilities and experiences and deepen the pool of internal candidates for senior management positions.

The CG&E Committee is expected to participate in the assessment of the performance of New Sagicor's President and Chief Executive Officer every year. The New Sagicor Board is expected to approve all appointments of executive officers of New Sagicor.

Board Mandate

The New Sagicor Board will be responsible for the overall stewardship of New Sagicor. The New Sagicor Board will discharge this responsibility directly and through delegation of specific responsibilities to committees of the New Sagicor Board, New Sagicor's Chairman, and officers of New Sagicor, all as more particularly described in the New Sagicor Mandate that is expected to be adopted by the New Sagicor Board. The proposed New Sagicor Board Mandate is attached as Appendix L to this prospectus.

Position Descriptions

The New Sagicor Board expects to have written position descriptions for New Sagicor's Chairman, chairs of each of the committees of the New Sagicor Board and New Sagicor's President and Chief Executive Officer. New Sagicor's Board Mandate and the committee mandates for the Audit Committee, CG&E Committee, C&HR Committee and Investment and Risk Management Committee, which will set out in writing the roles of the New Sagicor Board and the committees in supervising management of New Sagicor.

Director Term Limits/Mandatory Retirement

The New Sagicor Board expects to consider the matters of term limits and mandatory retirement. At this time, New Sagicor does not expect that these types of policies would be appropriate for the New Sagicor Board. New Sagicor believes that a rigorous self-evaluation process combined with input, where appropriate, from an external third party governance firm would be a more effective and transparent manner to ensure that New Sagicor's directors add value and remain strong contributors.

Diversity

Board of Directors

New Sagicor recognizes the benefits that diversity brings to the company. The New Sagicor Board will aim to be comprised of directors who have a range of perspectives, insights and views in relation to the issues affecting New Sagicor. The New Sagicor Board intends to reflect this belief in diversity in a written Diversity Policy consistent with best practices that is expected to be adopted by the New Sagicor Board following the completion of the Transaction. The Diversity Policy is expected to state that the New Sagicor Board should, where practicable, include individuals from diverse backgrounds, having regard to, among other things, gender, status, age, business experience, professional expertise, education, nationality, race, culture, language, personal skills and geographic background. Accordingly, consideration of whether the diverse attributes highlighted in the policy are sufficiently represented on the New Sagicor Board are expected to be an important component of the selection process for members of the New Sagicor Board going forward.

Management

New Sagicor believes that a diversity of backgrounds, opinions and perspectives and a culture of inclusion helps to create a healthy and dynamic workplace, which improves overall business performance. New Sagicor recognizes the value of ensuring that New Sagicor has leaders who are diverse. New Sagicor and its subsidiaries intend to work to develop their employees internally and provide them with opportunities to advance their careers. New Sagicor is expected to build a strategy and execution plan to work towards increasing the representation of women and other diverse communities in leadership roles at all levels of the organization. One of the objectives of this initiative will be to seek to ensure that there are highly-qualified women and other diverse communities within New Sagicor and its subsidiaries available to fill vacancies in executive officer and other leadership positions. In appointing individuals to its leadership team, both at the corporate level and business vertical level, New Sagicor will weigh a number of factors, including the skills and experience required for the position and the personal attributes of the candidates.

Representation

None of the proposed directors of New Sagicor are female. There are currently 69 men and 58 women, or 54.3% and 45.7% respectively, who hold positions as executives and senior managers in Sagicor. Additionally, there are 59 men and 18 women, or 76.6% and 23.4% respectively, on the various boards that comprise the Sagicor Group. New Sagicor recognizes the value of the contribution of members with diverse attributes on the boards and in management of New Sagicor and its subsidiaries and will be committed to seeking to ensure that there is representation of women on the boards and in the management of New Sagicor and its subsidiaries. However, New Sagicor does not intend to establish a target regarding the number of women or other diverse communities on the boards and in management of New Sagicor and its subsidiaries. New Sagicor believes a target would not be the most effective way of ensuring boards and management are comprised of individuals with diverse attributes and backgrounds. New Sagicor will, however, evaluate the appropriateness of adopting targets in the future.

Orientation and Continuing Education

As set out in the proposed New Sagicor Board Mandate, New Sagicor is expected to have a policy of making a full initial orientation and continuing education process available to Board members. All new directors are expected to be provided with an initial orientation regarding the nature and operation of New Sagicor’s business and the affairs of New Sagicor and as to the role of the New Sagicor Board and its committees, as well as the legal obligations of a director of New Sagicor. Existing directors will also be periodically updated on these matters.

In order to orient new directors as to the nature and operation of New Sagicor’s business, they will be given the opportunity to meet with key members of the management team to discuss New Sagicor’s business and activities. In addition, new directors will receive copies of New Sagicor Board materials, corporate policies and procedures, and other information regarding the business and operations of New Sagicor.

New Sagicor’s Board members will be expected to keep themselves current with industry trends and developments and will be encouraged to communicate with management and, where applicable, auditors, advisors and other consultants of New Sagicor. New Sagicor Board members will have access to New Sagicor’s in-house and external legal counsel in the event of any questions or matters relating to New Sagicor Board members’ corporate and director responsibilities and to keep themselves current with changes in legislation.

New Sagicor will provide on-going continuous education programs through key business area presentations, business updates and operations site visits as appropriate.

Nomination of Directors

Part of the CG&E Committee’s role is expected to be to recommend to the New Sagicor Board candidates for nomination for election as directors and candidates for appointment to New Sagicor Board committees as set out in the CG&E Committee Mandate. New Sagicor’s Chairman is also expected to consult with the CG&E Committee regarding candidates for nomination or appointment to the New Sagicor Board.

Ethical Business Conduct

The New Sagicor Board expects to adopt a Code of Business Conduct and Ethics (the "**Code of Ethics**"), a written code of business conduct and ethics for New Sagicor's directors, officers and employees that sets out the New Sagicor Board's expectations for the conduct of such persons in their dealings on behalf of New Sagicor. In addition, the New Sagicor Board expects to adopt a Disclosure and Insider Trading Policy. The New Sagicor Board intends to establish confidential reporting procedures in order to encourage employees, directors and officers to raise concerns regarding matters addressed by the Code of Ethics on a confidential basis free from discrimination, retaliation or harassment. Employees who violate the Code of Ethics may face disciplinary actions, including dismissal.

The Code of Ethics is expected to be designed to deter wrongdoing and promote honest and ethical conduct. It is expected to address the following areas: conflicts of interest; corporate opportunities; confidentiality; fair dealing; protection and use of company assets; compliance with laws; rules and regulations, including insider trading laws; and encouraging and reporting of any illegal or unethical behaviour. The Code of Ethics will be available once adopted on New Sagicor's SEDAR profile at www.sedar.com or can be obtained by contacting New Sagicor and requesting a copy from its investor relations contact.

The New Sagicor Board is expected to monitor compliance with the Code of Ethics by delegating responsibility for investigating and enforcing matters related to the Code of Ethics to New Sagicor's group compliance officer. The group compliance officer will chair a management committee, ethics and compliance committee, each of which will be approved by the New Sagicor Board to oversee administration of ethics and compliance throughout New Sagicor and its subsidiaries.

Any employee who becomes aware of a violation of the Code of Ethics will be required to report the violation in accordance with the Code of Ethics. Directors and officers will be required to promptly disclose any potential conflict of interest that may arise. If a director or officer has a material interest in an agreement or transaction, applicable law, the Code of Ethics and principles of sound corporate governance will require them to declare the interest in writing or request to have such interest entered in the minutes of meetings of directors and where required to abstain from voting with respect to the agreement or transaction.

Board and Committee Assessment

The CG&E Committee's role is expected to be to assess the effectiveness of the New Sagicor Board as a whole, the committees of the New Sagicor Board and the contribution of individual directors.

Audit Committee

It is expected that the Audit Committee will be comprised of five directors of New Sagicor, John Shettle, Alister Campbell, Peter Clarke, Stephen Facey and Rik Parkhill, all of whom are expected to be independent and financially literate for purposes of NI 52-110. The role and operation of the Audit Committee are set out in New Sagicor's proposed Audit Committee Mandate, the text of which is included as Appendix K to this prospectus. See "*Audit Committee*" above in this prospectus for further information.

The members of the Audit Committee will be appointed annually by the New Sagicor Board, and each member of the Audit Committee will serve for such term as the New Sagicor Board shall determine until the member resigns, is removed, or ceases to be a member of the New Sagicor Board.

Corporate Governance and Ethics Committee

It is expected that the Corporate Governance and Ethics Committee should be comprised of not less than three (3) directors. All of the expected members of the Corporate Governance and Ethics Committee are expected to be considered "independent" as defined in NI 58-101. The Corporate Governance and Ethics Committee is expected to conduct its business on the basis of majority approval.

The members of the Corporate Governance and Ethics Committee are expected to be appointed for a three (3) year term by the New Sagicor Board on the recommendation of the Corporate Governance and Ethics Committee. The New Sagicor Board may fill a vacancy that occurs on the Corporate Governance and Ethics Committee at any time.

The role of the Corporate Governance and Ethics Committee is expected to be to:

(i) develop and recommend to the Board policies and procedures to establish and maintain best practice standards of corporate governance;

(ii) manage the process for director succession, nomination and recommendation to shareholders for (re-)election as directors;

(iii) establish and direct the processes for assessing the performance of the Board, its committees and individual directors;

(iv) supervise the operation of the President and Chief Executive Officer; and

(v) oversee the processes relating to communications and public policy and New Sagicor's corporate image.

As set out in the proposed Corporate Governance and Ethics Committee mandate, the Corporate Governance and Ethics Committee should, if appropriate, among other things:

Corporate Governance

(i) be guided by New Sagicor's director nomination process;

(ii) propose a director for re-election to the Board based on the criteria in New Sagicor's director nomination process;

(iii) continually oversee directors' performance, conduct and independence and recommend to the Chair, if applicable, that a director tender resignation in the event that:

a. the director is no longer qualified under New Sagicor's bye-laws or applicable law;

b. the director does not meet eligibility rules under the Board's independence and conflict of interest guidelines;

c. the credentials underlying the appointment of such director materially change; or

d. the director's performance as a director, including attendance at Board and committee meetings during the preceding 3 years, is unacceptable;

(iv) perform director succession planning in anticipation of director turnover and maintain an evergreen list of potential director nominees;

(v) annually recommend to the Board the composition of the CG&E Committee and other New Sagicor committees, including the Chair of such committees, and also recommend directors to fill interim vacancies;

(vi) annually review and recommend to the Board the composition of subsidiary boards and also recommend directors to fill interim vacancies;

(vii) annually assess the performance of the Board, the Chair, the CG&E Committee, other New Sagicor committees, committee chairs, directors, and New Sagicor's secretary against their defined respective responsibilities and ensure a dynamic feedback system aimed at performance improvement, with particular reference to:

a. content of meeting agendas for dealing with critical issues;

b. frequency, timing and duration of meetings for dealing with New Sagicor's business;

c. the timing, sufficiency and appropriateness of information received by directors;

d. the effectiveness of board and committee decision-making; and

e. the quality of the relationship between the Board and management;

(viii) annually review the adequacy of New Sagicor's corporate governance policies, guidelines and procedures against evolving regulatory requirements and best practices and make recommendations for change to the Board as applicable;

(ix) biennially, review directors' compensation and directors' and officers' liability insurance in line with prevailing industry practices;

(x) review directors' requests to engage outside advisors at New Sagicor's expense, with respect to matters before the Board, the CG&E Committee, or New Sagicor's other committees;

(xi) assess shareholder proposals for inclusion in New Sagicor's shareholder circulars and make appropriate recommendations to the Board;

(xii) convene and supervise an annual Board organizational meeting of all directors to review the structure and operation of corporate governance in New Sagicor, including the operation of committees, performance assessment and formulation of the annual schedule of critical Board agenda items;

The President and Chief Executive Officer

(xiii) supervise the operation of the President and Chief Executive Officer by:

a. formulating, in cooperation with the President and Chief Executive Officer, an appropriate position description that clearly delineates the role of management separate from the role of the Board; and

b. developing the succession plan for the position of the President and Chief Executive Officer, supervising implementation of the succession plan, and recommending to the Board the appointment of the President and Chief Executive Officer;

c. annually reviewing and recommending to the Board the annual goals and other criteria against which the President and Chief Executive Officer will be measured. Performance criteria should consider:

i. balancing the short-term against the long term;

ii. progress against New Sagicor's long term strategies;

iii. success in balancing the satisfaction rendered to the various stakeholders; and

iv. creating a culture of compliance and integrity throughout the enterprise;

d. assessing and measuring the performance of the President and Chief Executive Officer against the defined criteria, determining compensation and recommending these outcomes to the Board;

Public Policy

(xiv) review policies and programs likely to have a significant impact on the image of New Sagicor;

(xv) monitor public views and opinions regarding their expectations of New Sagicor;

(xvi) provide guidance and counsel to management for aligning New Sagicor's operation with the public's expectations;

(xvii) without limiting the generality of the foregoing, advise the Board on:

a. the adequacy of New Sagicor's communications policy, including processes for communicating to, and dealing with communications from shareholders, customers and employees;

b. the development and projection of New Sagicor's corporate image to its key publics;

c. the appropriate integration of public affairs considerations with the operation of New Sagicor;

d. ensuring that New Sagicor's business is conducted in an ethical and socially responsible way;

e. the development of corporate contributions and community involvement policies and programs; and

f. supporting the work of government and regulators to establish safety and soundness in the industry;

Ethical Standards and Conduct

(xviii) review and approve any amendments to New Sagicor's Code of Business Conduct and Ethics and ensure such amendment is disclosed externally, that is, to shareholders in accordance with applicable laws or the rules of applicable securities regulators;

(xix) annually review and approve New Sagicor's Code of Business Conduct and Ethics;

(xx) obtain on a regular basis reasonable assurance that New Sagicor has processes to ensure adherence to its standards of business conduct and ethical behavior;

(xxi) review and grant any waiver of New Sagicor's Code of Business conduct and Ethics to directors and executive officers as the Committee deems appropriate, ensuring that such waivers are promptly disclosed externally;

(xxii) annually review and assess procedures established by the Board to resolve conflicts of interest, including techniques for the identification of potential conflict situations and for restricting the use of confidential information;

Self- Dealing and Disclosure Requirements

(xxiii) ensure procedures and practices are established by management relating to self-dealing and to insider trades, in accordance with applicable laws and regulatory requirements;

(xxiv) establish measurement criteria and benchmarks for permitted transactions with related parties of New Sagicor;

(xxv) review the practices of New Sagicor to ensure that any transactions with related parties of New Sagicor that may have a material effect on the stability or solvency of New Sagicor are identified;

(xxvi) approve loans and financial services to directors, officers and employees where these are provided on terms and conditions materially better than those given to preferred clients, subject to applicable laws;

(xxvii) establish and monitor procedures to provide disclosure of information to customers of New Sagicor as required by law or regulation;

(xxviii) establish and monitor procedures for dealing with customer complaints and designate one or more management officers to implement the procedures and to receive and deal with complaints; and

(xxix) when requested by the Board, and subject to the laws applicable to a wholly owned subsidiary, perform for and on behalf of the subsidiary all the functions of a conduct review committee of the subsidiary.

Compensation and Human Resources Committee

It is expected that the Compensation and Human Resources Committee should be comprised of not less than three (3) directors. All of the expected members of the Compensation and Human Resources Committee are expected to be considered "independent" as defined in NI 58-101. The Compensation and Human Resources Committee is expected to conduct its business on the basis of majority approval.

The members of the Compensation and Human Resources Committee are expected to be appointed for a minimum of three (3) years by the New Sagicor Board on the recommendation of the Corporate Governance and Ethics Committee. The New Sagicor Board may fill a vacancy that occurs on the Compensation and Human Resources Committee at any time.

To fulfil its role in developing New Sagicor's approach to compensation and human resources issues, the Compensation and Human Resources Committee will seek to, if appropriate:

General

(i) review the recruitment of New Sagicor's and its subsidiaries' executive management and their compensation and benefits packages;

(ii) report on executive compensation as required in public disclosure documents;

(iii) review management's policies and practices respecting New Sagicor's compliance with applicable legal prohibitions, disclosure requirements or other requirements on making or arranging for personal loans to senior officers or directors or amending or extending any such existing personal loans or arrangements;

Human Resource Management

(iv) annually, review New Sagicor's human resource strategy and manpower plan;

(v) review New Sagicor's human resources principles, policies and practices, including but not limited to recruitment, compensation, benefits, incentive and share plans;

(vi) review position descriptions for New Sagicor's executive management, including responsibilities and accountabilities;

(vii) review the measures and metrics for assessing New Sagicor's executive management performance;

(viii) review the process for identifying high potential officers within the human resource base and the programs for developing and placing these officers;

(ix) review at least annually, succession and leadership plans for New Sagicor's executive management, including specific development plans and career planning for potential successors;

Remuneration

(x) annually review remuneration and compensation policies, including short and long-term incentive compensation plans and equity-based plans, bonus plans, executive share options plans and grants, and benefit plan philosophy, giving due consideration to the potential for some incentive programs to put New Sagicor at longer term risk;

(xi) review and recommend to the Board various compensation and benefits budgets;

(xii) annually review compensation arrangements for New Sagicor's executive management and the President and Chief Executive Officer;

(xiii) recommend to the Board for its approval the terms upon which directors shall be compensated, including the Chair (if applicable) and those acting as committee chairs and committee members;

Recruitment

(xiv) review the process for recruiting New Sagicor's executive management;

(xv) participate in the process of recruiting New Sagicor's executive management and review their compensation and benefits package prior to any offers made;

Performance Evaluation

(xvi) review the President and Chief Executive Officer's performance assessment of New Sagicor's executive management and his recommendation for compensation increases, including any employment agreement amendments, taking into account such management's demonstration of leadership and entrepreneurial qualities and the propensity for balancing short and long term objectives and the needs of New Sagicor's stakeholders;

(xvii) review the list of identified high potential officers and their development and succession plans;

(xviii) annually, review the aggregate performance of New Sagicor's human resource base;

(xix) annually, review the employee satisfaction survey;

Pension Management

(xx) review and recommend to the Board the funding and approve the asset investment strategy for New Sagicor's pension plan;

(xxi) annually review pension plan performance and the funded status of the plans;

(xxii) review any material changes to New Sagicor's pension plans which require the approval of the Board;

(xxiii) review annual reports from management on compliance with applicable legislation relating to New Sagicor's pension plans, including confirmation that actuarial valuations are completed no less frequently than as required by law.

Investment and Risk Committee

It is expected that the Investment and Risk Committee should be comprised of not less than three (3) directors. All of the expected members of the Investment and Risk Committee are expected to be considered "independent" as defined in NI 58-101. The Investment and Risk Committee is expected to conduct its business on the basis of majority approval.

The members of the Investment and Risk Committee are expected to be appointed for a minimum of three (3) years by the New Sagicor Board on the recommendation of the Corporate Governance and Ethics Committee. The New Sagicor Board may fill a vacancy that occurs on the Investment and Risk Committee at any time.

To fulfil its role of directing and overseeing enterprise risk management of New Sagicor and its subsidiaries, the Investment and Risk Management Committee will seek to, if appropriate:

(i) review and approve New Sagicor's risk philosophy risk appetite and its enterprise risk management policy;

(ii) review and approve risk management principles and policies recommended by management, including policies concerning credit risk, market risk, liquidity risk, pricing risk, operational risk and other risks to which New Sagicor is exposed;

(iii) review, on an annual basis, the effectiveness of New Sagicor's structure and processes for originating and managing risk;

(iv) discuss with management at least annually New Sagicor's major risk exposures and the steps management has taken to monitor and control such exposures;

(v) obtain on a regular basis reasonable assurance that New Sagicor's risk management policies for significant risks are being adhered to;

(vi) evaluate, on a regular basis, the effectiveness and prudence of senior management in managing the operations of New Sagicor and the risks to which New Sagicor is exposed;

(vii) review financial transactions (and policies related to those transactions) to entities of which a director of New Sagicor or his or her spouse is also a director, which have been entered into as an exception to New Sagicor's credit policy;

(viii) approve delegation of risk limits to management and approve any transactions exceeding those delegated authorities, including but not limited to loans, investments, divestments, acquisitions, and derivatives;

(ix) review reporting on significant risks, including the amount, nature, risk characteristics, concentration and quality of the investment portfolio, as well as all significant exposures to financial risks, through reports on significant risk exposures presented to the Investment and Risk Management Committee;

(x) review and approve, at least once a year, the liquidity and funding management policies and capital management policies recommended by New Sagicor's management;

(xi) review on a regular basis the liquidity, funding and capital position and liquidity, funding and capital management processes; and

(xii) obtain on a regular basis reasonable assurance that New Sagicor's liquidity and funding management policies and capital management policies are being adhered to.

Key Governance Documents

Following completion of the Transaction, it will be expected that many policies and practices will support the corporate framework at New Sagicor. The following documents will constitute key components of New Sagicor's corporate governance system and are expected to be made available by New Sagicor subsequent to completion of the Transaction:

- Code of Business Conduct and Ethics
- Board of Directors Mandate
- Audit Committee Mandate
- Investment and Risk Committee Mandate
- Corporate Governance and Ethics Committee Mandate
- Compensation and Human Resources Committee Mandate
- Majority Voting Policy for Director Elections
- Chair of New Sagicor Board Position Description
- President and Chief Executive Officer of New Sagicor Position Description
- Diversity Policy

REGULATORY APPROVALS

To date, no material regulatory approvals have been obtained given the lengthy processes involved. If a material regulatory approval is not obtained, the Transaction may not be completed.

Canada

It is a mutual condition precedent to the completion of the Transaction that (i) the TSX shall have approved the Sagicor Arrangement as qualifying as Alignvest's "qualifying acquisition" within the meaning of Part X of the TSX Company Manual, and (ii) clearance is received from the applicable Alignvest Securities Authorities, including the Ontario Securities Commission, for this prospectus.

United States

One of the operating subsidiaries of Sagicor is Sagicor Life Insurance Company, a Texas domiciled life insurer. Under Texas law, no person may acquire direct or indirect control of a Texas domestic insurer unless that person has filed a statement with specified information ("**Form A Statement**") with the Commissioner of the Texas Department of Insurance and has obtained the Commissioner's prior approval. Under Texas law, acquiring 10% or more of a voting interest in an insurance company or its direct or indirect parent company is presumptively considered a change of control, although such presumption may be rebutted. In the event that the consummation of the Transaction will result in a change in ultimate control of Sagicor Life Insurance Company, then before the transaction can be closed, approval of a Form A Statement (or the grant of an exemption therefrom) must be obtained from the Texas Department of Insurance.

Pursuant to the HSR Act, Alignvest and Sagicor may be required to submit premerger notification to the United States Federal Trade Commission and the United States Department of Justice with respect to the Transaction, in which case Alignvest and Sagicor may not close the Transaction until the waiting period outlined in the HSR Act has passed, or the government has granted early termination of the waiting period.

Trinidad and Tobago

Prior to the Effective Time, Alignvest is required to have obtained from the Central Bank of Trinidad and Tobago approval to become a "controller" within the meaning of the Insurance Act Chap. 84:01 of the laws of Trinidad and Tobago or such other approval(s) as may be required under the Insurance Act, 2018 in circumstances where such legislation is brought into force prior to the Effective Time. Additionally, Alignvest shall have registered with the Trinidad and Tobago Securities and Exchange Commission as a reporting issuer. Finally, the Trinidad and Tobago Securities and Exchange Commission shall have approved the registration of New Sagicor Common Shares to be distributed to former Sagicor shareholders in Trinidad and Tobago.

Jamaica

The Sagicor Group of companies in Jamaica includes (i) a bank (Sagicor Bank); (ii) an insurance company (Sagicor Life Insurance Limited) and a securities dealer (Sagicor Investments). Banking, insurance and securities dealing businesses are regulated in Jamaica.

Completion of the scheme of arrangement will result in Alignvest indirectly acquiring "effective control" of Sagicor Bank and under the Banking Services Act 2014 such change of effective control must be approved by the Supervisory Committee established under that Act. In addition, any new director appointed to the board of directors of Sagicor Bank will be required to meet "fit and proper" criteria established by the Supervisory Committee.

Under the Insurance Act, a direct or indirect change of control of an insurance company is not expressly subject to prior regulatory approval but a condition of registration is that the regulatory authority (the Financial Services Commission) shall be satisfied that the persons in control of the insurer are "fit and proper". In accordance with customary local practice, the proposed transaction will be disclosed to the Financial Services Commission prior to implementation.

No regulatory approval or clearance is required in connection with the securities dealing business conducted by Sagicor Investments.

Pursuant to the foregoing it is a mutual condition precedent to completion of the Sagicor Arrangement that (i) the Supervisory Committee shall have approved the Arrangement under the Banking Services Act and (ii) the Financial Services Commission shall have been notified of the Arrangement.

Barbados

The Barbados Stock Exchange ("**BSE**") must be notified of the Scheme of Arrangement at least 21 days in advance of the Sagicor shareholders' meeting, pursuant to Articles 4.01.1 of the BSE Rules.

The sale and distribution of the securities in Barbados is intended to be made relying upon certain exemptions for the filing of a prospectus under the Barbados Securities Act or the private placement exemption in the FSCB Industry Circular Ref: SEC-C01/15/A. In the event that a prospectus does not need to be filed, notice of the distribution of the shares will be made by filing a report with the FSCB under the Barbados Securities Act within 10 days of the completion of the distribution of shares. In the event that a prospectus filing is required, the FSCB will wish to review it before it is issued.

The FSCB in its capacity as the regulator of insurance companies must be notified within 30 days after a change in ownership has been effected. This notification letter is required to disclose a brief summary of the transaction together with certain due diligence information of the new owner including the constituent corporate documents, register of directors and ticket symbol for public companies.

Merger clearance from the Barbados Fair Trading Commission will be required in circumstances where there is an indirect change of control of any Barbados Sagicor entity, controlling not less than 40% of any market for services supplied in Barbados.

Other

In addition, a number of other insurance and related approvals and securities approvals will be required to be obtained.

RISK FACTORS

Risks Related to New Sagicor's Business

Fluctuations in the fixed income markets may adversely affect New Sagicor's profitability and financial condition.

Investment returns are an important part of New Sagicor's overall profitability, and fluctuations in the fixed income markets could have a material adverse effect on New Sagicor's consolidated financial condition, results of operations and cash flows.

Fluctuations in interest rates affect investment returns and the market values of New Sagicor's investments. Generally, investment income will be reduced during sustained periods of lower interest rates as higher yielding fixed income securities are called, mature or are sold and the proceeds reinvested at lower rates. During periods of rising interest rates, prices of fixed income securities tend to fall and realized gains upon their sale are reduced. As of December 31, 2017, the fixed income investment assets backing Sagicor's insurance liabilities and shareholders' equity amounted to US$4.7 billion.

New Sagicor invests a portion of its assets in non-investment grade debt because regulations in the countries which are non-investment grade require a minimum level of investment in domestic assets, which are generally subject to greater risks and more volatility than investment grade rated fixed income securities. General economic conditions and many other factors beyond New Sagicor's control can adversely affect the non-investment grade debt markets. As of December 31, 2017, the non-investment grade portion of Sagicor's debt portfolio amounted to US$1.8 billion.

New Sagicor's investment returns are also susceptible to changes in general economic conditions, including changes that impact the general creditworthiness of the issuers of debt securities and equity securities held in its portfolios. The value of New Sagicor's fixed income securities may be affected by changes in the investee's credit rating. Where the credit rating of the issuer of a debt security drops, the value of the security may also decline.

In 2016 and 2017, Moody's and S&P downgraded their Barbados ratings. As of the June 2018, the gross sovereign debt of Barbados was 175% of its GDP. The GoB has entered into a program with the IMF to provide financial and technical assistance. As part of the program, the GoB launched a debt exchange offer for GoB domestic Barbados dollar debt holders on September 7, 2018. The GoB announced on October 15, 2018 that its exchange offer received unanimous support from the domestic creditors. A restructuring plan has not yet been announced for the external US dollar denominated debt. The Sagicor Group holds approximately US$337 million in GoB debt, of which US$278 million is domestic Barbados-dollar denominated debt. A full provision has been made for the entire impact of the exchange offer. Sagicor does not expect that there will be any incremental impact on Sagicor as it relates to the external US dollar denominated debt.

The success of New Sagicor's operations in the United States depends on New Sagicor's ability to grow its business.

New Sagicor's current insurance business in the United States has historically been obtained by either purchasing blocks of existing policies or selling new policies through managing general agents ("**MGAs**"). New Sagicor believes that future growth in this market will require, in addition to these two methods, the development of a dedicated career sales force of advisors, similar to the type of advisors through whom it sell insurance in the Caribbean. If New Sagicor is unable to build out its distribution network, whether through building relationships with additional MGAs or through developing a cadre of advisors, New Sagicor may be unable to attract new life insurance business in the United States sufficient to meet its strategic goals. If this were to occur, New Sagicor's business, financial condition and operating results may be adversely affected.

New Sagicor's financial targets may prove materially inaccurate or incorrect

New Sagicor's financial targets and other forward-looking information or statements included in this prospectus are based on assumptions of future events that may or may not occur, which assumptions may not be fully disclosed in this prospectus. Financial targets are inherently subject to varying degrees of uncertainty and their achievability depends on the timing and probability of a complex series of future events. There is no assurance that the assumptions upon which these targets are based will be realized. Actual results may differ materially from targeted results for a number of reasons including increases in operation expenses, changes or shifts in regulatory rules, undiscovered and unanticipated adverse industry and economic conditions, and unanticipated competition. Accordingly, New Sagicor Shareholders should not rely on any targets to indicate the actual results New Sagicor might achieve.

New Sagicor's exposure to the credit risk of its counterparties could adversely affect its profitability.

New Sagicor takes on exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Credit risks are primarily associated with financial investments. New Sagicor has significant concentrations of credit risk with respect to its holding of bonds and treasury bills issued by the governments of Jamaica, Barbados and Trinidad and Tobago, securitized mortgage bonds of the Federal National Mortgage Association and the Federal Home Loan Mortgage Corporation (quasi-U.S. government entities) and cash resources held by a Canadian chartered bank. Defaults by counterparties could have a material adverse effect on New Sagicor's business, results of operations and financial condition.

See " *– Fluctuations in the fixed income and equity markets may adversely affect New Sagicor's profitability and financial condition*".

Differences between actual claims experience and estimated claims at the time the product was priced may result in increased losses, and so New Sagicor's reserves may be insufficient to cover actual policy benefits.

New Sagicor prices its insurance products using best estimate assumptions and builds in a margin for the possibility that actual claims experience could differ from expected experience. Nonetheless, differences between this pricing model and losses due to actual experience may exist. New Sagicor is subject to a risk that actual loss experiences will emerge differently than estimated when the product was designed and priced. New Sagicor attempts to manage product risk by regularly reviewing emerging experience against predicted losses and repricing the existing products where allowed and repricing new products. However, such attempts may not be successful. If actual losses differ from these pricing models with no recourse to repricing, New Sagicor's results of operations and financial condition could be adversely affected.

Loss reserves do not represent an exact calculation of liability, but rather are estimates of the expected cost upon the ultimate settlement of losses. These estimates are based on actuarial and statistical projections of facts and circumstances at the time of estimation and estimates of trends in loss severity and other variable factors, including new bases of liability and general economic conditions. New Sagicor's actuarial liabilities may be insufficient to cover actual policy benefits. New Sagicor's policy benefits on long-term insurance and annuity contracts are generally payable over the remaining lives of the insureds and annuitants. New Sagicor's ability to pay these benefits is influenced by future investment yields, future operating expenses and taxes, future policy renewals and lapses and the future mortality and morbidity of the existing insureds and annuitants.

New Sagicor's loss reserves may prove to be inadequate to cover its actual loss experience. New Sagicor maintains loss reserves in its property and casualty insurance lines to cover its estimated liability for losses. For some types of losses, most significantly general third-party liability personal injury claims and catastrophic natural events such as hurricanes, it has been necessary, and may over time continue to be necessary, to revise estimated potential loss exposure and the related loss reserves. Additional losses, including losses arising from changes in the legal environment, the type or magnitude of which New Sagicor cannot foresee, may emerge in the future. Consequently, actual losses and related expenses paid may differ from estimates reflected in the loss reserves in New Sagicor's financial statements. To the extent loss reserves are insufficient to cover actual losses or loss adjustment expenses, New Sagicor would experience a reduction in its earnings.

At the date of each valuation of actuarial liabilities, New Sagicor's actuaries review the assumptions made at the last valuation date. The valuation of actuarial liabilities depends on the economic scenario used, the investments allocated to back the liabilities, the underlying assumptions used and the margins for adverse deviations. New Sagicor's actuaries test the validity of each assumption by reference to current data, and, where appropriate, change the assumptions for the current valuation. A similar process of review and assessment is conducted in determining the margins for adverse deviations.

New Sagicor's experience and industry experience suggest that policy benefits will in fact be settled over the period of the policy, and that New Sagicor's actuarial liabilities will be sufficient to cover actual policy benefits. In addition, the Company maintains PfADs which are intended to mitigate any potential adverse development. Nonetheless, this does not remove the uncertainty which exists over the timing of future benefit cash outflows. There are significant uncertainties in estimating the amount and timing of settlement of policy benefits. Those policy benefits payable under long-term insurance and annuity contracts may be triggered:

- by an insurable event, such as a death, disability or critical illness claim;
- at a specified time, such as in the case of an annuity settlement or a policy maturity; or
- on the exercise of a surrender or withdrawal request by the policyholder.

If future investment yields fall below those assumed in the actuarial valuations, lower cash flows will be available for reinvestment, and as a result New Sagicor may not have sufficient assets to cover future benefit cash outflows.

If future operating expenses or taxes increase over that assumed in the actuarial valuations, New Sagicor will utilize more assets to pay expenses or taxes, potentially resulting in insufficient assets to cover actual policy benefits.

If future policy renewal is lower than assumed in the actuarial valuations, New Sagicor's profitability and solvency may decline, resulting in an inability to sustain future operations.

If the future mortality or morbidity rates of the existing insureds are higher than assumed in the actuarial valuations, New Sagicor will pay out higher benefits earlier than expected, potentially depleting its assets and adversely affecting its ability to pay other benefits.

If the future mortality rates of the existing annuitants and beneficiaries are lower than assumed in the actuarial valuations, New Sagicor will pay out benefits for longer periods than anticipated, depleting its assets and adversely affecting its ability to continue payment of annuities and other benefits.

New Sagicor could be forced to sell investments at a loss to cover policyholder withdrawals.

New Sagicor offers certain products that allow policyholders to withdraw their funds under defined circumstances. In order to meet such funding obligations, New Sagicor manages its liabilities and configures its investment portfolios so as to provide and maintain sufficient liquidity to support expected withdrawal demands and contract benefits and maturities. However, in order to provide necessary long-term returns, a certain portion of New Sagicor's assets are relatively illiquid. There can be no assurance that withdrawal demands will match New Sagicor's estimation of withdrawal demands. If New Sagicor experiences unexpected withdrawal activity, whether as a result of financial strength downgrades or otherwise, it could exhaust its liquid assets and be forced to liquidate other less liquid assets, possibly at a loss or on other unfavourable terms. If New Sagicor is forced to dispose of assets at a loss or on unfavorable terms, it could have a material adverse effect on New Sagicor's business, financial condition and results of operations.

New Sagicor's risk management policies and procedures could leave New Sagicor exposed to unidentified or unanticipated risk, which could negatively affect New Sagicor's business or result in losses.

New Sagicor has developed risk management policies and procedures and expects to continue to enhance these in the future. Nonetheless, New Sagicor's policies and procedures to identify, monitor, and manage both internal and external risks may not effectively mitigate these risks or adequately predict future exposures, which could be different or significantly greater than expected. New Sagicor's current identified risks may not be the only risks facing New Sagicor. Additional risks and uncertainties not currently known to New Sagicor, or that New Sagicor currently deems to be immaterial, may adversely affect New Sagicor's business, financial condition or operating results.

Illiquidity of certain investment assets may prevent New Sagicor from selling investments at fair prices in a timely manner.

New Sagicor is exposed to daily demands on its available cash resources for payment of policy benefits and withdrawals, operating expenses and taxes, loan draw-downs, repayment of borrowings, maturing deposit liabilities and other obligations. If demands on its cash resources exceed New Sagicor's projections, New Sagicor may be forced to liquidate longer-term assets at unfavorable prices to meet those demands. This may occur in a number of circumstances, including where a particular market experiences an unexpected increase in withdrawals of the cash value of the policies. For example, during the late 1990s the Jamaican insurance market was faced with a substantial and significant increase in cash value withdrawals as a result of a dramatic increase in commercial bank interest rates. This put pressure on insurers' ability to service these withdrawals because their portfolios included significant non-liquid assets like real estate. There is no assurance that in the event of such an occurrence that New Sagicor would readily be in a position to meet all requests without liquidating some long-term assets at potentially non-favorable prices.

New Sagicor considers an investment property to be one of the most illiquid assets. Sagicor's investment properties amounted to US$80.8 million or 1.6% of invested assets, at the end of 2017 (US$80.7 million, or 1.6% in 2016).

The unaudited pro forma combined financial information included in this document may not be indicative of what Sagicor's actual financial position or results of operations would have been.

The unaudited pro forma condensed combined financial information for Sagicor in this prospectus is presented for illustrative purposes only and is not necessarily indicative of what Sagicor's actual financial position or results of operations would have been had the Transaction or the acquisition of SLTT and/or SJLIC been completed on the dates indicated. See the section entitled "*Selected Consolidated Financial Information*" for more information.

New Sagicor's fiduciary relationship with certain counterparties could adversely affect its profitability.

As part of New Sagicor's Caribbean operations, it provides investment management, administration and corporate trust services to pension and mutual funds and other corporate entities, which requires New Sagicor to make allocation, purchase and sale decisions in relation to a wide range of investments. These services give rise to fiduciary risk that may expose New Sagicor to claims for maladministration or underperformance of these funds. As of December 31, 2017, Sagicor administered approximately US$3.2 billion in assets on behalf of clients in the Caribbean to whom it owed fiduciary obligations. Claims arising out of New Sagicor's fiduciary obligations could result in a negative impact to its reputation, which could adversely affect New Sagicor's financial condition and operating results.

A prolonged labour dispute could hurt New Sagicor's business.

Approximately 16.39% of New Sagicor's employees are represented by unions and/or covered by collective bargaining agreements. There can be no assurance that New Sagicor's non-unionized employees in the United States, Barbados or elsewhere will not become members of a union and/or become covered by a collective bargaining agreement, including through an acquisition of a business whose employees are subject to such agreement. If New Sagicor experiences a prolonged labour dispute involving a significant number of its employees, New Sagicor's business would be adversely affected.

Risks Related to the Transaction and Proposed Acquisitions

A high level of redemptions of Alignvest Class A Restricted Voting Shares may necessitate sourcing of additional debt or equity to fund the SJLIC and SLTT acquisitions.

Sagicor plans to fund the SJLIC and SLTT acquisitions via US$140 million of equity from Alignvest and new local currency borrowing of US$100 million. There can be no assurance that such funding will be available or as to the terms thereof. If Alignvest suffers redemptions such that all or part of such US$140 million is not available, Alignvest and Sagicor will need to source replacement debt or equity to complete the transaction or renegotiate it.

A failure to successfully integrate New Sagicor's acquisitions could adversely affect New Sagicor's operations and profitability.

There can be no assurance regarding when, if ever, or the extent to which, the integration of New Sagicor's acquisitions will result in increased revenues, cost savings or benefits. Integration may be difficult, unpredictable and subject to delay because of possible cultural and regulatory conflicts. The companies will continue to integrate or, in some cases replace, systems, including those involving information management. Difficulties associated with integrating New Sagicor's acquisitions could have a material adverse effect on the Company.

A failure to successfully execute current and future strategic acquisitions could adversely affect New Sagicor's profitability.

As part of New Sagicor's growth strategy, New Sagicor intends to continue to expand its operations and business in the United States and elsewhere, in part by acquiring companies and/or additional blocks of life insurance. There is no assurance that New Sagicor will be able to identify, acquire or profitably manage additional businesses or successfully integrate any acquired businesses into its existing operations. Further, there is no assurance that New Sagicor will be able to successfully close the acquisitions disclosed in this prospectus, including the SJLIC and SLTT acquisitions. Failure to close any disclosed acquisition may have a negative impact on New Sagicor's ability to achieve the financial targets contained in this prospectus.

Furthermore, such acquisitions may involve a number of special risks, including diversion of management's attention, failure to retain key personnel in the case of the SJLIC and SLTT acquisitions, unanticipated events or circumstances and legal liabilities, some or all of which could have a material adverse effect on New Sagicor's business, results of operations and financial condition. Failure on New Sagicor's part to manage its acquisition strategy successfully could have a material adverse effect on its business, results of operations and financial condition.

There is no assurance that New Sagicor will obtain the regulatory approvals required for the entering into of the MPA Agreements on the terms contemplated in the MPA Term Sheet. In order to obtain such approvals and to comply with applicable laws and regulatory policies in Jamaica and Trinidad and Tobago, New Sagicor and the Vendors may be required to enter into the MPA Agreement on terms that are different than the terms contemplated in the MPA Term Sheet described in the prospectus.

If the conditions to the Transaction are not met, the Transaction may not occur.

Specified conditions must be satisfied or waived to complete the Transaction. These conditions are set forth in the Arrangement Agreement and described in the section titled "*The Arrangement Agreement*" in this prospectus. Sagicor and Alignvest cannot assure that all of the conditions will be satisfied or waived. If the conditions are not satisfied or waived, the Transaction may not occur or may be delayed, and Sagicor and Alignvest each may lose some or all of the intended benefits of the transaction.

Risks Related to Indebtedness of New Sagicor

New Sagicor may be required to make an offer to purchase all of the 2022 Notes, but may not be able to repurchase the Notes upon a change of control.

Under the Note Indenture, if a change of control (as defined in the Note Indenture) occurs, New Sagicor must offer to repurchase all outstanding 2022 Notes for a price equal to 101% of the principal amount of the 2022 Notes, plus any accrued and unpaid interest. The consummation of the Scheme of Arrangement and the transactions contemplated by the Arrangement Agreement could result in a change of control. If all or a significant portion of the holders of the 2022 Notes are eligible to and elect to have their 2022 Notes purchased pursuant to the offer, New Sagicor may not have sufficient proceeds from the Scheme of Arrangement or sufficient other funds available to it to satisfy its purchase obligation. Although it is not necessarily likely that a significant portion of the holders will elect to have their 2022 Notes repurchased, New Sagicor may require additional financing from third parties to fund any such repurchase, and it may not be able to obtain additional financing on favorable terms, on a timely basis or at all. Accordingly, New Sagicor may not be able to satisfy its obligations to repurchase the 2022 Notes unless New Sagicor is able to refinance or obtain waivers under such other debt instruments. It is a condition to Sagicor's obligation to complete the Transaction that, in the event the Transaction constitutes a change of control (as defined in the Note Indenture), Sagicor shall have received a waiver from the holders of a majority of the principal amount of the 2022 Notes then outstanding to make an offer to repurchase all of the outstanding 2022 Notes.

Political and Regulatory Risks

New Sagicor's business is highly regulated and subject to numerous laws and regulations.

New Sagicor's business is subject to government regulation in each of the countries in which it conduct business. Such regulation is vested in government agencies having broad administrative, and in some instances discretionary, authority with respect to many aspects of New Sagicor's business, which may include, among others, insurance company investment laws and regulations, state adopted statutory accounting principles, antitrust laws, minimum solvency requirements, laws regarding risk-based assessments, privacy laws, securities laws, stock exchange requirements, insurable interest laws and anti-money laundering, anti-corruption and anti-terrorism laws.

Furthermore, New Sagicor currently operates in 22 jurisdictions; such diversity complicates New Sagicor's regulatory compliance burden. Regulatory agencies have broad administrative power over many aspects of New Sagicor's business, generally including marketing and selling practices, advertising, licensing agents, policy forms, capital adequacy and permitted investments. Insurance regulators are concerned primarily with the protection of policyholders, rather than New Sagicor's shareholders or other creditors. Insurance laws, regulations and policies currently affecting New Sagicor and its subsidiaries may change at any time in ways having an adverse effect on its business. New Sagicor cannot predict the timing or form of any future regulatory initiative.

New Sagicor is subject to regulatory inspections in the normal course of business in many of the jurisdictions in which New Sagicor operates. Recently New Sagicor has seen an increase in capital requirements and a greater emphasis on applying a risk-based approach to compliance and corporate governance. Regulators, particularly those in Barbados, Jamaica, Trinidad and Tobago and the United States, have also been initiating more inspections. Regulatory sanctions or decisions may have an adverse effect on New Sagicor's financial condition.

New Sagicor cannot predict what form any future changes in these or other areas of regulation affecting its business might take or what effect, if any, such proposals might have on New Sagicor if enacted into law. Any change affecting one or more of the lines of business New Sagicor writes could affect New Sagicor's financial condition and operating results.

Litigation and regulatory proceedings outcomes could adversely affect New Sagicor's business.

New Sagicor is routinely involved in legal or arbitration proceedings with respect to liabilities that are the subject of policy claims. As insurance industry practices and legal, judicial, social and other environmental conditions change, unexpected and unintended issues related to claims and coverage may emerge. These issues can have a negative effect on New Sagicor's business by either extending coverage beyond its underwriting intent or by increasing the number and size of claims.

In addition, to the extent that legal or regulatory decisions in any of the jurisdictions in which New Sagicor operates increase court awards, the impact of which may be applied prospectively or retrospectively, claims and benefits reserves may prove insufficient to cover actual losses, loss adjustment expenses or future policy benefits. In such event, or where New Sagicor has previously estimated that no liability would apply, New Sagicor would have to add to New Sagicor's loss reserves and incur a reduction in its earnings. Such insufficiencies could have a material adverse effect on New Sagicor's future consolidated financial condition, results of operations and cash flows.

Companies in the financial services industry are sometimes the target of law enforcement investigations and the focus of increased regulatory scrutiny.

The financial services industry, including the insurance sector, is sometimes the target of law enforcement and regulatory investigations or other actions resulting from such investigations.

Resulting publicity about one such investigation or action may generate inquiries into or litigation against other financial services companies, even those who do not engage in the business lines or practices at issue in the original action. It is impossible to predict the outcome of such investigations or actions, whether they will expand into other areas not yet contemplated, whether they will result in changes in insurance regulation, whether activities currently thought to be lawful will be characterized as unlawful or the impact, if any, of such scrutiny on the financial services and insurance industry or on New Sagicor.

There may be adverse consequences if the status of New Sagicor's independent contractors is successfully challenged.

In the Caribbean region, New Sagicor markets its insurance products primarily through its advisors and brokers. As of September 30, 2018, Sagicor had 1,162 advisors and 181 brokers in the Caribbean region, all of whom are compensated based on performance. In the United States, New Sagicor markets its life insurance products mainly through third-party marketing firms, financial institutions, independent agents, MGAs and individual distributors. As of September 30, 2018, Sagicor had 37 career agents and 5,585 independent agents in the United States. New Sagicor currently treats its United States advisors, brokers and MGAs as independent contractors. However, the tests governing the determination of whether an individual is considered to be an independent contractor or an employee are typically fact sensitive and vary from jurisdiction to jurisdiction. Laws and regulations that govern the status of New Sagicor's independent contractors are subject to change or interpretation by various authorities. If a federal, state or local authority or court enacts legislation (or adopts regulations) or adopts an interpretation that changes the manner in which employees and independent contractors are classified or makes any adverse determination with respect to some or all of New Sagicor's independent contractors, New Sagicor could incur significant costs in complying with such laws, regulations or interpretations, including, in respect of tax withholding, social security payments and recordkeeping, or New Sagicor could be held liable for the actions of such future and past independent contractors or may be required to modify its business model, any of which could have a material adverse effect on New Sagicor's business, financial condition and results of operations. In addition, there is the risk that New Sagicor may be subject to significant monetary liabilities arising from fines or judgments as a result of any such actual or alleged non-compliance with federal, state or local tax or employment laws. Further, if it were determined that New Sagicor's agents and brokers should be treated as employees, New Sagicor could possibly incur additional liabilities with respect to any applicable employee benefit plan.

Failures to implement or comply with legally required anti-money laundering practices could subject New Sagicor to sanctions and/or criminal and civil penalties.

New Sagicor's business is subject to extensive regulation and supervision in the jurisdictions in which it operates. These jurisdictions have embraced the principles approved by the FAFT and CFATF on anti-money laundering and anti-terrorist financing procedures. As such, all aspects of New Sagicor's business are required to abide by the anti-money laundering regulations imposed by the regulatory authorities and also have internal anti-money laundering procedures in place.

In the past, as new regulations have been adopted, Sagicor has experienced delays in fully implementing anti-money laundering policies promptly, primarily as a result of resource allocations. As new regulations are adopted, New Sagicor may experience similar delays, which may result in penalties and/or sanctions.

The amount of statutory capital that New Sagicor's insurance subsidiaries have and the amount of statutory capital that they must hold to maintain their financial strength and credit ratings and meet other requirements can vary significantly from time to time and are sensitive to a number of factors outside of New Sagicor's control.

New Sagicor's insurance subsidiaries are subject to regulations that establish minimum capitalization requirements, some fixed and some risk based (Jamaica and the USA). Risk-based capital formulas for life insurance companies include capital for credit risk, interest rate risk, and policyholder behaviour risks. In any particular year, statutory surplus amounts and risk-based capital ratios may increase or decrease depending on a variety of factors, including but not limited to the following:

- the amount of statutory income or losses generated by New Sagicor's insurance subsidiaries (which itself is sensitive to credit market conditions);
- the amount of additional capital New Sagicor's insurance operations must hold to support business growth;
- changes in reserve requirements applicable to New Sagicor's insurance operations;
- the value of certain fixed-income and equity securities in New Sagicor's investment portfolio;
- changes in the credit ratings of investments held in New Sagicor's portfolio;
- the value of certain derivative instruments;
- changes in interest rates;
- credit market volatility;
- changes in consumer behavior; and
- changes to the statutory capital regime.

Most of these factors are outside of New Sagicor's control. The financial strength and credit ratings of New Sagicor's insurance operations are significantly influenced by their statutory surplus amounts and capital adequacy ratios. Rating agencies may implement changes to their internal models that have the effect of increasing or decreasing the amount of statutory capital New Sagicor's insurance operations must hold in order to maintain their current ratings. In addition, rating agencies may downgrade the investments held in New Sagicor's portfolio, which could result in a reduction of New Sagicor's capital and surplus and New Sagicor's risk-based capital ratio.

The Company's goal is to minimize its exposure to equity market movements associated with its fixed indexed products so it actively hedges those exposures through the purchase of options tied to certain indices. In extreme equity market declines, the amount of additional statutory reserves New Sagicor's insurance operations are required to hold for fixed indexed products may decrease at a rate less than or more than the rate of change of the markets if the hedged positions are not perfectly matched to the reserves. This mismatch could result in a reduction of the capital, surplus, or risk-based capital ratio of New Sagicor's insurance operations.

A failure to maintain adequate levels of surplus capital may result in increased regulatory scrutiny or a downgrade by rating agencies.

The capacity for an insurance company's growth in premiums is in part a function of its statutory surplus. Maintaining appropriate levels of statutory surplus, as measured by a jurisdiction's insurance regulations, is considered important by the relevant insurance regulatory authorities and the private agencies that rate insurers' claims-paying abilities and financial strength. Failure to maintain certain levels of statutory surplus could result in increased regulatory scrutiny, action by regulatory authorities or a downgrade by rating agencies.

If there are any revisions to the risk-based capital formula or the regulatory capital requirements within the jurisdictions in which Sagicor's subsidiaries operate, New Sagicor's insurance operations may require additional capital. The additional capital required may not be available on favourable terms, if at all. Need for additional capital could limit New Sagicor's subsidiaries' ability to distribute funds to New Sagicor and adversely affect its ability to pay dividends and meet its debt and other payment obligations.

New Sagicor's financial condition may be adversely affected by geopolitical events.

War, terrorism, threats of terrorist acts and related geopolitical risks have led, and may in the future lead to, increased market volatility and may have adverse long-term effects on particular markets, the global economy and securities markets generally.

A change of control of New Sagicor may be difficult to effect under applicable insurance laws.

A change of control could require consents from regulators in various jurisdictions in which New Sagicor operates. See "*Regulatory Approvals*" in this prospectus. There is no assurance that all of these regulatory approvals will be obtained on a timely basis, if at all, or that these approvals will not include a restriction, limitation or condition that would trigger an undue burden, which, in such case, would permit either Alignvest or Sagicor to refuse to close the Transaction. Following the Transaction, these requirements may also discourage potential acquisition proposals and may delay, deter or prevent a change of control of New Sagicor, including through transactions, in particular unsolicited transactions, that some or all of the shareholders might consider to be desirable.

Competitive, Technology and Other Business Risks

New Sagicor operates in a highly competitive industry, New Sagicor faces significant competition mainly from national and regional insurance companies and from self-insurance, and New Sagicor also faces some competition from global companies. This competition could limit New Sagicor's ability to gain or maintain its position in the industry and could materially adversely affect its business, financial condition and results of operations.

New Sagicor operates in a highly competitive industry. New Sagicor encounters significant competition in all of its product lines from regional, local and global insurance companies, including direct writers of insurance coverage as well as, to a limited extent, non-insurance financial services companies, such as banks and broker-dealers, some of which have greater financial resources and higher financial strength ratings than New Sagicor and which may have a greater market share, offer a broader range of products, services or features, assume a greater level of risk, have lower operating or financing costs, have different profitability expectations than New Sagicor, or offer more competitive pricing. New Sagicor's annuity products compete with fixed indexed, fixed rate and variable annuities sold by other insurance companies and also with mutual fund products, traditional bank investments and other retirement funding alternatives offered by asset managers, banks and broker-dealers. New Sagicor's insurance products compete with those of other insurance companies, financial intermediaries and other institutions based on a number of factors, including premium rates, policy terms and conditions, service provided to distribution channels and policyholders, ratings by rating agencies, reputation and commission structures.

The property and casualty insurance industry is highly competitive on the basis of both price and service. There are many companies competing for the same insurance customers in the geographic areas in which New Sagicor operates. If New Sagicor's competitors price their premiums more aggressively and New Sagicor meets their pricing, this may adversely affect New Sagicor's underwriting results. In addition, because most of New Sagicor's property and casualty insurance products are marketed through independent insurance agencies that represent more than one insurance company, New Sagicor faces competition within each agency. New Sagicor also faces competition from the implementation of self-insurance in the commercial insurance area. Some of New Sagicor's customers and potential customers are examining the risks of self-insuring as an alternative to traditional insurance.

Insurance products are increasingly being treated as commodities. This adds to the competitiveness of the industry. Further, the industry faces increased competition from banks and other financial intermediaries who offer a range of insurance products requiring no, or limited, underwriting, and this is compounded by the fact that consumers have become more knowledgeable and demanding as a result of their access to technology.

Furthermore, consolidation in the insurance industry and in distribution channels may result in increasing competitive pressures on New Sagicor. Larger, potentially more efficient organizations may emerge from consolidation. The ability of banks to increase their securities-related business or to affiliate with insurance companies may materially and adversely affect sales of all of New Sagicor's products by substantially increasing the number and financial strength of potential competitors.

Consolidation and expansion among banks, insurance companies, and other financial service companies with which New Sagicor does business could also have an adverse effect on New Sagicor's business, operations and financial condition if they demand more favourable terms than New Sagicor previously offered or if they elect not to continue to do business with New Sagicor following consolidation or expansion.

New Sagicor's ability to compete is dependent upon, among other things, New Sagicor's ability to develop competitive and profitable products, its ability to maintain low unit costs, its maintenance of adequate financial strength ratings from rating agencies, and its ability to provide quality customer service. New Sagicor's ability to compete is also dependent upon, among other things, its ability to attract and retain distribution channels to market New Sagicor's products, the competition for which is vigourous.

Brokers that sell New Sagicor's products may sell insurance products of New Sagicor's competitors and such brokers may choose not to sell New Sagicor's products.

New Sagicor sells its group insurance products in the Caribbean primarily through brokers. In addition, it sells most of its insurance products in the United States primarily through MGAs. These brokers and MGAs also sell New Sagicor's competitors' products and may stop selling New Sagicor's products altogether at any time. Strong competition exists among insurers for brokers and MGAs with demonstrated ability to sell insurance products. Premium volume and profitability could be materially adversely affected if there is a material decrease in the number of brokers or MGAs that choose to sell New Sagicor's products. In addition, the success of New Sagicor's growth strategy in the United States could be adversely affected if New Sagicor is unable to recruit MGAs with demonstrated sales ability to sell its products. In addition, New Sagicor's strategy of distributing through dedicated advisors may adversely impact its relationship with brokers or MGAs who distribute New Sagicor's products.

Computer viruses, network security breaches, disasters or other unanticipated events could affect New Sagicor's data processing systems or those of its business partners and could damage New Sagicor's business and adversely affect its financial condition and results of operations.

New Sagicor retains confidential information in its computer systems, and relies on sophisticated commercial technologies to maintain the security of those systems. Despite New Sagicor's implementation of network security measures, its servers could be subject to physical and electronic break-ins and similar disruptions from unauthorized tampering with its computer systems. Anyone who is able to circumvent New Sagicor's security measures and penetrate its computer systems could access, view, misappropriate, alter, or delete any information in the systems, including personally identifiable customer information and proprietary business information. In addition, an increasing number of jurisdictions in which New Sagicor operates require that customers be notified of unauthorized access, use, or disclosure of their information. Any compromise of the security of New Sagicor's computer systems that results in inappropriate access, use or disclosure of personally identifiable customer information could damage New Sagicor's reputation in the marketplace, deter people from purchasing its products, subject New Sagicor to significant civil and criminal liability and require New Sagicor to incur significant technical, legal and other expenses.

In the event of a disaster such as a natural catastrophe, an industrial accident, a blackout, a computer virus, a terrorist attack or war, New Sagicor's computer systems may be inaccessible to its employees, customers, or business partners for an extended period of time. Even if New Sagicor's employees are able to report to work, they may be unable to perform their duties for an extended period of time if New Sagicor's data or systems are disabled or destroyed. Any such occurrence could materially adversely affect New Sagicor's business, operations and financial condition.

A financial strength downgrade in New Sagicor's A.M. Best ratings or any other negative action by a rating agency may increase policy surrenders and withdrawals, adversely affect relationships with advisors and negatively affect New Sagicor's financial condition and results of operations.

Claims paying ability and financial strength ratings are factors in establishing the competitive position of insurers. Various recognized rating agencies review the financial performance and condition of insurers and publish their financial strength ratings as indicators of an insurer's ability to meet policyholder and contract holder obligations. These ratings are important in maintaining public confidence in New Sagicor's products, New Sagicor's ability to market its products and its competitive position. A rating downgrade, the potential for such a downgrade or other negative action by a rating agency with respect to its financial strength ratings on any of its rated insurance subsidiaries could materially affect New Sagicor in many ways including, among others, the following:

- materially increase the number of policy lapses or surrenders and withdrawals by policyholders of cash values from their policies. This is particularly true in the United States, where the insurance market is more sensitive to changes in ratings due to the large number of competitors;

- decreased net income, as well as increased cash payments, requiring the sale of invested assets, including illiquid assets, at a loss. These consequences could, depending upon their extent, have a material adverse effect on New Sagicor's liquidity and potential net income;

- reduce new sales of insurance and investment products. This is particularly true in the United States, where the insurance market is more sensitive to changes in ratings due to the large number of competitors;

- require a reduction in prices for New Sagicor's insurance products and services in order to remain competitive;

- adversely affect New Sagicor's ability to obtain reinsurance at a reasonable price, on reasonable terms or at all; or

- require New Sagicor to collateralize reserves, balances or obligations under reinsurance and securitization agreements.

In addition, a downgrade may adversely affect relationships with New Sagicor's advisors and other distributors of New Sagicor's products and services, which may negatively affect its ability to compete and thereby have a material adverse effect on New Sagicor's business, results of operations and financial condition. Negative changes in credit ratings may also increase New Sagicor's cost of funding.

Rating agencies assign ratings based upon several factors. While most of these factors relate to the rated company, some factors relate to the views of the rating agency, general economic conditions and circumstances outside the rated company's control. In addition, rating agencies use various models and formulas to assess the strength of a rated company, and from time to time rating agencies have, in their discretion, altered the models and may do so in the future in ways that negatively impact the financial strength ratings of the issuer and its subsidiaries and make it more difficult to maintain or obtain comparable ratings going forward.

If New Sagicor's financial strength ratings are downgraded, it anticipates that its sales of new policies will be adversely impacted and that New Sagicor could experience substantial surrenders of existing policies. In order to improve or maintain New Sagicor's financial strength ratings, New Sagicor may limit the amount of dividends otherwise payable. In that regard, New Sagicor may also implement business strategies to maintain or improve its current rating. New Sagicor cannot guarantee these measures will be successful, and thus its financial strength rating could suffer. New Sagicor cannot predict what actions A.M. Best or other rating agencies may take in the future, and failure to improve or maintain current financial strength ratings could adversely affect its financial condition and results of operations.

In addition, a rating agency, at its discretion, can lower or entirely withdraw a previously assigned credit rating. Real or anticipated changes in New Sagicor's credit ratings will generally affect the market value of New Sagicor's debt. Any lowering of New Sagicor's credit ratings would likely make it more difficult or more expensive for New Sagicor to obtain additional debt financing in the future.

The unpredictable nature of the property and casualty insurance industry may cause fluctuations in New Sagicor's results.

Historically, the property and casualty insurance industry has been unpredictable and operating results of insurers have fluctuated significantly because of volatile and unpredictable developments, many of which are beyond the control of any insurer. New Sagicor expects to experience these effects, which could have a material adverse effect on its results of operations.

The unpredictability and competitive nature of the general insurance business historically has contributed to quarter-to-quarter and year-to-year fluctuations in underwriting results and net earnings in the general insurance industry. In addition, unanticipated underwriting losses and claims reserve adjustments experienced by New Sagicor's general insurance subsidiaries could have an adverse impact on its financial condition and operating results.

New Sagicor may be unable to reinsure risks on terms that are commercially reasonable or satisfactory to New Sagicor, or New Sagicor's reinsurers may fail to meet assumed obligations, increase rates, or be subject to adverse developments, negatively affecting New Sagicor's business, financial condition and result of operations.

New Sagicor transfers its exposure to certain risks to others through reinsurance arrangements. In particular, a majority of New Sagicor's new individual life business is reinsured with Swiss Re, Munich Re, Optimum Re, and SCOR Global Life. New Sagicor's existing individual life business is currently reinsured by a number of companies in addition to those mentioned previously. New Sagicor's property and casualty business is currently reinsured principally by Munich Re, Hannover Re and Platinum Re.

Under New Sagicor's reinsurance arrangements, these insurers assume a portion of the losses and expenses associated with New Sagicor's policy losses in exchange for a portion of policy premiums. The availability, amount and cost of reinsurance depend on general market conditions and may vary significantly. Reinsurers may be subject to many of the same risks that New Sagicor is affected by, which may strain the resources of reinsurers. Any decrease in the amount of New Sagicor's reinsurance will increase New Sagicor's risk of loss.

When New Sagicor obtains reinsurance, it still remains primarily liable for the reinsured risks, even if the reinsurer does not meet its reinsurance obligations to it. Therefore, the inability of New Sagicor's reinsurers to meet their financial obligations or disputes about the scope of reinsurance coverage could materially affect New Sagicor's operations. New Sagicor's reinsurers may become financially impaired by the time they are called upon to pay amounts due. In addition, reinsurance may prove inadequate to protect against losses or may become unavailable in the future at commercially reasonable rates.

New Sagicor's ability to compete is dependent on the availability of reinsurance or other substitute financing solutions. Premium rates charged by New Sagicor are based, in part, on the assumption that reinsurance will be available at a certain cost. Under certain reinsurance agreements, the reinsurer may increase the rate it charges New Sagicor for the reinsurance. Therefore, if the cost of reinsurance were to increase, if reinsurance were to become unavailable on commercially reasonable terms or at all, if alternatives to reinsurance were not available to New Sagicor, or if a reinsurer should fail to meet its obligations, New Sagicor's business, financial condition and results of operations could be materially adversely affected.

In recent years, access to reinsurance has become more costly for members of the insurance industry, including New Sagicor. In addition, the number of life reinsurers has decreased as the reinsurance industry has consolidated. The decreased number of participants in the life reinsurance market resulted in increased concentration of risk for insurers, including New Sagicor. If the reinsurance market further contracts, New Sagicor's ability to continue to offer New Sagicor's products on terms favorable to New Sagicor could be negatively impacted, resulting in adverse consequences to New Sagicor's business, operations and financial condition.

New Sagicor's business model depends on the performance of various third parties including actuarial consultants and other service providers.

New Sagicor relies on various third parties to provide services for its business operations. As such, New Sagicor's results may be affected by the performance of those other parties. For example, New Sagicor is dependent upon independent consultants to perform actuarial analyses and to manage certain of its assets. Additionally, New Sagicor's operations are dependent on various service providers and on various technologies, some of which are provided or maintained by certain key outsourcing partners and other parties.

The third parties upon whom New Sagicor depends may default on their obligations to New Sagicor due to bankruptcy, insolvency, lack of liquidity, adverse economic conditions, operational failure, fraud, loss of key personnel or other reasons. Such defaults could have a material adverse effect on New Sagicor's financial condition and results of operations. In addition, certain of these other parties may act, or be deemed to act, on behalf of New Sagicor or represent New Sagicor in various capacities. Consequently, New Sagicor may be held responsible for obligations that arise from the acts or omissions of these other parties.

Negative publicity in the insurance industry could adversely affect New Sagicor

A number of New Sagicor's products and services are ultimately distributed to individual consumers. From time to time, consumer advocacy groups or the media may focus attention on New Sagicor's products and services, thereby subjecting the insurance industry to periodic negative publicity. Negative publicity may also result in increased regulation and legislative scrutiny of practices in the insurance industry as well as increased litigation. Such consequences may increase New Sagicor's costs of doing business and adversely affect New Sagicor's profitability by impeding New Sagicor's ability to market its products and services or increasing the regulatory burdens under which New Sagicor operates.

Management Team Risks

New Sagicor depends on key personnel; if they were to leave New Sagicor, New Sagicor might have an insufficient number of qualified employees.

New Sagicor believes that its ability to implement its business strategy and its future success depends on the continued service of New Sagicor's senior management team, which has extensive experience in the industry and is vital in maintaining some of its major customer relationships. The loss of the technical knowledge, management and industry expertise of any of New Sagicor's key employees could make it difficult for New Sagicor to fully execute its business plan effectively.

New Sagicor's future growth and success depend on its ability to attract, retain and motivate skilled managerial, sales, administrative and technical personnel. The market for qualified professionals is competitive and New Sagicor may not continue to be successful in its efforts to attract and retain these professionals. The failure to continue to attract and retain additional key personnel, could affect New Sagicor's business, financial condition and operating results.

Macroeconomic, Geographic and Currency Risks

New Sagicor is highly dependent upon economic, political and other conditions and developments in Barbados, Jamaica, Trinidad and Tobago, the United States and the other jurisdictions in which it operates.

In accordance with the relevant financial reporting standard, New Sagicor has determined that there are three principal subsidiary groups with continuing operations which represent the reporting operating segments. These segments are Sagicor Life, which operates in Barbados, Eastern Caribbean, Dutch Caribbean, Bahamas, Central America and Trinidad and Tobago; Sagicor Jamaica, which operates in Jamaica, Cayman Islands and Costa Rica; and Sagicor Life USA, which operates in the United States. For the year ended December 31, 2017, Sagicor Life, Sagicor Jamaica and Sagicor Life USA represented 34.5%, 48.5% and 13.0% of its operations in terms of revenue, respectively. As a result, New Sagicor's business, results of operations, financial condition and prospects are materially dependent upon economic, political and other conditions and developments in Barbados, Jamaica, Trinidad and Tobago, Bermuda and the United States.

The overall financial performance of New Sagicor is necessarily linked to economic conditions in Barbados, Jamaica, Trinidad and Tobago, the United States and the other jurisdictions in the Caribbean in which it operates.

New Sagicor currently has interests and operations in the Caribbean region, Central America and the United States, and such interests are subject to governmental regulation in each market. The governments in these markets differ widely with respect to structure, constitution and stability and some countries lack mature legal and regulatory systems. To the extent that New Sagicor's operations depend on governmental approval and regulatory decisions, the operations may be adversely affected by changes in the political structure or government representatives in each of the markets in which New Sagicor operates.

Any slowdown or contraction affecting the local economy could negatively affect the ability of New Sagicor's customers to service their loans in accordance with their terms or New Sagicor's ability to retain a stable deposit base to support its operations. If the economy of Barbados or Jamaica or Trinidad and Tobago or the United States worsens because of, for example:

- lower economic activity;
- in the case of Barbados, a loss of investor confidence due to the sovereign debt restructuring;
- in the case of Trinidad and Tobago, a decline in oil, natural gas or petrochemical prices;
- devaluation of the BBD, J$, TTD or US$;
- higher inflation; or
- an increase in domestic interest rates;

then New Sagicor's business, results of operations, financial condition and prospects may also be significantly affected by actions taken by the government in the jurisdictions in which New Sagicor operates. Caribbean governments traditionally have played a central role in the economy and continue to exercise significant influence over many aspects of it. They may make changes in policy, or new laws or regulations may be enacted or promulgated, relating to, for example, monetary policy, taxation, exchange controls, interest rates, regulation of banking and financial services and other industries, government budgeting and public sector financing.

These and other future developments in the economies of Barbados, Jamaica, Trinidad and Tobago, the United States and governmental policies in New Sagicor's Caribbean markets may reduce local demand for New Sagicor's insurance and other financial services or products, adversely affect its business, financial condition, results of operations or prospects and impair New Sagicor's ability to satisfy its obligations.

New Sagicor's financial condition and operating results may be adversely affected by foreign exchange fluctuations.

New Sagicor publishes its consolidated financial statements in U.S. dollars. Therefore, fluctuations in exchange rates used to translate other currencies into U.S. dollars will impact its reported consolidated financial condition, results of operations and cash flows from period to period. These fluctuations in exchange rates will also impact the value of its investments and the returns on its investments. Additionally, some of the jurisdictions in which New Sagicor operates may limit its ability to exchange local currency for U.S. dollars. For a discussion of the impact of changes in foreign exchange rates on New Sagicor's results of operations, see "*Management's Discussion and Analysis of Sagicor – Accounting and Control Measures – Qualitative and Quantitative Disclosure About Market Risk – Foreign Exchange Risk*".

The BBD/US$ exchange rate has been at a fixed rate since July 5, 1975. The J$ and the TTD float against the US$. See "*Management's Discussion and Analysis of Sagicor – Accounting and Control Measures – Qualitative and*

Quantitative Disclosure About Market Risk – Foreign Exchange Risk." There is no assurance that these currencies will not be subject to depreciation and volatility or that the current exchange rate policies will remain the same.

If significant depreciation of the BBD, J$ or TTD against the U.S. dollar occurs in the future when New Sagicor has a significant net long open position in foreign currency, such depreciation could have a material negative effect on New Sagicor's results of operations, liquidity and financial condition.

Depreciation or volatility of the Barbados dollar, Jamaican dollar or Trinidad and Tobago dollar against the U.S. dollar or other currencies could cause policyholders, depositors and investors to lose confidence in New Sagicor.

Changes in the current exchange rate or in exchange rate policies could also result in higher domestic interest rates, liquidity shortages, exchange controls and the withholding of financial assistance by multilateral institutions. These developments could, in turn, result in a reduction or contraction of economic activity, sovereign and corporate loan defaults, lower deposits and increased cost of funds, which would have a material adverse effect on New Sagicor's financial condition, liquidity and results of operations.

Foreign exchange controls may restrict New Sagicor's ability to receive distributions from its subsidiaries and any such distributions may be subject to foreign withholding taxes.

The ability of New Sagicor's operating companies to transfer funds to New Sagicor may be limited by a variety of regulatory and commercial constraints. Foreign exchange controls may significantly restrict the ability of these foreign operating companies to pay interest and dividends and repay loans in U.S. dollars. It may be difficult to convert large amounts of local currency into U.S. dollars or U.S. dollars into local currency because of limited foreign exchange markets. In addition, there are countries that restrict the export of cash even in local currencies. In cases where distributions to New Sagicor are permitted to be made, such distributions may be subject to foreign withholding taxes.

Catastrophes and weather-related events, such as hurricanes, may adversely affect New Sagicor.

General insurance companies may experience losses from catastrophes. Catastrophes may have a material adverse effect on New Sagicor's consolidated financial condition, results of operations and cash flows, especially in those markets where New Sagicor offers property and casualty insurance. Catastrophes include windstorms, hurricanes, earthquakes, tornadoes, floods and fires. In addition, drought can give rise to subsidence damage, resulting in substantial volumes of claims, particularly under household buildings policies. The incidence and severity of these catastrophes are inherently unpredictable. The extent of New Sagicor's losses from catastrophes is a function of the total amount of losses its clients incur, the number of its clients affected, the frequency of the events and the severity of the particular catastrophe. Most catastrophes occur in limited geographic areas. However, windstorms, hurricanes, floods and earthquakes may produce significant damage in large, heavily populated areas, and subsidence claims can arise in a number of geographic areas as a result of exceptional weather conditions. Many of New Sagicor's policyholders carry insurance covering property in areas that are particularly susceptible to hurricanes. The frequency and intensity of such catastrophic events may continue to increase as a result of climate change, and New Sagicor may incur greater than anticipated losses in respect of such events in the future. New Sagicor's efforts to protect itself against catastrophe losses, such as the use of selective underwriting practices, the purchasing of reinsurance and the monitoring of risk accumulations, may not be adequate.

The performance of New Sagicor's group life insurance may be adversely affected by the characteristics of the employees insured or through unexpected catastrophic events such as natural disasters.

Group life insurance may be affected by many factors, including the characteristics of the employees insured, New Sagicor's risk selection process, its ability to retain employee groups with lower claim incidence rates, the geographical concentration of employees and mortality rates. Claim incidence may also be influenced by unexpected catastrophic events such as natural disasters, which may also affect the availability of reinsurance coverage. Changes in any of these factors may adversely affect New Sagicor's results.

Risks Related to New Sagicor's Capital Structure, Public Company and Tax Status and Capital Financing Policies

New Sagicor's credit ratings may not reflect all risks associated with investing in New Sagicor Common Shares.

New Sagicor's credit ratings constitute the rating agencies' assessment of New Sagicor's ability to meet its payment obligations as they become due. Therefore, actual or expected changes to New Sagicor's credit agencies will generally affect the market value of New Sagicor Common Shares. The credit ratings, which may be revised or withdrawn at any time, do not represent a recommendation to buy, sell or hold New Sagicor Common Shares. Each rating agency's credit rating should be evaluated independently of credit ratings issued by other rating agencies.

New Sagicor may be subject to Bermuda tax.

New Sagicor expects to obtain an assurance from the Minister of Finance of Bermuda under the Exempted Undertakings Tax Protection Act 1966, as amended, that in the event that any legislation is enacted in Bermuda that would impose tax computed on profits or income, or computed on any capital asset, gain or appreciation, or any tax in the nature of estate duty or inheritance tax, then the imposition of any such tax shall not be applicable to New Sagicor or to any of its operations or to its shares, debentures or other obligations until March 31, 2035, except insofar as such tax applies to persons ordinarily resident in Bermuda or is payable by New Sagicor in respect of real property owned or leased by New Sagicor in Bermuda. Consequently, if New Sagicor's Bermuda tax exemption is not extended past March 31, 2035, it may be subject to Bermuda tax after that date.

Notwithstanding the assurance, all entities employing individuals in Bermuda are required to pay a payroll tax and there are other sundry taxes payable, directly or indirectly, to the Bermuda government.

New Sagicor will pay annual Bermuda government fees and it is expected that one or more subsidiaries of New Sagicor will pay annual Bermuda government fees and annual insurance license fees.

Bermuda's compliance with the Organization for Economic Cooperation and Development international tax standards could subject New Sagicor to additional taxes.

The Organization for Economic Cooperation and Development (the "**OECD**") has published reports and launched a dialogue among members and non-members on measures to limit harmful tax practices. These measures are largely directed at counteracting the effects of tax havens and preferential tax regimes around the world. According to the OECD, Bermuda is a jurisdiction that has substantially implemented the internationally agreed tax standard and as such is listed on the OECD 'white list'. However, New Sagicor is not able to predict whether any changes will be made to this classification or whether any such changes will subject New Sagicor to additional taxes.

Legislation enacted in Bermuda in response to the European Union's review of harmful tax competition could adversely affect New Sagicor's operations and financial condition.

During 2017, the European Union ("**EU**") Economic and Financial Affairs Council ("**ECOFIN**") released a list of non-cooperative jurisdictions for tax purposes. The stated aim of this list, and accompanying report, was to promote good governance worldwide in order to maximize efforts to prevent tax fraud and tax evasion. Bermuda was not on the list of non-cooperative jurisdictions but did feature in the report (along with approximately 40 other jurisdictions) as having committed to address concerns relating to economic substance by December 31, 2018. In accordance with that commitment, Bermuda has enacted legislation that requires certain entities in Bermuda engaged in "relevant activities" to maintain a substantial economic presence in Bermuda and to satisfy economic substance requirements. The list of "relevant activities" includes carrying on as a business any one or more of: banking, insurance, fund management, financing, leasing, headquarters, shipping, distribution and service center, intellectual property and holding entities. Any entity that must satisfy economic substance requirements but fails to do so could face automatic disclosure to competent authorities in the EU of the information filed by the entity with the Bermuda Registrar of Companies in connection with the economic substance requirements and may also face financial penalties, restriction or regulation of its business activities and/or may be struck off as a registered entity in Bermuda.

At present, the impact of these new economic substance requirements is unclear, and it is not possible to accurately predict the effect of these requirements on New Sagicor and its business. The requirements may increase the complexity and costs of carrying on New Sagicor's business and could adversely affect its operations and financial condition.

Tax on corporate emigration under the Tax Act could adversely affect New Sagicor

The "corporate emigration" rules in the Tax Act will apply to Alignvest upon Alignvest ceasing to be resident in Canada for the purposes of the Tax Act. Alignvest will also have a deemed tax year-end immediately prior to the time it ceases to be resident in Canada for purposes of the Tax Act. Alignvest intends to take the position that it will cease to be resident in Canada for the purposes of the Tax Act upon the certificate of continuance being issued by the Bermuda Registrar of Companies. Each property owned by Alignvest immediately before the deemed year-end will be deemed to have been disposed of by Alignvest for proceeds of disposition equal to the fair market value of each such property at that time. Any gains or losses realized by Alignvest from the deemed disposition will be taken into account when determining the amount of Alignvest's taxable income for the taxation year which is deemed to end immediately before the Alignvest Continuance.

Alignvest will also be required to pay a special departure tax under the Tax Act as a result of the Alignvest Continuance. Provided that Alignvest becomes resident in Barbados for purposes of the Canada-Barbados Income Tax Agreement at the time of the Alignvest Continuance, such departure tax will generally be equal to 15% of the amount by which (i) the fair market value of Alignvest's assets immediately before the Alignvest Continuance exceeds (ii) the aggregate of its liabilities and the paid-up capital in respect of its issued and outstanding shares immediately before the Alignvest Continuance. If Alignvest were considered to become resident in Bermuda (rather than Barbados) at the time of the Alignvest Continuance, the rate of departure tax would be increased from 15% to 25%.

Management of Alignvest expects that it will not incur a material amount of Canadian income tax as a result of the Alignvest Continuance. This conclusion is based in part on determinations of factual matters, including determinations regarding the fair market value of Alignvest's assets and tax attributes, any or all of which could change prior to the effective time of the Alignvest Continuance. Moreover, there can be no assurance that the Canada Revenue Agency will accept the valuations or the positions that Alignvest has adopted in calculating the amount of Canadian tax that will be payable upon the Alignvest Continuance.

If New Sagicor were subject to Canadian federal income taxation, New Sagicor's after-tax returns and the value of New Sagicor Common Shares could be materially reduced.

New Sagicor has put in place procedures intended to ensure that its central management and control do not reside in Canada. If New Sagicor were considered to have its central management and control in Canada, it would be resident in Canada for Canadian federal income tax purposes (subject to relief under an applicable income tax treaty or convention) and accordingly would be subject to income tax in Canada on its worldwide income. In addition, in such circumstances there may be additional Canadian income tax considerations for shareholders, and in particular, any dividends paid or credited by New Sagicor on the New Sagicor Common Shares to a person that is not resident in Canada for purposes of the Tax Act would be subject to Canadian non-resident withholding tax.

Unless removed, the cashless exercise feature of the Alignvest Warrants could result in more volatile financial results.

If not removed, the cashless exercise feature could result in more volatile financial results because, with the cashless exercise feature, the Alignvest Warrants are classified as a liability and are therefore recorded at fair value. Any fluctuations in the fair value of an Alignvest Warrant would be reflected in income.

Any additional taxes resulting from changes to tax regulations or the interpretation thereof in countries in which it does business could negatively impact New Sagicor's financial condition.

There is no assurance that additional taxes will not be implemented in a way that could force New Sagicor to make additional tax payments, thereby negatively affecting its financial condition.

New Sagicor is a Bermuda company and it may be difficult to enforce judgments against New Sagicor or its directors and officers.

New Sagicor will be continued under the laws of Bermuda, and a significant portion of its assets are located outside of Canada. As a result, the rights of holders of the New Sagicor Common Shares will be governed by Bermuda law and New Sagicor's memorandum of continuance and bye-laws. The rights of shareholders under Bermuda law may differ from the rights of shareholders of companies incorporated in other jurisdictions. Some of New Sagicor's directors and some of the named experts referred to in this prospectus are not residents of Canada, and a substantial portion of New Sagicor's assets will be located outside Canada. As a result, it may be difficult for New Sagicor Shareholders to effect service of process on those persons in Canada or to enforce in Canada judgments obtained in Canadian courts against New Sagicor or those persons based on the civil liability provisions of Canadian securities laws. It is doubtful whether courts in Bermuda will enforce judgments obtained in other jurisdictions, including Canada, against New Sagicor or the New Sagicor Board or New Sagicor's officers under the securities laws of those jurisdictions or entertain actions in Bermuda against New Sagicor or its directors or officers under the securities laws of other jurisdictions. New Sagicor's expected bye-laws will include an exclusive jurisdiction provision intended to reduce this risk. See "*Directors and Executive Officers – Exclusive Jurisdiction Bye-law*" elsewhere in this prospectus.

Certain of New Sagicor's operating subsidiaries are incorporated outside of Canada and it may be difficult to enforce judgments against them or their directors and officers.

Certain of New Sagicor's operating subsidiaries, including Sagicor Jamaica and Sagicor Life, are incorporated, continued or otherwise organized under the laws of a foreign jurisdiction outside of Canada. It may not be possible for New Sagicor Shareholders to enforce judgments obtained in Canada against any person or company that is incorporated, continued or otherwise organized under the laws of a foreign jurisdiction or that resides outside of Canada, even if the party has appointed an agent for service of process.

Bermuda law differs from the laws in effect in Canada and may afford less protection to shareholders.

Although New Sagicor's bye-laws are expected to contain certain shareholder protection provisions comparable to those typical for a corporation incorporated in a jurisdiction of Canada, Canadian shareholders may still have more difficulty protecting their interests than would shareholders of a corporation incorporated in a jurisdiction of Canada. As a Bermuda company, New Sagicor is governed by the BCA. The BCA differs in some material respects from laws generally applicable to Canadian corporations, including (without limitation) the provisions relating to interested directors, mergers and acquisitions, takeovers, shareholder lawsuits and indemnification of directors.

Class actions and derivative actions are generally not available to shareholders under Bermuda law. The Bermuda courts, however, would ordinarily be expected to permit a shareholder to commence an action in the name of a company to remedy a wrong to the company where the act complained of is alleged to be beyond the corporate power of the company or illegal, or would result in the violation of the company's memorandum of association or bye-laws. Furthermore, consideration would be given by a Bermuda court to acts that are alleged to constitute a fraud against the minority shareholders or, for instance, where an act requires the approval of a greater percentage of the company's shareholders than that which actually approved it. When the affairs of a company are being conducted in a manner which is oppressive or prejudicial to the interests of some part of the shareholders, one or more shareholders may apply to the Supreme Court of Bermuda, which may make such order as it sees fit, including an order regulating the conduct of the company's affairs in the future or ordering the purchase of the shares of any shareholders by other shareholders or by the company.

Every director and officer of a Bermuda company must act honestly and in good faith with a view to the best interests of the company and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances. Pursuant to the BCA, if a director or officer is interested in a material contract or a proposed material contract with New Sagicor or any of its subsidiaries, or has a material interest in any person that is a party to such material contract or proposed material contract with New Sagicor or any of its subsidiaries, they must disclose that interest at the first opportunity at a meeting of the board of directors or by writing to the directors.

New Sagicor may not pay dividends.

The declaration and payment of dividends or distributions by New Sagicor will be at the discretion of New Sagicor Board subject to restrictions under applicable laws, and may be affected by numerous factors, including New Sagicor's revenues, financial condition, acquisitions, capital investment requirements and legal, regulatory or contractual restrictions. A failure to pay dividends or a reduction or cessation of the payment of dividends could materially adversely affect the trading price of New Sagicor Common Shares.

In accordance with the laws of Bermuda, New Sagicor will be prohibited from declaring or paying a dividend, or making a distribution out of contributed surplus, if there are reasonable grounds for believing that: (a) New Sagicor is, or would after the payment be, unable to pay its liabilities as they become due; or (b) the realizable value of New Sagicor's assets would thereby be less than its liabilities.

Potentially adverse tax consequences may result from the sale by New Sagicor of a subsidiary, a subsidiary's assets or other investment.

United States, Canadian, and other foreign country taxes may be payable, directly or indirectly, by New Sagicor on its direct or indirect sale of a subsidiary of New Sagicor, a subsidiary's assets, or other investment. The amount of such taxes, which may be material, will depend on the selling price, the jurisdictions that would impose tax on the sale, and other factors.

New Sagicor is a holding company that has no material assets other than its interest in Sagicor and, accordingly, it is dependent upon distributions from Sagicor to pay taxes and other expenses.

New Sagicor is a holding company and has no material assets other than its interest in Sagicor. New Sagicor does not have any means of generating revenue independent of Sagicor. New Sagicor depends on dividends, distributions and other payments from Sagicor to provide the funds necessary to meet financial obligations. To the extent that New Sagicor requires funds to pay its tax liabilities or to fund its operations and Sagicor is restricted from making dividends or distributions to New Sagicor under applicable agreements, laws or regulations or does not have sufficient cash to make the dividend or distribution of such funds, New Sagicor may have to borrow funds or raise equity to meet those obligations, and its liquidity and financial condition could be materially adversely affected. New Sagicor may not be able to borrow funds on its own, and there can be no assurance that it will be able to issue additional equity on attractive terms or at all.

Although New Sagicor exercises management control over its material subsidiaries, New Sagicor will be required to consider the interests of minority shareholders in Sagicor Jamaica.

In addition to the risks affecting New Sagicor as described elsewhere in this prospectus, Sagicor Jamaica's status as a non-wholly-owned subsidiary may affect New Sagicor's flexibility and ability to implement strategies and financing and other plans that New Sagicor believes are in New Sagicor's and/or Sagicor Jamaica's best interests. Sagicor does not believe that there are any material risks associated with the corporate structure of Sagicor Jamaica and its subsidiaries, other than the fact that it is not wholly-owned. Operationally, Sagicor's executive officers supervise the business of Sagicor Jamaica.

There are regulatory limitations on the ownership and transfer of the New Sagicor Common Shares.

The permission of the Bermuda Monetary Authority is required, under the provisions of the Exchange Control Act 1972 and related regulations, for all issuances and transfers of shares (which includes the New Sagicor Common

Shares) of Bermuda companies to or from a non-resident of Bermuda for exchange control purposes, other than in cases where the Bermuda Monetary Authority has granted a general permission. The Bermuda Monetary Authority, in its notice to the public dated June 1, 2005, has granted a general permission for the issue and subsequent transfer of any securities of a Bermuda company from and/or to a non-resident of Bermuda for exchange control purposes for so long as any "Equity Securities" of the company (which would include the New Sagicor Common Shares) are listed on an "Appointed Stock Exchange" (which would include the TSE). In granting the general permission the Bermuda Monetary Authority accepts no responsibility for New Sagicor's financial soundness or the correctness of any of the statements made or opinions expressed in this prospectus. Certain issues and transfers of shares involving persons deemed resident in Bermuda for exchange control purposes may require the specific consent of the Bermuda Monetary Authority.

Alignvest shall apply for and expects to receive specific permission from the Bermuda Monetary Authority for (A) the New Sagicor Shareholders to hold the New Sagicor Common Shares; and (B) the issue and transfer of the New Sagicor Common Shares and other equity securities of New Sagicor from and/or to persons non-resident of Bermuda for exchange control purposes for so long as any equity securities of New Sagicor are listed on an "Appointed Stock Exchange" (as such term is defined in the BCA and including the TSX) without the approval of the Bermuda Monetary Authority, in each case following the Alignvest Continuance. Receipt of such permission is a mutual condition of closing to the Transaction.

No New Sagicor Common Shares may be offered or sold in Bermuda unless in compliance with the provisions of the Investment Business Act 2003 of Bermuda (as amended). Additionally, non-Bermudian persons may not carry on or engage in any trade or business in Bermuda unless such persons are authorized to do so under applicable Bermuda legislation. Engaging in the activity of offering or marketing securities to persons in Bermuda may be deemed to be carrying on business in Bermuda.

The market price of the New Sagicor Common Shares may be highly volatile.

Market prices for insurance companies have at times been volatile and subject to substantial fluctuations. The stock market, from time-to-time, experiences significant price and volume fluctuations unrelated to the operating performance of particular companies. Future announcements concerning New Sagicor or its competitors, including those pertaining to financing arrangements, government regulations, developments concerning regulatory actions affecting New Sagicor, litigation, additions or departures of key personnel, cash flow, and economic conditions and political factors in Barbados, Jamaica, Trinidad and Tobago, the United States or other regions may have a significant impact on the market price of New Sagicor Common Shares. In addition, there can be no assurance that New Sagicor Common Shares will continue to be listed on the TSX.

The market price of New Sagicor Common Shares could fluctuate significantly for many other reasons, including for reasons unrelated to New Sagicor's specific performance, such as reports by industry analysts, investor perceptions, or negative announcements by its subscribers, competitors or suppliers regarding their own performance, as well as general economic and industry conditions. For example, to the extent that other large companies within its industry experience declines in their stock price, the share price of New Sagicor Common Shares may decline as well. In addition, when the market price of a company's shares drops significantly, shareholders often institute securities class action lawsuits against the company. A lawsuit against New Sagicor could cause it to incur substantial costs and could divert the time and attention of its management and other resources.

Sales of a substantial number of New Sagicor Common Shares may cause the price of New Sagicor Common Shares to decline.

Any sales of substantial numbers of New Sagicor Common Shares in the public market or the exercise of significant amounts of the Alignvest Warrants or the perception that such sales or exercise might occur may cause the market price of New Sagicor Common Shares to decline. The market price of New Sagicor Common Shares could be adversely affected upon the expiration of lock up periods applicable to certain New Sagicor shareholders.

Further equity financing may dilute the interests of shareholders of New Sagicor and depress the price of New Sagicor Common Shares.

If New Sagicor raises additional financing through the issuance of equity securities (including securities convertible or exchangeable into equity securities) or completes an acquisition or merger by issuing additional equity securities, such issuance may substantially dilute the interests of shareholders of New Sagicor and reduce the value of their investment. The market price of New Sagicor Common Shares could decline as a result of issuances of new shares or sales by shareholders of New Sagicor Common Shares in the market or the perception that such sales could occur. Sales by shareholders of New Sagicor might also make it more difficult for New Sagicor itself to sell equity securities at a time and price that it deems appropriate.

The trading market for New Sagicor Common Shares is influenced by securities industry analyst research reports.

The trading market for New Sagicor Common Shares is influenced by the research and reports that industry or securities analysts publish about New Sagicor. If covered, a decision by an analyst to cease coverage of New Sagicor or fail to regularly publish reports on New Sagicor could cause New Sagicor to lose visibility in the financial markets, which in turn could cause the stock price or trading volume to decline. Moreover, if an analyst who covers New Sagicor downgrades its stock, or if operating results do not meet analysts' expectations, the stock price could decline.

If New Sagicor is unable to implement and maintain effective internal control over financial reporting, New Sagicor might not be able to report financial results accurately and on a timely basis or prevent fraud. Additionally, investors may lose confidence in the accuracy and completeness of New Sagicor's financial reports and the market price of New Sagicor Common Shares may be negatively affected.

Upon receiving a final receipt for this prospectus, New Sagicor will become subject to reporting and other obligations under applicable Canadian securities laws and the rules of any stock exchange on which New Sagicor Common Shares are then-listed. The applicable securities legislation requires that New Sagicor file annual, quarterly and event-driven reports with respect to its business and financial condition and operations, and requires that New Sagicor maintain effective disclosure controls and procedures and internal control over financial reporting. These reporting and other obligations will place significant demands on New Sagicor's management, administrative, operational and accounting resources. Any failure to maintain effective internal controls could cause New Sagicor to fail to satisfy its reporting obligations or result in material misstatements in its financial statements. If New Sagicor cannot provide reliable financial reports or prevent fraud, its reputation and operating results could be materially adversely effected which could also cause investors to lose confidence in its reported financial information, which could result in a reduction in the trading price of New Sagicor Common Shares.

A control system, no matter how well-designed and implemented, can provide only reasonable, not absolute, assurance that the control system's objectives will be met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Due to the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues within an organization are detected. The inherent limitations include the realities that judgments in decision making can be faulty, and that breakdowns can occur because of simple errors or mistakes. Controls can also be circumvented by individual acts of certain persons, by collusion of two or more people or by management override of the controls. Due to the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and may not be detected in a timely manner or at all.

These activities may divert management's attention from other business concerns, which could have a material adverse effect on New Sagicor's business, financial condition, financial performance and cash flows.

The issuance of preference shares could decrease earnings and assets available to holders of the New Sagicor Common Shares and may decrease the market price of the New Sagicor Common Shares

The issuance of preference shares and the terms selected by the New Sagicor Board could decrease the amount of earnings and assets available for distribution to holders of New Sagicor Common Shares or adversely affect the rights and powers, including the voting rights, of the holders of the New Sagicor Common Shares without any further vote or action by the holders of the New Sagicor Common Shares. The issuance of preference shares, or the issuance of rights to purchase preference shares, could make it more difficult for a third-party to acquire a majority of the New Sagicor Common Shares and thereby have the effect of delaying, deferring or preventing a change of control of New Sagicor or an unsolicited acquisition proposal or of making the removal of management more difficult. Additionally, the issuance of preference shares may have the effect of decreasing the market price of the New Sagicor Common Shares.

CREDIT RATINGS

As is common practice, Sagicor paid fees to each of A.M. Best, S&P and Fitch for their rating services and reasonably expects that such payments will continue to be made for rating services in the future. No additional payment was made to the above-noted credit rating agencies for other services provided to Sagicor during the last two fiscal years.

A credit rating or a stability rating is not a recommendation to buy, sell or hold securities and may be subject to revision or withdrawal at any time by the credit rating organization.

The following table sets out ratings the Company has received from approved rating organizations as at the dates indicated below.

	A.M. Best(1)	S&P(2)	Fitch(3)
Sagicor Life Insurance Company			
Financial Strength	A- u (Developing)		
Issuer Credit Rating	a- u (Developing)		
Sagicor Life Jamaica Limited			
Financial Strength	B++ u (Developing)		
Issuer Credit Rating	bbb+ u (Developing)		
Sagicor Life Inc.			
Financial Strength	A- u (Developing)		
Issuer Credit Rating	a- u (Developing)		
Sagicor Financial Corporation Limited			
Issuer Credit Rating	bbb- u (Developing)	BB- (Developing)	B (Stable) (Long term issuer default rating)
Sagicor Finance (2015) Limited			
Senior Unsecured	bbb u (Developing)	BB- (Developing)	
Sagicor General Insurance Inc.			
Financial Strength	A- u (Developing)		
Issuer Credit Rating	a- u (Developing)		

(1) Updated November 29, 2018. On November 29, 2018, A.M. Best placed all current ratings under review with developing implications following the announcement of the Transaction.
(2) Updated June 7, 2018 (event driven regarding Barbados debt).
(3) Updated June 6, 2018.

A definition of the categories of each rating has been obtained from information made publicly available by each rating organization and is outlined below.

A.M. Best Ratings

The Sagicor Group has Financial Strength Ratings, Issuer Credit Ratings and an Issue Credit Rating from A.M. Best. Each rating is an independent opinion, based on comprehensive quantitative and qualitative evaluation of the applicable company’s balance sheet strength, operating performance and business profile. A rating is not a guarantee of performance or financial strength.

A “u” in a rating denotes the potential for near-term change (typically within six months) due to a recent event or abrupt change in the financial condition of the entity/issuer to which the rating applies. “Developing” indicates that, based on the information currently available, there is uncertainty as to the final outcome of the rating, and further analysis is required before determining the final opinion.

Certain A.M. Best’s rating categories include rating notches to reflect a gradation within the category to indicate whether credit quality is near the top or bottom of a particular rating category. Rating notches are expressed as follows:

- Rating notches for each Financial Strength Rating category from “A+” to “C” are expressed with either a second plus (+) or a minus (-).
- Rating notches for Long-Term Issuer Credit Rating categories from “aa” to “ccc” and Long-Term Issue Credit Rating categories from “aa” to “ccc” are expressed with a single plus (+) or minus (-).

Financial Strength Ratings

Three of Sagicor’s subsidiaries (Sagicor Life, Sagicor Life USA, and Sagicor General) have an “A- u” (Developing) Financial Strength Rating from A.M. Best and one of Sagicor’s subsidiaries (Sagicor Jamaica) has a “B++ u” (Developing) Financial Strength Rating from A.M. Best. The “A-” rating is assigned to insurance companies which, in A.M. Best’s opinion, have an excellent ability to meet their ongoing obligations to their policyholders and is in the second highest of the seven rating categories for financial strength assigned by A.M. Best. The “B++” rating is assigned to insurance companies which, in A.M. Best’s opinion, have a good ability to meet their ongoing obligations to their policyholders and is in the third highest of the seven rating categories for financial strength assigned by A.M. Best.

Long-Term Issuer Credit Ratings

Three of Sagicor’s subsidiaries (Sagicor Life, Sagicor Life USA, and Sagicor General) have an “a- u” (Developing) Issuer Credit Rating from A.M. Best, Sagicor has a “bbb- u” (Developing) Issuer Credit Rating from A.M. Best, and Sagicor Life Jamaica Limited has a “bbb+ u” (Developing) Issuer Credit Rating from A.M. Best. The “a-” rating is assigned to entities that have, in A.M. Best’s opinion, an excellent ability to meet their ongoing senior financial obligations and is in the third highest of the nine rating categories for long-term issuer credit ratings. The ratings “bbb+” and “bbb-” are assigned to entities that have, in A.M. Best’s opinion, a good ability to meet their ongoing senior financial obligations and are in the fourth highest of the nine rating categories for long-term issuer credit ratings.

Issue Credit Rating

Sagicor Finance (2015) Limited’s senior unsecured debt issued in 2015 is rated “bbb u” by A.M. Best. The rating “bbb” is in the fourth highest of the nine rating categories for long-term issue credit ratings. According to A.M. Best, a rating of “bbb” is assigned to issues where, in A.M. Best’s opinion, there is a good ability to meet the terms of the obligation; however, the issue is more susceptible to changes in economic or other conditions.

S&P Ratings

Sagicor has a “BB-” (Developing) Long-Term Issuer Credit Rating from S&P, which is in the fifth highest of eleven categories related to long-term issuer credit ratings. According to S&P, obligors rated “BB-” have less vulnerability in the near-term than other lower-rated obligors, but face major ongoing uncertainties and exposure to adverse business, financial, or economic conditions that could lead to the obligor’s inadequate capacity to meet its financial commitments.

Sagicor Finance (2015) Limited’s senior unsecured debt issued in 2015 has a “BB-” Long-Term Issue Credit Rating from S&P, which is in the fifth highest of ten categories related to long-term issue credit ratings. According to S&P, debt securities rated “BB” denote less vulnerability to nonpayment than other speculative issues. However, the obligation faces major ongoing uncertainties or exposure to adverse business, financial, or economic conditions that could lead to the obligor’s inadequate capacity to meet its financial commitments on the obligation.

S&P ratings from “AA” to “CCC” in both long-term issuer and issue credit ratings may be modified by the addition of a plus (+) or minus (-) sign to show relative standing within the major ratings categories. A “developing” outlook denotes that, over the intermediate term (typically six months to two years), a rating may be raised, lowered, or affirmed.

Fitch Ratings

Sagicor has a “B” (Stable) rating by Fitch, which is the sixth highest of the eleven rating categories for issuer default ratings. According to Fitch, “B” ratings indicate that material default risk is present, but a limited margin of safety remains and that financial commitments are currently being met; however, capacity for continued payment is vulnerable to deterioration in the business and economic environment. Rating outlooks, including positive, negative, stable and evolving, indicate the direction a rating is likely to move over a one-to-two year period. They reflect financial or other trends that have not yet reached or been sustained the level that would cause a rating action, but which may do so if such trends continue.

CERTAIN CANADIAN FEDERAL INCOME TAX CONSIDERATIONS

The following is, as of the date hereof, a general summary of certain Canadian federal income tax considerations under the *Income Tax Act* (Canada) (the "**Tax Act**") generally applicable to a beneficial owner of New Sagicor Common Shares or Alignvest Warrants (collectively, the "**Securities**") following the Transaction who, for the purposes of the Tax Act, and at all relevant times, is resident in Canada, beneficially owns the Securities as capital property, and deals at arm's length with, and is not affiliated with, New Sagicor (a "**Holder**"). A Security will generally be considered to be capital property to a Holder unless the Holder holds (or will hold) such Security in the course of carrying on a business of trading or dealing in securities or has acquired (or will acquire) such Security in a transaction or transactions considered to be an adventure or concern in the nature of trade.

This summary is not applicable to a Holder: (a) that is a "financial institution" for purposes of the "mark-to-market rules" in the Tax Act; (b) an interest in which is a "tax shelter investment" as defined in the Tax Act; (c) that is a "specified financial institution" as defined in the Tax Act; (d) that has made a "functional currency" election under the Tax Act to determine its "Canadian tax results", as defined in the Tax Act, in a currency other than Canadian currency; (e) who enters into, or has entered into, a "derivative forward agreement" as such term is defined in the Tax Act, with respect to a Security; (f) in respect of whom New Sagicor is or will become a "foreign affiliate" for the purposes of the Tax Act, or (g) who is a Founder or Alignvest II. Any such Holder to which this summary does not apply should consult its own tax advisor. In addition, this summary does not address the deductibility of interest by a Holder who has borrowed money or otherwise incurred debt in connection with the acquisition or holding of Securities.

This summary does not address the possible application of the "foreign affiliate dumping" rules in section 212.3 of the Tax Act to a Holder that (i) is a corporation resident in Canada and (ii) is or becomes (or does not deal at arm's length for purposes of the Tax Act with a corporation resident in Canada that is or becomes), as part of a transaction or event or series of transactions or events that includes the acquisition of a Security, controlled by a non-resident corporation for purposes of such rules. Such Holders should consult their own tax advisors with respect to the possible application of these rules.

This summary assumes that at all relevant times, New Sagicor is not, and is not deemed to be, resident in Canada for purposes of the Tax Act.

This summary is based upon the current provisions of the Tax Act and the regulations thereunder (the "**Regulations**") and counsel's understanding of the current published administrative and assessing policies and practices of the Canada Revenue Agency. The summary also takes into account all specific proposals to amend the Tax Act and the Regulations that have been publicly announced by or on behalf of the Minister of Finance (Canada) prior to the date hereof (the "**Tax Proposals**"), and assumes that all such Tax Proposals will be enacted in the form proposed. No assurance can be given that the Tax Proposals will be enacted in the form proposed or at all. This summary does not otherwise take into account or anticipate any changes in law, whether by way of legislative, judicial or administrative action or interpretation, nor does it address any provincial, territorial or foreign tax considerations.

This summary is not exhaustive of all possible Canadian federal income tax considerations applicable to an investment in Securities and is not intended to be, nor should it be construed to be, legal or income tax advice to any particular Holder. Holders are urged to consult their own tax advisors with respect to the tax consequences applicable to the acquisition, holding and disposition of Securities based on their own particular circumstances.

The Securities of New Sagicor will not be "Canadian Securities" for the purposes of the Tax Act, and accordingly, the election provided under subsection 39(4) of the Tax Act to deem Canadian securities to be capital property will not be available to Holders in respect of the Securities.

Currency Conversion

For purposes of the Tax Act, all amounts relating to the ownership or disposition of the Securities must be expressed in Canadian dollars. For purposes of the Tax Act, amounts denominated in a currency other than the Canadian dollar generally must be converted into Canadian dollars using the applicable rate of exchange quoted by the Bank of Canada on the date such amounts arose, or such other rate of exchange as is acceptable to the Minister of National Revenue (Canada).

Exercise or Expiry of Alignvest Warrants

No gain or loss will be realized by a Holder of an Alignvest Warrant upon the exercise of such Alignvest Warrant. When an Alignvest Warrant is exercised, the Holder's cost of the New Sagicor Common Share acquired thereby will be equal to the adjusted cost base of the Alignvest Warrant to such Holder, plus the amount paid on the exercise of the Alignvest Warrant. For the purpose of computing the adjusted cost base to a Holder of each New Sagicor Common Share acquired on the exercise of an Alignvest Warrant, the cost of such New Sagicor Common Share must be averaged with the adjusted cost base to such Holder of all other New Sagicor Common Shares (if any) held by the Holder as capital property immediately prior to the exercise of such Alignvest Warrant.

Disposition of the Securities

A Holder who disposes of or is deemed to have disposed of a Security (other than a disposition arising on the exercise of an Alignvest Warrant by a Holder) will generally realize a capital gain (or incur a capital loss) in the year of disposition equal to the amount by which the proceeds of disposition in respect of the Security exceed (or are exceeded by) the aggregate of the adjusted cost base of such Security and any reasonable expenses associated with the disposition.

Generally, one-half of any capital gain (a "**taxable capital gain**") realized by a Holder must be included in computing the Holder's income for the taxation year in which the disposition occurs. Subject to and in accordance with the provisions of the Tax Act, one-half of any capital loss incurred by a Holder (an "**allowable capital loss**") may be used to offset taxable capital gains realized by the Holder in the taxation year of disposition. Allowable capital losses in excess of taxable capital gains for the taxation year of disposition may be applied to reduce net taxable gains realized by the Holder in the three preceding taxation years or in any subsequent year in the circumstances and to the extent provided in the Tax Act.

Foreign tax, if any, levied on any gain realized on the disposition of the Securities may be eligible for a foreign tax credit under the Tax Act to the extent and under the circumstances prescribed in the Tax Act. Holders should consult their own tax advisors with respect to the availability of a foreign tax credit having regard to their own particular circumstances.

Capital gains realized by individuals and certain trusts may result in the individual or trust paying minimum tax under the Tax Act.

Dividends on New Sagicor Common Shares

The full amount of dividends received (or deemed to be received) on the New Sagicor Common Shares by a Holder who is an individual (including a trust), including amounts withheld for foreign withholding tax, if any, will be included in computing the Holder's income and will not be subject to the gross-up and dividend tax credit rules normally applicable under the Tax Act to taxable dividends received (or deemed to be received) from taxable Canadian corporations.

Dividends received on the New Sagicor Common Shares by a Holder that is a corporation, including amounts withheld for foreign withholding tax, if any, will be included in computing the Holder's income, and such Holder will not be entitled to the inter-corporate dividend deduction in computing taxable income which generally applies to dividends received from taxable Canadian corporations.

Subject to the detailed rules in the Tax Act, a Holder may be entitled to a foreign tax credit or deduction for any foreign withholding tax paid with respect to dividends received by the Holder on New Sagicor Common Shares. Holders should consult their own tax advisors with respect to the availability of a foreign tax credit or deduction having regard to their own particular circumstances.

Additional Tax on Canadian-Controlled Private Corporations

A Holder that is, throughout the relevant taxation year, a "Canadian controlled private corporation" (as defined in the Tax Act) is liable to pay an additional refundable tax on its "aggregate investment income", which is defined in the Tax Act to include amounts in respect of taxable capital gains and dividends that are not deductible under the Tax Act.

Foreign Property Information Reporting

Generally, a Holder that is a "specified Canadian entity" (as defined in the Tax Act) for a taxation year or a fiscal period and whose total "cost amount" of "specified foreign property" (as such terms are defined in the Tax Act), including Securities, at any time in the year or fiscal period exceeds C$100,000 will be required to file an information return for the year or period disclosing prescribed information. Subject to certain exceptions, a Holder generally will be a specified Canadian entity. Holders should consult their own tax advisors regarding compliance with these reporting requirements.

Offshore Investment Fund Property

The Tax Act contains rules which may require a taxpayer to include in income in each taxation year an amount in respect of the holding of an "offshore investment fund property". These rules could apply to a Holder in respect of Securities if both of two conditions are satisfied.

The first condition for such rules to apply is that the value of the Security may reasonably be considered to be derived, directly or indirectly, primarily from portfolio investments in: (i) shares of one or more corporations, (ii) indebtedness or annuities, (iii) interests in one or more corporations, trusts, partnerships, organizations, funds or entities, (iv) commodities, (v) real estate, (vi) Canadian or foreign resource properties, (vii) currency of a country other than Canada, (viii) rights or options to acquire or dispose of any of the foregoing, or (ix) any combination of the foregoing ("**Investment Assets**").

The second condition for such rules to apply to a Holder is that it must be reasonable to conclude that one of the main reasons for the Holder acquiring or holding a Security was to derive a benefit from portfolio investments in Investment Assets in such a manner that the taxes, if any, on the income, profits and gains from such Investment Assets for any particular year are significantly less than the tax that would have been applicable under Part I of the Tax Act had the income, profits and gains been earned directly by the Holder.

If applicable, these rules would generally require a Holder to include in income for each taxation year in which the Holder owns a Security (i) an imputed return for the taxation year computed on a monthly basis and determined by multiplying the Holder's "designated cost" (as defined in the Tax Act) of the Security at the end of the month, by 1/12th of the sum of the applicable prescribed rate for the period that includes such month plus 2%, less (ii) the Holder's income for the year (other than a capital gain) from the Security determined without reference to these rules. Any amount required to be included in computing a Holder's income under these provisions will be added to the adjusted cost base to the Holder of the applicable Security.

These rules are complex and their application depends, in part, on the reasons for a Holder acquiring or holding Securities. Holders are urged to consult their own tax advisors regarding the application and consequences of these rules in their own particular circumstances.

Eligibility for Investment

The New Sagicor Common Shares and the Alignvest Warrants will, on the date hereof, be qualified investments for a trust governed by a registered retirement savings plan ("**RRSP**"), a registered retirement income fund ("**RRIF**"), a deferred profit sharing plan, a registered education savings plan ("**RESP**"), a registered disability savings plan ("**RDSP**") or a tax-free savings account ("**TFSA**"), provided that:

(i) in the case of the New Sagicor Common Shares, the New Sagicor Common Shares are listed on a designated stock exchange for the purposes of the Tax Act (which currently includes the TSX); and

(ii) in the case of the Alignvest Warrants:

a. the Alignvest Warrants are listed on a designated stock exchange for purposes of the Tax Act (which currently includes the TSX); or

b. the shares to be issued on the exercise of the Alignvest Warrants are qualified investments as described in (i) above, provided that New Sagicor is not, and deals at arm's length with each person who is, an annuitant, a beneficiary, an employer or a subscriber under or a holder of such registered plan.

Notwithstanding the foregoing, the holder of a TFSA or an RDSP, the annuitant under an RRSP or RRIF, or the subscriber of an RESP, will be subject to a penalty tax in respect of the New Sagicor Common Shares or Alignvest Warrants held in the TFSA, RRSP, RRIF, RDSP or RESP if such Securities are prohibited investments for the TFSA, RRSP, RRIF, RDSP or RESP. A Security will generally be a "prohibited investment" for a TFSA, RRSP, RRIF, RDSP or RRIF if the holder of the TFSA or RDSP, the annuitant under the RRSP or RRIF, or the subscriber of the RESP does not deal at arm's length with New Sagicor for the purposes of the Tax Act, or the holder, annuitant or subscriber has a "significant interest" (as defined in subsection 207.01(4) the Tax Act) in New Sagicor. Holders of a TFSA or RDSP, annuitants under an RRSP or RRIF, and subscribers of RESPs should consult their own tax advisors as to whether the New Sagicor Common Shares or Alignvest Warrants will be a prohibited investment in their particular circumstances.

PROMOTER

Alignvest II, the sponsor of Alignvest, was considered a promoter of Alignvest within the meaning of applicable securities legislation for the purposes of Alignvest's initial public offering. Alignvest II owns, directly or indirectly, 9,867,698 Alignvest Class B Shares representing approximately 76.57% of the Alignvest Class B Shares (and 18.57% of all issued and outstanding shares prior to completion of the Transaction). Alignvest II also owns 9,812,400 Alignvest Warrants (31.48% of the outstanding warrants) and does not own any Alignvest Class A Restricted Voting Shares.

Alignvest II and its affiliates are expected to acquire under Alignvest Forward Purchase Agreements a total of 2,507,500 New Sagicor Common Shares and 835,833 Alignvest Warrants, and in connection therewith acquired 393,928 Alignvest Class B Shares prior to the closing of the initial public offering. These figures do not include any shares to be acquired pursuant to any additional subscription. They do not own any Alignvest Class A Restricted Voting Shares.

Pursuant to an administrative services agreement, Alignvest pays AMC a total of C$25,000 (plus applicable taxes) per month for office space and related services. The administrative services agreement will terminate upon completion of Transaction.

LEGAL PROCEEDINGS AND REGULATORY ACTIONS

Alignvest is not aware of any existing or contemplated material legal proceedings to which it is or was a party to or to which any of its property is or was subject. Sagicor encounters litigation in the normal course of its business, particularly with respect to insurance claims. Sagicor also faces some litigation with respect to mortgage foreclosures and public liability insurance.

Except as disclosed in the paragraphs below, Sagicor does not believe any material settled, pending or anticipated litigation exists in connection with its insurance and financial services business.

In March 2014, the Supreme Court of Jamaica granted judgment in favor of a claimant in a case brought against Sagicor Bank Jamaica Limited (formerly RBC Royal Bank (Jamaica) Limited). This claim pre-dated the acquisition of RBC Jamaica by Sagicor Group Jamaica Limited, and also pre-dated the acquisition of control of RBC Royal Bank (Jamaica) Limited by RBTT Securities Jamaica Limited from Finsac Limited ("**Finsac**") in 2001. By virtue of the Share Sale Agreement entered into 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 (the "**Indemnity Agreement**"). As the current owner of Sagicor Bank, 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. The decision of the Supreme Court of Jamaica was appealed. The amount previously awarded to the claimant has been recorded as a payable to the claimant with accrued interest and correspondingly receivable from Finsac / the Government of Jamaica.

In July 2018, judgment was delivered by the Jamaica Court of Appeal. The Court partially allowed the Sagicor Bank's appeal and set aside judgment of the Supreme Court. The new judgment reduced the interest rate from 27.3% to 6% and changed the computation basis from compounded interest to simple interest. As at September 30th 2018 the asset and liability amounts in the books of Sagicor Bank were therefore reduced from US$65,929,000 to US$915,000.

In addition, a suit has been filed by a customer against one of the Sagicor Group's, subsidiaries for breach of contract, and breach of trust in the amount of US$8,928,500, 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 for this claim as the outcome of this matter cannot be properly assessed until it has been heard.

Finally, a suit has been filed in Jamaica by an independent contractor against one of Sagicor Group's subsidiaries for breach of contract arising from an alleged contractual agreement. The claimant alleges that the company failed to pursue initiatives contemplated by the contract with a third party and that by not doing so it caused the claimant company significant losses which they have estimated at over US$300,000,000. No provision has been made for this claim as the claim has been stayed to accommodate arbitration as required under the agreement between the parties. The claimant has taken no further steps to advance this claim since July 2014. Sagicor has lodged a claim under the indemnities provision in the share purchase agreement with the vendor from which the subsidiary was purchased on the grounds that this claim was not properly disclosed. The vendor, a Canadian chartered bank or an affiliate thereof, argues that based on purchase and sale agreement, Sagicor does not have a right of indemnification with respect to this claim. It has however agreed to assume responsibility for the litigation and has agreed that Sagicor may observe the proceedings at its own expense.

INTERESTS OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

Except as described in the Prospectus, none of the proposed directors or executive officers of New Sagicor, or any person or company that is expected to beneficially own, or control or direct more than 10% of any class or series of shares of New Sagicor, or any associate or Affiliate of any of the foregoing persons, has or has had any material interest in any past transaction within the three years before the date of the prospectus, or any proposed transaction, that has materially affected or would materially affect New Sagicor or any of its expected subsidiaries.

In connection with the Transaction, Scotia Capital Inc. ("**SCI**"), a wholly-owned subsidiary of BNS, is assisting Alignvest in furtherance of its role as underwriter for Alignvest's initial public offering in May 2017. In such capacity SCI will be participating with respect to the matters and transactions contemplated in the IPO prospectus and in connection with Alignvest's other financing efforts with respect to the Transaction. SCI is also acting as M & A advisor to BNS in respect of the proposed disposition of SJLIC and SLTT. In both cases, SCI will receive fees contingent on the successful completion of the Transaction and such dispositions. SCI also holds securities of Alignvest and it intends to vote in favour of the Transaction.

As disclosed in "*Proposed Acquisitions – Proposed Acquisitions of SJLIC and SLTT*", Sagicor and Alignvest have entered into agreements to acquire all outstanding shares of SJLIC, a wholly owned subsidiary of BNS Jamaica and SLTT, a wholly owned subsidiary of BNS TT. BNS holds an indirect 71.78% interest in BNS Jamaica and an indirect 50.901% interest in BNS TT.

Among other conditions, the acquisitions of SJLIC and SLTT are subject to the successful completion of the Transaction and the closing of the Transaction is conditional on Alignvest maintaining a certain minimum amount of available cash after giving effect to any redemption rights exercised by holders of the Alignvest Class A Restricted Voting Shares. As a result of its indirect interest in BNS Jamaica and BNS TT, BNS will indirectly benefit from the successful completion of the Transaction.

In addition to the interests of BNS described above, BNS and affiliates of BNS may provide certain services, including lending, cash management, derivatives, underwriting and financial advisory services to Alignvest and its affiliates.

AUDITORS

The auditor of Alignvest is Ernst & Young LLP, Chartered Professional Accountants, Licensed Public Accountants, having an address at Ernst & Young Tower, 100 Adelaide Street West, P.O. Box 1, Toronto, Ontario, Canada M5H 0B3. Such firm is independent of Alignvest within the meaning of the Rules of Professional Conduct of the Chartered Professional Accountants of Ontario.

The auditor of Sagicor Financial Corporation Limited is PricewaterhouseCoopers SRL, having an address at The Financial Services Centre, Bishop’s Court Hill, P.O. Box 111, St. Michael, BB14004, Barbados, West Indies. As of the date hereof, the partners and staff of such firm, as a group, beneficially own, directly or indirectly, less than one percent of any securities of Sagicor Financial Corporation Limited. Upon completion of the Transaction it is proposed that PricewaterhouseCoopers SRL will become the auditor of New Sagicor.

The auditor of SJLIC is KPMG, having an address at 6 Duke Street, Kingston, Jamaica, W.I. Such firm is independent of SJLIC in accordance with the International Ethics Standards Board for Accountants’ Code of Ethics for Professional Accountants (“**IESBA Code**”).

The auditor of SLTT is KPMG, having an address at Savannah East, 11 Queen’s Park East, Port of Spain, Trinidad and Tobago, W.I. Such firm is independent of SLTT within the meaning of the IESBA Code.

REGISTRAR AND TRANSFER AGENT

It is expected that the transfer agent and registrar of the New Sagicor Common Shares will be TMX Investor Services Inc. at its principal offices in Toronto, Ontario.

EXPERTS AND INTERESTS OF EXPERTS

The Sagicor Audited Annual Financial Statements include certain reports of Sagicor's Appointed Actuary, Sylvain Goulet, FCIA, FSA, MAAA, Affiliate Member of the Institute and Faculty of Actuaries and Member of the Caribbean Actuarial Association. As of the date of this prospectus, Sylvain Goulet does not own, directly or indirectly, any of Alignvest's securities or Sagicor's securities, and will not own any of the outstanding securities of New Sagicor or Sagicor.

MATERIAL CONTRACTS

The following are the material contracts of New Sagicor, other than contracts entered into in the ordinary course of business:

(a) the Arrangement Agreement;

(b) the Warrant Agreement;

(c) the Scotia Agreements;

(d) the Indemnity Agreement (see "*Legal Proceedings and Regulatory Actions*");

(e) the Trust Deed in respect of the Short Term Notes (described below);

(f) the Note Indenture (as described below); and

(g) the Board Appointment Letter Agreement (as described below).

Copies of the above material contracts will be available following completion of the Transaction on New Sagicor's SEDAR profile at www.sedar.com. Set out below are the particulars of certain material contracts not described elsewhere in this prospectus.

Short Term Notes

Unless previously redeemed or purchased and cancelled, the Short Term Notes are due to be redeemed by Sagicor on August 14, 2019 with a single bullet payment of US$75,000,000. Sagicor may, at any point after December 20, 2018, repay all or part of the principal amount then owing under the Short Term Notes, without penalty, by giving 10 days prior written notice. Interest accrues pursuant to the terms of the Short Term Notes at a rate of 4.85% per annum and remains payable on December 20, 2018, June 20, 2019, and August 14, 2019. The Short Term Notes are guaranteed by Sagicor Life pursuant to a guarantee dated March 21, 2016 issued by Sagicor Life in favour of the Note Trustee for securing the repayment of the principal and interest in respect of the Short Term Notes. The Short Term Notes contain a provision whereby if any material indebtedness of Sagicor is declared or capable of becoming rendered due and payable before its normal maturity, the Short Term Notes become immediately due and payable.

Note Indenture

On August 11, 2015, Sagicor (as parent guarantor), Sagicor Finance (2015) Limited (as issuer), certain subsidiaries of Sagicor (as subsidiary guarantors) and Deutsche Bank Trust Company Americas (as trustee, registrar, paying agent and transfer agent) entered into an indenture (the "**Note Indenture**") with respect to 8.875% senior notes (the "**Notes**"). The Notes will mature on August 11, 2022 and bear interest at the rate of 8.875% per year. Interest on the Notes is payable semi-annually in arrears on February 11 and August 11 of each year. The Notes are listed on the Irish Stock Exchange.

Sagicor may redeem some or all of the Notes at any time prior to August 11, 2019 at a price equal to 100% of the principal amount of the Notes plus accrued and unpaid interest, if any, to the date of redemption plus a "makewhole" premium as described in the Note Indenture. Thereafter, Sagicor may redeem the Notes, in whole or in part, at the redemption prices set forth in the Note Indenture. If Sagicor is subject to specific change in control transactions, it must offer to purchase the Notes from the holders thereof at a price equal to 101% of their principal amount plus accrued and unpaid interest, if any, to the date of purchase.

The Notes are unconditionally, jointly and severally guaranteed by Sagicor and Sagicor Life Inc. (together, the "**Guarantors**"). The Notes and the guarantees will be Sagicor Finance (2015) Limited and the Guarantors' general senior unsecured obligations and will rank equally in right of payment with Sagicor Finance (2015) Limited's and the Guarantors' existing and future senior unsecured debt and senior to any of Sagicor Finance (2015) Limited and the Guarantors' future subordinated debt. The Notes and guarantees will be effectively subordinated to all of Sagicor Finance (2015) Limited's and the Guarantors' existing and future secured debt to the extent of the assets securing that secured debt and will be structurally subordinated to all of the liabilities of Sagicor's subsidiaries that are not issuing or guaranteeing the Notes.

Under the Note Indenture, the Company and its subsidiaries party thereto must comply with a number of covenants, which are summarized in the table below.

Covenant	**Description**
Limitation of indebtedness	Under this covenant, Sagicor and certain of its subsidiaries are restricted to incremental borrowing up to a prescribed level. They 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 Sagicor and certain of its subsidiaries. They must maintain a fixed charge coverage ratio of 2:1 and an MCCSR capital ratio in excess of 175%.
Limitation on restricted distributions from subsidiaries	This covenant limits certain subsidiaries of Sagicor from creating encumbrances or restrictions on their ability to make distributions to Sagicor.
Limitation on sale of assets of subsidiary stock or shares	This covenant restricts Sagicor and certain of its subsidiaries 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 between Sagicor and certain of its affiliates.
Limitation on liens	This covenant restricts Sagicor's and certain of its subsidiaries' ability to secure future debt with their assets.

The Note Indenture contains a change of control provision which, if triggered, provides the holders of the Notes the right to require Sagicor Finance (2015) Limited to repurchase the Notes. The change of control provision is triggered if, following completion of the Transaction, former Alignvest shareholders hold more than 50% of the shares of New Sagicor. It is a condition to the obligation of Alignvest to effect the Sagicor Arrangement that, in the event that the change of control provision is triggered, Sagicor shall have received a waiver from the holders of a majority in principal amount of the Notes then outstanding of the obligation of Sagicor Finance (2015) Limited to make such an offer to repurchase the Notes.

Board Appointment Letter Agreement

On December 6, 2017, Sagicor Jamaica provided a letter agreement (the "**Board Appointment Letter Agreement**") pursuant to which Sagicor Jamaica agreed that, notwithstanding any provision in Sagicor's corporate governance manual or otherwise, Sagicor shall have the right to appoint up to a certain percentage of the members of Sagicor Jamaica's board of directors. The directors of Sagicor Jamaica have the ability to remove and appoint the officers of Sagicor Jamaica.

In connection with the filing of this final non-offering prospectus, and in accordance with Section 6.1 and Section 6.4 of National Policy 41-201 – *Income Trusts and Other Indirect Offerings*, Alignvest has, in complying with its reporting issuer obligations, provided an undertaking to the securities regulatory authorities in each of the provinces and territories of Canada, other than Québec, that, following the closing of the Transaction and for as long as New Sagicor is a reporting issuer and Sagicor Jamaica would be treated as an operating entity if New Sagicor were an income trust: (i) New Sagicor will treat Sagicor Jamaica as a subsidiary; however, if generally accepted accounting principles ("**GAAP**") used by New Sagicor prohibit the consolidation of the financial information of Sagicor Jamaica and New Sagicor, then for as long as Sagicor Jamaica represents a significant asset of New Sagicor, New

Sagicor will provide shareholders with separate audited annual financial statements and interim financial reports and management's discussion and analysis for Sagicor Jamaica, prepared in accordance with the same GAAP as New Sagicor's financial statements and interim financial reports and in accordance with National Instrument 51-102 – *Continuous Disclosure Obligations*, or its successor; (ii) for so long as Sagicor Jamaica represents a significant asset of New Sagicor, New Sagicor will take the appropriate measures to require each person who would be an "insider" (as defined in the *Securities Act* (Ontario)) of Sagicor Jamaica or a "person or company in a special relationship" (as defined in the *Securities Act* (Ontario)) with Sagicor Jamaica, if Sagicor Jamaica was a reporting issuer, to comply with statutory prohibitions against insider trading under applicable Canadian securities laws; (iii) for so long as Sagicor Jamaica represents a significant asset of New Sagicor, New Sagicor will take the appropriate measures to require each person who would be a "reporting insider" (as that term is defined in National Instrument 55-104 – *Insider Reporting Requirements and Exemptions*) of Sagicor Jamaica, if Sagicor Jamaica was a reporting issuer, to file insider reports about trades in the securities of New Sagicor (including securities which are exchangeable into securities of New Sagicor); and (iv) New Sagicor will annually certify as to its compliance with the above undertakings and file the certificate on SEDAR concurrently with the filing of its annual financial statements. For the purposes of (iii) above, a list of "reporting insiders" of Sagicor Jamaica has been provided to the Ontario Securities Commission in connection with this prospectus, which represent the directors and the CEO, CFO and COO of Sagicor Jamaica and PanJam Investment Limited, respectively.

CONTRACTUAL RIGHT OF ACTION

Original purchasers of Alignvest Class A Restricted Voting Shares and Alignvest Warrants from the underwriters in Alignvest's initial public offering who continue to hold those securities up to the Redemption Date will have a contractual right of action for rescission or damages against New Sagicor (as well as a contractual right of action for damages alone against: (a) the directors of Alignvest as of the Redemption Date (the "**Alignvest directors**"), and (b) every person or company who signs this prospectus, which, for greater certainty, includes Alignvest II, as a promoter of Alignvest (collectively, the "**signatories**")).

In the event that Alignvest's qualifying acquisition is completed and if this prospectus or any amendment hereto contains a misrepresentation (as defined in the *Securities Act* (Ontario)), provided that such claims for rescission or damages are commenced by the purchaser not later than: (a) in the case of an action for rescission, 180 days after the Redemption Date, or (b) in the case of an action for damages, the earlier of: (i) 180 days after the plaintiff first had knowledge of the facts giving rise to the cause of action, or (ii) three (3) years after the Redemption Date, a purchaser who purchased Alignvest Class A Restricted Voting Shares and Alignvest Warrants from Alignvest's underwriters in its initial public offering shall, in respect of such Alignvest Class A Restricted Voting Shares, as converted pursuant to the Alignvest Arrangement into New Sagicor Common Shares, and such Alignvest Warrants, be entitled to, in addition to any other remedy available at the time to such holder, (i) as against New Sagicor, in the case of rescission, the amount paid for such Alignvest Class A Restricted Voting Shares and/or such Alignvest Warrants, as applicable, upon surrender of such securities, and (ii) as against New Sagicor, the Alignvest directors and the signatories, in the case of a damages election, their proven damages. These parties have attorned to the jurisdiction of the courts of Ontario in respect of such rights of action.

In addition, the following additional provisions apply to actions against the Alignvest directors or the signatories:

(i) each has a due diligence defence and the other defences and rights contemplated in section 130 of the *Securities Act* (Ontario) and at law; and

(ii) each is entitled to be indemnified by New Sagicor and Sagicor to the maximum extent permitted by law.

This contractual right of action for rescission or damages will, subject to the foregoing, be consistent with the statutory right of rescission or damages described under section 130 of the *Securities Act* (Ontario). In no case shall the amount recoverable exceed the original purchase price of the Alignvest Class A Restricted Voting Units. In addition, for non-residents of Canada, the contractual right shall be subject to the same interpretational or constitutional defences, if any, as would apply to a claim against a resident Canadian issuer under section 130 of the *Securities Act* (Ontario), and, as a result, the argument that non-residents are not entitled to take advantage of the contractual right shall not be precluded.

The directors of Alignvest as at the date of the final prospectus (or any amendment), namely: Reza Satchu, Timothy Hodgson, Vince Hemmer, Azim Jamal, Adam Jiwan, Anthony Lacavera, Nadir Mohamed, Andy Moysiuk, and Donald Walker, will, subject to the terms thereof, be potentially liable for misrepresentations in this final prospectus (as it may be amended) under Part XXIII.1 of the *Securities Act* (Ontario) and the "*Contractual Right of Action*" described above. New directors of Alignvest or New Sagicor appointed after such date will not be subject to such liability as such.

EXEMPTION

Alignvest has applied to the Ontario Securities Commission, as principal regulator, for exemptive relief from Item 32 of Form 41-101F1 – *Information required in a Prospectus* ("**Form 41-101F1**") as prescribed under National Instrument 41-101 – *General Prospectus Requirements* with respect to certain historical financial statements relating to Harmony General Insurance Company Ltd. ("**Harmony**"), which is a Barbadian property and casualty insurance company that Sagicor wholly acquired in 2018 (the "**Non-Significant Acquisition**"). Alignvest understands that the acquired business may be considered to be a primary business of Sagicor under Item 32 of Form 41-101F1. The treatment of the acquired business as a primary business of Sagicor would require Alignvest to include in this prospectus, potentially among other related financial disclosures, up to three years of audited financial statements for Harmony, together with interim financial statements for the relevant interim periods. Alignvest has applied for exemptive relief from the requirement to include audited financial statements relating to the Non-Significant Acquisition for the three complete financial years prior to the date of this prospectus and the interim financial statements relating to the Non-Significant Acquisition for the relevant interim periods. The exemptions requested will be evidenced by the issuance of a receipt for this prospectus. In its application, Alignvest made the following submissions:

- The principal rationale for completing the Non-Significant Acquisition was to grow Sagicor's business, including its market presence in property and casualty insurance.

- The Non-Significant Acquisition is immaterial, and in fact is entirely de minimus. Because the Non-Significant Acquisition is not significant or otherwise material with regard to the overall size and value of Sagicor's business and operations, to include the financial statements and related management's discussion and analysis disclosure with respect to the Non-Significant Acquisition would be confusing to investors and would not add any additional meaningful disclosure.

- The historical financial statements included in this prospectus are the more appropriate financial statements for the purposes of allowing investors to form a reasonable judgment regarding Sagicor.

Based on the foregoing, Alignvest does not believe that the financial statements in respect of which the relief was requested are necessary for this prospectus to contain full, true and plain disclosure of all material facts with respect to Sagicor.

CERTIFICATE OF ALIGNVEST ACQUISITION II CORPORATION AND PROMOTER

February 7, 2019

This prospectus constitutes full, true and plain disclosure of all material facts relating to the securities previously issued by the issuer as required by securities legislation of each of the provinces and territories of Canada, other than Quebec.

By: (SIGNED) "*REZA SATCHU*" **REZA SATCHU** **PRESIDENT AND CHIEF EXECUTIVE OFFICER AND DIRECTOR**	BY: (SIGNED) "*SANJIL SHAH*" **SANJIL SHAH** **CHIEF FINANCIAL OFFICER**

ON BEHALF OF THE BOARD OF DIRECTORS

By: (SIGNED) "*TIMOTHY HODGSON*" **TIMOTHY HODGSON** **DIRECTOR**	By: (SIGNED) "*VINCE HEMMER*" **VINCE HEMMER** **DIRECTOR**

ALIGNVEST II CORPORATION, AS GENERAL PARTNER OF ALIGNVEST II LP, AS PROMOTER

By: (SIGNED) "*REZA SATCHU*"
REZA SATCHU
CHIEF EXECUTIVE OFFICER AND DIRECTOR

(SIGNED) "*SANJIL SHAH*"
By: **SANJIL SHAH**
CHIEF FINANCIAL OFFICER AND DIRECTOR

APPENDIX A – ALIGNVEST AUDITED ANNUAL FINANCIAL STATEMENTS

ALIGNVEST
ACQUISITION II CORPORATION

FINANCIAL STATEMENTS

AS AT MARCH 31, 2018

AND FOR THE PERIOD FROM COMMENCEMENT OF OPERATIONS ON APRIL 28, 2017 TO MARCH 31, 2018

Management's Report on Internal Control over Financial Reporting

The financial statements of Alignvest Acquisition II Corporation (the "Corporation"), the accompanying notes thereto and other financial information contained in the Corporation's management's discussion and analysis are the responsibility of, and have been prepared by management. These financial statements have been prepared in accordance with International Financial Reporting Standards and, where appropriate, include management's best estimates and judgments. Management has reviewed the financial information presented throughout the documents accompanying these financial statements and has ensured it is consistent with the financial statements.

Management maintains a system of internal control designed to provide reasonable assurance that assets are safeguarded from loss or unauthorized use, and that financial information is timely and reliable. However, any system of internal control over financial reporting, no matter how well designed and implemented, has inherent limitations and may not prevent or detect all misstatements.

The Board of Directors is responsible for ensuring that management fulfills its responsibility for financial reporting and internal control. The Audit Committee, which is comprised of directors, none of whom are employees of the Corporation, reviews the interim and annual financial statements and management's discussion and analysis of the Corporation and recommends them for approval by the Board of Directors. The Audit Committee reports its findings to the Board of Directors before the financial statements are approved by the Board.

Ernst & Young LLP, an independent firm of Chartered Professional Accountants, was appointed by the shareholders of the Corporation to examine the financial statements and provide an independent professional opinion as to their compliance with International Financial Reporting Standards. The auditor has full and unrestricted access to the Audit Committee to discuss the audit and related matters.

(Signed)	(Signed)
Reza Satchu	Sanjil Shah
President and Chief Executive Officer	Chief Financial Officer

Toronto, Canada
May 22, 2018

INDEPENDENT AUDITORS' REPORT

To the Shareholders of
Alignvest Acquisition II Corporation

We have audited the accompanying financial statements of Alignvest Acquisition II Corporation, which comprise the statement of financial position as at March 31, 2018, and the statements of operations and comprehensive income (loss), changes in shareholders' deficiency and cash flows for the period from commencement of operations on April 28, 2017 to March 31, 2018, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

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

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Alignvest Acquisition II Corporation as at March 31, 2018, and its financial performance and its cash flows for the period from commencement of operations on April 28, 2017 to March 31, 2018 in accordance with International Financial Reporting Standards.

Ernst & Young LLP
Chartered Professional Accountants
Licensed Public Accountants

Toronto, Canada
May 22, 2018

ALIGNVEST ACQUISITION II CORPORATION
STATEMENT OF FINANCIAL POSITION

[expressed in Canadian dollars]

	Notes	As at March 31, 2018
ASSETS		**$**
Current		
Cash		**1,975,229**
Prepaid expenses		**6,840**
		1,982,069
Restricted cash and short-term investments held in escrow	5	**405,016,292**
TOTAL ASSETS		**406,998,361**
LIABILITIES AND SHAREHOLDERS' DEFICIENCY		
Current		
Accounts payable and accrued liabilities		**756,759**
Due to related party	12	**325,795**
		1,082,554
Deferred underwriters' commission	10	**14,087,500**
Class A Restricted Voting Shares subject to redemption	6	**392,437,500**
Warrant liability	7	**18,464,581**
		426,072,135
SHAREHOLDERS' DEFICIENCY		
Share capital	1, 8	**13,950**
Deficit		**(19,087,724)**
		(19,073,774)
TOTAL LIABILITIES AND SHAREHOLDERS' DEFICIENCY		**406,998,361**

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

On behalf of the Board of Directors:

(signed) Timothy Hodgson	*(signed) Adam Jiwan*
Timothy Hodgson	Adam Jiwan
Director	Director

ALIGNVEST ACQUISITION II CORPORATION
STATEMENT OF OPERATIONS AND COMPREHENSIVE INCOME (LOSS)

[expressed in Canadian dollars, except per share amounts]

	Notes	From commencement of operations on April 28, 2017 to March 31, 2018
		$
REVENUE		
Interest income		**2,516,292**
EXPENSES		
Transaction costs	10	**22,421,549**
General and administrative	11	**1,830,386**
Net unrealized gain on changes in the fair value of financial liabilities	6, 7	**(2,647,919)**
		21,604,016
NET LOSS AND COMPREHENSIVE LOSS FOR THE PERIOD		**(19,087,724)**
NET LOSS PER SHARE		
Basic and diluted		**(1.61)**
Weighted average number of Class B Shares outstanding - basic and diluted		**11,858,025**

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

ALIGNVEST ACQUISITION II CORPORATION
STATEMENT OF CHANGES IN SHAREHOLDERS' DEFICIENCY

From commencement of operations on April 28, 2017 to March 31, 2018

[expressed in Canadian dollars, except number of shares]

	Note	Class B Shares Number	Class B Shares Amount	Deficit	Total
			$	$	$
Balance, April 28, 2017		1	10	-	10
Issuance of Class B Shares to Founders	8	11,112,270	22,225	-	22,225
Issuance of Class B Shares to Forward Purchasers	8, 9	1,775,229	3,550	-	3,550
Transaction costs	8, 10	-	(11,835)	-	(11,835)
Net loss and comprehensive loss		-	-	(19,087,724)	(19,087,724)
Balance, March 31, 2018		**12,887,500**	**13,950**	**(19,087,724)**	**(19,073,774)**

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

ALIGNVEST ACQUISITION II CORPORATION
STATEMENT OF CASH FLOWS

[expressed in Canadian dollars]

	Notes	From commencement of operations on April 28, 2017 to March 31, 2018
		$
OPERATING ACTIVITIES		
Net loss and comprehensive loss for the period		**(19,087,724)**
Non-cash items included in net loss and other adjustments		
Interest income		**(2,516,292)**
Transaction costs associated with financing activities	10	**22,421,549**
Net unrealized gain on changes in the fair value of financial liabilities	6, 7	**(2,647,919)**
Changes in non-cash working capital		
Prepaid expenses		**(6,840)**
Accounts payable and accrued liabilities		**756,759**
Due to related party	12	**325,795**
CASH USED IN OPERATING ACTIVITIES		**(754,672)**
INVESTING ACTIVITIES		
Investment in restricted cash and short-term investments held in escrow	5	**(402,500,000)**
CASH USED IN INVESTING ACTIVITIES		**(402,500,000)**
FINANCING ACTIVITIES		
Proceeds from issuance of Class B Shares to Founders	1, 8	**22,225**
Proceeds from issuance of Class B Shares to Forward Purchasers	1, 8, 9	**3,550**
Proceeds from issuance of Warrants to Founders	1, 7	**11,050,000**
Proceeds from issuance of Class A Restricted Voting Units	1, 6	**402,500,000**
Transaction costs associated with issuance of Class A Restricted Voting Shares and Warrants		**(8,334,049)**
Transaction costs associated with issuance of Class B Shares		**(11,835)**
CASH PROVIDED BY FINANCING ACTIVITIES		**405,229,891**
NET INCREASE IN CASH DURING THE PERIOD		**1,975,219**
CASH, BEGINNING OF PERIOD		**10**
CASH, END OF PERIOD		**1,975,229**

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

1. ORGANIZATION AND NATURE OF OPERATIONS

Alignvest Acquisition II Corporation (the "Corporation") is a special purpose acquisition corporation which was incorporated for the purpose of effecting an acquisition of one or more businesses or assets, by way of a merger, amalgamation, arrangement, share exchange, asset acquisition, share purchase, reorganization, or any other similar business combination involving the Corporation (a "Qualifying Acquisition"). The Corporation's business activities are carried out in a single business segment.

The Corporation was incorporated on February 8, 2017, under the Business Corporations Act (Ontario) and commenced operations on April 28, 2017. The Corporation's head office, and the head office of the Sponsor (as defined below), is located at 100 King Street West, 70th Floor, Toronto, Ontario, Canada, M5X 1C7.

THE OFFERING

On May 25, 2017, the Corporation completed its initial public offering (the "Offering") of 35,000,000 units at $10.00 per unit. Each unit consisted of one Class A restricted voting share ("Class A Restricted Voting Share") of the Corporation and one half of a warrant (together, a "Class A Restricted Voting Unit"). Upon closing of a Qualifying Acquisition, each Class A Restricted Voting Share and each Class B share ("Class B Share") will be automatically converted into one Common Share of the Corporation, and accordingly, each whole warrant (a "Warrant") will entitle the holder of the Warrant to purchase one Common Share at an exercise price of $11.50, subject to anti-dilution adjustments, commencing 30 days after the completion of a Qualifying Acquisition and will expire five years after the completion of a Qualifying Acquisition. At the option of the Warrant holder, the Warrants may be exercised through cashless exercise.

In connection with the Offering, the Corporation granted the underwriters a 30-day non-transferable option to purchase up to an additional 5,250,000 Class A Restricted Voting Units, at a price of $10.00 per Class A Restricted Voting Unit, to cover over-allotments, if any, and for market stabilization purposes. On June 1, 2017, the underwriters exercised their over-allotment option in full to purchase an additional 5,250,000 Class A Restricted Voting Units for aggregate proceeds of $52,500,000. As a result of the exercise of the over-allotment option, an aggregate of 40,250,000 Class A Restricted Voting Units of the Corporation were issued for aggregate proceeds of $402,500,000.

Concurrent with the completion of the Offering, Alignvest II LP (the "Sponsor"), a limited partnership of which Alignvest II Corporation is the general partner, and which is indirectly controlled by Alignvest Management Corporation ("AMC"), and Vince Hemmer, Azim Jamal, Anthony Lacavera, Lee Lau, Nadir Mohamed, Joe Natale, Helmut Swarovski and Donald Walker (or persons or companies controlled by them) (collectively with our Sponsor, the "Founders") purchased an aggregate of 10,000,000 share purchase warrants (the "Founders' Warrants") at an offering price of $1.00 per Founders' Warrant for aggregate proceeds of $10,000,000. Each whole Founders' Warrant entitles the holder thereof to purchase one Common Share at an exercise price of $11.50, subject to anti-dilution adjustments, commencing 30 days after the completion of a Qualifying Acquisition. Concurrent with the exercise of the over-allotment option, the Founders purchased an additional 1,050,000 Founders' Warrants at an offering price of $1.00 per Founders' Warrant for aggregate proceeds of $1,050,000.

Certain institutional and accredited investors, including Alignvest Partners Master Fund LP, an affiliate of the Sponsor, and certain directors or members of the advisory board (or companies controlled by them) of the Corporation (the "Forward Purchasers"), have entered into forward purchase agreements with the Corporation (the "Forward Purchase Agreements") to purchase, among other things, an aggregate of 11,300,000 Common Shares ("Forward Purchase Common Shares") and one-third of a share purchase warrant (the "Forward Purchase Warrants") per Forward Purchase

Common Share, for an aggregate of 3,766,659 Forward Purchase Warrants, through a private placement which would occur concurrently with the closing of a Qualifying Acquisition. Each whole Forward Purchase Warrant entitles the holder thereof to purchase one Common Share at an exercise price of $11.50, subject to anti-dilution adjustments, commencing 30 days after the completion of a Qualifying Acquisition. The obligations under the Forward Purchase Agreements do not depend on the nature of the Qualifying Acquisition or the number of Class A Restricted Voting Shares redeemed. The Forward Purchasers have committed to vote all shares held by them (including the Forward Purchasers' Class B Shares and any Class A Restricted Voting Shares purchased) in favour of a Qualifying Acquisition proposed by the Corporation.

As at the closing of the Offering, the Corporation issued a total of 12,887,500 Class B Shares for an aggregate price of $25,785, or approximately $0.002 per Class B Share, of which 11,112,271 Class B Shares were issued to the Founders ("Founders' Shares") for $22,235 and 1,775,229 Class B Shares were issued to the Forward Purchasers ("Forward Purchasers' Class B Shares") for $3,550. Upon closing of a Qualifying Acquisition, the Class B Shares will automatically convert into Common Shares. Up to 1,312,500 of the Founders' Shares were subject to forfeiture by the Founders without compensation depending on the extent to which the over-allotment option is exercised. As the over-allotment option was exercised in full, none of the Founders' Shares were forfeited. The Forward Purchasers' Class B Shares are subject to forfeiture in accordance with the terms of the Forward Purchase Agreements.

As at March 31, 2018, the aggregate of the Class B Shares issued by the Corporation held by the Founders and Forward Purchasers represent 24.3% of the Corporation's share capital equal to the aggregate of all Class A Restricted Shares and Class B Shares issued and outstanding.

The proceeds of $402,500,000 from the sale of the Class A Restricted Voting Units sold to the public are held by TSX Trust Company, as Escrow Agent, in the escrow account (the "Escrow Account") at a Canadian chartered bank or subsidiary thereof, in accordance with the escrow agreement. Subject to applicable law and payment of certain taxes, permitted redemptions and certain expenses, as further described herein, none of the funds held in the Escrow Account will be released to the Corporation prior to the closing of a Qualifying Acquisition. The escrowed funds will be held to enable the Corporation to (i) satisfy redemptions made by holders of Class A Restricted Voting Shares (including in the event of a Qualifying Acquisition or an extension to the permitted timeline of 24 months ("Permitted Timeline") or up to 36 months with shareholder approval from the holders of Class A Restricted Shares and the Corporation's board of directors, or in the event a Qualifying Acquisition does not occur within the Permitted Timeline), (ii) fund a Qualifying Acquisition with the net proceeds following payment of any such redemptions and deferred underwriting commissions, and/or (iii) pay taxes on amounts earned on the escrowed funds and certain permitted expenses. Such escrowed funds and all amounts earned, subject to such obligations and applicable law, will be assets of the Corporation. These escrowed funds will also be used to pay the deferred underwriting commissions in the amount of $14,087,500, which will be payable by the Corporation to the underwriters only upon the closing of a Qualifying Acquisition (subject to availability, failing which any shortfall would be required to be made up from other sources).

In connection with consummating a Qualifying Acquisition, the Corporation will require (i) approval by a majority of the directors unrelated to the Qualifying Acquisition, and (ii) approval by a majority of the holders of the Class A Restricted Voting Shares and Class B Shares, voting together as if they were a single class of shares, at a shareholders meeting held to consider the Qualifying Acquisition. Irrespective of whether they vote for or against, or do not vote on, the proposed Qualifying Acquisition, holders of Class A Restricted Voting Shares may elect to redeem all or a portion of their Class A Restricted Voting Shares at a per share price, payable in cash, equal to the pro-rata portion per Class A Restricted Voting Share of: (A) the escrowed funds available in the Escrow Account at the time of the shareholders meeting (if required by the rules of the Toronto Stock Exchange (the "TSX") at the time of the Qualifying Acquisition, or if no such shareholders' meeting is required, at the time immediately prior to the redemption deposit timeline), including interest and other amounts earned thereon; less (B) an amount equal to the total of (i) applicable taxes payable by the Corporation on such interest and other amounts earned in the Escrow Account and (ii) actual and expected direct expenses related to the redemption, each as reasonably determined by the Corporation, subject to certain limitations. Each holder of Class A Restricted Voting Shares, together with any affiliate of such shareholder or any other person with whom such holder or affiliate is acting jointly or in concert, will be subject to a redemption limitation of an aggregate 15% of the number of Class A Restricted Voting Shares issued and outstanding. Class B Shares will not be redeemable in connection with a Qualifying Acquisition or an extension to the Permitted Timeline and holders of Class B Shares shall not be entitled to access the Escrow Account should a Qualifying Acquisition not occur within the Permitted Timeline.

If the Corporation is unable to complete its Qualifying Acquisition within the Permitted Timeline (or an extension of the Permitted Timeline), the Corporation will liquidate and dissolve and distribute its assets in the Escrow Account to the holders of the Class A Restricted Voting Shares. In such case, each holder of a Class A Restricted Voting Share will receive for an amount, payable in cash, equal to the pro-rata portion per Class A Restricted Voting Share of: (A) the Escrow Account, including any interest and other amounts earned; less (B) an amount equal to the total of (i) any applicable taxes payable by the Corporation on such interest and other amounts earned in the Escrow Account, (ii) any taxes of the Corporation arising in connection with the redemption of the Class A Restricted Voting Shares, and (iii) up to a maximum of $50,000 of interest and other amounts earned to pay actual and expected expenses related to the dissolution and certain other related costs as reasonably determined by the Corporation. The underwriters will have no right to the deferred underwriting commissions held in the Escrow Account in such circumstances.

Subsequent to the completion of the Offering, the Class A Restricted Voting Units traded on the TSX under the symbol "AQY.UN". On July 4, 2017, the Class A Restricted Voting Shares and Warrants commenced trading separately on the TSX under the symbols "AQY.A" and "AQY.WT", respectively.

2. BASIS OF PRESENTATION

These financial statements of the Corporation as at March 31, 2018 and for the period from commencement of operations of the Corporation on April 28, 2017 to March 31, 2018 (the "2018 Financial Statements") have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board, and with interpretations of the International Financial Reporting Interpretations Committee which the Canadian Accounting Standards Board has approved for incorporation into Part 1 of the Chartered Professional Accountants of Canada Handbook – Accounting. The 2018 Financial Statements were authorized for issuance by the Board of Directors on May 22, 2018.

The significant accounting policies and methods of application adopted by the Corporation in the preparation of the 2018 Financial Statements are provided in note 3. The Corporation does not believe that any accounting standards that have been recently issued, but which are not yet effective, would have a material effect on the 2018 Financial Statements if such accounting standards were currently adopted.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted by the Corporation in the preparation of its financial statements are set out below.

Basis of Presentation

These financial statements have been prepared under the historical cost convention, except for the carrying value of Class A Restricted Voting Shares subject to redemption and warrant liability, which are measured at fair value as determined at each reporting date. The Corporation's functional and presentation currency is the Canadian dollar.

Financial Instruments

Financial assets and liabilities are recognized when the Corporation becomes a party to the contractual provisions of the instrument. Financial assets are derecognized when the rights to receive cash flows from the assets have expired or are assigned and the Corporation has transferred substantially all risks and rewards of ownership in respect of the asset. Financial liabilities are derecognized when the related obligation is discharged, cancelled or expires.

Classification of financial instruments in the Corporation's financial statements depends on the purpose for which the financial instruments were acquired or incurred. Management determines the classification of financial instruments at initial recognition.

Financial assets are classified as fair value through profit or loss ("FVTPL") or loans and receivables. Financial liabilities are classified as FVTPL or other financial liabilities.

Financial instruments are recognized initially at fair value. Transaction costs that are directly attributable to the acquisition or issue of a financial instrument classified as other than at FVTPL are added to the carrying amount of the asset or liability. The fair value of financial instruments is generally determined by reference to quoted market prices at the close of trading where an active market exists. The Company uses the last traded price if it falls within the day's bid-ask spread. If the last traded price falls outside of the day's bid-ask spread, management will determine the point within the bid-ask spread that is most representative of fair value based on the specific facts and circumstances. Where an active market is not available for a financial instrument, the fair value is determined using valuation techniques.

Financial instruments classified as FVTPL are carried at fair value in the statement of financial position and any gains or losses are recorded in net income (loss) in the period in which they arise. Financial instruments classified as FVTPL include Class A Restricted Voting Shares subject to redemption and warrant liability.

Loans and receivables and other financial liabilities are recognized at amortized cost using the effective interest rate method. Such accounts include prepaid expenses, accounts payable and accrued liabilities, and due to related party.

All financial instruments recognized at fair value in the statement of financial position are classified into one of three levels in the fair value hierarchy as follows:

- Level 1 – Valuation based on quoted prices (unadjusted) observed in active markets for identical assets or liabilities.
- Level 2 – Valuation techniques based on inputs that are quoted prices of similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; inputs other than quoted prices used in a valuation model that are observable for that instrument; and inputs that are derived from or corroborated by observable market data by correlation or other means.
- Level 3 – Valuation techniques with significant unobservable market inputs.

Impairment of Financial Assets at Amortized Cost

At each reporting date, the Corporation assesses whether there is objective evidence that a financial asset is impaired. A financial asset is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset, and that loss event has an impact on the estimated future cash flows of the financial asset that can be reliably estimated. Objective evidence may include significant financial difficulty of the obligor or delinquencies in interest and principal payments. If such evidence exists, the Corporation recognizes an impairment loss equal to the difference between the carrying value of the financial asset and the present value of the estimated future cash flows, discounted using the instrument's original effective interest rate for the financial asset. An impairment of a financial asset carried at amortized cost is reversed in subsequent periods if the amount of the loss decreased and the decrease can be related objectively to an event occurring after the impairment was recognized.

Income Taxes

The Corporation follows the balance sheet liability method to provide for income taxes on all transactions recorded in its financial statements. The balance sheet liability method requires that income taxes reflect the expected future tax consequences of temporary differences between the carrying amounts of assets and liabilities and their tax bases. Deferred income tax assets and liabilities are determined for each temporary difference and for unused tax losses and unused tax credits, as applicable, at rates expected to be in effect when the asset is realized or the liability is settled.

The effect on deferred income tax assets and liabilities of a change in tax rates is recognized in net income or loss in the period that includes the substantive enactment date. Deferred income tax assets are recognized to the extent that it is probable that the assets can be recovered.

Deferred income tax assets, including those arising from unutilized tax losses, require management to assess the likelihood that the Corporation will generate taxable income in future periods in order to utilize recognized deferred tax assets. Estimates of future taxable income are based on forecasted cash flows from operations and the application of existing laws in each applicable jurisdiction. Future taxable income is also significantly dependent upon the Corporation completing a Qualifying Acquisition, the underlying structure of a Qualifying Acquisition, and the resulting nature of operations. To the extent that future cash flows and/or the probability, structure and timing, and the nature of operations of a future Qualifying Acquisition differ significantly from estimates made, the ability of the Corporation to realize a deferred income tax asset could be materially impacted.

Earnings (Loss) Per Share

Basic earnings or loss per share is computed by dividing the net earnings or loss attributable to shareholders by the weighted average number of shares outstanding during the period, excluding Class A Restricted Voting Shares subject to redemption. Diluted earnings or loss per share, where applicable, is calculated by adjusting the weighted average number of shares outstanding for dilutive instruments by applying the treasury stock method.

Accounting Standards, Interpretations and Amendments to Existing Standards not yet Effective

IFRS 9, Financial Instruments ("IFRS 9")
IFRS 9, published in July 2014, replaces IAS 39, *Financial Instruments: Recognition and Measurement*. IFRS 9 introduces new requirements for the classification, measurement and impairment of financial assets and hedge accounting. It establishes two primary measurement categories for financial assets: (i) amortized cost, and (ii) fair value; establishes criteria for classification of financial assets within the measurement category based on business model and cash flow characteristics; and eliminates existing held for trading, held to maturity, available for sale, loans and receivable and other financial liabilities categories. IFRS 9 also introduces a new model for the impairment of financial assets and requires an economic relationship between the hedged item and hedging instrument. This standard is effective for annual periods beginning on or after January 1, 2018 with early adoption permitted. The Company will adopt IFRS 9 on April 1, 2018, and has determined that the adoption of IFRS 9 will not have a material impact on the Company's financial statements.

IFRS 15, Revenue from Contracts with Customers ("IFRS 15")
IFRS 15 was issued in May 2014 and establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The new revenue standard will supersede all current revenue recognition requirements under IFRS and is effective for annual periods beginning on or after January 1, 2018. The Company will adopt IFRS 15 on April 1, 2018, and has assessed that the adoption of IFRS 15 will not have a material impact on the Company's financial statements.

4. CRITICAL ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of these financial statements requires the Corporation to make judgments in applying its accounting policies and estimates and assumptions about the future. These judgments, estimates and assumptions affect the Corporation's reported amounts of assets, liabilities, and items in net income or loss, and the related disclosure of contingent assets and liabilities, if any. The Corporation evaluates its estimates on an ongoing basis. Such estimates are based on various assumptions that the Corporation believes are reasonable under the circumstances, and these estimates form the basis for making judgments about the carrying value of assets and liabilities and the reported amounts of items in net income or loss that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions. The following discusses the most significant accounting judgments, estimates and assumptions that the Corporation has made in the preparation of its 2018 Financial Statements.

Fair Value of Financial Instruments

Certain financial instruments are recorded in the Corporation's statement of financial position at values that are representative of or approximate their fair value. The fair value of a financial instrument that is traded in active markets at each reporting date is determined by reference to its quoted market price. Changes in the underlying trading value may significantly affect the amount of net income or loss for a particular period. Furthermore, the quoted market price of a financial liability may not be equal to the amount that the Corporation may have to pay in settlement of the underlying obligation, should such obligation become immediately payable. The Corporation reviews assumptions relating to financial instruments on an ongoing basis to ensure that the basis for determination of fair value is appropriate.

Warrant Valuation

Estimating the fair value of warrants requires determining the most appropriate valuation model that is dependent on the terms and conditions of the warrant. To the extent a quoted market value is not available, the Corporation applies an option-pricing model to measure the fair value of the Warrants issued and the Forward Purchase Warrants. Application of the option-pricing model requires estimates in expected dividend yields, expected volatility in the underlying assets and the expected life of the warrant. These estimates may ultimately be different from amounts subsequently realized, resulting in an overstatement or understatement of net income or loss.

Income Tax

The determination of the Corporation's income taxes and other tax assets and liabilities requires interpretation of complex laws and regulations. Judgment is required in determining whether deferred income tax assets should be recognized on the statement of financial position. Deferred income tax assets, including those arising from unutilized tax losses, require management to assess the likelihood that the Corporation will generate taxable income in future periods in order to utilize recognized deferred tax assets. Estimates of future taxable income are based on forecasted cash flows from operations and the application of existing laws in each applicable jurisdiction. Future taxable income is also significantly dependent upon the Corporation completing a Qualifying Acquisition, the underlying structure of a Qualifying Acquisition, and the resulting nature of operations. To the extent that future cash flows and/or the probability, structure and timing, and the nature of operations of a future Qualifying Acquisition differ significantly from estimates made, the ability of the Corporation to realize a deferred tax asset could be materially impacted.

5. RESTRICTED CASH AND SHORT-TERM INVESTMENTS HELD IN ESCROW

Restricted cash and short-term investments held in escrow comprised of the following:

	March 31, 2018
	$
Cash	**-**
Investment in Government of Canada Treasury Bills due May 17, 2018	**404,336,552**
Accrued interest	**679,740**
Restricted cash and short-term investments held in escrow	**405,016,292**

6. CLASS A RESTRICTED VOTING SHARES SUBJECT TO REDEMPTION

Authorized

The Corporation is authorized to issue an unlimited number of Class A Restricted Voting Shares. The holders of Class A Restricted Voting Shares have no pre-emptive rights or other subscription rights and there are no sinking fund provisions applicable to these shares.

[In Canadian dollars, unless otherwise specified]

Voting rights

Prior to the consummation of a Qualifying Acquisition, holders of Class A Restricted Voting Shares are not entitled to vote at, or receive notice of or meeting materials in respect of customary annual general meeting matters, including the election and removal of directors and auditors. The holders of Class A Restricted Voting Shares would, however, be entitled to vote on and receive notice of meeting materials on all other matters requiring shareholder approval, including approval of an extension of the Permitted Timeline and of a proposed Qualifying Acquisition and in the latter case, the holders of the Class A Restricted Voting Shares would vote together with the Class B Shares as if they were a single class of shares.

Redemption rights

The holders of Class A Restricted Voting Shares are entitled to redeem their shares, subject to certain conditions, and are entitled to receive the escrow proceeds, net of applicable taxes and other permitted deductions, from the Escrow Account: (i) in the event that the Corporation does not complete a Qualifying Acquisition within the Permitted Timeline; (ii) in the event of a Qualifying Acquisition; and (iii) in the event of an extension to the Permitted Timeline. Upon such redemption, the rights of holders of Class A Restricted Voting Shares as shareholders will be completely extinguished.

Fair Value of Class A Restricted Voting Shares subject to redemption

The redemption rights embedded in the terms of the Corporation's Class A Restricted Voting Shares are considered by the Corporation to be outside of the Corporation's control and subject to uncertain future events. Accordingly, the Corporation has classified its "Class A Restricted Voting Shares subject to redemption" as financial liabilities at FVTPL. The fair value of the Corporation's Class A Restricted Voting Shares is determined by reference to its quoted market price on the TSX at each reporting period. As at March 31, 2018, the Class A Restricted Voting Shares closed at a price of $9.75 per share.

Class A Restricted Voting Shares subject to redemption – Issued and Outstanding
(Subject to applicable law)

	Number	$
Balance, April 28, 2017	-	-
Issuance of Class A Restricted Voting Shares pursuant to the Offering	35,000,000	350,000,000
Issuance of Class A Restricted Voting Shares pursuant to exercise of the over-allotment option	5,250,000	52,500,000
	40,250,000	**402,500,000**
Adjusted for:		
Allocation of proceeds received pursuant to the Offering and exercise of the over-allotment option attributed to Warrants		(4,025,000)
Fair value adjustment		(6,037,500)
Balance, March 31, 2018	**40,250,000**	**392,437,500**

7. WARRANT LIABILITY

As at March 31, 2018, the Corporation had 31,175,000 Warrants issued and outstanding, comprised of 20,125,000 Warrants forming part of the Class A Restricted Voting Units and 11,050,000 Founders' Warrants. In addition, the Forward Purchasers have also agreed to purchase one-third of a Forward Purchase Warrant per Forward Purchase Common Share for an aggregate of 3,766,659 Forward Purchase Warrants, with each whole Forward Purchase Warrant to be issuable at the time of the Qualifying Acquisition and entitle the holder to purchase one Class A Restricted Voting Share, which following the closing of a Qualifying Acquisition, will become one Common Share. The Forward Purchase Warrants will be subject to the same terms and conditions as the Warrants underlying the Class A Restricted Voting Units and the Founders' Warrants.

All Warrants issued by the Corporation will become exercisable only commencing 30 days after the completion of a Qualifying Acquisition. Each whole Warrant is exercisable to purchase one Class A Restricted Voting Share, or one Common Share following the closing of the Qualifying Acquisition, at a price of $11.50 per share, subject to anti-dilution adjustments. The Warrants will expire five years after the completion of a Qualifying Acquisition or may expire earlier if a Qualifying Acquisition does not occur within the Permitted Timeline or if the expiry date is accelerated. Once the Warrants become exercisable, the Corporation may accelerate the expiry date of the outstanding Warrants (excluding the Founders' Warrants but only to the extent still held by the Founders at the date of public announcement of such acceleration and not transferred prior to the accelerated expiry date, due to the anticipated knowledge by the Founders of material undisclosed information which could limit their flexibility) by providing 30 days' notice if, and only if, the closing share price of the Common Shares equals or exceeds $18.00 per Common Share (as adjusted for stock splits or combinations, stock dividends, Extraordinary Dividends, reorganizations and recapitalizations and the like) for any 20 trading days within a 30-trading day period.

At the election of the holder, the Warrants may be exercised through cashless exercise. A cashless exercise permits the holder, in lieu of making a cash payment on exercise, to instead elect to surrender its Warrants and receive the number of Common Shares that is equal to the quotient obtained by multiplying (i) the number of Common Shares for which the Warrant is being exercised by (ii) the difference between the volume weighted average price of the Common Shares on the TSX for the 20 trading days immediately prior to (but not including) the date of exercise of the Warrant and the exercise price, and dividing such product by the volume weighted average price of the Common Shares on the TSX for the 20 trading days immediately prior to (but not including) the date of exercise.

The Warrants will not be entitled to the proceeds from the Escrow Account. The Warrant holders do not have the rights or privileges of holders of shares and any voting rights until they exercise their Warrants and receive corresponding Common Shares of the Corporation. After the issuance of corresponding Common Shares upon exercise of the Warrants, each holder is expected to be entitled to one vote for each Common Share held of record on all matters to be voted on by shareholders.

Restrictions on Transfer of Founders' Warrants

The Founders have agreed not to transfer any of their Founders' Warrants until after the closing of the Qualifying Acquisition, except for transfers required due to the structuring of the Qualifying Acquisition, in which case such restriction will apply to the securities received in connection with the Qualifying Acquisition. Following completion of the Corporation's Qualifying Acquisition, the Founders' Warrants, including Common Shares issuable on exercise of the Founders' Warrants, may be subject to certain sale or transfer restrictions in accordance with applicable securities laws.

[In Canadian dollars, unless otherwise specified]

Fair value of Warrants

As the number of Common Shares to be issued by the Corporation upon exercise of the Warrants is not fixed, it does not meet the "fixed-for-fixed" criteria for equity classification. As a result, the Warrants have been classified as derivative liabilities to be measured at FVTPL. To the extent a quoted market value is not available, the Corporation applies an option-pricing model to measure the fair value of the Warrants issued and the Forward Purchase Warrants. Application of the option-pricing model requires estimates in expected dividend yields, expected volatility in the underlying assets and the expected life of the Warrants. These estimates may ultimately be different from amounts subsequently realized, resulting in an overstatement or understatement of net income or loss.

Warrants - Issued and Outstanding

	Number	$
Balance, April 28, 2017	-	-
Warrants issued in connection with:		
Issuance to Founders	10,000,000	10,000,000
Issuance to Founders pursuant to exercise of the over-allotment option	1,050,000	1,050,000
Issuance of Class A Restricted Voting Units pursuant to the Offering	17,500,000	3,500,000
Issuance of Class A Restricted Voting Units pursuant to exercise of the over-allotment option	2,625,000	525,000
	31,175,000	**15,075,000**
Adjusted for:		
Fair value adjustment for Warrants issued and Forward Purchase Warrants		3,389,581
Balance, March 31, 2018	**31,175,000**	**18,464,581**

8. SHAREHOLDERS' DEFICIENCY

A) Class B Shares

Authorized

The Corporation is authorized to issue an unlimited number of Class B Shares without nominal or par value. The holders of Founders' Shares have no pre-emptive rights or other subscription rights and there are no sinking fund provisions applicable to these shares. The Forward Purchasers as holders of Forward Purchasers' Class B Shares and pursuant to the Forward Purchase Agreements, are entitled to a right of first offer with respect to any proposed sale by the Corporation of additional equity or securities convertible into, exchangeable for, or exercisable for equity securities in connection with or prior to the closing of a Qualifying Acquisition, subject to certain limitations.

Voting rights

Holders of Class B Shares are entitled to vote at all meetings of shareholders and on all matters requiring a shareholder vote, with the exception of a vote to approve an extension of the Permitted Timeline within which the Corporation is required to complete its Qualifying Acquisition, which will only be voted upon by holders of Class A Restricted Voting Shares.

Redemption rights

Holders of Class B Shares do not have any redemption rights with respect to its Class B Shares, or rights to distributions from the Escrow Account if the Corporation fails to complete a Qualifying Acquisition within the Permitted Timeline.

Restrictions on Transfer, Assignment or Sale of Founders' Shares

The holders of the Founders' Shares have agreed not to transfer, assign or sell any of their Founders' Shares prior to completion of the Corporation's Qualifying Acquisition, and following completion of a Qualifying Acquisition, they have agreed not to sell or transfer any of their Founders' Shares until the earliest of:

i. with respect to 50% of the Founders' Shares, one year following completion of the Qualifying Acquisition;
ii. with respect to the remaining 50% of the Founders' Shares, two years following completion of the Qualifying Acquisition;
iii. with respect to 100% of the Founders' Shares, the date following the closing of the Qualifying Acquisition on which the Corporation completes a liquidation, merger, arrangement, share exchange or other similar transaction that results in all of the holders of Common Shares receiving in exchange for or having the right to exchange their shares of the Corporation for cash, securities or other property; and
iv. the date on which the closing share price of the Common Shares equals or exceeds $12.00 per share (as adjusted for share splits, share capitalizations, reorganizations, Extraordinary Dividends, reorganizations and recapitalizations and the like) for any 20 trading days within a 30-trading day period at any time following the closing of the Qualifying Acquisition, subject to certain exceptions.

Following completion of the Corporation's Qualifying Acquisition, the Founders' Shares, including the Common Shares into which the Founders' Shares are convertible, may be subject to certain sale or transfer restrictions in accordance with applicable securities laws.

Restrictions on Transfer, Assignment or Sale of Forward Purchasers' Class B Shares

The Forward Purchasers have agreed not to transfer, assign or sell any of their Forward Purchasers' Class B Shares, including any Common Shares into which they are convertible, until the earliest of:

i. one year following completion of the Qualifying Acquisition; and
ii. the date following the closing of the Qualifying Acquisition on which the Corporation completes a liquidation, merger, arrangement, share exchange or other similar transaction that results in all of the holders of Common Shares receiving in exchange for, or having the right to exchange their Common Shares for, cash, securities or other property, in each case subject to certain exceptions.

Notwithstanding the foregoing, if, subsequent to the closing of a Qualifying Acquisition, the closing price of the Common Shares equals or exceeds $12.00 per share (as adjusted for share splits, share capitalizations, reorganizations, Extraordinary Dividends, recapitalizations and the like) for any 20 trading days within any 30-trading day period commencing at least 150 days after the closing date of the Qualifying Acquisition, the Forward Purchasers' Class B Shares and the Common Shares into which the Forward Purchasers' Class B Shares are convertible, shall be released from such lock-up.

[In Canadian dollars, unless otherwise specified]

Forfeiture of Forward Purchasers' Class B Shares

The Forward Purchasers' Class B Shares are subject to forfeiture in accordance with the terms of the Forward Purchase Agreements. First, if a Forward Purchaser does not fund its commitment under its Forward Purchase Agreement, such defaulting Forward Purchaser shall forfeit to the Corporation all of its Forward Purchasers' Class B Shares. If the Sponsor or an affiliate fund the amount in default, such Sponsor or affiliate shall receive a transfer of the forfeited Forward Purchasers' Class B Shares and the defaulting Forward Purchaser shall be obliged to pay 25% of the amount in default to such Sponsor or affiliate, as liquidated damages. Second, in connection with a Qualifying Acquisition, the Forward Purchasers are required to agree to certain changes to the Class B Shares or the resulting Common Shares agreed to by the Sponsor as are set out in the Forward Purchase Agreements.

Class B Shares - Issued and Outstanding

	Number	$
Balance, April 28, 2017	1	10
Issuance of Class B Shares to Founders	11,112,270	22,225
Issuance of Class B Shares to Forward Purchasers	1,775,229	3,550
	12,887,500	**25,785**
Adjusted for:		
Transaction costs [note 10]		(11,835)
Balance, March 31, 2018	**12,887,500**	**13,950**

B) Common Shares

The Corporation is authorized to issue an unlimited number of Common Shares without nominal or par value. No Common Shares may be issued prior to the closing of a Qualifying Acquisition, except in connection with such closing.

9. FORWARD PURCHASE AGREEMENT

The Forward Purchasers have entered into Forward Purchase Agreements with the Corporation, pursuant to which they have agreed to purchase an aggregate of 11,300,000 Forward Purchase Common Shares and 3,766,659 Forward Purchase Warrants in a private placement to occur concurrently with the closing of a Qualifying Acquisition, at $10 per Forward Purchase Common Share and one-third of a Forward Purchase Warrant. As at March 31, 2018, none of the Forward Purchase Common Shares or Forward Purchase Warrants have been issued by the Corporation.

The Forward Purchasers have also purchased an aggregate of 1,775,229 Forward Purchasers' Class B Shares for approximately $0.002 per Class B Share. Pursuant to the Forward Purchase Agreements, the Forward Purchasers have also committed to vote their Forward Purchasers' Class B Shares and any Class A Restricted Voting Shares they purchase in favour of a Qualifying Acquisition proposed by the Corporation.

Each Forward Purchaser's obligation to purchase its Forward Purchase Common Shares and the Forward Purchase Warrants are subject to termination by mutual written consent of the Corporation and such Forward Purchaser, or automatically, if certain circumstances arise, for instance, if the Qualifying Acquisition is not consummated within the Permitted Timeline or the key management personnel of the Sponsor or its affiliates is no longer involved with the operations of the Corporation. The rights and obligations under the Forward Purchase Agreements may not be assigned by either the Forward Purchaser or the Corporation without the consent of the other.

[In Canadian dollars, unless otherwise specified]

Each of the Forward Purchasers has agreed that, to the extent it fails to pay the purchase price for the Forward Purchase Common Shares and Forward Purchase Warrants pursuant to its Forward Purchase Agreement, each such Forward Purchaser shall, subject to a five-day cure period, without prejudice to the Corporation's other remedies, forfeit to the Corporation all of its Forward Purchasers' Class B Shares, unless our Sponsor or an affiliate funds the amount in default. In the event that a Forward Purchaser does not provide the funds committed under the Forward Purchase Agreement to purchase the applicable Forward Purchase Common Shares and Forward Purchase Warrants, and no alternative funding is provided as contemplated in that Forward Purchase Agreement, the Sponsor and each of the other Founders has agreed to surrender for cancellation for no consideration their pro-rata share of the Founders' Shares allocated to a Forward Purchase Agreement, such that, taking into account such surrenders, the number of Class B Shares would represent 20% of the sum of the total number of issued and outstanding shares Class A Restricted Voting Shares, Class B Shares and Common Shares issued pursuant to the Forward Purchase Agreements.

10. TRANSACTION COSTS

Transaction costs consist principally of legal, accounting and underwriting costs incurred through to the date of the statement of financial position that are directly related to the Offering.

Transaction costs incurred amounted to $22,433,384 (including $22,137,500 in underwriters' commission of which $14,087,500 is deferred and payable only upon completion of a Qualifying Acquisition). Transaction costs were expensed to the statement of operations as incurred, except for $11,835 of transaction costs that were allocated to shareholders' deficiency as they were determined to be in respect of the issuance of Class B Shares.

Transaction costs incurred from commencement of operations on April 28, 2017 to March 31, 2018 were allocated as follows:

	Statement of operations	**Shareholders' Equity/ (Deficiency)**	**Total**
	$	**$**	**$**
Underwriters' commission	**8,050,000**	**-**	**8,050,000**
Deferred underwriters' commission	**14,087,500**	**-**	**14,087,500**
Professional fees (legal, accounting, etc.)	**209,251**	**8,718**	**217,969**
Underwriters' out-of-pocket expenditures	**28,800**	**1,200**	**30,000**
Printing	**45,998**	**1,917**	**47,915**
	22,421,549	**11,835**	**22,433,384**

Underwriters' commission

In consideration for their services in connection with the Offering, the Corporation has agreed to pay the underwriters a commission equal to 5.5% of the gross proceeds of the Class A Restricted Voting Units issued under the Offering. The Corporation paid $8,050,000, representing $0.20 per Class A Restricted Voting Unit to the underwriters upon closing of the Offering and the exercise of the over-allotment option. Upon completion of a Qualifying Acquisition, the remaining $14,087,500 of the underwriters' commission, representing $0.35 per Class A Restricted Voting Unit, will be released to the underwriters from the funds held in the Escrow Account.

[In Canadian dollars, unless otherwise specified]

11. GENERAL AND ADMINISTRATIVE EXPENSES

	From commencement of operations on April 28, 2017 to March 31, 2018
	$
Public company filing and listing costs	437,116
Insurance	34,200
General office expenses	1,359,070
	1,830,386

12. RELATED PARTY TRANSACTIONS

On May 25, 2017, the Corporation entered into an administrative services agreement with AMC for an initial term of 24 months, subject to possible extension, for office space, utilities and administrative support, which may include payment for services of related parties, for, but not limited to, various administrative, managerial or operational services or to help effect a Qualifying Acquisition. The Corporation has agreed to pay $25,000 per month, plus applicable taxes for such services. As at March 31, 2018, the amount incurred and payable by the Corporation in respect of these services was $113,000.

As at March 31, 2018, the amount due to the Sponsor was $212,795 for out-of-pocket expenses paid by the Sponsor on behalf of the Corporation. The amounts due to the Sponsor are non-interest bearing and are payable no later than the date of the consummation of a Qualifying Acquisition. Due to the short-term nature of this arrangement, the fair value of the amounts due to related party approximates their carrying amount.

The Sponsor has executed a make whole agreement and undertaking in favour of the Corporation, whereby the Sponsor has agreed to indemnify the Corporation in certain limited circumstances where the funds held in the Escrow Account are reduced to below $10.00 per Class A Restricted Voting Share.

13. INCOME TAXES

The income tax recovery amount on pre-tax losses differs from the income tax recovery amount that would arise using the combined Canadian federal and provincial statutory tax rate of 26.5%, as a result of the following items:

	From commencement of operations on April 28, 2017 to March 31, 2018
	$
Loss before tax at statutory rate of 26.5%	(5,058,247)
Effect on taxes of:	
Non-deductible expenses	4,303
Unrealized change in fair value of financial liabilities	(701,699)
Change in unrecognized temporary differences	5,755,643
Income tax recovery	-

ALIGNVEST ACQUISITION II CORPORATION
Notes to the Financial Statements
March 31, 2018
[In Canadian dollars, unless otherwise specified]

Deferred income tax assets are only given recognition in the Corporation's financial statements if management has determined that it is probable that such deferred income tax assets may be recovered. The recoverability of deferred income tax assets is partially dependent on the nature, terms and conditions of a Qualifying Acquisition that is to be completed in the future, causing uncertainty in the ability of the Corporation to benefit from deferred income tax assets. As such, management believes that the following deductible temporary differences do not currently meet the criteria for recognition:

	As at March 31, 2018
	$
Tax loss carry forwards	967,032
Deferred underwriters' commissions	14,087,500
Share issue costs	6,676,707
	21,731,239

At March 31, 2018, the Corporation had estimated non-capital losses of $967,032 that may be carried forward to reduce taxable income derived in future years. These non-capital losses will expire in 2038.

Transaction costs paid by the Corporation in respect of the issuance of shares, including the issuance of Class A Restricted Voting Shares, are deductible for income tax purposes on a straight line basis over a five-year period. Deferred underwriters' commissions will be deductible, if and when paid pursuant to a Qualifying Acquisition, on a straight-line basis over a five-year period.

14. FINANCIAL INSTRUMENTS

Fair Value Measurements

The following table summarizes those assets and liabilities that are included at their fair values in the Corporation's statement of financial position as at March 31, 2018, or those assets and liabilities for which fair value is otherwise disclosed in the accompanying notes to the 2018 Financial Statements. These assets and liabilities have been categorized into hierarchal levels, according to the significance of the inputs used in determining fair value measurements.

	Carrying value as at March 31, 2018	Fair value as at March 31, 2018		
		Level 1	Level 2	Level 3
	$	$	$	$
Financial assets				
Restricted cash and short-term investments held in escrow	405,016,292	-	405,016,292	-
Financial liabilities				
Class A Restricted Voting Shares subject to redemption	392,437,500	392,437,500	-	-
Warrant liability	18,464,581	18,464,581	-	-

The Corporation is exposed to financial risks due to the nature of its business and the financial assets and liabilities that it holds. The Corporation's overall risk management strategy seeks to minimize potential adverse effects of the Corporation's financial performance.

[In Canadian dollars, unless otherwise specified]

Market Risk

Market risk is the risk that a material loss may arise from fluctuations in the fair value of a financial instrument. For purposes of this disclosure, the Corporation segregates market risk into three categories: fair value risk, interest rate risk and currency risk.

i. ***Fair Value Risk***
Fair value risk is the potential for loss from an adverse movement, excluding movements relating to changes in interest rates and foreign exchange rates, because of changes in market prices. The Corporation is exposed to fair value risk in respect of its Class A Restricted Voting Shares subject to redemption and warrant liability, which are carried in the Corporation's financial statements at their fair value. A 1% absolute change in the fair value of Class A Restricted Voting Shares and warrant liability would result in a change to the net loss for the period from commencement of operations of the Corporation on April 28, 2017 to March 31, 2018 of $4,175,750.

ii. ***Interest Rate Risk***
Interest rate risk relates to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Corporation is exposed to interest rate risk on its restricted cash and short-term investments held in its Escrow Account. Due to the short-term nature of these financial instruments, the Corporation's exposure to interest rate risk is nominal.

iii. ***Currency Risk***
Currency risk relates to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates relative to the Corporation's presentation currency of the Canadian dollar. The Corporation does not currently have any exposure to currency risk as the Corporation does not transact in any currency other than the Canadian dollar.

15. CAPITAL MANAGEMENT

The Corporation defines the capital that it manages as its shareholders' deficiency, net of its Class A Restricted Voting Shares subject to redemption and warrant liability. The following table summarizes the carrying value of the Corporation's capital as at March 31, 2018:

	As at March 31, 2018
	$
Shareholders' deficiency	**(19,073,774)**
Class A Restricted Voting Shares subject to redemption	**392,437,500**
Warrant liability	**18,464,581**
	391,828,307

The Corporation's primary objective in managing capital is to ensure capital preservation in order to benefit from acquisition opportunities as they arise.

Liquidity

As at March 31, 2018, the Corporation had $1,975,229 in cash. The Corporation expects to incur significant costs in pursuit of its acquisition plans.

To the extent that the Corporation may require additional funding for general ongoing expenses or in connection with sourcing a proposed Qualifying Acquisition, the Corporation may obtain such funding by way of unsecured loans from the Sponsor and/or its affiliates, subject to consent of the TSX, which loans would, unless approved otherwise by the TSX, bear interest at no more than the prime rate plus 1%. The Sponsor would not have recourse under such loans against the Escrow Account, and thus the loans would not reduce the value of such Escrow Account. Such loans would collectively be subject to a maximum principal amount of $2,500,000 in the aggregate, and may be repayable in cash following the closing of a Qualifying Acquisition and may only be convertible into Common Shares and/or Warrants in connection with the closing of a Qualifying Acquisition, subject to TSX consent. As at and during the period ended March 31, 2018, the Corporation has not drawn down on any loan amounts.

Otherwise, and subject to any relief granted by the TSX, the Corporation may seek to raise additional funds through a rights offering in respect of shares available to its shareholders, in accordance with the requirements of applicable securities legislation, and subject to placing the required funds raised in the Escrow Account in accordance with applicable TSX rules.

APPENDIX B – ALIGNVEST INTERIM FINANCIAL STATEMENTS

ALIGNVEST ACQUISITION II CORPORATION

INTERIM CONDENSED FINANCIAL STATEMENTS - UNAUDITED

SEPTEMBER 30, 2018

ALIGNVEST ACQUISITION II CORPORATION
STATEMENT OF FINANCIAL POSITION
[Unaudited]

[expressed in Canadian dollars]

As at	Notes	September 30, 2018	March 31, 2018
ASSETS		**$**	**$**
Current			
Cash		**1,294,718**	1,975,229
Prepaid expenses		**27,360**	6,840
		1,322,078	1,982,069
Non-current			
Restricted cash and short-term investments held in escrow	4	**407,627,232**	405,016,292
TOTAL ASSETS		**408,949,310**	406,998,361
LIABILITIES AND SHAREHOLDERS' DEFICIENCY			
Current			
Accounts payable and accrued liabilities		**1,727,759**	756,759
Due to related party	10	**183,580**	325,795
		1,911,339	1,082,554
Non-current			
Deferred underwriters' commission		**14,087,500**	14,087,500
Class A Restricted Voting Shares subject to redemption	5	**396,060,000**	392,437,500
Warrant liability	6	**14,271,582**	18,464,581
		426,330,421	426,072,135
SHAREHOLDERS' DEFICIENCY			
Share capital	7	**13,950**	13,950
Deficit		**(17,395,061)**	(19,087,724)
		(17,381,111)	(19,073,774)
TOTAL LIABILITIES AND SHAREHOLDERS' DEFICIENCY		**408,949,310**	406,998,361

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

On behalf of the Board of Directors:

(signed) Timothy Hodgson	*(signed) Adam Jiwan*
Timothy Hodgson	Adam Jiwan
Director	Director

ALIGNVEST ACQUISITION II CORPORATION
STATEMENT OF OPERATIONS AND COMPREHENSIVE INCOME (LOSS)
[Unaudited]

[expressed in Canadian dollars, except per share amounts]

	Notes	For the three months ended September 30, 2018	For the three months ended September 30, 2017	For the six months ended September 30, 2018	From commencement of operations on April 28, 2017 to September 30, 2017
		$	$	$	$
REVENUE					
Interest income		**1,373,529**	542,416	**2,610,940**	755,134
EXPENSES					
Transaction costs		**-**	-	**-**	22,421,549
General and administrative	9	**778,090**	230,782	**1,488,776**	565,478
Net unrealized (gain) loss on changes in the fair value of financial liabilities	5, 6	**(221,082)**	1,385,830	**(570,499)**	5,410,830
		557,008	1,616,612	**918,277**	28,397,857
NET INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD		**816,521**	(1,074,196)	**1,692,663**	(27,642,723)
NET INCOME (LOSS) PER SHARE					
Basic and diluted		**0.06**	(0.08)	**0.13**	(2.59)
Weighted average number of Class B Shares outstanding - basic and diluted		**12,887,500**	12,887,500	**12,887,500**	10,656,971

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

ALIGNVEST ACQUISITION II CORPORATION
STATEMENT OF CHANGES IN SHAREHOLDERS' DEFICIENCY
[Unaudited]

For the six months ended September 30, 2018
[expressed in Canadian dollars, except number of shares]

		Class B Shares			
	Note	**Number**	**Amount**	**Deficit**	**Total**
			$	**$**	**$**
Balance, April 1, 2018		**12,887,500**	**13,950**	**(19,087,724)**	**(19,073,774)**
Net income and comprehensive income		-	-	1,692,663	1,692,663
Balance, September 30, 2018		**12,887,500**	**13,950**	**(17,395,061)**	**(17,381,111)**

From commencement of operations on April 28, 2017 to September 30, 2017
[expressed in Canadian dollars, except number of shares]

		Class B Shares			
	Note	**Number**	**Amount**	**Deficit**	**Total**
			$	**$**	**$**
Balance, April 28, 2017		1	10	-	10
Issuance of Class B Shares to Founders	7	11,112,270	22,225	-	22,225
Issuance of Class B Shares to Forward Purchasers	7	1,775,229	3,550	-	3,550
Transaction costs	7	-	(11,835)	-	(11,835)
Net loss and comprehensive loss		-	-	(27,642,723)	(27,642,723)
Balance, September 30, 2017		**12,887,500**	**13,950**	**(27,642,723)**	**(27,628,773)**

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

ALIGNVEST ACQUISITION II CORPORATION
STATEMENT OF CASH FLOWS
[Unaudited]

[expressed in Canadian dollars]

	Notes	For the six months ended September 30, 2018	From commencement of operations on April 28, 2017 to September 30, 2017
		$	
OPERATING ACTIVITIES			
Net income (loss) and comprehensive income (loss) for the period		**1,692,663**	(27,642,723)
Non-cash items included in net loss and other adjustments			
Interest income		**(2,610,940)**	(755,134)
Transaction costs associated with financing activities		**-**	22,421,549
Net unrealized (gain) loss on changes in the fair value of financial liabilities		**(570,499)**	5,410,830
Changes in non-cash working capital			
Prepaid expenses		**(20,520)**	(27,360)
Accounts payable and accrued liabilities		**971,000**	25,867
Due to related party	10	**(142,215)**	74,095
CASH USED IN OPERATING ACTIVITIES		**(680,511)**	(492,876)
INVESTING ACTIVITIES			
Investment in restricted cash and short-term investments held in escrow	4	**-**	(402,500,000)
CASH USED IN INVESTING ACTIVITIES		**-**	(402,500,000)
FINANCING ACTIVITIES			
Proceeds from issuance of Class B Shares to Founders	7	**-**	22,225
Proceeds from issuance of Class B Shares to Forward Purchasers	7, 8	**-**	3,550
Proceeds from issuance of Warrants to Founders	6	**-**	11,050,000
Proceeds from issuance of Class A Restricted Voting Units	5	**-**	402,500,000
Transaction costs associated with issuance of Class A Restricted Voting Shares and Warrants		**-**	(8,334,049)
Transaction costs associated with issuance of Class B Shares		**-**	(11,835)
CASH PROVIDED BY FINANCING ACTIVITIES		**-**	405,229,891
NET (DECREASE) INCREASE IN CASH DURING THE PERIOD		**(680,511)**	2,237,015
CASH, BEGINNING OF PERIOD		**1,975,229**	10
CASH, END OF PERIOD		**1,294,718**	2,237,025

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

1. ORGANIZATION AND NATURE OF OPERATIONS

Alignvest Acquisition II Corporation (the "Corporation") is a special purpose acquisition corporation which was incorporated for the purpose of effecting an acquisition of one or more businesses or assets, by way of a merger, amalgamation, arrangement, share exchange, asset acquisition, share purchase, reorganization, or any other similar business combination involving the Corporation (a "Qualifying Acquisition"). The Corporation's business activities are carried out in a single business segment. The Corporation's Class A Restricted Voting Shares and Warrants trade on the Toronto Stock Exchange (the "TSX") under the symbols "AQY.A" and "AQY.WT", respectively.

The Corporation was incorporated on February 8, 2017, under the Business Corporations Act (Ontario) and commenced operations on April 28, 2017. The Corporation's head office, and the head office of Alignvest II LP (the "Sponsor"), is located at 100 King Street West, 70th Floor, Toronto, Ontario, Canada, M5X 1C7. The Sponsor is a limited partnership of which Alignvest II Corporation is the general partner, and which is indirectly controlled by Alignvest Management Corporation ("AMC").

2. BASIS OF PRESENTATION

These unaudited interim condensed financial statements of the Corporation as at and for the three and six months ended September 30, 2018 (the "September 2018 Interim Financial Statements") have been prepared in accordance with International Accounting Standard 34, *Interim Financial Reporting*.

The notes presented in these unaudited interim condensed financial statements include, in general, only significant changes and transactions occurring since the Corporation's last fiscal period end on March 31, 2018, and are not fully inclusive of all disclosures required by IFRS for annual financial statements. These unaudited interim condensed financial statements should be read in conjunction with the annual audited financial statements, including the notes thereto, for the period ended March 31, 2018 (the "March 2018 Annual Financial Statements").

The September 2018 Interim Financial Statements were authorized for issuance by the Board of Directors on November 12, 2018.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The September 2018 Interim Financial Statements have been prepared in conformity with accounting policies disclosed in the March 2018 Annual Financial Statements, except for the recently adopted accounting standards discussed below:

New Accounting Standards, Interpretations and Amendments adopted by the Corporation

IFRS 9, Financial Instruments ("IFRS 9")
Effective April 1, 2018, the Corporation adopted IFRS 9 which replaces IAS 39, *Financial Instruments: Recognition and Measurement*. IFRS 9 introduced new requirements for the classification, measurement and impairment of financial assets and hedge accounting. It establishes two primary measurement categories for financial assets: (i) amortized cost, and (ii) fair value; establishes criteria for classification of financial assets within the measurement category based on business model and cash flow characteristics; and eliminates existing held for trading, held to maturity, available for sale, loans and receivable and other financial liabilities categories. IFRS 9 also introduced a new model for the impairment of financial assets and requires an economic relationship between the hedged item and

[In Canadian dollars, unless otherwise specified]

hedging instrument. The adoption of IFRS 9 did not result in any adjustments to the Corporation's interim financial statements and did not have a material impact on our accounting policies.

IFRS 15, Revenue from Contracts with Customers ("IFRS 15")
Effective April 1, 2018, the Corporation adopted IFRS 15. IFRS 15 establishes a five-step model to account for revenue arising from contracts with customers and revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The adoption of IFRS 15 did not result in any adjustments to the Corporation's interim financial statements and did not have a material impact on our accounting policies.

4. RESTRICTED CASH AND SHORT-TERM INVESTMENTS HELD IN ESCROW

Restricted cash and short-term investments held in escrow comprised of the following:

	September 30, 2018	**March 31, 2018**
	$	**$**
Cash	**-**	-
Investment in Government of Canada Treasury Bills due December 13, 2018	**407,200,788**	-
Investment in Government of Canada Treasury Bills due May 17, 2018	**-**	404,336,552
Accrued interest	**426,444**	679,740
Restricted cash and short-term investments held in escrow	**407,627,232**	405,016,292

[In Canadian dollars, unless otherwise specified]

5. CLASS A RESTRICTED VOTING SHARES SUBJECT TO REDEMPTION

The Corporation has classified its *"Class A Restricted Voting Shares subject to redemption"* as financial liabilities at Fair Value through Profit and Loss ("FVTPL"). The fair value of the Corporation's Class A Restricted Voting Shares is determined by reference to its quoted market price on the TSX at each reporting period.

The terms of the Corporation's Class A Restricted Voting Shares are summarized in note 6 of the Corporation's March 2018 Annual Financial Statements.

Class A Restricted Voting Shares subject to redemption – Issued and Outstanding
(Subject to applicable law)

	Number	$
Balance, April 28, 2017	**-**	**-**
Issuance of Class A Restricted Voting Shares pursuant to the Offering	35,000,000	350,000,000
Issuance of Class A Restricted Voting Shares pursuant to exercise of the over-allotment option	5,250,000	52,500,000
	40,250,000	402,500,000
Adjusted for:		
Allocation of proceeds received pursuant to the Offering and exercise of the over-allotment option attributed to Warrants		(4,025,000)
Fair value adjustment		(6,037,500)
Balance, March 31, 2018	40,250,000	392,437,500
Fair value adjustment		**3,622,500**
Balance, September 30, 2018	**40,250,000**	**396,060,000**

6. WARRANT LIABILITY

The Warrants have been classified as derivative liabilities to be measured at FVTPL. To the extent a quoted market value is not available, the Corporation applies an option-pricing model to measure the fair value of the Warrants issued and the Forward Purchase Warrants. Application of the option-pricing model requires estimates in expected dividend yields, expected volatility in the underlying assets and the expected life of the Warrants. These estimates may ultimately be different from amounts subsequently realized, resulting in an overstatement or understatement of net income or loss.

[In Canadian dollars, unless otherwise specified]

The terms of the Corporation's Warrants are summarized in note 7 of the Corporation's March 2018 Annual Financial Statements.

Warrants - Issued and Outstanding

	Number	$
Balance, April 28, 2017	**-**	**-**
Warrants issued in connection with:		
Issuance to Founders	10,000,000	10,000,000
Issuance to Founders pursuant to exercise of the over-allotment option	1,050,000	1,050,000
Issuance of Class A Restricted Voting Units pursuant to the Offering	17,500,000	3,500,000
Issuance of Class A Restricted Voting Units pursuant to exercise of the over- allotment option	2,625,000	525,000
	31,175,000	15,075,000
Adjusted for:		
Fair value adjustment for Warrants issued and Forward Purchase Warrants		3,389,581
Balance, March 31, 2018	31,175,000	18,464,581
Fair value adjustment for Warrants issued and Forward Purchase Warrants		**(4,192,999)**
Balance, September 30, 2018	**31,175,000**	**14,271,582**

7. SHARE CAPITAL

The terms of the Corporation's Class B shares are summarized in note 8 of the Corporation's March 2018 Annual Financial Statements.

A) Class B Shares

Class B Shares - Issued and Outstanding

	Number	$
Balance, April 28, 2017	**1**	**10**
Issuance of Class B Shares to Founders	11,112,270	22,225
Issuance of Class B Shares to Forward Purchasers	1,775,229	3,550
	12,887,500	25,785
Adjusted for:		
Transaction costs		(11,835)
Balance, September 30, 2018 and March 31, 2018	**12,887,500**	**13,950**

[In Canadian dollars, unless otherwise specified]

B) Common Shares

The Corporation is authorized to issue an unlimited number of Common Shares without nominal or par value. No Common Shares may be issued prior to the closing of a Qualifying Acquisition, except in connection with such closing.

8. FORWARD PURCHASE AGREEMENT

The Forward Purchasers have entered into Forward Purchase Agreements with the Corporation, pursuant to which they have agreed to purchase an aggregate of 11,300,000 Forward Purchase Common Shares and 3,766,659 Forward Purchase Warrants in a private placement to occur concurrently with the closing of a Qualifying Acquisition, at $10 per Forward Purchase Common Share and one-third of a Forward Purchase Warrant. As at September 30, 2018, none of the Forward Purchase Common Shares or Forward Purchase Warrants have been issued by the Corporation.

The Forward Purchasers have also purchased an aggregate of 1,775,229 Forward Purchasers' Class B Shares for approximately $0.002 per Class B Share. Pursuant to the Forward Purchase Agreements, the Forward Purchasers have also committed to vote their Forward Purchasers' Class B Shares and any Class A Restricted Voting Shares they purchase in favour of a Qualifying Acquisition proposed by the Corporation.

The terms of the Forward Purchase Agreements are summarized in note 9 of the Corporation's March 2018 Annual Financial Statements.

9. GENERAL AND ADMINISTRATIVE EXPENSES

	For the three months ended September 30, 2018	**For the three months ended September 30, 2017**	**For the six months ended September 30, 2018**	**From commencement of operations on April 28, 2017 to September 30, 2017**
	$	**$**	**$**	**$**
Public company costs	**1,968**	36,821	**11,205**	303,178
Insurance	**10,260**	10,260	**20,520**	13,680
General office expenses	**765,862**	183,701	**1,457,051**	248,620
	778,090	230,782	**1,488,776**	565,478

10. RELATED PARTY TRANSACTIONS

The Corporation has entered into an administrative services agreement with AMC for an initial term of 24 months, subject to possible extension, for office space, utilities and administrative support, which may include payment for services of related parties, for, but not limited to, various administrative, managerial or operational services or to help effect a Qualifying Acquisition. The Corporation has agreed to pay $25,000 per month, plus applicable taxes for such services. As at September 30, 2018, the amount due to AMC was $84,750 (March 31, 2018 – $113,000) in respect of these services.

As at September 30, 2018, the amount due to the Sponsor was $98,830 (March 31, 2018 – $212,795), for out-of-pocket expenses paid by the Sponsor on behalf of the Corporation. The amounts due to the Sponsor are non-interest bearing and are payable no later than the date of the consummation of a Qualifying Acquisition. Due to the short-term nature of this arrangement, the fair value of the amounts due to related party approximates their carrying amount.

[In Canadian dollars, unless otherwise specified]

11. INCOME TAXES

Deferred income tax assets are only given recognition in the Corporation's financial statements if management has determined that it is probable that such deferred income tax assets may be recovered. The recoverability of deferred income tax assets is partially dependent on the nature, terms and conditions of a Qualifying Acquisition that is to be completed in the future, causing uncertainty in the ability of the Corporation to benefit from deferred income tax assets. As such, management believes that the following deductible temporary differences do not currently meet the criteria for recognition:

	September 30, 2018
	$
Tax loss carryforwards	184,168
Deferred underwriters' commissions	14,087,500
Share issue costs	6,086,779
	20,358,447

12. FINANCIAL INSTRUMENTS

Fair Value Measurements

The following table summarizes those assets and liabilities that are included at their fair values in the Corporation's statement of financial position as at September 30, 2018 and March 31, 2018, or those assets and liabilities for which fair value is otherwise disclosed in the accompanying notes to the September 2018 Interim Financial Statements. These assets and liabilities have been categorized into hierarchal levels, according to the significance of the inputs used in determining fair value measurements.

		Fair value		
	Carrying value	Level 1	Level 2	Level 3
September 30, 2018	$	$	$	$
Financial assets				
Restricted cash and short-term investments held in escrow	407,627,232	-	407,627,232	-
Financial liabilities				
Class A Restricted Voting Shares subject to redemption	396,060,000	396,060,000	-	-
Warrant liability	14,271,582	14,271,582	-	-

[In Canadian dollars, unless otherwise specified]

		Fair value		
	Carrying value	**Level 1**	**Level 2**	**Level 3**
March 31, 2018	**$**	**$**	**$**	**$**
Financial assets				
Restricted cash and short-term investments held in escrow	405,016,292	-	405,016,292	-
Financial liabilities				
Class A Restricted Voting Shares subject to redemption	392,437,500	392,437,500	-	-
Warrant liability	18,464,581	18,464,581	-	-

The Corporation is exposed to financial risks due to the nature of its business and the financial assets and liabilities that it holds. The Corporation's overall risk management strategy seeks to minimize potential adverse effects of the Corporation's financial performance.

Market Risk

Market risk is the risk that a material loss may arise from fluctuations in the fair value of a financial instrument. For purposes of this disclosure, the Corporation segregates market risk into three categories: fair value risk, interest rate risk and currency risk.

i. ***Fair Value Risk***
Fair value risk is the potential for loss from an adverse movement, excluding movements relating to changes in interest rates and foreign exchange rates, because of changes in market prices. The Corporation is exposed to fair value risk in respect of its Class A Restricted Voting Shares subject to redemption and warrant liability, which are carried in the Corporation's financial statements at their fair value. A 1% absolute change in the fair value of Class A Restricted Voting Shares and warrant liability would result in a change to the net income for the six months ended September 30, 2018 of $4,103,316 (six months ended September 30, 2017 – $4,189,603).

ii. ***Interest Rate Risk***
Interest rate risk relates to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Corporation is exposed to interest rate risk on its restricted cash and short-term investments held in its Escrow Account. Due to the short-term nature of these financial instruments, the Corporation's exposure to interest rate risk is nominal.

iii. ***Currency Risk***
Currency risk relates to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates relative to the Corporation's presentation currency of the Canadian dollar. The Corporation does not currently have any exposure to currency risk as the Corporation does not transact in any currency other than the Canadian dollar.

[In Canadian dollars, unless otherwise specified]

13. CAPITAL MANAGEMENT

The Corporation defines the capital that it manages as its shareholders' deficiency, net of its Class A Restricted Voting Shares subject to redemption and warrant liability. The following table summarizes the carrying value of the Corporation's capital as at September 30, 2018 and March 31, 2018:

	September 30, 2018	**March 31, 2018**
	$	**$**
Shareholders' deficiency	**(17,381,111)**	(19,073,774)
Class A Restricted Voting Shares subject to redemption	**396,060,000**	392,437,500
Warrant liability	**14,271,582**	18,464,581
	392,950,471	391,828,307

The Corporation's primary objective in managing capital is to ensure capital preservation in order to benefit from acquisition opportunities as they arise.

Liquidity

As at September 30, 2018, the Corporation had $1,294,718 (March 31, 2018 – $1,975,229) in cash. The Corporation expects to incur significant costs in pursuit of its acquisition plans.

To the extent that the Corporation may require additional funding for general ongoing expenses or in connection with sourcing a proposed Qualifying Acquisition, the Corporation may obtain such funding by way of unsecured loans from the Sponsor and/or its affiliates, subject to consent of the TSX, which loans would, unless approved otherwise by the TSX, bear interest at no more than the prime rate plus 1%. The Sponsor would not have recourse under such loans against the Escrow Account, and thus the loans would not reduce the value of such Escrow Account. Such loans would collectively be subject to a maximum principal amount of $2,500,000 in the aggregate, and may be repayable in cash following the closing of a Qualifying Acquisition and may only be convertible into Common Shares and/or Warrants in connection with the closing of a Qualifying Acquisition, subject to TSX consent. As at and during the period ended September 30, 2018, the Corporation has not drawn down on any loan amounts.

Otherwise, and subject to any relief granted by the TSX, the Corporation may seek to raise additional funds through a rights offering in respect of shares available to its shareholders, in accordance with the requirements of applicable securities legislation, and subject to placing the required funds raised in the Escrow Account in accordance with applicable TSX rules.

APPENDIX C – ANNUAL MANAGEMENT'S DISCUSSION AND ANALYSIS OF ALIGNVEST

ALIGNVEST
ACQUISITION II CORPORATION

MANAGEMENT'S DISCUSSION AND ANALYSIS

MARCH 31, 2018

ALIGNVEST ACQUISITION II CORPORATION

Management's Discussion and Analysis of Financial Condition and Results of Operations

Alignvest Acquisition II Corporation (the "Corporation" or "we" or "us") is a special purpose acquisition corporation established on February 8, 2017, and commenced operations on April 28, 2017, incorporated under the laws of the Province of Ontario for the purpose of effecting an acquisition of one or more businesses or assets, by way of a merger, amalgamation, arrangement, share exchange, asset acquisition, share purchase, reorganization, or any other similar business combination involving the Corporation (a "Qualifying Acquisition"). We have not identified any Qualifying Acquisition target and we have not, nor has anyone on our behalf, initiated any substantive discussions, directly or indirectly, with any prospective Qualifying Acquisition target. While we are not limited to a particular industry or geographic region for purposes of completing our Qualifying Acquisition, we intend to focus on acquiring companies with an estimated enterprise value of between $500 million and $2.5 billion.

This Management's Discussion and Analysis ("MD&A") has been prepared with an effective date of May 22, 2018 and provides an update on matters discussed in, and should be read in conjunction with the Corporation's financial statements, including the notes thereto, as at and for the period from commencement of operations of the Corporation on April 28, 2017 to March 31, 2018 (the "2018 Financial Statements"), which have been prepared using International Financial Reporting Standards ("IFRS"). All amounts in this MD&A are in Canadian dollars unless otherwise specified. This MD&A contains forward looking statements that are based on certain estimates and assumptions and involve risks and uncertainties. Actual results may vary materially from management's expectations. See the "*Cautionary Note Regarding Forward Looking Statements*" section later in this MD&A for further information.

INITIAL PUBLIC OFFERING

On May 25, 2017, the Corporation completed its initial public offering (the "Offering") of 35,000,000 units at $10.00 per unit. Each unit consisted of one Class A restricted voting share ("Class A Restricted Voting Share") of the Corporation and one half of a warrant (together, a "Class A Restricted Voting Unit"). Upon closing of a Qualifying Acquisition, each Class A Restricted Voting Share and each Class B share ("Class B Share") will be automatically converted into one common share of the Corporation ("Common Share"), and accordingly, each whole warrant (a "Warrant") will entitle the holder of the Warrant to purchase one Common Share at an exercise price of $11.50, subject to anti-dilution adjustments, commencing 30 days after the completion of a Qualifying Acquisition and will expire five years after the completion of a Qualifying Acquisition. At the option of the Warrant holder, the Warrants may be exercised through cashless exercise.

Concurrent with the completion of the Offering, Alignvest II LP (the "Sponsor"), a limited partnership of which Alignvest II Corporation is the general partner, and which is indirectly controlled by Alignvest Management Corporation ("AMC"), and Vince Hemmer, Azim Jamal, Anthony Lacavera, Lee Lau, Nadir Mohamed, Joe Natale, Helmut Swarovski and Donald Walker (or persons or companies controlled by them) (collectively with our Sponsor, the "Founders") purchased an aggregate of 10,000,000 share purchase warrants (the "Founders' Warrants") at an offering price of $1.00 per Founders' Warrant for aggregate proceeds of $10,000,000. Each whole Founders' Warrant entitles the holder thereof to purchase one Common Share at an exercise price of $11.50, subject to anti-dilution adjustments, commencing 30 days after the completion of a Qualifying Acquisition.

As at the closing of the Offering, the Corporation issued a total of 12,887,500 Class B Shares for an aggregate price of $25,785, or approximately $0.002 per Class B Share, of which 11,112,271 Class B Shares were issued to the Founders ("Founders' Shares") for $22,235 and 1,775,229 Class B Shares were issued to the Forward Purchasers ("Forward Purchasers' Class B Shares") for $3,550.

On June 1, 2017, the underwriters exercised their over-allotment option ("Over-Allotment Option") in full to purchase an additional 5,250,000 Class A Restricted Voting Units at a price of $10.00 per Class A Restricted Voting Unit. Concurrent with the exercise of the Over-Allotment option, the Founders purchased an additional 1,050,000 Founders' Warrants at an offering price of $1 per Founders' Warrant for aggregate proceeds of $1,050,000.

The proceeds from the distribution of the Class A Restricted Voting Units, including the proceeds from the exercise of the Over-Allotment Option, amounting to $402.5 million, have been deposited into an escrow account with Equity Financial Trust Company, the escrow agent of the Corporation, and will only be released upon certain prescribed conditions as further described in the Corporation's Offering final prospectus dated May 18, 2017 ("Prospectus").

The Corporation's Class A Restricted Voting Shares and Warrants trade on the Toronto Stock Exchange ("TSX") under the symbols "AQY.A" and "AQY.WT", respectively.

FORWARD PURCHASE AGREEMENT

Certain institutional and accredited investors and certain directors or members of the advisory board (or companies controlled by them) of the Corporation (collectively, the "Forward Purchasers"), entered into forward purchase agreements with the Corporation (the "Forward Purchase Agreements") to acquire an aggregate 11,300,000 common shares of the Corporation (the "Forward Purchase Common Shares") and one-third of a share purchase warrant (the "Forward Purchase Warrants") per Forward Purchase Common Share, for an aggregate of 3,766,659 Forward Purchase Warrants, through a private placement which would occur concurrently with the closing of a Qualifying Acquisition. Each whole Forward Purchase Warrant entitles the holder thereof to purchase one Common Share at an exercise price of $11.50, subject to anti-dilution adjustments, commencing 30 days after the completion of a Qualifying Acquisition. The obligations under the Forward Purchase Agreements do not depend on the nature of a Qualifying Acquisition or the number of Class A Restricted Voting Shares redeemed by holders at the time of a Qualifying Acquisition.

The Forward Purchasers have also purchased an aggregate of 1,775,229 Forward Purchasers' Class B Shares for approximately $0.002 per Class B Share or $3,550 in aggregate. Pursuant to the Forward Purchase Agreements, the Forward Purchasers have also committed to vote their Forward Purchasers' Class B Shares and any Class A Restricted Voting Shares they purchase in favour of a Qualifying Acquisition proposed by the Corporation.

RESULTS OF OPERATIONS

During the period from commencement of operations of the Corporation on April 28, 2017 to March 31, 2018, the Corporation incurred a net loss of $19.1 million, or a loss of $1.61 per Class B share.

Transaction Costs
The Corporation incurred $22.4 million in transaction costs associated with the Offering, including $22.1 million in underwriters' commission equal to 5.5% of the gross proceeds of the Class A Restricted Voting Units issued under the Offering. Other transaction costs included professional and printing costs associated with completion of the Offering. Of the total transaction costs incurred, $22.4 million were expensed in the Statement of Operations and Comprehensive Income (Loss), while $0.01 million was allocated as a charge to shareholders' equity, as it was associated with the issuance of equity.

The Corporation paid $8.0 million, or $0.20 per Class A Restricted Voting Unit, to the underwriters upon closing of the Offering and the exercise of the Over-Allotment Option. Upon completion of a Qualifying Acquisition, the remaining $14.1 million of the underwriters' commission, representing $0.35 per Class A Restricted Voting Unit, will be released to the underwriters from the funds held in the Escrow Account.

Interest Income
Since completion of the Offering, the Corporation's activity has been limited to the evaluation of business acquisition candidates, and we do not expect to generate any operating revenues until the closing and completion of a Qualifying Acquisition. In the interim, we expect to generate small amounts of non-operating income in the form of interest income on cash and short-term investments, including restricted cash and short-term investments held in escrow. In accordance with the Prospectus and the terms of the Corporation's escrow agreement, the Corporation's restricted cash amounts are currently invested in Canadian government treasury securities with maturities of less than 180 days. Interest income on these investments is not expected to be significant in view of current low interest rates.

For the three months ended March 31, 2018 and for the period from commencement of operations of the Corporation on April 28, 2017 to March 31, 2018, the Corporation earned interest income of $1,028,574 and $2,516,292, respectively.

General and Administrative Expenses
The Corporation's general and administrative expenses consist of costs required to maintain its public company status in good standing, and expenses incurred to evaluate and identify companies, businesses, assets or properties for potential acquisition. General and administrative costs for the three months ended March 31, 2018 and for the period from commencement of operations of the Corporation on April 28, 2017 to March 31, 2018 were $589,875 and $1,830,386, respectively.

Net Unrealized Gain (Loss) on Changes in the Fair Value of Financial Liabilities
For accounting purposes, the redemption terms of the Class A Restricted Voting Shares and the cashless exercise option of the Warrants, including the Forward Purchase Warrants, require the Corporation to account for these financial instruments as liability rather than as equity. These financial liabilities are carried in the Corporation's financial statements at their fair value as determined by the trading value of the underlying securities in the public markets at each reporting date or option-pricing model where an active market price is not available. Changes in the fair value of these financial liabilities are included in net income or loss. As at March 31, 2018, the Corporation recognized unrealized gains for the three months ended March 31, 2018 and for the period from commencement of operations of the Corporation on April 28, 2017 to March 31, 2018 of $7.3 million and $2.6 million respectively. Changes in the trading value of these securities may cause significant volatility in our future net income or loss.

SELECTED QUARTERLY INFORMATION

	For the three months ended March 31, 2018	**For the three months ended December 31, 2017**	**For the three months ended September 30, 2017**	**For the period April 28, 2017 to June 30, 2017**
	$	**$**	**$**	**$**
Interest income	**1,028,574**	732,583	542,416	212,719
Transaction costs[1]	**-**	-	-	(22,421,549)
General and administrative expenses	**(589,875)**	(675,033)	(230,782)	(334,696)
Net unrealized gain (loss) on changes in the fair value of financial liabilities[2]	**7,253,749**	805,000	(1,385,830)	(4,025,000)
Net gain (loss) attributable to owners of Class B Shares[1,2]	**7,692,448**	862,550	(1,074,196)	(26,568,526)
Gain (loss) per share – basic and diluted[1,2]	**0.60**	0.07	(0.08)	(3.57)

1. *Transaction costs have been amended to include transaction costs associated with Warrants, which was previously allocated to Shareholders' Equity (Deficiency). The transaction costs and net loss attributable to owners of Class B Shares for the period from April 28, 2017 to June 30, 2017 was previously reported as $21,311,715 and $25,458,692, respectively. The loss per share (basic and diluted) for the period from April 28, 2017 to June 30, 2017 was previously reported as $3.42.*
2. *The net unrealized gain (loss) on changes in the fair value of financial liabilities have been amended to reflect the reclassification of Warrants as derivative liabilities (see Note 7 to the 2018 Financial Statements). The net unrealized gain on changes in the fair value of financial liabilities and net gain attributable to owners of Class B Shares for the three months ended September 30, 2017 was previously reported as $7,245,000 and $7,556,634, respectively. The gain per share (basic and diluted) for the three months ended September 30, 2017 was previously reported as $0.59.*

LIQUIDITY AND CAPITAL RESOURCES

As at March 31, 2018, investment securities in our escrow account consisted of $405.0 million invested in Canadian government treasury bills with a maturity of less than 180 days and cash. In addition, at March 31, 2018, we had cash of $2.0 million held outside of the escrow account available to fund the working capital requirements of the Corporation.

Selected Balance Sheet Information

As at:	March 31, 2018	December 31, 2017	September 30, 2017	June 30, 2017
	$	**$**	**$**	**$**
Restricted cash and short-term investments held in escrow:				
Government of Canada Treasury Bills	**405,016,292**	403,987,717	403,255,133	402,712,718
Cash	**-**	-	1	1
Total restricted cash and short-term investments held in escrow	**405,016,292**	403,987,717	403,255,134	402,712,719
Per Class A Restricted Voting Shares subject to redemption	**10.06**	10.04	10.02	10.01
Cash held outside of the escrow account	**1,975,229**	2,061,385	2,237,025	2,520,227
Class A Restricted Voting Shares subject to redemption	**392,437,500**	394,450,000	395,255,000	402,500,000
Warrant liability[1]	**18,464,581**	23,705,830	23,705,830	6,235,000

1. *The reclassification of Warrants as derivative liabilities (see Note 7 to the 2018 Financial Statements).*

Prior to filing the Prospectus in respect of the Offering, the Corporation's Founders and Forward Purchasers purchased an aggregate of 12,887,500 Class B Shares for an aggregate purchase price of $25,785. The Offering was completed on May 25, 2017 and generated gross proceeds of $350.0 million before underwriters' commission and associated expenses. Concurrent with the closing of the Offering, we completed the sale of Warrants to the Founders, generating proceeds of $10.0 million. On June 1, 2017, the underwriters exercised their Over-Allotment Option in full which generated further proceeds of $52.5 million, before associated underwriters' commission and expenses. Our Founders subsequently purchased additional Founders' Warrants for gross proceeds of $1.1 million.

In accordance with the terms of the Prospectus, an aggregate of $402.5 million was deposited into an escrow account and will only be released upon certain prescribed conditions.

We intend to use substantially all of the funds held in the escrow account, including interest (which interest shall be net of taxes payable and certain expenses) to consummate a Qualifying Acquisition. To the extent that, after redemptions, our capital stock or debt is used, in whole or in part, as consideration to consummate a Qualifying Acquisition, the remaining proceeds held in the escrow account may be used as working capital to finance the operations of the target business or businesses, make other acquisitions and/or pursue a growth strategy.

As at March 31, 2018, we had cash held outside of our escrow account of $2.0 million, which is available to fund our working capital requirements, including any further transaction costs that may be incurred. We expect to generate negative cash flow from operating activities in the future until our Qualifying Acquisition is completed and we commence revenue generation. We currently anticipate incurring further expenses for the following purposes:

- Due diligence and investigation of prospective target businesses;
- Legal and accounting fees relating to our public company reporting obligations and general corporate matters;
- Structuring and negotiating a Qualifying Acquisition, including the making of a deposit or the payment of exclusivity or similar fees and expenses; and
- Other miscellaneous expenses.

Management seeks to ensure that our operational and administrative costs are minimal prior to the completion of a Qualifying Acquisition, with a view to preserving the Corporation's working capital.

We do not believe that we will need to raise additional funds to meet expenditures required for operating our business until the consummation of our Qualifying Acquisition. We believe that we will have sufficient available funds outside of the escrow account to operate the business. However, we cannot be assured that this will be the case. To the extent that the Corporation may require additional funding for general ongoing expenses or in connection with sourcing a proposed Qualifying Acquisition, we may seek funding by way of unsecured loans from our Sponsor and/or its affiliates, subject to the consent of the TSX, which loans would, unless approved otherwise by the TSX, bear interest at no more than the prime rate plus 1%. Our Sponsor will not have recourse under such loans against the amounts in escrow. Such loans will collectively be subject to a maximum principal amount of $2.5 million in the aggregate and may be repayable in cash following the closing of a Qualifying Acquisition.

Shares and Warrants Issued and Outstanding

	As at March 31, 2018
Class A Restricted Voting Shares subject to redemption	**40,250,000**
Class B Shares issued to Founders	11,112,271
Class B Shares issued to Forward Purchasers	1,775,229
Total Class B shares	**12,887,500**
Warrants issued to Founders	11,050,000
Warrants issued to holders of Class A Restricted Voting Units	20,125,000
Total Warrants	**31,175,000**

RELATED PARTY TRANSACTIONS

The Sponsor has executed a make whole agreement and undertaking in favour of the Corporation, whereby the Sponsor has agreed to indemnify the Corporation in certain limited circumstances where the funds held in escrow are reduced to below $10.00 per Class A Restricted Voting Share.

The Corporation has entered into an administrative services agreement with AMC for an initial term of 24 months, subject to possible extension, for office space, utilities and administrative support, which may include payment for services of related parties, for, but not limited to, various administrative, managerial or operational services or to help effect a Qualifying Acquisition. The Corporation has agreed to pay $25,000 per month, plus applicable taxes for such services.

There was no remuneration paid by the Corporation to the directors or key management during the period from commencement of operations of the Corporation on April 28, 2017 to March 31, 2018.

ACCOUNTING POLICIES AND CRITICAL ACCOUNTING ESTIMATES

The preparation of the Corporation's financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, and items in net income or loss and the related disclosure of contingent assets and liabilities. Critical accounting estimates represent estimates made by management that are, by their very nature, uncertain. The Corporation evaluates its estimates on an ongoing basis. Such estimates are based on assumptions that the Corporation believes are reasonable under the circumstances, and these estimates form the basis for making judgments about the carrying value of assets and liabilities and the reported amount of items in net income or loss that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions. A summary of the more significant judgments and estimates made by management in the preparation of its financial information is provided in note 4 to the 2018 Financial Statements.

CONTROLS AND PROCEDURES

The Corporation's Chief Executive Officer and Chief Financial Officer are responsible for establishing and maintaining disclosure controls and procedures and internal control over financial reporting as defined in the Canadian Securities Administrators' National Instrument 52-109, *"Certification of Disclosure in Issuer's Annual and Interim Filings"*.

Under their supervision, the Chief Executive Officer and Chief Financial Officer have implemented disclosure controls and procedures and internal controls over financial reporting appropriate for the nature of operations of the Corporation. Disclosure controls and procedures are designed to ensure that information required to be disclosed by the Corporation in the reports it files or submits under securities legislation is recorded, processed, summarized and reported on a timely basis and that such information is accumulated and reported to management, including the Corporation's Chief Executive Officer and Chief Financial Officer, as appropriate, to allow required disclosures to be made in a timely fashion. Internal controls over financial reporting are designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. The Corporation's design of its internal controls over financial reporting is based on the principles set out in the *"Internal Control – Integrated Framework (2013)"* issued by *The Committee of Sponsoring Organizations of the Treadway Commission (COSO)*.

The Corporation has filed certificates signed by its Chief Executive Officer and the Chief Financial Officer certifying certain matters with respect to the design of disclosure controls and procedures and the design of internal control over financial reporting as at March 31, 2018.

MANAGING RISK

Except as otherwise disclosed in this MD&A, there have been no significant changes to the nature and scope of the risks faced by the Corporation as described in the Prospectus, which is available on SEDAR at www.sedar.com. These business risks should be considered by interested parties when evaluating the Corporation's performance and its outlook.

CAUTIONARY NOTE REGARDING FORWARD LOOKING STATEMENTS

Alignvest Acquisition Corporation's public communications may include written or oral forward looking statements. Statements of this type are included in this MD&A, and may be included in other filings with the Canadian regulators, stock exchanges or in other communications. All such statements constitute forward looking information within the meaning of securities law and are made pursuant to the "safe harbour" provisions of applicable securities laws. Forward looking statements may include, but are not limited to, statements about anticipated future events or results including comments with respect to the Corporation's objectives and priorities for 2017 and beyond, and strategies or further actions with respect to the Corporation, a Qualifying Acquisition, the Corporation's business operations, financial performance and condition. Forward looking statements are statements that are predictive in nature, depend upon or refer to future events or conditions or include words such as “will”, “expects”, “anticipates”, “intends”, “plans”, “believes”, “estimates” or similar expressions concerning matters that are not historical facts. Such statements are based on current expectations of the Corporation’s management and inherently involve numerous risks and uncertainties, known and unknown, including economic factors. The forward looking information contained in this MD&A is presented for the purpose of assisting shareholders in understanding business and strategic priorities and objectives as at the periods indicated and may not be appropriate for other purposes.

A number of risks, uncertainties and other factors may cause actual results to differ materially from the forward looking statements contained in this MD&A, including, among other factors, those referenced in the section entitled “Risk Factors” in the Corporation’s Prospectus dated May 18, 2017.

Forward looking statements contained in this MD&A are not guarantees of future performance and, while forward looking statements are based on certain assumptions that the Corporation considers reasonable, actual events and results could differ materially from those expressed or implied by forward looking statements made by the Corporation. Prospective investors are cautioned to consider these and other factors carefully when making decisions with respect to the Corporation and not place undue reliance on forward looking statements. Circumstances affecting the Corporation may change rapidly. Except as may be expressly required by applicable law, the Corporation does not undertake any obligation to update publicly or revise any such forward looking statements, whether as a result of new information, future events or otherwise.

INFORMATION CONCERNING ALIGNVEST ACQUISITION CORPORATION

Additional information relating to Alignvest Acquisition II Corporation, including a copy of the Corporation’s 2018 Financial Statements, may be found on SEDAR at *www.sedar.com* and the Corporation’s website at *www.alignvestacquisition.com/*.

Toronto, Ontario

May 22, 2018

APPENDIX D – INTERIM MANAGEMENT'S DISCUSSION AND ANALYSIS OF ALIGNVEST

ALIGNVEST
ACQUISITION II CORPORATION

MANAGEMENT'S DISCUSSION AND ANALYSIS

SEPTEMBER 30, 2018

ALIGNVEST ACQUISITION II CORPORATION

Management's Discussion and Analysis of Financial Condition and Results of Operations

Alignvest Acquisition II Corporation (the "Corporation" or "we" or "us") is a special purpose acquisition corporation established on February 8, 2017, and commenced operations on April 28, 2017, incorporated under the laws of the Province of Ontario for the purpose of effecting an acquisition of one or more businesses or assets, by way of a merger, amalgamation, arrangement, share exchange, asset acquisition, share purchase, reorganization, or any other similar business combination involving the Corporation (a "Qualifying Acquisition"). The management team at the Corporation has considered a substantial number of acquisition opportunities but has not yet identified an acquisition target. While we are not limited to a particular industry or geographic region for purposes of completing our Qualifying Acquisition, we intend to focus on acquiring companies with an estimated enterprise value of between $500 million and $2.5 billion.

This Management's Discussion and Analysis ("MD&A") has been prepared with an effective date of November 12, 2018 and provides an update on matters discussed in, and should be read in conjunction with the Corporation's financial statements, including the notes thereto, as at and for the period from commencement of operations of the Corporation on April 28, 2017 to March 31, 2018 (the "March 2018 Annual Financial Statements") together with the accompanying MD&A for the period then ended, and with the unaudited interim condensed financial statements of the Corporation as at and for the three and six months ended September 30, 2018 (the "September 2018 Interim Financial Statements") all of which have been prepared using International Financial Reporting Standards ("IFRS"). All amounts in this MD&A are in Canadian dollars unless otherwise specified. This MD&A contains forward looking statements that are based on certain estimates and assumptions and involve risks and uncertainties. Actual results may vary materially from management's expectations. See the "*Cautionary Note Regarding Forward Looking Statements*" section later in this MD&A for further information.

INITIAL PUBLIC OFFERING

On May 25, 2017, the Corporation completed its initial public offering (the "Offering") of 35,000,000 units at $10.00 per unit. Each unit consisted of one Class A restricted voting share ("Class A Restricted Voting Share") of the Corporation and one half of a warrant (together, a "Class A Restricted Voting Unit"). Upon closing of a Qualifying Acquisition, each Class A Restricted Voting Share and each Class B share ("Class B Share") will be automatically converted into one common share of the Corporation ("Common Share"), and accordingly, each whole warrant (a "Warrant") will entitle the holder of the Warrant to purchase one Common Share at an exercise price of $11.50, subject to anti-dilution adjustments, commencing 30 days after the completion of a Qualifying Acquisition and will expire five years after the completion of a Qualifying Acquisition. At the option of the Warrant holder, the Warrants may be exercised through cashless exercise.

Concurrent with the completion of the Offering, Alignvest II LP (the "Sponsor"), a limited partnership of which Alignvest II Corporation is the general partner, and which is indirectly controlled by Alignvest Management Corporation ("AMC"), and Vince Hemmer, Azim Jamal, Anthony Lacavera, Lee Lau, Nadir Mohamed, Joe Natale, Helmut Swarovski and Donald Walker (or persons or companies controlled by them) (collectively with our Sponsor, the "Founders") purchased an aggregate of 10,000,000 share purchase warrants (the "Founders' Warrants") at an offering price of $1.00 per Founders' Warrant for aggregate proceeds of $10,000,000. Each whole Founders' Warrant entitles the holder thereof to purchase one Common Share at an exercise price of $11.50, subject to anti-dilution adjustments, commencing 30 days after the completion of a Qualifying Acquisition.

As at the closing of the Offering, the Corporation issued a total of 12,887,500 Class B Shares for an aggregate price of $25,785, or approximately $0.002 per Class B Share, of which 11,112,271 Class B Shares were issued to the Founders ("Founders' Shares") for $22,235 and 1,775,229 Class B Shares were issued to the Forward Purchasers ("Forward Purchasers' Class B Shares") for $3,550.

On June 1, 2017, the underwriters exercised their over-allotment option ("Over-Allotment Option") in full to purchase an additional 5,250,000 Class A Restricted Voting Units at a price of $10.00 per Class A Restricted Voting Unit. Concurrent with the exercise of the Over-Allotment option, the Founders purchased an additional 1,050,000 Founders' Warrants at an offering price of $1 per Founders' Warrant for aggregate proceeds of $1,050,000.

The proceeds from the distribution of the Class A Restricted Voting Units, including the proceeds from the exercise of the Over-Allotment Option, amounting to $402.5 million, have been deposited into an escrow account with Equity Financial Trust Company, the escrow agent of the Corporation, and will only be released upon certain prescribed conditions as further described in the Corporation's Offering final prospectus dated May 18, 2017 ("Prospectus").

The Corporation's Class A Restricted Voting Shares and Warrants trade on the Toronto Stock Exchange ("TSX") under the symbols "AQY.A" and "AQY.WT", respectively.

FORWARD PURCHASE AGREEMENT

Certain institutional and accredited investors and certain directors or members of the advisory board (or companies controlled by them) of the Corporation (collectively, the "Forward Purchasers"), entered into forward purchase agreements with the Corporation (the "Forward Purchase Agreements") to acquire an aggregate 11,300,000 common shares of the Corporation (the "Forward Purchase Common Shares") and one-third of a share purchase warrant (the "Forward Purchase Warrants") per Forward Purchase Common Share, for an aggregate of 3,766,659 Forward Purchase Warrants, through a private placement which would occur concurrently with the closing of a Qualifying Acquisition. Each whole Forward Purchase Warrant entitles the holder thereof to purchase one Common Share at an exercise price of $11.50, subject to anti-dilution adjustments, commencing 30 days after the completion of a Qualifying Acquisition. The obligations under the Forward Purchase Agreements do not depend on the nature of a Qualifying Acquisition or the number of Class A Restricted Voting Shares redeemed by holders at the time of a Qualifying Acquisition.

The Forward Purchasers have also purchased an aggregate of 1,775,229 Forward Purchasers' Class B Shares for approximately $0.002 per Class B Share or $3,550 in aggregate. Pursuant to the Forward Purchase Agreements, the Forward Purchasers have also committed to vote their Forward Purchasers' Class B Shares and any Class A Restricted Voting Shares they purchase in favour of a Qualifying Acquisition proposed by the Corporation.

RESULTS OF OPERATIONS

Net Income (Loss) from Operations
For the three months ended September 30, 2018, the Corporation earned net income of $0.8 million, or a gain of $0.06 per Class B share. For the three months ended September 30, 2017, the Corporation incurred a net loss of $1.1 million, or a loss of $0.08 per Class B share.

For the six months ended September 30, 2018, the Corporation earned net income of $1.7 million, or a gain of $0.13 per Class B share. During the period from commencement of operations of the Corporation on April 28, 2017 to September 30, 2017, the Corporation incurred a net loss of $27.6 million, or a loss of $2.59 per Class B share.

Interest Income
Since completion of the Offering, the Corporation's activity has been limited to the evaluation of business acquisition candidates, and we do not expect to generate any operating revenues until the closing and completion of a Qualifying Acquisition. In the interim, we expect to generate non-operating income in the form of interest income on cash and short-term investments, including restricted cash and short-term investments held in escrow. In accordance with the Prospectus and the terms of the Corporation's escrow agreement, the Corporation's restricted cash amounts are currently invested in Canadian government treasury securities with maturities of less than 180 days.

For the three months ended September 30, 2018 and September 30, 2017, the Corporation earned interest income of $1,373,529 and $542,416, respectively.

For the six months ended September 30, 2018 and during the period from commencement of operations of the Corporation on April 28, 2017 to September 30, 2017, the Corporation earned interest income of $2,610,940 and $755,134 respectively.

General and Administrative Expenses
The Corporation's general and administrative expenses consist of costs required to maintain its public company status in good standing, and expenses incurred to evaluate and identify companies, businesses, assets or properties for potential acquisition. General and administrative costs for the three months ended September 30, 2018 and September 30, 2017 were $778,090 and $230,782, respectively. General and administrative costs for the six months ended September 30, 2018 and during the period from commencement of operations of the Corporation on April 28, 2017 to September 30, 2017 were $1,488,776 and $565,478, respectively.

Net Unrealized Gain (Loss) on Changes in the Fair Value of Financial Liabilities
For accounting purposes, the redemption terms of the Class A Restricted Voting Shares and the cashless exercise option of the Warrants, including the Forward Purchase Warrants, require the Corporation to account for these financial instruments as liability rather than as equity. These financial liabilities are carried in the Corporation's financial statements at their fair value as determined by the trading value of the underlying securities in the public markets at each reporting date or option-pricing model where an active market price is not available. Changes in the fair value of these financial liabilities are included in net income or loss.

For the three months ended September 30, 2018 and September 30, 2017, the Corporation recognized unrealized gains of $0.22 million and unrealized losses of $1.38 million in the fair value of financial liabilities, respectively.

For the six months ended September 30, 2018, the Corporation recognized unrealized gains of $0.57 million in the fair value of financial liabilities. During the period from commencement of operations of the Corporation on April 28, 2017 to September 30, 2017, the Corporation recognized unrealized losses of $5.41 million in the fair value of financial liabilities. Changes in the trading value of these securities may cause significant volatility in our future net income or loss.

SELECTED QUARTERLY INFORMATION

For the three months ended	**September 2018**	**June 2018**	**March 31 2018**	**December 2017**	**September 2017**	**June 2017**
	$	**$**	**$**	**$**	**$**	**$**
Interest income	**1,373,529**	1,237,410	1,028,574	732,583	542,416	212,719
Transaction costs[1]		-	-	-	-	(22,421,549)
General and administrative expenses	**(778,090)**	(710,686)	(589,875)	(675,033)	(230,782)	(334,696)
Net unrealized gain (loss) on changes in the fair value of financial liabilities[2]	**221,082**	349,417	7,253,749	805,000	(1,385,830)	(4,025,000)
Net gain (loss) attributable to owners of Class B Shares[1,2]	**816,521**	876,141	7,692,448	862,550	(1,074,196)	(26,568,526)
Gain (loss) per share – basic and diluted[1,2]	**0.06**	0.07	0.60	0.07	(0.08)	(3.57)

1. *Transaction costs have been amended to include transaction costs associated with Warrants, which was previously allocated to Shareholders' Equity (Deficiency). The transaction costs and net loss attributable to owners of Class B Shares for the period from April 28, 2017 to June 30, 2017 was previously reported as $21,311,715 and $25,458,692, respectively. The loss per share (basic and diluted) for the period from April 28, 2017 to June 30, 2017 was previously reported as $3.42.*
2. *The net unrealized gain (loss) on changes in the fair value of financial liabilities have been amended to reflect the reclassification of Warrants as derivative liabilities (see Note 7 to the March 2018 Annual Financial Statements). The net unrealized gain on changes in the fair value of financial liabilities and net gain attributable to owners of Class B Shares for the three months ended September 30, 2017 was previously reported as $7,245,000 and $7,556,634, respectively. The gain per share (basic and diluted) for the three months ended September 30, 2017 was previously reported as $0.59.*

LIQUIDITY AND CAPITAL RESOURCES

As at September 30, 2018, investment securities in our escrow account consisted of $407.6 million invested in Canadian government treasury bills with a maturity of less than 180 days and cash. In addition, as at September 30, 2018, we had cash of $1.3 million held outside of the escrow account available to fund the working capital requirements of the Corporation.

Selected Balance Sheet Information

As at:	September 2018	June 2018	March 2018	December 2017	September 2017	June 2017
	$	$	$	$	$	$
Restricted cash and short-term investments held in escrow:						
Government of Canada Treasury Bills	**407,627,232**	406,252,915	405,016,292	403,987,717	403,255,133	402,712,718
Cash	-	787	-	-	1	1
Total restricted cash and short-term investments held in escrow	**407,627,232**	406,253,702	405,016,292	403,987,717	403,255,134	402,712,719
Per Class A Restricted Voting Shares subject to redemption	**10.13**	10.09	10.06	10.04	10.02	10.01
Cash held outside of the escrow account	**1,294,718**	1,576,505	1,975,229	2,061,385	2,237,025	2,520,227
Class A Restricted Voting Shares subject to redemption	**396,060,000**	392,437,500	392,437,500	394,450,000	395,255,000	402,500,000
Warrant liability[1]	**14,271,582**	18,115,164	18,464,581	23,705,830	23,705,830	6,235,000

1. *The reclassification of Warrants as derivative liabilities (see Note 7 to the March 2018 Annual Financial Statements).*

Prior to filing the Prospectus in respect of the Offering, the Corporation's Founders and Forward Purchasers purchased an aggregate of 12,887,500 Class B Shares for an aggregate purchase price of $25,785. The Offering was completed on May 25, 2017 and generated gross proceeds of $350.0 million before underwriters' commission and associated expenses. Concurrent with the closing of the Offering, we completed the sale of Warrants to the Founders, generating proceeds of $10.0 million. On June 1, 2017, the underwriters exercised their Over-Allotment Option in full which generated further proceeds of $52.5 million, before associated underwriters' commission and expenses. Our Founders subsequently purchased additional Founders' Warrants for gross proceeds of $1.1 million.

In accordance with the terms of the Prospectus, an aggregate of $402.5 million was deposited into an escrow account and will only be released upon certain prescribed conditions.

We intend to use substantially all of the funds held in the escrow account, including interest (which interest shall be net of taxes payable and certain expenses) to consummate a Qualifying Acquisition. To the extent that, after redemptions, our capital stock or debt is used, in whole or in part, as consideration to consummate a Qualifying Acquisition, the remaining proceeds held in the escrow account may be used as working capital to finance the operations of the target business or businesses, make other acquisitions and/or pursue a growth strategy.

As at September 30, 2018, we had cash held outside of our escrow account of $1.3 million, which is available to fund our working capital requirements, including any further transaction costs that may be incurred. We expect to generate negative cash flow from operating activities in the future until our Qualifying Acquisition is completed and we commence revenue generation. We currently anticipate incurring further expenses for the following purposes:

- Due diligence and investigation of prospective target businesses;
- Legal and accounting fees relating to our public company reporting obligations and general corporate matters;
- Structuring and negotiating a Qualifying Acquisition, including the making of a deposit or the payment of exclusivity or similar fees and expenses; and
- Other miscellaneous expenses.

Management seeks to ensure that our operational and administrative costs are minimal prior to the completion of a Qualifying Acquisition, with a view to preserving the Corporation's working capital.

We do not believe that we will need to raise additional funds to meet expenditures required for operating our business until the consummation of our Qualifying Acquisition. We believe that we will have sufficient available funds outside of the escrow account to operate the business. However, we cannot be assured that this will be the case. To the extent that the Corporation may require additional funding for general ongoing expenses or in connection with sourcing a proposed Qualifying Acquisition, we may seek funding by way of unsecured loans from our Sponsor and/or its affiliates, subject to the consent of the TSX, which loans would, unless approved otherwise by the TSX, bear interest at no more than the prime rate plus 1%. Our Sponsor will not have recourse under such loans against the amounts in escrow. Such loans will collectively be subject to a maximum principal amount of $2.5 million in the aggregate and may be repayable in cash following the closing of a Qualifying Acquisition.

Shares and Warrants Issued and Outstanding

	As at September 30, 2018
Class A Restricted Voting Shares subject to redemption	**40,250,000**
Class B Shares issued to Founders	11,112,271
Class B Shares issued to Forward Purchasers	1,775,229
Total Class B shares	**12,887,500**
Warrants issued to Founders	11,050,000
Warrants issued to holders of Class A Restricted Voting Units	20,125,000
Total Warrants	**31,175,000**

RELATED PARTY TRANSACTIONS

The Sponsor has executed a make whole agreement and undertaking in favour of the Corporation, whereby the Sponsor has agreed to indemnify the Corporation in certain limited circumstances where the funds held in escrow are reduced to below $10.00 per Class A Restricted Voting Share.

The Corporation has entered into an administrative services agreement with AMC for an initial term of 24 months, subject to possible extension, for office space, utilities and administrative support, which may include payment for services of related parties, for, but not limited to, various administrative, managerial or operational services or to help effect a Qualifying Acquisition. The Corporation has agreed to pay $25,000 per month, plus applicable taxes for such services.

There was no remuneration paid by the Corporation to the directors or key management during the three months ended September 30, 2018.

ACCOUNTING POLICIES AND CRITICAL ACCOUNTING ESTIMATES

The preparation of the Corporation's financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, and items in net income or loss and the related disclosure of contingent assets and liabilities. Critical accounting estimates represent estimates made by management that are, by their very nature, uncertain. The Corporation evaluates its estimates on an ongoing basis. Such estimates are based on assumptions that the Corporation believes are reasonable under the circumstances, and these estimates form the basis for making judgments about the carrying value of assets and liabilities and the reported amount of items in net income or loss that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions. A summary of the more significant judgments and estimates made by management in the preparation of its financial information is provided in note 4 to the March 2018 Annual Financial Statements.

CONTROLS AND PROCEDURES

The Corporation's Chief Executive Officer and Chief Financial Officer are responsible for establishing and maintaining disclosure controls and procedures and internal control over financial reporting as defined in the Canadian Securities Administrators' National Instrument 52-109, *"Certification of Disclosure in Issuer's Annual and Interim Filings"*.

Under their supervision, the Chief Executive Officer and Chief Financial Officer have implemented disclosure controls and procedures and internal controls over financial reporting appropriate for the nature of operations of the Corporation. Disclosure controls and procedures are designed to ensure that information required to be disclosed by the Corporation in the reports it files or submits under securities legislation is recorded, processed, summarized and reported on a timely basis and that such information is accumulated and reported to management, including the Corporation's Chief Executive Officer and Chief Financial Officer, as appropriate, to allow required disclosures to be made in a timely fashion. Internal controls over financial reporting are designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. The Corporation's design of its internal controls over financial reporting is based on the principles set out in the *"Internal Control – Integrated Framework (2013)"* issued by *The Committee of Sponsoring Organizations of the Treadway Commission (COSO).*

The Corporation has filed certificates signed by its Chief Executive Officer and the Chief Financial Officer certifying certain matters with respect to the design of disclosure controls and procedures and the design of internal control over financial reporting as at September 30, 2018.

MANAGING RISK

Except as otherwise disclosed in this MD&A, there have been no significant changes to the nature and scope of the risks faced by the Corporation as described in the Prospectus, which is available on SEDAR at www.sedar.com. These business risks should be considered by interested parties when evaluating the Corporation's performance and its outlook.

CAUTIONARY NOTE REGARDING FORWARD LOOKING STATEMENTS

Alignvest Acquisition Corporation's public communications may include written or oral forward looking statements. Statements of this type are included in this MD&A, and may be included in other filings with the Canadian regulators, stock exchanges or in other communications. All such statements constitute forward looking information within the meaning of securities law and are made pursuant to the "safe harbour" provisions of applicable securities laws. Forward looking statements may include, but are not limited to, statements about anticipated future events or results including comments with respect to the Corporation's objectives and priorities for 2017 and beyond, and strategies or further actions with respect to the Corporation, a Qualifying Acquisition, the Corporation's business operations, financial performance and condition. Forward looking statements are statements that are predictive in nature, depend upon or refer to future events or conditions or include words such as "will", "expects", "anticipates", "intends", "plans", "believes", "estimates" or similar expressions concerning matters that are not historical facts. Such statements are based on current expectations of the Corporation's management and inherently involve numerous risks and uncertainties, known and unknown, including economic factors. The forward looking information contained in this MD&A is presented for the purpose of assisting shareholders in understanding business and strategic priorities and objectives as at the periods indicated and may not be appropriate for other purposes.

A number of risks, uncertainties and other factors may cause actual results to differ materially from the forward looking statements contained in this MD&A, including, among other factors, those referenced in the section entitled "Risk Factors" in the Corporation's Prospectus dated May 18, 2017.

Forward looking statements contained in this MD&A are not guarantees of future performance and, while forward looking statements are based on certain assumptions that the Corporation considers reasonable, actual events and results could differ materially from those expressed or implied by forward looking statements made by the Corporation. Prospective investors are cautioned to consider these and other factors carefully when making decisions with respect to the Corporation and not place undue reliance on forward looking statements. Circumstances affecting the Corporation may change rapidly. Except as may be expressly required by applicable law, the Corporation does not undertake any obligation to update publicly or revise any such forward looking statements, whether as a result of new information, future events or otherwise.

INFORMATION CONCERNING ALIGNVEST ACQUISITION CORPORATION

Additional information relating to Alignvest Acquisition II Corporation, including a copy of the Corporation's March 2018 Annual Financial Statements, may be found on SEDAR at *www.sedar.com* and the Corporation's website at *www.alignvestacquisition.com/*.

Toronto, Ontario

November 12, 2018

APPENDIX E – SAGICOR AUDITED ANNUAL FINANCIAL STATEMENTS

SAGICOR FINANCIAL CORPORATION LIMITED

FINANCIAL STATEMENTS

DECEMBER 31, 2017

Independent auditor's report

To the Shareholders of Sagicor Financial Corporation Limited

Report on the audit of the consolidated financial statements

Our opinion

In our opinion, the consolidated financial statements present fairly, in all material respects the consolidated financial position of Sagicor Financial Corporation Limited (the Company) and its subsidiaries (together 'the Group') as of December 31, 2017, and their consolidated financial performance and their consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

What we have audited

Sagicor Financial Corporation Limited's consolidated financial statements comprise:

- the consolidated statement of financial position as of December 31, 2017;
- the consolidated statement of income for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies.

Basis for opinion

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

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

Independence

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

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Our audit approach

Audit scope
As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

How we tailored our group audit scope
We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industries in which the Group operates.

A full scope audit was performed for six components. These six components were: Sagicor Life Inc. ('Barbados branch'), Sagicor Life Inc. ('EC branches'), Sagicor Life Inc. ('Trinidad branch'), Sagicor USA, Inc. ('Sagicor USA'), Sagicor Group Jamaica Limited ('Sagicor Jamaica') and Sagicor Financial Corporation Limited. Additionally, based on our professional judgement, four components: Barbados Farms Limited, Globe Finance Inc., Sagicor General Insurance Inc. and Sagicor Finance (2015) Limited were selected to perform an audit of specified account balances due to the materiality of certain individual balances to the Group consolidated financial statements as a whole. We performed analytical procedures with respect to the remaining components.

In establishing the overall Group audit strategy and plan, we determined the type of work that is needed to be performed at the components by the Group engagement team and by the component auditors. Where the work was performed by component auditors, we determined the level of involvement we needed to have in the audit work of those components to be able to conclude that sufficient appropriate audit evidence had been obtained as a basis for our opinion on the consolidated financial statements as a whole. The Group audit team held meetings with each component team for which a full scope audit was performed. The Group team, on a rotational basis, selects one component for a detailed review of their audit work. This year the Group audit team reviewed the audit work of PwC Barbados who are the component auditors for Sagicor Life Inc. ('Barbados branch' and 'EC branches'). The Group team reviewed all reports with regards to the audit approach and findings submitted in detail by all full scope components.

In total, by performing these procedures on the six full scope components, we achieved the following coverage on the financial statement line items:

Revenue	89%
Total assets	89%

Materiality
The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall group materiality for the consolidated financial statements. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

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
Goodwill impairment *See notes 2.7(a), 3.3(a) and 8 to the consolidated financial statements for disclosures of related accounting policies, judgements and estimates.* Goodwill of $44.2 million has arisen from a number of historic business combinations across the Group. We focused on goodwill allocated to the Sagicor Life and Sagicor Jamaica segments as defined in note 4 to the consolidated financial statements. Sagicor Life uses an actuarial appraisal value model and Sagicor Jamaica uses fair value less costs to sell to assess goodwill impairment. We focused on these segments based on magnitude, level of headroom and the sensitivity of the impairment test to possible changes in assumptions, being primarily: Sagicor Life • the growth rate of new business; • discount rates; • mortality, persistency and expense assumptions; and • minimum regulatory capital requirements. Sagicor Jamaica • the growth rate, and • the discount rate. With respect to the actuarial appraisal model, management uses qualified internal actuaries and an independent external actuary to assist in developing the actuarial appraisal model and in determining the related assumptions.	• We were assisted by our own internal experts to evaluate the methodology and underlying assumptions used in the assessment of the goodwill impairment testing. • For the Sagicor Life segment, we evaluated the growth rate for new business by comparing the forecasted growth in new business to that achieved in the previous 5 years. • We also compared the mortality, persistency and expense assumptions in the model to those used for the computation of actuarial liabilities and noted no material exceptions. • In our testing of the actuarial appraisal model, we checked the calculations for mathematical accuracy. • With the assistance of our internal expert, we independently determined a discount rate, which we used to sensitize the results of the model. In addition, we also reduced management's new business growth rate assumptions in an alternative sensitized scenario. Based on the testing performed, no material adjustment to the carrying value of goodwill allocated to this segment was considered necessary. • For the Sagicor Jamaica segment, we evaluated management's future cash flow forecasts, and the process by which they were developed. We

compared previous forecasts to actual results to assess the performance of the business and the accuracy of forecasting. We confirmed that the three year forecast used was consistent with the Board approved business plan, and that the key assumptions were subject to oversight from the Board of Directors.

We tested the assumptions and methodologies used, in particular those relating to the growth rates and discount rate as follows:

- With the assistance of our internal valuation expert, we evaluated these assumptions with reference to valuations of similar companies.
- Compared the key assumptions to externally derived data where possible, including market expectations of investment return, projected economic growth and interest rates.
- Applied sensitivities in evaluating management's assessment of the planned growth rate in cash flows.

In testing the valuation model, we checked the calculations for mathematical accuracy and considered the sensitivity of the calculation by varying the key assumptions and adjustments within management's cash flow forecast.

Based on the testing performed, no material adjustment to the carrying value of goodwill allocated to this segment was considered necessary.

Actuarial methodologies and assumptions used in the valuation of actuarial liabilities

See notes 2.11, 3.5 and 13 to the consolidated financial statements for disclosures of related accounting policies, judgements and estimates.

Actuarial liabilities are the most significant liability on the Group's statement of financial position. At December 31, 2017, actuarial liabilities totalled $2,951 million.

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

- We were assisted by our own actuarial experts in considering industry and component specific facts and circumstances to evaluate the methodologies and assumptions utilized by management's actuarial experts.
- We updated our understanding for any changes impacting the assumptions, specifically, we focused on mortality assumptions, persistency, investment return and associated discount rates, borrowing rates and policy expenses, all of which

borrowing rates, policy expenses, and operating assumptions such as mortality and persistency are the key inputs used to estimate these long-term liabilities.

Management uses qualified internal actuaries and an independent external actuary to assist in determining these assumptions and in valuing the actuarial liabilities.

are based on the component's experience or published industry studies.

- For the Sagicor Life and Sagicor Jamaica segments, we tested a sample of contracts to assess whether contract features corresponded to the data on the policy master file and tested the accuracy and completeness of the transfer of that data to the actuarial valuation systems.
- For the Sagicor USA segment, we tested a sample of contracts to assess whether policyholder data and contract features corresponded to the data in the actuarial valuation system. In addition, we compared data on a sample basis between the policy administration system and the valuation system to test completeness.
- We assessed whether the actuarial methodologies were applied on a consistent basis in valuing actuarial liabilities. Where we identified changes to either calculations or methodologies, we discussed these with our internal actuarial experts and considered whether they were refinements to the valuation of actuarial liabilities as opposed to corrections of errors or changes in accounting policy. Our testing did not identify any material changes in the application of actuarial methodologies or to the supporting calculations of actuarial liabilities that were not refinements.

We found the significant estimates and assumptions used by management to be reasonable, and that the methodologies used were established and accepted actuarial methodologies and were appropriate in the circumstances.

Valuation of financial investments held at fair value and available for sale and impairment of financial investments available for sale

See notes 2.8(a), (b), (c), (d), 3.1, 3.4 and 9 to the consolidated financial statements for disclosures of related accounting policies, judgements and estimates.

The Group's financial investments classified as fair value through income and available for sale account for $2,770 million or 41% of total assets for the Group.

- We evaluated the Group's valuation of individual investment holdings. Where readily observable data was available, we sourced this independently and performed a comparison to management's results.

The Group's financial investments include financial assets at fair value through income and available for sale financial assets. The valuation of financial investments held at fair value and available for sale are based on a range of inputs. While many of the inputs required can be obtained from readily available liquid market prices and rates, certain securities are based on modelled prices, as observable market data is limited. In these instances, management is required to make significant judgements due to the complexity in the valuation model estimates resulting in estimation uncertainty risk which therefore led us to focus our attention on this area.

In addition, management is required to perform an impairment assessment for available for sale investments where certain impairment indicators exist. The main considerations for the impairment assessment for financial assets classified as available for sale include where any of the following apply:

- Significant financial difficulty of the borrower;
- Default or delinquency in interest or principal payment;
- Concessions granted to a borrower that would not otherwise be considered due to the borrower's financial difficulty;
- The probability that the borrower will enter bankruptcy or other financial reorganization;
- Observable market data indicating that there is a measureable decrease in the estimated future cash flows from the asset since the initial recognition of those assets;
- The disappearance of an active market for the financial asset as a result of financial difficulties;
- In respect of equity securities classified as available for sale, a significant or prolonged decline in the fair value below cost being an indicator of impairment.

As a result of the above estimation uncertainty and subjective judgements made by management, we focused our attention on this area.

- For more judgemental valuations, which may depend on unobservable inputs, we selected a sample of securities, which were either independently valued by our component teams or by our internal valuation experts.

- We obtained management's impairment assessment and compared assumptions and inputs to independent market observable data. We also checked the calculations for mathematical accuracy.

- We tested a sample of available for sale investments to independently assess whether they were impaired.

No material exceptions were noted as a result of our testing performed.

Other information

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

Our opinion on the consolidated financial statements does not cover the other information and we 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 when it becomes available 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.

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, related safeguards.

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

Other matter

This report, including the opinion, has been prepared for and only for the Company's shareholders as a body in accordance with Section 90 of the Companies Act 1981 (Bermuda) and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

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

PricewaterhouseCoopers SRL

PricewaterhouseCoopers SRL
Bridgetown, Barbados
April 4, 2018

SAGICOR FINANCIAL CORPORATION LIMITED

APPOINTED ACTUARY'S

2017 REPORT TO THE SHAREHOLDERS AND POLICYHOLDERS

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

- A — Sagicor Life Inc. (Barbados) ("SLI"), including the previous entity "Sagicor Capital Life Insurance Company Limited (Barbados) ("SCLI")" which was amalgamated into Sagicor Life,
- B — Capital Life Insurance Company Bahamas Limited (Bahamas),
- C — Sagicor Life (Eastern Caribbean) Inc. ("SLECI"),
- D — Sagicor Life Aruba NV (Aruba),
- E — Sagicor Panamá SA (Panama),
- F — Nationwide Insurance Company Limited (Trinidad & Tobago),
- 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 sheet, at 31st December 2017, and their change in the consolidated statement of operations, for the year then ended, for each organization and on a consolidated basis in accordance with accepted actuarial practice, including selection of appropriate assumptions and methods.

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

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

Sylvain Goulet

Sylvain Goulet, FCIA, FSA, MAAA
Affiliate Member of the Institute and Faculty of Actuaries
Member of the Caribbean Actuarial Association
Appointed Actuary for Sagicor Financial Corporation Limited, and the above Life Subsidiaries A to F

20th March 2018

Amounts expressed in US$000

	Note	2017	2016
ASSETS			
Investment property	5	80,816	80,662
Property, plant and equipment	7	165,560	167,723
Associates and joint ventures	6	97,223	87,293
Intangible assets	8	81,714	83,487
Financial investments	9	4,953,241	4,813,748
Reinsurance assets	10	797,391	777,344
Income tax assets	11	39,980	59,575
Miscellaneous assets and receivables	12	228,543	183,018
Cash resources		360,064	279,070
Assets of discontinued operation	38	10,110	-
Total assets		6,814,642	6,531,920

These financial statements have been approved for issue by the Board of Directors on April 4, 2018.

Director

D. Tiller

Director

	Note	2017	2016
LIABILITIES			
Actuarial liabilities	13	2,950,820	2,776,362
Other insurance liabilities	14	224,159	207,122
Investment contract liabilities	15	379,018	377,576
Total policy liabilities		3,553,997	3,361,060
Notes and loans payable	16	413,805	395,213
Deposit and security liabilities	17	1,559,232	1,623,325
Provisions	18	80,027	101,292
Income tax liabilities	19	28,277	50,641
Accounts payable and accrued liabilities	20	246,976	204,975
Total liabilities		5,882,314	5,736,506
EQUITY			
Share capital	21	3,059	3,029
Share premium	21	300,470	297,050
Reserves	22	(47,482)	(64,795)
Retained earnings		367,327	300,865
Total shareholders' equity		623,374	536,149
Participating accounts	23	865	1,291
Non-controlling interest in subsidiaries		308,089	257,974
Total equity		932,328	795,414
Total liabilities and equity		6,814,642	6,531,920

Amounts expressed in US$000

CONSOLIDATED STATEMENT OF INCOME

Year ended December 31, 2017

	Note	2017	2016
REVENUE			
Premium revenue	24	898,354	833,918
Reinsurance premium expense	24	(152,722)	(169,962)
Net premium revenue		745,632	663,956
Net investment income	25	379,236	353,352
Fees and other revenue	26	93,740	116,839
Gain arising on disposal	37	2,261	-
Total revenue		1,220,869	1,134,147
BENEFITS			
Policy benefits and change in actuarial liabilities	27	720,651	693,173
Policy benefits and change in actuarial liabilities reinsured	27	(114,839)	(194,262)
Net policy benefits and change in actuarial liabilities		605,812	498,911
Interest expense	28	54,949	61,448
Total benefits		660,761	560,359
EXPENSES			
Administrative expenses		267,427	255,326
Commissions and related compensation		98,749	98,570
Premium and asset taxes		13,569	10,679
Finance costs		34,746	38,333
Depreciation and amortisation		21,871	21,283
Total expenses		436,362	424,191
INCOME BEFORE TAXES		123,746	149,597
Income taxes	32	(18,577)	(41,700)
NET INCOME FROM CONTINUING OPERATIONS		105,169	107,897

	Note	2017	2016
Net income from continuing operations		105,169	107,897
Net income from discontinued operation	38	10,110	1,412
NET INCOME FOR THE YEAR		115,279	109,309
Net income/(loss) is attributable to:			
Common shareholders:			
From continuing operations		62,123	60,259
From discontinued operation		10,110	1,412
		72,233	61,671
Participating policyholders		(1,044)	110
Non-controlling interests		44,090	47,528
		115,279	109,309
Basic earnings per common share:	34		
From continuing operations		20.4 cents	19.5 cents
From discontinued operation		3.3 cents	0.5 cents
		23.7 cents	20.0 cents
Fully diluted earnings per common share:	34		
From continuing operations		19.9 cents	18.7 cents
From discontinued operation		3.2 cents	0.4 cents
		23.1 cents	19.1 cents

Amounts expressed in US$000

OTHER COMPREHENSIVE INCOME	Note	2017	2016
Items net of tax that may be reclassified subsequently to income:	35		
Available for sale assets:			
Gains on revaluation		57,900	39,183
(Gains) / losses transferred to income		(12,259)	2,675
Net change in actuarial liabilities		(13,475)	(17,090)
Retranslation of foreign currency operations		9,721	(28,481)
		41,887	(3,713)
Items net of tax that will not be reclassified subsequently to income:	35		
(Losses) / gains on revaluation of owner-occupied property		(1,759)	5,145
Gains/ (losses) on defined benefit plans		23,914	(13,875)
Other items		-	(128)
		22,155	(8,858)
OTHER COMPREHENSIVE GAIN / (LOSS) FROM CONTINUING OPERATIONS		64,042	(12,571)

TOTAL COMPREHENSIVE INCOME	2017	2016
Net income	115,279	109,309
Other comprehensive income / (loss)	64,042	(12,571)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	179,321	96,738
Total comprehensive income / (loss) is attributable to:		
Common shareholders:		
From continuing operations	96,141	45,811
From discontinued operation	10,110	1,412
	106,251	47,223
Participating policyholders	(210)	132
Non-controlling interests	73,280	49,383
	179,321	96,738

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
2017								
Balance, beginning of year	3,029	297,050	(64,795)	300,865	536,149	1,291	257,974	795,414
Total comprehensive income from continuing operations	-	-	21,432	74,709	96,141	(210)	73,280	169,211
Total comprehensive income from discontinued operation	-	-	-	10,110	10,110	-	-	10,110
Transactions with holders of equity instruments:								
Allotments of common shares	21	2,021	-	-	2,042	-	-	2,042
Movements in treasury shares	9	1,399	-	-	1,408	-	-	1,408
Changes in reserve for equity compensation benefits	-	-	(6,270)	-	(6,270)	-	(75)	(6,345)
Dividends declared (note 21.3)	-	-	-	(15,216)	(15,216)	-	(19,861)	(35,077)
Transfers and other movements	-	-	2,151	(3,141)	(990)	(216)	(3,229)	(4,435)
Balance, end of year	3,059	300,470	(47,482)	367,327	623,374	865	308,089	932,328
2016								
Balance, beginning of year	299,320	-	(59,688)	266,414	506,046	1,383	231,735	739,164
Total comprehensive income from continuing operations	-	-	(4,319)	50,130	45,811	132	49,383	95,326
Total comprehensive income from discontinued operation	-	-	-	1,412	1,412	-	-	1,412
Redomiciliation adjustment net of treasury shares	(296,296)	296,296	-	-	-	-	-	-
Transactions with holders of equity instruments:								
Movements in treasury shares	5	754	-	-	759	-	-	759
Changes in reserve for equity compensation benefits	-	-	2,132	-	2,132	-	(50)	2,082
Dividends declared (note 21.3)	-	-	-	(18,880)	(18,880)	-	(17,684)	(36,564)
Transfers and other movements	-	-	(2,920)	1,789	(1,131)	(224)	(5,410)	(6,765)
Balance, end of year	3,029	297,050	(64,795)	300,865	536,149	1,291	257,974	795,414

Amounts expressed in US$000

	Note	2017	2016
OPERATING ACTIVITIES			
Income before taxes		123,746	149,597
Adjustments for non-cash items, interest and dividends	36.1	(110,518)	(188,098)
Interest and dividends received		305,810	299,968
Interest paid		(83,627)	(93,620)
Income taxes paid		(43,352)	(24,948)
Net increase in investments and operating assets	36.1	(157,602)	(100,362)
Net increase in operating liabilities	36.1	18,052	83,793
Net cash flows - operating activities		52,509	126,330
INVESTING ACTIVITIES			
Property, plant and equipment, net	36.2	(13,385)	(17,996)
Associates and joint ventures		(6,908)	(188)
Intangible assets		(6,182)	(4,272)
Changes in ownership of associate, net of cash and cash equivalents		7,766	-
Net cash flows - investing activities		(18,709)	(22,456)

	Note	2017	2016
FINANCING ACTIVITIES			
Movement in treasury shares		(203)	(98)
Redemption of SFCL preference shares		-	(119,991)
Shares issued to non-controlling interest		(5,504)	(6,634)
Other notes and loans payable, net	36.3	16,182	34,008
Dividends received from associates		2,561	1,788
Dividends paid to common shareholders		(14,950)	(13,381)
Dividends paid to preference shareholders		-	(5,256)
Dividends paid to non-controlling interests		(19,861)	(17,824)
Net cash flows - financing activities		(21,775)	(127,388)
Effects of exchange rate changes		1,595	(4,645)
NET CHANGE IN CASH AND CASH EQUIVALENTS - CONTINUING OPERATIONS		13,620	(28,159)
Net change in cash and cash equivalents - discontinued operation		-	(44,614)
Cash and cash equivalents, beginning of year		312,106	384,879
CASH AND CASH EQUIVALENTS, END OF YEAR	36.4	325,726	312,106

1 INCORPORATION AND PRINCIPAL ACTIVITIES

On July 20, 2016, Sagicor Financial Corporation continued as an exempted company under the laws of Bermuda under the name Sagicor Financial Corporation Limited and registered as an external company under the Companies Act of Barbados on July 20, 2016. Bermuda law does not contemplate companies with no par value shares, as a consequence on continuance the excess of the par value of $0.01 has been credited to share premium (note 21).

The Company was originally incorporated on December 6, 2002 under the Companies Act of Barbados as a public limited liability holding company. On December 6, 2002, Sagicor Life Inc was formed following its conversion from The Barbados Mutual Life Assurance Society (The Society). On December 30, 2002, the Company allotted common shares to the eligible policyholders of The Society and became the holding company of Sagicor Life Inc.

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

The principal activities of the Sagicor Group are as follows:

- Life and health insurance
- Annuities and pension administration services
- Property and casualty insurance
- Banking, investment management and other financial 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, 2017 have been approved by the Board of Directors on April 4, 2018. Neither the entity'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 Canadian accepted actuarial standards. As no specific guidance is provided by IFRS for computing actuarial liabilities, management has judged that Canadian accepted actuarial standards 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, available for sale investment securities, financial assets and liabilities held at fair value through income, 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 Company'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 IFRS

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after January 1, 2017, and have not been applied in preparing these consolidated financial statements (see note 2.25). There are no new standards, amendments to standards and interpretations effective for this financial year that have a significant effect on the consolidated financial statements.

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 has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group, and are de-consolidated from the date on which control ceases.

2.2 Basis of consolidation (continued)

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.

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

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.

2.2 Basis of consolidation (continued)

(b) Discontinued operation

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

As of December 31, 2017, the future price adjustments relating to the discontinued operation are disclosed in the statement of financial position at their estimated undiscounted value.

(c) Sale of subsidiaries

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

(d) Associates and joint venture

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.

2 Basis of consolidation (continued)

Investments in associate and joint venture companies are originally recorded at cost and include intangible assets identified on acquisition. Accounting policies have been changed where necessary to ensure consistency with the accounting policies adopted by the Group.

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

(e) Pension and investment funds

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

The Group manages a number of segregated pension funds, mutual funds and unit trusts. These funds are segregated and investment returns on these funds accrue directly to unit-holders. 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 or in the case of pounds sterling, according to prevailing market rates. Exchange rates of the other principal operating currencies to the United States dollar were as follows:

	2017 closing	2017 average	2016 closing	2016 average
Barbados dollar	2.0000	2.0000	2.0000	2.0000
Eastern Caribbean dollar	2.7000	2.7000	2.7000	2.7000
Jamaica dollar	124.5754	128.0938	127.9824	124.7554
Trinidad & Tobago dollar	6.7628	6.7428	6.7458	6.6190
Pound sterling	0.74020	0.77496	0.81280	0.73444

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 and liabilities of the foreign entity, and are translated at the rate ruling on December 31.

(c) Transactions and balances

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

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

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

2.4 Segments

Reportable operating segments have been defined on the basis of 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.

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 on an accrual basis.

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 property is re-valued at least every three years to its 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 property includes 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 owner-occupied 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 assets. Operating leases are leases in which the Group maintains substantially the risks of ownership and the associated assets are recorded as property, plant and equipment. Income from operating leases is recognised on the straight-line basis over the term of the lease.

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

Asset	Estimated useful life
Buildings	40 to 50 years
Furnishings and leasehold improvements	10 years or lease term
Computer and office equipment	3 to 10 years
Vehicles	4 to 5 years
Leased equipment and vehicles	5 to 6 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 de-recognised and is included in the gain or loss on disposal. On the disposal of a subsidiary or insurance business forming part of a reportable operating segment, the proportion of goodwill disposed is the proportion of the fair value of the asset disposed to the total fair value of the operating segment.

2.7 Intangible assets (continued)

(b) Other intangible assets

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

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

On acquisition, the useful life of the asset is estimated. If the estimated useful life is definite, then the cost of the asset is amortised over its life, and 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	4 - 20 years
	Broker relationships	10 years
Contract based	Licences	15 years
Technology based	Software	2 – 10 years

2.8 Financial assets

(a) Classification

The Group classifies its financial assets into four categories:

- held to maturity financial assets;
- available for sale financial assets;
- financial assets at fair value through income;
- loans and receivables.

Management determines the appropriate classification of these assets on initial recognition.

Held to maturity financial assets are non-derivative financial instruments with fixed or determinable payments and fixed maturities that management has both the intent and ability to hold to maturity.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

Financial assets in the category at fair value through income comprise designated assets or held for trading assets. These are set out below.

- Assets designated by management on acquisition form part of managed portfolios whose performance is evaluated on a fair value basis in accordance with documented investment strategies. They comprise investment portfolios backing deposit administration and unit linked policy contracts for which the full return on the portfolios accrue to the contract-holders.

- Held for trading securities 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. Derivatives are also classified as held for trading unless designated as hedges.

Available for sale financial assets are non-derivative financial instruments intended to be held for an indefinite period of time and which may be sold in response to liquidity needs or changes in interest rates, exchange rates and equity prices.

2.8 Financial assets (continued)

(b) Recognition and measurement

Purchases and sales of financial investments are recognised on the trade date. Interest income arising on investments is accrued using the effective yield method. Dividends are recorded in revenue when due.

Held to maturity assets, loans and receivables are carried at amortised cost less provision for impairment.

Financial assets in the category at fair value through income are measured initially at fair value and are subsequently re-measured at their fair value based on quoted prices or internal valuation techniques. Realised and unrealised gains and losses are recorded as net gains in investment income. Interest and dividend income are recorded under their respective heads in investment income. Interest income on financial assets at fair value through income is calculated using the effective interest rate method.

Financial assets in the available for sale category are measured initially at fair value and are subsequently re-measured at their fair value based on quoted prices or internal valuation techniques. Unrealised gains and losses, net of deferred income taxes, are reported in other comprehensive income. Either on the disposal of the asset or if the asset is determined to be impaired, the previously recorded unrealised gain or loss is transferred to investment income. Discounts and premiums on available for sale securities are amortised using the effective yield method.

(c) Fair value

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

2.8 Financial assets (continued)

(d) Impaired financial assets

A financial asset is considered impaired if its carrying amount exceeds its estimated recoverable amount.

An impairment loss for assets carried at amortised cost is calculated as the difference between the carrying amount and the present value of expected future cash flows discounted at the original effective interest rate. The carrying value of impaired financial assets is reduced by impairment losses.

The recoverable amount for an available for sale security is its fair value.

For an available for sale equity security or investment in an associated company, an impairment loss is recognised in income if there has been a significant or prolonged decline in its fair value below its cost. Determination of what is significant or prolonged requires judgement which includes consideration of the volatility of the fair value, and the financial condition and financial viability of the investee. In this context, management considers a 40% decline in fair value below cost to be significant and a decline that has persisted for more than twelve months to be prolonged. Any subsequent increase in fair value occurring after the recognition of an impairment loss is reported in other comprehensive income.

For an available for sale security other than an equity security, if the Group assesses that there is objective evidence that the security is impaired, an impairment loss is recognised for the amount by which the instrument's amortised cost exceeds its fair value. If in a subsequent period the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed, and the amount of the reversal is recognised in revenue.

2.8 Financial assets (continued)

(e) Securities purchased for resale

Securities purchased for resale are treated as collateralised financing transactions and are recorded at the amount at which they are acquired. The difference between the purchase and resale price is treated as interest and is accrued over the life of the agreements using the effective yield method.

(f) Finance leases

The Group, as lessor, enters into 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.

(g) Embedded derivatives

The Group holds certain bonds and preferred equity securities that contain options to convert into common shares of the issuer. These options are considered embedded derivatives.

If the measurement of an embedded derivative can be separated from its host contract, the embedded derivative is carried at current market value and is presented with its related host contract. Unrealised gains and losses are recorded as investment income.

If the measurement of an embedded derivative cannot be separated from its host contract, the full contract is accounted for as a financial asset at fair value through income.

2.9 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.

2.10 Policy contracts

(a) <u>Classification</u>

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.

2.10 Policy contracts (continued)

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

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

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

Residual gains in the participating accounts constitute discretionary participation features which the Group classifies as equity (see also note 2.20).

(b) <u>Recognition and measurement</u>

(i) <u>Property and casualty insurance contracts</u>

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.

2.10 Policy contracts (continued)

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

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

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

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

2.10 Policy contracts (continued)

(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.

Claims are recorded on settlement. Reserves are recorded as described in note 2.11.

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.

2.10 Policy contracts (continued)

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 2.11.

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

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

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

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

Universal life and unit linked contracts have either an interest bearing investment account or unit linked investment accounts. Either gross premiums or gross premiums net of allowances are deposited to the investment accounts. Investment returns are credited to the investment accounts and expenses, not included in the aforementioned 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.

2.10 Policy contracts (continued)

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 2.11.

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.

2.10 Policy contracts (continued)

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.

(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 income 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, it is accrued monthly.

2.10 Policy contracts (continued)

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

(c) Embedded derivatives

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

The Group does not separately measure embedded derivatives that are closely related to the host insurance contract or that meet the definition of an insurance contract. Options to surrender an insurance contract for a fixed amount are also not measured separately. In these cases, the entire contract liability is measured as set out in note 2.11.

(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.

2.11 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 Canadian accepted actuarial standards. 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.

2.11 Actuarial liabilities (continued)

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.

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 available for sale securities, whose unrealised gains or losses in fair value are recorded in other comprehensive income. The fair value reserve for actuarial liabilities has been established in the statement of 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 fair value of available for sale securities.

2.11 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 income 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.

2.12 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. The recognition and measurement of the Group's principal types of financial liabilities are disclosed in note 2.10(b) (vii) and in the following paragraphs.

(a) Securities sold for re-purchase

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

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

2.12 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 and the associated cost is classified as finance costs. Loan obligations undertaken for the purposes of providing funds for on-lending, leasing or portfolio investments are classified as deposit and security liabilities and the associated cost is included in interest expense.

(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.

2.13 Provisions

Provisions 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.

2.14 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.

2.14 Derivative financial instruments and hedging activities (continued)

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.

2.15 Offsetting financial instruments

Financial assets and 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.

2.16 Presentation of current and non-current assets and liabilities

In note 41.2, 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 as a whole 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 services. 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.

Amounts expressed in US$000

2.18 Taxes (continued)

Income tax rates	Life insurance and non-registered annuities	Registered annuities	Other lines of business
Barbados	5% of gross investment income	Nil	25% of net income
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	25% of net income
United States of America	35% of net income	21% of net income	21% of net income

(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 once they relate to the same entity. Deferred tax, related to fair value re-measurement of available for sale 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 Common and preference shares

(a) 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.

(b) Preference shares

On July 18, 2011, the Company issued convertible redeemable preference shares that are accounted for as a compound financial instrument. The shares were redeemed on July 18, 2016.

The redemption value was recognised as a contractual liability, and was measured initially at its discounted fair value. The discount rate reflected as of July 18, 2011: (i) the rate of interest applicable to a similar liability with a contractual dividend rate, and (ii) the interest premium required by the shareholder for an instrument with a non-contractual dividend.

The preference shareholders' rights to receive dividends were recognised within shareholders' equity, and were measured initially as the residual fair value of the preference shares in their totality after deducting the liability for the redemptive value. The equity component was initially recorded as a preference share reserve in note 22.

Incremental costs directly attributable to the issue of the preference shares were allocated between the liability for the redemption value and the equity reserve in proportion to their initial carrying amounts. After initial recognition, the liability component was accreted to its ultimate redemption value using the effective interest yield method, with the accretion being recorded as a finance cost in the statement of income. After initial recognition, the preference share reserve was transferred to retained earnings pro-rata to the dividends declared over the period to redemption.

No preference shares were converted to common shares prior to the redemption.

2.19 Common and preference shares (continued)

(c) Dividends

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

2.20 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.

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.

2.20 Participating accounts (continued)

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.

2.20 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.

2.21 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.

2.22 Interest income and expenses

Interest income and expenses are recognised in the income statement for all interest bearing instruments on an accrual basis using the effective yield method based on the initial transaction price. Interest includes coupon interest and accrued discount and premium on financial instruments.

2.23 Fees and other revenue

Fees and non-insurance commission income are recognised on an accrual basis when the service has been provided. Fees and commissions arising from negotiating or participating in the negotiation of a transaction for a third party are recognised on completion of the underlying transaction. Portfolio and other management advisory and service fees are recognised based on the applicable service contracts, usually on a time-apportionate basis. Asset management fees related to investment funds are recognised rateably over the period in which the service is provided. Performance linked fees or fee components are recognised when the performance criteria are fulfilled. Other revenue is recognised on an accrual basis when the related service has been provided.

2.24 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,
- other liquid balances with maturities of three months or less from the acquisition date,
- less bank overdrafts which are repayable on demand,
- less other borrowings from financial institutions made for the purpose of meeting cash commitments and which have maturities of three months or less from origination.

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

2.25 Future accounting developments and reporting changes

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

IFRS (Effective Date)	Subject / Comments
IFRS 9 – Financial Instruments (January 1, 2018)	IFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of IFRS 9 was issued in July 2014. The standard is effective for accounting periods beginning on or after January 1, 2018. IFRS 9 replaces the guidance in IAS 39, 'Financial instruments: recognition and measurement'. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortized cost, fair value through other comprehensive income ("FVOCI") and fair value through profit and loss ("FVPL"). The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Classification for debt instruments is driven by the entity's business model for managing the financial assets and whether the contractual cash flows represent solely payments of principal and interest ("SPPI"). If a debt instrument is held to collect, it may be carried at amortised cost if it also meets the SPPI requirement. Debt instruments that meet the SPPI requirement that are held in a portfolio where an entity both holds to collect assets' cash flows and sells assets may be classified as FVOCI. Financial assets that do not contain cash flows that are SPPI must be measured at FVPL. Embedded derivatives are no longer separated from financial assets but will be included in assessing the SPPI condition.

IFRS (Effective Date)	Subject / Comments
IFRS 9 – Financial Instruments (January 1, 2018) (continued)	Investments in equity instruments are always measured at fair value. However, management can make an irrevocable election to present changes in fair value in other comprehensive income, provided the instrument is not held for trading. If the equity instrument is held for trading, changes in fair value are presented in profit or loss. Management is in the process of assessing how the Group's business model will impact the classification and measurement of financial assets in scope of IFRS 9. An Implementation Committee was created to oversee the implementation project. The project involves three phases: • Phase 1: Key decisions; this includes identification of key decisions, deciding on the measurement and classification for all products, determining stage migration and cure rate thresholds; • Phase 2: Assessing availability of data, defining and determining detailed credit modelling methodology based on available data, resources and infrastructure, defining and developing methodology to estimate unadjusted credit losses and defining methodology to incorporate forward looking information; • Phase 3: Implementation; this includes finalizing forward-looking information, applying multiple scenarios and determining the weight for each scenario to calculate the expected credit losses ("ECL"). Currently management has completed Phase 1 and Phase 2 and management is in the process of completing Phase 3. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. The key change is that an entity will be required to present the effects of changes in own credit risk of financial liabilities designated at fair value through profit or loss in other comprehensive income.

2.25 Future accounting developments and reporting changes (continued)

IFRS (Effective Date)	Subject / Comments
IFRS 9 – Financial Instruments (January 1, 2018)	The new standard is not expected to impact the Group's consolidated financial liabilities as there are no financial liabilities which are currently designated at fair value through profit or loss without off-setting assets carried at fair value. IFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually use for risk management purposes. Contemporaneous documentation is still required but is different to that currently prepared under IAS 39. The new standard relating to hedge accounting is not expected to impact the Group's consolidated financial statements, as the Group does not use hedge accounting. The impairment requirements apply to financial assets measured at amortised cost and FVOCI, lease receivables and certain loan commitments and financial guarantee contracts. At initial recognition, an allowance is required for expected credit losses ('ECL') resulting from default events that are possible within the next 12 months ('12-month ECL'). In the event of a significant increase in credit risk, allowance 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 is recognised are considered to be '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 considered to be in default or otherwise credit impaired are in 'stage 3'.

IFRS (Effective Date)	Subject / Comments
IFRS 9 – Financial Instruments (January 1, 2018)	The assessment of whether credit risk has increased significantly since initial recognition is performed on an ongoing basis by considering the change in the risk of default occurring over the remaining life of the financial instrument, rather than by considering an increase in ECL. The assessment of a significant increase in credit risk is done on a relative basis. To assess whether the credit risk on a financial asset has increased significantly since origination, the Group compares the risk of default occurring over the expected life of the financial asset at the reporting date to the corresponding risk of default at origination, using key risk indicators that are used in the Group's existing risk management processes. At each reporting date, the assessment of a change in credit risk will be individually assessed for those considered individually significant. This assessment is symmetrical in nature, allowing credit risk of financial assets to move back to Stage 1 if the increase in credit risk since origination has reduced and is no longer deemed to be significant. When measuring ECL, the Group must consider the maximum contractual period over which the Group is exposed to credit risk. All contractual terms should be considered when determining the expected life, including prepayment options and extension and rollover options. For certain revolving credit facilities that do not have a fixed maturity, the expected life is estimated based on the period over which the Group is exposed to credit risk and where the credit losses would not be mitigated by management actions.

Amounts expressed in US$000

2.25 Future accounting developments and reporting changes (continued)

IFRS (Effective Date)	Subject / Comments
IFRS 9 – Financial Instruments (January 1, 2018)	The objective of the impairment requirements is to recognize lifetime expected credit losses for all financial instruments for which there have been a significant increases in credit risk since initial recognition – whether assessed on an individual or collective basis – considering all reasonable and supportable information, including that which is forward looking. The ECL is required to be unbiased and probability-weighted, and should incorporate all available information which is relevant to the assessment including information about past events, current conditions and reasonable and supportable forward looking information specific to the counterparty as well as forecasts of economic conditions at the reporting date. In addition, the estimation of ECL should take into account the time value of money. As a result, the recognition and measurement of impairment is intended to be more forward-looking than under IAS 39. It will also tend to result in an increase in the total level of impairment allowances, since all financial assets will be assessed for at least 12-month ECL and the population of financial assets to which lifetime ECL applies is likely to be larger than the population for which there is objective evidence of impairment in accordance with IAS 39. Any adjustment on initial adoption of this standard will impact retained earnings. The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Group's disclosures about its financial instruments particularly in the year of the adoption of the new standard.
IFRS 15 - Revenue from contracts with customers (January 1, 2018)	The IASB has issued a new standard for the recognition of revenue. This will replace IAS 18 which covers contracts for goods and services and IAS 11 which covers construction contracts.

IFRS (Effective Date)	Subject / Comments
IFRS 15 - Revenue from contracts with customers (January 1, 2018)	The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer – so the notion of control replaces the existing notion of risks and rewards. A new five-step process must be applied before revenue can be recognised: • identify contracts with customers • identify the separate performance obligation • determine the transaction price of the contract • allocate the transaction price to each of the separate performance obligations, and • recognise the revenue as each performance obligations is satisfied. Key changes to current practice are: • Any bundled goods or services that are distinct must be separately recognised, and any discounts or rebates on the contract price must generally be allocated to the separate elements. • Revenue may be recognised earlier than under current standards if the consideration varies for any reasons (such as for incentives, rebates, performance fees, royalties, success of an outcome etc.) –minimum amounts must be recognised if they are not at significant risk of reversal. • The point at which revenue is able to be recognised may shift: some revenue which is currently recognised at a point in time at the end of a contract may have to be recognised over the contract term and vice versa. • There are new specific rules on licenses, warranties, nonrefundable upfront fees and, consignment arrangements, to name a few. • As with any new standard, there are also increased disclosures.

Amounts expressed in US$000

2.25 Future accounting developments and reporting changes (continued)

IFRS (Effective Date)	Subject / Comments
IFRS 15 - Revenue from contracts with customers (January 1, 2018)	Entities will have a choice of full retrospective application, or prospective application with additional disclosures. The Group's primary activities are insurance and banking. Insurance product revenue recognition is defined in IFRS 4. Banking revenue primarily arises from the recognition of income on financial assets and liabilities in accordance with the provisions of IFRS 9.
IFRS 16 - Leases (January 1, 2019)	IFRS 16 will affect primarily the accounting by lessees and will result in the recognition of almost all leases on balance sheet. The standard removes the current distinction between operating and financing leases and requires recognition of an asset (the right to use the leased item) and a financial liability to pay rentals for virtually all lease contracts. An optional exemption exists for short-term and low-value leases. The income statement will also be affected because the total expense is typically higher in the earlier years of a lease and lower in later years. Additionally, operating expense will be replaced with interest and depreciation, so key metrics like Earnings before Interest Tax Depreciation and Amortization will change. Operating cash flows will be higher as cash payments for the principal portion of the lease liability are classified within financing activities. Only the part of the payments that reflects interest can continue to be presented as operating cash flows. The accounting by lessors will not significantly change. Some differences may arise as a result of the new guidance on the definition of a lease. Under IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Group is yet to fully assess the impact of this standard.

IFRS (Effective Date)	Subject / Comments
Classification and Measurement of Share-based Payment Transactions – Amendments to IFRS 2 (January 1, 2018)	The amendments made to IFRS 2 in July 2016 clarify the measurement basis for cash-settled share-based payments and the accounting for modifications that change an award from cash-settled to equity-settled. They also introduce an exception to the classification principles in IFRS 2. Where an employer is obliged to withhold an amount for the employee's tax obligation associated with a share-based payment and pay that amount to the tax authority, the whole award will be treated as if it was equity-settled provided it would have been equity-settled without the net settlement feature. Entities with the following arrangements are likely to be affected by these changes: • equity-settled awards that include net settlement features relating to tax obligations • cash-settled share-based payments that include performance conditions, and • cash-settled arrangements that are modified to equity-settled share-based payments. The Group does not expect the adoption of these improvements to have any material impact.
Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts - Amendments to IFRS 4 (January 1, 2018)	In September 2016, the IASB published an amendment to IFRS 4 which addresses the concerns of insurance companies about the different effective dates of IFRS 9 Financial instruments and the forthcoming new insurance contracts standard. The amendment provides two different solutions for insurance companies: a temporary exemption from IFRS 9 for entities that meet specific requirements (applied at the reporting entity level), and the 'overlay approach'. Both approaches are optional. The Group has assessed its eligibility for deferral and has concluded that it will adopt IFRS 9 on January 1, 2018.

Amounts expressed in US$000

2.25 Future accounting developments and reporting changes (continued)

IFRS (Effective Date)	Subject / Comments
Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts - Amendments to IFRS 4 (January 1, 2018)	IFRS 4 (including the amendments) will be superseded by the forthcoming new insurance contracts standard. Accordingly, both the temporary exemption and the 'overlay approach' are expected to cease to be applicable when the new insurance standards becomes effective. The overlay approach will give all companies that issue insurance contracts the option to recognise in other comprehensive income, rather than profit or loss, the volatility that could arise when IFRS 9 is applied before the new insurance contracts standard is issued. The Group is currently assessing the impact of this approach on its financial statements.
Annual improvements 2014-2016 cycle (January 1, 2018)	The following improvements were finalised in December 2016: • IFRS 1 - deleted short-term exemptions covering transition provisions of IFRS 7, IAS 19 and IFRS 10 which are no longer relevant. • IAS 28 - clarifies that the election by venture capital organisations, mutual funds, unit trusts and similar entities to measure investments in associates or joint ventures at fair value through profit or loss should be made separately for each associate or joint venture at initial recognition. The Group does not expect the adoption of these improvements to have any material impact.
Transfers of Investment Property – Amendments to IAS 40 (January 1, 2018)	The amendments clarify that transfers to, or from, investment property can only be made if there has been a change in use that is supported by evidence. A change in use occurs when the property meets, or ceases to meet, the definition of investment property. A change in intention alone is not sufficient to support a transfer. The list of evidence for a change of use in the standard was recharacterized as a non-exhaustive list of examples to help illustrate the principle.

IFRS (Effective Date)	Subject / Comments
Transfers of Investment Property – Amendments to IAS 40 (January 1, 2018)	• The Board provided two options for transition: prospectively, with any impact from the reclassification recognized as adjustment to opening retained earnings as at the date of initial recognition, or • retrospectively - only permitted without the use of hindsight Additional disclosures are required if an entity adopts the requirements prospectively. The Group does not expect the adoption of this amendment to have any material impact.
Interpretation 22 Foreign Currency Transactions and Advance Consideration (January 1, 2019)	The interpretation clarifies how to determine the date of transaction for the exchange rate to be used on initial recognition of a related asset, expense or income where an entity pays or receives consideration in advance for foreign currency-denominated contracts. For a single payment or receipt, the date of the transaction should be the date on which the entity initially recognises the non-monetary asset or liability arising from the advance consideration (the prepayment or deferred income/contract liability). If there are multiple payments or receipts for one item, a date of transaction should be determined as above for each payment or receipt. Entities can choose to apply the interpretation: • retrospectively for each period presented • prospectively to items in scope that are initially recognised on or after the beginning of the reporting period in which the • interpretation is first applied, or • prospectively from the beginning of a prior reporting period • presented as comparative information. The Group is yet to assess the impact of this interpretation.

Amounts expressed in US$000

2.25 Future accounting developments and reporting changes (continued)

IFRS (Effective Date)	Subject / Comments
IFRS 17 Insurance Contracts (January 1, 2021)	IFRS 17 was issued in May 2017 as replacement for IFRS 4 Insurance Contracts. It requires a current measurement model where estimates are re-measured each reporting period. Contracts are measured using the building blocks of: • discounted probability-weighted cash flows • an explicit risk adjustment, and • a contractual service margin ("CSM") representing the unearned profit of the contract which is recognised as revenue over the coverage period. The standard allows a choice between recognising changes in discount rates either in the income statement or directly in other comprehensive income. The choice is likely to reflect how insurers account for their financial assets under IFRS 9. An optional, simplified premium allocation approach is permitted for the liability for the remaining coverage for short duration contracts, which are often written by non-life insurers. There is a modification of the general measurement model called the 'variable fee approach' for certain contracts written by life insurers where policyholders share in the returns from underlying items. When applying the variable fee approach the entity's share of the fair value changes of the underlying items is included in the contractual service margin. The results of insurers using this model are therefore likely to be less volatile than under the general model. 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. The Group is yet to assess the impact of IFRS 17.

IFRS (Effective Date)	Subject / Comments
Sale or contribution of assets between an investor and its associate or joint venture – Amendments to IFRS 10 and IAS 28	The IASB has made limited scope amendments to IFRS 10 Consolidated financial statements and IAS 28 Investments in associates and joint ventures. The amendments clarify the accounting treatment for sales or contribution of assets between an investor and its associates or joint ventures. They confirm that the accounting treatment depends on whether the non-monetary assets sold or contributed to an associate or joint venture constitute a 'business' (as defined in IFRS 3 Business Combinations). Where the non-monetary assets constitute a business, the investor will recognise the full gain or loss on the sale or contribution of assets. If the assets do not meet the definition of a business, the gain or loss is recognised by the investor only to the extent of the other investor's investors in the associate or joint venture. The amendments apply prospectively. ** In December the IASB decided to defer the application date of this amendment until such time as the IASB has finalised its research project on the equity method.

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

An available for sale debt security or a loan or a receivable is considered impaired when management determines that it is probable that all amounts due according to the original contract terms will not be collected. This determination is made after considering the payment history of the borrower, the discounted value of collateral and guarantees, and the financial condition and financial viability of the borrower. The determination of impairment may either be considered by individual asset or by a grouping of assets with similar relevant characteristics.

The Sagicor Group invests in a number of sovereign financial instruments that are not quoted in an active market, these assets are classified as loans and receivables and are carried at amortised cost less provision for impairment in the financial statements. At December 31, 2017 there were significant holdings in instruments of Government of Jamaica, Government of Trinidad and Tobago and Government of Barbados carried at amortised cost. The Group has assessed these instruments for impairment and concluded that based on all information currently available, that no impairment exists at December 31, 2017 in accordance with the accounting policies of the Group.

3.2 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.

3.3 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.

3.4 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.

3.4 Fair value of securities not quoted in an active market (continued)

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.

3.5 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.

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.

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 (for statutory reporting), 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 the Canadian Standards of Practice.

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

3.6 Carrying value of the assets and liabilities of the discontinued operation

As of December 31, 2017, the asset of the discontinued operation is the estimated residual amount due from the purchaser arising from the estimated results of the syndicate for the underwriting years of account up to and including 2013, until the end of the run-off period, December 31, 2018. The reported asset is also impacted by movements in various foreign exchange rates as the insured risks are denominated in a number of different currencies. The buyer may also charge a reasonable risk premium at the end of the run-off period.

Amounts expressed in US$000

4 SEGMENTS

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

The Group CEO serves as Board Chairman or as a Board Member of the principal subsidiaries and is the Group's Chief Operating decision maker. Through subsidiary company reporting, the Group CEO obtains details of company 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 within continuing operations 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

The group of subsidiaries comprises entities conducting life, health, annuity insurance business, pension administration services and asset management. Until 2015, the segments were (i) Barbados, Eastern Caribbean, Dutch Caribbean, Bahamas and Central America and (ii) Trinidad and Tobago. During 2016, the Group combined the two segments and brought them under common executive management control to allow for greater focus and accountability in the execution of our strategies.

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

Amounts expressed in US$000

4 SEGMENTS (continued)

(b) Sagicor Jamaica

This segment comprises Group subsidiaries conducting life, health, annuity, property and casualty insurance business, and pension administration services and financial services in Jamaica, Cayman Islands and Costa Rica.

All subsidiaries operating in Jamaica are now wholly owned by Sagicor Group Jamaica Limited. The companies comprising this segment are as follows.

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

4 SEGMENTS (continued)

Sagicor Jamaica Segment Companies (continued)	Principal Activities	Country of Incorporation	Effective Shareholders' Interest
Sagicor Property Services Limited	Property management	Jamaica	49.11%
Sagicor Investments Jamaica Limited	Investment banking	Jamaica	49.11%
Sagicor Bank Jamaica Limited	Commercial banking	Jamaica	49.11%
Sagicor Costa Rica SCR, S.A.	Life insurance	Costa Rica	24.56%
LOJ Holdings Limited	Insurance holding company	Jamaica	100%
Sagicor Securities Jamaica Limited	Securities trading	Jamaica	49.11%
Associates			
Sagicor Real Estate X-Fund Limited (note 37)	Investment in real estate activities	St. Lucia	14.39%

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

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

Amounts expressed in US$000

4 SEGMENTS (continued)

(c) Sagicor Life USA

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

Sagicor Life USA Segment Companies	Principal Activities	Country of Incorporation	Effective Shareholders' Interest
Sagicor Life Insurance Company	Life insurance and annuities	USA - Texas	100%
Sagicor USA Inc	Insurance holding company	USA - Delaware	100%
Sage Distribution, LLC	Life insurance and annuities	USA - Delaware	100%
Sage Partners, LLC	Life insurance and annuities	USA - Delaware	100%
Sagicor Benfell, LLC	Life insurance and annuities	USA - Delaware	90%
Sagicor Financial Partners, LLC	Life insurance and annuities	USA - Delaware	51%

(d) Head office function and other operating companies

These comprise the following:

Other Group Companies	Principal Activities	Country of Incorporation	Effective Shareholders' Interest
Sagicor Financial Corporation Limited (1)	Group parent company	Bermuda	100%
Sagicor General Insurance Inc	Property and casualty insurance	Barbados	53%

4 SEGMENTS (continued)

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

These comprise the following:

Other Group Companies	Principal Activities	Country of Incorporation	Effective Shareholders' Interest
Sagicor Finance Inc	Loan and lease financing, and deposit taking	St. Lucia	70%
Sagicor Asset Management (T&T) Limited	Investment management	Trinidad & Tobago	100%
Sagicor Asset Management Inc	Investment management	Barbados	100%
Sagicor Asset Management (Eastern Caribbean) Limited	Investment management	Barbados	100%
Barbados Farms Limited	Farming and real estate development	Barbados	77%
Sagicor Funds Incorporated	Mutual fund holding company	Barbados	100%
Globe Finance Inc	Loan and lease financing, and deposit taking	Barbados	51%
The Mutual Financial Services Inc	Financial services holding company	Barbados	73%
Sagicor Finance Limited	Group financing vehicle	The Cayman Islands	100%
Sagicor Finance (2015) Limited	Group financing vehicle	The Cayman Islands	100%

(1) On July 20, 2016, Sagicor Financial Corporation continued as an exempted company under the laws of Bermuda under the name Sagicor Financial Corporation Limited.

Amounts expressed in US$000

4.1 Statement of income by segment

2017	Sagicor Life	Sagicor Jamaica	Sagicor Life USA	Head office and other	Adjustments	Total
Net premium revenue	308,602	320,067	86,719	30,244	-	745,632
Interest income	77,450	159,462	48,842	8,987	-	294,741
Other investment income	10,350	47,459	26,160	669	(143)	84,495
Fees and other revenues	11,895	62,580	(2,539)	21,836	(32)	93,740
Gain arising on business combinations, acquisitions and divestitures	-	2,261	-	-	-	2,261
Inter-segment revenues	12,931	-	-	71,150	(84,081)	-
	421,228	591,829	159,182	132,886	(84,256)	1,220,869
Net policy benefits	197,716	171,038	87,606	27,125	-	483,485
Net change in actuarial liabilities	11,908	83,338	27,081	-	-	122,327
Interest expense	12,217	37,501	2,144	3,087	-	54,949
Administrative expenses	68,113	127,855	28,298	41,320	1,841	267,427
Commissions and premium and asset taxes	45,613	42,967	15,071	8,667	-	112,318
Finance costs	-	1,089	156	(251)	33,752	34,746
Depreciation and amortisation	6,437	9,219	2,491	3,724	-	21,871
Inter-segment expenses	5,647 (1)	1,858	(3,031) (1)	12,582	(17,056)	-
	347,651	474,865	159,816	96,254	18,537	1,097,123
Segment income / (loss) before taxes	73,577	116,964	(634)	36,632	(102,793)	123,746
Income taxes	(9,868)	(22,824)	14,127	(12)	-	(18,577)
Net income / (loss) from continuing operations	63,709	94,140	13,493	36,620	(102,793)	105,169
Net income/(loss) attributable to shareholders from continuing operations	64,753	46,235	13,493	6,683	(69,041)	62,123
Total comprehensive income/(loss) attributable to shareholders from continuing operations	59,864	75,876	21,555	6,564	(67,718)	96,141

(1) During 2015, Sagicor Life USA entered into a reinsurance agreement with Sagicor Life; included in the inter-segment expenses is $4,700 relating to this transaction.

Amounts expressed in US$000

4.1 Statement of income by segment (continued)

2016	Sagicor Life	Sagicor Jamaica	Sagicor Life USA	Head office and other	Adjustments	Total
Net premium revenue	299,565	268,482	74,383	21,526	-	663,956
Interest income	77,394	157,758	47,958	9,758	-	292,868
Other investment income	3,114	42,753	10,450	2,883	1,284	60,484
Fees and other revenues	19,107	54,968	16,095	26,654	15	116,839
Inter-segment revenues	11,946	-	-	60,129	(72,075)	-
	411,126	523,961	148,886	120,950	(70,776)	1,134,147
Net policy benefits	196,116	168,757	79,625	9,161	-	453,659
Net change in actuarial liabilities	3,152	38,350	3,750	-	-	45,252
Interest expense	13,393	41,455	2,853	3,747	-	61,448
Administrative expenses	68,990	112,156	32,752	40,040	1,388	255,326
Commissions and premium and asset taxes	44,152	39,979	15,584	9,534	-	109,249
Finance costs	-	-	63	(136)	38,406	38,333
Depreciation and amortisation	6,505	8,017	1,551	5,210	-	21,283
Inter-segment expenses	5,720 (1)	1,419	(3,575) (1)	11,581	(15,145)	-
	338,028	410,133	132,603	79,137	24,649	984,550
Segment income / (loss) before taxes	73,098	113,828	16,283	41,813	(95,425)	149,597
Income taxes	(8,177)	(23,678)	(5,797)	(3,544)	(504)	(41,700)
Net income / (loss) from continuing operations	64,921	90,150	10,486	38,269	(95,929)	107,897
Net income/(loss) attributable to shareholders from continuing operations	64,811	44,275	10,486	(1,790)	(57,523)	60,259
Total comprehensive income/(loss) attributable to shareholders from continuing operations	50,414	45,840	12,802	(3,378)	(59,867)	45,811

(1) During 2015, Sagicor Life USA entered into a reinsurance agreement with Sagicor Life; included in the inter-segment expenses is $4,819 relating to this transaction.

4.1 Statement of income by segment (continued)

The principal non-controlling interests in the Group are in respect of Sagicor Group Jamaica Limited (Sagicor Jamaica).

Out of the total net income attributable to non-controlling interests of $44,090 (2016 - $47,528), Sagicor Jamaica contributed $47,905 (2016 - $45,876).

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) *Investment gains*

Fair value investment gains are recognised on:

- the revaluation of investment property;
- the revaluation of debt and equity securities classified as at fair value through income;
- the disposal of debt and equity securities classified as available for sale or loans and receivables.

Therefore, significant gains and losses may be triggered by changes in market prices and / or by decisions to dispose of investments.

(ii) *Allowances for impairment of financial investments*

Significant impairment losses may be triggered by changes in market prices and economic conditions.

(iii) *Gains on acquisitions/divestitures*

On acquisition of a business or portfolio, if the fair value of the net assets acquired exceeds the total consideration transferred, the difference is recognized directly in the statement of income. Similarly on sale if the consideration received exceeds the carrying value of the business or portfolio a gain is recognised in the statement of income.

4.2 Variations in segment income (continued)

(iv) *Foreign exchange gains and losses*

Movements in foreign exchange rates may generate significant exchange gains or losses when the foreign currency denominated monetary assets and liabilities are re-translated at the date of the financial statements.

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

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

Amounts expressed in US$000

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.

	2017					2016				
Variations in income by segment	Sagicor Life	Sagicor Jamaica	Sagicor Life USA	Head Office and Other	Total	Sagicor Life	Sagicor Jamaica	Sagicor Life USA	Head Office and Other	Total
Investment gains / (losses)	5,136	47,768	24,815	696	78,415	999	42,669	15,586	2,882	62,136
Impairment of financial investments	56	(8,251)	-	(166)	(8,361)	(328)	(4,652)	(4,488)	(153)	(9,621)
Foreign exchange gains	514	(4,864)	-	172	(4,178)	8,725	3,566	-	273	12,564
Gains on acquisitions/ divestitures	-	2,261	-	-	2,261	-	-	-	-	-
Decrease / (increase) in actuarial liabilities from changes in assumptions	23,602	27,417	(11,120)	-	39,899	21,682	3,805	(18,176)	-	7,311
	29,308	64,331	13,695	702	108,036	31,078	45,388	(7,078)	3,002	72,390

Amounts expressed in US$000

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 available for sale. 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 changes in actuarial liabilities as a result of the use of asset liability matching in the liability estimation process.

(iii) *Foreign exchange gains and losses*
Movements in foreign exchange rates may generate significant exchange gains or losses on the re-translation of the financial statements of foreign currency reporting units.

(iv) *Defined benefit plans gains and losses*
Experience adjustments and changes in actuarial assumptions gives rise to gains or losses on defined benefit plans.

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

	Variations in other comprehensive income by segment					
	Sagicor Life	Sagicor Jamaica	Sagicor Life USA	Head Office and other	Adjustments	Total
2017						
Unrealised investment gains	6,873	26,143	22,147	194	2,543	57,900
Changes in actuarial liabilities	(4,122)	5,135	(14,488)	-	-	(13,475)
Retranslation of foreign currency operations	(444)	11,405	-	(1,139)	(101)	9,721
Gains on defined benefit plans	99	22,249	-	1,566	-	23,914
2016						
Unrealised investment (losses) / gains	(2,474)	32,226	11,034	(137)	(1,466)	39,183
Changes in actuarial liabilities	961	(5,647)	(12,404)	-	-	(17,090)
Retranslation of foreign currency operations	(7,490)	(21,058)	-	10	57	(28,481)
Losses on defined benefit plans	(4,924)	(7,369)	-	(1,582)	-	(13,875)

Amounts expressed in US$000

4.4 Statement of financial position by segment

	Sagicor Life	Sagicor Jamaica	Sagicor Life USA	Head office and other	Adjustments	Total
2017						
Financial investments	1,386,182	2,291,191	1,123,623	152,245	-	4,953,241
Other external assets	351,871	531,671	856,271	182,468	(70,990)	1,851,291
Assets of discontinued operation	-	-	-	10,110	-	10,110
Inter-segment assets	214,767	13,347	2,505	62,101	(292,720)	-
Total assets	1,952,820	2,836,209	1,982,399	406,924	(363,710)	6,814,642
Policy liabilities	1,296,525	766,550	1,495,300	66,612	(70,990)	3,553,997
Other external liabilities	89,643	1,505,444	194,836	538,394	-	2,328,317
Inter-segment liabilities	27,285	4,098	51,587	209,750	(292,720)	-
Total liabilities	1,413,453	2,276,092	1,741,723	814,756	(363,710)	5,882,314
Net assets	539,367	560,117	240,676	(407,832)	-	932,328
2016						
Financial investments	1,403,870	2,212,153	1,068,244	129,481	-	4,813,748
Other external assets	324,570	450,104	829,889	189,807	(76,198)	1,718,172
Inter-segment assets	199,858	11,555	2,759	54,006	(268,178)	-
Total assets	1,928,298	2,673,812	1,900,892	373,294	(344,376)	6,531,920
Policy liabilities	1,272,500	675,019	1,434,678	55,061	(76,198)	3,361,060
Other external liabilities	86,871	1,544,651	203,929	539,995	-	2,375,446
Inter-segment liabilities	39,434	3,715	43,838	181,191	(268,178)	-
Total liabilities	1,398,805	2,223,385	1,682,445	776,247	(344,376)	5,736,506
Net assets	529,493	450,427	218,447	(402,953)	-	795,414

Amounts expressed in US$000

4.4 Statement of financial position by segment (continued)

The principal non-controlling interests in the Group are in respect of Sagicor Group Jamaica Limited (Sagicor Jamaica). Out of the total non-controlling interests in the statement of financial position of $308,089 (2016 - $257,974), Sagicor Jamaica contributed $274,211 (2016 - $219,361).

4.5 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:

	2017	2016
Sagicor Life	9,822	4,534
Sagicor Jamaica	17,297	8,922
Sagicor Life USA	3,175	5,782
Head office and other	1,649	5,565
	31,943	24,803

4.6 Products and services

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

	2017	2016
Life, health and annuity insurance contracts issued to individuals	678,848	635,288
Life, health and annuity insurance and pension administration contracts issued to groups	307,046	276,893
Property and casualty insurance	42,026	36,621
Banking, investment management and other financial services	162,497	157,573
Farming and unallocated revenues	30,451	27,772
	1,220,869	1,134,147

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, investment in associated companies and intangible assets.

Total external revenues and non-current assets by geographical area are summarised in the following table.

	External revenue		Non-current assets	
	2017	2016	2017	2016
Barbados	169,135	170,271	188,005	193,522
Jamaica	560,906	495,476	133,275	120,178
Trinidad & Tobago	173,027	166,066	65,559	66,115
Other Caribbean	158,759	152,161	28,465	30,025
USA	159,042	150,173	10,009	9,325
	1,220,869	1,134,147	425,313	419,165

Amounts expressed in US$000

5 INVESTMENT PROPERTY

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

	2017	2016
Balance, beginning of year	80,662	79,172
Additions at cost	-	7
Transfer from real estate developed for resale (note 12)	-	555
Transfer (to) / from property, plant and equipment (note 7)	-	846
Disposals	-	(825)
Change in fair values	74	1,847
Effects of exchange rate changes	80	(940)
Balance, end of year	80,816	80,662

Investment property includes $9,971 (2016 - $10,603) which represents the Group's proportionate interest in joint operations summarised in the following table.

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

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

Amounts expressed in US$000

6 ASSOCIATES AND JOINT VENTURES

6.1 Interest in Associates and Joint Ventures

Name of Entity	Country of Incorporation	% of ownership interest 2017	% of ownership interest 2016	Nature of relationship	Measurement Method	Carrying Amount 2017	Carrying Amount 2016
RGM Limited	Trinidad & Tobago	33%	33%	Associate	Equity Method	22,348	22,346
FamGuard Corporation Limited[1]	Bahamas	20%	20%	Associate	Equity Method	15,088	13,700
Primo Holding Limited	Barbados	38%	38%	Associate	Equity Method	330	355
Sagicor Costa Rica SCR, S.A.	Costa Rica	50%	50%	Joint Venture	Equity Method	2,860	3,107
Sagicor Real Estate X-Fund Limited[2][3]	St. Lucia	29%	29%	Associate	Equity Method	56,597	47,785
						97,223	87,293

(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 $6.00 per share was $12,000 (2016 – $11,000).

(2) The Sagicor Real Estate X Fund Limited traded on the Jamaica Stock Exchange. The proportionate share of market value calculated on the basis of the year-end closing rate of $0.12 (J$15.00) per share was $78,895 (2016 - $66,508).

(3) The Group both acquired and sold shares in Sagicor Real Estate X-Fund Limited during the year. These movements and the resulting gain on disposal are disclosed in note 37.

6.2 Commitments

Commitments at the year-end if called are $374 (2016 – Nil).

Amounts expressed in US$000

6.3 Summarised Financial Information

	RGM Limited		FamGuard Corporation Limited		Primo Holding Limited		Sagicor Costa Rica SCR, S.A.		Sagicor Real Estate X-Fund Limited	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
ASSETS										
Financial investments	-	-	283,967	269,154	-	-	8,581	9,765	129,115	122,129
Cash resources	4,077	6,688	15,402	15,685	-	-	3,612	3,561	7,756	9,478
Other investments and assets	126,423	126,117	62,678	61,288	1,000	1,050	11,357	4,950	241,075	214,553
Total assets	130,500	132,805	362,047	346,127	1,000	1,050	23,550	18,276	377,946	346,160
LIABILITIES										
Policy liabilities	-	-	225,334	220,829	-	-	1,067	3,761	-	-
Other liabilities	63,457	65,771	13,216	13,073	219	204	16,761	8,299	195,739	190,669
Total liabilities	63,457	65,771	238,550	233,902	219	204	17,828	12,060	195,739	190,669
Net Assets	67,043	67,034	123,497	112,225	781	846	5,722	6,216	182,207	155,491

Amounts expressed in US$000

6.3 Summarised Financial Information (continued)

	RGM Limited		FamGuard Corporation Limited		Primo Holding Limited		Sagicor Costa Rica SCR, S.A.		Sagicor Real Estate X-Fund Limited	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
Reconciliation to carrying amounts:										
Investment, beginning of year	22,346	23,199	13,700	14,059	355	362	3,107	6,326	47,785	40,584
Additions	-	-	-	-	-	-	152	188	6,756	-
Transfers/Disposals	-	-	-	-	-	-	-	(2,886)	(6,221)	-
Dividends received	(1,281)	(470)	(480)	(580)	-	-	-	-	(800)	(738)
Share of income/(loss) before taxes	1,531	1,158	1,683	240	(25)	(7)	(76)	66	6,736	3,968
Share of amortisation or impairment of intangible assets which were identified on acquisition	-	-	(72)	(72)	-	-	-	-	-	-
Share of income taxes	(191)	(402)	-	-	-	-	-	-	-	-
Share of other comprehensive income/(loss)	-	-	257	53	-	-	(400)	(264)	828	6,762
Effects of exchange rate changes	(57)	(1,139)	-	-	-	-	77	(323)	1,513	(2,791)
Investment, end of year	22,348	22,346	15,088	13,700	330	355	2,860	3,107	56,597	47,785

Amounts expressed in US$000

6.3 Summarised Financial Information (continued)

	RGM Limited		FamGuard Corporation Limited		Primo Holding Limited		Sagicor Costa Rica SCR, S.A.		Sagicor Real Estate X-Fund Limited	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
Summarised statement of comprehensive income										
REVENUE										
Net premium revenue	-	-	92,705	90,753	-	-	12,735	5,785	-	-
Net investment and other income	24,768	23,522	23,331	28,593	-	-	1,029	668	101,547	82,865
Total revenue	24,768	23,522	116,036	119,346	-	-	13,764	6,453	101,547	82,865
BENEFITS AND EXPENSES										
Benefits	-	-	71,701	78,106	-	-	9,118	3,393	-	-
Expenses	19,663	19,916	36,092	36,762	66	18	4,269	2,626	77,986	67,411
Total benefits and expenses	19,663	19,916	107,793	114,868	66	18	13,387	6,019	77,986	67,411
INCOME BEFORE TAXES	5,105	3,606	8,243	4,478	(66)	(18)	377	434	23,561	15,454
Income taxes	(572)	(1,195)	-	-	-	-	(529)	(301)	(2,087)	(1,916)
NET INCOME FOR THE PERIOD	4,533	2,411	8,243	4,478	(66)	(18)	(152)	133	21,474	13,538
Other comprehensive income	-	-	1,413	634	-	-	(632)	(670)	2,824	23,070
Total comprehensive income	4,533	2,411	9,656	5,112	(66)	(18)	(784)	(537)	24,298	36,608
Dividends received from associates and joint ventures	1,281	470	480	580	-	-	-	-	800	738

Amounts expressed in US$000

7 PROPERTY, PLANT AND EQUIPMENT

	2017					2016				
	Owner-occupied property		Office furnishings, equipment & vehicles	Operating lease vehicles & equipment	Total	Owner-occupied properties		Office furnishings, equipment & vehicles	Operating lease vehicles & equipment	Total
	Lands	Land & buildings				Land	Land & buildings			
Net book value, beginning of year	37,185	77,855	41,179	11,504	167,723	38,031	80,694	39,310	12,214	170,249
Additions at cost	-	3,175	15,101	577	18,853	-	2,680	13,787	3,869	20,336
Transfer (to) / from investment property (note 5)	-	-	-	-	-	(846)	-	-	-	(846)
Transfer to intangible assets (note 8)	-	-	(729)	-	(729)	-	-	(2,885)	-	(2,885)
Other transfers	-	(121)	(50)	(1,368)	(1,539)	-	-	613	-	613
Transfers to real estate developed or held for sale (note 12)	-	(1,575)	-	-	(1,575)	-	-	-	-	-
Disposals	-	-	(349)	(3,282)	(3,631)	-	(753)	(508)	(1,612)	(2,873)
Change in fair values	(1,953)	(274)	-	-	(2,227)	-	(1,583)	-	-	(1,583)
Depreciation charge	-	(1,098)	(9,211)	(1,865)	(12,174)	-	(1,105)	(8,370)	(2,967)	(12,442)
Effects of exchange rate changes	-	503	356	-	859	-	(2,078)	(768)	-	(2,846)
Net book value, end of year	35,232	78,465	46,297	5,566	165,560	37,185	77,855	41,179	11,504	167,723
Represented by:										
Cost or valuation	35,232	81,697	134,103	11,897	262,929	37,185	81,004	120,299	18,755	257,243
Accumulated depreciation	-	(3,232)	(87,806)	(6,331)	(97,369)	-	(3,149)	(79,120)	(7,251)	(89,520)
	35,232	78,465	46,297	5,566	165,560	37,185	77,855	41,179	11,504	167,723

Owner-occupied lands are largely utilised for farming operations.

Owner-occupied land and buildings consist largely of commercial office buildings.

Amounts expressed in US$000

8 INTANGIBLE ASSETS

8.1 Analysis of intangible assets and changes for the year

	2017				2016			
	Goodwill	Customer & broker relationships	Software	Total	Goodwill	Customer & broker relationships	Software	Total
Net book value, beginning of year	43,911	13,737	25,839	83,487	45,272	16,441	26,470	88,183
Additions at cost	-	-	6,182	6,182	-	-	4,272	4,272
Transfer from property, plant and equipment (note 7)	-	-	729	729	-	-	2,885	2,885
Amortisation/impairment charges	-	(1,674)	(7,951)	(9,625)	-	(1,719)	(7,050)	(8,769)
Divestitures and disposals	-	-	-	-	-	-	-	-
Effects of exchange rate changes	323	328	290	941	(1,361)	(985)	(738)	(3,084)
Net book value, end of year	44,234	12,391	25,089	81,714	43,911	13,737	25,839	83,487
Represented by:								
Cost or valuation	44,234	36,552	71,006	151,792	43,911	35,579	63,466	142,956
Accumulated depreciation and impairments	-	(24,161)	(45,917)	(70,078)	-	(21,842)	(37,627)	(59,469)
	44,234	12,391	25,089	81,714	43,911	13,737	25,839	83,487

Amounts expressed in US$000

8.2 Impairment of intangible assets

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

For those CGU's which the fair value less costs to sell methodology is used, financial projections are used as inputs to determine maintainable earnings over time to which is applied an appropriate earnings multiple. For those CGU's which the value in use methodology is used, cash flows are extracted from financial projections to which are applied appropriate discount factors and residual growth rates, or alternatively, the cash flows from the financial projections are extended to 50 years using an actuarial appraisal value technique which incorporates appropriate discount rates and solvency capital requirements.

As disclosed in note 2.7 (a) goodwill is allocated to the Group's reportable operating segments. During 2016, as disclosed in note 4, the Group combined the Barbados, Eastern Caribbean, Dutch Caribbean, the Bahamas and Central America segment with its Trinidad and Tobago operating segment. Goodwill is allocated to this combined segment and has been tested for impairment at this level.

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

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

(a) Sagicor Life operating segment

	2017	2016
Carrying value of goodwill	26,552	26,576

8.2 Impairment of intangible assets (continued)

(i) Years ended December 31, 2017 & 2016

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

- Discount rates of 10% (2016, 7 - 11%) for individual life and annuity inforce business,
- New individual life and annuity business was included for the seven year period 2018 to 2024, (five year period 2017 to 2021)
- Annual growth rate for new individual life and annuity business was 12.4% - 21.0% for 2018 and 5% – 16.8 % from 2019 to 2024 (2017 – 0% - 21.8% and 5% to 19.7% from 2018 to 2021),
- Discount rates of 14% (2016, 11 - 15%) for new individual life and annuity business,
- Required Minimum Continuing Capital and Surplus Ratio (MCCSR) of 175% (2016 – 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. Negative amounts illustrate the extent of possible impairment.

Sagicor Life Inc Segment			MCCSR target ratio		
			Low	Mid	High
Discount rate	Inforce	New business	150%	175%	200%
Low	8%	12%	253,334	245,807	237,899
Mid	10%	14%	102,371	90,688	78,481
High	12%	16%	(10,104)	(24,348)	(39,153)

Amounts expressed in US$000

8.2 Impairment of intangible assets (continued)

(b) Sagicor Jamaica operating segment

	2017	2016
Carrying value of goodwill	13,398	13,051

The fair value less cost to sell methodology was adopted to test goodwill impairment in both years. The after tax multiple used for the segment was 8.6 (2016– 8.2) which was derived from a pre-tax factor of 6.9 (2016 – 6.6) 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.

	2017 test		
	Scenario 1	Scenario 2	Scenario 3
After tax earnings multiples	8.6	7.3	4.9
Reduction in forecast earnings	n/a	10%	10%
Excess of recoverable amount (of 49.11% interest)	150,046	73,893	n/a
Impairment (of 49.11% interest)	Nil	Nil	(38,679)

8.2 Impairment of intangible assets (continued)

(c) Sagicor General Insurance Inc

	2017	2016
Carrying value of goodwill	4,284	4,284

The Group recognised goodwill on the acquisition of its interests in Sagicor General Insurance Inc. The value in use methodology has been used to test goodwill impairment in both years. The pre-tax discount factor was 20.8% (2016 –12.8%) which was derived from an after tax factor of 15.0% (2016 – 12.5%) using an iterative method. The residual growth rate was 2.5% (2016 – 4.4%).

Sensitivity

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

	2017 test		
	Scenario 1	Scenario 2	Scenario 3
After tax discount factor	15.0	15.0	18.0
Residual growth rate	2.5	2.1	2.1
Reduction in residual growth rate	n/a	16%	16%
Increase in after tax discount factor	n/a	n/a	20%
Excess of recoverable amount (of 53.0% interest)	21,394	19,115	17,375
Impairment (of 53.0% interest)	Nil	Nil	Nil

Amounts expressed in US$000

9 FINANCIAL INVESTMENTS

9.1 Analysis of financial investments

	2017		2016	
	Carrying value	Fair value	Carrying value	Fair value
Held to maturity securities:				
Debt securities	-	-	20,665	21,688
Available for sale securities:				
Debt securities	2,266,275	2,266,275	2,271,020	2,271,020
Equity securities	86,862	86,862	96,684	96,684
	2,353,137	2,353,137	2,367,704	2,367,704
Financial assets at fair value through income:				
Debt securities	180,484	180,484	164,005	164,005
Equity securities	158,621	158,621	123,524	123,524
Derivative financial instruments (note 41.6)	32,477	32,477	28,980	28,980
Mortgage loans	45,447	45,447	40,347	40,347
	417,029	417,029	356,856	356,856
Loans and receivables:				
Debt securities	1,051,683	1,155,331	985,664	1,042,108
Mortgage loans	296,939	296,867	291,419	291,154
Policy loans	142,132	149,995	137,940	148,141
Finance loans and finance leases	564,399	551,922	508,975	491,131
Securities purchased for re-sale	16,518	16,518	5,227	5,227
Deposits	111,404	111,404	139,298	139,298
	2,183,075	2,282,037	2,068,523	2,117,059
Total financial investments	4,953,241	5,052,203	4,813,748	4,863,307

9.1 Analysis of financial investments (continued)

	2017	2016
Non-derivative financial assets at fair value through income comprise:		
Assets designated at fair value upon initial recognition	375,917	316,700
Assets held for trading	8,635	11,176
Debt securities comprise:		
Government and government-guaranteed debt securities	1,701,250	1,765,558
Collateralised mortgage obligations	240,363	214,320
Corporate debt securities	1,444,086	1,352,387
Other securities	112,743	109,089
	3,498,442	3,441,354

Debt securities include $804 (2016 - $1,836) that contain options to convert to common shares of the issuer.

Corporate debt securities include $28,496 (2016 - $29,693) in bonds issued by an associated company.

Equity securities include $166,899 (2016 - $146,708) in mutual funds managed by the Group.

Amounts expressed in US$000

9.2 Pledged assets

Debt and equity securities include $140,418 (2016 - $275,250) 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 $6,520 (2016 - $5,982), and mortgages and mortgage backed securities having a total market value of $155,636 (2016 - $139,630).

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. As of December 31, 2017, these pledged assets totalled $514,674 (2016 - $328,062). Of these assets pledged as security, $513,468 (2016 – $326,884) represents collateral for securities sold under agreements to repurchase in instances when the transferee has the right by contract or by custom to sell or re-pledge the collateral.

9.3 Returns accruing to the benefit of contract-holders

Financial investments include the following amounts for which the full income and capital returns accrue to the holders of unit linked policy and deposit administration contracts.

	2017	2016
Debt securities	143,167	133,862
Equity securities	154,775	123,524
Mortgage loans	45,381	40,271
	343,323	297,657

9.4 Reclassification of financial investments

In 2008, the Group reclassified certain securities from the available for sale classification to the loans and receivables classification. The assets reclassified were primarily:

- Government of Jamaica debt securities with a maturity date of 2018 and after, which are held to back long-term insurance liabilities; and
- Non-agency collateralised mortgage obligations in the USA.

The reclassifications were made because the markets for these securities were considered by management to have become inactive.

The following disclosures are in respect of these reclassified assets.

	2017		2016	
	Carrying value	Fair value	Carrying value	Fair value
Government debt securities maturing after September 2018	26,344	35,367	27,591	35,879
Other debt securities	922	1,239	1,624	2,217
	27,266	36,606	29,215	38,096

	2017	2016
Cumulative net fair value gain, beginning of year	5,090	4,263
Net fair value gains	3,245	1,887
Disposals	(778)	(971)
Effect of exchange rate changes	84	(89)
Cumulative net fair value gain, end of year	7,641	5,090

Amounts expressed in US$000

9.4 Reclassification of financial investments (continued)

The net fair value gain or loss approximates the fair value gain or loss that would have been recorded in total comprehensive income had the reclassification not been made. The disposal amount represents the net gain/loss that would have been reclassified from other comprehensive income to income on disposal.

10 REINSURANCE ASSETS

	2017	2016
Reinsurers' share of:		
Actuarial liabilities (note 13.1)	736,547	713,252
Policy benefits payable (note 14.2)	41,571	35,994
Provision for unearned premiums (note 14.3)	11,561	21,775
Other items	7,712	6,323
	797,391	777,344

The provision for unearned premiums and other items are expected to mature within one year of the financial statements date.

11 INCOME TAX ASSETS

	2017	2016
Deferred income tax assets (note 33)	20,477	36,279
Income and withholding taxes recoverable	19,503	23,296
	39,980	59,575

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

12 MISCELLANEOUS ASSETS AND RECEIVABLES

	2017	2016
Net defined benefit assets (note 31)	6,059	1,333
Real estate developed or held for resale (ii)	12,986	10,162
Prepaid and deferred expenses (ii)	22,885	21,047
Premiums receivable	53,446	46,530
Legal claim (iii)	70,946	52,720
Other assets and accounts receivable (i)	62,221	51,226
	228,543	183,018

(i) Other assets and accounts receivables include $7,892 (2016 - $9,880) due from managed funds.

(ii) Real estate developed for resale includes $7,291 (2016 - $7,878) which is expected to be realised within one year of the financial statements date. Prepaid and deferred expenses are also expected to be realised within one year of the financial statements date.

(iii) On March 17, 2014 the Supreme Court of Jamaica granted judgement in favour of a claimant in a case brought against Sagicor Bank Jamaica Limited (formerly RBC Royal Bank Jamaica Limited).

This claim pre-dated the acquisition of the Bank by Sagicor Group Jamaica Limited, and also pre dated the acquisition of control of the Bank by RBTT from Finsac Limited ("Finsac") in 2001.

By virtue of the Share Sale Agreement entered into 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.

The decision of the Supreme Court was appealed and is pending as at December 31, 2017. The amount previously awarded to the Claimant has been recorded as receivable from Finsac/Government of Jamaica and correspondingly payable to the claimant with accrued interest. (note 20)

During 2017, interest was accrued on this liability and resulted in an increase in the amount outstanding to $70.9 million.

Amounts expressed in US$000

13 ACTUARIAL LIABILITIES

13.1 Analysis of actuarial liabilities

	Gross liability		Reinsurers' share	
	2017	2016	2017	2016
Contracts issued to individuals:				
Life insurance - participating policies	238,695	238,604	51	51
Life insurance and annuity - non-participating policies	1,971,894	1,889,653	719,494	694,882
Health insurance	13,189	13,926	433	438
Unit linked funds	219,533	177,454	-	-
Reinsurance contracts held	30,121	28,894	-	-
	2,473,432	2,348,531	719,978	695,371
Contracts issued to groups:				
Life insurance	32,057	30,404	79	118
Annuities	411,259	362,980	16,418	17,660
Health insurance	34,072	34,447	72	103
	477,388	427,831	16,569	17,881
Total actuarial liabilities	2,950,820	2,776,362	736,547	713,252

The following notes are in respect of the foregoing table:

- Life insurance includes coverage for disability and critical illness.
- Actuarial liabilities include $83,277 (2016 - $83,238) 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	
	2017	2016	2017	2016
Balance, beginning of year	2,776,362	2,632,387	713,252	601,597
Changes in actuarial liabilities:				
Recorded in income (note 27)	145,656	156,983	23,329	111,731
Recorded in other comprehensive income	19,213	23,769	-	-
Other movements	(227)	1	2	(62)
Effect of exchange rate changes	9,816	(36,778)	(36)	(14)
Balance, end of year	2,950,820	2,776,362	736,547	713,252
Analysis of changes in actuarial liabilities				
Arising from increments and decrements of inforce policies and from the issuance of new policies	171,398	206,505	18,089	105,642
Arising from changes in assumptions for mortality, lapse, expenses, investment yields and asset default	(39,899)	(7,311)	-	-
Other changes:				
Actuarial modelling, refinements, improvements and corrections	1,917	(12,915)	-	-
Other items	31,453	(5,527)	5,240	6,089
Total	164,869	180,752	23,329	111,731

Amounts expressed in US$000

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 taking into account 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 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	2017	2016
Barbados	7.00%	6.75%
Jamaica	6.0%	5.0%
Trinidad & Tobago	5.0%	5.0%
Other Caribbean	4.5% - 7.00%	4.5% - 6.75%
USA	0.85% - 3.65%	0.85% - 3.65%

(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.

Amounts expressed in US$000

13.3 Assumptions – life insurance and annuity contracts (continued)

(f) Asset defaults

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

(g) Margins for adverse deviations

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

Provisions for adverse deviations	2017	2016
Mortality and morbidity	96,090	89,986
Lapse	69,365	63,855
Investment yields and asset default	68,930	69,109
Operating expenses and taxes	10,807	11,136
Other	10,765	10,486
	255,957	244,572

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 material claim settlements are anticipated after one year from the date of the financial statements.

Amounts expressed in US$000

14 OTHER INSURANCE LIABILITIES

14.1 Analysis of other insurance liabilities

	2017	2016
Dividends on deposit and other policy balances	63,744	65,719
Policy benefits payable	127,801	107,219
Provision for unearned premiums	32,614	34,184
	224,159	207,122

14.2 Policy benefits payable

	Gross liability		Reinsurers' share	
	2017	2016	2017	2016
Analysis of policy benefits payable:				
Life insurance and annuity benefits	86,562	79,445	22,809	22,084
Health claims	4,280	4,284	2,122	1,686
Property and casualty claims	36,959	23,490	16,640	12,224
	127,801	107,219	41,571	35,994

14.2 Policy benefits payable (continued)

	Gross liability		Reinsurers' share	
	2017	2016	2017	2016
Movement for the year:				
Balance, beginning of year	107,219	105,910	35,994	37,816
Policy benefits incurred	581,238	541,502	101,671	93,314
Policy benefits paid	(559,981)	(538,459)	(94,673)	(94,898)
Effect of exchange rate changes	(675)	(1,734)	(1,421)	(238)
Balance, end of year	127,801	107,219	41,571	35,994

14.3 Provision for unearned premiums

	Gross liability		Reinsurers' share	
	2017	2016	2017	2016
Analysis of the provision:				
Property and casualty insurance	32,177	33,777	11,561	21,775
Health insurance	437	407	-	-
	32,614	34,184	11,561	21,775

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

Amounts expressed in US$000

14.3 Provision for unearned premiums (continued)

	Gross liability		Reinsurers' share	
	2017	2016	2017	2016
Movement for the year:				
Balance, beginning of year	34,184	33,710	21,775	21,356
Premiums written	74,305	75,004	29,676	48,939
Premium revenue	(74,619)	(74,434)	(38,388)	(48,463)
Effect of exchange rate changes	(1,256)	(96)	(1,502)	(57)
Balance, end of year	32,614	34,184	11,561	21,775

15 INVESTMENT CONTRACT LIABILITIES

	2017		2016	
	Carrying value	Fair value	Carrying value	Fair value
At amortised cost:				
Deposit administration liabilities	121,483	121,483	128,345	128,345
Other investment contracts	117,782	119,915	118,563	121,051
	239,265	241,398	246,908	249,396
At fair value through income:				
Unit linked deposit administration liabilities	139,753	139,753	130,668	130,668
	379,018	381,151	377,576	380,064

16 NOTES AND LOANS PAYABLE

	2017		2016	
	Carrying value	Fair value	Carrying value	Fair value
8.875% senior notes due 2022	317,028	364,131	315,383	364,095
8.25% convertible redeemable preference shares due 2020 (b)	11,310	11,887	-	-
7.75% convertible redeemable preference shares due 2018 (b)	5,181	5,433	-	-
4.85% / 5.0% notes due 2019 (a)	74,929	76,199	74,825	75,491
Bank loans & other funding instruments	5,357	5,357	5,005	5,005
	413,805	463,007	395,213	444,591

(a) On March 22, 2016, the Company repaid, before maturity, the $43,386 eighteen month 4.6% notes. On March 21, 2016, the Company issued fourteen month notes with a par value of $75 million which were repayable in 2017 and carried a 5.0% annual rate of interest. Effective December 20, 2016, the notes were extended at an annual rate of interest of 4.85% with a maturity date of August 14, 2019. Financial covenants in respect of these notes are summarised in Note 46.3 (b).

(b) On March 2, 2017, Sagicor Bank Jamaica Limited issued:

i. Cumulative redeemable preference shares with a tenor of three (3) years at 8.25% interest per annum.

ii. Cumulative redeemable preference shares with a tenor of eighteen (18) months at 7.75% interest per annum.

Amounts expressed in US$000

17 DEPOSIT AND SECURITY LIABILITIES

	2017		2016-	
	Carrying value	Fair value	Carrying value	Fair value
At amortised cost:				
Other funding instruments	279,874	284,980	349,514	346,216
Customer deposits	750,948	749,834	915,155	915,419
Securities sold for re-purchase	476,034	473,771	320,574	320,574
Bank overdrafts	2,568	2,568	1,939	1,939
	1,509,424	1,511,153	1,587,182	1,584,148
At fair value through income:				
Structured products	47,576	47,576	34,779	34,779
Derivative financial instruments (note 41.6)	2,232	2,232	1,364	1,364
	49,808	49,808	36,143	36,143
	1,559,232	1,560,961	1,623,325	1,620,291

Other funding instruments consist of loans from banks and other financial institutions and include balances of $148,583 (2016 - $134,321) due to the Federal Home Loan Bank of Dallas (FHLB). The Group participates in the FHLB program in which funds received from the Bank are invested in mortgages and mortgage backed securities.

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

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

18 PROVISIONS

	2017	2016
Net defined benefit liabilities (note 31)	77,110	101,235
Cash settled share based payment liabilities[1]	2,823	-
Other provisions	94	57
	80,027	101,292

(1) As of March 31, 2017, certain options are recorded using the cash-settled method of accounting. This resulted in a transfer of $4,873 from reserves to provisions at that date.

Amounts expressed in US$000

19 INCOME TAX LIABILITIES

	2017	2016
Deferred income tax liabilities (note 33)	25,092	36,238
Income taxes payable	3,185	14,403
	28,277	50,641

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

20 ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2017	2016
Amounts due to policyholders	22,385	20,525
Amounts due to reinsurers	22,590	17,179
Legal claim (i)	70,946	52,720
Other accounts payable and accrued liabilities	131,055	114,551
	246,976	204,975

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

By virtue of the Share Sale Agreement entered into 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.The decision of the Supreme Court was appealed and is pending as at December 31, 2017. The amount previously awarded to the Claimant has been recorded as payable to the claimant with accrued interest and correspondingly receivable from Finsac/Government of Jamaica (note 12).

Amounts expressed in US$000

21 COMMON AND PREFERENCE SHARES

The Company is authorised to issue:
- 650,000,000 common shares,
- 320,000,000 convertible redeemable preference shares.

In each case the shares have a par value of US$0.01.

21.1 Common shares

	2017				2016			
	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	304,494	3,045	299,111	302,156	304,494	302,156	-	302,156
Redomiciliation adjustment[(1)]	-	-	-	-	-	(299,111)	299,111	-
Allotments arising from LTI	2,062	21	2,021	2,042	-	-	-	-
Balance, end of year	306,556	3,066	301,132	304,198	304,494	3,045	299,111	302,156
Treasury shares:								
Shares held for LTI and ESOP, end of year (note 30.1)	(673)	(7)	(662)	(669)	(1,646)	(16)	(2,061)	(2,077)
Total	305,883	3,059	300,470	303,529	302,848	3,029	297,050	300,079

The common shares are listed on the Barbados, Trinidad & Tobago and London stock exchanges.

[(1)]The redomiciliation adjustment includes $2,815 in share premium relating to treasury shares.

21.2 Convertible redeemable preference shares

On July 18, 2016, the Company redeemed the 120,000,000 convertible redeemable preference shares which were originally issued on July 18, 2011 with the following features:
- Issue price of US $1.00 or Barbados $2.00 per share;
- Annual dividend rate of 6.5%, dividends to be declared by the Company's directors and payable half yearly on May 15 and November 15;
- Convertible into common shares at a ratio of 1.98 preference shares to 1.00 common shares, conversion to be at the option of the shareholder and exercisable on May 16 or November 16 in any year prior to the redemption date;

Amounts expressed in US$000

21.2 Convertible redeemable preference shares (continued)

The preference shares were accounted for as a compound financial instrument and were initially recognised in the statement of financial position as a financial liability (note 16) and also as equity (note 22). The preference shares were listed on the Barbados and Trinidad & Tobago stock exchanges.

21.3 Dividends

The dividends declared and paid during the year in respect of the Company's convertible redeemable preference shares and common shares are set out in the following table.

	2017		2016	
	Per share	Total	Per share	Total
Dividends declared and paid:				
Preference shares	-	-	4.38 ¢	5,256
Common shares	5.0¢	15,216	4.5 ¢	13,624
		15,216		18,880

The dividends declared after the date of the financial statements in respect of the Company's convertible redeemable preference shares and common shares are set out in the following table.

	2017		2016	
	Per share	Total	Per share	Total
Dividends proposed:				
Common shares - final for current year	2.5 ¢	7,664	2.5 ¢	7,612
		7,664		7,612

21.4 Restrictions on common share dividends

The Company's Constitutive documents include the following limitations on the payment of common share dividends.

(i) For any 6 month period that the convertible redeemable preference shares are not paid, dividends on common shares shall be suspended for that period plus the next 6 month period, and the Company shall not repurchase any of its common shares, except when pursuant to the LTI plan and ESOP. The preference shares were redeemed on July 18, 2016.

(ii) The Company shall not pay any dividends on its common shares, in respect of the 2011 financial year or thereafter, or repurchase any of its common shares, other than a repurchase pursuant to the LTI plan and ESOP, if the cumulative amount of such dividends and repurchases after July 31, 2011 would exceed 50% of the cumulative amount of Group net income from January 1, 2011. This requirement was repealed on June 16, 2017.

Amounts expressed in US$000

22 RESERVES

	<<<<<< Fair value reserves >>>>>>			Currency translation reserves	Preference share reserves	Other reserves	Total reserves
	Owner occupied property	Available for sale assets	Actuarial liabilities				
2017							
Balance, beginning of year	27,184	(6,111)	(6,735)	(114,480)	-	35,347	(64,795)
Other comprehensive income from continuing operations allocated to reserves	(2,132)	35,458	(16,544)	4,650	-	-	21,432
Transactions with holders of equity instruments:							
Allocated to reserve for equity compensation benefits	-	-	-	-	-	5,039	5,039
Eliminated from reserve for equity compensation benefits	-	-	-	-	-	(11,309)	(11,309)
Transfers to retained earnings and other movements	101	390	-	-	-	1,660	2,151
Balance, end of year	25,153	29,737	(23,279)	(109,733)	-	30,737	(47,482)
2016							
Balance, beginning of year	25,047	(33,305)	8,773	(96,339)	4,219	31,917	(59,688)
Other comprehensive income from continuing operations allocated to reserves	2,137	27,194	(15,509)	(18,141)	-	-	(4,319)
Transactions with holders of equity instruments:							
Allocated to reserve for equity compensation benefits	-	-	-	-	-	5,280	5,280
Eliminated from reserve for equity compensation benefits	-	-	-	-	-	(3,148)	(3,148)
Transfers to retained earnings and other movements	-	-	1	-	(4,219)	1,298	(2,920)
Balance, end of year	27,184	(6,111)	(6,735)	(114,480)	-	35,347	(64,795)

Other reserves comprise reserves for equity compensation benefits of $10,282 (2016 - $16,552) and statutory reserves of $20,455 (2016 - $18,795).

Amounts expressed in US$000

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	
	2017	2016	2017	2016
Movement for the year:				
Balance, beginning of year	(1,281)	(607)	2,572	1,990
Total comprehensive income / (loss)	(266)	(677)	56	809
Return of transfer to support profit distribution, to shareholders	-	3	(216)	(227)
Balance, end of year	(1,547)	(1,281)	2,412	2,572
Financial statement amounts:				
Assets	80,559	82,306	196,995	196,999
Liabilities	82,106	83,587	194,583	194,427
Revenues	7,129	7,557	23,552	22,261
Benefits	6,786	7,669	22,303	18,917
Expenses	414	428	1,474	1,630
Income taxes	131	187	617	877

The Group has the ability to reduce future policy bonuses and dividends in order to eliminate a deficit in a participating account.

24 PREMIUM REVENUE

	Gross premium		Ceded to reinsurers	
	2017	2016	2017	2016
Life insurance	419,085	388,287	29,833	30,876
Annuity	257,940	225,204	79,567	86,490
Health insurance	154,015	153,666	4,934	4,077
Property and casualty insurance	67,314	66,761	38,388	48,519
	898,354	833,918	152,722	169,962

Amounts expressed in US$000

25 NET INVESTMENT INCOME

	2017	2016
Investment income:		
Interest income	294,741	292,868
Dividend income	3,790	3,088
Rental income from investment property	3,865	3,816
Net investment gains	78,415	62,136
Share of operating income of associates and joint venture	9,849	5,425
Other investment income	300	(57)
	390,960	367,276
Investment expenses:		
Allowances for impairment losses	8,361	9,621
Direct operating expenses of investment property	1,964	2,107
Other direct investment expenses	1,399	2,196
	11,724	13,924
Net investment income	379,236	353,352

The Group operates across both active and inactive financial markets. The financial investments placed in both types of market support the insurance and operating financial liabilities of the Group. Because the type of financial market is incidental and not by choice, the Group manages its financial investments by the type of financial instrument (i.e. debt securities, equity securities, mortgage loans etc). Therefore, the income from financial instruments is presented consistently with management practice, rather than by accounting classification.

The capital and income returns of most investments designated at fair value through income accrue to the holders of unit linked policy and deposit administration contracts which do not affect the net income of the Group.

25 NET INVESTMENT INCOME (continued)

Further details of interest income and investment gains are set out in the following table.

	2017	2016
Interest income:		
Debt securities	204,037	205,068
Mortgage loans	18,675	19,908
Policy loans	9,678	9,053
Finance loans and finance leases	58,686	56,166
Securities purchased for re-sale	542	584
Deposits	2,865	1,902
Other balances	258	187
	294,741	292,868
Net investment gains / (losses):		
Debt securities	28,741	37,341
Equity securities	27,939	15,982
Investment property	74	1,847
Other financial instruments	21,661	6,966
	78,415	62,136

Amounts expressed in US$000

26 FEES AND OTHER REVENUE

	2017	2016
Fee income – assets under administration	29,179	25,470
Fee income – deposit administration and policy funds	2,000	1,739
Commission income on insurance and reinsurance contracts	9,530	29,375
Other fees and commission income	33,558	28,288
Foreign exchange (losses) / gains	(4,178)	12,564
Other operating and miscellaneous income	23,651	19,403
	93,740	116,839

27 POLICY BENEFITS AND CHANGE IN ACTUARIAL LIABILITIES

	Gross benefit		Ceded to reinsurers	
	2017	2016	2017	2016
Life insurance benefits	215,472	199,946	13,976	16,966
Annuity benefits	203,072	199,037	61,327	51,566
Health insurance claims	118,848	119,499	5,254	3,995
Property and casualty claims	37,603	17,708	10,953	10,004
Total policy benefits	574,995	536,190	91,510	82,531
Change in actuarial liabilities (note 13.2)	145,656	156,983	23,329	111,731
Total policy benefits and change in actuarial liabilities	720,651	693,173	114,839	194,262

28 INTEREST EXPENSE

	2017	2016
Insurance contracts	1,827	2,866
Investment contracts	15,796	16,833
Other funding instruments	6,514	6,981
Customer deposits	16,535	16,204
Securities sold for re-purchase	14,245	18,519
Other items	32	45
	54,949	61,448

The Group manages its interest-bearing obligations by the type of obligation (i.e. investment contracts, securities etc). Therefore, the interest expense is presented consistently with management practice, rather than by accounting classification.

The capital and income returns of most financial liabilities designated at fair value through income accrue directly from the capital and income returns of financial assets designated at fair value through income. Therefore, the related interest expense does not affect the net income of the Group.

29 EMPLOYEE COSTS

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

	2017	2016
Administrative staff salaries, directors' fees and short-term benefits	107,431	107,329
Social security and defined contribution retirement costs	9,553	9,125
Equity-settled compensation benefits (note 30.1 to 30.2)	10,302	5,365
Cash-settled compensation benefits (note 30.1)	(1,182)	-
Defined benefit expense (note 31 (b))	13,561	11,528
	139,665	133,347

30 EQUITY COMPENSATION BENEFITS

30.1 The Company

Effective December 31, 2005, the Company introduced a Long Term Incentive (LTI) plan for designated executives of the Sagicor Group and an Employee Share Ownership Plan (ESOP) for permanent administrative employees and sales agents of the Group. A total of 26,555,274 common shares of the Company (or 10% of shares then in issue) have been set aside for the purposes of the LTI plan and the ESOP.

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

(a) <u>LTI plan – restricted share grants</u>

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.

30.1 The Company (continued)

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

	2017		2016	
	Number of grants '000	Weighted average price	Number of grants '000	Weighted Average price
Balance, beginning of year	4,637	US$0.92	3,527	US$0.93
Grants issued	3,366	US$1.13	3,552	US$0.94
Grants vested	(3,054)	US$1.00	(1,854)	US$0.94
Grants lapsed/forfeited	(230)	US$0.96	(588)	US$1.05
Balance, end of year	4,719	US$1.02	4,637	US$0.92

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

	2017		2016	
	Number in 000's	$000	Number in 000's	$000
Balance, beginning of year	1	3	1	3
Shares acquired	170	203	-	-
Balance, end of year	171	206	1	3

During 2016 a cash settlement was made in lieu of share issue.

30.1 The Company (continued)

(b) LTI plan – share options

Share options have been granted to designated key management of the Group during the year. Up to 2008, options were granted at the fair market price of the Company shares at the time that the option was granted. From 2009, options are granted at the fair market price of the Company 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.

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

	2017		2016	
	Number of options '000	Weighted average exercise price	Number of options '000	Weighted average exercise price
Balance, beginning of year	19,800	US$1.30	16,397	US$1.48
Options granted	4,873	US$1.00	4,927	US$0.86
Options exercised	(4,555)	US$1.04	-	-
Options lapsed/forfeited	(1,431)	US$1.81	(1,524)	US$1.82
Balance, end of year	18,687	US$1.25	19,800	US$1.30
Exercisable at the end of the year	8,354	US$1.59	10,197	US$1.61
Share price at grant date	US $0.86 – 2.50		US $0.86 – 2.50	
Fair value of options at grant date	US$0.16 – 0.69		US$0.16 – 0.69	
Expected volatility	18.3% – 35.8%		19.3% – 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	4.8% - 6.8%		4.8% - 6.8%	

30.1 The Company (continued)

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

As disclosed in Note 18, share options which were previously settled in the Company's shares are now cash-settled.

(c) ESOP

From 2006, the Company approved awards under the ESOP in respect of permanent administrative employees and sales agents of the Company and certain subsidiaries. The ESOP is administered by Trustees under a discretionary trust. The amount awarded is used by the Trustees to acquire Company shares. Administrative employees and sales agents are required to serve a qualifying period of five years from the award date in order to qualify as a beneficiary. Shares are distributed to beneficiaries upon their retirement or termination of employment. During 2012, the rules were amended so that vesting will take place in four equal annual instalments commencing one year after the award. The change came into effect during 2013. The shares acquired by the Trustees during the year were as follows:

	2017		2016	
	Number in 000's	$000	Number in 000's	$000
Balance, beginning of year	1,645	2,074	2,125	2,833
Shares acquired	-	-	100	98
Shares distributed	(1,143)	(1,611)	(580)	(857)
Balance, end of year	502	463	1,645	2,074

Amounts expressed in US$000

30.2 Sagicor Group Jamaica Limited

(a) Long-term incentive plan

The Group 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 installments beginning the first December 31 following the grant date and for the next three December 31 dates thereafter (25% per year). Options are not exercisable after the expiration of 7 years from the date of grant. The number of stock options in each stock option award is calculated based on the LTI opportunity via stock options (percentage of applicable salary) divided by the Black-Scholes value of a stock option of Sagicor Group Jamaica Limited stock on 31 March of the measurement year. The exercise price of the options is the closing bid price on 31 March of the measurement year.

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

	2017		2016	
	Number of options '000	Weighted average exercise price	Number of options '000	Weighted average exercise price
Balance, beginning of year	44,945	J$8.83	53,644	J$8.63
Options granted	4,580	J$23.65	12,463	J$10.52
Options exercised	(24,872)	J$9.66	(18,924)	J$8.56
Options lapsed/forfeited	(2,772)	J$11.41	(2,238)	J$9.09
Balance, end of year	21,881	J$10.61	44,945	J$8.83
Exercisable at the end of the year	13,820	J$9.72	26,509	J$9.47

30.2 Sagicor Group Jamaica Limited (continued)

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

	2017	2016
Fair value of options outstanding	J$30,963,000	J$31,770,000
Share price at grant date	J$6.51 – 23.65	J$4.20 – 14.10
Exercise price	J$6.51 – 23.65	J$4.20 – 14.10
Standard deviation of expected share price returns	25.0%	26.0%
Remaining contractual term	0.25 - 7 years	0.25 - 7 years
Risk-free interest rate	8.70%	9.19%

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

(b) Employee share purchase plan

Sagicor Group Jamaica Limited has in place a share purchase plan which enables its administrative and sales staff to purchase shares at a discount. The proceeds from shares issued under this plan totalled $1,944 (2016 – $1,298).

Amounts expressed in US$000

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.

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 (d) of this note relate only to defined benefit plans.

31 EMPLOYEE RETIREMENT BENEFITS (continued)

(a) Amounts recognised in the statement of financial position

	2017	2016
Present value of funded pension obligations	249,357	239,330
Fair value of retirement plan assets	(257,893)	(214,502)
	(8,536)	24,828
Present value of unfunded pension obligations	51,656	45,975
Present value of unfunded medical and life benefits	27,931	29,099
Net liability	71,051	99,902
Represented by:		
Amounts held on deposit by the Group as deposit administration contracts	48,921	44,382
Other recognised liabilities	28,189	56,853
Total recognised liabilities (note 18)	77,110	101,235
Recognised assets (note 12)	(6,059)	(1,333)
Net liability	71,051	99,902

Pension plans have purchased annuities from insurers in the Group to pay benefits to plan retirees. These obligations are included in actuarial liabilities in the statement of financial position and are excluded from the table above.

Amounts expressed in US$000

31 EMPLOYEE RETIREMENT BENEFITS (continued)

(b) Movements in balances

	2017				2016			
	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	29,099	285,305	(214,502)	99,902	26,053	253,443	(192,612)	86,884
Current service cost	1,581	6,680	-	8,261	1,429	6,278	-	7,707
Interest expense / (income)	2,598	20,581	(17,879)	5,300	2,107	17,333	(15,366)	4,074
Past service cost and gains / losses on settlements	-	-	-	-	-	(253)	-	(253)
Net expense recognised in income	4,179	27,261	(17,879)	13,561	3,536	23,358	(15,366)	11,528
(Gains) / losses from changes in assumptions	7,002	8,885	(702)	15,185	(2,593)	(6,896)	314	(9,175)
(Gains) / losses from changes in experience	(12,479)	(21,032)	(14,928)	(48,439)	4,401	26,332	(7,537)	23,196
Return on plan assets excluding interest income	-	-	828	828	-	-	2,442	2,442
Net losses recognised in other comprehensive income	(5,477)	(12,147)	(14,802)	(32,426)	1,808	19,436	(4,781)	16,463
Contributions made by the Group	-	-	(9,971)	(9,971)	-	-	(12,219)	(12,219)
Contributions made by employees and retirees	-	6,252	(5,765)	487	-	7,248	(5,373)	1,875
Benefits paid	(612)	(16,371)	14,896	(2,087)	(547)	(12,805)	11,054	(2,298)
Other items	-	6,241	(5,279)	962	-	3,968	(3,658)	310
Effect of exchange rate movements	742	4,472	(4,591)	623	(1,751)	(9,343)	8,453	(2,641)
Other movements	130	594	(10,710)	(9,986)	(2,298)	(10,932)	(1,743)	(14,973)
Net liability / (asset), end of year	27,931	301,013	(257,893)	71,051	29,099	285,305	(214,502)	99,902

Amounts expressed in US$000

31 EMPLOYEE RETIREMENT BENEFITS (continued)

(c) Retirement plan assets

	2017	2016
Equity unit linked pension funds under Group management:		
Sagicor Equity Fund (Barbados)	(37,407)	(32,103)
Sagicor Bonds Fund (Barbados)	(27,028)	(23,189)
Sagicor Pooled Investment Funds (Jamaica):		
Equity Funds	(56,240)	(35,820)
Mortgage & Real Estate Fund	(29,969)	(26,486)
Fixed Income Fund	(15,864)	(15,526)
Foreign Currency Funds	(23,576)	(18,185)
Money Market Fund	(2,347)	(2,258)
Other Funds	(15,697)	(17,307)
	(208,128)	(170,874)
Other assets	(49,765)	(43,628)
Total plan assets	(257,893)	(214,502)

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

31 EMPLOYEE RETIREMENT BENEFITS (continued)

(d) Significant actuarial assumptions

The significant actuarial assumptions for the principal geographic areas as of December 31, 2017 were as follows:

Pension plans	Barbados & Eastern Caribbean	Jamaica	Trinidad
Discount rate - local currency benefits	7.75%	8.00%	5.00%
Discount rate - US$ indexed benefits	n/a	5.00%	n/a
Expected return on plan assets	7.75%	8.00%	5.00%
Future promotional salary increases	0.00% – 2.50%	7.50%	0.00%
Future inflationary salary increases	2.00%	5.00%	2.00%
Future pension increases	2.00%	1.00%	0.00%
Future increases in National Insurance Scheme Ceilings	3.50%	n/a	0.00%
Mortality table	UP94 with projection scale AA	GAM1994 with 5 year improvement	UP94 with projection scale AA
Termination of active members	3% - 8.40% up to age 30, reducing to 1 - 2.1% at age 50, 0% at age 51	2% - 5.8% up to age 30, reducing 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

Amounts expressed in US$000

31 EMPLOYEE RETIREMENT BENEFITS (continued)

Group medical and life plans	Jamaica
Long term increase in health costs	7.00%

(e) Sensitivity of actuarial assumptions

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

	Barbados & Eastern Caribbean	Jamaica	Trinidad
Base pension obligation	80,615	167,810	14,266
Change in absolute assumption	**Increase / (decrease) in pension obligations**		
Decrease discount rate by 1.0%	7,761	10,061	1,421
Increase discount rate by 1.0%	(5,635)	(7,672)	(1,046)
Decrease salary growth rate by 0.5%	(446)	(2,957)	(265)
Increase salary growth rate by 0.5%	809	3,403	297
Increase average life expectancy by 1 year	1,511	795	399
Decrease average life expectancy by 1 year	(1,946)	(811)	(162)

31 EMPLOYEE RETIREMENT BENEFITS (continued)

(e) Sensitivity of actuarial assumptions

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

	Jamaica
Base medical and life obligation	27,931
Change in absolute assumption	**Increase / (decrease) in medical and life obligations**
Decrease discount rate by 1.0%	6,553
Increase discount rate by 1.0%	(4,927)
Decrease salary growth rate by 0.5%	(239)
Increase salary growth rate by 0.5%	283
Increase average life expectancy by 1 year	913
Decrease average life expectancy by 1 year	(910)

(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 as the recommendations are made.

For the 2018 financial year, the total Group contributions to its defined benefits pension plans are estimated at $13,636.

Amounts expressed in US$000

32 INCOME TAXES

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

	2017	2016
Income tax expense:		
Current tax		
Current tax on profits for the year	32,112	34,872
Adjustments to current tax of prior periods	152	232
Total current tax expense	32,264	35,104
Deferred tax		
Decrease/(increase) in deferred tax assets	523	498
(Decrease)/increase in deferred tax liabilities	(14,401)	5,696
Total deferred tax expense	(13,878)	6,194
Share of tax of associated companies	191	402
	18,577	41,700

32 INCOME TAXES (continued)

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

	2017	2016
Income before income tax expense	123,746	149,597
Taxation at the applicable rates on income subject to tax	42,071	46,090
Adjustments to current tax for items not subject to / allowed for tax	(24,962)	(23,996)
Other current tax adjustments	32	(221)
Adjustments for current tax of prior periods	152	232
Movement in unrecognised deferred tax asset	11,091	13,926
Deferred tax relating to the origination of temporary differences	(91)	(18)
Deferred tax relating to changes in tax rates or new taxes	(14,584)	(35)
Deferred tax that arises from the write down / (reversal of a write down) of a tax asset	(86)	296
Tax on distribution of profits from policyholder funds	1,666	670
Other taxes	3,288	4,756
	18,577	41,700

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

Amounts expressed in US$000

33 DEFERRED INCOME TAXES

	2017	2016
Analysis of deferred income tax assets:		
Defined benefit liabilities	7,100	13,581
Unrealised losses on financial investments	(574)	6,918
Unused tax losses	13,541	14,993
Other items	410	787
Total deferred income tax assets (note 11)	20,477	36,279
Deferred income tax assets to be recovered within one year	2,516	3,230
Unrecognised tax losses	302,051	265,699
Potential deferred income tax assets	75,517	66,428
Expiry period for unrecognised tax losses:		
2017	-	19,635
2018	23,551	24,888
2019	27,571	28,153
2020	24,863	25,540
2021	20,165	19,399
2022	37,441	37,007
2023	30,579	29,577
2024	33,727	33,586
2025	49,116	47,914
After 2025	55,038	-
	302,051	265,699

Amounts expressed in US$000

33 DEFERRED INCOME TAXES (continued)

Deferred income tax assets movements:	Defined benefit liabilities	Unrealised losses on financial investments	Unused tax losses	Other items	Total
2017					
Balance, beginning of year as previously reported	13,581	6,918	14,993	787	36,279
(Charged)/credited to:					
Profit or Loss	1,769	(268)	(1,746)	(278)	(523)
Other comprehensive income	(8,426)	(7,203)	(31)	(110)	(15,770)
Effects of exchange rate changes	176	(21)	325	11	491
Balance, end of year	7,100	(574)	13,541	410	20,477
2016					
Balance, beginning of year as previously reported	11,031	12,406	21,870	(4,284)	41,023
(Charged)/credited to:					
Profit or Loss	689	297	(5,756)	4,272	(498)
Other comprehensive income	2,608	(5,141)	-	687	(1,846)
Effects of exchange rate changes	(747)	(644)	(1,121)	112	(2,400)
Balance, end of year	13,581	6,918	14,993	787	36,279

Amounts expressed in US$000

33 DEFERRED INCOME TAXES (continued)

Analysis of deferred income tax liability:

	2017	2016
Accelerated tax depreciation	1,666	1,640
Policy liabilities taxable in the future	33,464	62,738
Defined benefit assets	334	343
Accrued interest	1,111	1,000
Unrealised gains on financial investments	15,323	6,398
Off-settable tax assets in respect of unused tax losses and other items	(27,205)	(36,280)
Total other items	399	399
Total (note 19)	25,092	36,238
Deferred income tax liabilities to be settled within one year	6,680	8,035

Amounts expressed in US$000

33 DEFERRED INCOME TAXES (continued)

Deferred income tax liabilities movements:	Accelerated tax depreciation	Policy liabilities taxable in the future	Defined benefit assets	Accrued interest	Unrealised gains on financial investments	Off-settable tax assets in respect of unused tax losses and other items	Other Items	Total
2017								
Balance, beginning of year as previously reported	1,640	62,738	343	1,000	6,398	(36,280)	399	36,238
Charged/(credited) to:								
Profit or Loss	26	(23,536)	(65)	109	(10)	9,075	-	(14,401)
Other comprehensive income	-	(5,738)	56	2	8,933	-	-	3,253
Effects of exchange rate changes	-	-	-	-	2	-	-	2
Balance, end of year	1,666	33,464	334	1,111	15,323	(27,205)	399	25,092
2016								
Balance, beginning of year as previously reported	1,806	58,377	133	944	(1,023)	(30,851)	399	29,785
Charged/(credited) to:								
Profit or Loss	(167)	11,034	189	75	(6)	(5,429)	-	5,696
Other comprehensive income	-	(6,679)	21	(8)	7,428	-	-	762
Effects of exchange rate changes	1	6	-	(11)	(1)	-	-	(5)
Balance, end of year	1,640	62,738	343	1,000	6,398	(36,280)	399	36,238

34 EARNINGS PER COMMON SHARE

The basic earnings per common share is computed by dividing earnings attributable to common shareholders by the weighted average number of shares in issue during the year, after deducting treasury shares. Earnings attributable to common shareholders recognise the impact on net income of the Company's convertible redeemable preference shares (note 21.2).

The table below derives the earnings attributable to common shareholders and the basic earnings per common share.

	2017	2016
Net income attributable to common shareholders	72,233	61,671
Finance costs attributable to preference share subscription	-	4,368
Amortisation of issue expenses allocated to preference share reserve	-	(149)
Preference share dividends declared	-	(5,256)
Earnings attributable to common shareholders	72,233	60,634
Weighted average number of shares in issue in thousands	304,732	303,572
Basic earnings per common share	23.7¢	20.0¢
Attributable to:		
Continuing operations	20.4¢	19.5¢
Discontinued operation	3.3¢	0.5¢

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 the convertible redeemable preference shares. In computing diluted earnings per share, the income attributable to common shareholders is adjusted by the dilutive impact of the convertible preference shares and the weighted average number of common shares is adjusted by the dilutive impacts of the aforementioned share grants, options and preference shares.

34 EARNINGS PER COMMON SHARE (continued)

The table below derives the adjusted earnings attributable to common shareholders, the adjusted weighted average number of common shares, and the fully diluted earnings per common share.

	2017	2016
Earnings attributable to common shareholders	72,233	60,634
Preference share dividends declared	-	5,256
Amortisation of issue expenses allocated to preference share reserve	-	149
Finance costs attributable to preference share subscription	-	(4,368)
Preference share liability finance cost	-	4,104
	72,233	65,775
Weighted average number of shares in issue in thousands	304,732	303,572
LTI restricted share grants	5,492	4,706
ESOP shares	2,395	2,103
Convertible redeemable preference shares	-	33,209
Adjusted weighted average number of shares in issue	312,619	343,590
Fully diluted earnings / (loss) per common share	23.1¢	19.1¢
Attributable to:		
Continuing operations	19.9¢	18.7¢
Discontinued operation	3.2¢	0.4¢

Amounts expressed in US$000

35 OTHER COMPREHENSIVE INCOME (OCI)

Schedule to OCI from continuing operations

	2017					2016				
		After tax OCI is attributable to					After tax OCI is attributable to			
	OCI tax impact	Shareholders	Participating policyholders	Non-controlling interests	Total	OCI tax impact	Shareholders	Participating policyholders	Non-controlling interests	Total
Items that may be reclassified subsequently to income:										
Available for sale assets:										
Gains / (losses) arising on revaluation	(16,004)	44,239	380	13,281	57,900	(11,058)	24,082	(1,292)	16,393	39,183
(Gains) / losses transferred to income	(141)	(8,781)	-	(3,478)	(12,259)	(1,491)	3,112	-	(437)	2,675
Net change in actuarial liabilities	5,738	(16,544)	456	2,613	(13,475)	6,679	(15,509)	1,293	(2,874)	(17,090)
Retranslation of foreign currency operations	-	4,650	(2)	5,073	9,721	-	(18,141)	21	(10,361)	(28,481)
	(10,407)	23,564	834	17,489	41,887	(5,870)	(6,456)	22	2,721	(3,713)
Items that will not be reclassified subsequently to income:										
Gains / (losses) arising on revaluation of owner-occupied property	(248)	(2,132)	-	373	(1,759)	(939)	2,137	-	3,008	5,145
Defined benefit gains / (losses)	(8,512)	12,586	-	11,328	23,914	2,588	(10,001)	-	(3,874)	(13,875)
Other items	-	-	-	-	-	-	(128)	-	-	(128)
	(8,760)	10,454	-	11,701	22,155	1,649	(7,992)	-	(866)	(8,858)
Total OCI movements	(19,167)	34,018	834	29,190	64,042	(4,221)	(14,448)	22	1,855	(12,571)
Allocated to equity reserves		21,432					(4,319)			
Allocated to retained earnings		12,586					(10,129)			
		34,018					(14,448)			

Amounts expressed in US$000

36 CASH FLOWS

36.1 Operating activities

	2017	2016
Adjustments for non-cash items, interest and dividends:		
Interest and dividend income	(298,531)	(295,956)
Net investment gains	(78,415)	(62,136)
Gain arising on disposal	(2,261)	-
Net increase in actuarial liabilities	122,327	45,252
Interest expense and finance costs	89,695	99,781
Depreciation and amortisation	21,871	21,283
Increase in provision for unearned premiums	8,644	59
Other items	26,152	3,619
	(110,518)	(188,098)
Net increase in investments and operating assets:		
Investment property	-	818
Debt securities	7,272	30,495
Equity securities	4,324	1,037
Mortgage loans	(11,538)	(1,989)
Policy loans	(4,386)	(6,115)
Finance loans and finance leases	(34,822)	(99,130)
Securities purchased for re-sale	13	1,913
Deposits	(93,917)	10,236
Other assets and receivables	(24,548)	(37,627)
	(157,602)	(100,362)

36.1 Operating activities (continued)

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

	2017	2016
Investment property:		
Disbursements	-	(7)
Disposal proceeds	-	825
	-	818
Debt securities:		
Disbursements	(1,789,622)	(1,931,861)
Disposal proceeds	1,796,894	1,962,356
	7,272	30,495
Equity securities:		
Disbursements	(36,335)	(118,139)
Disposal proceeds	40,659	119,176
	4,324	1,037
Net increase in operating liabilities:		
Insurance liabilities	13,544	6,486
Investment contract liabilities	(8)	20,012
Other funding instruments	(59,173)	(29,788)
Deposits	(169,229)	286,658
Securities sold for re-purchase	203,160	(200,610)
Other liabilities and payables	29,758	1,035
	18,052	83,793

Amounts expressed in US$000

36.2 Investing activities

	2017	2016
Property, plant and equipment:		
Purchases	(18,853)	(20,336)
Disposal proceeds	5,468	2,340
	(13,385)	(17,996)

36.3 Financing activities

	2017	2016
Other notes and loans payable:		
Proceeds	18,146	78,050
Repayments	(1,964)	(44,042)
	16,182	34,008

36.4 Cash and cash equivalents

	2017	2016
Cash resources	268,402	279,070
Call deposits and other liquid balances	72,515	110,652
Bank overdrafts	(2,568)	(1,939)
Other short-term borrowings	(12,623)	(75,677)
	325,726	312,106

37 SUBSIDIARY ACQUISITION AND OWNERSHIP CHANGES

In May 2017, the Group acquired an additional 74,100,770 shares in Sagicor Real Estate X Fund Limited, a 3.3% interest. In August 2017, a further 2,500,000 shares, 0.11% holdings, were obtained on settlement of an annuity contact. These acquisitions increased the Sagicor Group Jamaica Limited's holdings to 32.72%.

In October 2017, the Sagicor Group Jamaica Limited reduced its holdings in Sagicor Real Estate X Fund Limited by 3.41% to 29.31% when it sold 76,470,770 shares. This resulted in a $2,261 gain on disposal.

38 DISCONTINUED OPERATION

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

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

The terms of the sale required the Company 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.

Amounts expressed in US$000

38 DISCONTINUED OPERATION (continued)

As of December 31, 2017, the price adjustments have been estimated as outlined below:

	2017	2016
March 31, 2019	(10,110)	-
	(10,110)	-

After accounting for its status as a discontinued operation and for the details of the sale agreement the net gain recognised in the statement of income is set out below. The statement of comprehensive income is as follows:

Movement in Price Adjustments

	2017	2016
Balance payable, beginning of year	-	46,026
Payment made	-	(44,614)
Experience (gain) / loss	(10,110)	415
Net currency movements	-	(1,827)
(Receivable) / payable, end of year	(10,110)	-

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

38 DISCONTINUED OPERATION (continued)

The net gain / (loss) recognised in the statement of income and the statement of comprehensive income is as follows.

Statement of income	2017	2016
Currency translation gain	-	1,827
Other expenses	-	(884)
Movement in price adjustment	10,110	469
Net gain and total comprehensive gain	10,110	1,412

39 CONTINGENT LIABILITIES

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

	2017	2016
Customer guarantees and letters of credit [1]	31,235	22,513

[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.

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$8,928,500, 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.

CONTINGENT LIABILITIES (continued)

(a) Legal proceedings (continued)

(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$300,000,000. 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 favorable 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.

Amounts expressed in US$000

40 FAIR VALUE OF PROPERTY

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

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

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

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

The results of applying the fair value hierarchy to the Group's property as of December 31, 2017 are as follows:

	Level 1	Level 2	Level 3	Total
Investment property	-	-	80,816	80,816
Owner-occupied lands	-	-	35,232	35,232
Owner-occupied land and buildings	-	-	78,465	78,465
	-	-	194,513	194,513

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 property, reasonable changes in fair value would affect other comprehensive income. The following table represents the movements in Level 3 property for the current year.

	Investment property	Owner-occupied property		Total
		Lands	Land and buildings	
Balance, beginning of year	80,662	37,185	77,855	195,702
Additions	-	-	3,175	3,175
Transfers in / (out)	-	-	(1,696)	(1,696)
Fair value changes recorded in net investment income	74	-	-	74
Fair value changes recorded in other comprehensive income	-	(1,953)	(274)	(2,227)
Depreciation	-	-	(1,098)	(1,098)
Effect of exchange rate changes	80	-	503	583
Balance, end of year	80,816	35,232	78,465	194,513

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.

The amounts disclosed in this note and in notes 42 and 43, exclude amounts in the statement of financial position classified as liabilities of 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 primarily associated with financial investments and reinsurance contracts held.

Credit risk from financial investments is minimised through holding a diversified portfolio of investments, purchasing securities and advancing loans only after careful assessment of the borrower, obtaining collateral before advancing loans, and placing deposits with financial institutions with a strong capital base. Limits may be placed on the amount of risk accepted in relation to one borrower.

The Group has developed an internal credit rating standard. The internal rating is a 10 point scale which allows for distinctions in risk characteristics and is referenced to the rating scales of international credit rating agencies. The scale is set out in the following table.

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

41.1 Credit risk (continued)

The Group applies this rating scale to three categories of exposures:

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

The 3 default grades are used for lending portfolios while investment portfolios and reinsurance exposures use one default grade: 8.

The maximum exposures of the Group to credit risk without taking into account any collateral or any credit enhancements are set out in the following table.

	2017		2016	
	$000	%	$000	%
Investment portfolios	3,986,428	64.6	3,864,949	65.5
Lending portfolios	1,048,917	17.0	978,681	16.6
Reinsurance assets	785,830	12.7	755,569	12.8
Other financial assets	219,090	3.5	179,456	3.0
Total financial statement exposures	6,040,265	97.8	5,778,655	97.9
Loan commitments	78,985	1.3	82,088	1.4
Customer guarantees and letters of credit	31,235	0.5	22,513	0.4
Other	24,902	0.4	15,262	0.3
Total off financial statement exposures	135,122	2.2	119,863	2.1
Total	6,175,387	100.0%	5,898,518	100.0%

The amounts in respect of customer guarantees and letters of credit represent potential claims against customers in the event of a call on customer guarantees and letters of credit issued by the Group.

41.1 Credit risk (continued)

The Group's largest exposures to individual counterparty credit risks as of December 31, 2017 and 2016 are set out below. The individual ratings reflect the rating of the counterparty listed below, while the amounts include exposures with subsidiaries of the counterparty.

	Sagicor Risk Rating	2017	Sagicor Risk Rating	2016
Investment portfolios:				
Government of Jamaica	5	861,252	5	804,051
Government of Trinidad and Tobago	3	265,174	2	226,094
Government of Barbados	6	280,407	5	303,973
The Bank of Nova Scotia	2	56,357	2	29,457
Government of St Lucia	5	71,617	3	80,965
The Federal National Mortgage Association	1	106,882	1	106,341
The Federal Home Loan Mortgage Corporation	1	61,574	1	63,664
Lending portfolios:				
Value Assets International S.A. and Egret Limited	4	29,085	4	28,704
Reinsurance assets:				
Guggenheim Partners(1)	3	531,310	3	585,561

(1)The reinsurance asset held in the name of Guggenheim Partners are secured by assets held in trust totalling $574,135 (2016 - $596,785).

41.1 Credit risk (continued)

(a) Investment portfolios

The results of the risk rating of investment portfolios are as follows:

Investment portfolios					
Risk Rating	Classification	2017		2016	
		Exposure $000	Exposure %	Exposure $000	Exposure %
1	Minimal risk	329,099	8%	337,503	9%
2	Low risk	459,919	12%	657,285	17%
3	Moderate risk	1,445,870	36%	1,018,985	26%
4	Acceptable risk	172,175	4%	250,267	6%
5	Average risk	1,242,095	31%	1,497,421	39%
6	Higher risk	298,546	8%	58,447	2%
7	Special mention	3,335	0%	15	0%
8	Substandard	485	0%	707	0%
TOTAL RATED EXPOSURES		3,951,524	99%	3,820,630	99%
UN-RATED EXPOSURES		34,904	1%	44,319	1%
TOTAL		3,986,428	100%	3,864,949	100%

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.

41.1 Credit risk (continued)

(b) Lending portfolios

The results of the risk rating of lending portfolios are as follows:

Lending portfolios					
Risk Rating	Classification	2017		2016	
		Exposure $000	Exposure $000	Exposure $000	Exposure %
1	Minimal risk	514,455	49%	434,061	43%
2	Low risk	121,435	12%	142,469	15%
3	Moderate risk	267,220	25%	220,827	22%
4	Acceptable risk	57,670	5%	76,993	8%
5	Average risk	41,651	4%	35,200	4%
6	Higher risk	12,800	1%	25,338	3%
7	Special mention	11,307	1%	15,330	2%
8	Substandard	4,205	1%	8,703	1%
9	Doubtful	7,043	1%	7,532	1%
10	Loss	11,048	1%	12,154	1%
TOTAL RATED EXPOSURES		1,048,834	100%	978,607	100%
UN-RATED EXPOSURES		83	0%	74	0%
TOTAL		1,048,917	100%	978,681	100%

Amounts expressed in US$000

41.1 Credit risk (continued)

Exposure to credit risk is also managed in part by obtaining collateral and guarantees for lending portfolios. For mortgage loans, the collateral is real estate property, and the approved loan limit is 75% to 95% of collateral value. For finance loans and finance leases, the collateral often comprises a vehicle or other form of security and the approved loan / lease limit is 50% to 100% of the collateral value. Unsecured finance loans and finance leases are only granted when the initial amount is less than $4,900.

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.

Exposure to the lending portfolios by geographic area is as follows.

	2017	2016
Barbados	202,098	195,597
Jamaica	519,770	463,675
Trinidad & Tobago	154,660	145,409
Other Caribbean	106,805	113,301
USA	65,584	60,699
	1,048,917	978,681

(c) Past due and impaired financial assets

A financial asset is past due when a counterparty has failed to make payment when contractually due. The Group is most exposed to the risk of past due assets with respect to its debt securities, mortgage loans, finance loans and finance leases.

Debt securities are assessed for impairment when amounts are past due, when the borrower is experiencing cash flow difficulties, or when the borrower's credit rating has been downgraded.

41.1 Credit risk (continued)

Mortgage loans less than 90 to 180 days past due and finance loans and finance leases less than 90 to 180 days past due are not assessed for impairment unless other information is available to indicate the contrary.

The assessment for impairment includes a review of the collateral. If the past due period is less than the trigger for impairment review, the collateral is not normally reviewed and re-assessed. Accumulated allowances for impairment reflect the Group's assessment of total individually impaired assets at the date of the financial statements. The following tables set out the carrying values of debt securities, mortgage loans, finance loans and finance leases, analysed by past due or impairment status.

	Debt securities	Mortgage loans	Finance loans & leases
2017			
Neither past due nor impaired	3,490,549	291,123	521,860
Past due up to 3 months, but not impaired	7,010	23,255	34,195
Past due up to 12 months, but not impaired	-	3,487	1,598
Past due up to 5 years, but not impaired	-	4,005	-
Past due over 5 years, but not impaired	-	2,257	-
Total past due but not impaired	7,010	33,004	35,793
Impaired assets (net of impairment)	883	18,259	6,746
Total carrying value	3,498,442	342,386	564,399
Accumulated allowances on impaired assets	619	7,390	14,414
Accrued interest on impaired assets	8	392	-

Amounts expressed in US$000

41.1 Credit risk (continued)

	Debt securities	Mortgage loans	Finance loans & leases
2016			
Neither past due nor impaired	3,429,408	270,089	429,066
Past due up to 3 months, but not impaired	9,568	25,312	72,947
Past due up to 12 months, but not impaired	-	3,580	679
Past due up to 5 years, but not impaired	-	10,206	-
Past due over 5 years, but not impaired	-	3,051	-
Total past due but not impaired	9,568	42,149	73,626
Impaired assets (net of impairment)	2,378	19,528	6,283
Total carrying value	3,441,354	331,766	508,975
Accumulated allowances on impaired assets	4,944	7,624	10,795
Accrued interest on impaired assets	19	468	-

The Group is also exposed to impaired premiums receivable. Property and casualty insurers frequently provide settlement terms to customers and intermediaries which extend up to 3 months. However, under the terms of insurance contracts, insurers can usually lapse an insurance policy for non-payment of premium, or if there is a claim, recover any unpaid premiums from the claim proceeds.

(d) Repossessed assets

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

41.1 Credit risk (continued)

(e) 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.

41.2 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.

Investment property may be held to back insurance liabilities. As these assets are relatively illiquid, the insurers hold less than 5% of their total assets in investment property.

Amounts expressed in US$000

41.2 Liquidity risk (continued)

(a) Insurance liabilities

The Group's monetary insurance liabilities mature in periods which are summarised in the following table. Amounts are stated at their carrying values recognised in the financial statements and are analysed by their expected due periods, which have been estimated by actuarial or other statistical methods.

	Expected discounted cash flows			
	Maturing within 1 year	Maturing 1 to 5 years	Maturing after 5 years	Total
2017				
Actuarial liabilities	208,151	696,530	2,046,139	2,950,820
Other insurance liabilities	118,584	20,875	52,086	191,545
Total	326,735	717,405	2,098,225	3,142,365
2016				
Actuarial liabilities	224,827	678,161	1,873,374	2,776,362
Other insurance liabilities	104,860	15,297	52,781	172,938
Total	329,687	693,458	1,926,155	2,949,300

Amounts expressed in US$000

41.2 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.

	2017 - Contractual un-discounted cash flows				2016 - 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	320,760	53,878	11,154	385,792	354,549	18,819	10,702	384,070
Notes and loans payable	41,034	526,404	-	567,438	34,158	197,760	348,400	580,318
Deposit and security liabilities:								
Other funding instruments	222,353	64,701	17,959	305,013	335,928	15,752	12,033	363,713
Customer deposits	687,085	71,037	8,706	766,828	905,685	43,952	138	949,775
Structured products	35,009	15,356	-	50,365	19,391	15,388	-	34,779
Securities sold for re-purchase	477,940	-	-	477,940	325,495	717	-	326,212
Derivative financial instruments	2,008	224	-	2,232	355	1,010	-	1,365
Bank overdrafts	2,568	-	-	2,568	1,939	-	-	1,939
Accounts payable and accrued liabilities	173,720	91,742	1,000	266,462	151,436	53,436	2,447	207,319
Total financial liabilities	1,962,477	823,342	38,819	2,824,638	2,128,936	346,834	373,720	2,849,490
Off financial statement commitments:								
Loan commitments	76,192	981	1,812	78,985	82,088	-	-	82,088
Non-cancellable operating lease and rental payments	4,977	8,300	-	13,277	4,839	9,528	977	15,344
Capital commitments	17,765	-	-	17,765	7,500	-	-	7,500
Customer guarantees and letters of credit	17,831	1,846	11,558	31,235	15,476	2,454	4,583	22,513
Total off financial statements commitments	116,765	11,127	13,370	141,262	109,903	11,982	5,560	127,445
Total	2,079,242	834,469	52,189	2,965,900	2,238,839	358,816	379,280	2,976,935

Amounts expressed in US$000

41.2 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.

	2017 – Contractual or expected discounted cash flows				2016 – 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	402,939	536,581	2,558,922	3,498,442	471,274	622,930	2,347,690	3,441,894
Mortgage loans	16,521	31,886	293,979	342,386	15,883	39,082	276,801	331,766
Policy loans	3,495	14,127	124,510	142,132	5,010	21,085	111,845	137,940
Finance loans and finance leases	125,568	159,581	279,250	564,399	133,440	152,738	222,797	508,975
Securities purchased for re-sale	16,518	-	-	16,518	5,227	-	-	5,227
Deposits	103,248	6,086	2,070	111,404	137,860	159	1,279	139,298
Derivative financial instruments	32,253	224	-	32,477	27,970	1,010	-	28,980
Reinsurance assets: share of actuarial liabilities	95,109	284,649	356,789	736,547	96,222	285,264	331,766	713,252
Reinsurance assets: other	49,082	-	201	49,283	36,963	5,149	205	42,317
Premiums receivable	53,446	-	-	53,446	46,530	-	-	46,530
Other assets and accounts receivable	61,269	71,081	817	133,167	41,484	55,447	7,015	103,946
Cash resources	351,967	-	8,097	360,064	263,191	-	15,879	279,070
Total	1,311,415	1,104,215	3,624,635	6,040,265	1,281,054	1,182,864	3,315,277	5,779,195

41.3 Interest rate risk

The Group is exposed to interest rate risks. Cash flow interest rate risk is the risk that future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the fair value of a financial instrument will fluctuate because of changes in market interest rates. The occurrence of an adverse change in interest rates on invested assets may result in financial loss to the Group in fulfilling the contractual returns on insurance and financial liabilities.

The return on investments may be variable, fixed for a term or fixed to maturity. On reinvestment of a matured investment, the returns available on the new investment may be significantly different from the returns formerly achieved. This is known as reinvestment risk.

Guaranteed minimum returns exist within cash values of long term traditional insurance contracts, long term universal life insurance contracts, annuity options, deposit administration liabilities and policy funds on deposit. Where the returns credited exceed the guaranteed minima, the insurer usually has the option to adjust the return from period to period. For other financial liabilities, returns are usually contractual and may only be adjusted on contract renewal or contract re-pricing.

The Group is therefore exposed to the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. Interest margins may increase or decrease as a result of such changes. Interest rate changes may also result in losses if asset and liability cash flows are not closely matched with respect to timing and amount.

The Group is exposed to risk under embedded derivatives contained in a host insurance contract. These risks include exposures to investment returns which may produce losses to the insurer arising from the following contract features:

- minimum annuity rates which are guaranteed to be applied at some future date;
- minimum guaranteed death benefits which are applicable when the performance of an interest bearing or unit linked fund falls below expectations;
- minimum guaranteed returns in respect of cash values and universal life investment accounts.

41.3 Interest rate risk (continued)

The Group manages its interest rate risk by a number of 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.

Amounts expressed in US$000

41.3 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.

	2017					2016				
	Exposure within 1 year	Exposure 1 to 5 years	Exposure after 5 years	Not exposed to interest	Total	Exposure within 1 year	Exposure 1 to 5 years	Exposure after 5 years	Not exposed to interest	Total
Other insurance liabilities	7,920	4,756	52,086	126,783	191,545	31,706	4,705	52,781	83,746	172,938
Investment contract liabilities	319,503	50,194	9,321	-	379,018	352,503	15,984	9,089	-	377,576
Notes and loans payable	7,604	406,148	-	53	413,805	1,964	77,756	316,895	(1,402)	395,213
Deposit and security liabilities:										
Other funding instruments	211,648	49,773	18,043	410	279,874	342,292	1,565	5,184	473	349,514
Customer deposits	679,555	69,462	-	1,931	750,948	703,049	86,798	138	125,170	915,155
Structured products	40,578	6,670	-	328	47,576	19,318	15,289	-	172	34,779
Securities sold for re-purchase	474,579	-	-	1,455	476,034	318,685	697	-	1,192	320,574
Derivative financial instruments	-	-	-	2,232	2,232	-	-	-	1,364	1,364
Bank overdrafts	2,568	-	-	-	2,568	1,939	-	-	-	1,939
Accounts payable and accrued liabilities	1,917	70,946	-	174,113	246,976	5,217	52,721	-	147,037	204,975
Total	1,745,872	657,949	79,450	307,305	2,790,576	1,776,673	255,515	384,087	357,752	2,774,027

Amounts expressed in US$000

41.3 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.

	2017					2016				
	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	626,248	472,660	2,350,813	48,721	3,498,442	647,158	557,849	2,186,167	50,180	3,441,354
Equity securities	-	-	-	245,483	245,483	-	-	-	220,208	220,208
Mortgage loans	19,996	36,452	284,703	1,235	342,386	19,295	50,617	258,480	3,374	331,766
Policy loans	2,591	13,855	120,899	4,787	142,132	4,110	20,752	108,507	4,571	137,940
Finance loans and leases	486,854	37,773	38,191	1,581	564,399	463,487	24,520	20,391	577	508,975
Securities purchased for re-sale	16,435	-	-	83	16,518	5,178	-	-	49	5,227
Deposits	108,940	340	1,700	424	111,404	137,123	159	1,279	737	139,298
Derivative financial instruments	-	-	-	32,477	32,477	-	-	-	28,980	28,980
Reinsurance assets: other	47	-	200	49,036	49,283	1,043	-	205	41,069	42,317
Premiums receivable	184	-	-	53,262	53,446	2,302	-	-	44,228	46,530
Other assets and accounts receivable	4,172	71,170	-	57,825	133,167	3,632	53,044	-	47,270	103,946
Cash resources	270,267	-	-	89,797	360,064	221,380	-	-	57,690	279,070
Total	1,535,734	632,250	2,796,506	584,711	5,549,201	1,504,708	706,941	2,575,029	498,933	5,285,611

Amounts expressed in US$000

41.3 Interest rate risk (continued)

The table below summarises the average interest yields on financial assets and liabilities held during the year in respect of continuing operations.

	2017	2016
Financial assets:		
Debt securities	6.1%	6.2%
Mortgage loans	5.7%	6.1%
Policy loans	7.2%	6.9%
Finance loans and finance leases	11.6%	12.6%
Securities purchased for re-sale	5.1%	9.2%
Deposits	2.3%	1.0%
Financial liabilities:		
Investment contract liabilities	5.6%	6.1%
Notes and loans payable	9.5%	9.4%
Other funding instruments	2.1%	1.9%
Deposits	2.0%	2.1%
Securities sold for re-purchase	3.6%	4.5%

a) Sensitivity

Sensitivity to interest rate risk is considered by operating subsidiaries. The effects of changes in interest rates of assets backing actuarial liabilities are disclosed in note 43.4. The Group's property and casualty operations are not exposed to a significant degree of interest rate risk, since the majority of its interest bearing instruments has short-term maturities. The sensitivity of the Group's principal operating subsidiaries engaged in banking, investment management and other financial services are considered in the following paragraphs.

41.3 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 available-for-sale financial assets 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.

2017				2016			
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%	8,525	21,297	- 1%	- 0.5%	1,057	13,141
+1%	+ 0.5%	(8,856)	(19,691)	+2.5%	+ 2%	(3,690)	(46,516)

41.4 Foreign exchange risk

The Group is exposed to foreign exchange risk as a result of fluctuations in exchange rates since its financial assets and liabilities are denominated in a number of 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.

41.4 Foreign exchange risk (continued)

2017	US$ 000 equivalents of balances denominated in						
	Barbados $	Jamaica $	Trinidad $	Eastern Caribbean $	US $	Other Currencies	Total
ASSETS							
Financial investments[1]	444,488	942,730	430,696	140,655	2,598,363	150,826	4,707,758
Reinsurance assets	5,037	312	7,564	8,476	762,719	1,722	785,830
Receivables [1]	16,335	124,204	7,858	16,947	15,291	6,003	186,638
Cash resources	30,474	103,260	28,523	16,004	122,939	58,864	360,064
Total monetary assets	496,334	1,170,506	474,641	182,082	3,499,312	217,415	6,040,290
Other assets [2]	203,652	360,583	72,786	20,247	108,991	(2,017)	764,242
Total assets of continuing operations	699,986	1,531,089	547,427	202,329	3,608,303	215,398	6,804,532
LIABILITIES							
Actuarial liabilities	401,388	351,912	337,729	54,441	1,710,151	95,199	2,950,820
Other insurance liabilities[1]	69,223	23,065	30,411	19,796	38,595	10,455	191,545
Investment contracts	34,252	71,648	149,381	44,735	70,084	8,918	379,018
Notes and loans payable	-	16,491	-	-	397,314	-	413,805
Deposit and security liabilities	82,293	547,756	1,348	15,674	895,363	16,798	1,559,232
Provisions	29,424	28,364	12,894	710	1,814	6,821	80,027
Accounts payable and accruals	43,000	133,292	16,855	4,578	42,880	6,371	246,976
Total monetary liabilities	659,580	1,172,528	548,618	139,934	3,156,201	144,562	5,821,423
Other liabilities [2]	14,828	1,195	15,732	4,099	22,794	2,243	60,891
Total liabilities of continuing operations	674,408	1,173,723	564,350	144,033	3,178,995	146,805	5,882,314
Net position	25,578	357,366	(16,923)	58,296	429,308	68,593	922,218

[1] Monetary balances only
[2] Non-monetary balances, income tax balances and retirement plan assets

41.4 Foreign exchange risk (continued)

2016	US$ 000 equivalents of balances denominated in						
	Barbados $	Jamaica $	Trinidad $	Eastern Caribbean $	US $	Other Currencies	Total
ASSETS							
Financial investments[(1)]	452,914	817,968	384,175	148,864	2,619,819	169,800	4,593,540
Reinsurance assets	5,758	336	10,432	1,820	736,067	1,156	755,569
Receivables [(1)]	20,613	86,232	10,271	13,226	13,939	6,059	150,340
Cash resources	15,064	43,379	28,492	15,430	135,180	41,525	279,070
Total monetary assets	494,349	947,915	433,370	179,340	3,505,005	218,540	5,778,519
Other assets [(2)]	207,993	337,791	82,129	28,264	99,446	(2,222)	753,401
Total assets of continuing operations	702,342	1,285,706	515,499	207,604	3,604,451	216,318	6,531,920
LIABILITIES							
Actuarial liabilities	386,276	302,777	329,544	61,905	1,605,596	90,264	2,776,362
Other insurance liabilities[(1)]	65,787	20,504	27,874	10,105	37,273	11,395	172,938
Investment contracts	33,733	66,482	140,242	52,451	76,301	8,367	377,576
Notes and loans payable	-	-	-	-	395,213	-	395,213
Deposit and security liabilities	86,251	483,291	1,413	14,414	1,021,431	16,525	1,623,325
Provisions	31,160	48,198	12,487	844	1,784	6,819	101,292
Accounts payable and accruals	42,710	89,992	16,484	2,831	50,073	2,885	204,975
Total monetary liabilities	645,917	1,011,244	528,044	142,550	3,187,671	136,255	5,651,681
Other liabilities [(2)]	13,848	12,794	19,315	3,492	33,751	1,625	84,825
Total liabilities of continuing operations	659,765	1,024,038	547,359	146,042	3,221,422	137,880	5,736,506
Net position	42,577	261,668	(31,860)	61,562	383,029	78,438	795,414

[(1)] Monetary balances only

[(2)] Non-monetary balances, income tax balances and retirement plan assets

Amounts expressed in US$000

41.4 Foreign exchange risk (continued)

(a) Sensitivity

The Group is exposed to currency risk in its operating currencies whose values have noticeably fluctuated against the United States dollar (USD).

The exposure to currency risk may result in three types of risk, namely:

- Currency risk relating to the future cash flows of monetary balances

This occurs when a monetary balance is denominated in a currency other than the functional currency of the reporting unit to which it belongs. In this instance, a change in currency exchange rates results in the monetary balances being retranslated at the date of the financial statements and the exchange gain or loss is taken to income (note 26).

- Currency risk of reported results of foreign operations

This occurs when a reporting unit's functional currency depreciates or appreciates in value when retranslated to the USD, which is the Group's presentational currency. In this instance, the conversion of the reporting unit's results at a different rate of exchange results in either less or more income being consolidated in the Group's income statement.

- Currency risk of the Group's investment in foreign operations

This occurs when a reporting unit's functional currency depreciates or appreciates in value when retranslated to the USD, which is the Group's presentational currency. In this instance, the conversion of the reporting unit's assets and liabilities at a different rate of exchange results in a currency loss or gain which is recorded in the currency translation reserve (note 22). If the reporting unit was disposed of, either wholly or in part, then the corresponding accumulated loss or gain in the currency translation reserve would be transferred to income or retained earnings.

The operating currency whose value noticeably fluctuate against the USD is the Jamaica dollar (JMD). The theoretical impact of JMD currency risk on reported results and of the Group's investment in foreign operations is considered in the following section.

41.4 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, 2017 and for the year then ended are considered in the following table.

	Amounts denominated in		Total	Effect of a 10%
	JMD	USD	amounts	depreciation
Financial position:				
Assets	1,566,473	1,112,196	2,678,669	(156,647)
Liabilities	1,121,819	988,958	2,110,777	(112,182)
Net position	444,654	123,238	567,892	(44,465)
Represented by:				
Currency risk of the Group's investment in foreign operations				(44,465)
Income statement:				
Revenue	483,662	71,483	555,145	(36,381)
Benefits	(226,671)	(46,464)	(273,135)	22,667
Expenses	(157,339)	(14,856)	(172,195)	15,734
Income taxes	(22,826)	-	(22,826)	2,283
Net income	76,826	10,163	86,989	4,303
Represented by:				
Currency risk relating to the future cash flows of monetary balances				11,985
Currency risk of reported results of foreign operations				(7,682)
				4,303

A 10% appreciation in the JMD relative to the USD would have equal and opposite effects to those disclosed above.

41.5 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.

41.5 Fair value of financial instruments (continued)

In assessing the fair value of non-traded financial liabilities, the Group uses a variety of methods including obtaining dealer quotes for specific or similar instruments and the use of internally developed pricing models, such as the use of discounted cash flows. If the non-traded liability is backed by a pool of assets, then its value is equivalent to the value of the underlying assets.

Certain of the Group's policy liabilities are unit linked, i.e. derive their value from a pool of assets which are carried at fair value. The Group assigns a fair value hierarchy of Level 2 to the contract liability if the liability represents the unadjusted fair value of the underlying pool of assets.

(iii) *Level 3 – inputs for the instrument that are not based on observable market data*

A financial instrument is classified as Level 3 if:

- The fair value is derived from quoted prices of similar instruments that are observable and which would be classified as Level 2; or
- The fair value is derived from inputs that are not based on observable market data.

Level 3 available for sale securities include corporate and government agency debt instruments issued in the Caribbean, primarily in Jamaica and Trinidad. The fair values of these instruments have been derived from December 31 market yields of government instruments of similar durations in the country of issue of the instruments.

Level 3 assets designated fair value through income include mortgage loans, debt securities and equities for which the full income return and capital returns accrue to holders of unit linked policy and deposit administration contracts. 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 used in determining the fair value of Level 3 instruments.

Amounts expressed in US$000

41.5 Fair value of financial instruments (continued)

(a) Financial instruments carried at fair value

	2017				2016			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Available for sale securities:								
Debt securities	653,516	1,610,263	2,496	2,266,275	604,786	1,663,306	2,928	2,271,020
Equity securities	23,314	53,167	10,381	86,862	35,350	51,732	9,602	96,684
	676,830	1,663,430	12,877	2,353,137	640,136	1,715,038	12,530	2,367,704
Investments at fair value through income:								
Debt securities	19,185	62,542	98,757	180,484	35,720	32,436	95,849	164,005
Equity securities	14,269	144,352	-	158,621	3,992	119,532	-	123,524
Derivative financial instruments	-	2,232	30,245	32,477	-	1,364	27,616	28,980
Mortgage loans	-	-	45,447	45,447	-	-	40,347	40,347
	33,454	209,126	174,449	417,029	39,712	153,332	163,812	356,856
Total assets	710,284	1,872,556	187,326	2,770,166	679,848	1,868,370	176,342	2,724,560
Total assets by percentage	26%	68%	6%	100%	25%	69%	6%	100%
Investment contracts:								
Unit linked deposit administration liabilities	-	-	139,753	139,753	-	-	130,668	130,668
Deposit and security liabilities:								
Structured products	-	-	47,576	47,576	-	-	34,779	34,779
Derivative financial instruments	-	2,232	-	2,232	-	1,364	-	1,364
	-	2,232	47,576	49,808	-	1,364	34,779	36,143
Total liabilities	-	2,232	187,329	189,561	-	1,364	165,447	166,811
Total liabilities by percentage	0%	1%	99%	100%	0%	1%	99%	100%

Amounts expressed in US$000

41.5 Fair value of financial instruments (continued)

Transfers from Level 1 to Level 2 in 2017 - Nil (2016 - $59,752). Transfers from Level 2 to Level 1 in 2017 – $19,819 (2016 - Nil).

For Level 3 instruments, reasonable changes in inputs which could be applied to the valuation of available for sale securities would affect other comprehensive income. Reasonable changes in inputs which could be applied to the valuations of investments designated at fair value 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.

	2017				2016	2017			2016
	Available for sale securities	Investments at fair value through income	Derivative instruments	Total assets	Total assets	Policy liabilities	Structured products	Total liabilities	Total liabilities
Balance, beginning of year	12,530	136,196	27,616	176,342	189,936	130,668	34,779	165,447	160,289
Additions	5,849	53,820	19,213	78,882	44,262	-	-	-	-
Transfers into Level 3 classification	-	-	-	-	76	-	-	-	-
Issues	-	-	-	-	-	15,467	28,718	44,185	35,664
Settlements	-	-	-	-	-	(8,242)	(20,014)	(28,256)	(22,751)
Fair value changes recorded within net investment income	-	176	20,868	21,044	8,135	-	-	-	-
Fair value changes recorded within interest expense	-	-	-	-	-	125	-	125	188
Fair value changes recorded in other comprehensive income	(98)	-	-	(98)	(308)	-	-	-	-
Disposals	(5,133)	(45,229)	(37,452)	(87,814)	(58,148)	-	-	-	-
Transfers (out of) Level 3 classification	(6)	(10)	-	(16)	-	-	-	-	-
Transfers to instruments carried at amortised cost	-	-	-	-	-	-	3,682	3,682	(252)
Effect of exchange rate changes	(265)	(749)	-	(1,014)	(7,611)	1,735	411	2,146	(7,691)
Balance, end of year	12,877	144,204	30,245	187,326	176,342	139,753	47,576	187,329	165,447
Fair value changes recorded in investment income for instruments held at end of year	-	176	11,411	11,587	10,067	-	-	-	-
Fair value changes recorded in interest expense for instruments held at end of year	-	-	-	-	-	125	-	125	188

Amounts expressed in US$000

41.5 Fair value of financial instruments (continued)

(b) Financial instruments carried at amortised cost

The carrying values of the Group's non-traded financial assets and financial liabilities carried at amortised cost approximate their fair value in notes 10, 12, and 20. The fair value hierarchy of other financial instruments carried at amortised cost as of December 31, 2017 is set out in the following tables.

	Level 1	Level 2	Level 3	Total
Held to maturity securities:				
Debt securities	-	-	-	-
Loans and receivables:				
Debt securities	-	445,543	709,788	1,155,331
Mortgage loans	-	-	296,867	296,867
Policy loans	-	-	149,995	149,995
Finance loans and finance leases	-	-	551,922	551,922
Securities purchased for resale	-	-	16,518	16,518
	-	445,543	1,725,090	2,170,633
	-	445,543	1,725,090	2,170,633

41.5 Fair value of financial instruments (continued)

	Level 1	Level 2	Level 3	Total
Investment contracts:				
Deposit administration liabilities	-	-	121,483	121,483
Other investment contracts	-	-	119,915	119,915
	-	-	241,398	241,398
Notes and loans payable:				
Convertible redeemable preference shares	-	-	17,320	17,320
Notes and lease payables	-	364,131	81,556	445,687
	-	364,131	98,876	463,007
Deposit and security liabilities				
Other funding instruments	-	-	284,980	284,980
Customer deposits	-	1,396	748,438	749,834
Securities sold for repurchase	-	-	473,771	473,771
	-	1,396	1,507,189	1,508,585
	-	365,527	1,847,463	2,212,990

Amounts expressed in US$000

41.5 Fair value of financial instruments (continued)

(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.

Sensitivity

The sensitivity to fair value changes in equity securities arises from those instruments classified as available for sale. There is no significant sensitivity to those instruments classified at fair value through income, since fair value changes are borne by policy contract holders.

The effects of an across the board 20% change in equity prices of the Group's available for sale equity securities as of December 31, 2017 on total comprehensive income before tax (TCIBT) are as follows.

Available for sale equities	Carrying value	20% change on TCIBT
Listed on Caribbean stock exchanges and markets	17,003	3,401
Listed on US stock exchanges and markets	45,528	9,106
Listed on other exchanges and markets	24,331	4,866
	86,862	17,373

41.6 Derivative financial instruments and hedging activities

The Group's derivative activities give rise to open positions in portfolios of derivatives. These positions are managed to ensure that they remain within acceptable risk levels, with matching deals being utilised to achieve this where necessary. When entering into derivative transactions, the Group employs its credit risk management procedures to assess and approve potential credit exposures.

41.6 Derivative financial instruments and hedging activities (continued)

Derivatives are carried at fair value and presented in the financial statements as separate assets and liabilities. Asset values represent the cost to the Group of replacing all transactions with a fair value in the Group's favour assuming that all relevant counterparties default at the same time, and that transactions can be replaced instantaneously. Liability values represent the cost to the Group counterparties of replacing all their transactions with the Group with a fair value in their favour if the Group were to default. Derivative assets and liabilities on different transactions are only set off if the transactions are with the same counterparty, a legal right of set-off exists and the cash flows are intended to be settled on a net basis. The contract or notional amounts of derivatives and their fair values are set out below.

	Contract / notional amount	Fair value	
		Assets	Liabilities
2017			
Derivatives held for trading:			
Equity indexed options	713,452	32,477	2,232
	713,452	32,477	2,232
2016			
Derivatives held for trading:			
Equity indexed options	673,264	28,980	1,364
	673,264	28,980	1,364

41.6 Derivative financial instruments and hedging activities (continued)

(i) Equity indexed options

The Group has purchased equity indexed options in respect of structured products and in respect of life and annuity insurance contracts.

For certain structured product contracts with customers (note 17), equity indexed options give the holder the ability to participate in the upward movement of an equity index while being protected from downward risk. The Group is exposed to credit risk on purchased options only, and only to the extent of the carrying amount, which is their fair value.

For certain universal life and annuity insurance contracts, an insurer has purchased custom call options that are selected to materially replicate the policy benefits that are associated with the equity indexed components within the policy contract. These options are appropriate to reduce or minimise the risk of movements in specific equity markets. Credit risk that the insurer has regarding the options is mitigated by ensuring that the counterparty is sufficiently capitalized. Both the asset and the associated actuarial liability are valued at fair market value on a consistent basis, with the change in values being reflected in the income statement. The valuations combine external valuations with internal calculations.

Amounts expressed in US$000

41.7 Offsetting Financial Assets and Liabilities

The Group is eligible to present certain financial assets and financial liabilities on a net basis on the balance sheet pursuant to criteria described in Note 1 “Accounting Policies: 2.15 Offsetting financial instruments”.

The following tables provide information on the impact of offsetting on the consolidated balance sheet, as well as the financial impact of netting for instruments subject to an enforceable master netting arrangement or similar agreement as well as available cash and financial instrument collateral.

2017	Gross amounts of financial assets	Gross amounts set off on the balance sheet	Net amounts of financial assets presented on the balance sheet	Impact of master netting arrangements	Financial instruments collateral	Net amount
ASSETS						
Financial investments	4,904,246	-	4,904,246	(1,211,913)	(206,987)	3,485,346
Securities purchases under resale agreement	16,518	-	16,518	-	-	16,518
Derivative financial instruments	32,477	-	32,477	(2,232)	-	30,245
	4,953,241	-	4,953,241	(1,214,145)	(206,987)	3,532,109
LIABILITIES						
Security liabilities	1,557,000	-	1,557,000	(1,191,066)	(188,722)	177,212
Derivative financial instruments	2,232	-	2,232	(2,232)	-	-
	1,559,232	-	1,559,232	(1,193,298)	(188,722)	177,212
2016						
ASSETS						
Financial investments	4,779,541	-	4,779,541	(821,168)	(260,443)	3,697,930
Securities purchases under resale agreement	5,227	-	5,227	-	-	5,227
Derivative financial instruments	28,980	-	28,980	(1,364)	-	27,616
	4,813,748	-	4,813,748	(822,532)	(260,443)	3,730,773
LIABILITIES						
Security liabilities	1,621,961	-	1,621,961	(415,910)	(220,100)	985,951
Derivative financial instruments	1,364	-	1,364	(1,364)	-	-
	1,623,325	-	1,623,325	(417,274)	(220,100)	985,951

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 is the principal insurer within the Group's continuing operations that issues property and casualty insurance contracts. It operates mainly in Barbados and Trinidad and Tobago.

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 as a whole. 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;

42.2 Claims risk (continued)

- 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 has to be refined over time until final settlement occurs. In addition, from the pricing methodology used for risks, it is assumed that at any particular 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 a large number of 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		2017	2016
Property	Gross	8,348,729	7,673,403
	Net	1,410,917	1,083,282
Motor	Gross	433,491	385,978
	Net	433,491	192,989
Accident and liability	Gross	2,769,682	2,275,771
	Net	2,253,850	1,086,198
Total	Gross	11,551,902	10,335,152
	Net	4,098,258	2,362,469

The insurer assesses its exposures by modelling realistic disaster scenarios of potential catastrophic events. Claims arising from wind storms, earthquakes and floods and events triggering multi-coverage corporate liability claims are considered to be the potential sources of catastrophic losses arising from insurance risks. A realistic disaster scenario modelled for 2017 is presented below and results in estimated gross and net losses.

	Gross loss	Net loss
A Barbados and St. Lucia windstorm having a 200 year return period.	208,285	7,500

The occurrence of one or more catastrophic events in any year may have a material impact on the reported net income of the Group.

42.3 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.

42.3 Reinsurance risk (continued)

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.

Retention limits represent the level of risk retained by the insurer. Coverage in excess of these limits is ceded to reinsurers up to the treaty limit. Claim amounts in excess of reinsurance treaty limits revert to the insurer. Principal features of retention program used by Sagicor General for its property insurance class is summarised in the following table.

Type of risk	Retention by insurers - currency amounts in thousands
Property	• maximum retention of $4,500 for a single event; • maximum retention of $7,500 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.

The effects of reinsurance ceded are disclosed in notes 14, 24 and 27 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.

The reinsurance recoveries derived from the foregoing are assigned internal credit ratings as follows:

Risk Rating	Classification	Exposure $000	Exposure %
1	Minimal risk	294,515	42%
2	Low risk	405,985	58%
3	Moderate risk	-	0%
4	Acceptable risk	-	0%
5	Average risk	-	0%
6	Higher risk	-	0%
7	Special mention	-	0%
8	Substandard	-	0%
TOTAL		700,500	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 as a whole. In determining the pricing of an insurance contract, the insurer considers the nature and amount of the risk assumed, and recent experience and industry statistics of the benefits payable. Pricing inadequacy may arise either from the use of inadequate experience and statistical data in deriving pricing factors or from market softening conditions.

The underwriting process has established pricing guidelines, and may include specific medical tests and enquiries which determine the insurer's assessment of the risk. Insurers may also establish deductibles and coverage limits for health risks which will limit the potential claims incurred. Term life and critical illness risks have limitations of insured amounts. The pricing of a contract therefore consists of establishing appropriate premium rates, deductibles and coverage limits.

(b) Mortality and morbidity risk

Mortality risk is the risk that worsening mortality rates will result in an increase of death claims. Morbidity is the incidence of disease or illness and the associated risk is that of increased disability and medical claims. Insurance claims are triggered by the incurrence of a medical claim, the diagnosis of a critical illness or by death of the person insured.

For contracts providing death benefits, higher mortality rates would result in an increase in death claims. The Group annually reviews its mortality experience and compares it to industry mortality tables. This review may result in future adjustments to the pricing or re-pricing of these contracts.

Critical illness claims arise from the diagnosis of a specific illness incurred by the policy beneficiary. The Group annually reviews its critical illness claims experience and compares it to industry statistics. This review may result in future adjustments to the pricing or re-pricing of these contracts.

The concentration risks of term life and critical illness contracts are included in the related disclosure on other long-term contracts in note 43.2(b).

Amounts expressed in US$000

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.

2017 Premium revenue by location of insureds	Gross	Ceded	Net
Barbados	23,821	1,223	22,598
Jamaica	77,597	1,991	75,606
Trinidad & Tobago	26,642	647	25,995
Other Caribbean	25,902	1,027	24,875
USA	53	46	7
Total	154,015	4,934	149,081

(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.

	2017		2016	
	Liability	5% increase in liability	Liability	5% increase in liability
Actuarial liability	47,261	2,363	48,373	2,419
Claims payable	4,280	214	4,284	214
	51,541	2,577	52,657	2,633

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 payout 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 payout 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.

Amounts expressed in US$000

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 a large number of 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		2017		2016	
		Individual contracts	Group contracts	Individual contracts	Group contracts
Barbados	Gross	3,973,661	1,299,463	3,855,798	1,338,221
	Net	3,680,227	1,247,768	3,546,641	1,286,564
Jamaica	Gross	8,045,374	5,935,234	7,107,905	4,901,489
	Net	7,934,866	5,882,949	6,961,507	4,869,094
Trinidad & Tobago	Gross	3,491,638	2,225,487	3,322,781	2,379,773
	Net	2,900,602	2,115,756	2,741,682	2,262,405
Other Caribbean	Gross	7,936,174	1,443,434	7,702,307	1,824,971
	Net	6,939,861	1,282,782	6,616,723	1,647,151
USA	Gross	6,291,352	38,824	5,935,908	43,463
	Net	2,106,362	37,318	2,018,213	41,422
Total	Gross	29,738,199	10,942,442	27,924,699	10,487,917
	Net	23,561,918	10,566,573	21,884,766	10,106,636

43.2 Contracts with investment returns (continued)

Total liability under annuity contracts which represents the present value of future annuity benefits provides a good measure of longevity risk exposure.

Total liability under annuity contracts		2017		2016	
		Individual contracts	Group contracts	Individual contracts	Group contracts
Barbados	Gross	116,587	45,417	110,544	43,674
	Net	116,587	45,417	110,544	43,674
Jamaica	Gross	608	341,872	575	293,596
	Net	608	341,872	575	293,596
Trinidad & Tobago	Gross	120,342	-	115,254	-
	Net	120,342	-	115,254	-
Other Caribbean	Gross	30,721	28	26,827	27
	Net	30,721	28	26,827	27
USA	Gross	1,183,959	23,942	1,150,170	25,684
	Net	408,531	7,524	390,478	8,024
Total	Gross	1,452,217	411,259	1,403,370	362,981
	Net	676,789	394,841	643,678	345,321

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 has to be funded either by increasing the volume of inforce policies or by productivity gains. Failure to achieve these goals will require increases in actuarial liabilities held.

(e) Investment risk

A substantial proportion of the Group's financial investments support insurer obligations under life and annuity contracts with investment returns. The financial risks outlined in note 41 pertaining to credit, liquidity, interest rate, foreign exchange and equity price are considered integral investment risks associated with these insurance contracts.

Asset defaults, mismatches in asset and liability cash flows, interest rate and equity price volatility generally have the effect of increasing investment risk and consequential increases in actuarial liabilities held.

43.3 Reinsurance risk

To limit its exposure of potential loss on an insurance policy, the insurer may cede certain levels of risk to a reinsurer. The Group selects reinsurers which have well established capability to meet their contractual obligations and for new business a Sagicor credit risk rating of 1 or 2 is usually selected. Reinsurance ceded does not discharge the insurer's liability and failure by a reinsurer to honour its commitments could result in losses to the Group.

Insurers have limited their exposure per person by excess of loss or quota share treaties. Retention limits represent the level of risk retained by the insurer. Coverage in excess of these limits is ceded to reinsurers up to the treaty limit. The principal features of retention programs used by insurers are summarised in the following table.

Type of insurance contract	Retention by insurers - currency amounts in thousands
Health insurance contracts with individuals	Retention per individual to a maximum of $175
Health insurance contracts with groups	Retention per individual to a maximum of $175
Life insurance contracts with individuals	Retention per individual life to a maximum of $500
Life insurance contracts with groups	Retention per individual life to a maximum of $500

43.4 Sensitivity arising from the valuation of actuarial liabilities

The estimation of actuarial liabilities is sensitive to a number of assumptions. 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)).

Amounts expressed in US$000

43.4 Sensitivity arising from the valuation of actuarial liabilities (continued)

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

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

43.4 Sensitivity arising from the valuation of actuarial liabilities (continued)

The following table represents the estimated sensitivity of each of the above scenarios to net actuarial liabilities for insurers by segment. Correlations that may exist between scenario assumptions were not explicitly taken into account.

	Sagicor Life segment		Sagicor Jamaica segment		Sagicor Life USA segment	
	2017	2016	2017	2016	2017	2016
Base net actuarial liability	956,305	936,049	374,483	327,183	623,269	580,784
Scenario	increase in liability		increase in liability		increase in liability	
Worsening rate of lapse	144,892	135,728	53,868	47,635	11,432	9,330
High interest rate	(89,289)	(84,334)	(111,058)	(98,734)	(37,115)	(34,545)
Low interest rate	161,474	156,127	102,183	124,400	42,637	39,771
Worsening mortality/ morbidity	37,528	35,808	42,776	37,209	16,783	12,842
Higher expenses	19,053	20,715	17,530	14,939	5,255	4,418

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Amounts expressed in US$000

43.5 Dynamic capital adequacy testing (DCAT)

DCAT is a technique used by the Group to assess the adequacy of the insurer's financial position and financial condition in the light of different future economic and policy experience scenarios. DCAT assesses the impact over the next 5 years on the insurer's financial position and financial condition under specific scenarios.

The financial position of an insurer is reflected by the amounts of assets, liabilities and equity in the financial statements at a given date. The financial position therefore relies on the valuation assumptions used for establishing the actuarial liabilities being adequate to measure future adverse deviations in experience. The financial position does not offer any indication of an insurer's ability to execute its business plan.

The financial condition of an insurer at a particular date is its prospective ability at that date to meet its future obligations, especially obligations to policyholders, those to whom it owes benefits and to its shareholders. The financial condition analysis examines both an insurer's ability to execute its business plan and to absorb adverse experience beyond that provided for when its actuarial liabilities are established.

The purpose of the DCAT is

- to develop an understanding of the sensitivity of the total equity of the insurer and future financial condition to changes in various experience factors and management policies;
- to alert management to material, plausible and imminent threats to the insurer's solvency;
- and to describe possible courses of action to address these threats.

Full DCAT is conducted periodically by some insurers within the Group.

44 FIDUCIARY RISK

The Group provides investment management and pension administration services to investment and pension funds which involve the Group making allocation, purchase and sale decisions in relation to a wide range of investments. These services give rise to fiduciary risk that may expose the Group to claims for mal-administration or under-performance of these funds.

In the ordinary course of business, the Group manages assets of pension funds, mutual funds and unit trusts which are held in a fiduciary capacity and are not included in the Group's financial statements. The investments and cash under administration are summarised in the following table.

	2017	2016
Pension and insurance fund assets	2,072,232	1,726,467
Mutual fund, unit trust and other investment fund assets	1,132,928	890,235
	3,205,160	2,616,702

Fee income under administration is discussed in Note 26.

45 STATUTORY RESTRICTIONS ON ASSETS

Insurers are registered to conduct insurance business under legislation in place in each relevant jurisdiction. This legislation may prescribe a number of 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 $1,253,052 (2016 - $1,436,232) 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.

Amounts expressed in US$000

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:

	2017	2016
Shareholders' equity	623,374	536,149
Non-controlling interest	308,089	257,974
Notes and loans payable	413,805	395,213
Total financial statement capital resources	1,345,268	1,189,336

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 258% (2016 – 249%). The 2016 MCCSR which was disclosed as 291% in 2016 has been revised and restated to 249% this year. 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 as a whole and not necessarily applicable to each individual segment, insurance subsidiary or insurance subsidiary branch.

The Company is in compliance with all regulatory capital requirements.

Amounts expressed in US$000

46.2 Capital adequacy (continued)

(i) Sagicor Life Jamaica

Sagicor Life Jamaica is governed by the Jamaican MCCSR regime which requires an insurer to maintain a minimum ratio of 150%. For the years ended December 31, 2017 and 2016, this ratio was 186.0% and 156.5% respectively.

(ii) Sagicor Life Insurance Company (USA)

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

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

Sagicor Life Insurance Company looks to maintain at least 300% of the Company Action Level, and has maintained these ratios as of December 31, 2017 and 2016 respectively.

46.2 Capital adequacy (continued)

(b) Sagicor Investments Jamaica Limited and Sagicor Bank Jamaica Limited

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

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

The table below summarises the capital adequacy ratios. During 2017 and 2016, all applicable externally imposed capital requirements were complied with.

	Sagicor Investments Jamaica		Sagicor Bank Jamaica	
	2017	2016	2017	2016
Actual capital base to risk weighted assets	16%	13%	15%	14%
Required capital base to risk weighted assets	10%	10%	10%	10%

Amounts expressed in US$000

46.3 Financial covenants

(a) 8.875% Senior Notes

Under the indenture entered into by the Group on the issue of these senior notes the Group has to comply with a number of covenants as follows:

COVENANT	DESCRIPTION
Limitation of indebtedness	Under this covenant, the Group is restricted to incremental borrowing up to a prescribed level. The Group must maintain a fixed charge coverage ratio, in excess of 2:1 in order to incur additional debt.
Limitation on restricted payments covenant	This covenant limits cash outflows, dividends, acquisition and investments by the Group. The Group must maintain a fixed charge coverage ratio of 2:1 and an MCCSR capital ratio in excess of 175%.
Limitation on restricted distributions from subsidiaries	This covenant limits the subsidiaries from creating encumbrances or restrictions on their ability to make distributions to the Parent.
Limitation on sale of assets of subsidiary stock	This covenant restricts the Group from selling material subsidiary assets without using the proceeds to either reinvest in the business or offer to buy back bondholders.
Limitation on affiliate transactions	This covenant restricts affiliate transactions of the Group.
Change in control	This covenant allows investors to put their bonds back to the Group at a certain value when a specified event has changed ownership/control of the Group.
Limitation on liens	This covenant restricts the Group's ability to secure future debt with the Group's assets.
Optional Redemption	The notes are redeemable at the Group's option after August 11, 2018 at specified redemption rates.

46.3 Financial covenants (continued)

(b) 4.85% notes due 2019

Under an indenture and a trust deed entered into by the Group on the issue of the senior notes and notes respectively (see note 16), the Group has to comply with permitted lien covenants, which will not allow the Company nor any of its subsidiaries to directly or indirectly, incur or permit to exist any lien to secure any indebtedness or any guarantee of indebtedness, other than permitted liens, without effectively providing that the senior notes and notes are secured equitably and rateably with (or, if the obligation to be secured by lien, this is subordinated in right of payment to the senior notes and notes, prior to) the obligations so secured for so long as such obligations are so secured.

Permitted liens are liens existing on the dates of issue of the senior notes and notes respectively, certain liens which would arise in the course of normal business, and other liens whose outstanding principal amounts in aggregate outstanding principal amount do not exceed 10% of the consolidated net tangible assets (as is defined in the indenture and trust deed). As of December 31, 2017, and 2016, the Group satisfied these requirements.

The Group is in compliance with all covenants.

Amounts expressed in US$000

47 RELATED PARTY TRANSACTIONS

Other than as disclosed in notes 5, 9, 12, 26, 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:

Compensation	2017	2016
Salaries, directors' fees and other short-term benefits	19,884	20,548
Equity-settled compensation benefits	6,969	4,047
Pension and other retirement benefits	1,475	1,235
	28,328	25,830

	Mortgage loans	Other loans	Total loans
Balance, beginning of year	4,937	992	5,929
Advances	582	951	1,533
Repayments	(735)	(892)	(1,627)
Effects of exchange rate changes	-	23	23
Balance, end of year	4,784	1,074	5,858
Interest rates prevailing during the year	3.75% - 7.00%	0.00% - 9.75%	

48 BREACH OF INSURANCE REGULATIONS – RELATED PARTY BALANCES

As at December 31, 2017, one of the Group's subsidiaries, Sagicor Life Jamaica Limited exceeded the regulated 5% maximum of related party balances to total assets of the company. Management is in discussions with the Regulator, Financial Services Commission, in relation to this matter. The regulator has not imposed any penalty.

49 EVENTS AFTER DECEMBER 31, 2017

Subsequent to the year-end, certain affiliates of Sagicor Group Jamaica Limited (SGJ), including Sagicor Real Estate X Fund Limited, entered into an agreement for a business combination with Playa Hotels & Resorts N.V. "Playa", an entity listed on the NASDAQ. Under the terms of the agreement, SGJ's affiliated entities will receive 20 million shares of Playa and US$100 million in cash in return for certain owned and managed hotels in Jamaica.

The properties subject to the agreement comprise properties owned by the Sagicor Sigma Real Estate Fund, the Sagicor Pooled Investment Funds and Sagicor X Fund Property Limited. The properties include 4 existing resorts, being the 489-room Hilton Rose Hall, the 268-room Jewel Runaway Bay, the 250-room Jewel Dunn's River and the 225-room Jewel Paradise Cove, as well as a newly-built 88-room Sentry Palm hotel tower and spa at Jewel Grande and 2 developable land sites with a potential density of up to 700 rooms. A hotel management contract for the Jewel Grande Sabal Palm Towers is also included in the agreement.

SAGICOR FINANCIAL CORPORATION LIMITED

FINANCIAL STATEMENTS

DECEMBER 31, 2016

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Independent auditor's report

To the Shareholders of Sagicor Financial Corporation Limited

Report on the audit of the consolidated financial statements

Our opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Sagicor Financial Corporation Limited ('the Company') and its subsidiaries (together 'the Group') as of December 31, 2016, and their consolidated financial performance and their consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

What we have audited

Sagicor Financial Corporation Limited's consolidated financial statements comprise:

- the consolidated statement of financial position as of December 31, 2016;
- the consolidated statement of income for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the financial statements, which include significant accounting policies.

Basis for opinion

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

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

Independence

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

Our audit approach

Audit scope

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

How we tailored our group audit scope

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industries in which the Group operates.

A full scope audit was performed for six components. These six components were: Sagicor Life Inc ('Barbados branch'), Sagicor Life Inc ('EC branches') and Sagicor Life Inc ('Trinidad Branch') Sagicor Life Insurance Company ("Sagicor USA"), Sagicor Group Jamaica Limited ("Sagicor Jamaica") and Sagicor Financial Corporation Limited. Additionally, based on our professional judgement, three components: Barbados Farms Limited, Sagicor General Insurance Inc and Sagicor Finance (2015) Limited were selected to perform an audit on specified account balances due to the materiality of certain individual balances to the Group consolidated financial statements as a whole. We performed analytical procedures with respect to the remaining components. All of the individually significant components were audited by a PwC network Firm.

In establishing the overall Group audit strategy and plan, we determined the type of work that is needed to be performed at the components by the Group engagement team and by the component auditors. Where the work was performed by component auditors, we determined the level of involvement we needed to have in the audit work of those components to be able to conclude whether sufficient appropriate audit evidence had been obtained as a basis for our opinion on the consolidated financial statements as a whole. The Group audit team held meetings with each component team for which a full scope audit was performed. The Group team, on a rotational basis, selects one component for a detailed review of their audit work. This year the Group audit team reviewed the audit work of PwC Trinidad who are the component auditors for Sagicor Life Inc (Trinidad branch). The Group team engagement leader and senior manager also reviewed all reports with regards to the audit approach and findings submitted in detail by all full scope components.

In total, by performing these procedures on the six full scope components, we achieved the following coverage on the financial statement line items:

Revenue	89%
Total assets	89%

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall Group materiality for the consolidated financial statements. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

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
Goodwill impairment *See notes 2.7(a), 3.3(a) and 8 to the financial statements for disclosures of related accounting policies, judgements and estimates.* Goodwill of $43.9 million has arisen from a number of historic business combinations across the Group. We focused on goodwill allocated to the Sagicor Life and Sagicor Jamaica segments as defined in note 4 to the consolidated financial statements. Sagicor Life uses an actuarial appraisal model and Sagicor Jamaica uses fair value less costs to sell to assess goodwill impairment. We focused on these segments based on magnitude, level of headroom and the sensitivity of the impairment test to possible changes in assumptions, being primarily: Sagicor Life • the growth rate of new business; • discount rates; • mortality, persistency and expense assumptions; and • minimum regulatory capital requirements.	• We engaged our own experts to assess the methodology and underlying assumptions used in the assessment of the goodwill impairment testing. • For the Sagicor Life segment, we evaluated the growth rate for new business by comparing the forecasted growth in new business to that achieved in the previous 4 years. We also compared the mortality, persistency and expense assumptions in the model to those used for the computation of actuarial liabilities and noted no material exceptions. In our testing of the actuarial appraisal model we checked the calculations for mathematical accuracy. We engaged our own experts to independently determine a discount rate which we used to sensitize the results of the model. In addition, in our sensitized scenario we reduced management's growth rate assumption and increased the amount of capital set aside to meet operational requirements.

Sagicor Jamaica

- the growth rate, and;
- the discount rate.

With respect to the actuarial appraisal model, management uses qualified internal actuaries and an independent external actuary to assist in developing the actuarial appraisal model and in determining the related assumptions.

Based on the testing performed, no material adjustment to the carrying value of goodwill allocated to this segment was considered necessary.

- For the Sagicor Jamaica segment we evaluated management's future cash flow forecasts, and the process by which they were developed. We compared previous forecasts to actual results to assess the performance of the business and the accuracy of forecasting. We confirmed that the three year forecast used in the valuation model was consistent with Board approved business plan, and that the key assumptions were subject to oversight from the Board of Directors.

  We tested the assumptions and methodologies used, in particular those relating to the growth rates and discount rate. To do this:

  - Our valuation expert evaluated these assumptions with reference to valuations of similar companies.
  - We compared the key assumptions to externally derived data where possible, including market expectations of investment return, projected economic growth and interest rates.
  - We applied sensitivities in evaluating the directors' assessment of the planned growth rate in cash flows.

  In testing the valuation model; we checked the calculations for mathematical accuracy and considered the sensitivity of the calculation by varying the key assumptions and adjustments within management's cash flow forecast.

  Based on the testing performed, no material adjustment to the carrying value of goodwill allocated to this segment was considered necessary.

Actuarial methodologies and assumptions used in the valuation of insurance contract liabilities and annuity insurance contracts

See notes 2.11, 3.5 and 13 to the financial statements for disclosures of related accounting policies, judgements and estimates.

Actuarial liabilities are the most significant liability on the Group's statement of financial position. At December 31, 2016, actuarial liabilities totalled $2,776 million.

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 and persistency are the key inputs used to estimate these long-term liabilities.

Management uses qualified internal actuaries and an independent external actuary to assist in determining these assumptions and in valuing the actuarial liabilities.

- We were assisted by our own actuarial experts considering industry and component specific facts and circumstances, to evaluate the methodologies and assumptions utilized by management's actuarial experts.
- We updated our understanding for any changes impacting the assumptions, specifically, we focused on mortality assumptions, contract lapses, investment return and associated discount rates, borrowing rates and policy expenses, all of which are based on the entity experience or published industry studies.
- For the Sagicor Life and Sagicor Jamaica segments we tested a sample of contracts to assess whether contract features corresponded to the data on the policy master file and tested the accuracy and completeness of the transfer of that data to the actuarial valuation systems.
- For the Sagicor USA segment we tested a sample of contracts to assess whether contract features corresponded to the data in the actuarial valuation system. In addition, we tested a sample of contracts from the policy master file to the actuarial valuation system to assess the completeness and accuracy of data in the actuarial valuation system.
- We assessed whether the actuarial methodologies were applied on a consistent basis in valuing actuarial liabilities. Where we identified changes to either calculations or methodologies we discussed these with our actuarial experts and considered whether they were refinements to the valuation of actuarial liabilities as opposed to corrections of errors or changes in accounting policy. Our testing did not identify any material changes in the application of actuarial methodologies or to the supporting calculations of actuarial liabilities that were not refinements.

We found the significant estimates and assumptions used by management to be reasonable, and that the methodologies used were established and accepted actuarial methodologies and were appropriate in the circumstances.

Valuation of financial investments held at fair value and impairment of financial investments available-for-sale

See notes 2.8(a), (b), (c), (d). 3.1, 3.4 and 9 to the financial statements for disclosures of related accounting policies. judgements and estimates.

The Group's financial investments classified as fair value through income and available-for-sale account for $2,725 million or 42% of total assets for the Group.

The Group classifies its financial investments as financial assets at fair value through income; loans and receivables; held-to-maturity financial assets, and available-for-sale financial assets. The valuation of financial investments held at fair value is based on a range of inputs. While many of the inputs required can be obtained from readily available liquid market prices and rates, certain securities are based on modelled prices as observable market data is limited. In these instances, management is required to make significant judgements due to the complexity in the valuation model estimates resulting in high estimation uncertainty risk which therefore led us to focus our attention on this area.

In addition, management is required to perform an impairment assessment for available-for-sale investments where certain impairment indicators exist. The main considerations for the impairment assessment for financial assets classified as available-for-sale include whether there are:

- Significant financial difficulty of the borrower;
- Default or delinquency in interest or principal payment;
- Concessions granted to a borrower that would not otherwise be considered due to the borrower's financial difficulty;

- We assessed the Group's valuation of individual investment holdings. Where readily observable data was available, we sourced this independently and performed a comparison to management's results. No material exceptions were noted.
- For more judgemental valuations, which may depend on unobservable inputs we selected a sample of securities, which were either independently valued by our component teams or by our experts. In some cases, these procedures indicated a different valuation to that calculated by management. In our view, the differences were within a reasonable range of outcomes, in the context of the inherent valuation uncertainties.
- We obtained management's impairment assessment and compared assumptions and inputs to independent market observable data where possible. We also checked the calculations for mathematical accuracy noting no exceptions.

We tested a sample of available-for-sale investments to independently assess whether they were impaired. The results of our testing identified an additional impairment provision was required, which was recorded by management and adjusted in the consolidated financial statements.

- The probability that the borrower will enter bankruptcy or other financial reorganization;
- Observable market data indicating that there is a measureable decrease in the estimated future cashflows from the asset since the initial recognition of those assets;
- The disappearance of an active market for the financial asset as a result of financial difficulties;
- In respect of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value below cost is an indicator of impairment.

As a result of the above estimation uncertainty and subjective judgements made by management, we focused our attention on this area.

Other information

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

Our opinion on the consolidated financial statements does not cover the other information and we 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 when it becomes available 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.

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, related safeguards.

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

Other Matter

This report, including the opinion, has been prepared for and only for the Company in accordance with the terms of our engagement letter and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

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

PricewaterhouseCoopers SRL

PricewaterhouseCoopers SRL
Bridgetown, Barbados
March 31, 2017

SAGICOR FINANCIAL CORPORATION LIMITED

APPOINTED ACTUARY'S

2016 REPORT TO THE SHAREHOLDERS AND POLICYHOLDERS

I have performed or reviewed the valuation of the consolidated policy liabilities of Sagicor Financial Corporation Limited ("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),
- C — Sagicor Life Aruba NV (Aruba),
- D — Sagicor Panamá SA (Panama),
- E — Nationwide Insurance Company Limited (Trinidad & Tobago),
- F — Sagicor Life Jamaica Limited (Jamaica) *,
- G — Sagicor Life of the Cayman Islands Limited (Cayman Islands) *, and
- H — Sagicor Life Insurance Company (USA) *,

for the balance sheet, at 31st December 2016, and their change in the consolidated statement of operations, for the year then ended, for each organization and on a consolidated basis in accordance with accepted actuarial practice, including selection of appropriate assumptions and methods.

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

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

Sylvain Goulet

Sylvain Goulet, FCIA, FSA, MAAA
Affiliate Member of the Institute and Faculty of Actuaries
Member of the Caribbean Actuarial Association
Appointed Actuary for Sagicor Financial Corporation Limited, and the above Life Subsidiaries A to E

23rd March 2017

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As of December 31, 2016

Sagicor Financial Corporation Limited

Amounts expressed in US$000

	Note	2016	2015
ASSETS			
Investment property	5	80,662	79,172
Property, plant and equipment	7	167,723	170,249
Associates and joint ventures	6	87,293	84,530
Intangible assets	8	83,487	88,183
Financial investments	9	4,813,748	4,826,621
Reinsurance assets	10	777,344	665,819
Income tax assets	11	59,575	66,342
Miscellaneous assets and receivables	12	183,018	168,480
Cash resources		279,070	250,489
Total assets		6,531,920	6,399,885

	Note	2016	2015
LIABILITIES			
Actuarial liabilities	13	2,776,362	2,632,387
Other insurance liabilities	14	207,122	205,891
Investment contract liabilities	15	377,576	368,596
Total policy liabilities		3,361,060	3,206,874
Notes and loans payable	16	395,213	475,517
Deposit and security liabilities	17	1,623,325	1,607,611
Provisions	18	101,292	88,206
Income tax liabilities	19	50,641	34,765
Accounts payable and accrued liabilities	20	204,975	201,722
Liabilities of discontinued operation	38	-	46,026
Total liabilities		5,736,506	5,660,721
EQUITY			
Share capital	21	3,029	299,320
Share premium	21	297,050	-
Reserves	22	(64,795)	(59,688)
Retained earnings		300,865	266,414
Total shareholders' equity		536,149	506,046
Participating accounts	23	1,291	1,383
Non-controlling interest in subsidiaries		257,974	231,735
Total equity		795,414	739,164
Total liabilities and equity		6,531,920	6,399,885

These financial statements have been approved for issue by the Board of Directors on March 31, 2017.

Director

D. Miller

Director

CONSOLIDATED STATEMENT OF INCOME

Year ended December 31, 2016

Sagicor Financial Corporation Limited

Amounts expressed in US$000

	Note	2016	2015
REVENUE			
Premium revenue	24	833,918	969,522
Reinsurance premium expense	24	(169,962)	(295,597)
Net premium revenue		663,956	673,925
Net investment income	25	353,352	322,229
Fees and other revenue	26	116,839	109,090
Gain/(loss) arising on acquisition	37	-	(1,025)
Total revenue		1,134,147	1,104,219
BENEFITS			
Policy benefits and change in actuarial liabilities	27	693,173	692,937
Policy benefits and change in actuarial liabilities reinsured	27	(194,262)	(198,801)
Net policy benefits and change in actuarial liabilities		498,911	494,136
Interest expense	28	61,448	58,807
Total benefits		560,359	552,943
EXPENSES			
Administrative expenses		255,326	251,892
Commissions and related compensation		98,570	105,093
Premium and asset taxes		10,679	14,808
Finance costs		38,333	37,234
Depreciation and amortisation		21,283	18,687
Total expenses		424,191	427,714
INCOME BEFORE TAXES		149,597	123,562
Income taxes	32	(41,700)	(25,119)
NET INCOME FROM CONTINUING OPERATIONS		107,897	98,443

	Note	2016	2015
Net income from continuing operations		107,897	98,443
Net income/(loss) from discontinued operation	38	1,412	(21,648)
NET INCOME FOR THE YEAR		109,309	76,795
Net income/(loss) is attributable to:			
Common shareholders:			
From continuing operations		60,259	56,327
From discontinued operation		1,412	(21,648)
		61,671	34,679
Participating policyholders		110	1,285
Non-controlling interests		47,528	40,831
		109,309	76,795
Basic earnings /(loss) per common share:	34		
From continuing operations		19.5 cents	18.2 cents
From discontinued operation		0.5 cents	(7.2) cents
		20.0 cents	11.0 cents
Fully diluted earnings /(loss) per common share:	34		
From continuing operations		18.7 cents	17.3 cents
From discontinued operation		0.4 cents	(6.6) cents
		19.1 cents	10.7 cents

Amounts expressed in US$000

OTHER COMPREHENSIVE INCOME	Note	2016	2015
Items net of tax that may be reclassified subsequently to income:	35		
Available for sale assets:			
Gains / (losses) on revaluation		39,183	(103,101)
Losses / (gains) transferred to income		2,675	(1,175)
Net change in actuarial liabilities		(17,090)	48,346
Retranslation of foreign currency operations		(28,481)	(15,686)
		(3,713)	(71,616)
Items net of tax that will not be reclassified subsequently to income:	35		
Gains / (losses) on revaluation of owner-occupied property		5,145	(345)
Losses on defined benefit plans		(13,875)	(5,431)
Other items		(128)	-
		(8,858)	(5,776)
OTHER COMPREHENSIVE LOSS FROM CONTINUING OPERATIONS		(12,571)	(77,392)

TOTAL COMPREHENSIVE INCOME	2016	2015
Net income	109,309	76,795
Other comprehensive loss	(12,571)	(77,392)
TOTAL COMPREHENSIVE INCOME / (LOSS) FOR THE YEAR	96,738	(597)
Total comprehensive income / (loss) is attributable to:		
Common shareholders:		
From continuing operations	45,811	14,461
From discontinued operation	1,412	(21,648)
	47,223	(7,187)
Participating policyholders	132	1,249
Non-controlling interests	49,383	5,341
	96,738	(597)

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
2016								
Balance, beginning of year	299,320	-	(59,688)	266,414	506,046	1,383	231,735	739,164
Total comprehensive income from continuing operations	-	-	(4,319)	50,130	45,811	132	49,383	95,326
Total comprehensive income from discontinued operation	-	-	-	1,412	1,412	-	-	1,412
Redomiciliation adjustment net of treasury shares	(296,296)	296,296	-	-	-	-	-	-
Transactions with holders of equity instruments:								
Movements in treasury shares	5	754	-	-	759	-	-	759
Changes in reserve for equity compensation benefits	-	-	2,132	-	2,132	-	(50)	2,082
Dividends declared (note 21.3)	-	-	-	(18,880)	(18,880)	-	(17,684)	(36,564)
Transfers and other movements	-	-	(2,920)	1,789	(1,131)	(224)	(5,410)	(6,765)
Balance, end of year	3,029	297,050	(64,795)	300,865	536,149	1,291	257,974	795,414
2015								
Balance, beginning of year	295,989	-	(8,765)	244,474	531,698	364	241,480	773,542
Total comprehensive income from continuing operations	-	-	(38,419)	52,880	14,461	1,249	5,341	21,051
Total comprehensive income from discontinued operation	-	-	-	(21,648)	(21,648)	-	-	(21,648)
Transactions with holders of equity instruments:								
Allotment of common shares	556	-	-	-	556	-	-	556
Movements in treasury shares	2,775	-	-	-	2,775	-	-	2,775
Changes in reserve for equity compensation benefits	-	-	(1,650)	-	(1,650)	-	(313)	(1,963)
Dividends declared (note 21.3)	-	-	-	(19,842)	(19,842)	-	(14,835)	(34,677)
Transfers and other movements	-	-	(10,854)	10,550	(304)	(230)	62	(472)
Balance, end of year	299,320	-	(59,688)	266,414	506,046	1,383	231,735	739,164

Amounts expressed in US$000

	Note	2016	2015
OPERATING ACTIVITIES			
Income before taxes		149,597	123,562
Adjustments for non-cash items, interest and dividends	36.1	(188,098)	(200,783)
Interest and dividends received		299,968	299,482
Interest paid		(93,620)	(76,276)
Income taxes paid		(24,948)	(27,444)
Net increase in investments and operating assets	36.1	(100,362)	(269,081)
Net increase in operating liabilities	36.1	83,793	58,514
Net cash flows - operating activities		126,330	(92,026)
INVESTING ACTIVITIES			
Property, plant and equipment, net	36.2	(17,996)	(16,586)
Associates and joint ventures		(188)	(28,986)
Intangible assets		(4,272)	(15,198)
Net cash flows - investing activities		(22,456)	(60,770)

	Note	2016	2015
FINANCING ACTIVITIES			
Movement in treasury shares		(98)	(896)
Redemption of SFCL preference shares		(119,991)	-
Shares issued to non-controlling interest		(6,634)	-
Other notes and loans payable, net	36.3	34,008	156,458
Dividends received from associates		1,788	480
Dividends paid to common shareholders		(13,381)	(11,842)
Dividends paid to preference shareholders		(5,256)	(7,800)
Dividends paid to non-controlling interests		(17,824)	(14,600)
Net cash flows - financing activities		(127,388)	121,800
Effects of exchange rate changes		(4,645)	(3,900)
NET CHANGE IN CASH AND CASH EQUIVALENTS - CONTINUING OPERATIONS		(28,159)	(34,896)
Net change in cash and cash equivalents - discontinued operation		(44,614)	(21,419)
Cash and cash equivalents, beginning of year		384,879	441,194
CASH AND CASH EQUIVALENTS, END OF YEAR	36.4	312,106	384,879

1 INCORPORATION AND PRINCIPAL ACTIVITIES

On July 20, 2016, Sagicor Financial Corporation continued as an exempted company under the laws of Bermuda under the name Sagicor Financial Corporation Limited and registered as an external company under the Companies Act of Barbados on July 20, 2016. Bermuda law does not contemplate companies with no par value shares, as a consequence on continuance the excess of the par value of $0.01 has been credited to share premium (note 21).

The Company was originally incorporated on December 6, 2002 under the Companies Act of Barbados as a public limited liability holding company. On December 6, 2002, Sagicor Life Inc was formed following its conversion from The Barbados Mutual Life Assurance Society (The Society). On December 30, 2002, the Company allotted common shares to the eligible policyholders of The Society and became the holding company of Sagicor Life Inc.

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

The principal activities of the Sagicor Group are as follows:

- Life and health insurance
- Annuities and pension administration services
- Property and casualty insurance
- Banking, investment management and other financial 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, 2016 have been approved by the Board of Directors on March 31, 2017. Neither the entity'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 Canadian accepted actuarial standards. As no specific guidance is provided by IFRS for computing actuarial liabilities, management has judged that Canadian accepted actuarial standards 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, available for sale investment securities, financial assets and liabilities held at fair value through income, 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 Company'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 IFRS

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after January 1, 2016, and have not been applied in preparing these consolidated financial statements (see note 2.25). There are no new standards, amendments to standards and interpretations effective for this financial year that have a significant effect on the consolidated financial statements.

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 has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group, and are de-consolidated from the date on which control ceases.

2.2 Basis of consolidation (continued)

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.

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

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.

2.2 Basis of consolidation (continued)

(b) Discontinued operation

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

As of December 31, 2016, the future price adjustments relating to the discontinued operation are disclosed in the statement of financial position at their estimated undiscounted value.

(c) Sale of subsidiaries

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

(d) Associates and joint venture

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.

2 Basis of consolidation (continued)

Investments in associate and joint venture companies are originally recorded at cost and include intangible assets identified on acquisition. Accounting policies have been changed where necessary to ensure consistency with the accounting policies adopted by the Group.

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

(e) Pension and investment funds

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

The Group manages a number of segregated pension funds, mutual funds and unit trusts. These funds are segregated and investment returns on these funds accrue directly to unit-holders. 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 or in the case of pounds sterling, according to prevailing market rates. Exchange rates of the other principal operating currencies to the United States dollar were as follows:

	2016 closing	2016 average	2015 closing	2015 average
Barbados dollar	2.0000	2.0000	2.0000	2.0000
Eastern Caribbean dollar	2.7000	2.7000	2.7000	2.7000
Jamaica dollar	127.9824	124.7554	119.9758	116.7122
Trinidad & Tobago dollar	6.7458	6.6190	6.4196	6.3412
Pound sterling	0.81280	0.73444	0.67480	0.65276

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 and liabilities of the foreign entity, and are translated at the rate ruling on December 31.

(c) Transactions and balances

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

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

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

2.4 Segments

Reportable operating segments have been defined on the basis of 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 valuation date.

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 on an accrual basis.

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 property is re-valued at least every three years to its 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 property includes 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 owner-occupied 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 assets. Operating leases are leases in which the Group maintains substantially the risks of ownership and the associated assets are recorded as property, plant and equipment. Income from operating leases is recognised on the straight-line basis over the term of the lease.

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

Asset	Estimated useful life
Buildings	40 to 50 years
Furnishings and leasehold improvements	10 years or lease term
Computer and office equipment	3 to 10 years
Vehicles	4 to 5 years
Leased equipment and vehicles	5 to 6 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 de-recognised and is included in the gain or loss on disposal. On the disposal of a subsidiary or insurance business forming part of a reportable operating segment, the proportion of goodwill disposed is the proportion of the fair value of the asset disposed to the total fair value of the operating segment.

2.7 Intangible assets (continued)

(b) Other intangible assets

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

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

On acquisition, the useful life of the asset is estimated. If the estimated useful life is definite, then the cost of the asset is amortised over its life, and 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	4 - 20 years
	Broker relationships	10 years
Contract based	Licences	15 years
Technology based	Software	2 – 10 years

2.8 Financial assets

(a) Classification

The Group classifies its financial assets into four categories:

- held to maturity financial assets;
- available for sale financial assets;
- financial assets at fair value through income;
- loans and receivables.

Management determines the appropriate classification of these assets on initial recognition.

Held to maturity financial assets are non-derivative financial instruments with fixed or determinable payments and fixed maturities that management has both the intent and ability to hold to maturity.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

Financial assets in the category at fair value through income comprise designated assets or held for trading assets. These are set out below.

- Assets designated by management on acquisition form part of managed portfolios whose performance is evaluated on a fair value basis in accordance with documented investment strategies. They comprise investment portfolios backing deposit administration and unit linked policy contracts for which the full return on the portfolios accrue to the contract-holders.

- Held for trading securities 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. Derivatives are also classified as held for trading unless designated as hedges.

Available for sale financial assets are non-derivative financial instruments intended to be held for an indefinite period of time and which may be sold in response to liquidity needs or changes in interest rates, exchange rates and equity prices.

2.8 Financial assets (continued)

(b) Recognition and measurement

Purchases and sales of financial investments are recognised on the trade date. Interest income arising on investments is accrued using the effective yield method. Dividends are recorded in revenue when due.

Held to maturity assets, loans and receivables are carried at amortised cost less provision for impairment.

Financial assets in the category at fair value through income are measured initially at fair value and are subsequently re-measured at their fair value based on quoted prices or internal valuation techniques. Realised and unrealised gains and losses are recorded as net gains in investment income. Interest and dividend income are recorded under their respective heads in investment income. Interest income on financial assets at fair value through income is calculated using the effective interest rate method.

Financial assets in the available for sale category are measured initially at fair value and are subsequently re-measured at their fair value based on quoted prices or internal valuation techniques. Unrealised gains and losses, net of deferred income taxes, are reported in other comprehensive income. Either on the disposal of the asset or if the asset is determined to be impaired, the previously recorded unrealised gain or loss is transferred to investment income. Discounts and premiums on available for sale securities are amortised using the effective yield method.

(c) 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.

2.8 Financial assets (continued)

(d) Impaired financial assets

A financial asset is considered impaired if its carrying amount exceeds its estimated recoverable amount.

An impairment loss for assets carried at amortised cost is calculated as the difference between the carrying amount and the present value of expected future cash flows discounted at the original effective interest rate. The carrying value of impaired financial assets is reduced by impairment losses.

The recoverable amount for an available for sale security is its fair value.

For an available for sale equity security or investment in an associated company, an impairment loss is recognised in income if there has been a significant or prolonged decline in its fair value below its cost. Determination of what is significant or prolonged requires judgement which includes consideration of the volatility of the fair value, and the financial condition and financial viability of the investee. In this context, management considers a 40% decline in fair value below cost to be significant and a decline that has persisted for more than twelve months to be prolonged. Any subsequent increase in fair value occurring after the recognition of an impairment loss is reported in other comprehensive income.

For an available for sale security other than an equity security, if the Group assesses that there is objective evidence that the security is impaired, an impairment loss is recognised for the amount by which the instrument's amortised cost exceeds its fair value. If in a subsequent period the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed, and the amount of the reversal is recognised in revenue.

2.8 Financial assets (continued)

(e) Securities purchased for resale

Securities purchased for resale are treated as collateralised financing transactions and are recorded at the amount at which they are acquired. The difference between the purchase and resale price is treated as interest and is accrued over the life of the agreements using the effective yield method.

(f) Finance leases

The Group, as lessor, enters into 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.

(g) Embedded derivatives

The Group holds certain bonds and preferred equity securities that contain options to convert into common shares of the issuer. These options are considered embedded derivatives.

If the measurement of an embedded derivative can be separated from its host contract, the embedded derivative is carried at current market value and is presented with its related host contract. Unrealised gains and losses are recorded as investment income.

If the measurement of an embedded derivative cannot be separated from its host contract, the full contract is accounted for as a financial asset at fair value through income.

2.9 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.

2.10 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.

2.10 Policy contracts (continued)

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

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

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

Residual gains in the participating accounts constitute discretionary participation features which the Group classifies as equity (see also note 2.20).

(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.

2.10 Policy contracts (continued)

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

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

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

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

2.10 Policy contracts (continued)

(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.

Claims are recorded on settlement. Reserves are recorded as described in note 2.11.

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.

2.10 Policy contracts (continued)

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 2.11.

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

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

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

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

Universal life and unit linked contracts have either an interest bearing investment account or unit linked investment accounts. Either gross premiums or gross premiums net of allowances are deposited to the investment accounts. Investment returns are credited to the investment accounts and expenses, not included in the aforementioned 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.

2.10 Policy contracts (continued)

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 2.11.

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 direct 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.

2.10 Policy contracts (continued)

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.

(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 income 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, it is accrued monthly.

2.10 Policy contracts (continued)

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

(c) Embedded derivatives

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

The Group does not separately measure embedded derivatives that are closely related to the host insurance contract or that meet the definition of an insurance contract. Options to surrender an insurance contract for a fixed amount are also not measured separately. In these cases, the entire contract liability is measured as set out in note 2.11.

(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.

2.11 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 Canadian accepted actuarial standards. 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.

2.11 Actuarial liabilities (continued)

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.

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 Company 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 available for sale securities, whose unrealised gains or losses in fair value are recorded in other comprehensive income. The fair value reserve for actuarial liabilities has been established in the statement of 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 fair value of available for sale securities.

2.11 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 income 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.

2.12 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. The recognition and measurement of the Group's principal types of financial liabilities are disclosed in note 2.10(b) (vii) and in the following paragraphs.

(a) Securities sold for re-purchase

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

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

2.12 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 and the associated cost is classified as finance costs. Loan obligations undertaken for the purposes of providing funds for on-lending, leasing or portfolio investments are classified as deposit and security liabilities and the associated cost is included in interest expense.

(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.

2.13 Provisions

Provisions 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.

2.14 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.

2.14 Derivative financial instruments and hedging activities (continued)

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.

2.15 Offsetting financial instruments

Financial assets and 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.

2.16 Presentation of current and non-current assets and liabilities

In note 41.2, 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 the 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.

(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 the 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 as a whole 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 services. 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 0.20% 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.

Amounts expressed in US$000

2.18 Taxes (continued)

Income tax rates	Life insurance and non-registered annuities	Registered annuities	Other lines of business
Barbados	5% of gross investment income	Nil	25% of net income
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	25% of net income
United States of America	35% of net income	Nil	35% of net income

(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 once they relate to the same entity. Deferred tax, related to fair value re-measurement of available for sale 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 Common and preference shares

(a) 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.

(b) Preference shares

On July 18, 2011, the Company issued convertible redeemable preference shares that are accounted for as a compound financial instrument. The shares were redeemed on July 18, 2016.

The redemption value is recognised as a contractual liability, and is measured initially at its discounted fair value. The discount rate reflects as of July 18, 2011: (i) the rate of interest applicable to a similar liability with a contractual dividend rate, and (ii) the interest premium required by the shareholder for an instrument with a non-contractual dividend. The liability component is disclosed in note 16.

The preference shareholders' rights to receive dividends is recognised within shareholders' equity, and is measured initially as the residual fair value of the preference shares in their totality after deducting the liability for the redemptive value. The equity component is initially recorded as a preference share reserve in note 22.

Incremental costs directly attributable to the issue of the preference shares are allocated between the liability for the redemption value and the equity reserve in proportion to their initial carrying amounts. After initial recognition, the liability component is accreted to its ultimate redemption value using the effective interest yield method, with the accretion being recorded as a finance cost in the statement of income. After initial recognition, the preference share reserve is transferred to retained earnings pro-rata to the dividends declared over the period to redemption.

2.19 Common and preference shares (continued)

On the initial recognition of the preference shares, the conversion feature of the instrument was deemed to have no value. Subsequently, when a number of preference shares are converted to common shares, the associated liability for redemption will be extinguished and consequently will be transferred to the share capital account for common shares. Additionally at conversion, the proportion of the preference share reserve attributable to the converted number of preference shares will also be transferred to the share capital account for common shares. In summary, the total transfer to the share capital account for common shares will approximate the original consideration for the converted number of preference shares less attributable issue costs.

(c) Dividends

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

2.20 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.

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.

2.20 Participating accounts (continued)

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.

2.20 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.

2.21 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.

2.22 Interest income and expenses

Interest income and expenses are recognised in the income statement for all interest bearing instruments on an accrual basis using the effective yield method based on the initial transaction price. Interest includes coupon interest and accrued discount and premium on financial instruments.

2.23 Fees and other revenue

Fees and non-insurance commission income are recognised on an accrual basis when the service has been provided. Fees and commissions arising from negotiating or participating in the negotiation of a transaction for a third party are recognised on completion of the underlying transaction. Portfolio and other management advisory and service fees are recognised based on the applicable service contracts, usually on a time-apportionate basis. Asset management fees related to investment funds are recognised rateably over the period in which the service is provided. Performance linked fees or fee components are recognised when the performance criteria are fulfilled. Other revenue is recognised on an accrual basis when the related service has been provided.

2.24 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,
- other liquid balances with maturities of three months or less from the acquisition date,
- less bank overdrafts which are repayable on demand,
- less other borrowings from financial institutions made for the purpose of meeting cash commitments and which have maturities of three months or less from origination.

Cash equivalents are subject to an insignificant risk of change in value.

2.25 Future accounting developments and reporting changes

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

IFRS (Effective Date)	Subject / Comments
IFRS 9 – Financial Instruments (January 1, 2018)	IFRS 9, addresses the classification, measurement and recognition of financial assets and financial liabilities. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through OCI and fair value through P&L. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in OCI not recycling. There is now a new expected credit losses model that replaces the incurred loss impairment model used in IAS 39. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. IFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually use for risk management purposes.

IFRS (Effective Date)	Subject / Comments
IFRS 9 – Financial Instruments (January 1, 2018) (continued)	In September 2016, the IASB issued Applying IFRS 9 'Financial Instruments' with IFRS 4 'Insurance Contracts' (Amendments to IFRS 4) to address concerns by preparers on implementing IFRS 9 before the new insurance standard, IFRS 17, is released. The amended IFRS 4 will provide all companies that issue insurance contracts the option to recognise in other comprehensive income, rather than profit or loss, the volatility that could arise when IFRS 9 is applied before IFRS 17 is issued (known as the overlay approach), and also give companies whose activities are predominantly connected with insurance an optional temporary exemption from applying IFRS 9 until 2021 (known as the deferral approach). Entities deferring application of IFRS 9 will continue to apply the IAS 39. The Group is yet to assess IFRS 9's full impact.

Amounts expressed in US$000

2.25 Future accounting developments and reporting changes

IFRS (Effective Date)	Subject / Comments
IFRS 15 – Revenue from contracts with customers (January 1, 2017)	IFRS 15 deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS 18 'Revenue' and IAS 11 'Construction contracts' and related interpretations. The Group is assessing the impact of IFRS 15.
IFRS 16 – Leases (Annual periods beginning on or after 1 January 2019 with earlier application permitted if IFRS 15, 'Revenue from Contracts with Customers', is also applied.)	This standard replaces the current guidance in IAS 17 and is a far-reaching change in accounting by lessees in particular. Under IAS 17, lessees were required to make a distinction between a finance lease (on balance sheet) and an operating lease (off balance sheet). IFRS 16 now requires lessees to recognise a lease liability reflecting future lease payments and a 'right-of-use asset' for virtually all lease contracts. The IASB has included an optional exemption for certain short-term leases and leases of low-value assets; however, this exemption can only be applied by lessees. For lessors, the accounting stays almost the same. However, as the IASB has updated the guidance on the definition of a lease (as well as the guidance on the combination and separation of contracts), lessors will also be affected by the new standard. At the very least, the new accounting model for lessees is expected to impact negotiations between lessors and lessees. Under IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Group is yet to assess the impact of IFRS 16.

IFRS (Effective Date)	Subject / Comments
Recognition of Deferred Tax Assets for Unrealised Losses – Amendments to IAS 12 (January 1, 2017)	Amendments made to IAS 12 in January 2016 clarify the accounting for deferred tax where an asset is measured at fair value and that fair value is below the asset's tax base. Specifically, the amendments confirm that: • A temporary difference exists whenever the carrying amount of an asset is less than its tax base at the end of the reporting period. • An entity can assume that it will recover an amount higher than the carrying amount of an asset to estimate its future taxable profit. • Where the tax law restricts the source of taxable profits against which particular types of deferred tax assets can be recovered, the recoverability of the deferred tax assets can only be assessed in combination with other deferred tax assets of the same type. • Tax deductions resulting from the reversal of deferred tax assets are excluded from the estimated future taxable profit that is used to evaluate the recoverability of those assets. The Group is assessing the impact of the amendment to IAS 12.

2.25 Future accounting developments and reporting changes

IFRS (Effective Date)	Subject / Comments
Disclosure Initiative – Amendments to IAS 7 (January 1, 2017)	Going forward, entities will be required to explain changes in their liabilities arising from financing activities. This includes changes arising from cash flows (e.g. drawdowns and repayments of borrowings) and non-cash changes such as acquisitions, disposals, accretion of interest and unrealised exchange differences. Changes in financial assets must be included in this disclosure if the cash flows were, or will be, included in cash flows from financing activities. This could be the case, for example, for assets that hedge liabilities arising from financing liabilities. Entities may include changes in other items as part of this disclosure, for example by providing a 'net debt' reconciliation. However, in this case the changes in the other items must be disclosed separately from the changes in liabilities arising from financing activities. The information may be disclosed in tabular format as a reconciliation from opening and closing balances, but a specific format is not mandated. The Group is assessing the impact of the amendment to IAS 7.
Sale or contribution of assets between an investor and its associate or joint venture – Amendments to IFRS 10 and IAS 28 (In December 2016 the IASB decided to defer the application date of this amendment until such time as the IASB has finalised its research project on the equity method.)	The IASB has made limited scope amendments to IFRS 10 Consolidated financial statements and IAS 28 Investments in associates and joint ventures. The amendments clarify the accounting treatment for sales or contribution of assets between an investor and its associates or joint ventures. They confirm that the accounting treatment depends on whether the non-monetary assets sold or contributed to an associate or joint venture constitute a 'business' (as defined in IFRS 3 Business Combinations). Where the non-monetary assets constitute a business, the investor will recognise the full gain or loss on the sale or contribution of assets. If the assets do not meet the definition of a business, the gain or loss is recognised by the investor only to the extent of the other investor's investment in the associate or joint venture. The amendments apply prospectively. The Group is yet to assess the impact of the amendment.

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

An available for sale debt security or a loan or a receivable is considered impaired when management determines that it is probable that all amounts due according to the original contract terms will not be collected. This determination is made after considering the payment history of the borrower, the discounted value of collateral and guarantees, and the financial condition and financial viability of the borrower. The determination of impairment may either be considered by individual asset or by a grouping of assets with similar relevant characteristics.

3.2 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.

3.3 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.

3.3 Impairment of intangible assets (continued)

(a) Goodwill (continued)

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.

3.4 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.

3.5 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.

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.

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 (for statutory reporting), 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 the Canadian Standards of Practice.

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

3.6 Carrying value of the assets and liabilities of the discontinued operation

As of December 31, 2016, the liability of the discontinued operation is the estimated residual liability due to the purchaser arising from the estimated results of the syndicate for the underwriting years of account up to and including 2013, until the end of the run-off period, December 31, 2018. The reported liability is also impacted by movements in various foreign exchange rates as the insured risks are denominated in a number of different currencies. The buyer may also charge a reasonable risk premium at the end of the run-off period.

Amounts expressed in US$000

4 SEGMENTS

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

The Group CEO serves as Board Chairman or as a Board Member of the principal subsidiaries and is the Group's Chief Operating decision maker. Through subsidiary company reporting, the Group CEO obtains details of company 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 within continuing operations 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

The group of subsidiaries comprises entities conducting life, health, annuity insurance business, pension administration services and asset management. During 2015, the segments were (i) Barbados, Eastern Caribbean, Dutch Caribbean, Bahamas and Central America and (ii) Trinidad and Tobago. During the year, the Group combined the two segments and brought them under common executive management control to allow for greater focus and accountability in the execution of our strategies.

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

Amounts expressed in US$000

4 SEGMENTS (continued)

(b) Sagicor Jamaica

This segment comprises Group subsidiaries conducting life, health, annuity, property and casualty insurance business, and pension administration services and financial services in Jamaica, Cayman Islands and Costa Rica.

All Jamaican subsidiaries are now wholly owned by Sagicor Group Jamaica Limited. The companies comprising this segment are as follows.

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

4 SEGMENTS (continued)

Sagicor Jamaica Segment Companies (continued)	Principal Activities	Country of Incorporation	Effective Shareholders' Interest
Sagicor Property Services Limited	Property management	Jamaica	49.11%
Sagicor Investments Jamaica Limited	Investment banking	Jamaica	49.11%
Sagicor Bank Jamaica Limited	Commercial banking	Jamaica	49.11%
Sagicor Costa Rica SCR, S.A.	Life insurance	Costa Rica	24.56%
LOJ Holdings Limited	Insurance holding company	Jamaica	100%
Sagicor St Lucia Limited	Financial services holding company	St. Lucia	49.11%
Sagicor Securities Jamaica Limited	Securities trading	Jamaica	49.11%
Associates			
Sagicor Real Estate X-Fund Ltd.	Investment in real estate activities	St. Lucia	29.31%(1)

(1) In September 2015, Sagicor Group acquired the Sagicor Real Estate X Fund. This acquisition took the Sagicor Group's holding to 29.3%.

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

- The power of the group to appoint a majority of 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.

Amounts expressed in US$000

4 SEGMENTS (continued)

(c) Sagicor Life USA

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

Sagicor Life USA Segment Companies	Principal Activities	Country of Incorporation	Effective Shareholders' Interest
Sagicor Life Insurance Company	Life insurance and annuities	USA - Texas	100%
Sagicor USA Inc	Insurance holding company	USA - Delaware	100%

(d) Head office function and other operating companies

These comprise the following:

Other Group Companies	Principal Activities	Country of Incorporation	Effective Shareholders' Interest
Sagicor Financial Corporation Limited [1]	Group parent company	Bermuda	100%
Sagicor General Insurance Inc	Property and casualty insurance	Barbados	53%
Sagicor Finance Inc	Loan and lease financing, and deposit taking	St. Lucia	70%
Sagicor Asset Management (T&T) Limited	Investment management	Trinidad & Tobago	100%
Sagicor Asset Management Inc	Investment management	Barbados	100%

4 SEGMENTS (continued)

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

These comprise the following:

Other Group Companies	Principal Activities	Country of Incorporation	Effective Shareholders' Interest
Sagicor Asset Management (Eastern Caribbean) Limited	Investment management	Barbados	100%
Barbados Farms Limited	Farming and real estate development	Barbados	77%
Sagicor Funds Incorporated	Mutual fund holding company	Barbados	100%
Globe Finance Inc	Loan and lease financing, and deposit taking	Barbados	51%
The Mutual Financial Services Inc	Financial services holding company	Barbados	73%
Sagicor Finance Limited	Group financing vehicle	The Cayman Islands	100%
Sagicor Finance (2015) Limited[2]	Group financing vehicle	The Cayman Islands	100%

(1) On July 20, 2016, Sagicor Financial Corporation continued as an exempted company under the laws of Bermuda under the name Sagicor Financial Corporation Limited.

(2) In 2015, Sagicor Finance (2015) Limited was incorporated in the Cayman Islands with its primary function being the issuance of debt.

Amounts expressed in US$000

4.1 Statement of income by segment

2016	Sagicor Life	Sagicor Jamaica	Sagicor Life USA	Head office and other	Adjustments	Total
Net premium revenue	299,565	268,482	74,383	21,526	-	663,956
Interest income	77,394	157,758	47,958	9,758	-	292,868
Other investment income	3,114	42,753	10,450	2,883	1,284	60,484
Fees and other revenues	19,107	54,968	16,095	26,654	15	116,839
Inter-segment revenues	11,946	-	-	60,129	(72,075)	-
	411,126	523,961	148,886	120,950	(70,776)	1,134,147
Net policy benefits	196,116	168,757	79,625	9,161	-	453,659
Net change in actuarial liabilities	3,152	38,350	3,750	-	-	45,252
Interest expense	13,393	41,455	2,853	3,747	-	61,448
Administrative expenses	68,990	112,156	32,752	40,040	1,388	255,326
Commissions and premium and asset taxes	44,152	39,979	15,584	9,534	-	109,249
Finance costs	-	-	63	(136)	38,406	38,333
Depreciation and amortisation	6,505	8,017	1,551	5,210	-	21,283
Inter-segment expenses	5,720 (1)	1,419	(3,575) (1)	11,581	(15,145)	-
	338,028	410,133	132,603	79,137	24,649	984,550
Segment income / (loss) before taxes	73,098	113,828	16,283	41,813	(95,425)	149,597
Income taxes	(8,177)	(23,678)	(5,797)	(3,544)	(504)	(41,700)
Net income / (loss) from continuing operations	64,921	90,150	10,486	38,269	(95,929)	107,897
Net income/(loss) attributable to shareholders from continuing operations	64,811	44,275	10,486	(1,790)	(57,523)	60,259
Total comprehensive income/(loss) attributable to shareholders from continuing operations	50,414	45,840	12,802	(3,378)	(59,867)	45,811

(1) During 2015, Sagicor Life USA entered into a reinsurance agreement with Sagicor Life; included in the inter-segment expenses is $4,819 relating to this transaction.

Amounts expressed in US$000

4.2 Statement of income by segment

2015	Sagicor Life	Sagicor Jamaica	Sagicor Life USA	Head office and other	Adjustments	Total
Net premium revenue	291,237	278,312	80,963	23,413	-	673,925
Interest income	73,121	159,828	51,236	9,247	-	293,432
Other investment income	1,862	21,101	8,831	(66)	(2,931)	28,797
Fees and other revenues	12,606	53,243	20,124	23,113	4	109,090
Loss arising on acquisition	-	(1,025)	-	-	-	(1,025)
Inter-segment revenues	92,596[(1)]	-	(82,890)[(1)]	39,905	(49,611)	-
	471,422	511,459	78,264	95,612	(52,538)	1,104,219
Net policy benefits	189,934	163,574	101,898	12,171	-	467,577
Net change in actuarial liabilities	(1,482)	44,634	(16,593)	-	-	26,559
Interest expense	11,247	40,824	2,693	4,043	-	58,807
Administrative expenses	64,958	114,977	35,673	35,449	835	251,892
Commissions and premium and asset taxes	40,694	44,298	24,761	10,148	-	119,901
Finance costs	-	-	49	(343)	37,528	37,234
Depreciation and amortisation	5,831	6,573	1,276	5,007	-	18,687
Inter-segment expenses	82,585[(1)]	886	(81,207)[(1)]	9,943	(12,207)	-
	393,767	415,766	68,550	76,418	26,156	980,657
Segment income / (loss) before taxes	77,655	95,693	9,714	19,194	(78,694)	123,562
Income taxes	(6,888)	(15,581)	(3,106)	(343)	799	(25,119)
Net income / (loss) from continuing operations	70,767	80,112	6,608	18,851	(77,895)	98,443
Net income/(loss) attributable to shareholders from continuing operations	69,482	39,344	6,608	(18,740)	(40,367)	56,327
Total comprehensive income/(loss) attributable to shareholders from continuing operations	70,925	4,881	(3,404)	(19,460)	(38,481)	14,461

(1) During the year, Sagicor Life USA entered into a reinsurance agreement with Sagicor Life; included in the inter-segment revenues is $90,515 and inter-segment expenses of $82,225 relating to this transaction.

4.1 Statement of income by segment (continued)

The principal non-controlling interests in the Group are in respect of Sagicor Group Jamaica Limited (Sagicor Jamaica).

Out of the total net income attributable to non-controlling interests of $47,528 (2015 - $40,831), Sagicor Jamaica contributed $45,876 (2015 - $40,767).

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) Investment gains

Fair value investment gains are recognised on:
- the revaluation of investment property;
- the revaluation of debt and equity securities classified as at fair value through income;
- the disposal of debt and equity securities classified as available for sale or loans and receivables.

Therefore, significant gains and losses may be triggered by changes in market prices and / or by decisions to dispose of investments.

(ii) Allowances for impairment of financial investments

Significant impairment losses may be triggered by changes in market prices and economic conditions.

(iii) Gains on acquisitions/divestitures

On acquisition of a business or portfolio, if the fair value of the net assets acquired exceeds the total consideration transferred, the difference is recognized directly in the statement of income.

4.2 Variations in segment income (continued)

(iv) Foreign exchange gains and losses

Movements in foreign exchange rates may generate significant exchange gains or losses when the foreign currency denominated monetary assets and liabilities are re-translated at the date of the financial statements.

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

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

Amounts expressed in US$000

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.

	2016					2015				
Variations in income by segment	Sagicor Life	Sagicor Jamaica	Sagicor Life USA	Head Office and Other	Total	Sagicor Life	Sagicor Jamaica	Sagicor Life USA	Head Office and Other	Total
Investment gains / (losses)	999	42,669	15,586	2,882	62,136	(1,226)	28,342	5,309	(7)	32,418
Impairment of financial investments	(328)	(4,652)	(4,488)	(153)	(9,621)	(1,782)	(8,368)	(17)	(171)	(10,338)
Foreign exchange gains	8,725	3,566	-	273	12,564	1,624	1,182	-	8	2,814
Losses on acquisitions/ divestitures	-	-	-	-	-	-	(1,025)	-	-	(1,025)
Decrease / (increase) in actuarial liabilities from changes in assumptions	21,682	3,805	(18,176)	-	7,311	36,114	(403)	55,700	-	91,411
	31,078	45,388	(7,078)	3,002	72,390	34,730	19,728	60,992	(170)	115,280

Amounts expressed in US$000

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*
Fair value investment gains are recognised on the revaluation of debt and equity securities classified as available for sale. 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 changes in actuarial liabilities as a result of the use of asset liability matching in the liability estimation process.

(iii) *Foreign exchange gains and losses*
Movements in foreign exchange rates may generate significant exchange gains or losses on the re-translation of the financial statements of foreign currency reporting units.

(iv) *Defined benefit plans gains and losses*
Experience adjustments and changes in actuarial assumptions gives rise to gains or losses on defined benefit plans.

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

	Variations in other comprehensive income by segment					
	Sagicor Life	Sagicor Jamaica	Sagicor Life USA	Head Office and other	Adjustments	Total
2016						
Unrealised investment (losses)	(2,474)	32,226	11,034	(137)	(1,466)	39,183
Changes in actuarial liabilities	961	(5,647)	(12,404)	-	-	(17,090)
Retranslation of foreign currency operations	(7,490)	(21,058)	-	10	57	(28,481)
Losses on defined benefit plans	(4,924)	(7,369)	-	(1,582)	-	(13,875)
2015						
Unrealised investment gains	(5,252)	(61,165)	(36,500)	(184)	-	(103,101)
Changes in actuarial liabilities	9,729	3,702	34,915	-	-	48,346
Retranslation of foreign currency operations	(982)	(14,708)	-	23	(19)	(15,686)
Gains on defined benefit plans	(1,053)	(3,787)	-	(591)	-	(5,431)

Amounts expressed in US$000

4.4 Statement of financial position by segment

	Sagicor Life	Sagicor Jamaica	Sagicor Life USA	Head office and other	Adjustments	Total
2016						
Financial investments	1,403,870	2,212,153	1,068,244	129,481	-	4,813,748
Other external assets	324,570	450,104	829,889	189,807	(76,198)	1,718,172
Inter-segment assets	199,858	11,555	2,759	54,006	(268,178)	-
Total assets	1,928,298	2,673,812	1,900,892	373,294	(344,376)	6,531,920
Policy liabilities	1,272,500	675,019	1,434,678	55,061	(76,198)	3,361,060
Other external liabilities	86,871	1,544,651	203,929	539,995	-	2,375,446
Inter-segment liabilities	39,434	3,715	43,838	181,191	(268,178)	-
Total liabilities	1,398,805	2,223,385	1,682,445	776,247	(344,376)	5,736,506
Net assets	529,493	450,427	218,447	(402,953)	-	795,414
2015						
Financial investments	1,402,811	2,087,139	1,061,649	275,022	-	4,826,621
Other external assets	331,311	415,738	712,944	195,496	(82,225)	1,573,264
Inter-segment assets	169,945	10,350	8,323	53,505	(242,123)	-
Total assets	1,904,067	2,513,227	1,782,916	524,023	(324,348)	6,399,885
Policy liabilities	1,271,737	646,942	1,309,946	60,474	(82,225)	3,206,874
Other external liabilities	87,439	1,467,043	224,063	629,276	-	2,407,821
Liabilities of discontinued operation	-	-	-	46,026	-	46,026
Inter-segment liabilities	28,475	1,696	43,839	168,113	(242,123)	-
Total liabilities	1,387,651	2,115,681	1,577,848	903,889	(324,348)	5,660,721
Net assets	516,416	397,546	205,068	(379,866)	-	739,164

Amounts expressed in US$000

4.4 Statement of financial position by segment (continued)

The principal non-controlling interests in the Group are in respect of Sagicor Group Jamaica Limited (Sagicor Jamaica). Out of the total non-controlling interests in the statement of financial position of $257,974 (2015 - $231,735), Sagicor Jamaica contributed $219,361 (2015 - $194,690).

4.5 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:

	2016	2015
Sagicor Life	4,534	9,139
Sagicor Jamaica	8,922	45,968
Sagicor Life USA	5,782	2,806
Head office and other	5,565	4,557
	24,803	62,470

4.6 Products and services

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

	2016	2015
Life, health and annuity insurance contracts issued to individuals	635,288	636,061
Life, health and annuity insurance and pension administration contracts issued to groups	276,893	273,382
Property and casualty insurance	36,621	32,653
Banking, investment management and other financial services	157,573	150,152
Farming and unallocated revenues	27,772	11,971
	1,134,147	1,104,219

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, investment in associated companies and intangible assets.

Total external revenues and non-current assets by geographical area are summarised in the following table.

	External revenue		Non-current assets	
	2016	2015	2016	2015
Barbados	170,271	162,545	193,522	195,457
Jamaica	495,476	478,798	120,178	117,964
Trinidad & Tobago	166,066	153,790	66,115	69,132
Other Caribbean	152,161	150,860	30,025	34,485
USA	150,173	158,226	9,325	5,096
	1,134,147	1,104,219	419,165	422,134

Amounts expressed in US$000

5 INVESTMENT PROPERTY

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

	2016	2015
Balance, beginning of year	79,172	88,766
Additions at cost	7	111
Transfer from real estate developed for resale (note 12)	555	-
Transfer (to) / from property, plant and equipment (note 7)	846	(3,410)
Disposals	(825)	(5,255)
Change in fair values	1,847	(816)
Effects of exchange rate changes	(940)	(224)
Balance, end of year	80,662	79,172

Investment property includes $10,603 (2015 - $11,446) which represents the Group's proportionate interest in joint operations summarised in the following table.

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

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

Amounts expressed in US$000

6 ASSOCIATES AND JOINT VENTURES

6.1 Interest in Associates and Joint Ventures

Name of Entity	Country of Incorporation	% of ownership interest		Nature of relationship	Measurement Method	Carrying Amount	
		2016	2015			2016	2015
RGM Limited	Trinidad & Tobago	33%	33%	Associate	Equity Method	22,346	23,199
FamGuard Corporation Limited[1]	Bahamas	20%	20%	Associate	Equity Method	13,700	14,059
Primo Holding Limited	Barbados	38%	38%	Associate	Equity Method	355	362
Sagicor Costa Rica SCR, S.A.	Costa Rica	50%	50%	Joint Venture	Equity Method	3,107	6,326
Sagicor Real Estate X-Fund Ltd.[2]	St. Lucia	29%	29%	Associate	Equity Method	47,785	40,584
						87,293	84,530

(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 $5.82 per share was $11,000 (2015 – $11,200).

(2) The Sagicor Real Estate X Fund Limited traded on the Jamaica Stock Exchange. The proportionate share of market value calculated on the basis of the year-end closing rate of $0.10 (J$12.25) per share was $66,508 (2015 - $58,346).

Amounts expressed in US$000

6.2 Summarised Financial Information

	RGM Limited		FamGuard Corporation Limited		Primo Holding Limited		Sagicor Costa Rica SCR, S.A.		Sagicor Real Estate X-Fund Ltd.	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
ASSETS										
Financial investments	-	-	269,154	251,312	-	-	9,765	7,840	122,129	93,939
Cash resources	6,688	11,829	15,685	10,092	-	-	3,561	3,607	9,478	19,972
Other investments and assets	126,117	132,735	61,288	63,622	1,050	1,050	4,950	1,867	214,553	168,306
Total assets	132,805	144,564	346,127	325,026	1,050	1,050	18,276	13,314	346,160	282,217
LIABILITIES										
Policy liabilities	-	-	220,829	206,002	-	-	3,761	1,829	-	-
Other liabilities	65,771	74,972	13,073	10,966	204	186	8,299	144	190,669	151,799
Total liabilities	65,771	74,972	233,902	216,968	204	186	12,060	1,973	190,669	151,799
Net Assets	67,034	69,592	112,225	108,058	846	864	6,216	11,341	155,491	130,418

Amounts expressed in US$000

6.2 Summarised Financial Information (continued)

	RGM Limited		FamGuard Corporation Limited		Primo Holding Limited		Sagicor Costa Rica SCR, S.A.		Sagicor Real Estate X-Fund Ltd.	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
Reconciliation to carrying amounts:										
Investment, beginning of year	23,199	21,080	14,059	12,856	362	368	6,326	6,460	40,584	-
Additions	-	423	-	-	-	-	188	152	-	28,453
Amounts assumed on acquisition	-	-	-	-	-	-	-	-	-	12,288
Transfers	-	-	-	-	-	-	(2,886)	-	-	-
Dividends received	(470)	-	(580)	(480)	-	-	-	-	(738)	-
Share of income/(loss) before taxes	1,158	1,677	240	959	(7)	(6)	66	(284)	3,968	807
Share of amortisation or impairment of intangible assets which were identified on acquisition	-	-	(72)	(72)	-	-	-	-	-	-
Share of income taxes	(402)	248	-	-	-	-	-	-	-	-
Share of other comprehensive income/(loss)	-	-	53	796	-	-	(264)	-	6,762	171
Effects of exchange rate changes	(1,139)	(229)	-	-	-	-	(323)	(2)	(2,791)	(1,135)
Investment, end of year	22,346	23,199	13,700	14,059	355	362	3,107	6,326	47,785	40,584

Amounts expressed in US$000

6.2 Summarised Financial Information (continued)

	RGM Limited		FamGuard Corporation Limited		Primo Holding Limited		Sagicor Costa Rica SCR, S.A.		Sagicor Real Estate X-Fund Ltd.	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
Summarised statement of comprehensive income										
REVENUE										
Net premium revenue	-	-	90,753	90,253	-	-	5,785	5,893	-	-
Net investment and other income	23,522	25,619	28,593	26,444	-	-	668	384	82,865	56,654
Total revenue	23,522	25,619	119,346	116,697	-	-	6,453	6,277	82,865	56,654
BENEFITS AND EXPENSES										
Benefits	-	-	78,106	75,671	-	-	3,393	5,346	-	-
Expenses	19,916	20,526	36,762	34,205	18	16	2,626	1,463	67,411	44,100
Total benefits and expenses	19,916	20,526	114,868	109,876	18	16	6,019	6,809	67,411	44,100
INCOME BEFORE TAXES	3,606	5,093	4,478	6,821	(18)	(16)	434	(532)	15,454	12,554
Income taxes	(1,195)	747	-	-	-	-	(301)	(35)	(1,916)	(1,438)
NET INCOME FOR THE PERIOD	2,411	5,840	4,478	6,821	(18)	(16)	133	(567)	13,538	11,116
Other comprehensive income	-	-	634	882	-	-	(670)	-	23,070	709
Total comprehensive income	2,411	5,840	5,112	7,703	(18)	(16)	(537)	(567)	36,608	11,825
Dividends received from associates and joint ventures	470	-	580	480	-	-	-	-	738	-

Amounts expressed in US$000

7 PROPERTY, PLANT AND EQUIPMENT

	2016					2015				
	Owner-occupied property		Office furnishings, equipment & vehicles	Operating lease vehicles & equipment	Total	Owner-occupied properties		Office furnishings, equipment & vehicles	Operating lease vehicles & equipment	Total
	Lands	Land & buildings				Land	Land & buildings			
Net book value, beginning of year	38,031	80,694	39,310	12,214	170,249	38,220	77,901	39,910	13,438	169,469
Additions at cost	-	2,680	13,787	3,869	20,336	-	967	14,275	2,933	18,175
Transfer (to) / from investment property (note 5)	(846)	-	-	-	(846)	-	3,410	-	-	3,410
Transfer to intangible assets (note 8)	-	-	(2,885)	-	(2,885)	-	-	(6,348)	-	(6,348)
Other transfers	-	-	613	-	613	-	6	139	-	145
Transfers to real estate developed or held for sale (Note 12)	-	-	-	-	-	(22)	-	-	-	(22)
Disposals	-	(753)	(508)	(1,612)	(2,873)	(167)	(109)	(827)	(1,019)	(2,122)
Change in fair values	-	(1,583)	-	-	(1,583)	-	815	-	-	815
Depreciation charge	-	(1,105)	(8,370)	(2,967)	(12,442)	-	(1,079)	(7,296)	(3,138)	(11,513)
Effects of exchange rate changes	-	(2,078)	(768)	-	(2,846)	-	(1,217)	(543)	-	(1,760)
Net book value, end of year	37,185	77,855	41,179	11,504	167,723	38,031	80,694	39,310	12,214	170,249
Represented by:										
Cost or valuation	37,185	81,004	120,299	18,755	257,243	38,031	84,316	112,382	19,705	254,434
Accumulated depreciation	-	(3,149)	(79,120)	(7,251)	(89,520)	-	(3,622)	(73,072)	(7,491)	(84,185)
	37,185	77,855	41,179	11,504	167,723	38,031	80,694	39,310	12,214	170,249

Owner-occupied lands are largely utilised for farming operations.

Owner-occupied land and buildings consist largely of commercial office buildings.

Amounts expressed in US$000

8 INTANGIBLE ASSETS

8.1 Analysis of intangible assets and changes for the year

	2016				2015			
	Goodwill	Customer & broker relationships	Software	Total	Goodwill	Customer & broker relationships	Software	Total
Net book value, beginning of year	45,272	16,441	26,470	88,183	46,643	19,129	10,284	76,056
Additions at cost	-	-	4,272	4,272	-	-	15,198	15,198
Transfer from property, plant and equipment (note 7)	-	-	2,885	2,885	-	-	6,348	6,348
Amortisation/impairment charges	-	(1,719)	(7,050)	(8,769)	(585)	(1,837)	(4,680)	(7,102)
Divestitures and disposals	-	-	-	-	-	-	(289)	(289)
Effects of exchange rate changes	(1,361)	(985)	(738)	(3,084)	(786)	(851)	(391)	(2,028)
Net book value, end of year	43,911	13,737	25,839	83,487	45,272	16,441	26,470	88,183
Represented by:								
Cost or valuation	43,911	35,579	63,466	142,956	47,085	38,316	57,513	142,914
Accumulated depreciation and impairments	-	(21,842)	(37,627)	(59,469)	(1,813)	(21,875)	(31,043)	(54,731)
	43,911	13,737	25,839	83,487	45,272	16,441	26,470	88,183

Amounts expressed in US$000

8.2 Impairment of intangible assets

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

For those CGU's which the fair value less costs to sell methodology is used, financial projections are used as inputs to determine maintainable earnings over time to which is applied an appropriate earnings multiple. For those CGU's which the value in use methodology is used, cash flows are extracted from financial projections to which are applied appropriate discount factors and residual growth rates, or alternatively, the cash flows from the financial projections are extended to 50 years using an actuarial appraisal value technique which incorporates appropriate discount rates and solvency capital requirements.

As disclosed in note 2.7 (a) goodwill is allocated to the Group's reportable operating segments. During the year, as disclosed in note 4, the Group combined the Barbados, Eastern Caribbean, Dutch Caribbean, the Bahamas and Central America segment with its Trinidad and Tobago operating segment. Goodwill is allocated to this combined segment and has been tested for impairment at this level.

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

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

(a) Sagicor Life operating segment

	2016	2015
Carrying value of goodwill	26,576	27,061

8.2 Impairment of intangible assets (continued)

(i) Years ended December 31, 2016 & 2015

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

- Discount rates of 7 - 11% (2015, 7 - 11%) for individual life and annuity inforce business,
- New individual life and annuity business was included for the five year period 2017 to 2021,
- Annual growth rate for new individual life and annuity business was 0% - 21.8% for 2017 and 5% – 19.7 % from 2018 to 2021 (2015 – 14% - 49% and 0% to 24.2% from 2017 to 2020),
- Discount rates of 11 - 15% (2015, 11 - 15%) for new individual life and annuity business,
- Required Minimum Continuing Capital and Surplus Ratio (MCCSR) of 175% (2015 – 200%).

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. Negative amounts illustrate the extent of possible impairment.

Sagicor Life Inc Segment			MCCSR target ratio		
			Low	Mid	High
Discount rate	Inforce	New business	150%	175%	200%
Low	7%	11%	286,253	281,890	277,068
Mid	9%	13%	135,970	126,454	116,026
High	11%	15%	26,330	13,704	4,179

Amounts expressed in US$000

8.2 Impairment of intangible assets (continued)

(b) Sagicor Jamaica operating segment

	2016	2015
Carrying value of goodwill	13,051	13,927

The fair value less cost to sell methodology was adopted to test goodwill impairment in both years. The after tax multiple used for the segment was 8.2 (2015– 7.4) which was derived from a pre-tax factor of 6.6 (2015 – 5.9) 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.

	2016 test		
	Scenario 1	Scenario 2	Scenario 3
After tax earnings multiples	8.2	5.4	4.9
Reduction in forecast earnings	n/a	10%	10%
Excess of recoverable amount (of 49.11% interest)	126,681	10	n/a
Impairment (of 49.11% interest)	Nil	Nil	(18,555)

8.2 Impairment of intangible assets (continued)

(c) Sagicor General Insurance Inc

	2016	2015
Carrying value of goodwill	4,284	4,284

The Group recognised goodwill on the acquisition of its interests in Sagicor General Insurance Inc. The value in use methodology has been used to test goodwill impairment in both years. The pre-tax discount factor was 12.8% (2015 –13.1%) which was derived from an after tax factor of 12.5% (2015 – 12.5%) using an iterative method. The residual growth rate was 4.4% (2015 – 4.4%).

Sensitivity

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

	2016 test		
	Scenario 1	Scenario 2	Scenario 3
After tax discount factor	12.5	12.5	15.0
Residual growth rate	4.4	3.7	3.7
Reduction in residual growth rate	n/a	16%	16%
Increase in after tax discount factor	n/a	n/a	20%
Excess of recoverable amount (of 53.0% interest)	39,170	29,336	22,025
Impairment (of 53.0% interest)	Nil	Nil	Nil

Amounts expressed in US$000

9 FINANCIAL INVESTMENTS

9.1 Analysis of financial investments

	2016		2015	
	Carrying value	Fair value	Carrying value	Fair value
Held to maturity securities:				
Debt securities	20,665	21,688	20,530	21,940
Available for sale securities:				
Debt securities	2,271,020	2,271,020	2,311,591	2,311,591
Equity securities	96,684	96,684	88,380	88,380
	2,367,704	2,367,704	2,399,971	2,399,971
Financial assets at fair value through income:				
Debt securities	164,005	164,005	136,727	136,727
Equity securities	123,524	123,524	126,577	126,577
Derivative financial instruments (note 41.6)	28,980	28,980	15,479	15,479
Mortgage loans	40,347	40,347	47,052	47,052
Deposits	-	-	56	56
	356,856	356,856	325,891	325,891
Loans and receivables:				
Debt securities	985,664	1,042,108	948,871	983,063
Mortgage loans	291,419	291,154	293,871	294,041
Policy loans	137,940	148,141	132,486	141,950
Finance loans and finance leases	508,975	491,131	436,161	419,214
Securities purchased for re-sale	5,227	5,227	8,064	8,064
Deposits	139,298	139,298	260,776	260,776
	2,068,523	2,117,059	2,080,229	2,107,108
Total financial investments	4,813,748	4,863,307	4,826,621	4,854,910

9.1 Analysis of financial investments (continued)

	2016	2015
Non-derivative financial assets at fair value through income comprise:		
Assets designated at fair value upon initial recognition	316,700	310,412
Assets held for trading	11,176	-
Debt securities comprise:		
Government and government-guaranteed debt securities	1,765,558	1,767,389
Collateralised mortgage obligations	214,320	213,747
Corporate debt securities	1,352,387	1,314,223
Other securities	109,089	122,360
	3,441,354	3,417,719

Debt securities include $1,836 (2015 - $8,085) that contain options to convert to common shares of the issuer.

Corporate debt securities include $28,788 (2015 - $10,270) in bonds issued by an associated company.

Equity securities include $1,136 (2015 - $963) in mutual funds managed by the Group.

Amounts expressed in US$000

9.2 Pledged assets

Debt and equity securities include $380,145 (2015 - $234,211) 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 $5,982 (2015 - $7,589), and mortgages and mortgage backed securities having a total market value of $139,630 (2015 - $174,478).

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. As of December 31, 2016, these pledged assets totalled $595,314 (2015 - $526,824). Of these assets pledged as security, $79,681 (2015 – $51,549) represents collateral for securities sold under agreements to repurchase in instances when the transferee has the right by contract or by custom to sell or re-pledge the collateral.

9.3 Returns accruing to the benefit of contract-holders

Financial investments include the following amounts for which the full income and capital returns accrue to the holders of unit linked policy and deposit administration contracts.

	2016	2015
Debt securities	133,862	102,641
Equity securities	123,524	122,367
Mortgage loans	40,271	47,052
	297,657	272,060

9.4 Reclassification of financial investments

In 2008, the Group reclassified certain securities from the available for sale classification to the loans and receivables classification. The assets reclassified were primarily:

- Government of Jamaica debt securities with a maturity date of 2018 and after, which are held to back long-term insurance liabilities; and
- Non-agency collateralised mortgage obligations in the USA.

The reclassifications were made because the markets for these securities were considered by management to have become inactive.

The following disclosures are in respect of these reclassified assets.

	2016		2015	
	Carrying value	Fair value	Carrying value	Fair value
Government debt securities maturing after September 2018	27,591	35,879	44,338	51,818
Other debt securities	1,624	2,217	2,076	2,730
	29,215	38,096	46,414	54,548

	2016	2015
Cumulative net fair value gain, beginning of year	4,263	1,994
Net fair value gains	1,887	1,355
Disposals	(971)	947
Effect of exchange rate changes	(89)	(33)
Cumulative net fair value gain, end of year	5,090	4,263

Amounts expressed in US$000

9.4 Reclassification of financial investments (continued)

The net fair value gain or loss approximates the fair value gain or loss that would have been recorded in total comprehensive income had the reclassification not been made. The disposal amount represents the net gain/loss that would have been reclassified from other comprehensive income to income on disposal.

10 REINSURANCE ASSETS

	2016	2015
Reinsurers' share of:		
Actuarial liabilities (note 13.1)	713,252	601,597
Policy benefits payable (note 14.2)	35,994	37,816
Provision for unearned premiums (note 14.3)	21,775	21,356
Other items	6,323	5,050
	777,344	665,819

The provision for unearned premiums and other items are expected to mature within one year of the financial statements date.

11 INCOME TAX ASSETS

	2016	2015
Deferred income tax assets (note 33)	36,279	41,023
Income and withholding taxes recoverable	23,296	25,319
	59,575	66,342

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

12 MISCELLANEOUS ASSETS AND RECEIVABLES

	2016	2015
Net defined benefit assets (note 31)	1,333	1,066
Real estate developed or held for resale (ii)	10,162	11,084
Prepaid and deferred expenses (ii)	21,047	19,967
Premiums receivable	46,530	42,398
Legal claim (iii)	52,720	42,902
Other assets and accounts receivable (i)	51,226	51,063
	183,018	168,480

(i) Other assets and accounts receivables include $9,880 (2015 - $5,478) due from managed funds.

(ii) Real estate developed for resale includes $7,878 (2015 - $8,234) which is expected to be realised within one year of the financial statements date. Prepaid and deferred expenses are also expected to be realised within one year of the financial statements date.

(iii) $52,720 (2015 – $42,902) Legal claim
In March 2014, the Supreme Court of Jamaica granted judgement in favour of a claimant in a case brought against Sagicor Bank Jamaica Limited (formerly RBC Royal Bank of Jamaica Limited). This claim pre-dated the acquisition of control of the Bank by Sagicor Group Jamaica Limited, and also pre-dated the acquisition of control of the Bank by RBTT International Limited from Finsac Limited ('Finsac') in 2001. By virtue of the Share Sale Agreement entered into between Finsac, RBTT Financial Holdings Limited and RBTT International Limited, Finsac agreed to fully indemnify RBTT International Limited (now SGJ Holdings (St. Lucia) Limited). Though the judgement is being appealed, the amount computed as settlement has been recorded as payable to the claimant and correspondingly receivable from Finsac (Note 20).

During 2016, interest was accrued on this liability and resulted in an increase in the amount outstanding to $52.7 million.

Amounts expressed in US$000

13 ACTUARIAL LIABILITIES

13.1 Analysis of actuarial liabilities

	Gross liability		Reinsurers' share	
	2016	2015	2016	2015
Contracts issued to individuals:				
Life insurance - participating policies	238,604	239,861	51	57
Life insurance and annuity - non-participating policies	1,889,653	1,767,313	694,882	582,224
Health insurance	13,926	5,361	438	420
Unit linked funds	177,454	166,234	-	-
Reinsurance contracts held	28,894	27,982	-	-
	2,348,531	2,206,751	695,371	582,701
Contracts issued to groups:				
Life insurance	30,404	31,548	118	267
Annuities	362,980	358,604	17,660	18,460
Health insurance	34,447	35,484	103	169
	427,831	425,636	17,881	18,896
Total actuarial liabilities	2,776,362	2,632,387	713,252	601,597

The following notes are in respect of the foregoing table:

- Life insurance includes coverage for disability and critical illness.
- Actuarial liabilities include $83,238 (2015 - $81,615) 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	
	2016	2015	2016	2015
Balance, beginning of year	2,632,387	2,562,221	601,597	470,271
Changes in actuarial liabilities:				
Recorded in income (note 27)	156,983	157,887	111,731	131,328
Recorded in other comprehensive income	23,769	(67,146)	-	-
Other movements	1	(679)	(62)	-
Effect of exchange rate changes	(36,778)	(19,896)	(14)	(2)
Balance, end of year	2,776,362	2,632,387	713,252	601,597
Analysis of changes in actuarial liabilities				
Arising from increments and decrements of inforce policies and from the issuance of new policies	206,505	210,929	105,642	131,327
Arising from changes in assumptions for mortality, lapse, expenses, investment yields and asset default	(7,311)	(91,411)	-	-
Other changes:				
Actuarial modelling, refinements, improvements and corrections	(12,915)	(3,431)	-	-
Other items	(5,527)	(25,346)	6,089	1
Total	180,752	90,741	111,731	131,328

Amounts expressed in US$000

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 tests the validity of each assumption by reference to 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 recent 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 the Canadian Institute of Actuaries (CIA) 1997 - 2004 tables. Appropriate modification factors are selected and applied to underwritten and non-underwritten business respectively. Annuitant mortality is determined by reference to CIA tables or to other established scales.

Assumptions for morbidity are determined after taking into account insurer and industry experience and established guidelines from Actuarial Institutes.

(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 five-year 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 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	2016	2015
Barbados	6.75%	6.5%
Jamaica	5.0%	5.0% – 5.5%
Trinidad & Tobago	5.0%	4.75%
Other Caribbean	4.5% - 6.75%	4.5% - 6.5%
USA	0.85% - 3.65%	0.85% - 4.75%

(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.

Amounts expressed in US$000

13.3 Assumptions – life insurance and annuity contracts (continued)

(f) Asset defaults

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

(g) Margins for adverse deviations

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

Provisions for adverse deviations	2016	2015
Mortality and morbidity	89,986	82,363
Lapse	63,855	59,595
Investment yields and asset default	69,109	68,830
Operating expenses and taxes	11,136	11,101
Other	10,486	9,997
	244,572	231,886

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 material claim settlements are anticipated after one year from the date of the financial statements.

Amounts expressed in US$000

14 OTHER INSURANCE LIABILITIES

14.1 Analysis of other insurance liabilities

	2016	2015
Dividends on deposit and other policy balances	65,719	66,271
Policy benefits payable	107,219	105,910
Provision for unearned premiums	34,184	33,710
	207,122	205,891

14.2 Policy benefits payable

	Gross liability		Reinsurers' share	
	2016	2015	2016	2015
Analysis of policy benefits payable:				
Life insurance and annuity benefits	79,445	72,120	22,084	19,091
Health claims	4,284	3,379	1,686	1,363
Property and casualty claims	23,490	30,411	12,224	17,362
	107,219	105,910	35,994	37,816

14.2 Policy benefits payable (continued)

	Gross liability		Reinsurers' share	
	2016	2015	2016	2015
Movement for the year:				
Balance, beginning of year	105,910	95,276	37,816	31,998
Policy benefits incurred	541,502	532,532	93,314	67,528
Policy benefits paid	(538,459)	(520,933)	(94,898)	(61,571)
Effect of exchange rate changes	(1,734)	(965)	(238)	(139)
Balance, end of year	107,219	105,910	35,994	37,816

14.3 Provision for unearned premiums

	Gross liability		Reinsurers' share	
	2016	2015	2016	2015
Analysis of the provision:				
Property and casualty insurance	33,777	32,399	21,775	21,356
Health insurance	407	1,311	-	-
	34,184	33,710	21,775	21,356

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

Amounts expressed in US$000

14.3 Provision for unearned premiums (continued)

	Gross liability		Reinsurers' share	
	2016	2015	2016	2015
Movement for the year:				
Balance, beginning of year	33,710	33,602	21,356	20,152
Premiums written	75,004	72,779	48,939	48,757
Premium revenue	(74,434)	(72,683)	(48,463)	(47,552)
Effect of exchange rate changes	(96)	12	(57)	(1)
Balance, end of year	34,184	33,710	21,775	21,356

15 INVESTMENT CONTRACT LIABILITIES

	2016		2015	
	Carrying value	Fair value	Carrying value	Fair value
At amortised cost:				
Deposit administration liabilities	128,345	128,345	127,882	127,780
Other investment contracts	118,563	121,051	115,537	118,860
	246,908	249,396	243,419	246,640
At fair value through income:				
Unit linked deposit administration liabilities	130,668	130,668	125,177	125,177
	377,576	380,064	368,596	371,817

16 NOTES AND LOANS PAYABLE

	2016		2015	
	Carrying value	Fair value	Carrying value	Fair value
8.875% senior notes due 2022	315,383	364,095	313,780	350,336
6.5% convertible redeemable preference shares due 2016	-	-	115,488	130,932
4.85% / 5.0% notes due 2019	74,825	75,491	44,551	44,551
Finance lease payable	5,005	5,005	1,698	1,698
	395,213	444,591	475,517	527,517

(a) On August 11, 2015, the Group issued seven year senior notes in the amount of $320.0 million which are repayable in 2022. The notes carry a fixed annual rate of interest of 8.875% payable semi-annually. Financial covenants in respect of these notes are summarised in Note 46.3 (a).

(b) On March 22, 2016, the Company repaid, before maturity, the $43,386 eighteen month 4.6% notes. On March 21, 2016, the Company issued fourteen month notes with a par value of $75 million which were repayable in 2017 and carried a 5.0% annual rate of interest. Effective December 20, 2016, the notes were extended at an annual rate of interest of 4.85% with a maturity date of August 14, 2019. Financial covenants in respect of these notes are summarised in Note 46.3 (b).

(c) On July 18, 2016 the Company redeemed the 6.5% convertible redeemable preference shares due 2016.

Amounts expressed in US$000

17 DEPOSIT AND SECURITY LIABILITIES

	2016		2015	
	Carrying value	Fair value	Carrying value	Fair value
At amortised cost:				
Other funding instruments	349,514	346,216	379,612	381,499
Customer deposits	915,155	915,419	669,518	772,011
Securities sold for re-purchase	320,574	320,574	519,608	519,508
Bank overdrafts	1,939	1,939	2,158	2,158
	1,587,182	1,584,148	1,570,896	1,675,176
At fair value through income:				
Structured products	34,779	34,779	35,112	35,112
Derivative financial instruments (note 41.6)	1,364	1,364	1,603	1,603
	36,143	36,143	36,715	36,715
	1,623,325	1,620,291	1,607,611	1,711,891

Other funding instruments consist of loans from banks and other financial institutions and include balances of $134,321 (2015 - $167,913) due to the Federal Home Loan Bank of Dallas (FHLB). The Group participates in the FHLB program in which funds received from the Bank are invested in mortgages and mortgage backed securities.

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

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

18 PROVISIONS

	2016	2015
Net defined benefit liabilities (note 31)	101,235	87,950
Other provisions	57	256
	101,292	88,206

19 INCOME TAX LIABILITIES

	2016	2015
Deferred income tax liabilities (note 33)	36,238	29,785
Income taxes payable	14,403	4,980
	50,641	34,765

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

20 ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2016	2015
Amounts due to policyholders	20,525	15,702
Amounts due to reinsurers	17,179	23,792
Legal claim (i)	52,720	42,902
Other accounts payable and accrued liabilities	114,551	119,326
	204,975	201,722

(i) In March 2014, the Supreme Court of Jamaica granted judgement in favour of a claimant in a case brought against Sagicor Bank Jamaica Limited (formerly RBC Royal Bank of Jamaica Limited). This claim pre-dated the acquisition of control of the Bank by Sagicor Group Jamaica Limited, and also pre-dated the acquisition of control of the Bank by RBTT International Limited from Finsac Limited ('Finsac') in 2001. By virtue of the Share Sale Agreement entered into between Finsac, RBTT Financial Holdings Limited and RBTT International Limited, Finsac agreed to fully indemnify RBTT International Limited (now SGJ Holdings (St. Lucia) Limited). Though the judgement is being appealed, the amount computed as settlement has been recorded as payable to the claimant and correspondingly receivable from Finsac (Note 12).
During 2016, interest was accrued on this liability and resulted in an increase in the amount outstanding to $52.7 million.

Amounts expressed in US$000

21 COMMON AND PREFERENCE SHARES

The Company is authorised to issue:

- 304,494,131 common shares,
- 120,000,000 convertible redeemable preference shares.

In each case the shares have a par value of US$0.01.

21.1 Common shares

	2016				2015	
	Number in 000's	Share capital	Share premium	Total	Number in 000's	Share capital
Issued and fully paid:						
Balance, beginning of year	304,494	302,156	-	302,156	303,917	301,600
Redomiciliation adjustment[(1)]	-	(299,111)	299,111	-	-	-
Allotments arising from LTI	-	-	-	-	577	556
Balance, end of year	304,494	3,045	299,111	302,156	304,494	302,156
Treasury shares:						
Shares held for LTI and ESOP, end of year (note 30.1)	(1,646)	(16)	(2,061)	(2,077)	(2,126)	(2,836)
Total	302,848	3,029	297,050	300,079	302,368	299,320

The common shares are listed on the Barbados, Trinidad & Tobago and London stock exchanges.

[(1)]The redomiciliation adjustment includes $2,815 in share premium relating to treasury shares.

21.2 Convertible redeemable preference shares

On July 18, 2016, the Company redeemed the 120,000,000 convertible redeemable preference shares which were originally issued on July 18, 2011 with the following features:

- Issue price of US $1.00 or Barbados $2.00 per share;
- Annual dividend rate of 6.5%, dividends to be declared by the Company's directors and payable half yearly on May 15 and November 15;
- Convertible into common shares at a ratio of 1.98 preference shares to 1.00 common shares, conversion to be at the option of the shareholder and exercisable on May 16 or November 16 in any year prior to the redemption date;

The preference shares were accounted for as a compound financial instrument and were initially recognised in the statement of financial position as a financial liability (note 16) and also as equity (note 22). The preference shares were listed on the Barbados and Trinidad & Tobago stock exchanges. Put option rights in respect of the preference shares are disclosed in note 46.3(c).

21.3 Dividends

The dividends declared and paid during the year in respect of the Company's convertible redeemable preference shares and common shares are set out in the following table.

	2016		2015	
	Per share	Total	Per share	Total
Dividends declared and paid:				
Preference shares	4.38 ¢	5,256	6.50 ¢	7,800
Common shares	4.5 ¢	13,624	4.0 ¢	12,042
		18,880		19,842

Amounts expressed in US$000

21.3 Dividends (continued)

The dividends declared after the date of the financial statements in respect of the Company's convertible redeemable preference shares and common shares are set out in the following table.

	2016		2015	
	Per share	Total	Per share	Total
Dividends proposed:				
Preference shares - May 15	-	-	3.25 ¢	3,900
Common shares - final for current year	2.5 ¢	7,612	2.0 ¢	6,090
		7,612		9,990

21.4 Restrictions on common share dividends

The Company's Constitutive documents include the following limitations on the payment of common share dividends.

(i) For any 6 month period that the convertible redeemable preference shares are not paid, dividends on common shares shall be suspended for that period plus the next 6 month period, and the Company shall not repurchase any of its common shares, except when pursuant to the LTI plan and ESOP.

(ii) The Company shall not pay any dividends on its common shares, in respect of the 2011 financial year or thereafter, or repurchase any of its common shares, other than a repurchase pursuant to the LTI plan and ESOP, if the cumulative amount of such dividends and repurchases after July 31, 2011 would exceed 50% of the cumulative amount of Group net income from January 1, 2011.

Amounts expressed in US$000

22 RESERVES

	<<<<<< Fair value reserves >>>>>>						
	Owner occupied property	Available for sale assets	Actuarial liabilities	Currency translation reserves	Preference share reserves	Other reserves	Total reserves
2016							
Balance, beginning of year	25,047	(33,305)	8,773	(96,339)	4,219	31,917	(59,688)
Other comprehensive income from continuing operations allocated to reserves	2,137	27,194	(15,509)	(18,141)	-	-	(4,319)
Transactions with holders of equity instruments:							
Allocated to reserve for equity compensation benefits	-	-	-	-	-	5,280	5,280
Eliminated from reserve for equity compensation benefits	-	-	-	-	-	(3,148)	(3,148)
Transfers to retained earnings and other movements	-	-	1	-	(4,219)	1,298	(2,920)
Balance, end of year	27,184	(6,111)	(6,735)	(114,480)	-	35,347	(64,795)
2015							
Balance, beginning of year	25,249	43,850	(38,556)	(87,946)	10,481	38,157	(8,765)
Other comprehensive income from continuing operations allocated to reserves	(202)	(77,153)	47,329	(8,393)	-	-	(38,419)
Transactions with holders of equity instruments:							
Allocated to reserve for equity compensation benefits	-	-	-	-	-	3,171	3,171
Eliminated from reserve for equity compensation benefits	-	-	-	-	-	(4,821)	(4,821)
Transfers to retained earnings and other movements	-	(2)	-	-	(6,262)	(4,590)	(10,854)
Balance, end of year	25,047	(33,305)	8,773	(96,339)	4,219	31,917	(59,688)

Other reserves comprise reserves for equity compensation benefits of $16,552 (2015 - $14,420) and statutory reserves of $18,795 (2015 - $17,497).

Amounts expressed in US$000

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	
	2016	2015	2016	2015
Movement for the year:				
Balance, beginning of year	(607)	(950)	1,990	1,314
Total comprehensive income / (loss)	(677)	343	809	906
Return of transfer to support profit distribution, to shareholders	3	-	(227)	(230)
Balance, end of year	(1,281)	(607)	2,572	1,990
Financial statement amounts:				
Assets	82,306	84,909	196,999	200,009
Liabilities	83,587	85,516	194,427	198,019
Revenues	7,557	7,825	22,261	25,453
Benefits	7,669	6,811	18,917	22,034
Expenses	428	584	1,630	2,037
Income taxes	187	122	877	405

The Group has the ability to reduce future policy bonuses and dividends in order to eliminate a deficit in a participating account.

24 PREMIUM REVENUE

	Gross premium		Ceded to reinsurers	
	2016	2015	2016	2015
Life insurance	388,287	383,655	30,876	30,808
Annuity	225,204	364,726	86,490	212,130
Health insurance	153,666	155,414	4,077	5,107
Property and casualty insurance	66,761	65,727	48,519	47,552
	833,918	969,522	169,962	295,597

Amounts expressed in US$000

25 NET INVESTMENT INCOME

	2016	2015
Investment income:		
Interest income	292,868	293,432
Dividend income	3,088	3,244
Rental income from investment property	3,816	4,165
Net investment gains	62,136	32,418
Share of operating income of associates and joint venture	5,425	3,153
Other investment income	(57)	125
	367,276	336,537
Investment expenses:		
Allowances for impairment losses	9,621	10,338
Direct operating expenses of investment property	2,107	1,947
Other direct investment expenses	2,196	2,023
	13,924	14,308
Net investment income	353,352	322,229

The Group operates across both active and inactive financial markets. The financial investments placed in both types of market support the insurance and operating financial liabilities of the Group. Because the type of financial market is incidental and not by choice, the Group manages its financial investments by the type of financial instrument (i.e. debt securities, equity securities, mortgage loans etc). Therefore, the income from financial instruments is presented consistently with management practice, rather than by accounting classification.

The capital and income returns of most investments designated at fair value through income accrue to the holders of unit linked policy and deposit administration contracts which do not affect the net income of the Group.

25 NET INVESTMENT INCOME (continued)

Further details of interest income and investment gains are set out in the following table.

	2016	2015
Interest income:		
Debt securities	205,068	211,596
Mortgage loans	19,908	19,963
Policy loans	9,053	9,407
Finance loans and finance leases	56,166	50,402
Securities purchased for re-sale	584	464
Deposits	1,902	1,681
Other balances	187	(81)
	292,868	293,432
Net investment gains / (losses):		
Debt securities	37,341	14,937
Equity securities	15,982	22,366
Investment property	1,847	(842)
Other financial instruments	6,966	(4,043)
	62,136	32,418

Amounts expressed in US$000

26 FEES AND OTHER REVENUE

	2016	2015
Fee income – assets under administration	25,470	23,328
Fee income – deposit administration and policy funds	1,739	1,813
Commission income on insurance and reinsurance contracts	29,375	32,845
Other fees and commission income	28,288	25,937
Foreign exchange gains	12,564	2,814
Other operating and miscellaneous income	19,403	22,353
	116,839	109,090

27 POLICY BENEFITS AND CHANGE IN ACTUARIAL LIABILITIES

	Gross benefit		Ceded to reinsurers	
	2016	2015	2016	2015
Life insurance benefits	199,946	206,977	16,966	12,591
Annuity benefits	199,037	191,897	51,566	39,849
Health insurance claims	119,499	114,315	3,995	2,826
Property and casualty claims	17,708	21,861	10,004	12,207
Total policy benefits	536,190	535,050	82,531	67,473
Change in actuarial liabilities (note 13.2)	156,983	157,887	111,731	131,328
Total policy benefits and change in actuarial liabilities	693,173	692,937	194,262	198,801

28 INTEREST EXPENSE

	2016	2015
Insurance contracts	2,866	2,828
Investment contracts	16,833	14,279
Other funding instruments	6,981	8,098
Customer deposits	16,204	11,755
Securities sold for re-purchase	18,519	21,695
Other items	45	152
	61,448	58,807

The Group manages its interest-bearing obligations by the type of obligation (i.e. investment contracts, securities etc). Therefore, the interest expense is presented consistently with management practice, rather than by accounting classification.

The capital and income returns of most financial liabilities designated at fair value through income accrue directly from the capital and income returns of financial assets designated at fair value through income. Therefore, the related interest expense does not affect the net income of the Group.

29 EMPLOYEE COSTS

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

	2016	2015
Administrative staff salaries, directors' fees and short-term benefits	107,329	109,339
Social security and defined contribution retirement costs	9,125	8,859
Equity-settled compensation benefits (note 30.1 to 30.3)	5,365	4,646
Defined benefit expense (note 31 (b))	11,528	10,772
	133,347	133,616

30 EQUITY COMPENSATION BENEFITS

30.1 The Company

Effective December 31, 2005, the Company introduced a Long Term Incentive (LTI) plan for designated executives of the Sagicor Group and an Employee Share Ownership Plan (ESOP) for permanent administrative employees and sales agents of the Group. A total of 26,555,274 common shares of the Company (or 10% of shares then in issue) have been set aside for the purposes of the LTI plan and the ESOP.

(a) LTI plan – restricted share grants

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

30.1 The Company (continued)

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

	2016		2015	
	Number of grants '000	Weighted average price	Number of grants '000	Weighted Average price
Balance, beginning of year	3,527	US$0.93	3,749	US$1.02
Grants issued	3,552	US$0.94	2,703	US$0.84
Grants vested	(1,854)	US$0.94	(2,695)	US$0.96
Grants lapsed/forfeited	(588)	US$1.05	(230)	US$1.04
Balance, end of year	4,637	US$0.92	3,527	US$0.93

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

	2016		2015	
	Number in 000's	$000	Number in 000's	$000
Balance, beginning of year	1	3	2	2
Shares acquired	-	-	1,376	2,469
Shares distributed	-	-	(1,377)	(2,468)
Balance, end of year	1	3	1	3

During 2016 a cash settlement was made in lieu of share issue.

30.1 The Company (continued)

(b) LTI plan – share options

Share options have been granted to designated key management of the Group during the year. Up to 2008, options were granted at the fair market price of the Company shares at the time that the option was granted. From 2009, options are granted at the fair market price of the Company 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.

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

	2016		2015	
	Number of options '000	Weighted average exercise price	Number of options '000	Weighted average exercise price
Balance, beginning of year	16,397	US$1.48	16,206	US$1.63
Options granted	4,927	US$0.86	3,029	US$1.05
Options lapsed/forfeited	(1,524)	US$1.82	(2,838)	US$1.85
Balance, end of year	19,800	US$1.30	16,397	US$1.48
Exercisable at the end of the year	10,197	US$1.61	9,903	US$1.73

	2016	2015
Share price at grant date	US $0.86 – 2.50	US $1.05 – 2.50
Fair value of options at grant date	US$0.16 – 0.69	US$0.23 – 0.69
Expected volatility	19.3% – 35.8%	19.3% – 35.8%
Expected life	7.0 years	7.0 years
Expected dividend yield	2.6% - 4.7%	2.6% - 3.8%
Risk-free interest rate	4.8% - 6.8%	4.8% - 6.8%

30.1 The Company (continued)

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

(c) ESOP

From 2006, the Company approved awards under the ESOP in respect of permanent administrative employees and sales agents of the Company and certain subsidiaries. The ESOP is administered by Trustees under a discretionary trust. The amount awarded is used by the Trustees to acquire company shares. Administrative employees and sales agents are required to serve a qualifying period of five years from the award date in order to qualify as a beneficiary. Shares are distributed to beneficiaries upon their retirement or termination of employment. During 2012, the rules were amended so that vesting will take place in four equal annual instalments commencing one year after the award. The change came into effect during 2013. The shares acquired by the Trustees during the year were as follows:

	2016		2015	
	Number in 000's	$000	Number in 000's	$000
Balance, beginning of year	2,125	2,833	3,143	5,609
Shares acquired	100	98	414	378
Shares distributed	(580)	(857)	(1,432)	(3,154)
Balance, end of year	1,645	2,074	2,125	2,833

30.2 Sagicor Group Jamaica Limited

(a) Long-term incentive plan

The Group 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 of J$0.10 each for the stock grants and stock options.

Amounts expressed in US$000

30.2 Sagicor Group Jamaica Limited (continued)

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 installments beginning the first December 31 following the grant date and for the next three December 31 dates thereafter (25% per year). Options are not exercisable after the expiration of 7 years from the date of grant. The number of stock options in each stock option award is calculated based on the LTI opportunity via stock options (percentage of applicable salary) divided by the Black-Scholes value of a stock option of Sagicor Group Jamaica Limited stock on 31 March of the measurement year. The exercise price of the options is the closing bid price on 31 March of the measurement year.

In December 2013, the Sagicor Group of companies in Jamaica was reorganized to establish a new holding company which directly or indirectly carries the Group's holdings in member companies. As a consequence Sagicor Life Jamaica (SLJ) was delisted from the Jamaica Stock Exchange (JSE) and Sagicor Group Jamaica Limited (SGJ) was listed. Further, to harmonize compensation plans across the Group and considering the pending delisting of the subsidiary, Sagicor Investments Jamaica Limited (SIJL), all outstanding options in SIJL as at December 2013 were converted to corresponding SGJ options with equivalent monetary value. From the 2013 measurement year, all executives of the Group participate in the SGJ LTI plan.

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

	2016		2015	
	Number of options '000	Weighted average exercise price	Number of options '000	Weighted average exercise price
Balance, beginning of year	53,644	J$8.63	70,025	J$8.19
Options granted	12,463	J$10.52	10,849	J$9.50
Options exercised	(18,924)	J$8.56	(19,657)	J$7.25
Options lapsed/forfeited	(2,238)	J$9.09	(7,573)	J$9.40
Balance, end of year	44,945	J$8.83	53,644	J$8.63
Exercisable at the end of the year	26,509	J$9.47	36,529	J$8.64

30.2 Sagicor Group Jamaica Limited (continued)

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

	2016	2015
Fair value of options outstanding	J$31,770,000	J$53,646,000
Share price at grant date	J$4.20 – 14.10	J$4.20 – 14.10
Exercise price	J$4.20 – 14.10	J$4.20 – 14.10
Standard deviation of expected share price returns	26.0%	27.0%
Remaining contractual term	0.25 - 7 years	0.08 - 7 years
Risk-free interest rate	9.19%	9.58%

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

(b) Employee share purchase plan

Sagicor Life Jamaica 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 $1,298 (2015 – $312).

Amounts expressed in US$000

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.

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 (d) of this note relate only to defined retirement benefit plans.

31 EMPLOYEE RETIREMENT BENEFITS (continued)

(a) Amounts recognised in the statement of financial position

	2016	2015
Present value of funded pension obligations	239,330	215,680
Fair value of retirement plan assets	(214,502)	(192,612)
	24,828	23,068
Present value of unfunded pension obligations	45,975	37,763
Present value of unfunded medical and life benefits	29,099	26,053
Net liability	99,902	86,884
Represented by:		
Amounts held on deposit by the Group as deposit administration contracts	44,382	37,611
Other recognised liabilities	56,853	50,339
Total recognised liabilities (note 18)	101,235	87,950
Recognised assets (note 12)	(1,333)	(1,066)
Net liability	99,902	86,884

Pension plans have purchased annuities from insurers in the Group to pay benefits to plan retirees. These obligations are included in actuarial liabilities in the statement of financial position and are excluded from the table above.

Amounts expressed in US$000

31 EMPLOYEE RETIREMENT BENEFITS (continued)

(b) Movements in balances

	2016				2015			
	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	26,053	253,443	(192,612)	86,884	23,254	221,786	(168,169)	76,871
Current service cost	1,429	6,278	-	7,707	1,218	6,032	-	7,250
Interest expense / (income)	2,107	17,333	(15,366)	4,074	2,140	16,178	(14,888)	3,430
Past service cost and gains / losses on settlements	-	(253)	-	(253)	-	-	92	92
Net expense recognised in income	3,536	23,358	(15,366)	11,528	3,358	22,210	(14,796)	10,772
(Gains) / losses from changes in assumptions	(2,593)	(6,896)	314	(9,175)	6,172	14,341	(1,466)	19,047
(Gains) / losses from changes in experience	4,401	26,332	(7,537)	23,196	(5,010)	(1,546)	(7,799)	(14,355)
Return on plan assets excluding interest income	-	-	2,442	2,442	-	-	2,997	2,997
Net losses recognised in other comprehensive income	1,808	19,436	(4,781)	16,463	1,162	12,795	(6,268)	7,689
Contributions made by the Group	-	-	(12,219)	(12,219)	-	-	(8,164)	(8,164)
Contributions made by employees and retirees	-	7,248	(5,373)	1,875	-	6,987	(5,191)	1,796
Benefits paid	(547)	(12,805)	11,054	(2,298)	(517)	(12,353)	11,459	(1,411)
Other items	-	3,968	(3,658)	310	-	8,339	(7,274)	1,065
Effect of exchange rate movements	(1,751)	(9,343)	8,453	(2,641)	(1,204)	(6,321)	5,791	(1,734)
Other movements	(2,298)	(10,932)	(1,743)	(14,973)	(1,721)	(3,348)	(3,379)	(8,448)
Net liability / (asset), end of year	29,099	285,305	(214,502)	99,902	26,053	253,443	(192,612)	86,884

Amounts expressed in US$000

31 EMPLOYEE RETIREMENT BENEFITS (continued)

(c) Retirement plan assets

	2016	2015
Equity unit linked pension funds under Group management:		
Sagicor Equity Fund (Barbados)	(32,103)	(29,020)
Sagicor Bonds Fund (Barbados)	(23,189)	(18,605)
Sagicor Pooled Investment Funds (Jamaica):		
Equity Funds	(35,820)	(23,044)
Mortgage & Real Estate Fund	(26,486)	(19,887)
Fixed Income Fund	(15,526)	(15,272)
Foreign Currency Funds	(18,185)	(16,657)
Money Market Fund	(2,258)	(16,423)
Other Funds	(17,307)	(14,373)
	(170,874)	(153,281)
Other assets	(43,628)	(39,331)
Total plan assets	(214,502)	(192,612)

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

31 EMPLOYEE RETIREMENT BENEFITS (continued)

(d) Significant actuarial assumptions

The significant actuarial assumptions for the principal geographic areas as of December 31, 2016 were as follows:

Pension plans	Barbados & Eastern Caribbean	Jamaica	Trinidad
Discount rate - local currency benefits	7.75%	9.00%	5.00%
Discount rate - US$ indexed benefits	n/a	5.00%	n/a
Expected return on plan assets	7.75%	9.00%	5.00%
Future promotional salary increases	3.00%	6.50%	2.00%
Future inflationary salary increases	1.50% – 2.00%	6.00%	2.00%
Future pension increases	2.00%	3.00%	0.00%
Future increases in National Insurance Scheme Ceilings	3.50%	n/a	4.00%
Mortality table	UP94 with projection scale AA	GAM1994 with 5 year improvement	UP94 with projection scale AA
Termination of active members	3% up to age 30, reducing to 1% at age 50, 0% at age 51	5% - 10% up to age 30, reducing to 5% at age 50, 0% 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

Amounts expressed in US$000

31 EMPLOYEE RETIREMENT BENEFITS (continued)

Group medical and life plans	Jamaica
Long term increase in health costs	8.00%

(e) Sensitivity of actuarial assumptions

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

	Barbados & Eastern Caribbean	Jamaica	Trinidad
Base pension obligation	81,789	156,672	13,637
Change in absolute assumption	Increase / (decrease) in pension obligations		
Decrease discount rate by 1.0%	10,307	10,467	1,667
Increase discount rate by 1.0%	(7,293)	(8,208)	(1,198)
Decrease salary growth rate by 0.5%	(1,519)	(3,279)	(351)
Increase salary growth rate by 0.5%	1,842	3,791	409
Increase average life expectancy by 1 year	1,779	1,342	358
Decrease average life expectancy by 1 year	(1,744)	(1,364)	(333)

31 EMPLOYEE RETIREMENT BENEFITS (continued)

(e) Sensitivity of actuarial assumptions

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

	Jamaica
Base medical and life obligation	29,099
Change in absolute assumption	Increase / (decrease) in medical and life obligations
Decrease discount rate by 1.0%	7,201
Increase discount rate by 1.0%	(5,359)
Decrease salary growth rate by 0.5%	(166)
Increase salary growth rate by 0.5%	194
Increase average life expectancy by 1 year	953
Decrease average life expectancy by 1 year	(950)

(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 1-3 years. These full valuations contain recommendations for Group and employee contribution levels which are implemented by the Group as the recommendations are made.

For the 2017 financial year, the total Group contributions to its defined benefits pension plans are estimated at $12,727.

Amounts expressed in US$000

32 INCOME TAXES

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

	2016	2015
Income tax expense:		
Current tax		
Current tax on profits for the year	34,872	24,506
Adjustments to current tax of prior periods	232	(257)
Total current tax expense	35,104	24,249
Deferred tax		
Decrease/(increase) in deferred tax assets	498	(1,740)
(Decrease)/increase in deferred tax liabilities	5,696	2,858
Total deferred tax expense	6,194	1,118
Share of tax of associated companies	402	(248)
	41,700	25,119

32 INCOME TAXES (continued)

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

	2016	2015
Income before income tax expense	149,597	123,562
Taxation at the applicable rates on income subject to tax	46,090	29,228
Adjustments to current tax for items not subject to / allowed for tax	(23,996)	(15,207)
Other current tax adjustments	(221)	175
Adjustments for current tax of prior periods	232	(257)
Movement in unrecognised deferred tax asset	13,926	8,682
Deferred tax relating to the origination of temporary differences	(18)	223
Deferred tax relating to changes in tax rates or new taxes	(35)	387
Deferred tax that arises from the write down / (reversal of a write down) of a tax asset	296	(383)
Tax on distribution of profits from policyholder funds	670	1,046
Other taxes	4,756	1,225
	41,700	25,119

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

Amounts expressed in US$000

33 DEFERRED INCOME TAXES

	2016	2015
Analysis of deferred income tax assets:		
Defined benefit liabilities	13,581	11,031
Unrealised losses on financial investments	6,918	12,406
Unused tax losses	14,993	21,870
Other items	787	(4,284)
Total deferred income tax assets (note 11)	36,279	41,023
Deferred income tax assets to be recovered within one year	3,230	2,067
Unrecognised tax balances:		
Tax losses	265,699	237,548
Potential deferred income tax assets	66,428	59,404
Expiry period for unrecognised tax losses:		
2016	-	18,765
2017	19,635	20,054
2018	24,888	25,324
2019	28,153	27,785
2020	25,540	24,956
2021	19,399	20,207
2022	37,007	37,007
2023	29,577	29,577
2024	33,586	33,873
After 2024	47,914	-
	265,699	237,548

Amounts expressed in US$000

33 DEFERRED INCOME TAXES (continued)

Deferred income tax assets movements:	Defined benefit liabilities	Unrealised losses on financial investments	Unused tax losses	Other items	Total
2016					
Balance, beginning of year as previously reported	11,031	12,406	21,870	(4,284)	41,023
(Charged)/credited to:					
Profit or Loss	689	297	(5,756)	4,272	(498)
Other comprehensive income	2,608	(5,141)	-	687	(1,846)
Effects of exchange rate changes	(747)	(644)	(1,121)	112	(2,400)
Balance, end of year	13,581	6,918	14,993	787	36,279
2015					
Balance, beginning of year as previously reported	7,367	1,093	26,376	(6,526)	28,310
(Charged)/credited to:					
Profit or Loss	1,753	238	(3,467)	3,216	1,740
Other comprehensive income	2,280	11,443	-	(1,186)	12,537
Effects of exchange rate changes	(369)	(368)	(1,039)	212	(1,564)
Balance, end of year	11,031	12,406	21,870	(4,284)	41,023

Amounts expressed in US$000

33 DEFERRED INCOME TAXES (continued)

Analysis of deferred income tax liability:

	2016	2015
Accelerated tax depreciation	1,640	1,806
Policy liabilities taxable in the future	62,738	58,377
Defined benefit assets	343	133
Accrued interest	1,000	944
Unrealised gains on financial investments	6,398	(1,023)
Off-settable tax assets in respect of unused tax losses and other items	(36,280)	(30,851)
	399	399
Total (note 19)	36,238	29,785
Deferred income tax liabilities to be settled within one year	7,285	5,728

Amounts expressed in US$000

33 DEFERRED INCOME TAXES (continued)

Deferred income tax liabilities movements:	Accelerated tax depreciation	Policy liabilities taxable in the future	Defined benefit assets	Accrued interest	Unrealised gains on financial investments	Off-settable tax assets in respect of unused tax losses and other items	Other Items	Total
2016								
Balance, beginning of year as previously reported	1,806	58,377	133	944	(1,023)	(30,851)	399	29,785
Charged/(credited) to:								
Profit or Loss	(167)	11,034	189	75	(6)	(5,429)	-	5,696
Other comprehensive income	-	(6,679)	21	(8)	7,428	-	-	762
Effects of exchange rate changes	1	6	-	(11)	(1)	-	-	(5)
Balance, end of year	1,640	62,738	343	1,000	6,398	(36,280)	399	36,238
2015								
Balance, beginning of year as previously reported	1,775	40,064	84	963	22,486	(34,214)	399	31,557
Charged/(credited) to:								
Profit or Loss	31	(487)	56	(20)	(85)	3,363	-	2,858
Other comprehensive income	-	18,800	(7)	-	(23,425)	-	-	(4,632)
Equity	-	-	-	1	1	-	-	2
Balance, end of year	1,806	58,377	133	944	(1,023)	(30,851)	399	29,785

34 EARNINGS PER COMMON SHARE

The basic earnings per common share is computed by dividing earnings attributable to common shareholders by the weighted average number of shares in issue during the year, after deducting treasury shares. Earnings attributable to common shareholders recognise the impact on net income of the Company's convertible redeemable preference shares (note 21.2).

The table below derives the earnings attributable to common shareholders and the basic earnings per common share.

	2016	2015
Net income attributable to common shareholders	61,671	34,679
Finance costs attributable to preference share subscription	4,368	6,483
Amortisation of issue expenses allocated to preference share reserve	(149)	(221)
Preference share dividends declared	(5,256)	(7,800)
Earnings attributable to common shareholders	60,634	33,141
Weighted average number of shares in issue in thousands	303,572	301,924
Basic earnings per common share	20.0¢	11.0¢
Attributable to:		
Continuing operations	19.5¢	18.2¢
Discontinued operation	0.5¢	(7.2)¢

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 the convertible redeemable preference shares. In computing diluted earnings per share, the income attributable to common shareholders is adjusted by the dilutive impact of the convertible preference shares and the weighted average number of common shares is adjusted by the dilutive impacts of the aforementioned share grants, options and preference shares.

34 EARNINGS PER COMMON SHARE (continued)

The table below derives the adjusted earnings attributable to common shareholders, the adjusted weighted average number of common shares, and the fully diluted earnings per common share.

	2016	2015
Earnings attributable to common shareholders	60,634	33,141
Preference share dividends declared	5,256	-
Amortisation of issue expenses allocated to preference share reserve	149	-
Finance costs attributable to preference share subscription	(4,368)	-
Preference share liability finance cost	4,104	-
	65,775	33,141
Weighted average number of shares in issue in thousands	303,572	301,924
LTI restricted share grants	4,706	3,877
ESOP shares	2,103	2,996
Convertible redeemable preference shares	33,209	-
Adjusted weighted average number of shares in issue	343,590	308,797
Fully diluted earnings / (loss) per common share	19.1¢	10.7¢
Attributable to:		
Continuing operations	18.7¢	17.3¢
Discontinued operation	0.4¢	(6.6)¢

Amounts expressed in US$000

35 OTHER COMPREHENSIVE INCOME (OCI)

Schedule to OCI from continuing operations

	2016					2015				
		After tax OCI is attributable to					After tax OCI is attributable to			
	OCI tax release	Shareholders	Participating policyholders	Non-controlling interests	Total	OCI tax expense	Shareholders	Participating policyholders	Non-controlling interests	Total
Items that may be reclassified subsequently to income:										
Available for sale assets:										
Gains / (losses) arising on revaluation	(11,058)	24,082	(1,292)	16,393	39,183	31,306	(72,866)	867	(31,102)	(103,101)
(Gains) / losses transferred to income	(1,491)	3,112	-	(437)	2,675	3,533	(4,287)	-	3,112	(1,175)
Net change in actuarial liabilities	6,679	(15,509)	1,293	(2,874)	(17,090)	(18,800)	47,329	(867)	1,884	48,346
Retranslation of foreign currency operations	-	(18,141)	21	(10,361)	(28,481)	-	(8,393)	(36)	(7,257)	(15,686)
	(5,870)	(6,456)	22	2,721	(3,713)	16,039	(38,217)	(36)	(33,363)	(71,616)
Items that will not be reclassified subsequently to income:										
Gains / (losses) arising on revaluation of owner-occupied property	(939)	2,137	-	3,008	5,145	(1,159)	(202)	-	(143)	(345)
Defined benefit gains / (losses)	2,588	(10,001)	-	(3,874)	(13,875)	2,258	(3,447)	-	(1,984)	(5,431)
Other items	-	(128)	-	-	(128)	-	-	-	-	-
	1,649	(7,992)	-	(866)	(8,858)	1,099	(3,649)	-	(2,127)	(5,776)
Total OCI movements	(4,221)	(14,448)	22	1,855	(12,571)	17,158	(41,866)	(36)	(35,490)	(77,392)
Allocated to equity reserves		(4,319)					(38,419)			
Allocated to retained earnings		(10,129)					(3,447)			
		(14,448)					(41,866)			

Amounts expressed in US$000

36 CASH FLOWS

36.1 Operating activities

	2016	2015
Adjustments for non-cash items, interest and dividends:		
Interest and dividend income	(295,956)	(296,676)
Net investment gains	(62,136)	(32,418)
(Gain) / loss arising on acquisition	-	1,025
Net increase in actuarial liabilities	45,252	26,559
Interest expense and finance costs	99,781	96,041
Depreciation and amortisation	21,283	18,687
Increase in provision for unearned premiums	59	(1,093)
Other items	3,619	(12,908)
	(188,098)	(200,783)
Net increase in investments and operating assets:		
Investment property	818	5,118
Debt securities	30,495	(151,201)
Equity securities	1,037	(15,875)
Mortgage loans	(1,989)	(51,613)
Policy loans	(6,115)	934
Finance loans and finance leases	(99,130)	(43,147)
Securities purchased for re-sale	1,913	5,647
Deposits	10,236	8,189
Other assets and receivables	(37,627)	(27,133)
	(100,362)	(269,081)

36.1 Operating activities (continued)

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

	2016	2015
Investment property:		
Disbursements	(7)	(111)
Disposal proceeds	825	5,229
	818	5,118
Debt securities:		
Disbursements	(1,931,861)	(1,351,966)
Disposal proceeds	1,962,356	1,200,765
	30,495	(151,201)
Equity securities:		
Disbursements	(118,139)	(55,395)
Disposal proceeds	119,176	39,520
	1,037	(15,875)
Net increase in operating liabilities:		
Insurance liabilities	6,486	7,020
Investment contract liabilities	20,012	12,190
Other funding instruments	(29,788)	8,881
Deposits	286,658	137,800
Securities sold for re-purchase	(200,610)	(137,084)
Other liabilities and payables	1,035	29,707
	83,793	58,514

Amounts expressed in US$000

36.2 Investing activities

	2016	2015
Property, plant and equipment:		
Purchases	(20,336)	(18,175)
Disposal proceeds	2,340	1,589
	(17,996)	(16,586)

36.3 Financing activities

	2016	2015
Other notes and loans payable:		
Proceeds	78,050	310,545
Repayments	(44,042)	(154,087)
	34,008	156,458

36.4 Cash and cash equivalents

	2016	2015
Cash resources	279,070	250,489
Call deposits and other liquid balances	110,652	183,068
Bank overdrafts	(1,939)	(2,158)
Other short-term borrowings	(75,677)	(46,520)
	312,106	384,879

37 SUBSIDIARY ACQUISITION AND OWNERSHIP CHANGES

On June 27, 2014, the Group acquired 100% of the share capital of RBC Royal Bank (Jamaica) Limited and its subsidiary, RBC Securities (Jamaica) Limited.

The net assets acquired amounted to $113,429 for a purchase consideration of $84,378. This gave rise to negative goodwill of $29,051. The acquisition was recorded based on provisionally determined values in 2014. These balances were finalized during 2015. The adjustments made during 2015 amounted to $1.0 million, and was recognised in 2015 as they were not material to the Group.

38 DISCONTINUED OPERATION

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

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

The terms of the sale required the Company 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.

Amounts expressed in US$000

38 Discontinued operation (continued)

As of December 31, 2016, the price adjustments have been estimated as outlined below:

	2016	2015
March 31, 2016	-	46,525
March 31, 2019	-	(499)
	-	46,026

After accounting for its status as a discontinued operation and for the details of the sale the net loss recognised in the statement of income is set out below. The statement of comprehensive income is as follows:

Movement in Price Adjustments

	2016	2015
Balance payable, beginning of year	46,026	45,796
Payment made	(44,614)	(21,231)
Experience gain	415	23,013
Net currency movements	(1,827)	(1,552)
(Receivable) / payable, end of year	-	46,026

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

38 Discontinued operation (continued)

The net gain / (loss) recognised in the statement of income and the statement of comprehensive income is as follows.

Statement of income	2016	2015
Currency translation gain	1,827	1,552
Other expenses	(884)	(187)
Movement in price adjustment	469	(23,013)
Net gain / (loss) and total comprehensive gain / (loss)	1,412	(21,648)

39 CONTINGENT LIABILITIES

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

	2016	2015
Customer guarantees and letters of credit [1]	22,513	27,154

[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 and the company are 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.

Significant matters as follows:

(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$8,928,500, 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 probability of success against the Group is considered low prior to the matter being heard.

39 Contingent Liabilities (continued)

(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$300,000,000. 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 probability of success against the Group is considered low.

(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.

Amounts expressed in US$000

40 FAIR VALUE OF PROPERTY

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

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

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

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

The results of applying the fair value hierarchy to the Group's property as of December 31, 2016 are as follows:

	Level 1	Level 2	Level 3	Total
Investment property	-	-	80,662	80,662
Owner-occupied lands	-	-	37,185	37,185
Owner-occupied land and buildings	-	-	77,855	77,855
	-	-	195,702	195,702

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 property, reasonable changes in fair value would affect other comprehensive income. The following table represents the movements in Level 3 property for the current year.

	Investment property	Owner-occupied property		Total
		Lands	Land and buildings	
Balance, beginning of year	79,172	38,031	80,694	197,897
Additions	7	-	2,680	2,687
Transfers in / (out)	1,401	(846)	-	555
Fair value changes recorded in net investment income	1,847	-	-	1,847
Fair value changes recorded in other comprehensive income	-	-	(1,583)	(1,583)
Depreciation	-	-	(1,105)	(1,105)
Disposals and divestitures	(825)	-	(753)	(1,578)
Effect of exchange rate changes	(940)	-	(2,078)	(3,018)
Balance, end of year	80,662	37,185	77,855	195,702

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.

The amounts disclosed in this note and in notes 42 and 43, exclude amounts in the statement of financial position classified as liabilities of 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 primarily associated with financial investments and reinsurance contracts held.

Credit risk from financial investments is minimised through holding a diversified portfolio of investments, purchasing securities and advancing loans only after careful assessment of the borrower, obtaining collateral before advancing loans, and placing deposits with financial institutions with a strong capital base. Limits may be placed on the amount of risk accepted in relation to one borrower.

The Group has developed an internal credit rating standard. The internal rating is a 10 point scale which allows for distinctions in risk characteristics and is referenced to the rating scales of international credit rating agencies. The scale is set out in the following table.

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

41.1 Credit risk (continued)

The Group applies this rating scale to three categories of exposures:

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

The 3 default grades are used for lending portfolios while investment portfolios and reinsurance exposures use one default grade: 8.

The maximum exposures of the Group to credit risk without taking into account any collateral or any credit enhancements are set out in the following table.

	2016		2015	
	$000	%	$000	%
Investment portfolios	3,864,949	65.5	3,937,104	68.4
Lending portfolios	978,681	16.6	909,570	15.8
Reinsurance assets	755,569	12.8	644,463	11.2
Other financial assets	179,456	3.0	151,842	2.6
Total financial statement exposures	5,778,655	97.9	5,642,979	98.0
Loan commitments	82,088	1.4	69,936	1.2
Customer guarantees and letters of credit	22,513	0.4	27,154	0.5
Other	15,262	0.3	19,380	0.3
Total off financial statement exposures	119,863	2.1	116,470	2.0
Total	5,898,518	100.0%	5,759,449	100.0%

The amounts in respect of customer guarantees and letters of credit represent potential claims against customers in the event of a call on customer guarantees and letters of credit issued by the Group.

41.1 Credit risk (continued)

The Group's largest exposures to individual counterparty credit risks as of December 31, 2016 and 2015 are set out below. The individual ratings reflect the rating of the counterparty listed below, while the amounts include exposures with subsidiaries of the counterparty.

	Sagicor Risk Rating	2016	Sagicor Risk Rating	2015
Investment portfolios:				
Government of Jamaica	5	804,051	5	901,896
Government of Trinidad and Tobago	2	226,094	2	200,307
Government of Barbados	5	303,973	5	307,185
The Bank of Nova Scotia	2	29,457	2	185,743
Government of St Lucia	3	80,965	5	81,412
The Federal National Mortgage Association	1	106,341	1	101,356
The Federal Home Loan Mortgage Corporation	1	63,664	1	67,523
Lending portfolios:				
Value Assets International S.A. and Egret Limited	4	28,704	3	29,780
Reinsurance assets:				
Guggenheim Partners(1)	3	585,561	3	543,329

(1)The reinsurance asset held in the name of Guggenheim Partners are secured by assets held in trust totalling $596,785 (2015 - $573,774).

41.1 Credit risk (continued)

(a) Investment portfolios

The results of the risk rating of investment portfolios are as follows:

Investment portfolios					
Risk Rating	Classification	2016		2015	
		Exposure $000	Exposure %	Exposure $000	Exposure %
1	Minimal risk	337,503	9%	317,670	8%
2	Low risk	657,285	17%	794,812	20%
3	Moderate risk	1,018,985	26%	1,026,099	26%
4	Acceptable risk	250,267	6%	193,025	5%
5	Average risk	1,497,421	39%	1,518,308	39%
6	Higher risk	58,447	2%	23,472	1%
7	Special mention	15	0%	18	0%
8	Substandard	707	0%	2,683	0%
TOTAL RATED EXPOSURES		3,820,630	99%	3,876,087	99%
UN-RATED EXPOSURES		44,319	1%	61,017	1%
TOTAL		3,864,949	100%	3,937,104	100%

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.

41.1 Credit risk (continued)

(b) Lending portfolios

The results of the risk rating of lending portfolios are as follows:

Lending portfolios					
Risk Rating	Classification	2016		2015	
		Exposure $000	Exposure $000	Exposure $000	Exposure %
1	Minimal risk	434,061	43%	455,471	50%
2	Low risk	142,469	15%	77,350	9%
3	Moderate risk	220,827	22%	184,911	20%
4	Acceptable risk	76,993	8%	30,282	3%
5	Average risk	35,200	4%	26,653	3%
6	Higher risk	25,338	3%	8,852	1%
7	Special mention	15,330	2%	23,345	3%
8	Substandard	8,703	1%	8,953	1%
9	Doubtful	7,532	1%	4,693	1%
10	Loss	12,154	1%	9,699	1%
TOTAL RATED EXPOSURES		978,607	100%	830,209	92%
UN-RATED EXPOSURES		74	0%	79,361	8%
TOTAL		978,681	100%	909,570	100%

Amounts expressed in US$000

41.1 Credit risk (continued)

Exposure to credit risk is also managed in part by obtaining collateral and guarantees for lending portfolios. For mortgage loans, the collateral is real estate property, and the approved loan limit is 75% to 95% of collateral value. For finance loans and finance leases, the collateral often comprises a vehicle or other form of security and the approved loan / lease limit is 50% to 100% of the collateral value. Unsecured finance loans and finance leases are only granted when the initial amount is less than $5,103.

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.

Exposure to the lending portfolios by geographic area is as follows.

	2016	2015
Barbados	195,597	203,250
Jamaica	463,675	389,521
Trinidad & Tobago	145,409	150,387
Other Caribbean	113,301	108,598
USA	60,699	57,814
	978,681	909,570

(c) Past due and impaired financial assets

A financial asset is past due when a counterparty has failed to make payment when contractually due. The Group is most exposed to the risk of past due assets with respect to its debt securities, mortgage loans, finance loans and finance leases.

Debt securities are assessed for impairment when amounts are past due, when the borrower is experiencing cash flow difficulties, or when the borrower's credit rating has been downgraded.

41.1 Credit risk (continued)

Mortgage loans less than 90 to 180 days past due and finance loans and finance leases less than 90 days past due are not assessed for impairment unless other information is available to indicate the contrary.

The assessment for impairment includes a review of the collateral. If the past due period is less than the trigger for impairment review, the collateral is not normally reviewed and re-assessed. Accumulated allowances for impairment reflect the Group's assessment of total individually impaired assets at the date of the financial statements. The following tables set out the carrying values of debt securities, mortgage loans, finance loans and finance leases, analysed by past due or impairment status.

	Debt securities	Mortgage loans	Finance loans & leases
2016			
Neither past due nor impaired	3,429,408	270,089	429,066
Past due up to 3 months, but not impaired	9,568	25,312	72,947
Past due up to 12 months, but not impaired	-	3,580	679
Past due up to 5 years, but not impaired	-	10,206	-
Past due over 5 years, but not impaired	-	3,051	-
Total past due but not impaired	9,568	42,149	73,626
Impaired assets (net of impairment)	2,378	19,528	6,283
Total carrying value	3,441,354	331,766	508,975
Accumulated allowances on impaired assets	4,944	7,624	10,795
Accrued interest on impaired assets	19	468	-

Amounts expressed in US$000

41.1 Credit risk (continued)

	Debt securities	Mortgage loans	Finance loans & leases
2015			
Neither past due nor impaired	3,410,331	275,500	369,137
Past due up to 3 months, but not impaired	3,706	30,483	59,836
Past due up to 12 months, but not impaired	-	3,891	982
Past due up to 5 years, but not impaired	-	11,137	-
Past due over 5 years, but not impaired	-	2,490	-
Total past due but not impaired	3,706	48,001	60,818
Impaired assets (net of impairment)	3,682	17,422	6,206
Total carrying value	3,417,719	340,923	436,161
Accumulated allowances on impaired assets	723	2,754	15,779
Accrued interest on impaired assets	10	462	49

The Group is also exposed to impaired premiums receivable. Property and casualty insurers frequently provide settlement terms to customers and intermediaries which extend up to 3 months. However, under the terms of insurance contracts, insurers can usually lapse an insurance policy for non-payment of premium, or if there is a claim, recover any unpaid premiums from the claim proceeds.

(d) Repossessed assets

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

41.1 Credit risk (continued)

(e) 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.

41.2 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.

Investment property may be held to back insurance liabilities. As these assets are relatively illiquid, the insurers hold less than 5% of their total assets in investment property.

Amounts expressed in US$000

41.2 Liquidity risk (continued)

(a) Insurance liabilities

The Group's monetary insurance liabilities mature in periods which are summarised in the following table. Amounts are stated at their carrying values recognised in the financial statements and are analysed by their expected due periods, which have been estimated by actuarial or other statistical methods.

	Expected discounted cash flows			
	Maturing within 1 year	Maturing 1 to 5 years	Maturing after 5 years	Total
2016				
Actuarial liabilities	224,827	678,161	1,873,374	2,776,362
Other insurance liabilities	104,860	15,297	52,781	172,938
Total	329,687	693,458	1,926,155	2,949,300
2015				
Actuarial liabilities	206,721	631,453	1,794,213	2,632,387
Other insurance liabilities	103,394	15,500	53,287	172,181
Total	310,115	646,953	1,847,500	2,804,568

Amounts expressed in US$000

41.2 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.

	2016 - Contractual un-discounted cash flows				2015 - 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	354,549	18,819	10,702	384,070	310,094	54,054	9,834	373,982
Notes and loans payable	34,158	197,760	348,400	580,318	194,461	143,079	348,400	685,940
Deposit and security liabilities:								
Other funding instruments	335,928	15,752	12,033	363,713	361,328	15,626	12,305	389,259
Customer deposits	905,685	43,952	138	949,775	591,403	78,632	701	670,736
Structured products	19,391	15,388	-	34,779	23,799	12,268	-	36,067
Securities sold for re-purchase	325,495	717	-	326,212	524,578	28	-	524,606
Derivative financial instruments	355	1,010	-	1,365	1,052	551	-	1,603
Bank overdrafts	1,939	-	-	1,939	2,158	-	-	2,158
Accounts payable and accrued liabilities	151,436	53,436	2,447	207,319	158,072	51,631	747	210,450
Total financial liabilities	2,128,936	346,834	373,720	2,849,490	2,166,945	355,869	371,987	2,894,801
Off financial statement commitments:								
Loan commitments	82,088	-	-	82,088	69,936	-	-	69,936
Non-cancellable operating lease and rental payments	4,839	9,528	977	15,344	2,679	9,483	2,226	14,388
Capital commitments	7,500	-	-	7,500	13,174	-	-	13,174
Customer guarantees and letters of credit	15,476	2,454	4,583	22,513	23,733	3,003	418	27,154
Total off financial statements commitments	109,903	11,982	5,560	127,445	109,522	12,486	2,644	124,652
Total	2,238,839	358,816	379,280	2,976,935	2,276,467	368,355	374,631	3,019,453

Amounts expressed in US$000

41.2 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.

	2016 – Contractual or expected discounted cash flows				2015 – 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	471,274	622,930	2,347,690	3,441,894	389,557	872,098	2,156,064	3,417,719
Mortgage loans	15,883	39,082	276,801	331,766	20,890	36,484	283,549	340,923
Policy loans	5,010	21,085	111,845	137,940	5,319	13,746	113,421	132,486
Finance loans and finance leases	133,440	152,738	222,797	508,975	73,664	64,948	297,549	436,161
Securities purchased for re-sale	5,227	-	-	5,227	8,064	-	-	8,064
Deposits	137,860	159	1,279	139,298	256,636	1,927	2,269	260,832
Derivative financial instruments	27,970	1,010	-	28,980	14,928	551	-	15,479
Reinsurance assets: share of actuarial liabilities	96,222	285,264	331,766	713,252	79,535	248,411	273,651	601,597
Reinsurance assets: other	36,963	5,149	205	42,317	37,366	5,295	205	42,866
Premiums receivable	46,530	-	-	46,530	42,398	-	-	42,398
Other assets and accounts receivable	41,484	55,447	7,015	103,946	47,431	43,800	2,734	93,965
Cash resources	263,191	-	15,879	279,070	229,755	-	20,734	250,489
Total	1,281,054	1,182,864	3,315,277	5,779,195	1,205,543	1,287,260	3,150,176	5,642,979

41.3 Interest rate risk

The Group is exposed to interest rate risks. Cash flow interest rate risk is the risk that future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the fair value of a financial instrument will fluctuate because of changes in market interest rates. The occurrence of an adverse change in interest rates on invested assets may result in financial loss to the Group in fulfilling the contractual returns on insurance and financial liabilities.

The return on investments may be variable, fixed for a term or fixed to maturity. On reinvestment of a matured investment, the returns available on the new investment may be significantly different from the returns formerly achieved. This is known as reinvestment risk.

Guaranteed minimum returns exist within cash values of long term traditional insurance contracts, long term universal life insurance contracts, annuity options, deposit administration liabilities and policy funds on deposit. Where the returns credited exceed the guaranteed minima, the insurer usually has the option to adjust the return from period to period. For other financial liabilities, returns are usually contractual and may only be adjusted on contract renewal or contract re-pricing.

The Group is therefore exposed to the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. Interest margins may increase or decrease as a result of such changes. Interest rate changes may also result in losses if asset and liability cash flows are not closely matched with respect to timing and amount.

The Group is exposed to risk under embedded derivatives contained in a host insurance contract. These risks include exposures to investment returns which may produce losses to the insurer arising from the following contract features:

- minimum annuity rates which are guaranteed to be applied at some future date;
- minimum guaranteed death benefits which are applicable when the performance of an interest bearing or unit linked fund falls below expectations;
- minimum guaranteed returns in respect of cash values and universal life investment accounts.

41.3 Interest rate risk (continued)

The Group manages its interest rate risk by a number of 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.

Amounts expressed in US$000

41.3 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.

	2016					2015				
	Exposure within 1 year	Exposure 1 to 5 years	Exposure after 5 years	Not exposed to interest	Total	Exposure within 1 year	Exposure 1 to 5 years	Exposure after 5 years	Not exposed to interest	Total
Other insurance liabilities	31,706	4,705	52,781	83,746	172,938	33,518	4,860	53,287	80,516	172,181
Investment contract liabilities	352,503	15,984	9,089	-	377,576	308,644	51,442	8,510	-	368,596
Notes and loans payable	1,964	77,756	316,895	(1,402)	395,213	159,911	1,042	316,740	(2,176)	475,517
Deposit and security liabilities:										
Other funding instruments	342,292	1,565	5,184	473	349,514	364,132	8,688	6,242	550	379,612
Customer deposits	703,049	86,798	138	125,170	915,155	477,934	78,511	701	112,372	669,518
Structured products	19,318	15,289	-	172	34,779	22,927	11,966	-	219	35,112
Securities sold for re-purchase	318,685	697	-	1,192	320,574	516,944	171	-	2,493	519,608
Derivative financial instruments	-	-	-	1,364	1,364	-	-	-	1,603	1,603
Bank overdrafts	1,939	-	-	-	1,939	2,158	-	-	-	2,158
Accounts payable and accrued liabilities	5,217	52,721	-	147,037	204,975	981	42,904	-	157,837	201,722
Total	1,776,673	255,515	384,087	357,752	2,774,027	1,887,149	199,584	385,480	353,414	2,825,627

Amounts expressed in US$000

41.3 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.

	2016					2015				
	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	647,158	557,849	2,186,167	50,180	3,441,354	585,718	785,142	1,996,826	50,033	3,417,719
Equity securities	-	-	-	220,208	220,208	-	-	-	214,957	214,957
Mortgage loans	19,295	50,617	258,480	3,374	331,766	40,595	53,664	243,497	3,167	340,923
Policy loans	4,110	20,752	108,507	4,571	137,940	4,302	13,510	110,311	4,363	132,486
Finance loans and leases	463,487	24,520	20,391	577	508,975	374,909	25,663	34,390	1,199	436,161
Securities purchased for re-sale	5,178	-	-	49	5,227	8,041	-	-	23	8,064
Deposits	137,123	159	1,279	737	139,298	256,385	1,908	1,902	637	260,832
Derivative financial instruments	-	-	-	28,980	28,980	-	-	-	15,479	15,479
Reinsurance assets: other	1,043	-	205	41,069	42,317	112	-	205	42,549	42,866
Premiums receivable	2,302	-	-	44,228	46,530	1,495	-	-	40,903	42,398
Other assets and accounts receivable	3,632	53,044	-	47,270	103,946	797	43,337	-	49,831	93,965
Cash resources	221,380	-	-	57,690	279,070	153,277	-	-	97,212	250,489
Total	1,504,708	706,941	2,575,029	498,933	5,285,611	1,425,631	923,224	2,387,131	520,353	5,256,339

Amounts expressed in US$000

41.3 Interest rate risk (continued)

The table below summarises the average interest yields on financial assets and liabilities held during the year in respect of continuing operations.

	2016	2015
Financial assets:		
Debt securities	6.2%	6.4%
Mortgage loans	6.1%	6.5%
Policy loans	6.9%	7.3%
Finance loans and finance leases	12.6%	12.7%
Securities purchased for re-sale	9.2%	2.4%
Deposits	1.0%	0.9%
Financial liabilities:		
Investment contract liabilities	6.1%	5.2%
Notes and loans payable	9.4%	8.3%
Other funding instruments	1.9%	2.2%
Deposits	2.1%	1.9%
Securities sold for re-purchase	4.5%	3.7%

a) Sensitivity

Sensitivity to interest rate risk is considered by operating subsidiaries. The effects of changes in interest rates of assets backing actuarial liabilities are disclosed in note 43.4. The Group's property and casualty operations are not exposed to a significant degree of interest rate risk, since the majority of its interest bearing instruments has short-term maturities. The sensitivity of the Group's principal operating subsidiaries engaged in banking, investment management and other financial services are considered in the following paragraphs.

41.3 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 available-for-sale financial assets 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.

2016				2015			
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%	1,057	13,141	- 1%	- 0.5%	4,145	10,219
+2.5%	+ 2%	(3,690)	(46,516)	+2.5%	+ 2%	(6,838)	(35,879)

41.4 Foreign exchange risk

The Group is exposed to foreign exchange risk as a result of fluctuations in exchange rates since its financial assets and liabilities are denominated in a number of 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.

41.4 Foreign exchange risk (continued)

2016	US$ 000 equivalents of balances denominated in						
	Barbados $	Jamaica $	Trinidad $	Eastern Caribbean $	US $	Other Currencies	Total
ASSETS							
Financial investments[1]	452,914	817,968	384,175	148,864	2,619,819	169,800	4,593,540
Reinsurance assets	5,758	336	10,432	1,820	736,067	1,156	755,569
Receivables [1]	20,613	86,232	10,271	13,226	13,939	6,059	150,340
Cash resources	15,064	43,379	28,492	15,430	135,180	41,525	279,070
Total monetary assets	494,349	947,915	433,370	179,340	3,505,005	218,540	5,778,519
Other assets [2]	207,993	337,791	82,129	28,264	99,446	(2,222)	753,401
Total assets of continuing operations	702,342	1,285,706	515,499	207,604	3,604,451	216,318	6,531,920
LIABILITIES							
Actuarial liabilities	386,276	302,777	329,544	61,905	1,605,596	90,264	2,776,362
Other insurance liabilities[1]	65,787	20,504	27,874	10,105	37,273	11,395	172,938
Investment contracts	33,733	66,482	140,242	52,451	76,301	8,367	377,576
Notes and loans payable	-	-	-	-	395,213	-	395,213
Deposit and security liabilities	86,251	483,291	1,413	14,414	1,021,431	16,525	1,623,325
Provisions	31,160	48,198	12,487	844	1,784	6,819	101,292
Accounts payable and accruals	42,710	89,992	16,484	2,831	50,073	2,885	204,975
Total monetary liabilities	645,917	1,011,244	528,044	142,550	3,187,671	136,255	5,651,681
Other liabilities [2]	13,848	12,794	19,315	3,492	33,751	1,625	84,825
Total liabilities of continuing operations	659,765	1,024,038	547,359	146,042	3,221,422	137,880	5,736,506
Net position	42,577	261,668	(31,860)	61,562	383,029	78,438	795,414

[1] Monetary balances only
[2] Non-monetary balances, income tax balances and retirement plan assets

41.4 Foreign exchange risk (continued)

2015	US$ 000 equivalents of balances denominated in						
	Barbados $	Jamaica $	Trinidad $	Eastern Caribbean $	US $	Other Currencies	Total
ASSETS							
Financial investments(1)	459,902	782,475	355,091	146,006	2,698,719	169,471	4,611,664
Reinsurance assets	11,040	1,189	11,068	1,792	618,240	1,134	644,463
Receivables (1)	25,533	76,047	10,338	12,873	7,368	4,204	136,363
Cash resources	21,349	45,720	39,224	14,825	89,379	39,992	250,489
Total monetary assets	517,824	905,431	415,721	175,496	3,413,706	214,801	5,642,979
Other assets (2)	200,772	324,237	86,074	28,755	119,332	(2,264)	756,906
Total assets of continuing operations	718,596	1,229,668	501,795	204,251	3,533,038	212,537	6,399,885
LIABILITIES							
Actuarial liabilities	392,022	271,391	330,099	63,948	1,500,972	73,955	2,632,387
Other insurance liabilities(1)	70,336	18,878	28,989	9,113	33,929	10,936	172,181
Investment contracts	34,561	66,619	135,169	49,993	74,847	7,407	368,596
Notes and loans payable	19,980	-	-	-	455,537	-	475,517
Deposit and security liabilities	91,187	476,088	1,548	14,929	1,003,153	20,706	1,607,611
Provisions	26,870	37,236	14,732	988	2,815	5,565	88,206
Accounts payable and accruals	30,769	85,701	12,973	10,130	50,510	11,639	201,722
Total monetary liabilities	665,725	955,913	523,510	149,101	3,121,763	130,208	5,546,220
Other liabilities (2)	12,787	4,756	20,089	2,789	26,944	1,110	68,475
Total liabilities of continuing operations	678,512	960,669	543,599	151,890	3,148,707	131,318	5,614,695
Net position	40,084	268,999	(41,804)	52,361	384,331	81,219	785,190

(1) Monetary balances only

(2) Non-monetary balances, income tax balances and retirement plan assets

Amounts expressed in US$000

41.4 Foreign exchange risk (continued)

(a) Sensitivity

The Group is exposed to currency risk in its operating currencies whose values have noticeably fluctuated against the United States dollar (USD).

The exposure to currency risk may result in three types of risk, namely:

- Currency risk relating to the future cash flows of monetary balances

This occurs when a monetary balance is denominated in a currency other than the functional currency of the reporting unit to which it belongs. In this instance, a change in currency exchange rates results in the monetary balances being retranslated at the date of the financial statements and the exchange gain or loss is taken to income (note 26).

- Currency risk of reported results of foreign operations

This occurs when a reporting unit's functional currency depreciates or appreciates in value when retranslated to the USD, which is the Group's presentational currency. In this instance, the conversion of the reporting unit's results at a different rate of exchange results in either less or more income being consolidated in the Group's income statement.

- Currency risk of the Group's investment in foreign operations

This occurs when a reporting unit's functional currency depreciates or appreciates in value when retranslated to the USD, which is the Group's presentational currency. In this instance, the conversion of the reporting unit's assets and liabilities at a different rate of exchange results in a currency loss or gain which is recorded in the currency translation reserve (note 22). If the reporting unit was disposed of, either wholly or in part, then the corresponding accumulated loss or gain in the currency translation reserve would be transferred to income or retained earnings.

The operating currency whose value noticeably fluctuate against the USD is the Jamaica dollar (JMD). The theoretical impact of JMD currency risk on reported results and of the Group's investment in foreign operations is considered in the following section.

41.4 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, 2016 and for the year then ended are considered in the following table.

	Amounts denominated in		Total	Effect of a 10%
	JMD	USD	amounts	depreciation
Financial position:				
Assets	1,359,388	1,159,171	2,518,559	(135,939)
Liabilities	1,040,655	1,032,241	2,072,896	(104,066)
Net position	318,733	126,930	445,663	(31,873)
Represented by:				
Currency risk of the Group's investment in foreign operations				(31,873)
Income statement:				
Revenue	423,398	79,354	502,752	(29,319)
Benefits	(216,843)	(21,539)	(238,382)	21,684
Expenses	(141,023)	(14,606)	(155,629)	14,102
Income taxes	(23,722)	(24)	(23,746)	2,372
Net income	41,810	43,185	84,995	8,839
Represented by:				
Currency risk relating to the future cash flows of monetary balances				13,021
Currency risk of reported results of foreign operations				(4,182)
				8,839

A 10% appreciation in the JMD relative to the USD would have equal and opposite effects to those disclosed above.

41.5 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.

41.5 Fair value of financial instruments (continued)

In assessing the fair value of non-traded financial liabilities, the Group uses a variety of methods including obtaining dealer quotes for specific or similar instruments and the use of internally developed pricing models, such as the use of discounted cash flows. If the non-traded liability is backed by a pool of assets, then its value is equivalent to the value of the underlying assets.

Certain of the Group's policy liabilities are unit linked, i.e. derive their value from a pool of assets which are carried at fair value. The Group assigns a fair value hierarchy of Level 2 to the contract liability if the liability represents the unadjusted fair value of the underlying pool of assets.

(iii) *Level 3 – inputs for the instrument that are not based on observable market data*

A financial instrument is classified as Level 3 if:

- The fair value is derived from quoted prices of similar instruments that are observable and which would be classified as Level 2; or
- The fair value is derived from inputs that are not based on observable market data.

Level 3 available for sale securities include corporate and government agency debt instruments issued in the Caribbean, primarily in Jamaica and Trinidad. The fair values of these instruments have been derived from December 31 market yields of government instruments of similar durations in the country of issue of the instruments.

Level 3 assets designated fair value through income include mortgage loans, debt securities and equities for which the full income return and capital returns accrue to holders of unit linked policy and deposit administration contracts. 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 used in determining the fair value of Level 3 instruments.

Amounts expressed in US$000

41.5 Fair value of financial instruments (continued)

(a) Financial instruments carried at fair value

	2016				2015			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Available for sale securities:								
Debt securities	604,786	1,663,306	2,928	2,271,020	355,330	1,929,520	26,741	2,311,591
Equity securities	35,350	51,732	9,602	96,684	46,644	29,538	12,198	88,380
	640,136	1,715,038	12,530	2,367,704	401,974	1,959,058	38,939	2,399,971
Investments at fair value through income:								
Debt securities	35,720	32,436	95,849	164,005	15,820	35,048	85,859	136,727
Equity securities	3,992	119,532	-	123,524	12,100	110,267	4,210	126,577
Derivative financial instruments	-	1,364	27,616	28,980	-	1,603	13,876	15,479
Mortgage loans	-	-	40,347	40,347	-	-	47,052	47,052
Deposits	-	-	-	-	56	-	-	56
	39,712	153,332	163,812	356,856	27,976	146,918	150,997	325,891
Total assets	679,848	1,868,370	176,342	2,724,560	429,950	2,105,976	189,936	2,725,862
Total assets by percentage	25%	69%	6%	100%	16%	77%	7%	100%
Investment contracts:								
Unit linked deposit administration liabilities	-	-	130,668	130,668	-	-	125,177	125,177
Deposit and security liabilities:								
Structured products	-	-	34,779	34,779	-	-	35,112	35,112
Derivative financial instruments	-	1,364	-	1,364	-	1,603	-	1,603
	-	1,364	34,779	36,143	-	1,603	35,112	36,715
Total liabilities	-	1,364	165,447	166,811	-	1,603	160,289	161,892
Total liabilities by percentage	0%	1%	99%	100%	0%	1%	99%	100%

Amounts expressed in US$000

41.5 Fair value of financial instruments (continued)

Transfers from Level 1 to Level 2 in 2016 - $59,752 (2015 - $4,805). Transfers from Level 2 to Level 1 in 2016 – Nil (2015 - Nil).

For Level 3 instruments, reasonable changes in inputs which could be applied to the valuation of available for sale securities would affect other comprehensive income. Reasonable changes in inputs which could be applied to the valuations of investments designated at fair value 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.

	2016				2015	2016			2015
	Available for sale securities	Investments at fair value through income	Derivative instruments	Total assets	Total assets	Policy liabilities	Structured products	Total liabilities	Total liabilities
Balance, beginning of year	38,939	137,121	13,876	189,936	155,926	125,177	35,112	160,289	136,877
Additions	1,638	23,419	19,205	44,262	95,084	-	-	-	-
Transfers into Level 3 classification	-	76	-	76	1,873	-	-	-	-
Issues	-	-	-	-	-	16,458	19,206	35,664	35,194
Settlements	-	-	-	-	-	(5,687)	(17,064)	(22,751)	(8,471)
Fair value changes recorded within net investment income	493	266	7,376	8,135	(743)	-	-	-	-
Fair value changes recorded within interest expense	-	-	-	-	-	188	-	188	(682)
Fair value changes recorded in other comprehensive income	(308)	-	-	(308)	(54)	-	-	-	-
Disposals	(27,258)	(18,049)	(12,841)	(58,148)	(58,638)	-	-	-	-
Transfers to instruments carried at amortised cost	-	-	-	-	-	-	(252)	(252)	-
Effect of exchange rate changes	(974)	(6,637)	-	(7,611)	(3,512)	(5,468)	(2,223)	(7,691)	(2,629)
Balance, end of year	12,530	136,196	27,616	176,342	189,936	130,668	34,779	165,447	160,289
Fair value changes recorded in investment income for instruments held at end of year	-	1,054	9,013	10,067	(3,930)	-	-	-	-
Fair value changes recorded in interest expense for instruments held at end of year	-	-	-	-	-	188	-	188	(682)

Amounts expressed in US$000

41.5 Fair value of financial instruments (continued)

(b) Financial instruments carried at amortised cost

The carrying values of the Group's non-traded financial assets and financial liabilities carried at amortised cost approximate their fair value in notes 10, 12, and 20. The fair value hierarchy of other financial instruments carried at amortised cost as of December 31, 2016 is set out in the following tables.

	Level 1	Level 2	Level 3	Total
Held to maturity securities:				
Debt securities	-	21,688	-	21,688
Loans and receivables:	-			
Debt securities	-	387,182	654,926	1,042,108
Mortgage loans	-	-	291,154	291,154
Policy loans	-	-	148,141	148,141
Finance loans and finance leases	-	-	491,131	491,131
Securities purchased for resale	-	-	5,227	5,227
	-	387,182	1,590,579	1,977,761
	-	408,870	1,590,579	1,999,449

41.5 Fair value of financial instruments (continued)

	Level 1	Level 2	Level 3	Total
Investment contracts:				
Deposit administration liabilities	-	9,574	118,771	128,345
Other investment contracts	-	-	121,051	121,051
	-	9,574	239,822	249,396
Notes and loans payable:				
Notes and lease payables	-	364,095	80,496	444,591
	-	364,095	80,496	444,591
Deposit and security liabilities				
Other funding instruments	-	-	346,216	346,216
Customer deposits	-	1,463	913,956	915,419
Securities sold for repurchase	-	-	320,574	320,574
	-	1,463	1,580,746	1,582,209
	-	375,132	1,901,064	2,276,196

Amounts expressed in US$000

41.5 Fair value of financial instruments (continued)

(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.

Sensitivity

The sensitivity to fair value changes in equity securities arises from those instruments classified as available for sale. There is no significant sensitivity to those instruments classified at fair value through income, since fair value changes are borne by policy contract holders.

The effects of an across the board 20% change in equity prices of the Group's available for sale equity securities as of December 31, 2016 on total comprehensive income before tax (TCIBT) are as follows.

Available for sale equities	Carrying value	20% change on TCIBT
Listed on Caribbean stock exchanges and markets	19,275	3,855
Listed on US stock exchanges and markets	49,679	9,936
Listed on other exchanges and markets	27,730	5,546
	96,684	19,337

41.6 Derivative financial instruments and hedging activities

The Group's derivative activities give rise to open positions in portfolios of derivatives. These positions are managed to ensure that they remain within acceptable risk levels, with matching deals being utilised to achieve this where necessary. When entering into derivative transactions, the Group employs its credit risk management procedures to assess and approve potential credit exposures.

41.6 Derivative financial instruments and hedging activities (continued)

Derivatives are carried at fair value and presented in the financial statements as separate assets and liabilities. Asset values represent the cost to the Group of replacing all transactions with a fair value in the Group's favour assuming that all relevant counterparties default at the same time, and that transactions can be replaced instantaneously. Liability values represent the cost to the Group counterparties of replacing all their transactions with the Group with a fair value in their favour if the Group were to default. Derivative assets and liabilities on different transactions are only set off if the transactions are with the same counterparty, a legal right of set-off exists and the cash flows are intended to be settled on a net basis. The contract or notional amounts of derivatives and their fair values are set out below.

	Contract / notional amount	Fair value	
		Assets	Liabilities
2016			
Derivatives held for trading:			
Equity indexed options	673,264	28,980	1,364
	673,264	28,980	1,364
2015			
Derivatives held for trading:			
Equity indexed options	643,667	15,479	1,603
	643,667	15,479	1,603

41.6 Derivative financial instruments and hedging activities (continued)

(i) Equity indexed options

The Group has purchased equity indexed options in respect of structured products and in respect of life and annuity insurance contracts.

For certain structured product contracts with customers (note 17), equity indexed options give the holder the ability to participate in the upward movement of an equity index while being protected from downward risk. The Group is exposed to credit risk on purchased options only, and only to the extent of the carrying amount, which is their fair value.

For certain universal life and annuity insurance contracts, an insurer has purchased custom call options that are selected to materially replicate the policy benefits that are associated with the equity indexed components within the policy contract. These options are appropriate to reduce or minimise the risk of movements in specific equity markets. Credit risk that the insurer has regarding the options is mitigated by ensuring that the counterparty is sufficiently capitalized. Both the asset and the associated actuarial liability are valued at fair market value on a consistent basis, with the change in values being reflected in the income statement. The valuations combine external valuations with internal calculations.

Amounts expressed in US$000

41.7 Offsetting Financial Assets and Liabilities

The Group is eligible to present certain financial assets and financial liabilities on a net basis on the balance sheet pursuant to criteria described in Note 1 "Accounting Policies: 2.15 Offsetting financial instruments".

The following tables provide information on the impact of offsetting on the consolidated balance sheet, as well as the financial impact of netting for instruments subject to an enforceable master netting arrangement or similar agreement as well as available cash and financial instrument collateral.

2016	Gross amounts of financial assets	Gross amounts set off on the balance sheet	Net amounts of financial assets presented on the balance sheet	Impact of master netting arrangements	Financial instruments collateral	Net amount
ASSETS						
Financial investments	4,779,541	-	4,779,541	(821,168)	(260,443)	3,697,930
Securities purchases under resale agreement	5,227	-	5,227	-	-	5,227
Derivative financial instruments	28,980	-	28,980	(1,364)	-	27,616
	4,813,748	-	4,813,748	(822,532)	(260,443)	3,730,773
LIABILITIES						
Security liabilities	1,621,961	-	1,621,961	(415,910)	(220,100)	985,951
Derivative financial instruments	1,364	-	1,364	(1,364)	-	-
	1,623,325	-	1,623,325	(417,274)	(220,100)	985,951
2015						
ASSETS						
Financial investments	4,803,078	-	4,803,078	(629,825)	(302,098)	3,871,155
Securities purchases under resale agreement	8,064	-	8,064	-	-	8,064
Derivative financial instruments	15,479	-	15,479	(1,603)	-	13,876
	4,826,621	-	4,826,621	(631,428)	(302,098)	3,893,095
LIABILITIES						
Security liabilities	1,606,008	-	1,606,008	(614,643)	(255,860)	735,505
Derivative financial instruments	1,603	-	1,603	(1,603)	-	-
	1,607,611	-	1,607,611	(616,246)	(255,860)	735,505

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 is the principal insurer within the Group's continuing operations that issues property and casualty insurance contracts. It operates mainly in Barbados and Trinidad and Tobago.

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 as a whole. 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;

42.2 Claims risk (continued)

- 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 has to be refined over time until final settlement occurs. In addition, from the pricing methodology used for risks, it is assumed that at any particular 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 a large number of 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		2016	2015
Property	Gross	7,673,403	6,726,203
	Net	1,083,282	1,004,774
Motor	Gross	385,978	346,729
	Net	192,989	173,364
Accident and liability	Gross	2,275,771	2,162,735
	Net	1,086,198	1,034,289
Total	Gross	10,335,152	9,235,667
	Net	2,362,469	2,212,427

The insurer assesses its exposures by modelling realistic disaster scenarios of potential catastrophic events. Claims arising from wind storms, earthquakes and floods and events triggering multi-coverage corporate liability claims are considered to be the potential sources of catastrophic losses arising from insurance risks. A realistic disaster scenario modelled for 2016 is presented below and results in estimated gross and net losses.

	Gross loss	Net loss
A Barbados and St. Lucia windstorm having a 200 year return period.	318,357	5,000

The occurrence of one or more catastrophic events in any year may have a material impact on the reported net income of the Group.

42.3 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.

42.3 Reinsurance risk (continued)

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.

Retention limits represent the level of risk retained by the insurer. Coverage in excess of these limits is ceded to reinsurers up to the treaty limit. Claim amounts in excess of reinsurance treaty limits revert to the insurer. Principal features of retention program used by Sagicor General for its property insurance class is summarised in the following table.

Type of risk	Retention by insurers - currency amounts in thousands
Property	• maximum retention of $4,500 for a single event; • maximum retention of $5,000 for a catastrophic event; • quota share retention to maximum of 20% in respect of treaty limits; • quota share retention is further reduced to a maximum of $375 per event.

The effects of reinsurance ceded are disclosed in notes 14, 24 and 27 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.

The reinsurance recoveries derived from the foregoing are assigned internal credit ratings as follows:

Risk Rating	Classification	Exposure $000	Exposure %
1	Minimal risk	253,696	31%
2	Low risk	559,762	68%
3	Moderate risk	-	0%
4	Acceptable risk	5,241	1%
5	Average risk	-	0%
6	Higher risk	-	0%
7	Special mention	-	0%
8	Substandard	-	0%
TOTAL		818,699	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 as a whole. In determining the pricing of an insurance contract, the insurer considers the nature and amount of the risk assumed, and recent experience and industry statistics of the benefits payable. Pricing inadequacy may arise either from the use of inadequate experience and statistical data in deriving pricing factors or from market softening conditions.

The underwriting process has established pricing guidelines, and may include specific medical tests and enquiries which determine the insurer's assessment of the risk. Insurers may also establish deductibles and coverage limits for health risks which will limit the potential claims incurred. Term life and critical illness risks have limitations of insured amounts. The pricing of a contract therefore consists of establishing appropriate premium rates, deductibles and coverage limits.

(b) Mortality and morbidity risk

Mortality risk is the risk that worsening mortality rates will result in an increase of death claims. Morbidity is the incidence of disease or illness and the associated risk is that of increased disability and medical claims. Insurance claims are triggered by the incurrence of a medical claim, the diagnosis of a critical illness or by death of the person insured.

For contracts providing death benefits, higher mortality rates would result in an increase in death claims. The Group annually reviews its mortality experience and compares it to industry mortality tables. This review may result in future adjustments to the pricing or re-pricing of these contracts.

Critical illness claims arise from the diagnosis of a specific illness incurred by the policy beneficiary. The Group annually reviews its critical illness claims experience and compares it to industry statistics. This review may result in future adjustments to the pricing or re-pricing of these contracts.

The concentration risks of term life and critical illness contracts are included in the related disclosure on other long-term contracts in note 43.2(b).

Amounts expressed in US$000

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.

2016 Premium revenue by location of insureds	Gross	Ceded	Net
Barbados	22,349	871	21,478
Jamaica	77,718	2,004	75,714
Trinidad & Tobago	27,485	606	26,879
Other Caribbean	26,057	536	25,521
USA	57	60	(3)
Total	153,666	4,077	149,589

(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.

	2016		2015	
	Liability	5% increase in liability	Liability	5% increase in liability
Actuarial liability	48,373	2,419	40,845	2,042
Claims payable	4,284	214	3,379	169
	52,657	2,633	44,224	2,211

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 payout 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 payout 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.

Amounts expressed in US$000

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 a large number of 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		2016 Individual contracts	2016 Group contracts	2015 Individual contracts	2015 Group contracts
Barbados	Gross	3,855,798	1,338,221	3,717,465	1,319,187
	Net	3,546,641	1,286,564	3,404,278	1,272,561
Jamaica	Gross	7,107,905	4,901,489	6,788,633	4,722,254
	Net	6,961,507	4,869,094	6,633,173	4,693,456
Trinidad & Tobago	Gross	3,322,781	2,379,773	3,299,470	2,591,709
	Net	2,741,682	2,262,405	2,699,592	2,460,183
Other Caribbean	Gross	7,702,307	1,824,971	7,425,375	1,993,205
	Net	6,616,723	1,647,151	6,315,588	1,718,537
USA	Gross	5,935,908	43,463	5,416,515	45,491
	Net	2,018,213	41,422	1,944,902	43,300
Total	Gross	27,924,699	10,487,917	26,647,458	10,671,846
	Net	21,884,776	10,106,636	20,997,533	10,188,037

43.2 Contracts with investment returns (continued)

Total liability under annuity contracts which represents the present value of future annuity benefits provides a good measure of longevity risk exposure.

Total liability under annuity contracts		2016 Individual contracts	2016 Group contracts	2015 Individual contracts	2015 Group contracts
Barbados	Gross	110,544	43,674	114,475	46,288
	Net	110,544	43,674	114,475	46,288
Jamaica	Gross	575	293,596	509	285,843
	Net	575	293,596	509	285,843
Trinidad & Tobago	Gross	115,254	-	113,108	-
	Net	115,254	-	113,108	-
Other Caribbean	Gross	26,827	27	24,171	-
	Net	26,827	27	24,171	-
USA	Gross	1,150,170	25,684	946,891	26,447
	Net	390,478	8,024	375,338	7,988
Total	Gross	1,403,370	362,981	1,199,154	358,578
	Net	643,678	345,321	627,601	340,119

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 has to be funded either by increasing the volume of inforce policies or by productivity gains. Failure to achieve these goals will require increases in actuarial liabilities held.

(e) Investment risk

A substantial proportion of the Group's financial investments support insurer obligations under life and annuity contracts with investment returns. The financial risks outlined in note 41 pertaining to credit, liquidity, interest rate, foreign exchange and equity price are considered integral investment risks associated with these insurance contracts.

Asset defaults, mismatches in asset and liability cash flows, interest rate and equity price volatility generally have the effect of increasing investment risk and consequential increases in actuarial liabilities held.

43.3 Reinsurance risk

To limit its exposure of potential loss on an insurance policy, the insurer may cede certain levels of risk to a reinsurer. The Group selects reinsurers which have well established capability to meet their contractual obligations and for new business a Sagicor credit risk rating of 1 or 2 is usually selected. Reinsurance ceded does not discharge the insurer's liability and failure by a reinsurer to honour its commitments could result in losses to the Group.

Insurers have limited their exposure per person by excess of loss or quota share treaties. Retention limits represent the level of risk retained by the insurer. Coverage in excess of these limits is ceded to reinsurers up to the treaty limit. The principal features of retention programs used by insurers are summarised in the following table.

Type of insurance contract	Retention by insurers - currency amounts in thousands
Health insurance contracts with individuals	Retention per individual to a maximum of $175
Health insurance contracts with groups	Retention per individual to a maximum of $175
Life insurance contracts with individuals	Retention per individual life to a maximum of $500
Life insurance contracts with groups	Retention per individual life to a maximum of $500

43.4 Sensitivity arising from the valuation of actuarial liabilities

The estimation of actuarial liabilities is sensitive to a number of assumptions. 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)).

Amounts expressed in US$000

43.4 Sensitivity arising from the valuation of actuarial liabilities (continued)

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

Sensitivity	Scenario		
	Sagicor Life Inc segment	Sagicor Jamaica Segment	Sagicor USA segment
Worsening rate of lapse	Lapse rates were either doubled or halved, and the more adverse result was selected.		For 2016, lapse rates were increased or reduced by 30%, and the more adverse result was selected. For 2015, lapse rates were doubled or halved.
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 products only, the base assumed rates were increased annually by 3% cumulatively over the next 5 years. For annuity products, the mortality rates were decreased by 3% of the base rate for 5 years.
Higher expenses	Policy unit maintenance expense rates were increased by 5% per year for 5 years above those reflected in the base scenario.		

43.4 Sensitivity arising from the valuation of actuarial liabilities (continued)

The following table represents the estimated sensitivity of each of the above scenarios to net actuarial liabilities for insurers by segment. Correlations that may exist between scenario assumptions were not explicitly taken into account.

	Sagicor Life segment		Sagicor Jamaica segment		Sagicor Life USA segment	
	2016	2015	2016	2015	2016	2015
Base net actuarial liability	936,049	939,819	327,183	326,652	580,784	562,236
Scenario	increase in liability		increase in liability		increase in liability	
Worsening rate of lapse	135,728	127,997	47,635	40,153	9,330	9,123
High interest rate	(84,334)	(76,882)	(98,734)	(101,205)	(34,545)	(33,619)
Low interest rate	156,127	151,291	124,400	136,247	39,771	38,922
Worsening mortality/ morbidity	35,808	34,191	37,209	33,891	12,842	12,737
Higher expenses	20,715	19,174	14,939	15,972	4,418	3,846

Amounts expressed in US$000

43.5 Dynamic capital adequacy testing (DCAT)

DCAT is a technique used by the Group to assess the adequacy of the insurer's financial position and financial condition in the light of different future economic and policy experience scenarios. DCAT assesses the impact over the next 5 years on the insurer's financial position and financial condition under specific scenarios.

The financial position of an insurer is reflected by the amounts of assets, liabilities and equity in the financial statements at a given date. The financial position therefore relies on the valuation assumptions used for establishing the actuarial liabilities being adequate to measure future adverse deviations in experience. The financial position does not offer any indication of an insurer's ability to execute its business plan.

The financial condition of an insurer at a particular date is its prospective ability at that date to meet its future obligations, especially obligations to policyholders, those to whom it owes benefits and to its shareholders. The financial condition analysis examines both an insurer's ability to execute its business plan and to absorb adverse experience beyond that provided for when its actuarial liabilities are established.

The purpose of the DCAT is

- to develop an understanding of the sensitivity of the total equity of the insurer and future financial condition to changes in various experience factors and management policies;
- to alert management to material, plausible and imminent threats to the insurer's solvency;
- and to describe possible courses of action to address these threats.

Full DCAT is conducted periodically by some insurers within the Group.

44 FIDUCIARY RISK

The Group provides investment management and pension administration services to investment and pension funds which involve the Group making allocation, purchase and sale decisions in relation to a wide range of investments. These services give rise to fiduciary risk that may expose the Group to claims for mal-administration or under-performance of these funds.

In the ordinary course of business, the Group manages assets of pension funds, mutual funds and unit trusts which are held in a fiduciary capacity and are not included in the Group's financial statements. The investments and cash under administration are summarised in the following table.

	2016	2015
Pension and insurance fund assets	1,726,467	1,576,696
Mutual fund, unit trust and other investment fund assets	890,235	796,775
	2,616,702	2,373,471

Fee income under administration is discussed in Note 26.

45 STATUTORY RESTRICTIONS ON ASSETS

Insurers are registered to conduct insurance business under legislation in place in each relevant jurisdiction. This legislation may prescribe a number of 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 $1,436,232 (2015 - $1,313,013) 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.

Amounts expressed in US$000

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:

	2016	2015
Shareholders' equity	536,149	506,046
Non-controlling interest	257,974	231,735
Notes and loans payable	395,213	475,517
Total financial statement capital resources	1,189,336	1,213,298

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

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 Sagicor Group as of December 31 has been estimated as 291% (2015 – 301%). The 2015 MCCSR which was disclosed as 221% in 2015 has been reviewed and restated to 301% this year. This is the principal standard of capital adequacy used to assess the overall strength 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 Group as a whole and not necessarily applicable to each individual segment, insurance subsidiary or insurance subsidiary branch.

The Company is in compliance with all capital requirements.

Amounts expressed in US$000

46.2 Capital adequacy (continued)

(i) Sagicor Life Jamaica

Sagicor Life Jamaica is governed by the Jamaican MCCSR regime which requires an insurer to maintain a minimum ratio of 150%. For the years ended December 31, 2016 and 2015, this ratio was 156.5% and 201.5% respectively.

(ii) Sagicor Life Insurance Company (USA)

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

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

Sagicor Life Insurance Company looks to maintain at least 300% of the Company Action Level, and has maintained these ratios as of December 31, 2016 and 2015 respectively.

46.2 Capital adequacy (continued)

(b) Sagicor Investments Jamaica Limited and Sagicor Bank Jamaica Limited

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

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

The table below summarises the capital adequacy ratios. During 2016 and 2015, all applicable externally imposed capital requirements were complied with.

	Sagicor Investments Jamaica		Sagicor Bank Jamaica	
	2016	2015	2016	2015
Actual capital base to risk weighted assets	13%	14%	14%	14%
Required capital base to risk weighted assets	10%	10%	10%	10%

Amounts expressed in US$000

46.3 Financial covenants

(a) 8.875% Senior Notes

Under the indenture entered into by the Group on the issue of these senior notes the Group has to comply with a number of covenants as follows:

COVENANT	DESCRIPTION
Limitation of indebtedness	Under this covenant, the Group is restricted to incremental borrowing up to a prescribed level. The Group must maintain a fixed charge coverage ratio, in excess of 2:1 in order to incur additional debt.
Limitation on restricted payments covenant	This covenant limits cash outflows, dividends, acquisition and investments by the Group. The Group must maintain a fixed charge coverage ratio of 2:1 and an MCCSR capital ratio in excess of 175%.
Limitation on restricted distributions from subsidiaries	This covenant limits the subsidiaries from creating encumbrances or restrictions on their ability to make distributions to the Parent.
Limitation on sale of assets of subsidiary stock	This covenant restricts the Group from selling material subsidiary assets without using the proceeds to either reinvest in the business or offer to buy back bondholders.
Limitation on affiliate transactions	This covenant restricts affiliate transactions of the Group.
Change in control	This covenant allows investors to put their bonds back to the Group at a certain value when a specified event has changed ownership/control of the Group.
Limitation on liens	This covenant restricts the Group's ability to secure future debt with the Group's assets.
Optional Redemption	The notes are redeemable at the Group's option after August 11, 2018 at specified redemption rates.

46.3 Financial covenants (continued)

(b) 4.85% notes due 2019

Under an indenture and a trust deed entered into by the Group on the issue of the senior notes and notes respectively (see note 16), the Group has to comply with permitted lien covenants, which will not allow the Company nor any of its subsidiaries to directly or indirectly, incur or permit to exist any lien to secure any indebtedness or any guarantee of indebtedness, other than permitted liens, without effectively providing that the senior notes and notes are secured equitably and rateably with (or, if the obligation to be secured by lien, this is subordinated in right of payment to the senior notes and notes, prior to) the obligations so secured for so long as such obligations are so secured.

Permitted liens are liens existing on the dates of issue of the senior notes and notes respectively, certain liens which would arise in the course of normal business, and other liens whose outstanding principal amounts in aggregate outstanding principal amount do not exceed 10% of the consolidated net tangible assets (as is defined in the indenture and trust deed). As of December 31, 2016, and 2015, the Group satisfied these requirements.

(c) International Finance Corporation (IFC)

On March 31, 2011, the Company entered into subscription and policy agreements with IFC, regarding the latter's participation in the issue of new common and convertible redeemable preference shares. Pursuant to the aforementioned agreements, on July 18, 2011, 12,269,938 common shares and 78,339,530 convertible redeemable preference shares were issued to IFC. The convertible redeemable preference shares were redeemed on July 18, 2016.

The Company is in compliance with all covenants.

Amounts expressed in US$000

47 RELATED PARTY TRANSACTIONS

Other than as disclosed in notes 5, 9, 12, 26, 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:

Compensation	2016	2015
Salaries, directors' fees and other short-term benefits	20,548	20,176
Equity-settled compensation benefits	4,047	3,377
Pension and other retirement benefits	1,235	1,717
	25,830	25,270

	Mortgage loans	Other loans	Total loans
Balance, beginning of year	5,492	836	6,328
Advances	282	592	874
Repayments	(837)	(400)	(1,237)
Effects of exchange rate changes	-	(36)	(36)
Balance, end of year	4,937	992	5,929
Interest rates prevailing during the year	3.75% - 7.00%	5.95% - 8.00%	

48 EVENTS AFTER DECEMBER 31, 2016

On March 3rd, 2017 Standards & Poor's downgraded the Government of Barbados' long-term foreign and local currency sovereign rating by one notch from 'B-' to 'CCC+' and assigned a negative outlook. On March 9th, 2017 Moody's Investors Service also downgraded the Government of Barbados' credit rating one notch from 'Caa1' to 'Caa3' and maintained a stable outlook.

Subsequent to the year end, the Board of Directors of Sagicor Bank Jamaica Limited (SBJ) approved the issuance of:

(i) Up to 1,500,000,000 Class A Cumulative Redeemable Preference Shares without par value with a tenor of eighteen (18) months @ 7.75% interest per annum to be issued at a share price of J$1.00 per share; and

(ii) Up to 1,500,000,000 Class B Cumulative Redeemable Preference Shares without par value with a tenor of three (3) years @ 8.25% interest per annum to be issued at a share price of J$1.00 per share by way of private placement in an Exempt Distribution made under the Guidelines for Exempt Distribution. The Preference Shares will be offered to accredited investors and to investors whose investment is J$10,000,000 or more and thereafter an application shall be made to the Jamaica Stock Exchange to list the Preference Shares on the exchange using the listing method of introduction.

SAGICOR FINANCIAL CORPORATION

FINANCIAL STATEMENTS

DECEMBER 31, 2015

AUDITOR'S REPORT

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
Sagicor Financial Corporation

We have audited the accompanying consolidated financial statements of **Sagicor Financial Corporation** and its subsidiaries, which comprise the consolidated statement of financial position as of December 31, 2015 and the consolidated statements of income, comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

PricewaterhouseCoopers SRL, The Financial Services Centre, Bishop's Court Hill, P.O. Box 111, St. Michael, BB14004, Barbados, West Indies
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Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of **Sagicor Financial Corporation** and its subsidiaries as of December 31 2015, and their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

Other Matter

This report is made solely to the company's shareholders, as a body, in accordance with Section 147 of the Companies Act of Barbados. Our audit work has been undertaken so that we might state to the company's shareholders those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's shareholders as a body, for our audit work, for this report, or for the opinion we have formed.

PricewaterhouseCoopers SRL

April 8, 2016
Bridgetown, Barbados

ACTUARY'S REPORT

Eckler

Sagicor

SAGICOR FINANCIAL CORPORATION

APPOINTED ACTUARY'S

2015 REPORT TO THE SHAREHOLDERS AND POLICYHOLDERS

I have performed or reviewed the valuation of the consolidated policy liabilities of Sagicor Financial Corporation ("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),
- C — Sagicor Life Aruba NV (Aruba),
- D — Sagicor Panamá SA (Panama),
- E — Nationwide Insurance Company Limited (Trinidad & Tobago),
- F — Sagicor Life Jamaica Limited (Jamaica) *,
- G — Sagicor Life of the Cayman Islands Limited (Cayman Islands) *, and
- H — Sagicor Life Insurance Company (USA) *,

for the balance sheet, at 31st December 2015, and their change in the consolidated statement of operations, for the year then ended, for each organization and on a consolidated basis in accordance with accepted actuarial practice, including selection of appropriate assumptions and methods.

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

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

Sylvain Goulet

Sylvain Goulet, FCIA, FSA, MAAA
Affiliate Member of the Institute and Faculty of Actuaries
Member of the Caribbean Actuarial Association
Appointed Actuary for Sagicor Financial Corporation, and the above Life Subsidiaries A to E

2 March 2016

Amounts expressed in US$000

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As of December 31, 2015

	Note	2015	2014
ASSETS			
Investment property	5	79,172	88,766
Property, plant and equipment	7	170,249	169,469
Associates and joint ventures	6	84,530	40,806
Intangible assets	8	88,183	76,056
Financial investments	9	4,826,621	4,661,494
Reinsurance assets	10	665,819	527,171
Income tax assets	11	66,342	57,503
Miscellaneous assets and receivables	12	168,480	156,630
Cash resources		250,489	402,525
Total assets		**6,399,885**	**6,180,420**

These financial statements have been approved for issue by the Board of Directors on April 8, 2016.

Director

Director

	Note	2015	2014
LIABILITIES			
Actuarial liabilities	13	2,632,387	2,562,221
Other insurance liabilities	14	205,891	197,420
Investment contract liabilities	15	368,596	360,961
Total policy liabilities		3,206,874	3,120,602
Notes and loans payable	16	475,517	298,942
Deposit and security liabilities	17	1,607,611	1,623,971
Provisions	18	88,206	78,356
Income tax liabilities	19	34,765	41,767
Accounts payable and accrued liabilities	20	201,722	197,444
Liabilities of discontinued operation	38	46,026	45,796
Total liabilities		**5,660,721**	**5,406,878**
EQUITY			
Share capital	21	299,320	295,989
Reserves	22	(59,688)	(8,765)
Retained earnings		266,414	244,474
Total shareholders' equity		506,046	531,698
Participating accounts	23	1,383	364
Non-controlling interest in subsidiaries		231,735	241,480
Total equity		**739,164**	**773,542**
Total liabilities and equity		**6,399,885**	**6,180,420**

CONSOLIDATED STATEMENT OF INCOME

Sagicor Financial Corporation

Year ended December 31, 2015

Amounts expressed in US$000

	Note	2015	2014
REVENUE			
Premium revenue	24	969,522	889,121
Reinsurance premium expense	24	(295,597)	(263,564)
Net premium revenue		673,925	625,557
Net investment income	25	322,229	307,215
Fees and other revenue	26	109,090	83,344
Gain/(loss) arising on acquisition	37	(1,025)	29,051
Total revenue		1,104,219	1,045,167
BENEFITS			
Policy benefits and change in actuarial liabilities	27	692,937	714,770
Policy benefits and change in actuarial liabilities reinsured	27	(198,801)	(236,292)
Net policy benefits and change in actuarial liabilities		494,136	478,478
Interest expense	28	58,807	63,739
Total benefits		552,943	542,217
EXPENSES			
Administrative expenses		251,892	233,742
Commissions and related compensation		105,093	97,965
Premium and asset taxes		14,808	11,474
Finance costs		37,234	22,544
Depreciation and amortisation		18,687	20,220
Total expenses		427,714	385,945
INCOME BEFORE TAXES		123,562	117,005
Income taxes	32	(25,119)	(16,700)
NET INCOME FROM CONTINUING OPERATIONS		98,443	100,305

	Note	2015	2014
Net income from continuing operations		98,443	100,305
Net loss from discontinued operation	38	(21,648)	(26,367)
NET INCOME FOR THE YEAR		76,795	73,938
Net income/(loss) is attributable to:			
Common shareholders:			
From continuing operations		56,327	53,737
From discontinued operation		(21,648)	(26,367)
		34,679	27,370
Participating policyholders		1,285	6,200
Non-controlling interests		40,831	40,368
		76,795	73,938
Basic earnings /(loss) per common share:	34		
From continuing operations		18.2 cents	17.3 cents
From discontinued operation		(7.2) cents	(8.7) cents
		11.0 cents	8.6 cents
Fully diluted earnings /(loss) per common share:	34		
From continuing operations		17.3 cents	16.6 cents
From discontinued operation		(6.6) cents	(8.2) cents
		10.7 cents	8.4 cents

Amounts expressed in US$000

OTHER COMPREHENSIVE INCOME	Note	2015	2014
Items net of tax that may be reclassified subsequently to income:	35		
Available for sale assets:			
Gains / (losses) on revaluation		(103,101)	38,386
Gains transferred to income		(1,175)	(2,830)
Net change in actuarial liabilities		48,346	(19,970)
Retranslation of foreign currency operations		(15,686)	(22,036)
		(71,616)	(6,450)
Items net of tax that will not be reclassified subsequently to income:	35		
Gains / (losses) on revaluation of owner-occupied property		(345)	27
Gains / (losses) on defined benefit plans		(5,431)	13,212
Other items		-	(108)
		(5,776)	13,131
OTHER COMPREHENSIVE INCOME / (LOSS) FROM CONTINUING OPERATIONS		(77,392)	6,681

TOTAL COMPREHENSIVE INCOME	2015	2014
Net income	76,795	73,938
Other comprehensive (loss) / income	(77,392)	6,681
TOTAL COMPREHENSIVE (LOSS) / INCOME FOR THE YEAR	(597)	80,619
Total comprehensive income / (loss) is attributable to:		
Common shareholders:		
From continuing operations	14,461	64,156
From discontinued operation	(21,648)	(26,367)
	(7,187)	37,789
Participating policyholders	1,249	6,262
Non-controlling interests	5,341	36,568
	(597)	80,619

Amounts expressed in US$000

	Share Capital (note 21)	Reserves (note 22)	Retained Earnings	Total Shareholders' Equity	Participating Accounts (note 23)	Non-controlling Interests	Total Equity
2015							
Balance, beginning of year	295,989	(8,765)	244,474	531,698	364	241,480	773,542
Total comprehensive income from continuing operations	-	(38,419)	52,880	14,461	1,249	5,341	21,051
Total comprehensive income from discontinued operation	-	-	(21,648)	(21,648)	-	-	(21,648)
Transactions with holders of equity instruments:							
Allotment of common shares	556	-	-	556	-	-	556
Movements in treasury shares	2,775	-	-	2,775	-	-	2,775
Changes in reserve for equity compensation benefits	-	(1,650)	-	(1,650)	-	(313)	(1,963)
Dividends declared (note 21.3)	-	-	(19,842)	(19,842)	-	(14,835)	(34,677)
Transfers and other movements	-	(10,854)	10,550	(304)	(230)	62	(472)
Balance, end of year	299,320	(59,688)	266,414	506,046	1,383	231,735	739,164
2014							
Balance, beginning of year	295,450	(4,825)	221,472	512,097	(5,662)	218,751	725,186
Total comprehensive income from continuing operations	-	2,556	61,600	64,156	6,262	36,568	106,986
Total comprehensive income from discontinued operation	-	-	(26,367)	(26,367)	-	-	(26,367)
Transactions with holders of equity instruments:							
Movements in treasury shares	539	-	-	539	-	-	539
Changes in reserve for equity compensation benefits	-	(463)	-	(463)	-	79	(384)
Dividends declared (note 21.3)	-	-	(19,835)	(19,835)	-	(12,303)	(32,138)
Changes in ownership interest in subsidiaries	-	-	1,499	1,499	-	(1,779)	(280)
Transfers and other movements	-	(6,033)	6,105	72	(236)	164	-
Balance, end of year	295,989	(8,765)	244,474	531,698	364	241,480	773,542

Amounts expressed in US$000

	Note	2015	2014
OPERATING ACTIVITIES			
Income before taxes		123,562	117,005
Adjustments for non-cash items, interest and dividends	36.1	(200,783)	(185,855)
Interest and dividends received		299,482	275,582
Interest paid		(76,276)	(81,518)
Income taxes paid		(27,444)	(19,402)
Net increase in investments and operating assets	36.1	(269,081)	(245,772)
Net increase in operating liabilities	36.1	58,514	305,976
Net cash flows - operating activities		(92,026)	166,016
INVESTING ACTIVITIES			
Property, plant and equipment, net	36.2	(16,586)	(20,916)
Associates and joint ventures		(28,986)	(540)
Intangible assets		(15,198)	(2,469)
Acquisition of subsidiary, net of cash and cash equivalents	37	-	93,227
Net cash flows - investing activities		(60,770)	69,302

	Note	2015	2014
FINANCING ACTIVITIES			
Movement in treasury shares		(896)	(1,114)
Other notes and loans payable, net	36.3	156,458	(683)
Dividends received from associates		480	7,860
Dividends paid to common shareholders		(11,842)	(11,819)
Dividends paid to preference shareholders		(7,800)	(7,800)
Dividends paid to non-controlling interests		(14,600)	(11,498)
Net cash flows - financing activities		121,800	(25,054)
Effects of exchange rate changes		(3,900)	7,925
NET CHANGE IN CASH AND CASH EQUIVALENTS - CONTINUING OPERATIONS		(34,896)	218,189
Net change in cash and cash equivalents - discontinued operation		(21,419)	(35,595)
Cash and cash equivalents, beginning of year		441,194	258,600
CASH AND CASH EQUIVALENTS, END OF YEAR	36.4	384,879	441,194

1 INCORPORATION AND PRINCIPAL ACTIVITIES

Sagicor Financial Corporation was incorporated on December 6, 2002 under the Companies Act of Barbados as a public limited liability holding company. On December 6, 2002, Sagicor Life Inc was formed following its conversion from The Barbados Mutual Life Assurance Society (The Society). On December 30, 2002, Sagicor Financial Corporation allotted common shares to the eligible policyholders of The Society and became the holding company of Sagicor Life Inc.

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

The principal activities of the Sagicor Group are as follows:

- Life and health insurance
- Annuities and pension administration services
- Property and casualty insurance
- Banking, investment management and other financial 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.

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 Canadian accepted actuarial standards. As no specific guidance is provided by IFRS for computing actuarial liabilities, management has judged that Canadian accepted actuarial standards 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, available for sale investment securities, financial assets and liabilities held at fair value through income, 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 Company'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 IFRS

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after January 1, 2015, and have not been applied in preparing these consolidated financial statements (see note 2.25). There are no new standards, amendments to standards and interpretations effective for this financial year that have a significant effect on the consolidated financial statements.

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 has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group, and are de-consolidated from the date on which control ceases.

2.2 Basis of consolidation (continued)

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.

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

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.

2.2 Basis of consolidation (continued)

(b) Discontinued operation

In December 2012, the Group agreed to sell Sagicor Europe Limited, its subsidiary Sagicor at Lloyd's Limited and its interest in Lloyd's of London syndicate 1206. The decision to sell resulted in the closure of the Sagicor Europe operating segment and therefore met the criteria of a discontinued operation. The sale was concluded in December 2013. Consequently, the balances and results associated with the discontinued operation have been classified separately in these financial statements.

As of December 31, 2015, the future price adjustments relating to the discontinued operation are disclosed in the statement of financial position at their estimated undiscounted value. Prior to the sale (as of December 31, 2012 and during interim financial periods in 2013), the net assets of the discontinued operation were carried in the statement of financial position at their estimated fair value less costs to sell. As this amount was less than the previous carrying value, impairments were recorded and applied to the goodwill and intangible assets component of the discontinued operation's assets.

(c) Sale of subsidiaries

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

(d) Associates and joint venture

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.

2.2 Basis of consolidation (continued)

Investments in associate and joint venture companies are originally recorded at cost and include intangible assets identified on acquisition. Accounting policies have been changed where necessary to ensure consistency with the accounting policies adopted by the Group.

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

(e) Pension and investment funds

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

The Group manages a number of segregated pension funds, mutual funds and unit trusts. These funds are segregated and investment returns on these funds accrue directly to unit-holders. 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 or in the case of pounds sterling, according to prevailing market rates. Exchange rates of the other principal operating currencies to the United States dollar were as follows:

	2015 closing	2015 average	2014 closing	2014 average
Barbados dollar	2.0000	2.0000	2.0000	2.0000
Eastern Caribbean dollar	2.7000	2.7000	2.7000	2.7000
Jamaica dollar	119.9758	116.7122	114.3232	110.5386
Trinidad & Tobago dollar	6.4196	6.3412	6.3586	6.3920
Pound sterling	0.67480	0.65276	0.64070	0.60482

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 and liabilities of the foreign entity, and are translated at the rate ruling on December 31.

(c) Transactions and balances

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

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

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

2.4 Segments

Reportable operating segments have been defined on the basis of 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 valuation date.

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 on an accrual basis.

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 property is re-valued at least every three years to its 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 property includes 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 owner-occupied 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 assets. Operating leases are leases in which the Group maintains substantially the risks of ownership and the associated assets are recorded as property, plant and equipment. Income from operating leases is recognised on the straight-line basis over the term of the lease.

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

Asset	Estimated useful life
Buildings	40 to 50 years
Furnishings and leasehold improvements	10 years or lease term
Computer and office equipment	3 to 10 years
Vehicles	4 to 5 years
Leased equipment and vehicles	5 to 6 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 de-recognised and is included in the gain or loss on disposal. On the disposal of a subsidiary or insurance business forming part of a reportable operating segment, the proportion of goodwill disposed is the proportion of the fair value of the asset disposed to the total fair value of the operating segment.

2.7 Intangible assets (continued)

(b) Other intangible assets

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

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

On acquisition, the useful life of the asset is estimated. If the estimated useful life is definite, then the cost of the asset is amortised over its life, and 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	4 - 20 years
	Broker relationships	10 years
Contract based	Licences	15 years
Technology based	Software	2 – 10 years

2.8 Financial assets

(a) Classification

The Group classifies its financial assets into four categories:
- held to maturity financial assets;
- available for sale financial assets;
- financial assets at fair value through income;
- loans and receivables.

Management determines the appropriate classification of these assets on initial recognition.

Held to maturity financial assets are non-derivative financial instruments with fixed or determinable payments and fixed maturities that management has both the intent and ability to hold to maturity.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

Financial assets in the category at fair value through income comprise designated assets or held for trading assets. These are set out below.

- Assets designated by management on acquisition form part of managed portfolios whose performance is evaluated on a fair value basis in accordance with documented investment strategies. They comprise investment portfolios backing deposit administration and unit linked policy contracts for which the full return on the portfolios accrue to the contract-holders.

- Held for trading securities 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. Derivatives are also classified as held for trading unless designated as hedges.

Available for sale financial assets are non-derivative financial instruments intended to be held for an indefinite period of time and which may be sold in response to liquidity needs or changes in interest rates, exchange rates and equity prices.

2.8 Financial assets (continued)

(b) Recognition and measurement

Purchases and sales of financial investments are recognised on the trade date. Interest income arising on investments is accrued using the effective yield method. Dividends are recorded in revenue when due.

Held to maturity assets, loans and receivables are carried at amortised cost less provision for impairment.

Financial assets in the category at fair value through income are measured initially at fair value and are subsequently re-measured at their fair value based on quoted prices or internal valuation techniques. Realised and unrealised gains and losses are recorded as net gains in investment income. Interest and dividend income are recorded under their respective heads in investment income. Interest income on financial assets at fair value through income is calculated using the effective interest rate method.

Financial assets in the available for sale category are measured initially at fair value and are subsequently re-measured at their fair value based on quoted prices or internal valuation techniques. Unrealised gains and losses, net of deferred income taxes, are reported in other comprehensive income. Either on the disposal of the asset or if the asset is determined to be impaired, the previously recorded unrealised gain or loss is transferred to investment income. Discounts and premiums on available for sale securities are amortised using the effective yield method.

(c) 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.

2.8 Financial assets (continued)

(d) Impaired financial assets

A financial asset is considered impaired if its carrying amount exceeds its estimated recoverable amount.

An impairment loss for assets carried at amortised cost is calculated as the difference between the carrying amount and the present value of expected future cash flows discounted at the original effective interest rate. The carrying value of impaired financial assets is reduced by impairment losses.

The recoverable amount for an available for sale security is its fair value.

For an available for sale equity security or investment in an associated company, an impairment loss is recognised in income if there has been a significant or prolonged decline in its fair value below its cost. Determination of what is significant or prolonged requires judgement which includes consideration of the volatility of the fair value, and the financial condition and financial viability of the investee. In this context, management considers a 40% decline in fair value below cost to be significant and a decline that has persisted for more than twelve months to be prolonged. Any subsequent increase in fair value occurring after the recognition of an impairment loss is reported in other comprehensive income.

For an available for sale security other than an equity security, if the Group assesses that there is objective evidence that the security is impaired, an impairment loss is recognised for the amount by which the instrument's amortised cost exceeds its fair value. If in a subsequent period the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed, and the amount of the reversal is recognised in revenue.

2.8 Financial assets (continued)

(e) Securities purchased for resale

Securities purchased for resale are treated as collateralised financing transactions and are recorded at the amount at which they are acquired. The difference between the purchase and resale price is treated as interest and is accrued over the life of the agreements using the effective yield method.

(f) Finance leases

The Group, as lessor, enters into 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.

(g) Embedded derivatives

The Group holds certain bonds and preferred equity securities that contain options to convert into common shares of the issuer. These options are considered embedded derivatives.

If the measurement of an embedded derivative can be separated from its host contract, the embedded derivative is carried at current market value and is presented with its related host contract. Unrealised gains and losses are recorded as investment income.

If the measurement of an embedded derivative cannot be separated from its host contract, the full contract is accounted for as a financial asset at fair value through income.

2.9 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.

2.10 Policy contracts

(a) <u>Classification</u>

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.

2.10 Policy contracts (continued)

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

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

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

Residual gains in the participating accounts constitute discretionary participation features which the Group classifies as equity (see also note 2.20).

(b) <u>Recognition and measurement</u>

(i) <u>Property and casualty insurance contracts</u>

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.

2.10 Policy contracts (continued)

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

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

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

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

2.10 Policy contracts (continued)

(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.

Claims are recorded on settlement. Reserves are recorded as described in note 2.11.

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.

2.10 Policy contracts (continued)

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 2.11.

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

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

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

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

Universal life and unit linked contracts have either an interest bearing investment account or unit linked investment accounts. Either gross premiums or gross premiums net of allowances are deposited to the investment accounts. Investment returns are credited to the investment accounts and expenses, not included in the aforementioned 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.

2.10 Policy contracts (continued)

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 2.11.

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 direct 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.

2.10 Policy contracts (continued)

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.

(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 income 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.

2.10 Policy contracts (continued)

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

(c) Embedded derivatives

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

The Group does not separately measure embedded derivatives that are closely related to the host insurance contract or that meet the definition of an insurance contract. Options to surrender an insurance contract for a fixed amount are also not measured separately. In these cases, the entire contract liability is measured as set out in note 2.11.

(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.

2.11 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 Canadian accepted actuarial standards. 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.

2.11 Actuarial liabilities (continued)

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.

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 Company 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 available for sale securities, whose unrealised gains or losses in fair value are recorded in other comprehensive income. The fair value reserve for actuarial liabilities has been established in the statement of 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 fair value of available for sale securities.

2.11 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 income 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.

2.12 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. The recognition and measurement of the Group's principal types of financial liabilities are disclosed in note 2.10(b) (vii) and in the following paragraphs.

(a) Securities sold for re-purchase

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

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

2.12 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 and the associated cost is classified as finance costs. Loan obligations undertaken for the purposes of providing funds for on-lending, leasing or portfolio investments are classified as deposit and security liabilities and the associated cost is included in interest expense.

(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.

2.13 Provisions

Provisions 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.

2.14 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.

2.14 Derivative financial instruments and hedging activities (continued)

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.

2.15 Offsetting financial instruments

Financial assets and 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.

2.16 Presentation of current and non-current assets and liabilities

In note 41.2, 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 the 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.

(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 the 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 as a whole 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 services. 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 0.14% 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 0.20% of adjusted assets held at the end of a period.

(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.

Amounts expressed in US$000

2.18 Taxes (continued)

Income tax rates	Life insurance and non-registered annuities	Registered annuities	Other lines of business
Barbados	5% of gross investment income	Nil	25% of net income
Jamaica	25% of profit before tax	Nil	25% of profit before tax
Trinidad and Tobago	15% - 25% of investment income	Nil	25% of net income
United States of America	35% of net income	Nil	35% of net income

(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 once they relate to the same entity. Deferred tax, related to fair value re-measurement of available for sale 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 Common and preference shares

(a) 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.

(b) Preference shares

On July 18, 2011, the Company issued convertible redeemable preference shares that are accounted for as a compound financial instrument. The shares are contractually redeemable on July 18, 2016 if the shareholder has not opted to convert the shares prior to this date. Dividends may be declared semi-annually by the Company's directors.

The redemption value is recognised as a contractual liability, and is measured initially at its discounted fair value. The discount rate reflects as of July 18, 2011: (i) the rate of interest applicable to a similar liability with a contractual dividend rate, and (ii) the interest premium required by the shareholder for an instrument with a non-contractual dividend. The liability component is disclosed in note 16.

The preference shareholders' rights to receive dividends is recognised within shareholders' equity, and is measured initially as the residual fair value of the preference shares in their totality after deducting the liability for the redemptive value. The equity component is initially recorded as a preference share reserve in note 22.

Incremental costs directly attributable to the issue of the preference shares are allocated between the liability for the redemption value and the equity reserve in proportion to their initial carrying amounts. After initial recognition, the liability component is accreted to its ultimate redemption value using the effective interest yield method, with the accretion being recorded as a finance cost in the statement of income. After initial recognition, the preference share reserve is transferred to retained earnings pro-rata to the dividends declared over the period to redemption.

2.19 Common and preference shares (continued)

On the initial recognition of the preference shares, the conversion feature of the instrument was deemed to have no value. Subsequently, when a number of preference shares are converted to common shares, the associated liability for redemption will be extinguished and consequently will be transferred to the share capital account for common shares. Additionally at conversion, the proportion of the preference share reserve attributable to the converted number of preference shares will also be transferred to the share capital account for common shares. In summary, the total transfer to the share capital account for common shares will approximate the original consideration for the converted number of preference shares less attributable issue costs.

(c) Dividends

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

2.20 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.

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.

2.20 Participating accounts (continued)

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.

2.20 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.

2.21 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.

2.22 Interest income and expenses

Interest income and expenses are recognised in the income statement for all interest bearing instruments on an accrual basis using the effective yield method based on the initial transaction price. Interest includes coupon interest and accrued discount and premium on financial instruments.

2.23 Fees and other revenue

Fees and non-insurance commission income are recognised on an accrual basis when the service has been provided. Fees and commissions arising from negotiating or participating in the negotiation of a transaction for a third party are recognised on completion of the underlying transaction. Portfolio and other management advisory and service fees are recognised based on the applicable service contracts, usually on a time-apportionate basis. Asset management fees related to investment funds are recognised rateably over the period in which the service is provided. Performance linked fees or fee components are recognised when the performance criteria are fulfilled. Other revenue is recognised on an accrual basis when the related service has been provided.

2.24 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,
- other liquid balances with maturities of three months or less from the acquisition date,
- less bank overdrafts which are repayable on demand,
- less other borrowings from financial institutions made for the purpose of meeting cash commitments and which have maturities of three months or less from origination.

Cash equivalents are subject to an insignificant risk of change in value.

Amounts expressed in US$000

2.25 Future accounting developments and reporting changes

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

IFRS (Effective Date)	Subject / Comments
IFRS 9 – Financial Instruments (January 1, 2018)	Classification and measurement of financial instruments IFRS 9, addresses the classification, measurement and recognition of financial assets and financial liabilities. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through OCI and fair value through P&L. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in OCI not recycling. There is now a new expected credit losses model that replaces the incurred loss impairment model used in IAS 39. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. IFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually use for risk management purposes. The IASB is currently discussing an optional deferral of IFRS 9 until January 2021 for certain companies issuing insurance contracts. The Group is yet to assess IFRS 9's full impact.

IFRS (Effective Date)	Subject / Comments
IFRS 11 - Accounting for Acquisitions of Interests in Joint Operations (January 1, 2016)	The amendments to IFRS 11 clarify the accounting for the acquisition of an interest in a joint operation where the activities of the operation constitute a business. They require an investor to apply the principles of business combination accounting when it acquires an interest in a joint operation that constitutes a business. This includes: • measuring identifiable assets and liabilities at fair value • expensing acquisition-related costs • recognising deferred tax, and • recognising the residual as goodwill, and testing this for impairment annually. Existing interests in the joint operation are not remeasured on acquisition of an additional interest, provided joint control is maintained. The amendments also apply when a joint operation is formed and an existing business is contributed. The Group is assessing the impact of these amendments.
IFRS 15 – Revenue from contracts with customers (January 1, 2017)	IFRS 15 deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS 18 'Revenue' and IAS 11 'Construction contracts' and related interpretations. The Group is assessing the impact of IFRS 15.

Amounts expressed in US$000

2.25 Future accounting developments and reporting changes (continued)

IFRS (Effective Date)	Subject / Comments
IFRS 16 – Leases (Annual periods beginning on or after 1 January 2019 with earlier application permitted if IFRS 15, 'Revenue from Contracts with Customers', is also applied.)	This standard replaces the current guidance in IAS 17 and is a far-reaching change in accounting by lessees in particular. Under IAS 17, lessees were required to make a distinction between a finance lease (on balance sheet) and an operating lease (off balance sheet). IFRS 16 now requires lessees to recognise a lease liability reflecting future lease payments and a 'right-of-use asset' for virtually all lease contracts. The IASB has included an optional exemption for certain short-term leases and leases of low-value assets; however, this exemption can only be applied by lessees. For lessors, the accounting stays almost the same. However, as the IASB has updated the guidance on the definition of a lease (as well as the guidance on the combination and separation of contracts), lessors will also be affected by the new standard. At the very least, the new accounting model for lessees is expected to impact negotiations between lessors and lessees. Under IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Group is yet to assess the impact of IFRS 16.
IAS 6 and IAS 41 - Agriculture: Bearer Plants (January 1, 2016)	IAS 41 Agriculture now distinguishes between bearer plants and other biological asset. Bearer plants must be accounted for as property plant and equipment and measured either at cost or revalued amounts, less accumulated depreciation and impairment losses. A bearer plant is defined as a living plant that: • is used in the production or supply of agricultural produce • is expected to bear produce for more than one period, and • has a remote likelihood of being sold as agricultural produce, except for incidental scrap sales. Agricultural produce growing on bearer plants remains within the scope of IAS 41 and is measured at fair value less costs to sell with changes recognised in profit or loss as the produce grows. The Group is yet to assess the impact of the amendment.

IFRS (Effective Date)	Subject / Comments
IFRS 10, IFRS 12 and IAS 28 – Investment entities: Applying the consolidation exception (January 1, 2016)	Amendments made to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in associates and joint ventures clarify that: • The exception from preparing consolidated financial statements is also available to intermediate parent entities which are subsidiaries of investment entities. • An investment entity should consolidate a subsidiary which is not an investment entity and whose main purpose and activity is to provide services in support of the investment entity's investment activities. • Entities which are not investment entities but have an interest in an associate or joint venture which is an investment entity have a policy choice when applying the equity method of accounting. The fair value measurement applied by the investment entity associate or joint venture can either be retained, or a consolidation may be performed at the level of the associate or joint venture, which would then unwind the fair value measurement. Early adoption is permitted. The Group is yet to assess the impact of the amendment.
IFRS 10 and IAS 28 – Sale or contribution of assets between an investor and its associate or joint venture (January 1, 2016)	The IASB has made limited scope amendments to IFRS 10 Consolidated financial statements and IAS 28 Investments in associates and joint ventures. The amendments clarify the accounting treatment for sales or contribution of assets between an investor and its associates or joint ventures. They confirm that the accounting treatment depends on whether the non-monetary assets sold or contributed to an associate or joint venture constitute a 'business' (as defined in IFRS 3 Business Combinations). Where the non-monetary assets constitute a business, the investor will recognise the full gain or loss on the sale or contribution of assets. If the assets do not meet the definition of a business, the gain or loss is recognised by the investor only to the extent of the other investor's investors in the associate or joint venture. The amendments apply prospectively. The Group is yet to assess the impact of the amendment.

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

An available for sale debt security or a loan or a receivable is considered impaired when management determines that it is probable that all amounts due according to the original contract terms will not be collected. This determination is made after considering the payment history of the borrower, the discounted value of collateral and guarantees, and the financial condition and financial viability of the borrower. The determination of impairment may either be considered by individual asset or by a grouping of assets with similar relevant characteristics.

3.2 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.

3.3 Impairment of intangible assets

(a) Goodwill

The assessment of goodwill impairment involves the determination of the fair value of the cash generating business units to which the goodwill has been allocated. Determination of fair 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 an actuarial appraisal value technique for testing goodwill impairment.

3.3 Impairment of intangible assets (continued)

(a) Goodwill (continued)

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.

3.4 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.

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.

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.

3.4 Valuation of actuarial liabilities (continued)

(a) Canadian Actuarial Standards (continued)

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 (for statutory reporting), 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 the Canadian Standards of Practice.

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

3.5 Carrying value of the assets and liabilities of the discontinued operation

As of December 31, 2015, the liability of the discontinued operation is the estimated residual liability due to the purchaser arising from the estimated results of the syndicate for the underwriting years of account up to and including 2013 until the end of the run-off period. The reported liability is also impacted by movements in various foreign exchange rates as the insured risks are denominated in a number of different currencies.

Amounts expressed in US$000

4 SEGMENTS

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

The Group CEO serves as Board Chairman or as a Board Member of the principal subsidiaries and is the Group's Chief Operating decision maker. Through subsidiary company reporting, the Group CEO obtains details of company 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 within continuing operations 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

These comprise Group subsidiaries conducting life, health and annuity insurance business, and pension administration services in (i) Barbados, Eastern Caribbean, Dutch Caribbean, Bahamas and Central America and (ii) Trinidad and Tobago. As these two segments are broadly similar in products, services, distribution, administrative and regulatory environment, they are presented on an aggregated basis in these financial statements. The companies are set out in the following two tables.

4 SEGMENTS (continued)

Sagicor Life Segment Companies	Principal Activities	Country of Incorporation	Effective Shareholders' Interest
Sagicor Life Inc[1]	Life and health insurance, annuities and pension administration services	Barbados	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%
Associates			
RGM Limited	Property ownership and management	Trinidad & Tobago	33%
FamGuard Corporation Limited	Investment holding company	Bahamas	20%
Principal operating company: Family Guardian Insurance Company Limited	Life and health insurance and annuities	Bahamas	20%
Primo Holding Limited	Property investment	Barbados	38%

[1] On December 31, 2014, Sagicor Life Inc and its wholly-owned subsidiary Sagicor Capital Life Insurance Company Limited were amalgamated under the laws of Barbados. Under the terms of the amalgamation, the two companies continue as one corporate entity under the name of Sagicor Life Inc.

Amounts expressed in US$000

4 SEGMENTS (continued)

(b) Sagicor Jamaica

This segment comprises Group subsidiaries conducting life, health, annuity, property and casualty insurance business, and pension administration services and financial services in Jamaica, Cayman Islands and Costa Rica.

Effective May 2014, Sagicor Investment Jamaica Limited (SIJL) became a wholly owned subsidiary of Sagicor Group Jamaica Limited (SGJ). Previously, Sagicor Investment Jamaica Limited was owned 85.45% (2013 – 85.45%) by Sagicor Life Jamaica Limited. The existing minority shareholders of Sagicor Investment Jamaica Limited exchanged their shares for Sagicor Group Jamaica Limited (SGJ) shares. The existing parent company, Sagicor Life Jamaica Limited exchanged their shares in SIJL for unsecured debenture bonds from SGJ. SIJL was subsequently delisted from the Jamaica Stock Exchange. The exchange of SIJL shares to SGJ shares took effect on 7 May 2014. This transaction resulted in a reduction of the Sagicor Financial Corporation's effective shareholder's interest from 51% to 49.11%.

On June 27, 2014, the Group acquired 100% of the share capital of RBC Royal Bank (Jamaica) Limited and its subsidiary, RBC Securities (Jamaica) Limited and rebranded that business to Sagicor Bank.

All Jamaican subsidiaries are now wholly owned by Sagicor Group Jamaica Limited. The companies comprising this segment are as follows.

Sagicor Jamaica Segment Companies	Principal Activities	Country of Incorporation	Effective Shareholders' Interest
Sagicor Group Jamaica Limited	Group holding company	Jamaica	49.11%(1)
Sagicor Life Jamaica Limited	Life and health insurance and annuities	Jamaica	49.11%(1)
Sagicor Life of the Cayman Islands Limited	Life insurance	The Cayman Islands	49.11% (1)
Sagicor Pooled Investment Funds Limited	Pension fund management	Jamaica	49.11% (1)
Employee Benefits Administrator Limited	Pension administration services	Jamaica	49.11% (1)

4 SEGMENTS (continued)

Sagicor Jamaica Segment Companies (continued)	Principal Activities	Country of Incorporation	Effective Shareholders' Interest
Sagicor Re Insurance Limited	Property and casualty insurance	The Cayman Islands	49.11% (1)
Sagicor Insurance Brokers Limited	Insurance brokerage	Jamaica	49.11% (1)
Sagicor International Administrators Limited	Group insurance administration	Jamaica	49.11% (1)
Sagicor Insurance Managers Limited	Captive insurance management services	The Cayman Islands	49.11% (1)
Sagicor Property Services Limited	Property management	Jamaica	49.11%(1)
Sagicor Investments Jamaica Limited	Investment banking	Jamaica	49.11%(2)
Sagicor Bank Jamaica Limited	Commercial banking	Jamaica	49.11%(2)
Sagicor Costa Rica SCR, S.A.	Life insurance	Costa Rica	24.56%
LOJ Holdings Limited	Insurance holding company	Jamaica	100%
Sagicor St Lucia Limited	Financial services holding company	St. Lucia	49.11%(1)
Sagicor Securities Jamaica Limited	Securities trading	Jamaica	49.11%
Associates			
Sagicor Real Estate X-Fund Ltd.	Investment in real estate activities	St. Lucia	29.31%(3)

(1) 51% prior to May 7, 2014. (2) 44% prior to May 7, 2014
(3) In September 2015, Sagicor Group acquired the Sagicor Real Estate X Fund. This acquisition took the Sagicor Group's holding to 29.3%. At December 2014, the Sagicor Group owned 12.30% which was diluted to 8% with the rights issue.

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

- The power of the group to appoint a majority of 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.

Amounts expressed in US$000

4 SEGMENTS (continued)

(c) Sagicor Life USA

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

Sagicor Life USA Segment Companies	Principal Activities	Country of Incorporation	Effective Shareholders' Interest
Sagicor Life Insurance Company	Life insurance and annuities	USA - Texas	100%
Sagicor USA Inc	Insurance holding company	USA - Delaware	100%

4 SEGMENTS (continued)

(d) Head office function and other operating companies

These comprise the following:

Other Group Companies	Principal Activities	Country of Incorporation	Effective Shareholders' Interest
Sagicor Financial Corporation	Group parent company	Barbados	100%
Sagicor General Insurance Inc	Property and casualty insurance	Barbados	53%
Sagicor Finance Inc	Loan and lease financing, and deposit taking	St. Lucia	70%
Sagicor Asset Management (T&T) Limited	Investment management	Trinidad & Tobago	100%
Sagicor Asset Management Inc	Investment management	Barbados	100%
Barbados Farms Limited	Farming and real estate development	Barbados	77%
Sagicor Funds Incorporated	Mutual fund holding company	Barbados	100%
Globe Finance Inc	Loan and lease financing, and deposit taking	Barbados	51%
The Mutual Financial Services Inc	Financial services holding company	Barbados	73%
Sagicor Finance Limited	Group financing vehicle	The Cayman Islands	100%
Sagicor Finance (2015) Limited[1]	Group financing vehicle	The Cayman Islands	100%

[1] Sagicor Finance (2015) Limited was incorporated in the Cayman Islands with its primary function being the issuance of debt.

Amounts expressed in US$000

4.1 Statement of income by segment

2015	Sagicor Life	Sagicor Jamaica	Sagicor Life USA	Head office and other	Adjustments	Total
Net premium revenue	291,237	278,312	80,963	23,413	-	673,925
Interest income	73,121	159,828	51,236	9,247	-	293,432
Other investment income	1,862	21,101	8,831	(66)	(2,931)	28,797
Fees and other revenues	12,606	53,243	20,124	23,113	4	109,090
Gain / (loss) arising on acquisition	-	(1,025)	-	-	-	(1,025)
Inter-segment revenues	92,596[(1)]	-	(82,890)[(1)]	39,905	(49,611)	-
	471,422	511,459	78,264	95,612	(52,538)	1,104,219
Net policy benefits	189,934	163,574	101,898	12,171	-	467,577
Net change in actuarial liabilities	(1,482)	44,634	(16,593)	-	-	26,559
Interest expense	11,247	40,824	2,693	4,043	-	58,807
Administrative expenses	64,958	114,977	35,673	35,449	835	251,892
Commissions and premium and asset taxes	40,694	44,298	24,761	10,148	-	119,901
Finance costs	-	-	49	(343)	37,528	37,234
Depreciation and amortisation	5,831	6,573	1,276	5,007	-	18,687
Inter-segment expenses	82,585[(1)]	886	(81,207)[(1)]	9,943	(12,207)	-
	393,767	415,766	68,550	76,418	26,156	980,657
Segment income / (loss) before taxes	77,655	95,693	9,714	19,194	(78,694)	123,562
Income taxes	(6,888)	(15,581)	(3,106)	(343)	799	(25,119)
Net income / (loss) from continuing operations	70,767	80,112	6,608	18,851	(77,895)	98,443
Net income/(loss) attributable to shareholders from continuing operations	69,482	39,344	6,608	(18,740)	(40,367)	56,327
Total comprehensive income/(loss) attributable to shareholders from continuing operations	70,925	4,881	(3,404)	(19,460)	(38,481)	14,461

(1) During the year, Sagicor Life USA entered into a reinsurance agreement with Sagicor Life; included in the inter-segment revenues is $90,515 and inter-segment expenses of $82,225 relating to this transaction.

Amounts expressed in US$000

4.1 Statement of income by segment (continued)

2014	Sagicor Life	Sagicor Jamaica	Sagicor Life USA	Head office and other	Adjustments	Total
Net premium revenue	266,017	263,880	74,538	21,122	-	625,557
Interest income	70,728	133,818	49,671	10,144	-	264,361
Other investment income	6,689	23,790	14,045	(1,670)	-	42,854
Fees and other revenues	10,419	35,365	15,230	22,306	24	83,344
Gain arising on acquisition	-	29,051	-	-	-	29,051
Inter-segment revenues	7,911	-	-	33,763	(41,674)	-
	361,764	485,904	153,484	85,665	(41,650)	1,045,167
Net policy benefits	174,595	156,024	97,697	9,165	-	437,481
Net change in actuarial liabilities	9,247	49,967	(18,217)	-	-	40,997
Interest expense	11,566	44,098	3,642	4,433	-	63,739
Administrative expenses	64,638	104,386	30,548	32,827	1,343	233,742
Commissions and premium and asset taxes	37,798	40,847	20,618	10,176	-	109,439
Finance costs	-	-	41	(243)	22,746	22,544
Depreciation and amortisation	5,026	9,177	1,437	4,580	-	20,220
Inter-segment expenses	354	1,336	926	8,065	(10,681)	-
	303,224	405,835	136,692	69,003	13,408	928,162
Segment income / (loss) before taxes	58,540	80,069	16,792	16,662	(55,058)	117,005
Income taxes	(8,297)	(2,700)	(4,878)	(825)	-	(16,700)
Net income / (loss) from continuing operations	50,243	77,369	11,914	15,837	(55,058)	100,305
Net income/(loss) attributable to shareholders from continuing operations	44,043	38,055	11,914	(7,963)	(32,312)	53,737
Total comprehensive income/(loss) attributable to shareholders from continuing operations	50,330	34,004	19,478	(7,428)	(32,228)	64,156

4.1 Statement of income by segment (continued)

The principal non-controlling interests in the Group are in respect of Sagicor Group Jamaica Limited (Sagicor Jamaica).

Out of the total net income attributable to non-controlling interests of $40,831 (2014 - $40,368), Sagicor Jamaica contributed $40,767 (2014 - $39,314).

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) Investment gains

Fair value investment gains are recognised on:

- the revaluation of investment property;
- the revaluation of debt and equity securities classified as at fair value through income;
- the disposal of debt and equity securities classified as available for sale or loans and receivables.

Therefore, significant gains and losses may be triggered by changes in market prices and / or by decisions to dispose of investments.

(ii) Allowances for impairment of financial investments

Significant impairment losses may be triggered by changes in market prices and economic conditions.

(iii) Gains on acquisitions/divestitures

On acquisition of a business or portfolio, if the fair value of the net assets acquired exceeds the total consideration transferred, the difference is recognized directly in the statement of income.

4.2 Variations in segment income (continued)

(iv) Foreign exchange gains and losses

Movements in foreign exchange rates may generate significant exchange gains or losses when the foreign currency denominated monetary assets and liabilities are re-translated at the date of the financial statements.

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

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

Amounts expressed in US$000

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.

	2015					2014				
Variations in income by segment	Sagicor Life	Sagicor Jamaica	Sagicor Life USA	Head Office and Other	Total	Sagicor Life	Sagicor Jamaica	Sagicor Life USA	Head Office and Other	Total
Investment gains / (losses)	(1,226)	28,342	5,309	(7)	32,418	3,306	30,616	13,371	375	47,668
Impairment of financial investments	(1,782)	(8,368)	(17)	(171)	(10,338)	(3,409)	(7,030)	(13)	(2,186)	(12,638)
Foreign exchange gains / (losses)	1,624	1,182	-	8	2,814	(1,376)	4,421	-	180	3,225
Gains / (losses) on acquisitions/ divestitures	-	(1,025)	-	-	(1,025)	-	29,051	-	-	29,051
Decrease / (increase) in actuarial liabilities from changes in assumptions	36,114	(403)	1,642	-	37,353	5,622	17,472	(25,443)	-	(2,349)
	34,730	19,728	6,934	(170)	61,222	4,143	74,530	(12,085)	(1,631)	64,957

Amounts expressed in US$000

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*
Fair value investment gains are recognised on the revaluation of debt and equity securities classified as available for sale. 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 changes in actuarial liabilities as a result of the use of asset liability matching in the liability estimation process.

(iii) *Foreign exchange gains and losses*
Movements in foreign exchange rates may generate significant exchange gains or losses on the re-translation of the financial statements of foreign currency reporting units.

(iv) *Defined benefit plans gains and losses*
Experience adjustments and changes in actuarial assumptions gives rise to gains or losses on defined benefit plans.

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

	Variations in other comprehensive income by segment					
	Sagicor Life	Sagicor Jamaica	Sagicor Life USA	Head Office and other	Adjustments	Total
2015						
Unrealised investment (losses)	(5,252)	(61,165)	(36,500)	(184)	-	(103,101)
Changes in actuarial liabilities	9,729	3,702	34,915	-	-	48,346
Retranslation of foreign currency operations	(982)	(14,708)	-	23	(19)	(15,686)
Losses on defined benefit plans	(1,053)	(3,787)	-	(591)	-	(5,431)
2014						
Unrealised investment gains	6,207	6,602	25,371	206	-	38,386
Changes in actuarial liabilities	(4,178)	-	(15,792)	-	-	(19,970)
Retranslation of foreign currency operations	1,339	(23,528)	-	69	84	(22,036)
Gains on defined benefit plans	2,763	9,086	-	1,363	-	13,212

Amounts expressed in US$000

4.4 Statement of financial position by segment

	Sagicor Life	Sagicor Jamaica	Sagicor Life USA	Head office and other	Adjustments	Total
2015						
Financial investments	1,402,811	2,087,139	1,061,649	275,022	-	4,826,621
Other external assets	331,311	415,738	630,719	195,496	-	1,573,264
Inter-segment assets	169,945	10,350	8,323	53,505	(242,123)	-
Total assets	1,904,067	2,513,227	1,700,691	524,023	(242,123)	6,399,885
Policy liabilities	1,189,512	646,942	1,309,946	60,474	-	3,206,874
Other external liabilities	87,439	1,467,043	224,063	629,276	-	2,407,821
Liabilities of discontinued operation	-	-	-	46,026	-	46,026
Inter-segment liabilities	28,475	1,696	43,839	168,113	(242,123)	-
Total liabilities	1,305,426	2,115,681	1,577,848	903,889	(242,123)	5,660,721
Net assets	598,641	397,546	122,843	(379,866)	-	739,164
2014						
Financial investments	1,259,473	2,021,180	1,247,365	133,476	-	4,661,494
Other external assets	379,124	464,724	495,735	179,343	-	1,518,926
Inter-segment assets	134,254	9,363	241	49,805	(193,663)	-
Total assets	1,772,851	2,495,267	1,743,341	362,624	(193,663)	6,180,420
Policy liabilities	1,197,480	622,299	1,244,053	56,770	-	3,120,602
Other external liabilities	87,733	1,460,700	250,792	441,255	-	2,240,480
Liabilities of discontinued operation	-	-	-	45,796	-	45,796
Inter-segment liabilities	23,620	217	40,582	129,244	(193,663)	-
Total liabilities	1,308,833	2,083,216	1,535,427	673,065	(193,663)	5,406,878
Net assets	464,018	412,051	207,914	(310,441)	-	773,542

Amounts expressed in US$000

4.4 Statement of financial position by segment (continued)

The principal non-controlling interests in the Group are in respect of Sagicor Group Jamaica Limited (Sagicor Jamaica). Out of the total non-controlling interests in the statement of financial position of $231,735 (2014 - $241,480), Sagicor Jamaica contributed $194,690 (2014 - $202,133).

4.5 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:

	2015	2014
Sagicor Life	9,139	7,384
Sagicor Jamaica	45,968	7,878
Sagicor Life USA	2,806	2,064
Head office and other	4,557	10,645
	62,470	27,971

4.6 Products and services

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

	2015	2014
Life, health and annuity insurance contracts issued to individuals	636,061	584,973
Life, health and annuity insurance and pension administration contracts issued to groups	273,382	273,138
Property and casualty insurance	32,653	34,308
Banking, investment management and other financial services	150,152	112,927
Farming and unallocated revenues	11,971	39,821
	1,104,219	1,045,167

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, investment in associated companies and intangible assets.

Total external revenues and non-current assets by geographical area are summarised in the following table.

	External revenue		Non-current assets	
	2015	2014	2015	2014
Barbados	162,545	146,640	195,457	198,624
Jamaica	478,798	458,565	117,964	69,985
Trinidad & Tobago	153,790	145,735	69,132	67,396
Other Caribbean	150,860	140,737	34,485	35,499
USA	158,226	153,490	5,096	3,593
	1,104,219	1,045,167	422,134	375,097

Amounts expressed in US$000

5 INVESTMENT PROPERTY

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

	2015	2014
Balance, beginning of year	88,766	98,369
Additions at cost	111	1,638
Transfer (to) / from property, plant and equipment (note 7)	(3,410)	583
Disposals	(5,255)	(8,269)
Change in fair values	(816)	(3,468)
Effects of exchange rate changes	(224)	(87)
Balance, end of year	79,172	88,766

Investment property includes $11,446 (2014 - $14,372) which represents the Group's proportionate interest in joint operations summarised in the following table.

Country	Description of property	Percentage ownership
Barbados	Freehold lands	50%
	Freehold office buildings	10% -33%
Trinidad & Tobago	Freehold office building	60%

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

Amounts expressed in US$000

6 ASSOCIATES AND JOINT VENTURES

6.1 Interest in Associates and Joint Ventures

Name of Entity	Country of Incorporation	% of ownership interest		Nature of relationship	Measurement Method	Carrying Amount	
		2015	2014			2015	2014
RGM Limited	Trinidad & Tobago	33%	33%	Associate	Equity Method	23,199	21,080
FamGuard Corporation Limited[1]	Bahamas	20%	20%	Associate	Equity Method	14,059	12,856
Primo Holding Limited	Barbados	38%	38%	Associate	Equity Method	362	368
Sagicor Costa Rica SCR, S.A.	Costa Rica	50%	50%	Joint Venture	Equity Method	6,326	6,460
Sagicor Real Estate X-Fund Ltd.[2]	St. Lucia	29%	12%	Associate	Equity Method	40,584	-
Immaterial associates						-	42
						84,530	40,806

[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 $5.60 per share was $11,200.

[2] The Sagicor Real Estate X Fund Limited traded on the Jamaica Stock Exchange. The proportionate share of market value calculated on the basis of the year-end closing rate of $0.09 (J$11.00) per share was $58,346.

Included in the carrying value for the investment acquired in this financial year is goodwill of $10,544 which has been provisionally determined, as allowed by IFRS 3. Should the finalized determination of the value of these intangibles in the next financial year be a materially different value, the financial statements will have to be restated during the next financial year.

6.2 Commitments and Contingent Liabilities

	2015	2014
Contingent liabilities – associates		
Share of contingent liabilities incurred jointly with other investors of the associate	-	4,207
Total contingent liabilities	-	4,207

Amounts expressed in US$000

6.3 Summarised Financial Information

	RGM Limited		FamGuard Corporation Limited		Primo Holding Limited		Sagicor Costa Rica SCR, S.A.		Sagicor Real Estate X-Fund Ltd.	
	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
ASSETS										
Financial Investments	-	-	251,312	235,157	-	-	7,840	10,415	93,939	-
Cash Resources	11,829	4,112	10,092	9,190	-	-	3,607	1,118	19,972	-
Other investments and assets	132,735	131,086	63,622	54,643	1,050	1,050	1,867	1,371	168,306	-
Total assets	144,564	135,198	325,026	298,990	1,050	1,050	13,314	12,904	282,217	-
LIABILITIES										
Policy liabilities	-	-	206,002	191,199	-	-	1,829	911	-	-
Other liabilities	74,972	71,963	10,966	9,208	186	170	144	1,259	151,799	-
Total liabilities	74,972	71,963	216,968	200,407	186	170	1,973	2,170	151,799	-
Net Assets	69,592	63,235	108,058	98,583	864	880	11,341	10,734	130,418	-

Amounts expressed in US$000

6.3 Summarised Financial Information (continued)

	RGM Limited		FamGuard Corporation Limited		Primo Holding Limited		Sagicor Costa Rica SCR, S.A.		Sagicor Real Estate X-Fund Ltd.	
	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
Reconciliation to carrying amounts:										
Investment, beginning of year	21,080	25,211	12,856	12,542	368	373	6,460	6,031	-	-
Additions	423	168	-	-	-	-	152	372	28,453	-
Amounts assumed on acquisition	-	-	-	-	-	-	-	-	12,288	-
Dividends received	-	(7,380)	(480)	(480)	-	-	-	-	-	-
Share of income/(loss) before taxes	1,677	3,505	959	864	(6)	(5)	(284)	57	807	-
Share of amortisation or impairment of intangible assets which were identified on acquisition	-	-	(72)	(176)	-	-	-	-	-	-
Share of income taxes	248	(738)	-	-	-	-	-	-	-	-
Share of other comprehensive income/(loss)	-	-	796	106	-	-	-	-	171	-
Effects of exchange rate changes	(229)	314	-	-	-	-	(2)	-	(1,135)	
Investment, end of year	23,199	21,080	14,059	12,856	362	368	6,326	6,460	40,584	-

Amounts expressed in US$000

6.3 Summarised Financial Information (continued)

	RGM Limited		FamGuard Corporation Limited		Primo Holding Limited		Sagicor Costa Rica SCR, S.A.		Sagicor Real Estate X-Fund Ltd.	
	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
Summarised statement of comprehensive income										
REVENUE										
Net premium revenue	-	-	90,253	87,186	-	-	5,893	1,656	-	-
Net investment and other income	25,619	25,798	26,444	26,690	-	-	384	841	56,654	-
Total revenue	25,619	25,798	116,697	113,876	-	-	6,277	2,497	56,654	-
BENEFITS AND EXPENSES										
Benefits	-	-	75,671	72,764	-	-	5,346	182	-	-
Expenses	20,526	16,330	34,205	35,097	16	14	1,463	2,201	44,100	-
Total benefits and expenses	20,526	16,330	109,876	107,861	16	14	6,809	2,383	44,100	-
INCOME BEFORE TAXES	5,093	9,468	6,821	6,015	(16)	(14)	(532)	114	12,554	-
Income taxes	747	(2,209)	-	-	-	-	(35)	-	(1,438)	-
NET INCOME FOR THE PERIOD	5,840	7,259	6,821	6,015	(16)	(14)	(567)	114	11,116	-
Other comprehensive income	-	-	882	3,279	-	-	-	-	709	-
Total comprehensive income	5,840	7,259	7,703	9,294	(16)	(14)	(567)	114	11,825	-
Dividends received from associates and joint ventures	-	7,380	480	480	-	-	-	-	-	-

6.4 Individually immaterial associates

The aggregate carrying amounts of individually immaterial associates for 2015 – Nil (2014 - $42).

Amounts expressed in US$000

7 PROPERTY, PLANT AND EQUIPMENT

	2015					2014				
	Owner-occupied property		Office furnishings, equipment & vehicles	Operating lease vehicles & equipment	Total	Owner-occupied properties		Office furnishings, equipment & vehicles	Operating lease vehicles & equipment	Total
	Lands	Land & buildings				Land	Land & buildings			
Net book value, beginning of year	38,220	77,901	39,910	13,438	169,469	38,428	66,281	33,893	12,937	151,539
Additions at cost	-	967	14,275	2,933	18,175	-	2,173	14,637	6,514	23,324
Additions arising from acquisitions	-	-	-	-	-	-	11,568	2,473	-	14,041
Transfer (to) investment property (note 5)	-	3,410	-	-	3,410	-	(583)	-	-	(583)
Transfer to intangible assets (note 8)	-	-	(6,348)	-	(6,348)	-	-	(3,286)	-	(3,286)
Other transfers	-	6	139	-	145	-	15	386	-	401
Transfers (to) real estate developed or held for sale (Note 12)	(22)	-	-	-	(22)	(7)	-	-	-	(7)
Disposals	(167)	(109)	(827)	(1,019)	(2,122)	-	-	(834)	(2,748)	(3,582)
Change in fair values	-	815	-	-	815	(201)	278	-	-	77
Depreciation charge	-	(1,079)	(7,296)	(3,138)	(11,513)	-	(1,013)	(6,713)	(3,265)	(10,991)
Effects of exchange rate changes	-	(1,217)	(543)	-	(1,760)	-	(818)	(646)	-	(1,464)
Net book value, end of year	38,031	80,694	39,310	12,214	170,249	38,220	77,901	39,910	13,438	169,469
Represented by:										
Cost or valuation	38,031	84,316	112,382	19,705	254,434	38,220	80,885	111,025	19,707	249,837
Accumulated depreciation	-	(3,622)	(73,072)	(7,491)	(84,185)	-	(2,984)	(71,115)	(6,269)	(80,368)
	38,031	80,694	39,310	12,214	170,249	38,220	77,901	39,910	13,438	169,469

Owner-occupied lands are largely utilised for farming operations.

Owner-occupied land and buildings consist largely of commercial office buildings.

Amounts expressed in US$000

8 INTANGIBLE ASSETS

8.1 Analysis of intangible assets and changes for the year

	2015				2014			
	Goodwill	Customer & broker relationships	Software	Total	Goodwill	Customer & broker relationships	Software	Total
Net book value, beginning of year	46,643	19,129	10,284	76,056	47,948	16,220	7,725	71,893
Additions at cost	-	-	15,198	15,198	-	-	2,469	2,469
Assumed on acquisition	-	-	-	-	-	10,304	-	10,304
Transfer from property, plant and equipment (note 7)	-	-	6,348	6,348	-	-	3,286	3,286
Amortisation/impairment charges	(585)	(1,837)	(4,680)	(7,102)	-	(5,995)	(3,056)	(9,051)
Divestitures and disposals	-	-	(289)	(289)	-	-	-	-
Effects of exchange rate changes	(786)	(851)	(391)	(2,028)	(1,305)	(1,400)	(140)	(2,845)
Net book value, end of year	45,272	16,441	26,470	88,183	46,643	19,129	10,284	76,056
Represented by:								
Cost or valuation	47,085	38,316	57,513	142,914	48,456	40,224	39,776	128,456
Accumulated depreciation and impairments	(1,813)	(21,875)	(31,043)	(54,731)	(1,813)	(21,095)	(29,492)	(52,400)
	45,272	16,441	26,470	88,183	46,643	19,129	10,284	76,056

Amounts expressed in US$000

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. Annually, the management of each operating segment or other operating company prepares financial projections for the next three years.

For those CGU's which the fair value less costs to sell methodology is used, the financial projections are used as inputs to determine maintainable earnings over time to which is applied an appropriate earnings multiple. For those CGU's which the value in use methodology is used, cash flows are extracted from the 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.

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

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

(a) Sagicor Life operating segment

	2015	2014
Carrying value of goodwill	27,061	27,157

8.2 Impairment of intangible assets (continued)

(i) Years ended December 31, 2015 & 2014

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

- Discount rates of 7 - 11% (2014, 7 - 11%) for individual life and annuity inforce business,
- New individual life and annuity business was included for the five year period 2016 to 2020,
- Annual growth rate for new individual life and annuity business was 0.01 - 7.5% for 2016 and 5 - 12.6 % from 2018 to 2020 (2014 – 7.5% from 2015 to 2018),
- Discount rates of 11 - 15% (2014, 11 - 15%) for new individual life and annuity business,
- Required Minimum Continuing Capital and Surplus Ratio (MCCSR) of 200%.

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. Negative amounts illustrate the extent of possible impairment.

Barbados, Eastern Caribbean, Dutch Caribbean, Bahamas and Central America			MCCSR target ratio		
			Low	Mid	High
Discount rate	Inforce	New business	175%	200%	225%
Low	7%	11%	221,756	219,358	216,854
Mid	9%	13%	120,106	114,387	108,452
High	11%	15%	47,465	39,688	31,657

Amounts expressed in US$000

8.2 Impairment of intangible assets (continued)

Trinidad and Tobago			MCCSR target ratio		
			Low	Mid	High
Discount rate	Inforce	New business	175%	200%	225%
Low	7%	11%	84,616	82,544	80,306
Mid	9%	13%	40,012	36,134	31,941
High	11%	15%	8,492	3,645	(1,595)

(b) Sagicor Jamaica operating segment

	2015	2014
Carrying value of goodwill	13,927	14,617

The fair value less cost to sell methodology was adopted to test goodwill impairment in both years. The after tax multiple used for the segment was 7.4 (2014– 7.1) which was derived from a pre-tax factor of 5.9 (2014 - 6.14) 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.

	2015 test		
	Scenario 1	Scenario 2	Scenario 3
After tax earnings multiples	7.4	4.9	4.4
Reduction in forecast earnings	n/a	10%	10%
Excess of recoverable amount (of 49.11% interest)	115,187	86	n/a
Impairment (of 49.11% interest)	Nil	Nil	(13,731)

8.2 Impairment of intangible assets (continued)

(c) Sagicor General Insurance Inc

	2015	2014
Carrying value of goodwill	4,284	4,284

The Group recognised goodwill on the acquisition of its interests in Sagicor General Insurance Inc. The value in use methodology has been used to test goodwill impairment in both years. The after tax discount factor was 12.5% (2014 – 14.0%) which was derived from a pre-tax factor of 14.0% (2014 – 15.3%) using an iterative method. The residual growth rate was 4.4% (2014 – 3.8%).

Sensitivity

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

	2015 test		
	Scenario 1	Scenario 2	Scenario 3
After tax discount factor	12.5	12.5	15.0
Residual growth rate	4.4	3.7	3.7
Reduction in residual growth rate	n/a	16%	16%
Increase in after tax discount factor	n/a	n/a	20%
Excess of recoverable amount (of 53.0% interest)	7,038	85	n/a
Impairment (of 53.0% interest)	Nil	Nil	(4,284)

Amounts expressed in US$000

9 FINANCIAL INVESTMENTS

9.1 Analysis of financial investments

	2015		2014	
	Carrying value	Fair value	Carrying value	Fair value
Held to maturity securities:				
Debt securities	20,530	21,940	20,364	21,102
Available for sale securities:				
Debt securities	2,311,591	2,311,591	2,357,014	2,357,014
Equity securities	88,380	88,380	76,221	76,221
	2,399,971	2,399,971	2,433,235	2,433,235
Financial assets at fair value through income:				
Debt securities	136,727	136,727	142,840	142,840
Equity securities	126,577	126,577	118,053	118,053
Derivative financial instruments (note 41.6)	15,479	15,479	23,268	23,268
Mortgage loans	47,052	47,052	38,718	38,718
Deposits	56	56	-	-
	325,891	325,891	322,879	322,879
Loans and receivables:				
Debt securities	948,871	983,063	927,331	972,759
Mortgage loans	293,871	294,041	255,515	255,630
Policy loans	132,486	141,950	133,483	142,150
Finance loans and finance leases	436,161	419,214	410,585	417,476
Securities purchased for re-sale	8,064	8,064	31,524	26,271
Deposits	260,776	260,776	126,578	126,578
	2,080,229	2,107,108	1,885,016	1,940,864
Total financial investments	4,826,621	4,854,910	4,661,494	4,718,080

9.1 Analysis of financial investments (continued)

	2015	2014
Non-derivative financial assets at fair value through income comprise:		
Assets designated at fair value upon initial recognition	310,412	299,611
Debt securities comprise:		
Government and government-guaranteed debt securities	1,767,389	1,776,729
Collateralised mortgage obligations	213,747	227,519
Corporate debt securities	1,314,223	1,325,583
Other securities	122,360	117,718
	3,417,719	3,447,549

Debt securities include $8,085 (2014 - $32,403) that contain options to convert to common shares of the issuer.

Corporate debt securities include $10,270 (2014 - $11,394) in bonds issued by an associated company.

Equity securities include $963 (2014 - Nil) in mutual funds managed by the Group.

Amounts expressed in US$000

9.2 Pledged assets

Debt and equity securities include $234,211 (2014 - $226,153) 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 $7,589 (2014 - $8,434), and mortgages and mortgage backed securities having a total market value of $174,478 (2014 - $199,387).

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. As of December 31, 2015, these pledged assets totalled $526,824 (2014 - $764,909). Of these assets pledged as security, $51,549 (2014 – $73,501) represents collateral for securities sold under agreements to repurchase in instances when the transferee has the right by contract or by custom to sell or re-pledge the collateral.

9.3 Returns accruing to the benefit of contract-holders

Financial investments include the following amounts for which the full income and capital returns accrue to the holders of unit linked policy and deposit administration contracts.

	2015	2014
Debt securities	102,641	95,316
Equity securities	122,367	111,950
Mortgage loans	47,052	38,718
	272,060	245,984

9.4 Reclassification of financial investments

In 2008, the Group reclassified certain securities from the available for sale classification to the loans and receivables classification. The assets reclassified were primarily:

- Government of Jamaica debt securities with a maturity date of 2018 and after, which are held to back long-term insurance liabilities; and
- Non-agency collateralised mortgage obligations in the USA.

The reclassifications were made because the markets for these securities were considered by management to have become inactive.

The following disclosures are in respect of these reclassified assets.

	2015		2014	
	Carrying value	Fair value	Carrying value	Fair value
Government debt securities maturing after September 2018	44,338	51,818	49,282	56,236
Other debt securities	2,076	2,730	2,721	3,479
	46,414	54,548	52,003	59,715

	2015	2014
Cumulative net fair value gain / (loss), beginning of year	1,994	(7,322)
Net fair value gains	1,355	9,437
Disposals	947	174
Effect of exchange rate changes	(33)	(295)
Cumulative net fair value gain, end of year	4,263	1,994

Amounts expressed in US$000

9.4 Reclassification of financial investments (continued)

The net fair value gain or loss approximates the fair value gain or loss that would have been recorded in total comprehensive income had the reclassification not been made. The disposal amount represents the net loss that would have been reclassified from other comprehensive income to income on disposal.

10 REINSURANCE ASSETS

	2015	2014
Reinsurers' share of:		
Actuarial liabilities (note 13.1)	601,597	470,271
Policy benefits payable (note 14.2)	37,816	31,998
Provision for unearned premiums (note 14.3)	21,356	20,152
Other items	5,050	4,750
	665,819	527,171

The provision for unearned premiums and other items are expected to mature within one year of the financial statements date.

11 INCOME TAX ASSETS

	2015	2014
Deferred income tax assets (note 33)	41,023	28,310
Income and withholding taxes recoverable	25,319	29,193
	66,342	57,503

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

12 MISCELLANEOUS ASSETS AND RECEIVABLES

	2015	2014
Net defined benefit assets (note 31)	1,066	1,055
Real estate developed or held for resale (ii)	11,084	12,199
Prepaid and deferred expenses (ii)	19,967	20,753
Premiums receivable	42,398	39,731
Legal claim (iii)	42,902	34,174
Other assets and accounts receivable (i)	51,063	48,718
	168,480	156,630

(i) Other assets and accounts receivables include $5,478 (2014 - $7,493) due from managed funds.

(ii) Real estate developed for resale includes $8,234 (2014 - $6,953) which is expected to be realised within one year of the financial statements date. Prepaid and deferred expenses are also expected to be realised within one year of the financial statements date.

(iii) $42,902 (2014 – $34,174) Legal claim
In March 2014, the Supreme Court of Jamaica granted judgement in favour of a claimant in a case brought against Sagicor Bank Jamaica Limited (formerly RBC Royal Bank of Jamaica Limited). This claim pre-dated the acquisition of control of the Bank by Sagicor Group Jamaica Limited, and also pre-dated the acquisition of control of the Bank by RBTT International Limited from Finsac Limited ('Finsac') in 2001. By virtue of the Share Sale Agreement entered into between Finsac, RBTT Financial Holdings Limited and RBTT International Limited, Finsac agreed to fully indemnify RBTT International Limited (now SGJ Holdings (St. Lucia) Limited). Though the judgement is being appealed, the amount computed as settlement has been recorded as payable to the claimant and correspondingly receivable from Finsac (Note 20).

During 2015, interest was accrued on this liability and resulted in an increase in the amount outstanding to $42.9 million.

Amounts expressed in US$000

13 ACTUARIAL LIABILITIES

13.1 Analysis of actuarial liabilities

	Gross liability		Reinsurers' share	
	2015	2014	2015	2014
Contracts issued to individuals:				
Life insurance - participating policies	239,861	251,011	57	100
Life insurance and annuity - non-participating policies	1,767,313	1,698,485	582,224	448,021
Health insurance	5,361	11,190	420	503
Unit linked funds	166,234	146,703	-	-
Reinsurance contracts held	27,982	29,135	-	-
	2,206,751	2,136,524	582,701	448,624
Contracts issued to groups:				
Life insurance	31,548	36,554	267	819
Annuities	358,604	351,826	18,460	20,681
Health insurance	35,484	37,317	169	147
	425,636	425,697	18,896	21,647
Total actuarial liabilities	2,632,387	2,562,221	601,597	470,271

The following notes are in respect of the foregoing table:

- Life insurance includes coverage for disability and critical illness.
- Actuarial liabilities include $81,615 (2014 - $98,666) 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	
	2015	2014	2015	2014
Balance, beginning of year	2,562,221	2,324,319	470,271	285,250
Changes in actuarial liabilities:				
Recorded in income (note 27)	157,887	226,018	131,328	185,021
Recorded in other comprehensive income	(67,146)	28,473	-	-
Other movements	(679)	(326)	-	-
Effect of exchange rate changes	(19,896)	(16,263)	(2)	-
Balance, end of year	2,632,387	2,562,221	601,597	470,271
Analysis of changes in actuarial liabilities				
Arising from increments and decrements of inforce policies and from the issuance of new policies	205,909	270,600	131,327	185,021
Arising from changes in assumptions for mortality, lapse, expenses, investment yields and asset default	(91,068)	2,349	-	-
Other changes:				
Actuarial modelling, refinements, improvements and corrections	(1,235)	(6,378)	-	-
Other items	(22,865)	(12,080)	1	-
Total	90,741	254,491	131,328	185,021

Amounts expressed in US$000

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 tests the validity of each assumption by reference to 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 recent 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 the Canadian Institute of Actuaries (CIA) 1997 - 2004 tables. Appropriate modification factors are selected and applied to underwritten and non-underwritten business respectively. Annuitant mortality is determined by reference to CIA tables or to other established scales.

Assumptions for morbidity are determined after taking into account insurer and industry experience and established guidelines from Actuarial Institutes.

(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 five-year 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 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	2015	2014
Barbados	6.5%	6.5%
Jamaica	5.0% – 5.5%	5.0%
Trinidad & Tobago	4.75%	4.5%
Other Caribbean	4.5% - 6.5%	4.5% - 6.5%
USA	0.85% - 4.75%	0.85% - 4.75%

(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.

Amounts expressed in US$000

13.3 Assumptions – life insurance and annuity contracts (continued)

(f) Asset defaults

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

(g) Margins for adverse deviations

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

Provisions for adverse deviations	2015	2014
Mortality and morbidity	82,363	79,362
Lapse	59,595	61,605
Investment yields and asset default	68,830	51,630
Operating expenses and taxes	11,101	17,273
Other	9,997	2,726
	231,886	212,596

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 material claim settlements are anticipated after one year from the date of the financial statements.

Amounts expressed in US$000

14 OTHER INSURANCE LIABILITIES

14.1 Analysis of other insurance liabilities

	2015	2014
Dividends on deposit and other policy balances	66,271	68,542
Policy benefits payable	105,910	95,276
Provision for unearned premiums	33,710	33,602
	205,891	197,420

14.2 Policy benefits payable

	Gross liability		Reinsurers' share	
	2015	2014	2015	2014
Analysis of policy benefits payable:				
Life insurance and annuity benefits	72,120	65,987	19,091	14,711
Health claims	3,379	3,389	1,363	2,071
Property and casualty claims	30,411	25,900	17,362	15,216
	105,910	95,276	37,816	31,998

14.2 Policy benefits payable (continued)

	Gross liability		Reinsurers' share	
	2015	2014	2015	2014
Movement for the year:				
Balance, beginning of year	95,276	90,834	31,998	28,325
Policy benefits incurred	532,532	485,321	67,528	51,272
Policy benefits paid	(520,933)	(479,423)	(61,571)	(47,477)
Effect of exchange rate changes	(965)	(1,456)	(139)	(122)
Balance, end of year	105,910	95,276	37,816	31,998

14.3 Provision for unearned premiums

	Gross liability		Reinsurers' share	
	2015	2014	2015	2014
Analysis of the provision:				
Property and casualty insurance	32,399	32,413	21,356	20,152
Health insurance	1,311	1,189	-	-
	33,710	33,602	21,356	20,152

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

Amounts expressed in US$000

14.3 Provision for unearned premiums (continued)

	Gross liability		Reinsurers' share	
	2015	2014	2015	2014
Movement for the year:				
Balance, beginning of year	33,602	33,564	20,152	20,153
Premiums written	72,779	72,704	48,757	47,882
Premium revenue	(72,683)	(72,669)	(47,552)	(47,883)
Effect of exchange rate changes	12	3	(1)	-
Balance, end of year	33,710	33,602	21,356	20,152

15 INVESTMENT CONTRACT LIABILITIES

	2015		2014	
	Carrying value	Fair value	Carrying value	Fair value
At amortised cost:				
Deposit administration liabilities	127,882	127,780	128,404	128,404
Other investment contracts	115,537	118,860	115,748	119,317
	243,419	246,640	244,152	247,721
At fair value through income:				
Unit linked deposit administration liabilities	125,177	125,177	116,809	116,809
	368,596	371,817	360,961	364,530

16 NOTES AND LOANS PAYABLE

	2015		2014	
	Carrying value	Fair value	Carrying value	Fair value
7.5% senior notes due 2016	-	-	147,182	154,867
8.875% senior notes due 2022	313,780	350,336	-	-
6.5% convertible redeemable preference shares due 2016	115,488	130,932	107,689	122,863
5.0% notes due 2016	44,551	44,551	43,363	43,363
Finance lease payable	1,698	1,698	708	708
	475,517	527,517	298,942	321,801

(a) On August 11, 2015 the Group issued seven year senior notes in the amount of $320.0 million which are repayable in 2022. The notes carry a fixed annual rate of interest of 8.875% payable semi-annually. Financial covenants in respect of these notes are summarised in Note 46.3 (a).

(b) On December 18, 2013, the Company issued eighteen month notes with a par value of $43,386 which were repayable in 2015 and carried a 4.6% annual rate of interest. Effective June 19, 2015, the notes were extended at an annual rate of interest of 5.0% and a maturity date of May 12, 2016. Financial covenants in respect of these notes are summarised in Note 46.3 (b).

(c) Details of the 6.5% convertible redeemable preference shares due 2016 are set out in note 21.2. The initial fair value of the subscription proceeds was determined by discounting the ultimate redemption value ($120,000), at a rate of 6.5% for 5 years. The subsequent finance cost recognised is the amortisation of the difference between the ultimate redemption value and the initial carrying value, calculated on an effective interest method for the 5 years to maturity. Financial covenants in respect of these notes are summarised in Note 46.3 (c).

(d) On September 10, 2015 the Company redeemed, before maturity, the US$150.0 million 7.5% 2016 senior notes at a price of US$160.5 million.

Amounts expressed in US$000

17 DEPOSIT AND SECURITY LIABILITIES

	2015		2014	
	Carrying value	Fair value	Carrying value	Fair value
At amortised cost:				
Other funding instruments	379,612	381,499	360,810	362,514
Customer deposits	669,518	772,011	570,567	589,519
Securities sold for re-purchase	519,608	519,508	664,802	657,506
Bank overdrafts	2,158	2,158	1,459	1,459
	1,570,896	1,675,176	1,597,638	1,610,998
At fair value through income:				
Structured products	35,112	35,112	20,068	20,068
Derivative financial instruments (note 41.6)	1,603	1,603	6,265	6,265
	36,715	36,715	26,333	26,333
	1,607,611	1,711,891	1,623,971	1,637,331

Other funding instruments consist of loans from banks and other financial institutions and include balances of $167,913 (2014 - $189,928) due to the Federal Home Loan Bank of Dallas (FHLB). The Group participates in the FHLB program in which funds received from the Bank are invested in mortgages and mortgage backed securities.

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

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

18 PROVISIONS

	2015	2014
Net defined benefit liabilities (note 31)	87,950	77,926
Other provisions	256	430
	88,206	78,356

19 INCOME TAX LIABILITIES

	2015	2014
Deferred income tax liabilities (note 33)	29,785	31,557
Income taxes payable	4,980	10,210
	34,765	41,767

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

20 ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2015	2014
Amounts due to policyholders	15,702	16,526
Amounts due to reinsurers	23,792	28,404
Legal claim (i)	42,902	34,174
Other accounts payable and accrued liabilities	119,326	118,340
	201,722	197,444

(i) In March 2014, the Supreme Court of Jamaica granted judgement in favour of a claimant in a case brought against Sagicor Bank Jamaica Limited (formerly RBC Royal Bank of Jamaica Limited). This claim pre-dated the acquisition of control of the Bank by Sagicor Group Jamaica Limited, and also pre-dated the acquisition of control of the Bank by RBTT International Limited from Finsac Limited ('Finsac') in 2001. By virtue of the Share Sale Agreement entered into between Finsac, RBTT Financial Holdings Limited and RBTT International Limited, Finsac agreed to fully indemnify RBTT International Limited (now SGJ Holdings (St. Lucia) Limited). Though the judgement is being appealed, the amount computed as settlement has been recorded as payable to the claimant and correspondingly receivable from Finsac (Note 12).
During 2015, interest was accrued on this liability and resulted in an increase in the amount outstanding to $42.9 million.

Amounts expressed in US$000

21 COMMON AND PREFERENCE SHARES

The Company is authorised to issue:

- an unlimited number of common shares,
- an unlimited number of preference shares, and
- an unlimited number of convertible redeemable preference shares.

In each case the shares are without nominal or par value.

21.1 Common shares

	2015		2014	
	Number in 000's	Share capital	Number in 000's	Share capital
Issued and fully paid:				
Balance, beginning of year	303,917	301,600	303,917	301,600
Allotments arising from LTI	577	556	-	-
Balance, end of year	304,494	302,156	303,917	301,600
Treasury shares:				
Shares held for LTI and ESOP, end of year (note 30.1)	(2,126)	(2,836)	(3,145)	(5,611)
Total	302,368	299,320	300,772	295,989

The common shares are listed on the Barbados, Trinidad & Tobago and London stock exchanges.

21.2 Convertible redeemable preference shares

On July 18, 2011, the Company issued 120,000,000 convertible redeemable preference shares with the following features:

- Issue price of US $1.00 or Barbados $2.00 per share;
- Annual dividend rate of 6.5%, dividends to be declared by the Company's directors and payable half yearly on May 15 and November 15;
- Convertible into common shares at a ratio of 1.98 preference shares to 1.00 common shares, conversion to be at the option of the shareholder and exercisable on May 16 or November 16 in any year prior to the redemption date;
- Redeemable on July 18, 2016 at issue price, if not converted before.

The preference shares are accounted for as a compound financial instrument and were initially recognised in the statement of financial position as a financial liability (note 16) and also as equity (note 22). The preference shares are listed on the Barbados and Trinidad & Tobago stock exchanges. Put option rights in respect of the preference shares are disclosed in note 46.3(c).

21.3 Dividends

The dividends declared and paid during the year in respect of the Company's convertible redeemable preference shares and common shares are set out in the following table.

	2015		2014	
	Per share	Total	Per share	Total
Dividends declared and paid:				
Preference shares	6.50 ¢	7,800	6.50 ¢	7,800
Common shares	4.0 ¢	12,042	4.0 ¢	12,035
		19,842		19,835

Amounts expressed in US$000

21.3 Dividends (continued)

The dividends declared after the date of the financial statements in respect of the Company's convertible redeemable preference shares and common shares are set out in the following table.

	2015		2014	
	Per share	Total	Per share	Total
Dividends proposed:				
Preference shares - May 15	3.25 ¢	3,900	3.25 ¢	3,900
Common shares - final for current year	2.0 ¢	6,090	2.0 ¢	6,018
		9,990		9,918

21.4 Restrictions on common share dividends

The Company's Articles of Incorporation include the following limitations on the payment of common share dividends.

(i) For any 6 month period that the convertible redeemable preference shares are not paid, dividends on common shares shall be suspended for that period plus the next 6 month period, and the Company shall not repurchase any of its common shares, except when pursuant to the LTI plan and ESOP.

(ii) The Company shall not pay any dividends on its common shares, in respect of the 2011 financial year or thereafter, or repurchase any of its common shares, other than a repurchase pursuant to the LTI plan and ESOP, if the cumulative amount of such dividends and repurchases after July 31, 2011 would exceed 50% of the cumulative amount of Group net income from January 1, 2011.

Amounts expressed in US$000

22 RESERVES

	<<<<<< Fair value reserves >>>>>>						
	Owner occupied property	Available for sale assets	Actuarial liabilities	Currency translation reserves	Preference share reserves	Other reserves	Total reserves
2015							
Balance, beginning of year	25,249	43,850	(38,556)	(87,946)	10,481	38,157	(8,765)
Other comprehensive income from continuing operations allocated to reserves	(202)	(77,153)	47,329	(8,393)	-	-	(38,419)
Transactions with holders of equity instruments:							
Allocated to reserve for equity compensation benefits	-	-	-	-	-	3,171	3,171
Eliminated from reserve for equity compensation benefits	-	-	-	-	-	(4,821)	(4,821)
Transfers to retained earnings and other movements	-	(2)	-	-	(6,262)	(4,590)	(10,854)
Balance, end of year	25,047	(33,305)	8,773	(96,339)	4,219	31,917	(59,688)
2014							
Balance, beginning of year	25,433	8,798	(16,779)	(77,411)	16,743	38,391	(4,825)
Other comprehensive income from continuing operations allocated to reserves	(184)	35,052	(21,777)	(10,535)	-	-	2,556
Transactions with holders of equity instruments:							
Allocated to reserve for equity compensation benefits	-	-	-	-	-	2,057	2,057
Eliminated from reserve for equity compensation benefits	-	-	-	-	-	(2,520)	(2,520)
Transfers to retained earnings and other movements	-	-	-	-	(6,262)	229	(6,033)
Balance, end of year	25,249	43,850	(38,556)	(87,946)	10,481	38,157	(8,765)

Other reserves comprise reserves for equity compensation benefits of $14,420 (2014 - $16,070) and statutory reserves of $17,497 (2014 - $22,087).

Amounts expressed in US$000

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	
	2015	2014	2015	2014
Movement for the year:				
Balance, beginning of year	(950)	(3,159)	1,314	(2,503)
Total comprehensive income / (loss)	343	2,209	906	4,053
Return of transfer to support profit distribution, to shareholders	-	-	(230)	(236)
Balance, end of year	(607)	(950)	1,990	1,314
Financial statement amounts:				
Assets	84,909	86,687	200,009	200,007
Liabilities	85,516	87,637	198,019	198,693
Revenues	7,825	8,524	25,453	28,636
Benefits	6,811	5,512	22,034	21,176
Expenses	584	606	2,037	2,813
Income taxes	122	172	405	681

The Group has the ability to reduce future policy bonuses and dividends in order to eliminate a deficit in a participating account.

24 PREMIUM REVENUE

	Gross premium		Ceded to reinsurers	
	2015	2014	2015	2014
Life insurance	383,655	361,552	30,808	32,445
Annuity	364,726	309,329	212,130	177,564
Health insurance	155,414	151,571	5,107	5,672
Property and casualty insurance	65,727	66,669	47,552	47,883
	969,522	889,121	295,597	263,564

Amounts expressed in US$000

25 NET INVESTMENT INCOME

	2015	2014
Investment income:		
Interest income	293,432	264,361
Dividend income	3,244	2,577
Rental income from investment property	4,165	4,760
Net investment gains	32,418	47,668
Share of operating income of associates and joint venture	3,153	4,419
Other investment income	125	382
	336,537	324,167
Investment expenses:		
Allowances for impairment losses	10,338	12,638
Direct operating expenses of investment property	1,947	2,410
Other direct investment expenses	2,023	1,904
	14,308	16,952
Net investment income	322,229	307,215

The Group operates across both active and inactive financial markets. The financial investments placed in both types of market support the insurance and operating financial liabilities of the Group. Because the type of financial market is incidental and not by choice, the Group manages its financial investments by the type of financial instrument (i.e. debt securities, equity securities, mortgage loans etc). Therefore, the income from financial instruments is presented consistently with management practice, rather than by accounting classification.

The capital and income returns of most investments designated at fair value through income accrue to the holders of unit linked policy and deposit administration contracts which do not affect the net income of the Group.

25 NET INVESTMENT INCOME (continued)

Further details of interest income and investment gains are set out in the following table.

	2015	2014
Interest income:		
Debt securities	211,596	201,441
Mortgage loans	19,963	17,652
Policy loans	9,407	9,683
Finance loans and finance leases	50,402	31,121
Securities purchased for re-sale	464	1,960
Deposits	1,681	2,422
Other balances	(81)	82
	293,432	264,361
Net investment gains / (losses):		
Debt securities	14,937	21,560
Equity securities	22,366	15,087
Investment property	(842)	(626)
Other financial instruments	(4,043)	11,647
	32,418	47,668

Amounts expressed in US$000

26 FEES AND OTHER REVENUE

	2015	2014
Fee income – assets under administration	23,328	19,406
Fee income – deposit administration and policy funds	1,813	1,363
Commission income on insurance and reinsurance contracts	32,845	28,653
Other fees and commission income	25,937	14,694
Foreign exchange gains	2,814	3,225
Other operating and miscellaneous income	22,353	16,003
	109,090	83,344

27 POLICY BENEFITS AND CHANGE IN ACTUARIAL LIABILITIES

	Gross benefit		Ceded to reinsurers	
	2015	2014	2015	2014
Life insurance benefits	206,977	208,096	12,591	12,409
Annuity benefits	191,897	149,092	39,849	23,276
Health insurance claims	114,315	111,486	2,826	3,420
Property and casualty claims	21,861	20,078	12,207	12,166
Total policy benefits	535,050	488,752	67,473	51,271
Change in actuarial liabilities (note 13.2)	157,887	226,018	131,328	185,021
Total policy benefits and change in actuarial liabilities	692,937	714,770	198,801	236,292

28 INTEREST EXPENSE

	2015	2014
Insurance contracts	2,828	2,607
Investment contracts	14,279	15,241
Other funding instruments	8,098	6,552
Customer deposits	11,755	9,989
Securities sold for re-purchase	21,695	28,805
Other items	152	545
	58,807	63,739

The Group manages its interest-bearing obligations by the type of obligation (i.e. investment contracts, securities etc). Therefore, the interest expense is presented consistently with management practice, rather than by accounting classification.

The capital and income returns of most financial liabilities designated at fair value through income accrue directly from the capital and income returns of financial assets designated at fair value through income. Therefore, the related interest expense does not affect the net income of the Group.

29 EMPLOYEE COSTS

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

	2015	2014
Administrative staff salaries, directors' fees and short-term benefits	109,339	98,529
Social security and defined contribution retirement costs	8,859	7,917
Equity-settled compensation benefits (note 30.1 to 30.3)	4,646	3,732
Defined benefit expense (note 31 (b))	10,773	14,936
	133,617	125,114

30 EQUITY COMPENSATION BENEFITS

30.1 The Company

Effective December 31, 2005, the Company introduced a Long Term Incentive (LTI) plan for designated executives of the Sagicor Group and an Employee Share Ownership Plan (ESOP) for permanent administrative employees and sales agents of the Group. A total of 26,555,274 common shares of the Company (or 10% of shares then in issue) have been set aside for the purposes of the LTI plan and the ESOP.

(a) LTI plan – restricted share grants

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

30.1 The Company (continued)

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

	2015		2014	
	Number of grants '000	Weighted average price	Number of grants '000	Weighted Average price
Balance, beginning of year	3,749	US$1.02	3,524	US$1.14
Grants issued	2,703	US$0.84	2,576	US$1.00
Grants vested	(2,695)	US$0.96	(897)	US$1.07
Grants lapsed/forfeited	(230)	US$1.04	(1,454)	US$1.29
Balance, end of year	3,527	US$0.93	3,749	US$1.02

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

	2015		2014	
	Number in 000's	$000	Number in 000's	$000
Balance, beginning of year	2	2	673	714
Shares acquired	1,376	2,469	753	819
Shares distributed	(1,377)	(2,468)	(1,424)	(1,531)
Balance, end of year	1	3	2	2

30.1 The Company (continued)

(b) LTI plan – share options

Share options have been granted to designated key management of the Group during the year. Up to 2008, options were granted at the fair market price of the Company shares at the time that the option was granted. From 2009, options are granted at the fair market price of the Company 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.

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

	2015		2014	
	Number of options '000	Weighted average exercise price	Number of options '000	Weighted average exercise price
Balance, beginning of year	16,206	US$1.63	13,290	US$1.75
Options granted	3,029	US$1.05	2,916	US$1.08
Options lapsed/forfeited	(2,838)	US$1.85	-	-
Balance, end of year	16,397	US$1.48	16,206	US$1.63
Exercisable at the end of the year	9,903	US$1.73	8,022	US$1.85

	2015	2014
Share price at grant date	US $1.05 – 2.50	US $1.08 – 2.50
Fair value of options at grant date	US$0.23 – 0.69	US$0.24 – 0.69
Expected volatility	19.3% – 35.8%	19.3% – 35.8%
Expected life	7.0 years	7.0 years
Expected dividend yield	2.6% - 3.8%	2.6% - 3.7%
Risk-free interest rate	4.8% - 6.8%	4.8% - 6.8%

30.1 The Company (continued)

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

(c) ESOP

From 2006, the Company approved awards under the ESOP in respect of permanent administrative employees and sales agents of the Company and certain subsidiaries. The ESOP is administered by Trustees under a discretionary trust. The amount awarded is used by the Trustees to acquire company shares. Administrative employees and sales agents are required to serve a qualifying period of five years from the award date in order to qualify as a beneficiary. Shares are distributed to beneficiaries upon their retirement or termination of employment. During 2012, the rules were amended so that vesting will take place in four equal annual instalments commencing one year after the award. The change came into effect during 2013. The shares acquired by the Trustees during the year were as follows:

	2015		2014	
	Number in 000's	$000	Number in 000's	$000
Balance, beginning of year	3,143	5,609	2,910	5,436
Shares acquired	414	378	286	295
Shares distributed	(1,432)	(3,154)	(53)	(122)
Balance, end of year	2,125	2,833	3,143	5,609

30.2 Sagicor Group Jamaica Limited

(a) Long-term incentive plan

The Group 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 of J$0.10 each for the stock grants and stock options.

Amounts expressed in US$000

30.2 Sagicor Group Jamaica Limited (continued)

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 installments beginning the first December 31 following the grant date and for the next three December 31 dates thereafter (25% per year). Options are not exercisable after the expiration of 7 years from the date of grant. The number of stock options in each stock option award is calculated based on the LTI opportunity via stock options (percentage of applicable salary) divided by the Black-Scholes value of a stock option of Sagicor Group Jamaica Limited stock on 31 March of the measurement year. The exercise price of the options is the closing bid price on 31 March of the measurement year.

In December 2013, the Sagicor Group of companies in Jamaica was reorganized to establish a new holding company which directly or indirectly carries the Group's holdings in member companies. As a consequence Sagicor Life Jamaica (SLJ) was delisted from the Jamaica Stock Exchange (JSE) and Sagicor Group Jamaica Limited (SGJ) was listed. Further, to harmonize compensation plans across the Group and considering the pending delisting of the subsidiary, Sagicor Investments Jamaica Limited (SIJL), all outstanding options in SIJL as at December 2013 were converted to corresponding SGJ options with equivalent monetary value. From the 2013 measurement year, all executives of the Group participate in the SGJ LTI plan.

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

	2015		2014	
	Number of options '000	Weighted average exercise price	Number of options '000	Weighted average exercise price
Balance, beginning of year	70,025	J$8.19	72,148	J$8.22
Options granted	10,849	J$9.50	19,077	J$7.11
Options exercised	(19,657)	J$7.25	(13,826)	J$5.68
Options lapsed/forfeited	(7,573)	J$9.40	(7,374)	J$10.56
Balance, end of year	53,644	J$8.63	70,025	J$8.19
Exercisable at the end of the year	36,529	J$8.64	50,841	J$9.69

30.2 Sagicor Group Jamaica Limited (continued)

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

	2015	2014
Fair value of options outstanding	J$53,646,000	J$70,025,000
Share price at grant date	J$4.20 – 14.10	J$4.20 – 14.10
Exercise price	J$4.20 – 14.10	J$4.20 – 14.10
Standard deviation of expected share price returns	27.0%	27.0%
Remaining contractual term	0.08 - 7 years	0.25 - 7 years
Risk-free interest rate	9.58%	9.19%

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

(b) Employee share purchase plan

Sagicor Life Jamaica 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 $312 (2014 – $711).

Amounts expressed in US$000

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.

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 (d) of this note relate only to defined retirement benefit plans.

31 EMPLOYEE RETIREMENT BENEFITS (continued)

(a) Amounts recognised in the statement of financial position

	2015	2014
Present value of funded pension obligations	215,681	186,752
Fair value of retirement plan assets	(193,876)	(169,380)
	21,805	17,372
Present value of unfunded pension obligations	37,763	35,034
Present value of unfunded medical and life benefits	27,316	24,465
Net liability	86,884	76,871
Represented by:		
Amounts held on deposit by the Group as deposit administration contracts	37,611	40,623
Other recognised liabilities	50,339	37,303
Total recognised liabilities (note 18)	87,950	77,926
Recognised assets (note 12)	(1,066)	(1,055)
Net liability	86,884	76,871

Pension plans have purchased annuities from insurers in the Group to pay benefits to plan retirees. These obligations are included in actuarial liabilities in the statement of financial position and are excluded from the table above.

Amounts expressed in US$000

31 EMPLOYEE RETIREMENT BENEFITS (continued)

(b) Movements in balances

	2015			2014		
	Retirement obligations	Retirement plan assets	Total	Retirement obligations	Retirement plan assets	Total
Net liability / (asset), beginning of year	246,251	(169,380)	76,871	210,356	(136,084)	74,272
Current service cost	7,251	-	7,251	8,424	-	8,424
Interest expense / (income)	18,431	(15,001)	3,430	18,933	(14,301)	4,632
Past service cost and gains / losses on settlements	-	92	92	1,766	114	1,880
Net expense recognised in income	25,682	(14,909)	10,773	29,123	(14,187)	14,936
(Gains) / losses from changes in assumptions	20,513	(1,466)	19,047	(4,848)	-	(4,848)
(Gains) / losses from changes in experience	(6,554)	(7,799)	(14,353)	(8,526)	(3,670)	(12,196)
Return on plan assets excluding interest income	-	2,995	2,995	-	2,099	2,099
Net losses recognised in other comprehensive income	13,959	(6,270)	7,689	(13,374)	(1,571)	(14,945)
Contributions made by the Group	-	(8,164)	(8,164)	419	(6,297)	(5,878)
Contributions made by employees and retirees	6,988	(5,192)	1,796	6,532	(5,316)	1,216
Benefits paid	(12,869)	11,460	(1,409)	(13,088)	11,546	(1,542)
Liabilities assumed on acquisition of subsidiary	-	-	-	31,846	(22,268)	9,578
Other items	8,338	(7,272)	1,066	1,150	105	1,255
Effect of exchange rate movements	(7,589)	5,851	(1,738)	(6,713)	4,692	(2,021)
Other movements	(5,132)	(3,317)	(8,449)	20,146	(17,538)	2,608
Net liability / (asset), end of year	280,760	(193,876)	86,884	246,251	(169,380)	76,871

Amounts expressed in US$000

31 EMPLOYEE RETIREMENT BENEFITS (continued)

(c) Retirement plan assets

	2015	2014
Equity unit linked pension funds under Group management:		
Sagicor Equity Fund (Barbados)	28,828	24,579
Sagicor Bonds Fund (Barbados)	16,901	13,847
Sagicor Pooled Investment Funds (Jamaica):		
Equity Funds	23,044	19,827
Mortgage & Real Estate Fund	19,887	13,270
Fixed Income Fund	15,272	21,689
Foreign Currency Funds	16,657	18,130
Money Market Fund	16,423	5,221
Other Funds	15,636	17,161
	152,648	133,724
Other assets	41,228	35,656
Total plan assets	193,876	169,380

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

31 EMPLOYEE RETIREMENT BENEFITS (continued)

(d) Significant actuarial assumptions

The significant actuarial assumptions for the principal geographic areas as of December 31, 2015 were as follows:

Pension plans	Barbados & Eastern Caribbean	Jamaica	Trinidad
Discount rate - local currency benefits	7.75%	8.50%	4.00%
Discount rate - US$ indexed benefits	n/a	5.00%	n/a
Expected return on plan assets	7.75%	9.50%	4.00%
Future promotional salary increases	3.00%	0.00%	2.00%
Future inflationary salary increases	1.50% for 5 years, 2.75% thereafter	6.50%	1.00%
Future pension increases	2.00%	2.00%	0.00%
Future increases in National Insurance Scheme Ceilings	3.50%	n/a	3.00%
Mortality table	UP94 with projection scale AA	GAM1994 with 5 year improvement	UP94 with projection scale AA
Termination of active members	3% up to age 30, reducing to 1% at age 50, 0% at age 51	10% up to age 30, reducing to 5% at age 50, 0% 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

Amounts expressed in US$000

31 EMPLOYEE RETIREMENT BENEFITS (continued)

Group medical and life plans	Jamaica
Long term increase in health costs	7.00%

(e) Sensitivity of actuarial assumptions

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

	Barbados & Eastern Caribbean	Jamaica	Trinidad
Base pension obligation	75,964	138,799	13,977
Change in absolute assumption	Increase / (decrease) in pension obligations		
Decrease discount rate by 1.0%	10,206	17,670	2,397
Increase discount rate by 1.0%	(7,862)	(13,481)	(1,765)
Decrease salary growth rate by 0.5%	(1,916)	(534)	(525)
Increase salary growth rate by 0.5%	2,099	1,903	596
Increase average life expectancy by 1 year	1,895	2,490	486
Decrease average life expectancy by 1 year	(994)	(2,518)	(217)

31 EMPLOYEE RETIREMENT BENEFITS (continued)

(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 1-3 years. These full valuations contain recommendations for Group and employee contribution levels which are implemented by the Group as the recommendations are made.

For the 2016 financial year, the total Group contributions to its defined benefits pension plans are estimated at $15,177.

Amounts expressed in US$000

32 INCOME TAXES

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

	2015	2014
Income tax expense:		
Current tax		
Current tax on profits for the year	24,506	14,522
Adjustments to current tax of prior periods	(257)	26
Total current tax expense	24,249	14,548
Deferred tax		
Decrease/(increase) in deferred tax assets	(1,740)	(3,373)
(Decrease)/increase in deferred tax liabilities	2,858	4,787
Total deferred tax expense	1,118	1,414
Share of tax of associated companies	(248)	738
	25,119	16,700

32 INCOME TAXES (continued)

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

	2015	2014
Income before income tax expense	123,562	117,005
Taxation at the applicable rates on income subject to tax	29,228	34,343
Adjustments to current tax for items not subject to / allowed for tax	(15,207)	(28,838)
Other current tax adjustments	175	(77)
Adjustments for current tax of prior periods	(257)	26
Movement in unrecognised deferred tax asset	8,682	7,666
Deferred tax relating to the origination of temporary differences	223	(424)
Deferred tax relating to changes in tax rates or new taxes	387	(17)
Deferred tax that arises from the write down / (reversal of a write down) of a tax asset	(383)	(752)
Tax on distribution of profits from policyholder funds	1,046	1,598
Other taxes	1,225	3,175
	25,119	16,700

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

Amounts expressed in US$000

33 DEFERRED INCOME TAXES

	2015	2014
Analysis of deferred income tax assets:		
Defined benefit liabilities	11,031	7,367
Unrealised losses on financial investments	12,406	1,093
Unused tax losses	21,870	26,376
Other items	(4,284)	(6,526)
Total deferred income tax assets (note 11)	41,023	28,310
Deferred income tax assets to be recovered within one year	2,067	26,402
Unrecognised tax balances:		
Tax losses	237,548	217,561
Potential deferred income tax assets	59,404	54,402
Expiry period for unrecognised tax losses:		
2015	-	14,370
2016	18,765	19,362
2017	20,054	20,495
2018	25,324	25,334
2019	27,785	27,627
2020	24,956	24,885
2021	20,207	18,906
2022	37,007	37,006
2023	29,577	29,576
After 2023	33,873	-
	237,548	217,561

Amounts expressed in US$000

33 DEFERRED INCOME TAXES

Deferred income tax assets movements:	Defined benefit liabilities	Unrealised losses on financial investments	Unused tax losses	Other items	Total
2015					
Balance, beginning of year as previously reported	7,367	1,093	26,376	(6,526)	28,310
(Charged)/credited to:					
Profit or Loss	1,753	238	(3,467)	3,216	1,740
Other comprehensive income	2,280	11,443	-	(1,186)	12,537
Effects of exchange rate changes	(369)	(368)	(1,039)	212	(1,564)
Balance, end of year	11,031	12,406	21,870	(4,284)	41,023
2014					
Balance, beginning of year as previously reported	2,293	3,674	1,427	(2,586)	4,808
(Charged)/credited to:					
Profit or Loss	10,704	(915)	5,573	(11,989)	3,373
Other comprehensive income	(1,683)	(1,488)	-	(48)	(3,219)
Assumed on acquisition	(3,652)	13	20,333	7,801	24,495
Effects of exchange rate changes	(295)	(191)	(957)	296	(1,147)
Balance, end of year	7,367	1,093	26,376	(6,526)	28,310

Amounts expressed in US$000

33 DEFERRED INCOME TAXES (continued)

Analysis of deferred income tax liability:

	2015	2014
Accelerated tax depreciation	1,806	1,775
Policy liabilities taxable in the future	58,377	40,064
Defined benefit assets	133	84
Accrued interest	944	963
Unrealised gains on financial investments	(1,023)	22,486
Off-settable tax assets in respect of unused tax losses and other items	(30,851)	(34,214)
Other items	399	399
Total (note 19)	29,785	31,557
Deferred income tax liabilities to be settled within one year	5,728	4,816

Amounts expressed in US$000

33 DEFERRED INCOME TAXES

Deferred income tax liabilities movements:	Accelerated tax depreciation	Policy liabilities taxable in the future	Defined benefit assets	Accrued interest	Unrealised gains on financial investments	Off-settable tax assets in respect of unused tax losses and other items	Other Items	Total
2015								
Balance, beginning of year as previously reported	1,775	40,064	84	963	22,486	(34,214)	399	31,557
(Charged)/credited to:								
Profit or Loss	31	(487)	56	(20)	(85)	3,363	-	2,858
Other comprehensive income	-	18,800	(7)	-	(23,425)	-	-	(4,632)
Equity	-	-	-	1	1	-	-	2
Balance, end of year	1,806	58,377	133	944	(1,023)	(30,851)	399	29,785
2014								
Balance, beginning of year as previously reported	1,769	40,577	39	902	9,758	(31,102)	591	22,534
(Charged)/credited to:								
Profit or Loss	6	7,928	-	61	96	(3,112)	(192)	4,787
Other comprehensive income	-	(8,441)	45	-	12,575	-	-	4,179
Effects of exchange rate changes	-	-	-	-	57	-	-	57
Balance, end of year	1,775	40,064	84	963	22,486	(34,214)	399	31,557

34 EARNINGS PER COMMON SHARE

The basic earnings per common share is computed by dividing earnings attributable to common shareholders by the weighted average number of shares in issue during the year, after deducting treasury shares. Earnings attributable to common shareholders recognise the impact on net income of the Company's convertible redeemable preference shares (note 21.2).

The table below derives the earnings attributable to common shareholders and the basic earnings per common share.

	2015	2014
Net income / (loss) attributable to common shareholders	34,679	27,370
Finance costs attributable to preference share subscription	6,483	6,483
Amortisation of issue expenses allocated to preference share reserve	(221)	(221)
Preference share dividends declared	(7,800)	(7,800)
Earnings / (loss) attributable to common shareholders	33,141	25,832
Weighted average number of shares in issue in thousands	301,924	301,554
Basic earnings / (loss) per common share	11.0¢	8.6¢
Attributable to:		
Continuing operations	18.2¢	17.3¢
Discontinued operation	(7.2)¢	(8.7)¢

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 the convertible redeemable preference shares. In computing diluted earnings per share, the income attributable to common shareholders is adjusted by the dilutive impact of the convertible preference shares and the weighted average number of common shares is adjusted by the dilutive impacts of the aforementioned share grants, options and preference shares.

34 EARNINGS PER COMMON SHARE (continued)

The table below derives the adjusted earnings attributable to common shareholders, the adjusted weighted average number of common shares, and the fully diluted earnings per common share.

	2015	2014
Earnings / (loss) attributable to common shareholders	33,141	25,832
Weighted average number of shares in issue in thousands	301,924	301,554
LTI restricted share grants	4,201	2,981
ESOP shares	3,006	2,744
Adjusted weighted average number of shares in issue	309,131	307,279
Fully diluted earnings / (loss) per common share	10.7¢	8.4¢
Attributable to:		
Continuing operations	17.3¢	16.6¢
Discontinued operation	(6.6)¢	(8.2)¢

Amounts expressed in US$000

35 OTHER COMPREHENSIVE INCOME (OCI)

Schedule to OCI from continuing operations

	2015					2014				
		After tax OCI is attributable to					After tax OCI is attributable to			
	OCI tax expense	Shareholders	Participating policyholders	Non-controlling interests	Total	OCI tax expense	Shareholders	Participating policyholders	Non-controlling interests	Total
Items that may be reclassified subsequently to income:										
Available for sale assets:										
Gains / (losses) arising on revaluation	31,306	(72,866)	867	(31,102)	(103,101)	(15,278)	36,707	(1,792)	3,471	38,386
(Gains) / losses transferred to income	3,533	(4,287)	-	3,112	(1,175)	1,158	(1,655)	-	(1,175)	(2,830)
Net change in actuarial liabilities	(18,800)	47,329	(867)	1,884	48,346	8,503	(21,777)	1,807	-	(19,970)
Retranslation of foreign currency operations	-	(8,393)	(36)	(7,257)	(15,686)	-	(10,535)	47	(11,548)	(22,036)
	16,039	(38,217)	(36)	(33,363)	(71,616)	(5,617)	2,740	62	(9,252)	(6,450)
Items that will not be reclassified subsequently to income:										
Gains / (losses) arising on revaluation of owner-occupied property	(1,159)	(202)	-	(143)	(345)	(48)	(184)	-	211	27
Defined benefit gains / (losses)	2,258	(3,447)	-	(1,984)	(5,431)	(1,733)	7,971	-	5,241	13,212
Other items	-	-	-	-	-	-	(108)	-	-	(108)
	1,099	(3,649)	-	(2,127)	(5,776)	(1,781)	7,679	-	5,452	13,131
Total OCI movements	17,158	(41,866)	(36)	(35,490)	(77,392)	(7,398)	10,419	62	(3,800)	6,681
Allocated to equity reserves		(38,419)					2,556			
Allocated to retained earnings		(3,447)					7,863			
		(41,866)					10,419			

Amounts expressed in US$000

36 CASH FLOWS

36.1 Operating activities

	2015	2014
Adjustments for non-cash items, interest and dividends:		
Interest and dividend income	(296,676)	(266,938)
Net investment gains	(32,418)	(47,668)
(Gain) / loss arising on acquisition	1,025	(29,051)
Net increase in actuarial liabilities	26,559	40,997
Interest expense and finance costs	96,041	86,283
Depreciation and amortisation	18,687	20,220
Increase in provision for unearned premiums	(1,093)	44
Other items	(12,908)	10,258
	(200,783)	(185,855)
Net increase in investments and operating assets:		
Investment property	5,118	9,472
Debt securities	(151,201)	(222,964)
Equity securities	(15,875)	8,463
Mortgage loans	(51,613)	(35,500)
Policy loans	934	(4,491)
Finance loans and finance leases	(43,147)	(17,510)
Securities purchased for re-sale	5,647	(3,632)
Deposits	8,189	37,346
Other assets and receivables	(27,133)	(16,956)
	(269,081)	(245,772)

36.1 Operating activities (continued)

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

	2015	2014
Investment property:		
Disbursements	(111)	(1,638)
Disposal proceeds	5,229	11,110
	5,118	9,472
Debt securities:		
Disbursements	(1,351,966)	(1,037,913)
Disposal proceeds	1,200,765	814,949
	(151,201)	(222,964)
Equity securities:		
Disbursements	(55,395)	(70,757)
Disposal proceeds	39,520	79,220
	(15,875)	8,463
Net increase in operating liabilities:		
Insurance liabilities	7,020	2,930
Investment contract liabilities	12,190	1,314
Other funding instruments	8,881	55,072
Deposits	137,800	32,877
Securities sold for re-purchase	(137,084)	151,980
Other liabilities and payables	29,707	61,803
	58,514	305,976

Amounts expressed in US$000

36.2 Investing activities

	2015	2014
Property, plant and equipment:		
Purchases	(18,175)	(23,324)
Disposal proceeds	1,589	2,408
	(16,586)	(20,916)

36.3 Financing activities

	2015	2014
Other notes and loans payable:		
Proceeds	310,545	-
Repayments	(154,087)	(683)
	156,458	(683)

36.4 Cash and cash equivalents

	2015	2014
Cash resources	250,489	402,525
Call deposits and other liquid balances	183,068	57,782
Bank overdrafts	(2,158)	(1,459)
Other short-term borrowings	(46,520)	(17,654)
	384,879	441,194

37 SUBSIDIARY ACQUISITION AND OWNERSHIP CHANGES

On June 27, 2014, the Group acquired 100% of the share capital of RBC Royal Bank (Jamaica) Limited and its subsidiary, RBC Securities (Jamaica) Limited.

The net assets acquired amounted to $113,429 for a purchase consideration of $84,378. This gave rise to negative goodwill of $29,051. The acquisition was recorded based on provisionally determined values in 2014. These balances were finalized during the year. The adjustments made during the measurement period of $1.0 million was recognised during the current year as they were not material to the Group.

Management has assessed the bank's ability to recognise the deferred tax asset arising from tax losses and has deemed it appropriate to have such recognition based on projections of future profits.

Banking operations of the acquired and existing bank were combined during 2014, management has restructured the organization to remove duplication of resources and costs.

	Fair Value	Acquiree's carrying value
Net assets acquired:		
Property, plant and equipment	14,041	6,390
Intangible assets	10,304	8,816
Financial investments	255,036	255,036
Deferred tax asset	30,602	-
Miscellaneous assets and receivables	45,948	17,503
Cash resources	178,778	178,778
Other insurance liabilities	(10,957)	(10,957)
Deposit and security liabilities	(356,044)	(356,044)
Provisions	(40,281)	(6,107)
Income tax liabilities	(4,228)	(4,228)
Accounts payable and accrued liabilities	(9,770)	(9,770)
Total net assets	113,429	79,417
Share of net assets acquired	113,429	
Purchase consideration and related costs	84,378	
Goodwill arising on acquisition (note 8)	(29,051)	

	Total Revenue	Net Income
Details of acquiree's net income and total revenue:		
For the year ended December 31, 2014	56,317	(7,425)
Consolidated from acquisition date to December 31, 2014	18,626	(5,049)

Amounts expressed in US$000

38 DISCONTINUED OPERATION

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

The operations of the Sagicor Europe operating segment are presented as discontinued operations in these financial statements and a financial liability has been included for the settlement of open underwriting years.

The Group's effective shareholder's interest in these companies prior to divestment was 100% and the effective legal interest was 93%.

The consideration for the sale was £56,178,000 ($91,913), representing the assumption by AmTrust of indebtedness of Sagicor Europe and its subsidiaries to Sagicor.

The terms of the sale required the Company to take certain actions and provide certain commitments which included:

(i) The purchase prior to the sale by Sagicor of the legal 7% shareholding interest held by the minority shareholders;

(ii) Future price adjustments to the consideration, 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.

Immediately prior to the sale, Sagicor purchased the minority shareholdings for $1,157. The minority shareholders were participating employees who had subscribed in cash for shares of Sagicor Europe. Each participating employee had contracted with Sagicor Europe and the Company under a share subscription agreement. Under the provisions of these agreements, participating employees could exercise a put option to the Company to acquire their shares at the prevailing fair value. The first tranches of put options vested in 2012 and 2013 representing 7% of the total shareholding and were exercised for cash consideration of $1,305. The put options were accounted for as cash settled share based payment arrangements.

38 Discontinued operation (continued)

As of December 31, 2015, the price adjustments have been estimated at £31,058,000 ($46,026) which has been recorded as a liability to AmTrust. The anticipated settlement dates are as follows:

	2015	2014
March 31, 2015	-	21,069
March 31, 2016	46,525	30,682
March 31, 2019	(499)	(5,955)
	46,026	45,796

Movement in Price Adjustments

	2015
Balance Payable end 2014	45,796
Payment made	(21,231)
Experience loss for 2015	23,013
Net currency movements	(1,552)
Payable end 2015	46,026

The price adjustments were subject to a limit based on the terms of the agreement. As at December 31, 2015, the limit was fully utilised. The Group therefore has no further contingent liability for future price adjustments.

Amounts expressed in US$000

38 Discontinued operation (continued)

The net loss recognised in the statement of income and the statement of comprehensive income is as follows.

Statement of income	2015	2014
Currency translation gain / (loss)	1,552	417
Other expenses	(187)	(592)
Movement in price adjustment	(23,013)	(26,192)
Net loss and total comprehensive loss	(21,648)	(26,367)

39 CONTINGENT LIABILITIES

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

	2015	2014
Customer guarantees and letters of credit [1]	27,154	16,288

[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

During the normal course of business, the Group is subject to legal actions which may affect the reported amounts of liabilities, benefits and expenses. Management considers that any liability from these actions, for which provision has not been already made, will not be material.

(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.

Amounts expressed in US$000

40 FAIR VALUE OF PROPERTY

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

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

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

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

The results of applying the fair value hierarchy to the Group's property as of December 31, 2015 are as follows:

	Level 1	Level 2	Level 3	Total
Investment property	-	-	79,172	79,172
Owner-occupied lands	-	-	38,031	38,031
Owner-occupied land and buildings	-	-	80,694	80,694
	-	-	197,897	197,897

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 property, reasonable changes in fair value would affect other comprehensive income. The following table represents the movements in Level 3 property for the current year.

	Investment property	Owner-occupied property		Total
		Lands	Land and buildings	
Balance, beginning of year	88,766	38,220	77,901	204,887
Additions	111	-	967	1,078
Transfers in / (out)	(3,410)	(22)	3,416	(16)
Fair value changes recorded in net investment income	(816)	-	-	(816)
Fair value changes recorded in other comprehensive income	-	-	815	815
Depreciation	-	-	(1,079)	(1,079)
Disposals and divestitures	(5,255)	(167)	(109)	(5,531)
Effect of exchange rate changes	(224)	-	(1,217)	(1,441)
Balance, end of year	79,172	38,031	80,694	197,897

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.

The amounts disclosed in this note and in notes 42 and 43, exclude amounts in the statement of financial position classified as liabilities of 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 primarily associated with financial investments and reinsurance contracts held.

Credit risk from financial investments is minimised through holding a diversified portfolio of investments, purchasing securities and advancing loans only after careful assessment of the borrower, obtaining collateral before advancing loans, and placing deposits with financial institutions with a strong capital base. Limits may be placed on the amount of risk accepted in relation to one borrower.

The Group has developed an internal credit rating standard. The internal rating is a 10 point scale which allows for distinctions in risk characteristics and is referenced to the rating scales of international credit rating agencies. The scale is set out in the following table.

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

41.1 Credit risk (continued)

The Group applies this rating scale to three categories of exposures:

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

The 3 default grades are used for lending portfolios while investment portfolios and reinsurance exposures use one default grade: 8.

The maximum exposures of the Group to credit risk without taking into account any collateral or any credit enhancements are set out in the following table.

	2015		2014	
	$000	%	$000	%
Investment portfolios	3,937,104	68.4	4,008,176	71.4
Lending portfolios	909,570	15.8	838,301	14.9
Reinsurance assets	644,463	11.2	507,019	9.0
Other financial assets	151,842	2.6	145,891	2.6
Total financial statement exposures	5,642,979	98.0	5,499,387	97.9
Loan commitments	69,936	1.2	69,307	1.2
Customer guarantees and letters of credit	27,154	0.5	16,288	0.4
Other	19,380	0.3	25,415	0.5
Total off financial statement exposures	116,470	2.0	111,010	2.1
Total	5,759,449	100.0%	5,610,397	100.0%

The amounts in respect of customer guarantees and letters of credit represent potential claims against customers in the event of a call on customer guarantees and letters of credit issued by the Group.

41.1 Credit risk (continued)

The Group's largest exposures to individual counterparty credit risks as of December 31, 2015 and 2014 are set out below. The individual ratings reflect the rating of the counterparty listed below, while the amounts include exposures with subsidiaries of the counterparty.

	Sagicor Risk Rating	2015	Sagicor Risk Rating	2014
Investment portfolios:				
Government of Jamaica	5	901,896	5	929,353
Government of Trinidad and Tobago	2	200,307	2	156,574
Government of Barbados	5	307,185	5	297,742
The Bank of Nova Scotia	2	185,743	1	86,405
Government of St Lucia	5	81,412	5	79,013
The Federal National Mortgage Association	1	101,356	1	91,943
The Federal Home Loan Mortgage Corporation	1	67,523	1	81,139
Lending portfolios:				
Value Assets International S.A. and Egret Limited	3	29,780	4	32,611
Reinsurance assets:				
Guggenheim Partners(1)	3	543,329	5	412,516

(1)The reinsurance asset held in the name of Guggenheim Partners are secured by assets held in trust totalling $573,774 (2014 - $421,098).

41.1 Credit risk (continued)

(a) Investment portfolios

The results of the risk rating of investment portfolios are as follows:

Investment portfolios					
Risk Rating	Classification	2015		2014	
		Exposure $000	Exposure %	Exposure $000	Exposure %
1	Minimal risk	317,670	8%	587,359	15%
2	Low risk	794,812	20%	642,099	16%
3	Moderate risk	1,026,099	26%	994,603	25%
4	Acceptable risk	193,025	5%	119,418	3%
5	Average risk	1,518,308	39%	1,610,551	40%
6	Higher risk	23,472	1%	11,575	0%
7	Special mention	18	0%	5,692	0%
8	Substandard	2,683	0%	10,851	0%
TOTAL RATED EXPOSURES		3,876,087	99%	3,982,148	99%
UN-RATED EXPOSURES		61,017	1%	26,028	1%
TOTAL		3,937,104	100%	4,008,176	100%

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.

41.1 Credit risk (continued)

(b) Lending portfolios

The results of the risk rating of lending portfolios are as follows:

Lending portfolios					
Risk Rating	Classification	2015		2014	
		Exposure $000	Exposure %	Exposure $000	Exposure %
1	Minimal risk	455,471	50%	407,558	49%
2	Low risk	77,350	9%	57,952	7%
3	Moderate risk	184,911	20%	198,498	24%
4	Acceptable risk	30,282	3%	16,919	2%
5	Average risk	26,653	3%	30,102	4%
6	Higher risk	8,852	1%	12,779	2%
7	Special mention	23,345	3%	647	0%
8	Substandard	8,953	1%	13,763	2%
9	Doubtful	4,693	1%	5,665	1%
10	Loss	9,699	1%	11,020	1%
TOTAL RATED EXPOSURES		830,209	92%	754,903	92%
UN-RATED EXPOSURES		79,361	8%	83,398	8%
TOTAL		909,570	100%	838,301	100%

Amounts expressed in US$000

41.1 Credit risk (continued)

Exposure to credit risk is also managed in part by obtaining collateral and guarantees for lending portfolios. For mortgage loans, the collateral is real estate property, and the approved loan limit is 80% to 95% of collateral value. For finance loans and finance leases, the collateral often comprises a vehicle or other form of security and the approved loan / lease limit is 90% of the collateral value. Unsecured finance loans and finance leases are only granted when the initial amount is less than $5,001.

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.

Exposure to the lending portfolios by geographic area is as follows.

	2015	2014
Barbados	203,250	212,236
Jamaica	389,521	361,387
Trinidad & Tobago	150,387	111,662
Other Caribbean	108,598	97,585
USA	57,814	55,431
	909,570	838,301

(c) Past due and impaired financial assets

A financial asset is past due when a counterparty has failed to make payment when contractually due. The Group is most exposed to the risk of past due assets with respect to its debt securities, mortgage loans, finance loans and finance leases.

Debt securities are assessed for impairment when amounts are past due, when the borrower is experiencing cash flow difficulties, or when the borrower's credit rating has been downgraded.

41.1 Credit risk (continued)

Mortgage loans less than 90 to 180 days past due and finance loans and finance leases less than 90 days past due are not assessed for impairment unless other information is available to indicate the contrary.

The assessment for impairment includes a review of the collateral. If the past due period is less than the trigger for impairment review, the collateral is not normally reviewed and re-assessed. Accumulated allowances for impairment reflect the Group's assessment of total individually impaired assets at the date of the financial statements. The following tables set out the carrying values of debt securities, mortgage loans, finance loans and finance leases, analysed by past due or impairment status.

	Debt securities	Mortgage loans	Finance loans & leases
2015			
Neither past due nor impaired	3,410,331	275,500	369,137
Past due up to 3 months, but not impaired	3,706	30,483	59,836
Past due up to 12 months, but not impaired	-	3,891	982
Past due up to 5 years, but not impaired	-	11,137	-
Past due over 5 years, but not impaired	-	2,490	-
Total past due but not impaired	3,706	48,001	60,818
Impaired assets (net of impairment)	3,682	17,422	6,206
Total carrying value	3,417,719	340,923	436,161
Accumulated allowances on impaired assets	723	2,754	15,779
Accrued interest on impaired assets	10	462	49

Amounts expressed in US$000

41.1 Credit risk (continued)

	Debt securities	Mortgage loans	Finance loans & leases
2014			
Neither past due nor impaired	3,435,400	233,202	330,215
Past due up to 3 months, but not impaired	683	23,810	67,037
Past due up to 12 months, but not impaired	125	8,944	419
Past due up to 5 years, but not impaired	-	9,177	-
Past due over 5 years, but not impaired	-	4,765	-
Total past due but not impaired	808	46,696	67,456
Impaired assets (net of impairment)	11,341	14,335	12,914
Total carrying value	3,447,549	294,233	410,585
Accumulated allowances on impaired assets	9,334	3,976	20,575
Accrued interest on impaired assets	216	400	212

The Group is also exposed to impaired premiums receivable. Property and casualty insurers frequently provide settlement terms to customers and intermediaries which extend up to 3 months. However, under the terms of insurance contracts, insurers can usually lapse an insurance policy for non-payment of premium, or if there is a claim, recover any unpaid premiums from the claim proceeds.

(d) Repossessed assets

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

41.1 Credit risk (continued)

(e) 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.

41.2 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.

Investment property may be held to back insurance liabilities. As these assets are relatively illiquid, the insurers hold less than 5% of their total assets in investment property.

Amounts expressed in US$000

41.2 Liquidity risk (continued)

(a) Insurance liabilities

The Group's monetary insurance liabilities mature in periods which are summarised in the following table. Amounts are stated at their carrying values recognised in the financial statements and are analysed by their expected due periods, which have been estimated by actuarial or other statistical methods.

	Expected discounted cash flows			
	Maturing within 1 year	Maturing 1 to 5 years	Maturing after 5 years	Total
2015				
Actuarial liabilities	206,721	631,453	1,794,213	2,632,387
Other insurance liabilities	103,394	15,500	53,287	172,181
Total	310,115	646,953	1,847,500	2,804,568
2014				
Actuarial liabilities	193,615	597,671	1,770,935	2,562,221
Other insurance liabilities	95,220	13,691	54,907	163,818
Total	288,835	611,362	1,825,842	2,726,039

Amounts expressed in US$000

41.2 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.

	2015 - Contractual un-discounted cash flows				2014 - 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	310,094	54,054	9,834	373,982	314,269	43,026	9,241	366,536
Notes and loans payable	194,461	143,079	348,400	685,940	56,353	275,644	-	331,997
Deposit and security liabilities:								
Other funding instruments	361,328	15,626	12,305	389,259	330,844	31,778	11,527	374,149
Customer deposits	591,403	78,632	701	670,736	532,004	44,978	4	576,986
Structured products	23,799	12,268	-	36,067	1,221	18,860	-	20,081
Securities sold for re-purchase	524,578	28	-	524,606	669,455	122	-	669,577
Derivative financial instruments	1,052	551	-	1,603	9,063	1,425	-	10,488
Bank overdrafts	2,158	-	-	2,158	1,459	-	-	1,459
Accounts payable and accrued liabilities	158,072	51,631	747	210,450	117,784	45,859	34,870	198,513
Total financial liabilities	2,166,945	355,869	371,987	2,894,801	2,032,452	461,692	55,642	2,549,786
Off financial statement commitments:								
Loan commitments	69,936	-	-	69,936	47,732	7,656	13,919	69,307
Non-cancellable operating lease and rental payments	25,311	8,721	2,644	36,676	4,553	7,875	4,324	16,752
Operating lease and capital commitments	14,275	3,765	-	18,040	22,730	1,542	2,486	26,758
Total off financial statements commitments	109,522	12,486	2,644	124,652	75,015	17,073	20,729	112,817
Total	2,276,467	368,355	374,631	3,019,453	2,107,467	478,765	76,371	2,662,603

Amounts expressed in US$000

41.2 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.

	2015 – Contractual or expected discounted cash flows				2014 – 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	389,557	872,098	2,156,064	3,417,719	427,885	892,531	2,127,133	3,447,549
Mortgage loans	20,890	36,484	283,549	340,923	24,449	28,132	241,652	294,233
Policy loans	5,319	13,746	113,421	132,486	5,237	14,298	113,948	133,483
Finance loans and finance leases	73,664	64,948	297,549	436,161	106,041	143,164	161,380	410,585
Securities purchased for re-sale	8,064	-	-	8,064	31,487	37	-	31,524
Deposits	256,636	1,927	2,269	260,832	116,070	8,530	1,978	126,578
Derivative financial instruments	14,928	551	-	15,479	21,845	1,423	-	23,268
Reinsurance assets: share of actuarial liabilities	79,535	248,411	273,651	601,597	52,877	168,454	248,940	470,271
Reinsurance assets: other	37,366	5,295	205	42,866	32,082	4,449	217	36,748
Premiums receivable	42,398	-	-	42,398	39,731	-	-	39,731
Other assets and accounts receivable	47,431	43,800	2,734	93,965	42,436	3,010	37,446	82,892
Cash resources	229,755	-	20,734	250,489	402,525	-	-	402,525
Total	1,205,543	1,287,260	3,150,176	5,642,979	1,302,665	1,264,028	2,932,694	5,499,387

41.3 Interest rate risk

The Group is exposed to interest rate risks. Cash flow interest rate risk is the risk that future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the fair value of a financial instrument will fluctuate because of changes in market interest rates. The occurrence of an adverse change in interest rates on invested assets may result in financial loss to the Group in fulfilling the contractual returns on insurance and financial liabilities.

The return on investments may be variable, fixed for a term or fixed to maturity. On reinvestment of a matured investment, the returns available on the new investment may be significantly different from the returns formerly achieved. This is known as reinvestment risk.

Guaranteed minimum returns exist within cash values of long term traditional insurance contracts, long term universal life insurance contracts, annuity options, deposit administration liabilities and policy funds on deposit. Where the returns credited exceed the guaranteed minima, the insurer usually has the option to adjust the return from period to period. For other financial liabilities, returns are usually contractual and may only be adjusted on contract renewal or contract re-pricing.

The Group is therefore exposed to the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. Interest margins may increase or decrease as a result of such changes. Interest rate changes may also result in losses if asset and liability cash flows are not closely matched with respect to timing and amount.

The Group is exposed to risk under embedded derivatives contained in a host insurance contract. These risks include exposures to investment returns which may produce losses to the insurer arising from the following contract features:

- minimum annuity rates which are guaranteed to be applied at some future date;
- minimum guaranteed death benefits which are applicable when the performance of an interest bearing or unit linked fund falls below expectations;
- minimum guaranteed returns in respect of cash values and universal life investment accounts.

41.3 Interest rate risk (continued)

The Group manages its interest rate risk by a number of 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.

Amounts expressed in US$000

41.3 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.

	2015					2014				
	Exposure within 1 year	Exposure 1 to 5 years	Exposure after 5 years	Not exposed to interest	Total	Exposure within 1 year	Exposure 1 to 5 years	Exposure after 5 years	Not exposed to interest	Total
Other insurance liabilities	33,518	4,860	53,287	80,516	172,181	43,990	4,859	54,422	60,547	163,818
Investment contract liabilities	308,644	51,442	8,510	-	368,596	312,935	40,052	7,974	-	360,961
Notes and loans payable	159,911	1,042	316,740	(2,176)	475,517	708	298,637	-	(403)	298,942
Deposit and security liabilities:										
Other funding instruments	364,132	8,688	6,242	550	379,612	325,194	28,443	6,681	492	360,810
Customer deposits	477,934	78,511	701	112,372	669,518	533,351	37,048	4	164	570,567
Structured products	22,927	11,966	-	219	35,112	184	13,149	-	6,735	20,068
Securities sold for re-purchase	516,944	171	-	2,493	519,608	655,048	6,158	-	3,596	664,802
Derivative financial instruments	-	-	-	1,603	1,603	4,600	-	-	1,665	6,265
Bank overdrafts	2,158	-	-	-	2,158	1,459	-	-	-	1,459
Accounts payable and accrued liabilities	981	42,904	-	157,837	201,722	8,117	292	-	189,035	197,444
Total	1,887,149	199,584	385,480	353,414	2,825,627	1,885,586	428,638	69,081	261,831	2,645,136

Amounts expressed in US$000

41.3 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.

	2015					2014				
	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	585,718	785,142	1,996,826	50,033	3,417,719	627,847	828,091	1,942,487	49,124	3,447,549
Equity securities	-	-	-	214,957	214,957	742	-	-	193,532	194,274
Mortgage loans	40,595	53,664	243,497	3,167	340,923	49,590	33,754	207,015	3,874	294,233
Policy loans	4,302	13,510	110,311	4,363	132,486	4,358	14,049	110,646	4,430	133,483
Finance loans and leases	374,909	25,663	34,390	1,199	436,161	288,177	64,861	55,637	1,910	410,585
Securities purchased for re-sale	8,041	-	-	23	8,064	31,378	-	-	146	31,524
Deposits	256,385	1,908	1,902	637	260,832	115,621	8,422	1,570	965	126,578
Derivative financial instruments	-	-	-	15,479	15,479	4,999	-	-	18,269	23,268
Reinsurance assets: other	112	-	205	42,549	42,866	2,281	-	217	34,250	36,748
Premiums receivable	1,495	-	-	40,903	42,398	2,286	-	-	37,445	39,731
Other assets and accounts receivable	797	43,337	-	49,831	93,965	5,229	605	12	77,046	82,892
Cash resources	153,277	-	-	97,212	250,489	273,993	-	-	128,532	402,525
Total	1,425,631	923,224	2,387,131	520,353	5,256,339	1,406,501	949,782	2,317,584	549,523	5,223,390

Amounts expressed in US$000

41.3 Interest rate risk (continued)

The table below summarises the average interest yields on financial assets and liabilities held during the year in respect of continuing operations.

	2015	2014
Financial assets:		
Debt securities	6.4%	6.3%
Mortgage loans	6.5%	6.6%
Policy loans	7.3%	7.5%
Finance loans and finance leases	12.7%	11.4%
Securities purchased for re-sale	2.4%	5.6%
Deposits	0.9%	1.7%
Financial liabilities:		
Investment contract liabilities	5.2%	5.4%
Notes and loans payable	8.3%	8.3%
Other funding instruments	2.2%	2.0%
Deposits	1.9%	2.6%
Securities sold for re-purchase	3.7%	5.0%

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 its interest bearing instruments has short-term maturities. The sensitivity of the Group's principal operating subsidiaries engaged in banking, investment management and other financial services are considered in the following paragraphs.

41.3 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 available-for-sale financial assets 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.

2015				2014			
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%	4,145	10,219	- 1%	- 0.5%	(996)	11,653
+2.5%	+ 2%	(6,838)	(35,879)	+2.5%	+ 2%	1,799	(37,376)

41.4 Foreign exchange risk

The Group is exposed to foreign exchange risk as a result of fluctuations in exchange rates since its financial assets and liabilities are denominated in a number of 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.

41.4 Foreign exchange risk (continued)

2015	US$ 000 equivalents of balances denominated in						
	Barbados $	Jamaica $	Trinidad $	Eastern Caribbean $	US $	Other Currencies	Total
ASSETS							
Financial investments[1]	459,902	782,475	355,091	146,006	2,698,719	169,471	4,611,664
Reinsurance assets	11,040	1,189	11,068	1,792	618,240	1,134	644,463
Receivables [1]	25,533	76,047	10,338	12,873	7,368	4,204	136,363
Cash resources	21,349	45,720	39,224	14,825	89,379	39,992	250,489
Total monetary assets	517,824	905,431	415,721	175,496	3,413,706	214,801	5,642,979
Other assets [2]	200,772	324,237	86,074	28,755	119,332	(2,264)	756,906
Total assets of continuing operations	718,596	1,229,668	501,795	204,251	3,533,038	212,537	6,399,885
LIABILITIES							
Actuarial liabilities	392,022	271,391	330,099	63,948	1,500,972	73,955	2,632,387
Other insurance liabilities[1]	70,336	18,878	28,989	9,113	33,929	10,936	172,181
Investment contracts	34,561	66,619	135,169	49,993	74,847	7,407	368,596
Notes and loans payable	19,980	-	-	-	455,537	-	475,517
Deposit and security liabilities	91,187	476,088	1,548	14,929	1,003,153	20,706	1,607,611
Provisions	26,870	37,236	14,732	988	2,815	5,565	88,206
Accounts payable and accruals	30,769	85,701	12,973	10,130	50,510	11,639	201,722
Total monetary liabilities	665,725	955,913	523,510	149,101	3,121,763	130,208	5,546,220
Other liabilities [2]	12,787	4,756	20,089	2,789	26,944	1,110	68,475
Total liabilities of continuing operations	678,512	960,669	543,599	151,890	3,148,707	131,318	5,614,695
Net position	40,084	268,999	(41,804)	52,361	384,331	81,219	785,190

[1] Monetary balances only
[2] Non-monetary balances, income tax balances and retirement plan assets

41.4 Foreign exchange risk (continued)

2014	US$ 000 equivalents of balances denominated in						
	Barbados $	Jamaica $	Trinidad $	Eastern Caribbean $	US $	Other Currencies	Total
ASSETS							
Financial investments[1]	478,885	689,190	289,162	135,458	2,684,225	190,300	4,467,220
Reinsurance assets	10,174	911	10,149	2,507	481,543	1,735	507,019
Receivables [1]	16,357	65,213	10,382	8,400	17,751	4,520	122,623
Cash resources	16,313	48,162	71,990	9,137	205,568	51,355	402,525
Total monetary assets	521,729	803,476	381,683	155,502	3,389,087	247,910	5,499,387
Other assets [2]	211,032	275,029	83,939	33,860	66,396	10,777	681,033
Total assets of continuing operations	732,761	1,078,505	465,622	189,362	3,455,483	258,687	6,180,420
LIABILITIES							
Actuarial liabilities	401,181	270,145	327,944	71,624	1,404,396	86,931	2,562,221
Other insurance liabilities[1]	68,178	18,861	26,603	9,351	27,799	13,026	163,818
Investment contracts	34,726	66,206	126,811	48,703	76,544	7,971	360,961
Notes and loans payable	18,630	-	-	-	280,312	-	298,942
Deposit and security liabilities	87,245	521,969	1,774	12,293	969,762	30,928	1,623,971
Provisions	26,744	29,400	13,586	1,026	1,492	6,108	78,356
Accounts payable and accruals	29,863	79,045	12,912	7,677	64,800	3,147	197,444
Total monetary liabilities	666,567	985,626	509,630	150,674	2,825,105	148,111	5,285,713
Other liabilities [2]	13,059	6,258	22,208	3,652	29,110	1,082	75,369
Total liabilities of continuing operations	679,626	991,884	531,838	154,326	2,854,215	149,193	5,361,082
Net position	53,135	86,621	(66,216)	35,036	601,268	109,494	819,338

[1] Monetary balances only
[2] Non-monetary balances, income tax balances and retirement plan assets

Amounts expressed in US$000

41.4 Foreign exchange risk (continued)

(a) Sensitivity

The Group is exposed to currency risk in its operating currencies whose values have noticeably fluctuated against the United States dollar (USD).

The exposure to currency risk may result in three types of risk, namely:

- Currency risk relating to the future cash flows of monetary balances

This occurs when a monetary balance is denominated in a currency other than the functional currency of the reporting unit to which it belongs. In this instance, a change in currency exchange rates results in the monetary balances being retranslated at the date of the financial statements and the exchange gain or loss is taken to income (note 26).

- Currency risk of reported results of foreign operations

This occurs when a reporting unit's functional currency depreciates or appreciates in value when retranslated to the USD, which is the Group's presentational currency. In this instance, the conversion of the reporting unit's results at a different rate of exchange results in either less or more income being consolidated in the Group's income statement.

- Currency risk of the Group's investment in foreign operations

This occurs when a reporting unit's functional currency depreciates or appreciates in value when retranslated to the USD, which is the Group's presentational currency. In this instance, the conversion of the reporting unit's assets and liabilities at a different rate of exchange results in a currency loss or gain which is recorded in the currency translation reserve (note 22). If the reporting unit was disposed of, either wholly or in part, then the corresponding accumulated loss or gain in the currency translation reserve would be transferred to income or retained earnings.

The operating currency whose value noticeably fluctuate against the USD is the Jamaica dollar (JMD). The theoretical impact of JMD currency risk on reported results and of the Group's investment in foreign operations is considered in the following section.

41.4 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, 2015 and for the year then ended are considered in the following table.

	Amounts denominated in		Total	Effect of a 10%
	JMD	USD	amounts	depreciation
Financial position:				
Assets	1,316,478	1,057,465	2,373,943	(131,647)
Liabilities	996,823	981,039	1,977,862	(99,682)
Net position	319,655	76,426	396,081	(31,965)
Represented by:				
Currency risk of the Group's investment in foreign operations				(31,965)
Income statement:				
Revenue	427,495	55,620	483,115	(34,893)
Benefits	(223,756)	(12,274)	(236,030)	22,376
Expenses	(142,339)	(8,723)	(151,062)	14,234
Income taxes	(20,202)	-	(20,202)	2,020
Net income	41,198	34,623	75,821	3,737
Represented by:				
Currency risk relating to the future cash flows of monetary balances				7,856
Currency risk of reported results of foreign operations				(4,119)
				3,737

A 10% appreciation in the JMD relative to the USD would have equal and opposite effects to those disclosed above.

41.5 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) <u>Level 1 – unadjusted quoted prices in active markets for identical instruments</u>

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) <u>Level 2 – inputs that are observable for the instrument, either directly or indirectly</u>

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.

41.5 Fair value of financial instruments (continued)

In assessing the fair value of non-traded financial liabilities, the Group uses a variety of methods including obtaining dealer quotes for specific or similar instruments and the use of internally developed pricing models, such as the use of discounted cash flows. If the non-traded liability is backed by a pool of assets, then its value is equivalent to the value of the underlying assets.

Certain of the Group's policy liabilities are unit linked, i.e. derive their value from a pool of assets which are carried at fair value. The Group assigns a fair value hierarchy of Level 2 to the contract liability if the liability represents the unadjusted fair value of the underlying pool of assets.

(iii) *<u>Level 3 – inputs for the instrument that are not based on observable market data</u>*

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 available for sale securities comprise primarily of corporate and government agency debt instruments issued in the Caribbean, primarily in Jamaica and Trinidad. The fair values of these instruments have been derived from December 31 market yields of government instruments of similar durations in the country of issue of the instruments.

Level 3 assets designated fair value through income include mortgage loans, debt securities and equities for which the full income return and capital returns accrue to holders of unit linked policy and deposit administration contracts. 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 used in determining the fair value of Level 3 instruments.

Amounts expressed in US$000

41.5 Fair value of financial instruments (continued)

(a) Financial instruments carried at fair value

	2015				2014			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Available for sale securities:								
Debt securities	355,330	1,929,520	26,741	2,311,591	396,980	1,947,067	12,967	2,357,014
Equity securities	46,644	29,538	12,198	88,380	36,010	29,200	11,011	76,221
	401,974	1,959,058	38,939	2,399,971	432,990	1,976,267	23,978	2,433,235
Investments at fair value through income:								
Debt securities	15,820	35,048	85,859	136,727	22,824	49,495	70,521	142,840
Equity securities	12,100	110,267	4,210	126,577	20,841	91,108	6,104	118,053
Derivative financial instruments	-	1,603	13,876	15,479	-	6,663	16,605	23,268
Mortgage loans	-	-	47,052	47,052	-	-	38,718	38,718
Deposits	56	-	-	56	-	-	-	-
	27,976	146,918	150,997	325,891	43,665	147,266	131,948	322,879
Total assets	429,950	2,105,976	189,936	2,725,862	476,655	2,123,533	155,926	2,756,114
Total assets by percentage	16%	77%	7%	100%	17%	77%	6%	100%
Investment contracts:								
Unit linked deposit administration liabilities	-	-	125,177	125,177	-	-	116,809	116,809
Deposit and security liabilities:								
Structured products	-	-	35,112	35,112	-	-	20,068	20,068
Derivative financial instruments	-	1,603	-	1,603	-	6,265	-	6,265
	-	1,603	35,112	36,715	-	6,265	20,068	26,333
Total liabilities	-	1,603	160,289	161,892	-	6,265	136,877	143,142
Total liabilities by percentage	0%	1%	99%	100%	0%	4%	96%	100%

Amounts expressed in US$000

41.5 Fair value of financial instruments (continued)

Balances totalling $4,805 have been transferred from Level 1 to Level 2 in 2015 (2014 - Nil). Transfers from Level 2 to Level 1 in 2015 – Nil (2014 - $27,696).

For Level 3 instruments, reasonable changes in inputs which could be applied to the valuation of available for sale securities would affect other comprehensive income. Reasonable changes in inputs which could be applied to the valuations of investments designated at fair value 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.

	2015				2014	2015			2014
	Available for sale securities	Investments at fair value through income	Derivative instruments	Total assets	Total assets	Policy liabilities	Structured products	Total liabilities	Total liabilities
Balance, beginning of year	23,978	115,343	16,605	155,926	149,673	116,809	20,068	136,877	131,745
Additions	21,934	54,379	18,771	95,084	43,634	-	-	-	-
Transfers into Level 3 classification	1,873	-	-	1,873	-	-	-	-	-
Issues	-	-	-	-	-	18,757	16,437	35,194	19,851
Settlements	-	-	-	-	-	(8,471)	-	(8,471)	(6,332)
Fair value changes recorded within net investment income	342	2,202	(3,287)	(743)	6,846	-	-	-	-
Fair value changes recorded within interest expense	-	-	-	-	-	(682)	-	(682)	(742)
Fair value changes recorded in other comprehensive income	(54)	-	-	(54)	19	-	-	-	-
Disposals	(8,163)	(32,262)	(18,213)	(58,638)	(44,376)	-	-	-	-
Transfers to instruments carried at amortised cost	-	-	-	-	-	-	-	-	(7,766)
Effect of exchange rate changes	(971)	(2,541)	-	(3,512)	130	(1,236)	(1,393)	(2,629)	121
Balance, end of year	38,939	137,121	13,876	189,936	155,926	125,177	35,112	160,289	136,877
Fair value changes recorded in investment income for instruments held at end of year	3	605	(4,538)	(3,930)	4,018	-	-	-	-
Fair value changes recorded in interest expense for instruments held at end of year	-	-	-	-	-	(682)	-	(682)	(742)

Amounts expressed in US$000

41.5 Fair value of financial instruments (continued)

(b) Financial instruments carried at amortised cost

The carrying values of the Group's non-traded financial assets and financial liabilities carried at amortised cost approximate their fair value in notes 10, 12, and 20. The fair value hierarchy of other financial instruments carried at amortised cost as of December 31, 2015 is set out in the following tables.

	Level 1	Level 2	Level 3	Total
Held to maturity securities:				
Debt securities	-	21,940	-	21,940
Loans and receivables:				
Debt securities	-	347,859	635,204	983,063
Mortgage loans	-	22,480	271,561	294,041
Policy loans	-	-	141,950	141,950
Finance loans and finance leases	-	-	419,214	419,214
Securities purchased for resale	-	-	8,064	8,064
	-	370,339	1,475,993	1,846,332
	-	392,279	1,475,993	1,868,272

41.5 Fair value of financial instruments (continued)

	Level 1	Level 2	Level 3	Total
Investment contracts:				
Deposit administration liabilities	-	-	127,780	127,780
Other investment contracts	-	-	118,860	118,860
	-	-	246,640	246,640
Notes and loans payable:				
Convertible redeemable preference shares	-	130,932	-	130,932
Notes and lease payables	-	350,336	46,249	396,585
	-	481,268	46,249	527,517
Deposit and security liabilities				
Other funding instruments	-	-	381,499	381,499
Customer deposits	-	1,759	770,252	772,011
Securities sold for repurchase	-	-	519,508	519,508
	-	1,759	1,671,259	1,673,018
	-	483,027	1,964,148	2,447,175

Amounts expressed in US$000

41.5 Fair value of financial instruments (continued)

(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.

Sensitivity

The sensitivity to fair value changes in equity securities arises from those instruments classified as available for sale. There is no significant sensitivity to those instruments classified at fair value through income, since fair value changes are borne by policy contract holders.

The effects of an across the board 20% change in equity prices of the Group's available for sale equity securities as of December 31, 2015 on total comprehensive income before tax (TCIBT) are as follows.

Available for sale equities	Carrying value	20% change on TCIBT
Listed on Caribbean stock exchanges and markets	21,483	4,297
Listed on US stock exchanges and markets	59,649	11,930
Listed on other exchanges and markets	7,248	1,450
	88,380	17,677

41.6 Derivative financial instruments and hedging activities

The Group's derivative activities give rise to open positions in portfolios of derivatives. These positions are managed to ensure that they remain within acceptable risk levels, with matching deals being utilised to achieve this where necessary. When entering into derivative transactions, the Group employs its credit risk management procedures to assess and approve potential credit exposures.

41.6 Derivative financial instruments and hedging activities (continued)

Derivatives are carried at fair value and presented in the financial statements as separate assets and liabilities. Asset values represent the cost to the Group of replacing all transactions with a fair value in the Group's favour assuming that all relevant counterparties default at the same time, and that transactions can be replaced instantaneously. Liability values represent the cost to the Group counterparties of replacing all their transactions with the Group with a fair value in their favour if the Group were to default. Derivative assets and liabilities on different transactions are only set off if the transactions are with the same counterparty, a legal right of set-off exists and the cash flows are intended to be settled on a net basis. The contract or notional amounts of derivatives and their fair values are set out below.

	Contract / notional amount	Fair value	
		Assets	Liabilities
2015			
Derivatives held for trading:			
Equity indexed options	643,667	15,479	1,603
	643,667	15,479	1,603
2014			
Derivatives held for trading:			
Cross currency swap	19,226	5,022	4,626
Equity indexed options	473,982	18,246	1,639
	493,208	23,268	6,265

41.6 Derivative financial instruments and hedging activities (continued)

(i) Cross currency swap

A Group company entered into a currency swap with an initial notional principal amount of Euro 45 million which matured in February 2015. Under the terms of this swap, the Group company paid Euro at a rate of 5% and received 4.26% in US dollars on the notional principal amount.

The Group company obtained principal and interest in Euros on a promissory note included in debt securities classified as financial assets at fair value through income in note 9.

(ii) Equity indexed options

The Group has purchased equity indexed options in respect of structured products and in respect of life and annuity insurance contracts.

For certain structured product contracts with customers (note 17), equity indexed options give the holder the ability to participate in the upward movement of an equity index while being protected from downward risk. The Group is exposed to credit risk on purchased options only, and only to the extent of the carrying amount, which is their fair value.

For certain universal life and annuity insurance contracts, an insurer has purchased custom call options that are selected to materially replicate the policy benefits that are associated with the equity indexed components within the policy contract. These options are appropriate to reduce or minimise the risk of movements in specific equity markets. Credit risk that the insurer has regarding the options is mitigated by ensuring that the counterparty is sufficiently capitalized. Both the asset and the associated actuarial liability are valued at fair market value on a consistent basis, with the change in values being reflected in the income statement. The valuations combine external valuations with internal calculations.

Amounts expressed in US$000

41.7 Offsetting Financial Assets and Liabilities

The Group is eligible to present certain financial assets and financial liabilities on a net basis on the balance sheet pursuant to criteria described in Note 1 "Accounting Policies: 2.15 Offsetting financial instruments".

The following tables provide information on the impact of offsetting on the consolidated balance sheet, as well as the financial impact of netting for instruments subject to an enforceable master netting arrangement or similar agreement as well as available cash and financial instrument collateral.

2015	Gross amounts of financial assets	Gross amounts set off on the balance sheet	Net amounts of financial assets presented on the balance sheet	Impact of master netting arrangements	Financial instruments collateral	Net amount
ASSETS						
Financial investments	4,803,078	-	4,803,078	(629,825)	(302,098)	3,871,155
Securities purchases under resale agreement	8,064	-	8,064	-	-	8,064
Derivative financial instruments	15,479	-	15,479	(1,603)	-	13,876
	4,826,621	-	4,826,621	(631,428)	(302,098)	3,893,095
LIABILITIES						
Security Liabilities	1,606,008	-	1,606,008	(614,643)	(255,860)	735,505
Derivative financial instruments	1,603	-	1,603	(1,603)	-	-
	1,607,611	-	1,607,611	(616,246)	(255,860)	735,505
2014						
ASSETS						
Financial investments	4,606,702	-	4,606,702	(785,673)	(314,174)	3,506,855
Securities purchases under resale agreement	31,524	-	31,524	-	-	31,524
Derivative financial instruments	23,268	-	23,268	(6,663)	-	16,605
	4,661,494	-	4,661,494	(792,336)	(314,174)	3,554,984
LIABILITIES						
Security Liabilities	1,617,706	-	1,617,706	(741,188)	(262,777)	613,741
Derivative financial instruments	6,265	-	6,265	(6,265)	-	-
	1,623,971	-	1,623,971	(747,453)	(262,777)	613,741

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 is the principal insurer within the Group's continuing operations that issues property and casualty insurance contracts. It operates mainly in Barbados and Trinidad and Tobago.

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 as a whole. 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;

42.2 Claims risk (continued)

- 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 has to be refined over time until final settlement occurs. In addition, from the pricing methodology used for risks, it is assumed that at any particular 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 a large number of 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		2015	2014
Property	Gross	6,726,203	6,196,281
	Net	1,004,774	1,435,522
Motor	Gross	346,729	356,963
	Net	173,364	178,482
Accident and liability	Gross	2,162,735	2,153,760
	Net	1,034,289	1,035,102
Total	Gross	9,235,667	8,707,004
	Net	2,212,427	2,649,106

The insurer assesses its exposures by modelling realistic disaster scenarios of potential catastrophic events. Claims arising from wind storms, earthquakes and floods and events triggering multi-coverage corporate liability claims are considered to be the potential sources of catastrophic losses arising from insurance risks. A realistic disaster scenario modelled for 2015 is presented below and results in estimated gross and net losses.

	Gross loss	Net loss
A Barbados and St. Lucia windstorm having a 200 year return period.	283,372	5,000

The occurrence of one or more catastrophic events in any year may have a material impact on the reported net income of the Group.

42.3 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.

42.3 Reinsurance risk (continued)

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.

Retention limits represent the level of risk retained by the insurer. Coverage in excess of these limits is ceded to reinsurers up to the treaty limit. Claim amounts in excess of reinsurance treaty limits revert to the insurer. Principal features of retention program used by Sagicor General for its property insurance class is summarised in the following table.

Type of risk	Retention by insurers - currency amounts in thousands
Property	• maximum retention of $3,500 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.

The effects of reinsurance ceded are disclosed in notes 14, 24 and 27 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.

The reinsurance recoveries derived from the foregoing are assigned internal credit ratings as follows:

Risk Rating	Classification	Exposure $000	Exposure %
1	Minimal risk	210,125	33%
2	Low risk	422,997	67%
3	Moderate risk	-	0%
4	Acceptable risk	-	0%
5	Average risk	-	0%
6	Higher risk	-	0%
7	Special mention	-	0%
8	Substandard	-	0%
TOTAL		633,122	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 as a whole. In determining the pricing of an insurance contract, the insurer considers the nature and amount of the risk assumed, and recent experience and industry statistics of the benefits payable. Pricing inadequacy may arise either from the use of inadequate experience and statistical data in deriving pricing factors or from market softening conditions.

The underwriting process has established pricing guidelines, and may include specific medical tests and enquiries which determine the insurer's assessment of the risk. Insurers may also establish deductibles and coverage limits for health risks which will limit the potential claims incurred. Term life and critical illness risks have limitations of insured amounts. The pricing of a contract therefore consists of establishing appropriate premium rates, deductibles and coverage limits.

(b) Mortality and morbidity risk

Mortality risk is the risk that worsening mortality rates will result in an increase of death claims. Morbidity is the incidence of disease or illness and the associated risk is that of increased disability and medical claims. Insurance claims are triggered by the incurrence of a medical claim, the diagnosis of a critical illness or by death of the person insured.

For contracts providing death benefits, higher mortality rates would result in an increase in death claims. The Group annually reviews its mortality experience and compares it to industry mortality tables. This review may result in future adjustments to the pricing or re-pricing of these contracts.

Critical illness claims arise from the diagnosis of a specific illness incurred by the policy beneficiary. The Group annually reviews its critical illness claims experience and compares it to industry statistics. This review may result in future adjustments to the pricing or re-pricing of these contracts.

The concentration risks of term life and critical illness contracts are included in the related disclosure on other long-term contracts in note 43.2(b).

Amounts expressed in US$000

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.

2015 Premium revenue by location of insureds	Gross	Ceded	Net
Barbados	20,432	994	19,438
Jamaica	80,996	2,141	78,855
Trinidad & Tobago	26,981	637	26,344
Other Caribbean	26,951	1,258	25,693
USA	54	77	(23)
Total	155,414	5,107	150,307

(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.

	2015		2014	
	Liability	5% increase in liability	Liability	5% increase in liability
Actuarial liability	40,845	2,042	48,507	2,425
Claims payable	3,379	169	3,389	169
	44,224	2,211	51,896	2,594

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 payout 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 payout 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.

Amounts expressed in US$000

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 a large number of 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		2015 Individual contracts	2015 Group contracts	2014 Individual contracts	2014 Group contracts
Barbados	Gross	3,717,465	1,319,187	3,575,173	1,293,251
	Net	3,404,278	1,272,561	3,245,153	1,244,721
Jamaica	Gross	6,788,633	4,722,254	6,579,009	4,894,151
	Net	6,633,173	4,693,456	6,396,752	4,875,291
Trinidad & Tobago	Gross	3,299,470	2,591,709	3,040,062	1,775,661
	Net	2,699,592	2,460,183	2,458,724	1,660,732
Other Caribbean	Gross	7,425,375	1,993,205	7,248,379	2,382,119
	Net	6,315,588	1,718,537	6,025,887	2,100,054
USA	Gross	5,416,515	45,491	4,630,990	50,022
	Net	1,944,902	43,300	1,821,525	47,230
Total	Gross	26,647,458	10,671,846	25,073,613	10,395,204
	Net	20,997,533	10,188,037	19,948,041	9,928,028

43.2 Contracts with investment returns (continued)

Total liability under annuity contracts which represents the present value of future annuity benefits provides a good measure of longevity risk exposure.

Total liability under annuity contracts		2015 Individual contracts	2015 Group contracts	2014 Individual contracts	2014 Group contracts
Barbados	Gross	114,475	46,288	99,604	54,160
	Net	114,475	46,288	99,604	54,160
Jamaica	Gross	509	285,843	541	266,893
	Net	509	285,843	541	266,893
Trinidad & Tobago	Gross	113,108	-	112,401	-
	Net	113,108	-	112,401	-
Other Caribbean	Gross	24,171	-	19,998	69
	Net	24,171	-	19,998	69
USA	Gross	946,891	26,447	852,121	29,757
	Net	375,338	7,988	418,838	9,076
Total	Gross	1,199,154	358,578	1,084,665	350,879
	Net	627,601	340,119	651,382	330,198

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 has to be funded either by increasing the volume of inforce policies or by productivity gains. Failure to achieve these goals will require increases in actuarial liabilities held.

(e) Investment risk

A substantial proportion of the Group's financial investments support insurer obligations under life and annuity contracts with investment returns. The financial risks outlined in note 41 pertaining to credit, liquidity, interest rate, foreign exchange and equity price are considered integral investment risks associated with these insurance contracts.

Asset defaults, mismatches in asset and liability cash flows, interest rate and equity price volatility generally have the effect of increasing investment risk and consequential increases in actuarial liabilities held.

43.3 Reinsurance risk

To limit its exposure of potential loss on an insurance policy, the insurer may cede certain levels of risk to a reinsurer. The Group selects reinsurers which have well established capability to meet their contractual obligations and for new business a Sagicor credit risk rating of 1 or 2 is usually selected. Reinsurance ceded does not discharge the insurer's liability and failure by a reinsurer to honour its commitments could result in losses to the Group.

Insurers have limited their exposure per person by excess of loss or quota share treaties. Retention limits represent the level of risk retained by the insurer. Coverage in excess of these limits is ceded to reinsurers up to the treaty limit. The principal features of retention programs used by insurers are summarised in the following table.

Type of insurance contract	Retention by insurers - currency amounts in thousands
Health insurance contracts with individuals	Retention per individual to a maximum of $88
Health insurance contracts with groups	Retention per individual to a maximum of $88
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 $292

43.4 Sensitivity arising from the valuation of actuarial liabilities

The estimation of actuarial liabilities is sensitive to a number of assumptions. 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)).

Amounts expressed in US$000

43.4 Sensitivity arising from the valuation of actuarial liabilities (continued)

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

Sensitivity	Scenario		
	Sagicor Life Inc segment	Sagicor Jamaica Segment	Sagicor USA segment
Worsening rate of lapse	Lapse rates were either doubled or halved, and the more adverse result was selected.		For 2015, lapse rates were increased or reduced by 30%, and the more adverse result was selected. For 2014, lapse rates were doubled or halved.
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 products only, the base assumed rates were increased annually by 3% cumulatively over the next 5 years. For annuity products, the mortality rates were decreased by 3% of the base rate for 5 years.
Higher expenses	Policy unit maintenance expense rates were increased by 5% per year for 5 years above those reflected in the base scenario.		

43.4 Sensitivity arising from the valuation of actuarial liabilities (continued)

The following table represents the estimated sensitivity of each of the above scenarios to net actuarial liabilities for insurers by segment. Correlations that may exist between scenario assumptions were not explicitly taken into account.

	Sagicor Life segment		Sagicor Jamaica segment		Sagicor Life USA segment	
	2015	2014	2015	2014	2015	2014
Base net actuarial liability	939,819	882,151	326,652	488,320	562,236	715,303
Scenario	increase in liability		increase in liability		increase in liability	
Worsening rate of lapse	127,997	120,151	40,153	41,484	9,123	27,804
High interest rate	(76,882)	(76,586)	(101,205)	(98,548)	(33,619)	(42,745)
Low interest rate	151,291	143,890	136,247	126,221	38,922	49,378
Worsening mortality/ morbidity	34,191	33,049	33,891	26,624	12,737	15,295
Higher expenses	19,174	26,770	15,972	16,860	3,846	4,983

Amounts expressed in US$000

43.5 Dynamic capital adequacy testing (DCAT)

DCAT is a technique used by the Group to assess the adequacy of the insurer's financial position and financial condition in the light of different future economic and policy experience scenarios. DCAT assesses the impact over the next 5 years on the insurer's financial position and financial condition under specific scenarios.

The financial position of an insurer is reflected by the amounts of assets, liabilities and equity in the financial statements at a given date. The financial position therefore relies on the valuation assumptions used for establishing the actuarial liabilities being adequate to measure future adverse deviations in experience. The financial position does not offer any indication of an insurer's ability to execute its business plan.

The financial condition of an insurer at a particular date is its prospective ability at that date to meet its future obligations, especially obligations to policyholders, those to whom it owes benefits and to its shareholders. The financial condition analysis examines both an insurer's ability to execute its business plan and to absorb adverse experience beyond that provided for when its actuarial liabilities are established.

The purpose of the DCAT is

- to develop an understanding of the sensitivity of the total equity of the insurer and future financial condition to changes in various experience factors and management policies;
- to alert management to material, plausible and imminent threats to the insurer's solvency;
- and to describe possible courses of action to address these threats.

Full DCAT is conducted periodically by some insurers within the Group.

44 FIDUCIARY RISK

The Group provides investment management and pension administration services to investment and pension funds which involve the Group making allocation, purchase and sale decisions in relation to a wide range of investments. These services give rise to fiduciary risk that may expose the Group to claims for mal-administration or under-performance of these funds.

In the ordinary course of business, the Group manages assets of pension funds, mutual funds and unit trusts which are held in a fiduciary capacity and are not included in the Group's financial statements. The investments and cash under administration are summarised in the following table.

	2015	2014
Pension and insurance fund assets	1,576,696	1,324,229
Mutual fund, unit trust and other investment fund assets	796,775	581,393
	2,373,471	1,905,622

Fee income under administration is discussed in Note 26.

45 STATUTORY RESTRICTIONS ON ASSETS

Insurers are registered to conduct insurance business under legislation in place in each relevant jurisdiction. This legislation may prescribe a number of 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 $1,313,013 (2014 - $1,169,848) 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.

Amounts expressed in US$000

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:

	2015	2014
Shareholders' equity	506,046	531,698
Non-controlling interest	231,735	241,480
Notes and loans payable	475,517	298,942
Total financial statement capital resources	1,213,298	1,072,120

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 Sagicor Group as of December 31 has been estimated as 221% (2014 – 273%). This is the principal standard of capital adequacy used to assess the overall strength 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 Group as a whole and not necessarily applicable to each individual segment, insurance subsidiary or insurance subsidiary branch.

Amounts expressed in US$000

46.2 Capital adequacy (continued)

(i) Sagicor Life Jamaica

Sagicor Life Jamaica is governed by the Jamaican MCCSR regime which requires an insurer to maintain a minimum ratio of 150%. For the years ended December 31, 2015 and 2014, this ratio was 202% and 182% respectively.

(ii) Sagicor Life Insurance Company (USA)

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

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

Sagicor Life Insurance Company looks to maintain at least 300% of the Company Action Level, and has maintained these ratios as of December 31, 2015 and 2014 respectively.

46.2 Capital adequacy (continued)

(b) Sagicor Investments Jamaica Limited and Sagicor Bank Jamaica Limited

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

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

The table below summarises the capital adequacy ratios. During 2015 and 2014, all applicable externally imposed capital requirements were complied with.

	Sagicor Investments Jamaica		Sagicor Bank Jamaica	
	2015	2014	2015	2014
Actual capital base to risk weighted assets	14%	13%	14%	15%
Required capital base to risk weighted assets	10%	10%	10%	10%

Amounts expressed in US$000

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 Company. The Group must maintain a fixed charge coverage ratio of 2:1 and an MCCSR capital ratio in excess of 175%.
Limitation on restricted distributions from subsidiaries	This covenant limits the subsidiaries from creating encumbrances or restrictions on their ability to make distributions to the Parent.
Limitation on sale of assets of subsidiary stock	This covenant restricts the Company 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 Company.
Change in control	This covenant allows investors to put their bonds back to the Company at a certain value when a specified event has changed ownership/control of the Company.
Limitation on liens	This covenant restricts the Company's ability to secure future debt with the Company's assets.
Optional Redemption	The notes are redeemable at the Company's option after August 11, 2018 at specified redemption rates.

46.3 Financial covenants (continued)

(b) 5.0% notes due 2016

Under an indenture and a trust deed entered into by the Group on the issue of the senior notes and notes respectively (see note 16), the Group has to comply with permitted lien covenants, which will not allow the Company nor any of its subsidiaries to directly or indirectly, incur or permit to exist any lien to secure any indebtedness or any guarantee of indebtedness, other than permitted liens, without effectively providing that the senior notes and notes are secured equitably and rateably with (or, if the obligation to be secured by lien, this is subordinated in right of payment to the senior notes and notes, prior to) the obligations so secured for so long as such obligations are so secured.

Permitted liens are liens existing on the dates of issue of the senior notes and notes respectively, certain liens which would arise in the course of normal business, and other liens whose outstanding principal amounts in aggregate outstanding principal amount do not exceed 10% of the consolidated net tangible assets (as is defined in the indenture and trust deed). As of December 31, 2015 and 2014, the Group satisfied these requirements.

(c) International Finance Corporation (IFC)

On March 31, 2011, the Company entered into subscription and policy agreements with IFC, regarding the latter's participation in the issue of new common and convertible redeemable preference shares. Pursuant to the aforementioned agreements, on July 18, 2011, 12,269,938 common shares and 78,339,530 convertible redeemable preference shares were issued to IFC. The financial covenants included in these agreements are summarised as follows.

Put option

IFC has been granted the right to require the Company to purchase IFC's holding of convertible redeemable preference shares in the event that the Company is in breach of any of the policy reporting or IFC policy covenants. The Company may nominate a third party to purchase the shares. The purchase must take place within 10 and 60 days of the date of notice. If the Company either fails to purchase or does not arrange a third party purchase, IFC may sell the shares to a third party and the Company is required to pay a late payment charge of 6.5% per annum.

Amounts expressed in US$000

47 RELATED PARTY TRANSACTIONS

Other than as disclosed in notes 5, 9, 12, 26, 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:

Compensation	2015	2014
Salaries, directors' fees and other short-term benefits	20,176	20,177
Equity-settled compensation benefits	3,377	2,324
Pension and other retirement benefits	1,717	1,672
	25,270	24,173

	Mortgage loans	Other loans	Total loans
Balance, beginning of year	5,167	412	5,579
Advances	726	585	1,311
Repayments	(402)	(144)	(546)
Effects of exchange rate changes	1	(17)	(16)
Balance, end of year	5,492	836	6,328
Interest rates prevailing during the year	3.75% - 7.00%	4.00% - 14.00%	

48 EVENTS AFTER DECEMBER 31, 2015

On March 21, 2016, the Company redeemed the 5.0% US$43.4 million notes due May 12, 2016.

Additionally, on the same date, notes in the amount of US$75.0 million due April 14, 2017 at an annual rate of interest of 5.0%, were issued.

APPENDIX F – SAGICOR INTERIM FINANCIAL STATEMENTS

SAGICOR FINANCIAL CORPORATION LIMITED

Interim Financial Statements

Nine-months ended September 30, 2018

INDEX TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
September 30, 2018

SAGICOR FINANCIAL CORPORATION LIMITED

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Amounts in US $000	As of September 30, 2018 (unaudited)	As of December 31, 2017 Restated (Note 17)	As of January 1, 2017 Restated (Note 17)
ASSETS			
Investment property	78,901	80,816	80,662
Property, plant and equipment	151,782	165,560	167,723
Associates and joint ventures	95,535	97,223	87,293
Intangible assets	81,521	81,714	83,487
Financial investments (note 9)	5,077,123	4,953,241	4,813,748
Reinsurance assets	748,965	797,391	777,344
Income tax assets	46,856	39,980	59,575
Miscellaneous assets and receivables	162,240	228,543	183,018
Cash resources	365,170	360,064	279,070
Assets of the discontinued operation (note 8)	13,301	10,110	-
Total assets	**6,821,394**	**6,814,642**	**6,531,920**
LIABILITIES			
Actuarial liabilities	2,974,560	2,944,700	2,771,824
Other insurance liabilities	239,141	224,159	207,122
Investment contract liabilities (note 10)	377,192	379,018	377,576
Total policy liabilities	3,590,893	3,547,877	3,356,522
Notes and loans payable (note 11)	404,353	413,805	395,213
Deposits and security liabilities (note 12)	1,632,178	1,559,232	1,623,325
Provisions	70,386	80,027	101,292
Income tax liabilities	34,165	29,502	51,078
Accounts payable and accrued liabilities	193,566	246,976	204,975
Total liabilities	**5,925,541**	**5,877,419**	**5,732,405**
EQUITY			
Share capital	3,059	3,059	3,029
Share premium	300,471	300,470	297,050
Reserves	(87,911)	(47,388)	(64,798)
Retained earnings	382,488	368,451	301,799
Shareholders' equity	598,107	624,592	537,080
Participating accounts	(10,528)	865	1,291
Non-controlling interests in subsidiaries	308,274	311,766	261,144
Total equity	**895,853**	**937,223**	**799,515**
Total liabilities and equity	**6,821,394**	**6,814,642**	**6,531,920**

These financial statements have been approved for issue by the Board of Directors on November 29, 2018.

Director

D. Miller
Director

The accompanying notes form an integral part of these financial statements

SAGICOR FINANCIAL CORPORATION LIMITED

CONDENSED CONSOLIDATED STATEMENT OF INCOME

Amounts in US $000	Nine months to September 30, 2018 (unaudited)	Nine months to September 30, 2017 Restated (Note17) (unaudited)	Three months to September 30, 2018 (unaudited)	Three months to September 30, 2017 Restated (Note 17) (unaudited)
REVENUE				
Premium revenue (note 5)	789,117	673,238	327,790	255,660
Reinsurance premium expense (note 5)	(69,117)	(114,434)	(17,820)	(37,001)
Net premium revenue	720,000	558,804	309,970	218,659
Net gain/(losses) on derecognition of financial assets measured at amortised cost	2,747	-	651	-
Interest income earned from financial assets measured at amortised cost and FVOCI (note 6)	215,359	-	71,225	-
Interest income earned from financial assets measured at fair value through profit and loss	10,829	-	2,722	-
Net investment income	30,492	281,535	17,733	105,439
Fees and other revenue	89,290	70,590	27,857	24,191
Loss arising on disposal	(13)	-	(13)	-
Total revenue	**1,068,704**	**910,929**	**430,145**	**348,289**
BENEFITS				
Policy benefits and change in actuarial liabilities (note 7)	519,647	509,509	193,840	218,238
Policy benefits and change in actuarial liabilities reinsured (note 7)	(19,807)	(76,191)	33,644	(35,804)
Net policy benefits and change in actuarial liabilities	499,840	433,318	227,484	182,434
Interest expense	37,541	41,831	11,481	13,290
Total benefits	**537,381**	**475,149**	**238,965**	**195,724**
EXPENSES				
Administrative expenses	212,579	203,992	73,600	64,833
Commissions and related compensation	79,370	72,925	27,792	23,642
Premium and asset taxes	11,681	10,483	1,865	2,331
Finance costs	26,412	25,848	8,928	8,767
Credit impairment losses (note 2, 15.2 and 15.3)	96,010	-	38,183	-
Depreciation and amortisation	16,906	15,900	5,672	5,275
Total expenses	**442,958**	**329,148**	**156,040**	**104,848**
INCOME BEFORE TAXES	**88,365**	**106,632**	**35,140**	**47,717**
Income taxes	(32,591)	(29,027)	(15,396)	(10,235)
NET INCOME FROM CONTINUING OPERATIONS	**55,774**	**77,605**	**19,744**	**37,482**

The accompanying note form an integral part of these financial statements

SAGICOR FINANCIAL CORPORATION LIMITED

CONDENSED CONSOLIDATED STATEMENT OF INCOME

Amounts in US $000	Nine months to September 30, 2018 (unaudited)	Nine months to September 30, 2017 Restated (Note 17) (unaudited)	Three months to September 30, 2018 (unaudited)	Three months to September 30, 2017 Restated (Note 17) (unaudited)
Net income / (loss) from continuing operations	**55,774**	**77,605**	**19,744**	**37,482**
Net income from discontinued operation (note 8)	3,191	8,225	(166)	2,017
NET INCOME FOR THE PERIOD	**58,965**	**85,830**	**19,578**	**39,499**
Net income is attributable to:				
Common shareholders:				
From continuing operations	28,541	46,536	6,998	28,554
From discontinued operation (note 8)	3,191	8,225	(166)	2,017
	31,732	54,761	6,832	30,571
Participating policyholders	(7,722)	(1,595)	588	(1,121)
Non-controlling interests	34,955	32,664	12,158	10,049
	58,965	**85,830**	**19,578**	**39,499**
Basic earnings per common share:				
From continuing operations	9.3 cents	15.3 cents	2.3 cents	9.4 cents
From discontinued operation	1.0 cents	2.7 cents	(0.1) cents	0.7 cents
	10.3 cents	18.0 cents	2.2 cents	10.1 cents
Fully diluted earnings per common share:				
From continuing operations	9.1 cents	15.0 cents	2.2 cents	9.2 cents
From discontinued operation	1.0 cents	2.7 cents	(0.1) cents	0.7 cents
	10.1 cents	17.7 cents	2.1 cents	9.9 cents

The accompanying notes form an integral part of these financial statements

SAGICOR FINANCIAL CORPORATION LIMITED

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Amounts in US $000	Nine months to September 30, 2018 (unaudited)	Nine months to September 30, 2017 Restated (Note 17) (unaudited)	Three months to September 30, 2018 (unaudited)	Three months to September 30, 2017 Restated (Note 17) (unaudited)
NET INCOME FOR THE PERIOD	**58,965**	**85,830**	**19,578**	**39,499**
OTHER COMPREHENSIVE INCOME:				
Items net of tax that may be reclassified subsequently to income:				
Available for sale financial assets:				
Gains on revaluation	-	36,670	-	14,983
Losses transferred to income	-	6,052	-	(1,159)
Debt instruments measured at fair value through other comprehensive income:				
Losses on revaluation	(57,623)	-	7,490	-
Losses / (gains) transferred to income	(964)	-	785	-
Net change in actuarial liabilities	27,297	(17,195)	(2,577)	(4,280)
Retranslation of foreign currency operations	(34,946)	(5,217)	(17,164)	(3,360)
	(66,236)	**20,310**	**(11,466)**	**6,184**
Items net of tax that will not be reclassified subsequently to income:				
Gains/(losses) arising on revaluation of owner occupied property	816	-	(16)	-
Net losses on equity securities designated at fair value through other comprehensive income	(173)	-	(200)	-
Gains on defined benefit plans	-	2,227	2,500	94
	643	2,227	2,284	94
Other comprehensive (loss) / income	**(65,593)**	**22,537**	**(9,182)**	**6,278**
TOTAL COMPREHENSIVE (LOSS) / INCOME (TCI)	**(6,628)**	**108,367**	**10,396**	**45,777**
TCI attributable to common shareholders:				
From continuing operations	(10,035)	61,913	2,941	30,283
From discontinued operation	3,191	8,225	(166)	2,017
	(6,844)	70,138	2,775	32,300
TCI attributable to participating policyholders	(8,307)	(492)	754	(328)
TCI attributable to non-controlling interests	8,523	38,721	6,867	13,805
	(6,628)	**108,367**	**10,396**	**45,777**

The accompany notes form an integral part of these financial statements

SAGICOR FINANCIAL CORPORATION LIMITED

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Amounts in US $000	Share Capital (unaudited)	Share Premium (unaudited)	Reserves (unaudited)	Retained earnings (unaudited)	Total Shareholders' Equity (unaudited)
Nine months to September 30, 2018					
Balance as of December 31, 2017	3,059	300,470	(47,482)	367,327	623,374
Adjustment - actuarial liabilities (note 17)	-	-	94	1,124	1,218
Balance as of December 31, 2017 restated	3,059	300,470	(47,388)	368,451	624,592
Transition adjustment - IFRS 9 (note 17)	-	-	(217)	(10,442)	(10,659)
Balance as of January 1, 2018	3,059	300,470	(47,605)	358,009	613,933
Total comprehensive income:					
From continuing operations	-	-	(38,576)	28,541	(10,035)
From discontinued operation	-	-	-	3,191	3,191
Transactions with holders of equity instruments:					
Movements in treasury shares	-	1	-	-	1
Changes in reserve for equity compensation benefits	-	-	(750)	-	(750)
Disposal of interest in subsidiaries	-	-	(935)	935	-
Dividends declared	-	-	-	(7,648)	(7,648)
Transfers and other movements	-	-	(45)	(540)	(585)
Balance as of September 30, 2018	**3,059**	**300,471**	**(87,911)**	**382,488**	**598,107**

The accompanying notes form an integral part of these financial statements

SAGICOR FINANCIAL CORPORATION LIMITED

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Amounts in US $000	**Total Shareholders' Equity** (unaudited)	**Participating Accounts** (unaudited)	**Non-controlling Interests** (unaudited)	**Total Equity** (unaudited)
Nine months to September 30, 2018				
Balance as of December 31, 2017	623,374	865	308,089	932,328
Adjustment - actuarial liabilities (note 17)	1,218	-	3,677	4,895
Balance as of December 31, 2017 restated	624,592	865	311,766	937,223
Transition adjustment - IFRS 9 (note 17)	(10,659)	(2,930)	(2,352)	(15,941)
Balance as of January 1, 2018	613,933	(2,065)	309,414	921,282
Total comprehensive income:				
From continuing operations	(10,035)	(8,307)	8,523	(9,819)
From discontinued operation	3,191	-	-	3,191
Transactions with holders of equity instruments:				
Movements in treasury shares	1	-	-	1
Changes in reserve for equity compensation benefits	(750)	-	-	(750)
Disposal of interest in subsidiaries	-	-	(2,221)	(2,221)
Dividends declared	(7,648)	-	(10,237)	(17,885)
Transfers and other movements	(585)	(156)	2,795	2,054
Balance as of September 30, 2018	**598,107**	**(10,528)**	**308,274**	**895,853**

The accompanying notes form an integral part of these financial statements

SAGICOR FINANCIAL CORPORATION LIMITED

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Amounts in US $000	**Share Capital** (unaudited)	**Share Premium** (unaudited)	**Reserves** (unaudited)	**Retained earnings** (unaudited)	**Total Shareholders' Equity** (unaudited)
Nine months to September 30, 2017 restated					
Balance as of December 31, 2016	3,029	297,050	(64,795)	300,865	536,149
Adjustment - actuarial liabilities (note 17)	-	-	(3)	934	931
Balance as of January 1, 2017 restated	3,029	297,050	(64,798)	301,799	537,080
Total comprehensive income:					
From continuing operations	-	-	13,173	48,740	61,913
From discontinued operation	-	-	-	8,225	8,225
Transactions with holders of equity instruments:					
Allotment of common shares	21	2,021	-	-	2,042
Movements in treasury shares	6	834	-	-	840
Changes in reserve for equity compensation benefits	-	-	(45)	-	(45)
Dividends declared	-	-	-	(7,575)	(7,575)
Transfers and other movements	-	-	1,226	(2,702)	(1,476)
Balance as of September 30, 2017	**3,056**	**299,905**	**(50,444)**	**348,487**	**601,004**

The accompanying notes form an integral part of these financial statements

SAGICOR FINANCIAL CORPORATION LIMITED

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Amounts in US $000	**Total Shareholders' Equity** (unaudited)	**Participating Accounts** (unaudited)	**Non-controlling Interests** (unaudited)	**Total Equity** (unaudited)
Nine months to September 30, 2017 restated				
Balance as of December 31, 2016	536,149	1,291	257,974	795,414
Adjustment - actuarial liabilities (note 17)	931	-	3,170	4,101
Balance as of January 1, 2017 restated	537,080	1,291	261,144	799,515
Total comprehensive income:				
From continuing operations	61,913	(492)	38,721	100,142
From discontinued operation	8,225	-	-	8,225
Transactions with holders of equity instruments:				
Allotment of common shares	2,042	-	-	2,042
Movements in treasury shares	840	-	-	840
Changes in reserve for equity compensation benefits	(45)	-	-	(45)
Dividends declared	(7,575)	-	(10,840)	(18,415)
Transfers and other movements	(1,476)	(162)	(2,031)	(3,669)
Balance as of September 30, 2017	**601,004**	637	286,994	888,635

The accompanying notes form an integral part of these financial statements

SAGICOR FINANCIAL CORPORATION LIMITED

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

Amounts in US $000	Nine months to September 30, 2018 (unaudited)	Nine months to September 30, 2017 Restated
OPERATING ACTIVITIES		
Income before taxes	88,365	106,632
Adjustments for non-cash items, interest and dividends (note 16)	(90)	(118,813)
Interest and dividends received	229,450	225,546
Interest paid	(60,108)	(77,091)
Income taxes paid	(23,446)	(35,315)
Net change in investments and operating assets (note 16)	(304,492)	(92,573)
Net change in operating liabilities (note 16)	156,746	68,944
Net cash flows - operating activities	86,425	77,330
INVESTING ACTIVITIES		
Property, plant and equipment, net (note 16)	(7,748)	(9,907)
Associates and joint ventures	(146)	(6,894)
Intangible assets, net	(2,817)	(4,518)
Acquisition of subsidiaries, net of cash and cash equivalents	(2,697)	-
Sale of subsidiaries	(14,109)	-
Net cash flows - investing activities	(27,517)	(21,319)
FINANCING ACTIVITIES		
Redemption of preference share	(1)	-
Shares issued to / (purchased from) non-controlling interest	2,056	(3,564)
Notes and loans payable, net (note 16)	(6,386)	15,316
Dividends received from associates and joint ventures	440	2,439
Dividends paid to common shareholders	(7,491)	(7,444)
Dividends paid to non-controlling interest	(10,237)	(10,840)
Net cash flows - financing activities	(21,619)	(4,093)
Effect of exchange rate changes	(8,490)	(1,317)
NET CHANGE IN CASH AND CASH EQUIVALENTS OF CONTINUING OPERATIONS	28,799	50,601
Cash and cash equivalents, beginning of period	338,349	308,109
CASH AND CASH EQUIVALENTS, END OF PERIOD (note 16)	367,148	358,710

The accompanying notes form an integral part of these financial statements

1. GENERAL INFORMATION

These unaudited interim condensed consolidated financial statements ("condensed financial statements") of Sagicor Financial Corporation Limited and its subsidiaries (the "Group") are presented in compliance with International Accounting Standard ("IAS") 34 - Interim Financial Reporting. The condensed financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the audited 2017 annual consolidated financial statements and the accompanying notes included in pages 114 to 233 of the Annual Report for 2017. The condensed financial statements however do include certain disclosures required in the annual financial statements but which are additional to the requirements of IAS 34.

2. ACCOUNTING POLICIES

Except as indicated below, these condensed financial statements have been prepared using the same accounting policies and methods used in preparation of the audited 2017 annual consolidated financial statements. The principle accounting policies are described in note 2 of those annual consolidated financial statements.

2.1 Adoption of IFRS 9 - Financial Instruments

As of January 1, 2018, the Group adopted IFRS 9 - Financial Instruments ("IFRS 9"). As a result of the application of this new standard, the Group changed its accounting policies as outlined in sections (a) to (l) below. As permitted by the transition provisions in IFRS 9, the Group has elected not to restate comparative period results; accordingly, all comparative period information on financial instruments is presented in accordance with the accounting policies disclosed in notes 2.8, 2.12, 2.14 and 2.22 of the annual 2017 consolidated financial statements. Adjustments to the carrying amounts of financial assets and financial liabilities as of January 1, 2018 were recognised in equity. New or amended interim disclosures have been provided for the current period, where applicable, and comparative period disclosures are consistent with those made in 2017.

(a) Classification of financial assets

IFRS 9 introduces a principles-based approach to the classification of financial assets. Debt instruments, including hybrid contracts, are measured at fair value through profit or loss ("FVTPL"), fair value through other comprehensive income ("FVOCI") or amortized cost based on the nature of the cash flows of these assets and the Group's business model. These categories replace the existing IAS 39 classification of FVTPL, available for sale, loans and receivables and held-to-maturity. 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 and liabilities 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.

2 ACCOUNTING POLICIES

2.1 Adoption of IFRS 9 - Financial Instruments (continued)

Financial assets measured at amortized cost

Financial assets 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.

Financial assets measured at fair value through other comprehensive income

Financial assets 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.

Financial assets measured at fair value through profit and loss

Financial instruments, other than those held for trading, 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 a group of financial assets and liabilities or a group of financial liabilities is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy.

Held for trading securities 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. Derivatives are also classified as held for trading unless designated as hedges. Assets held for trading are measured at fair value through profit and loss.

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.

Solely repayments of principle and interest ("SPPI")

Where the business model is hold assets to collect contractual cash flows or to collect contractual cash flows and sell, the Group assesses whether the financial instruments' cash flows represent solely payments of principle 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 is classified and measured at FVTPL.

2. ACCOUNTING POLICIES

2.1 Adoption of IFRS 9 - Financial Instruments (continued)

(b) 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. As these liabilities are accounted for at FVTPL, the financial assets backing these liabilities are consequently classified as and measured at FVTPL.

(c) Embedded derivatives

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

(d) Impairment of financial assets measured at amortized cost and FVTOCI

IFRS 9 introduces an impairment model that requires the recognition of expected credit losses ("ECL") on financial assets measured at amortised cost and FVOCI and off balance sheet loan commitments and financial guarantees which were previously provided for under IAS 37 Provisions, Contingent Liabilities and Contingent Assets.

At initial recognition, allowance (or provision in the case of some loan commitments and financial guarantees) is required for 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').

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 is recognised are considered to be '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 so are considered to be in default or otherwise credit-impaired are in 'stage 3'. Purchased or originated credit-impaired financial assets ("POCI") are treated differently as set out below.

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

2. ACCOUNTING POLICIES

2.1 Adoption of IFRS 9 - Financial Instruments (continued)

(e) Purchased or originated credit-impaired assets

Financial assets that are purchased or originated at a deep discount that reflects the incurred credit losses are considered to be POCI. This population includes the recognition of a new financial instrument following a renegotiation where concessions have been granted for economic or contractual reasons relating to the borrower's financial difficulty that otherwise would not have been considered. The amount of change-in-lifetime ECL is recognised in profit or loss until the POCI is derecognised, even if the lifetime ECL is less than the amount of ECL included in the estimated cash flows on initial recognition.

(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. ACCOUNTING POLICIES

2.1 Adoption of IFRS 9 - Financial Instruments (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 life-time 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 just been applied, there has been little time available to make these comparisons. 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, in particular to changes in economic and credit conditions across a large number of geographical areas. Many of the factors have a high degree of interdependency and there is no single factor to which loan impairment allowances as a whole 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 existing processes for estimating losses on impaired loans, however, these processes will be updated to reflect the requirements of IFRS 9, 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.

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.

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.

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.

2. ACCOUNTING POLICIES

2.1 Adoption of IFRS 9 - Financial Instruments (continued)

Forward looking information (continued)

For defaulted financial assets, based on management's assessment of the borrower, a specific provision of expected life-time 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.

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.

The weightings assigned to each economic scenario as at January 1 and September 30, 2018 were as follows:

	Base	Upside	Downside
Sagicor Life portfolios (excluding Government of Barbados)	80%	10%	10%
Sagicor Jamaica portfolios (excluding Government of Barbados)	80%	10%	10%
Sagicor Life USA	80%	10%	10%

Refer to note 15.4 for Government of Barbados exposures

Financial assets measured at amortized cost and FVTOCI, recognize impairment gains and losses in the statement of profit and loss. Unrealised gains and losses arising from changes in fair value on FVTOCI assets are measured in other comprehensive income. When the asset is sold, the cumulative gain or loss is reclassified to investment income. Interest income, dividend income and gains and losses arising from changes in fair value are included in investment income.

(i) Interest income and interest earned on assets measured at fair value through profit and loss

Interest income is earned based on the effective interest rate based on the carrying amount before allowances. Interest earned on assets measured at fair value through profit and loss is recognised based on the effective interest rate. For assets that are credit-impaired when purchased or originated, the carrying amount after allowances for ECL is the basis for applying the effective interest rate.

2 ACCOUNTING POLICIES

2.1 Adoption of IFRS 9 - Financial Instruments (continued)

(j) Classification of financial liabilities (continued)

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 income (FVTPL). 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 (see section (a) above) 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. 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.

(k) Re-classified balances

The Group reclassifies debt instruments when and only where its business model for managing those assets changes. The reclassification takes place from the start of the first reporting period following the change. Such changes are expected to be very infrequent and none occurred during the period. Any re-classified balances of financial investment and impairment losses relating to the adoption of IFRS 9 are detailed in notes 9, 15 and 17.

Financial liability balances which were accounted for at amortised cost under IAS 39 continue to be so accounted for under IFRS 9 and financial liability balances which were accounted for at fair value through income under IAS 39 are now accounted at FVTPL on the adoption of IFRS 9. Consequently, no financial liability balances have been restated as of January 1, 2018.

(l) 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 or not the new terms are substantially different to the original terms. The Group does this by considering, among others, the following factors:

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

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

2. ACCOUNTING POLICIES

2.2 Adoption of IFRS 15 "Revenue from Contracts with Customers"

Effective January 1, 2018, the Sagicor Group adopted IFRS 15. This standard clarifies revenue recognition principles and provides a framework for recognising revenue and cash flows from service contracts from customers. IFRS 15 does not apply to the Group's primary activities of insurance and banking which are governed by IFRS 4 – 'Insurance Contracts' and IFRS 9 – 'Financial Instruments'.

In accordance with the transition provisions in IFRS 15, the standard has been implemented using the modified retrospective method with no restatement of comparative information. There was no significant impact on the Group resulting from the implementation of the standard and consequently no transition adjustment has been recorded in the statement of equity.

The standard introduces new disclosure requirements for interim financial statements which are set out in note 4.5.

2.3 Change in accounting policy for the measurement of actuarial liabilities

The improvement of mortality rates is an accepted trend that is occurring in developed and developing countries around the world. All segments within the Group had previously recognized this trend in their reserving assumptions with the exception of Jamaica. During this period, Jamaica incorporated mortality improvement into its reserve calculations. The foregoing is part of a wider initiative across the Group to harmonize reserving practices across the segments. The harmonization of the mortality improvement assumption emanates from a Group policy that was implemented on January 1, 2018.

This change in policy was a voluntary change and was reflected as a prior period adjustment with retrospective application.

The impact of this change in policy is summarized in note 17.

2.4 Exchange rates

The following exchange rates were applied for the conversion of amounts to US dollars.

	Closing rates as of September 30, 2018	Closing rates as of December 31, 2017	Average rates for the Nine months to September 30, 2018	Average rates for the Nine months to September 30, 2017
Barbados dollar	2.0000	2.0000	2.0000	2.0000
Eastern Caribbean dollar	2.7000	2.7000	2.7000	2.7000
Jamaica dollar	134.5434	124.5754	128.1390	128.3496
Trinidad & Tobago dollar	6.7522	6.7628	6.7442	6.7426
Pound sterling	0.76680	0.74020	0.73872	0.78466

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

3.1 Impairment of financial assets

In determining ECL, 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 the earlier sections 'Measurement' and 'Forward-looking information'.

(a) Establishing staging for debt securities and deposits

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

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

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

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

Stage 1 investments are rated (i) investment grade, or (ii) below investment grade <u>and</u> 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 <u>and</u> have been downgraded more than 2 notches since origination. Stage 3 investments are assets in default.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

(b) <u>Establishing staging for other assets measured at amortised cost, lease receivables, loan commitments and financial guarantee contracts</u>

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) <u>Forward looking information</u>

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

As described in note 15.4, as at September 30, 2018 the negotiations of the new bond were materially completed and on October 3, 2018 the Company signed an agreement with the Government of Barbados which outlined the terms of the debt exchange.

4. SEGMENTS

The Group conducts its business through three reportable operating segments.

- Sagicor Life: Engages in life and health insurance, annuities and pension administration in Barbados, Eastern Caribbean, Dutch Caribbean, Bahamas, Belize, Panamá and Trinidad and Tobago.
- Sagicor Jamaica: Engages in life and health insurance, annuities and pension administration in Jamaica, Cayman Islands and Costa Rica, and in commercial banking and investment management in Jamaica.
- Sagicor Life USA: Engages in life insurance and annuities in certain states of the USA.

There have been no changes in the reportable operating segments from 2017. Segmented financial information is set out in the sections 4.1 to 4.5.

4. SEGMENTS (continued)

4.1 Statement of income from continuing operations by reportable operating segment

Amounts in US $000 **Nine months to September 30, 2018**	**Sagicor Life**	**Sagicor Jamaica**	**Sagicor Life USA**	**Head office and other**	**Adjust-ments**	**Total**
Net premium revenue	230,768	224,397	238,525	26,310	-	720,000
Net gain/(losses) on derecognition of financials assets measured at amortised cost	-	2,747	-	-	-	2,747
Interest income	59,368	119,793	41,170	5,857	-	226,188
Other investment income	3,633	19,747	7,046	729	(663)	30,492
Fees and other revenue	12,756	71,000	(8,482)	13,868	148	89,290
Gain/Loss arising on disposal	458	-	-	(471)	-	(13)
Inter-segment revenues	11,349	-	-	39,045	(50,394)	-
Total revenue	**318,332**	**437,684**	**278,259**	**85,338**	**(50,909)**	**1,068,704**
Net policy benefits	157,940	148,105	78,805	12,897	-	397,747
Net change in actuarial liabilities	(52,103)	18,350	135,846	-	-	102,093
Interest expense	6,855	25,322	3,448	1,916	-	37,541
Administrative expenses	51,116	98,377	24,632	35,288	3,166	212,579
Commissions and premium and asset taxes	31,137	34,832	17,998	7,084	-	91,051
Finance costs	-	943	139	26	25,304	26,412
Credit impairment losses	82,701	10,706	(33)	2,636	-	96,010
Depreciation and amortisation	4,814	7,415	2,136	2,541	-	16,906
Inter-segment expenses	1,893 (1)	1,415	478 (1)	10,908	(14,694)	-
Total benefits and expenses	**284,353**	**345,465**	**263,449**	**73,296**	**13,776**	**980,339**
Segment income before taxes	**33,979**	**92,219**	**14,810**	**12,042**	**(64,685)**	**88,365**
Income taxes	(7,584)	(21,297)	(3,111)	(797)	198	(32,591)
Net income - continuing operations	**26,395**	**70,922**	**11,699**	**11,245**	**(64,487)**	**55,774**
Net income / (loss) attributable to shareholders from continuing operations	34,117	34,833	11,699	(12,925)	(39,183)	**28,541**
Total comprehensive income / (loss) attributable to shareholders from continuing operations	29,990	8,564	2,745	(13,640)	(37,694)	(10,035)

(1) During 2015, Sagicor Life USA entered into a reinsurance agreement with Sagicor Life; included in the inter-segment expenses is $1,148 relating to this transaction.

4. SEGMENTS (continued)

4.1 Statement of income from continuing operations by reportable operating segment

Amounts in US $000 **Three months to September 30, 2018**	**Sagicor Life**	**Sagicor Jamaica**	**Sagicor Life USA**	**Head office and other**	**Adjust-ments**	**Total**
Net premium revenue	77,080	77,432	146,448	9,010	-	309,970
Net gain/(losses) on derecognition of financials assets measured at amortised cost	-	651	-	-	-	651
Interest income	19,560	38,382	14,257	1,748	-	73,947
Other investment income	631	10,527	5,797	612	166	17,733
Fees and other revenue	1,723	25,311	(3,457)	3,979	301	27,857
Gain/Loss arising on disposal	458	-	-	(471)	-	(13)
Inter-segment revenues	3,875	-	-	866	(4,741)	-
Total revenue	**103,327**	**152,303**	**163,045**	**15,744**	**(4,274)**	**430,145**
Net policy benefits	57,245	46,977	29,787	4,704	-	138,713
Net change in actuarial liabilities	(23,105)	15,838	96,038	-	-	88,771
Interest expense	1,511	7,943	1,519	508	-	11,481
Administrative expenses	17,271	31,674	9,639	12,749	2,267	73,600
Commissions and premium and asset taxes	10,099	8,866	8,636	2,056	-	29,657
Finance costs	-	284	42	99	8,503	8,928
Credit impairment losses	34,652	2,788	253	490	-	38,183
Depreciation and amortisation	1,720	2,465	750	737	-	5,672
Inter-segment expenses	(178) (1)	508	1,048 (1)	3,611	(4,989)	-
Total benefits and expenses	**99,215**	**117,343**	**147,712**	**24,954**	**5,781**	**395,005**
Segment income before taxes	**4,112**	**34,960**	**15,333**	**(9,210)**	**(10,055)**	**35,140**
Income taxes	(2,446)	(9,280)	(3,221)	(380)	(69)	(15,396)
Net income - continuing operations	**1,666**	**25,680**	**12,112**	**(9,590)**	**(10,124)**	**19,744**
Net income / (loss) attributable to shareholders from continuing operations	1,078	12,616	12,112	(17,187)	(1,621)	6,998
Total comprehensive income / (loss) attributable to shareholders from continuing operations	(567)	7,053	12,297	(17,116)	1,274	2,941

(1) During 2015, Sagicor Life USA entered into a reinsurance agreement with Sagicor Life; included in the inter-segment expenses is $429 in income relating to this transaction.

4. SEGMENTS (continued)

4.1 Statement of income from continuing operations by reportable operating segment (continued)

Amounts in US $000 **Nine months to September 30, 2017 restated**	**Sagicor Life**	**Sagicor Jamaica**	**Sagicor Life USA**	**Head office and other**	**Adjust-ments**	**Total**
Net premium revenue	223,310	247,883	64,440	23,171	-	558,804
Interest income	58,790	118,970	36,647	6,655	-	221,062
Other investment income	6,202	36,952	17,033	394	(108)	60,473
Fees and other revenue	8,314	48,613	(1,420)	15,164	(81)	70,590
Inter-segment revenues	9,622	-	-	48,190	(57,812)	-
Total revenue	**306,238**	**452,418**	**116,700**	**93,574**	**(58,001)**	**910,929**
Net policy benefits	148,992	127,849	66,417	20,849	-	364,107
Net change in actuarial liabilities	(312)	67,530	1,993	-	-	69,211
Interest expense	9,293	28,593	1,575	2,370	-	41,831
Administrative expenses	50,739	100,082	22,185	30,210	776	203,992
Commissions and premium and asset taxes	32,562	32,400	11,992	6,454	-	83,408
Finance costs	-	759	28	(188)	25,249	25,848
Depreciation and amortisation	4,881	6,802	1,213	3,004	-	15,900
Inter-segment expenses	3,752 (1)	785	(1,826) (1)	9,426	(12,137)	-
Total benefits and expenses	**249,907**	**364,800**	**103,577**	**72,125**	**13,888**	**804,297**
Segment income before taxes	**56,331**	**87,618**	**13,123**	**21,449**	**(71,889)**	**106,632**
Income taxes	(7,318)	(16,569)	(4,592)	(548)	-	(29,027)
Net income - continuing operations	**49,013**	**71,049**	**8,531**	**20,901**	**(71,889)**	**77,605**
Net income / (loss) attributable to shareholders from continuing operations	50,608	34,898	8,531	(861)	(46,640)	**46,536**
Total comprehensive income / (loss) attributable to shareholders from continuing operations	53,415	40,456	14,420	(575)	(45,803)	**61,913**

(1) During 2015, Sagicor Life USA entered into a reinsurance agreement with Sagicor Life; included in the inter-segment expenses is $3,044 relating to this transaction.

4. SEGMENTS (continued)

4.1 Statement of income from continuing operations by reportable operating segment (continued)

Amounts in US $000 **Three months to September 30, 2017 restated**	**Sagicor Life**	**Sagicor Jamaica**	**Sagicor Life USA**	**Head office and other**	**Adjust-ments**	**Total**
Net premium revenue	75,895	112,267	23,217	7,280	-	218,659
Interest income	19,992	40,285	12,580	2,267	-	75,124
Other investment income	299	23,916	6,129	6	(35)	30,315
Fees and other revenue	1,852	17,699	(760)	5,416	(16)	24,191
Inter-segment revenues	3,252	-	-	722	(3,974)	-
Total revenue	**101,290**	**194,167**	**41,166**	**15,691**	**(4,025)**	**348,289**
Net policy benefits	49,379	45,746	20,609	12,060	-	127,794
Net change in actuarial liabilities	(13,308)	64,106	3,842	-	-	54,640
Interest expense	2,748	9,136	652	754	-	13,290
Administrative expenses	17,413	30,272	7,460	9,421	267	64,833
Commissions and premium and asset taxes	10,730	9,088	4,180	1,975	-	25,973
Finance costs	-	327	8	(63)	8,495	8,767
Depreciation and amortisation	1,587	2,332	397	959	-	5,275
Inter-segment expenses	1,158 (1)	269	(473) (1)	3,169	(4,123)	-
Total benefits and expenses	**69,707**	**161,276**	**36,675**	**28,275**	**4,639**	**300,572**
Segment income before taxes	**31,583**	**32,891**	**4,491**	**(12,584)**	**(8,664)**	**47,717**
Income taxes	(2,429)	(5,898)	(1,570)	(338)	-	(10,235)
Net income - continuing operations	**29,154**	**26,993**	**2,921**	**(12,922)**	**(8,664)**	**37,482**
Net income / (loss) attributable to shareholders from continuing operations	30,275	13,261	2,921	(17,734)	(169)	**28,544**
Total comprehensive income / (loss) attributable to shareholders from continuing operations	27,266	16,671	3,616	(17,413)	143	**30,283**

(1) During 2015, Sagicor Life USA entered into a reinsurance agreement with Sagicor Life; included in the inter-segment expenses is $913 relating to this transaction.

4. SEGMENTS (continued)

4.2 Statement of financial position by reportable operating segment

Amounts in US $000	Sagicor Life	Sagicor Jamaica	Sagicor Life USA	Head office and other	Adjust-ments	Total
September 30, 2018						
Financial investments	1,340,757	2,291,013	1,363,392	81,961	-	5,077,123
Other external assets	337,967	478,006	805,475	172,701	(63,179)	1,730,970
Assets of discontinued operation	-	-	-	13,301	-	13,301
Inter-segment assets	255,517	13,732	15,145	68,281	(352,675)	-
Total assets	1,934,241	2,782,751	2,184,012	336,244	(415,854)	6,821,394
Policy liabilities	1,300,028	734,228	1,547,277	72,539	(63,179)	3,590,893
Other external liabilities	75,364	1,478,986	324,889	455,409	-	2,334,648
Inter-segment liabilities	31,679	5,928	70,086	244,982	(352,675)	-
Total liabilities	1,407,071	2,219,142	1,942,252	773,930	(415,854)	5,925,541
Net assets	**527,170**	**563,609**	**241,760**	**(436,686)**	**-**	**895,853**

Amounts in US $000	Sagicor Life	Sagicor Jamaica	Sagicor Life USA	Head office and other	Adjust-ments	Total
December 31, 2017 restated						
Financial investments	1,386,182	2,291,191	1,123,623	152,245	-	4,953,241
Other external assets	351,871	531,671	856,271	182,468	(70,990)	1,851,291
Assets of discontinued operation	-	-	-	10,110	-	10,110
Inter-segment assets	214,767	13,347	2,505	62,101	(292,720)	-
Total assets	1,952,820	2,836,209	1,982,399	406,924	(363,710)	6,814,642
Policy liabilities	1,296,525	757,480	1,498,250	66,612	(70,990)	3,547,877
Other external liabilities	89,643	1,507,289	194,216	538,394	-	2,329,542
Inter-segment liabilities	27,285	4,098	51,587	209,750	(292,720)	-
Total liabilities	1,413,453	2,268,867	1,744,053	814,756	(363,710)	5,877,419
Net assets	**539,367**	**567,342**	**238,346**	**(407,832)**	**-**	**937,223**

4. SEGMENTS (continued)

4.3 Revenues by products and services

Amounts in US $000	Nine months to September 30, 2018	Nine months to September 30, 2017	Three months to September 30, 2018	Three months to September 30, 2017
Life, health and annuity insurance contracts issued to individuals	674,587	493,801	299,460	174,629
Life, health and annuity insurance and pension administration contracts issued to groups	210,171	243,752	70,608	113,187
Property and casualty insurance	34,693	30,492	11,198	9,751
Banking, investment management and other financial services	127,162	121,495	41,833	41,693
Farming and unallocated revenues	22,091	21,389	7,046	9,029
Total revenue	**1,068,704**	**910,929**	**430,145**	**348,289**

4.4 Revenues by geographical area

Amounts in US $000	Nine months to September 30, 2018	Nine months to September 30, 2017	Three months to September 30, 2018	Three months to September 30, 2017
Barbados	135,048	125,096	43,335	39,725
Jamaica	415,532	427,975	142,944	185,780
Trinidad and Tobago	122,845	122,809	39,452	41,001
Other Caribbean	117,657	118,455	41,201	40,651
USA	277,622	116,594	163,213	41,132
Total revenue	**1,068,704**	**910,929**	**430,145**	**348,289**

4.5 Revenues from service contracts with customers

Revenues from service contracts with customers consist primarily of management and administration fees earned from third party investment funds, pension plans and insurance benefit plans (managed funds or administrative service only (ASO) benefit plans). These service contracts generally impose single performance obligations, each consisting of a series of similar related services to the unitholder or policyholder of each fund or plan. The Group's performance obligations within these service arrangements are generally satisfied over time as the unitholders and policyholders simultaneously receive and consume contracted benefits over time.

The Group also earns revenues for the provision of corporate finance, stockbroking, trust and related services to various customers.

The various fees are billed periodically and are collected either by deduction or within a short period of time.

4. SEGMENTS (continued)

The following table discloses revenue from service contracts with customers by reportable operating segment.

Amounts in US $000	Sagicor Life	Sagicor Jamaica	Sagicor Life USA	Head office and other	Adjust-ments	Total
Nine months to September 30, 2018						
Revenue from contracts with customers:						
Products transferred at a point in time	-	26,493	175	(7)	-	26,661
Products and services transferred over time	5,748	24,474	-	-	-	30,222
Total included in fees and other revenue	5,748	50,967	175	(7)	-	56,883
Three months to September 30, 2018						
Revenue from contracts with customers:						
Products transferred at a point in time	-	7,487	59	(7)	-	7,539
Products and services transferred over time	1,993	8,380	-	14	-	10,387
Total included in fees and other revenue	1,993	15,867	59	7	-	17,926

5. PREMIUM REVENUE

Amounts in US $000	Gross premium		Ceded to reinsurers	
Nine months to September 30,	**2018**	**2017**	**2018**	**2017**
Life insurance	325,608	311,063	23,501	22,400
Annuity	285,034	196,470	15,824	60,096
Health insurance	125,702	115,217	3,350	3,411
Property and casualty insurance	52,773	50,488	26,442	28,527
Total premium revenue	**789,117**	**673,238**	**69,117**	**114,434**

Amounts in US $000	Gross premium		Ceded to reinsurers	
Three months to September 30,	**2018**	**2017**	**2018**	**2017**
Life insurance	107,710	106,241	7,789	7,186
Annuity	159,820	93,800	63	18,930
Health insurance	42,108	38,741	821	1,058
Property and casualty insurance	18,152	16,878	9,147	9,827
Total premium revenue	**327,790**	**255,660**	**17,820**	**37,001**

6. NET INVESTMENT INCOME

Amounts in US $000	Nine months to September 30, 2018			Nine months to September 30, 2017
	Amortised cost assets	FVOCI assets	Total	
Investment income				
Interest income:				
Debt securities	61,163	84,202	145,365	
Mortgage loans	13,065	-	13,065	
Policy loans	7,457	-	7,457	
Finance loans and finance leases	46,531	-	46,531	
Securities purchased for re-sale	1,040	-	1,040	
Deposits	1,901	-	1,901	
	131,157	84,202	215,359	
Interest income from FVTPL investments			10,829	
Total interest income (IAS 39 basis)			-	221,062
Dividend income			1,549	2,789
Net gain/(losses) on derecognition of financial assets measured at amortised cost			2,747	-
Net investment gains			27,538	49,485
Share of operating income of associates and joint venture			1,499	8,501
Other investment income			3,041	3,183
			262,562	285,020
Investment expenses				
Allowances for impairment losses (IAS 39 basis)			-	1,082
Direct operating expenses of investment property			1,567	1,445
Other direct investment expenses			1,568	958
			3,135	3,485
Net investment income			**259,427**	**281,535**

6. NET INVESTMENT INCOME

Amounts in US $000	Three months to September 30, 2018 Amortised cost assets	FVOCI assets	Total	Three months to September 30, 2017
Investment income				
Interest income:				
Debt securities	20,726	28,425	49,151	
Mortgage loans	4,258	-	4,258	
Policy loans	2,505	-	2,505	
Finance loans and finance leases	14,434	-	14,434	
Securities purchased for re-sale	323	-	323	
Deposits	554	-	554	
	42,800	28,425	71,225	
Interest income from FVTPL investments			2,722	
Total interest income (IAS 39 basis)			-	75,124
Dividend income			274	1,424
Net gain/(losses) on derecognition of financial assets measured at amortised cost			651	-
Net investment gains			20,326	24,420
Share of operating (loss) / income of associates and joint venture			(2,135)	4,601
Other investment income			925	1,120
			93,988	106,689
Investment expenses				
Allowances for impairment losses (IAS 39 basis)			-	564
Direct operating expenses of investment property			625	490
Other direct investment expenses			1,032	196
			1,657	1,250
Net investment income			**92,331**	**105,439**

7. POLICY BENEFITS AND CHANGE IN ACTUARIAL LIABILITIES

Amounts in US $000	Gross benefit		Ceded to reinsurers	
Nine months to September 30,	**2018**	**2017 restated**	**2018**	**2017 restated**
Life insurance benefits	180,121	172,176	13,841	7,927
Annuity benefits	176,985	139,515	52,812	45,357
Health insurance benefits	96,811	89,463	2,656	4,066
Property and casualty claims	19,188	24,570	6,049	4,267
Total policy benefits	473,105	425,724	75,358	61,617
Change in actuarial liabilities	46,542	83,785	(55,551)	14,574
Total policy benefits and change in actuarial liabilities	**519,647**	**509,509**	**19,807**	**76,191**

Amounts in US $000	Gross benefit		Ceded to reinsurers	
Three months to September 30,	**2018**	**2017 restated**	**2018**	**2017 restated**
Life insurance benefits	64,422	60,969	3,881	2,664
Annuity benefits	64,096	42,629	19,462	15,243
Health insurance benefits	31,495	31,690	2,724	1,707
Property and casualty claims	5,630	14,256	863	2,136
Total policy benefits	165,643	149,544	26,930	21,750
Change in actuarial liabilities	28,197	68,694	(60,574)	14,054
Total policy benefits and change in actuarial liabilities	**193,840**	**218,238**	**(33,644)**	**35,804**

8. DISCONTINUED OPERATION

The sale of Sagicor Europe and its subsidiaries by the Group to AmTrust Financial Services Inc. (AmTrust) was completed on December 23, 2013. The sales price is subject to experience adjustments up to contractually specified limits until the end of the run-off period on December 31, 2018. The experience adjustments include underwriting, investment and foreign exchange results and are subject to a reasonable risk premium adjustment by the buyer.

The movement in price adjustments were as follows:

Amounts in US $000

Liability of discontinued operation:	
Estimated amount payable December 31, 2016	-
Payment made	-
Experience gain for the twelve months ended December 31, 2017 (1)	(10,110)
Net currency movements to December 31, 2016	-
Estimated amount receivable December 31, 2017	(10,110)
Experience gain for the nine months ended September 30, 2018	(3,586)
Net currency movements to September 30, 2018	395
Estimated amount receivable September 30, 2018	(13,301)

1) The experience gain of $10,110 was not reported in any of the interim quarters in 2017. Each interim quarter recorded a nil movement, with the full amount being reflected in the annual financial statements. The cumulative result for the nine months to September 30, 2017 has been restated to record a gain of $8,225, of which $4,285 was allocated to the three months ended March 31, 2017, $1,923 was allocated to the three months ended June 30, 2017 and $2,017 was allocated to the three months ended September 30, 2017. As a consequence, the corresponding earnings per share were restated. These restatements reflect more accurately the timing of this experience gain.

9. FINANCIAL INVESTMENTS

(a) Reclassification from IAS 39 to IFRS 9

The following table summarises the results of management's reclassification of financial investments from their IAS 39 categories to their IFRS 9 categories:

Amounts in US $000	IAS 39 classification	Carrying value December 31, 2017	IFRS 9 classification	Carrying value January 1, 2018
Debt securities	Available for sale	2,266,275	FVOCI	2,235,782
Debt securities	Fair value through income	180,484	FVTPL	210,977
Debt securities	Loans and receivables	1,051,683	Amortised cost	1,040,291
Equity securities	Available for sale	86,862	FVOCI	470
Equity securities	Fair value through income	158,621	FVTPL	245,013
Derivative financial instruments	Fair value through income	32,477	FVTPL	32,477
Mortgage loans	Fair value through income	45,447	FVTPL	25,675
Mortgage loans	Loans and receivables	296,939	Amortised cost	315,849
Policy loans	Loans and receivables	142,132	Amortised cost	142,132
Finance loans and finance leases	Loans and receivables	564,399	Amortised cost	560,988
Securities purchased for resale	Loans and receivables	16,518	Amortised cost	16,518
Deposits	Loans and receivables	111,404	Amortised cost	110,892
		4,953,241		4,937,064

The Group holds a small portfolio of debt instruments which failed to meet the SPPI test requirement for the FVOCI classification under IFRS 9. These are hybrid securities with features of both debt and equity, with interest payments in shares and callable dates, but have no fixed maturity date. As a result, these instruments are classified as FVTPL under IFRS 9.

The Group assessed its business model for securities within the Group's portfolio and identified certain securities which are managed separately and actively traded for capital gains. These securities which were previously classified as available for sale are reclassified to FVTPL under IFRS 9.

Floating rate mortgages being held to received contractual cash flows, which were previously classified as fair value through income, are reclassified as amortised cost under IFRS 9.

9. FINANCIAL INVESTMENTS (continued)

(b) Reconciliation of financial investment balances from IAS 39 to IFRS 9

The following tables reconcile the carrying amounts of financial investments, from their previous measurement category in accordance with IAS 39 as of December 31, 2017 to their new measurement categories upon transition to IFRS 9 as at January 1, 2018.

Amounts in US $000	IAS 39 carrying amount December 31, 2017	Reclass-ifications	Remeasure-ments	IFRS 9 carrying amount January 1, 2018
FINANCIAL INVESTMENTS AT AMORTISED COST:				
Debt securities				
Opening balance under IAS 39	1,051,683			
Valuation re-measurement			23	
Re-measurement: ECL allowance			(11,415)	
Closing balance under IFRS 9				1,040,291
Mortgage Loans				
Opening balance under IAS 39	296,939			
Addition: From FVTPL (IFRS 9)		19,772		
Re-measurement: ECL allowance			(862)	
Closing balance under IFRS 9				315,849
Policy Loans				
Opening balance under IAS 39	142,132			
Closing balance under IFRS 9				142,132
Finance loans and leases				
Opening balance under IAS 39	564,399			
ECL allowance			(3,411)	
Closing balance under IFRS 9				560,988
Securities purchased for resale				
Opening balance under IAS 39	16,518			
Closing balance under IFRS 9				16,518
Deposits				
Opening balance under IAS 39	111,404			
ECL allowance			(512)	
Closing balance under IFRS 9				110,892
Total financial investments at amortised cost				2,186,670

9. FINANCIAL INVESTMENTS (continued)

(c) Reconciliation of financial investment balances from IAS 39 to IFRS 9 (continued)

Amounts in US $000	IAS 39 carrying amount December 31, 2017	Reclass-ifications	Remeasure-ments	IFRS 9 carrying amount January 1, 2018
MISCELLANEOUS ASSETS AND RECEIVABLES				
Cash resources				
Opening balance under IAS 39	360,064			
Closing balance under IFRS 9				360,064
Other accounts receivables				
Opening balance under IAS 39	133,167			
Re-measurement: ECL allowance			(48)	
Closing balance under IFRS 9				133,119
Total Miscellaneous assets and receivables				493,183

Amounts in US $000	IAS 39 carrying amount December 31, 2017	Reclass-ifications	Remeasure-ments	IFRS 9 carrying amount January 1, 2018
FINANCIAL INVESTMENTS AT FVOCI:				
Debt securities				
Opening balance: Available for sale under IAS 39	2,266,275			
Subtraction: To FVTPL (IFRS 9)		(30,493)		
Closing balance under IFRS 9				2,235,782
Equity securities				
Opening balance: Available for sale under IAS 39	86,862			
Subtraction: To FVTPL (IFRS 9)		(86,392)		
Closing balance under IFRS 9				470
Total financial investments measured at FVOCI				2,236,252

9. FINANCIAL INVESTMENTS (continued)

(d) Reconciliation of financial investment balances from IAS 39 to IFRS 9 (continued)

Amounts in US $000	IAS 39 carrying amount December 31, 2017	Reclass-ifications	Remeasure-ments	IFRS 9 carrying amount January 1, 2018
FINANCIAL INVESTMENTS AT FVTPL:				
Debt securities				
Opening balance under IAS 39	180,484			
Addition: From available for sale (IAS 39)		30,493		
Closing balance under IFRS 9				210,977
Equity securities				
Opening balance under IAS 39	158,621			
Addition: From available for sale (IAS 39)		86,392		
Closing balance under IFRS 9				245,013
Mortgage loans				
Opening balance under IAS 39	45,447			
Subtraction: To amortised cost (IFRS 9)		(19,772)		
Closing balance under IFRS 9				25,675
Derivative financial instruments				
Opening balance under IAS 39	32,477			
Closing balance under IFRS 9				32,477
Total financial investments measured at FVTPL				514,142

9. FINANCIAL INVESTMENTS (continued)

(e) Analysis of financial investments

Amounts in US $000	September 30, 2018 IFRS 9 basis		December 31, 2017 IAS 39 basis	
	Carrying value	Fair value	Carrying value	Fair value
Investments at FVOCI (available for sale):				
Debt securities	2,451,193	2,451,193	2,266,275	2,266,275
Equity securities	364	364	86,862	86,862
	2,451,557	2,451,557	2,353,137	2,353,137
Investments at FVTPL (fair value through income):				
Debt securities	177,197	177,197	180,484	180,484
Equity securities	252,778	252,778	158,621	158,621
Derivative financial instruments	27,015	27,015	32,477	32,477
Mortgage loans	30,637	30,637	45,447	45,447
	487,627	487,627	417,029	417,029
Investments at amortised cost (loans and receivables):				
Debt securities	1,050,173	1,184,383	1,051,683	1,155,331
Mortgage loans	292,392	291,604	296,939	296,867
Policy loans	145,035	150,884	142,132	149,995
Finance loans and finance leases	517,276	506,895	564,399	551,922
Securities purchased for re-sale	30,166	30,166	16,518	16,518
Deposits	102,897	102,897	111,404	111,404
	2,137,939	2,266,829	2,183,075	2,282,037
Total financial investments	**5,077,123**	**5,206,013**	**4,953,241**	**5,052,203**
Non-derivative financial assets at fair value through profit or loss:				
Designated at fair value upon recognition	452,725	452,725	375,917	375,917
Assets held for trading	7,887	7,887	8,635	8,635
	460,612	**460,612**	**384,552**	**384,552**

10. INVESTMENT CONTRACT LIABILITIES

The following table presents the carrying values and estimated fair values of investment contract liabilities.

Amounts in US $000	September 30, 2018 IFRS 9 basis		December 31, 2017 IAS 39 basis	
	Carrying value	**Fair Value**	**Carrying value**	**Fair value**
Liabilities at amortised cost:				
Deposit administration liabilities	112,431	112,431	121,483	121,483
Other investment contracts	120,023	120,023	117,782	119,915
	232,454	232,454	239,265	241,398
Liabilities at FVTPL (fair value through income):				
Unit linked deposit administration liabilities	144,738	144,738	139,753	139,753
Total investment contract liabilities	**377,192**	**377,192**	**379,018**	**381,151**

11. NOTES AND LOANS PAYABLE

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

Amounts in US $000	September 30, 2018 IFRS 9 basis		December 31, 2017 IAS 39 basis	
	Carrying value	**Fair value**	**Carrying value**	**Fair Value**
Liabilities at amortised cost:				
8.875% senior notes due 2022	311,194	329,871	317,028	364,131
8.25% convertible redeemable preference shares due 2020	10,509	10,584	11,310	11,887
7.75% convertible redeemable preference share due 2018	-	-	5,181	5,433
4.85% notes due 2019	75,918	74,572	74,929	76,199
Finance lease payable	6,732	6,732	5,357	5,357
Total notes and loans payable	**404,353**	**421,759**	**413,805**	**463,007**

12. DEPOSIT AND SECURITY LIABILITIES

The following table presents the carrying values and estimated fair values of deposit and security liabilities.

Amounts in US $000	September 30, 2018 IFRS 9 basis		December 31, 2017 IAS 39 basis	
	Carrying value	**Fair Value**	**Carrying value**	**Fair value**
Liabilities at amortised cost:				
Other funding instruments	381,273	385,524	279,874	284,980
Customer deposits	704,996	707,247	750,948	749,834
Securities sold for re-purchase (Note 17 – SGJ)	480,110	480,110	476,034	473,771
Bank overdrafts	783	783	2,568	2,568
	1,567,162	1,573,664	1,509,424	1,511,153
Liabilities at FVTPL (fair value through income):				
Structured products	63,779	63,779	47,576	47,576
Derivative financial instruments	1,237	1,237	2,232	2,232
	65,016	65,016	49,808	49,808
Total deposit and security liabilities	**1,632,178**	**1,638,680**	**1,559,232**	**1,560,961**

13. SUBSIDIARY ACQUISITION AND OWNERSHIP CHANGES

13.1 Acquisition

On September 1, 2018 the Sagicor Group acquired 100% of the shareholding of Harmony General Insurance Company Ltd. Harmony General, was a locally owned property and casualty insurance company which operated only in the Barbadian market. The net assets acquired are as follows:

	Fair Value	Acquiree's carrying value
Net assets acquired:		
Property, plant and equipment	16	16
Intangible assets	1,732	-
Financial investments	4,377	4,377
Reinsurance assets	1,720	1,720
Income tax assets	34	34
Miscellaneous assets and receivables	2,584	2,584
Cash resources	2,051	2,051
Other insurance liabilities	(8,543)	(8,543)
Provisions	(117)	(117)
Income tax liabilities	150	150
Accounts payable and accrued liabilities	(650)	(650)
Total net assets	3,354	1,622
Share of net assets acquired	3,354	
Purchase consideration and related costs	4,750	
Goodwill arising on acquisition	1,396	

	Total Revenue	Net Income/(Loss)
Details of acquiree's net income and total revenue:		
For the period ended September 30, 2018	5,272	(5,824)
Consolidated from acquisition date to September 30, 2018	426	30

The acquisition has been recorded using provisional values which could be subject to adjustment within the time frame permitted by International Financial Reporting Standards.

13. SUBSIDIARY ACQUISITION AND OWNERSHIP CHANGES (continued)

13.2 Disposal

On September 4, 2018 the Sagicor Group divested its holdings in Globe Finance Inc. The Sagicor Group effectively owned 51% of the company.

The financial performance for the nine months ended September 2018 and September 2017 were as follows:

	Nine months to September 2018	Nine months to September 2017
Total net income from Globe Finance Inc	(2,953)	117
Income attributable to shareholders	(1,772)	70

Details of the sale of Globe Finance Inc.

	Nine months to September 2018
Consideration received or receivable:	
Net sales price	5,538
Carrying amount of net assets sold	5,551
Loss on sale	(13)

The carrying amount of assets and liabilities at the date of sale were:

	August 2018
ASSETS	
Financial Investments	71,742
Other investments and assets	23,806
Total assets	95,548
LIABILITIES	
Policy liabilities	-
Other liabilities	89,997
Total liabilities	89,997
NET ASSETS	5,551

14. FAIR VALUE DISCLOSURES OF ASSETS AND LIABILITIES CARRIED AT FAIR VALUE

14.1 Property

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

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

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

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

Applying the fair value hierarchy to the Group's property, results in a classification of Level 3 to all properties as set out below:

Amounts in US $000	As of September 30, 2018	As of December 31, 2017
	Level 3	**Level 3**
Investment property	78,901	80,816
Owner-occupied lands	35,232	35,232
Owner-occupied land and buildings	73,961	78,465
Total properties	**188,094**	**194,513**

14. FAIR VALUE DISCLOSURES OF ASSETS AND LIABILITIES CARRIED AT FAIR VALUE (continued)

14.1 Property (continued)

For Level 3 investment property, reasonable changes in fair value would affect net income. For Level 3 owner occupied property, reasonable changes in fair value would affect other comprehensive income. The following table represents the movements in Level 3 property for the current year.

	Nine months to September 30,				December 31,
	2018	2018	2018	2018	2017
Amounts in US $000	Investment property	Owner-occupied lands	Owner-occupied land and buildings	Total	Total
Balance, beginning of period	80,816	35,232	78,465	194,513	195,702
Additions	9	-	1,352	1,361	3,175
Transfers in / (out)	(125)	-	-	(125)	(1,696)
Fair value changes recorded in net investment income	996	-	-	996	74
Fair value changes recorded in other comprehensive income	-	-	(1,027)	(1,027)	(2,227)
Depreciation	-	-	(833)	(833)	(1,098)
Disposals and divestitures	(2,500)	-	(2,509)	(5,009)	-
Effect of exchange rate changes	(295)	-	(1,487)	(1,782)	583
Balance, end of period	**78,901**	**35,232**	**73,961**	**188,094**	**194,513**

14.2 Financial instruments carried at fair value

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.

14. FAIR VALUE DISCLOSURES OF ASSETS AND LIABILITIES CARRIED AT FAIR VALUE (continued)

14.2 Financial instruments carried at fair value (continued)

(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.

In assessing the fair value of non-traded financial liabilities, the Group uses a variety of methods including obtaining dealer quotes for specific or similar instruments and the use of internally developed pricing models, such as the use of discounted cash flows. If the non-traded liability is backed by a pool of assets, then its value is equivalent to the value of the underlying assets.

Certain of the Group's policy liabilities are unit linked, i.e. derive their value from a pool of assets which are carried at fair value. The Group assigns a fair value hierarchy of Level 2 to the contract liability if the liability represents the unadjusted fair value of the underlying pool of assets.

(iii) *Level 3 – inputs for the instrument that are not based on observable market data*

A financial instrument is classified as Level 3 if:

- The fair value is derived from quoted prices of similar instruments that are observable and which would be classified as Level 2; or
- The fair value is derived from inputs that are not based on observable market data.

Level 3 assets designated fair value through income include mortgage loans and debt securities and equities for which the full income return and capital returns accrue to holders of unit linked policy and deposit administration contracts. 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.

The results of applying the fair value hierarchy to the Group's financial instruments are set out in the tables below:

14. FAIR VALUE DISCLOSURES OF ASSETS AND LIABILITIES CARRIED AT FAIR VALUE (continued)

14.2 Financial instruments carried at fair value (continued)

Amounts in US $000	As of September 30, 2018			
	Level 1	**Level 2**	**Level 3**	**Total**
Investments at FVOCI:				
Debt securities	665,605	1,785,588	-	2,451,193
Equity securities	317	2	45	364
	665,922	1,785,590	45	2,451,557
Investments at FVTPL:				
Debt securities	13,829	86,869	76,499	177,197
Equity securities	37,966	198,079	16,733	252,778
Derivative financial instruments	-	1,380	25,635	27,015
Mortgage loans	-	-	30,637	30,637
	51,795	286,328	149,504	487,627
Total assets	**717,717**	**2,071,918**	**149,549**	**2,939,184**
Total assets by percentage	24%	71%	5%	100%
Investment contracts:				
Unit linked deposit administration liabilities	-	-	144,738	144,738
Deposit and security liabilities:				
Structured products	-	-	63,779	63,779
Derivative financial instruments	-	1,237	-	1,237
	-	1,237	63,779	65,016
Total liabilities	**-**	**1,237**	**208,517**	**209,754**
Total liabilities by percentage	0%	1%	99%	100%

During the nine months ended September 30, 2018, there were no transfers between level 1 and level 2.

14. FAIR VALUE DISCLOSURES OF ASSETS AND LIABILITIES CARRIED AT FAIR VALUE (continued)

14.2 Financial instruments carried at fair value (continued)

Amounts in US $000	As of December 31, 2017			
	Level 1	Level 2	Level 3	Total
Available for sale securities:				
Debt securities	653,516	1,610,263	2,496	2,266,275
Equity securities	23,314	53,167	10,381	86,862
	676,830	1,663,430	12,877	2,353,137
Investments at fair value through income:				
Debt securities	19,185	62,542	98,757	180,484
Equity securities	14,269	144,352	-	158,621
Derivative financial instruments	-	2,232	30,245	32,477
Mortgage loans	-	-	45,447	45,447
	33,454	209,126	174,449	417,029
Total assets	**710,284**	**1,872,556**	**187,326**	**2,770,166**
Total assets by percentage	26%	68%	6%	100%
Investment contracts:				
Unit linked deposit administration liabilities	-	-	139,753	139,753
Deposit and security liabilities:				
Structured products	-	-	47,576	47,576
Derivative financial instruments	-	2,232	-	2,232
	-	2,232	47,576	49,808
Total liabilities	**-**	**2,232**	**187,329**	**189,561**
Total liabilities by percentage	0%	1%	99%	100%

Transfers from Level 2 to Level 1 in 2017 totalled $19,819.

For Level 3 instruments, reasonable changes in inputs which could be applied to the valuation of available for sale securities/investments at fair value through other comprehensive income would affect other comprehensive income. Reasonable changes in inputs which could be applied to the valuations of investments designated at fair value 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 tables present the movements in Level 3 instruments for the period.

14. FAIR VALUE DISCLOSURES OF ASSETS AND LIABILITIES CARRIED AT FAIR VALUE (continued)

14.2 Financial instruments carried at fair value (continued)

	Nine months to September 30,				December 31,
	2018	2018	2018	2018	2017
Amounts in US $000	Investments at FVOCI	Investments at FVTPL	Derivative financial instruments	Total assets	Total assets
Balance, beginning of period	12,877	144,204	30,245	187,326	176,342
Reclassifications on initial application of IFRS 9	(9,365)	(7,822)	-	(17,187)	-
Additions	-	30,097	15,519	45,616	78,882
Fair value changes recorded in net investment income	-	(1,723)	8,453	6,730	21,044
Fair value changes recorded in other comprehensive income	-	-	-	-	(98)
Disposals	(3,463)	(45,048)	(28,582)	(77,093)	(87,814)
Transfers (out of) Level 3 Classification	-	-	-	-	(16)
Effect of exchange rate changes	(4)	4,161	-	4,157	(1,014)
Balance, end of period	**45**	**123,869**	**25,635**	**149,549**	**187,326**
Fair value changes recorded in net investment income for instruments held at the end of the period	-	(1,635)	5,420	3,785	10,067

14. FAIR VALUE DISCLOSURES OF ASSETS AND LIABILITIES CARRIED AT FAIR VALUE (continued)

14.2 Financial instruments carried at fair value (continued)

	Nine months to September 30,			December 31,
	2018	2018	2018	2017
Amounts in US $000	Policy liabilities	Structured products	Total liabilities	Total liabilities
Balance, beginning of period	139,753	47,576	187,329	165,447
Issues	14,642	34,070	48,712	44,185
Settlements	(8,221)	(24,198)	(32,419)	(28,256)
Fair value changes recorded within interest expense	(1,647)	-	(1,647)	125
Transfers (to)/from instruments carried at amortised cost	-	7,708	7,708	3,682
Effect of exchange rate changes	211	(1,377)	(1,166)	2,146
Balance, end of period	**144,738**	**63,779**	**208,517**	**187,329**
Fair value changes recorded in interest expense for instruments held at the end of the period	(1,647)	-	(1,647)	188

15. CREDIT RISK

15.1 Credit risk exposure – financial investments subject to impairment

The following tables contain analyses of the credit risk exposure of financial investments for which an ECL allowance is recognized. The gross carrying amounts of investments below represent the Group's maximum exposure to credit risk on these assets.

	September 30, 2018					
Amounts in US $000	ECL Staging			Purchased		December 31, 2017
Debt securities – amortised cost	Stage 1 12-month ECL	Stage 2 life-time ECL	Stage 3 life-time ECL	credit-impaired	Total	Total
Credit grade:						
Investment	229,624	-	-	-	229,624	201,894
Non-investment	606,428	7,329	9	278	614,044	662,657
Watch	49,219	45	-	12,449	61,713	187,097
Default	-	-	230,147	-	230,147	-
Unrated	-	-	-	30	30	35
Gross carrying amount	885,271	7,374	230,156	12,757	1,135,558	1,051,683
Loss allowance	(3,255)	(14)	(81,082)	(1,034)	(85,385)	-
Carrying amount	882,016	7,360	149,074	11,723	1,050,173	1,051,683

	September 30, 2018					
Amounts in US $000	ECL Staging			Purchased		December 31, 2017
Mortgage loans – amortised cost	Stage 1 12-month ECL	Stage 2 life-time ECL	Stage 3 life-time ECL	credit-impaired	Total	Total
Credit grade:						
Investment	200,365	9,030	41	-	209,436	209,675
Non-investment	56,553	3,358	23	-	59,934	68,156
Watch	-	967	14,415	-	15,382	13,191
Default	-	-	10,095	-	10,095	8,533
Gross carrying amount	256,918	13,355	24,574	-	294,847	299,555
Loss allowance	(571)	(156)	(1,728)	-	(2,455)	(2,616)
Carrying amount	256,347	13,199	22,846	-	292,392	296,939

15. CREDIT RISK (continued)

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

	September 30, 2018					
Amounts in US $000	ECL Staging			Purchased		December 31, 2017
Finance loans and leases – amortised cost	Stage 1 12-month ECL	Stage 2 life-time ECL	Stage 3 life-time ECL	credit-impaired	Total	Total
Credit grade:						
Investment	1,519	-	-	-	1,519	2,079
Non-investment	496,241	15,852	6,420	-	518,513	559,384
Watch	-	2,271	1,608	-	3,879	1,758
Default	-	-	8,739	-	8,739	13,726
Gross carrying amount	497,760	18,123	16,767	-	532,650	576,947
Loss allowance	(5,639)	(1,197)	(8,538)	-	(15,374)	(12,548)
Carrying amount	492,121	16,926	8,229	-	517,276	564,399

	September 30, 2018					
Amounts in US $000	ECL Staging			Purchased		December 31, 2017
Securities purchased for resale – amortised cost	Stage 1 12-month ECL	Stage 2 life-time ECL	Stage 3 life-time ECL	credit-impaired	Total	Total
Credit grade:						
Non-investment	30,166	-	-	-	30,166	16,518
Gross carrying amount	30,166	-	-	-	30,166	16,518
Loss allowance	-	-	-	-	-	-
Carrying amount	30,166	-	-	-	30,166	16,518

	September 30, 2018					
Amounts in US $000	ECL Staging			Purchased		December 31, 2017
Policy loans – amortised cost	Stage 1 12-month ECL	Stage 2 life-time ECL	Stage 3 life-time ECL	credit-impaired	Total	Total
Credit grade:						
Investment	79,604	-	-	-	79,604	80,945
Unrated	65,431	-	-	-	65,431	61,187
Gross carrying amount	145,035	-	-	-	145,035	142,132
Loss allowance	-	-	-	-	-	-
Carrying amount	145,035	-	-	-	145,035	142,132

15. CREDIT RISK (continued)

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

Amounts in US $000	September 30, 2018					December 31, 2017
	ECL Staging			Purchased		
Deposits – amortised cost	Stage 1 12-month ECL	Stage 2 life-time ECL	Stage 3 life-time ECL	credit-impaired	Total	Total
Credit grade:						
Investment	78,710	-	-	-	78,710	76,754
Non-investment	21,329	1	-	-	21,330	32,281
Watch	1,835	371	-	-	2,206	964
Unrated	1,056	-	-	-	1,056	1,405
Gross carrying amount	102,930	372	-	-	103,302	111,404
Loss allowance	(355)	(50)	-	-	(405)	-
Carrying amount	102,575	322	-	-	102,897	111,404

Amounts in US $000	September 30, 2018					December 31, 2017
	ECL Staging			Purchased		
Debt securities – FVOCI	Stage 1 12-month ECL	Stage 2 life-time ECL	Stage 3 life-time ECL	credit-impaired	Total	Total
Credit grade:						
Investment	1,919,039	-	-	-	1,919,039	1,665,004
Non-investment	433,391	93,780	-	-	527,171	561,448
Watch	256	6,776	-	-	7,032	46,824
Default	-	-	53,633	-	53,633	-
Unrated	-	-	-	-	-	102
Gross carrying amount	2,352,686	100,556	53,633	-	2,506,875	2,273,378
Loss allowance	(1,539)	(8,750)	(17,533)	-	(27,822)	(6,707)
Carrying amount	2,351,147	91,806	36,100	-	2,479,053	2,266,671

15. CREDIT RISK (continued)

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

For financial investments measured at FVTPL under the unit-linked funds fair value model, the unit holders bear the credit risk and the Group has no direct credit exposure.

Maximum exposure to credit risk - Financial instruments not subject to impairment

Amounts expressed in US$ 000	Maximum exposure to credit risk
Financial assets designated at fair value	
Debt securities	177,197
Derivative financial instruments	27,015
Mortgage loans	30,637

15. CREDIT RISK (continued)

15.2 Loss allowances

The allowance for ECL is recognised in each reporting period and is impacted by a variety of factors, as described below:

- Transfers between stages due to financial instruments experiencing significant increases (or decreases) of credit risk or becoming credit-impaired during the period;
- Additional allowances for new financial instruments recognised during the period, as well as releases for financial instruments de-recognised in the period;
- Impact on the measurement of ECL due to inputs used in the calculation including the effect of 'step-up' (or 'step down') between 12-month and life-time ECL;
- Impacts on the measurement of ECL due to changes made to models and assumptions; and
- Foreign exchange retranslations for assets denominated in foreign currencies and other movements;

The following tables contain an analysis of the credit risk exposure of financial investments for which an ECL allowance is recognised. The gross carrying amount of financial assets below represents the Group's maximum exposure to credit risk on these assets.

	Nine months ended September 30, 2018				
	ECL staging				
Amounts in US $000	**Stage 1**	**Stage 2**	**Stage 3**	**Purchased**	
	12-month ECL	**Lifetime ECL**	**Lifetime ECL**	**credit-impaired**	**Total**
DEBT SECURITIES - FVOCI					
Loss Allowance as at January 01, 2018	**2,780**	**8,863**	**95**	**-**	**11,738**
Transfers:					
Transfer from Stage 1 to Stage 2	(32)	32	-	-	**-**
Transfer from Stage 1 to Stage 3	(45)	-	45	-	**-**
Transfer from Stage 2 to Stage 3	-	(1,818)	1,818	-	**-**
New financial assets originated or purchased	346	-	-	-	**346**
Financial assets fully derecognised during the period	(498)	(1,048)	(92)	-	**(1,638)**
Changes in models/assumptions used in ECL calculation	(6)	-	-	-	**(6)**
Changes to inputs used in ECL calculation	(935)	2,695	15,554	-	**17,314**
Foreign exchange adjustment	(71)	26	113	-	**68**
Loss Allowance as at September 30, 2018	**1,539**	**8,750**	**17,533**	**-**	**27,822**

15. CREDIT RISK (continued)

15.2 Loss allowances (continued)

Amounts in US $000	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Purchased credit-impaired	Total
	Nine months ended September 30, 2018 – ECL staging				
DEBT SECURITIES – AMORTISED COST					
Loss Allowance as at January 01, 2018	**1,928**	**8,581**	**-**	**917**	**11,426**
Transfers:					
Transfer from Stage 1 to Stage 3	(271)	-	271	-	**-**
Transfer from Stage 2 to Stage 3	-	(8,535)	8,535	-	**-**
New financial assets originated or purchased	2,024	-	-	187	**2,211**
Financial assets fully derecognised during the period	(204)	(39)	(906)	(54)	**(1,203)**
Changes in models/assumptions used in ECL calculation	(8)	8	1,429	30	**1,459**
Changes to inputs used in ECL calculation	(157)	(1)	71,748	(46)	**71,544**
Foreign exchange adjustment	(57)	-	3	-	**(54)**
Loss Allowance as at September 30, 2018	**3,255**	**14**	**81,080**	**1,034**	**85,383**

Amounts in US $000	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Purchased credit-impaired	Total
	Nine months ended September 30, 2018 – ECL staging				
MORTGAGE LOANS - AMORTISED COST					
Loss Allowance as at January 01, 2018	**941**	**309**	**1,149**	**-**	**2,399**
Transfers:					
Transfer from Stage 1 to Stage 2	(85)	85	-	-	**-**
Transfer from Stage 1 to Stage 3	(182)	-	182	-	**-**
Transfer from Stage 2 to Stage 1	68	(68)	-	-	**-**
Transfer from Stage 2 to Stage 3	-	(88)	88	-	**-**
Transfer from Stage 3 to Stage 2	-	7	(7)	-	-
Transfer from Stage 3 to Stage 1	2	-	(2)	-	-
New financial assets originated or purchased	53	-	-	-	**53**
Financial assets fully derecognised during the period	(131)	(47)	(3)	-	**(181)**
Changes to inputs used in ECL calculation	(94)	(44)	323	-	**185**
Foreign exchange adjustments	(1)	2	(2)	-	**(1)**
Loss Allowance as at September 30, 2018	**571**	**156**	**1,728**	**-**	**2,455**

15. CREDIT RISK (continued)

15.2 Loss allowances (continued)

	Nine months ended September 30, 2018				
	ECL staging				
Amounts in US $000	**Stage 1 12-month ECL**	**Stage 2 Lifetime ECL**	**Stage 3 Lifetime ECL**	**Purchased credit-impaired**	**Total**
FINANCE LOANS AND FINANCE LEASES - AMORTISED COST					
Loss Allowance as at January 01, 2018	**6,114**	**1,427**	**8,294**	**-**	**15,835**
Transfers:					
Transfer from Stage 1 to Stage 2	(273)	273	-	-	**-**
Transfer from Stage 1 to Stage 3	(24)	-	24	-	**-**
Transfer from Stage 2 to Stage 1	368	(368)	-	-	**-**
Transfer from Stage 2 to Stage 3	-	(265)	265	-	**-**
Transfer from Stage 3 to Stage 1	106	-	(106)	-	**-**
New financial assets originated or purchased	1,653	41	340	-	**2,034**
Financial assets fully derecognised during the period	(1,454)	(654)	(1,433)	-	**(3,541)**
Changes to inputs used in ECL calculation	(518)	790	1,715	-	**1,987**
Foreign exchange adjustment	(333)	(47)	(561)	-	**(941)**
Loss Allowance as at September 30, 2018	**5,639**	**1,197**	**8,538**	**-**	**15,374**

	Nine months ended September 30, 2018				
	ECL staging				
Amounts in US $000	**Stage 1 12-month ECL**	**Stage 2 Lifetime ECL**	**Stage 3 Lifetime ECL**	**Purchased credit-impaired**	**Total**
DEPOSITS - AMORTISED COST					
Loss Allowance as at January 01, 2018	**506**	**51**	**-**	**-**	**557**
New financial assets originated or purchased	153	-	-	-	**153**
Financial assets fully derecognised during the period	(97)	-	-	-	**(97)**
Changes to inputs used in ECL calculation	(208)	(1)	-	-	**(209)**
Foreign exchange adjustment	1	-	-	-	**1**
Loss Allowance as at September 30, 2018	**355**	**50**	**-**	**-**	**405**

Under IAS 39 there was a collective provision for financial assets recognised of US$4,045. Upon adoption of IFRS 9 as at January 1, 2018, an expected credit loss on assets in stage 1 and stage 2 replaced the IAS 39 collective provision. The IAS 39 collective provision was reversed from the opening adjustment presented in the condensed consolidated statement of changes in equity.

15. CREDIT RISK (continued)

15.2 Loss allowances (continued)

The most significant period-end assumptions used for the ECL were as follows:

At January 1, 2018

Economic variable assumptions

		2018	2019	2020
Unemployment rate	Base	4.7%	4.5%	4.5%
(USA)	Upside	4.4%	3.7%	3.8%
	Downside	5.2%	5.5%	5.7%
World GDP	Base	3.7%	3.7%	3.7%
	Upside	5.6%	5.6%	5.6%
	Downside	2.8%	2.8%	2.85%
WTI Oil Prices/10	Base	$5.72	$5.42	$5.23
	Upside	$1.96	$1.96	$1.96
	Downside	$9.52	$9.52	$9.52

At September 30, 2018

Economic variable assumptions

		2018	2019	2020
Unemployment rate	Base	3.9%	4.1%	4.4%
(USA)	Upside	3.6%	3.7%	3.8%
	Downside	4.2%	4.4%	4.6%
World GDP	Base	3.9%	3.8%	3.7%
	Upside	5.4%	5.4%	5.4%
	Downside	2.9%	2.9%	2.8%
WTI Oil Prices/10	Base	$6.73	$6.44	$6.11
	Upside	$9.52	$9.52	$9.52
	Downside	$2.96	$2.83	$2.69

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.

15. CREDIT RISK (continued)

15.2 Loss allowances (continued

Barbados	**Expected state for the next 12 months**	
Unemployment rate	Base	Negative
	Upside	Stable
	Downside	Negative
GDP growth	Base	Negative
	Upside	Stable
	Downside	Super Negative

Trinidad	**Expected state for the next 12 months**	
Unemployment rate	Base	Stable
	Upside	Positive
	Downside	Negative
GDP growth	Base	Stable
	Upside	Positive
	Downside	Negative

Jamaica	**Expected state for the next 12 months**	
Interest rate	Base	Stable
	Upside	Stable
	Downside	Stable
Unemployment rate	Base	Stable
	Upside	Positive
	Downside	Negative

15. CREDIT RISK (continued)

15.2 Loss allowances (continued)

Amounts in US $000

SICR and IAS 1 critical estimated disclosure

SICR criteria *	Actual threshold applied	Change in threshold	ECL impact of Change in threshold
Investments	2-notch downgrade since origination	1-notch downgrade since origination	$927

* See note 3.1 for full criteria for staging. The staging for lending products are primarily based on days past due with 30-day used as backstop, thus sensitivity analysis is not performed.

			ECL impact of	
Loss Given Default	**Actual value applied**	**Change in value**	**Increase in value**	**Decrease in value**
Investments - Corporate Debts	52%	(- /+ 5) %	$963	($938)
Investments - Sovereign Debts (excluding Government of Barbados and Government of Jamaica)	35%	(- /+ 5) %	$393	($393)
Investments - Sovereign Debts (GoB - Excluding BAICO)	36%	(- /+ 5) %	$13,909	($13,909)
Investments - Sovereign Debts (GoB - BAICO Bonds ONLY)	27%	(- /+ 5) %	$283	($283)
Investments - Sovereign Debts (Government of Jamaica)	15%	(- /+ 5) %	$278	(278)

			ECL impact of	
Weighting for downside scenario	**Actual value applied**	**Change in value**	**Increase in value**	**Decrease in value**
Investments - excluding Government of Barbados	10% (80% for base scenario and 10% for upside scenario)	(- /+ 5) % - keep the weighting for base scenario and adjust the weighting for upside scenario accordingly	$314	($314)
Lending products	10% (80% for base scenario and 10% for upside scenario)	(- /+ 5) % - keep the weighting for base scenario and adjust the weighting for upside scenario accordingly	$128	($130)
Investments – Sovereign Debts (GoB - BAICO Bonds ONLY)	10% (80% for base scenario and 10% for upside scenario)	(- /+ 5) % - keep the weighting for base scenario and adjust the weighting for upside scenario accordingly	$23	($23)

*As part of the acquisition of the British American Insurance Company (BAICO) portfolio the Company received bonds issued by the Government of Barbados of US$46.6 million to support the policyholder liabilities transferred. In order to safeguard the interest of policyholders these bonds were issued with a protective clause in accordance with the sale and purchase agreement approved by the Supreme Court which prevented the Government of Barbados from restructuring these bonds at any time. Accordingly, these bonds have been excluded from the Government of Barbados's restructuring plan, and have been classified as stage 1.

15. CREDIT RISK (continued)

15.3 IFRS 9 Carrying Values

The following tables explain the changes in the carrying value between the beginning and the end of the period due to these factors. The gross carrying amounts of investments below represent the Group's maximum exposure to credit risk on these assets.

	Nine months ended September 30, 2018				
	ECL staging				
Amounts in US $000	**Stage 1 12-month ECL**	**Stage 2 Lifetime ECL**	**Stage 3 Lifetime ECL**	**Purchased credit-impaired**	**Total**
DEBT SECURITIES - FVOCI					
Gross carrying amount as at January 01, 2018	**2,061,339**	**136,393**	**2,330**	**-**	**2,200,062**
Transfers:					
Transfer from Stage 1 to Stage 2	(12,576)	12,576	-	-	**-**
Transfer from Stage 1 to Stage 3	(17,657)	-	17,657	-	**-**
Transfer from Stage 2 to Stage 3	-	(34,750)	34,750	-	**-**
New financial assets originated or purchased	629,973	-	-	-	**629,973**
Financial assets fully derecognised during the period	(256,015)	(12,911)	(2,266)	-	**(271,192)**
Changes in principle and interest	(22,378)	(739)	797	-	**(22,320)**
Foreign exchange adjustment	(30,000)	(13)	365	-	**(29,648)**
Gross carrying amount as at September 30, 2018	**2,352,686**	**100,556**	**53,633**	**-**	**2,506,875**

	Nine months ended September 30, 2018				
	ECL staging				
Amounts in US $000	**Stage 1 12-month ECL**	**Stage 2 Lifetime ECL**	**Stage 3 Lifetime ECL**	**Purchased credit-impaired**	**Total**
DEBT SECURITIES - AMORTISED COST					
Gross carrying amount as at January 01, 2018	**813,354**	**225,621**	**-**	**12,708**	**1,051,683**
Transfers:					
Transfer from Stage 1 to Stage 3	(14,937)	-	14,937	-	-
Transfer from Stage 2 to Stage 3	-	(214,057)	214,057	-	**-**
New financial assets originated or purchased	218,515	497	4,696	754	**224,462**
Financial assets fully derecognised during the period	(107,175)	(1,847)	(3,997)	(809)	**(113,828)**
Changes in principle and interest	(2,242)	(2,838)	463	104	**(4,513)**
Foreign exchange adjustment	(22,244)	(2)	-	-	**(22,246)**
Gross carrying amount as at September 30, 2018	**885,271**	**7,374**	**230,156**	**12,757**	**1,135,558**

15. CREDIT RISK (continued)

15.3 IFRS 9 Carrying Values (continued)

Amounts in US $000	Nine months ended September 30, 2018				
	ECL staging				
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Purchased credit-impaired	Total
MORTGAGE LOANS - AMORTISED COST					
Gross carrying amount as at January 01, 2018	**270,719**	**17,567**	**29,934**	**-**	**318,220**
Transfers:					
Transfer from Stage 1 to Stage 2	(8,990)	8,990	-	-	**-**
Transfer from Stage 1 to Stage 3	(2,508)	-	2,508	-	**-**
Transfer from Stage 2 to Stage 1	6,225	(6,225)	-	-	**-**
Transfer from Stage 2 to Stage 3	-	(3,012)	3,012	-	**-**
Transfer from Stage 3 to Stage 2	-	1,086	(1,086)	-	**-**
Transfer from Stage 3 to Stage 1	912	-	(912)	-	**-**
New financial assets originated or purchased	27,380	158	100	-	**27,638**
Financial assets fully derecognised during the period	(25,127)	(3,548)	(7,229)	-	**(35,904)**
Write-offs	-	-	(10)	-	**(10)**
Changes in principle and interest	(7,446)	(1,675)	(1,385)	-	**(10,506)**
Foreign exchange adjustment	(4,247)	14	(358)	-	**(4,591)**
Gross carrying amount as at 30 September, 2018	**256,918**	**13,355**	**24,574**	**-**	**294,847**

Amounts in US $000	Nine months ended September 30, 2018				
	ECL staging				
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Purchased credit-impaired	Total
POLICY LOANS - AMORTISED COST					
Gross carrying amount as at January 01, 2018	**142,132**	**-**	**-**	**-**	**142,132**
Transfers:					
New financial assets originated or purchased	4,490	-	-	-	**4,490**
Financial assets fully derecognised during the period	(1,213)	-	-	-	**(1,213)**
Changes in principle and interest	196	-	-	-	**196**
Foreign exchange adjustment	(570)	-	-	-	**(570)**
Gross carrying amount as at 30 September, 2018	**145,035**	**-**	**-**	**-**	**145,035**

15. CREDIT RISK (continued)

15.3 IFRS 9 Carrying Values (continued)

Amounts in US $000	Nine months ended September 30, 2018				
	ECL staging				
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Purchased credit-impaired	Total
FINANCE LOANS AND FINANCE LEASES - AMORTISED COST					
Gross carrying amount as at January 01, 2018	**544,414**	**12,236**	**19,946**	**-**	**576,596**
Transfers:					
Transfer from Stage 1 to Stage 2	(18,083)	18,083	-	-	**-**
Transfer from Stage 1 to Stage 3	(2,104)	-	2,104	-	**-**
Transfer from Stage 2 to Stage 1	2,748	(2,748)	-	-	**-**
Transfer from Stage 2 to Stage 3	-	(5,107)	5,107	-	**-**
Transfer from Stage 3 to Stage 1	173	-	(173)	-	**-**
New financial assets originated or purchased	149,367	1,439	660	-	**151,466**
Financial assets fully derecognised during the period	(131,694)	(8,441)	(12,750)	-	**(152,885)**
Write-offs	(14)	(4)	(114)	-	**(132)**
Changes in principle and interest	(17,976)	3,003	3,004	-	**(11,969)**
Foreign exchange adjustment	(29,071)	(338)	(1,017)	-	**(30,426)**
Gross carrying amount as at 30 September, 2018	**497,760**	**18,123**	**16,767**	**-**	**532,650**

Amounts in US $000	Nine months ended September 30, 2018				
	ECL staging				
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Purchased credit-impaired	Total
SECURITIES PURCHASED FOR RESALE - AMORTISED COST					
Gross carrying amount as at January 01, 2018	**16,518**	**-**	**-**	**-**	**16,518**
Net new financial assets originated or purchased	15,615	-	-	-	**15,615**
Foreign exchange adjustment	(1,967)	-	-	-	**(1,967)**
Gross carrying amount as at 30 September, 2018	**30,166**	**-**	**-**	**-**	**30,166**

15. CREDIT RISK (continued)

15.3 IFRS 9 Carrying Values (continued)

Amounts in US $000	Nine months ended September 30, 2018				
	ECL staging				
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Purchased credit-impaired	Total
DEPOSITS - AMORTISED COST					
Gross carrying amount as at January 01, 2018	**111,034**	**370**	**-**	**-**	**111,404**
New financial assets originated or purchased	32,924	1	-	-	**32,925**
Financial assets fully derecognised during the period	(34,321)	-	-	-	**(34,321)**
Changes in principle and interest	(3,567)	1	-	-	**(3,566)**
Foreign exchange adjustment	(3,140)	-	-	-	**(3,140)**
Gross carrying amount as at September 30, 2018	**102,930**	**372**	**-**	**-**	**103,302**

15. CREDIT RISK (continued)

15.4 Debt Securities in Default

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.

The announcement of the suspended payments was evidence that the financial assets were credit-impaired and consequently, in June Sagicor re-classified its GOB debt security holdings to Stage 3 with a probability of default of 100%. Some GOB debt instruments were purchased more recently and therefore there were instruments that had not yet experienced a significant increase in credit risk relative to the initial credit risk and moved from Stage 1 to Stage 3 upon the announcement.

On September 7, 2018 the GOB announced its debt restructuring program which is being done in conjunction with the economic recovery plan and an IMF programme. The IMF programme will allow Barbados to reduce its current debt service cost substantially and it is expected that the manageability of the restructured cash flows will improve the credit quality of the instrument offered in the debt exchange.

As at September 30, 2018 the negotiations of the new bond were materially completed and on October 3, 2018 the company 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:

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.

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.

External Debt

The restructuring of the external debt is yet to be finalised.

Given this agreement and the short timeframe required for the restructuring to close subsequent to September 30, 2018 the Group applied a significant weighting to the probability of the current instruments being exchanged for the new instruments in determining the expected credit loss. The Group has also considered other scenarios, these however are considered unlikely and have not had a significant impact on the expected credit loss computed as at September 30, 2018. As the new instruments have not been issued, the determination of the expected fair value is based on models and an internally developed yield curve. As a result, the actual fair value that the Group will record on exchange may be different to the expected credit loss recorded at September 30. The impact of sensitizing the ECL recorded on GoB debt instruments is disclosed in note 15.2.

CREDIT RISK (continued)

15.4 Debt Securities in Default

Accordingly, an expected credit loss has been recognized in the condensed consolidated statement of income as follows:

Amounts in US $000	GOB Exposure	GOB Loss Allowances
Balance as of September 30, 2018	337,183	101,437

16. CASH FLOWS

Amounts in US $000	September 30, 2018	September 30, 2017
Adjustments for non-cash items, interest and dividends:		
Interest and dividend income	(227,737)	(223,851)
Net investment (gains) / losses	(27,538)	(49,485)
Loss arising on disposal	13	-
Net increase in actuarial liabilities	102,093	69,211
Gain on recapture insurance portfolio	(5,280)	-
Interest expense and finance costs	63,953	67,679
Depreciation and amortisation	16,906	15,900
Increase in provision for unearned premiums	3,482	7,992
Other items	74,018	(6,259)
	(90)	(118,813)
Net increase in investments and operating assets:		
Investment property	2,491	-
Debt securities	(363,753)	(42,603)
Equity securities	(3,801)	2,867
Mortgage loans	2,450	(9,343)
Policy loans	(2,952)	(2,879)
Finance loans and finance leases	(41,966)	(9,435)
Securities purchased for re-sale	(8,513)	(2,292)
Deposits	(3,437)	(36,576)
Other assets and receivables	114,989	7,688
	(304,492)	(92,573)

16. CASH FLOWS (continued)

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

Amounts in US $000	September 30, 2018	September 30, 2017
Investment property:		
Disbursements	(9)	-
Disposal proceeds	2,500	-
	(2,491)	-
Debt securities:		
Disbursements	(1,105,209)	(1,445,539)
Disposal proceeds	741,456	1,402,936
	(363,753)	(42,603)
Equity securities:		
Disbursements	(35,299)	(29,870)
Disposal proceeds	31,498	32,737
	(3,801)	2,867
Net increase in operating liabilities:		
Insurance liabilities	3,474	12,554
Investment contract liabilities	4,268	1,674
Other funding instruments	103,338	(49,312)
Deposits	86,625	(71,336)
Securities sold for re-purchase	8,279	144,012
Other liabilities and payables	(49,238)	31,352
	156,746	68,944

16. CASH FLOWS (continued)

Amounts in US $000	September 30, 2018	September 30, 2017
Property, plant and equipment:		
Purchases	(9,943)	(16,062)
Disposal proceeds	2,195	6,155
	(7,748)	(9,907)
Financing activities		
Notes and loans payable:		
Proceeds	553	15,828
Repayments	(6,939)	(512)
	(6,386)	15,316
Cash and cash equivalents		
Cash resources	269,698	206,502
Call deposits and other liquid balances	98,233	155,138
Bank overdrafts	(783)	(2,930)
	367,148	358,710

17. IMPACT OF CHANGES IN ACCOUNTING POLICIES AND OTHER CORRECTIONS TO THE FINANCIAL STATEMENTS

The changes in accounting policies outlined in note 2.3 which have impacted the prior period statements of financial position, income and comprehensive income are summarised in the following tables. Other corrections are outlined separately below.

STATEMENT OF FINANCIAL POSITION Amounts in US $000	**December 31, 2017 as originally presented**	**Adjustment - actuarial liabilities**	**December 31, 2017 as restated**	**Transition adjustment - IFRS 9**	**As of January 1, 2018**
ASSETS					
Investment property	80,816		80,816		80,816
Property, plant and equipment	165,560		165,560		165,560
Associates and joint ventures	97,223		97,223		97,223
Intangible assets	81,714		81,714		81,714
Financial investments (note 9)	4,953,241		4,953,241	(16,177)	4,937,064
Reinsurance assets	797,391		797,391		797,391
Income tax assets	39,980		39,980	284	40,264
Miscellaneous assets and receivables	228,543		228,543	(48)	228,495
Cash resources	360,064		360,064		360,064
Assets of discontinued operation	10,110		10,110		10,110
Total assets	**6,814,642**		**6,814,642**	**(15,941)**	**6,798,701**
LIABILITIES					
Actuarial liabilities	2,950,820	(6,120) [1]	2,944,700		2,944,700
Other insurance liabilities	224,159		224,159		224,159
Investment contract liabilities	379,018		379,018		379,018
Total policy liabilities	3,553,997	(6,120)	3,547,877		3,547,877
Notes and loans payable	413,805		413,805		413,805
Deposits and security liabilities	1,559,232		1,559,232		1,559,232
Provisions	80,027		80,027		80,027
Income tax liabilities	28,277	1,225	29,502		29,502
Accounts payable and accrued liabilities	246,976		246,976		246,976
Total liabilities	**5,882,314**	**(4,895)**	**5,877,419**		**5,877,419**

[1] Effective January 1, 2018 the Group implemented a policy to harmonise its actuarial reserving practices across operational segments. This voluntary change in policy was reflected as a prior period adjustment in accordance with IAS 8. In addition, a detailed review of Sagicor USA's actuarial model was completed which concluded that the model inputs were generally appropriate; however, certain items were identified which have been treated as errors and prior periods have been adjusted accordingly. The Sagicor Jamaica's adjustment reduced actuarial liabilities by $9,070 and Sagicor USA's adjustment increased the liability by $2,950.

17. IMPACT OF CHANGES IN ACCOUNTING POLICIES AND OTHER CORRECTIONS TO THE FINANCIAL STATEMENTS (continued)

STATEMENT OF FINANCIAL POSITION Amounts in US $000	**December 31, 2017 as originally presented**	**Adjustment - actuarial liabilities**	**December 31, 2017 as restated**	**Transition adjustment - IFRS 9**	**As of January 1, 2018**
EQUITY					
Share capital	3,059		3,059		3,059
Share premium	300,470		300,470		300,470
Reserves	(47,482)	94	(47,388)	(217)	(47,605)
Retained earnings	367,327	1,124	368,451	(10,442)	358,009
Shareholders' equity	623,374	1,218	624,592	(10,659)	613,933
Participating accounts	865		865	(2,930)	(2,065)
Non-controlling interests in subsidiaries	308,089	3,677	311,766	(2,352)	309,414
Total equity	932,328	4,895	937,223	(15,941)	921,282
Total liabilities and equity	6,814,642	-	6,814,642	(15,941)	6,798,701

17. IMPACT OF CHANGES IN ACCOUNTING POLICIES AND OTHER CORRECTIONS TO THE FINANCIAL STATEMENTS (continued)

STATEMENT OF FINANCIAL POSITION	December 31, 2016 as originally presented	Adjustment - actuarial liabilities	December 31, 2016 as restated
Amounts in US $000			
ASSETS	**6,531,920**	**-**	**6,531,920**
LIABILITIES			
Actuarial liabilities	2,776,362	(4,538) [1]	2,771,824
Income tax liabilities	50,641	437	51,078
Liabilities not subject to restatement	2,909,503	-	2,909,503
Total liabilities	**5,736,506**	**(4,101)**	**5,732,405**
EQUITY			
Share capital	3,029	-	3,029
Share premium	297,050	-	297,050
Reserves	(64,795)	(3)	(64,798)
Retained earnings	300,865	934	301,799
Shareholders' equity	536,149	931	537,080
Participating accounts	1,291	-	1,291
Non-controlling interests in subsidiaries	257,974	3,170	261,144
Total equity	795,414	4,101	799,515
Total liabilities and equity	6,531,920	**-**	6,531,920

[1] Effective January 1, 2018 the Group implemented a policy to harmonise its actuarial reserving practices across operational segments. This voluntary change in policy was reflected as a prior period adjustment in accordance with IAS 8. In addition, a detailed review of Sagicor USA's actuarial model was completed which concluded that the model inputs were generally appropriate; however, certain items were identified which have been treated as errors and prior periods have been adjusted accordingly. The Sagicor Jamaica's adjustment reduced actuarial liabilities by $7,815 and Sagicor USA's adjustment increased the liability by $3,277.

17. IMPACT OF CHANGES IN ACCOUNTING POLICIES AND OTHER CORRECTIONS TO THE FINANCIAL STATEMENTS (continued)

Amounts in US $000	Nine months to September 30, 2017			Three months to September 30, 2017		
STATEMENT OF INCOME	**Originally presented**	**Actuarial and other adjust-ment**	**Restated**	**Originally presented**	**Actuarial and other adjustment**	**Restated**
REVENUE	**910,929**	**-**	**910,929**	**348,289**	**-**	**348,289**
Net policy benefits and change in actuarial liabilities (1)	432,542	776 (3)	433,318	183,087	(653) (3)	182,434
Interest expense	41,831	-	41,831	13,290	-	13,290
Total benefits	**474,373**	**776**	**475,149**	**196,377**	**(653)**	**195,724**
EXPENSES	**329,148**	**-**	**329,148**	**104,848**	**-**	**104,848**
INCOME BEFORE TAXES	107,408	(776)	106,632	47,064	653	47,717
Income taxes	(29,303)	276 (3)	(29,027)	(10,070)	(165) (3)	(10,235)
Net income - continuing operations	**78,105**	**(500)**	**77,605**	**36,994**	**488**	**37,482**
Net income - discontinued operation (2)	-	8,225	8,225	-	2,017	2,017
NET INCOME	**78,105**	**7,725**	**85,830**	**36,994**	**2,505**	**39,499**
Net income is attributable to:						
Shareholders - continuing operations	47,211	(675)	46,536	28,205	349	28,554
Shareholders - discontinued operation	-	8,225	8,225	-	2,017	2,017
	47,211	7,550	54,761	28,205	2,366	30,571
Participating policyholders	(1,595)	-	(1,595)	(1,121)	-	(1,121)
Non-controlling interests	32,489	175	32,664	9,910	139	10,049
	78,105	**7,725**	**85,830**	**36,994**	**2,505**	**39,499**

(1) Adjustments apply to gross amounts

(2) See note 8

(3) In the US segment, actuarial liabilities for the nine months to September 30, 2017 were adjusted for various assumption changes, which related to the period, and which were identified and recorded in the Group's audited financial statements at December 31, 2017. In addition, the detailed review of Sagicor USA's actuarial model was completed during the quarter which concluded that the model input was generally appropriate; however certain items have been adjusted in the prior period. The Sagicor Jamaica's adjustment (see note 2.3) reduced net policy benefits and change in actuarial liabilities by $527 and Sagicor USA's adjustment caused an increase of $1,303. These changes had a corresponding change in Income taxes where Sagicor Jamaica's adjustment caused a decrease of $181 and Sagicor USA's adjustment caused an increase of $457.

17. IMPACT OF CHANGES IN ACCOUNTING POLICIES AND OTHER CORRECTIONS TO THE FINANCIAL STATEMENTS (continued)

STATEMENT OF INCOME (continued)

Amounts in US $000	Nine months to September 30, 2017			Three months to September 30, 2017		
STATEMENT OF INCOME	**Originally presented**	**Actuarial and other adjust-ment**	**Restated**	**Originally presented**	**Actuarial and other adjustment**	**Restated**
Basic earnings per share						
Continuing operations	15.5 cents	(0.2) cents	15.3 cents	9.2 cents	0.2 cents	9.4 cents
Discontinued operation	0.0 cents	2.7 cents	2.7 cents	0.0 cents	0.7 cents	0.7 cents
	15.5 cents	2.5 cents	18.0 cents	9.2 cents	0.9 cents	10.1 cents
Fully diluted earnings per share						
Continuing operations	15.2 cents	(0.2) cents	15.0 cents	9.0 cents	0.2 cents	9.2 cents
Discontinued operation	0.0 cents	2.7 cents	2.7 cents	0.0 cents	0.7 cents	0.7 cents
	15.2 cents	2.5 cents	17.7 cents	9.0 cents	0.9 cents	9.9 cents

17. IMPACT OF CHANGES IN ACCOUNTING POLICIES AND OTHER CORRECTIONS TO THE FINANCIAL STATEMENTS (continued)

Amounts in US $000	Nine months to September 30, 2017			Three months to September 30, 2017		
STATEMENT OF COMPREHENSIVE INCOME	**Originally presented**	**Actuarial and other adjust-ment**	**Restated**	**Originally presented**	**Actuarial and other adjust-ment**	**Restated**
NET INCOME	**78,105**	**7,725**	**85,830**	**36,994**	**2,505**	**39,499**
OTHER COMPREHENSIVE INCOME						
Items net of tax that may be reclassified subsequently to income:						
Available for sale financial assets:						
Unrealised on revaluation	36,670	-	36,670	14,983	-	14,983
Losses / (gains) transferred to income	6,052	-	6,052	(1,159)	-	(1,159)
Net change in actuarial liabilities [1]	(9,630)	(7,565)	(17,195)	3,285	(7,565)	(4,280)
Retranslation of foreign currency operations	(5,148)	(69)	(5,217)	(3,302)	(58)	(3,360)
	27,944	(7,634)	20,310	13,807	(7,623)	6,184
Items net of tax that will not be reclassified subsequently to income						
Gains on defined benefit plans	2,227	-	2,227	94	-	94
Other comprehensive income	**30,171**	**(7,634)**	**22,537**	**13,901**	**(7,623)**	**6,278**
TOTAL COMPREHENSIVE INCOME	**108,276**	**91**	**108,367**	**50,895**	**(5,118)**	**45,777**
Total comprehensive income is attributable to:						
Shareholders - continuing operations	70,222	(8,309)	61,913	37,557	(7,274)	30,283
Shareholders - discontinued operation	-	8,225	8,225	-	2,017	2,017
	70,222	(84)	70,138	37,557	(5,257)	32,300
Participating policyholders	(492)	-	(492)	(328)	-	(328)
Non-controlling interests	38,546	175	38,721	13,666	139	13,805
	108,276	**91**	**108,367**	**50,895**	**(5,118)**	**45,777**

[1] Actuarial liabilities at September 2017 were increased with a corresponding adjustment to actuarial liability fair value reserves in comprehensive income, reduced to reflect fair value movements on available for sale assets.

17. IMPACT OF CHANGES IN ACCOUNTING POLICIES AND OTHER CORRECTIONS TO THE FINANCIAL STATEMENTS (continued)

Amounts in US $000	Retained earnings
Restated balance as of December 31, 2017	368,451
Transition adjustments on adoption of IFRS 9:	
Reclassify investments from available-for-sale to FVTPL	6,152
Increase in provision for miscellaneous receivables and contract assets	(48)
Increase in provision for debt investments at amortised cost	(10,168)
Increase in provision for debt investments at FVOCI	(7,316)
Increase in deferred tax assets relating to impairment provisions	813
Other	125
Total transition adjustments	(10,442)
Balance as of January 1, 2018	358,009

The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a life-time expected loss allowance for all miscellaneous receivables. To measure the expected credit losses, miscellaneous receivables have been grouped based on shared credit risk characteristics and the days past due.

On that basis, the loss allowance as at 1 January 2018 was determined as follows for miscellaneous receivables:

Opening balance 1 January 2018	**Current**	**More than 30 days past due**	**More than 60 days past due**	**More than 120 days past due**	**Total**
Expected loss rate	0.2% - 1.2%	0.0%	1.4%	1.8%	
Gross carrying amount	18,069	-	-	69	18,138
Loss allowance	46	-	-	2	48

The loss allowances for miscellaneous receivables as at December 31, 2017 reconciles to the opening loss allowances on 1 January 2018 as follows:

Amounts in US $000	Miscellaneous receivables
Loss allowances	
As of December 31, 2017 – calculated under IAS 39	-
Amounts restated through opening retained earnings	(48)
As of January 1, 2018 - calculated under IFRS 9	**(48)**

18. SUBSEQUENT EVENTS

On November 27, 2018, Sagicor Financial Corporation Limited (“Sagicor”), entered into a definitive arrangement agreement (“Arrangement Agreement”) with Alignvest Acquisition II Corporation (“Alignvest”) pursuant to which Alignvest will acquire all the shares of Sagicor by way of a scheme of arrangement under the laws of Bermuda, where Sagicor is incorporated. Closing is expected in early 2019, and is subject to regulatory approval and certain conditions being met by both Alignvest and Sagicor.

Sagicor also announced that Sagicor and Alignvest will acquire Scotiabank’s life insurance operations in Jamaica and in Trinidad & Tobago and will also enter into a 20-year exclusive agreement where Sagicor will provide insurance solutions to Scotiabank’s clients in Jamaica and Trinidad & Tobago. The completion of the acquisition is dependent on the completion of the acquisition of Sagicor as outlined above. Closing is expected in late 2019 or early 2020, subject to regulatory approval and certain conditions being met.

APPENDIX G – PRO FORMA FINANCIAL STATEMENTS

Sagicor Financial Company Ltd.

(formerly Alignvest Acquisition II Corporation)

Pro Forma Condensed Consolidated Financial Statements

As of and for the nine months ended September 30, 2018 and for the year ended December 31, 2017

(Unaudited)

Sagicor Financial Company Ltd. (formerly Alignvest Acquisition II Corporation)
Pro Forma condensed consolidated statement of financial position
As of September 30, 2018
[expressed in thousands of US dollars, unaudited]

	Sagicor Financial Corporation Limited	Alignvest Acquisition II Corporation	Pro-forma adjustments - Sagicor Arrangement	Notes	Pro-forma consolidated before Proposed Acquisitions	ScotiaLife Trinidad and Tobago Limited as at October 31, 2018	Scotia Jamaica Life Insurance Company Limited	Pro-forma adjustments - Proposed Acquisitions	Notes	Pro-forma consolidated
	$	$	$		$	$	$	$		$
ASSETS										
Investment property	78,901	-	-		78,901	-	-	-		78,901
Property, plant and equipment	151,782	-	-		151,782	-	47	-		151,829
Associates and joint ventures	95,535	-	-		95,535	-	-	-		95,535
Goodwill	-	-	-		-	-	-	151,291	Note 3(i)	151,291
Intangible assets	81,521	-	-		81,521	-	606	-		82,127
Financial instruments	5,077,123	-	-		5,077,123	293,100	394,096	(88,101)	Note 3(j), 3(o)	5,676,218
Reinsurance assets	748,965	-	-		748,965	2,207	-	-		751,172
Income tax assets	46,856	-	-		46,856	-	13,105	-		59,961
Miscellaneous assets and receivables	162,240	21	-		162,261	13,932	11	-		176,204
Cash resources	365,170	1,002	225,856	Notes 3(a), 3(b), 3(f)	592,028	15,420	37,710	(254,143)	Note 3(i), 3(j)	391,015
Restricted cash and assets held in escrow	-	315,573	(315,573)	Note 3(a)	-	-	-	-		-
Assets of the discontinued operations	13,301	-	-		13,301	-	-	-		13,301
Total Assets	**6,821,394**	**316,596**	**(89,717)**		**7,048,273**	**324,659**	**445,575**	**(190,953)**		**7,627,554**
LIABILITIES										
Actuarial liabilities	2,974,560	-	-		2,974,560	204,189	334,159	-		3,512,908
Other insurance liabilities	239,141	-	-		239,141	2,423	-	-		241,564
Investment contract liabilities	377,192	-	-		377,192	-	-	-		377,192
Total policy liabilities	3,590,893	-	-		3,590,893	206,612	334,159	-		4,131,664
Notes and loans payable	404,353	-	-		404,353	-	-	-		404,353
Deposits and security liabilities	1,632,178	-	-		1,632,178	-	-	-		1,632,178
Provisions	70,386	-	-		70,386	-	-	-		70,386
Income tax liabilities	34,165	-	-		34,165	429	-	-		34,594
Deferred tax liabilities	-	-				3,921	6,426	-		10,347
Deferred underwriters' commission	-	10,906	(10,906)	Note 3(a)	-	-	-	-		-
Class A restricted voting shares subject to redemption	-	306,618	(306,618)	Note 3(a)	-	-	-	-		-
Warrant liability	-	11,049	(11,049)	Note 3(e)	-	-	-	-		-
Due to related party	-	142	-		142	-	-	-		142
Accounts payable and accrued liabilities	193,566	1,337	10,000	Note 3(c)	204,903	2,897	1,875	22,962	Note 3(i)	232,637
Total liabilities	**5,925,541**	**330,052**	**(318,573)**		**5,937,020**	**213,859**	**342,460**	**22,962**		**6,516,301**
EQUITY										
Share capital	3,059	11	496,864	Notes 3(b), 3(d), 3(e), 3(f), 3(q)	499,934	8,775	1,109	(9,884)	Note 3(i)	499,934
Share premium	300,471	-	(203,828)	Note 3(f)	96,643	-	-	-		96,643
Reserves	(87,911)	-	69,188	Note 3(e)	(18,723)	848	11,590	(12,438)	Note 3(i)	(18,723)
Retained earnings (deficit)	382,488	(13,467)	(133,368)	Notes 3(d), 3(e), 3(q)	235,653	101,177	90,416	(191,593)	Note 3(i), 3(j)	235,653
Shareholders' equity	**598,107**	**(13,456)**	**228,856**		**813,507**	**110,800**	**103,115**	**(213,915)**		**813,507**
Participating accounts	(10,528)	-	-		(10,528)	-	-	-		(10,528)
Non-controlling interests in subsidiaries	308,274	-	-		308,274	-	-	-		308,274
Total equity	**895,853**	**(13,456)**	**228,856**		**1,111,253**	**110,800**	**103,115**	**(213,915)**		**1,111,253**
Total liabilities and equity	**6,821,394**	**316,596**	**(89,717)**		**7,048,273**	**324,659**	**445,575**	**(190,953)**		**7,627,554**

See accompanying notes to the unaudited Pro Forma condensed consolidated financial statements

Sagicor Financial Company Ltd. (formerly Alignvest Acquisition II Corporation)
Pro Forma condensed consolidated statement of income and comprehensive income
Year ended December 31, 2017
[expressed in thousands of US dollars, except per share amounts] [unaudited]

	Sagicor Financial Corporation Limited For the year ended December 31, 2017	Alignvest Acquisition II Corporation From commencement of operations on April 28, 2017 to March 31, 2018	Pro-forma adjustments - Sagicor Arrangement	Notes	Pro-forma consolidated before Proposed Acquisitions	ScotiaLife Trinidad and Tobago Limited For the year ended October 31, 2017	Scotia Jamaica Life Insurance Company Limited For the year ended December 31, 2017	Pro-forma adjustments - Proposed Acquisitions	Notes	Pro-forma consolidated
	$	$	$		$	$	$	$		$
REVENUE										
Premium revenue	898,354	-	-		898,354	67,660	14,141	-		980,155
Reinsurance premium expense	(152,722)	-	-		(152,722)	(7,686)	(7)	7,686	Note 3(l)	(152,729)
Net premium revenue	**745,632**	**-**	**-**		**745,632**	**59,974**	**14,134**	**7,686**		**827,426**
Net investment income	379,236		1,969	Note 3(g)	381,205	12,266	27,457	(5,849)	Note 3(k)	415,079
Interest income	-	1,969	(1,969)	Note 3(g)	-	-	-	-		-
Fees and other revenue	93,740		-		93,740	238	4,006	-		97,984
Gain arising on disposal	2,261	-	-		2,261	-	3,620	-		5,881
Total revenue	**1,220,869**	**1,969**	**-**		**1,222,838**	**72,478**	**49,217**	**1,837**		**1,346,370**
BENEFITS										
Policy benefits and change in actuarial liabilities	720,651	-	-		720,651	48,787	4,302	873	Note 3(l)	774,613
Policy benefits and change in actuarial liabilities reinsured	(114,839)	-	-		(114,839)	-	-	-		(114,839)
Net Policy benefits and change in actuarial liabilities	605,812	-	-		605,812	48,787	4,302	873		659,774
Interest expense	54,949	-	-		54,949	-	-	-		54,949
Total benefits	**660,761**	**-**	**-**		**660,761**	**48,787**	**4,302**	**873**		**714,723**
EXPENSES										
Administrative expenses	267,427	1,432	-		268,859	5,407	7,870	(781)	Note 3(m)	281,355
Commissions and related compensation	98,749	-	-		98,749	-	-	13,100	Note 3(n)	111,849
Premium and asset taxes	13,569	-	-		13,569	-	-	-		13,569
Finance costs, net	34,746	-	-		34,746	-	-	-		34,746
Depreciation and amortisation	21,871	-	-		21,871	-	473	-		22,344
Transaction costs	-	17,547	-		17,547	-	-	-		17,547
Net unrealized gain on changes in fair value of financial liabilities	-	(2,072)	2,072	Note 3(h)	-	-	-	-		-
Total expenses	**436,362**	**16,907**	**2,072**		**455,341**	**5,407**	**8,343**	**12,319**		**481,410**
INCOME (LOSS) BEFORE TAXES	**123,746**	**(14,938)**	**(2,072)**		**106,736**	**18,284**	**36,572**	**(11,355)**		**150,237**
Income taxes	(18,577)	-	-		(18,577)	(4,372)	(9,306)	2,962	Note 3(p)	(29,293)
NET INCOME (LOSS) FROM CONTINUING OPERATIONS	**105,169**	**(14,938)**	**(2,072)**		**88,159**	**13,912**	**27,266**	**(8,393)**		**120,944**
Net income from discontinued operation	10,110	-	-		10,110	-	-	-		10,110
NET INCOME (LOSS) FOR THE YEAR	**115,279**	**(14,938)**	**(2,072)**		**98,269**	**13,912**	**27,266**	**(8,393)**		**131,054**
Other comprehensive income	64,042	-	-		64,042	743	3,062	-		67,847
TOTAL COMPREHENSIVE INCOME (LOSS)	**179,321**	**(14,938)**	**(2,072)**		**162,311**	**14,655**	**30,328**	**(8,393)**		**198,901**
Net income (loss) is attributable to:										
Common shareholders:										
From continuing operations	62,123	(14,938)	(2,072)		45,113	13,912	27,266	(8,393)		77,898
From discontinued operations	10,110	-	-		10,110	-	-	-		10,110
	72,233	(14,938)	(2,072)		55,223	13,912	27,266	(8,393)		88,008
Participating policyholders	(1,044)	-	-		(1,044)	-	-	-		(1,044)
Non-controlling interests	44,090	-	-		44,090	-	-	-		44,090
	115,279	(14,938)	(2,072)		98,269	13,912	27,266	(8,393)		131,054
Earnings (loss) per common share from continuing operations										
Basic	0.204	(1.260)			0.824	0.232	0.182			1.130
Diluted	0.199	(1.260)			0.574	0.232	0.182			0.787
Weighted average number of common shares outstanding (000's)										
Basic	304,732	11,858		Note 4	106,996	60,000	150,000		Note 4	106,996
Diluted	312,619	11,858		Note 4	153,719	60,000	150,000		Note 4	153,719

See accompanying notes to the unaudited Pro Forma condensed consolidated financial statements

Sagicor Financial Company Ltd. (formerly Alignvest Acquisition II Corporation)

Pro Forma condensed consolidated statement of income and comprehensive income
Nine months ended September 30, 2018
[expressed in thousands of US dollars, except per share amounts] [unaudited]

	Sagicor Financial Corporation Limited For the nine months ended September 30, 2018 $	Alignvest Acquisition II Corporation For the nine months ended September 30, 2018 $	Pro-forma adjustments - Sagicor Arrangement $	Notes	Pro-forma consolidated before Proposed Acquisitions $	ScotiaLife Trinidad and Tobago Limited For the nine months ended October 31, 2018 $	Scotia Jamaica Life Insurance Company Limited For the nine months ended September 30, 2018 $	Pro-forma adjustments - Proposed Acquisitions $	Notes	Pro-forma consolidated $
REVENUE										
Premium revenue	789,117	-	-		789,117	46,758	11,387	-		847,262
Reinsurance premium expense	(69,117)	-	-		(69,117)	(5,922)	-	5,922	Note 3(l)	(69,117)
Net premium revenue	**720,000**	**-**	**-**		**720,000**	**40,836**	**11,387**	**5,922**		**778,145**
Net gain on derecognition of financial assets measured at amortized cost	2,747	-	-		2,747	-	-	-		2,747
Interest income earned from financial assets measured at amortised cost and FVOCI	215,359	-	2,827	Note 3(g)	218,186	-	-	-		218,186
Interest income earned from financial assets measured at fair value through profit and loss	10,829	-	-		10,829	-	-	-		10,829
Net investment income	30,492	-	-		30,492	11,088	17,199	(4,387)	Note 3(k)	54,392
Interest income	-	2,827	(2,827)	Note 3(g)	-	-	-	-		-
Fees and other revenue	89,290	-	-		89,290	216	3,239	-		92,745
Gain/Loss arising on disposal	(13)	-	-		(13)	-	5,108	-		5,095
Total revenue	**1,068,704**	**2,827**	**-**		**1,071,531**	**52,140**	**36,933**	**1,535**		**1,162,139**
BENEFITS										
Policy benefits and change in actuarial liabilities	519,647	-	-		519,647	32,582	8,822	1,061	Note 3(l)	562,112
Policy benefits and change in actuarial liabilities reinsured	(19,807)	-	-		(19,807)	-	-	-		(19,807)
Net Policy benefits and change in actuarial liabilities	499,840	-	-		499,840	32,582	8,822	1,061		542,305
Interest expense	37,541	-	-		37,541	-	-	-		37,541
Total benefits	**537,381**	**-**	**-**		**537,381**	**32,582**	**8,822**	**1,061**		**579,846**
EXPENSES										
Administrative expenses	212,579	1,614	-		214,193	4,363	5,979	(626)	Note 3(m)	223,909
Commissions and related compensation	79,370	-	-		79,370	-	-	10,400	Note 3(n)	89,770
Premium and asset taxes	11,681	-	-		11,681	-	-	-		11,681
Finance costs, net	26,412	-	-		26,412	-	-	-		26,412
Credit impairment losses	96,010	-	-		96,010	(81)	-	-		95,929
Depreciation and amortisation	16,906	-	-		16,906	-	299	-		17,205
Transaction costs	-	862	-		862	-	-	-		862
Net unrealized loss (gain) on changes in fair value of financial liabilities	-	626	(626)	Note 3(h)	-	-	-	-		-
Total expenses	**442,958**	**3,102**	**(626)**		**445,434**	**4,282**	**6,278**	**9,774**		**465,768**
						-				
INCOME (LOSS) BEFORE TAXES	**88,365**	**(275)**	**626**		**88,716**	**15,276**	**21,833**	**(9,300)**		**116,525**
Income taxes	(32,591)	-	-		(32,591)	(1,833)	(5,697)	2,444	Note 3(p)	(37,677)
NET INCOME (LOSS) FROM CONTINUING OPERATIONS	**55,774**	**(275)**	**626**		**56,125**	**13,443**	**16,136**	**(6,856)**		**78,848**
Net income from discontinued operation	3,191	-	-		3,191	-	-	-		3,191
NET INCOME (LOSS) FOR THE PERIOD	**58,965**	**(275)**	**626**		**59,316**	**13,443**	**16,136**	**(6,856)**		**82,039**
Other comprehensive (loss) income	(65,593)	-	-		(65,593)	725	6,407	-		(58,461)
TOTAL COMPREHENSIVE (LOSS) INCOME	**(6,628)**	**(275)**	**626**		**(6,277)**	**14,168**	**22,543**	**(6,856)**		**23,578**
Net income (loss) is attributable to:										
Common shareholders:										
From continuing operations	28,541	(275)	626		28,892	13,443	16,136	(6,856)		51,615
From discontinued operations	3,191	-	-		3,191	-	-			3,191
	31,732	(275)	626		32,083	13,443	16,136	(6,856)		54,806
Participating policyholders	(7,722)	-	-		(7,722)	-	-	-		(7,722)
Non-controlling interests	34,955	-	-		34,955	-	-	-		34,955
	58,965	(275)	626		59,316	13,443	16,136	(6,856)		82,039
Earnings (loss) per common share from continuing operations										
Basic	0.093	(0.021)			0.270	0.224	0.108			0.482
Diluted	0.091	(0.021)			0.188	0.224	0.108			0.336
Weighted average number of common shares outstanding (000's)										
Basic	306,892	12,888		Note 4	106,996	60,000	150,000		Note 4	106,996
Diluted	313,637	12,888		Note 4	153,719	60,000	150,000		Note 4	153,719

See accompanying notes to the unaudited Pro Forma condensed consolidated financial statements

Notes to the Pro Forma Condensed Consolidated Financial Statements

[expressed in thousands of US dollars unless otherwise noted, except per share amounts]
[unaudited]

1. Description of Proposed Transaction

On November 27, 2018, Alignvest Acquisition II Corporation ("Alignvest") announced that it had entered into a definitive arrangement agreement (the "Arrangement Agreement") with Sagicor Financial Corporation Limited ("Sagicor") pursuant to which, among other things, Alignvest shall acquire, directly or indirectly, all of the shares of Sagicor by way of a scheme of arrangement under the laws of Bermuda, where Sagicor is incorporated (the "Sagicor Arrangement").

The Sagicor Arrangement constitutes Alignvest's proposed qualifying transaction, which is subject to shareholder approval by both companies shareholders and the holders of Alignvest Class A Restricted Voting Shares can (conditional on closing) elect to redeem all or a portion of their Alignvest Class A Restricted Voting Shares. The Sagicor Arrangement is also conditional on Alignvest having available, immediately prior to closing, a minimum cash amount of at least $220,000 (net of certain expenses, deferred underwriters commission and applicable redemptions of Alignvest Class A Restricted Voting Shares).

Existing shareholders of Alignvest who do not redeem their shares will continue to hold an interest in Alignvest after giving effect to the Sagicor Arrangement. In connection with the Sagicor Arrangement, Alignvest is expected to be renamed Sagicor Financial Company Ltd. and will continue from the laws of Ontario to the laws of Bermuda. On closing, Sagicor Financial Company Ltd. ("New Sagicor") will own 100% of Sagicor.

As part of this transaction, subject to certain limitations, each of Sagicor's eligible existing shareholders (excluding the Company's management team and continuing directors, all of whom have elected to roll 100% of their equity into this transaction) will have the option of tendering up to 10,000 shares for US$1.75 of cash, up to a total cash share purchase of US$205 million less certain other amounts, as per the scheme of arrangement and the arrangement agreement. Sagicor common shares not purchased for cash will be exchanged for common shares of new Sagicor on an exchange ratio of one New Sagicor common share for 4.424 of Sagicor common shares (assuming a Canadian dollar to US dollar foreign exchange rate of 0.77417).

Sagicor has recently entered into definitive agreements to acquire all of the shares of Scotia Jamaica Life Insurance Company Limited ("SJLIC") and all of the shares of ScotiaLife Trinidad and Tobago Limited ("SLTT") (collectively the "Proposed Acquisitions"). The acquisition of SJLIC and SLTT are not inter-conditioned on each other. However, they are each conditional on the completion of the Sagicor Arrangement. They are not expected to be completed until after the closing of the Sagicor Arrangement, and are thus not part of Alignvest's proposed qualifying acquisition.

2. Basis of Presentation

The unaudited Pro Forma condensed consolidated statement of financial position as of September 30, 2018, the unaudited Pro Forma condensed consolidated statements of income and comprehensive income for the nine months ended September 30, 2018 and for the year ended December 31, 2017 and the notes thereto (collectively, the "Pro Forma Financial Information") of Sagicor Financial Company Limited were prepared in connection with the related proposed Sagicor Arrangement and Proposed Acquisitions as discussed above.

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

The Proposed Acquisitions of SJLIC and SLTT are accounted for in accordance with IFRS 3 in the Pro Forma Financial Information.

The Pro Forma Financial Information was prepared for illustrative purposes only, in compliance with NI 41-101F1/Form 41-101F1.

The Pro Forma Financial Information is derived from and should be read in conjunction with the following:

[expressed in thousands of US dollars unless otherwise noted, except per share amounts]

- the unaudited condensed consolidated financial statements of Sagicor as of and for the nine-months ended September 30, 2018;
- the audited consolidated financial statements of Sagicor as of and for the year ended December 31, 2017;
- the unaudited interim condensed financial statements of Alignvest as of and for the six months ended September 30, 2018;
- the audited financial statements of Alignvest as of March 31, 2018 and for the period from commencement of operation on April 28, 2017 to March 31, 2018;
- the unaudited interim condensed financial statements of Alignvest as of December 31, 2017 and for the period from commencement of operations on April 28, 2017 to December 31, 2017;
- the unaudited condensed interim financial statements of SJLIC as of and for the nine months ended September 30, 2018;
- the audited financial statements of SJLIC as of and for the year ended December 31, 2017;
- the audited financial statements of SLTT as of and for the year ended October 31, 2018; and
- the audited financial statements of SLTT as of and for the year ended October 31, 2017.

The unaudited Pro Forma condensed consolidated statement of income and comprehensive income for the nine months ended September 30, 2018 and for the year ended December 31, 2017, give pro forma effect to the Sagicor Arrangement and the Proposed Acquisitions as if they had occurred on January 1, 2017. The unaudited Pro Forma condensed consolidated statement of financial position as of September 30, 2018 assumes that the Sagicor Arrangement and the Proposed Acquisitions were completed on September 30, 2018.

As the fiscal periods of Sagicor and Alignvest differ by less than 93 days, the unaudited Pro Forma condensed consolidated statement of income and comprehensive income for the year ended December 31, 2017 was derived by combining the audited consolidated statement of income and comprehensive income of Sagicor for the year ended December 31, 2017 with the audited statement of operations and comprehensive income (loss) of Alignvest from commencement of operations on April 28, 2017 to March 31, 2018. For the unaudited Pro Forma condensed consolidated statement of income and comprehensive income for the nine months ended September 30, 2018, the Alignvest financial information was constructed by adding: [i] the financial data from Alignvest unaudited statement of operations and comprehensive income (loss) for the six months ended September 30, 2018; and [ii] the financial data of Alignvest for the three months ended March 31, 2018, which is derived by subtracting the financial data from Alignvest unaudited statement of operations and comprehensive income (loss) from commencement of operations on April 28, 2017 to December 31, 2017 from the financial data from Alignvest audited statement of operations and comprehensive income (loss) from commencement of operations on April 28, 2017 to March 31, 2018. The financial data of Alignvest for the three months ended March 31, 2018 was as follows:

	$
Interest income	814
Transaction costs	(878)
Administrative expenses	(467)
Net unrealized loss on changes in fair value of financial liabilities	(1,089)
Net loss for the period	**(1,620)**

Notes to the Pro Forma Condensed Consolidated Financial Statements

[expressed in thousands of US dollars unless otherwise noted, except per share amounts]
[unaudited]

As the fiscal periods of Sagicor and SLTT differ by less than 93 days, the unaudited Pro Forma condensed consolidated statement of income and comprehensive income for the year ended December 31, 2017 was derived by combining the audited consolidated statement of income and comprehensive income of Sagicor for the year ended December 31, 2017 with the audited statement of profit or loss and other comprehensive income of SLTT for the year ended October 31, 2017. For the unaudited Pro Forma condensed consolidated statement of income and comprehensive income for the nine months ended September 30, 2018, the SLTT financial information was constructed by subtracting: [i] the financial data from SLTT internal unaudited statement of profit or loss and other comprehensive income for the three months ended January 31, 2018; from [ii] the financial data of SLTT from the audited statement of profit or loss and other comprehensive income for the year ended October 31, 2018. The financial data of SLTT for the three months ended January 31, 2018 was as follows:

	ScotiaLife Trinidad and Tobago Limited For the three months ended January 31, 2018
	$
REVENUE	
Premium revenue	18,713
Reinsurance premium expense	(2,030)
Net premium revenue	**16,683**
Net investment income	3,515
Fees and other revenue	66
Total revenue	**20,264**
BENEFITS	
Policy benefits and change in actuarial liabilities	14,202
Total benefits	**14,202**
EXPENSES	
Administrative expenses	1,568
Credit impairment losses	22
Total expenses	**1,590**
INCOME BEFORE TAXES	**4,472**
Income taxes	(989)
NET INCOME FROM CONTINUING OPERATIONS	**3,483**
Other comprehensive loss	(109)
TOTAL COMPREHENSIVE INCOME	**3,374**

The Pro Forma Financial Information is for illustrative and information purposes only and may not be indicative of the operating results or financial condition that actually would have been achieved if the Sagicor Arrangement and the Proposed Acquisitions had been in effect on the dates indicated or of the results that may be obtained in the future. The historical consolidated financial statements have been adjusted in the Pro Forma Financial Information to give effect to Pro Forma events that are (1) directly attributable to the Sagicor Arrangement and Proposed Acquisitions, (2) factually supportable and (3) with respect to the statements of income and comprehensive income, expected to have a material continuing impact on the results of New Sagicor.

The accounting policies used in the preparation of the Pro Forma Financial Information are consistent with those described in the audited consolidated financial statements of Sagicor as of and for the year ended December 31, 2017 and the unaudited condensed consolidated financial statements of Sagicor as of and for the nine months ended September 30, 2018.

Notes to the Pro Forma Condensed Consolidated Financial Statements

[expressed in thousands of US dollars unless otherwise noted, except per share amounts]
[unaudited]

The Pro Forma adjustments contained in these unaudited pro forma condensed consolidated financial statements reflect estimates and assumptions by the management of Sagicor based on currently available information. Sagicor's management believes that such assumptions provide a reasonable basis for presenting all of the significant effects of the proposed Sagicor Arrangement and the Proposed Acquisitions contemplated and that the Pro Forma adjustments give appropriate effect to those assumptions and are properly applied in the Pro Forma Financial Information.

Actual amounts recorded upon consummation of the proposed Sagicor Arrangement and the Proposed Acquisitions will differ from such Pro Forma Financial Information. Since the Pro Forma Financial Information was developed retroactively to show the effect of the proposed Sagicor Arrangement and the Proposed Acquisitions that is expected to occur at a later date (even though this was accomplished by following generally accepted practice and using reasonable assumptions), there are limitations inherent in the very nature of such Pro Forma Financial Information.

The historical financial information of Alignvest, SJLIC and SLTT has been translated to U.S. dollars using the average and period end spot rates of exchange for the U.S. dollar, expressed in Canadian dollars as follows:

	Canadian dollar to U.S. dollar	Jamaican dollar to U.S. dollar	Trinidad and Tobago dollar to U.S. dollar
Pro Forma condensed consolidated statement of income and comprehensive income for the year ended December 31, 2017	0.782597	0.007712	0.145995
Pro Forma condensed consolidated statement of income and comprehensive income for the nine months ended September 30, 2018	0.776782	0.007736	0.147043
Pro Forma condensed consolidated statement of financial position as at September 30, 2018	0.774170	0.007390	0.146250

Non-historical financial information has been translated to U.S. dollars using the same period end spot rates as the pro forma condensed consolidated statement of financial position as at September 30, 2018.

3. Pro Forma Condensed Consolidated Statement of Financial Position Adjustments and Pro Forma Condensed Consolidated Statement of Income and Comprehensive Income Adjustments

The Pro Forma adjustments contained in these unaudited Pro Forma condensed consolidated financial statements reflect estimates and assumptions by management of Sagicor based on currently available information.

[a] This adjustment relates to the closing of the Sagicor Arrangement. This adjustment has been presented assuming no redemption of Alignvest's Class A Restricted Voting Shares, prior to the closing of the Sagicor Arrangement. The adjustment includes the following elements: [i] the investment in Canadian Government securities of $315,573 (CAD $407,627) is released from escrow and converted into cash resources, and [ii] a portion of the funds released from escrow are used to pay deferred underwriters commission of $10,906.

The number of Alignvest Class A Restricted Voting Shares that will be redeemed will occur at the time of completion of the Sagicor Arrangement cannot be known until shortly before the time that the Sagicor Arrangement is effected. The redemption of no Alignvest Class A Restricted Voting Shares used in the pro forma financial statements is an assumption for illustrative purposes.

From a sensitivity perspective, if this adjustment had been presented assuming a redemption of approximately 50% of Alignvest Class A Restricted Voting Shares, then the investment in Canadian Government securities of $315,573 would have been released from escrow with $157,787 converted into cash resources and $157,786 used to settle the redemption of 50% Alignvest Class A Restricted Voting Shares. If this adjustment had been presented assuming a redemption of 25% of the Alignvest Class A Restricted Voting Shares, or the midpoint of the range between no redemptions and the foregoing, then the investment in Canadian Government securities of $315,573 would have been released from escrow with $236,680 converted into cash resources and $78,893 used to settle the assumed redemption of Alignvest Class A Restricted Voting Shares.

[b] At initial public offering, certain institutional and accredited investors, including Alignvest Partners Master Fund LP, an affiliate of Alignvest II LP, and certain directors or members of the advisory board (or companies controlled by them) of Alignvest (the "Forward Purchasers"), entered into forward purchase agreements with

[expressed in thousands of US dollars unless otherwise noted, except per share amounts]

Alignvest (the "Forward Purchase Agreements") to purchase, among other things, an aggregate of 11,300,000 common shares and one-third of a share purchase warrant per common share, for an aggregate of 3,766,659 warrants, through a private placement which would occur concurrently with the closing of the Sagicor Arrangement for an aggregate proceeds of $87,481 (CAD $113,000). Each whole warrant entitles the holder thereof to purchase one common share at an exercise price of CAD $11.50, commencing 30 days after the completion of the Sagicor Arrangement. The obligations under the Forward Purchase Agreements do not depend on the nature of the Qualifying Acquisition or the number of Class A Restricted Voting Shares redeemed.

Immediately prior to the closing of the Sagicor Arrangement, it is expected that the current cashless exercise feature of the warrants will be eliminated, subject to the receipt of the required approval of the warrant holders. Elimination of the cashless exercise feature results in the warrants meeting the "fixed-for-fixed" criteria for equity classification. As a result, the warrants have been classified as equity instruments. As a result, the total fair value of the warrants of $37,388 is included within equity. The fair value of warrants was estimated based on Black-Scholes pricing model using the following assumptions:

Grant date share price	CAD $10
Exercise price	CAD $11.50
Risk-free interest rate	2.33%
Expected life (years)	5.0
Expected annualized volatility	27.1%
Expected dividend yield	3.65%

Total cash proceeds received for the issuance of these common shares and warrants on closing of the Sagicor Arrangement of $87,481 has been allocated to common shares.

On November 23, 2018, certain institutional and accredited investors entered into subscription agreements with Alignvest to purchase, an aggregate of 5,000,000 Class B Shares through a private placement which would occur concurrently with the closing of the Sagicor Arrangement for an aggregate proceeds of $38,708 (CAD $50,000). All Class B Shares will be converted into common shares of Alignvest concurrently with the closing of the Sagicor Arrangement.

Total cash proceeds received for the issuance of these common shares on closing of the Sagicor Arrangement of $38,708 has been allocated to common shares.

[c] The adjustment to increase accounts payable and accrued liabilities is to accrue for Sagicor's estimated transaction costs of $10,000 expected to be incurred to complete the proposed Sagicor Arrangement and the Proposed Acquisitions.

[d] The acquisition of Sagicor by Alignvest constitutes a reverse asset acquisition as Alignvest does not meet the definition of a business, as defined in IFRS 3 and is accounted for in accordance with IFRS 2. Accordingly, as a result of the Arrangement, the Pro Forma condensed consolidated statement of financial position has been adjusted for the elimination of Alignvest's share capital of $437,803 and deficit of $39,806 within equity.

[e] As a result of this reverse asset acquisition, a listing expense of $125,966 has been recorded to reflect the difference between the estimated fair value of the Sagicor common shares and warrants deemed issued to the shareholders of Alignvest less the net fair value of the assets of Alignvest acquired.

In accordance with reverse acquisition accounting:

i. The assets and liabilities of Sagicor are included in the Pro-Forma condensed consolidated statement of financial position at their carrying values;
ii. The net assets of Alignvest are included at their fair value of $430,400 (equal to the carrying value of these net assets given the current nature of the net assets);

[expressed in thousands of US dollars unless otherwise noted, except per share amounts]

iii. The net assets have been allocated as follows:

	$
Cash	1,002
Investments released from escrow and converted into cash	315,573
Cash proceeds from Forward Purchase Agreements	87,481
Cash from subscription agreements	38,708
Cash paid on settlement of deferred underwriter's commission	(10,906)
Prepaid expenses	21
Accounts payable and accrued liabilities	(1,337)
Due to related party	(142)
Net Assets	**430,400**

iv. The fair value of the consideration issued was determined as follows:

The fair value of the consideration issued to acquire Alignvest under reverse takeover accounting is assumed to be $556,366 calculated as 62,929,500 common shares at $7.74 per common share, 6,508,000 contingent common shares with fair value of $4.89 per contingent common share and 34,941,659 warrants with fair value of $1.07 per warrant. The fair value per common share is the expected share price of Sagicor based on the cash offer to purchase common shares pursuant to the Arrangement.

The fair value of contingent common shares was determined using probability weighted model with a market price per common share of $7.74 resulting in total fair value of $31,800.

The fair value of warrants was determined based on the Black-Scholes pricing model, the total fair value of the warrants is $1.07 using the following assumptions:

Grant date share price	CAD $10
Exercise price	CAD $11.50
Risk-free interest rate	2.33%
Expected life (years)	5.0
Expected annualized volatility	27.1%
Expected dividend yield	3.65%

On closing of the arrangement, it has been assumed that the cashless exercise feature of the warrants will be eliminated resulting in warrants being classified as equity.

v. The difference between the fair value of consideration attributed to Alignvest of $556,366 and the estimated fair value of the net assets of Alignvest of $430,400 amounts to a listing expense of $125,966.

[f] Pursuant to the Arrangement, Alignvest expects to purchase 117,142,857 common shares of Sagicor from the shareholders of Sagicor for total cash proceeds of $205,000. As Sagicor is the accounting acquirer, these shares are deemed to be repurchased by Sagicor resulting in reduction of cash resources, share capital and share premium accounts in the amount of $205,000, $1,169 and $203,831, respectively.

[g] The adjustment is to reclassify Alignvest's historical interest income from revenue to net investment income for the year ended December 31, 2017 and to interest income earned from financial assets measured at amortized cost and FVOCI for the nine months ended September 30, 2018 to be consistent with Sagicor's financial statement presentation.

[h] The adjustment is to eliminate unrealized gain/loss on changes in fair value of financial liabilities as the Class A restricted voting shares and warrants are converted into equity immediately prior to the completion of the Sagicor Arrangement.

[i] Sagicor has recently entered into definitive agreements to acquire all of the shares of Scotia Jamaica Life Insurance Company Limited ("SJLIC") and all of the shares of ScotiaLife Trinidad and Tobago Limited ("SLTT") (collectively "Proposed Acquisitions"). The acquisition of SJLIC and SLTT are not inter-conditioned on each

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other but both are conditional on the completion of the Sagicor Arrangement. They are not expected to be completed until after the closing of the Sagicor Arrangement and are thus not part of the Alignvest's qualifying acquisition.

The preliminary purchase price for the acquisition of SJLIC and SLTT is $156,987 and $105,975, respectively. The combined purchase price is comprised of $240,000 in cash on date of closing and estimated shareholders equity adjustments of $22,962 which has been recognized as a liability.

Assuming an acquisition date of September 30, 2018, the following is a preliminary estimate of the values of the assets to be acquired and the liabilities to be assumed by Sagicor in connection with the Proposed Acquisitions:

	Scotia Jamaica Life Insurance Company Limited	**ScotiaLife Trinidad and Tobago Limited**	**Total Preliminary Estimated Purchase Price Allocation**
	$	**$**	**$**
Property , plant and equipment	47	-	47
Goodwill and other potential intangibles	92,259	59,032	151,291
Intangible assets	606	-	606
Financial instruments	369,852	229,243	599,095
Reinsurance assets	-	2,207	2,207
Income tax assets	13,105	-	13,105
Miscellaneous assets and receivables	11	13,932	13,943
Cash resources	23,567	15,420	38,987
Actuarial liabilities	(334,159)	(204,189)	(538,348)
Other insurance liabilities	-	(2,423)	(2,423)
Income tax liabilities	-	(429)	(429)
Deferred tax liabilities	(6,426)	(3,921)	(10,347)
Accounts payable and accrued liabilities	(1,875)	(2,897)	(4,772)
Purchase consideration	**156,987**	**105,975**	**262,962**

The above values are based on the carrying value of the assets and liabilities of SJLIC and SLTT which management has determined to be a reasonable estimate of their fair value. These values are however subject to change once a more detailed fair value exercise has been completed. Any differences between the carrying value and the fair value of assets acquired and liabilities assumed would result in a respective change in goodwill and other potential intangibles. Sagicor's management believes the fair values recognized are based on reasonable estimates derived from currently available information. A final determination of the fair value of assets acquired and liabilities assumed will be based on the actual assets and liabilities of SJLIC and SLTT that exist as of the closing date of the acquisition and, therefore, will be finalized in due course.

Goodwill and other potential intangible assets arising on the acquisition of SJLIC and SLTT are estimated to be $151,291. Finite-lived and indefinite lived intangible assets expected to be separately recognized include insurance licenses, customer relationships, distribution networks and participation rights. Any such intangible assets, which could be material in amount, can only be determined upon completion of detailed valuation work on closing of the Proposed Acquisitions.

Equity of SJLIC and SLTT was eliminated on consolidation.

[j] Prior to the close of the Proposed Acquisitions, SJLIC and SLTT will declare dividends or other distributions of for excess capital in the business to the current shareholders of SJLIC and SLTT, respectively. As at September 30, 2018, the estimated amount was $38,387 and $63,241 for SJLIC and SLTT, respectively. This amount resulted in reduction of cash in SJLIC of $14,143 and reduction of financial instruments in SJLIC and SLTT in the amount of $24,244 and $63,241, respectively.

Notes to the Pro Forma Condensed Consolidated Financial Statements

[expressed in thousands of US dollars unless otherwise noted, except per share amounts]
[unaudited]

[k] The adjustment represents foregone interest on excess capital discussed above. The adjustment was calculated based on average yield of 7% and 5% for SJLIC and SLTT, respectively. The adjustment for the year ended December 31, 2017 for SJLIC and SLTT is $2,687 and 3,162, respectively. The same adjustment for the nine months ended September 30, 2018 for SJLIC and SLTT is $2,015 and $2,372, respectively.

[l] The adjustment represents the termination of SLTT intercompany reinsurance contracts. The adjustment is reduction in reinsurance premium expense and reduction in reinsurance claims recovery resulting in net adjustment for the year ended December 31, 2017 and for the nine months ended September 30, 2018 of $6,813 and $4,861, respectively.

[m] The adjustment represents termination of SLTT intercompany commission fee arrangement. The adjustment for the year ended December 31, 2017 and for the nine months ended September 30, 2018 was $781 and $626, respectively.

[n] In conjunction with the proposed acquisition of SLTT, New Sagicor will enter into a “bancassurance” -type agreement with the seller of SLTT and SJLIC, Scotiabank Caribbean Holdings Limited (“S Caribbean”), whereby New Sagicor will be permitted to sell its products – on a white-label basis – to S Caribbean’s banking customers. In return, New Sagicor will pay commission to S Caribbean. The commission rate will vary depending on the type of product sold.

The adjustment represents estimated commission expense to S Caribbean as if the proposed acquisition of SLTT had occurred on January 1, 2017. For the year ended December 31, 2017, the commission expense is $6,900 and $6,200 for SLTT and SJLIC, respectively. For the nine months ended September 30, 2018, the commission expense is $5,500 and $4,900 for SLTT and SJLIC, respectively. The pro forma adjustment was calculated by applying the contractual commission rates to actual historical results of SLTT and SJLIC.

[o] Sagicor adopted IFRS 9 – *Financial Instruments* (“IFRS 9”) and IFRS 15 – *Revenue from Contracts with Customers* (“IFRS 15”) on January 1, 2018. Because SLTT has not yet adopted IFRS 9 and IFRS 15, this pro forma adjustment reflects the estimated impact of adoption of IFRS 9 and IFRS 15 to conform SLTT’s accounting policies to that of Sagicor. For the pro forma condensed consolidated statement of financial position, the adoption of IFRS 9 will reduce financial assets and shareholder’s equity in the amount of $616. For the pro forma condensed consolidated statement of income and comprehensive income for the nine months ended September 30, 2018, the adoption of IFRS 9 did not have a material impact on SLTT. There was no impact from adoption of IFRS 15 on SLTT’s financial information.

[p] Adjustment represents the tax impact of the adjustments related to the Proposed Acquisitions above. The tax rate applied to the adjustments for SJLIC and SLTT was 25% and 30%, respectively.

[q] This adjustment reflects 1,403,928 common shares issuable on closing of the Sagicor Arrangement to Sagicor executives in consideration for their agreement to reduce their severance entitlement and to change their “single trigger” feature into a more customary “double trigger” formulation. The fair value of the common shares of $10,869 is recognized as expense immediately on closing of the Sagicor Arrangement resulting in a pro-forma adjustment to retained earnings and share capital of $10,869.

Notes to the Pro Forma Condensed Consolidated Financial Statements

[expressed in thousands of US dollars unless otherwise noted, except per share amounts]
[unaudited]

[r] The following table provides a reconciliation of pro-forma consolidated cash resources balance:

	Notes	$
Sagicor balance as of September 30, 2018		365,170
Alignvest balance as of September 30, 2018		1,002
Alignvest cash released from escrow	Note 3(a)	315,573
Cash from forward purchase agreements	Note 3(b)	87,481
Cash from subscription agreements	Note 3(b)	38,708
Purchase of Sagicor shares	Note 3(f)	(205,000)
Payment of underwriters' deferred commission	Note 3(a)	(10,906)
Pro-forma cash resources before Proposed Acquisitions		**592,028**
SJLIC balance as of September 30, 2018		37,710
SLTT balance as of October 31, 2018		15,420
Dividend distribution prior to closing of Proposed Acquisitions	Note 3(j)	(14,143)
Cash consideration for acquisition of SJLIC and SLTT	Note 3(i)	(240,000)
Pro-forma consolidated cash resources		**391,015**

From a sensitivity perspective, assuming redemptions of approximately 50% of Alignvest Class A Restricted Voting Shares, the pro-forma consolidated cash resources would be $233,229 and assuming redemptions of approximately 25% of Alignvest Class A Restricted Voting Shares, the pro-forma consolidated cash resources would be $312,122.

4. Pro Forma Income per Common Share

For purposes of the Pro Forma Financial Information, the Pro Forma earnings per share figures have been calculated using the Pro Forma weighted average number of shares which would have been outstanding for the nine months ended September 30, 2018 and the year ended December 31, 2017, respectively, assuming the completion of the Sagicor Arrangement and the Proposed Acquisitions on January 1, 2017.

Shares outstanding (000's)	**Pro Forma (Assuming No Redemptions)**
Basic	
Common shares arising from conversion of Alignvest Class A Restricted Voting Shares	40,250
Common shares arising from conversion of Alignvest Class B Shares	6,380
Common shares issued pursuant to forward agreements and subscription agreements	16,300
Common shares issued to existing shareholders of Sagicor	42,662
Common shares issued to executives of Sagicor	1,404
Total basic shares outstanding	**106,996**
Diluted	
Common shares arising from exercise of Alignvest warrants	34,942
Common shares arising from conversion of Alignvest Contingent Class B Founder Shares	6,508
Common shares arising from exercise of Sagicor LTI restricted stock and stock options	5,274
Total diluted shares outstanding	**153,719**

APPENDIX H – HISTORICAL FINANCIAL STATEMENTS OF SJLIC AND SLTT

SCOTIA JAMAICA LIFE INSURANCE COMPANY LIMITED

FINANCIAL STATEMENTS

SEPTEMBER 30, 2018 AND 2017

SCOTIA JAMAICA LIFE INSURANCE COMPANY LIMITED

Statement of Profit or Loss and Other Comprehensive Income
Nine-month period ended September 30, 2018
(*expressed in thousands of Jamaican dollars unless otherwise stated*)

	2018	2017
Income		
Premium income, net of reinsurance	1,471,995	1,365,891
Investment income	2,223,195	2,677,007
Fee and commission income, net	418,660	384,493
Realised gains, net	660,290	473,157
	4,774,140	4,900,548
Policyholders' benefits and expenses		
Policyholders' benefits and reserves	1,140,434	711,272
Salaries, pension contributions and other staff benefits	403,309	349,578
Property expenses, including depreciation	38,626	40,454
Other operating expenses	369,620	367,537
	1,951,989	1,468,841
Profit before taxation	2,822,151	3,431,707
Taxation	(736,409)	(780,431)
Net profit	2,085,742	2,651,276
Other comprehensive income		
Items that may be reclassified to profit or loss:		
Realised gains on available-for-sale financial assets	(273,721)	(469,199)
Unrealised gains on available-for-sale financial assets	1,378,057	327,163
Deferred income tax relating to components of other comprehensive income	(276,084)	35,509
Other comprehensive income/(loss) for the period, net of tax	828,252	(106,527)
Total comprehensive income for the period	2,913,994	2,544,749

The accompanying notes form an integral part of the financial statements.

SCOTIA JAMAICA LIFE INSURANCE COMPANY LIMITED

Statement of Profit or Loss and Other Comprehensive Income
Three-month period ended September 30, 2018
(*expressed in thousands of Jamaican dollars unless otherwise stated*)

	2018	2017
Income		
Premium income, net of reinsurance	521,571	471,711
Investment income	673,788	931,682
Fee and commission income, net	144,235	131,922
Realised gains, net	660,290	212,242
	1,999,884	1,747,557
Policyholders' benefits and expenses		
Policyholders' benefits and reserves	498,438	419,680
Salaries, pension contributions and other staff benefits	133,998	115,445
Property expenses, including depreciation	11,352	11,681
Other operating expenses	59,903	74,581
	703,691	621,387
Profit before taxation	1,296,193	1,126,170
Taxation	(314,123)	(223,185)
Net profit	982,070	902,985
Other comprehensive income		
Items that may be reclassified to profit or loss:		
Realised gains on available-for-sale financial assets	(273,721)	(212,230)
Unrealised gains on available-for-sale financial assets	(124,508)	116,666
Deferred income tax relating to components of other comprehensive income	99,557	23,891
Other comprehensive loss for the period, net of tax	(298,672)	(71,673)
Total comprehensive income for the period	683,398	831,312

The accompanying notes form an integral part of the financial statements.

SCOTIA JAMAICA LIFE INSURANCE COMPANY LIMITED

Statement of Financial Position
September 30, 2018
(expressed in thousands of Jamaican dollars unless otherwise stated)

	September 2018	September 2017	December 2017
ASSETS			
Cash resources			
Certificate of deposits with the Bank of Jamaica maturing within 90 days of the original purchase date	3,334,939	1,701,821	-
Accounts with parent company	1,767,907	933,907	1,233,418
	5,102,846	2,635,728	1,233,418
Certificate of deposits with the Bank of Jamaica maturing within 90 days of the original purchase date	-	658,480	661,061
	5,102,846	3,294,208	1,894,479
Government securities purchased under resale agreements	-	1,002,704	-
Investment securities			
Available for sale	51,897,063	49,046,438	52,338,230
Held to maturity	-	1,030,587	1,028,804
	51,897,063	50,077,025	53,367,034
Loans and receivables - Policy loans	1,431,184	1,658,089	1,625,365
Other assets			
Property, plant and equipment	6,317	8,713	8,537
Intangible assets, computer software	81,985	83,197	83,481
Taxation recoverable	1,773,325	831,479	974,831
Other assets	1,442	1,125	1,324
	1,863,069	924,514	1,068,173
	60,294,162	56,956,540	57,955,051
LIABILITIES AND SHAREHOLDERS' EQUITY			
Policyholders' liabilities	45,217,708	45,192,993	44,780,291
Other liabilities			
Sundry liabilities	253,705	125,561	227,199
Taxation payable	-	121,800	281,643
Deferred tax liabilities	869,597	315,668	529,079
	1,123,302	563,029	1,037,921
Shareholders' equity			
Share capital	150,000	150,000	150,000
Cumulative re-measurement result from available for sale financial assets	1,552,232	492,264	995,815
Unappropriated profits	12,250,920	10,558,254	10,991,024
	13,953,152	11,200,518	12,136,839
	60,294,162	56,956,540	57,955,051

The financial statements on pages 3 to 13 were approved for issue on November 23, 2018 and signed on its behalf by:

Michelle Wright — CFO, Caribbean Central

Adrian Stokes — President, SJLIC

The accompanying notes form an integral part of the financial statements.

SCOTIA JAMAICA LIFE INSURANCE COMPANY LIMITED

Statement of Changes in Shareholders' Equity
Nine-month period ended September 30, 2018
(*expressed in thousands of Jamaican dollars unless otherwise stated*)

	Share capital	Cumulative re-measurement result from available for sale financial assets	Unappropriated profits	Total
Balances at December 31, 2016	150,000	598,791	11,162,424	11,911,215
Net profit for the period	-	-	2,651,276	2,651,276
Other comprehensive loss	-	(106,527)	-	(106,527)
Total comprehensive (loss)/income	-	(106,527)	2,651,276	2,544,749
Dividends	-	-	(3,255,446)	(3,255,446)
Balances September 30, 2017	150,000	492,264	10,558,254	11,200,518
Impact of initial application of IFRS 9	-	(271,835)	168,247	(103,588)
Adjusted balance as at December 31, 2017	150,000	723,980	11,159,271	12,033,251
Net profit for the period	-	-	2,085,742	2,085,742
Other comprehensive income	-	828,252	-	828,252
Total comprehensive income	-	828,252	2,085,742	2,913,994
Dividends	-	-	(994,093)	(994,093)
Balances at September 30, 2018	150,000	1,552,232	12,250,920	13,953,152

The accompanying notes form an integral part of the financial statements.

SCOTIA JAMAICA LIFE INSURANCE COMPANY LIMITED

Statement of Cash Flows
Nine-month period ended September 30, 2018
(*expressed in thousands of Jamaican dollars unless otherwise stated*)

	2018	2017
Cash flows from operating activities		
Net profit for the period	2,085,742	2,651,276
Items not affecting cash:		
Investment income	(2,223,195)	(2,677,007)
Interest credited to policyholders and annuitants	1,064,230	1,149,393
Transfer from actuarial reserves	(76,466)	(590,716)
Taxation	736,409	780,431
Depreciation and amortization	3,717	3,719
	1,590,437	1,317,096
Changes in operating assets and liabilities		
Taxation recoverable	(578,149)	(21,506)
Other assets	(118)	(316)
Policyholders' liabilities	(550,344)	(354,493)
Other liabilities	26,506	(52,590)
	488,332	888,191
Interest received	2,563,310	2,680,058
Income tax paid	(1,148,727)	(749,234)
Net cash provided by operating activities	1,902,915	2,819,015
Cash flows from investing activities		
Purchase of intangible asset	-	(5,898)
Investment securities, net	2,115,218	1,758,544
Loans and receivables – Policy loans	188,832	(27,841)
Certificate of deposits with the Bank of Jamaica	657,578	(457,375)
Net cash provided by investing activities	2,961,628	1,267,430
Net cash provided before dividend payments		
Dividends paid	(994,093)	(3,255,446)
Net increase in cash and cash equivalents	3,870,450	830,999
Cash and cash equivalents at beginning of period	1,232,396	1,804,729
CASH AND CASH EQUIVALENTS AT END OF PERIOD	5,102,846	2,635,728

SCOTIA JAMAICA LIFE INSURANCE COMPANY LIMITED

Notes to the Financial Statements
September 30, 2018
(*expressed in thousands of Jamaican dollars unless otherwise stated*)

1. Identification, activities and licence

The company is a wholly owned subsidiary of The Bank of Nova Scotia Jamaica Limited, which is in turn a 100% subsidiary of Scotia Group Jamaica Limited. Both these companies are incorporated and domiciled in Jamaica. Scotia Group Jamaica Limited is a 71.78% subsidiary of Scotiabank Caribbean Holdings Limited, which is incorporated and domiciled in Barbados. The Bank of Nova Scotia, which is incorporated and domiciled in Canada, is the ultimate parent. The registered office of the company is located at Scotiabank Centre, Corner of Duke and Port Royal Streets, Kingston.

The company was incorporated in Jamaica on October 26, 1995 and was licensed as an insurance company on January 22, 1998 under the Insurance Act 1971, which was replaced by the Insurance Act 2001 and the Insurance Regulations 2001.

The principal activity of the company is the provision of long term life and health insurance and annuities.

2 Basis of accounting

Statement of compliance

These financial statements for the nine-month period have been prepared in accordance with IAS 34 Interim Financial Reporting. They do not include all the information required for a complete set on IFRS financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the financial position and performance since the last annual financial statements as at and for the year ended December 31,2017.

3 Use of judgements and estimates

In preparing these interim financial statements, management has made judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

The significant judgements made by management in applying the accounting policies and key sources of estimation uncertainity were the same as those applied in the financial statements as at and for the year ended December 31, 2017.

Measurement of fair values

(i) Financial instruments

Financial instruments carried on the statement of financial position include cash resources, investment securities, government securities purchased under resale agreements, other assets, policyholders' liabilities and other liabilities.

(ii) Recognition and initial measurement

The company initially recognises deposits on the date that they are originated. All other financial assets and liabilities are initially recognised on the settlement date, at which the company becomes a party to the contractual provisions of the instrument.

A financial asset or liability is initially measured at fair value plus, for an item not at Fair Value through profit or loss (FVTPL), transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

3 Use of judgements and estimates (continued)

Measurement of fair values (continued)

(ii) Recognition and initial measurement (continued)

Financial assets – Policy applicable from 1 January 2018

On initial recognition, a financial asset is classified as measured at: amortised cost; Fair Value through other comprehensive income (FVOCI) debt investment; FVOCI – equity investment; or FVTPL.

Financial assets are not reclassified subsequent to their initial recognition unless the company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principle and interest on the principal amount outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principle and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the company may irrevocably elect to present subsequent changes in the investment’s fair value in OCI. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. On initial recognition, the company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminate or significantly reduces and account mismatch that would otherwise arise.

Financial assets - Business model assessment: Policy applicable from 1 January 2018

The company makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;

SCOTIA JAMAICA LIFE INSURANCE COMPANY LIMITED

Notes to the Financial Statements (Continued)
September 30, 2018
(*expressed in thousands of Jamaican dollars unless otherwise stated*)

3 Use of judgements and estimates (continued)

Measurement of fair values (continued)

(ii) Recognition and initial measurement (continued)

Financial assets - Business model assessment: Policy applicable from 1 January 2018 (continued)

- how the performance of the portfolio is evaluated and reported to the company's management;

- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;

- how managers of the business are compensated - e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and

- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the company's continuing recognition of the assets.

Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

Financial assets - Assessment whether contractual cash flows are solely payments of principal and interest

Policy applicable from 1 January 2018

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e .g. liquidity risk and administrative costs) as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the company considers the contractual terms of the instrument.

This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the company considers:

- contingent events that would change the amount or timing of cash flows;

- terms that may adjust the contractual coupon rate, including variable-rate features;

- prepayment and extension features; and

- terms that limit the company's claim to cash flows from specified assets (e.g. non-recourse features).

3 Use of judgements and estimates (continued)

Measurement of fair values (continued)

(ii) Recognition and initial measurement (continued)

Financial assets - Assessment whether contractual cash flows are solely payments of principal and interest (continued)

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract. Additionally, for a financial asset acquired at a discount or premium to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early terminitation) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

Financial assets - Subsequent measurement and gains and losses

Policy applicable from 1 January 2018

Financial assets at FVTPL	These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income are recognised in profit or loss.
Financial assets at amortised cost	These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and tosses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.
Debt investments at FVOCI	These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.

SCOTIA JAMAICA LIFE INSURANCE COMPANY LIMITED

Notes to the Financial Statements (Continued)
September 30, 2018
(*expressed in thousands of Jamaican dollars unless otherwise stated*

3 Use of judgements and estimates (continued)

Measurement of fair values (continued)

(ii) Recognition and initial measurement (continued)

Financial assets - Policy applicable before 1 January 2018

The company classified its financial assets into one of the following categories:

- loans and receivables;
- held to maturity;
- available for sale; and
- at FVTPL

Financial assets - Subsequent measurement and gains and losses

Policy applicable before 1 January 2018

Financial assets at FVTPL	Measured at fair value and changes therein, including any interest or dividend income, were recognised in profit or loss.
Held-to-maturity financial assets	Measured at amortised cost using the effective interest method.
Loans and receivables	Measured at amortised cost using the effective interest method.
Available-for-sale financial assets	Measured at fair value and changes therein, other than impairment losses, interest income and foreign currency differences on debt instruments, were recognised in OCI and accumulated in the fair value reserve. When these assets were derecognised, the gain or loss accumulated in equity was reclassified to profit or loss.

Financial liabilities - Classification, subsequent measurement and gains and losses

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

3 Use of judgements and estimates (continued)

Measurement of fair values (continued)

(iii) Derecognition

The company derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the company is recognised as a separate asset or liability.

4. Changes in significant accounting policies

The company has initially applied IFRS 9 from January 2018.

Due to the transition methods chosen by the company in applying these standards, comparative information throughout these financial statements, has not been restated to reflect the requirements of the new standards, and separately present impairment loss on contract assets.

The effect of initially applying these standards is mainly attributed to:
IFRS 9 sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces IAS 39 *Financial Instruments: Recognition and Measurement.*

As a result of the adoption of IFRS 9, the company has adopted consequential amendments to IAS 1 *Presentaton of Financial Statements*, which require impairment of financial assets to be presented in a separate line item in the statement of profit or loss and OCI.

(i) Classification and measurement of financial assets and financial liabilities

IFRS 9 contain three principal classification categories for financial assets: measured at amortised cost, FVOCI and FVTPL. The classification of financial assets under IFRS 9 is generally based on the business model in which financial assets is managed and its contractual cash flow characteristics.

IFRS 9 eliminates the previous IAS 39 categories of held to maturity, loans and receivables and available for sale. Under IFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never separated. Instead, the hybrid financial instrument as a whole is assessed for classification.

IFRS 9 largely retains the existing requirement in IAS 39 for the classification and measurement of financial liabilities.

The adoption of IFRS 9 has not had a significant effect on the company's accounting policies related to financial liabilities.

Based on assessment, management does not expect the application of IFRS 15 to have a significant impact on the company's financial statements.

SCOTIA JAMAICA LIFE INSURANCE COMPANY LIMITED

FINANCIAL STATEMENTS

DECEMBER 31, 2017

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INDEPENDENT AUDITORS' REPORT

To the Members of
SCOTIA JAMAICA LIFE INSURANCE COMPANY LIMITED

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Scotia Jamaica Life Insurance Company Limited ("the company"), set out on pages 5 to 52, which comprise the statement of financial position as at December 31, 2017, the statements of profit or loss and other comprehensive income, changes in shareholders' equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the company as at December 31, 2017, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) and the Jamaican Companies Act.

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 *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

INDEPENDENT AUDITORS' REPORT (CONT'D)

To the Members of
SCOTIA JAMAICA LIFE INSURANCE COMPANY LIMITED

Report on the Audit of the Financial Statements (continued)

Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

In preparing the financial statements, management is responsible for assessing the company'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 company or to cease operations, or has no realistic alternative but to do so.

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

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 financial statements.

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

- Identify and assess the risks of material misstatement of the 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.

KPMG

INDEPENDENT AUDITORS' REPORT (CONT'D)

To the Members of
SCOTIA JAMAICA LIFE INSURANCE COMPANY LIMITED

Report on the Audit of the Financial Statements (continued)

Auditors' Responsibilities for the Audit of the Financial Statements (continued)

- 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 company'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 company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the 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 auditors' report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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.

KPMG

INDEPENDENT AUDITORS' REPORT (CONT'D)

To the Members of
SCOTIA JAMAICA LIFE INSURANCE COMPANY LIMITED

Report on Additional Matters as Required by the Jamaican Companies Act

We have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

In our opinion, proper accounting records have been maintained, so far as appears from our examination of those records, and the financial statements, which are in agreement therewith, give the information required by the Jamaican Companies Act, in the manner required.

KPMG

Chartered Accountants
Kingston, Jamaica

February 20, 2018

SCOTIA JAMAICA LIFE INSURANCE COMPANY LIMITED

Statement of Profit or Loss and Other Comprehensive Income
December 31, 2017
(expressed in thousands of Jamaican dollars unless otherwise stated)

	Notes	2017	2016
Income			
Premium income, net of reinsurance	5	1,832,787	1,754,682
Investment income	6	3,560,291	3,588,620
Fee and commission income, net	7	515,516	464,262
Realised gains, net	8	473,331	232,915
		6,381,925	6,040,479
Policyholders' benefits and expenses			
Policyholders' benefits and reserves	9	557,872	1,485,470
Salaries, pension contributions and other staff benefits	10	479,840	476,279
Property expenses, including depreciation		61,312	61,985
Other operating expenses		540,613	472,590
		1,639,637	2,496,324
Profit before taxation	11	4,742,288	3,544,155
Taxation	12	(1,206,755)	(855,505)
Net profit		3,535,533	2,688,650
Other comprehensive income			
Items that may be reclassified to profit or loss:			
Realised gains on available-for-sale financial assets		(469,381)	(152)
Unrealised gains on available-for-sale financial assets		998,749	327,984
Deferred income tax relating to components of other comprehensive income	13	(132,342)	(82,038)
Other comprehensive income for the year, net of tax		397,026	245,794
Total comprehensive income for the year		3,932,559	2,934,444

The accompanying notes form an integral part of the financial statements.

SCOTIA JAMAICA LIFE INSURANCE COMPANY LIMITED

Statement of Financial Position
Year ended December 31, 2017
(expressed in thousands of Jamaican dollars unless otherwise stated)

	Notes	2017	2016
ASSETS			
Cash resources			
Certificate of deposits with the Bank of Jamaica - maturing within 90 days of the original purchase date	14	-	1,301,413
Accounts with parent company	14	1,233,418	503,316
		1,233,418	1,804,729
Certificate of deposits with the Bank of Jamaica - maturing in excess of 90 days from the original purchase date		661,061	201,105
		1,894,479	2,005,834
Government securities purchased under resale agreements	15	-	701,742
Investment securities	16		
Available for sale		52,338,230	46,782,862
Held to maturity		1,028,804	5,307,644
Financial assets at fair value through profit or loss		-	155,601
		53,367,034	52,246,107
Loans and receivables - Policy loans	17	1,625,365	1,630,248
Other assets			
Property, plant and equipment	18	8,537	10,934
Intangible assets, computer software	2(t),19	83,481	78,796
Taxation recoverable		974,831	809,973
Other assets		1,324	809
		1,068,173	900,512
		57,955,051	57,484,443
LIABILITIES AND SHAREHOLDERS' EQUITY			
Policyholders' liabilities	20	44,780,291	44,988,803
Other liabilities			
Sundry liabilities	21	227,199	142,644
Taxation payable		281,643	90,603
Deferred tax liabilities	22	529,079	351,176
		1,037,921	584,423
Shareholders' equity			
Share capital	23	150,000	150,000
Cumulative re-measurement result from available for sale financial assets	24	995,815	598,789
Unappropriated profits		10,991,024	11,162,428
		12,136,839	11,911,217
		57,955,051	57,484,443

The financial statements on pages 5 to 52 were approved for issue by the Board of Directors on February 20, 2018 and signed on its behalf by:

_______________ Director
David Noel

_______________ Director
Noel Foster

The accompanying notes form an integral part of the financial statements

SCOTIA JAMAICA LIFE INSURANCE COMPANY LIMITED

Statement of Changes in Shareholders' Equity
Year ended December 31, 2017
(expressed in thousands of Jamaican dollars unless otherwise stated)

	Notes	Share capital (Note 23)	Cumulative re-measurement result from available for sale financial assets (Note 24)	Unappropriated profits	Total
Balances at December 31, 2015		150,000	352,995	12,243,701	12,746,696
Net profit for the year		-	-	2,688,650	2,688,650
Other comprehensive income	13	-	245,794	-	245,794
Dividends	32	-	-	(3,769,923)	(3,769,923)
Balances at December 31, 2016		150,000	598,789	11,162,428	11,911,217
Net profit for the year		-	-	3,535,533	3,535,533
Other comprehensive income	13	-	397,026	-	397,026
Dividends	32	-	-	(3,706,937)	(3,706,937)
Balances at December 31, 2017		150,000	995,815	10,991,024	12,136,839

The accompanying notes form an integral part of the financial statements

SCOTIA JAMAICA LIFE INSURANCE COMPANY LIMITED

Statement of Cash Flows
Year ended December 31, 2017
(expressed in thousands of Jamaican dollars unless otherwise stated)

	Notes	2017	2016
Cash flows from operating activities			
Net profit for the year		3,535,533	2,688,650
Items not affecting cash:			
Investment income	6	(3,560,291)	(3,588,620)
Interest credited to policyholders and annuitants	9	1,510,899	1,679,022
Transfer from actuarial reserves	9	(1,162,386)	(353,251)
Taxation	12	1,206,755	855,505
Amortisation	19	2,001	2,335
Depreciation	18	3,162	7,314
		1,535,673	1,290,955
Changes in operating assets and liabilities			
Taxation recoverable		(164,858)	464,991
Other assets		(515)	(315)
Policyholders' liabilities		(557,025)	331,459
Other liabilities		84,555	1,625
		897,830	2,088,715
Interest received		3,373,869	3,686,646
Income tax paid		(970,154)	(924,239)
Net cash provided by operating activities		3,301,545	4,851,122
Cash flows from investing activities			
Purchase of property, plant and equipment	18	(765)	-
Purchase of intangible asset	19	(6,686)	(29,708)
Investment securities, net		(405,447)	(1,696,321)
Loans and receivables – Policy loans		6,099	(221,599)
Certificate of deposits with the Bank of Jamaica		(457,792)	680,215
Net cash used in investing activities		(864,591)	(1,267,413)
Net cash provided before dividend payments			
Dividends paid	32	(3,706,937)	(3,769,923)
Net decrease in cash and cash equivalents		(1,269,983)	(186,214)
Cash and cash equivalents at beginning of year		2,503,401	2,689,615
CASH AND CASH EQUIVALENTS AT END OF YEAR	14	1,233,418	2,503,401

The accompanying notes form an integral part of the financial statements

SCOTIA JAMAICA LIFE INSURANCE COMPANY LIMITED

Notes to the Financial Statements
December 31, 2017
(*expressed in thousands of Jamaican dollars unless otherwise stated*)

1. Identification, activities and licence

The company is a wholly owned subsidiary of The Bank of Nova Scotia Jamaica Limited, which is in turn a 100% subsidiary of Scotia Group Jamaica Limited. Both these companies are incorporated and domiciled in Jamaica. Scotia Group Jamaica Limited is a 71.78% subsidiary of Scotiabank Caribbean Holdings Limited, which is incorporated and domiciled in Barbados. The Bank of Nova Scotia, which is incorporated and domiciled in Canada, is the ultimate parent. The registered office of the company is located at Scotiabank Centre, Corner of Duke and Port Royal Streets, Kingston.

The company was incorporated in Jamaica on October 26, 1995 and was licensed as an insurance company on January 22, 1998 under the Insurance Act 1971, which was replaced by the Insurance Act 2001 and the Insurance Regulations 2001.

The principal activity of the company is the provision of long term life and health insurance and annuities.

2. Summary of significant accounting policies

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

(a) Basis of preparation

(i) Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board, and comply with the Jamaican Companies Act ("the Act").

New, revised and amended standards and interpretations that became effective during the year:

Certain new, revised and amended standards and interpretations came into effect during the current financial year. The company has assessed them and has adopted those which are relevant to its financial statements. These are as follows:

- Amendments to IAS 12, *Income Taxes*, effective for accounting periods beginning on or after January 1, 2017, clarifies the following:
  - The existence of a deductible temporary difference depends solely on a comparison of the carrying amount of an asset and its tax base at the end of the reporting period, and is not affected by possible future changes in the carrying amount or expected manner of recovery of the asset.
  - A deferred tax asset can be recognised if the future bottom line of the tax return is expected to be a loss, if certain conditions are met.
  - Future taxable profits used to establish whether a deferred tax can be recognised should be the amount calculated before the effect of reversing temporary differences.
  - An entity can assume that it will recover an asset for more than its carrying amount if there is sufficient evidence that it is probable that the entity will achieve this.

2. Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

(i) Statement of compliance (continued)

New, revised and amended standards and interpretations that became effective during the year (continued):

- Amendments to IAS 12 (continued)

  - Deductible temporary differences related to unrealised losses should be assessed on a combined basis for recognition unless a tax law restricts the use of losses to deductions against income of a specific type.

  The adoption of the amendment has not resulted in any changes to the amounts recognised presented or disclosed in the financial statements.

- Amendments to IAS 7, *Statement of Cash Flows*, effective for accounting periods beginning on or after January 1, 2017, requires an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash flows.

  The adoption of the amendment has not resulted in any changes to the amounts recognised presented or disclosed in the financial statements.

New and revised standards and interpretations that are not yet effective:

At the date of authorisation of these financial statements, certain new standards, and amendments to and interpretations of existing standards, which were in issue were not effective at the reporting date and had not been early-adopted by the company. The company is assessing them and has determined that the following are relevant to its financial statements.

- IFRS 9, *Financial Instruments,* which is effective for annual reporting periods beginning on or after January 1, 2018, replaces the existing guidance in IAS 39 *Financial Instruments: Recognition and Measurement.* IFRS 9 includes revised guidance on the classification and measurement of financial assets and liabilities, including a new expected credit loss model for calculating impairment of financial assets and the new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. Although the permissible measurement bases for financial assets – amortised cost, fair value through other comprehensive income (FVOCI) and fair value though profit or loss (FVTPL) - are similar to IAS 39, the criteria for classification into the appropriate measurement category are significantly different. IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' model, which means that a loss event will no longer need to occur before an impairment allowance is recognized.

  The company is assessing the impact that this standard will have on its 2018 financial statements.

2. Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

(i) Statement of compliance (continued)

New and revised standards and interpretations that are not yet effective (continued):

- IFRS 15, *Revenue From Contracts With Customers*, effective for accounting periods beginning on or after January 1, 2018, replaces IAS 11, *Construction Contracts*, IAS 18, *Revenue*, IFRIC 13, *Customer Loyalty Programmes*, IFRIC 15, *Agreements for the Construction of Real Estate*, IFRIC 18, *Transfer of Assets from Customers* and SIC-31 *Revenue – Barter Transactions Involving Advertising Services*. It does not apply to insurance contracts, financial instruments or lease contracts, which fall in the scope of other IFRSs. It also does not apply if two entities in the same line of business exchange non-monetary assets to facilitate sales to other parties.

  The Company will apply a five-step model to determine when to recognise revenue, and at what amount. The model specifies that revenue should be recognised when (or as) an entity transfers control of goods or services to a customer at the amount to which the entity expects to be entitled. Depending on whether certain criteria are met, revenue is recognised at a point in time, when control of goods or services is transferred to the customer; or over time, in a manner that best reflects the entity's performance.

  There will be new qualitative and quantitative disclosure requirements to describe the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers.

  The Company is assessing the impact that this standard will have on its 2018 financial statements.

- IFRS 16, *Leases*, which is effective for annual reporting periods beginning on or after January 1, 2019, eliminates the current dual accounting model for lessees, which distinguishes between on-balance sheet finance leases and off-balance sheet operating leases. Instead, there is a single, on-balance sheet accounting model that is similar to current finance lease accounting. Entities will be required to bring all major leases on-balance sheet, recognising new assets and liabilities. The on-balance sheet liability will attract interest; the total lease expense will be higher in the early years of a lease even if a lease has fixed regular cash rentals. Optional lessee exemption will apply to short- term leases and for low-value items with value of US$5,000 or less.

  Lessor accounting remains similar to current practice as the lessor will continue to classify leases as finance and operating leases.

  The Company is assessing the impact that this standard will have on its 2019 financial statements.

2. Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

(i) Statement of compliance (continued)

New and revised standards and interpretations that are not yet effective (continued):

- Amendments to IFRS 4, *Insurance Contracts*, provide two optional solutions to reduce the impact of the differing effective dates of IFRS 9, *Financial Instruments* (effective January 1, 2018), and IFRS 17, *Insurance Contracts* (effective January 1, 2021) as follows:

  (i) Temporary exemption from IFRS 9:

  - Rather than having to implement IFRS 9 in 2018, some companies will be permitted to continue to apply IAS 39 *Financial Instruments: Recognition and Measurement*.
  - To qualify, a reporting company's activities need to be predominantly connected with insurance.

  Entities applying the temporary exemption will need to disclose fair value information separately for financial assets that meet the exemption criteria and for all other financial assets.

  (ii) Overlay approach:

  For designated financial assets, a company is permitted to reclassify between profit or loss and other comprehensive income (OCI), the difference between the amounts recognised in profit or loss under IFRS 9 and those that would have been reported under IAS 39.

  There will be new qualitative and quantitative disclosure requirements to describe how the adjustment is calculated and the effect on the financial statements.

  The Company is assessing the impact that this amendment will have on its financial statements.

- IFRS 17, *Insurance Contracts*, effective for accounting periods beginning on or after January 1, 2021, replaces IFRS 4, *Insurance Contracts* and provides three models to apply to all insurance contracts: the general model, the variable fee approach and the premium allocation approach.

  The key principles in IFRS 17 are that an entity:

  - identifies insurance contract as those contracts under which the entity accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future (the insured event) adversely affects the policyholder;
  - separates specified embedded derivatives, distinct investment components and distinct performance obligations from the insurance contracts;

2. Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

(i) Statement of compliance (continued)

New and revised standards and interpretations that are not yet effective (continued):

- IFRS 17, *Insurance Contracts (continued)*

  The key principles in IFRS 17 are that an entity (continued):

  - recognises and measures groups of insurance contracts at:

    a) a risk - adjusted present value of the future cash flows (the fulfilment cash flows) that incorporates all of the available information about the fulfilment cash flows in a way that is consistent with observable market information; plus (if this value is a liability) or minus (if this value is an asset); and

    b) an amount representing the unearned profit in the group of contracts (the contractual service margin).

  - recognises the profit from a group of insurance contracts over the period the entity provides insurance cover, and as the entity is released from risk. If a group contract is or becomes loss making, an entity recognizes the loss immediately;

  - presents separately insurance revenue (that excludes the receipt of repayment of any investment components) and insurance finance income or expenses; and

  - includes an optional simplified measurement approach, or premium allocation approach, for simpler insurance contracts where the coverage period is less than a year or where there are no significant expected changes in estimates before the claims are incurred.

  Many of the disclosures of IFRS 4 are kept in IFRS 17. The general model requires disclosure and reconciliation of the expected present value of future cash flows, risk adjustment and contractual service margin. No reconciliation is required under the variable fee approach.

The Company is assessing the impact that this standard will have on its 2021 financial statements.

(ii) Basis of measurement

The financial statements have been prepared on the historical cost basis as modified for the revaluation of available-for-sale financial assets.

2. Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

(iii) Use of estimates and judgements

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

(iv) Functional and presentation currency

These financial statements are presented in Jamaican dollars, which is the company's functional currency. Except where indicated to be otherwise, financial information presented is shown in thousands of Jamaican dollars.

(b) Insurance contracts – recognition and measurement

(i) Classification

The company issues contracts that transfer insurance risk or financial risk or both.

Insurance contracts are those contracts that transfer significant insurance risk. Such contracts may also transfer financial risk. The company defines insurance risk as significant if an insured event could cause an insurer to pay significant additional benefits in a scenario that has a discernible effect on the economics of the transactions. As a general guideline, the company defines as significant insurance risk, the possibility of having to pay benefits, at the occurrence of an insured event that is at least 10% more than the benefits payable if the insured event did not occur.

(ii) Recognition and measurement

Insurance contracts insure human life events (for example death or permanent disability) over a long duration. The accounting treatment differs according to whether the contract bears investment options or not. Under contracts that do not bear investment options, premiums are recognised as income when they are due and benefits are recorded as an expense when they are incurred.

Under contracts that bear an investment option, insurance premiums received are initially recognised directly as liabilities. These liabilities are increased by credited interest and are decreased by policy administration fees, mortality and surrender charges and any withdrawals; the resulting liability is the policyholders' fund. Income consists of fees deducted for mortality, policy administration and surrenders. Interest credited to the account and benefit claims in excess of the account balances incurred in the period are recorded as expenses in profit or loss.

Insurance contract liabilities are determined by an independent actuary using the Policy Premium Method of valuation as discussed in Note 3(ii). These liabilities are, on valuation, adjusted through profit or loss to reflect the valuation determined under the Policy Premium Method.

2. Summary of significant accounting policies (continued)

(c) Annuities

Annuities are immediate payouts of fixed and variable amounts for a guaranteed period and recognised on the date that they originate.

Benefits are recognised as liabilities until the end of the guaranteed period. These liabilities are increased by credited interest and are decreased by policy administration fees, period payment charges and any withdrawals. Income consists mainly of fees deducted for fund administration and interest credited is treated as an expense in profit or loss.

The annuity fund is included as a part of policyholders' liabilities [note 20 (a)].

(d) Revenue recognition

(i) Premium income

Gross premiums are recognised as revenue when due. When premiums are recognised, the related actuarial liabilities are computed, resulting in benefits and expenses being matched with revenue. Unearned premiums are those proportions of premiums written in the current year that relate to periods of risk after the reporting date.

(ii) Interest income

Interest income is recognised in profit or loss for all interest earning instruments on the accrual basis using the effective interest method based on the actual purchase price. The effective interest rate is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset or liability (or, where appropriate, a shorter period) to the carrying amount of the financial asset.

The effective interest rate is established on initial recognition of the financial asset and is not revised subsequently. Interest income includes coupons earned on fixed income investments, accretion of discount on discounted instruments, and amortization of premium on instruments bought at a premium.

(iii) Fee and commission income

Fees for retirement planning administration services are recognised as revenue over the period in which the related services are performed.

(iv) Realised gains and losses

Realised gains and losses recorded in profit or loss and relate to gains and losses on the sale of financial and other assets. This is calculated as the difference between net sales proceeds and the current carrying value and is recorded on occurrence of the sale transaction.

2. Summary of significant accounting policies (continued)

(e) Interest expense

Interest expense is recognised in profit or loss on the accrual basis using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash payments through the expected life of the financial liability (or, where appropriate, a shorter period) to the carrying amount of the financial liability.

(f) Reinsurance contracts held

The company enters into contracts with reinsurers under which it is compensated for losses on contracts it issues and which meet the classification requirements for insurance contracts [see note 2(b)]. Reinsurance does not relieve the originating insurer of its liability.

(g) Claims

Death claims are recorded in profit or loss net of reinsurance recoverable.

(h) Taxation

Taxation on the profit or loss for the year comprises current and deferred taxes. Current and deferred taxes are recognised as tax expense or benefit in determining profit or loss and where they relate to items recorded in shareholders' equity, they are charged or credited as other comprehensive income.

(i) Current taxation

Current tax is the expected taxation payable on the taxable income for the year, using tax rates enacted at the reporting date, and any adjustment to tax payable and tax losses in respect of previous years.

(ii) Deferred tax

Deferred tax liabilities and assets are recognised for temporary differences between the carrying amounts of assets and liabilities and their amounts as measured for tax purposes, which will result in taxable amounts in future periods. Deferred tax assets are recognised for temporary differences which will result in deductible amounts in future periods, but only to the extent it is probable that sufficient taxable profits will be available against which these differences can be utilised. Deferred tax assets are reviewed at each reporting date to determine whether it is probable that the related tax benefit will be realised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the asset will be realised or the liability will be settled based on enacted rates.

Current and deferred tax assets and liabilities are offset when the legal right of set-off exists, and when they relate to income taxes levied by the same tax authority on either the same taxable entity, or different taxable entities which intend to settle current tax liabilities and assets on a net basis.

2. Summary of significant accounting policies (continued)

(i) Financial instruments

Financial instruments carried on the statement of financial position include cash resources, investment securities, government securities purchased under resale agreements, loans and receivables, other assets, policyholders' liabilities and other liabilities.

The fair values of the company's financial instruments are discussed in Note 27 and 29.

(i) Recognition

The company initially recognises deposits on the date that they are originated. All other financial assets and liabilities are initially recognised on the settlement date, at which the company becomes a party to the contractual provisions of the instrument.

(ii) Derecognition

The company derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the company is recognised as a separate asset or liability.

The company derecognises a financial liability when its contractual obligations are discharged, cancelled or expired.

The company enters into transactions whereby it transfers assets recognised on its statement of financial position, but retains either risks and rewards of the transferred assets or a portion of them. If all or substantially all risks and rewards are retained, then the transferred financial assets are not derecognised from the statement of financial position. Transfers of assets with retention of all or substantially all risks and rewards include, for example, securities lending and repurchase transactions.

(j) Investment securities

The company classifies its investment securities into the following categories: loans and receivables, held to maturity and available for sale financial assets. Management determines the classification of its investments at initial recognition.

(i) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the company provides money or services directly to a debtor with no intention of trading the receivable.

2. Summary of significant accounting policies (continued)

(j) Investment securities (continued)

(ii) Held to maturity

Held to maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the company's management has the positive intention and ability to hold to maturity. These investments are initially recognised at cost with transaction costs directly attributable included. After initial measurement, held to maturity financial assets are measured at amortised cost using the effective interest rate method. Were the company to sell other than an insignificant amount of held to maturity investments before maturity, the entire category would be compromised and reclassified as available for sale.

(iii) Available for sale

Available for sale investments are those non-derivative financial assets that are designated as available for sale or are not classified in the above two categories, they are intended to be held for an indefinite period of time, and may be sold in response to needs for liquidity or changes in interest rates or market prices. They are remeasured at fair value.

On disposal of these investments, the unrealized gains or losses included in shareholders' equity are included in profit or loss. Interest income, which is calculated using the effective interest method, is recognised in profit and loss. Other unrealized gains and losses arising from changes in fair value are recognised in other comprehensive income.

Purchases and sales of available for sale assets are recognised at the settlement date - the date on which an asset is delivered to or by the company. Financial assets are initially recognized at fair value plus transaction costs.

(k) Repurchase and reverse repurchase agreements

Securities sold under agreements to repurchase (repurchase agreements) and securities purchased under agreements to resell (reverse repurchase agreements) are treated as collateralised financing transactions. The difference between the sale/purchase and repurchase/resale price is treated as interest and accrued over the life of the agreement using the effective yield method.

(l) Impairment of assets

The carrying amounts of the company's assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated at each reporting date. An impairment loss is recognised whenever the carrying amount of an asset exceeds its estimated recoverable amount.

2. Summary of significant accounting policies (continued)

(l) Impairment of assets (continued)

Indication that a financial asset is impaired includes observable data that comes to the attention of the company about the following events:

- significant financial difficulty of the issuer or debtor;
- a breach of contract, such as a default or delinquency in payments;
- it becoming probable that the issuer will enter bankruptcy or other financial re-organisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

Impairment losses are recognised in the company's profit or loss.

(i) Financial assets carried at amortised cost

The amount of the impairment loss for an asset carried at amortised cost is calculated as the difference between the asset's carrying amount and the present value of expected future cash flows discounted at the original effective interest rate. If a held to maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

The recoverable amount of the company's assets at amortised cost is calculated as the present value of expected future cash flows, discounted at the original effective interest rate inherent in the asset.

(ii) Financial assets carried at fair value

When a decline in the fair value of an available for sale financial asset has been recognised as other comprehensive income and there is objective evidence that the asset is impaired, the cumulative loss that had been recognised in other comprehensive income is recognised in profit and loss even though the financial asset has not been derecognized. The amount of the cumulative loss that is recognised in other comprehensive income is the difference between the acquisition cost and current fair value less any impairment loss on that financial asset previously recognised.

The recoverable amount of a financial asset carried at fair value is the present value of expected future cash flows discounted at the current market interest rate for a similar financial asset. When a subsequent event causes the amount of impairment loss to decrease, the impairment loss is reversed through profit or loss.

(iii) Other financial assets

Property, plant and equipment are reviewed periodically for impairment. Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount.

In–house assessment of the company's assets revealed no negative material changes and hence, it was not necessary to account for any impairment losses in the company's accounts.

2. Summary of significant accounting policies (continued)

(m) Property, plant and equipment

Property, plant and equipment are shown at historical cost less accumulated depreciation and, if any, impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset.

Subsequent costs are included in the assets carrying amount or are recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the company and the cost of the item can be measured reliably. All other expenditure is classified as repairs and renewals and charged as expenses in profit or loss during the financial period in which it is incurred.

Depreciation and amortisation are calculated on the straight-line method at rates estimated to write off the depreciable amount of the assets over their expected useful lives as follows:

Leasehold improvements	Period of lease
Computer equipment	4 years
Furniture, fixtures and equipment	10 years

Capital work in progress is not depreciated.

The depreciation methods, useful lives and residual values are reassessed at the reporting dates. Gains and losses on disposal of property, plant and equipment are determined by reference to their carrying amount and are taken into account in determining the profits for the year.

(n) Provisions

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

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the reporting date.

(o) Related parties

A related party is a person or entity that is related to the entity that is preparing its financial statements (referred to in IAS 24 *Related Party Disclosures* as the "reporting entity" in this case the company).

(a) A person or a close member of that person's family is related to the company if that person:

  (i) has control or joint control over the company;

  (ii) has significant influence over the company; or

  (iii) is a member of the key management personnel of the company or of a parent of the company.

2. Summary of significant accounting policies (continued)

(o) Related parties (continued)

(b) An entity is related to the company if any of the following conditions applies:

(i) The entity and the company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan established for the benefit of employees of either the company or an entity related to the company.

(vi) The entity is controlled, or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(viii) The entity, or any member of a group which it is a part, provides key management personnel services to the reporting entity or to the parent of the reporting entity.

A related party transaction is a transfer of resources, services or obligations between related parties, regardless of whether a price is charged.

(p) Pension scheme

The company participates in a defined benefit pension scheme of its parent company. The company's contribution to the scheme is fixed. Once the contributions have been paid, the company has no further legal or constructive obligations (note 25).

(q) Cash and cash equivalents

For the purpose of the cash flow statement, cash and cash equivalents include cash and bank balances and highly liquid financial assets with original maturities of less than 90 days, which are readily convertible to known amounts of cash, and are subject to insignificant risk of changes in their fair value.

Cash and cash equivalents are carried at amortised cost in the statement of financial position.

(r) Dividends

Dividends on ordinary shares are recognized in shareholders' equity in the period in which they are approved by the Board of Directors, thereby becoming irrevocably payable.

2. Summary of significant accounting policies (continued)

(s) Fiduciary activities

The company acts as an administrator of an approved retirement scheme and therefore manages assets on behalf of plan members. These assets are unitised and income earned belongs to the plan members with the company incurring no risk. Therefore, these assets are segregated and presented separately from these financial statements. Income earned from management fees is included in fee and commission income in profit or loss.

(t) Intangible assets

Costs associated with developing or maintaining computer software programs are recognised as an expense as incurred. Costs that are directly associated with acquiring identifiable and unique software products which are expected to generate economic benefits exceeding costs beyond one year, are recognised as intangible assets. However, such costs are expensed where they are considered to be immaterial.

As at the reporting date, the intangible assets were not included in the operations of the company.

3. Critical accounting estimates and judgments in applying accounting policies

The company makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

(i) Held to maturity investments

The company follows the guidance of IAS 39 in classifying non-derivative financial assets with fixed or determinable payments and fixed maturity as held to maturity. This classification requires judgement. In making this judgement, the company evaluates its intention and ability to hold such investments to maturity. If the company fails to keep these investments to maturity other than in the specific permissible circumstances - for example, selling other than an insignificant amount close to maturity - it will be required to reclassify the entire class as available for sale. The investments would therefore be measured at fair value, not amortised cost. If the entire class of held to maturity investments is compromised, the carrying value would increase/(decrease) by $191 (2016: $16,598) with a corresponding entry in the cumulative re-measurement result from available for sale financial assets reserve.

(ii) Estimate of future payments and premiums arising from long-term insurance contracts

The liabilities under long-term insurance contracts have been determined using the Policy Premium Method of valuation. Under this method explicit allowance is made for all future benefits and expenses under the policies. The premiums, benefits and expenses for each policy are projected and the resultant future cash flows are discounted back to the valuation date to determine the reserves. Any adjustment to the reserves is reflected in the year to which it relates.

(expressed in thousands of Jamaican dollars unless otherwise stated)

3. Critical accounting estimates and judgments in applying accounting policies (continued)

(ii) Estimate of future payments and premiums arising from long-term insurance contracts (continued)

The process of calculating policy reserves necessarily involves the use of estimates concerning such factors as mortality and morbidity rates, future investment yields and future expense levels. Consequently, these liabilities include reasonable provisions for adverse deviations from the estimates. Estimates are also made as to future investment income arising from the assets backing long-term insurance contracts. These estimates are based on current market returns as well as expectations about future economic and financial developments.

These estimates are more fully described in Note 20(d).

4. Responsibilities of the appointed actuary and external auditors

The Board of Directors, pursuant to the Insurance Act, appoints the Actuary whose responsibility is to carry out an annual valuation of the company's policyholders' liabilities in accordance with accepted actuarial practice and regulatory requirements and report thereon to the policyholders and shareholders. In performing the valuation using the policy premium method, the Actuary makes assumptions as to the future rates of interest, asset defaults, mortality, morbidity, claims experience, policy termination, inflation, reinsurance recoveries, expenses and other contingencies, taking into consideration the circumstances of the company and the insurance policies in force. An actuarial valuation is prepared annually.

The shareholders, pursuant to the Companies Act appoint the external auditors. Their responsibility is to conduct an independent and objective audit of the financial statements in accordance with International Standards on Auditing and report thereon to the shareholders. In carrying out their audit, the Auditors also make use of the work of the Appointed Actuary and his report on the policyholders' liabilities.

5. Premium income, net of reinsurance

	2017	2016
Gross written premium		
Individual life	528,246	482,147
Group life	1,285,990	1,261,267
Universal life	19,412	12,430
	1,833,648	1,755,844
Reinsurance	(861)	(1,162)
	1,832,787	1,754,682

6. Investment income

	2017	2016
Investment securities	3,297,942	3,320,472
Certificate of deposits with the Bank of Jamaica	104,940	107,031
Interest on policy loans	117,083	109,125
Government securities purchased under resale agreement	34,943	46,788
Other bank balances	5,383	5,204
	3,560,291	3,588,620

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7. Fee and commission income, net

	2017	2016
Management and administration fees	159,033	129,094
Investment commissions paid	(3,362)	(2,929)
Surrender charges and other contract fees	46,656	39,849
Policy administrative fees	313,189	298,248
	515,516	464,262

8. Realised gains, net

	2017	2016
Foreign exchange	3,950	232,763
Gain/(loss) on disposal of available for sale securities	469,381	152
	473,331	232,915

9. Policyholders' benefits and reserves

	2017	2016
Policyholders' benefit payments	209,359	159,699
Interest credited – policyholders	1,493,158	1,664,096
Interest credited – annuitants	17,741	14,926
Transfer from actuarial reserves	(1,162,386)	(353,251)
	557,872	1,485,470

10. Salaries, pension contributions and other staff benefits

	2017	2016
Wages and salaries	378,071	375,760
Statutory contributions	36,808	36,722
Pension cost (note 25)	298	325
Other staff benefits	64,663	63,472
	479,840	476,279

11. Profit before taxation

In arriving at the profit before taxation, the following are among the items that have been charged:

	2017	2016
Auditors' remuneration	7,741	7,940
Depreciation (note 18)	5,163	9,649
Directors' emoluments:		
Fees and expenses	4,422	5,350
Management remuneration	26,243	14,406
Policyholders' fund interest (note 9)	1,493,158	1,664,096
Interest on annuities (note 9)	17,741	14,926
Salaries, pension contributions and other staff benefits (note 10)	479,840	476,279

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12. Taxation

(a) The tax charge is based on the results for the year, as adjusted for taxation purposes, and is made up as follows:

	2017	2016
Current income tax:		
Income tax at 25%	1,161,194	883,192
Deferred income tax (note 22)	45,561	(27,687)
	1,206,755	855,505

(b) Reconciliation of effective tax rate:

	2017	2016
Profit before taxation	4,742,288	3,544,155
Tax calculated at 25%	1,185,572	886,039
Adjustment for the effect of:		
Asset tax paid	34,049	33,386
Expenses disallowed/income exempt for tax purposes	4,826	(42,147)
Other charges and allowances	(17,692)	(21,773)
	1,206,755	855,505

13. Deferred income tax effects relating to other comprehensive income

	2017		
	Before tax amount	Tax (expense)	Net of tax
Available for sale financial assets	529,368	(132,342)	397,026

	2016		
	Before tax amount	Tax (expense)	Net of tax
Available for sale financial assets	327,832	(82,038)	245,794

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14. Cash and cash equivalents

	2017	2016
Cash resources	1,894,479	2,005,834
Less amounts not considered cash and cash equivalents:		
Due from banks greater than ninety days	(657,578)	(199,786)
Accrued interest	(3,483)	(2,647)
	1,233,418	1,803,401
Add other cash equivalent balances:		
Government Securities purchased under resale agreement less than ninety days	-	700,000
	1,233,418	2,503,401
Cash and cash equivalent is comprised of:		
Cash and balances with Bank of Jamaica	-	1,301,413
Accounts with parent company	1,233,418	503,316
Government Securities purchased under resale agreement	-	700,000
Accrued interest	-	(1,328)
	1,233,418	2,503,401

15. Government securities purchased under resale agreements

The company entered into reverse repurchase agreements collaterised by the Government of Jamaica securities. These agreements may result in credit exposure in the event that the counterparties to these transactions are unable to fulfill their contractual obligations. Included in this balance is interest receivable of $Nil (2016: $1,742).

The fair value of collateral held pursuant to reverse repurchase agreements is $Nil (2016: $735,264).

16. Investment securities

	2017	2016
Available for sale:		
Premium Growth Fund	149,956	652,831
Money Market Fund	57,110	56,187
Fixed Income Fund	62,899	59,234
Debt securities	51,275,782	43,336,531
USD Treasury bill	-	2,118,048
Interest receivable	792,483	560,031
	52,338,230	46,782,862
Held to maturity:		
Debt securities	1,017,000	5,249,500
Interest receivable	11,804	58,144
	1,028,804	5,307,644
Financial assets at fair value through profit or loss	-	155,601
	53,367,034	52,246,107

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16. Investment securities (continued)

	Available for sale	Held to maturity	Financial asset at fair value through profit or loss	Total
December 31, 2015	40,804,216	9,298,337	218,560	50,321,113
Purchases	10,071,600	-	-	10,071,600
Maturities	(1,287,644)	(3,879,900)	-	(5,167,544)
Disposals	(3,200,000)	-	-	(3,200,000)
Amortisation adjustment	55,225	-	-	55,225
Accrued interest adjustment	11,785	(110,793)	-	(99,008)
Fair value net gains	327,680	-	(62,959)	264,721
December 31, 2016	46,782,862	5,307,644	155,601	52,246,107
Purchases	24,168,234	-	-	24,168,234
Maturities	(8,358,954)	(4,232,500)	-	(12,591,454)
Disposals	(11,450,000)	-	-	(11,450,000)
Amortisation adjustment	434,373	-	-	434,373
Accrued interest adjustment	232,452	(46,340)	-	186,112
Fair value net gains	529,263	-	(155,601)	373,662
December 31, 2017	52,338,230	1,028,804	-	53,367,034

Included in investment securities are Government of Jamaica local registered stocks valued at $90,000 (2016: $90,000) which have been deposited with the Regulator, the Financial Services Commission, pursuant to Section 8 (1) (a) of the Insurance Regulations, 2001.

Available for sale investments include holdings in Scotia Investments Jamaica Limited funds as follows:

	2017		2016	
	Units	Unit price	Units	Unit price
Premium Growth Fund	-	-	7,221,000	75.35
Premium Growth Fund	478,925	313.11	478,925	227.08
Money Market Fund	500,000	114.22	500,000	112.37
Fixed Income Fund	485,667	129.51	485,667	121.97

17. Policy loans

	2017	2016
Principal	1,568,161	1,574,260
Accrued interest	57,204	55,988
	1,625,365	1,630,248

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18. Property, plant and equipment

	Leasehold improvements	Computer equipment	Furniture fixtures and equipment	Total
Cost:				
December 31, 2015 and December 31, 2016	7,861	36,373	36,051	80,285
Additions	-	765	-	765
December 31, 2017	7,861	37,138	36,051	81,050
Accumulated depreciation:				
December 31, 2015	7,861	28,787	25,389	62,037
Charge for the year	-	5,204	2,110	7,314
December 31, 2016	7,861	33,991	27,499	69,351
Charge for the year	-	1,574	1,588	3,162
December 31, 2017	7,861	35,565	29,087	72,513
Net book values:				
December 31, 2017	-	1,573	6,964	8,537
December 31, 2016	-	2,382	8,552	10,934
December 31, 2015	-	7,586	10,662	18,248

19. Intangible assets

	Software	Software Work in progress	Total
Cost:			
December 31, 2015	-	51,423	51,423
Additions	-	29,708	29,708
Transfers	8,003	(8,003)	-
December 31, 2016	8,003	73,128	81,131
Additions	-	6,686	6,686
December 31, 2017	8,003	79,814	87,817
Accumulated depreciation:			
December 31, 2015	-	-	-
Charge for the year	2,335	-	2,335
December 31, 2016	2,335	-	2,335
Charge for the year	2,001	-	2,001
December 31, 2017	4,336	-	4,336
Net book values:			
December 31, 2017	3,667	79,814	83,481
December 31, 2016	5,668	73,128	78,796
December 31, 2015	-	51,423	51,423

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20. Policyholders' liabilities

(a) Composition of policyholders' liabilities:

	2017	2016
Policyholders' fund	51,050,699	50,266,672
Benefits and claims payable	199,950	155,129
Unprocessed premiums	12,271	4,667
Annuities	504,145	386,722
Insurance risk reserve - Individual life	(7,870,046)	(6,524,957)
- Individual A&S	305,760	187,544
- Group life	518,898	519,604
- Whole life	86,203	39,794
- Universal life	(27,589)	(46,372)
	44,780,291	44,988,803

(b) Change in policyholders' liabilities:

	2017	2016
Policyholders' fund:		
At beginning of the year	50,266,672	48,383,225
Gross premiums	5,183,003	5,924,056
Benefits and claims	(5,892,134)	(5,704,705)
Interest credited	1,493,158	1,664,096
At end of the year	51,050,699	50,266,672
Benefits and claims payable:		
At beginning of the year	155,129	191,596
Policyholders' claims and benefits	254,180	123,232
Benefits and claims paid	(209,359)	(159,699)
At end of the year	199,950	155,129
Unprocessed premiums:		
At beginning of the year	4,667	25,998
Premiums received	7,471,149	8,147,239
Premiums applied	(7,463,545)	(8,168,570)
At end of the year	12,271	4,667

	2017		
	Individual	Group	Total
Insurance risk reserve:			
At beginning of the year	(6,343,991)	519,604	(5,824,387)
Changes in product and assumptions	(1,143,826)	(430)	(1,144,256)
Normal changes	(17,855)	(276)	(18,131)
At end of the year	(7,505,672)	518,898	(6,986,774)

	2016		
	Individual	Group	Total
Insurance risk reserve:			
At beginning of the year	(6,044,956)	573,819	(5,471,137)
Changes in product and assumptions	(290,698)	(45,647)	(336,345)
Normal changes	(8,337)	(8,568)	(16,905)
At end of the year	(6,343,991)	519,604	(5,824,387)

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20. Policyholders liabilities (continued)

(c) Investments and other assets supporting policy liabilities:

	2017				
	Individual Insurance	Group Insurance	Individual Annuities	Capital and Surplus	Total
Debt securities -					
Available for sale	42,109,040	519,264	308,853	9,131,108	52,068,265
Held to maturity	1,028,804	-	-	-	1,028,804
Certificate of deposits with the Bank of Jamaica	458,435	-	202,626	-	661,061
Mutual Funds	-	-	-	269,965	269,965
	43,596,279	519,264	511,479	9,401,073	54,028,095

	2016				
	Individual Insurance	Group Insurance	Individual Annuities	Capital and Surplus	Total
Debt securities -					
Available for sale	36,575,285	533,495	276,086	8,629,744	46,014,610
Held to maturity	5,295,518	-	12,126	-	5,307,644
Financial assets at fair value through profit or loss	-	-	-	155,601	155,601
Certificate of deposits with the Bank of Jamaica	1,401,725	-	100,793	-	1,502,518
Mutual Funds	-	-	-	768,252	768,252
Government securities purchased under resale agreements	701,742	-	-	-	701,742
	43,974,270	533,495	389,005	9,553,597	54,450,367

(d) Policy assumptions

Policy liabilities have two major assumptions, best estimate assumptions and provisions for adverse deviation assumptions.

(a) Best estimate assumptions

Assumptions cover the lifetime of the policies and are made for many variables including mortality, morbidity, investment yields, rates of policy termination, operating expenses and certain taxes.

(i) Mortality and morbidity

Assumptions are based on standard industry tables reflecting recent historical and company experience.

20. Policyholders liabilities (continued)

(d) Policy assumptions (continued)

(a) Best estimate assumptions (continued)

(ii) Investment yields

The company matches assets and liabilities by line of business.

For ScotiaMint and Credit Insurance the Actuary has assumed a portfolio rate of 5.81% in January 2018 decreasing to 5.00% over 20 years.

For Criticare and WholeLife the Actuary has assumed a portfolio rate of 7.34% in January 2018 decreasing to 4.75% by 2045.

Assumed interest rates are net of asset tax and have been decreased by 0.50% as a margin for adverse deviation. The appropriateness of these rates has been tested by projecting asset and liability cash flows under various reinvestment scenarios.

The main source of uncertainty is the fluctuation in the economy.

(iii) Persistency

Persistency assumptions are made in relation to the time since inception that a policy exists before it lapses or is surrendered. Lapses relate to termination of policies due to non-payment of premiums. Surrenders relate to voluntary termination of policies by the policyholders. Policy terminations are based on the company's own experience adjusted for expected future conditions.

Lapse and surrender rates are derived from the company's own experience. A margin for adverse deviation is added by increasing or decreasing the lapse rates, whichever is adverse, by 20%.

The main source of uncertainty derives from changes in policyholder behaviour as it relates to changes in economic conditions.

(iv) Policy expenses and inflation

Policy maintenance expenses are derived from the company's own internal cost studies projected into the future with an allowance for inflation.

Inflation is assumed to be 5.0% in January 2018 decreasing to 2% over 20 years. A margin for adverse deviation is added by increasing the maintenance expenses by 10% of the best estimate assumption.

(expressed in thousands of Jamaican dollars unless otherwise stated)

20. Policyholders liabilities (continued)

(d) Policy assumptions (continued)

(a) Best estimate assumptions (continued)

(v) Partial withdrawal of policy funds

The company's contracts allow policyholders to withdraw a portion of the funds accumulated under the contract without surrendering the entire contract. Partial withdrawal rates are derived from the company's own experience.

(vi) Taxation

It is assumed that current tax legislation and rates continue unaltered.

(b) Provision for adverse deviation assumptions

The basic assumptions made in establishing policy liabilities are best estimates for a range of possible outcomes. To recognise the uncertainty in establishing these best estimates, to allow for possible deterioration in experience and to provide greater comfort that the reserves are adequate to pay future benefits, the appointed actuary is required to include a margin in each assumption.

The impact of these margins is to increase reserves and so decrease the income that would be recognised on inception of the policy. The Canadian Institute of Actuaries prescribes a range of allowable margins. The company uses assumptions at the conservative end of the range, taking into account the risk profiles of the business.

21. Sundry liabilities

	2017	2016
Accrued charges	184,299	97,213
Accrued vacation	21,450	19,548
Statutory deductions	19,788	24,508
Other	1,662	1,375
	227,199	142,644

22. Deferred tax assets and liabilities

Deferred income taxes are calculated on temporary difference between the carrying amounts of assets and liabilities for financial reporting and taxation purposes. The calculation is made using and applicable tax rate of 25%.

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22. Deferred tax assets and liabilities (continued)

The movement on the deferred income tax account is as follows:

	2017	2016
Balance at beginning of year	351,176	296,825
Recognised in profit for the year [note 12(a)]	45,561	(27,687)
Recognised in other comprehensive income		
Available for sale investments		
- fair value re-measurement (note 13)	132,342	82,038
Balance at end of year	529,079	351,176

Deferred income tax asset and liabilities are attributable to the following items:

	2017	2016
Deferred income tax asset:		
Accrued vacation	5,363	4,887
Deferred income tax liabilities:		
Accelerated tax depreciation	(534)	(798)
Available for sale investments	(331,966)	(199,624)
Interest receivable	(201,942)	(155,641)
	(534,442)	(356,063)
Net deferred tax liability	(529,079)	(351,176)

The deferred tax charge in determining net profit for the year comprises the following temporary differences:

	2017	2016
Accrued vacation	(476)	(443)
Interest receivable	46,301	(26,993)
Accelerated tax depreciation	(264)	(251)
	45,561	(27,687)

23. Share capital

	2017	2016
Authorised, issued and fully paid:		
150,000,000 ordinary shares of no par value	150,000	150,000

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24. Cumulative re-measurement result from available for sale financial assets

This represents the unrealised surplus or deficit on the revaluation of available for sale investments as follows:

	2017	2016
Balance at beginning of year	598,789	352,995
Net gains from changes in fair value	998,749	327,984
Less: deferred income taxes	(249,687)	(82,076)
	749,062	245,908
Net gains on disposal transferred to income	(469,381)	(152)
Less: deferred income taxes	117,345	38
	(352,036)	(114)
Balance at end of year	995,815	598,789

25. Pension scheme

The company participates in a defined benefit pension scheme operated by its parent company, the Bank of Nova Scotia Jamaica Limited (The Bank). The Bank has established a defined benefit pension scheme where the assets of the pension scheme are held independently of the Bank's assets in a separate fund administered by Trustees.

The scheme established is valued by independent actuaries annually, using the Projected Unit Credit Method.

The company contributes at a fixed rate of 2% of pensionable earnings. Any funding deficiencies of the plan are absorbed by the Bank. Accordingly, the company is not entitled to any surplus that may arise.

Benefits to members are based on the final pensionable salary (the average of the best of three consecutive years remuneration, with no salary cap), as follows:

(a) Per year of contributory service – 1¾% of the final pensionable salary
(b) Per year of non contributory service
  - 1½% of final pensionable salary for employees who started to contribute on November 1, 1971 and
  - 1¼% of final pensionable salary for employees who started to contribute after November 1, 1971.
(c) Maximum pension is the lesser of 70% of the average of final pensionable salary and ⅔ of salary at retirement.

The employees contribute at 3% of salary up to $250 per annum, plus 6% of salary thereafter.

The company's contribution for the year totalled $298 (2016: $325).

26. Insurance and financial risk management

The company's activities expose it to a variety of insurance and financial risks. These activities involve the analysis, evaluation and management of some degree of risk or combination of risks. Taking these risks is core to the financial business, and the operational risks are an inevitable consequence of being in business. The company's aim is therefore to achieve an appropriate balance between risk and return and minimise potential adverse effects on the company's financial performance.

The company manages risk through a framework of risk principles, organisational structures and risk measurement and monitoring processes that are closely aligned with the activities of the company's business units. The company's risk management policies are designed to identify and analyse these risks, to set appropriate risk limits and controls, and to monitor the risks and adherence to limits by means of reliable and up-to-date information systems. The company regularly reviews its risk management policies and systems to reflect changes in markets, products and emerging best practice.

The Board of Directors is ultimately responsible for the establishment and oversight of the company's risk management framework. The Board has established committees for managing and monitoring risks, as follows:

Investment, Loans and Risk Committee

The Investment, Loans and Risk Committee recommends to the Board for its approval a written Investment Policy. The committee reviews investment activities quarterly, and ensures that the existing policies comprehensively deal with the management and diversification of the company's investment portfolio and that appropriate limits are being adhered to.

The Investment, Loans and Risk Committee has the responsibility of ensuring that risks are managed within the limits established by the Board of Directors and outlined in the Investment Policy. The investment advisory committee meets at least once monthly to review risks, monitor compliance in respect of investment activities, evaluate performance and provide strategic direction.

Audit Committee

The Audit Committee oversees how management monitors compliance with the company's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the company. Internal Audit assists the Audit Committee in its oversight role, by performing independent reviews of the risk management and control environment.

The most important types of risk are insurance risk, reinsurance risk, market risk, liquidity risk, credit risk, and other capital risk management. Market risk includes cash flow and fair value interest rate risk, currency risk and other price risk.

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26. Insurance and financial risk management (continued)

(a) Insurance risk

The company issues long term contracts that transfer insurance risk or financial risk or both. The risk under any one insurance contract is the possibility that the insured event occurs and the uncertainty of the amount of the resulting claim. By the very nature of an insurance contract, this risk is random and therefore unpredictable.

For a portfolio of insurance contracts where the theory of probability is applied to pricing and provisioning, the principal risk that the company faces under its insurance contracts is that the actual claims and benefit payments exceed the carrying amount of the insurance liabilities. This could occur if the frequency or severity of claims and benefits is greater than estimated. Insurance events are random and the actual number and amount of claims and benefits will vary from year to year from the estimate established using statistical techniques.

Experience shows that the larger the portfolio of similar insurance contracts, the smaller the relative variability about the expected outcome will be. In addition, a more diversified portfolio is less likely to be affected across the board by a change in any subset of the portfolio.

Long term insurance contracts

Long-term contracts are typically for a minimum period of 5 years and a maximum period which is determined by the remaining life of the insured. In addition to the estimated benefits which may be payable under the contract, the insurer has to assess the cash flows which may be attributable to the contract.

The company has developed its insurance underwriting strategy and reinsurance arrangements to diversify the type of insurance risks accepted and within each of these categories to achieve a sufficiently large population of risks to reduce the variability of the expected outcome. The company's underwriting strategy includes the use of a medical questionnaire with benefits limited to reflect the health condition of applicants.

(i) Frequency and severity of claims

For contracts where death is the insured risk the most significant factors that could increase the overall frequency and severity of claims are epidemics (such as AIDS) and wide-ranging lifestyle changes such as in eating, smoking and exercise habits resulting in earlier or more claims than expected.

The company charges for mortality risks on a monthly basis for all insurance contracts and has the right to alter these charges to a certain extent based on mortality experience and hence minimize its exposure to mortality risk. Delays in implementing increases in charges and market or regulatory restraints over the extent of the increases may reduce its mitigating effect.

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26. Insurance and financial risk management (continued)

(a) Insurance risk (continued)

(i) Frequency and severity of claims (cont'd)

The tables below indicate the concentration of insured benefits across bands of insured benefits per individual life assured. The amounts at risk are fully retained.

	Total benefits assured			
	2017		2016	
	Before Reinsurance	%	Before Reinsurance	%
Individual life benefits assured per life:				
0 to 250,000	5,266,635	10	5,766,994	11
250,001 to 500,000	2,787,029	5	2,426,784	5
500,001 to 750,000	3,066,149	6	3,305,060	6
750,001 to 1,000,000	3,340,186	6	3,421,091	7
1,000,001 to 1,500,000	9,774,853	19	9,859,660	19
1,500,001 to 2,000,000	6,068,254	12	6,122,419	12
Over 2,000,000	22,117,031	42	21,296,905	40
	52,420,137	100	52,198,913	100

The tables below indicate the concentration of insured benefits across bands of group life insured benefits. The benefit insured figures are shown gross as reinsurance has not been considered due to immateriality.

	Total benefits assured			
	2017		2016	
	Before Reinsurance	%	Before Reinsurance	%
Group life benefits assured per life:				
0 to 250,000	11,246,244	13	12,124,029	14
250,001 to 500,000	4,574,235	5	5,031,489	6
500,001 to 750,000	5,130,951	6	5,695,220	7
750,001 to 1,000,000	4,354,444	5	4,759,146	5
1,000,001 to 1,500,000	15,430,489	18	16,928,535	19
1,500,001 to 2,000,000	13,344,207	16	13,389,118	15
Over 2,000,000	30,499,093	37	29,382,646	34
	84,579,663	100	87,310,183	100

Insurance risk for contracts disclosed in this note is also affected by the policyholders' right to pay reduced or no future premiums or to terminate the contract completely. As a result, the amount of insurance risk is also subject to the policyholders' behaviour. The company has factored the impact of policyholders' behaviour into the assumptions used to measure these liabilities.

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26. Insurance and financial risk management (continued)

(a) Insurance risk (continued)

(ii) Sources of uncertainty in the estimation of future benefit payments and premiums

Uncertainty in the estimation of future benefit payments and premium receipts for long term insurance contracts arises from the unpredictability of long-term changes in overall levels of mortality and the variability in policyholder behaviour.

Estimates are made as to the expected number of deaths for each of the years in which the company is exposed to risk. The company bases these estimates on standard industry and international mortality tables that reflect recent historical mortality experience, adjusted where appropriate to reflect the company's own experience.

(iii) Process used in deriving assumptions

The assumptions for long term insurance contracts and the process used in deriving these assumptions have remained substantially unchanged since the previous year.

For long-term contracts with fixed and guaranteed terms, estimates are made in two stages. Estimates of future deaths, voluntary terminations and partial withdrawal of policy funds, investment returns, crediting rates, inflation and administration expenses are made and form the assumptions used for calculating the liabilities at the inception of the contract. A margin for risk and uncertainty is added to these assumptions.

New estimates are made each subsequent year based on updated company experience studies and economic forecasts. The valuation assumptions are altered to reflect these revised best estimates. The margins for risk and uncertainty may also be altered if the underlying level of uncertainty in the updated assumptions have changed. The financial impact of revisions to the valuation assumptions or the related margins is recognised in the accounting period in which the change is made.

See note 20(d) for detailed policy assumptions.

(b) Reinsurance risk

Reinsurance risk is the risk that a reinsurer will default and not honour obligations arising from claims. To limit its exposure of potential loss on an insurance policy, the company cedes certain levels of risk to a reinsurer. Reinsurance ceded does not discharge the company's liability as primary issuer. The company also limits the probable loss in the event of a single catastrophic occurrence by reinsuring this type of risk with reinsurers.

26. Insurance and financial risk management (continued)

(b) Reinsurance risk (continued)

The company manages reinsurance risk by selecting reinsurers which have established capability to meet their contractual obligations and which generally have favourable credit ratings as determined by a reputable rating agency.

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 retention programs used by the company are summarized below:

Type of insurance contract	Retention
Individual, group & creditor life catastrophe	Maximum retention of $420 for a single event; Treaty limits apply;
Group creditor life contracts	Maximum retention of $15,000 per insured.

Effective July 1, 2017, the coverage was discontinued.

(c) Market risk

Market risk is the risk that the value of the financial instrument will fluctuate as a result of changes in market prices whether those changes are caused by factors specific to the individual security, its issuer or factors affecting all securities traded in the market. The company manages its risk through the establishment of appropriate limits and close monitoring of the financial markets to identify any trends which would impact the value of its portfolio.

There has been no change to the company's exposure to market risks or the manner in which it manages and measures the risk.

(i) Cash flow and fair value interest rate risk

Cash flow interest rate risk is the risk that the 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 value of a financial instrument will fluctuate because of changes in market interest rates.

The company takes on exposure to the effects of fluctuations in market interest rates on its financial position and cash flows. Interest rate risk is managed as part of the risk management practices of the Group of which it forms a part, on a monthly basis. The company's cash flow is monitored daily.

The cash flow and fair value interest rate risk is summarised in note 27(a).

26. Insurance and financial risk management (continued)

(c) Market risk (continued)

(ii) Currency risk

Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The company only issues insurance contracts in Jamaican dollars and the funds are used to purchase assets in the same currency. These portfolios are not exposed to currency risk.

(iii) Other price risk

Other price risk is the risk that the fair value or future cash flow of a financial instrument will fluctuate because of changes in market price (other than those arising from interest rate risk or currency risk) whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

The company is not exposed to other price risk.

(d) Liquidity risk

Liquidity risk is the risk that company is unable to meet its payment obligations associated with its financial liabilities when they fall due and to replace funds when they are withdrawn. The consequence may be the failure to meet obligations to repay policyholders.

The company is exposed to daily calls on its cash resources from its policyholders. The company does not necessarily maintain cash resources to meet all these needs as experience shows that a minimum level on reinvestment of maturing funds can be predicted with a high level of certainty.

The Board of Directors approves the company's liquidity and funding management policies and establishes limits to control the risk. The company assesses the adequacy of its' liquidity position by analysing its' current liquidity position, present and anticipated funding requirements, and alternative sources of funds. This process includes:

- Projecting day-to-day cash flows;
- Managing the concentration and profile of debt maturities;
- Maintaining a portfolio of highly marketable assets that can easily be liquidated as protection against any unforeseen interruption to cash flow;
- Monitoring statement of financial position liquidity ratios against internal and regulatory requirements; and
- Maintenance of liquidity and funding contingency plans.

26. Insurance and financial risk management (continued)

(d) Liquidity risk (continued)

The matching and controlled mismatching of the maturities and interest rates of assets and liabilities is fundamental to the management of the company. It is unusual for companies to be completely matched, as transacted business is often of uncertain term and of different types. An unmatched position potentially enhances profitability, but can also increase the risk of loss.

The maturities of assets and liabilities and the ability to replace, at an acceptable cost, interest-bearing liabilities as they mature, are important factors in assessing the liquidity of the company and its exposure to changes in interest rates.

Assets available to meet all of the liabilities include cash balances and government securities. The company would also be able to meet unexpected net cash outflows by selling securities and accessing additional funding sources.

The liquidity risk is summarised in note 27(b).

(e) Credit risk

Credit risk is the risk that one or both parties to a financial instrument will fail to discharge an obligation resulting in loss to one or both parties.

The company manages the level of credit risk it undertakes by placing limits on the amount of risk accepted in relation to any one borrower, or groups of borrowers. Such risks are monitored on a revolving basis and subject to an annual or more frequent review. Limits on the level of credit risk by issuer are approved annually by the Board of Directors.

Other than exposure on Government of Jamaica securities and concentration of Government of Jamaica securities, there is no significant concentration of liquid funds. For securities purchased under resale agreements, titles to securities are transferred to the company for the duration of the agreement.

The credit risk is summarised in note 27(c).

(f) Capital risk management

Capital risk is the risk that the company fails to comply with mandated regulatory requirements, resulting in a breach of its minimum capital ratios and the possible suspension or loss of its insurance licence.

Regulators are primarily interested in protecting the rights of the policyholders and monitor the company closely to ensure that it is satisfactorily managing affairs for the benefit of the policyholders. At the same time, the regulators are also interested in ensuring that the company maintains an appropriate solvency position to meet unforeseen liabilities arising from economic shocks or natural disasters. See note 28(b) for details of the Dynamic Capital Adequacy Testing.

(expressed in thousands of Jamaica dollars unless otherwise stated)

26. Insurance and financial risk management (continued)

(f) Capital risk management (continued)

The operations of the company are subject to regulatory requirements. Such regulations not only prescribe approval and monitoring of activities, but also impose certain restrictive provisions to minimize the risk of default and insolvency to meet unforeseen liabilities as these arise.

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

- to comply with the capital requirements set by the regulators;
- to safeguard the company's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- to maintain a strong capital base to support the development of its business.

The principal capital resource of the company is its shareholders' equity.

Capital adequacy is calculated by the Appointed Actuary and reviewed by executive management, the audit committee and the board of directors. In addition, the company seeks to maintain internal capital adequacy levels higher than the regulatory requirements. To assist in evaluating the current business and strategic opportunities, a risk-based approach is one of the core measures of financial performance. The risk-based assessment measure which has been adopted is the Minimum Continuing Capital and Surplus Requirement (MCCSR) standard as defined by the Financial Services Commission and dictated by the Insurance Regulations 2001. Under Jamaican regulations, the minimum standard recommended for companies is an MCCSR of 150% in 2010 and later. The MCCSR for the company as of December 31, 2017 and 2016 is set out below:

	2017	2016
Regulatory capital held	8,153,701	8,572,971
Minimum regulatory capital	1,386,439	1,556,336
MCCSR Ratio	588.10%	551.00%

27. Financial instruments

(a) Cash flow and fair value interest rate risk

The company is exposed to various risks associated with the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows.

The following tables summarise carrying amounts of statement of financial position assets, liabilities and equity in order to arrive at the company's interest rate gap based on earlier of contractual repricing and maturity dates.

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27. Financial instruments (continued)

(a) Cash flow and fair value interest rate risk (continued):

	2017						
	Immediately rate sensitive	Within 3 months	3 to 12 months	1 to 5 years	Over 5 years	Non-rate sensitive	Total
Cash resources	1,233,418	-	657,578	-	-	3,483	1,894,479
Investment securities:							
Available for sale	-	31,049,618	333,881	13,560,650	6,331,633	1,062,448	52,338,230
Held to maturity	-	1,017,000	-	-	-	11,804	1,028,804
Loans and receivables	1,623,691	-	-	-	-	1,674	1,625,365
Intangible assets	-	-	-	-	-	83,481	83,481
Property, plant and equipment	-	-	-	-	-	8,537	8,537
Other assets	-	-	-	-	-	1,324	1,324
Taxation recoverable (Withholding Taxes)	-	-	-	-	-	974,831	974,831
Total assets	2,857,109	32,066,618	991,459	13,560,650	6,331,633	2,147,582	57,955,051
Policyholders' liabilities	37,210,822	3,889,362	9,950,515	-	-	(6,270,408)	44,780,291
Taxation payable (Income Taxes)	-	-	-	-	-	281,643	281,643
Sundry liabilities	-	-	-	-	-	227,199	227,199
Deferred tax liabilities	-	-	-	-	-	529,079	529,079
Shareholders' equity	-	-	-	-	-	12,136,839	12,136,839
Total liabilities and shareholders' equity	37,210,822	3,889,362	9,950,515	-	-	6,904,352	57,955,051
Total interest rate sensitivity gap	(34,353,713)	28,177,256	(8,959,056)	13,560,650	6,331,633	(4,756,770)	-
Cumulative gap	(34,353,713)	(6,176,457)	(15,135,513)	(1,574,863)	4,756,770	-	-

	2016						
	Immediately rate sensitive	Within 3 months	3 to 12 months	1 to 5 years	Over 5 years	Non-rate sensitive	Total
Total assets	2,131,402	35,133,471	7,356,893	7,870,741	2,698,446	2,293,490	57,484,443
Total liabilities and shareholders' equity	36,108,765	4,022,709	10,521,921	-	-	6,831,048	57,484,443
Total interest rate sensitivity gap	(33,977,363)	31,110,762	(3,165,028)	7,870,741	2,698,446	(4,537,558)	-
Cumulative gap	(33,977,363)	(2,866,601)	(6,031,629)	1,839,112	4,537,558	-	-

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27. Financial instruments (continued)

(a) Cash flow and fair value interest rate risk (continued):

The tables below summarise the average effective yields by the earlier of the contractual repricing or maturity dates.

	2017					
	Immediately rate sensitive	Within 3 months	3 to 12 months	1 to 5 years	Over 5 years	Weighted average
	%	%	%	%	%	%
Cash resources	0.57	-	7.72	-	-	3.06
Investment securities						
- Available for sale	-	4.97	7.75	7.63	10.53	6.28
- Held to maturity	-	5.23	-	-	-	5.23
Loans and receivables – Policy loans	7.50	-	-	-	-	7.50
Policyholders' liabilities	2.71	3.66	2.97	-	-	2.68

	2016					
	Immediately rate sensitive	Within 3 months	3 to 12 months	1 to 5 years	Over 5 years	Weighted average
	%	%	%	%	%	%
Cash resources	1.28	4.99	6.26	-	-	3.95
Investment securities						
- Available for sale	-	5.47	7.49	9.23	11.43	6.58
- Held to maturity	-	6.11	7.50	-	-	7.23
Financial assets at fair value through profit or loss	-	-	-	7.25	-	7.25
Government securities purchased under resale agreements	-	5.43	-	-	-	5.43
Loans and receivables – Policy loans	7.50	-	-	-	-	7.50
Policyholders' liabilities	3.07	3.99	3.45	-	-	3.26

(i) Sensitivity

Sensitivity to interest rate risk is considered by the company. The effects of changes in interest rates of assets backing actuarial liabilities are disclosed in note 28.

(expressed in thousands of Jamaican dollars unless otherwise stated)

27. Financial instruments (continued)

(a) Cash flow and fair value interest rate risk (continued):

(ii) Determination of fair value and fair values hierarchy

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Market price is used to determine fair value where an active market exists as it is the best evidence of the fair value of a financial instrument.

IFRS specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. These two types of inputs have created the following fair value hierarchy:

Level 1 – Quoted prices in active markets for identical assets or liabilities. This level includes listed equity securities and debt instruments on exchanges.

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. The source of the input parameter for the Jamaica Sovereign yield curve is Bloomberg.

Level 3 – Inputs for the asset or liability that are not based on observable market data (unobservable inputs). This level includes equity investments and debt instruments with significant unobservable components.

This hierarchy requires the use of observable market data when available. The company considers relevant and observable market prices in its valuations where possible.

	2017		
	Level 1	Level 2	Total
Available for sale financial assets			
Debt Securities	-	52,068,265	52,068,265
Mutual Funds	-	269,965	269,965
	-	52,338,230	52,338,230

	2016		
	Level 1	Level 2	Total
Available for sale financial assets			
Debt Securities	2,118,048	43,896,562	46,014,610
Mutual Funds	-	768,252	768,252
	2,118,048	44,664,814	46,782,862
Fair value through profit or loss			
Debt securities	-	155,601	155,061

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27. Financial instruments (continued)

Valuation techniques and significant unobservable inputs:

The following table shows the valuation technique used in measuring fair value in the level 2 hierarchy, as well as the significant unobservable input used.

Type	Valuation technique	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
Government of Jamaica securities (Local and Overseas)	Obtain bid yield from yield curve provided by a recognized pricing source (which uses market-supplied indicative bids) Using this yield, determine price using accepted formula Apply price to estimate fair value.	Not applicable	Not applicable
Mutual Funds Premium Growth Fund (PGF) Regular Premium Growth Fund (PGF) AFFIRM Money Market Fund (MMF) AFFIRM Fixed Income Fund (FIF) AFFIRM	PGF – Regular: The market unit value is determined by the investment house which the Company uses to compute the estimated fair value. AFFIRM unit values: The net asset values (navs) are determined for each Fund on a daily basis. The navs are then divided by the number of existing units to ascertain the unit values which are then used to fair value the investments for each Fund.	Not applicable	Not applicable

Financial assets not carried at fair value, and where carrying amounts approximate fair value, are not shown.

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27. Financial instruments (continued)

(b) Liquidity risk

The tables below present the undiscounted cash flows payable (both interest and principal cash flows) of the company's financial liabilities based on contractual repayment obligations. The company expects that many policyholders will not request repayment on the earliest date the company could be required to pay.

	2017		
	Within 3 months	3 to 12 months	Total
Financial Liabilities			
Policyholders' liabilities	41,747,876	10,250,225	51,998,101

	2016		
	Within 3 months	3 to 12 months	Total
Financial Liabilities			
Policyholders' liabilities	40,293,934	10,933,561	51,227,495

(c) Credit risk

Credit risk exposures relating to the statement of financial position assets are as follows:

Maximum exposure to credit risk

The maximum credit exposure, that is, the amount of loss that would be suffered if every counterparty to the company's financial assets were to default at once, is represented by the carrying amount of financial assets shown on the statement of financial position, without taking account of any collateral held or other credit enhancements.

The table below presents an analysis of debt securities by rating agency designation as at December 31, 2017, and 2016 based on Standard and Poor's ratings or their equivalent:

	2017	2016
AAA to AA+	-	2,118,048
BB to BB-	53,082,283	49,845,998
Unrated	675,847	1,016,329
	53,758,130	52,980,375
Classified as follows:		
Certificate of deposits with the Bank of Jamaica	661,061	1,502,518
Financial assets at fair value through profit or loss	-	155,601
Investment securities:		
Available for sale	52,068,265	46,014,610
Held to maturity	1,028,804	5,307,644
	53,758,130	52,980,373

The company issues policy loans to ScotiaMint policyholders. These loans are fully secured by the outstanding ScotiaMint fund values and as such no credit risk arises.

(expressed in thousands of Jamaican dollars unless otherwise stated)

28. Sensitivity analysis of actuarial liabilities and capital adequacy

(a) Sensitivity arising from the valuation of life insurance contracts

The determination of actuarial liabilities is sensitive to a number of assumptions, and changes in these assumptions could have a significant effect on the valuation results.

In summary, the valuation of actuarial liabilities of life insurance contracts is sensitive to:

- the economic scenario used in the Policy Premium Method (PPM);
- the investments allocated to back the liabilities;
- the underlying assumptions used, and
- the margins for adverse deviations.

Under the PPM methodology, the appointed actuary is required to test the actuarial liability under several economic scenarios. The tests have been done and the results of the valuation provide adequately for liabilities derived from the worst of these different scenarios.

The assumption for future investment yields has a significant impact on actuarial liabilities. The different scenarios tested under the PPM methodology reflect the impact of different yields.

The other assumptions which are most sensitive in determining the actuarial liabilities of the company, are in descending order of impact:

- operating expenses and taxes
- lapses and withdrawals
- mortality and morbidity

The following shows the sensitivity of the liabilities to a change in assumptions:

	Change in assumptions	2017	2016
Interest rates	–1%	17,572	48,474
	+1%	24,667	(6,887)
Mortality	+10%	454,091	433,981
	–10%	(470,071)	(450,026)
Expenses	+10%	492,910	397,437
	–10%	(487,631)	(392,866)
Lapses and withdrawals	+10%	320,620	267,583
	–10%	(347,112)	(288,975)

(b) Dynamic Capital Adequacy Testing (DCAT)

DCAT is a technique used by the company to assess the adequacy of its financial position and financial condition in the light of different future economic and policy experience scenarios. DCAT assesses the impact of the company's financial position and condition over the next 5 years under specific scenarios as required by the Insurance Regulations.

The financial position of the company is reflected by the amount of assets, liabilities and shareholders' equity on the statement of financial position at a given date.

The financial condition of the company at a given date is its prospective ability to meet its future obligations, especially obligations to policyholders, those to whom it owes benefits and to its shareholders.

28. Sensitivity analysis of actuarial liabilities and capital adequacy (continued)

(b) Dynamic Capital Adequacy Testing (DCAT) (continued)

The purpose of the DCAT is:

- to develop an understanding of the sensitivity of the total equity of the company and future financial condition to changes in various experience factors and management policies;
- to alert management to material, plausible and imminent threats to the company's solvency; and
- and to describe possible courses of action to address these threats.

A full DCAT report was completed for March 2017, based on the financial position of the company at December 31, 2016. The results were as follows:

(i) Mortality and morbidity risks

To test this scenario, existing mortality and morbidity rates were increased by 3% per annum for five years starting in 2017. The accumulated deterioration would be 15% by the end of the five-year DCAT period. The results for this scenario show relative insensitivity to the change in assumptions.

(ii) Low lapse rates

The business was tested by applying a factor of 50% to existing lapse and surrender rates. Overall, this scenario produces a higher surplus and a lower MCCSR ratio over the 5-year period.

(iii) Higher lapse rates

The business was tested by doubling existing lapses, surrenders and partial withdrawal rates. Under this scenario, the surplus decreases while the MCCSR increases.

(iv) Expense risks

Higher unit maintenance expenses were tested by setting the annual inflation at 5% greater than current expenses, starting in 2017, for five years. Overall, this scenario produces a lower MCCSR ratio over the 5-year period.

(v) Low interest rate

An assumed decrease in the portfolio rate of 5% over a 5 year period was tested in this scenario. It is assumed that inflation ultimately decreases to .5%. Overall, this scenario produces a relatively unchanged MCCSR over the five year period.

(expressed in thousands of Jamaican dollars unless otherwise stated)

28. Sensitivity analysis of actuarial liabilities and capital adequacy (continued)

(b) Dynamic Capital Adequacy Testing (DCAT) (continued)

(vi) High interest rate

This scenario assumed an increase of 5% over a 5 year period in the portfolio rate. It also assumed that inflation increases by the same amount. Overall, this scenario produces a lower MCCSR.

(vii) High sales growth

New business was projected to be 20% higher than existing sales over five years. The increased sales result in increased surplus but the MCCSR ratio falls.

(viii) Low sales

This scenario assumed sales were 20% less every year starting in 2017. Fees are also lower than under the base scenario. Overall this scenario produces a reduced surplus but the MCCSR improves.

The DCAT conducted has not tested any correlation that may exist between assumptions. The following table represents the estimated sensitivity of each of the above scenarios for the next five years to net actuarial liabilities at the end of the projection period, which is 5 years after the relevant financial year end.

	2017		2016	
	Surplus	MCCSR	Surplus	MCCSR
Base	14,964,882	661%	15,757,936	758%
Variable				
Mortality risks	14,532,000	663%	15,361,488	769%
Low lapse rates	16,269,256	592%	17,286,548	671%
Higher lapse rates	12,696,181	1,016%	13,309,650	1,225%
Expense risks	14,337,672	665%	15,226,680	771%
Low interest rate	14,273,513	590%	15,886,139	752%
High Interest rate	13,589,784	582%	13,641,339	642%
High sales growth	15,510,328	629%	16,183,088	710%
Low sales	13,876,166	691%	14,827,108	808%

29. Fair value of financial instruments

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Market price is used to determine fair value where an active market exists as it is the best evidence of the fair value of a financial instrument. However, market prices are not available for a significant number of the financial assets held and liabilities issued by the company. Therefore, for financial instruments where no market price is available, the fair values presented have been estimated using present value or other estimation and valuation techniques based on market conditions existing at the reporting date.

SCOTIA JAMAICA LIFE INSURANCE COMPANY LIMITED

Notes to the Financial Statements
December 31, 2017
(expressed in thousands of Jamaican dollars unless otherwise stated)

29. Fair value of financial instruments (continued)

The values derived from applying these techniques are significantly affected by the underlying assumptions used concerning both the amounts and timing of future cash flows and the discount rates.

The following methods and assumptions have been used:

- financial investments classified as available for sale are measured at fair value by reference to quoted market prices when available. If quoted market prices are not available, then fair values are estimated on the basis of pricing models or other recognised valuation techniques;
- the fair value of liquid assets and other assets maturing within one year is assumed to approximate their carrying amount. This assumption is applied to liquid assets and the short-term elements of all other financial assets and financial liabilities;
- the fair value of variable rate financial instruments is assumed to approximate their carrying amounts which is the cost plus accrued interest; and
- the fair value and the carrying value of the policyholders' fund are assumed to be the same based on annual actuarial valuation.

The following table summarises the carrying amount and fair value of financial assets not presented on the company's statement of financial position at their fair value.

	2017		2016	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Financial assets				
Investment securities:				
- Held to maturity	1,028,804	1,028,995	5,307,644	5,324,242

30. Related party transactions and balances

A number of transactions are entered into with related parties including companies connected by virtue of common directorship in the normal course of business.

SCOTIA JAMAICA LIFE INSURANCE COMPANY LIMITED

Notes to the Financial Statements
December 31, 2017
(*expressed in thousands of Jamaican dollars unless otherwise stated*)

30. Related party transactions and balances (continued)

The volumes of related party transactions, outstanding balances at the period end, and related expenses and income for the year are as follows:

	Ultimate parent	Parent company	Fellow subsidiaries	Directors and key management personnel	Total 2017	Total 2016
Insurance products	-	-	-	9,785	9,785	17,798
Mortgage back repurchase agreement	-	-	671,223	-	671,223	1,009,587
Securities purchased under resale agreements	-	-	-	-	-	700,000
Interest earned on resale agreements	-	-	(35,981)	-	(35,981)	(46,787)
Interest paid on repurchase Agreement	-	1,038	-	-	1,038	-
Interest earned on mortgage backed repurchase agreement	-	-	(62,702)	-	(62,702)	(76,288)
Due from banks and other financial institutions	-	1,233,418	269,965	-	1,503,383	1,271,569
Interest earned from banks and other financial institutions	-	(5,383)	-	-	(5,383)	(5,203)
Management fees received	-	-	(159,066)	-	(159,066)	(129,124)
Management fees paid	71,205	52,400	-	-	123,605	146,533
Other operating expenses	6,019	11,777	20,129	-	37,925	36,858
Loss on disposal of investment	-	5,578	-	-	5,578	2,777
Commission on securities	-	3,362	-	-	3,362	
Profit from sale of investments	-	(182)	(476,941)	-	(477,123)	-

Key management compensation	2017	2016
Salaries and other short term benefits	66,332	61,189
Post-employment benefits and allowances	4,950	5,385

31. Fiduciary activities

The company provides administrative services to an approved retirement scheme. This involves the company making purchase decisions in relation to investments. These assets, which are held in a fiduciary capacity, are not included in these financial statements. At the reporting date, there were assets under management amounting to approximately $8,446,156 (2016: $6,623,706).

32. Dividends

	2017	2016
First interim dividend	380,300	804,899
Second interim dividend	456,261	379,043
Third interim dividend	417,884	1,334,674
Fourth interim dividend	451,492	1,251,307
Special dividend	2,001,000	-
	3,706,937	3,769,923

SCOTIA JAMAICA LIFE INSURANCE COMPANY LIMITED

FINANCIAL STATEMENTS

DECEMBER 31, 2016

KPMG
Chartered Accountants
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INDEPENDENT AUDITORS' REPORT

To the Members of
SCOTIA JAMAICA LIFE INSURANCE COMPANY LIMITED

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Scotia Jamaica Life Insurance Company Limited ("the company"), set out on pages 5 to 54, which comprise the statement of financial position as at December 31, 2016, the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the company as at December 31, 2016, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) and the Jamaican Companies Act.

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 Financial Statements section of our report. We are independent of the company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

INDEPENDENT AUDITORS' REPORT (CONT'D)

To the Members of
SCOTIA JAMAICA LIFE INSURANCE COMPANY LIMITED

Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

In preparing the financial statements, management is responsible for assessing the company'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 company or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 financial statements.

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

- Identify and assess the risks of material misstatement of the 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.

INDEPENDENT AUDITORS' REPORT (CONT'D)

To the Members of
SCOTIA JAMAICA LIFE INSURANCE COMPANY LIMITED

Auditor's Responsibilities for the Audit of the Financial Statements (Cont'd)

- 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 company'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 company'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 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 company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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.

INDEPENDENT AUDITORS' REPORT (CONT'D)

To the Members of
SCOTIA JAMAICA LIFE INSURANCE COMPANY LIMITED

Report on Additional Matters as Required by the Jamaican Companies Act

We have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

In our opinion, proper accounting records have been maintained, so far as appears from our examination of those records, and the financial statements, which are in agreement therewith, give the information required by the Jamaican Companies Act, in the manner required.

KPMG

Chartered Accountants
Kingston, Jamaica

February 9, 2017

SCOTIA JAMAICA LIFE INSURANCE COMPANY LIMITED

Statement of Profit or Loss and Other Comprehensive Income
December 31, 2016
(*expressed in thousands of Jamaican dollars unless otherwise stated*)

	Notes	2016	2015
Income			
Premium income, net of reinsurance	5	1,754,682	1,781,048
Investment income	6	3,588,620	3,784,276
Fee and commission income, net	7	464,262	475,997
Realised gains, net	8	232,915	9,009
		6,040,479	6,050,330
Policyholders' benefits and expenses			
Policyholders' benefits and reserves	9	1,485,470	756,783
Salaries, pension contributions and other staff benefits	10	476,279	575,767
Property expenses, including depreciation		61,985	61,763
Other operating expenses		472,590	836,385
		2,496,324	2,230,698
Profit before taxation	11	3,544,155	3,819,632
Taxation	12	(855,505)	(861,686)
Net profit		2,688,650	2,957,946
Other comprehensive income			
Items that may be reclassified to profit or loss:			
Realised gain/(losses) on available-for-sale financial assets		152	(88)
Unrealised gains on available-for-sale financial assets		327,680	225,383
Deferred income tax relating to components of other comprehensive income	13	(82,038)	(80,860)
Other comprehensive income for the year, net of tax		245,794	144,435
Total comprehensive income for the year		2,934,444	3,102,381

The accompanying notes form an integral part of the financial statements.

SCOTIA JAMAICA LIFE INSURANCE COMPANY LIMITED

Statement of Financial Position
Year ended December 31, 2016
(expressed in thousands of Jamaican dollars unless otherwise stated)

	Notes	2016	2015
ASSETS			
Cash resources			
Certificate of deposits with the Bank of Jamaica-maturing within 90 days of the original purchase date	14	1,301,413	1,505,966
Accounts with parent company	14	503,316	389,550
		1,804,729	1,895,516
Certificate of deposits with the Bank of Jamaica-maturing in excess of 90 days from the original purchase date		201,105	883,740
		2,005,834	2,779,256
Government securities purchased under resale agreements	15	701,742	803,560
Investment securities	16		
Available for sale		46,782,862	40,804,216
Held to maturity		5,307,644	9,298,337
Financial assets at fair value through profit or loss		155,601	218,560
		52,246,107	50,321,113
Loans and receivables - Policy loans	17	1,630,248	1,398,705
Other assets			
Property, plant and equipment	18	10,934	18,248
Intangible assets, computer software	2(t),19	78,796	51,423
Taxation recoverable		809,973	1,274,964
Other assets		809	494
		900,512	1,345,129
		57,484,443	56,647,763
LIABILITIES AND SHAREHOLDERS' EQUITY			
Policyholders' liabilities	20	44,988,803	43,331,573
Other liabilities			
Sundry liabilities	21	142,644	141,019
Taxation payable		90,603	131,650
Deferred tax liabilities	22	351,176	296,825
		584,423	569,494
Shareholders' equity			
Share capital	23	150,000	150,000
Cumulative re-measurement result from available for sale financial assets	24	598,789	352,995
Unappropriated profits		11,162,428	12,243,701
		11,911,217	12,746,696
		57,484,443	56,647,763

The financial statements on pages 5 to 54 were approved for issue by the Board of Directors on February 9, 2017 and signed on its behalf by:

_______________ Director
Jacqueline Sharp

_______________ Director
Anthony Chang

The accompanying notes form an integral part of the financial statements

SCOTIA JAMAICA LIFE INSURANCE COMPANY LIMITED

Statement of Changes in Shareholders' Equity
Year ended December 31, 2016
(*expressed in thousands of Jamaican dollars unless otherwise stated*)

	Notes	Share capital	Cumulative re-measurement result from available for sale financial assets	Unappropriated profits	Total
		(Note 23)	(Note 24)		
Balances at December 31, 2014		150,000	208,560	10,494,379	10,852,939
Net profit for the year		-	-	2,957,946	2,957,946
Other comprehensive income	13	-	144,435	-	144,435
Dividends	32	-	-	(1,208,624)	(1,208,624)
Balances at December 31, 2015		150,000	352,995	12,243,701	12,746,696
Net profit for the year		-		2,688,650	2,688,650
Other comprehensive income	13	-	245,794		245,794
Dividends	32	-	-	(3,769,923)	(3,769,923)
Balances at December 31, 2016		150,000	598,789	11,162,428	11,911,217

The accompanying notes form an integral part of the financial statements

SCOTIA JAMAICA LIFE INSURANCE COMPANY LIMITED

Statement of Cash Flows
Year ended December 31, 2016
(*expressed in thousands of Jamaican dollars unless otherwise stated*)

	Notes	2016	2015
Cash flows from operating activities			
Net profit for the year		2,688,650	2,957,946
Items not affecting cash:			
Investment income	6	(3,588,620)	(3,784,276)
Interest credited to policyholders and annuitants	9	1,679,022	1,770,492
Transfer from actuarial reserves	9	(353,251)	(1,179,482)
Taxation	12	855,505	861,686
Amortisation	19	2,335	-
Depreciation	18	7,314	10,194
		1,290,955	636,560
Changes in operating assets and liabilities			
Taxation recoverable		464,991	(397,594)
Other assets		(315)	344
Policyholders' liabilities		331,459	(759,525)
Other liabilities		1,625	(37,629)
		2,088,715	(557,844)
Interest received		3,686,646	3,813,355
Income tax paid		(924,239)	(672,171)
Net cash provided by operating activities		4,851,122	2,583,340
Cash flows from investing activities			
Purchase of property, plant and equipment	18	-	(5,108)
Purchase of intangible asset		(29,708)	(10,735)
Investment securities, net		(1,696,321)	(3,836,970)
Loans and receivables – Policy loans		(221,599)	(228,751)
Certificate of deposits with the Bank of Jamaica		680,215	2,906,397
Net cash used in investing activities		(1,267,413)	(1,175,167)
Net cash provided before dividend payments			
Dividends paid	32	(3,769,923)	(1,208,624)
Net (decrease)/increase in cash and cash equivalents		(186,214)	199,549
Cash and cash equivalents at beginning of year		2,689,615	2,490,066
CASH AND CASH EQUIVALENTS AT END OF YEAR	14	2,503,401	2,689,615

The accompanying notes form an integral part of the financial statements

1. Identification, activities and licence

The company is a wholly owned subsidiary of The Bank of Nova Scotia Jamaica Limited, which is in turn a 100% subsidiary of Scotia Group Jamaica Limited. Both these companies are incorporated and domiciled in Jamaica. Scotia Group Jamaica Limited is a 71.78% subsidiary of Scotiabank Caribbean Holdings Limited, which is incorporated and domiciled in Barbados. The Bank of Nova Scotia, which is incorporated and domiciled in Canada, is the ultimate parent. The registered office of the company is located at Scotiabank Centre, Corner of Duke and Port Royal Streets, Kingston.

The company was incorporated in Jamaica on October 26, 1995 and was licensed as an insurance company on January 22, 1998 under the Insurance Act 1971, which was replaced by the Insurance Act 2001 and the Insurance Regulations 2001.

The principal activity of the company is the provision of long term life and health insurance and annuities.

2. Summary of significant accounting policies

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

(a) Basis of preparation

(i) Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board, and comply with the Jamaican Companies Act ("the Act").

New, revised and amended standards and interpretations that became effective during the year:

Certain new, revised and amended standards and interpretations came into effect during the current financial year. The company has assessed them and has adopted those which are relevant to its financial statements. These are as follows:

- IAS 1, *Presentation of Financial Statements*, effective for accounting periods beginning on or after January 1, 2016, has been amended to clarify or state the following:
    - specific single disclosures that are not material do not have to be presented even if they are minimum requirements of a standard;
    - the order of notes to the financial statements is not prescribed;
    - line items on the statement of financial position and the statement of profit or loss and other comprehensive income (OCI) should be disaggregated if this provides helpful information to users. Line items can be aggregated if they are not material;

2. Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

(i) Statement of compliance (continued)

New, revised and amended standards and interpretations that became effective during the year (cont'd):

- IAS 1, *Presentation of Financial Statements*, (cont'd)
  - specific criteria are now provided for presenting subtotals on the statement of financial position and in the statement of profit or loss and OCI, with additional reconciliation requirements for the statement of profit or loss and OCI; and
  - the presentation in the statement of OCI of items of OCI arising from joint ventures and associates accounted for using the equity method follows the IAS 1 approach of splitting items that may, or that will never, be reclassified to profit or loss.

- IAS 16 and IAS 38, *Clarification of Acceptable Methods of Depreciation and Amortisation,* are amended as follows:
  - The amendment to IAS 16, *Property, Plant and Equipment* explicitly states that revenue-based methods of depreciation cannot be used. This is because such methods reflect factors other than the consumption of economic benefits embodied in the assets.
  - The amendment to IAS 38, *Intangible Assets* introduces a rebuttable presumption that the use of revenue-based amortisation methods is inappropriate for intangible assets.

- *Improvements to* IFRS *2012-2014* cycle, contain amendments to certain standards and interpretations and are effective for accounting periods beginning on or after January 1, 2016. The main amendments applicable to the company are as follows:
  - IFRS 7, *Financial Instruments: Disclosures,* has been amended to clarify when servicing arrangements are in the scope of its disclosure requirements on continuing involvement in transferred assets in cases when they are derecognized in their entirety. A servicer is deemed to have continuing involvement if it has an interest in the future performance of the transferred asset -e.g. if the servicing fee is dependent on the amount or timing of the cash flows collected from the transferred financial asset; however, the collection and remittance of cash flows from the transferred asset to the transferee is not, in itself, sufficient to be considered 'continuing involvement'.

2. Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

(i) Statement of compliance (continued)

New, revised and amended standards and interpretations that became effective during the year (cont'd):

- *Improvements to IFRS, 2012-2014* cycle, (cont'd):
  - IFRS 7 has also been amended to clarify that the additional disclosures required by *Disclosures: Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS 7)* are not specifically required for inclusion in condensed interim financial statements for all interim periods; however, they are required if the general requirements of IAS 34, *Interim Financial Reporting,* require their inclusion.

New and revised standards and interpretations that are not yet effective:

At the date of authorisation of these financial statements, certain new standards, and amendments to and interpretations of existing standards, which were in issue were not effective at the reporting date and had not been early-adopted by the company. The company is assessing them and has determined that the following are relevant to its financial statements.

- IFRS 9*, Financial Instruments,* which is effective for annual reporting periods beginning on or after January 1, 2018, replaces the existing guidance in IAS 39 *Financial Instruments: Recognition and Measurement.* IFRS 9 includes revised guidance on the classification and measurement of financial assets and liabilities, including a new expected credit loss model for calculating impairment of financial assets and the new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. Although the permissible measurement bases for financial assets – amortised cost, fair value through other comprehensive income (FVOCI) and fair value though profit or loss (FVTPL) - are similar to IAS 39, the criteria for classification into the appropriate measurement category are significantly different. IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' model, which means that a loss event will no longer need to occur before an impairment allowance is recognized.

  The company is assessing the impact that this standard will have on its financial statements upon adoption.

2. Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

(i) Statement of compliance (continued)

New and revised standards and interpretations that are not yet effective (cont'd):

- IFRS 15, *Revenue From Contracts With Customers*, effective for accounting periods beginning on or after January 1, 2018, replaces IAS 11, *Construction Contracts*, IAS 18, *Revenue*, IFRIC 13, *Customer Loyalty Programmes,* IFRIC 15, *Agreements for the Construction of Real Estate*, IFRIC 18, *Transfer of Assets from Customers* and SIC-31 *Revenue – Barter Transactions Involving Advertising Services.* It does not apply to insurance contracts, financial instruments or lease contracts, which fall in the scope of other IFRSs. It also does not apply if two entities in the same line of business exchange non-monetary assets to facilitate sales to other parties.

  The Company will apply a five-step model to determine when to recognise revenue, and at what amount. The model specifies that revenue should be recognised when (or as) an entity transfers control of goods or services to a customer at the amount to which the entity expects to be entitled. Depending on whether certain criteria are met, revenue is recognised at a point in time, when control of goods or services is transferred to the customer; or over time, in a manner that best reflects the entity's performance.

  There will be new qualitative and quantitative disclosure requirements to describe the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers.

  The Company is assessing the impact that this standard will have on its 2018 financial statements.

- Amendments to IAS 7, *Statement of Cash Flows*, effective for accounting periods beginning on or after January 1, 2017, requires an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash flows.

  The Company is assessing the impact that this amendment will have on its 2017 financial statements.

2. Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

(i) Statement of compliance (continued)

New and revised standards and interpretations that are not yet effective (cont'd):

- Amendments to IAS 12, *Income Taxes*, effective for accounting periods beginning on or after January 1, 2017, clarifies the following:
  - The existence of a deductible temporary difference depends solely on a comparison of the carrying amount of an asset and its tax base at the end of the reporting period, and is not affected by possible future changes in the carrying amount or expected manner of recovery of the asset.
  - A deferred tax asset can be recognised if the future bottom line of the tax return is expected to be a loss, if certain conditions are met.
  - Future taxable profits used to establish whether a deferred tax can be recognised should be the amount calculated before the effect of reversing temporary differences.
  - An entity can assume that it will recover an asset for more than its carrying amount if there is sufficient evidence that it is probable that the entity will achieve this.
  - Deductible temporary differences related to unrealised losses should be assessed on a combined basis for recognition unless a tax law restricts the use of losses to deductions against income of a specific type.

  The Company is assessing the impact that this amendment will have on its 2017 financial statements.

- Amendments to IFRS 4, *Insurance Contracts*, provide two optional solutions to reduce the impact of the differing effective dates of IFRS 9, *Financial Instruments* (effective January 1, 2018), and IFRS 4, *Insurance Contracts* (expected to be effective in 2020 or later) as follows:

  (i) Temporary exemption from IFRS 9:

  - Rather than having to implement IFRS 9 in 2018, some companies will be permitted to continue to apply IAS 39 *Financial Instruments: Recognition and Measurement.*
  - To qualify, a reporting company's activities need to be predominantly connected with insurance.

  Entities applying the temporary exemption will need to disclose fair value information separately for financial assets that meet the exemption criteria and for all other financial assets.

2. Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

(i) Statement of compliance (continued)

New and revised standards and interpretations that are not yet effective (cont'd):

- Amendments to IFRS 4, *Insurance Contracts*, (continued)

  (ii) Overlay approach:

  For designated financial assets, a company is permitted to reclassify between profit or loss and other comprehensive income (OCI), the difference between the amounts recognised in profit or loss under IFRS 9 and those that would have been reported under IAS 39.

  There will be new qualitative and quantitative disclosure requirements to describe how the adjustment is calculated and the effect on the financial statements.

  The Company is assessing the impact that this standard will have on its 2018 financial statements.

- IFRS 16*, Leases,* which is effective for annual reporting periods beginning on or after January 1, 2019, eliminates the current dual accounting model for lessees, which distinguishes between on-balance sheet finance leases and off-balance sheet operating leases. Instead, there is a single, on-balance sheet accounting model that is similar to current finance lease accounting. Entities will be required to bring all major leases on-balance sheet, recognising new assets and liabilities. The on-balance sheet liability will attract interest; the total lease expense will be higher in the early years of a lease even if a lease has fixed regular cash rentals. Optional lessee exemption will apply to short-term leases and for low-value items with value of US$5,000 or less.

  Lessor accounting remains similar to current practice as the lessor will continue to classify leases as finance and operating leases.

  The Company is assessing the impact that this standard will have on its 2019 financial statements.

(ii) Basis of measurement

The financial statements have been prepared on the historical cost basis as modified for the revaluation of available-for-sale financial assets.

(iii) Use of estimates and judgements

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

2. Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

(iv) Functional and presentation currency

These financial statements are presented in Jamaican dollars, which is the company's functional currency. Except where indicated to be otherwise, financial information presented is shown in thousands of Jamaican dollars.

(b) Insurance contracts – recognition and measurement

(i) Classification

The company issues contracts that transfer insurance risk or financial risk or both.

Insurance contracts are those contracts that transfer significant insurance risk. Such contracts may also transfer financial risk. The company defines insurance risk as significant if an insured event could cause an insurer to pay significant additional benefits in a scenario that has a discernible effect on the economics of the transactions. As a general guideline, the company defines as significant insurance risk, the possibility of having to pay benefits, at the occurrence of an insured event that is at least 10% more than the benefits payable if the insured event did not occur.

(ii) Recognition and measurement

Insurance contracts insure human life events (for example death or permanent disability) over a long duration. The accounting treatment differs according to whether the contract bears investment options or not. Under contracts that do not bear investment options, premiums are recognised as income when they are due and benefits are recorded as an expense when they are incurred.

Under contracts that bear an investment option, insurance premiums received are initially recognised directly as liabilities. These liabilities are increased by credited interest and are decreased by policy administration fees, mortality and surrender charges and any withdrawals; the resulting liability is the policyholders' fund. Income consists of fees deducted for mortality, policy administration and surrenders. Interest credited to the account and benefit claims in excess of the account balances incurred in the period are recorded as expenses in profit or loss.

Insurance contract liabilities are determined by an independent actuary using the Policy Premium Method of valuation as discussed in Note 3(ii). These liabilities are, on valuation, adjusted through profit or loss to reflect the valuation determined under the Policy Premium Method.

(c) Annuities

Annuities are immediate payouts of fixed and variable amounts for a guaranteed period and recognised on the date that they originate.

Benefits are recognised as liabilities until the end of the guaranteed period. These liabilities are increased by credited interest and are decreased by policy administration fees, period payment charges and any withdrawals. Income consists mainly of fees deducted for fund administration and interest credited is treated as an expense in profit or loss.

The annuity fund is included as a part of policyholders' liabilities [note 20 (a)].

2. Summary of significant accounting policies (continued)

(d) Revenue recognition

(i) Premium income

Gross premiums are recognised as revenue when due. When premiums are recognised, the related actuarial liabilities are computed, resulting in benefits and expenses being matched with revenue. Unearned premiums are those proportions of premiums written in the current year that relate to periods of risk after the reporting date.

(ii) Interest income

Interest income is recognised in profit or loss for all interest earning instruments on the accrual basis using the effective interest method based on the actual purchase price. The effective interest rate is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset or liability (or, where appropriate, a shorter period) to the carrying amount of the financial asset.

The effective interest rate is established on initial recognition of the financial asset and is not revised subsequently. Interest income includes coupons earned on fixed income investments, accretion of discount on discounted instruments, and amortization of premium on instruments bought at a premium.

(iii) Fee and commission income

Fees for retirement planning administration services are recognised as revenue over the period in which the related services are performed.

(iv) Realised gains and losses

Realised gains and losses recorded in profit or loss and relate to gains and losses on the sale of financial and other assets. This is calculated as the difference between net sales proceeds and the current carrying value and is recorded on occurrence of the sale transaction.

(e) Interest expense

Interest expense is recognised in profit or loss on the accrual basis using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash payments through the expected life of the financial liability (or, where appropriate, a shorter period) to the carrying amount of the financial liability.

2. Summary of significant accounting policies (continued)

(f) Reinsurance contracts held

The company enters into contracts with reinsurers under which it is compensated for losses on contracts it issues and which meet the classification requirements for insurance contracts [see note 2(b)]. Reinsurance does not relieve the originating insurer of its liability.

(g) Claims

Death claims are recorded in profit or loss net of reinsurance recoverable.

(h) Taxation

Taxation on the profit or loss for the year comprises current and deferred taxes. Current and deferred taxes are recognised as tax expense or benefit in determining profit or loss and where they relate to items recorded in shareholders' equity, they are charged or credited as other comprehensive income.

(i) Current taxation

Current tax is the expected taxation payable on the taxable income for the year, using tax rates enacted at the reporting date, and any adjustment to tax payable and tax losses in respect of previous years.

(ii) Deferred tax

Deferred tax liabilities and assets are recognised for temporary differences between the carrying amounts of assets and liabilities and their amounts as measured for tax purposes, which will result in taxable amounts in future periods. Deferred tax assets are recognised for temporary differences which will result in deductible amounts in future periods, but only to the extent it is probable that sufficient taxable profits will be available against which these differences can be utilised. Deferred tax assets are reviewed at each reporting date to determine whether it is probable that the related tax benefit will be realised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the asset will be realised or the liability will be settled based on enacted rates.

Current and deferred tax assets and liabilities are offset when the legal right of set-off exists, and when they relate to income taxes levied by the same tax authority on either the same taxable entity, or different taxable entities which intend to settle current tax liabilities and assets on a net basis.

(i) Financial instruments

Financial instruments carried on the statement of financial position include cash resources, investment securities, government securities purchased under resale agreements, loans and receivables, other assets, policyholders' liabilities and other liabilities.

The fair values of the company's financial instruments are discussed in Note 27 and 29.

2. Summary of significant accounting policies (continued)

(i) Financial instruments (continued)

(i) Recognition

The company initially recognises deposits on the date that they are originated. All other financial assets and liabilities are initially recognised on the settlement date, at which the company becomes a party to the contractual provisions of the instrument.

(ii) Derecognition

The company derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the company is recognised as a separate asset or liability.

The company derecognises a financial liability when its contractual obligations are discharged, cancelled or expired.

The company enters into transactions whereby it transfers assets recognised on its statement of financial position, but retains either risks and rewards of the transferred assets or a portion of them. If all or substantially all risks and rewards are retained, then the transferred financial assets are not derecognised from the statement of financial position. Transfers of assets with retention of all or substantially all risks and rewards include, for example, securities lending and repurchase transactions.

(j) Investment securities

The company classifies its investment securities into the following categories: loans and receivables, held to maturity and available for sale financial assets. Management determines the classification of its investments at initial recognition.

(i) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the company provides money or services directly to a debtor with no intention of trading the receivable.

(ii) Held to maturity

Held to maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the company's management has the positive intention and ability to hold to maturity. These investments are initially recognised at cost with transaction costs directly attributable included. After initial measurement, held to maturity financial assets are measured at amortised cost using the effective interest rate method. Were the company to sell other than an insignificant amount of held to maturity investments before maturity, the entire category would be compromised and reclassified as available for sale.

2. Summary of significant accounting policies (continued)

(j) Investment securities (continued)

(iii) Available for sale

Available for sale investments are those non-derivative financial assets that are designated as available for sale or are not classified in the above two categories, they are intended to be held for an indefinite period of time, and may be sold in response to needs for liquidity or changes in interest rates or market prices. They are remeasured at fair value.

On disposal of these investments, the unrealized gains or losses included in shareholders' equity are included in profit or loss. Interest income, which is calculated using the effective interest method, is recognised in profit and loss. Other unrealized gains and losses arising from changes in fair value are recognised in other comprehensive income.

Purchases and sales of available for sale assets are recognised at the settlement date - the date on which an asset is delivered to or by the company. Financial assets are initially recognized at fair value plus transaction costs.

(k) Repurchase and reverse repurchase agreements

Securities sold under agreements to repurchase (repurchase agreements) and securities purchased under agreements to resell (reverse repurchase agreements) are treated as collateralised financing transactions. The difference between the sale/purchase and repurchase/resale price is treated as interest and accrued over the life of the agreement using the effective yield method.

(l) Impairment of assets

The carrying amounts of the company's assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated at each reporting date. An impairment loss is recognised whenever the carrying amount of an asset exceeds its estimated recoverable amount.

Indication that a financial asset is impaired includes observable data that comes to the attention of the company about the following events:

- significant financial difficulty of the issuer or debtor;
- a breach of contract, such as a default or delinquency in payments;
- it becoming probable that the issuer will enter bankruptcy or other financial re-organisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

Impairment losses are recognised in the company's profit or loss.

2. Summary of significant accounting policies (continued)

(l) Impairment of assets (continued)

(i) Financial assets carried at amortised cost

The amount of the impairment loss for an asset carried at amortised cost is calculated as the difference between the asset's carrying amount and the present value of expected future cash flows discounted at the original effective interest rate. If a held to maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

The recoverable amount of the company's assets at amortised cost is calculated as the present value of expected future cash flows, discounted at the original effective interest rate inherent in the asset.

(ii) Financial assets carried at fair value

When a decline in the fair value of an available for sale financial asset has been recognised as other comprehensive income and there is objective evidence that the asset is impaired, the cumulative loss that had been recognised in other comprehensive income is recognised in profit and loss even though the financial asset has not been derecognized. The amount of the cumulative loss that is recognised in other comprehensive income is the difference between the acquisition cost and current fair value less any impairment loss on that financial asset previously recognised.

The recoverable amount of a financial asset carried at fair value is the present value of expected future cash flows discounted at the current market interest rate for a similar financial asset. When a subsequent event causes the amount of impairment loss to decrease, the impairment loss is reversed through profit or loss.

(iii) Other financial assets

Property, plant and equipment are reviewed periodically for impairment. Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount.

In–house assessment of the company's assets revealed no negative material changes and hence, it was not necessary to account for any impairment losses in the company's accounts.

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2. Summary of significant accounting policies (continued)

(m) Property, plant and equipment

Property, plant and equipment are shown at historical cost less accumulated depreciation and, if any, impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset.

Subsequent costs are included in the assets carrying amount or are recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the company and the cost of the item can be measured reliably. All other expenditure is classified as repairs and renewals and charged as expenses in profit or loss during the financial period in which it is incurred.

Depreciation and amortisation are calculated on the straight-line method at rates estimated to write off the depreciable amount of the assets over their expected useful lives as follows:

Leasehold improvements	Period of lease
Computer equipment	4 years
Furniture, fixtures and equipment	10 years

Capital work in progress is not depreciated.

The depreciation methods, useful lives and residual values are reassessed at the reporting dates. Gains and losses on disposal of property, plant and equipment are determined by reference to their carrying amount and are taken into account in determining the profits for the year.

(n) Provisions

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

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the reporting date.

(o) Related parties

A related party is a person or entity that is related to the entity that is preparing its financial statements (referred to in IAS 24 *Related Party Disclosures* as the "reporting entity" in this case the company).

(a) A person or a close member of that person's family is related to the company if that person:

(i) has control or joint control over the company;

(ii) has significant influence over the company; or

(iii) is a member of the key management personnel of the company or of a parent of the company.

2. Summary of significant accounting policies (continued)

(o) Related parties (cont'd)

(b) An entity is related to the company if any of the following conditions applies:

(i) The entity and the company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan established for the benefit of employees of either the company or an entity related to the company.

(vi) The entity is controlled, or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(viii)The entity, or any member of a group which it is a part, provides key management personnel services to the reporting entity or to the parent of the reporting entity.

A related party transaction is a transfer of resources, services or obligations between related parties, regardless of whether a price is charged.

(p) Pension scheme

The company participates in a defined benefit pension scheme of its parent company. The company's contribution to the scheme is fixed. Once the contributions have been paid, the company has no further legal or constructive obligations (note 25).

(q) Cash and cash equivalents

For the purpose of the cash flow statement, cash and cash equivalents include cash and bank balances and highly liquid financial assets with original maturities of less than 90 days, which are readily convertible to known amounts of cash, and are subject to insignificant risk of changes in their fair value.

Cash and cash equivalents are carried at amortised cost in the statement of financial position.

(r) Dividends

Dividends on ordinary shares are recognized in shareholders' equity in the period in which they are approved by the Board of Directors, thereby becoming irrevocably payable.

2. Summary of significant accounting policies (continued)

(s) Fiduciary activities

The company acts as an administrator of an approved retirement scheme and therefore manages assets on behalf of plan members. These assets are unitised and income earned belongs to the plan members with the company incurring no risk. Therefore, these assets are segregated and presented separately from these financial statements. Income earned from management fees is included in fee and commission income in profit or loss.

(t) Intangible assets

Costs associated with developing or maintaining computer software programs are recognised as an expense as incurred. Costs that are directly associated with acquiring identifiable and unique software products which are expected to generate economic benefits exceeding costs beyond one year, are recognised as intangible assets. However, such costs are expensed where they are considered to be immaterial.

As at the reporting date, the intangible assets were not included in the operations of the company.

3. Critical accounting estimates and judgments in applying accounting policies

The company makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

(i) Held to maturity investments

The company follows the guidance of IAS 39 in classifying non-derivative financial assets with fixed or determinable payments and fixed maturity as held to maturity. This classification requires judgement. In making this judgement, the company evaluates its intention and ability to hold such investments to maturity. If the company fails to keep these investments to maturity other than in the specific permissible circumstances - for example, selling other than an insignificant amount close to maturity - it will be required to reclassify the entire class as available for sale. The investments would therefore be measured at fair value, not amortised cost. If the entire class of held to maturity investments is compromised, the carrying value would increase/(decrease) by $16,598 (2015: $12,947) with a corresponding entry in the cumulative re-measurement result from available for sale financial assets reserve.

(ii) Estimate of future payments and premiums arising from long-term insurance contracts

The liabilities under long-term insurance contracts have been determined using the Policy Premium Method of valuation. Under this method explicit allowance is made for all future benefits and expenses under the policies. The premiums, benefits and expenses for each policy are projected and the resultant future cash flows are discounted back to the valuation date to determine the reserves. Any adjustment to the reserves is reflected in the year to which it relates.

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3. Critical accounting estimates and judgments in applying accounting policies (cont'd)

(ii) Estimate of future payments and premiums arising from long-term insurance contracts (cont'd)

The process of calculating policy reserves necessarily involves the use of estimates concerning such factors as mortality and morbidity rates, future investment yields and future expense levels. Consequently, these liabilities include reasonable provisions for adverse deviations from the estimates. Estimates are also made as to future investment income arising from the assets backing long-term insurance contracts. These estimates are based on current market returns as well as expectations about future economic and financial developments.

These estimates are more fully described in Note 20(d).

4. Responsibilities of the appointed actuary and external auditors

The Board of Directors, pursuant to the Insurance Act, appoints the Actuary whose responsibility is to carry out an annual valuation of the company's policyholders' liabilities in accordance with accepted actuarial practice and regulatory requirements and report thereon to the policyholders and shareholders. In performing the valuation using the policy premium method, the Actuary makes assumptions as to the future rates of interest, asset defaults, mortality, morbidity, claims experience, policy termination, inflation, reinsurance recoveries, expenses and other contingencies, taking into consideration the circumstances of the company and the insurance policies in force. An actuarial valuation is prepared annually.

The shareholders, pursuant to the Companies Act appoint the external auditors. Their responsibility is to conduct an independent and objective audit of the financial statements in accordance with International Standards on Auditing and report thereon to the shareholders. In carrying out their audit, the Auditors also make use of the work of the Appointed Actuary and his report on the policyholders' liabilities.

5. Premium income, net of reinsurance

	2016	2015
Gross written premium		
Individual life	482,147	538,018
Group life	1,261,267	1,231,269
Universal life	12,430	12,714
	1,755,844	1,782,001
Reinsurance	(1,162)	(953)
	1,754,682	1,781,048

6. Investment income

	2016	2015
Investment securities	3,320,472	3,392,903
Certificate of deposits with the Bank of Jamaica	107,031	230,942
Interest on policy loans	109,125	92,521
Government securities purchased under resale agreement	46,788	63,042
Other bank balances	5,204	4,868
	3,588,620	3,784,276

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7. Fee and commission income, net

	2016	2015
Management and administration fees	129,094	135,623
Investment commissions paid	(2,929)	(595)
Third party commissions earned	-	524
Surrender charges and other contract fees	39,849	45,783
Policy administrative fees	298,248	294,662
	464,262	475,997

8. Realised gains, net

	2016	2015
Foreign exchange	232,763	9,097
Gain/(loss) on disposal of available for sale securities	152	(88)
	232,915	9,009

9. Policyholders' benefits and reserves

	2016	2015
Policyholders' benefit payments	159,699	165,773
Interest credited – policyholders	1,664,096	1,761,419
Interest credited – annuitants	14,926	9,073
Transfer from actuarial reserves	(353,251)	(1,179,482)
	1,485,470	756,783

10. Salaries, pension contributions and other staff benefits

	2016	2015
Wages and salaries	375,760	493,557
Statutory contributions	36,722	39,164
Pension cost (note 25)	325	-
Other staff benefits	63,472	43,046
	476,279	575,767

11. Profit before taxation

In arriving at the profit before taxation, the following are among the items that have been charged:

	2016	2015
Auditors' remuneration - current year	7,940	7,611
- prior year	-	355
Depreciation (note 18)	7,314	10,194
Directors' emoluments:		
Fees and expenses	5,350	3,705
Management remuneration	19,756	25,970
Policyholders' fund interest (note 9)	1,664,096	1,761,419
Interest on annuities (note 9)	14,926	9,073
Salaries, pension contributions and other staff benefits (note 10)	476,279	575,767

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12. Taxation

(a) The tax charge is based on the results for the year, as adjusted for taxation purposes, and is made up as follows:

	2016	2015
Current income tax:		
Income tax at 25%	883,192	795,285
Deferred income tax (note 22)	(27,687)	66,401
	855,505	861,686

(b) Reconciliation of effective tax rate:

	2016	2015
Profit before taxation	3,544,155	3,819,632
Tax calculated at 25%	886,039	954,908
Adjustment for the effect of:		
Asset tax paid	33,386	130,833
Tax free actuarial releases	-	(317,430)
Expenses allowed for tax purposes	(42,147)	(20,578)
Other charges and allowances	(21,773)	113,953
	855,505	861,686

13. Deferred income tax effects relating to other comprehensive income

	2016		
	Before tax amount	Tax (expense)	Net of tax
Available for sale financial assets	327,832	(82,038)	245,794

	2015		
	Before tax amount	Tax (expense)	Net of tax
Available for sale financial assets	225,295	(80,860)	144,435

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14. Cash and cash equivalents

	2016	2015
Cash resources	2,005,834	2,779,256
Less amounts not considered cash and cash equivalents:		
Due from banks greater than ninety days	(199,786)	(880,000)
Accrued interest	(2,647)	(9,641)
	1,803,401	1,889,615
Add other cash equivalent balances:		
Government Securities purchased under resale agreement less than ninety days	700,000	800,000
	2,503,401	2,689,615
Cash and cash equivalent is comprised of:		
Cash and balances with Bank of Jamaica	1,301,413	1,505,966
Accounts with parent company	503,316	389,550
Government Securities purchased under resale agreement	700,000	800,000
Accrued interest	(1,328)	(5,901)
	2,503,401	2,689,615

15. Government securities purchased under resale agreements

The company entered into reverse repurchase agreements collaterised by the Government of Jamaica securities. These agreements may result in credit exposure in the event that the counterparties to these transactions are unable to fulfill their contractual obligations. Included in this balance is interest receivable of $1,742 (2015: $3,560).

The fair value of collateral held pursuant to reverse repurchase agreements is $735,264 (2015: $841,337).

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16. Investment securities

	2016	2015
Available for sale:		
Premium Growth Fund	652,831	522,296
Money Market Fund	56,187	54,372
Fixed Income Fund	59,234	55,818
Debt securities	43,336,531	39,623,333
USD Treasury bill	2,118,048	-
Interest receivable	560,031	548,397
	46,782,862	40,804,216
Held to maturity:		
Debt securities	5,249,500	9,129,400
Interest receivable	58,144	168,937
	5,307,644	9,298,337
Financial assets at fair value through profit or loss	155,601	218,560
	52,246,107	50,321,113

	Available for sale	Held to maturity	Financial asset at fair value through profit or loss	Total
December 31, 2014	36,556,425	9,300,182	368,120	46,224,727
Purchases	4,245,044	-	-	4,245,044
Disposals	(331,500)	-	-	(331,500)
Amortisation adjustment	72,986	-	-	72,986
Accrued interest adjustment	35,966	(1,845)	-	34,121
Fair value net gains	225,295	-	(149,560)	75,735
December 31, 2015	40,804,216	9,298,337	218,560	50,321,113
Purchases	10,071,600	-	-	10,071,600
Maturities	(1,287,644)	(3,879,900)	-	(5,167,544)
Disposals	(3,200,000)	-	-	(3,200,000)
Amortisation adjustment	55,225	-	-	55,225
Accrued interest adjustment	11,785	(110,793)	-	(99,008)
Fair value net gains	327,680	-	(62,959)	264,721
December 31, 2016	46,782,862	5,307,644	155,601	52,246,107

Included in investment securities are Government of Jamaica local registered stocks valued at $90,000 (2015: $90,000) which have been deposited with the Regulator, the Financial Services Commission, pursuant to Section 8 (1) (a) of the Insurance Regulations, 2001.

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16. Investment securities (cont'd)

Available for sale investments include holdings in Scotia Investments Jamaica Limited funds as follows:

	2016		2015	
	Units	Unit price	Units	Unit price
Premium Growth Fund	7,221,000	75.35	7,221,000	60.31
Premium Growth Fund	478,925	227.08	478,925	181.35
Money Market Fund	500,000	112.37	500,000	108.75
Fixed Income Fund	485,667	121.97	485,667	114.93

17. Policy loans

	2016	2015
Principal	1,574,260	1,352,661
Accrued interest	55,988	46,044
	1,630,248	1,398,705

18. Property, plant and equipment

	Leasehold improvements	Computer equipment	Furniture fixtures and equipment	Total
Cost:				
December 31, 2014	7,861	34,176	35,919	77,956
Additions	-	4,950	158	5,108
Disposals	-	(2,753)	(26)	(2,779)
December 31, 2015 and December 31, 2016	7,861	36,373	36,051	80,285
Accumulated depreciation:				
December 31, 2014	7,364	24,417	22,841	54,622
Charge for the year	497	7,123	2,574	10,194
Eliminated on disposal	-	(2,753)	(26)	(2,779)
December 31, 2015	7,861	28,787	25,389	62,037
Charge for the year	-	5,204	2,110	7,314
December 31, 2016	7,861	33,991	27,499	69,351
Net book values:				
December 31, 2016	-	2,382	8,552	10,934
December 31, 2015	-	7,586	10,662	18,248
December 31, 2014	497	9,759	13,078	23,334

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19. Intangible assets

	Software	Software Work in progress	Total
Cost:			
December 31, 2014	-	40,688	40,688
Additions	-	10,735	10,735
December 31, 2015	-	51,423	51,423
Additions	-	29,708	29,708
Transfers	8,003	(8,003)	-
December 31, 2016	8,003	73,128	81,131
Accumulated depreciation:			
December 31, 2014	-	-	-
Charge for the year	-	-	-
December 31, 2015	-	-	-
Charge for the year	2,335	-	2,335
December 31, 2016	2,335	-	2,335
Net book values:			
December 31, 2016	5,668	73,128	78,796
December 31, 2015	-	51,423	51,423

20. Policyholders' liabilities

(a) Composition of policyholders' liabilities:

		2016	2015
Policyholders' fund		50,266,672	48,383,225
Benefits and claims payable		155,129	191,596
Unprocessed premiums		4,667	25,998
Annuities		386,722	201,891
Insurance risk reserve	- Individual life	(6,524,957)	(6,272,094)
	- Individual A&S	187,544	268,737
	- Group life	519,604	573,819
	- Whole life	39,794	(6,006)
	- Universal life	(46,372)	(35,593)
		44,988,803	43,331,573

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20. Policyholders liabilities (continued)

(b) Change in policyholders' liabilities:

	2016	2015
Policyholders' fund:		
At beginning of the year	48,383,225	47,444,354
Gross premiums	5,924,056	5,238,244
Benefits and claims	(5,704,705)	(6,060,792)
Interest credited	1,664,096	1,761,419
At end of the year	50,266,672	48,383,225
Benefits and claims payable:		
At beginning of the year	191,596	166,780
Policyholders' claims and benefits	123,232	190,589
Benefits and claims paid	(159,699)	(165,773)
At end of the year	155,129	191,596
Unprocessed premiums:		
At beginning of the year	25,998	12,565
Premiums received	8,147,239	7,513,184
Premiums applied	(8,168,570)	(7,499,751)
At end of the year	4,667	25,998

	2016		
	Individual	Group	Total
Insurance risk reserve:			
At beginning of the year	(6,044,956)	573,819	(5,471,137)
Changes in product and assumptions	(290,698)	(45,647)	(336,345)
Normal changes	(8,337)	(8,568)	(16,905)
At end of the year	(6,343,991)	519,604	(5,824,387)

	2015		
	Individual	Group	Total
Insurance risk reserve:			
At beginning of the year	(4,849,095)	557,419	(4,291,676)
Changes in product and assumptions	(1,288,813)	(3,119)	(1,291,932)
Normal changes	92,952	19,519	112,471
At end of the year	(6,044,956)	573,819	(5,471,137)

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20. Policyholders liabilities (continued)

(c) Investments and other assets supporting policy liabilities:

	2016				
	Individual Insurance	Group Insurance	Individual Annuities	Capital and Surplus	Total
Debt securities -					
Available for sale	36,575,285	533,495	276,086	8,629,744	46,014,610
Held to maturity	5,295,518	-	12,126	-	5,307,644
Financial assets at fair value through profit or loss	-	-	-	155,601	155,601
Certificate of deposits with the Bank of Jamaica	1,401,725	-	100,793	-	1,502,518
Mutual Funds	-	-	-	768,252	768,252
Government securities purchased under resale agreements	701,742	-	-	-	701,742
	43,974,270	533,495	389,005	9,553,597	54,450,367

	2015				
	Individual Insurance	Group Insurance	Individual Annuities	Capital and Surplus	Total
Debt securities -					
Available for sale	30,194,282	576,870	152,753	9,247,825	40,171,730
Held to maturity	9,055,317	-	-	243,020	9,298,337
Financial assets at fair value through profit or loss	-	-	-	218,560	218,560
Certificate of deposits with the Bank of Jamaica	2,338,976	-	50,730	-	2,389,706
Mutual Funds	-	-	-	632,486	632,486
Government securities purchased under resale agreements	803,560	-	-	-	803,560
	42,392,135	576,870	203,483	10,341,891	53,514,379

(d) Policy assumptions

Policy liabilities have two major assumptions, best estimate assumptions and provisions for adverse deviation assumptions.

(a) Best estimate assumptions

Assumptions cover the lifetime of the policies and are made for many variables including mortality, morbidity, investment yields, rates of policy termination, operating expenses and certain taxes.

(i) Mortality and morbidity

Assumptions are based on standard industry tables reflecting recent historical and company experience.

20. Policyholders liabilities (continued)

(d) Policy assumptions (continued)

(a) Best estimate assumptions (continued)

(ii) Investment yields

The company matches assets and liabilities by line of business.

For ScotiaMint and Credit Insurance the Actuary has assumed a portfolio rate of 5.90% in January 2017 decreasing to 5.00% over 20 years.

For Criticare and WholeLife the Actuary has assumed a portfolio rate of 7.44% in January 2017 decreasing to 4.75% by 2045.

Assumed interest rates are net of asset tax and have been decreased by 0.50% as a margin for adverse deviation. The appropriateness of these rates has been tested by projecting asset and liability cash flows under various reinvestment scenarios.

The main source of uncertainty is the fluctuation in the economy.

(iii) Persistency

Persistency assumptions are made in relation to the time since inception that a policy exists before it lapses or is surrendered. Lapses relate to termination of policies due to non-payment of premiums. Surrenders relate to voluntary termination of policies by the policyholders. Policy terminations are based on the company's own experience adjusted for expected future conditions.

Lapse and surrender rates are derived from the company's own experience. A margin for adverse deviation is added by increasing or decreasing the lapse rates, whichever is adverse, by 20%.

The main source of uncertainty derives from changes in policyholder behaviour as it relates to changes in economic conditions.

(iv) Policy expenses and inflation

Policy maintenance expenses are derived from the company's own internal cost studies projected into the future with an allowance for inflation.

Inflation is assumed to be 5.0% in January 2017 decreasing to 2% over 20 years. A margin for adverse deviation is added by increasing the maintenance expenses by 10% of the best estimate assumption.

(expressed in thousands of Jamaican dollars unless otherwise stated)

20. Policyholders liabilities (continued)

(d) Policy assumptions (continued)

(a) Best estimate assumptions (continued)

(v) Partial withdrawal of policy funds

The company's contracts allow policyholders to withdraw a portion of the funds accumulated under the contract without surrendering the entire contract. Partial withdrawal rates are derived from the company's own experience.

(vi) Taxation

It is assumed that current tax legislation and rates continue unaltered.

(b) Provision for adverse deviation assumptions

The basic assumptions made in establishing policy liabilities are best estimates for a range of possible outcomes. To recognise the uncertainty in establishing these best estimates, to allow for possible deterioration in experience and to provide greater comfort that the reserves are adequate to pay future benefits, the appointed actuary is required to include a margin in each assumption.

The impact of these margins is to increase reserves and so decrease the income that would be recognised on inception of the policy. The Canadian Institute of Actuaries prescribes a range of allowable margins. The company uses assumptions at the conservative end of the range, taking into account the risk profiles of the business.

21. Sundry liabilities

	2016	2015
Accrued charges	97,213	102,809
Accrued vacation	19,548	17,776
Statutory deductions	24,508	18,486
Other	1,375	1,948
	142,644	141,019

22. Deferred tax assets and liabilities

Deferred income taxes are calculated on temporary difference between the carrying amounts of assets and liabilities for financial reporting and taxation purposes. The calculation is made using and applicable tax rate of 25%.

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22. Deferred tax assets and liabilities (continued)

The movement on the deferred income tax account is as follows:

	2016	2015
Balance at beginning of year	296,825	149,564
Recognised in profit for the year [note 12(a)]	(27,687)	66,401
Recognised in other comprehensive income		
Available for sale investments		
- fair value re-measurement (note 13)	82,038	80,860
Balance at end of year	351,176	296,825

Deferred income tax asset and liabilities are attributable to the following items:

	2016	2015
Deferred income tax asset:		
Accrued vacation	4,887	4,445
Deferred income tax liabilities:		
Accelerated tax depreciation	(798)	(971)
Available for sale investments	(199,624)	(117,665)
Interest receivable	(155,641)	(182,634)
	(356,063)	(301,270)
Net deferred tax liability	(351,176)	(296,825)

The deferred tax charge in determining net profit for the year comprises the following temporary differences:

	2016	2015
Accrued vacation	(443)	(1,135)
Interest receivable	(26,993)	67,105
Accelerated tax depreciation	(251)	431
	(27,687)	66,401

23. Share capital

	2016	2015
Authorised, issued and fully paid:		
150,000,000 ordinary shares of no par value	150,000	150,000

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24. Cumulative re-measurement result from available for sale financial assets

This represents the unrealised surplus or deficit on the revaluation of available for sale investments as follows:

	2016	2015
Balance at beginning of year	352,995	208,560
Net gains from changes in fair value	327,680	225,383
Less: deferred income taxes	(82,000)	(80,882)
	245,680	144,501
Net losses on disposal transferred to income	152	(88)
Less: deferred income taxes	(38)	22
	114	(66)
Balance at end of year	598,789	352,995

25. Pension scheme

The company participates in a defined benefit pension scheme operated by its parent company, the Bank of Nova Scotia Jamaica Limited (The Bank). The Bank has established a defined benefit pension scheme where the assets of the pension scheme are held independently of the Bank's assets in a separate fund administered by Trustees.

The scheme established is valued by independent actuaries annually, using the Projected Unit Credit Method.

The company contributes at a fixed rate of 2% of pensionable earnings. Any funding deficiencies of the plan are absorbed by the Bank. Accordingly, the company is not entitled to any surplus that may arise.

Benefits to members are based on the final pensionable salary (the average of the best of three consecutive years remuneration, with no salary cap), as follows:

(a) Per year of contributory service – 1¾% of the final pensionable salary
(b) Per year of non contributory service
  - 1½% of final pensionable salary for employees who started to contribute on November 1, 1971 and
  - 1¼% of final pensionable salary for employees who started to contribute after November 1, 1971.
(c) Maximum pension is the lesser of 70% of the average of final pensionable salary and ⅔ of salary at retirement.

The employees contribute at 3% of salary up to $250 per annum, plus 6% of salary thereafter.

The company's contribution for the year totalled $325 (2015: $Nil).

26. Insurance and financial risk management

The company's activities expose it to a variety of insurance and financial risks. These activities involve the analysis, evaluation and management of some degree of risk or combination of risks. Taking these risks is core to the financial business, and the operational risks are an inevitable consequence of being in business. The company's aim is therefore to achieve an appropriate balance between risk and return and minimise potential adverse effects on the company's financial performance.

The company manages risk through a framework of risk principles, organisational structures and risk measurement and monitoring processes that are closely aligned with the activities of the company's business units. The company's risk management policies are designed to identify and analyse these risks, to set appropriate risk limits and controls, and to monitor the risks and adherence to limits by means of reliable and up-to date information systems. The company regularly reviews its risk management policies and systems to reflect changes in markets, products and emerging best practice.

The Board of Directors is ultimately responsible for the establishment and oversight of the company's risk management framework. The Board has established committees for managing and monitoring risks, as follows:

Investment, loans and risk committee

The Investment, loans and risk committee recommends to the Board for its approval a written Investment Policy. The committee reviews investment activities quarterly, and ensures that the existing policies comprehensively deal with the management and diversification of the company's investment portfolio and that appropriate limits are being adhered to.

The Investment, loans and risk committee has the responsibility of ensuring that risks are managed within the limits established by the Board of Directors and outlined in the Investment policy. The investment advisory committee meets at least once monthly to review risks, monitor compliance in respect of investment activities, evaluate performance and provide strategic direction.

Audit Committee

The Audit Committee oversees how management monitors compliance with the company's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the company. Internal Audit assists the Audit Committee in its oversight role, by performing independent reviews of the risk management and control environment.

The most important types of risk are insurance risk, reinsurance risk, market risk, liquidity risk, credit risk, and other capital risk management. Market risk includes cash flow and fair value interest rate risk, currency risk and other price risk.

26. Insurance and financial risk management (continued)

(a) Insurance risk

The company issues long term contracts that transfer insurance risk or financial risk or both. The risk under any one insurance contract is the possibility that the insured event occurs and the uncertainty of the amount of the resulting claim. By the very nature of an insurance contract, this risk is random and therefore unpredictable.

For a portfolio of insurance contracts where the theory of probability is applied to pricing and provisioning, the principal risk that the company faces under its insurance contracts is that the actual claims and benefit payments exceed the carrying amount of the insurance liabilities. This could occur if the frequency or severity of claims and benefits is greater than estimated. Insurance events are random and the actual number and amount of claims and benefits will vary from year to year from the estimate established using statistical techniques.

Experience shows that the larger the portfolio of similar insurance contracts, the smaller the relative variability about the expected outcome will be. In addition, a more diversified portfolio is less likely to be affected across the board by a change in any subset of the portfolio.

Long term insurance contracts

Long-term contracts are typically for a minimum period of 5 years and a maximum period which is determined by the remaining life of the insured. In addition to the estimated benefits which may be payable under the contract, the insurer has to assess the cash flows which may be attributable to the contract.

The company has developed its insurance underwriting strategy and reinsurance arrangements to diversify the type of insurance risks accepted and within each of these categories to achieve a sufficiently large population of risks to reduce the variability of the expected outcome. The company's underwriting strategy includes the use of a medical questionnaire with benefits limited to reflect the health condition of applicants.

(i) Frequency and severity of claims

For contracts where death is the insured risk the most significant factors that could increase the overall frequency and severity of claims are epidemics (such as AIDS) and wide-ranging lifestyle changes such as in eating, smoking and exercise habits resulting in earlier or more claims than expected.

The company charges for mortality risks on a monthly basis for all insurance contracts and has the right to alter these charges to a certain extent based on mortality experience and hence minimize its exposure to mortality risk. Delays in implementing increases in charges and market or regulatory restraints over the extent of the increases may reduce its mitigating effect.

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26. Insurance and financial risk management (continued)

(a) Insurance risk (continued)

(i) Frequency and severity of claims (cont'd)

The tables below indicate the concentration of insured benefits across bands of insured benefits per individual life assured. The amounts at risk are fully retained.

	Total benefits assured			
	2016		2015	
	Before Reinsurance	%	Before Reinsurance	%
Individual life benefits assured per life:				
0 to 250,000	5,766,994	11	5,795,095	11
250,001 to 500,000	2,426,784	5	2,432,883	5
500,001 to 750,000	3,305,060	6	3,362,631	6
750,001 to 1,000,000	3,421,091	7	3,400,209	6
1,000,001 to 1,500,000	9,859,660	19	12,182,776	23
1,500,001 to 2,000,000	6,122,419	12	3,625,207	7
Over 2,000,000	21,296,905	40	21,775,798	42
	52,198,913	100	52,574,599	100

The tables below indicate the concentration of insured benefits across bands of group life insured benefits. The benefit insured figures are shown gross as reinsurance has not been considered due to immateriality.

	Total benefits assured			
	2016		2015	
	Before Reinsurance	%	Before Reinsurance	%
Group life benefits assured per life:				
0 to 250,000	12,124,029	14	11,328,932	14
250,001 to 500,000	5,031,489	6	5,143,704	6
500,001 to 750,000	5,695,220	7	6,005,970	8
750,001 to 1,000,000	4,759,146	5	4,943,798	6
1,000,001 to 1,500,000	16,928,535	19	16,845,087	21
1,500,001 to 2,000,000	13,389,118	15	11,069,533	14
Over 2,000,000	29,382,646	34	25,360,116	31
	87,310,183	100	80,697,140	100

Insurance risk for contracts disclosed in this note is also affected by the policyholders' right to pay reduced or no future premiums or to terminate the contract completely. As a result, the amount of insurance risk is also subject to the policyholders' behaviour. The company has factored the impact of policyholders' behaviour into the assumptions used to measure these liabilities.

26. Insurance and financial risk management (continued)

(a) Insurance risk (continued)

(ii) Sources of uncertainty in the estimation of future benefit payments and premiums

Uncertainty in the estimation of future benefit payments and premium receipts for long term insurance contracts arises from the unpredictability of long-term changes in overall levels of mortality and the variability in policyholder behaviour.

Estimates are made as to the expected number of deaths for each of the years in which the company is exposed to risk. The company bases these estimates on standard industry and international mortality tables that reflect recent historical mortality experience, adjusted where appropriate to reflect the company's own experience.

(iii) Process used in deriving assumptions

The assumptions for long term insurance contracts and the process used in deriving these assumptions have remained substantially unchanged since the previous year.

For long-term contracts with fixed and guaranteed terms, estimates are made in two stages. Estimates of future deaths, voluntary terminations and partial withdrawal of policy funds, investment returns, crediting rates, inflation and administration expenses are made and form the assumptions used for calculating the liabilities at the inception of the contract. A margin for risk and uncertainty is added to these assumptions.

New estimates are made each subsequent year based on updated company experience studies and economic forecasts. The valuation assumptions are altered to reflect these revised best estimates. The margins for risk and uncertainty may also be altered if the underlying level of uncertainty in the updated assumptions have changed. The financial impact of revisions to the valuation assumptions or the related margins is recognised in the accounting period in which the change is made.

See note 20(d) for detailed policy assumptions.

(b) Reinsurance risk

Reinsurance risk is the risk that a reinsurer will default and not honour obligations arising from claims. To limit its exposure of potential loss on an insurance policy, the company cedes certain levels of risk to a reinsurer. Reinsurance ceded does not discharge the company's liability as primary issuer. The company also limits the probable loss in the event of a single catastrophic occurrence by reinsuring this type of risk with reinsurers.

26. Insurance and financial risk management (continued)

(b) Reinsurance risk (continued)

The company manages reinsurance risk by selecting reinsurers which have established capability to meet their contractual obligations and which generally have favourable credit ratings as determined by a reputable rating agency.

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 retention programs used by the company are summarized below:

Type of insurance contract	**Retention**
Individual, group & creditor life catastrophe	Maximum retention of $420 for a single event; Treaty limits apply;
Group creditor life contracts	Maximum retention of $15,000 per insured;

(c) Market risk

Market risk is the risk that the value of the financial instrument will fluctuate as a result of changes in market prices whether those changes are caused by factors specific to the individual security, its issuer or factors affecting all securities traded in the market. The company manages its risk through the establishment of appropriate limits and close monitoring of the financial markets to identify any trends which would impact the value of its portfolio.

There has been no change to the company's exposure to market risks or the manner in which it manages and measures the risk.

(i) Cash flow and fair value interest rate risk

Cash flow interest rate risk is the risk that the 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 value of a financial instrument will fluctuate because of changes in market interest rates.

The company takes on exposure to the effects of fluctuations in market interest rates on its financial position and cash flows. Interest rate risk is managed as part of the risk management practices of the Group of which it forms a part, on a monthly basis. The company's cash flow is monitored daily.

The cash flow and fair value interest rate risk is summarised in note 27(a).

26. Insurance and financial risk management (continued)

(c) Market risk (continued)

(ii) Currency risk

Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The company only issues insurance contracts in Jamaican dollars and the funds are used to purchase assets in the same currency. These portfolios are not exposed to currency risk.

(iii) Other price risk

Other price risk is the risk that the fair value or future cash flow of a financial instrument will fluctuate because of changes in market price (other than those arising from interest rate risk or currency risk) whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

The company is not exposed to other price risk.

(d) Liquidity risk

Liquidity risk is the risk that company is unable to meet its payment obligations associated with its financial liabilities when they fall due and to replace funds when they are withdrawn. The consequence may be the failure to meet obligations to repay policyholders.

The company is exposed to daily calls on its cash resources from its policyholders. The company does not necessarily maintain cash resources to meet all these needs as experience shows that a minimum level on reinvestment of maturing funds can be predicted with a high level of certainty.

The Board of Directors approves the company's liquidity and funding management policies and establishes limits to control the risk. The company assesses the adequacy of its' liquidity position by analysing its' current liquidity position, present and anticipated funding requirements, and alternative sources of funds. This process includes:

- Projecting day-to-day cash flows;
- Managing the concentration and profile of debt maturities;
- Maintaining a portfolio of highly marketable assets that can easily be liquidated as protection against any unforeseen interruption to cash flow;
- Monitoring statement of financial position liquidity ratios against internal and regulatory requirements; and
- Maintenance of liquidity and funding contingency plans.

26. Insurance and financial risk management (continued)

(d) Liquidity risk (continued)

The matching and controlled mismatching of the maturities and interest rates of assets and liabilities is fundamental to the management of the company. It is unusual for companies to be completely matched, as transacted business is often of uncertain term and of different types. An unmatched position potentially enhances profitability, but can also increase the risk of loss.

The maturities of assets and liabilities and the ability to replace, at an acceptable cost, interest-bearing liabilities as they mature, are important factors in assessing the liquidity of the company and its exposure to changes in interest rates.

Assets available to meet all of the liabilities include cash balances and government securities. The company would also be able to meet unexpected net cash outflows by selling securities and accessing additional funding sources.

The liquidity risk is summarised in note 27(b).

(e) Credit risk

Credit risk is the risk that one or both parties to a financial instrument will fail to discharge an obligation resulting in loss to one or both parties.

The company manages the level of credit risk it undertakes by placing limits on the amount of risk accepted in relation to any one borrower, or groups of borrowers. Such risks are monitored on a revolving basis and subject to an annual or more frequent review. Limits on the level of credit risk by issuer are approved annually by the Board of Directors.

Other than exposure on Government of Jamaica securities and concentration of Government of Jamaica securities, there is no significant concentration of liquid funds. For securities purchased under resale agreements, titles to securities are transferred to the company for the duration of the agreement.

The credit risk is summarised in note 27(c).

(f) Capital risk management

Capital risk is the risk that the company fails to comply with mandated regulatory requirements, resulting in a breach of its minimum capital ratios and the possible suspension or loss of its insurance licence.

Regulators are primarily interested in protecting the rights of the policyholders and monitor the company closely to ensure that it is satisfactorily managing affairs for the benefit of the policyholders. At the same time, the regulators are also interested in ensuring that the company maintains an appropriate solvency position to meet unforeseen liabilities arising from economic shocks or natural disasters. See note 28(b) for details of the Dynamic Capital Adequacy Testing.

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26. Insurance and financial risk management (continued)

(f) Capital risk management (continued)

The operations of the company are subject to regulatory requirements. Such regulations not only prescribe approval and monitoring of activities, but also impose certain restrictive provisions to minimize the risk of default and insolvency to meet unforeseen liabilities as these arise.

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

- to comply with the capital requirements set by the regulators
- to safeguard the company's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- to maintain a strong capital base to support the development of its business.

The principal capital resource of the company is its shareholders' equity.

Capital adequacy is calculated by the Appointed Actuary and reviewed by executive management, the audit committee and the board of directors. In addition, the company seeks to maintain internal capital adequacy levels higher than the regulatory requirements. To assist in evaluating the current business and strategic opportunities, a risk-based approach is one of the core measures of financial performance. The risk-based assessment measure which has been adopted is the Minimum Continuing Capital and Surplus Requirement (MCCSR) standard as defined by the Financial Services Commission and dictated by the Insurance Regulations 2001. Under Jamaican regulations, the minimum standard recommended for companies is an MCCSR of 150% in 2010 and later. The MCCSR for the company as of December 31, 2016 and 2015 is set out below:

	2016	2015
Regulatory capital held	8,572,971	9,563,575
Minimum regulatory capital	1,556,336	1,407,042
MCCSR Ratio	551.00%	680.00%

27. Financial instruments

(a) Cash flow and fair value interest rate risk

The company is exposed to various risks associated with the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows.

The following tables summarise carrying amounts of statement of financial position assets, liabilities and equity in order to arrive at the company's interest rate gap based on earlier of contractual repricing and maturity dates.

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27. Financial instruments (continued)

(a) Cash flow and fair value interest rate risk (continued):

	2016						
	Immediately rate sensitive	Within 3 months	3 to 12 months	1 to 5 years	Over 5 years	Non-rate sensitive	Total
Cash resources	503,316	1,400,016	99,855	-	-	2,647	2,005,834
Investment securities:							
Available for sale	-	32,016,455	3,024,538	7,715,140	2,698,446	1,328,283	46,782,862
Held to maturity	-	1,017,000	4,232,500	-	-	58,144	5,307,644
Financial assets at fair value through profit or loss	-	-	-	155,601	-	-	155,601
Government Securities purchased under resale agreements	-	700,000	-	-	-	1,742	701,742
Loans and receivables	1,628,086	-	-	-	-	2,162	1,630,248
Intangible assets	-	-	-	-	-	78,796	78,796
Property, plant and equipment	-	-	-	-	-	10,934	10,934
Other assets	-	-	-	-	-	809	809
Taxation recoverable (Withholding Taxes)	-	-	-	-	-	809,973	809,973
Total assets	2,131,402	35,133,471	7,356,893	7,870,741	2,698,446	2,293,490	57,484,443
Policyholders' liabilities	36,108,765	4,022,709	10,521,921	-	-	(5,664,592)	44,988,803
Taxation payable (Income Taxes)	-	-	-	-	-	90,603	90,603
Sundry liabilities	-	-	-		-	142,644	142,644
Deferred tax liabilities	-	-	-	-	-	351,176	351,176
Shareholders' equity	-	-	-	-	-	11,911,217	11,911,217
Total liabilities and shareholders' equity	36,108,765	4,022,709	10,521,921	-	-	6,831,048	57,484,443
Total interest rate sensitivity gap	(33,977,363)	31,110,762	(3,165,028)	7,870,741	2,698,446	(4,537,558)	-
Cumulative gap	(33,977,363)	(2,866,601)	(6,031,629)	1,839,112	4,537,558	-	-

	2015						
	Immediately rate sensitive	Within 3 months	3 to 12 months	1 to 5 years	Over 5 years	Non-rate sensitive	Total
Total assets	1,742,211	33,787,279	726,822	12,732,132	4,905,125	2,754,194	56,647,763
Total liabilities and shareholders' equity	33,524,544	4,083,993	10,774,687	-	-	8,264,539	56,647,763
Total interest rate sensitivity gap	(31,782,333)	29,703,286	(10,047,865)	12,732,132	4,905,125	(5,510,345)	-
Cumulative gap	(31,782,333)	(2,079,047)	(12,126,912)	605,220	5,510,345	-	-

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27. Financial instruments (continued)

(a) Cash flow and fair value interest rate risk (continued):

The tables below summarise the average effective yields by the earlier of the contractual repricing or maturity dates.

	2016					
	Immediately rate sensitive	Within 3 months	3 to 12 months	1 to 5 years	Over 5 years	Weighted average
	%	%	%	%	%	%
Cash resources	1.28	4.99	6.26	-	-	3.95
Investment securities						
- Available for sale	-	5.47	7.49	9.23	11.43	6.58
- Held to maturity	-	6.11	7.50	-	-	7.23
Financial assets at fair value through profit or loss	-	-	-	7.25	-	7.25
Government securities purchased under resale agreements	-	5.43	-	-	-	5.43
Loans and receivables – Policy loans	7.50	-	-	-	-	7.50
Policyholders' liabilities	3.07	3.99	3.45	-	-	3.26

	2015					
	Immediately rate sensitive	Within 3 months	3 to 12 months	1 to 5 years	Over 5 years	Weighted average
	%	%	%	%	%	%
Cash resources	1.02	5.54	-	-	-	4.90
Investment securities						
- Available for sale	-	6.48	7.36	8.03	11.22	7.42
- Held to maturity	-	7.09	-	7.50	-	7.28
Financial assets at fair value through profit or loss	-	-	-	7.25	-	7.25
Government securities purchased under resale agreements	-	6.23	-	-	-	6.23
Loans and receivables – Policy loans	7.50	-	-	-	-	7.50
Policyholders' liabilities	3.31	4.23	4.18	-	-	3.57

(i) Sensitivity

Sensitivity to interest rate risk is considered by the company. The effects of changes in interest rates of assets backing actuarial liabilities are disclosed in note 28.

SCOTIA JAMAICA LIFE INSURANCE COMPANY LIMITED

Notes to the Financial Statements
December 31, 2016
(*expressed in thousands of Jamaican dollars unless otherwise stated*)

27. Financial instruments (continued)

(a) Cash flow and fair value interest rate risk (continued):

(ii) Determination of fair value and fair values hierarchy

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Market price is used to determine fair value where an active market exists as it is the best evidence of the fair value of a financial instrument.

IFRS specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. These two types of inputs have created the following fair value hierarchy:

Level 1 – Quoted prices in active markets for identical assets or liabilities. This level includes listed equity securities and debt instruments on exchanges.

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. The source of the input parameter for the Jamaica Sovereign yield curve is Bloomberg.

Level 3 – Inputs for the asset or liability that are not based on observable market data (unobservable inputs). This level includes equity investments and debt instruments with significant unobservable components.

This hierarchy requires the use of observable market data when available. The company considers relevant and observable market prices in its valuations where possible.

	Level 1	Level 2	Total
Available for sale financial assets			
Debt Securities	2,118,048	43,896,562	46,014,610
Mutual Funds	-	768,252	768,252
	2,118,048	44,664,814	46,782,862
Fair value through profit or loss			
Debt securities	-	155,601	155,601

	Level 1	Level 2	Total
Available for sale financial assets			
Debt Securities	-	40,171,730	40,171,730
Mutual Funds	-	632,486	632,486
	-	40,804,216	40,804,216
Fair value through profit or loss			
Debt securities	-	218,560	218,560

SCOTIA JAMAICA LIFE INSURANCE COMPANY LIMITED

Notes to the Financial Statements
December 31, 2016
(*expressed in thousands of Jamaican dollars unless otherwise stated*)

27. Financial instruments (continued)

Valuation techniques and significant unobservable inputs:

The following table shows the valuation technique used in measuring fair value in the level 2 hierarchy, as well as the significant unobservable input used.

Type	Valuation technique	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
Government of Jamaica securities (Local and Overseas)	Obtain bid yield from yield curve provided by a recognized pricing source (which uses market-supplied indicative bids) Using this yield, determine price using accepted formula Apply price to estimate fair value.	Not applicable	Not applicable
Mutual Funds		Not applicable	Not applicable
Premium Growth Fund (PGF) Regular	PGF – Regular: The market unit value is determined by the investment house which the Company uses to compute the estimated fair value.		
Premium Growth Fund (PGF) AFFIRM Money Market Fund (MMF) AFFIRM Fixed Income Fund (FIF) AFFIRM	AFFIRM unit values: The net asset values (navs) are determined for each Fund on a daily basis. The navs are then divided by the number of existing units to ascertain the unit values which are then used to fair value the investments for each Fund.		

Financial assets not carried at fair value, and where carrying amounts approximate fair value, are not shown.

(b) Liquidity risk

The tables below present the undiscounted cash flows payable (both interest and principal cash flows) of the company's financial liabilities based on contractual repayment obligations. The company expects that many policyholders will not request repayment on the earliest date the company could be required to pay.

	2016		
	Within 3 months	3 to 12 months	Total
Financial Liabilities			
Policyholders' liabilities	40,293,934	10,933,561	51,227,495

SCOTIA JAMAICA LIFE INSURANCE COMPANY LIMITED

Notes to the Financial Statements
December 31, 2016
(*expressed in thousands of Jamaican dollars unless otherwise stated*)

27. Financial instruments (continued)

(b) Liquidity risk (continued)

	2015		
	Within 3 months	3 to 12 months	Total
Financial Liabilities			
Policyholders' liabilities	39,887,894	9,106,722	48,994,616

(c) Credit risk

Credit risk exposures relating to the statement of financial position assets are as follows:

Maximum exposure to credit risk

The maximum credit exposure, that is, the amount of loss that would be suffered if every counterparty to the company's financial assets were to default at once, is represented by the carrying amount of financial assets shown on the statement of financial position, without taking account of any collateral held or other credit enhancements.

The table below presents an analysis of debt securities by rating agency designation as at 31 December 2016, and 2015 based on Standard and Poor's ratings or their equivalent:

	2016	2015
AAA to AA+	2,118,048	-
BB to BB-	49,845,998	50,349,039
Unrated	1,016,329	1,729,294
	52,980,375	52,078,333
Classified as follows:		
Certificate of deposits with the Bank of Jamaica	1,502,518	2,389,706
Financial assets at fair value through profit or loss	155,601	218,560
Investment securities:		
Available for sale	46,014,610	40,171,730
Held to maturity	5,307,644	9,298,337
	52,980,373	52,078,333

The company issues policy loans to ScotiaMint policyholders. These loans are fully secured by the outstanding ScotiaMint fund values and as such no credit risk arises.

28. Sensitivity analysis of actuarial liabilities and capital adequacy

(a) Sensitivity arising from the valuation of life insurance contracts

The determination of actuarial liabilities is sensitive to a number of assumptions, and changes in these assumptions could have a significant effect on the valuation results.

In summary, the valuation of actuarial liabilities of life insurance contracts is sensitive to:

- the economic scenario used in the Policy Premium Method (PPM);
- the investments allocated to back the liabilities;
- the underlying assumptions used, and
- the margins for adverse deviations.

SCOTIA JAMAICA LIFE INSURANCE COMPANY LIMITED

Notes to the Financial Statements
December 31, 2016
(*expressed in thousands of Jamaican dollars unless otherwise stated*)

28. Sensitivity analysis of actuarial liabilities and capital adequacy (continued)

(a) Sensitivity arising from the valuation of life insurance contracts (continued)

Under the PPM methodology, the appointed actuary is required to test the actuarial liability under several economic scenarios. The tests have been done and the results of the valuation provide adequately for liabilities derived from the worst of these different scenarios.

The assumption for future investment yields has a significant impact on actuarial liabilities. The different scenarios tested under the PPM methodology reflect the impact of different yields.

The other assumptions which are most sensitive in determining the actuarial liabilities of the company, are in descending order of impact:

- operating expenses and taxes
- lapses and withdrawals
- mortality and morbidity

The following shows the sensitivity of the liabilities to a change in assumptions:

	Change in assumptions	2016	2015
Interest rates	–1%	48,474	60,650
	+1%	(6,887)	(15,804)
Mortality	+10%	433,981	420,538
	–10%	(450,026)	(434,990)
Expenses	+10%	397,437	349,251
	–10%	(392,866)	(345,216)
Lapses and withdrawals	+10%	267,583	276,041
	–10%	(288,975)	(299,906)

(b) Dynamic Capital Adequacy Testing (DCAT)

DCAT is a technique used by the company to assess the adequacy of its financial position and financial condition in the light of different future economic and policy experience scenarios. DCAT assesses the impact of the company’s financial position and condition over the next 5 years under specific scenarios as required by the Insurance Regulations.

The financial position of the company is reflected by the amount of assets, liabilities and shareholders’ equity on the statement of financial position at a given date.

The financial condition of the company at a given date is its prospective ability to meet its future obligations, especially obligations to policyholders, those to whom it owes benefits and to its shareholders.

SCOTIA JAMAICA LIFE INSURANCE COMPANY LIMITED

Notes to the Financial Statements
December 31, 2016
(*expressed in thousands of Jamaican dollars unless otherwise stated*)

28. Sensitivity analysis of actuarial liabilities and capital adequacy (continued)

(b) Dynamic Capital Adequacy Testing (DCAT) (continued)

The purpose of the DCAT is:

- to develop an understanding of the sensitivity of the total equity of the company and future financial condition to changes in various experience factors and management policies;
- to alert management to material, plausible and imminent threats to the company's solvency; and
- and to describe possible courses of action to address these threats.

A full DCAT report was completed for March 2016, based on the financial position of the company at December 31, 2015. The results were as follows:

(i) Mortality and morbidity risks

To test this scenario, existing mortality and morbidity rates were increased by 3% per annum for five years starting in 2016. The accumulated deterioration would be 15% by the end of the five-year DCAT period. The results for this scenario show relative insensitivity to the change in assumptions.

(ii) Low lapse rates

The business was tested by applying a factor of 50% to existing lapse and surrender rates. Overall, this scenario produces a higher surplus and a lower MCCSR ratio over the 5-year period.

(iii) Higher lapse rates

The business was tested by doubling existing lapses, surrenders and partial withdrawal rates. Under this scenario, the surplus decreases while the MCCSR increases.

(iv) Expense risks

Higher unit maintenance expenses were tested by setting the annual inflation at 5% greater than current expenses, starting in 2016, for five years. Overall, this scenario produces a lower MCCSR ratio over the 5-year period.

(v) Low interest rate

An assumed decrease in the portfolio rate of 5% over a 5 year period was tested in this scenario. It is assumed that inflation ultimately decreases to .5%. Overall, this scenario produces a relatively unchanged MCCSR over the five year period.

SCOTIA JAMAICA LIFE INSURANCE COMPANY LIMITED

Notes to the Financial Statements
December 31, 2016
(*expressed in thousands of Jamaican dollars unless otherwise stated*)

28. Sensitivity analysis of actuarial liabilities and capital adequacy (continued)

(b) Dynamic Capital Adequacy Testing (DCAT) (continued)

(vi) High interest rate

This scenario assumed an increase of 5% over a 5 year period in the portfolio rate. It also assumed that inflation increases by the same amount. Overall, this scenario produces a lower MCCSR.

(vii) High sales growth

New business was projected to be 20% higher than existing sales over five years. The increased sales result in increased surplus but the MCCSR ratio falls.

(viii) Low sales

This scenario assumed sales were 20% less every year starting in 2016. Fees are also lower than under the base scenario. Overall this scenario produces a reduced surplus but the MCCSR improves.

The DCAT conducted has not tested any correlation that may exist between assumptions. The following table represents the estimated sensitivity of each of the above scenarios for the next five years to net actuarial liabilities at the end of the projection period, which is 5 years after the relevant financial year end.

	2016		2015	
	Surplus	MCCSR	Surplus	MCCSR
Base	15,757,936	758%	15,471,745	902%
Variable				
Mortality risks	15,361,488	769%	15,053,254	892%
Low lapse rates	17,286,548	671%	16,771,483	793%
Higher lapse rates	13,309,650	1,225%	13,657,621	1,493%
Expense risks	15,226,680	771%	14,867,526	889%
Low interest rate	15,886,139	752%	15,746,911	906%
High Interest rate	13,641,339	642%	14,663,263	781%
High sales growth	16,183,088	710%	15,908,048	860%
Low sales	14,827,108	808%	14,360,101	915%

29. Fair value of financial instruments

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Market price is used to determine fair value where an active market exists as it is the best evidence of the fair value of a financial instrument. However, market prices are not available for a significant number of the financial assets held and liabilities issued by the company. Therefore, for financial instruments where no market price is available, the fair values presented have been estimated using present value or other estimation and valuation techniques based on market conditions existing at the reporting date.

29. Fair value of financial instruments (continued)

The values derived from applying these techniques are significantly affected by the underlying assumptions used concerning both the amounts and timing of future cash flows and the discount rates.

The following methods and assumptions have been used:

- financial investments classified as available for sale are measured at fair value by reference to quoted market prices when available. If quoted market prices are not available, then fair values are estimated on the basis of pricing models or other recognised valuation techniques;
- the fair value of liquid assets and other assets maturing within one year is assumed to approximate their carrying amount. This assumption is applied to liquid assets and the short-term elements of all other financial assets and financial liabilities;
- the fair value of variable rate financial instruments is assumed to approximate their carrying amounts which is the cost plus accrued interest; and
- the fair value and the carrying value of the policyholders' fund are assumed to be the same based on annual actuarial valuation.

The following table summarises the carrying amount and fair value of financial assets not presented on the company's statement of financial position at their fair value.

	2016		2015	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Financial assets				
Investment securities:				
- Held to maturity	5,307,644	5,324,242	9,298,337	9,311,284

30. Related party transactions and balances

A number of transactions are entered into with related parties including companies connected by virtue of common directorship in the normal course of business.

SCOTIA JAMAICA LIFE INSURANCE COMPANY LIMITED

Notes to the Financial Statements
December 31, 2016
(*expressed in thousands of Jamaican dollars unless otherwise stated*)

30. Related party transactions and balances (continued)

The volumes of related party transactions, outstanding balances at the period end, and related expenses and income for the year are as follows:

	Ultimate parent	Parent company	Fellow subsidiaries	Directors and key management personnel	Total 2016	Total 2015
Insurance products	-	-	-	17,798	17,798	33,483
Mortgage back repurchase agreement	-	-	1,009,587	-	1,009,587	995,730
Securities purchased under resale agreements	-	-	700,000	-	700,000	800,000
Interest earned on resale agreements	-	(3,850)	(42,937)	-	(46,787)	(63,042)
Interest earned on mortgage backed repurchase agreement	-	-	(76,288)	-	(76,288)	(72,945)
Due from banks and other financial institutions	-	503,316	768,253	-	1,271,569	1,022,036
Interest earned from banks and other financial institutions	-	(5,203)	-	-	(5,203)	(4,868)
Management fees received	-	-	(129,124)	-	(129,124)	(135,875)
Management fees paid	94,133	52,400	-	-	146,533	138,497
Other operating expenses	4,787	10,795	21,276	-	36,858	15,791
Loss on disposal of investment	-	2,777	-	-	2,777	683

Key management compensation

	2016	2015
Salaries and other short term benefits	61,189	77,013
Post-employment benefits and allowances	5,385	8,230

31. Fiduciary activities

The company provides administrative services to an approved retirement scheme. This involves the company making purchase decisions in relation to investments. These assets, which are held in a fiduciary capacity, are not included in these financial statements. At the reporting date, there were assets under management amounting to approximately $6,623,706 (2015: $5,524,184).

32. Dividends

	2016	2015
First interim dividend	804,899	534,549
Second interim dividend	379,043	221,281
Third interim dividend	1,334,674	220,412
Fourth interim dividend	1,251,307	232,382
	3,769,923	1,208,624

<u>SCOTIA JAMAICA LIFE INSURANCE COMPANY LIMITED</u>

<u>FINANCIAL STATEMENTS</u>

<u>DECEMBER 31, 2015</u>

KPMG
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INDEPENDENT AUDITORS' REPORT

To the Members of
SCOTIA JAMAICA LIFE INSURANCE COMPANY LIMITED

Report on the financial statements

We have audited the financial statements of Scotia Jamaica Life Insurance Company Limited, set out on pages 3 to 50, which comprise the statement of financial position as at December 31, 2015, the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards and the Jamaican Companies Act, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether or not the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence relating to the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including our assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal controls relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

INDEPENDENT AUDITORS' REPORT

To the Members of
SCOTIA JAMAICA LIFE INSURANCE COMPANY LIMITED

Report on the financial statements (cont'd)

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the company as at December 31, 2015, and of its financial performance and cash flows for the year then ended, in accordance with International Financial Reporting Standards and the Jamaican Companies Act.

Report on additional matters as required by The Jamaican Companies Act

We have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

In our opinion, proper accounting records have been maintained, so far as appears from our examination of those records, and the financial statements, which are in agreement therewith, give the information required by the Jamaican Companies Act, in the manner required.

KPMG

Chartered Accountants
Kingston, Jamaica

February 9, 2016

SCOTIA JAMAICA LIFE INSURANCE COMPANY LIMITED

Statement of Profit or Loss and Other Comprehensive Income
December 31, 2015
(*expressed in thousands of Jamaican dollars unless otherwise stated*)

	Notes	2015	2014
Income			
Premium income, net of reinsurance	5	2,075,710	2,027,584
Investment income	6	3,784,276	4,070,448
Fee and commission income, net	7	181,335	163,643
Realised gains/(losses), net	8	9,009	(2,013)
		6,050,330	6,259,662
Policyholders' benefits and expenses			
Policyholders' benefits and reserves	9	756,783	1,721,089
Salaries, pension contributions and other staff benefits	10	575,767	544,194
Property expenses, including depreciation		61,763	55,537
Other operating expenses		836,385	576,374
		2,230,698	2,897,194
Profit before taxation	11	3,819,632	3,362,468
Taxation	12	(861,686)	(328,233)
Net profit		2,957,946	3,034,235
Other comprehensive income			
Items that may be reclassified to profit or loss:			
Realised losses on available-for-sale financial assets		(88)	(1,274)
Unrealised gains on available-for-sale financial assets		225,383	132,710
Deferred income tax relating to components of other comprehensive income	13	(80,860)	(19,715)
Other comprehensive income for the year, net of tax		144,435	111,721
Total comprehensive income for the year		3,102,381	3,145,956

The accompanying notes form an integral part of the financial statements

SCOTIA JAMAICA LIFE INSURANCE COMPANY LIMITED

Statement of Profit or Loss and Other Comprehensive Income
December 31, 2015
(*expressed in thousands of Jamaican dollars unless otherwise stated*)

	Notes	2015	2014
Income			
Premium income, net of reinsurance	5	2,075,710	2,027,584
Investment income	6	3,784,276	4,070,448
Fee and commission income, net	7	181,335	163,643
Realised gains/(losses), net	8	9,009	(2,013)
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Other operating expenses		836,385	576,374
		2,230,698	2,897,194
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Unrealised gains on available-for-sale financial assets		225,383	132,710
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Other comprehensive income for the year, net of tax		144,435	111,721
Total comprehensive income for the year		3,102,381	3,145,956

SCOTIA JAMAICA LIFE INSURANCE COMPANY LIMITED

Statement of Financial Position
Year ended December 31, 2015
(expressed in thousands of Jamaican dollars unless otherwise stated)

	Notes	2015	2014
ASSETS			
Cash resources			
Certificate of deposits with the Bank of Jamaica-maturing within 90 days of the original purchase date	14	1,505,966	1,289,539
Accounts with parent company	14	389,550	75,031
		1,895,516	1,364,570
Certificate of deposits with the Bank of Jamaica-maturing in excess of 90 days from the original purchase date		883,740	3,863,912
		2,779,256	5,228,482
Government securities purchased under resale agreements	15	803,560	1,133,563
Investment securities	16		
Available for sale		40,804,216	36,556,425
Held to maturity		9,298,337	9,300,182
Financial assets at fair value through profit or loss		218,560	368,120
		50,321,113	46,224,727
Loans and receivables - Policy loans	17	1,398,705	1,160,773
Other assets			
Property, plant and equipment	18	18,248	23,334
Intangible assets, computer software	2(t)	51,423	40,688
Taxation recoverable		1,274,964	877,370
Other assets		494	838
		1,345,129	942,230
		56,647,763	54,689,775
LIABILITIES AND SHAREHOLDERS' EQUITY			
Policyholders' liabilities	19	43,331,573	43,500,088
Other liabilities			
Sundry liabilities	20	141,019	178,648
Taxation payable		131,650	8,536
Deferred tax liabilities	21	296,825	149,564
		569,494	336,748
Shareholders' equity			
Share capital	22	150,000	150,000
Cumulative re-measurement result from available for sale financial assets	23	352,995	208,560
Unappropriated profits		12,243,701	10,494,379
		12,746,696	10,852,939
		56,647,763	54,689,775

The financial statements on pages 3 to 50 were approved for issue by the Board of Directors on February 9, 2016 and signed on its behalf by:

Jacqueline Sharp, Director

Anthony Chang, Director

The accompanying notes form an integral part of the financial statements

SCOTIA JAMAICA LIFE INSURANCE COMPANY LIMITED

Statement of Changes in Shareholders' Equity
Year ended December 31, 2015
(expressed in thousands of Jamaican dollars unless otherwise stated)

	Notes	Share capital	Cumulative re-measurement result from available for sale financial assets	Unappropriated profits	Total
		(Note 22)	(Note 23)		
Balances at December 31, 2013, as restated		150,000	96,839	8,799,255	9,046,094
Balances at December 31, 2013, as previously stated		150,000	96,839	8,730,844	8,977,683
Impact of adopting IFRIC 21, Levies	32	-	-	68,411	68,411
Balances at December 31, 2013 as restated		150,000	96,839	8,799,255	9,046,094
Net profit for the year		-	-	3,034,235	3,034,235
Other comprehensive income	13	-	111,721	-	111,721
Dividends	31	-	-	(1,339,111)	(1,339,111)
Balances at December 31, 2014		150,000	208,560	10,494,379	10,852,939
Net profit for the year		-	-	2,957,946	2,957,946
Other comprehensive income	13	-	144,435	-	144,435
Dividends	31	-	-	(1,208,624)	(1,208,624)
Balances at December 31, 2015		150,000	352,995	12,243,701	12,746,696

SCOTIA JAMAICA LIFE INSURANCE COMPANY LIMITED

Statement of Cash Flows
Year ended December 31, 2015
(expressed in thousands of Jamaican dollars unless otherwise stated)

	Note	2015	2014
Cash flows from operating activities			
Net profit for the year		2,957,946	3,034,235
Items not affecting cash:			
Investment income	6	(3,784,276)	(4,070,448)
Interest credited to policyholders and annuitants	9	1,770,492	1,769,875
Transfer from actuarial reserves	9	(1,179,482)	(280,547)
Taxation	12	861,686	328,233
Depreciation	18	10,194	10,128
		636,560	791,476
Changes in operating assets and liabilities			
Taxation recoverable		(397,594)	501,845
Other assets		344	617
Policyholders' liabilities		(759,525)	(1,060,271)
Other liabilities		(37,629)	(10,533)
		(557,844)	223,134
Interest received		3,813,355	4,034,055
Income tax paid		(672,171)	(341,580)
Net cash provided by operating activities		2,583,340	3,915,609
Cash flows from investing activities			
Purchase of property, plant and equipment	18	(5,108)	(11,379)
Purchase of intangible asset		(10,735)	(10,141)
Proceeds from the sale of property, plant and equipment		-	6,781
Investment securities, net		(3,836,970)	873,590
Loans and receivables – Policy loans		(228,751)	(469,899)
Certificate of deposits with the Bank of Jamaica		2,906,397	(3,785,000)
Net cash used in investing activities		(1,175,167)	(3,396,048)
Net cash provided before dividend payments		1,408,173	519,561
Dividends paid	31	(1,208,624)	(1,339,111)
Net increase/(decrease) in cash and cash equivalents		199,549	(819,550)
Cash and cash equivalents at beginning of year		2,490,066	3,309,616
CASH AND CASH EQUIVALENTS AT END OF YEAR	14	2,689,615	2,490,066

1. Identification, activities and licence

The company is a wholly owned subsidiary of The Bank of Nova Scotia Jamaica Limited, which is in turn a 100% subsidiary of Scotia Group Jamaica Limited. Both these companies are incorporated and domiciled in Jamaica. Scotia Group Jamaica Limited is a 71.78% subsidiary of Scotiabank Caribbean Holdings Limited, which is incorporated and domiciled in Barbados. The Bank of Nova Scotia, which is incorporated and domiciled in Canada, is the ultimate parent. The registered office of the company is located at Scotiabank Centre, Corner of Duke and Port Royal Streets, Kingston.

The company was incorporated in Jamaica on October 26, 1995 and was licensed as an insurance company on January 22, 1998 under the Insurance Act 1971, which was replaced by the Insurance Act 2001 and the Insurance Regulations 2001.

The principal activity of the company is the provision of long term life and health insurance and annuities.

2. Summary of significant accounting policies

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

(a) Basis of preparation

(i) Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board, and comply with the Jamaican Companies Act ("the Act").

New, revised and amended standards and interpretations that became effective during the year:

Certain new, revised and amended standards and interpretations came into effect during the current financial year. The adoption of these standards and amendments did not result in any change to the presentation and disclosures in the financial statements.

New and revised standards and interpretations that are not yet effective:

At the date of authorisation of these financial statements, certain new standards, and amendments to and interpretations of existing standards, which were in issue were not effective at the reporting date and had not been early-adopted by the company. The company is assessing them and has determined that the following are relevant to its financial statements.

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2. Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

(i) Statement of compliance (continued)

New and revised standards and interpretations that are not yet effective (cont'd):

- IFRS 9, *Financial Instruments,* which is effective for annual reporting periods beginning on or after January 1, 2018, replaces the existing guidance in IAS 39 *Financial Instruments: Recognition and Measurement.* IFRS 9 includes revised guidance on the classification and measurement of financial assets and liabilities, including a new expected credit loss model for calculating impairment of financial assets and the new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. Although the permissible measurement bases for financial assets – amortised cost, fair value through other comprehensive income (FVOCI) and fair value though profit or loss (FVTPL) - are similar to IAS 39, the criteria for classification into the appropriate measurement category are significantly different. IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' model, which means that a loss event will no longer need to occur before an impairment allowance is recognized.

- *IFRS 15, Revenue from contracts with customers effective for the accounting periods beginning on or after January 1, 2018, replaces* IAS 11 *Construction Contracts,* IAS 18, *Revenue*, IFRIC 13, *Customer Loyalty Programmes,* IFRIC 15, *Agreements for the Construction of Real Estate, IFRIC 18, Transfer of Assets from Customers and* SIC-31 *Revenue – Barter Transactions Involving Advertising Services.* It does not apply if two companies in the same line of business exchange non-monetary assets to facilitate sales to other parties. Furthermore, if a contract with a customer is partly in the scope of another IFRS, then the guidance on separation and measurement contained in the other IFRS takes precedence.

- IAS 1, *Presentation of Financial Statements*, effective for accounting periods beginning on or after January 1, 2016, has been amended to clarify or state the following:

  - specific single disclosures that are not material do not have to be presented even if they are minimum requirements of a standard;
  - the order of notes to the financial statements is not prescribed;
  - line items on the statement of financial position and the statement of profit or loss and other comprehensive income (OCI) should be disaggregated if this provides helpful information to users. Line items can be aggregated if they are not material;

2. Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

(i) Statement of compliance (continued)

New and revised standards and interpretations that are not yet effective (cont'd):

- IAS 1, *Presentation of Financial Statements*, (cont'd)
  - specific criteria are now provided for presenting subtotals on the statement of financial position and in the statement of profit or loss and OCI, with additional reconciliation requirements for the statement of profit or loss and OCI; and
  - the presentation in the statement of OCI of items of OCI arising from joint ventures and associates accounted for using the equity method follows the IAS 1 approach of splitting items that may, or that will never, be reclassified to profit or loss.

- Amendments to IAS 16 and IAS 38, *Clarification of Acceptable Methods of Depreciation and Amortisation,* are effective for accounting periods beginning on or after January 1, 2016.
  - The new amendments to IAS 38, *Intangible Assets* introduces a rebuttable presumption that the use of revenue-based amortisation methods is inappropriate for intangible assets.

The company is assessing the impact that these standards will have on its financial statements upon adoption.

- *Improvements to* IFRS *2012-2014* cycle, contain amendments to certain standards and interpretations and are effective for accounting periods beginning on or after January 1, 2016. The main amendments applicable to the company are as follows:
  - IFRS 7, *Financial Instruments: Disclosures,* has been amended to clarify when servicing arrangements are in the scope of its disclosure requirements on continuing involvement in transferred assets in cases when they are derecognized in their entirety. A servicer is deemed to have continuing involvement if it has an interest in the future performance of the transferred asset -e.g. if the servicing fee is dependent on the amount or timing of the cash flows collected from the transferred financial asset; however, the collection and remittance of cash flows from the transferred asset to the transferee is not, in itself, sufficient to be considered 'continuing involvement'.

2. Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

(i) Statement of compliance (continued)

New and revised standards and interpretations that are not yet effective (cont'd):

- *Improvements to IFRS, 2012-2014* cycle, (cont'd):

  - IFRS 7 has also been amended to clarify that the additional disclosures required by *Disclosures: Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS 7)* are not specifically required for inclusion in condensed interim financial statements for all interim periods; however, they are required if the general requirements of IAS 34, *Interim Financial Reporting,* require their inclusion.

The company is assessing the impact that these standards will have on its financial statements when they become effective.

(ii) Basis of measurement

The financial statements have been prepared on the historical cost basis as modified for the revaluation of available-for-sale financial assets.

(iii) Use of estimates and judgements

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

(iv) Functional and presentation currency

These financial statements are presented in Jamaican dollars, which is the company's functional currency. Except where indicated to be otherwise, financial information presented is shown in thousands of Jamaican dollars.

(b) Insurance contracts – recognition and measurement

(i) Classification

The company issues contracts that transfer insurance risk or financial risk or both.

Insurance contracts are those contracts that transfer significant insurance risk. Such contracts may also transfer financial risk. The company defines insurance risk as significant if an insured event could cause an insurer to pay significant additional benefits in a scenario that has a discernible effect on the economics of the transactions. As a general guideline, the company defines as significant insurance risk, the possibility of having to pay benefits, at the occurrence of an insured event that is at least 10% more than the benefits payable if the insured event did not occur.

2. Summary of significant accounting policies (continued)

(b) Insurance contracts – recognition and measurement (cont'd)

(ii) Recognition and measurement

Insurance contracts insure human life events (for example death or permanent disability) over a long duration. The accounting treatment differs according to whether the contract bears investment options or not. Under contracts that do not bear investment options, premiums are recognised as income when they are due and benefits are recorded as an expense when they are incurred.

Under contracts that bear an investment option, insurance premiums received are initially recognised directly as liabilities. These liabilities are increased by credited interest and are decreased by policy administration fees, mortality and surrender charges and any withdrawals; the resulting liability is the policyholders' fund. Income consists of fees deducted for mortality, policy administration and surrenders. Interest credited to the account and benefit claims in excess of the account balances incurred in the period are recorded as expenses in profit or loss.

Insurance contract liabilities are determined by an independent actuary using the Policy Premium Method of valuation as discussed in Note 3(ii). These liabilities are, on valuation, adjusted through profit or loss to reflect the valuation determined under the Policy Premium Method.

(c) Annuities

Annuities are immediate payouts of fixed and variable amounts for a guaranteed period and recognised on the date that they originate.

Benefits are recognised as liabilities until the end of the guaranteed period. These liabilities are increased by credited interest and are decreased by policy administration fees, period payment charges and any withdrawals. Income consists mainly of fees deducted for fund administration and interest credited is treated as an expense in profit or loss.

The annuity fund is included as a part of policyholders' liabilities [note 19 (a)].

(d) Revenue recognition

(i) Premium income

Gross premiums are recognised as revenue when due. When premiums are recognised, the related actuarial liabilities are computed, resulting in benefits and expenses being matched with revenue. Unearned premiums are those proportions of premiums written in the current year that relate to periods of risk after the reporting date.

2. Summary of significant accounting policies (continued)

(d) Revenue recognition (cont'd)

(ii) Interest income

Interest income is recognised in profit or loss for all interest earning instruments on the accrual basis using the effective interest method based on the actual purchase price. The effective interest rate is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset or liability (or, where appropriate, a shorter period) to the carrying amount of the financial asset.

The effective interest rate is established on initial recognition of the financial asset and is not revised subsequently. Interest income includes coupons earned on fixed income investments, accretion of discount on discounted instruments, and amortization of premium on instruments bought at a premium.

(iii) Fee and commission income

Fees for retirement planning administration services are recognised as revenue over the period in which the related services are performed.

(iv) Realised gains and losses

Realised gains and losses recorded in profit or loss and relate to gains and losses on the sale of financial and other assets. This is calculated as the difference between net sales proceeds and the current carrying value and is recorded on occurrence of the sale transaction.

(e) Interest expense

Interest expense is recognised in profit or loss on the accrual basis using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash payments through the expected life of the financial liability (or, where appropriate, a shorter period) to the carrying amount of the financial liability.

(f) Reinsurance contracts held

The company enters into contracts with reinsurers under which it is compensated for losses on contracts it issues and which meet the classification requirements for insurance contracts [see note 2(b)]. Reinsurance does not relieve the originating insurer of its liability.

(g) Claims

Death claims are recorded in profit or loss net of reinsurance recoverable.

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2. Summary of significant accounting policies (continued)

(h) Taxation

Taxation on the profit or loss for the year comprises current and deferred taxes. Current and deferred taxes are recognised as tax expense or benefit in determining profit or loss and where they relate to items recorded in shareholders' equity, they are charged or credited as other comprehensive income.

(i) Current taxation

Current tax is the expected taxation payable on the taxable income for the year, using tax rates enacted at the reporting date, and any adjustment to tax payable and tax losses in respect of previous years.

(ii) Deferred tax

Deferred tax liabilities and assets are recognised for temporary differences between the carrying amounts of assets and liabilities and their amounts as measured for tax purposes, which will result in taxable amounts in future periods. Deferred tax assets are recognised for temporary differences which will result in deductible amounts in future periods, but only to the extent it is probable that sufficient taxable profits will be available against which these differences can be utilised. Deferred tax assets are reviewed at each reporting date to determine whether it is probable that the related tax benefit will be realised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the asset will be realised or the liability will be settled based on enacted rates.

Current and deferred tax assets and liabilities are offset when the legal right of set-off exists, and when they relate to income taxes levied by the same tax authority on either the same taxable entity, or different taxable entities which intend to settle current tax liabilities and assets on a net basis.

(i) Financial instruments

Financial instruments carried on the statement of financial position include cash resources, investment securities, government securities purchased under resale agreements, loans and receivables, other assets, policyholders' liabilities and other liabilities.

The fair values of the company's financial instruments are discussed in Note 26 and 28.

(i) Recognition

The company initially recognises deposits on the date that they are originated. All other financial assets and liabilities are initially recognised on the settlement date, at which the company becomes a party to the contractual provisions of the instrument.

2. Summary of significant accounting policies (continued)

(i) Financial instruments (continued)

(ii) Derecognition

The company derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the company is recognised as a separate asset or liability.

The company derecognises a financial liability when its contractual obligations are discharged, cancelled or expired.

The company enters into transactions whereby it transfers assets recognised on its statement of financial position, but retains either risks and rewards of the transferred assets or a portion of them. If all or substantially all risks and rewards are retained, then the transferred financial assets are not derecognised from the statement of financial position. Transfers of assets with retention of all or substantially all risks and rewards include, for example, securities lending and repurchase transactions.

(j) Investment securities

The company classifies its investment securities into the following categories: loans and receivables, held to maturity and available for sale financial assets. Management determines the classification of its investments at initial recognition.

(i) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the company provides money or services directly to a debtor with no intention of trading the receivable.

(ii) Held to maturity

Held to maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the company's management has the positive intention and ability to hold to maturity. These investments are initially recognised at cost with transaction costs directly attributable included. After initial measurement, held to maturity financial assets are measured at amortised cost using the effective interest rate method. Were the company to sell other than an insignificant amount of held to maturity investments before maturity, the entire category would be compromised and reclassified as available for sale.

2. Summary of significant accounting policies (continued)

(j) Investment securities (continued)

(iii) Available for sale

Available for sale investments are those non-derivative financial assets that are designated as available for sale or are not classified in the above two categories; they are intended to be held for an indefinite period of time, and may be sold in response to needs for liquidity or changes in interest rates or market prices. They are remeasured at fair value.

On disposal of these investments, the unrealized gains or losses included in shareholders' equity are included in profit or loss. Interest income, which is calculated using the effective interest method, is recognised in profit and loss. Other unrealized gains and losses arising from changes in fair value are recognised in other comprehensive income.

Purchases and sales of available for sale assets are recognised at the settlement date - the date on which an asset is delivered to or by the company. Financial assets are initially recognized at fair value plus transaction costs.

(k) Repurchase and reverse repurchase agreements

Securities sold under agreements to repurchase (repurchase agreements) and securities purchased under agreements to resell (reverse repurchase agreements) are treated as collateralised financing transactions. The difference between the sale/purchase and repurchase/resale price is treated as interest and accrued over the life of the agreement using the effective yield method.

(l) Impairment of assets

The carrying amounts of the company's assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated at each reporting date. An impairment loss is recognised whenever the carrying amount of an asset exceeds its estimated recoverable amount.

Indication that a financial asset is impaired includes observable data that comes to the attention of the company about the following events:

- significant financial difficulty of the issuer or debtor;
- a breach of contract, such as a default or delinquency in payments;
- it becoming probable that the issuer will enter bankruptcy or other financial re-organisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

Impairment losses are recognised in the company's profit or loss.

2. Summary of significant accounting policies (continued)

(l) Impairment of assets (continued)

(i) Financial assets carried at amortised cost

The amount of the impairment loss for an asset carried at amortised cost is calculated as the difference between the asset's carrying amount and the present value of expected future cash flows discounted at the original effective interest rate. If a held to maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

The recoverable amount of the company's assets at amortised cost is calculated as the present value of expected future cash flows, discounted at the original effective interest rate inherent in the asset.

(ii) Financial assets carried at fair value

When a decline in the fair value of an available for sale financial asset has been recognised as other comprehensive income and there is objective evidence that the asset is impaired, the cumulative loss that had been recognised in other comprehensive income is recognised in profit and loss even though the financial asset has not been derecognized. The amount of the cumulative loss that is recognised in other comprehensive income is the difference between the acquisition cost and current fair value less any impairment loss on that financial asset previously recognised.

The recoverable amount of a financial asset carried at fair value is the present value of expected future cash flows discounted at the current market interest rate for a similar financial asset. When a subsequent event causes the amount of impairment loss to decrease, the impairment loss is reversed through profit or loss.

(iii) Other financial assets

Property, plant and equipment are reviewed periodically for impairment. Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount.

In–house assessment of the company's assets revealed no negative material changes and hence, it was not necessary to account for any impairment losses in the company's accounts.

2. Summary of significant accounting policies (continued)

(m) Property, plant and equipment

Property, plant and equipment are shown at historical cost less accumulated depreciation and, if any, impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset.

Subsequent costs are included in the assets carrying amount or are recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the company and the cost of the item can be measured reliably. All other expenditure is classified as repairs and renewals and charged as expenses in profit or loss during the financial period in which it is incurred.

Depreciation and amortisation are calculated on the straight-line method at rates estimated to write off the depreciable amount of the assets over their expected useful lives as follows:

Computer equipment	4 years
Furniture, fixtures and equipment	10 years
Leasehold improvements	Period of lease

Capital work in progress is not depreciated.

The depreciation methods, useful lives and residual values are reassessed at the reporting dates. Gains and losses on disposal of property, plant and equipment are determined by reference to their carrying amount and are taken into account in determining the profits for the year.

(n) Provisions

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

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the reporting date.

(o) Related parties

A related party is a person or entity that is related to the entity that is preparing its financial statements (referred to in IAS 24 *Related Party Disclosures* as the "reporting entity" in this case the company).

(a) A person or a close member of that person's family is related to the company if that person:

  (i) has control or joint control over the company;

  (ii) has significant influence over the company; or

  (iii) is a member of the key management personnel of the company or of a parent of the company.

2. Summary of significant accounting policies (continued)

(o) Related parties (cont'd)

(b) An entity is related to the company if any of the following conditions applies:

(i) The entity and the company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan established for the benefit of employees of either the company or an entity related to the company.

(vi) The entity is controlled, or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(viii)The entity, or any member of a group which it is a part, provides key management personnel services to the reporting entity or to the parent of the reporting entity.

A related party transaction is a transfer of resources, services or obligations between related parties, regardless of whether a price is charged.

(p) Pension scheme

The company participates in a defined benefit pension scheme of its parent company. The company's contribution to the scheme is fixed. Once the contributions have been paid, the company has no further legal or constructive obligations (note 24).

(q) Cash and cash equivalents

For the purpose of the cash flow statement, cash and cash equivalents include cash and bank balances and highly liquid financial assets with original maturities of less than 90 days, which are readily convertible to known amounts of cash, and are subject to insignificant risk of changes in their fair value.

Cash and cash equivalents are carried at amortised cost in the statement of financial position.

(r) Dividends

Dividends on ordinary shares are recognized in shareholders' equity in the period in which they are approved by the Board of Directors, thereby becoming irrevocably payable.

2. Summary of significant accounting policies (continued)

(s) Fiduciary activities

The company acts as an administrator of an approved retirement scheme and therefore manages assets on behalf of plan members. These assets are unitised and income earned belongs to the plan members with the company incurring no risk. Therefore, these assets are segregated and presented separately from these financial statements. Income earned from management fees is included in fee and commission income in profit or loss.

(t) Intangible assets

Costs associated with developing or maintaining computer software programs are recognised as an expense as incurred. Costs that are directly associated with acquiring identifiable and unique software products which are expected to generate economic benefits exceeding costs beyond one year, are recognised as intangible assets. However, such costs are expensed where they are considered to be immaterial.

As at the reporting date, the intangible assets were not included in the operations of the company.

3. Critical accounting estimates and judgments in applying accounting policies

The company makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

(i) Held to maturity investments

The company follows the guidance of IAS 39 in classifying non-derivative financial assets with fixed or determinable payments and fixed maturity as held to maturity. This classification requires judgement. In making this judgement, the company evaluates its intention and ability to hold such investments to maturity. If the company fails to keep these investments to maturity other than in the specific permissible circumstances - for example, selling other than an insignificant amount close to maturity - it will be required to reclassify the entire class as available for sale. The investments would therefore be measured at fair value, not amortised cost. If the entire class of held to maturity investments is compromised, the carrying value would increase/(decrease) by $12,947 (2014: $167,420) with a corresponding entry in the cumulative re-measurement result from available for sale financial assets reserve.

(ii) Estimate of future payments and premiums arising from long-term insurance contracts

The liabilities under long-term insurance contracts have been determined using the Policy Premium Method of valuation. Under this method explicit allowance is made for all future benefits and expenses under the policies. The premiums, benefits and expenses for each policy are projected and the resultant future cash flows are discounted back to the valuation date to determine the reserves. Any adjustment to the reserves is reflected in the year to which it relates.

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3. Critical accounting estimates and judgments in applying accounting policies (cont'd)

(ii) Estimate of future payments and premiums arising from long-term insurance contracts (cont'd)

The process of calculating policy reserves necessarily involves the use of estimates concerning such factors as mortality and morbidity rates, future investment yields and future expense levels. Consequently, these liabilities include reasonable provisions for adverse deviations from the estimates. Estimates are also made as to future investment income arising from the assets backing long-term insurance contracts. These estimates are based on current market returns as well as expectations about future economic and financial developments.

These estimates are more fully described in Note 19(d).

4. Responsibilities of the appointed actuary and external auditors

The Board of Directors, pursuant to the Insurance Act, appoints the Actuary whose responsibility is to carry out an annual valuation of the company's policyholders' liabilities in accordance with accepted actuarial practice and regulatory requirements and report thereon to the policyholders and shareholders. In performing the valuation using the policy premium method, the Actuary makes assumptions as to the future rates of interest, asset defaults, mortality, morbidity, claims experience, policy termination, inflation, reinsurance recoveries, expenses and other contingencies, taking into consideration the circumstances of the company and the insurance policies in force. An actuarial valuation is prepared annually.

The shareholders, pursuant to the Companies Act appoint the external auditors. Their responsibility is to conduct an independent and objective audit of the financial statements in accordance with International Standards on Auditing and report thereon to the shareholders. In carrying out their audit, the Auditors also make use of the work of the Appointed Actuary and his report on the policyholders' liabilities.

5. Premium income, net of reinsurance

	2015	2014
Gross written premium		
Individual life	832,680	884,444
Group life	1,231,269	1,141,245
Universal life	12,714	2,139
	2,076,663	2,027,828
Reinsurance	(953)	(244)
	2,075,710	2,027,584

6. Investment income

	2015	2014
Investment securities	3,392,903	3,737,278
Certificate of deposits with the Bank of Jamaica	230,942	216,600
Interest on policy loans	92,521	31,849
Government securities purchased under resale agreement	63,042	79,387
Other bank balances	4,868	5,334
	3,784,276	4,070,448

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7. Fee and commission income, net

	2015	2014
Management and administration fees	135,623	107,647
Investment commissions (paid)/earned	(595)	985
Third party commissions earned	524	2,537
Surrender charges and other contract fees	45,783	52,474
	181,335	163,643

8. Realised gains/(losses), net

	2015	2014
Foreign exchange	9,097	(739)
Loss on disposal of available for sale securities	(88)	(1,274)
	9,009	(2,013)

9. Policyholders' benefits and reserves

	2015	2014
Policyholders' benefit payments	165,773	231,761
Interest credited – policyholders	1,761,419	1,762,792
Interest credited – annuitants	9,073	7,083
Transfer from actuarial reserves	(1,179,482)	(280,547)
	756,783	1,721,089

10. Salaries, pension contributions and other staff benefits

	2015	2014
Wages and salaries	493,557	435,728
Statutory contributions	39,164	39,327
Pension cost (note 24)	-	54
Other staff benefits	43,046	69,085
	575,767	544,194

11. Profit before taxation

In arriving at the profit before taxation, the following are among the items that have been charged:

	2015	2014
Auditors' remuneration - current year	7,611	7,160
- prior year	355	-
Depreciation (note 18)	10,194	10,128
Directors' emoluments:		
Fees and expenses	3,705	3,194
Management remuneration	25,970	25,148
Policyholders' fund interest (note 9)	1,761,419	1,762,792
Interest on annuities (note 9)	9,073	7,083
Salaries, pension contributions and other staff benefits (note 10)	575,767	544,194

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12. Taxation

(a) Taxation charge

In the current year, income tax is computed on the profit for the year as adjusted for taxation purposes. In the prior year, the charge for the year is based on investment income after the deduction of expenses which are allowable in earning this income. The charge for taxation comprises:

	2015	2014
Current income tax:		
Income tax at 25%	795,285	-
Investment income tax at 15%	-	318,419
Deferred income tax (note 21)	66,401	9,814
	861,686	328,233

(b) Reconciliation of applicable tax charge to actual tax charge:

	2015	2014
Profit before taxation	3,819,632	-
Investment income	-	4,232,078
Tax calculated at 25%	954,908	-
Investment income tax at 15%	-	634,812
Adjustment for the effect of:		
Asset tax paid	130,833	-
Tax free actuarial releases	(317,430)	-
Expenses allowed for tax purposes	(20,578)	(305,017)
Other charges and allowances	113,953	(1,562)
	861,686	328,233

(c) Change in tax rate:

With effect from January 1, 2015, the tax regime of life insurance companies was changed to withdraw the investment income tax at 15% and 3% tax on gross premiums. The new regime provides for Income Tax at 25% upon all chargeable income, profits or gains, including any reduction in the actuarial reserves but with the exclusion of releases of accumulated actuarial reserves that were made in respect of premium taxes and investment taxes in the accounts of life assurance companies prior to January 1, 2015. In addition, insurance companies may exclude from premiums received as (i) contributions to approved superannuation funds or approved retirement schemes; or (ii) payment in respect of annuities purchased from the company by any such fund or scheme; and any amounts or earnings arising from the investment of any funds-derived from the sale of the annuities and deposited in a separate account established solely for that purpose.

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13. Deferred income tax effects relating to other comprehensive income

	2015		
	Before tax amount	Tax benefit/(expense)	Net of tax
Available for sale financial assets	225,295	(80,860)	144,435

	2014		
	Before tax amount	Tax benefit/(expense)	Net of tax
Available for sale financial assets	131,436	(19,715)	111,721

14. Cash and cash equivalents

	2015	2014
Cash resources	2,779,256	5,228,482
Less amounts not considered cash and cash equivalents:		
Due from banks greater than ninety days	(880,000)	(3,785,000)
Accrued interest	(9,641)	(83,416)
	1,889,615	1,360,066
Add other cash equivalent balances:		
Government Securities purchased under resale agreement less than ninety days	800,000	1,130,000
	2,689,615	2,490,066
Cash and cash equivalent is comprised of:		
Cash and balances with Bank of Jamaica	1,505,966	1,289,539
Accounts with parent company	389,550	75,031
Government Securities purchased under resale agreement	800,000	1,130,000
Accrued interest	(5,901)	(4,504)
	2,689,615	2,490,066

15. Government securities purchased under resale agreements

The company entered into reverse repurchase agreements collaterised by the Government of Jamaica securities. These agreements may result in credit exposure in the event that the counterparties to these transactions are unable to fulfill their contractual obligations. Included in this balance is interest receivable of $3,560 (2014: $3,563).

The fair value of collateral held pursuant to reverse repurchase agreements is $841,337 (2014: $1,193,576).

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16. Investment securities

	2015	2014
Available for sale:		
Premium Growth Fund	522,296	317,309
Money Market Fund	54,372	51,081
Fixed Income Fund	55,818	51,659
Debt securities	39,623,333	35,623,945
Interest receivable	548,397	512,431
	40,804,216	36,556,425
Held to maturity:		
Debt securities	9,129,400	9,129,400
Interest receivable	168,937	170,782
	9,298,337	9,300,182
Financial assets at fair value through profit or loss	218,560	368,120
	50,321,113	46,224,727

	Available for sale	Held to maturity	Financial asset at fair value through profit or loss	Total
December 31, 2013	37,289,936	9,298,859	396,479	46,985,274
Purchases	150,000	-	-	150,000
Disposals	(1,042,600)	-	-	(1,042,600)
Amortisation adjustment	47,369	-	-	47,369
Accrued interest adjustment	(19,716)	1,323	-	(18,393)
Fair value net gains	131,436	-	(28,359)	103,077
December 31, 2014	36,556,425	9,300,182	368,120	46,224,727
Purchases	4,245,044	-	-	4,245,044
Disposals	(331,500)	-	-	(331,500)
Amortisation adjustment	72,986	-	-	72,986
Accrued interest adjustment	35,966	(1,845)	-	34,121
Fair value net gains	225,295	-	(149,560)	75,735
December 31, 2015	40,804,216	9,298,337	218,560	50,321,113

Included in investment securities are Government of Jamaica local registered stocks valued at $90,000 (2014: $90,000) which have been deposited with the Regulator, the Financial Services Commission, pursuant to Section 8 (1) (a) of the Insurance Regulations, 2001.

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16. Investment securities (cont'd)

Available for sale investments include holdings in Scotia Investments Jamaica Limited funds as follows:

	2015		2014	
	Units	Unit price	Units	Unit price
Premium Growth Fund	7,221,000	60.31	7,221,000	36.84
Premium Growth Fund	478,925	181.35	478,925	107.07
Money Market Fund	500,000	108.75	500,000	102.16
Fixed Income Fund	485,667	114.93	485,667	106.40

17. Policy loans

	2015	2014
Principal	1,352,661	1,123,910
Accrued interest	46,044	36,863
	1,398,705	1,160,773

18. Property, plant and equipment

	Leasehold improvements	Computer equipment	Furniture fixtures and equipment	Capital Work in progress	Total
Cost:					
December 31, 2013	6,593	33,633	26,396	6,781	73,403
Additions	-	543	651	10,185	11,379
Disposals	-	-	(45)	(6,781)	(6,826)
Transfers	1,268	-	8,917	(10,185)	-
December 31, 2014	7,861	34,176	35,919	-	77,956
Additions	-	4,950	158	-	5,108
Disposals	-	(2,753)	(26)	-	(2,779)
December 31, 2015	7,861	36,373	36,051	-	80,285
Accumulated depreciation:					
December 31, 2013	6,593	17,998	19,948	-	44,539
Charge for the year	771	6,419	2,938	-	10,128
Eliminated on disposal	-	-	(45)	-	(45)
December 31, 2014	7,364	24,417	22,841	-	54,622
Charge for the year	497	7,123	2,574		10,194
Eliminated on disposal	-	(2,753)	(26)	-	(2,779)
December 31, 2015	7,861	28,787	25,389	-	62,037
Net book values:					
December 31, 2015	-	7,586	10,662	-	18,248
December 31, 2014	497	9,759	13,078	-	23,334

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19. Policyholders' liabilities

(a) Composition of policyholders' liabilities:

		2015	2014
Policyholders' fund		48,383,225	47,444,903
Benefits and claims payable		191,596	166,780
Unprocessed premiums		25,998	12,565
Annuities		201,891	168,065
Insurance risk reserve	- Individual life	(6,272,094)	(5,118,558)
	- Individual A&S	268,737	286,170
	- Group life	573,819	557,419
	- Whole life	(6,006)	1,325
	- Universal life	(35,593)	(18,581)
		43,331,573	43,500,088

(b) Change in policyholders' liabilities:

	2015	2014
Policyholders' fund:		
At beginning of the year	47,444,354	46,741,208
Gross premiums	5,238,244	5,307,939
Benefits and claims	(6,060,792)	(6,367,036)
Interest credited	1,761,419	1,762,792
At end of the year	48,383,225	47,444,903
Benefits and claims payable:		
At beginning of the year	166,780	197,301
Policyholders' claims and benefits	190,589	201,240
Benefits and claims paid	(165,773)	(231,761)
At end of the year	191,596	166,780
Unprocessed premiums:		
At beginning of the year	12,565	19,602
Premiums received	7,513,184	7,502,826
Premiums applied	(7,499,751)	(7,509,863)
At end of the year	25,998	12,565

	2015		
	Individual	Group	Total
Insurance risk reserve:			
At beginning of the year	(4,849,095)	557,419	(4,291,676)
Changes in product and assumptions	(1,288,813)	(3,119)	(1,291,932)
Normal changes	92,952	19,519	112,471
At end of the year	(6,044,956)	573,819	(5,471,137)

(expressed in thousands of Jamaican dollars unless otherwise stated)

19. Policyholders liabilities (continued)

(b) Change in policyholders' liabilities (continued):

	2014		
	Individual	Group	Total
Insurance risk reserve:			
At beginning of the year	(4,547,041)	535,363	(4,011,678)
Changes in product and assumptions	(368,640)	(538)	(369,178)
Normal changes	66,586	22,594	89,180
At end of the year	(4,849,095)	557,419	(4,291,676)

(c) Investments and other assets supporting policy liabilities:

	2015				
	Individual Insurance	Group Insurance	Individual Annuities	Capital and Surplus	Total
Debt securities -					
Available for sale	30,194,282	576,870	152,753	9,247,825	40,171,730
Held to maturity	9,055,317	-	-	243,020	9,298,337
Financial assets at fair value through profit or loss	-	-	-	218,560	218,560
Certificate of deposits with the Bank of Jamaica	2,338,976	-	50,730	-	2,389,706
Mutual Funds	-	-	-	632,486	632,486
Government securities purchased under resale agreements	803,560	-	-	-	803,560
	42,392,135	576,870	203,483	10,341,891	53,514,379

	2014				
	Individual Insurance	Group Insurance	Individual Annuities	Capital and Surplus	Total
Debt securities -					
Available for sale	27,263,688	560,445	127,429	8,184,814	36,136,376
Held to maturity	9,117,285	-	-	182,897	9,300,182
Financial assets at fair value through profit or loss	-	-	-	368,120	368,120
Certificate of deposits with the Bank of Jamaica	5,107,518	-	45,933	-	5,153,451
Mutual Funds	-	-	-	420,049	420,049
Government securities purchased under resale agreements	1,133,563	-	-	-	1,133,563
	42,622,054	560,445	173,362	9,155,880	52,511,741

19. Policyholders liabilities (continued)

(d) Policy assumptions

Policy liabilities have two major assumptions, best estimate assumptions and provisions for adverse deviation assumptions.

(a) Best estimate assumptions

Assumptions cover the lifetime of the policies and are made for many variables including mortality, morbidity, investment yields, rates of policy termination, operating expenses and certain taxes.

(i) Mortality and morbidity

Assumptions are based on standard industry tables reflecting recent historical and company experience.

(ii) Investment yields

The company matches assets and liabilities by line of business.

For ScotiaMint and Credit Insurance the Actuary has assumed a portfolio rate of 6.50% in January 2016 decreasing to 5.18% over 20 years.

For Criticare and WholeLife the Actuary has assumed a portfolio rate of 7.53% in January 2016 decreasing to 4.75% over 30 years.

Assumed interest rates are net of asset tax and have been decreased by 0.50% as a margin for adverse deviation. The appropriateness of these rates has been tested by projecting asset and liability cash flows under various reinvestment scenarios.

The main source of uncertainty is the fluctuation in the economy.

(iii) Persistency

Persistency assumptions are made in relation to the time since inception that a policy exists before it lapses or is surrendered. Lapses relate to termination of policies due to non-payment of premiums. Surrenders relate to voluntary termination of policies by the policyholders. Policy terminations are based on the company's own experience adjusted for expected future conditions.

Lapse and surrender rates are derived from the company's own experience. A margin for adverse deviation is added by increasing or decreasing the lapse rates, whichever is adverse, by 20%.

The main source of uncertainty derives from changes in policyholder behaviour as it relates to changes in economic conditions.

(expressed in thousands of Jamaican dollars unless otherwise stated)

19. Policyholders liabilities (continued)

(d) Policy assumptions (continued)

(a) Best estimate assumptions (continued)

(iv) Policy expenses and inflation

Policy maintenance expenses are derived from the company's own internal cost studies projected into the future with an allowance for inflation.

Inflation is assumed to be 5.5% in January 2016 decreasing to 2% over 20 years. A margin for adverse deviation is added by increasing the maintenance expenses by 10% of the best estimate assumption.

(v) Partial withdrawal of policy funds

The company's contracts allow policyholders to withdraw a portion of the funds accumulated under the contract without surrendering the entire contract. Partial withdrawal rates are derived from the company's own experience.

(vi) Taxation

It is assumed that current tax legislation and rates continue unaltered.

(b) Provision for adverse deviation assumptions

The basic assumptions made in establishing policy liabilities are best estimates for a range of possible outcomes. To recognise the uncertainty in establishing these best estimates, to allow for possible deterioration in experience and to provide greater comfort that the reserves are adequate to pay future benefits, the appointed actuary is required to include a margin in each assumption.

The impact of these margins is to increase reserves and so decrease the income that would be recognised on inception of the policy. The Canadian Institute of Actuaries prescribes a range of allowable margins. The company uses assumptions at the conservative end of the range, taking into account the risk profiles of the business.

20. Sundry liabilities

	2015	2014
Accrued charges	102,809	139,502
Accrued vacation	17,776	22,066
Statutory deductions	18,486	15,765
Other	1,948	1,315
	141,019	178,648

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21. Deferred tax assets and liabilities

In the current year, deferred income taxes are calculated on temporary difference between the carrying amounts of assets and liabilities for financial reporting and taxation purposes. The calculation is made using and applicable tax rate of 25%. In the prior year, deferred income taxes were calculated on all temporary differences under the liability method using the effective tax rate of 15%.

The movement on the deferred income tax account is as follows:

	2015	2014
Balance at beginning of year	149,564	120,035
Recognised in profit for the year [note 12(a)]	66,401	9,814
Recognised in other comprehensive income		
Available for sale investments		
- fair value re-measurement (note 13)	80,860	19,715
Balance at end of year	296,825	149,564

Deferred income tax assets and liabilities are attributable to the following items:

	2015	2014
Deferred income tax asset:		
Accrued vacation	4,445	3,310
Deferred income tax liabilities:		
Accelerated tax depreciation	(971)	(540)
Available for sale investments	(117,665)	(36,805)
Interest receivable	(182,634)	(115,529)
	(301,270)	(152,874)
Net deferred tax liability	(296,825)	(149,564)

The deferred tax charge in determining net profit for the year comprises the following temporary differences:

	2015	2014
Accrued vacation	(1,135)	769
Interest receivable	67,105	9,003
Accelerated tax depreciation	431	42
	66,401	9,814

22. Share capital

	2015	2014
Authorised, issued and fully paid:		
150,000,000 ordinary shares of no par value	150,000	150,000

(expressed in thousands of Jamaican dollars unless otherwise stated)

23. Cumulative re-measurement result from available for sale financial assets

This represents the unrealised surplus or deficit on the revaluation of available for sale investments as follows:

	2015	2014
Balance at beginning of year	208,560	96,839
Net gains from changes in fair value	225,383	132,710
Less: deferred income taxes	(80,882)	(19,907)
	144,501	112,803
Net losses on disposal transferred to income	(88)	(1,274)
Less: deferred income taxes	22	192
	(66)	(1,082)
Balance at end of year	352,995	208,560

24. Pension scheme

The company participates in a defined benefit pension scheme operated by its parent company, the Bank of Nova Scotia Jamaica Limited (The Bank). The Bank has established a defined benefit pension scheme where the assets of the pension scheme are held independently of the Bank's assets in a separate fund administered by Trustees.

The scheme established is valued by independent actuaries annually, using the Projected Unit Credit Method.

The company contributes at a fixed rate of 2% of pensionable earnings. Any funding deficiencies of the plan are absorbed by the Bank. Accordingly, the company is not entitled to any surplus that may arise.

Benefits to members are based on the final pensionable salary (the average of the best of three consecutive years remuneration, with no salary cap), as follows:

(a) Per year of contributory service – 1¾% of the final pensionable salary
(b) Per year of non contributory service
- 1½% of final pensionable salary for employees who started to contribute on November 1, 1971 and
- 1¼% of final pensionable salary for employees who started to contribute after November 1, 1971.

(c) Maximum pension is the lesser of 70% of the average of final pensionable salary and ⅔ of salary at retirement.

The employees contribute at 3% of salary up to $250 per annum, plus 6% of salary thereafter.

The company's contribution for the year totalled $Nil (2014: $54).

25. Insurance and financial risk management

The company's activities expose it to a variety of insurance and financial risks. These activities involve the analysis, evaluation and management of some degree of risk or combination of risks. Taking these risks is core to the financial business, and the operational risks are an inevitable consequence of being in business. The company's aim is therefore to achieve an appropriate balance between risk and return and minimise potential adverse effects on the company's financial performance.

The company manages risk through a framework of risk principles, organisational structures and risk measurement and monitoring processes that are closely aligned with the activities of the company's business units. The company's risk management policies are designed to identify and analyse these risks, to set appropriate risk limits and controls, and to monitor the risks and adherence to limits by means of reliable and up-to date information systems. The company regularly reviews its risk management policies and systems to reflect changes in markets, products and emerging best practice.

The Board of Directors is ultimately responsible for the establishment and oversight of the company's risk management framework. The Board has established committees for managing and monitoring risks, as follows:

Investment Committee

The Investment committee recommends to the Board for its approval a written Investment Policy. The committee reviews investment activities quarterly, and ensures that the existing policies comprehensively deal with the management and diversification of the company's investment portfolio and that appropriate limits are being adhered to.

The Investment committee has the responsibility of ensuring that risks are managed within the limits established by the Board of Directors and outlined in the Investment policy. The investment advisory committee meets at least once monthly to review risks, monitor compliance in respect of investment activities, evaluate performance and provide strategic direction.

Audit Committee

The Audit Committee oversees how management monitors compliance with the company's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the company. Internal Audit assists the Audit Committee in its oversight role, by performing independent reviews of the risk management and control environment.

The most important types of risk are insurance risk, reinsurance risk, market risk, liquidity risk, credit risk, and other capital risk management. Market risk includes cash flow and fair value interest rate risk, currency risk and other price risk.

25. Insurance and financial risk management (continued)

(a) Insurance risk

The company issues long term contracts that transfer insurance risk or financial risk or both. The risk under any one insurance contract is the possibility that the insured event occurs and the uncertainty of the amount of the resulting claim. By the very nature of an insurance contract, this risk is random and therefore unpredictable.

For a portfolio of insurance contracts where the theory of probability is applied to pricing and provisioning, the principal risk that the company faces under its insurance contracts is that the actual claims and benefit payments exceed the carrying amount of the insurance liabilities. This could occur if the frequency or severity of claims and benefits is greater than estimated. Insurance events are random and the actual number and amount of claims and benefits will vary from year to year from the estimate established using statistical techniques.

Experience shows that the larger the portfolio of similar insurance contracts, the smaller the relative variability about the expected outcome will be. In addition, a more diversified portfolio is less likely to be affected across the board by a change in any subset of the portfolio.

Long term insurance contracts

Long-term contracts are typically for a minimum period of 5 years and a maximum period which is determined by the remaining life of the insured. In addition to the estimated benefits which may be payable under the contract, the insurer has to assess the cash flows which may be attributable to the contract.

The company has developed its insurance underwriting strategy and reinsurance arrangements to diversify the type of insurance risks accepted and within each of these categories to achieve a sufficiently large population of risks to reduce the variability of the expected outcome. The company's underwriting strategy includes the use of a medical questionnaire with benefits limited to reflect the health condition of applicants.

(i) Frequency and severity of claims

For contracts where death is the insured risk the most significant factors that could increase the overall frequency and severity of claims are epidemics (such as AIDS) and wide-ranging lifestyle changes such as in eating, smoking and exercise habits resulting in earlier or more claims than expected.

The company charges for mortality risks on a monthly basis for all insurance contracts and has the right to alter these charges to a certain extent based on mortality experience and hence minimize its exposure to mortality risk. Delays in implementing increases in charges and market or regulatory restraints over the extent of the increases may reduce its mitigating effect.

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25. Insurance and financial risk management (continued)

(a) Insurance risk (continued)

(i) Frequency and severity of claims (cont'd)

The tables below indicate the concentration of insured benefits across bands of insured benefits per individual life assured. The amounts at risk are fully retained.

	Total benefits assured			
	2015		2014	
	Before Reinsurance	%	Before Reinsurance	%
Individual life benefits assured per life:				
0 to 250,000	5,795,095	11	6,451,454	13
250,001 to 500,000	2,432,883	5	2,589,784	5
500,001 to 750,000	3,362,631	6	3,791,568	7
750,001 to 1,000,000	3,400,209	6	3,650,902	7
1,000,001 to 1,500,000	12,182,776	23	10,017,089	20
1,500,001 to 2,000,000	3,625,207	7	6,145,400	12
Over 2,000,000	21,775,798	42	18,208,221	36
	52,574,599	100	50,854,418	100

The tables below indicate the concentration of insured benefits across bands of group life insured benefits. The benefit insured figures are shown gross as reinsurance has not been considered due to immateriality.

	Total benefits assured			
	2015		2014	
	Before Reinsurance	%	Before Reinsurance	%
Group life benefits assured per life:				
0 to 250,000	11,328,932	14	9,589,341	13
250,001 to 500,000	5,143,704	6	5,568,195	8
500,001 to 750,000	6,005,970	8	6,400,682	9
750,001 to 1,000,000	4,943,798	6	5,284,835	7
1,000,001 to 1,500,000	16,845,087	21	14,681,529	20
1,500,001 to 2,000,000	11,069,533	14	9,141,836	12
Over 2,000,000	25,360,116	31	22,551,005	31
	80,697,140	100	73,217,423	100

Insurance risk for contracts disclosed in this note is also affected by the policyholders' right to pay reduced or no future premiums or to terminate the contract completely. As a result, the amount of insurance risk is also subject to the policyholders' behaviour. The company has factored the impact of policyholders' behaviour into the assumptions used to measure these liabilities.

25. Insurance and financial risk management (continued)

(a) Insurance risk (continued)

(ii) Sources of uncertainty in the estimation of future benefit payments and premiums

Uncertainty in the estimation of future benefit payments and premium receipts for long term insurance contracts arises from the unpredictability of long-term changes in overall levels of mortality and the variability in policyholder behaviour.

Estimates are made as to the expected number of deaths for each of the years in which the company is exposed to risk. The company bases these estimates on standard industry and international mortality tables that reflect recent historical mortality experience, adjusted where appropriate to reflect the company's own experience.

(iii) Process used in deriving assumptions

The assumptions for long term insurance contracts and the process used in deriving these assumptions have remained substantially unchanged since the previous year.

For long-term contracts with fixed and guaranteed terms, estimates are made in two stages. Estimates of future deaths, voluntary terminations and partial withdrawal of policy funds, investment returns, crediting rates, inflation and administration expenses are made and form the assumptions used for calculating the liabilities at the inception of the contract. A margin for risk and uncertainty is added to these assumptions.

New estimates are made each subsequent year based on updated company experience studies and economic forecasts. The valuation assumptions are altered to reflect these revised best estimates. The margins for risk and uncertainty may also be altered if the underlying level of uncertainty in the updated assumptions have changed. The financial impact of revisions to the valuation assumptions or the related margins is recognised in the accounting period in which the change is made.

See note 19(d) for detailed policy assumptions.

(b) Reinsurance risk

Reinsurance risk is the risk that a reinsurer will default and not honour obligations arising from claims. To limit its exposure of potential loss on an insurance policy, the company cedes certain levels of risk to a reinsurer. Reinsurance ceded does not discharge the company's liability as primary issuer. The company also limits the probable loss in the event of a single catastrophic occurrence by reinsuring this type of risk with reinsurers.

25. Insurance and financial risk management (continued)

(b) Reinsurance risk (continued)

The company manages reinsurance risk by selecting reinsurers which have established capability to meet their contractual obligations and which generally have favourable credit ratings as determined by a reputable rating agency.

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 retention programs used by the company are summarized below:

Type of insurance contract	Retention
Individual, group & creditor life catastrophe	Maximum retention of $420 for a single event; Treaty limits apply;
Group creditor life contracts	Maximum retention of $15,000 per insured;

(c) Market risk

Market risk is the risk that the value of the financial instrument will fluctuate as a result of changes in market prices whether those changes are caused by factors specific to the individual security, its issuer or factors affecting all securities traded in the market. The company manages its risk through the establishment of appropriate limits and close monitoring of the financial markets to identify any trends which would impact the value of its portfolio.

There has been no change to the company's exposure to market risks or the manner in which it manages and measures the risk.

(i) Cash flow and fair value interest rate risk

Cash flow interest rate risk is the risk that the 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 value of a financial instrument will fluctuate because of changes in market interest rates.

The company takes on exposure to the effects of fluctuations in market interest rates on its financial position and cash flows. Interest rate risk is managed as part of the risk management practices of the Group of which it forms a part, on a monthly basis. The company's cash flow is monitored daily.

The cash flow and fair value interest rate risk is summarised in note 26(a).

25. Insurance and financial risk management (continued)

(c) Market risk (continued)

(ii) Currency risk

Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The company only issues insurance contracts in Jamaican dollars and the funds are used to purchase assets in the same currency. These portfolios are not exposed to currency risk.

(iii) Other price risk

Other price risk is the risk that the fair value or future cash flow of a financial instrument will fluctuate because of changes in market price (other than those arising from interest rate risk or currency risk) whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

The company is not exposed to other price risk.

(d) Liquidity risk

Liquidity risk is the risk that company is unable to meet its payment obligations associated with its financial liabilities when they fall due and to replace funds when they are withdrawn. The consequence may be the failure to meet obligations to repay policyholders.

The company is exposed to daily calls on its cash resources from its policyholders. The company does not necessarily maintain cash resources to meet all these needs as experience shows that a minimum level on reinvestment of maturing funds can be predicted with a high level of certainty.

The Board of Directors approves the company's liquidity and funding management policies and establishes limits to control the risk. The company assesses the adequacy of its' liquidity position by analysing its' current liquidity position, present and anticipated funding requirements, and alternative sources of funds. This process includes:

- Projecting day-to-day cash flows;
- Managing the concentration and profile of debt maturities;
- Maintaining a portfolio of highly marketable assets that can easily be liquidated as protection against any unforeseen interruption to cash flow;
- Monitoring statement of financial position liquidity ratios against internal and regulatory requirements; and
- Maintenance of liquidity and funding contingency plans.

25. Insurance and financial risk management (continued)

(d) Liquidity risk (continued)

The matching and controlled mismatching of the maturities and interest rates of assets and liabilities is fundamental to the management of the company. It is unusual for companies to be completely matched, as transacted business is often of uncertain term and of different types. An unmatched position potentially enhances profitability, but can also increase the risk of loss.

The maturities of assets and liabilities and the ability to replace, at an acceptable cost, interest-bearing liabilities as they mature, are important factors in assessing the liquidity of the company and its exposure to changes in interest rates.

Assets available to meet all of the liabilities include cash balances and government securities. The company would also be able to meet unexpected net cash outflows by selling securities and accessing additional funding sources.

The liquidity risk is summarised in note 26(b).

(e) Credit risk

Credit risk is the risk that one or both parties to a financial instrument will fail to discharge an obligation resulting in loss to one or both parties.

The company manages the level of credit risk it undertakes by placing limits on the amount of risk accepted in relation to any one borrower, or groups of borrowers. Such risks are monitored on a revolving basis and subject to an annual or more frequent review. Limits on the level of credit risk by issuer are approved annually by the Board of Directors.

Other than exposure on Government of Jamaica securities and concentration of Government of Jamaica securities, there is no significant concentration of liquid funds. For securities purchased under resale agreements, titles to securities are transferred to the company for the duration of the agreement.

The credit risk is summarised in note 26(c).

(f) Capital risk management

Capital risk is the risk that the company fails to comply with mandated regulatory requirements, resulting in a breach of its minimum capital ratios and the possible suspension or loss of its insurance licence.

Regulators are primarily interested in protecting the rights of the policyholders and monitor the company closely to ensure that it is satisfactorily managing affairs for the benefit of the policyholders. At the same time, the regulators are also interested in ensuring that the company maintains an appropriate solvency position to meet unforeseen liabilities arising from economic shocks or natural disasters. See note 27(b) for details of the Dynamic Capital Adequacy Testing.

(expressed in thousands of Jamaica dollars unless otherwise stated)

25. Insurance and financial risk management (continued)

(f) Capital risk management (continued)

The operations of the company are subject to regulatory requirements. Such regulations not only prescribe approval and monitoring of activities, but also impose certain restrictive provisions to minimize the risk of default and insolvency to meet unforeseen liabilities as these arise.

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

- to comply with the capital requirements set by the regulators
- to safeguard the company's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- to maintain a strong capital base to support the development of its business.

The principal capital resource of the company is its shareholders' equity.

Capital adequacy is calculated by the Appointed Actuary and reviewed by executive management, the audit committee and the board of directors. In addition, the company seeks to maintain internal capital adequacy levels higher than the regulatory requirements. To assist in evaluating the current business and strategic opportunities, a risk-based approach is one of the core measures of financial performance. The risk-based assessment measure which has been adopted is the Minimum Continuing Capital and Surplus Requirement (MCCSR) standard as defined by the Financial Services Commission and dictated by the Insurance Regulations 2001. Under Jamaican regulations, the minimum standard recommended for companies is an MCCSR of 150% in 2010 and later. The MCCSR for the company as of December 31, 2015 and 2014 is set out below:

	2015	2014
Regulatory capital held	9,563,575	8,269,117
Minimum regulatory capital	1,407,042	1,311,137
MCCSR Ratio	680.00%	630.68%

26. Financial instruments

(a) Cash flow and fair value interest rate risk

The company is exposed to various risks associated with the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows.

The following tables summarise carrying amounts of statement of financial position assets, liabilities and equity in order to arrive at the company's interest rate gap based on earlier of contractual repricing and maturity dates.

SCOTIA JAMAICA LIFE INSURANCE COMPANY LIMITED

Notes to the Financial Statements
December 31, 2015
(expressed in thousands of Jamaican dollars unless otherwise stated)

26. Financial instruments (continued)

(a) Cash flow and fair value interest rate risk (continued):

	2015						
	Immediately rate sensitive	Within 3 months	3 to 12 months	1 to 5 years	Over 5 years	Non-rate sensitive	Total
Cash resources	389,550	2,380,065	-	-	-	9,641	2,779,256
Investment securities:							
Available for sale	-	25,710,314	726,822	8,281,072	4,905,125	1,180,883	40,804,216
Held to maturity	-	4,896,900	-	4,232,500	-	168,937	9,298,337
Financial assets at fair value through profit or loss	-	-	-	218,560	-	-	218,560
Government Securities purchased under resale agreements	-	800,000	-	-	-	3,560	803,560
Loans and receivables	1,352,661	-	-	-	-	46,044	1,398,705
Intangible assets	-	-	-	-	-	51,423	51,423
Property, plant and equipment	-	-	-	-	-	18,248	18,248
Other assets	-	-	-	-	-	494	494
Taxation recoverable (Withholding Taxes)	-	-	-	-	-	1,274,964	1,274,964
Total assets	1,742,211	33,787,279	726,822	12,732,132	4,905,125	2,754,194	56,647,763
Policyholders' liabilities	33,524,544	4,083,993	10,774,687	-	-	(5,051,651)	43,331,573
Taxation payable (Income Taxes)	-	-	-	-	-	131,650	131,650
Taxation payable (Withholding Taxes)	-	-	-	-	-	-	-
Sundry liabilities	-	-	-	-	-	141,019	141,019
Deferred tax liabilities	-	-	-	-	-	296,825	296,825
Shareholders' equity	-	-	-	-	-	12,746,696	12,746,696
Total liabilities and shareholders' equity	33,524,544	4,083,993	10,774,687	-	-	8,264,539	56,647,763
Total interest rate sensitivity gap	(31,782,333)	29,703,286	(10,047,865)	12,732,132	4,905,125	(5,510,345)	-
Cumulative gap	(31,782,333)	(2,079,047)	(12,126,912)	605,220	5,510,345	-	-

	2014						
	Immediately rate sensitive	Within 3 months	3 to 12 months	1 to 5 years	Over 5 years	Non-rate sensitive	Total
Total assets	1,198,941	30,546,878	650,000	15,759,490	4,365,132	2,169,334	54,689,775
Total liabilities and shareholders' equity	32,006,999	4,272,517	11,164,838	-	-	7,245,421	54,689,775
Total interest rate sensitivity gap	(30,808,058)	26,274,361	(10,514,838)	15,759,490	4,365,132	(5,076,087)	-
Cumulative gap	(30,808,058)	(4,533,697)	(15,048,535)	710,955	5,076,087	-	-

(expressed in thousands of Jamaican dollars unless otherwise stated)

26. Financial instruments (continued)

(a) Cash flow and fair value interest rate risk (continued):

The tables below summarise the average effective yields by the earlier of the contractual repricing or maturity dates.

	2015					
	Immediately rate sensitive	Within 3 months	3 to 12 months	1 to 5 years	Over 5 years	Weighted average
	%	%	%	%	%	%
Cash resources	1.02	5.54	-	-	-	4.90
Investment securities						
- Available for sale	-	6.48	7.36	8.03	11.22	7.42
- Held to maturity	-	7.09	-	7.50	-	7.28
Financial assets at fair value through profit or loss	-	-	-	7.25	-	7.25
Government securities purchased under resale agreements	-	6.23	-	-	-	6.23
Loans and receivables – Policy loans	7.50	-	-	-	-	7.50
Policyholders' liabilities	3.31	4.23	4.18	-	-	3.57

	2014					
	Immediately rate sensitive	Within 3 months	3 to 12 months	1 to 5 years	Over 5 years	Weighted average
	%	%	%	%	%	%
Cash resources	1.65	7.42	8.24	-	-	7.30
Investment securities						
- Available for sale	-	7.58	-	8.13	11.83	8.83
- Held to maturity	-	7.72	-	7.46	-	7.47
Financial assets at fair value through profit or loss	-	-	-	7.25	-	7.25
Government securities purchased under resale agreements	-	6.31	-	-	-	6.31
Loans and receivables – Policy loans	7.50	-	-	-	-	7.50
Policyholders' liabilities	3.56	4.33	4.23	-	-	3.65

(i) Sensitivity

Sensitivity to interest rate risk is considered by the company. The effects of changes in interest rates of assets backing actuarial liabilities are disclosed in note 27.

(expressed in thousands of Jamaican dollars unless otherwise stated)

26. Financial instruments (continued)

(a) Cash flow and fair value interest rate risk (continued):

(ii) Determination of fair value and fair values hierarchy

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Market price is used to determine fair value where an active market exists as it is the best evidence of the fair value of a financial instrument.

IFRS specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. These two types of inputs have created the following fair value hierarchy:

Level 1 – Quoted prices in active markets for identical assets or liabilities. This level includes listed equity securities and debt instruments on exchanges.

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. The source of the input parameter for the Jamaica Sovereign yield curve is Bloomberg.

Level 3 – Inputs for the asset or liability that are not based on observable market data (unobservable inputs). This level includes equity investments and debt instruments with significant unobservable components.

This hierarchy requires the use of observable market data when available. The company considers relevant and observable market prices in its valuations where possible.

	2015			
	Level 1	Level 2	Level 3	Total
Available for sale financial assets				
Debt Securities	-	40,171,730	-	40,171,730
Mutual Funds	-	632,486	-	632,486
	-	40,804,216	-	40,804,216
Fair value through profit or loss				
Debt securities	-	218,560	-	218,560

	2014			
	Level 1	Level 2	Level 3	Total
Available for sale financial assets				
Debt Securities	-	36,136,376	-	36,136,376
Mutual Funds	-	420,049	-	420,049
	-	36,556,425	-	36,556,425
Fair value through profit or loss				
Debt securities	-	368,120	-	368,120

26. Financial instruments (continued)

Valuation techniques and significant unobservable inputs:

The following table shows the valuation technique used in measuring fair value in the level 2 hierarchy, as well as the significant unobservable input used.

Type	Valuation technique	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
Government of Jamaica securities (Local and Overseas)	Obtain bid yield from yield curve provided by a recognized pricing source (which uses market-supplied indicative bids) Using this yield, determine price using accepted formula Apply price to estimate fair value.	Not applicable	Not applicable
Mutual Funds		Not applicable	Not applicable
Premium Growth Fund (PGF) Regular	PGF – Regular: The market unit value is determined by the investment house which the Company uses to compute the estimated fair value.		
Premium Growth Fund (PGF) AFFIRM Money Market Fund (MMF) AFFIRM Fixed Income Fund (FIF) AFFIRM	AFFIRM unit values: The net asset values (navs) are determined for each Fund on a daily basis. The navs are then divided by the number of existing units to ascertain the unit values which are then used to fair value the investments for each Fund.		

Financial assets not carried at fair value, and where carrying amounts approximate fair value, are not shown.

(b) Liquidity risk

The tables below present the undiscounted cash flows payable (both interest and principal cash flows) of the company's financial liabilities based on contractual repayment obligations. The company expects that many policyholders will not request repayment on the earliest date the company could be required to pay.

	2015		
	Within 3 months	3 to 12 months	Total
Financial Liabilities			
Policyholders' liabilities	39,887,894	9,106,722	48,994,616

(expressed in thousands of Jamaican dollars unless otherwise stated)

26. Financial instruments (continued)

(b) Liquidity risk (continued)

	2014		
	Within 3 months	3 to 12 months	Total
Financial Liabilities			
Policyholders' liabilities	35,800,085	12,462,393	48,262,478

(c) Credit risk

Credit risk exposures relating to the statement of financial position assets are as follows:

Maximum exposure to credit risk

The maximum credit exposure, that is, the amount of loss that would be suffered if every counterparty to the company's financial assets were to default at once, is represented by the carrying amount of financial assets shown on the statement of financial position, without taking account of any collateral held or other credit enhancements.

The table below presents an analysis of debt securities by rating agency designation as at 31 December 2015 and 2014 based on Standard and Poor's ratings or their equivalent:

	2015	2014
BB to BB-	50,349,039	49,233,464
Unrated	1,729,294	1,724,665
	52,078,333	50,958,129
Classified as follows:		
Certificate of deposits with the Bank of Jamaica	2,389,706	5,153,451
Financial assets at fair value through profit or loss	218,560	368,120
Investment securities:		
Available for sale	40,171,730	36,136,376
Held to maturity	9,298,337	9,300,182
	52,078,333	50,958,129

The company issues policy loans to ScotiaMint policyholders. These loans are fully secured by the outstanding ScotiaMint fund values and as such no credit risk arises.

27. Sensitivity analysis of actuarial liabilities and capital adequacy

(a) Sensitivity arising from the valuation of life insurance contracts

The determination of actuarial liabilities is sensitive to a number of assumptions, and changes in these assumptions could have a significant effect on the valuation results.

In summary, the valuation of actuarial liabilities of life insurance contracts is sensitive to:

- the economic scenario used in the Policy Premium Method (PPM)
- the investments allocated to back the liabilities
- the underlying assumptions used, and
- the margins for adverse deviations.

SCOTIA JAMAICA LIFE INSURANCE COMPANY LIMITED

Notes to the Financial Statements
December 31, 2015
(expressed in thousands of Jamaican dollars unless otherwise stated)

27. Sensitivity analysis of actuarial liabilities and capital adequacy (continued)

(a) Sensitivity arising from the valuation of life insurance contracts (continued)

Under the PPM methodology, the appointed actuary is required to test the actuarial liability under several economic scenarios. The tests have been done and the results of the valuation provide adequately for liabilities derived from the worst of these different scenarios.

The assumption for future investment yields has a significant impact on actuarial liabilities. The different scenarios tested under the PPM methodology reflect the impact of different yields.

The other assumptions which are most sensitive in determining the actuarial liabilities of the company, are in descending order of impact:

- operating expenses and taxes
- lapses and withdrawals
- mortality and morbidity

The following shows the sensitivity of the liabilities to a change in assumptions:

	Change in assumptions	2015	2014
Interest rates	–1%	60,650	136,912
	+1%	(15,804)	(77,139)
Mortality	+10%	420,538	364,304
	–10%	(434,990)	(375,979)
Expenses	+10%	349,251	315,065
	–10%	(345,216)	(310,857)
Lapses and withdrawals	+10%	276,041	217,667
	–10%	(299,906)	(237,969)

(b) Dynamic Capital Adequacy Testing (DCAT)

DCAT is a technique used by the company to assess the adequacy of its financial position and financial condition in the light of different future economic and policy experience scenarios. DCAT assesses the impact of the company's financial position and condition over the next 5 years under specific scenarios as required by the Insurance Regulations.

The financial position of the company is reflected by the amount of assets, liabilities and shareholders' equity on the statement of financial position at a given date.

The financial condition of the company at a given date is its prospective ability to meet its future obligations, especially obligations to policyholders, those to whom it owes benefits and to its shareholders.

27. Sensitivity analysis of actuarial liabilities and capital adequacy (continued)

(b) Dynamic Capital Adequacy Testing (DCAT) (continued)

The purpose of the DCAT is:

- to develop an understanding of the sensitivity of the total equity of the company and future financial condition to changes in various experience factors and management policies
- to alert management to material, plausible and imminent threats to the company's solvency
- and to describe possible courses of action to address these threats.

A full DCAT report was completed for March 2015, based on the financial position of the company at December 31, 2014. The results were as follows:

(i) Mortality and morbidity risks

To test this scenario, existing mortality and morbidity rates were increased by 3% per annum for five years starting in 2015. The accumulated deterioration would be 15% by the end of the five-year DCAT period. The results for this scenario show relative insensitivity to the change in assumptions.

(ii) Low lapse rates

The business was tested by applying a factor of 50% to existing lapse and surrender rates. Overall, this scenario produces a higher surplus and a lower MCCSR ratio over the 5-year period.

(iii) Higher lapse rates

The business was tested by doubling existing lapses, surrenders and partial withdrawal rates. Under this scenario, the surplus decreases while the MCCSR increases.

(iv) Expense risks

Higher unit maintenance expenses were tested by setting the annual inflation at 5% greater than current expenses, starting in 2015, for five years. Overall, this scenario produces a lower MCCSR ratio over the 5-year period.

(v) Low interest rate

An assumed decrease in the portfolio rate of 5% over a 5 year period was tested in this scenario. It is assumed that inflation ultimately decreases by 5.00%. Overall, this scenario produces a relatively unchanged MCCSR over the five year period.

(expressed in thousands of Jamaican dollars unless otherwise stated)

27. Sensitivity analysis of actuarial liabilities and capital adequacy (continued)

(b) Dynamic Capital Adequacy Testing (DCAT) (continued)

(vi) High interest rate

This scenario assumed an increase of 5% over a 5 year period in the portfolio rate. It also assumed that inflation increases by the same amount. Overall, this scenario produces a lower MCCSR.

(vii) High sales growth

New business was projected to be 20% higher than existing sales over five years. The increased sales result in increased surplus but the MCCSR ratio falls.

(viii) Low sales

This scenario assumed sales were 20% less every year starting in 2015. Fees are also lower than under the base scenario. Overall this scenario produces a reduced surplus but the MCCSR improves.

The DCAT conducted has not tested any correlation that may exist between assumptions. The following table represents the estimated sensitivity of each of the above scenarios for the next five years to net actuarial liabilities at the end of the projection period, which is 5 years after the relevant financial year end.

	2015		2014	
	Surplus	MCCSR	Surplus	MCCSR
Base	15,471,745	902%	14,506,315	732%
Variable				
Mortality risks	15,053,254	892%	13,843,423	729%
Low lapse rates	16,771,483	793%	15,801,831	653%
Higher lapse rates	13,657,621	1,493%	12,352,653	1052%
Expense risks	14,867,526	889%	13,429,559	705%
Low interest rate	15,746,911	906%	13,274,539	744%
High Interest rate	14,663,263	781%	13,988,367	660%
High sales growth	15,908,048	860%	14,911,935	690%
Low sales	14,360,101	915%	13,315,523	754%

28. Fair value of financial instruments

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Market price is used to determine fair value where an active market exists as it is the best evidence of the fair value of a financial instrument. However, market prices are not available for a significant number of the financial assets held and liabilities issued by the company. Therefore, for financial instruments where no market price is available, the fair values presented have been estimated using present value or other estimation and valuation techniques based on market conditions existing at the reporting date.

28. Fair value of financial instruments (continued)

The values derived from applying these techniques are significantly affected by the underlying assumptions used concerning both the amounts and timing of future cash flows and the discount rates.

The following methods and assumptions have been used:

- financial investments classified as available for sale are measured at fair value by reference to quoted market prices when available. If quoted market prices are not available, then fair values are estimated on the basis of pricing models or other recognised valuation techniques;
- the fair value of liquid assets and other assets maturing within one year is assumed to approximate their carrying amount. This assumption is applied to liquid assets and the short-term elements of all other financial assets and financial liabilities;
- the fair value of variable rate financial instruments is assumed to approximate their carrying amounts which is the cost plus accrued interest; and
- the fair value and the carrying value of the policyholders' fund are assumed to be the same based on annual actuarial valuation.

The following table summarises the carrying amount and fair value of financial assets not presented on the company's statement of financial position at their fair value.

	2015		2014	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Financial assets				
Investment securities:				
- Held to maturity	9,298,337	9,311,284	9,300,182	9,132,762

29. Related party transactions and balances

A number of transactions are entered into with related parties including companies connected by virtue of common directorship in the normal course of business.

SCOTIA JAMAICA LIFE INSURANCE COMPANY LIMITED

Notes to the Financial Statements
December 31, 2015
(expressed in thousands of Jamaican dollars unless otherwise stated)

29. Related party transactions and balances (continued)

The volumes of related party transactions, outstanding balances at the period end, and related expenses and income for the year are as follows:

	Ultimate parent	Parent company	Fellow subsidiaries	Directors and key management personnel	Total 2015	Total 2014
Insurance products	-	-	-	33,483	33,483	37,017
Mortgage back repurchase agreement	-	-	995,730	-	995,730	987,081
Securities purchased under resale agreements	-	100,000	700,000	-	800,000	1,130,000
Interest earned on resale agreements	-	(52,131)	(10,911)	-	(63,042)	(79,387)
Interest earned on mortgage backed repurchase agreement	-	-	(72,945)	-	(72,945)	(70,000)
Due from banks and other financial institutions	-	389,550	632,486	-	1,022,036	495,080
Interest earned from banks and other financial institutions	-	(4,868)	-	-	(4,868)	(5,334)
Management fees received	-	-	(135,875)	-	(135,875)	(107,647)
Management fees paid	86,097	52,400	-	-	138,497	151,306
Other operating expenses	-	15,791	-	-	15,791	10,972
Commission on securities	-	-	-	-	-	(985)
Loss on disposal of investment	-	683	-	-	683	1,274

Key management compensation

	2015	2014
Salaries and other short term benefits	77,013	67,360
Post-employment benefits and allowances	8,230	5,794

30. Fiduciary activities

The company provides administrative services to an approved retirement scheme. This involves the company making purchase decisions in relation to investments. These assets, which are held in a fiduciary capacity, are not included in these financial statements. At the reporting date, there were assets under management amounting to approximately $5,524,184 (2014: $4,118,730).

31. Dividends

	2015	2014
First interim dividend	534,549	356,543
Second interim dividend	221,281	387,168
Third interim dividend	220,412	303,676
Fourth interim dividend	232,382	291,724
	1,208,624	1,339,111

(expressed in thousands of Jamaican dollars unless otherwise stated)

32. Restatement and reclassification of comparative financial information

Adoption of IFRIC 21, Levies

In the prior year, the company adopted IFRIC 21 *Levies*. The adoption of this accounting policy was applied retrospectively. The effects of the changes are treated as prior year adjustments as detailed below.

(i) Effects on the statement of financial position:

2013:

	Sundry liabilities	Unappropriated profits
Balances at December 31, 2013, as previously reported	257,592	8,730,844
Impact of adopting IFRIC 21	(68,411)	68,411
Balances at December 31, 2013, as restated	189,181	8,799,255

Financial Statements of

SCOTIALIFE TRINIDAD AND TOBAGO LIMITED

October 31, 2018

SCOTIALIFE TRINIDAD AND TOBAGO LIMITED

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October 31, 2018

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Statement of Management's Responsibilities
ScotiaLife Trinidad And Tobago Limited

Management is responsible for the following:

- Preparing and fairly presenting the accompanying financial statements of ScotiaLife Trinidad and Tobago Limited (the Company), which comprise the statement of financial position as at October 31, 2018, the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information;

- Ensuring that ScotiaLife Trinidad and Tobago Limited keeps proper accounting records;

- Selecting appropriate accounting policies and applying them in a consistent manner;

- Implementing, monitoring and evaluating the system of internal control that assures security of ScotiaLife Trinidad and Tobago's assets, detection/prevention of fraud, and the achievement of ScotiaLife Trinidad and Tobago's operational efficiencies;

- Ensuring that the system of internal control operated effectively during the reporting period;

- Producing reliable financial reporting that complies with laws and regulations, including the Insurance Act; and

- Using reasonable and prudent judgement in the determination of estimates.

In preparing these financial statements, management utilised the International Financial Reporting Standards, as issued by the International Accounting Standards Board and adopted by the Institute of Chartered Accountants of Trinidad and Tobago. Where International Financial Reporting Standards presented alternative accounting treatments, management chose those considered most appropriate in the circumstances.

Nothing has come to the attention of management to indicate that ScotiaLife Trinidad and Tobago will not remain a going concern for the next twelve months from the reporting date, or up to the date the accompanying financial statements have been authorised for issue, if later.

Management affirms that it has carried out its responsibilities as outlined above.

Robert Soverall	Tricia De La Rosa
Managing Director	Chief Financial Officer, Caribbean South
Date: November 27, 2018	Date: November 27, 2018

KPMG
Chartered Accountants
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Independent Auditors' Report to the Shareholder of
ScotiaLife Trinidad and Tobago Limited

Opinion

We have audited the financial statements of ScotiaLife Trinidad and Tobago Limited ("the Company"), which comprise the statement of financial position as at October 31, 2018, the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at October 31, 2018, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

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 Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in the Republic of Trinidad and Tobago, and we have fulfilled our other ethical responsibilities in accordance with these requirements and with the IESBA Code.

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

Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

Responsibilities of Management and Those Charged with Governance for the Financial Statements (continued)

In preparing the financial statements, management is responsible for assessing the Company'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 Company or to cease operations, or has no realistic alternative but to do so.

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

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 financial statements.

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

- Identify and assess the risks of material misstatement of the 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 Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

Auditors' Responsibilities for the Audit of the Financial Statements (continued)

- 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 Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the 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 auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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.

KPMG

Chartered Accountants
Port of Spain
Trinidad and Tobago
November 27, 2018

SCOTIALIFE TRINIDAD AND TOBAGO LIMITED

Statement of Financial Position

October 31, 2018

	Notes	2018	2017
		$	$
ASSETS			
Investment securities	3	1,012,135,445	953,470,749
Loans	4	991,966,984	859,187,498
Reinsurance asset	14	15,087,352	13,853,811
Other assets		95,262,020	9,467,363
Cash in hand and at bank		105,432,645	165,999,048
Total assets		2,219,884,446	2,001,978,469
LIABILITIES AND EQUITY			
Liabilities			
Provision for future policy benefits	5	1,396,161,659	1,317,100,032
Other policyholders' liabilities	6	16,566,913	15,522,658
Deferred tax	10	26,811,242	20,762,840
Accrued charges and other payables		19,805,180	8,276,745
Provision for taxation		2,933,784	2,015,589
		1,462,278,778	1,363,677,864
Equity			
Stated capital	7	60,000,000	60,000,000
Investment revaluation reserve		5,800,240	1,615,559
Retained earnings		691,805,428	576,685,046
		757,605,668	638,300,605
Total liabilities and equity		2,219,884,446	2,001,978,469

The notes on pages 9 to 45 are an integral part of these financial statements.

These financial statements were approved for issue by the Board of Directors on November 27, 2018 and signed on its behalf:

Steve Ragobar
Director

Savon Persad
Director

SCOTIALIFE TRINIDAD AND TOBAGO LIMITED

Statement of Profit or Loss and Other Comprehensive Income

For the year ended October 31, 2018

	Notes	2018	2017
		$	$
INCOME			
Gross premium income		445,338,974	463,439,709
Premium ceded to reinsurer		(54,093,534)	(52,645,942)
Net premium income		391,245,440	410,793,767
Investment income	8	99,324,372	84,015,699
Other income		1,914,084	1,632,335
Total income		492,483,896	496,441,801
POLICYHOLDERS' EXPENSES			
Provision for future policy benefits	5	79,061,627	103,687,903
Policyholders' benefits		239,171,564	230,478,439
Total policyholders' expenses		318,233,191	334,166,342
ADMINISTRATIVE EXPENSES			
Salaries and personnel costs		15,303,378	14,778,996
Premises and technology		5,898,277	6,532,464
Communications and marketing		623,033	998,698
Management expenses		11,699,626	10,417,994
Professional fees		2,445,217	3,059,570
Loan loss expense	4.4	(402,663)	355,122
Other		4,370,973	2,534,071
Total administrative expenses		39,937,841	38,676,915
INCOME BEFORE TAXATION		134,312,864	123,598,544
Income tax expense	9	(19,192,482)	(28,305,375)
NET INCOME FOR THE YEAR, ATTRIBUTABLE TO EQUITY HOLDER		115,120,382	95,293,169
OTHER COMPREHENSIVE INCOME			
Items that are or may be reclassified to profit or loss			
Revaluation of available-for-sale investments, net of tax		4,184,681	5,092,586
TOTAL COMPREHENSIVE INCOME, ATTRIBUTABLE TO EQUITY HOLDER		119,305,063	100,385,755

The notes on pages 9 to 45 are an integral part of these financial statements.

SCOTIALIFE TRINIDAD AND TOBAGO LIMITED

Statement of Changes in Equity

For the year ended October 31, 2018

	Stated Capital	Investment Revaluation Reserve	Retained Earnings	Total Equity
	$	$	$	$
Balance as at October 31, 2016	60,000,000	(3,477,027)	481,391,877	537,914,850
Net income for the year	-	-	95,293,169	95,293,169
Other comprehensive income, net of tax				
Revaluation of available-for-sale investments	-	5,092,586	-	5,092,586
	-	5,092,586	95,293,169	100,385,755
Balance as at October 31, 2017	60,000,000	1,615,559	576,685,046	638,300,605
Net income for the year	-	-	115,120,382	115,120,382
Other comprehensive income, net of tax				
Revaluation of available-for-sale investments	-	4,184,681	-	4,184,681
	-	4,184,681	115,120,382	119,305,063
Balance as at October 31, 2018	60,000,000	5,800,240	691,805,428	757,605,668

The notes on pages 9 to 45 are an integral part of these financial statements.

SCOTIALIFE TRINIDAD AND TOBAGO LIMITED

Statement of Cash Flows

For the year ended October 31, 2018

	2018	2017
	$	$
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before taxation	134,312,864	123,598,542
Adjustments to reconcile income before taxation to net cash from operating activities:		
Provision for loan loss	(402,663)	355,122
Investment income	(97,042,783)	(83,955,390)
Unrealised investment gain	(2,281,588)	(60,309)
Foreign exchange gain	(11,311)	(47,149)
Changes in:		
- Other assets	(1,352,363)	1,535,307
- Reinsurance assets	(1,233,541)	856,181
- Accrued charges and other payables	11,528,435	(2,210,363)
- Provision for future policy benefits	79,061,627	103,687,903
- Policyholders' liabilities	1,044,255	1,777,306
Taxation paid	(13,056,829)	(79,131,926)
Net cash from operating activities	110,566,103	66,405,224
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(845,418,284)	(690,746,990)
Repayment of investments	595,893,186	643,741,420
Interest received	77,280,673	82,994,821
Dividends received	1,111,919	1,039,002
Net cash (used in) from investing activities	(171,132,506)	37,028,253
Net (decrease) increase in cash and cash equivalents	(60,566,403)	103,433,477
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	165,999,048	62,565,571
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	105,432,645	165,999,048
Cash and cash equivalents represented by:		
Cash in hand and at bank	105,432,645	165,999,048

The notes on pages 9 to 45 are an integral part of these financial statements.

1. Incorporation and Business Activities

ScotiaLife Trinidad and Tobago Limited (ScotiaLife) was incorporated and domiciled in the Republic of Trinidad and Tobago on May 23, 2000 and was registered to conduct ordinary long-term insurance business under the Insurance Act, 1980 on December 3, 2001. ScotiaLife commenced insurance operations in April 2004. It is a wholly owned subsidiary of Scotiabank Trinidad and Tobago Limited (Scotiabank), which is also incorporated and domiciled in the Republic of Trinidad and Tobago. Its ultimate holding company is the Bank of Nova Scotia, which is incorporated and domiciled in Canada. ScotiaLife's registered office is located at 56-58 Richmond Street, Port of Spain.

2. Significant Accounting Policies

The significant accounting policies adopted in the preparation of these financial statements have been applied consistently to all periods presented in the financial statements and are set out below:

(a) Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and are presented in Trinidad and Tobago dollars, which is the functional currency, rounded to the nearest dollar.

The financial statements are prepared on the historical cost basis modified for the inclusion of investments at fair value through profit or loss, available-for-sale investments at fair value and policyholders' funds calculated using the policy premium method of valuation.

(b) Insurance – recognition and measurement

Insurance contracts

These contracts insure human life events (for example, death or permanent disability) over a long duration. The accounting treatment differs according to whether the contract bears investment options or not. Under contracts that do not bear investment options, premiums are recognised as income when they become payable by the contract holder and benefits are recorded as an expense when they are incurred.

2. Significant Accounting Policies (continued)

(b) Insurance – recognition and measurement (continued)

Insurance contracts (continued)

Under contracts that bear an investment option, insurance premiums received are initially recognised directly as liabilities. These liabilities are increased by credited interest and are decreased by policy administration fees, mortality and surrender charges and any withdrawals; the resulting liability is included in the Provision for Future Policy Benefits and Other Policyholders' Liabilities which are disclosed in Notes 5 and 6. Income consists of fees deducted for mortality, policy administration, and surrenders.

Insurance contract liabilities are determined by an independent actuary using the Policy Premium Method of valuation as discussed in accounting policy 2(f). These liabilities are, on valuation, adjusted through profit or loss to reflect the valuation determined under the Policy Premium Method.

Reinsurance contracts held

Contracts entered into by ScotiaLife with reinsurers under which ScotiaLife is compensated for losses on one or more contracts issued by ScotiaLife and that meet the classification requirements for insurance contracts are classified as reinsurance contracts held. Contracts that do not meet these classification requirements are classified as financial assets.

The benefits to which ScotiaLife is entitled under its reinsurance contracts held are recognised as reinsurance assets. These assets consist of balances due from reinsurers. Amounts recoverable from or due to reinsurers are measured consistently with the amounts associated with the reinsured insurance contracts and in accordance with the terms of each reinsurance contract. Reinsurance liabilities are primarily premiums payable for reinsurance contracts and are recognised as an expense when due.

ScotiaLife assesses its reinsurance assets for impairment on an annual basis. If there is objective evidence that the reinsurance asset is impaired, ScotiaLife reduces the carrying amount of the reinsurance asset to its recoverable amount and recognises that impairment loss in profit or loss. ScotiaLife gathers the objective evidence that a reinsurance asset is impaired using the same process adopted for financial assets held at amortised cost. The impairment loss is calculated following the same method used for financial assets. These processes are described in accounting policy 2(j).

2. Significant Accounting Policies (continued)

(c) Loans

All loans are backed by real estate and are stated net of any unearned income and of any specific provisions established to recognise anticipated losses. Individual loans are subject to ongoing reviews. Specific provisions for losses are determined as a result of these reviews.

(d) Revenue recognition

Premium income

Premiums are recognised on the accruals basis in accordance with the terms of the underlying contracts as outlined in Note 2 (b).

Investment income

This consists of interest from investments and real estate backed loans, dividends and realised and unrealised investment gains and losses.

Interest income is accounted for on the accruals basis using the effective interest rate method except on non-accrual loans. When a loan is classified as non-accrual, accrued but uncollected interest is reversed against income of the current period, unless the loan, including accrued interest, is fully secured and in the process of collection. Thereafter, interest income is recognised only after the loan reverts to performing status.

Dividends are recognised when received.

(e) Foreign currency

Transactions in foreign currencies are translated at the rate of exchange ruling at the transaction date. Foreign currency monetary assets and liabilities are translated at the rate of exchange ruling at the reporting date. Resulting translation differences and profits and losses from trading activities are included in profit or loss.

(f) Provision for future policy benefits

Provision for future policy benefits is calculated using the Policy Premium Method (PPM) of valuation. Under this method explicit allowance is made for all future benefits and expenses under the policies. The premiums, benefits and expenses for each policy are projected and the resultant future cash flows are discounted back to the valuation date to determine the reserves.

2. Significant Accounting Policies (continued)

(f) Provision for future policy benefits (continued)

The process of calculating policy reserves involves the use of estimates concerning such factors as mortality and morbidity rates, future investment yields and future expense levels. Consequently, these liabilities include reasonable provision for adverse deviations from the estimates.

Actuarial valuations are prepared monthly, with adjustments to reserves shown in the year to which it relates.

(g) Taxation

Income tax expense for the year comprises current tax and the change in deferred tax. Deferred tax is recognized in profit or loss except to the extent that it relates to items recognized directly in other comprehensive income (OCI). Current tax comprises tax payable, calculated on the basis of the expected taxable income for the year, using the tax rate enacted by the reporting date, and any adjustment of tax payable for previous years.

Deferred tax is provided using the liability method on all temporary differences between the carrying amounts for financial reporting purposes and the amounts used for taxation purposes, except differences relating to the initial recognition of assets or liabilities which affect neither accounting nor taxable profit or loss. Net deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred tax is calculated on the basis of the tax rate that is expected to apply to the period when the asset is realised or the liability is settled. The effect on deferred tax of any changes in the tax rate is charged to the statement of profit or loss and statement of other comprehensive income, except to the extent that it relates to items previously charged or credited directly to equity.

(h) Financial instruments

Financial instruments carried on the statement of financial position include cash resources, investments securities, loans, other assets, policyholders' funds and other liabilities. The standard treatment for recognition, derecognition, classification and measurement of financial instruments is described in notes (i) – (v) below.

2. Significant Accounting Policies (continued)

(h) Financial instruments (continued)

(i) Recognition

Financial assets and liabilities (including assets and liabilities designated at fair value through profit or loss) are recognised on the date at which ScotiaLife becomes a party to the contractual provisions of the instrument.

(ii) Derecognition

Financial assets are derecognised when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferring financial assets that is created or retained by ScotiaLife is recognised as a separate asset or liability.

ScotiaLife derecognises a financial liability when its contractual obligations are discharged, cancelled or expired.

(iii) Classification

ScotiaLife classifies its financial assets into the following categories: financial assets at fair value through profit or loss; loans; held-to-maturity; and available-for-sale financial assets. Management determines the classification of its investments at initial recognition.

<u>Financial assets at fair value through profit or loss</u>

This category includes financial assets held-for-trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management.

<u>Loans</u>

Loans are financial assets with fixed or determinable payments that are not quoted in an active market.

2. Significant Accounting Policies (continued)

(h) Financial instruments (continued)

(iii) Classification (continued)

Held-to-maturity

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that ScotiaLife's management has the positive intention and ability to hold to maturity. If ScotiaLife were to sell other than an insignificant amount of held-to-maturity assets, the entire category would be compromised and reclassified as available-for-sale.

Available-for-sale

Available-for-sale investments are those intended to be held for an indefinite period of time, and may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices.

(iv) Measurement

Financial instruments are measured initially at fair value, plus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issue.

Subsequent to initial recognition all financial assets at fair value through profit or loss and available-for-sale assets are measured at fair value, based on their quoted market price at the reporting date without any deduction for transaction costs. Where the instrument is not actively traded or quoted on recognised exchanges, fair value is determined using discounted cash flow analysis. Where discounted cash flow techniques are used, estimated future cash flows are based on management's best estimates and the discount rate is a market related rate at the reporting date for an instrument with similar terms and conditions.

Any available-for-sale asset that does not have a quoted market price in an active market and where fair value cannot be reliably measured, is stated at cost, including transaction costs, less impairment losses.

Gains and losses arising from the change in the fair value of available-for-sale investments subsequent to initial recognition are accounted for as changes in the investment revaluation reserve and are recognised in other comprehensive income.

Gains and losses, both realised and unrealised, arising from the change in the financial assets at fair value through profit or loss are reported in investment income.

2. **Significant Accounting Policies** (continued)

(h) Financial instruments (continued)

(iv) Measurement (continued)

All non-trading financial liabilities, purchased loans and held-to-maturity assets are measured at amortised costs less impairment losses. Amortised cost is calculated on the effective interest rate method. Premiums and discounts, including initial transaction costs, are included in the carrying amount of the related instrument and amortised based on the effective interest rate of the instrument.

(v) Specific instruments

Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and in-transit, deposits with banks and related companies and short-term highly liquid investments with maturities of three months or less when purchased, including treasury bills and other bills eligible for rediscounting with the Central Bank. The carrying value approximates the fair value due to its highly liquid nature and the fact that it is readily converted to known amounts of cash in hand and is subject to insignificant risk of change in value.

Investment securities

Debt investments that ScotiaLife has the intent and ability to hold to maturity are classified as held-to-maturity assets. All other investments are classified as available-for-sale or fair value through profit or loss.

On disposal or on maturity of an investment, the difference between the net proceeds and the carrying amount is included in profit or loss. When available-for-sale assets are sold, converted or otherwise disposed of, the cumulative gain or loss recognised in equity is reclassified to profit or loss.

Loans

All loans are backed by real estate and are stated at cost (amortised cost) net of allowances to reflect the estimated recoverable amounts.

A loan is classified as non-accrual when principal or interest is 90 days past due or when, in the opinion of management, there is reasonable doubt as to the ultimate collectability of principal or interest.

2. **Significant Accounting Policies** (continued)

(h) Financial instruments (continued)

(v) Specific instruments (continued)

Loans (continued)

Non-accrual loans may revert to performing status when all payments become fully current or when management has determined there is no reasonable doubt of ultimate collectability.

A loan is classified as impaired when, in management's opinion, there has been a deterioration in credit quality to the extent that there is no longer reasonable assurance of timely collection of the full amount of principal and interest. If a payment on a loan is contractually 90 days in arrears the loan will be classified as impaired.

When a loan is classified as impaired, recognition of interest in accordance with the terms of the original loan ceases, and interest is taken into account on the cash basis. This differs from IFRS which requires that interest on the impaired asset continues to be recognised through the unwinding of the discount that was applied to the estimated future cash flows. The difference is not considered material.

Loans are written off after all the necessary legal procedures have been completed and the amount of the loss is finally determined.

ScotiaLife maintains a loan loss provision, which in management's opinion, is adequate to absorb all incurred credit-related losses in its loan portfolio. The loan loss provision is done on a portfolio basis and reflects the associated estimated loss. Provisions are calculated using a formula taking into account recent loss experience.

The provision for the year, less recoveries of amounts previously written off and the reversal of provisions no longer required, is disclosed in profit or loss as loan loss expense.

(i) Employee benefits

Employee benefits that are earned as a result of past or current service are recognised in the following manner: short-term employee benefits are recognised as a liability, net of payments made, and charged as expense. The expected cost of vacation leave that accumulates is recognised when the employee becomes entitled to the leave. Post-employment benefits are accounted for as described below.

2. **Significant Accounting Policies** (continued)

(i) Employee benefits (continued)

Post-employment benefits have no financial effect in these financial statements as all employees are employed by Scotiabank of Trinidad and Tobago Limited (the immediate parent company) who accounts for the IAS 19 adjustments.

(j) Impairment

The carrying amounts of ScotiaLife's assets, other than deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the statement of comprehensive income.

The recoverable amount of other assets is the greater of their net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(k) Insurance and investment contracts – classification

ScotiaLife issues policy contracts that transfer insurance and/or financial risk from the policyholder. Insurance risk is defined as an insured event that could cause an insurer to pay significant additional benefits in a scenario that has a discernable effect on the economics of the transaction.

Insurance contracts transfer insurance risk and may also transfer financial risk. Investment contracts transfer financial risk and no insurance risk. Financial risk includes credit risk, liquidity risk and market risk.

2. **Significant Accounting Policies** (continued)

(l) Critical accounting estimates and judgements

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and income and expenses during the reporting period. Actual results could differ from these estimates.

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Judgements made by management in the application of IFRS that have a significant effect on the financial statements and estimates with a significant risk of material adjustment in the next financial year are discussed below:

- *Determining fair values with significant unobservable inputs*

  The determination of fair value for financial assets and liabilities for which there is no observable market price requires the use of valuation techniques as described in accounting policy 2(h)(iv).

  A number of accounting policies and disclosures require the measurement of fair values. ScotiaLife has an established control framework with respect to the measurement of fair values which represents the amount at which a financial instrument could be exchanged in an arm's length transaction between willing parties under no compulsion to act and is best evidenced by a quoted market price. If no quoted market prices are available, the fair values presented are estimates derived using present value or other valuation techniques and may not be indicative of net realisable value. When measuring the fair value of an asset or a liability ScotiaLife uses market observable data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as referenced in Note 13. If the inputs used to measure the fair value of an asset or a liability might be categorised in different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. ScotiaLife recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

- *Financial asset and liability classification*

  ScotiaLife's accounting policies provide scope for assets and liabilities to be designated on inception into different accounting categories in certain circumstances.

2. **Significant Accounting Policies** (continued)

(l) ***Critical accounting estimates and judgements*** (continued)

- *Financial asset and liability classification* (continued)

  In classifying financial assets or liabilities as "fair value through profit or loss", ScotiaLife has determined that it meets the description of trading assets and liabilities set out in accounting policy 2(h)(iii).

  In designating financial assets or liabilities as available-for-sale, ScotiaLife has determined that it has met one of the criteria for this designation set out in accounting policy 2(h)(iii).

  In classifying financial assets as held-to-maturity, ScotiaLife has determined that it has both the positive intention and ability to hold the assets until maturity date as required by accounting policy 2(h)(iii).

- *Taxation*

  Estimates are required in determining the provision for income taxes. There are some transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. ScotiaLife recognises liabilities for possible tax issues based on the likelihood of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

- *Estimate of future payments and premiums arising from long-term insurance contracts*

  The determination of liabilities under long-term insurance contracts is dependent on estimates made by the appointed actuary. Estimates are made as to the expected number of deaths for each of the years in which ScotiaLife is exposed to risk. The appointed actuary bases these estimates on standard industry and international mortality tables that reflect recent historical mortality experience, adjusted where appropriate to reflect ScotiaLife's own experience. For contracts that insure the risk of longevity, appropriate but not excessively prudent allowance is made for expected mortality improvements. The estimated number of deaths determines the value of the benefit payments and the value of the valuation premiums. The main source of uncertainty is that epidemics such as AIDS, and wide-ranging lifestyle changes, such as eating, smoking and exercise habits, could result in future mortality being significantly worse than in the past for the age groups in which ScotiaLife has significant exposure to mortality risk. However, continuing improvements in medical care and social conditions could result in improvements in longevity in excess of those allowed for in estimates used to determine the liability for contracts where ScotiaLife is exposed to longevity risk.

2. Significant Accounting Policies (continued)

(l) Critical accounting estimates and judgements (continued)

- *Estimate of future payments and premiums arising from long-term insurance contracts* (continued)

The following shows the sensitivity of the liabilities to a change in assumptions:

	2018	2017
	$	$
Interest rates decrease by 1%	(3,586,612)	(3,632,798)
Interest rates increase by 1%	4,074,816	4,363,356
Mortality increases by 10%	11,439,937	10,882,134
Mortality decreases by 10%	(11,853,321)	(11,243,400)
Expenses increase by 10%	7,259,482	7,621,598
Expenses decrease by 10%	(7,248,025)	(7,608,341)
Lapses and withdrawals increase by 10%	15,881,353	15,424,779
Lapses and withdrawals decrease by 10%	(17,949,183)	(17,442,057)

For contracts without fixed terms, it is assumed that ScotiaLife will be able to increase mortality risk charges in future years in line with emerging mortality experience.

Estimates are also made as to future investment income arising from the assets backing long-term insurance contracts. These estimates are based on current market returns as well as expectations about future economic and financial developments.

For long-term contracts with fixed and guaranteed terms, estimates are made in two stages. Estimates of future deaths, voluntary terminations and partial withdrawal of policy funds, investment returns and administration expenses are made at the inception of the contract and form the assumptions used for calculating the liabilities at the inception of the contract. A margin of risk and uncertainty is added to these assumptions. New estimates are made each subsequent year based on updated company and intercompany experience studies and updated economic forecasts. The valuation assumptions are altered to reflect these revised best estimate assumptions. The margins for risk and uncertainty may also be altered if the underlying level of uncertainty in the updated assumption has changed. The financial impact of revisions to best estimate assumptions or the related margins is recognised in the accounting period in which the change is made.

2. **Significant Accounting Policies** (continued)

(m) New, revised and amended standards and interpretations that became effective during the year:

Certain new, revised and amended standards and interpretations came into effect during the current financial year. The Company assessed them and adopted those relevant to its financial statements.

- Amendments to IAS 7, *Statement of Cash Flows*, effective for accounting periods beginning on or after January 1, 2017, requires an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash flows.

- Amendments to IAS 12, *Income Taxes*, effective for accounting periods beginning on or after January 1, 2017, clarifies the following:

  - The existence of a deductible temporary difference depends solely on a comparison of the carrying amount of an asset and its tax base at the end of the reporting period, and is not affected by possible future changes in the carrying amount or expected manner of recovery of the asset.

  - A deferred tax asset can be recognised if the future bottom line of the tax return is expected to be a loss, if certain conditions are met.

  - Future taxable profits used to establish whether a deferred tax can be recognised should be the amount calculated before the effect of reversing temporary differences.

  - An entity can assume that it will recover an asset for more than its carrying amount if there is sufficient evidence that it is probable that the entity will achieve this.

  - Deductible temporary differences related to unrealised losses should be assessed on a combined basis for recognition unless a tax law restricts the use of losses to deductions against income of a specific type.

  The adoption of these amendments did not result in any change to the presentation and disclosures in the ScotiaLife's financial statements.

(n) New, revised and amended standards and interpretations not yet effective:

Certain new, revised and amended standards and interpretations have been issued which are not yet effective for the current year and which the Company has not early-adopted. ScotiaLife has assessed the relevance of all such new standards, amendments and interpretations with respect to ScotiaLife's operations and has determined that the following are likely to have an effect on the financial statements.

2. Significant Accounting Policies (continued)

(n) New, revised and amended standards and interpretations not yet effective: (continued)

- IFRS 9, *Financial Instruments*, which is effective for annual reporting periods beginning on or after January 1, 2018, replaces the existing guidance in IAS 39 Financial Instruments: Recognition and Measurement. The standard covers three broad topics: Classification and Measurement, Impairment and Hedging.

  The standard requires the Company to consider two criteria when determining the measurement basis for debt instruments (e.g. securities) held as financial assets; (i) its business model for managing those financial assets and (ii) the cash flow characteristics of the assets. Based on these criteria, debt instruments are measured at amortized cost, fair value through OCI, or fair value through profit or loss.

  Equity instruments are measured at fair value through profit or loss. However, the Company may, at initial recognition of a non-trading equity instrument, irrevocably elect to designate the instrument as fair value through OCI, with no subsequent recycling to profit and loss, while recognizing dividend income in profit and loss. This designation is also available to non-trading equity instrument holdings on date of transition.

  In addition, the Company may, at initial recognition, irrevocably elect to designate a financial asset as fair value through profit or loss, if doing so eliminates or significantly reduces an accounting mismatch which would otherwise arise.

  The standard introduces a new single model for the measurement of impairment losses on all financial assets including loans and debt securities measured at amortized cost or at fair value through OCI. The IFRS 9 expected credit loss (ECL) model replaces the current "incurred loss" model of IAS 39.

  The ECL model contains a three stage approach which is based on the change in credit quality of financial assets since initial recognition. Under Stage 1, where there has not been a significant increase in credit risk since initial recognition, an amount equal to 12 months ECL will be recorded. Under Stage 2, where there has been a significant increase in credit risk since initial recognition but the financial instruments are not considered credit impaired, an amount equal to the default probability weighted lifetime ECL will be recorded. Under the Stage 3, where there is objective evidence of impairment at the reporting date these financial instruments will be classified as credit impaired and an amount equal to the lifetime ECL will be recorded for the financial assets.

2. Significant Accounting Policies (continued)

(n) New, revised and amended standards and interpretations not yet effective: (continued)

- IFRS 9, *Financial Instruments* (continued)

  The ECL model is forward looking and requires the use of reasonable and supportable forecasts of future economic conditions in the determination of significant increases in credit risk and measurement of ECL.

  IFRS 9 also incorporates new hedge accounting rules that intend to align hedge accounting with risk management practices. ScotiaLife is not currently a party to any hedge contracts.

  ScotiaLife estimates the IFRS 9 transition amount will reduce shareholders' equity by approximately $4,210,428 after tax.

- IFRS 16, *Leases,* which is effective for annual reporting periods beginning on or after January 1, 2019, eliminates the current dual accounting model for lessees, which distinguishes between on-balance sheet finance leases and off-balance sheet operating leases. Instead, there is a single, on-balance sheet accounting model that is similar to current finance lease accounting. Companies will be required to bring all major leases on-balance sheet, recognising new assets and liabilities. The on-balance sheet liability will attract interest; the total lease expense will be higher in the early years of a lease even if a lease has fixed regular cash rentals. Optional lessee exemption will apply to short- term leases and for low-value items with value of US$5,000 or less.

  Lessor accounting remains similar to current practice as the lessor will continue to classify leases as finance and operating leases. Finance lease accounting will be based on IAS 17 lease accounting, with recognition of net investment in lease comprising lease receivable and residual asset. Operating lease accounting will be based on IAS 17 operating lease accounting.

  Early adoption is permitted if IFRS 15, *Revenue from Contracts with Customers* is also adopted.

  ScotiaLife is assessing the impact that this amendment will have on its 2020 financial statements.

2. Significant Accounting Policies (continued)

(n) New, revised and amended standards and interpretations not yet effective: (continued)

- IFRS 17, *Insurance Contracts*, which is effective for annual reporting periods beginning on or after January 1, 2022, provides a comprehensive principle-based framework for the measurement and presentation of all insurance contracts. The new standard will replace IFRS 4 *Insurance Contracts* and requires insurance contracts to be measured using current fulfillment cash flows and for revenue to be recognized as the service is provided over the coverage period.

  ScotiaLife is assessing the impact that this new standard will have on its 2023 financial statements.

(o) Dividends

Dividends that are proposed and declared by the Company during the period are accounted for as an appropriation of retained earnings in the statement of changes in equity. Dividends that are proposed after the reporting date are not shown on the statement of financial position but are disclosed as a note to the financial statements.

(p) Comparative information

Where necessary, comparatives have been adjusted to conform to changes in presentation in the current year.

	2018	2017
	$	$
3. Investment Securities		
Securities at fair value through profit or loss		
- Equities	25,810,480	20,981,111
Securities available-for-sale		
- Government and state enterprises debt securities	928,783,188	876,001,086
- Mutual Funds	11,023,759	10,922,074
	939,806,947	886,923,160
Securities held-to-maturity		
- Government and state enterprises debt securities	46,518,018	45,566,478
Total investments	1,012,135,445	953,470,749

	2018	2017
	$	$
4. Loans		
4.1 Principal neither past due nor impaired	884,817,928	751,660,384
Principal which is past due but not impaired	97,095,751	92,372,894
Principal which is impaired	11,205,559	16,709,137
Gross loans	993,119,238	860,742,415
Loan loss provision	(1,152,254)	(1,554,917)
Total loans net of provision	991,966,984	859,187,498
Current portion	3,472,679	3,045,485
Long-term portion	988,494,305	856,142,013
Total loans net of provision	991,966,984	859,187,498
Interest receivable (included in other assets)	6,301,954	4,362,993

4. Loans (continued)

4.2 *Financial assets past due but not impaired*

	2018			
	Less than 30 days	30 - 60 days	61 - 90 days	Total
	$	$	$	$
Loans	73,434,700	12,717,781	10,943,270	97,095,751

	2017			
	Less than 30 days	30 - 60 days	61 - 90 days	Total
	$	$	$	$
Loans	69,013,496	17,003,387	6,356,011	92,372,894

	2018	2017
	$	$
4.3 *Analysis of movement of loan loss provision*		
Provision, beginning of year	1,554,917	1,199,795
Loan loss charge for the year	(402,663)	355,122
Provision, end of year	1,152,254	1,554,917
4.4 *Loan loss expense*		
Loan loss (credit) charge for the year	(402,663)	355,122

	2018 $	2017 $
5. Provision for Future Policy Benefits		
TT$ Ordinary Life – Non-participating policies	681,359,808	638,015,104
TT$ Individual Annuities	676,826,822	642,556,802
US$ Individual Annuities	13,579,092	13,040,691
TT$ Group Life – Creditor Life	24,395,937	23,487,435
	1,396,161,659	1,317,100,032
The movements in provision for future policy benefits are as follows:		
Balance at beginning of year	1,317,100,032	1,213,412,129
Increase in reserves	79,061,627	103,687,903
Balance at end of year	1,396,161,659	1,317,100,032

	2018 $	2017 $
6. Other Policyholders' Liabilities		
Claims admitted but not paid	11,199,638	10,702,456
Premium suspense	826,527	162,679
Premiums paid in advance	1,406,247	1,501,528
Provision for claims incurred but not reported	3,134,501	3,155,995
	16,566,913	15,522,658

	2018 $	2017 $
7. Stated Capital		
Authorised		
Authorised capital consists of an unlimited number of ordinary shares		
Issued and fully paid		
60,000,000 ordinary shares of no par value	60,000,000	60,000,000

8. Investment Income

	2018 $	2017 $
Available-for-sale	29,427,286	23,596,926
Held-to-maturity	4,662,153	3,293,647
Securities at fair value	1,111,919	1,039,002
Loans	61,841,426	56,025,815
Unrealised (loss) gain on investment	2,281,588	60,309
	99,324,372	84,015,699

9. Income Tax Expense

	2018 $	2017 $
Current tax provision	13,889,144	12,310,485
Deferred tax	5,303,338	15,994,890
	19,192,482	28,305,375

Taxation reconciliation

The following is a reconciliation of the application of the effective tax rate with the income tax expense:

	2018	2017
Net income before taxation	134,312,864	123,598,544
Prima facie tax calculated at domestic corporation tax rate of 30% (2017: 25%/30%)	34,791,030	37,522,219
Effect of difference on tax rate on life insurance companies	(15,677,784)	(10,147,679)
Tax effect of non-taxable income and deductible investment expenses	79,236	930,835
Tax expense	19,192,482	28,305,375

10. Deferred Taxation

10.1 The net deferred tax liability is attributable to the following items:

	Opening Balance	Recognised in OCI	Recognised in Profit or Loss	Total
	$	$	$	$
Available for sale securities	300,293	745,064	-	1,045,357
Non-Statutory Fund Assets	20,462,547	-	5,303,338	25,765,885
	20,762,840	745,064	5,303,338	26,811,242

	2018	2017
	$	$
10.2 The movement in the deferred tax account comprised:		
Balance at beginning of year	20,762,840	3,865,759
Available-for-sale securities fair value re-measurement	745,064	902,191
Current year's deferred tax charge	5,303,338	15,994,890
Balance at end of year	26,811,242	20,762,840

11. Financial Risk Management

Introduction and overview

ScotiaLife has adopted risk management policies and has set appropriate limits and controls to manage and mitigate against financial risk. ScotiaLife has exposure to the following risks arising from its use of financial instruments and from foreign currency transactions.

- Credit risk
- Market risk
- Liquidity risk
- Operational risk.

11. Financial Risk Management (continued)

Credit risk

Credit risk is the risk of loss resulting from the failure of a borrower or counterparty to honour its financial or contractual obligations to ScotiaLife. ScotiaLife's exposure to credit risk resides in its investment in loans purchased from Scotiabank, investment securities available for sales and investment securities held to maturity.

Credit risk is managed through a number of strategies, policies and limits that are approved by the Board of Directors and include the following processes:

- A centralised credit review system that is independent of the customer relationship function;
- Senior management which considers all major risk exposures; and
- An independent review by the Internal Audit Department.

Relationship managers develop and structure individual proposals at branches and commercial centres. A full financial review is performed for each customer at least annually, so that Scotiabank remains fully aware of customers' risk profiles. The Credit Risk Management department analyses and adjudicates on commercial and corporate credits over a certain size and exceptions to established credit policies. In assessing credit proposals, Scotiabank is particularly sensitive to the risks posed to credit quality by environmental exposures.

Retail credits are normally authorised by Scotiabank within established criteria using a credit scoring system. Scotiabank's Credit Risk Management department adjudicates on those retail credits that do not conform to the established criteria. The retail portfolios are reviewed regularly for early signs of possible difficulties.

ScotiaLife as part of its credit risk management strategy employs the practice of taking security in respect of funds advanced to its clients. The Group through its ALCO and its Credit Risk department develops and reviews policies related to the categories of security and their valuation that are acceptable to the Group as collateral. The principal collateral types are as follows:

- Mortgages over residential property
- Charges over business assets such as premises, inventory and accounts receivable
- Charges over debt instruments and equity instruments.

ScotiaLife does not routinely update the valuation of collateral held. Valuation of collateral is updated when the credit risk of a loan deteriorates significantly.

11. Financial Risk Management (continued)

Credit risk (continued)

Repossessed collateral

ScotiaLife enforces its power of sale agreements over various types of collateral (as noted above) as a consequence of failure by borrowers or counterparties to honour their financial obligations. Appraisals are obtained for the current value of the collateral as an input to the impairment measurement, and once repossessed, the collateral is sold as soon as practicable. The proceeds net of disposal cost are applied to the outstanding debt.

Market risk

Market risk refers to the risk of loss resulting from changes in market prices such as interest rates, foreign exchange market prices and other price risks. ScotiaLife invests in financial instruments in the ordinary course of business whilst managing and controlling these exposures within acceptable parameters.

ScotiaLife has more than 80% of its investments denominated in Trinidad and Tobago currency thus hedging against exchange rate fluctuations; also it maintains a mix of fixed rate bonds and short-term deposits that allows it to mitigate the effects of interest rate fluctuations.

All market limits are reviewed at least annually. The key sources of ScotiaLife's market risk are as follows:

- Currency risk
- Interest rate risk

Currency risk

ScotiaLife has no significant foreign exchange exposure with the majority of ScotiaLife's assets being denominated in the local currency. Foreign currency transactions have not required the use of interest rate swaps and foreign currency options and other derivative instruments which all carry inherent risks.

11. Financial Risk Management (continued)

Market risk (continued)

Currency risk (continued)

Concentration of assets and liabilities

ScotiaLife has the following currency denominated positions:

	2018			
	TT **$**	**US** **$**	**Other** **$**	**Total** **$**
Assets				
Cash	101,033,020	4,364,984	34,641	105,432,645
Investments securities:				
Fair value through profit or loss				
- Equities	25,810,480	-	-	25,810,480
Held-to-maturity				
- Bonds	44,780,408	1,737,610	-	46,518,018
Available-for-sale				
- Government and state enterprises debt securities	924,145,172	4,638,016	-	928,783,188
- Mutual Funds	5,152,104	5,871,655	-	11,023,759
Other assets	110,349,372	-	-	110,349,372
Loans	991,966,984	-	-	991,966,984
Total assets	2,203,237,540	16,612,265	34,641	2,219,884,446
Liabilities				
Other liabilities	19,805,180	-	-	19,805,180
Policyholders' liabilities	1,399,149,479	13,579,092	-	1,412,728,571
Total liabilities	1,418,954,659	13,579,092	-	1,432,533,751
Net financial position	784,282,881	3,033,173	34,641	787,350,695

11. **Financial Risk Management** (continued)

Market risk (continued)

Currency risk (continued)

Concentration of Assets and Liabilities

	2017			
	TT	**US**	**Other**	**Total**
	$	**$**	**$**	**$**
Assets				
Cash	162,897,695	3,065,933	35,420	165,999,048
Investments securities:				
Fair value through profit or loss				
- Equities	20,981,111	-	-	20,981,111
Held-to-maturity				
- Bonds	43,604,182	1,962,296	-	45,566,478
Available-for-sale				
- Government and state enterprises debt securities	871,386,738	4,614,348	-	876,001,086
- Mutual Funds	5,089,215	5,832,859	-	10,922,074
Other assets	23,321,174	-	-	23,321,174
Loans	859,187,498	-	-	859,187,498
Total assets	1,986,467,613	15,475,436	35,420	2,001,978,469
Liabilities				
Other liabilities	8,276,745	-	-	8,276,745
Policyholders' liabilities	1,319,581,999	13,040,691	-	1,332,622,690
Total liabilities	1,327,858,744	13,040,691	-	1,340,899,435
Net financial position	658,608,869	2,434,745	35,420	661,079,034

Interest rate risk

ScotiaLife is exposed to interest rate risk where, due to changes in market interest rates, fluctuations arise in the value and the future cash flows of ScotiaLife's financial instruments.

Interest rate risk is managed through the matching of financial liabilities with investment activities, regular review of structural gaps and monitoring market conditions. The interest rates on a material amount of ScotiaLife's liabilities can be repriced as and when required.

11. Financial Risk Management (continued)

Market risk (continued)

Interest rate risk (continued)

The principal risk to which non-trading portfolios are exposed is the risk of loss from fluctuations in the future cash flows or fair values of financial instruments because of change in market interest rates.

Interest sensitivity of assets, liabilities and equity

The following table summarises carrying amounts of assets, liabilities and equity in order to arrive at ScotiaLife's interest rate gap on the earlier of contractual repricing or maturity dates:

	2018					
	Due on demand	Due in one year	Due in two to five years	Over five years	Non-interest bearing	Total
	$	$	$	$	$	$
Assets						
Cash	105,432,645	-	-	-	-	105,432,645
Investments:						
Fair value through profit or loss						
- Equities	-	-	-	-	25,810,480	25,810,480
Held-to-maturity						
- Bonds	-	-	24,518,018	22,000,000	-	46,518,018
Available-for-sale						
- Government and state enterprises debt securities	-	306,170,348	102,509,430	520,103,411	-	928,783,189
- Mutual Funds	11,023,759	-	-	-	-	11,023,760
Other assets		-	-	-	110,349,371	110,349,371
Loans	-	3,472,679	62,242,832	926,251,473	-	991,966,984
	116,456,404	309,643,027	189,270,280	1,468,354,884	136,159,851	2,219,884,446
Liabilities						
Other liabilities	-	-	-	-	19,805,180	19,805,180
Policyholders' liabilities	82,139,935	69,144,391	239,203,628	1,022,240,619	-	1,412,728,573
Equity	-	-	-	-	757,605,668	757,605,668
	82,139,935	69,144,391	239,203,628	1,022,240,619	777,410,848	2,190,139,421
Net Gap	34,316,469	240,498,636	(49,933,349)	446,114,265		
Cumulative Gap	34,316,469	274,815,105	224,881,756	670,996,021		

11. Financial Risk Management (continued)

Market Risk (continued)

Interest rate risk (continued)

Interest sensitivity of assets, liabilities and equity

	2017					
	Due on demand	Due in one year	Due in two to five years	Over five years	Non-interest bearing	Total
	$	$	$	$	$	$
Assets						
Cash	165,999,048	-	-	-	-	165,999,048
Investments:						
Fair value through profit or loss						
- Equities	-	-	-	-	20,981,111	20,981,111
Held-to-maturity						
- Bonds	-	202,045	23,364,433	22,000,000	-	45,566,478
Available-for-sale						
- Government and state enterprises debt securities	-	482,402,500	137,638,519	255,960,067	-	876,001,086
- Mutual Funds	10,922,074	-	-	-	-	10,922,074
Other assets	-	-	-	-	23,321,174	23,321,174
Loans	-	3,045,484	51,271,091	804,870,923		859,187,498
	176,921,122	485,650,029	212,274,043	1,082,830,990	44,302,285	2,001,978,469
Liabilities						
Other liabilities	-	-	-	-	8,276,745	8,276,745
Policyholders' liabilities	77,699,099	44,889,212	206,330,644	1,003,703,735	-	1,332,622,690
Equity	-	-	-	-	638,300,605	638,300,605
	77,699,099	44,889,212	206,330,644	1,003,703,735	646,577,350	1,979,200,040
Net Gap	99,222,023	440,760,817	5,943,399	79,127,255		
Cumulative Gap	99,222,023	539,982,840	545,926,239	625,053,494		

11. **Financial Risk Management** (continued)

Liquidity risk

Liquidity risk is the risk that ScotiaLife is unable to meet its financial obligations in a timely manner. ScotiaLife is exposed to daily calls on its cash resources from its policyholders. The liquidity risk management process ensures that ScotiaLife is able to honour all of its financial commitments as they fall due. ScotiaLife's liquidity strategy includes measuring and forecasting cash commitments and ensuring sufficient cash and marketable instruments such as treasury bills and government securities are available to meet short-term requirements.

The table below shows the maturity analysis of financial instruments using discounted cash flows of financial assets and financial liabilities based on their contractual maturity dates as at October 31.

	2018				
	Due on demand	Due in one year	Due in two to five years	Over five years	Total
	$	$	$	$	$
Assets					
Cash	105,432,645	-	-	-	105,432,645
Investments:					
Fair value through profit or loss					
- Equities	25,810,480	-	-	-	25,810,480
Held-to-maturity					
- Bonds	-	-	24,518,018	22,000,000	46,518,018
Available-for-sale					
- Government and state enterprises debt securities	-	306,170,348	102,509,430	520,103,411	928,783,189
- Mutual Funds	11,023,759	-	-	-	11,023,759
Other assets		-	-	110,349,371	110,349,371
Loans	-	3,472,679	62,242,832	926,251,471	991,966,982
	142,266,884	309,643,027	189,270,280	1,578,704,253	2,219,884,444
Liabilities					
Policyholders' Liabilities	82,139,935	69,144,391	239,203,628	1,022,240,619	1,412,728,573
Accrued charges and other payables	-	19,805,180	-	-	19,805,180
	82,139,935	88,949,571	239,203,628	1,022,240,619	1,432,533,753
Net Gap	60,126,949	220,693,456	(49,933,348)	556,463,634	787,350,691
Cumulative Gap	60,126,949	280,820,405	230,887,057	787,350,691	

11. Financial Risk Management (continued)

Liquidity Risk (continued)

The table below shows the maturity analysis of financial instruments using discounted cash flows of financial assets and financial liabilities based on their contractual maturity dates as at October 31.

	2017				
	Due on demand	**Due in one year**	**Due in two to five years**	**Over five years**	**Total**
	$	**$**	**$**	**$**	**$**
Assets					
Cash	165,999,048	-	-	-	165,999,048
Investments:					
Fair value through profit or loss					
- Equities	20,981,111	-	-	-	20,981,111
Held-to-maturity					
- Bonds	-	202,045	23,364,433	22,000,000	45,566,478
Available-for-sale					
- Government and state enterprises debt securities	-	482,402,500	137,638,519	255,960,067	876,001,086
- Mutual Funds	10,922,074	-	-	-	10,922,074
Other assets	-	-	-	23,321,174	23,321,174
Loans	-	3,045,484	51,271,091	804,870,923	859,187,498
	197,902,233	485,650,029	212,274,043	1,106,152,164	2,001,978,469
Liabilities					
Policyholders' Liabilities	77,699,099	44,889,212	206,330,644	1,003,703,735	1,332,622,690
Accrued charges and other payables	-	8,276,745	-	-	8,276,745
	77,699,099	53,165,957	206,330,644	1,003,703,735	1,340,899,435
Net Gap	120,203,134	432,484,072	5,943,399	102,448,429	661,079,034
Cumulative Gap	120,203,134	552,687,206	558,630,605	661,079,034	

11. Financial Risk Management (continued)

Liquidity risk (continued)

The table below summarises the maturity profile of financial liabilities based on their undiscounted cash flows at October 31. The balances include both principal and interest cash flows over the remaining term to maturity and therefore would differ from the carrying amounts in the statement of financial position.

	2018					
	Due on demand	Due in one year	Due in two to five years	Over five years	Total contractual cash flows	Total carrying value
	$	$	$	$	$	$
Liabilities and Equity						
Policyholders' liabilities	65,573,022	70,959,903	263,772,603	1,811,822,909	2,212,128,437	1,412,728,572

	2017					
	Due on demand	Due in one year	Due in two to five years	Over five years	Total contractual cash flows	Total carrying value
	$	$	$	$	$	$
Liabilities and Equity						
Policyholders' liabilities	77,699,099	46,026,791	228,186,884	1,816,981,777	2,168,894,551	1,332,622,690

Capital management

ScotiaLife's capital management policy seeks to achieve several objectives:

- Compliance with capital requirements as set by the Insurance Act 1980 and Central Bank of Trinidad and Tobago
- Ensure ScotiaLife's ability to continue as a going concern
- To maintain a strong capital base to support the development of its business.

11. Financial Risk Management (continued)

Capital management (continued)

ScotiaLife employs techniques derived from the guidelines developed by the Central Bank of Trinidad and Tobago. The required information is filed with the regulatory authority on an annual basis.

Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with ScotiaLife's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behavior. Operational risks arise from all of ScotiaLife's operations.

The objective is to manage operational risk so as to balance the avoidance of financial losses and damage to ScotiaLife's reputation with overall cost effectiveness.

The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management. This responsibility is supported by the development of overall Scotiabank Group's standards for the management of operational risk in the following areas:

- requirements for appropriate segregation of duties
- requirements for the reconciliation and monitoring of transactions
- compliance with regulatory and other legal requirements
- documentation of controls and procedures
- training and professional development
- ethical and business standards
- risk mitigation, including insurance where this is effective

Compliance is supported by a programme of periodic review undertaken by the Bank's Internal Audit department. The results of such audits are discussed with the ScotiaLife Management Team with summaries submitted to ScotiaLife's Audit Committee and senior management of the Scotiabank Group.

12. Management of Insurance Risk

The risk under any one insurance contract is the possibility that the insured event occurs and the uncertainty of the amount of the resulting claim. By the very nature of an insurance contract, this risk is random and therefore unpredictable.

12. Management of Insurance Risk (continued)

For a portfolio of insurance contracts where the theory of probability is applied to provisioning, the principal risk ScotiaLife faces under their insurance contracts is that the actual claims and benefit payments exceed the carrying amount of the policyholder benefits and other liabilities. This may occur in the event the frequency or severity of claims and benefits are greater than that estimated. Insurance events are random and therefore the actual number and amount of claims and benefits will vary from year to year from the levels established.

Assumptions about mortality, expenses and inflation, interest rates, interest spreads and policyholder behavior that are used in estimating future cash flows are developed by product type, reflecting recent experience and the profiles of policyholders within the insurance contracts. The assumptions are generally developed using a blend of mortality data, industry trends and the Company's experience since inception. During the year, management changed the assumptions based on the past 13 years. The change in assumptions resulted in a reduction in actuarial reserves by $15,901,000.

ScotiaLife pledges assets to the Statutory Fund at the Central Bank of Trinidad & Tobago. This strategy is used to mitigate the risk associated with the possibility of insufficient funds to cover policyholder benefits. ScotiaLife pledges assets in excess of its policyholders' liabilities to ensure coverage at any given point in time.

To limit its exposure of potential loss on an insurance policy, reinsurance contracts for a portion of certain products are utilised as a strategy to mitigate risks. However, the Company as the writer of the policies is directly responsible for all claims made.

	2018	2017
	$	$
Statutory fund assets	1,913,981,544	1,724,279,001
Policyholders' liabilities	(1,412,728,572)	(1,332,622,690)
Surplus	501,252,972	391,656,311

13. Fair Value of Financial Instruments

The fair values of on and off-balance sheet financial instruments are based on the valuation methods and assumptions set out in the significant accounting policies Note 2(h).

Fair value represents the amount at which a financial instrument could be exchanged in an arm's length transaction between willing parties under no compulsion to act and is best evidenced by a quoted market price. If no quoted market prices are available, the fair values presented are estimates derived using present value or other valuation techniques and may not be indicative of net realisable value.

13. Fair Value of Financial Instruments (continued)

ScotiaLife is consistent with Scotiabank Group's methodology of measuring fair values using the following fair value hierarchy which reflects the significance of the inputs used in making the measurements:

- Level 1 - Quoted market price (unadjusted) in an active market for an identical instrument.
- Level 2 - Valuation techniques based on observable inputs, either directly (i.e., as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.
- Level 3 - Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique included inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

Due to the judgement used in applying a wide range of acceptable valuation techniques and estimations in the calculation of fair value amounts, fair values are not necessarily comparable among financial institutions. The calculation of estimated fair values is based upon market conditions at a specific point in time and may not be reflective of future fair values.

The table below analyses financial instruments measured at fair value at the reporting date by the level in the fair value hierarchy into which the fair value measurement is categorised:

	2018			
	Level 1	**Level 2**	**Level 3**	**Total**
	$	**$**	**$**	**$**
Assets				
Equities	25,810,480	-	-	25,810,480
Securities available-for-sale				
- Government and state enterprises debt securities	-	928,783,188	-	928,783,188
Mutual funds	11,023,759	-	-	11,023,759
	36,834,239	928,783,188	-	965,617,427
Liabilities				
Provision for future policy benefits	-	(1,396,161,659)	-	(1,396,161,659)
	36,834,239	(467,378,471)	-	(430,544,232)

13. Fair Value of Financial Instruments (continued)

	2017			
	Level 1	**Level 2**	**Level 3**	**Total**
	$	**$**	**$**	**$**
Assets				
Equities	20,981,111	-	-	20,981,111
Securities available-for-sale				
- Government and state enterprises debt securities	-	876,001,086	-	876,001,086
Mutual funds	10,922,074	-		10,922,074
	31,903,185	876,001,086	-	907,904,271
Liabilities				
Provision for future policy benefits	-	(1,317,100,032)	-	(1,317,100,032)
	31,903,185	(441,098,946)	-	(409,195,761)

The table below summarises the carrying amounts and fair values of those financial assets and liabilities that are not presented on ScotiaLife's statement of financial position at fair value.

	Carrying Value		Fair Value	
	2018	**2017**	**2018**	**2017**
	$	**$**	**$**	**$**
Financial assets				
Cash	105,432,645	165,999,048	105,432,645	165,999,048
Loans	991,966,984	859,187,498	991,966,984	859,187,498
Securities held-to-maturity				
- Government securities	46,518,018	45,566,478	53,199,999	54,678,708
	1,143,917,647	1,070,753,024	1,150,599,628	1,079,865,254
Financial liabilities				
Accrued charges and other payables	19,805,180	8,276,745	19,805,180	8,276,745
Other policyholders' liabilities	16,566,913	15,522,658	16,566,913	15,522,658
	36,372,093	23,799,403	36,372,093	23,799,403

13. Fair Value of Financial Instruments (continued)

The fair values of these financial assets and liabilities have been determined on the following basis:

(a) Cash in hand and due to banks

These amounts are short-term in nature and are taken to be equivalent to fair value.

(b) Net loans to customers

Loans and advances to customers are granted at market rates and their values are not adversely affected by unusual terms. The estimated future cash flows are discounted using a discount rate based on market rates for similar type facilities.

(c) Government and state enterprises debt securities

The fair value of these instruments was determined using discounted cash flow analysis. The estimated future cash flows are discounted using a discount rate based on quoted market prices for securities with similar credit, maturity and yield characteristics.

(d) Policyholder Benefits and Other Liabilities

Policyholder benefits and liabilities are based on actuarial projections and assumptions based on a number of factors including but not limited to mortality and morbidity tables, lapse studies, company experience, market trends and interest rate assumptions.

Other liabilities are short-term and are equivalent to fair value.

14. Related Party Transactions and Balances

Parties are considered related if one party has the ability to control or exert significant influence over the other's decision-making process. A number of banking transactions have been entered into with related parties in the normal course of business. These transactions were conducted at market rates, on commercial terms and conditions.

Related party transactions include but are not limited to the following:

- Data processing and information technology support
- Technical and management services
- Operations support
- Transaction processing support
- Delinquent account collection services.

14. Related Party Transactions and Balances (continued)

	2018 $	2017 $
Outstanding balances		
Assets		
Bank of Nova Scotia and its related entities	111,734,099	170,126,947
Reinsurance asset	15,087,352	13,853,811
Liabilities		
Bank of Nova Scotia and its related entities	15,914,552	4,537,496
Income		
Bank of Nova Scotia and its related entities	1,996,292	1,701,149
Reinsurance – claims recoveries	9,564,711	5,977,571
Expenses		
Bank of Nova Scotia and its related entities	19,491,181	17,698,296
Reinsurance	54,093,534	52,645,942

In the normal course of business, ScotiaLife purchases loans from Scotiabank at book value. Loans purchased during the year ended October 31, 2018 totaled $291,447,165 (2017: $144,900,154). The loans are with parties unrelated to ScotiaLife and are purchased without recourse.

Key management comprises individuals responsible for planning, directing and controlling the activities of ScotiaLife.

	2018 $	2017 $
Key management compensation		
Short-term benefits	3,373,798	3,414,497
Share based payment	166,412	135,117
	3,540,210	3,549,614

15. Responsibilities of the Appointed Actuary and External Auditors

The Board of Directors pursuant to the Insurance Act appoints the Actuary. The Actuary's responsibility is to carry out an annual valuation of ScotiaLife's policyholders' liabilities in accordance with accepted actuarial practice and regulatory requirements and report thereon to the policyholders and shareholders. In performing the valuation, the Actuary makes assumptions as to the future rates of interest, asset defaults, mortality, morbidity, claims experience, policy termination, inflation, reinsurance recoveries, expenses and other contingencies, taking into consideration the circumstances of ScotiaLife and the insurance policies in force.

15. Responsibilities of the Appointed Actuary and External Auditors (continued)

The shareholders, pursuant to the Companies Act, appoint the external auditors. Their responsibility is to conduct an independent and objective audit of the financial statements in accordance with International Standards on Auditing and report thereon to the shareholders. In carrying out their audit, the auditors also make use of the work of the appointed Actuary and his report on the policyholders' liabilities.

16. Subsequent Events

On November 27, 2018, Scotiabank Trinidad and Tobago Limited (SBTT) announced its intention to enter into agreement with Sagicor Financial Corporation Limited and Alignvest Acquisition II Corporation for the proposed acquisition of ScotiaLife Trinidad and Tobago Limited (SLTT) to obtain 100% of the Company's ordinary shares subject to receipt of all applicable regulatory approvals.

Financial Statements of

SCOTIALIFE TRINIDAD AND TOBAGO LIMITED

October 31, 2017

SCOTIALIFE TRINIDAD AND TOBAGO LIMITED

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Statement of Management's Responsibilities
ScotiaLife Trinidad And Tobago Limited

Management is responsible for the following:

- Preparing and fairly presenting the accompanying financial statements of ScotiaLife Trinidad and Tobago Limited (the Company), which comprise the statement of financial position as at October 31, 2017, the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information;

- Ensuring that ScotiaLife Trinidad and Tobago Limited keeps proper accounting records;

- Selecting appropriate accounting policies and applying them in a consistent manner;

- Implementing, monitoring and evaluating the system of internal control that assures security of Scotia ScotiaLife Trinidad and Tobago's assets, detection/prevention of fraud, and the achievement of ScotiaLife Trinidad and Tobago's operational efficiencies;

- Ensuring that the system of internal control operated effectively during the reporting period;

- Producing reliable financial reporting that complies with laws and regulations, including the Insurance Act; and

- Using reasonable and prudent judgement in the determination of estimates.

In preparing these financial statements, management utilised the International Financial Reporting Standards, as issued by the International Accounting Standards Board and adopted by the Institute of Chartered Accountants of Trinidad and Tobago. Where International Financial Reporting Standards presented alternative accounting treatments, management chose those considered most appropriate in the circumstances.

Nothing has come to the attention of management to indicate that ScotiaLife Trinidad and Tobago will not remain a going concern for the next twelve months from the reporting date, or up to the date the accompanying financial statements have been authorised for issue, if later.

Management affirms that it has carried out its responsibilities as outlined above.

Robert Soverall Managing Director	Samanta Saugh Chief Accountant & Comptroller (Insurance)
November 30, 2017 Date	November 30, 2017 Date

KPMG
Chartered Accountants
Savannah East
11 Queen's Park East
P.O. Box 1328
Port of Spain
Trinidad and Tobago, W.I.

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Independent Auditors' Report to the Shareholder of ScotiaLife Trinidad and Tobago Limited

Opinion

We have audited the financial statements of ScotiaLife Trinidad and Tobago Limited ("the Company"), which comprise the statement of financial position as at October 31, 2017, the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at October 31, 2017, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

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 Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in the Republic of Trinidad and Tobago, and we have fulfilled our other ethical responsibilities in accordance with these requirements and with the IESBA Code.

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

Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

Responsibilities of Management and Those Charged with Governance for the Financial Statements (continued)

In preparing the financial statements, management is responsible for assessing the Company'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 Company or to cease operations, or has no realistic alternative but to do so.

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

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 financial statements.

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

- Identify and assess the risks of material misstatement of the 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 Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

Auditors' Responsibilities for the Audit of the Financial Statements (continued)

- 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 Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the 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 auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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.

KPMG

Chartered Accountants
Port of Spain
Trinidad and Tobago
November 30, 2017

SCOTIALIFE TRINIDAD AND TOBAGO LIMITED

Statement of Financial Position

October 31, 2017

	Notes	2017	2016
		$	$
ASSETS			
Investment securities	3	953,470,749	922,394,960
Loans	4	859,187,498	833,226,045
Reinsurance asset	14	13,853,811	14,709,992
Other assets		9,467,363	15,365,662
Cash in hand and at bank		165,999,048	62,565,571
Total Assets		2,001,978,469	1,848,262,230
LIABILITIES AND EQUITY			
Liabilities			
Provision for future policy benefits	5	1,317,100,032	1,213,412,129
Other policyholders' liabilities	6	15,522,658	13,745,352
Deferred tax	10	20,762,840	3,865,759
Accrued charges and other payables		8,276,745	10,487,108
Provision for taxation		2,015,589	68,837,032
		1,363,677,864	1,310,347,380
Equity			
Stated capital	7	60,000,000	60,000,000
Investment revaluation reserve		1,615,559	(3,477,027)
Retained earnings		576,685,046	481,391,877
		638,300,605	537,914,850
Total liabilities and equity		2,001,978,469	1,848,262,230

The notes on pages 9 to 43 are an integral part of these financial statements.

These financial statements were approved for issue by the Board of Directors on November 30, 2017 and signed on its behalf:

George Janoura
Director

Steve Ragobar
Director

SCOTIALIFE TRINIDAD AND TOBAGO LIMITED

Statement of Profit or Loss and Other Comprehensive Income

For the year ended October 31, 2017

	Notes	2017	2016
		$	$
INCOME			
Gross premium income		463,439,709	445,089,106
Premium ceded to reinsurer		(52,645,942)	(50,868,642)
Net premium income		410,793,767	394,220,464
Investment income	8	84,015,699	80,010,996
Other income		1,632,335	1,944,764
Total income		496,441,801	476,176,224
POLICYHOLDERS' EXPENSES			
Provision for future policy benefits	5	103,687,903	125,200,189
Policyholders' benefits		230,478,439	189,516,891
Total policyholders' expenses		334,166,342	314,717,080
ADMINISTRATIVE EXPENSES			
Salaries and personnel costs		14,778,996	15,053,792
Premises and technology		6,532,464	7,180,869
Communications and marketing		998,698	816,106
Management expenses		10,417,994	8,575,516
Professional fees		3,059,570	3,280,977
Loan loss expense	4.4	355,122	1,050,798
Other		891,886	1,062,853
Total administrative expenses		37,034,730	37,020,911
INCOME BEFORE TAXATION		125,240,729	124,438,233
Income tax expense	9	(29,947,560)	(30,050,844)
NET INCOME FOR THE YEAR, ATTRIBUTABLE TO EQUITY HOLDER		95,293,169	94,387,389
OTHER COMPREHENSIVE INCOME			
Items that are or may be reclassified to profit or loss			
Revaluation of available-for-sale investments, net of tax		5,092,586	(3,896,260)
TOTAL COMPREHENSIVE INCOME, ATTRIBUTABLE TO EQUITY HOLDER		100,385,755	90,491,129

The notes on pages 9 to 43 are an integral part of these financial statements.

SCOTIALIFE TRINIDAD AND TOBAGO LIMITED

Statement of Changes in Equity

For the year ended October 31, 2017

	Stated Capital	Investment Revaluation Reserve	Retained Earnings	Total Equity
	$	$	$	$
Balance as at October 31, 2015	60,000,000	419,233	647,268,792	707,688,025
Net income for the year	-	-	94,387,389	94,387,389
Other comprehensive income, net of tax				
Revaluation of available-for-sale investments	-	(3,896,260)	-	(3,896,260)
Total comprehensive income	-	(3,896,260)	(94,387,389)	(90,491,129)
Transaction with owners of the company				
Dividends paid	-	-	(260,264,304)	(260,264,304)
Balance as at October 31, 2016	60,000,000	(3,477,027)	481,391,877	537,914,850
Net income for the year	-	-	95,293,169	95,293,169
Other comprehensive income, net of tax				
Revaluation of available-for-sale investments	-	5,092,586	-	5,092,586
	-	5,092,586	95,293,169	100,385,755
Balance as at October 31, 2017	60,000,000	1,615,559	576,685,046	638,300,605

The notes on pages 9 to 43 are an integral part of these financial statements.

SCOTIALIFE TRINIDAD AND TOBAGO LIMITED

Statement of Cash Flows

For the year ended October 31, 2017

	2017	2016
	$	$
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before taxation	125,240,729	124,438,233
Adjustments to reconcile income before taxation to net cash from operating activities:		
Provision for loan loss	355,122	1,050,798
Investment income	(83,955,390)	(80,977,947)
Unrealised investment gain	(60,309)	966,951
Foreign exchange gain	(47,149)	(970,363)
Change in other assets	1,535,307	(1,804,513)
Change in reinsurance assets	856,181	(426,531)
Change in accrued charges and other payables	(2,210,363)	4,271,022
Change in provision for future policy benefits	103,687,903	125,200,189
Change in other policyholders' liabilities	1,777,306	1,872,808
Taxation paid	(80,774,113)	(14,092,544)
Net cash from operating activities	66,405,224	159,528,103
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(690,746,990)	(911,395,471)
Repayment of investments	643,741,420	793,413,731
Interest received	82,994,821	76,575,032
Dividends received	1,039,002	1,135,354
Net cash from (used in) investing activities	37,028,253	(40,271,354)
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividends paid	-	(260,264,304)
Net cash used in financing activities	-	(260,264,304)
Net increase (decrease) in cash and cash equivalents	103,433,477	(141,007,555)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	62,565,571	203,573,126
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	165,999,048	62,565,571
Cash and cash equivalents represented by:		
Cash in hand and at bank	165,999,048	62,565,571

The notes on pages 9 to 43 are an integral part of these financial statements.

1. Incorporation and Business Activities

ScotiaLife Trinidad and Tobago Limited (ScotiaLife) was incorporated and domiciled in the Republic of Trinidad and Tobago on May 23, 2000 and was registered to conduct ordinary long-term insurance business under the Insurance Act, 1980 on December 3, 2001. ScotiaLife commenced insurance operations in April 2004. It is a wholly owned subsidiary of Scotiabank Trinidad and Tobago Limited (Scotiabank), which is also incorporated and domiciled in the Republic of Trinidad and Tobago. Its ultimate holding company is the Bank of Nova Scotia, which is incorporated and domiciled in Canada. ScotiaLife's registered office is located at 56-58 Richmond Street, Port of Spain.

2. Significant Accounting Policies

The significant accounting policies adopted in the preparation of these financial statements have been applied consistently to all periods presented in the financial statements and are set out below:

(a) Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and are presented in Trinidad and Tobago dollars, which is the functional currency, rounded to the nearest dollar.

The financial statements are prepared on the historical cost basis modified for the inclusion of investments at fair value through profit or loss, available-for-sale investments at fair value and policyholders' funds calculated using the policy premium method of valuation.

(b) Insurance – recognition and measurement

Insurance contracts

These contracts insure human life events (for example, death or permanent disability) over a long duration. The accounting treatment differs according to whether the contract bears investment options or not. Under contracts that do not bear investment options, premiums are recognised as income when they become payable by the contract holder and benefits are recorded as an expense when they are incurred.

2. Significant Accounting Policies (continued)

(b) Insurance – recognition and measurement (continued)

Insurance contracts (continued)

Under contracts that bear an investment option, insurance premiums received are initially recognised directly as liabilities. These liabilities are increased by credited interest and are decreased by policy administration fees, mortality and surrender charges and any withdrawals; the resulting liability is included in the Provision for Future Policy Benefits and Other Policyholders' Liabilities which are disclosed in Notes 5 and 6. Income consists of fees deducted for mortality, policy administration, and surrenders.

Insurance contract liabilities are determined by an independent actuary using the Policy Premium Method of valuation as discussed in accounting policy 2(f). These liabilities are, on valuation, adjusted through profit or loss to reflect the valuation determined under the Policy Premium Method.

Reinsurance contracts held

Contracts entered into by ScotiaLife with reinsurers under which ScotiaLife is compensated for losses on one or more contracts issued by ScotiaLife and that meet the classification requirements for insurance contracts are classified as reinsurance contracts held. Contracts that do not meet these classification requirements are classified as financial assets.

The benefits to which ScotiaLife is entitled under its reinsurance contracts held are recognised as reinsurance assets. These assets consist of balances due from reinsurers. Amounts recoverable from or due to reinsurers are measured consistently with the amounts associated with the reinsured insurance contracts and in accordance with the terms of each reinsurance contract. Reinsurance liabilities are primarily premiums payable for reinsurance contracts and are recognised as an expense when due.

ScotiaLife assesses its reinsurance assets for impairment on an annual basis. If there is objective evidence that the reinsurance asset is impaired, ScotiaLife reduces the carrying amount of the reinsurance asset to its recoverable amount and recognises that impairment loss in profit or loss. ScotiaLife gathers the objective evidence that a reinsurance asset is impaired using the same process adopted for financial assets held at amortised cost. The impairment loss is calculated following the same method used for financial assets. These processes are described in accounting policy 2(j).

2. **Significant Accounting Policies** (continued)

(c) Loans

All loans are backed by real estate and are stated net of any unearned income and of any specific provisions established to recognise anticipated losses. Individual loans are subject to ongoing reviews. Specific provisions for losses are determined as a result of these reviews.

(d) Revenue recognition

Premium income

Premiums are recognised on the accruals basis in accordance with the terms of the underlying contracts as outlined in Note 2 (b).

Investment income

This consists of interest from investments and real estate backed loans, dividends and realised and unrealised investment gains and losses.

Interest income is accounted for on the accruals basis using the effective interest rate method except on non-accrual loans. When a loan is classified as non-accrual, accrued but uncollected interest is reversed against income of the current period, unless the loan, including accrued interest, is fully secured and in the process of collection. Thereafter, interest income is recognised only after the loan reverts to performing status.

Dividends are recognised when received.

(e) Foreign currency

Transactions in foreign currencies are translated at the rate of exchange ruling at the transaction date. Foreign currency monetary assets and liabilities are translated at the rate of exchange ruling at the reporting date. Resulting translation differences and profits and losses from trading activities are included in profit or loss.

(f) Provision for future policy benefits

Provision for future policy benefits is calculated using the Policy Premium Method (PPM) of valuation. Under this method explicit allowance is made for all future benefits and expenses under the policies. The premiums, benefits and expenses for each policy are projected and the resultant future cash flows are discounted back to the valuation date to determine the reserves.

2. **Significant Accounting Policies** (continued)

(f) ***Provision for future policy benefits*** (continued)

The process of calculating policy reserves involves the use of estimates concerning such factors as mortality and morbidity rates, future investment yields and future expense levels. Consequently, these liabilities include reasonable provision for adverse deviations from the estimates.

Actuarial valuations are prepared monthly, with adjustments to reserves shown in the year to which it relates.

(g) ***Taxation***

Income tax expense for the year comprises current tax and the change in deferred tax. Deferred tax is recognized in profit or loss except to the extent that it relates to items recognized directly in other comprehensive income (OCI). Current tax comprises tax payable, calculated on the basis of the expected taxable income for the year, using the tax rate enacted by the reporting date, green fund levy, and any adjustment of tax payable for previous years.

Deferred tax is provided using the liability method on all temporary differences between the carrying amounts for financial reporting purposes and the amounts used for taxation purposes, except differences relating to the initial recognition of assets or liabilities which affect neither accounting nor taxable profit (loss). Net deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred tax is calculated on the basis of the tax rate that is expected to apply to the period when the asset is realised or the liability is settled. The effect on deferred tax of any changes in the tax rate is charged to the statement of profit or loss and statement of other comprehensive income, except to the extent that it relates to items previously charged or credited directly to equity.

(h) ***Financial instruments***

Financial instruments carried on the statement of financial position include cash resources, investments securities, loans, other assets, policyholders' funds and other liabilities. The standard treatment for recognition, derecognition, classification and measurement of financial instruments is described in notes (i) – (v) below.

2. Significant Accounting Policies (continued)

(h) Financial instruments (continued)

(i) Recognition

Financial assets and liabilities (including assets and liabilities designated at fair value through profit or loss) are recognised on the date at which ScotiaLife becomes a party to the contractual provisions of the instrument.

(ii) Derecognition

Financial assets are derecognised when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferring financial assets that is created or retained by ScotiaLife is recognised as a separate asset or liability.

ScotiaLife derecognises a financial liability when its contractual obligations are discharged, cancelled or expired.

(iii) Classification

ScotiaLife classifies its financial assets into the following categories: financial assets at fair value through profit or loss; loans; held-to-maturity; and available-for-sale financial assets. Management determines the classification of its investments at initial recognition.

Financial assets at fair value through profit or loss

This category includes financial assets held-for-trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management.

Loans

Loans are financial assets with fixed or determinable payments that are not quoted in an active market.

2. Significant Accounting Policies (continued)

(h) Financial instruments (continued)

(iii) Classification (continued)

Held-to-maturity

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that ScotiaLife's management has the positive intention and ability to hold to maturity. If ScotiaLife were to sell other than an insignificant amount of held-to-maturity assets, the entire category would be compromised and reclassified as available-for-sale.

Available-for-sale

Available-for-sale investments are those intended to be held for an indefinite period of time, and may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices.

(iv) Measurement

Financial instruments are measured initially at fair value, plus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issue.

Subsequent to initial recognition all financial assets at fair value through profit or loss and available-for-sale assets are measured at fair value, based on their quoted market price at the reporting date without any deduction for transaction costs. Where the instrument is not actively traded or quoted on recognised exchanges, fair value is determined using discounted cash flow analysis. Where discounted cash flow techniques are used, estimated future cash flows are based on management's best estimates and the discount rate is a market related rate at the reporting date for an instrument with similar terms and conditions.

Any available-for-sale asset that does not have a quoted market price in an active market and where fair value cannot be reliably measured, is stated at cost, including transaction costs, less impairment losses.

Gains and losses arising from the change in the fair value of available-for-sale investments subsequent to initial recognition are accounted for as changes in the investment revaluation reserve and are recognised in other comprehensive income.

Gains and losses, both realised and unrealised, arising from the change in the financial assets at fair value through profit or loss are reported in investment income.

2. Significant Accounting Policies (continued)

(h) Financial instruments (continued)

(iv) Measurement (continued)

All non-trading financial liabilities, purchased loans and held-to-maturity assets are measured at amortised costs less impairment losses. Amortised cost is calculated on the effective interest rate method. Premiums and discounts, including initial transaction costs, are included in the carrying amount of the related instrument and amortised based on the effective interest rate of the instrument.

(v) Specific instruments

Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and in-transit, deposits with banks and related companies and short-term highly liquid investments with maturities of three months or less when purchased, including treasury bills and other bills eligible for rediscounting with the Central Bank. The carrying value approximates the fair value due to its highly liquid nature and the fact that it is readily converted to known amounts of cash in hand and is subject to insignificant risk of change in value.

Investment securities

Debt investments that ScotiaLife has the intent and ability to hold to maturity are classified as held-to-maturity assets. All other investments are classified as available-for-sale or fair value through profit or loss.

On disposal or on maturity of an investment, the difference between the net proceeds and the carrying amount is included in profit or loss. When available-for-sale assets are sold, converted or otherwise disposed of, the cumulative gain or loss recognised in equity is reclassified to profit or loss.

Loans

All loans are backed by real estate and are stated at cost (amortised cost) net of allowances to reflect the estimated recoverable amounts.

A loan is classified as non-accrual when principal or interest is 90 days past due or when, in the opinion of management, there is reasonable doubt as to the ultimate collectability of principal or interest.

2. Significant Accounting Policies (continued)

(h) Financial instruments (continued)

(v) Specific instruments (continued)

Loans (continued)

Non-accrual loans may revert to performing status when all payments become fully current or when management has determined there is no reasonable doubt of ultimate collectability.

A loan is classified as impaired when, in management's opinion, there has been a deterioration in credit quality to the extent that there is no longer reasonable assurance of timely collection of the full amount of principal and interest. If a payment on a loan is contractually 90 days in arrears the loan will be classified as impaired.

When a loan is classified as impaired, recognition of interest in accordance with the terms of the original loan ceases, and interest is taken into account on the cash basis. This differs from IFRS which requires that interest on the impaired asset continues to be recognised through the unwinding of the discount that was applied to the estimated future cash flows. The difference is not considered material.

Loans are written off after all the necessary legal procedures have been completed and the amount of the loss is finally determined.

ScotiaLife maintains a loan loss provision, which in management's opinion, is adequate to absorb all incurred credit-related losses in its loan portfolio. The loan loss provision is done on a portfolio basis and reflects the associated estimated loss. Provisions are calculated using a formula taking into account recent loss experience.

The provision for the year, less recoveries of amounts previously written off and the reversal of provisions no longer required, is disclosed in the statement of profit or loss and other comprehensive income as loan loss expense.

(i) Employee benefits

Employee benefits that are earned as a result of past or current service are recognised in the following manner: short-term employee benefits are recognised as a liability, net of payments made, and charged as expense. The expected cost of vacation leave that accumulates is recognised when the employee becomes entitled to the leave. Post-employment benefits are accounted for as described below.

2. Significant Accounting Policies (continued)

(i) Employee benefits (continued)

Post-employment benefits have no financial effect in these financial statements as all employees are employed by Scotiabank of Trinidad and Tobago Limited (the immediate parent company) who accounts for the IAS 19 adjustments.

(j) Impairment

The carrying amounts of ScotiaLife's assets, other than deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the statement of comprehensive income.

The recoverable amount of other assets is the greater of their net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(k) Insurance and investment contracts – classification

ScotiaLife issues policy contracts that transfer insurance and/or financial risk from the policyholder. Insurance risk is defined as an insured event that could cause an insurer to pay significant additional benefits in a scenario that has a discernable effect on the economics of the transaction.

Insurance contracts transfer insurance risk and may also transfer financial risk. Investment contracts transfer financial risk and no insurance risk. Financial risk includes credit risk, liquidity risk and market risk.

2. Significant Accounting Policies (continued)

(l) Critical accounting estimates and judgements

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and income and expenses during the reporting period. Actual results could differ from these estimates.

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Judgements made by management in the application of IFRS that have a significant effect on the financial statements and estimates with a significant risk of material adjustment in the next financial year are discussed below:

- *Determining fair values with significant unobservable inputs*

  The determination of fair value for financial assets and liabilities for which there is no observable market price requires the use of valuation techniques as described in accounting policy 2(h)(iv).

  A number of accounting policies and disclosures require the measurement of fair values. ScotiaLife has an established control framework with respect to the measurement of fair values which represents the amount at which a financial instrument could be exchanged in an arm's length transaction between willing parties under no compulsion to act and is best evidenced by a quoted market price. If no quoted market prices are available, the fair values presented are estimates derived using present value or other valuation techniques and may not be indicative of net realisable value. When measuring the fair value of an asset or a liability ScotiaLife uses market observable data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as referenced in Note 13. If the inputs used to measure the fair value of an asset or a liability might be categorised in different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. ScotiaLife recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

- *Financial asset and liability classification*

  ScotiaLife's accounting policies provide scope for assets and liabilities to be designated on inception into different accounting categories in certain circumstances.

2. Significant Accounting Policies (continued)

(l) Critical accounting estimates and judgements (continued)

- *Financial asset and liability classification* (continued)

  In classifying financial assets or liabilities as "fair value through profit or loss", ScotiaLife has determined that it meets the description of trading assets and liabilities set out in accounting policy 2(h)(iii).

  In designating financial assets or liabilities at fair value through profit or loss, ScotiaLife has determined that it has met one of the criteria for this designation set out in accounting policy 2(h)(iii).

  In classifying financial assets as held-to-maturity, ScotiaLife has determined that it has both the positive intention and ability to hold the assets until maturity date as required by accounting policy 2(h)(iii).

- *Taxation*

  Estimates are required in determining the provision for income taxes. There are some transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. ScotiaLife recognises liabilities for possible tax issues based on the likelihood of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

- *Estimate of future payments and premiums arising from long-term insurance contracts*

  The determination of liabilities under long-term insurance contracts is dependent on estimates made by the appointed actuary. Estimates are made as to the expected number of deaths for each of the years in which ScotiaLife is exposed to risk. The appointed actuary bases these estimates on standard industry and international mortality tables that reflect recent historical mortality experience, adjusted where appropriate to reflect ScotiaLife's own experience. For contracts that insure the risk of longevity, appropriate but not excessively prudent allowance is made for expected mortality improvements. The estimated number of deaths determines the value of the benefit payments and the value of the valuation premiums. The main source of uncertainty is that epidemics such as AIDS, and wide-ranging lifestyle changes, such as eating, smoking and exercise habits, could result in future mortality being significantly worse than in the past for the age groups in which ScotiaLife has significant exposure to mortality risk. However, continuing improvements in medical care and social conditions could result in improvements in longevity in excess of those allowed for in estimates used to determine the liability for contracts where ScotiaLife is exposed to longevity risk.

2. Significant Accounting Policies (continued)

(l) Critical accounting estimates and judgements (continued)

- *Estimate of future payments and premiums arising from long-term insurance contracts* (continued)

The following shows the sensitivity of the liabilities to a change in assumptions:

	2017 $	2016 $
Interest rates decrease by 1%	(3,632,798)	(3,503,674)
Interest rates increase by 1%	4,363,356	3,984,942
Mortality increases by 10%	10,882,134	10,378,063
Mortality decreases by 10%	(11,243,400)	(10,696,520)
Expenses increase by 10%	7,621,598	7,856,322
Expenses decrease by 10%	(7,608,341)	(7,818,930)
Lapses and withdrawals increase by 10%	15,424,779	15,391,549
Lapses and withdrawals decrease by 10%	(17,442,057)	(17,389,595)

For contracts without fixed terms, it is assumed that ScotiaLife will be able to increase mortality risk charges in future years in line with emerging mortality experience.

Estimates are also made as to future investment income arising from the assets backing long-term insurance contracts. These estimates are based on current market returns as well as expectations about future economic and financial developments.

For long-term contracts with fixed and guaranteed terms, estimates are made in two stages. Estimates of future deaths, voluntary terminations and partial withdrawal of policy funds, investment returns and administration expenses are made at the inception of the contract and form the assumptions used for calculating the liabilities at the inception of the contract. A margin of risk and uncertainty is added to these assumptions. New estimates are made each subsequent year based on updated company and intercompany experience studies and updated economic forecasts. The valuation assumptions are altered to reflect these revised best estimate assumptions. The margins for risk and uncertainty may also be altered if the underlying level of uncertainty in the updated assumption has changed. The financial impact of revisions to best estimate assumptions or the related margins is recognised in the accounting period in which the change is made.

2. Significant Accounting Policies (continued)

(m) New, revised and amended standards and interpretations that became effective during the year:

Certain new, revised and amended standards and interpretations came into effect during the current financial year. The Company assessed them and adopted those relevant to its financial statements.

- IAS 1, *Presentation of Financial Statements*, effective for accounting periods beginning on or after January 1, 2016, has been amended to clarify or state the following:
  - specific single disclosures that are not material do not have to be presented even if they are minimum requirements of a standard;
  - the order of notes to the financial statements is not prescribed;
  - line items on the statement of financial position and the statement of profit or loss and other comprehensive income (OCI) should be disaggregated if this provides helpful information to users. Line items can be aggregated if they are not material;
  - specific criteria is now provided for presenting subtotals on the statement of financial position and in the statement of profit or loss and OCI, with additional reconciliation requirements for the statement of profit or loss and OCI; and
  - the presentation in the statement of OCI of items of OCI arising from joint ventures and associates accounted for using the equity method follows the IAS 1 approach of splitting items that may, or that will never, be reclassified to profit or loss.

(n) New, revised and amended standards and interpretations not yet effective:

Certain new, revised and amended standards and interpretations have been issued which are not yet effective for the current year and which the Company has not early-adopted. ScotiaLife has assessed the relevance of all such new standards, amendments and interpretations with respect to ScotiaLife's operations and has determined that the following are likely to have an effect on the financial statements.

- IFRS 9, *Financial Instruments,* which is effective for annual reporting periods beginning on or after January 1, 2018, replaces the existing guidance in IAS 39 *Financial Instruments: Recognition and Measurement.* IFRS 9 includes revised guidance on the classification and measurement of financial assets and liabilities, including a new expected credit loss model for calculating impairment of financial assets and the new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39.

2. Significant Accounting Policies (continued)

(n) New, revised and amended standards and interpretations not yet effective (continued)

- IFRS 9, *Financial Instruments* (continued)

  Although the permissible measurement bases for financial assets – amortised cost, fair value through other comprehensive income (FVOCI) and fair value though profit or loss (FVTPL) - are similar to IAS 39, the criteria for classification into the appropriate measurement category are significantly different. IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' model, which means that a loss event will no longer need to occur before an impairment allowance is recognized.

  ScotiaLife is assessing the impact that this amendment will have on its 2019 financial statements.

- IFRS 16, *Leases*, which is effective for annual reporting periods beginning on or after January 1, 2019, eliminates the current dual accounting model for lessees, which distinguishes between on-balance sheet finance leases and off-balance sheet operating leases. Instead, there is a single, on-balance sheet accounting model that is similar to current finance lease accounting. Companies will be required to bring all major leases on-balance sheet, recognising new assets and liabilities. The on-balance sheet liability will attract interest; the total lease expense will be higher in the early years of a lease even if a lease has fixed regular cash rentals. Optional lessee exemption will apply to short- term leases and for low-value items with value of US$5,000 or less.

  Lessor accounting remains similar to current practice as the lessor will continue to classify leases as finance and operating leases. Finance lease accounting will be based on IAS 17 lease accounting, with recognition of net investment in lease comprising lease receivable and residual asset. Operating lease accounting will be based on IAS 17 operating lease accounting.

  Early adoption is permitted if IFRS 15, *Revenue from Contracts with Customers* is also adopted.

  ScotiaLife is assessing the impact that this amendment will have on its 2020 financial statements.

2. Significant Accounting Policies (continued)

(n) New, revised and amended standards and interpretations not yet effective (continued)

- IAS 7, *Statement of Cash Flows (Amendment)*, which is effective for annual reporting periods beginning on or after January 1, 2017, requires disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes.

  ScotiaLife is assessing the impact that this amendment will have on its 2018 financial statements.

- Amendments to IAS 12, *Income Taxes*, effective for accounting periods beginning on or after January 1, 2017, clarifies the following:

  - The existence of a deductible temporary difference depends solely on a comparison of the carrying amount of an asset and its tax base at the end of the reporting period, and is not affected by possible future changes in the carrying amount or expected manner of recovery of the asset.
  - A deferred tax asset can be recognised if the future bottom line of the tax return is expected to be a loss, if certain conditions are met.
  - Future taxable profits used to establish whether a deferred tax can be recognised should be the amount calculated before the effect of reversing temporary differences.
  - An entity can assume that it will recover an asset for more than its carrying amount if there is sufficient evidence that it is probable that the entity will achieve this.
  - Deductible temporary differences related to unrealised losses should be assessed on a combined basis for recognition unless a tax law restricts the use of losses to deductions against income of a specific type.

  ScotiaLife is assessing the impact that this amendment will have on its 2018 financial statements.

2. Significant Accounting Policies (continued)

(o) Dividends

Dividends that are proposed and declared during the period are accounted for as an appropriation of retained earnings in the statement of changes in equity. Dividends that are proposed after the reporting date are not shown on the statement of financial position but are disclosed as a note to the financial statements.

(p) Comparative information

Where necessary, comparatives have been adjusted to conform to changes in presentation in the current year.

	2017 $	2016 $
3. Investment Securities		
Securities at fair value through profit or loss		
- Equities	20,981,111	20,416,145
Securities available-for-sale		
- Government and state enterprises debt securities	876,001,086	802,477,854
- Mutual Funds	10,922,074	10,795,502
	886,923,160	813,273,356
Securities held-to-maturity		
- Government and state enterprises debt securities	45,566,478	88,705,459
Total investments	953,470,749	922,394,960

4. Loans

	2017 $	2016 $
4.1 Principal neither past due nor impaired	751,660,384	743,716,158
Principal which is past due but not impaired	92,372,894	80,859,601
Principal which is impaired	16,709,137	9,850,081
Gross loans	860,742,415	834,425,840
Loan loss provision	(1,554,917)	(1,199,795)
Total loans net of provision	859,187,498	833,226,045

	2017	2016
	$	$
4. Loans (continued)		
4.1 (continued)		
Current portion	3,045,485	2,789,802
Long-term portion	856,142,013	830,436,243
Total loans net of provision	859,187,498	833,226,045
Interest receivable (included in other assets)	4,362,993	3,866,377

4.2 ***Financial assets past due but not impaired***

	2017			
	Less than 30 days	**30 - 60 days**	**61 - 90 days**	**Total**
	$	$	$	$
Loans	69,013,496	17,003,387	6,356,011	92,372,894

	2016			
	Less than 30 days	**30 - 60 days**	**61 - 90 days**	**Total**
	$	$	$	$
Loans	63,983,693	7,994,438	8,881,470	80,859,601

	2017	2016
	$	$
4.3 ***Analysis of movement of loan loss provision***		
Provision, beginning of year	1,199,795	148,997
Loan loss charge for the year	355,122	1,050,798
Provision, end of year	1,554,917	1,199,795
4.4 ***Loan loss expense***		
Loan loss charge for the year	355,122	1,050,798

	2017	2016
	$	$

5. Provision for Future Policy Benefits

	2017 $	2016 $
TT$ Ordinary Life – Non-participating policies	638,015,104	568,551,920
TT$ Individual Annuities	642,556,802	607,631,772
US$ Individual Annuities	13,040,691	12,488,639
TT$ Group Life – Creditor Life	23,487,435	24,739,798
	1,317,100,032	1,213,412,129

The movements in provision for future policy benefits are as follows:

	2017 $	2016 $
Balance at beginning of year	1,213,412,129	1,088,211,940
Increase in reserves	103,687,903	125,200,189
Balance at end of year	1,317,100,032	1,213,412,129

6. Other Policyholders' Liabilities

	2017 $	2016 $
Claims admitted but not paid	10,702,456	8,772,720
Premium suspense	162,679	336,780
Premiums paid in advance	1,501,528	1,469,211
Provision for claims incurred but not reported	3,155,995	3,166,641
	15,522,658	13,745,352

7. Stated Capital

Authorised

Authorised capital consists of an unlimited number of ordinary shares

Issued and fully paid

	2017 $	2016 $
60,000,000 ordinary shares of no par value	60,000,000	60,000,000

	2017	2016
	$	$

8. Investment Income

	2017 $	2016 $
Available-for-sale	23,596,926	19,839,886
Held-to-maturity	3,293,647	7,813,980
Securities at fair value	1,039,002	1,135,354
Loans	56,025,815	52,188,727
Unrealised (loss) gain on investment	60,309	(966,951)
	84,015,699	80,010,996

9. Income Tax Expense

	2017 $	2016 $
Current tax provision	12,310,485	77,681,803
Deferred tax	15,994,890	(49,208,465)
Green Fund levy	1,642,185	1,577,506
	29,947,560	30,050,844

Taxation reconciliation

The following is a reconciliation of the application of the effective tax rate with the income tax expense:

	2017 $	2016 $
Net income before taxation	125,240,729	124,438,233
Prima facie tax calculated at domestic corporation tax rate of 25%/30%	37,522,219	31,109,558
Effect of difference on tax rate on life insurance companies	(10,147,679)	(3,396,996)
Tax effect of non-taxable income and deductible investment expenses	930,835	760,776
Green Fund levy	1,642,185	1,577,506
Tax expense	29,947,560	30,050,844

With effect from January 1, 2017, a two-tiered tax rate system was introduced whereby the first TT$1,000,000 of chargeable profit of companies will be subject to tax at a rate of 25% and any excess of chargeable profit will be subject to tax at a rate of 30%. Prior to this date, a flat 25% corporation tax rate applied.

10. Deferred Taxation

10.1 The net deferred tax liability is attributable to the following items:

	Opening Balance	Recognised in OCI	Recognised in Profit or Loss	Total
	$	$	$	$
Available for sale securities	(601,898)	902,191	-	300,293
Non-Statutory Fund Assets	4,467,657	-	15,994,890	20,462,547
	3,865,759	902,191	15,994,890	20,762,840

	2017	2016
	$	$
10.2 The movement in the deferred tax account comprised:		
Balance at beginning of year	3,865,759	53,750,104
Available-for-sale securities fair value re-measurement	902,191	(675,880)
Current year's deferred tax (credit) charge	15,994,890	(49,208,465)
Balance at end of year	20,762,840	3,865,759

11. Financial Risk Management

Introduction and overview

ScotiaLife has adopted risk management policies and has set appropriate limits and controls to manage and mitigate against financial risk. ScotiaLife has exposure to the following risks arising from its use of financial instruments and from foreign currency transactions.

- Credit risk
- Market risk
- Liquidity risk
- Operational risk.

11. Financial Risk Management (continued)

Credit risk

Credit risk is the risk of loss resulting from the failure of a borrower or counterparty to honour its financial or contractual obligations to ScotiaLife. ScotiaLife's exposure to credit risk resides in its investment in loans purchased from Scotiabank, investment securities available for sales and investment securities held to maturity.

Credit risk is managed through a number of strategies, policies and limits that are approved by the Board of Directors and include the following processes:

- A centralised credit review system that is independent of the customer relationship function;
- Senior management which considers all major risk exposures; and
- An independent review by the Internal Audit Department.

Relationship managers develop and structure individual proposals at branches and commercial centres. A full financial review is performed for each customer at least annually, so that Scotiabank remains fully aware of customers' risk profiles. The Credit Risk Management department analyses and adjudicates on commercial and corporate credits over a certain size and exceptions to established credit policies. In assessing credit proposals, Scotiabank is particularly sensitive to the risks posed to credit quality by environmental exposures.

Retail credits are normally authorised by Scotiabank within established criteria using a credit scoring system. Scotiabank's Credit Risk Management department adjudicates on those retail credits that do not conform to the established criteria. The retail portfolios are reviewed regularly for early signs of possible difficulties.

Market Risk

Market risk refers to the risk of loss resulting from changes in market prices such as interest rates, foreign exchange market prices and other price risks. ScotiaLife invests in financial instruments in the ordinary course of business whilst managing and controlling these exposures within acceptable parameters.

ScotiaLife has more than 80% of its investments denominated in Trinidad and Tobago currency thus hedging against exchange rate fluctuations; also it maintains a mix of fixed rate bonds and short-term deposits that allows it to mitigate the effects of interest rate fluctuations.

All market limits are reviewed at least annually. The key sources of ScotiaLife's market risk are as follows:

- Currency risk
- Interest rate risk

11. Financial Risk Management (continued)

Market Risk (continued)

Currency risk

ScotiaLife has no significant foreign exchange exposure with the majority of ScotiaLife's assets being denominated in the local currency. Foreign currency transactions have not required the use of interest rate swaps and foreign currency options and other derivative instruments which all carry inherent risks.

Concentration of assets and liabilities

ScotiaLife has the following currency denominated positions:

	2017			
	TT	**US**	**Other**	**Total**
	$	**$**	**$**	**$**
Assets				
Cash	162,897,695	3,065,933	35,420	165,999,048
Investments securities:				
Fair value through profit or loss				
- Equities	20,981,111	-	-	20,981,111
Held-to-maturity				
- Bonds	43,604,182	1,962,296	-	45,566,478
Available-for-sale				
- Government and state enterprises debt securities	871,386,738	4,614,348	-	876,001,086
- Mutual Funds	5,089,215	5,832,859	-	10,922,074
Other assets	23,321,174	-	-	23,321,174
Loans	859,187,498	-	-	859,187,498
Total assets	1,986,467,613	15,475,436	35,420	2,001,978,469
Liabilities				
Other liabilities	8,276,745	-	-	8,276,745
Policyholders' liabilities	1,319,581,999	13,040,691	-	1,332,622,690
Total liabilities	1,327,858,744	13,040,691	-	1,340,899,435
Net financial position	660,142,771	936,263	-	661,079,034

11. Financial Risk Management (continued)

Market Risk (continued)

Currency risk (continued)

Concentration of Assets and Liabilities

	2016			
	TT	**US**	**Other**	**Total**
	$	**$**	**$**	**$**
Assets				
Cash	56,572,191	5,959,412	33,968	62,565,571
Investments securities:				
Fair value through profit or loss				
- Equities	20,416,145	-	-	20,416,145
Held-to-maturity				
- Bonds	86,749,919	1,955,540	-	88,705,459
Available-for-sale				
- Government and state enterprises debt securities	801,682,010	795,844	-	802,477,854
- Mutual Funds	5,032,128	5,763,374	-	10,795,502
Other assets	30,075,654	-	-	30,075,654
Loans	833,226,045	-	-	833,226,045
Total assets	1,833,754,092	14,474,170	33,968	1,848,262,230
Liabilities				
Other liabilities	8,495,750	1,957,390	33,968	10,487,108
Policyholders' liabilities	1,214,668,842	12,488,639	-	1,227,157,481
Total liabilities	1,223,164,592	14,446,029	33,968	1,237,644,589
Net financial position	606,790,601	3,759,104	67,936	610,617,641

Interest rate risk

ScotiaLife is exposed to interest rate risk where, due to changes in market interest rates, fluctuations arise in the value and the future cash flows of ScotiaLife's financial instruments.

Interest rate risk is managed through the matching of financial liabilities with investment activities, regular review of structural gaps and monitoring market conditions. The interest rates on a material amount of ScotiaLife's liabilities can be repriced as and when required.

11. Financial Risk Management (continued)

Market Risk (continued)

Interest rate risk (continued)

The principal risk to which non-trading portfolios are exposed is the risk of loss from fluctuations in the future cash flows or fair values of financial instruments because of change in market interest rates.

Interest sensitivity of assets, liabilities and equity

The following table summarises carrying amounts of assets, liabilities and equity in order to arrive at ScotiaLife's interest rate gap on the earlier of contractual repricing or maturity dates:

	2017					
	Due on demand	Due in one year	Due in two to five years	Over five years	Non-interest bearing	Total
	$	$	$	$	$	$
Assets						
Cash	165,999,048	-	-	-	-	165,999,048
Investments:						
Fair value through profit or loss						
- Equities	-	-	-	-	20,981,111	20,981,111
Held-to-maturity						
- Bonds	-	202,045	23,364,433	22,000,000	-	45,566,478
Available-for-sale						
- Government and state enterprises debt securities	-	482,402,500	137,638,519	255,960,067	-	876,001,086
- Mutual Funds	10,922,074	-	-	-	-	10,922,074
Other assets	-	-	-	-	23,321,174	23,321,174
Loans	-	3,045,484	51,271,091	804,870,923		859,187,498
	176,921,122	485,650,029	212,274,043	1,082,830,990	44,302,285	2,001,978,469
Liabilities						
Other liabilities	-	-	-	-	8,276,745	8,276,745
Policyholders' liabilities	77,699,099	44,889,212	206,330,644	1,003,703,735	-	1,332,622,690
Equity	-	-	-	-	638,300,605	638,300,605
	77,699,099	44,889,212	206,330,644	1,003,703,735	646,577,350	1,979,200,040
Net Gap	99,222,023	440,760,817	5,943,399	79,127,255		
Cumulative Gap	99,222,023	539,982,840	545,926,239	625,053,494		

11. Financial Risk Management (continued)

Market Risk (continued)

Interest rate risk (continued)

Interest sensitivity of assets, liabilities and equity

	2016					
	Due on demand	Due in one year	Due in two to five years	Over five years	Non-interest bearing	Total
	$	$	$	$	$	$
Assets						
Cash	62,565,571	-	-	-	-	62,565,571
Investments:						
Fair value through profit or loss						
- Equities	-	-	-	-	20,416,145	20,416,145
Held-to-maturity						
- Bonds	-	42,944,219	23,761,240	22,000,000	-	88,705,459
Available-for-sale						
- Government and state enterprises debt securities	-	441,443,521	139,929,542	221,104,791	-	802,477,854
- Mutual Funds	10,795,502	-	-	-	-	10,795,502
Other assets	-	-	-	-	30,075,654	30,075,654
Loans	-	2,789,802	63,482,106	766,954,137	-	833,226,045
	73,361,073	487,177,542	227,172,888	1,010,058,928	50,491,799	1,848,262,230
Liabilities						
Other liabilities	-	-	-	-	10,487,108	10,487,108
Policyholders' liabilities	73,863,000	36,983,450	151,760,165	964,550,866	-	1,227,157,481
Equity	-	-	-	-	537,914,850	537,914,850
	73,863,000	36,983,450	151,760,165	964,550,866	548,401,958	1,775,559,439
Net Gap	(501,927)	450,194,092	75,412,723	45,508,062		
Cumulative Gap	(501,927)	449,692,165	525,104,888	570,612,950		

11. Financial Risk Management (continued)

Liquidity Risk

Liquidity risk is the risk that ScotiaLife is unable to meet its financial obligations in a timely manner. ScotiaLife is exposed to daily calls on its cash resources from its policyholders. The liquidity risk management process ensures that ScotiaLife is able to honour all of its financial commitments as they fall due. ScotiaLife's liquidity strategy includes measuring and forecasting cash commitments and ensuring sufficient cash and marketable instruments such as treasury bills and government securities are available to meet short-term requirements.

The table below shows the maturity analysis of financial instruments using discounted cash flows of financial assets and financial liabilities based on their contractual maturity dates as at October 31.

	2017				
	Due on demand	Due in one year	Due in two to five years	Over five years	Total
	$	$	$	$	$
Assets					
Cash	165,999,048	-	-	-	165,999,048
Investments:					
Fair value through profit or loss					
- Equities	20,981,111	-	-	-	20,981,111
Held-to-maturity					
- Bonds	-	202,045	23,364,433	22,000,000	45,566,478
Available-for-sale					
- Government and state enterprises debt securities	-	482,402,500	137,638,519	255,960,067	876,001,086
- Mutual Funds	10,922,074	-	-	-	10,922,074
Other Assets	-	-	-	23,321,174	23,321,174
Loans	-	3,045,484	51,271,091	804,870,923	859,187,498
	197,902,233	485,650,029	212,274,043	1,106,152,164	2,001,978,469
Liabilities					
Policyholders' Liabilities	77,699,099	44,889,212	206,330,644	1,003,703,735	1,332,622,690
Accrued charges and other payables	-	8,276,745	-	-	8,276,745
	77,699,099	53,165,957	206,330,644	1,003,703,735	1,340,899,435
Net Gap	120,203,134	432,484,072	5,943,399	102,448,429	661,079,034
Cumulative Gap	120,203,134	552,687,206	558,630,605	661,079,034	

11. Financial Risk Management (continued)

Liquidity Risk (continued)

The table below shows the maturity analysis of financial instruments using discounted cash flows of financial assets and financial liabilities based on their contractual maturity dates as at October 31.

	2016				
	Due on demand	**Due in one year**	**Due in two to five years**	**Over five years**	**Total**
	$	**$**	**$**	**$**	**$**
Assets					
Cash	62,565,571	-	-	-	62,565,571
Investments:					
Fair value through profit or loss					
- Equities	20,416,145	-	-	-	20,416,145
Held-to-maturity					
- Bonds	-	42,944,219	23,761,240	22,000,000	88,705,459
Available-for-sale					
- Government and state enterprises debt securities	-	441,443,521	139,929,542	221,104,791	802,477,854
- Mutual Funds	10,795,502	-	-	-	10,795,502
Other Assets	-	-	-	30,075,654	30,075,654
Loans	-	2,789,802	63,482,106	766,954,137	833,226,045
	93,777,218	487,177,542	227,172,888	1,040,134,582	1,848,262,230
Liabilities					
Policyholders' liabilities	73,863,000	36,983,450	151,760,165	964,550,866	1,227,157,481
Accrued charges and other payables	-	10,487,108	-	-	10,487,108
	73,863,000	47,470,558	151,760,165	964,550,866	1,237,644,589
Net Gap	19,914,218	439,706,984	75,412,723	75,583,716	610,617,641
Cumulative Gap	19,914,218	459,621,202	535,033,925	610,617,641	

11. Financial Risk Management (continued)

Liquidity risk (continued)

The table below summarises the maturity profile of financial liabilities based on their undiscounted cash flows at October 31. The balances include both principal and interest cash flows over the remaining term to maturity and therefore would differ from the carrying amounts in the statement of financial position.

	2017					
	Due on demand	Due in one year	Due in two to five years	Over five years	Total contractual cash flows	Total carrying value
	$	$	$	$	$	$
Liabilities and Equity						
Policyholders' liabilities	77,699,099	46,026,791	228,186,884	1,816,981,777	2,168,894,545	1,332,622,690

	2016					
	Due on demand	Due in one year	Due in two to five years	Over five years	Total contractual cash flows	Total carrying value
	$	$	$	$	$	$
Liabilities and Equity						
Policyholders' liabilities	73,129,588	30,855,080	162,761,728	1,722,789,966	1,989,536,362	1,227,157,481

Capital management

ScotiaLife's capital management policy seeks to achieve several objectives:

- Compliance with capital requirements as set by the Insurance Act and Central Bank of Trinidad and Tobago
- Ensure ScotiaLife's ability to continue as a going concern
- To maintain a strong capital base to support the development of its business.

11. Financial Risk Management (continued)

Capital management (continued)

ScotiaLife employs techniques derived from the guidelines developed by the Central Bank of Trinidad and Tobago. The required information is filed with the regulatory authority on an annual basis.

Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with ScotiaLife's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behavior. Operational risks arise from all of ScotiaLife's operations.

The objective is to manage operational risk so as to balance the avoidance of financial losses and damage to ScotiaLife's reputation with overall cost effectiveness.

The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management. This responsibility is supported by the development of overall Scotiabank Group's standards for the management of operational risk in the following areas:

- requirements for appropriate segregation of duties
- requirements for the reconciliation and monitoring of transactions
- compliance with regulatory and other legal requirements
- documentation of controls and procedures
- training and professional development
- ethical and business standards
- risk mitigation, including insurance where this is effective

Compliance is supported by a programme of periodic review undertaken by the Bank's Internal Audit department. The results of such audits are discussed with the ScotiaLife Management Team with summaries submitted to ScotiaLife's Audit Committee and senior management of the Scotiabank Group.

12. Management of Insurance Risk

The risk under any one insurance contract is the possibility that the insured event occurs and the uncertainty of the amount of the resulting claim. By the very nature of an insurance contract, this risk is random and therefore unpredictable.

For a portfolio of insurance contracts where the theory of probability is applied to provisioning, the principal risk ScotiaLife faces under their insurance contracts is that the actual claims and benefit payments exceed the carrying amount of the policyholder benefits and other liabilities. This may occur in the event the frequency or severity of claims and benefits are greater than that estimated. Insurance events are random and therefore the actual number and amount of claims and benefits will vary from year to year from the levels established.

ScotiaLife pledges assets to the Statutory Fund at the Central Bank of Trinidad & Tobago. This strategy is used to mitigate the risk associated with the possibility of insufficient funds to cover policyholder benefits. ScotiaLife pledges assets in excess of its policyholders' liabilities to ensure coverage at any given point in time.

To limit its exposure of potential loss on an insurance policy, reinsurance contracts are utilised as a strategy to mitigate risks.

	2017 $	2016 $
Statutory fund assets	1,724,279,001	1,542,483,910
Policyholders' liabilities	(1,332,622,690)	(1,227,157,481)
Surplus	391,656,311	315,326,429

13. Fair Value of Financial Instruments

The fair values of on and off-balance sheet financial instruments are based on the valuation methods and assumptions set out in the significant accounting policies Note 2(h).

Fair value represents the amount at which a financial instrument could be exchanged in an arm's length transaction between willing parties under no compulsion to act and is best evidenced by a quoted market price. If no quoted market prices are available, the fair values presented are estimates derived using present value or other valuation techniques and may not be indicative of net realisable value.

13. Fair Value of Financial Instruments (continued)

ScotiaLife is consistent with Scotiabank Group's methodology of measuring fair values using the following fair value hierarchy which reflects the significance of the inputs used in making the measurements:

- Level 1 - Quoted market price (unadjusted) in an active market for an identical instrument.
- Level 2 - Valuation techniques based on observable inputs, either directly (i.e., as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.
- Level 3 - Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique included inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

Due to the judgement used in applying a wide range of acceptable valuation techniques and estimations in the calculation of fair value amounts, fair values are not necessarily comparable among financial institutions. The calculation of estimated fair values is based upon market conditions at a specific point in time and may not be reflective of future fair values.

The table below analyses financial instruments measured at fair value at the reporting date by the level in the fair value hierarchy into which the fair value measurement is categorised:

	2017			
	Level 1	**Level 2**	**Level 3**	**Total**
	$	**$**	**$**	**$**
Assets				
Equities	20,981,111	-	-	20,981,111
Securities available-for-sale				
- Government and state enterprises debt securities		876,001,086	-	876,001,086
Mutual funds	10,922,074			10,922,074
	31,903,185	876,001,086	-	907,904,271
Liabilities				
Provision for future policy benefits	-	(1,317,100,032)	-	(1,317,100,032)
	31,903,185	(441,098,946)	-	(409,195,761)

13. Fair Value of Financial Instruments (continued)

	2016			
	Level 1	**Level 2**	**Level 3**	**Total**
	$	**$**	**$**	**$**
Assets				
Equities	20,416,145	-	-	20,416,145
Securities available-for-sale				
- Government and state enterprises debt securities	-	802,477,854	-	802,477,854
Mutual funds	-	10,795,502	-	10,795,502
	20,416,145	813,273,356	-	833,689,501
Liabilities				
Provision for future policy benefits	-	(1,213,412,129)	-	(1,213,412,129)
	20,416,145	(400,138,773)	-	(379,722,628)

The table below summarises the carrying amounts and fair values of those financial assets and liabilities that are not presented on ScotiaLife's statement of financial position at fair value.

	Carrying Value		**Fair Value**	
	2017	**2016**	**2017**	**2016**
	$	**$**	**$**	**$**
Financial Assets				
Cash	165,999,048	62,565,571	165,999,048	62,565,571
Loans	859,187,498	833,226,045	859,187,498	833,226,045
Securities held-to-maturity				
- Government securities	45,566,478	88,705,459	54,678,708	99,023,938
	1,070,753,024	984,497,075	1,079,865,254	994,815,554
Financial Liabilities				
Accrued charges and other payables	8,276,745	10,487,108	8,276,745	10,487,108
Other policyholders' liabilities	15,522,658	13,745,352	15,522,658	13,745,352
	23,799,403	24,232,460	23,799,403	24,232,460

13. Fair Value of Financial Instruments (continued)

The fair values of these financial assets and liabilities have been determined on the following basis:

(a) Cash in hand and due to banks

These amounts are short-term in nature and are taken to be equivalent to fair value.

(b) Net loans to customers

Loans and advances to customers are granted at market rates and their values are not adversely affected by unusual terms. The estimated future cash flows are discounted using a discount rate based on market rates for similar type facilities.

(c) Government and state enterprises debt securities

The fair value of these instruments was determined using discounted cash flow analysis. The estimated future cash flows are discounted using a discount rate based on quoted market prices for securities with similar credit, maturity and yield characteristics.

(d) Policyholder Benefits and Other Liabilities

Policyholder benefits and liabilities are based on actuarial projections and assumptions based on a number of factors including but not limited to mortality and morbidity tables, lapse studies, company experience, market trends and interest rate assumptions.

Other liabilities are short-term and are equivalent to fair value.

14. Related Party Transactions

Parties are considered related if one party has the ability to control or exert significant influence over the other's decision-making process. A number of banking transactions have been entered into with related parties in the normal course of business. These transactions were conducted at market rates, on commercial terms and conditions.

Related party transactions include but are not limited to the following:

- Data processing and information technology support
- Technical and management services
- Operations support
- Transaction processing support
- Delinquent account collection services.

14. Related Party Transactions (continued)

	2017	2016
	$	$
Outstanding balances		
ASSETS		
Bank of Nova Scotia and its related entities	170,126,947	66,177,593
Reinsurance asset	13,853,811	14,709,992
LIABILITIES		
Bank of Nova Scotia and its related entities	1,178,874	1,714,357
INCOME		
Bank of Nova Scotia and its related entities	1,701,149	2,051,282
Reinsurance – claims recoveries	5,977,571	4,186,977
EXPENSES		
Bank of Nova Scotia and its related entities	17,698,296	16,549,763
Reinsurance	52,645,942	50,868,642

In the normal course of business, ScotiaLife purchases loans from Scotiabank at book value. Loans purchased during the year ended October 31, 2017 totalled $144,900,154 (2016: $169,236,434). The loans are with parties unrelated to ScotiaLife and are purchased without recourse.

Key management comprises individuals responsible for planning, directing and controlling the activities of ScotiaLife.

	2017	2016
	$	$
Key management compensation		
Short-term benefits	3,414,497	3,154,073
Share based payment	135,117	35,726
	3,549,614	3,189,799

15. Responsibilities of the Appointed Actuary and External Auditors

The Board of Directors pursuant to the Insurance Act appoints the Actuary. The Actuary's responsibility is to carry out an annual valuation of ScotiaLife's policyholders' liabilities in accordance with accepted actuarial practice and regulatory requirements and report thereon to the policyholders and shareholders. In performing the valuation, the Actuary makes assumptions as to the future rates of interest, asset defaults, mortality, morbidity, claims experience, policy termination, inflation, reinsurance recoveries, expenses and other contingencies, taking into consideration the circumstances of ScotiaLife and the insurance policies in force.

15. Responsibilities of the Appointed Actuary and External Auditors (continued)

The shareholders, pursuant to the Companies Act, appoint the external auditors. Their responsibility is to conduct an independent and objective audit of the financial statements in accordance with International Standards on Auditing and report thereon to the shareholders. In carrying out their audit, the auditors also make use of the work of the appointed Actuary and his report on the policyholders' liabilities.

16. Subsequent Events

There are no events occurring after the statement of financial position date and before the date of approval of these financial statements by the Board of Directors that require adjustment to or disclosure in these financial statements.

Financial Statements of

SCOTIALIFE TRINIDAD AND TOBAGO LIMITED

October 31, 2016

KPMG
Chartered Accountants
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P.O. Box 1328
Port of Spain
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Independent Auditors' Report to the Shareholder of ScotiaLife Trinidad and Tobago Limited

We have audited the accompanying financial statements of ScotiaLife Trinidad and Tobago Limited (ScotiaLife), which comprise the statement of financial position as at October 31, 2016, the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

KPMG

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of ScotiaLife as at October 31, 2016, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

KPMG

Chartered Accountants

December 1, 2016
Port of Spain
Trinidad and Tobago

SCOTIALIFE TRINIDAD AND TOBAGO LIMITED

Statement of Financial Position

October 31, 2016

	Notes	2016	2015
		$	$
ASSETS			
Investment securities	3	922,394,960	891,773,521
Loans	4	833,226,045	752,084,086
Reinsurance asset	14	14,709,992	14,283,461
Other assets		15,365,662	9,694,772
Cash in hand and at bank		62,565,571	203,573,126
Total Assets		1,848,262,230	1,871,408,966
LIABILITIES AND EQUITY			
Liabilities			
Provision for future policy benefits	5	1,213,412,129	1,088,211,940
Other policyholders' liabilities	6	13,745,352	11,872,544
Deferred tax	10	3,865,759	53,750,104
Accrued charges and other payables		10,487,108	6,216,086
Provision for taxation		68,837,032	3,670,267
		1,310,347,380	1,163,720,941
Equity			
Stated capital	7	60,000,000	60,000,000
Investment revaluation reserve		(3,477,027)	419,233
Retained earnings		481,391,877	647,268,792
		537,914,850	707,688,025
Total Liabilities and Equity		1,848,262,230	1,871,408,966

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

These financial statements were approved for issue by the Board of Directors on December 1, 2016 and signed on its behalf:

Anya M. Schnoor
Chairperson

Steve Ragobar
Director

SCOTIALIFE TRINIDAD AND TOBAGO LIMITED

Statement of Profit or Loss and Other Comprehensive Income

October 31, 2016

	Notes	2016	2015
		$	$
INCOME			
Gross premium income		445,089,106	488,235,228
Premium ceded to reinsurer		(50,868,642)	(43,327,534)
Net premium income		394,220,464	444,907,694
Investment income	8	80,010,996	68,075,584
Other income		1,944,764	1,638,750
Total income		476,176,224	514,622,028
POLICYHOLDERS' EXPENSES			
Provision for future policy benefits	5	125,200,189	193,244,288
Policyholders' benefits		189,516,891	151,776,040
Total policyholders' expenses		314,717,080	345,020,328
ADMINISTRATIVE EXPENSES			
Salaries and personnel costs		15,053,792	13,906,755
Premises and technology		7,180,869	7,465,776
Communications and marketing		816,106	(494,764)
Management expenses	14	8,575,516	8,397,514
Professional fees		3,280,977	2,224,111
Loan loss expense	4.4	1,050,798	14,180
Other		1,062,853	1,010,847
Total administrative expenses		37,020,911	32,524,419
INCOME BEFORE TAXATION		124,438,233	137,077,281
Income tax expense	9	(30,050,844)	(26,932,570)
NET INCOME FOR THE YEAR, ATTRIBUTABLE TO EQUITY HOLDER		94,387,389	110,144,711
OTHER COMPREHENSIVE INCOME			
Items that are or may be reclassified to profit or loss			
Revaluation of available-for-sale investments, net of tax		(3,896,260)	(16,022,217)
TOTAL COMPREHENSIVE INCOME, ATTRIBUTABLE TO EQUITY HOLDER		90,491,129	94,122,494

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

SCOTIALIFE TRINIDAD AND TOBAGO LIMITED

Statement of Changes in Equity

Year ended October 31, 2016

	Stated Capital	Investment Revaluation Reserve	Retained Earnings	Total Equity
	$	$	$	$
Balance as at October 31, 2014	60,000,000	16,441,450	537,124,081	613,565,531
Net income for the year	-	-	110,144,711	110,144,711
Other comprehensive income, net of tax				
Revaluation of available-for-sale investments	-	(16,022,217)	-	(16,022,217)
Total comprehensive income for the year	-	(16,022,217)	110,144,711	94,122,494
Balance as at October 31, 2015	60,000,000	419,233	647,268,792	707,688,025
Net income for the year	-	-	94,387,389	94,387,389
Transaction with owners of the company				
Dividends paid	-	-	(260,264,304)	(260,264,304)
Other comprehensive income, net of tax				
Revaluation of available-for-sale investments	-	(3,896,260)	-	(3,896,260)
	-	(3,896,260)	(165,876,915)	(169,773,175)
Balance as at October 31, 2016	60,000,000	(3,477,027)	481,391,877	537,914,850

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

SCOTIALIFE TRINIDAD AND TOBAGO LIMITED

Statement of Cash Flows

Year ended October 31, 2016

	2016	2015
	$	$
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before taxation	124,438,233	137,077,281
Adjustments to reconcile income before taxation to net cash from operating activities:		
Provision for loan loss	1,050,798	14,180
Investment income	(80,977,947)	(68,043,118)
Unrealised investment gain	966,951	(32,466)
Foreign exchange gain	(970,363)	(25,924)
Change in other assets	(1,804,513)	(76,834)
Change in reinsurance assets	(426,531)	(1,368,687)
Change in accrued charges and other payables	4,271,022	25,952
Change in provision for future policy benefits	125,200,189	193,244,288
Change in other policyholders' liabilities	1,872,808	(2,613,198)
Taxation paid	(14,092,544)	(21,386,813)
Net cash from operating activities	159,529,103	236,814,661
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(911,395,471)	(493,737,037)
Repayment of investments	793,413,731	288,823,982
Interest received	76,575,032	65,585,959
Dividends received	1,135,354	318,103
Net cash used in investing activities	(40,271,354)	(139,008,993)
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividends paid	(260,264,304)	-
Net cash used in financing activities	(260,264,304)	-
Net (decrease) increase in cash and cash equivalents	(141,007,555)	97,805,668
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	203,573,126	105,767,458
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	62,565,571	203,573,126
Cash and cash equivalents represented by:		
Cash in hand and at bank	62,565,571	203,573,126

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

1. Incorporation and Business Activities

ScotiaLife Trinidad and Tobago Limited (ScotiaLife) was incorporated and domiciled in the Republic of Trinidad and Tobago on May 23, 2000 and was registered to conduct ordinary long-term insurance business under the Insurance Act, 1980 on December 3, 2001. ScotiaLife commenced insurance operations in April 2004. It is a wholly owned subsidiary of Scotiabank Trinidad and Tobago Limited (Scotiabank), which is also incorporated and domiciled in the Republic of Trinidad and Tobago. Its ultimate holding company is the Bank of Nova Scotia, which is incorporated and domiciled in Canada. ScotiaLife's registered office is located at 56-58 Richmond Street, Port of Spain.

2. Significant Accounting Policies

The significant accounting policies adopted in the preparation of these financial statements have been applied consistently to all periods presented in the financial statements and are set out below:

(a) Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and are presented in Trinidad and Tobago dollars, which is the functional currency, rounded to the nearest dollar.

The financial statements are prepared on the historical cost basis modified for the inclusion of investments at fair value through profit or loss and available-for-sale investments at fair value.

(b) Insurance – recognition and measurement

Insurance contracts

These contracts insure human life events (for example, death or permanent disability) over a long duration. The accounting treatment differs according to whether the contract bears investment options or not. Under contracts that do not bear investment options, premiums are recognised as income when they become payable by the contract holder and benefits are recorded as an expense when they are incurred.

2. Significant Accounting Policies (continued)

(b) Insurance – recognition and measurement (continued)

Insurance contracts (continued)

Under contracts that bear an investment option, insurance premiums received are initially recognised directly as liabilities. These liabilities are increased by credited interest and are decreased by policy administration fees, mortality and surrender charges and any withdrawals; the resulting liability is included in the Provision for Future Policy Benefits and Other Policyholders' Liabilities which are disclosed in Notes 5 and 6. Income consists of fees deducted for mortality, policy administration, and surrenders.

Insurance contract liabilities are determined by an independent actuary using the Policy Premium Method of valuation as discussed in accounting policy 2(f). These liabilities are, on valuation, adjusted through profit or loss to reflect the valuation determined under the Policy Premium Method.

Reinsurance contracts held

Contracts entered into by ScotiaLife with reinsurers under which ScotiaLife is compensated for losses on one or more contracts issued by ScotiaLife and that meet the classification requirements for insurance contracts are classified as reinsurance contracts held. Contracts that do not meet these classification requirements are classified as financial assets.

The benefits to which ScotiaLife is entitled under its reinsurance contracts held are recognised as reinsurance assets. These assets consist of balances due from reinsurers. Amounts recoverable from or due to reinsurers are measured consistently with the amounts associated with the reinsured insurance contracts and in accordance with the terms of each reinsurance contract. Reinsurance liabilities are primarily premiums payable for reinsurance contracts and are recognised as an expense when due.

ScotiaLife assesses its reinsurance assets for impairment on an annual basis. If there is objective evidence that the reinsurance asset is impaired, ScotiaLife reduces the carrying amount of the reinsurance asset to its recoverable amount and recognises that impairment loss in profit or loss. ScotiaLife gathers the objective evidence that a reinsurance asset is impaired using the same process adopted for financial assets held at amortised cost. The impairment loss is calculated following the same method used for financial assets. These processes are described in accounting policy 2(j).

2. Significant Accounting Policies (continued)

(c) Loans

All loans are backed by real estate and are stated net of any unearned income and of any specific provisions established to recognise anticipated losses. Individual loans are subject to ongoing reviews. Specific provisions for losses are determined as a result of these reviews.

(d) Revenue recognition

Premium income

Premiums are recognised on the accruals basis in accordance with the terms of the underlying contracts as outlined in Note 2 (b).

Investment income

This consists of interest from investments and real estate backed loans, dividends and realised and unrealised investment gains and losses.

Interest income is accounted for on the accruals basis using the effective interest rate method except on non-accrual loans. When a loan is classified as non-accrual, accrued but uncollected interest is reversed against income of the current period, unless the loan, including accrued interest, is fully secured and in the process of collection. Thereafter, interest income is recognised only after the loan reverts to performing status.

Dividends are recognised when received.

(e) Foreign currency

Transactions in foreign currencies are translated at the rate of exchange ruling at the transaction date. Foreign currency monetary assets and liabilities are translated at the rate of exchange ruling at the reporting date. Resulting translation differences and profits and losses from trading activities are included in profit or loss.

(f) Provision for future policy benefits

Provision for future policy benefits are calculated using the Policy Premium Method (PPM) of valuation. Under this method explicit allowance is made for all future benefits and expenses under the policies. The premiums, benefits and expenses for each policy are projected and the resultant future cash flows are discounted back to the valuation date to determine the reserves.

2. Significant Accounting Policies (continued)

(f) Provision for future policy benefits (continued)

The process of calculating policy reserves involves the use of estimates concerning such factors as mortality and morbidity rates, future investment yields and future expense levels. Consequently, these liabilities include reasonable provision for adverse deviations from the estimates.

Actuarial valuations are prepared monthly, with adjustments to reserves shown in the year to which it relates.

(g) Taxation

Income tax expense for the year comprises current tax and the change in deferred tax. Deferred tax is recognized in profit or loss except to the extent that it relates to items recognized directly in other comprehensive income (OCI). Current tax comprises tax payable, calculated on the basis of the expected taxable income for the year, using the tax rate enacted by the reporting date, green fund levy, and any adjustment of tax payable for previous years.

Deferred tax is provided using the liability method on all temporary differences between the carrying amounts for financial reporting purposes and the amounts used for taxation purposes, except differences relating to the initial recognition of assets or liabilities which affect neither accounting nor taxable profit (loss). Net deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred tax is calculated on the basis of the tax rate that is expected to apply to the period when the asset is realised or the liability is settled. The effect on deferred tax of any changes in the tax rate is charged to the statement of profit and loss and statement of other comprehensive income, except to the extent that it relates to items previously charged or credited directly to equity.

(h) Financial instruments

Financial instruments carried on the statement of financial position include cash resources, investments securities, loans, other assets, policyholders' funds and other liabilities. The standard treatment for recognition, derecognition, classification and measurement of financial instruments is described in notes (i) – (v) below.

2. Significant Accounting Policies (continued)

(h) Financial instruments (continued)

(i) Recognition

Financial assets and liabilities (including assets and liabilities designated at fair value through profit or loss) are recognised on the date at which ScotiaLife becomes a party to the contractual provisions of the instrument.

(ii) Derecognition

Financial assets are derecognised when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferring financial assets that is created or retained by ScotiaLife is recognised as a separate asset or liability.

ScotiaLife derecognises a financial liability when its contractual obligations are discharged, cancelled or expired.

(iii) Classification

ScotiaLife classifies its financial assets into the following categories: financial assets at fair value through profit or loss; loans; held-to-maturity; and available-for-sale financial assets. Management determines the classification of its investments at initial recognition.

<u>Financial assets at fair value through profit or loss</u>

This category includes financial assets held-for-trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management.

<u>Loans</u>

Loans are financial assets with fixed or determinable payments that are not quoted in an active market.

2. Significant Accounting Policies (continued)

(h) Financial instruments (continued)

(iii) Classification (continued)

Held-to-maturity

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that ScotiaLife's management has the positive intention and ability to hold to maturity. If ScotiaLife were to sell other than an insignificant amount of held-to-maturity assets, the entire category would be compromised and reclassified as available-for-sale.

Available-for-sale

Available-for-sale investments are those intended to be held for an indefinite period of time, and may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices.

(iv) Measurement

Financial instruments are measured initially at fair value, plus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issue.

Subsequent to initial recognition all financial assets at fair value through profit or loss and available-for-sale assets are measured at fair value, based on their quoted market price at the reporting date without any deduction for transaction costs. Where the instrument is not actively traded or quoted on recognised exchanges, fair value is determined using discounted cash flow analysis. Where discounted cash flow techniques are used, estimated future cash flows are based on management's best estimates and the discount rate is a market related rate at the reporting date for an instrument with similar terms and conditions.

Any available-for-sale asset that does not have a quoted market price in an active market and where fair value cannot be reliably measured, is stated at cost, including transaction costs, less impairment losses.

Gains and losses arising from the change in the fair value of available-for-sale investments subsequent to initial recognition are accounted for as changes in the investment revaluation reserve and are recognised in other comprehensive income.

Gains and losses, both realised and unrealised, arising from the change in the financial assets at fair value through profit or loss are reported in investment income.

2. Significant Accounting Policies (continued)

(h) Financial instruments (continued)

(iv) Measurement (continued)

All non-trading financial liabilities, purchased loans and held-to-maturity assets are measured at amortised costs less impairment losses. Amortised cost is calculated on the effective interest rate method. Premiums and discounts, including initial transaction costs, are included in the carrying amount of the related instrument and amortised based on the effective interest rate of the instrument.

(v) Specific instruments

Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and in-transit, deposits with banks and related companies and short-term highly liquid investments with maturities of three months or less when purchased, including treasury bills and other bills eligible for rediscounting with the Central Bank. The carrying value approximates the fair value due to its highly liquid nature and the fact that it is readily converted to known amounts of cash in hand and is subject to insignificant risk of change in value.

Investment securities

Debt investments that ScotiaLife has the intent and ability to hold to maturity are classified as held-to-maturity assets. All other investments are classified as available-for-sale or fair value through profit or loss.

On disposal or on maturity of an investment, the difference between the net proceeds and the carrying amount is included in profit or loss. When available-for-sale assets are sold, converted or otherwise disposed of, the cumulative gain or loss recognised in equity is reclassified to profit or loss.

Loans

All loans are backed by real estate and are stated at cost (amortised cost) net of allowances to reflect the estimated recoverable amounts.

A loan is classified as non-accrual when principal or interest is 90 days past due or when, in the opinion of management, there is reasonable doubt as to the ultimate collectability of principal or interest.

2. Significant Accounting Policies (continued)

(h) Financial instruments (continued)

(v) Specific instruments (continued)

Loans (continued)

Non-accrual loans may revert to performing status when all payments become fully current or when management has determined there is no reasonable doubt of ultimate collectability.

A loan is classified as impaired when, in management's opinion, there has been a deterioration in credit quality to the extent that there is no longer reasonable assurance of timely collection of the full amount of principal and interest. If a payment on a loan is contractually 90 days in arrears the loan will be classified as impaired.

When a loan is classified as impaired, recognition of interest in accordance with the terms of the original loan ceases, and interest is taken into account on the cash basis. This differs from IFRS which requires that interest on the impaired asset continues to be recognised through the unwinding of the discount that was applied to the estimated future cash flows. The difference is not considered material.

Loans are written off after all the necessary legal procedures have been completed and the amount of the loss is finally determined.

ScotiaLife maintains a loan loss provision, which in management's opinion, is adequate to absorb all incurred credit-related losses in its loan portfolio. The loan loss provision is done on a portfolio basis and reflects the associated estimated loss. Provisions are calculated using a formula taking into account recent loss experience.

The provision for the year, less recoveries of amounts previously written off and the reversal of provisions no longer required, is disclosed in the statement of profit or loss and other comprehensive income as loan loss expense.

(i) Employee benefits

Employee benefits that are earned as a result of past or current service are recognised in the following manner: short-term employee benefits are recognised as a liability, net of payments made, and charged as expense. The expected cost of vacation leave that accumulates is recognised when the employee becomes entitled to the leave. Post-employment benefits are accounted for as described below.

2. Significant Accounting Policies (continued)

(i) Employee benefits (continued)

Post-employment benefits have no financial effect in these financial statements as all employees are employed by Scotiabank of Trinidad and Tobago Limited (the immediate parent company) who accounts for the IAS 19 adjustments.

(j) Impairment

The carrying amounts of ScotiaLife's assets, other than deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the statement of comprehensive income.

The recoverable amount of other assets is the greater of their net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(k) Insurance and investment contracts – classification

ScotiaLife issues policy contracts that transfer insurance and/or financial risk from the policyholder. Insurance risk is defined as an insured event that could cause an insurer to pay significant additional benefits in a scenario that has a discernable effect on the economics of the transaction.

Insurance contracts transfer insurance risk and may also transfer financial risk. Investment contracts transfer financial risk and no insurance risk. Financial risk includes credit risk, liquidity risk and market risk.

2. Significant Accounting Policies (continued)

(l) Critical accounting estimates and judgements

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and income and expenses during the reporting period. Actual results could differ from these estimates.

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Judgments made by management in the application of IFRS that have a significant effect on the financial statements and estimates with a significant risk of material adjustment in the next financial year are discussed below:

- *Determining fair values*

  The determination of fair value for financial assets and liabilities for which there is no observable market price requires the use of valuation techniques as described in accounting policy 2(h)(iv).

  A number of accounting policies and disclosures require the measurement of fair values. ScotiaLife has an established control framework with respect to the measurement of fair values which represents the amount at which a financial instrument could be exchanged in an arm's length transaction between willing parties under no compulsion to act and is best evidenced by a quoted market price. If no quoted market prices are available, the fair values presented are estimates derived using present value or other valuation techniques and may not be indicative of net realisable value. When measuring the fair value of an asset or a liability ScotiaLife uses market observable data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as referenced in Note 13. If the inputs used to measure the fair value of an asset or a liability might be categorised in different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. ScotiaLife recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

- *Financial asset and liability classification*

  ScotiaLife's accounting policies provide scope for assets and liabilities to be designated on inception into different accounting categories in certain circumstances.

2. Significant Accounting Policies (continued)

(l) Critical accounting estimates and judgements (continued)

- *Financial asset and liability classification* (continued)

  In classifying financial assets or liabilities as "fair value through profit or loss", ScotiaLife has determined that it meets the description of trading assets and liabilities set out in accounting policy 2(h)(iii).

  In designating financial assets or liabilities at fair value through profit or loss, ScotiaLife has determined that it has met one of the criteria for this designation set out in accounting policy 2(h)(iii).

  In classifying financial assets as held-to-maturity, ScotiaLife has determined that it has both the positive intention and ability to hold the assets until maturity date as required by accounting policy 2(h)(iii).

- *Taxation*

  Estimates are required in determining the provision for income taxes. There are some transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. ScotiaLife recognises liabilities for possible tax issues based on the likelihood of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

- *Estimate of future payments and premiums arising from long-term insurance contracts*

  The determination of liabilities under long-term insurance contracts is dependent on estimates made by the appointed actuary. Estimates are made as to the expected number of deaths for each of the years in which ScotiaLife is exposed to risk. The appointed actuary bases these estimates on standard industry and international mortality tables that reflect recent historical mortality experience, adjusted where appropriate to reflect ScotiaLife's own experience. For contracts that insure the risk of longevity, appropriate but not excessively prudent allowance is made for expected mortality improvements. The estimated number of deaths determines the value of the benefit payments and the value of the valuation premiums. The main source of uncertainty is that epidemics such as AIDS, and wide-ranging lifestyle changes, such as eating, smoking and exercise habits, could result in future mortality being significantly worse than in the past for the age groups in which ScotiaLife has significant exposure to mortality risk. However, continuing improvements in medical care and social conditions could result in improvements in longevity in excess of those allowed for in estimates used to determine the liability for contracts where ScotiaLife is exposed to longevity risk.

2. Significant Accounting Policies (continued)

(l) Critical accounting estimates and judgments (continued)

- *Estimate of future payments and premiums arising from long-term insurance contracts* (continued)

The following shows the sensitivity of the liabilities to a change in assumptions:

	2016	2015
	$	$
Interest rates decrease by 1%	(3,503,674)	(5,396,351)
Interest rates increase by 1%	3,984,942	5,342,901
Mortality increases by 10%	10,378,063	8,121,538
Mortality decreases by 10%	(10,696,520)	(8,277,537)
Expenses increase by 10%	7,856,322	8,195,250
Expenses decrease by 10%	(7,818,930)	(8,168,132)
Lapses and withdrawals increase by 10%	15,391,549	15,291,270
Lapses and withdrawals decrease by 10%	(17,389,595)	(17,258,554)

For contracts without fixed terms, it is assumed that ScotiaLife will be able to increase mortality risk charges in future years in line with emerging mortality experience.

Estimates are also made as to future investment income arising from the assets backing long-term insurance contracts. These estimates are based on current market returns as well as expectations about future economic and financial developments.

For long-term contracts with fixed and guaranteed terms, estimates are made in two stages. Estimates of future deaths, voluntary terminations and partial withdrawal of policy funds, investment returns and administration expenses are made at the inception of the contract and form the assumptions used for calculating the liabilities at the inception of the contract. A margin of risk and uncertainty is added to these assumptions. New estimates are made each subsequent year based on updated company and intercompany experience studies and updated economic forecasts. The valuation assumptions are altered to reflect these revised best estimate assumptions. The margins for risk and uncertainty may also be altered if the underlying level of uncertainty in the updated assumption has changed. The financial impact of revisions to best estimate assumptions or the related margins is recognised in the accounting period in which the change is made.

2. Significant Accounting Policies (continued)

(m) New, revised and amended standards and interpretations not yet effective:

Certain new, revised and amended standards and interpretations have been issued which are not yet effective for the current year and which the Company has not early-adopted. ScotiaLife has assessed the relevance of all such new standards, amendments and interpretations with respect to ScotiaLife's operations and has determined that the following are likely to have an effect on the financial statements.

- IAS 1, *Presentation of Financial Statements*, effective for accounting periods beginning on or after January 1, 2016, has been amended to clarify or state the following:

  - specific single disclosures that are not material do not have to be presented even if they are minimum requirements of a standard;
  - the order of notes to the financial statements is not prescribed;
  - line items on the statement of financial position and the statement of profit or loss and other comprehensive income (OCI) should be disaggregated if this provides helpful information to users. Line items can be aggregated if they are not material;
  - specific criteria is now provided for presenting subtotals on the statement of financial position and in the statement of profit or loss and OCI, with additional reconciliation requirements for the statement of profit or loss and OCI; and
  - the presentation in the statement of OCI of items of OCI arising from joint ventures and associates accounted for using the equity method follows the IAS 1 approach of splitting items that may, or that will never, be reclassified to profit or loss.

  ScotiaLife is assessing the impact that this amendment will have on its 2017 financial statements.

2. Significant Accounting Policies (continued)

(m) New, revised and amended standards and interpretations not yet effective (continued)

Improvements to IFRS *2012-2014* cycle, contain amendments to certain standards and interpretations and are effective for accounting periods beginning on or after January 1, 2016. The main amendments applicable to ScotiaLife are as follows:

- IFRS 7, *Financial Instruments: Disclosures,* has been amended to clarify when servicing arrangements are in the scope of its disclosure requirements on continuing involvement in transferred assets in cases when they are derecognized in their entirety. A servicer is deemed to have continuing involvement if it has an interest in the future performance of the transferred asset -e.g. if the servicing fee is dependent on the amount or timing of the cash flows collected from the transferred financial asset; however, the collection and remittance of cash flows from the transferred asset to the transferee is not, in itself, sufficient to be considered 'continuing involvement'.

- IFRS 7 has also been amended to clarify that the additional disclosures required by *Disclosures: Offsetting Financial Assets* and *Financial Liabilities (Amendment to IFRS 7)* are not specifically required for inclusion in condensed interim financial statements for all interim periods; however, they are required if the general requirements of IAS 34, *Interim Financial Reporting*, require their inclusion.

- IFRS 9*, Financial Instruments,* which is effective for annual reporting periods beginning on or after January 1, 2018, replaces the existing guidance in IAS 39 *Financial Instruments: Recognition and Measurement.* IFRS 9 includes revised guidance on the classification and measurement of financial assets and liabilities, including a new expected credit loss model for calculating impairment of financial assets and the new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39.

  Although the permissible measurement bases for financial assets – amortised cost, fair value through other comprehensive income (FVOCI) and fair value though profit or loss (FVTPL) - are similar to IAS 39, the criteria for classification into the appropriate measurement category are significantly different. IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' model, which means that a loss event will no longer need to occur before an impairment allowance is recognized.

  ScotiaLife is assessing the impact that this amendment will have on its 2019 financial statements.

2. Significant Accounting Policies (continued)

(m) New, revised and amended standards and interpretations not yet effective (continued)

- IFRS 16*, Leases,* which is effective for annual reporting periods beginning on or after January 1, 2019, eliminates the current dual accounting model for lessees, which distinguishes between on-balance sheet finance leases and off-balance sheet operating leases. Instead, there is a single, on-balance sheet accounting model that is similar to current finance lease accounting. Companies will be required to bring all major leases on-balance sheet, recognising new assets and liabilities. The on-balance sheet liability will attract interest; the total lease expense will be higher in the early years of a lease even if a lease has fixed regular cash rentals. Optional lessee exemption will apply to short- term leases and for low-value items with value of US$5,000 or less.

  Lessor accounting remains similar to current practice as the lessor will continue to classify leases as finance and operating leases. Finance lease accounting will be based on IAS 17 lease accounting, with recognition of net investment in lease comprising lease receivable and residual asset. Operating lease accounting will be based on IAS 17 operating lease accounting.

  Early adoption is permitted if IFRS 15, *Revenue from Contracts with Customers* is also adopted.

  ScotiaLife is assessing the impact that this amendment will have on its 2020 financial statements.

- IAS 7, *Statement of Cash Flows (Amendment)*, which is effective for annual reporting periods beginning on or after January 1, 2017, requires disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes.

  ScotiaLife is assessing the impact that this amendment will have on its 2018 financial statements.

- IAS 12, *Income Taxes (Amendments)*, which is effective for annual reporting periods beginning on or after January 1, 2017, which clarifies that the existence of a deductible temporary difference depends solely on a comparison of the carrying amount of an asset and its tax base at the end of the reporting period, and is not affected by possible future changes in the carrying amount of expected manner of recovery of the asset.

  ScotiaLife is assessing the impact that this amendment will have on its 2018 financial statements.

2. Significant Accounting Policies (continued)

(n) Dividends

Dividends that are proposed and declared during the period are accounted for as an appropriation of retained earnings in the statement of changes in equity. Dividends that are proposed after the reporting date are not shown on the statement of financial position but are disclosed as a note to the financial statements.

(o) Comparative information

Where necessary, comparatives have been adjusted to conform to changes in presentation in the current year.

	2016	**2015**
	$	**$**
3. Investment Securities		
Securities at fair value through profit or loss		
- Equities	20,416,145	16,513,462
Securities available-for-sale		
- Government and state enterprises debt securities	802,477,854	756,375,010
- Mutual Funds	10,795,502	10,435,630
	813,273,356	766,810,640
Securities held-to-maturity		
- Government and state enterprises debt securities	88,705,459	108,449,419
Total investments	922,394,960	891,773,521

4. Loans

	2016	2015
4.1 Principal neither past due nor impaired	743,716,158	619,475,624
Principal which is past due but not impaired	80,859,601	127,065,583
Principal which is impaired	9,850,081	5,691,876
Gross loans	834,425,840	752,233,083
Loan loss provision	(1,199,795)	(148,997)
Total loans net of provision	833,226,045	752,084,086

4. **Loans** (continued)

4.1 (continued)

	2016 $	2015 $
Current portion	2,789,802	408,215
Long-term portion	830,436,243	751,675,871
Total loans net of provision	833,266,045	752,084,086
Interest receivable (included in other assets)	3,866,377	3,540,828

4.2 ***Financial assets past due but not impaired***

2016

	Less than 30 days $	30 - 60 days $	61 - 90 days $	Total $
Loans	63,983,693	7,994,438	8,881,470	80,859,601

2015

	Less than 30 days $	30 - 60 days $	61 - 90 days $	Total $
Loans	109,127,295	13,659,719	4,278,569	127,065,583

4.3 ***Analysis of movement of loan loss provision***

	2016 $	2015 $
Provision, beginning of year	148,997	134,817
Loan loss charge for the year	1,050,798	14,180
Provision, end of year	1,199,795	148,997

4.4 ***Loan loss expense***

Loan loss charge for the year	1,050,798	14,180

In the normal course of business, ScotiaLife purchases loans from Scotiabank at book value. Loans purchased during the year ended October 31, 2016 totalled $169,236,434 (2015: $134,806,883). The loans are with parties unrelated to ScotiaLife and are purchased without recourse.

	2016	2015
	$	$

5. Provision for Future Policy Benefits

	2016	2015
TT$ Ordinary Life – Non-participating policies	568,551,920	502,175,008
TT$ Individual Annuities	607,631,772	551,240,060
US$ Individual Annuities	12,488,639	10,400,744
TT$ Group Life – Creditor Life	24,739,798	24,396,128
	1,213,412,129	1,088,211,940

The movements in provision for future policy benefits are as follows:

	2016	2015
Balance at beginning of year	1,088,211,940	894,967,652
Increase in reserves	125,200,189	193,244,288
Balance at end of year	1,213,412,129	1,088,211,940

6. Other Policyholders' Liabilities

	2016	2015
Claims admitted but not paid	8,772,720	6,189,704
Premium suspense	336,780	-
Premiums paid in advance	1,469,211	2,098,160
Provision for claims incurred but not reported	3,166,641	3,584,680
	13,745,352	11,872,544

7. Stated Capital

Authorised

Authorised capital consists of an unlimited number of ordinary shares

Issued and fully paid

	2016	2015
60,000,000 ordinary shares of no par value	60,000,000	60,000,000

	2016 $	2015 $
8. Investment Income		
Available-for-sale	19,839,886	11,655,338
Held-to-maturity	7,813,980	8,007,573
Securities at fair value	1,135,354	318,103
Loans	52,188,727	48,062,104
Unrealised (loss) gain on investment	(966,951)	32,466
	80,010,996	68,075,584

9. Income Tax Expense

	2016 $	2015 $
Current tax provision	77,681,803	10,598,503
Prior years	-	12,336,377
Deferred tax	(49,208,465)	3,441,347
Green Fund levy	1,577,506	556,343
	30,050,844	26,932,570

Taxation reconciliation

The following is a reconciliation of the application of the effective tax rate with the income tax expense:

	2016 $	2015 $
Net income before taxation	124,438,233	137,077,281
Prima facie tax calculated at domestic corporation tax rate of 25%	31,109,558	34,269,320
Effect of difference on tax rate on life insurance companies	(3,396,996)	(8,569,357)
Tax effect of non-taxable income and deductible investment expenses	760,776	676,264
Green Fund levy	1,577,506	556,343
Tax expense	30,050,844	26,932,570

10. Deferred Taxation

10.1 The net deferred tax liability is attributable to the following items:

	Opening Balance	Recognised in OCI	Recognised in Profit or Loss	Total
	$	$	$	$
Available for sale securities	73,982	(675,880)	-	(601,898)
Non-Statutory Fund Assets	53,676,122	-	(49,208,465)	4,467,657
	53,750,104	(675,880)	(49,208,465)	3,865,759

	2016	2015
	$	$
10.2 The movement in the deferred tax account comprised:		
Balance at beginning of year	53,750,104	53,136,207
Available-for-sale securities fair value re-measurement	(675,880)	(2,827,450)
Current year's deferred tax charge	(49,208,465)	3,441,347
Balance at end of year	3,865,759	53,750,104

An increase in the corporation tax rate from 25% to 30% has been announced for 2017 and has been deemed to be substantively enacted as at the reporting date. Deferred tax balances have been calculated at the new tax rate of 30% that will apply in future periods.

11. Financial Risk Management

Introduction and overview

ScotiaLife has adopted risk management policies and has set appropriate limits and controls to manage and mitigate against financial risk. ScotiaLife has exposure to the following risks arising from its use of financial instruments and from foreign currency transactions.

- Credit risk
- Market risk
- Liquidity risk
- Operational risk.

11. Financial Risk Management (continued)

Credit risk

Credit risk is the risk of loss resulting from the failure of a borrower or counterparty to honour its financial or contractual obligations to ScotiaLife. ScotiaLife's exposure to credit risk resides mainly in its investment in loans purchased from Scotiabank.

Scotiabank administers this portfolio through a number of strategies, policies and limits that are approved by the Board of Directors and include the following processes:

- A centralised credit review system that is independent of the customer relationship function;
- Senior management which considers all major risk exposures; and
- An independent review by the Internal Audit Department.

Relationship managers develop and structure individual proposals at branches and commercial centres. A full financial review is performed for each customer at least annually, so that Scotiabank remains fully aware of customers' risk profiles. The Credit Risk Management department analyses and adjudicates on commercial and corporate credits over a certain size and exceptions to established credit policies. In assessing credit proposals, Scotiabank is particularly sensitive to the risks posed to credit quality by environmental exposures.

Retail credits are normally authorised by Scotiabank within established criteria using a credit scoring system. Scotiabank's Credit Risk Management department adjudicates on those retail credits that do not conform to the established criteria. The retail portfolios are reviewed regularly for early signs of possible difficulties.

Market Risk

Market risk refers to the risk of loss resulting from changes in market prices such as interest rates, foreign exchange market prices and other price risks. ScotiaLife invests in financial instruments in the ordinary course of business whilst managing and controlling these exposures within acceptable parameters.

ScotiaLife has more than 80% of its investments denominated in Trinidad and Tobago currency thus hedging against exchange rate fluctuations; also it maintains a mix of fixed rate bonds and short-term deposits that allows it to mitigate the effects of interest rate fluctuations.

All market limits are reviewed at least annually. The key sources of ScotiaLife's market risk are as follows:

- Currency risk
- Interest rate risk

11. Financial Risk Management (continued)

Market Risk (continued)

Currency risk

ScotiaLife has no significant foreign exchange exposure with the majority of ScotiaLife's assets being denominated in the local currency. Foreign currency transactions have not required the use of interest rate swaps and foreign currency options and other derivative instruments which all carry inherent risks.

Concentration of assets and liabilities

ScotiaLife has the following currency denominated positions:

	2016			
	TT	**US**	**Other**	**Total**
	$	**$**	**$**	**$**
Assets				
Cash	56,572,191	5,959,412	33,968	62,565,571
Investments securities:				
Fair value through profit or loss				
- Equities	20,416,145	-	-	20,416,145
Held-to-maturity				
- Bonds	86,749,919	1,955,540	-	88,705,459
Available-for-sale				
- Government and state enterprises debt securities	801,682,010	795,844	-	802,477,854
- Mutual Funds	5,032,128	5,763,374	-	10,795,502
Other assets	26,276,755	3,730,963	67,936	30,075,654
Loans	833,226,045	-	-	833,226,045
Total assets	1,829,955,193	18,205,133	101,904	1,848,262,230
Liabilities				
Other liabilities	8,495,750	1,957,390	33,968	10,487,108
Policyholders' liabilities	1,214,668,842	12,488,639	-	1,227,157,481
Total liabilities	1,223,164,592	14,446,029	33,968	1,237,644,589
Net financial position	606,790,601	3,759,104	67,936	610,617,641

11. Financial Risk Management (continued)

Market Risk (continued)

Currency risk (continued)

Concentration of Assets and Liabilities

	2015			
	TT	**US**	**Other**	**Total**
	$	**$**	**$**	**$**
Assets				
Cash	199,123,965	4,416,543	32,618	203,573,126
Investments securities:				
Fair value through profit or loss				
- Equities	16,513,462	-	-	16,513,462
Held-to-maturity				
- Bonds	106,598,525	1,850,894	-	108,449,419
Available-for-sale				
- Government and state enterprises debt securities	756,375,010	-	-	756,375,010
- Mutual Funds	4,996,271	5,439,359	-	10,435,630
Other assets	23,690,120	288,113	-	23,978,233
Loans	752,084,086	-	-	752,084,086
Total assets	1,859,381,439	11,994,909	32,618	1,871,408,966
Liabilities				
Other liabilities	4,770,713	1,410,637	34,736	6,216,086
Policyholders' liabilities	1,089,670,832	10,413,652	-	1,100,084,484
Total liabilities	1,094,441,545	11,824,289	34,736	1,106,300,570
Net financial position	764,939,894	170,620	(2,118)	765,108,396

Interest rate risk

ScotiaLife is exposed to interest rate risk where, due to changes in market interest rates, fluctuations arise in the value and the future cash flows of ScotiaLife's financial instruments.

Interest rate risk is managed through the matching of financial liabilities with investment activities, regular review of structural gaps and monitoring market conditions. The interest rates on a material amount of ScotiaLife's liabilities can be repriced as and when required.

11. Financial Risk Management (continued)

Market Risk (continued)

Interest rate risk (continued)

The principal risk to which non-trading portfolios are exposed is the risk of loss from fluctuations in the future cash flows or fair values of financial instruments because of change in market interest rates.

Interest sensitivity of assets, liabilities and equity

The following table summarises carrying amounts of assets, liabilities and equity in order to arrive at ScotiaLife's interest rate gap on the earlier of contractual repricing or maturity dates:

	2016					
	Due on demand	Due in one year	Due in two to five years	Over five years	Non-interest bearing	Total
	$	$	$	$	$	$
Assets						
Cash	62,565,571	-	-	-	-	62,565,571
Investments:						
Fair value through profit or loss						
- Equities	-	-	-	-	20,416,145	20,416,145
Held-to-maturity						
- Bonds	-	42,944,219	23,761,240	22,000,000	-	88,705,459
Available-for-sale						
- Government and state enterprises debt securities	-	441,443,521	139,929,542	221,104,791	-	802,477,854
- Mutual Funds	10,795,502	-	-	-	-	10,795,502
Other assets	-	-	-	-	30,075,654	30,075,654
Loans	-	2,789,802	63,482,106	766,954,137	-	833,226,045
	73,361,073	487,177,542	227,172,888	1,010,058,928	50,491,799	1,848,262,230
Liabilities						
Other liabilities	-	-	-	-	10,487,108	10,487,108
Policyholders' liabilities	73,863,000	36,983,450	151,760,165	964,550,866	-	1,227,157,481
Equity	-	-	-	-	537,914,850	537,914,850
	73,863,000	36,983,450	151,760,165	964,550,866	548,401,958	1,775,559,439
Net Gap	(501,927)	450,194,092	75,412,723	45,508,062		
Cumulative Gap	(501,927)	449,692,165	525,104,888	570,612,950		

11. Financial Risk Management (continued)

Market Risk (continued)

Interest rate risk (continued)

Interest Sensitivity of Assets, Liabilities and Equity

	2015					
	Due on demand	**Due in one year**	**Due in two to five years**	**Over five years**	**Non-interest bearing**	**Total**
	$	**$**	**$**	**$**	**$**	**$**
Assets						
Cash	203,573,126	-	-	-	-	203,573,126
Investments:						
Fair value through profit or loss						
- Equities	-	-	-	-	16,513,462	16,513,462
Held-to-maturity						
- Bonds	-	18,620,200	67,829,219	22,000,000	-	108,449,419
Available-for-sale						
- Government and state enterprises debt securities	-	438,207,999	208,532,737	109,634,274	-	756,375,010
- Mutual Funds	10,435,630	-	-	-	-	10,435,630
Other assets	-	-	-	-	23,978,233	23,978,233
Loans	-	408,215	41,792,586	709,883,285	-	752,084,086
	214,008,756	457,236,414	318,154,542	841,517,559	40,491,695	1,871,408,966
Liabilities						
Other liabilities	-	-	-	-	6,216,086	6,216,086
Policyholders' liabilities	66,969,980	23,629,419	92,922,273	916,562,812	-	1,100,084,484
Equity	-	-	-	-	707,688,025	707,688,025
	66,969,980	23,629,419	92,922,273	916,562,812	713,904,111	1,813,988,595
Net Gap	147,038,776	433,606,995	225,232,269	(75,045,253)		
Cumulative Gap	147,038,776	580,645,771	805,878,040	730,832,787		

11. Financial Risk Management (continued)

Liquidity Risk

Liquidity risk is the risk that ScotiaLife is unable to meet its financial obligations in a timely manner. ScotiaLife is exposed to daily calls on its cash resources from its policyholders. The liquidity risk management process ensures that ScotiaLife is able to honour all of its financial commitments as they fall due. ScotiaLife's liquidity strategy includes measuring and forecasting cash commitments and ensuring sufficient cash and marketable instruments such as treasury bills and government securities are available to meet short-term requirements.

The table below shows the maturity analysis of financial instruments using discounted cash flows of financial assets and financial liabilities based on their contractual maturity dates as at October 31.

	2016				
	Due on demand	**Due in one year**	**Due in two to five years**	**Over five years**	**Total**
	$	**$**	**$**	**$**	**$**
Assets					
Cash	62,565,571	-	-	-	62,565,571
Investments:					
Fair value through profit or loss					
- Equities	20,416,145	-	-	-	20,416,145
Held-to-maturity					
- Bonds	-	42,944,219	23,761,240	22,000,000	88,705,459
Available-for-sale					
- Government and state enterprises debt securities	-	441,443,521	139,929,542	221,104,791	802,477,854
- Mutual Funds	10,795,502	-	-	-	10,795,502
Other Assets	-	-	-	30,075,654	30,075,654
Loans	-	2,789,802	63,482,106	766,954,137	833,226,045
	93,777,218	487,177,542	227,172,888	1,040,134,582	1,848,262,230
Liabilities					
Policyholders' liabilities	73,863,000	36,983,450	151,760,165	964,550,866	1,227,157,481
Accrued charges and other payables	-	10,487,108	-	-	10,487,108
	73,863,000	47,470,558	151,760,165	964,550,866	1,237,644,589
Net Gap	19,914,218	439,706,984	75,412,723	75,583,716	610,617,641
Cumulative Gap	19,914,218	459,621,202	535,033,925	610,617,641	

11. Financial Risk Management (continued)

Liquidity Risk (continued)

The table below shows the maturity analysis of financial instruments using discounted cash flows of financial assets and financial liabilities based on their contractual maturity dates as at October 31.

	2015				
	Due on demand	Due in one year	Due in two to five years	Over five years	Total
	$	$	$	$	$
Assets					
Cash	203,573,126	-	-	-	203,573,126
Investments:					
Fair value through profit or loss					
- Equities	16,513,462	-	-	-	16,513,462
Held-to-maturity					
- Bonds	-	18,620,200	67,829,219	22,000,000	108,449,419
Available-for-sale					
- Government and state enterprises debt securities	-	438,207,999	208,532,737	109,634,274	756,375,010
- Mutual Funds	10,435,630	-	-	-	10,435,630
Other Assets	-	-	-	23,978,233	23,978,233
Loans	-	408,215	41,792,586	709,883,285	752,084,086
	230,522,218	457,236,414	318,154,542	865,495,792	1,871,408,966
Liabilities					
Policyholders' liabilities	77,970,703	16,779,613	88,753,714	916,580,454	1,100,084,484
Accrued charges and other payables	-	6,216,086	-	-	6,216,086
	77,970,703	22,995,699	88,753,714	916,580,454	1,106,300,570
Net Gap	152,551,515	434,240,715	229,400,828	(51,084,662)	765,108,396
Cumulative Gap	152,551,515	586,792,230	816,193,058	765,108,396	

11. Financial Risk Management (continued)

Liquidity risk (continued)

The table below summarises the maturity profile of financial liabilities based on their undiscounted cash flows at October 31. The balances include both principal and interest cash flows over the remaining term to maturity and therefore would differ from the carrying amounts in the statement of financial position.

	2016					
	Due on demand	Due in one year	Due in two to five years	Over five years	Total contractual cash flows	Total carrying value
	$	$	$	$	$	$
Liabilities and Equity						
Policyholders' liabilities	73,129,588	30,855,080	162,761,728	1,722,789,966	1,989,536,362	1,227,157,481

	2015					
	Due on demand	Due in one year	Due in two to five years	Over five years	Total contractual cash flows	Total carrying value
	$	$	$	$	$	$
Liabilities and Equity						
Policyholders' liabilities	77,488,702	17,151,200	97,591,552	1,668,325,946	1,860,557,400	1,100,084,484

Capital management

ScotiaLife's capital management policy seeks to achieve several objectives:

- Compliance with capital requirements as set by the Insurance Act and Central Bank of Trinidad and Tobago
- Ensure ScotiaLife's ability to continue as a going concern
- To maintain a strong capital base to support the development of its business.

11. Financial Risk Management (continued)

Capital management (continued)

ScotiaLife employs techniques derived from the guidelines developed by the Central Bank of Trinidad and Tobago. The required information is filed with the regulatory authority on an annual basis.

Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with ScotiaLife's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behavior. Operational risks arise from all of ScotiaLife's operations.

The objective is to manage operational risk so as to balance the avoidance of financial losses and damage to ScotiaLife's reputation with overall cost effectiveness.

The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management. This responsibility is supported by the development of overall Scotiabank Group's standards for the management of operational risk in the following areas:

- requirements for appropriate segregation of duties
- requirements for the reconciliation and monitoring of transactions
- compliance with regulatory and other legal requirements
- documentation of controls and procedures
- training and professional development
- ethical and business standards
- risk mitigation, including insurance where this is effective

Compliance is supported by a programme of periodic review undertaken by the Bank's Internal Audit department. The results of such audits are discussed with the ScotiaLife Management Team with summaries submitted to ScotiaLife's Audit Committee and senior management of the Scotiabank Group.

12. Management of Insurance Risk

The risk under any one insurance contract is the possibility that the insured event occurs and the uncertainty of the amount of the resulting claim. By the very nature of an insurance contract, this risk is random and therefore unpredictable.

For a portfolio of insurance contracts where the theory of probability is applied to provisioning, the principal risk ScotiaLife faces under their insurance contracts is that the actual claims and benefit payments exceed the carrying amount of the policyholder benefits and other liabilities. This may occur in the event the frequency or severity of claims and benefits are greater than that estimated. Insurance events are random and therefore the actual number and amount of claims and benefits will vary from year to year from the levels established.

ScotiaLife pledges assets to the Statutory Fund at the Central Bank of Trinidad & Tobago. This strategy is used to mitigate the risk associated with the possibility of insufficient funds to cover policyholder benefits. ScotiaLife pledges assets in excess of its policyholders' liabilities to ensure coverage at any given point in time.

To limit its exposure of potential loss on an insurance policy, reinsurance contracts are utilised as a strategy to mitigate risks.

	2016 $	2015 $
Statutory fund assets	1,542,483,910	1,390,350,448
Policyholders' liabilities	(1,227,157,481)	(1,100,084,484)
Surplus	315,326,429	290,265,964

13. Fair Value of Financial Instruments

The fair values of on and off-balance sheet financial instruments are based on the valuation methods and assumptions set out in the significant accounting policies Note 2(h).

Fair value represents the amount at which a financial instrument could be exchanged in an arm's length transaction between willing parties under no compulsion to act and is best evidenced by a quoted market price. If no quoted market prices are available, the fair values presented are estimates derived using present value or other valuation techniques and may not be indicative of net realisable value.

13. Fair Value of Financial Instruments (continued)

ScotiaLife is consistent with Scotiabank Group's methodology of measuring fair values using the following fair value hierarchy which reflects the significance of the inputs used in making the measurements:

- Level 1 - Quoted market price (unadjusted) in an active market for an identical instrument.
- Level 2 - Valuation techniques based on observable inputs, either directly (i.e., as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.
- Level 3 - Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique included inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

Due to the judgement used in applying a wide range of acceptable valuation techniques and estimations in the calculation of fair value amounts, fair values are not necessarily comparable among financial institutions. The calculation of estimated fair values is based upon market conditions at a specific point in time and may not be reflective of future fair values.

The table below analyses financial instruments measured at fair value at the reporting date by the level in the fair value hierarchy into which the fair value measurement is categorised:

	2016			
	Level 1	**Level 2**	**Level 3**	**Total**
	$	**$**	**$**	**$**
Assets				
Equities	20,416,145	-	-	20,416,145
Securities available-for-sale				
- Government and state enterprises debt securities	-	802,477,854	-	802,477,854
Mutual funds	-	10,795,502	-	10,795,502
	20,416,145	813,273,356	-	833,689,501
Liabilities				
Provision for future policy benefits	-	-	(1,213,412,129)	(1,213,412,129)
	20,416,145	813,273,356	(1,213,412,129)	(379,722,628)

13. Fair Value of Financial Instruments (continued)

	2015			
	Level 1	**Level 2**	**Level 3**	**Total**
	$	**$**	**$**	**$**
Assets				
Equities	16,513,462	-	-	16,513,462
Securities available-for-sale				
- Government and state enterprises debt securities	-	756,375,010	-	756,375,010
Mutual funds	-	10,435,630	-	10,435,630
	16,513,462	766,810,640	-	783,324,102
Liabilities				
Provision for future policy benefits	-	-	(1,088,211,940)	(1,088,211,940)
	16,513,462	766,810,640	(1,088,211,940)	(304,887,838)

The table below summarises the carrying amounts and fair values of those financial assets and liabilities that are not presented on ScotiaLife's statement of financial position at fair value.

	Carrying Value		Fair Value	
	2016	**2015**	**2016**	**2015**
	$	**$**	**$**	**$**
Financial Assets				
Cash	62,565,571	203,573,126	62,565,571	203,573,126
Loans	833,226,045	752,084,086	833,226,045	752,084,086
Securities held-to-maturity				
- Government securities	88,705,459	108,449,419	99,023,938	124,658,443
	984,497,075	1,064,106,631	994,815,554	1,080,315,655
Financial Liabilities				
Accrued charges and other payables	10,487,108	6,216,086	10,487,108	6,216,086
Other policyholders' liabilities	13,745,352	11,872,544	13,745,352	11,872,544
	1,237,644,589	1,106,300,570	1,237,644,589	1,106,300,570

13. Fair Value of Financial Instruments (continued)

The fair values of these financial assets and liabilities have been determined on the following basis:

(a) Cash in hand and due to banks

These amounts are short-term in nature and are taken to be equivalent to fair value.

(b) Net loans to customers

Loans and advances to customers are granted at market rates and their values are not adversely affected by unusual terms. The estimated future cash flows are discounted using a discount rate based on market rates for similar type facilities.

(c) Government and state enterprises debt securities

The fair value of these instruments was determined using discounted cash flow analysis. The estimated future cash flows are discounted using a discount rate based on quoted market prices for securities with similar credit, maturity and yield characteristics.

(d) Policyholder Benefits and Other Liabilities

Policyholder benefits and liabilities are based on actuarial projections and assumptions based on a number of factors including but not limited to mortality and morbidity tables, lapse studies, company experience, market trends and interest rate assumptions.

Other liabilities are short-term and are equivalent to fair value.

14. Related Party Transactions

Parties are considered related if one party has the ability to control or exert significant influence over the other’s decision-making process. A number of banking transactions have been entered into with related parties in the normal course of business. These transactions were conducted at market rates, on commercial terms and conditions.

Related party transactions include but are not limited to the following:

- Data processing and information technology support
- Technical and management services
- Operations support
- Transaction processing support
- Delinquent account collection services.

14. Related Party Transactions (continued)

	2016	2015
	$	$
Outstanding balances		
ASSETS		
Bank of Nova Scotia and its related entities	66,177,593	207,113,454
Reinsurance asset	14,709,992	14,283,461
LIABILITIES		
Bank of Nova Scotia and its related entities	1,714,357	1,457,723
INCOME		
Bank of Nova Scotia and its related entities	2,051,282	1,736,654
EXPENSES		
Bank of Nova Scotia and its related entities	16,549,763	16,595,809
Reinsurance	50,868,642	43,327,534

Key management comprises individuals responsible for planning, directing and controlling the activities of ScotiaLife

	2016	2015
Key management compensation		
Short-term benefits	3,154,073	3,112,371
Share based payment	35,726	33,081
	3,189,799	3,145,452

15. Responsibilities of the Appointed Actuary and External Auditors

The Board of Directors pursuant to the Insurance Act appoints the Actuary. The Actuary’s responsibility is to carry out an annual valuation of ScotiaLife’s policyholders’ liabilities in accordance with accepted actuarial practice and regulatory requirements and report thereon to the policyholders and shareholders. In performing the valuation, the Actuary makes assumptions as to the future rates of interest, asset defaults, mortality, morbidity, claims experience, policy termination, inflation, reinsurance recoveries, expenses and other contingencies, taking into consideration the circumstances of ScotiaLife and the insurance policies in force.

15. Responsibilities of the Appointed Actuary and External Auditors (continued)

The shareholders, pursuant to the Companies Act, appoint the external auditors. Their responsibility is to conduct an independent and objective audit of the financial statements in accordance with International Standards on Auditing and report thereon to the shareholders. In carrying out their audit, the auditors also make use of the work of the appointed Actuary and his report on the policyholders' liabilities.

16. Subsequent Events

ScotiaLife had no subsequent events to report for the year ended October 31, 2016.

APPENDIX I – MANAGEMENT’S DISCUSSION AND ANALYSIS OF SJLIC

MANAGEMENT’S DISCUSSION AND ANALYSIS OF SJLIC

This management’s discussion and analysis (this “**SJLIC MD&A**”) provides information concerning SJLIC’s financial condition as at September 30, 2018, December 31, 2017 and December 31, 2016, compared with September 30, 2017, December 31, 2016 and December 31, 2015, respectively, and results of operations for the nine months ended September 30, 2018 and for the years ended December 31, 2017 and December 31, 2016, compared with the nine months ended September 30, 2017 and with the years ended December 31, 2016 and December 31, 2015, respectively. This SJLIC MD&A should be read in conjunction with the audited financial statements of SJLIC as at and for the years ended December 31, 2017, 2016 and 2015, together with the notes thereto and the auditors’ reports thereon, and the unaudited condensed interim financial statements of SJLIC as at and for the nine months ended September 30, 2018, together with the notes thereto, attached as Appendix H to this prospectus.

The audited financial statements of SJLIC have been prepared in accordance with IFRS and are presented in thousands of Jamaican dollars unless otherwise stated. The unaudited condensed financial statements of SJLIC have been prepared in accordance with IAS 34 Interim Financial Reporting and are presented in thousands of Jamaican dollars unless otherwise stated. **All amounts in this SJLIC MD&A are in millions of Jamaican dollars, unless otherwise stated.** All comparisons are with the same period in the prior year, unless otherwise noted. All percentage changes are calculated using the rounded numbers as they appear in the tables.

This SJLIC MD&A is current to February 6, 2019, unless otherwise stated, and was approved by SJLIC’s board of directors.

Forward-Looking Information

This SJLIC MD&A includes forward-looking statements within the meaning of applicable Canadian securities laws (collectively, “**forward-looking statements**”). Forward-looking statements include statements that are predictive in nature, depend upon or refer to future events or conditions, or include words such as “expects”, “anticipates”, “intends”, “plans”, “believes”, “estimates” and other similar expressions or negative versions thereof. These statements may include, without limitation, statements about SJLIC’s operations, business, financial condition, expected financial performance, ongoing business strategies or prospects, and possible future actions by SJLIC. Forward-looking statements are based on expectations, forecasts, predictions, projections and conclusions about future events that were current at the time of the statements and are inherently subject to, among other things, risks, uncertainties and assumptions about SJLIC, economic factors and the insurance industry generally. They are not guarantees of future performance, and the reader is cautioned that actual events and results could differ materially from those expressed or implied by forward-looking statements. Material factors and assumptions that were applied in formulating the forward-looking information contained herein include the assumption that the business and economic conditions affecting SJLIC’s operations will continue substantially in their current state, including, without limitation, with respect to customer behaviour, SJLIC’s reputation, market prices for products provided, sales levels, premium income, fee income, expense levels, mortality experience, morbidity experience, policy lapse rates, reinsurance arrangements, liquidity requirements, capital requirements, taxes, inflation, interest and foreign exchange rates, investment values, hedging activities, local government debt markets, business competition and other general economic, political and market factors in the Caribbean and internationally. Many of these assumptions are based on factors and events that are not within the control of SJLIC and there is no assurance that they will prove to be correct. Other important factors and assumptions that could cause actual results to differ materially from those contained in forward-looking statements include customer responses to new products, impairments of assets, technological changes, breaches or failure of information systems and security (including cyber-attacks), changes in local and international laws and regulations, changes in accounting policies and the effect of applying future accounting policy changes, unexpected judicial or regulatory proceedings, catastrophic events, continuity and availability of personnel and third party service providers, and unplanned material changes to SJLIC’s facilities, customer and employee relations or credit arrangements. The reader is cautioned that the foregoing list of assumptions and factors is not exhaustive, and other factors could also adversely affect SJLIC’s results. The reader is also cautioned to consider these and other factors, uncertainties and potential events carefully and not to place undue reliance on forward-looking statements. Other than as specifically required by applicable law, SJLIC does not intend to update any forward-looking statements whether as a result of new information, future events or otherwise.

Non-IFRS Measures

This SJLIC MD&A makes reference to certain non-IFRS financial measures. These financial measures are not recognized financial measures under IFRS and do not have a standardized meaning prescribed by IFRS. They are therefore unlikely to be comparable to similar measures presented by other companies. Rather, these measures are provided as additional information to complement IFRS measures by providing further understanding of SJLIC’s results of operations from management's perspective. Accordingly, they should not be considered in isolation nor as a substitute for analysis of SJLIC's financial information reported under IFRS. SJLIC believes that these non-IFRS measures provide supplemental measures of SJLIC's operating performance and thus highlight trends in its business that may not otherwise be apparent when relying solely on IFRS financial measures. SJLIC also uses non-IFRS measures in order to facilitate operating performance comparisons from period to period.

Non-IFRS financial measures used by SJLIC include, but are not limited to, the MCCSR/capital adequacy ratio. The MCCSR/capital adequacy ratio is a capital adequacy measure for life insurance companies established by the Financial Services Commission of Jamaica. It is a measure used to monitor that insurers maintain adequate capital to meet their financial obligations with 150% being the minimum standard that was recommended by Jamaican regulators for companies in 2010 and later.

Overview

SJLIC was incorporated in Jamaica on October 26, 1995 and was licensed as an insurance company on January 22, 1998 under the *Insurance Act 1971*, which was replaced by the *Insurance Act 2001* and the *Insurance Regulations 2001*. SJLIC is a wholly-owned subsidiary of The Bank of Nova Scotia Jamaica Limited ("**BNS Jamaica**"), which is in turn a 100% subsidiary of Scotia Group Jamaica Limited ("**SGJL**"). The principal activity of SJLIC is the provision of long term life and health insurance and annuities.

SJLIC is a member of the SGJL corporate group, a publicly listed holding company trading on the Jamaica Stock Exchange. SGJL is owned 71.78% by Scotiabank Caribbean Holdings Limited.

SJLIC's insurance products are distributed through SGJL's extensive retail branch network throughout Jamaica. These products include (i) creditor life, creditor health, creditor home and creditor auto, which are distributed directly out of BNS Jamaica's branches; and (ii) critical illness, whole life, universal life and pension savings, which are distributed out of BNS Jamaica's branches by referral to SJLIC's licensed agents, who are located outside the retail bank distribution environment.

Selected Financial Information

The following summary financial information is derived from the audited financial statements of SJLIC as at and for the years ended December 31, 2017, 2016 and 2015 and the unaudited condensed interim financial statements of SJLIC as at and for the nine months ended September 30, 2018, attached as Appendix H to this prospectus.

(JMD$ millions unless otherwise stated)	**Q3 2018**	**Q3 2017**	**FY 2017**	**FY 2016**	**FY 2015**
Consolidated Income Statement Data					
Revenue					
Investment income	2,223	2,677	3,560	3,589	3,784
Net premium income	1,472	1,366	1,833	1,755	1,781
Other income	1,079	858	989	696	485
Total revenue	4,774	4,901	6,382	6,040	6,050
Expenses					
Policyholders' benefits & reserves	(1,140)	(711)	(558)	(1,485)	(757)
Other expenses(1)	(812)	(758)	(1,082)	(1,011)	(1,474)
Total expenses	(1,952)	(1,469)	(1,640)	(2,496)	(2,231)
Gross profit	2,822	3,432	4,742	3,544	3,819
Income taxes (recovery)	736	781	1,206	855	862
Net income (loss) from continuing operations	2,086	2,651	3,536	2,689	2,958
Net income (loss)	2,086	2,651	3,536	2,689	2,958
Financial Position					
Assets					
Investments, loans and government securities	56,663	55,098	55,654	56,080	54,914

Other assets[(2)]	3,631	1,859	2,301	1,404	1,734
Total assets	60,294	56,957	57,955	57,484	56,648
Liabilities					
Policyholders' liability	45,218	45,193	44,780	44,989	43,332
Other liabilities[(3)]	1,123	563	1,038	584	569
Total liabilities	46,341	45,756	45,818	45,573	43,901
Total shareholder equity	13,953	11,201	12,137	11,911	12,747
Total liabilities and shareholder equity	60,294	56,957	57,955	57,484	56,648
Earnings Per Share and Dividend Distribution					
Total number of shares outstanding (in thousands)	150,000	150,000	150,000	150,000	150,000
Total number of shares outstanding (on diluted basis) (in thousands)	150,000	150,000	150,000	150,000	150,000
Basic EPS (from continuing operations)	$13.91	$17.68	$23.57	$17.93	$19.71
Diluted EPS (from continuing operations)	$13.91	$17.68	$23.57	$17.93	$19.71
Basic EPS	$13.91	$17.68	$23.57	$17.93	$19.71
Diluted EPS	$13.91	$17.68	$23.57	$17.93	$19.71
Total dividend distribution	$994	$3,255	$3,707	$3,770	$1,209
Dividend per share	$6.63	$21.70	$24.71	$25.13	$8.06
Key Ratios					
MCCSR/Capital adequacy[(4)]	697%	549%	588%	551%	680%

(1) Other expenses include salaries, pension contributions and other staff benefits, property expenses (including depreciation) and other operating expenses.
(2) Other assets include property, plant and equipment, intangible assets (i.e., computer software), taxation recoverable and accounts with parent company.
(3) Other liabilities include sundry liabilities, taxation payable and deferred tax liabilities.
(4) Represents a non-IFRS financial measure. See "Non-IFRS Measures".

Nine Months Ended September 30, 2018 Compared to Nine Months Ended September 30, 2017

Net Income

Net income was $2,086 million for the nine months ended September 30, 2018 compared to $2,651 million for the same period in 2017. The decline of $567 million or 21% was due to lower investment income and lower actuarial reserve releases.

Investment Income

Investment income was $2,223 million for the nine months ended September 30, 2018 compared to $2,677 million for the same period in 2017. The decline of $454 million or 17% was due to a reduction in yields in the market due to excess liquidity. The variable rate instruments component of SJLIC's investment portfolio was approximately 60% of the investment security portfolio. The portfolio was further impacted as securities that matured were reinvested at lower rates based on the assets available for reinvestment.

Net Premium Income

Net premium income, defined as gross premium income net of premiums ceded to reinsurers, was $1,472 million for the nine months ended September 30, 2018 compared to $1,366 million for the same period in 2017. The increase of $106 million or 8% was due to growth in the net premiums collected from credit insurance and administrative fees.

Other Income

Other income, comprised of fee and commission income and realized gains, was $1,079 million for the nine months ended September 30, 2018 compared to $858 million for the same period in 2017. The increase of $221 million or 26% was due primarily to gains recognized on the sale of Government of Jamaica Securities.

Revenue

The sources of SJLIC's revenue are insurance premiums from customers, investment income, fees and commissions and realized gains. Revenues totaled $4,774 million for the nine months ended September 30, 2018 compared to $4,901 million for the same period in 2017. The decrease of $127 million or 3% was due primarily to reduced investment income as interest rates were lower year over year.

Policyholder Benefits and Reserves

Policyholders benefits and reserves, which consists of interest and long-term savers bonus credited to the ScotiaMint Fund, actuarial reserve release and coverage paid, was $1,140 million for the nine months ended September 30, 2018 compared to $711 million for the same period in 2017. The increase of $429 million or 60% was primarily due to lower actuarial reserve releases.

Other Expenses

Other expenses, comprised of salaries, pension contributions and other staff benefits, property expenses, including depreciation and other operating expenses, were $812 million for the nine months ended September 30, 2018 compared to $758 million for the same period in 2017. The increase of $54 million or 7% was due to an increase in salary costs and management fees.

Financial Position

Total assets were $60,294 million as at September 30, 2018 compared to $56,957 million as at September 30, 2017. The increase of $3,337 million or 6% was due primarily to mark-to-market gains on SJLIC's investment portfolio and an increase in tax recoverables, and an increase in Deposits with Bank.

Investments, comprised of Government of Jamaica Securities and Mortgage Backed Securities, were $56,663 million as at September 30, 2018 compared to $55,098 million as at September 30, 2017. The increase of $1,565 million or 3% reflected higher certificates of deposit with the Bank of Jamaica.

Policyholders' liability remained relatively flat at $45,218 million as at September 30, 2018 compared to $45,193 million as at September 30, 2017, an increase of approximately 1%.

SJLIC's risk-based regulatory capital adequacy ratio, as measured by MCCSR, of 697% as at September 30, 2018 was approximately 4.6 times the minimum regulatory requirement of 150%.

Three Months Ended September 30, 2018 Compared to Three Months Ended September 30, 2017

Net Income

Net income was $982 million for the three months ended September 30, 2018 compared to $903 million for the same period in 2017. The increase of $79 million or 9% was due primarily to the recognition of gains on the sale of Government of Jamaica Securities.

Investment Income

Investment income was $674 million for the three months ended September 30, 2018 compared to $932 million for the same period in 2017. The decline of $258 million or 28% was due primarily to the reduction in interest yield on the portfolio as interest rates fell year over year.

Net Premium Income

Net premium income, defined as gross premium income net of premiums ceded to reinsurers, was $522 million for the three months ended September 30, 2018 compared to $472 million for the same period in 2017. The increase of $50 million or 11% was due to increased sales productivity year over year.

Other Income

Other income, comprised of fee and commission income and realized gains, was $804 million for the three months ended September 30, 2018 compared to $344 million for the same period in 2017. The increase of $460 million or 57% was due mainly to the recognition of gains on the sale of Government of Jamaica Securities.

Revenue

The sources of SJLIC's revenue are insurance premiums from customers, investment income, fees and commissions and realized gains. Revenues totaled $2,000 million for the three months ended September 30, 2018 compared to $1,748 million for the same period in 2017. The increase of $252 million or 14% was due to the combined factor of reduced interest income offset by increased premiums from higher productivity and gains recognized from the sale of Government of Jamaica Securities.

Policyholder Benefits and Reserves

Policyholders benefits and reserves, which consists of interest and long-term savers bonus credited to the ScotiaMint Fund, actuarial reserve release and coverage paid, was $498 million for the three months ended September 30, 2018 compared to $420 million for the same period in 2017. The increase of $78 million or 19% was primarily due to lower reserve releases in 2018.

Other Expenses

Other expenses, comprised of salaries, pension contributions and other staff benefits, property expenses, including depreciation and other operating expenses, were $206 million for the three months ended September 30, 2018 compared to $201 million for the same period in 2017. The increase of $5 million or 2% was due to an increase in salary costs.

Year Ended December 31, 2017 Compared to Year Ended December 31, 2016

Net Income

Net income was $3,536 million for the year ended December 31, 2017 compared to $2,689 million the year ended December 31, 2016. The increase of $847 million or 31% was mainly due to actuarial reserve releases and gains from the sale of investments.

Investment Income

Investment income was $3,560 million for the year ended December 31, 2017 compared to $3,589 million for the year ended December 31, 2016. This marked a decline of $29 million or 1%. While assets remained fairly stable for the period, the portfolio was faced with higher yielding fixed rate instruments maturing and thereafter funds being reinvested in lower yielding investment assets that were available. Management's strategy of seeking to purchase fixed rate instruments on the secondary market helped to cushion the negative impact on interest income.

Net Premium Income

Net premium income, defined as gross premium income net of premiums ceded to reinsurers, was $1,833 million for the year ended December 31, 2017 compared to $1,755 million for the year ended December 31, 2016. The increase of $78 million or 4% was due to growth in SJLIC's core insurance business, increase in cost of insurance rates and administrative fees.

Other Income

Other income, comprised of fee and commission income and realized gains, was $989 million for the year ended December 31, 2017 compared to $696 million for the year ended December 31, 2016. The increase of $293 million or 42% was due primarily to gains on the sale of investment assets in 2017 which was offset by significant foreign exchange gains in 2016.

Revenue

The sources of SJLIC's revenue are insurance premiums from customers, investment income, fees and commissions and realized gains. Revenues totaled $6,382 million for the year ended December 31, 2017, an increase of $342 million or 6% from the $6,040 million in the year ended December 31, 2016. The increase in revenues was due to increased sales productivity year over year as well as the recognition of gains on the sale of investments.

Policyholder Benefits and Reserves

Policyholders benefits and reserves, which consists of interest and long-term savers bonus credited to the ScotiaMint Fund, actuarial reserve release and benefits coverage paid, was $558 million for the year ended December 31, 2017 compared to $1,485 million for the year ended December 31, 2016. The decrease of $927 million or 62% was primarily due to actuarial reserve releases related to increases in cost of insurance rates, adjustments to mortality rates, reduction of crediting rates and other actuarial assumptions revisions.

Other Expenses

Expenses, comprised of salaries, pension contributions and other staff benefits, property expenses, including depreciation and other operating expenses, were $1,082 million for the year ended December 31, 2017 compared to $1,011 million for the year ended December 31, 2016, representing an increase of $71 million or 7%. The increase was due to advertising, communication and computer-related costs.

Financial Position

Total assets were $57,955 million as at December 31, 2017 compared to $57,484 million as at December 31, 2016. The increase of $471 million or 1% was due to mark-to-market gains on the investment portfolio which was offset by the write down of the balance on the put option and part maturity of the Mortgage Backed Securities.

Investments, comprised of Government of Jamaica Securities and Mortgage Backed Securities, were $55,654 million as at December 31, 2017 compared to $56,080 million as at December 31, 2016. The decrease of $426 million or 1% was due to the increase in cash and cash equivalent liquid assets held in the commercial bank and the effect of dividend payments made.

Policyholders' liability remained relatively flat at $44,780 million as at December 31, 2017 compared to $44,989 million as at December 31, 2016, a decrease of approximately 0.5%.

SJLIC's risk-based regulatory capital adequacy ratio, as measured by MCCSR, of 588% as at December 31, 2017 was approximately 3.9 times the minimum regulatory requirement of 150%.

Year Ended December 31, 2016 Compared to Year Ended December 31, 2015

Net Income

Net income was $2,689 million for the year ended December 31, 2016 compared to $2,958 million the year ended December 31, 2015. The decline of $269 million or 9% was due mainly to the effect of actuarial reserve releases.

Net Premium Income

Net premium income, defined as gross premium income net of premiums ceded to reinsurers, was $1,755 million for the year ended December 31, 2016 compared to $1,781 million for the year ended December 31, 2015. The decrease of $26 million or 1% was due mainly to the discontinuation of premium loads on the products in line with the abolition of premium tax.

Investment Income

Investment income was $3,589 million for the year ended December 31, 2016 compared to $3,784 million for the year ended December 31, 2015. This represents a decline of $195 million or 5%. While assets slightly increased for the period, the portfolio was faced with higher yielding fixed rate instruments that matured being replaced with lower yielding investments that were available.

Other Income

Other income, comprised of fee and commission income and realized gains, was $696 million for the year ended December 31, 2016 compared to $485 million for the year ended December 31, 2015. The increase of $211 million or 44% was due to foreign exchange gains recognized on the USD Treasury Bill portfolio.

Revenue

The sources of SJLIC's revenue are insurance premiums from customers, investment income, fees and commissions and realized gains. Revenues totaled $6,040 million for the year ended on December 31, 2016, a decrease of $10 million or 0.2% from the $6,050 million in the year ended on December 31, 2015.

Policyholder Benefits and Reserves

Policyholders benefits and reserves, which consists of interest and long-term savers bonus credited to the ScotiaMint Fund, actuarial reserve release and coverage paid, was $1,485 million for the year ended December 31, 2016 compared to $757 million for the year ended December 31, 2015. The increase of $728 million or 96% was primarily due to higher actuarial reserve releases in the prior year due to the abolition of premium tax and investment income tax, which was offset by savings from lower interest credited to the ScotiaMint Fund.

Other Expenses

Expenses, comprised of salaries, pension contributions and other staff benefits, property expenses, including depreciation and other operating expenses, were $1,011 million for the year ended December 31, 2016 compared to $1,474 million for the year ended December 31, 2015, representing a decrease of $463 million or 31%. The decrease was due to asset tax, which saw a rate reduction from 1% in 2015 to 0.25% in 2016, and staff costs associated with SJLIC's restructuring exercise in 2015.

Liquidity and Capital Resources

Overview

Initially SJLIC's principal source of liquidity had been funding from shareholders by way of equity. Today, SJLIC's principal source of liquidity has been from generating positive cash flow from operations (resulting in increased retained earnings) and increasing policyholder liability balances. While SJLIC expects to continue to generate positive cash flow from operations in the future, it has invested, and expects to continue to invest in expanding its securities portfolio in order to maximize ongoing investment income generation. Aside from product and technology investments, SJLIC's business does not require significant capital expenditures and working capital requirements are also relatively modest.

Aside from fulfilling its financial commitments to creditors and policy holders, SJLIC is also subject to regulatory capital requirements in Jamaica. SJLIC has historically maintained very strong capital ratios and continues to maintain regulatory capital levels well in excess of applicable minimums.

Cash Flows

The following table summarizes SJLIC's consolidated statement of cash flows from continuing operations:

	For the Nine Months Ended September 30,		For the Year Ended December 31,		
(JMD$ millions)	**2018**	**2017**	**2017**	**2016**	**2015**
Net Cash Provided By (Used In)					
Operating	1,903	2,819	3,302	4,851	2,583
Financing	(994)	(3,255)	(3,707)	(3,770)	(1,208)
Investing	2,962	1,267	(865)	(1,267)	(1,175)
Net Change in Cash	3,871	831	(1,270)	(186)	200
Cash Balance, Opening..	1,232	1,805	2,503	2,690	2,490
Cash Balance, Ending	5,103	2,636	1,233	2,504	2,690

Cash Flows Provided by (Used in) Operating Activities

Cash flow from operating activities decreased by $916 million for the nine months ended September 30, 2018 compared to the nine months ended September 30, 2017 primarily due to lower net profit for the period.

Cash flow from operating activities decreased by $1,549 million in 2017 compared to 2016 primarily due to higher net profit for the period with notable impact on actuarial reserve releases and policyholders' liabilities.

Cash flow from operating activities increased by $2,268 million in 2016 compared to 2015 primarily due to increased policyholder liabilities and a reduction in transfer from actuarial reserve releases.

Cash Flows Provided by (Used in) Investing Activities

Cash flow from investing activities increased by $1,694 million for the nine months ended September 30, 2018 compared to the nine months ended September 30, 2017 driven by higher sales of investment securities and lower certificates of deposit with the Bank of Jamaica.

Cash flow from investing activities increased by $402 million in 2017 compared to 2016, reflecting primarily lower purchases of investment securities.

Cash flow from investing activities decreased by $92 million in 2016 compared to 2015, reflecting the offsetting impacts of lower investment security purchases and lower redemptions of certificates of deposit with the Bank of Jamaica.

Cash Flows Provided by (Used in) Financing Activities

Cash flow from financing activities increased by $2,261 million for the nine months ended September 30, 2018 compared to the nine months ended September 30, 2017, reflecting lower dividend payments for the period.

Cash flow from financing activities increased by $63 million in 2017 compared to 2016, reflecting slightly lower dividend payments for the period.

Cash flow used in financing activities decreased by $2,562 million in 2016 compared to 2015, reflecting higher dividend payments for the period.

Risk Factors

SJLIC's activities expose it to a variety of insurance and financial risks. These activities involve the analysis, evaluation and management of some degree of risk or combination of risks. Taking these risks is core to SJLIC's business, and the operational risks are an inevitable consequence of being in business. SJLIC's aim is therefore to achieve an appropriate balance between risk and return and minimize potential adverse effects on SJLIC's financial performance.

SJLIC manages risk through a framework of risk principles, organizational structures and risk measurement and monitoring processes that are closely aligned with the activities of SJLIC's business units. SJLIC's risk management policies are designed to identify and analyze these risks, to set appropriate risk limits and controls, and to monitor the risks and adherence to limits by means of reliable and up-to-date information systems. SJLIC regularly reviews its risk management policies and systems to reflect changes in markets, products and emerging best practice.

The principal financial risks to which SJLIC is exposed are described below. A more detailed discussion of these risks is included in Note 26 to the audited financial statements of SJLIC as at and for the year ended December 31, 2017.

Insurance Risk

SJLIC issues long term contracts that transfer insurance risk or financial risk or both. The risk under any one contract is the possibility that the insured event occurs and the uncertainty of the amount of the resulting claim. By the very nature of an insurance contract, this risk is random and therefore unpredictable.

SJLIC has developed its insurance underwriting strategy and reinsurance arrangements to diversify the type of insurance risks accepted and within each of these categories to achieve a sufficiently large population of risks to reduce the variability of the expected outcome. SJLIC's underwriting strategy includes the use of a medical questionnaire with benefits limited to reflect the health condition of applicants.

Reinsurance Risk

Reinsurance risk is the risk that a reinsurer will default and not honour obligations arising from claims. To limit its exposure of potential loss on an insurance policy, SJLIC cedes certain levels of risk to a reinsurer. Reinsurance ceded does not discharge SJLIC's liability as primary issuer. SJLIC also limits the probable loss in the event of a single catastrophic occurrence by reinsuring this type of risk with reinsurers. SJLIC manages reinsurance risk by selecting reinsurers which have established capability to meet their contractual obligations and which generally have favourable credit ratings as determined by a reputable rating agency. SJLIC discontinued its use of reinsurance during the year ended December 31, 2017.

Market Risk

Market risk is the risk that the value of the financial instrument will fluctuate as a result of changes in market prices whether those changes are caused by factors specific to the individual security, its issuer or factors affecting all securities traded in the market. SJLIC manages its risk through the establishment of appropriate limits and close monitoring of the financial markets to identify any trends which would impact the value of its portfolio.

There has been no change to SJLIC's exposure to market risks or the manner in which it manages and measures the risk.

Cash flow and fair value interest rate risk

Cash flow interest rate risk is the risk that the 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 value of a financial instrument will fluctuate because of changes in market interest rates.

SJLIC takes on exposure to the effects of fluctuations in market interest rates on its financial position and cash flows. Interest rate risk is managed as part of the risk management practices of BNS Jamaica, on a monthly basis. SJLIC's cash flow is monitored daily.

SJLIC is exposed to various risks associated with the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows.

Currency risk

Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

SJLIC only issues insurance contracts in Jamaican dollars and the funds are used to purchase assets in the same currency. These portfolios are not exposed to currency risk.

Other price risk

Other price risk is the risk that the fair value or future cash flow of a financial instrument will fluctuate because of changes in market price (other than those arising from interest rate risk or currency risk) whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

SJLIC is not exposed to other price risk.

Liquidity Risk

Liquidity risk is the risk that company is unable to meet its payment obligations associated with its financial liabilities when they fall due and to replace funds when they are withdrawn. The consequence may be the failure to meet obligations to repay policyholders. SJLIC is exposed to daily calls on its cash resources from its policyholders. SJLIC does not necessarily maintain cash resources to meet all these needs as experience shows that a minimum level on reinvestment of maturing funds can be predicted with a high level of certainty.

SJLIC's board of directors approves SJLIC's liquidity and funding management policies and establishes limits to control the risk. SJLIC assesses the adequacy of its liquidity position by analyzing its current liquidity position, present and anticipated funding requirements, and alternative sources of funds.

This process includes: (i) projecting day-to-day cash flows; (ii) managing the concentration and profile of debt maturities; (iii) maintaining a portfolio of highly marketable assets that can easily be liquidated as protection against any unforeseen interruption to cash flow; (iv) monitoring statement of financial position liquidity ratios against internal and regulatory requirements; and (v) maintenance of liquidity and funding contingency plans.

The matching and controlled mismatching of the maturities and interest rates of assets and liabilities is fundamental to the management of SJLIC. It is unusual for companies to be completely matched, as transacted business is often of uncertain term and of different types. An unmatched position potentially enhances profitability, but can also increase the risk of loss.

The maturities of assets and liabilities and the ability to replace, at an acceptable cost, interest-bearing liabilities as they mature, are important factors in assessing the liquidity of SJLIC and its exposure to changes in interest rates.

Assets available to meet all of the liabilities include cash balances and government securities. SJLIC would also be able to meet unexpected net cash outflows by selling securities and accessing additional funding sources.

Credit Risk

Credit risk is the risk that one or both parties to a financial instrument will fail to discharge an obligation resulting in loss to one or both parties.

SJLIC manages the level of credit risk it undertakes by placing limits on the amount of risk accepted in relation to any one borrower, or groups of borrowers. Such risks are monitored on a revolving basis and subject to an annual or more frequent review. Limits on the level of credit risk by issuer are approved annually by SJLIC's board of directors.

Transactions with Related Parties

Note 30 in the audited financial statements of SJLIC as at and for the year ended December 31, 2017 and Note 30 in the audited financial statements of SJLIC as at and for the year ended December 31, 2016 provide information on related party transactions. See Appendix H to this prospectus.

Critical Accounting Estimates and Judgments

In preparing the audited financial statements of SJLIC as at and for the years ended December 31, 2017 and 2016 and the unaudited condensed interim financial statements of SJLIC as at and for the nine months ended September 30, 2018, management made judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

The following describes the most significant accounting estimates and judgments that SJLIC made in preparation of the audited financial statements of SJLIC as at and for the years ended December 31, 2017 and 2016 and the unaudited condensed interim financial statements of SJLIC as at and for the nine months ended September 30, 2018.

Measurement of Fair Values

Financial Instruments

Financial instruments carried on the statement of financial position include cash resources, investment securities, government securities purchased under resale agreements, other assets, policyholders' liabilities and other liabilities.

Recognition and Initial Measurement

SJLIC initially recognizes deposits on the date that they are originated. All other financial assets and liabilities are initially recognized on the settlement date, at which SJLIC becomes a party to the contractual provisions of the instrument.

A financial asset or liability is initially measured at fair value plus, for an item not at Fair Value through profit or loss (FVTPL), transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

Financial assets – Policy applicable from January 1, 2018

On initial recognition, a financial asset is classified as measured at: amortized cost; Fair Value through other comprehensive income (FVOCI) debt investment; FVOCI – equity investment; or FVTPL.

Financial assets are not reclassified subsequent to their initial recognition unless SJLIC changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, SJLIC may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortized cost or FVOCI as described above are measured at FVTPL. On initial recognition, SJLIC may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an account mismatch that would otherwise arise.

Financial assets – Business model assessment: Policy applicable from January 1, 2018

SJLIC makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of these policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows of realizing cash flows through the sale of the assets;

- how the performance of the portfolio is evaluated and reported to SJLIC's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated – e.g., whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with SJLIC's continuing recognition of the assets.

Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

Financial assets – Assessment whether contractual cash flows are solely payments of principal and interest – Policy applicable from January 1, 2018

For the purposes of this assessment, "principal" is defined as the fair value of the financial asset on initial recognition. "Interest" is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g., liquidity risk and administrative costs) as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, SJLIC considers the contractual terms of the instrument.

This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, SJLIC considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable-rate features;
- prepayment and extension features; and
- terms that limit SJLIC's claim to cash flows from specified assets (e.g., non-recourse features).

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract. Additionally, for a financial asset acquired at a discount or premium to its contractual paramount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

Financial assets – Subsequent measurement and gains and losses – Policy applicable from January 1, 2018

Financial assets at FVTPL	These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income are recognized in profit or loss.
Financial assets at amortized cost	These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognized in profit or loss. Any gain or loss on derecognition is recognized as profit or loss.
Debt investments at FVOCI	These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognized in profit or loss. Other net gains and losses are recognized in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.

Financial assets – Policy applicable before January 1, 2018

SJLIC classified its financial assets into one of the following categories:

- loans and receivables;
- held to maturity;
- available for sale; and
- at FVTPL

Financial assets – Subsequent measurement and gains and losses – Policy applicable before January 1, 2018

Financial assets at FVTPL	Measured at fair value and changes therein, including any interest or dividend income, were recognized in profit or loss.
Held-to-maturity financial assets	Measured at amortized cost using the effective interest method.
Loans and receivables	Measured at amortized cost using the effective interest method.
Available-for-sale financial assets	Measured at fair value and changes therein, other than impairment losses, interest income and foreign currency differences on debt instruments, were recognized in OCI and accumulated in the fair value reserve. When these assets were derecognized, the gain or loss accumulated in equity was reclassified to profit or loss.

Financial liabilities – Classification, subsequent measurement and gains and losses

Financial liabilities are classified as measured at amortized cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in profit or loss. Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on derecognition is also recognized in profit or loss.

Derecognition

SJLIC derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by SJLIC is recognized as a separate asset or liability.

Changes in Accounting Policies Including Adoption

SJLIC initially adopted IFRS 9, Financial Instruments from January 2018.

Due to the transition methods chosen by SJLIC in applying these standards, comparative information throughout the unaudited condensed interim financial statements of SJLIC as at and for the nine months ended September 30, 2018 has not been restated to reflect the requirements of the new standards, and separately present impairment loss on contract assets.

IFRS 9 sets out requirements for recognizing and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces IAS 39 *Financial Instruments: Recognition and Measurement*.

As a result of the adoption of IFRS 9, SJLIC has adopted consequential amendments to IAS 1 *Presentation of Financial Statements*, which require impairment of financial assets to be presented in a separate line item in the statement of profit or loss and other comprehensive income.

IFRS 9 contains three principal classification categories for financial assets: measured at amortized cost, FVOCI and FVTPL. The classification of financial assets under IFRS 9 is generally based on the business model in which financial assets is managed and its contractual cash flow characteristics.

IFRS 9 eliminates the previous IAS 39 categories of held-to-maturity, loans and receivables and available-for-sale. Under IFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never separated. Instead, the hybrid financial instrument as a whole is assessed for classification.

IFRS 9 largely retains the existing requirement in IAS 39 for the classification and measurement of financial liabilities.

The adoption of IFRS 9 has not had a significant effect on SJLIC's accounting policies related to financial liabilities.

Based on assessment, management does not expect the application of IFRS 15 to have a significant impact on the unaudited condensed interim financial statements of SJLIC as at and for the nine months ended September 30, 2018.

Financial Instruments

Financial instruments carried on the statement of financial position include cash resources, investment securities, government securities purchased under resale agreements, other assets, policyholders' liabilities and other liabilities.

Disclosure of Outstanding Share Data

The authorized share capital of SJLIC consists of 150,000,000 ordinary shares of no par value. There are 150,000,000 ordinary shares issued and outstanding.

APPENDIX J – MANAGEMENT'S DISCUSSION AND ANALYSIS OF SLTT

MANAGEMENT'S DISCUSSION AND ANALYSIS OF SLTT

This management's discussion and analysis (this "**SLTT MD&A**") provides information concerning SLTT's financial condition as at October 31, 2018 and October 31, 2017, compared with October 31, 2017 and October 31, 2016, respectively, and results of operations for the years ended October 31, 2018 and October 31, 2017, compared with the years ended October 31, 2017 and October 31, 2016, respectively. This SLTT MD&A should be read in conjunction with the audited financial statements of SLTT as at and for the years ended October 31, 2018, 2017 and 2016, together with the notes thereto and the auditors' reports thereon, attached as Appendix H to this prospectus.

The audited financial statements of SLTT have been prepared in accordance with IFRS and are presented in thousands of Trinidadian dollars unless otherwise stated. **All amounts in this SLTT MD&A are in millions of Trinidadian dollars, unless otherwise stated.** All comparisons are with the same period in the prior year, unless otherwise noted. All percentage changes are calculated using the rounded numbers as they appear in the tables.

This SLTT MD&A is current as of February 6, 2019, unless otherwise stated, and was approved by SLTT's board of directors.

Forward-Looking Information

This SLTT MD&A includes forward-looking statements within the meaning of applicable Canadian securities laws (collectively, "**forward-looking statements**"). Forward-looking statements include statements that are predictive in nature, depend upon or refer to future events or conditions, or include words such as "expects", "anticipates", "intends", "plans", "believes", "estimates" and other similar expressions or negative versions thereof. These statements may include, without limitation, statements about SLTT's operations, business, financial condition, expected financial performance, ongoing business strategies or prospects, and possible future actions by SLTT. Forward-looking statements are based on expectations, forecasts, predictions, projections and conclusions about future events that were current at the time of the statements and are inherently subject to, among other things, risks, uncertainties and assumptions about SLTT, economic factors and the insurance industry generally. They are not guarantees of future performance, and the reader is cautioned that actual events and results could differ materially from those expressed or implied by forward-looking statements. Material factors and assumptions that were applied in formulating the forward-looking information contained herein include the assumption that the business and economic conditions affecting SLTT's operations will continue substantially in their current state, including, without limitation, with respect to customer behaviour, SLTT's reputation, market prices for products provided, sales levels, premium income, fee income, expense levels, mortality experience, morbidity experience, policy lapse rates, reinsurance arrangements, liquidity requirements, capital requirements, taxes, inflation, interest and foreign exchange rates, investment values, hedging activities, local government debt markets, business competition and other general economic, political and market factors in the Caribbean and internationally. Many of these assumptions are based on factors and events that are not within the control of SLTT and there is no assurance that they will prove to be correct. Other important factors and assumptions that could cause actual results to differ materially from those contained in forward-looking statements include customer responses to new products, impairments of assets, technological changes, breaches or failure of information systems and security (including cyber-attacks), changes in local and international laws and regulations, changes in accounting policies and the effect of applying future accounting policy changes, unexpected judicial or regulatory proceedings, catastrophic events, continuity and availability of personnel and third party service providers, and unplanned material changes to SLTT's facilities, customer and employee relations or credit arrangements. The reader is cautioned that the foregoing list of assumptions and factors is not exhaustive, and other factors could also adversely affect SLTT's results. The reader is also cautioned to consider these and other factors, uncertainties and potential events carefully and not to place undue reliance on forward-looking statements. Other than as specifically required by applicable law, SLTT does not intend to update any forward-looking statements whether as a result of new information, future events or otherwise.

Non-IFRS Measures

This SLTT MD&A makes reference to certain non-IFRS financial measures. These financial measures are not recognized financial measures under IFRS and do not have a standardized meaning prescribed by IFRS. They are therefore unlikely to be comparable to similar measures presented by other companies. Rather, these measures are provided as additional information to complement IFRS measures by providing further understanding of SLTT's results of operations from management's perspective. Accordingly, they should not be considered in isolation nor as a substitute for analysis of SLTT's financial information reported under IFRS. SLTT believes that these non-IFRS measures provide supplemental measures of SLTT's operating performance and thus highlight trends in its business that may not otherwise be apparent when relying solely on IFRS financial measures. SLTT also uses non-IFRS measures in order to facilitate operating performance comparisons from period to period.

Non-IFRS financial measures used by SLTT include but are not limited to, the MCCSR/capital adequacy ratio. The MCCSR/capital adequacy ratio was a capital adequacy measure for life insurance companies as set by the *Insurance Act*, *1980* and the Central Bank of Trinidad and Tobago. It is a measure used to monitor that insurers maintain adequate capital to meet their financial obligations, with 150% being the minimum standard that was recommended by Trinidadian regulators.

Overview

SLTT was incorporated and domiciled in the Republic of Trinidad and Tobago on May 23, 2000 and was registered to conduct ordinary long-term insurance business under the *Insurance Act*, *1980* on December 3, 2001. SLTT commenced insurance operations in April 2004. It is a wholly-owned subsidiary of Scotiabank Trinidad and Tobago, which is also incorporated and domiciled in the Republic of Trinidad and Tobago. Its ultimate holding company is The Bank of Nova Scotia, which is incorporated and domiciled in Canada. SLTT's registered office is located at 56-58 Richmond Street, Port of Spain.

Selected Financial Information

The following summary financial information is derived from the audited financial statements of SLTT as at and for the years ended October 31, 2018, 2017 and 2016, attached as Appendix H to this prospectus.

Selected Financial Information

The following table summarizes the results of SLTT's continuing operations:

(TTD$ millions unless otherwise stated)	**FY 2018**	**FY 2017**	**FY 2016**
Consolidated Income Statement Data from Continuing Operations			
Revenue			
Investment income	99	84	80
Net premium income	391	411	394
Other income	2	2	2
Total revenue	492	497	476
Expenses			
Total policyholders' expenses	(318)	(334)	(315)
Administrative expenses(1)	(40)	(39)	(37)
Total expenses	(358)	(373)	(352)
Gross profit	134	124	124
Income taxes (recovery)	19	29	30
Net income (loss) from continuing operations	115	95	94
Net income (loss)	115	95	94
Financial Position			
Assets			
Investment securities and loans	2,004	1,813	1,756
Other assets(2)	216	189	92
Total assets	2,220	2,002	1,848
Liabilities			
Provision for future policy benefits	1,396	1,317	1,213
Other liabilities(3)	66	47	97

Total liabilities	1,462	1,364	1,310
Total shareholder equity	758	638	538
Total liabilities and shareholder equity	2,220	2,002	1,848
Earnings Per Share and Dividend Distribution			
Total number of shares outstanding (in thousands)	60,000	60,000	60,000
Total number of shares outstanding (on diluted basis) (in thousands)	60,000	60,000	60,000
Basic EPS (from continuing operations)	$1.92	$1.57	$1.57
Diluted EPS (from continuing operations)	$1.92	$1.57	$1.57
Basic EPS	$1.92	$1.57	$1.57
Diluted EPS	$1.92	$1.57	$1.57
Total dividend distribution	$0	$0	$260
Dividend per share	$0.00	$0.00	$4.34
Key Ratios			
MCCSR/Capital adequacy ratio(4)	1300%	1190%	1014%

(1) Administrative expenses include salaries and personnel costs, premises and technology, communications and marketing, management expenses, professional fees, loan loss expense and other expenses.
(2) Other assets include reinsurance assets and cash.
(3) Other liabilities include other policyholders' liabilities, deferred tax, accrued charges and other payables and provision for taxation.
(4) Represents a non-IFRS financial measure. See "Non-IFRS Measures".

Year Ended October 31, 2018 Compared to Year Ended October 31, 2017

Net Income

Net income was $115 million for the year ended October 31, 2018 compared to $95 million for the year ended October 31, 2017. The increase of $20 million or 7% over the comparative period was driven by higher investment income in addition to a lower effective tax rate.

Investment Income

Investment income was $99 million for the year ended October 31, 2018 compared to $84 million for the year ended October 31, 2017. The increase of $15 million or 18% over the comparative period was driven by growth in both the Investment Securities and Loans portfolios, as well as higher yields on shorter term instruments.

Net Premium Income

Net premium income, defined as gross premium income net of premiums ceded to reinsurer, was $391 million for the year ended October 31, 2018 compared to $411 million for the year ended October 31, 2017. The decrease of $20 million or 5% over the comparative period was driven by lower policy sales due to the current economic environment.

Other Income

Other income, comprised of management fees received, was $2 million for the year ended October 31, 2018 compared to $2 million for the year ended October 31, 2017.

Revenue

The sources of SLTT's revenue are net premium income, investment income and other income. Total revenue was $492 million for the year ended October 31, 2018 compared to $497 million for the year ended October 31, 2017, representing a decrease of $5 million or 1% from the comparative period. The decrease in total revenue was due primarily to lower net premium income offset partially by higher investment income.

Total Policyholders' Expenses

Total policyholders' expenses were $318 million for the year ended October 31, 2018 compared to $334 million for the year ended October 31, 2017. The decrease of $16 million or 5% over the comparative period was due to a decrease of $25 million in provision for future policy benefits offset by a Claims & Surrenders increase of $9 million in policyholders' benefit.

Administrative Expenses

Administrative expenses, inclusive of provisions for credit losses, were $40 million for the year ended October 31, 2018 compared to $39 million for the year ended October 31, 2017. The increase of $1 million or 3% over the comparative period was driven by higher salaries and employee benefits compared to the year ended October 31, 2017.

Financial Position

Total assets were $2,220 million as at October 31, 2018 compared to $2,002 million as at October 31, 2017. The increase of $218 million or 11% over the comparative period was driven primarily by growth of $191 million in the Investment Securities and Loans portfolios.

Investments, comprised of the Investment Securities and Loans portfolios, were $2,004 million as at October 31, 2018 compared to $1,813 million as at October 31, 2017. The increase of $191 million or 10% was due to the reinvestment of cash flow generated from earnings into additional Investment Securities and Loans. This represents 90% of Total Assets.

Provision for future policy benefits was $1,396 million as at October 31, 2018 compared to $1,317 million as at October 31, 2017, representing an increase of $79 million or 6% over the comparative period in 2017.

SLTT's risk-based regulatory capital adequacy ratio, as measured by MCCSR, of 1300% as at October 31, 2018 was approximately 9 times the minimum regulatory requirement of 150%, compared to 1190% as at October 31, 2017. The increase in the capital adequacy ratio, as measured by MCCSR, over the comparative period in 2017 was driven by an increase in available capital due to additional retained earnings.

Year Ended October 31, 2017 Compared to Year Ended October 31, 2016

Net Income

Net income was $95 million for the year ended October 31, 2017 compared to $94 million for the year ended October 31, 2016. The increase of $1 million or 1% over the comparative period was driven by higher investment income.

Investment Income

Investment income was $84 million for the year ended October 31, 2017 compared to $80 million for the year ended October 31, 2016. The increase of $4 million or 5% over the comparative period was driven by growth in both the Investment Securities and Loans portfolios, as well as higher yields on shorter term instruments.

Net Premium Income

Net premium income, defined as gross premium income net of premiums ceded to reinsurer, was $411 million for the year ended October 31, 2017 compared to $394 million for the year ended October 31, 2016. The increase of $17 million or 4% over the comparative period was driven by growth of in-force policies.

Other Income

Other income, comprised of management fees received, was $2 million for the year ended October 31, 2018 compared to $2 million for the year ended October 31, 2017.

Revenue

The sources of SLTT's revenue are net premium income, investment income and other income. Total revenue was $497 million for the year ended October 31, 2017 compared to $476 million for the year ended October 31, 2017, representing an increase of $21 million or 4% from the comparative period. The increase in total revenue was due to an increase in both net premium income and investment income.

Total Policyholders' Expenses

Total policyholders' expenses were $334 million for the year ended October 31, 2017 compared to $315 million for the year ended October 31, 2016. The increase of $19 million or 6% over the comparative period was driven by a decrease of $22 million in provision for future policy benefits offset by a Claims & Surrenders increase of $41 million in policyholders' benefits.

Administrative Expenses

Administrative expenses, inclusive of provisions for credit losses, was $39 million for the year ended October 31, 2017 compared to $37 million for the year ended October 31, 2016. The increase of $2 million or 5.4% over the comparative period was driven by cost control measures and management initiatives.

Liquidity and Capital Resources

Overview

Initially, SLTT's principal source of liquidity had been funding from shareholders by way of equity. Today, SLTT's principal source of liquidity has been from generating positive cash flow from operations (resulting in increased retained earnings) and increasing policyholder liability balances. While SLTT expects to continue to generate positive cash flow from operations in the future, it has invested, and expects to continue to invest in expanding its loan and securities portfolio in order to maximize ongoing investment income generation. Aside from product and technology investments, SLTT's business does not require significant capital expenditures and working capital requirements are also relatively modest.

Aside from fulfilling its financial commitments to creditors and policy holders, SLTT is also subject to regulatory capital requirements in Trinidad and Tobago. SLTT has historically maintained very strong capital ratios and continues to maintain regulatory capital levels well in excess of applicable minimum requirements.

Cash Flows

The following table summarizes SLTT's consolidated statement of cash flows from continuing operations:

	For the Year Ended December 31,		
(TTD$ millions)	**2018**	**2017**	**2016**
Net Cash Provided By (Used In)			
Operating	110	66	159
Financing	0	0	(260)
Investing	(171)	37	(40)
Net Change in Cash	(61)	103	(141)
Cash Balance, Opening..	166	63	204
Cash Balance, Ending	105	166	63

Cash Flows Provided by (Used in) Operating Activities

Cash flow from operating activities increased $44 million in 2018 compared to 2017 driven by both improved income and lower cash taxes paid in 2018.

Cash flow from operating activities decreased $93 million in 2017 compared to 2016 driven primarily by higher cash taxes paid during the year.

Cash Flows Provided by (Used in) Investing Activities

Cash flow from investing activities decreased $208 million in 2018 compared to 2017 driven by the continued reinvestment into new Investment Securities and Loans.

Cash flow from investing activities increased $77 million in 2017 compared to 2016 driven by the reduced cash flow from operating activities, which constrained the level of reinvestment into new Investment Securities and Loans.

Cash Flows Provided by (Used in) Financing Activities

Cash flow used in financing activities did not change in 2018 compared to 2017 given no dividends were paid in either year.

Cash flow used in financing activities increased $260 million in 2017 compared to 2016, reflecting the retention of profits in 2017 with the last dividend paid in 2016.

Risk Factors

SLTT's activities expose it to a variety of insurance and financial risks. SLTT has adopted risk management policies and has set appropriate limits and controls to manage and mitigate against financial risk. SLTT has exposure to the following risks arising from its use of financial instruments and from foreign currency transactions:

- Credit risk
- Market risk
- Liquidity risk
- Operational risk

The principal financial risks to which SLTT is exposed are described below. A more detailed discussion of these risks is included in Note 11 and Note 12 to the audited financial statements of SLTT as at and for the year ended October 31, 2018.

Insurance Risk

The risk under any one insurance contract is the possibility that the insured event occurs and the uncertainty of the amount of the resulting claim. By the very nature of an insurance contract, this risk is random and therefore unpredictable.

For a portfolio of insurance contracts where the theory of probability is applied to provisioning, the principal risk SLTT faces under their insurance contracts is that the actual claims and benefit payments exceed the carrying amount of the policyholder benefits and other liabilities. This may occur in the event the frequency or severity of claims and benefits are greater than that estimated. Insurance events are random and therefore the actual number and amount of claims and benefits will vary from year to year from the levels established.

Assumptions about mortality, expenses and inflation, interest rates, interest spreads and policyholder behaviour that are used in estimating future cash flows are developed by product type, reflecting recent experience and the profiles of policyholders within the insurance contracts. The assumptions are generally developed using a blend of mortality data, industry trends and SLTT's experience since inception. During the year ended October 31, 2018, management changed the assumptions based on the past 13 years. The change in assumptions resulted in a reduction in actuarial reserves by $15,901,000.

SLTT pledges assets to the Statutory Fund at the Central Bank of Trinidad and Tobago. This strategy is used to mitigate the risk associated with the possibility of insufficient funds to cover policyholder benefits. SLTT pledges assets in excess of its policyholders' liabilities to ensure coverage at any given point in time.

To limit its exposure of potential loss on an insurance policy, reinsurance contracts for a portion of certain products are utilized as a strategy to mitigate risks. However, SLTT as the writer of the policies is directly responsible for all claims made.

Credit Risk

Credit risk is the risk of loss resulting from the failure of a borrower or counterparty to honour its financial or contractual obligations to SLTT. SLTT's exposure to credit risk resides in its investment in loans purchased from Scotiabank, investment securities available for sales and investment securities held to maturity.

Credit risk is managed through a number of strategies, policies and limits that are approved by the Board of Directors and include the following processes:

- A centralized credit review system that is independent of the customer relationship function;
- Senior management, which considers all major risk exposures; and
- An independent review by the Internal Audit Department.

Repossessed collateral

SLTT enforces its power of sale agreements over various types of collateral (as noted above) as a consequence of failure by borrowers or counterparties to honour their financial obligations. Appraisals are obtained for the current value of the collateral as an input to the impairment measurement, and once repossessed, the collateral is sold as soon as practicable. The proceeds net of disposal cost are applied to the outstanding debt.

Market Risk

Market risk refers to the risk resulting from changes in market prices such as interest rates, foreign exchange market prices and other price risks. SLTT invests in financial instruments in the ordinary course of business whilst managing and controlling these exposures within acceptable parameters.

SLTT has more than 80% of its investments denominated in Trinidad and Tobago currency thus hedging against exchange rate fluctuations; in addition, it maintains a mix of fixed rate bonds and short-term deposits that allows it to mitigate the effects of interest rate fluctuations.

All market limits are reviewed at least annually. The key sources of SLTT's market risk are as follows:

- Currency risk
- Interest rate risk

Currency risk

SLTT has no significant foreign exchange exposure with the majority of SLTT's assets being denominated in the local currency. Foreign currency transactions have not required the use of interest rate swaps and foreign currency options and other derivative instruments, which all carry inherent risks.

Interest rate risk

SLTT is exposed to interest rate risk where, due to changes in market interest rates, fluctuations arise in the value and the future cash flows of SLTT's financial instruments.

Interest rate risk is managed through the matching of financial liabilities with investment activities, regular review of structural gaps and monitoring market conditions. The interest rates on a material amount of SLTT's liabilities can be repriced as and when required.

The principal risk to which non-trading portfolios are exposed is the risk of loss from fluctuations in the future cash flows or fair values of financial instruments because of change in market interest rates.

Liquidity Risk

Liquidity risk is the risk that SLTT is unable to meet its financial obligations in a timely manner. SLTT is exposed to daily calls on its cash resources from its policyholders. The liquidity risk management process ensures that SLTT is able to honour all of its financial commitments as they fall due. SLTT's liquidity strategy includes measuring and forecasting cash commitments and ensuring sufficient cash and marketable instruments such as treasury bills and government securities are available to meet short-term requirements.

Capital management

SLTT's capital management policy seeks to achieve several objectives:

- Compliance with capital requirements as set by the *Insurance Act 1980* and the Central Bank of Trinidad and Tobago
- Ensure SLTT's ability to continue as a going concern
- Maintenance of a strong capital base to support the development of its business

SLTT employs techniques derived from the guidelines developed by the Central Bank of Trinidad and Tobago. The required information is filed with the regulatory authority on an annual basis.

Operational Risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with SLTT's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risks arise from all of SLTT's operations.

The objective is to manage operational risk so as to balance the avoidance of financial losses and damage to SLTT's reputation with overall cost effectiveness.

The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management. This responsibility is supported by the development of overall Scotiabank Group's standards for the management of operational risk in the following areas:

- requirements for appropriate segregation of duties
- requirements for the reconciliation and monitoring of transactions
- compliance with regulatory and other legal requirements
- documentation of controls and procedures
- training and professional development
- ethical and business standards
- risk mitigation, including insurance where this is effective

Compliance is supported by a program of periodic review undertaken by the Bank's Internal Audit department. The results of such audits are discussed with the SLTT Management Team with summaries submitted to SLTT's Audit Committee and senior management of the Scotiabank Group.

Transactions with Related Parties

Note 14 in the audited financial statements of SLTT as at and for the year ended October 31, 2018 and Note 14 in the audited financial statements of SLTT as at and for the year ended October 31, 2017 provide information on related party transactions. See Appendix H to this prospectus.

Critical Accounting Estimates and Judgments

The preparation of financial statements in conformity with IFRS requirements management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and income and expenses during the reporting period. Actual results could differ from these estimates.

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Judgments made by management in the application of IFRS that have a significant effect on the audited financial statements of SLTT as at and for the years ended October 31, 2018 and 2017 and estimates with a significant risk of material adjustment in the next financial year are discussed below:

Determining Fair Values with Significant Unobservable Inputs

The determination of fair value for financial assets and liabilities for which there is no observable market price requires the use of valuation techniques as described in Note 2(h) in the audited financial statements of SLTT as at and for the year ended October 31, 2018.

A number of accounting policies and disclosures require the measurement of fair values. SLTT has an established control framework with respect to the measurement of fair values which represents the amount at which a financial instrument could be exchanged in an arm's length transaction between willing parties under no compulsion to act and is best evidenced by a quoted market price. If no quoted market prices are available, the fair values presented are estimates derived using present value or other valuation techniques and may not be indicative of net realizable value. When measuring the fair value of an asset or a liability, SLTT uses market observable data as far as possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques. If the inputs used to measure the fair value of an asset or a liability might be categorized in different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. SLTT recognizes transfers between levels of the fair value hierarchy at the end of the reporting period which the change has occurred.

Financial Asset and Liability Classification

SLTT's accounting policies provide scope for assets and liabilities to be designated on inception into different accounting categories in certain circumstances. In classifying financial assets or liabilities as "fair value through profit and loss", SLTT has determined that it meets the description of trading assets and liabilities in accordance with its accounting policy with respect to classification of financial instruments.

In designating financial assets or liabilities as available-for-sale SLTT has determined that it has met one of the criteria for this designation in accordance with its accounting policy with respect to classification of financial instruments.

In classifying financial assets as held-to-maturity, SLTT has determined that it has both the positive intention and ability to hold the assets until maturity date as required by its accounting policy with respect to classification of financial instruments.

Taxation

Estimates are required in determining the provision for income taxes. There are some transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. SLTT recognizes liabilities for possible tax issues based on the likelihood of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Estimate of Future Payments and Premiums Arising from Long-Term Insurance Contracts

The determination of liabilities under long-term insurance contracts is dependent on estimates made by the appointed actuary. Estimates are made as to the expected number of deaths for each of the years in which SLTT is exposed to risk. The appointed actuary bases these estimates on standard industry and international mortality tables that reflect recent historical mortality experience, adjusted where appropriate to reflect SLTT's own experience. For contracts that insure the risk of longevity, appropriate but not excessively prudent allowance is made for expected mortality improvements. The estimated number of deaths determines the value of the benefit payments and the value of the valuation premiums. The main source of uncertainty is that epidemics such as AIDS, and wide-ranging lifestyle choices, such as eating, smoking and exercise habits, could result in future mortality being significantly worse than in the past for the age groups in which SLTT has significant exposure to mortality risk. However, continuing improvements in medical care and social conditions could result in improvements in longevity in excess of those allowed for in estimates used to determine the liability for contracts where SLTT is exposed to longevity risk.

For contracts without fixed terms, it is assumed that SLTT will be able to increase mortality risk charges in future years in line with emerging mortality experience.

Estimates are also made as to future investment income arising from the assets backing long-term insurance contracts. These estimates are based on current market returns as well as expectations about future economic and financial developments.

For long-term contracts with fixed and guaranteed terms, estimates are made in two stages. Estimates of future deaths, voluntary terminations and partial withdrawal of policy funds, investment returns and administration expenses are made at the inception of the contract and form the assumptions used for calculating the liabilities at the inception of the contract. A margin of risk and uncertainty is added to these assumptions. New estimates are made each subsequent year based on updated company and intercompany experience studies and updated economic forecasts. The valuation assumptions are altered to reflect these revised best estimate assumptions. The margins for risk and uncertainty may also be altered if the underlying level of uncertainty in the updated assumption has changed. The financial impact of revisions to best estimate assumptions or the related margins is recognized in the accounting period in which the change is made.

Changes in Accounting Policies Including Adoption

New, Revised and Amended Standards and Interpretations that Came into Effect

Certain new, revised and amended standards and interpretations came into effect during the year ended October 31, 2018. SLTT assessed them and adopted those relevant to its financial statements.

- Amendments to IAS 7**,** *Statement of Cash Flows,* effective for accounting periods beginning on or after January 1, 2017, requires an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash flows.

- Amendments to IAS 12, *Income Taxes,* effective for accounting periods beginning on or after January 1, 2017, clarifies the following:

  - The existence of a deductible temporary difference depends solely on a comparison of the carrying amount of an asset and its tax base at the end of the reporting period, and is not affected by possible future changes in the carrying amount or expected manner of recovery of the asset.
  - A deferred tax asset can be recognized if the future bottom line of the tax return is expected to be a loss, if certain conditions are met.
  - Future taxable profits used to establish whether a deferred tax can be recognized should be the amount calculated before the effect of reversing temporary differences.
  - An entity can assume that it will recover an asset for more than its carrying amount if there is sufficient evidence that it is probable that the entity will achieve this.
  - Deductible temporary differences related to unrealized losses should be assessed on a combined basis for recognition unless a tax law restricts the use of losses to deductions against income of a specific type.

The adoption of these amendments did not result in any change to the presentation and disclosures in the SLTT's financial statement.

New, Revised and Amended Standards and Interpretations Not Yet Effective

Certain new, revised and amended standards and interpretations have been issued which are not yet effective for the current year and which SLTT has not early-adopted. SLTT has assessed the relevance of all such new standards, amendments and interpretations with respect to SLTT's operations and has determined that the following are likely to have an effect on the financial statements.

- IFRS 9, *Financial Instruments,* which is effective for annual reporting periods beginning on or after January 1, 2018, replaces the existing guidance in IAS 39 Financial Instruments: Recognition and Measurement. The standard covers three broad topics: Classification and Measurement, Impairment and Hedging.

  The standard requires SLTT to consider two criteria when determining the measurement basis for debt instruments (e.g. securities) held as financial assets; (i) its business model for managing those financial assets and (ii) the cash flow characteristics of the assets. Based on these criteria, debt instruments are measured at amortized cost, fair value through OCI, or fair value through profit or loss.

  Equity instruments are measured at fair value through profit or loss. However, SLTT may, at initial recognition of a non-trading equity instrument, irrevocably elect to designate the instrument as fair value through OCI, with no subsequent recycling to profit and loss, while recognizing dividend income in profit and loss. This designation is also available to non-trading equity instrument holdings on date of transition.

  In addition, SLTT may, at initial recognition, irrevocably elect to designate a financial asset as fair value through profit or loss, if doing so eliminates or significantly reduces an accounting mismatch which would otherwise arise.

  The standard introduces a new single model for the measurement of impairment losses on ***all*** financial assets including loans and debt securities measured at amortized cost or at fair value through OCI. The IFRS 9 expected credit loss (ECL) model replaces the current "incurred loss" model of IAS 39.

The ECL model contains a three-stage approach which is based on the change in credit quality of financial assets since initial recognition. Under Stage 1, where there has not been a significant increase in credit risk since initial recognition, an amount equal to 12 months ECL will be recorded. Under Stage 2, where there has been a significant increase in credit risk since initial recognition but the financial instruments are not considered credit impaired, an amount equal to the default probability weighted lifetime ECL will be recorded. Under the Stage 3, where there is objective evidence of impairment at the reporting date these financial instruments will be classified as credit impaired and an amount equal to the lifetime ECL will be recorded for the financial assets.

The ECL model is forward looking and requires the use of reasonable and supportable forecasts of future economic conditions in the determination of significant increases in credit risk and measurement of ECL.

IFRS 9 also incorporates new hedge accounting rules that intend to align hedge accounting with risk management practices. SLTT is not currently a party to any hedge contracts.

SLTT estimates the IFRS 9 transition amount will reduce shareholders' equity by approximately $4,210,428 after tax for the year ended October 31, 2018.

- IFRS 16, *Leases,* which is effective for annual reporting periods beginning on or after January 1, 2019, eliminates the current dual accounting model for lessees, which distinguishes between on-balance sheet finance leases and off-balance sheet operating leases. Instead, there is a single, on-balance sheet accounting model that is similar to current finance lease accounting. Companies will be required to bring all major leases on-balance sheet, recognizing new assets and liabilities. The on-balance sheet liability will attract interest; the total lease expense will be higher in the early years of a lease even if a lease has fixed regular cash rentals. Optional lessee exemption will apply to short- term leases and for low-value items with value of US$5,000 or less.

  Lessor accounting remains similar to current practice as the lessor will continue to classify leases as finance and operating leases. Finance lease accounting will be based on IAS 17 lease accounting, with recognition of net investment in lease comprising lease receivable and residual asset. Operating lease accounting will be based on IAS 17 operating lease accounting.

  Early adoption is permitted if IFRS *15, Revenue from Contracts with Customers* is also adopted.

  SLTT is assessing the impact that this amendment will have on its 2020 financial statements.

- IFRS *17, Insurance Contracts,* which is effective for annual reporting periods beginning on or after January **1,** 2022, provides a comprehensive principle-based framework for the measurement and presentation of all insurance contracts. The new standard will replace IFRS 4 *Insurance Contracts* and requires insurance contracts to be measured using current fulfillment cash flows and for revenue to be recognized as the service is provided over the coverage period.

  SLTT is assessing the impact that this new standard will have on its 2023 financial statements.

Financial Instruments

Financial instruments carried on the statement of financial position include cash resources, investment securities, loans, other assets, policyholders' funds and other liabilities.

Fair value represents the amount at which a financial instrument could be exchanged in an arm's length transaction between willing parties under no compulsion to act and is best evidenced by a quoted market price. If not quoted market prices are available, the fair values presented are estimated derived using present value or other valuation techniques and may not be indicative of net realizable value.

Due to the judgment used in applying a wide range of acceptable valuation techniques and estimations in the calculation of fair value amounts, fair values are not necessarily comparable among financial institutions. The calculation of estimated fair values is based upon market conditions at a specific point in time and may not be reflective of future fair values.

The fair values of SLTT's financial assets and liabilities have been determined on the following basis:

- Cash in hand and due to banks

  These amounts are short-term in nature and are taken to be equivalent in value.

- Net loans to customers

  Loans and advances to customers are granted at market rates and their values are not adversely affected by unusual terms. The estimated future cash flows are discounted using a discount rate based on market rates for similar type facilities.

- Government and state enterprises debt securities

  The fair value of these instruments was determined using discounted cash flow analysis. The estimated cash flows are discounted using a discount rate based on quoted market prices for securities with a similar credit, maturity and yield characteristics.

- Policyholder Benefits and Other Liabilities

  Policyholder benefits and liabilities are based on actuarial projections and assumptions based on a number of factors including but not limited to mortality and morbidity tables, lapse studies, company experience, market trends and interest rate assumptions.

  Other liabilities are short-term and are equivalent to fair value.

The following table summarizes the carrying amounts and fair values of those financial assets and liabilities that are not presented on SLTT's statement of financial position at fair value.

	Carrying Value		**Fair Value**	
	2018	**2017**	**2018**	**2017**
	TTD$ millions	TTD$ millions	TTD$ millions	TTD$ millions
Financial assets				
Cash	105	166	105	166
Loans	992	859	992	859
Securities held-to-maturity - Government securities	47	46	53	55
	1,144	1,071	1,150	1,080
Financial liabilities				
Accrued charges and other payables	20	8	20	8
Other policyholders' liabilities	16	16	16	16
	36	24	36	24

Fair Value Hierarchy

SLTT is consistent with Scotiabank Group's methodology of measuring fair values using the following fair value hierarchy, which reflects the significance of the inputs used in making the measurements:

Level 1 — Quoted market price (unadjusted) in an active market for an identical instrument.

Level 2 — Valuation techniques based on observable inputs, either directly (i.e., as prices) or indirectly (i.e., derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.

Level 3 — Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique included inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

The table below analyzes financial instruments measured at fair value at the reporting date by the level in the fair value hierarchy into which the fair value measurement is categorized:

	2018			
	Level 1 TTD$ millions	**Level 2** TTD$ millions	**Level 3** TTD$ millions	**Total** TTD$ millions
Assets				
Equities	26			26
Securities available-for-sale				
- Government and state enterprises debt securities		929		929
Mutual funds	11			11
	37	**929**		**966**
Liabilities				
Provision for future policy benefits	-	(1,396)		(1,396)
	37	**(467)**		**(430)**

	2017			
	Level 1 TTD$ millions	**Level 2** TTD$ millions	**Level 3** TTD$ millions	**Total** TTD$ millions
Assets				
Equities	21			21
Securities available-for-sale				
- Government and state enterprises debt securities		876		876
Mutual funds	11			11
	32	**876**		**908**
Liabilities				
Provision for future policy benefits	-	(1,317)		(1,317)
	32	**(441)**		**(409)**

Disclosure of Outstanding Share Data

The authorized share capital of SLTT as of filing consists of an unlimited number of ordinary shares of no par value. There are 60,000,000 ordinary shares issued and outstanding.

APPENDIX K – PROPOSED NEW SAGICOR AUDIT COMMITTEE MANDATE

CHARTER OF THE AUDIT COMMITTEE
OF SAGICOR FINANCIAL COMPANY LTD.

Section 1 PURPOSE

The audit committee (the "**Audit Committee**") is a committee of the board of directors (the **"Board"**) of Sagicor Financial Company Ltd. (the **"Corporation"**). The primary function of the Audit Committee is to assist the directors of the Corporation in fulfilling their applicable roles by:

(a) recommending to the Board the appointment and compensation of the Corporation's external auditor;

(b) overseeing the work of the external auditor, including the resolution of disagreements between the external auditor and management;

(c) pre-approving all non-audit services (or delegating such pre-approval if and to the extent permitted by law) to be provided to the Corporation by the Corporation's external auditor;

(d) satisfying themselves that adequate procedures are in place for the review of the Corporation's public disclosure of financial information, other than those described in (g) below, extracted or derived from its financial statements, including periodically assessing the adequacy of such procedures;

(e) establishing procedures for the receipt, retention and treatment of complaints received by the Corporation regarding accounting, internal controls or auditing matters, and for the confidential, anonymous submission by employees of the Corporation of concerns regarding questionable accounting or auditing matters;

(f) reviewing and approving any proposed hiring of current or former partner or employee of the current and former auditor of the Corporation; and

(g) reviewing and approving the annual and interim financial statements, related Management Discussion and Analysis ("**MD&A**") and other financial information provided by the Corporation to any governmental body or the public.

The Audit Committee should primarily fulfill these roles by carrying out the activities enumerated in this Charter. However, it is not the duty of the Audit Committee to prepare financial statements, to plan or conduct internal or external audits, to determine that the financial statements are complete and accurate and are in accordance with Canadian generally accepted accounting principles, to conduct investigations, or to assure compliance with laws and regulations or the Corporation's internal policies, procedures and controls, as these are the responsibility of management, and in certain cases, the external auditor.

Section 2 LIMITATIONS ON AUDIT COMMITTEE'S DUTIES

In contributing to the Audit Committee's discharge of its duties under this Charter, each member of the Audit Committee shall be obliged only to exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances. Nothing in this Charter is intended to be, or may be construed as, imposing on any members of the Audit Committee a standard of care or diligence that is in any way more onerous or extensive than the standard to which the directors are subject.

Members of the Audit Committee are entitled to rely, absent actual knowledge to the contrary, on (i) the integrity of the persons and organizations from whom they receive information, (ii) the accuracy and completeness of the information provided, (iii) representations made by management as to the non-audit services provided to the Corporation by the external auditor, (iv) financial statements of the Corporation represented to them by a member of management or in a written report of the external auditors to present fairly the financial position of the Corporation in accordance with generally accepted accounting principles, and (v) any report of a lawyer, accountant, engineer, appraiser or other person whose profession lends credibility to a statement made by any such person.

Section 3 COMPOSITION AND MEETINGS

The Audit Committee should be comprised of not less than three directors as determined by the Board, all of whom shall be independent within the meaning of NI 52-110 – ***Audit Committees*** ("**52-110**") of the Canadian Securities Administrators (or exempt therefrom), and free of any relationship that, in the opinion of the Board, would interfere with the exercise of his or her independent judgment as a member of the Audit Committee. All members of the Audit Committee should have (or should gain within a reasonable period of time after appointment) a working familiarity with basic finance and accounting practices. At least one member of the Audit Committee should have accounting or related financial management expertise and be considered a financial expert. Each member should be "financially literate" within the meaning of 52-110. The Audit Committee members may enhance their familiarity with finance and accounting by participating in educational programs conducted by the Corporation or an outside consultant.

The members of the Audit Committee shall be elected by the Board on an annual basis or until their successors shall be duly appointed. Unless a Chair of the Audit Committee (the "**Chair**") is elected by the full Board, the members of the Audit Committee may designate a Chair by majority vote of the full Audit Committee membership.

In addition, the Audit Committee members should meet all of the requirements for members of audit committees as defined from time to time under applicable legislation and the rules of any stock exchange on which the Corporation's securities are listed or traded.

The Audit Committee should meet at least four times annually, or more frequently as circumstances require. The Audit Committee should meet within forty-five (45) days following the end of the first three financial quarters to review and discuss the unaudited financial results for the preceding quarter and the related MD&A, and should meet within 90 days following the end of the fiscal year end to review and discuss the audited financial results for the preceding quarter and year and the related MD&A.

The Audit Committee may ask members of management or others to attend meetings and provide pertinent information as necessary. For purposes of performing their duties, members of the Audit Committee shall have full access to all corporate information and any other information deemed appropriate by them, and shall be permitted to discuss such information and any other matters relating to the financial position of the Corporation with senior employees, officers and the external auditor of the Corporation, and others as they consider appropriate.

For greater certainty, management is indirectly accountable to the Audit Committee and is responsible for the timeliness and integrity of the financial reporting and information presented to the Board.

In order to foster open communication, the Audit Committee or its Chair should meet at least annually with management and the external auditor in separate sessions to discuss any matters that the Audit Committee or each of these groups believes should be discussed privately. In addition, the Audit Committee or its Chair should meet with management quarterly in connection with the Corporation's interim financial statements.

A quorum for the transaction of business at any meeting of the Audit Committee shall be a majority of the number of members of the Audit Committee or such greater number as the Audit Committee shall by resolution determine, provided that a majority thereof are resident Canadians.

Meetings of the Audit Committee shall be held from time to time and at such place as any member of the Audit Committee shall determine upon 48 hours' notice to each of its members. The notice period may be waived by all members of the Audit Committee. Each of the Chair of the Board, the external auditor, the Chief Executive Officer, the Chief Financial Officer or the Secretary shall be entitled to request that any member of the Audit Committee call a meeting.

This Charter is subject in all respects to the Corporation's articles of incorporation and by-laws from time to time.

Section 4 ROLE

As part of its function in assisting the Board in fulfilling its oversight role (and without limiting the generality of the Audit Committee's role), the Audit Committee should:

(1) Determine any desired agenda items;

(2) Review and recommend to the Board changes to this Charter, as considered appropriate from time to time;

(3) Review the public disclosure regarding the Audit Committee required by 52-110;

(4) Review and seek to ensure that disclosure controls and procedures and internal control over financial reporting frameworks are operational and functional;

(5) Summarize in the Corporation's annual information form the Audit Committee's composition and activities, as required; and

(6) Submit the minutes of all meetings of the Audit Committee to the Board upon request.

Documents / Reports Review

(7) Review and recommend to the Board for approval the Corporation's annual and interim financial statements, including any certification, report, opinion, undertaking or review rendered by the external auditor and the related MD&A, as well as such other financial information of the Corporation provided to the public or any governmental body as the Audit Committee or the Board require.

(8) Review other financial information provided to any governmental body or the public as they see fit.

(9) Review, recommend and approve any of the Corporation's press releases that contain financial information.

(10) Seek to satisfy itself and ensure that adequate procedures are in place for the review of the Corporation's public disclosure of financial information extracted or derived from the Corporation's financial statements and related MD&A and periodically assess the adequacy of those procedures.

External Auditor

(11) Recommend to the Board the selection of the external auditor, considering independence and effectiveness, and review the fees and other compensation to be paid to the external auditor.

(12) Review and seek to ensure that all financial information provided to the public or any governmental body, as required, provides for the fair presentation of the Corporation's financial condition, financial performance and cash flow.

(13) Instruct the external auditor that its ultimate client is not management and that it is required to report directly to the Audit Committee, and not management.

(14) Monitor the relationship between management and the external auditor including reviewing any management letters or other reports of the external auditor and discussing any material differences of opinion between management and the external auditor.

(15) Review and discuss, on an annual basis, with the external auditor all significant relationships it has with the Corporation to determine the external auditor's independence.

(16) Pre-approve all non-audit services (or delegate such pre-approval, as the Audit Committee may determine and as permitted by applicable Canadian securities laws) to be provided by the external auditor.

(17) Review the performance of the external auditor and any proposed discharge of the external auditor when circumstances warrant.

(18) Periodically consult with the external auditor out of the presence of management about significant risks or exposures, internal controls and other steps that management has taken to control such risks, and the fullness and accuracy of the financial statements, including the adequacy of internal controls to expose any payments, transactions or procedures that might be deemed illegal or otherwise improper.

(19) Communicate directly with the external auditor and arrange for the external auditor to be available to the Audit Committee and the full Board as needed.

(20) Review and approve any proposed hiring by the Corporation of current or former partners or employees of the current (and any former) external auditor of the Corporation.

Audit Process

(21) Review the scope, plan and results of the external auditor's audit and reviews, including the auditor's engagement letter, the post-audit management letter, if any, and the form of the audit report. The Audit Committee may authorize the external auditor to perform supplemental reviews, audits or other work as deemed desirable.

(22) Following completion of the annual audit and quarterly reviews, review separately with each of management and the external auditor any significant changes to planned procedures, any difficulties encountered during the course of the audit and, if applicable, reviews, including any restrictions on the scope of work or access to required information and the cooperation that the external auditor received during the course of the audit and, if applicable, reviews.

(23) Review any significant disagreements among management and the external auditor in connection with the preparation of the financial statements.

(24) Where there are significant unsettled issues between management and the external auditor that do not affect the audited financial statements, the Audit Committee shall seek to ensure that there is an agreed course of action leading to the resolution of such matters.

Financial Reporting Processes

(25) Review the integrity of the financial reporting processes, both internal and external, in consultation with the external auditor as they see fit.

(26) Consider the external auditor's judgments about the quality, transparency and appropriateness, not just the acceptability, of the Corporation's accounting principles and financial disclosure practices, as applied in its financial reporting, including the degree of aggressiveness or conservatism of its accounting principles and underlying estimates, and whether those principles are common practices or are minority practices.

(27) Review all material balance sheet issues, material contingent obligations (including those associated with material acquisitions or dispositions) and material related party transactions.

(28) Review with management and the external auditor the Corporation's accounting policies and any changes that are proposed to be made thereto, including all critical accounting policies and practices used, any alternative treatments of financial information that have been discussed with management, the ramification of their use and the external auditor's preferred treatment and any other material communications with management with respect thereto.

(29) Review the disclosure and impact of contingencies and the reasonableness of the provisions, reserves and estimates that may have a material impact on financial reporting.

(30) If considered appropriate, establish separate systems of reporting to the Audit Committee by each of management and the external auditor.

(31) Periodically consider the need for an internal audit function, if not present.

Risk Management

(32) Review program of risk assessment and steps taken to address significant risks or exposures of all types, including insurance coverage and tax compliance.

General

(33) With prior Board approval, the Audit Committee may at its discretion retain independent counsel, accountants and other professionals to assist it in the conduct of its activities and to set and pay (as an expense of the Corporation) the compensation for any such advisors.

(34) Respond to requests by the Board with respect to the functions and activities that the Board requests the Audit Committee to perform.

(35) Periodically review this Charter and, if the Audit Committee deems appropriate, recommend to the Board changes to this Charter.

(36) Review the public disclosure regarding the Audit Committee required from time to time by applicable Canadian securities laws, including:

(i) the Charter of the Audit Committee;

(ii) the composition of the Audit Committee;

(iii) the relevant education and experience of each member of the Audit Committee;

(iv) the external auditor services and fees; and

(v) such other matters as the Corporation is required to disclose concerning the Audit Committee.

(37) Review in advance, and approve, the hiring and appointment of the Corporation's senior financial executives by the Corporation, if any.

(38) Perform any other activities as the Audit Committee deems necessary or appropriate including ensuring all regulatory documents are compiled to meet Committee reporting obligations under 52-110.

Section 5 AUDIT COMMITTEE COMPLAINT PROCEDURES

Submitting a Complaint

(39) Anyone may submit a complaint regarding conduct by the Corporation or its employees or agents (including its independent auditors) reasonably believed to involve questionable accounting, internal accounting controls or auditing matters. The Chair should oversee treatment of such complaints.

Procedures

(40) The Chair will be responsible for the receipt and administration of employee complaints.

(41) In order to preserve anonymity when submitting a complaint regarding questionable accounting or auditing matters, the employee may submit a complaint confidentially.

Investigation

(42) The Chair should review and investigate the complaint. Corrective action will be taken when and as warranted in the Chair's discretion.

Confidentiality

(43) The identity of the complainant and the details of the investigation should be kept confidential throughout the investigatory process.

Records and Report

(44) The Chair should maintain a log of complaints, tracking their receipt, investigation, findings and resolution, and should prepare a summary report for the Audit Committee.

The Audit Committee is a committee of the Board and is not and shall not be deemed to be an agent of the Corporation's securityholders for any purpose whatsoever. The Board may, from time to time, permit departures from the terms hereof, either prospectively or retrospectively, and no provision contained herein is intended to give rise to civil liability to securityholders of the Corporation or other liability whatsoever.

APPENDIX L – PROPOSED NEW SAGICOR BOARD MANDATE

SAGICOR FINANCIAL COMPANY LTD.

BOARD MANDATE

1. Purpose

The Board of Directors (the "**Board**") has the duty to supervise the management of the business and affairs of Sagicor Financial Company Ltd. (the "**Company**"). The Board, directly and through its committees and the chair of the Board (the "**Chair**"), shall provide direction to senior management, generally through the President and Chief Executive Officer, to pursue the best interests of the Company.

2. Composition

General

The composition and organization of the Board, including the number, qualifications and remuneration of directors, the number of Board meetings, quorum requirements, meeting procedures and notices of meetings are governed by the *Companies Act 1981 of Bermuda*, applicable Canadian securities laws, applicable stock exchange rules (including the rules of the Toronto Stock Exchange) and the articles of the Company, in each case as they may be amended and/or replaced from time to time, subject to any exemptions or relief that may be granted from such requirements.

Each director must have an understanding of the Company's principal operational and financial objectives, plans and strategies, and financial position and performance. Directors must have sufficient time to carry out their duties and not assume responsibilities that would materially interfere with, or be incompatible with, Board membership. Directors who experience a significant change in their personal circumstances, including a change in their principal occupation, are expected to advise the chair of the Corporate Governance and Ethics Committee.

Chair of the Board

If the Chair of the Board is not independent, then the independent directors shall select from among their number a director who will act as "Lead Director" and who will assume responsibility for enhancing the effectiveness and independence of the Board.

3. Duties and Roles

The Board shall have the specific duties and roles outlined below.

Strategic Planning

(a) **Strategic Plans**

The Board shall adopt a strategic plan for the Company. At least annually, the Board shall review and, if advisable, approve the Company's strategic planning process and the Company's annual strategic plan. In discharging this role, the Board shall review the plan in light of management's assessment of emerging trends, the competitive environment, the opportunities for the business of the Company, risk issues, and significant business practices and products.

(b) **Business and Capital Plans**

At least annually, the Board shall review and, if advisable, approve the Company's annual business and capital plans as well as policies and processes generated by management relating to the authorization of major investments and significant allocation of capital.

(c) **Monitoring**

At least annually, the Board shall review management's implementation of the Company's strategic, business and capital plans. The Board shall review and, if advisable, approve any material amendments to, or variances from, these plans.

Risk Management

(a) **General**

At least annually, the Board shall review reports provided by management of principal risks associated with the Company's business and operations, review the implementation by management of appropriate systems to seek to manage these risks, and review reports by management relating to the operation of, and any material deficiencies in, these systems.

(b) **Verification of Controls**

The Board shall seek to verify that internal, financial, non-financial and business control and management information systems have been established by management.

Human Resource Management

(a) **General**

At least annually, the Board shall review a report of the Corporate Governance and Ethics Committee (with respect to the Company's President and Chief Executive Officer) and a report of the Compensation and Human Resources Committee (with respect to the Company's other executive management) concerning the Company's approach to human resource management and executive compensation.

(b) **Succession Review**

At least annually, the Board shall review the succession plans of the Company for the Chair, the Lead Director, the President and Chief Executive Officer and other executive officers, including the appointment, training and monitoring of such persons.

(c) **Integrity of Senior Management**

The Board shall, to the extent feasible, seek to satisfy itself as to the integrity of the President and Chief Executive Officer and other executive officers of the Company and that the President and Chief Executive Officer and other senior officers strive to create a culture of integrity throughout the Company.

Corporate Governance

(a) **General**

At least annually, the Board shall review a report of the Corporate Governance and Ethics Committee concerning the Company's approach to corporate governance.

(b) **Director Independence**

At least annually, the Board shall review a report of the Corporate Governance and Ethics Committee that evaluates the director independence standards established by the Board and the Board's ability to act independently from management in fulfilling its duties.

(c) **Ethics Reporting**

The Board has adopted a written Code of Business Conduct and Ethics (the "**Code**") applicable to directors, officers and employees of the Company. At least annually, the Board shall review the report of the Corporate Governance and Ethics Committee relating to compliance with, or material deficiencies from, the Code and approve changes it considers appropriate. The Board shall review reports from the Corporate Governance and Ethics Committee concerning investigations and any resolutions of complaints received under the Code.

(d) **Board of Directors Mandate Review**

At least annually, the Board shall review and assess the adequacy of this Mandate to seek to ensure compliance with any rules of regulations promulgated by any regulatory body and approve any modifications to this Mandate as considered advisable.

Communications

(a) **General**

The Board has adopted a Disclosure Policy for the Company. At least annually, the Board, in conjunction with the President and Chief Executive Officer, shall review the Company's overall Disclosure Policy, including measures for receiving feedback from the Company's stakeholders, and management's compliance with such policy. The Board shall, if advisable, approve material changes to the Company's Disclosure Policy.

(b) **Shareholders**

The Company endeavors to keep its shareholders informed of its progress through an annual report, annual information form, quarterly interim reports, periodic press releases and other continuous disclosure documentation, as applicable. Directors and management meet with the Company's shareholders at the annual meeting and are available to respond to questions at that time. In addition, the Company shall maintain a website that is regularly updated and provides investors with relevant information on the Company and an opportunity to communicate with the Company.

4. Committees of the Board

The Board has established the following committees: the Corporate Governance and Ethics Committee, the Audit Committee the Compensation and Human Resources Committee and the Investment and Risk Management Committee. Subject to applicable law and regulations, the Board may establish other Board committees or merge or dispose of any such Board committee.

Committee Mandates

The Board has approved mandates for each Board committee and shall approve mandates for each new Board committee. At least annually, each committee mandate shall be reviewed by the Corporate Governance and Ethics Committee and any suggested amendments brought to the Board for consideration and approval.

Delegation to Committees

The Board has delegated to the applicable committee those duties and responsibilities set out in each Board committee's mandate.

Consideration of Committee Recommendations

As required by applicable law, by applicable committee Mandate or as the Board may consider advisable, the Board shall consider for approval the specific matters delegated for review to Board committees.

Board/Committee Communication

To facilitate communication between the Board and each Board committee, each committee chair shall provide a report to the Board on material matters considered by the committee at the first Board meeting after the committee's meeting.

5. Meetings

The Board will meet at least once in each quarter, with additional meetings held as deemed advisable. The Chair is primarily responsible for the agenda and for supervising the conduct of the meeting. Any director may propose the inclusion of items on the agenda, request the presence of, or a report by any member of senior management, or at any Board meeting raise subjects that are not on the agenda for that meeting.

Meetings of the Board shall be conducted in accordance with the Company's constating documents.

Secretary and Minutes

The Company's Secretary, his or her designate or any other person the Board requests shall act as secretary of Board meetings. Minutes of Board meetings shall be recorded and maintained by the Secretary and subsequently presented to the Board for approval.

Meetings Without Management

The independent members of the Board shall hold regularly scheduled meetings, or portions of regularly scheduled meetings, at which non-independent directors and members of management are not present. The Lead Director, if applicable, is primarily responsible for the agenda and for supervising the conduct of the meeting.

Directors' Responsibilities

Each director is expected to attend all meetings of the Board and any committee of which he or she is a member. Directors will be expected to have read and considered the materials sent to them in advance of each meeting and to actively participate in the meetings.

Access to Management and Outside Advisors

In discharging the forgoing duties and responsibilities, the Board shall have unrestricted access to management and employees of the Company and to the relevant books, records and systems of the Company as considered appropriate. The Board shall have the authority to retain legal counsel, consultants or other advisors to assist it in fulfilling its responsibilities. The Company shall provide appropriate funding, as determined by the Board, for the services of these advisors.

Service on Other Boards and Audit Committees

Directors may serve on the boards of other public companies so long as these commitments do not materially interfere and are compatible with their ability to fulfill their duties as a member of the Board. Directors must advise the Chair in advance of accepting an invitation to serve on the board of another public corporation.

6. Director development and evaluation

Each new director shall participate in the Company's initial orientation program and each director shall participate in the Company's continuing director development programs. The Corporate Governance and Ethics Committee shall review with each new member: (i) certain information and materials regarding the Company, including the role of the Board and its committees; and (ii) the legal obligations of a director of the Company. At least annually, the Board with the assistance of the Corporate Governance and Ethics Committee, shall review the Company's initial orientation program and continuing director development programs.

7. No Rights Created

This Mandate is a statement of broad policies and is intended as a component of the flexible governance framework within which the Board, assisted by its committees, directs the affairs of the Company. While it should be interpreted in the context of all applicable laws, regulations and listing requirements, as well as in the context of the Company's constating documents (including its bye-laws), it is not intended to establish any legally binding obligations. The Board may, from time to time, permit departures from the terms hereof, either prospectively or retrospectively, and no provision contained herein is intended to give rise to civil liability to securityholders of the Company or its subsidiaries or other liability whatsoever.

APPENDIX M – DIFFERENCES BETWEEN THE OBCA AND THE BCA

DIFFERENCES BETWEEN THE OBCA AND THE BCA

There are a number of differences between the Business Corporations Act (Ontario) ("**OBCA**") and the Bermuda Companies Act 1981, as amended ("**Bermuda Act**") that may affect the rights of shareholders. The following is a summary of (i) some of the major differences between the two legislative regimes and (ii) certain amendments made to align the Bermuda Bye-laws (as defined below) with Alignvest's current by-laws and/or customary provisions for a TSX-listed Canadian public company.

This summary is not intended to be exhaustive and shareholders should consult with their legal advisors regarding all of the implications of the Scheme of Arrangement and the continuance to Bermuda, including under Canadian securities laws.

General

Under the OBCA, the principal documents of a corporation consist of its articles of incorporation ("**articles**") or, as applicable, amalgamation, arrangement or continuance, and its by-laws ("**by-laws**").

Under the Bermuda Act, the constitutional documents of a company which has been continued into Bermuda are its memorandum of association ("**memorandum**") and its bye-laws ("**bye-laws**").

Shareholder Voting Rights

Under the OBCA, unless the by-laws otherwise provide, the holders of a majority of the shares entitled to vote at a meeting of shareholders, present in person or by proxy, constitute a quorum. Alignvest's current by-laws provide for a quorum of 25%. Under the OBCA, cumulative voting is only permitted in the election of directors if the articles provide for it.

Under the Bermuda Act, the number of shareholders required to constitute a quorum at any general meeting of the shareholders is set out in the bye-laws of the company. Bermuda law does not expressly provide for cumulative voting on any matter. The proposed New Sagicor bye-laws ("**Bermuda Bye-laws**") have been updated to provide that at least ten (10) shareholders present (unless there is only one shareholder) in person or by proxy and entitled to vote representing the holders of at least 25% of the issued shares entitled to vote at such meeting shall be a quorum for all purposes.

Special Meeting of Shareholders

Under the OBCA, a special meeting of shareholders may be called by the directors, and the registered holders or beneficial owners of not less than 5% of the issued shares of a corporation that carry the right to vote at a meeting sought to be held may requisition the directors to call a meeting of shareholders, but the beneficial owners of shares do not thereby acquire the direct right to vote at the meeting that is the subject of the requisition. Under the OBCA, notice of all meetings of shareholders of a corporation must be sent not less than 21 days and not more than 50 days before the meeting to each shareholder entitled to vote at the meeting, to each director and to the auditor. Under the OBCA, the directors may specify in a notice calling a meeting of shareholders a time not exceeding 48 hours (excluding Saturdays and holidays) preceding any meeting or adjourned meeting of shareholders before which time proxies to be used at such meeting must be deposited.

Under the Bermuda Act, the directors of a company may, whenever they think fit, convene a general meeting; all meetings other than annual general meetings are referred to as special general meetings. Generally, at least five days' notice is required for the convening of either the annual general meeting or special general meetings. However, the Bermuda Bye-laws provide that an annual general meeting or special general meeting shall be called by not less than 10 clear days' notice and not more than 50 clear days' notice in writing. The locations of such meetings under the Bermuda Bye-laws will be at a place that the directors may determine by resolution. In addition, the directors of a company, notwithstanding anything in its bye-laws shall, on the requisition of shareholders of the company holding at the date of the deposit of the requisition not less than one-tenth of the paid up capital of the company as at the date of the deposit carries the right of voting at general meetings of the company, proceed duly to convene a special general meeting of the company. The requisition must state the purposes of the meeting and must be signed by the requisitionists and deposited at the registered office of the company. If the directors do not within 21 days of the date of deposit of the requisition proceed duly to convene a meeting, the requisitionists, or any of them representing more than one half of the total voting rights of all of them, may themselves convene the meeting, but any meeting so convened shall not be held after the expiration of three months.

Under the OBCA, the vote of shareholders required to pass a resolution is typically a majority or two-thirds of the votes cast on the resolution, depending upon the action being voted upon. A “special resolution” is a resolution passed by a majority of not less than two-thirds of the votes cast by the shareholders who voted in respect of that resolution, or signed by all the shareholders entitled to vote on that resolution. Matters requiring approval by special resolution include most amendments to the articles, approval of an amalgamation agreement, authorizing continuance in another jurisdiction, authorizing the sale, lease or exchange of all or substantially all of the corporation’s assets except in the ordinary course of business, authorizing the voluntary liquidation and dissolution of the corporation, authorizing a reduction of stated capital in certain cases and authorizing approval of additions to the stated capital. Matters requiring approval by a majority of the votes cast include confirmation, rejection or amendment of by-laws, and removal of directors. Only a single vote in favour is required to vote for the election of directors or auditors in an uncontested situation (but subject to the terms of any majority voting policy in respect of director elections).

Under the Bermuda Act, in addition to the election of directors, the approval of the shareholders of a company is required for, among other things, the following matters: (i) discontinuance of a company out of Bermuda to another jurisdiction; (ii) appointment of the auditor; (iii) alteration of the memorandum and bye-laws; (iv) an increase or reduction of capital; (v) removal of directors; and (vi) voluntary winding up or dissolution. Generally, the vote of shareholders required to pass resolutions approving matters is a simple majority of votes cast at a meeting (or such other percentage vote as is specified in the bye-laws). However, certain other matters require higher majorities under the Bermuda Act including variation of class rights and loans to directors. Further, there are circumstances under the Bermuda Act where shareholders are permitted to vote, whether or not their shares carry the right to vote, such as the alteration of the rights attached to their class of shares, amalgamations or mergers. The concept of a “special resolution” as understood under the OBCA has been incorporated in the Bermuda Bye-laws for, among other things, certain alterations of share capital and a winding-up or liquidation or discontinuance from Bermuda. Under the Bermuda Bye-laws, in addition to approval by the board of directors, an amalgamation or merger (other than with a wholly-owned subsidiary) would require the approval of three-fourths of the votes cast.

Further, New Sagicor is proposing to adopt a majority voting policy consistent with TSX requirements with respect to the election of directors.

Proposals of Shareholders

Under the OBCA, a registered holder of shares entitled to vote at a meeting of shareholders, or a beneficial owner of shares entitled to be voted at a meeting of shareholders, may submit to a company notice of any proposal to be raised at the meeting. If the company solicits proxies in connection with the meeting, the company shall set out the proposal in the management information circular for the meeting provided that, among other things: (i) it is submitted at least 60 days before the anniversary of the date of the previous annual meeting, or, if the matter is proposed to be raised at a meeting other than the annual meeting, the date of a meeting other than the annual meeting; (ii) it has not been submitted in the last five years and did not obtain the required level of support; (iii) the person submitting the proposal is the registered or beneficial owner of shares that are entitled to be voted at a meeting of shareholders; and (iv) the right to submit a proposal is not being abused to enforce a personal claim or redress a personal grievance against the corporation or its directors, officers or securityholders. A proposal may include nominations for the election of directors if it is signed by holders of not less than 5% of the shares or 5% of the shares of a class or series of shares of the corporation entitled to vote at the meeting.

As stated above, under the Bermuda Act, registered shareholders holding not less than one-tenth of the paid up capital may requisition a special meeting of shareholders. In addition, a company must give to its shareholders entitled to receive notice of the next annual general meeting notice of any resolutions which may be moved at that meeting and to circulate to shareholders entitled to have notice of any general meeting sent to them any statement of not more than one thousand words with respect to the matter referred to in any proposed resolution or the business to be dealt with at that meeting. The number of shareholders necessary for this latter requisition is either any number of shareholders representing not less than one-twentieth of the total voting rights of all the shareholders having at the date of the requisition a right to vote at the meeting to which the requisition relates or not less than one hundred shareholders.

Consent of Shareholders in Lieu of Meeting

Under the OBCA, a resolution in writing signed by all the shareholders entitled to vote on that resolution at a meeting of shareholders is as valid as if it had been passed at a meeting of the shareholders.

Under the Bermuda Act, subject to any limitations in the bye-laws of a company, any action that may be taken by the shareholders at a meeting may also be taken by a resolution of shareholders consented to in writing. Subject to a company's bye-laws, such a written resolution may be validly passed, if consented to in writing by shareholders holding shares to which are attached such majority of the votes as would be required if the resolution had been voted on at a meeting of the shareholders. The Bermuda Bye-laws provide that a written resolution is validly passed if consented to in writing by all the shareholders (or all the holders of such class of shares), and provide that, except in the case of the removal of auditors or directors, anything which may be done by resolution of the shareholders in general meeting may be done by resolution in writing signed by all applicable shareholders.

Inspection Rights

Under the OBCA, a shareholder of a corporation and the shareholder's agents and legal representatives have the right to inspect copies of the following during the usual business hours of the corporation, free of charge: (i) the articles and the by-laws and all amendments thereto, and a copy of any unanimous shareholder agreement known to the directors; (ii) minutes of meetings and resolutions of shareholders; (iii) a register of directors in which are set out the names and residence addresses, while directors, including the street and number, if any, of all persons who are or have been directors of the corporation with the several dates on which each became or ceased to be a director; (iv) a securities register; and (v) a register of ownership interests in land in Ontario. A shareholder has the right to obtain, free of charge, one copy of the articles, by-laws and unanimous shareholders' agreement of a corporation, including amendments. Applicants who are shareholders of an OBCA corporation, their agents and legal representatives and, where the corporation is an offering corporation, any other person, may require the corporation to furnish a registered shareholder list to the applicant upon payment of a reasonable fee and delivery of a statutory declaration as to the name and address of the applicant and to the effect that such list will not be used except in connection with an effort to influence voting by shareholders of the corporation, an offer to acquire shares of the corporation or any other matter relating to the affairs of the corporation.

In addition, under the OBCA, a securityholder of a corporation may apply to the Superior Court of Justice of Ontario (the "**Court**") for an order directing that an investigation be made of a corporation or of any affiliated corporation.

Under the Bermuda Act, a shareholder of a company may request in writing to inspect during normal business hours the share register and the register of directors and officers of the company, minutes of general meetings of the company and to receive copies of the same. Upon refusal of the request, the shareholder may apply to the Supreme Court of Bermuda for an order allowing inspection. The share register and register of directors and officers are open for inspection by members of the public. As provided under the Bermuda Act, a company may keep one or more overseas or branch registers in any place which may also be open for inspection by members of the public. The Bermuda Bye-laws provide that such a branch register may be kept in Ontario. The Bermuda Act provides that any member of the public may require a copy of the company's shareholder register, or of any part thereof, on payment of a prescribed nominal fee.

Dividends and Repurchases of Shares

Under the OBCA, the directors may declare and the corporation may pay a dividend by issuing fully paid shares of the corporation and, subject to the solvency test described in the following sentence, a corporation may pay a dividend in money or property. The directors are prohibited from declaring and the corporation is prohibited from paying a dividend if there are reasonable grounds for believing that the corporation is or, after the payment would be, unable to pay its liabilities as they become due, or if the realizable value of the corporation's assets would thereby be less than the aggregate of its liabilities and its stated capital of all classes. The OBCA also permits a corporation, subject to its articles, to purchase or otherwise acquire any of its issued shares, provided that no payment to purchase or otherwise acquire shares issued by it may be made unless the solvency test described above is satisfied at the time of, and after, such payment. Shares repurchased by an OBCA corporation are generally cancelled.

Under the Bermuda Act, subject to any limitations or provisions to the contrary in the memorandum and bye-laws of a company, a company may, by resolution of directors, declare and pay dividends in money, shares or other property. A company must not declare or pay a dividend, or make a distribution out of contributed surplus, if there are reasonable grounds for believing that the company is, or would after the payment be, unable to pay its liabilities as they become due or the realizable value of the company's assets would thereby be less than its liabilities.

Under the OBCA, a corporation may, subject to its articles and to the solvency test mentioned below, purchase or redeem any redeemable shares issued by it at prices not exceeding the redemption price thereof stated in the articles or calculated according to a formula stated in the articles. However, a corporation may not make any payment to purchase or redeem any redeemable shares issued by it if there are reasonable grounds for believing that the corporation is or, after the payment, would be unable to pay its liabilities as they become due, or after the payment, the realizable value of the corporation's assets would be less than the aggregate of its liabilities and the amount that would be required to pay the holders of shares who have a right to be paid, on a redemption or in a liquidation, rateably with or before the holders of the shares to be purchased or redeemed, to the extent that the amount has not been included in its liabilities.

Under the Bermuda Act, a company may only redeem its shares if permitted to do so by its memorandum and bye-laws, and if a solvency test similar to the test applicable under the OBCA is satisfied.

Under the Bermuda Bye-laws, the board of directors may deduct from the dividends or distributions payable to any shareholder all moneys due from such shareholders to New Sagicor.

Authority to Issue Shares

The OBCA requires that any maximum number of shares which a corporation has the authority to issue be specified in its articles. Alignvest is currently authorized to issue an unlimited number of common shares.

The Bermuda Act requires that the amount of shares that a company has authority to issue must be stated and specified in its memorandum. In order to accommodate the authority to issue additional shares, the authorized share capital has been set in the memorandum and Bermuda Bye-laws at US$100,000,000 divided into 10,000,000,000 shares of par value US$0.01 each.

The Bermuda Bye-laws provide that, for as long as New Sagicor's common shares are listed on the Toronto Stock Exchange, shares issued shall be non-assessable and shall not be issued until the consideration for the share is fully paid in money or in property (the issuance of promissory notes is not sufficient) or past services that are not less in value than the fair equivalent of the money that would have been received if the share had been issued for money. All shares shall be issued in registered form.

As well, consistent with common Canadian practice, New Sagicor will have as part of its authorized capital a class of preference shares issuable in series with such terms as are determined by the board of directors from time to time. US$100,000,000 divided into 10,000,000,000 preference shares of par value US$0.01 each will be authorized. New Sagicor does not intend to use the preference shares for anti-take-over bid purposes.

Amendments to Governing Instruments

Under the OBCA, most changes to the articles must be approved by special resolution. If a proposed amendment requires approval by special resolution, the holders of shares of a class (or of a series of a class, if the proposed amendment would affect such series differently from the other series of shares of such class) are entitled to vote separately as a class or series if the proposed amendment affects the class or series as specified in the OBCA, whether or not the class or series otherwise carries the right to vote.

Under the OBCA, unless the articles, by-laws or a unanimous shareholder agreement otherwise provide, the board of directors of a corporation may make, amend or repeal by-laws provided that any such by-law, amendment or repeal of a by-law must be confirmed at the next meeting of shareholders by the affirmative vote of a majority of the shareholders entitled to vote thereat. Any by-law or amendment is effective when made by the board of directors but ceases to be effective if not confirmed by the shareholders.

Under the Bermuda Act, a Bermuda company may amend its memorandum or bye-laws by a resolution of shareholders which is passed by a simple majority (unless a greater majority is required pursuant to the bye-laws) of the total number of votes attaching to all shares held by shareholders voting in person or by proxy at the meeting, or by a resolution in writing signed by a simple majority of the shareholders entitled to vote on such resolution. The Bermuda Bye-laws can only be amended by, in addition to the approval of the board of directors, a resolution of the shareholders passed by a simple majority and with the receipt of written approval by the Toronto Stock Exchange for as long as the common shares are listed on the Toronto Stock Exchange.

Director Qualifications

The board of directors of an OBCA corporation that is an offering corporation whose shares are held by more than one person must consist of at least three individuals, at least one-third of whom are not officers or employees of the corporation or its affiliates. At least 25% of the directors of an OBCA corporation must be resident Canadians, however, if a corporation has less than four directors, at least one director must be a resident Canadian. Under Bermuda law, the affairs of a company must be managed by at least one director (or at least two directors in the case of a regulated entity). Subject to any provision in the bye-laws, there is no requirement for a company to have executive directors and a director can be of any nationality and be resident in any jurisdiction; however, the Bermuda Bye-laws provide that at no time may a majority of directors be resident of Canada for tax purposes and no person may be appointed a director where that appointment would cause a majority of directors to be resident of Canada for tax purposes

A maximum number of directors may be determined by the shareholders at a general meeting of the company or in such other manner as may be provided by the bye-laws. The bye-laws may be amended to change a fixed number of directors, and any amendment may only be effected by the company's shareholders. A Bermuda company must have at least one Bermuda resident statutory officer which may be a director or other officer. The Bermuda Bye-laws provide that the number of directors must be at least 3 and not more than 15 or such numbers in excess thereof as the shareholders may determine provided that at no time may a majority of directors be resident in Canada for tax purposes and provided that no person may be appointed a director where that appointment would cause a majority of directors to be residents of Canada for tax purposes.

Under the Bermuda Bye-laws, not more than two directors may be officers (including the president and any managing directors, but excluding the chairman and vice-chairman) or employees of the Company or its affiliates. In addition, a person shall not be qualified to hold the office of director and shall not be elected or appointed to hold the office of director, if:

(a) he is less than twenty-five (25) or more than seventy (70) years of age;
(b) he is found to be of unsound mind; or
(c) he is bankrupt, or makes any arrangement or composition with his creditors generally.

In addition, minimum shareholding guidelines are expected to be adopted for directors of New Sagicor.

Term of the Board of Directors

Where the articles or a unanimous shareholder agreement of a corporation so provide, the OBCA permits, but does not require, that directors may be elected at a meeting of shareholders for different terms of up to three years. The Bermuda Act does not require that the directors elected at a meeting of shareholders be elected for different terms however, in the absence of such determination by the shareholders, directors shall serve until the termination of the next annual general meeting following their appointment. In addition the bye-laws of the company can provide for different terms. Under the Bermuda Bye-laws, the persons receiving the most votes (up to the number of directors to be elected) shall be elected as directors, and an absolute majority of the votes cast shall not be a prerequisite to the election of such directors. In addition, a majority voting policy consistent with TSX requirements is to be adopted.

New Sagicor is proposing to adopt advance notice provisions in respect of director nominees, as follows. Only persons who are proposed or nominated in accordance with the Bermuda Bye-laws shall be eligible for election as directors. One or more shareholders holding in aggregate not less than 5% of the issued and outstanding share capital of New Sagicor, or the board may propose any person for election as a director. Where any person, other than a director retiring at the meeting or a person proposed for re-election or election as a director by the board, is to be proposed for election as a director, notice must be given to New Sagicor of the intention to propose him and of his willingness to serve as a director (together with the information in respect of the person that would be required under applicable Canadian securities laws in respect of a dissident proxy circular and confirmation of the proposed nominee's qualifications to serve as a director under the Bermuda Bye-laws, status as a resident or non-resident of Canada, and status as independent or non-independent for audit committee purposes under applicable Canadian securities laws).

Where a director is to be elected:

(a) at a general meeting, where notice of such general meeting is given 50 days prior to the date of the general meeting, such notice must be given not later than 30 days prior to the date of the general meeting;
(b) at an annual general meeting, where notice is given less than 50 days prior to the date of the annual general meeting, such notice must be given not later than the close of business on the 10th day following the date on which public disclosure of the date of the annual general meeting was first made; and
(c) at a special general meeting, where notice if given less than 50 days prior to the date of the special general meeting, such notice must be given not later than the close of business on the 15th day following the date on which public disclosure of the date of the special general meeting was first made.

The chairman of the general meeting shall have the power to determine whether any proposed nomination was made in accordance with the notice provisions of the Bermuda Bye-laws and, if any proposed nomination is not in compliance with such provisions, must declare that such defective nomination shall not be considered at any meeting of the shareholders. Notwithstanding the foregoing, the board may, in its sole discretion, waive any requirement of such notice provisions.

Removal of Directors

Under the OBCA, other than where cumulative voting applies for the election of directors and subject to a unanimous shareholder agreement, the shareholders of a corporation may by ordinary resolution at an annual meeting remove any director or directors from office. Where the holders of any class or series of shares of a corporation have an exclusive right to elect one or more directors, a director so elected may only be removed by an ordinary resolution at a meeting of the shareholders of that class or series.

Under the Bermuda Act, subject to any limitation in the bye-laws of a company, a director may be removed from office by a resolution of shareholders passed at a special general meeting provided that the director receives at least fourteen days' notice of such meeting and is entitled to be heard at that meeting.

Vacancies on the Board of Directors

Under the OBCA, a quorum of directors may fill a vacancy among the directors, except for the following vacancies, which must be filled by the shareholders: (i) a vacancy resulting from an increase in the number or minimum number of directors; and (ii) a vacancy resulting from a failure to elect the number or minimum number of directors required by the articles of a corporation.

Under the Bermuda Act, subject to any limitations in a company's bye-laws, a vacancy among the directors may be filled by a resolution of shareholders or, if authorized by the shareholders, by the board of directors. If no quorum of directors remains, the vacancy must be filled by a general meeting of the shareholders.

The Bermuda Bye-laws provide that if a director is removed from the board, the shareholders may fill the vacancy at the meeting at which such director is removed. In the absence of such election or appointment, the board may fill the vacancy.

The Bermuda Bye-laws also provide that the office of director shall be vacated if the director:

(a) is removed from office pursuant to the Bermuda Bye-laws or is prohibited from being a director by law;
(b) is or becomes bankrupt, or makes any arrangement or composition with his creditors generally;
(c) ceases to be qualified to hold the office of director;
(d) resigns his office as director by notice to New Sagicor;
(e) if he is also an officer of New Sagicor, unless otherwise determined by the board of directors, his appointment as an officer is terminated or he resigns his office;
(f) if he becomes resident in Canada for tax purposes and, as a result, a majority of the directors would be resident in Canada for tax purposes; or
(g) is required to do so further to a drawing of lots amongst the remaining directors who are resident in Canada for tax purposes, which pursuant to the Bermuda Bye-laws is required to be held if, as a result of any other director or directors ceasing to hold the office of a director, there is a majority of directors resident in Canada for tax purposes.

The shareholders at any general meeting or the board shall have the power to appoint any person as a director to fill a vacancy on the board occurring as a result of the death, disability, disqualification or resignation of any director. In all other cases, only the shareholders shall have the power to fill a vacancy on the board and the board shall forthwith call a general meeting of shareholders to fill such vacancy or vacancies arising; provided that if the board fails to call a general meeting within fourteen (14) days of the vacancy arising, or if there are no directors then in office, then the secretary or any shareholder may summon the general meeting.

Fiduciary Duties of Directors

The OBCA provides that every director and officer of a corporation governed by that Act, in exercising his or her powers and discharging his or her duties, shall act honestly and in good faith with a view to the best interests of the corporation, and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances. Every director and officer of a corporation governed by the OBCA must comply with the provisions of that Act, the regulations thereunder, and the articles and by-laws and any unanimous shareholder agreement of such corporation. No provision in a contract, the articles, the by-laws or any resolution relieves a director or officer from the duty to act in accordance with the OBCA or the regulations thereunder, or relieves him or her of liability for a breach of either, except where an unanimous shareholder agreement restricts the powers of the directors to manage the business and affairs of a corporation, in which case the shareholders incur the liabilities of the directors to the extent to which said powers are restricted and the directors are thereby relieved of their duties and liabilities.

The Bermuda Act provides that every director and officer of a company in performing his functions shall act honestly and in good faith with a view to the best interests of the company and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances. Each director also has certain fiduciary duties at common law which he must exercise in good faith for the benefit of the company as a whole. In doing so, he must use his powers for the purposes for which they are intended, and fulfil the duties of his office honestly.

Conflicts of Interest of Directors and Officers

Subject to certain specified exceptions, the OBCA restricts interested directors from voting on or participating in board deliberations in respect of any transactions in which such director has an interest. Interested directors and officers must disclose in writing to the corporation or request to have entered in the minutes of meetings of directors the nature and extent of their interest.

Pursuant to the Bermuda Act, if a director is interested in a material contract or a proposed material contract with the company or any of its subsidiaries, or has a material interest in any party to such a contract or proposed contract with the company or any of its subsidiaries, they must declare the nature and extent of that interest to the other directors at the first opportunity. With the permission of the remaining directors, that director may then vote on the matter at hand. The Bermuda Bye-laws have been drafted to provide that an interested director will be taken into account in ascertaining whether a quorum is present but is not entitled to vote and if such director does vote his vote will not be counted; provided that: (i) no such contract or proposed contract shall be void or voidable by reason only that the interested director did not comply with the conflict of interest provisions of the Bermuda Bye-laws and the interested director shall not be liable to account to New Sagicor for any profit realised thereby, if the interest was disclosed to the shareholders and the shareholders subsequently approved such contract by special resolution, and (ii) an interested director will not be prohibited from voting in respect of a contract or proposed contract (w) relating to his remuneration as a director, officer, employee or agent of New Sagicor or its affiliates, (x) relating to his indemnification or insurance provided under the Bermuda Bye-laws, (y) with an affiliate of New Sagicor, or (z) in connection with the direct or indirect ownership of shares in New Sagicor by any director.

Under Bermuda law, a director will be deemed not to be acting honestly and in good faith, in accordance with their statutory duty of good faith and common law duty to avoid a conflict of interest and not to make a secret profit, if the director fails to disclose at the first opportunity, at a meeting of the board or in writing, a interest in any material contract or his material interest in any person that is a party to a material contract.

Indemnification of Directors, Officers and Others

The OBCA permits indemnification of a director or officer, a former director or officer or a person who acts or acted at the corporation’s request as a director or officer of another entity of (an “**Indemnifiable Person**”), against all costs, charges and expenses, including an amount paid to settle an action or satisfy a judgment, reasonably incurred by him or her in respect of any civil, criminal or administrative action or proceeding to which he or she is made a party by reason of being or having been a director or officer of the corporation or another entity, if: (i) he or she acted honestly and in good faith with a view to the best interests of the corporation or other entity, and (ii) in the case of a criminal or administrative action or proceeding that is enforced by a monetary penalty, he or she had reasonable grounds for believing that his or her conduct was lawful.

Under the OBCA, a corporation may also, with Court approval, indemnify an Indemnifiable Person in respect of an action by or on behalf of the corporation or other entity to procure a judgment in its favour, to which the person is made a party by reason of being or having been a director or an officer of the corporation or other entity, against all costs, charges and expenses reasonably incurred by the person in connection with such action if he or she fulfills the conditions set out in clauses (i) and (ii) above.

In any event, an Indemnifiable Person is entitled to indemnity from the corporation in respect of all costs, charges and expenses reasonably incurred by him or her in connection with the defense of any civil, criminal, administrative investigative action or other proceeding to which he or she is made a party by reason of being or having been a director or officer of the corporation of the body corporate, if the Indemnifiable Person was not judged by a Court or other competent authority to have committed any fault or omitted to do anything that the individual ought to have done, fulfills the conditions set out in clauses (i) and (ii) above, and is fairly and reasonably entitled to indemnity.

The directors and officers of a Bermuda company may be indemnified and secured harmless out of the assets of such company from and against all actions, costs, charges, liabilities, losses, damages and expenses which they or any of their heirs, executors or administrators, shall or may incur or sustain by or by reason of any act done, concurred in or omitted in or about the execution of the company's business, or their duty, or supposed duty, or in their respective offices or trusts. However, the indemnity described above shall not extend to any matter in respect of any fraud or dishonesty which may attach to any of the persons described above, in which case it would be rendered void and unenforceable. The Bermuda Bye-laws permit New Sagicor to enter into agreements with certain indemnified persons evidencing the terms of the indemnity provisions in the Bermuda Bye-laws.

Director Liability

Under the OBCA, directors who vote for or consent to a resolution authorizing the issue of a share of a corporation for consideration other than money are jointly and severally liable to the corporation to make good any amount by which the consideration received by the corporation is less than the fair equivalent of the money that the corporation would have received if the share had been issued for money on the date of the resolution, provided that a director is not liable pursuant to the foregoing if he proves he did not know and could not reasonably have known that the share was issued for consideration less than the fair equivalent of the money that the corporation would have received had the share been issued for money. In addition, directors who vote or consent to certain resolutions, including, resolutions approving payments or distributions by the corporation contrary to the OBCA are jointly and severally liable to restore to the corporation any amounts so paid and the value of any property so distributed and not otherwise recovered by the corporation. The OBCA does not otherwise permit the substantive limitation of a director's liability for breach of fiduciary obligations to the corporation, whether through the articles or otherwise.

Where an auditor, director or officer is found liable to any person for damages arising out of the performance of any function as such auditor, director or officer as contemplated by the Bermuda Act, an auditor, director or officer may be liable jointly and severally only if it is proved that he knowingly engaged in fraud or dishonesty. In all other cases, the court may determine the percentage of responsibility of an auditor, director or officer.

Stockholders' Suits

Under the OBCA, a current or former registered or beneficial securityholder may apply to the Court for leave to bring an action in the name of and on behalf of a corporation or any of its subsidiaries, or intervene in an action to which any such body corporate is a party, for the purpose of prosecuting, defending or discontinuing the action on behalf of the body corporate. The Court must be satisfied that the complainant has given reasonable notice to the directors of the corporation or its subsidiary of his intention to apply to Court, the directors of the corporation or its subsidiaries will not bring, diligently prosecute, defend or discontinue the action, that the complainant is acting in good faith and that it appears to be in the interests of the corporation or its subsidiaries that the action be brought, prosecuted, defended or discontinued.

The OBCA provides that the Court in a derivative action may make any order it thinks fit including, without limitation: (i) an order authorizing the complainant or any other person to control the conduct of the action; (ii) an order giving directions for the conduct of the action; (iii) an order directing that any amount adjudged payable by a defendant in the action shall be paid, in whole or in part, directly to the former and present securityholders of the corporation or its subsidiary instead of to the corporation or its subsidiary; and (iv) an order requiring the corporation or its subsidiary to pay reasonable legal fees incurred by the complainant in connection with the action.

Class actions and derivative actions are generally not available to shareholders under Bermuda law. The Bermuda courts, however, would ordinarily be expected to permit a shareholder to commence an action in the name of a company to remedy a wrong to the company where the act complained of is alleged to be beyond the corporate power of the company or is illegal or would result in the violation of the company's memorandum or bye-laws. Furthermore, consideration would be given by a Bermuda court to acts that are alleged to constitute a fraud against the minority shareholders or, for instance, where an act requires the approval of a greater percentage of the company's shareholders than that which actually approved it.

Oppression Remedy

The OBCA provides an oppression remedy that enables the Court to make any order, both interim and final, to rectify the matters complained of, if the Court is satisfied upon the application by a complainant that: (i) any act or omission of a corporation or an affiliate effects or threatens to effect a result; (ii) the business or affairs of a corporation or an affiliate are or have been carried on or conducted in a manner; or (iii) the powers of the directors of a corporation or an affiliate are, have been or are threatened to be exercised in a manner that is oppressive or unfairly prejudicial to, or unfairly disregards the interest of, any security holder, creditor, director or officer of the corporation. A complainant means (i) a registered holder or beneficial owner, or a former registered holder or beneficial owner, of a security of a corporation or any of its affiliates; (ii) a director or an officer or a former director of officer of a corporation or of any of its affiliates; or (iii) any other person who, in the discretion of the Court, is a proper person to make such application.

Because of the breadth of conduct which can be complained of and the scope of the Court's remedial powers, the oppression remedy is very flexible and is sometimes relied upon to safeguard the interests of shareholders and other complainants with a substantial interest in the corporation. Under the OBCA, it is not necessary to prove that the directors of a corporation acted in bad faith in order to seek an oppression remedy.

Furthermore, a Court may order the corporation to pay the interim expenses of a complainant seeking an oppression remedy, but the complainant may be held accountable for such interim costs on final disposition of the complaint (as in the case of a derivative action).

Under the Bermuda Act, an oppression remedy also exists. When the affairs of a company are being conducted in a manner which is oppressive or prejudicial to the interests of some part of the shareholders, a shareholder appearing in the register of shareholders may apply to the Bermuda court, which may make such order as it sees fit, including an order regulating the conduct of the company's affairs in the future or ordering the purchase of the shares of any shareholders by other shareholders or by the company.

Reorganizations, Mergers, Extraordinary Transactions

The OBCA provides that certain extraordinary corporate actions, such as certain amalgamations, any continuance, and sales, leases or exchanges of all or substantially all of the property of a corporation other than in the ordinary course of business, and other extraordinary corporate actions such as liquidations and dissolutions, are to be approved by special resolution. In certain cases, a special resolution to approve an extraordinary corporate action is also required to be approved separately by the holders of a class or a series of shares.

Under Bermuda law, there are three key statutory methods for acquiring a Bermuda company which generally require shareholder approval and comprise a take-over offer, merger/amalgamation or scheme of arrangement. In the case of a merger/amalgamation, unless the bye-laws provide otherwise, a majority vote of three-fourths of those voting at a meeting of shareholders is required to effect the merger/amalgamation. In order to effect a scheme of arrangement, a majority of shareholders in number representing three-fourths in value, present and voting in person or by proxy as well as the approval of the Bermuda Court is required.

Dissent and Appraisal Rights

The OBCA provides that the shareholders of a corporation entitled to vote on certain matters are entitled to exercise dissent rights and to be paid the fair value of their shares in connection therewith. The OBCA does not distinguish for this purpose between listed and unlisted shares. Such matters include: (i) an amendment to its articles to add, remove or change restrictions on the issue, transfer or ownership of shares of a class or series of the shares of the corporation; (ii) an amendment to its articles to add, remove or change any restriction upon the business or businesses that the corporation may carry on; (iii) any amalgamation with another corporation (other than certain affiliated corporations); (iv) a continuance under the laws of another jurisdiction; (v) the sale, lease or exchange of all or substantially all its property other than in the ordinary course of business; or (vi) going private or squeeze out transitions.

Dissent rights may also be granted by the Court in connection with a Court approved arrangement of a corporation as the Court may make any order that it sees fit.

A properly dissenting shareholder is also entitled to elect to receive the appraised value of his or her shares in connection with certain compulsory acquisitions, as described below under the heading "Compulsory Acquisition".

The Bermuda Act requires an amalgamating or merger company determine the fair value for its shares and state that a dissenting shareholder is entitled to be paid fair value for their shares. It further provides shareholders who did not vote in favour of the merger/amalgamation and who do not believe that they have been offered fair value with the right to seek the appraisal of the fair value of their shares by the Supreme Court of Bermuda. Further, the shareholders of a Bermuda company are entitled, by application to the Bermuda court, to exercise dissent rights in the event of a compulsory acquisition of shares in the circumstances described under the subheading "Compulsory Acquisition" below.

Compulsory Acquisition

Under the OBCA, where over 90% of the shares of an offering corporation (other than shares held at the date of the bid by or on behalf of the bidder or an affiliate or associate of the bidder) are acquired pursuant to a take-over bid or issuer bid, by complying with the provisions of the OBCA, (i) the bidder can force the non-tendering shareholders to either sell their shares on the same terms as the tendering shareholders, or (ii) the non-tendering shareholders can demand payment from the corporation of the fair value of their securities in exchange for the surrender of their securities to the corporation.

Pursuant to the Bermuda Act, where a scheme or contract involving the transfer of shares of a Bermuda company has been approved by the holders of not less than 90% in value of the shares, the offeror can then give notice in the prescribed form to the holders of the remaining shares of the fact of the acquisition within one month of the transfer. The transferee company may, within one month from the date on which the notice was given, pay the price payable to the remaining shareholders. A dissenting shareholder (that is a shareholder who has not assented to the scheme or contract or who has failed or refused to transfer his shares to the transferee company) may, within one month from the date of the notice, require the transferee company to acquire the shares in question and may also apply to the Bermuda Court to order such other terms as it thinks fit to order.

Pursuant to the Bermuda Act, holder(s) of not less than 95% of the shares of a Bermuda company can, on giving notice to the minority shareholders, force them to sell their interest to the 95% holder(s) provided that the terms offered are the same for all of the holders of the shares whereupon the acquiring shareholder is bound to acquire the outstanding shares on the terms set out in the notice. The 5% shareholders can apply to the Bermuda court for an appraisal of the value of their shares, and the majority holder will be entitled to acquire the shares at the price so fixed by the Bermuda court.

Transferability of Shares

Unless the articles of a corporation contain a restriction on the transfer of shares, under the OBCA, shares are presumed to be freely transferable. Alignvest's articles do not contain any restriction on the transfer of shares.

Subject to (i) Bermuda exchange control regulations and any consent of, or notification to, the Bermuda Monetary Authority as required thereunder and (ii) any limitations or provisions to the contrary in its bye-laws, registered shares of a company incorporated under the Bermuda Act may be transferred by a written instrument of transfer. In the absence of a written instrument of transfer, the directors may accept such evidence of a transfer of shares as they consider appropriate. The Bermuda Bye-laws have been drafted to require that such instrument of transfer must be stamped with a medallion or bank or similar signature guarantee (if required by applicable law or New Sagicor's transfer agent) for as long as the common shares are listed on the TSX.

Under the Bermuda Bye-laws, the board of directors may in its absolute discretion and without assigning any reason therefor refuse to register a transfer unless all applicable consents, authorisations and permissions of any governmental body or agency in (a) Bermuda and (b) any jurisdiction in which New Sagicor's common shares are listed or admitted for trading on a stock exchange, have been obtained.

Return of Capital on Winding-Up, Liquidation or Dissolution

Under the OBCA, the holders of common shares have the right to receive the remaining property of a corporation on dissolution.

Under the Bermuda Act, shareholders are entitled to the surplus assets of a company on liquidation, subject to the rights attached to those shares as set out in the bye-laws.

Amendments to the Memorandum or Bye-laws

For as long as the common shares of New Sagicor are listed on the TSX, TSX consent will be required for amendments thereto.

Exclusive Jurisdiction

In the event that any dispute arises concerning the Bermuda Act or out of or in connection with the Bermuda Bye-laws, including any question regarding the existence and scope of the Bermuda Bye-laws and/or whether there has been any breach of the Bermuda Act or the Bermuda Bye-laws by an officer or director (whether or not such a claim is brought in the name of a shareholder or in the name of New Sagicor), any such dispute shall be subject to the exclusive jurisdiction of the Supreme Court of Bermuda, unless New Sagicor consents in writing to an alternate jurisdiction (and New Sagicor will always provide such consent with respect to the Superior Court of Justice of the Province of Ontario, Canada and appellate Courts thereof).

APPENDIX N – DIFFERENCES BETWEEN CANADIAN CORPORATE LAW AND BARBADOS AND JAMAICA CORPORATE LAW

Differences between the OBCA and the Barbados Companies Act Cap. 308 of the laws of Barbados, as amended ("Barbados Act")

The Barbados Act is principally modelled on the *Canada Business Corporations Act* and similar provincial Canadian legislation. The following is a summary of certain material differences between the provisions of the OBCA and the Barbados Act that are relevant to shareholders' rights.

Meetings of Shareholders

Under the OBCA, the directors may specify in a notice calling a meeting of shareholders a time not exceeding 48 hours (excluding Saturdays and holidays) preceding any meeting or adjourned meeting of shareholders before which time proxies to be used at such meeting must be deposited, but no equivalent provision is provided in the Barbados Act.

Under the OBCA, authorizing approval of additions to stated capital requires approval by special resolution, but under the Barbados Act the addition to stated capital only requires authorisation by special resolution where there is more than one class of shares.

Proposals of Shareholders

Under the OBCA, if the company solicits proxies in connection with the meeting, the company shall set out the proposal in the management information circular for the meeting provided that, among other things: (i) it is submitted at least 60 days (90 days under the Barbados Act) before the anniversary of the date of the previous annual meeting, or, if the matter is proposed to be raised at a meeting other than the annual meeting, the date of a meeting other than the annual meeting; (ii) it has not been submitted in the last five years (two years under the Barbados Act) and did not obtain the required level of support; (iii) the person submitting the proposal is the registered or beneficial owner of shares (or registered shareholder only under the Barbados Act), that are entitled to be voted at a meeting of shareholders; and (iv) the right to submit a proposal is not being abused to enforce a personal claim or redress a personal grievance against the corporation or its directors, officers or securityholders. Under the Barbados Act, there is a general anti-abuse section to exclude circumstances where the proposal is submitted to support a non-bona fide commercial purpose.

Consent of Shareholders in Lieu of Meeting

Under the OBCA, a resolution in writing signed by all the shareholders entitled to vote on that resolution at a meeting of shareholders is as valid as if it had been passed at a meeting of the shareholders. Under the Barbados Act, subject to any limitations in the by-laws of a company, any action that may be taken by the shareholders at a meeting may also be taken by a resolution of shareholders consented to in writing. Subject to a company's by-laws, such a written resolution may be validly passed, if consented to in writing by shareholders holding shares to which are attached such majority of the votes as would be required if the resolution had been voted on at a meeting of the shareholders.

Vacancies on the Board of Directors

Under the OBCA, a quorum of directors may fill a vacancy among the directors, except for the following vacancies, which must be filled by the shareholders: (i) a vacancy resulting from an increase in the number or minimum number of directors; and (ii) a vacancy resulting from a failure to elect the number or minimum number of directors required by the articles of a corporation.

Under the Barbados Act, subject to any limitations in a company's by-laws, a vacancy among the directors may be filled by a resolution of shareholders or, if authorized by the shareholders, by the board of directors. If no quorum of directors remains, the vacancy must be filled by a general meeting of the shareholders.

Amendments to Governing Instruments

Under the OBCA, most changes (and under the Barbados Act all changes), to the articles must be approved by special resolution. If a proposed amendment requires approval by special resolution, the holders of shares of a class (or of a series of a class, if the proposed amendment would affect such series differently from the other series of shares of such class) are entitled to vote separately as a class or series if the proposed amendment affects the class or series as specified in the OBCA, whether or not the class or series otherwise carries the right to vote.

Transferability of Shares

Unless the articles of a corporation contain a restriction on the transfer of shares, under the OBCA, shares are presumed to be freely transferable. Subject to (i) Barbados exchange control regulations and any consent of, or notification to, the Exchange Control Authority of Barbados as required thereunder and (ii) any limitations or provisions to the contrary in its by-laws, registered shares of a company incorporated under the Barbados Act may be transferred by a written instrument of transfer. A valid transfer under Barbados law requires that the instrument of transfer be submitted to the Registrar in Barbados for the adjudication of property transfer tax and stamp duty In the absence of a written instrument of transfer, the directors may accept such evidence of a transfer of shares as they consider appropriate.

Differences between the OBCA and the Jamaica Companies Act ("JCA")

The following is a summary of certain material differences between the provisions of the OBCA and the JCA that are relevant to shareholders' rights.

General

Under the OBCA, the principal documents of a corporation consist of its articles of incorporation or, as applicable, amalgamation, arrangement or continuance, and its by-laws.

The constituent document of a company in Jamaica is its articles of incorporation. The JCA does not refer to by-laws.

Shareholder voting rights

Under the OBCA, unless the by-laws otherwise provide, the holders of a majority of the shares entitled to vote at a meeting of shareholders, present in person or by proxy, constitute a quorum. Alignvest's current by-laws provide for a quorum of 25%. Under the OBCA, cumulative voting is only permitted in the election of directors if the articles provide for it.

Under the JCA, unless the articles otherwise provide, the number of members required to constitute a quorum at any general meeting of a private company is two. For a public company, the number of members required is three. The JCA does not contemplate cumulative voting.

Special Meeting of Shareholders

Under the OBCA, a special meeting of shareholders may be called by the directors, and the registered holders or beneficial owners of not less than 5% of the issued shares of a corporation that carry the right to vote at a meeting sought to be held may requisition the directors to call a meeting of shareholders, but the beneficial owners of shares do not thereby acquire the direct right to vote at the meeting that is the subject of the requisition.

Under the OBCA, the vote of shareholders required to pass a resolution is typically a majority or two-thirds of the votes cast on the resolution, depending upon the action being voted upon. A "special resolution" is a resolution passed by a majority of not less than two-thirds of the votes cast by the shareholders who voted in respect of that resolution, or signed by all the shareholders entitled to vote on that resolution. Matters requiring approval by special resolution include most amendments to the articles, approval of an amalgamation agreement, authorizing continuance in another jurisdiction, authorizing the sale, lease or exchange of all or substantially all of the corporation's assets except in the ordinary course of business, authorizing the voluntary liquidation and dissolution of the corporation, authorizing a reduction of stated capital in certain cases and authorizing approval of additions to the stated capital. Matters requiring approval by a majority of the votes cast include confirmation, rejection or amendment of by-laws, and removal of directors. Only a single vote in favour is required to vote for the election of directors or auditors in an uncontested situation (but subject to the terms of any majority voting policy in respect of director elections).

Under the JCA, notice of an annual general meeting and any meeting at which a special resolution is to be passed must be given not less than 21 days before the meeting in writing. Notice of any other meeting must be given 14 days before the meeting. A meeting of a company called by shorter notice than specified above may be deemed to have been duly called only if it is so agreed (i) in the case of an annual general meeting, by all the members entitled to vote thereat; and (ii) in the case of any other meeting, by a majority in number of the members having a right to vote at the meeting and holding not less than 95% in value of the shares giving a right to attend and vote at the meeting. Under the JCA, a special resolution is a resolution passed by a majority of not less than three-fourths of such members as, being entitled to do so, vote in person or by proxy at a general meeting.

Under the JCA, where two or more members of a company holding not less than 10% of the paid up capital of the company as at the date of deposit which carry voting rights at general meetings of the company deposit a requisition, the directors must proceed to convene an extra ordinary general meeting, notwithstanding anything in the company's articles. If directors do not convene the meeting within 21 days of the date of the deposit of the requisition, the requisitionists or any of them representing more than one-half of the total voting rights may convene a meeting but any meeting so convened must be held prior to the expiration of 3 months from the date by which the directors should have called the meeting. Matters requiring approval by a special resolution involve alteration of articles, change of company name, and reduction of capital.

Inspection Rights

Under the OBCA, a shareholder of a corporation and the shareholder's agents and legal representatives have the right to inspect copies of the following during the usual business hours of the corporation, free of charge: (i) the articles and the by-laws and all amendments thereto, and a copy of any unanimous shareholder agreement known to the directors; (ii) minutes of meetings and resolutions of shareholders; (iii) a register of directors in which are set out the names and residence addresses, while directors, including the street and number, if any, of all persons who are or have been directors of the corporation with the several dates on which each became or ceased to be a director; (iv) a securities register; and (v) a register of ownership interests in land in Ontario. A shareholder has the right to obtain, free of charge, one copy of the articles, by-laws and unanimous shareholders' agreement of a corporation, including amendments. Applicants who are shareholders of an OBCA corporation, their agents and legal representatives and, where the corporation is an offering corporation, any other person, may require the corporation to furnish a registered shareholder list to the applicant upon payment of a reasonable fee and delivery of a statutory declaration as to the name and address of the applicant and to the effect that such list will not be used except in connection with an effort to influence voting by shareholders of the corporation, an offer to acquire shares of the corporation or any other matter relating to the affairs of the corporation.

In addition, under the OBCA, a securityholder of a corporation may apply to the Superior Court of Justice of Ontario (the "**Court**") for an order directing that an investigation be made of a corporation or of any affiliated corporation.

Under the JCA, in the case of a private company, directors and officers must make the following documents available to members for inspection during business hours: (i) register of instruments creating charges, (ii) register of members, (iii) register of directors, (iv) minute books, (v) balance sheet together with auditors' report on balance sheet, and (vi) directors' service contracts. In some cases, members may obtain copies free of charge while in other cases, payment of a small fee is required.

Every company and officer who refuses to allow inspection of these documents, except the directors' service contracts and balance sheets and auditor's report of public companies, may be liable to a fine of J$50,000. With respect to refusal to allow inspection of directors' service contracts, a company and officer may be liable to a fine of up to J$200,000. With respect to balance sheets and auditor's report of public companies, the applicable fine is J$2000 every day during which the default continues. A disgruntled shareholder may apply to the Supreme Court of Jamaica to compel immediate inspection of any of these documents.

Director Qualifications

At least 25% of the directors of an OBCA corporation must be resident Canadians, however, if a corporation has less than four directors, at least one director must be a resident Canadian.

Generally, the JCA does not speak to director qualifications but these may be provided in the articles. However, where the articles of a company require directors to hold a specified share qualification, directors must obtain the applicable qualification within two months after appointment or such shorter time as may be fixed by the articles. Note that the JCA does not require directors to be nationals or residents in Jamaica.

Stockholder Suits

Under the OBCA, a current or former registered or beneficial securityholder may apply to the Court for leave to bring an action in the name of and on behalf of a corporation or any of its subsidiaries, or intervene in an action to which any such body corporate is a party, for the purpose of prosecuting, defending or discontinuing the action on behalf of the body corporate. The Court must be satisfied that the complainant has given reasonable notice to the directors of the corporation or its subsidiary of his intention to apply to the Court, the directors of the corporation or its subsidiaries will not bring, diligently prosecute, defend or discontinue the action, that the complainant is acting in good faith and that it appears to be in the interests of the corporation or its subsidiaries that the action be brought, prosecuted, defended or discontinued.

The OBCA provides that the Court in a derivative action may make any order it thinks fit including, without limitation: (i) an order authorizing the complainant or any other person to control the conduct of the action; (ii) an order giving directions for the conduct of the action; (iii) an order directing that any amount adjudged payable by a defendant in the action shall be paid, in whole or in part, directly to the former and present securityholders of the corporation or its subsidiary instead of to the corporation or its subsidiary; and (iv) an order requiring the corporation or its subsidiary to pay reasonable legal fees incurred by the complainant in connection with the action.

Under the JCA, a member, former member or an affiliated company may apply to the court for leave to bring a derivative action in the name and on behalf of the company or any of its subsidiaries, or intervene in an action to which any such company or any of its subsidiaries is a party for the purpose of prosecuting, defending or discontinuing an action on behalf of a company. The court must be satisfied that (i) the complainant (defined below) has given reasonable notice to the directors of the company or its subsidiary of his intention to apply to the court to bring a derivative action if the directors of the company or its subsidiary do not bring, diligently prosecute or defend, or discontinue, the action; and (ii) the complainant is acting in good faith and that it appears to be in the interests of the company or its subsidiary that the action be brought, prosecuted, defended or discontinued.

The court may make any order it deems fit including (a) authorizing the complainant, the Registrar or any other person to control the conduct of the action; (b) giving directions for the conduct of the action; (c) directing that any amount adjudged payable by a defendant in the action be paid, in whole or in part, directly to former and present shareholders or debenture holders of the company or its subsidiary, instead of to the company or its subsidiary; or (d) requiring the company or its subsidiary to pay reasonable legal fees incurred by the complainant in connection with the action.

Reorganizations, Mergers and Extraordinary Transactions

The OBCA provides that certain extraordinary corporate actions, such as certain amalgamations, any continuance, and sales, leases or exchanges of all or substantially all of the property of a corporation other than in the ordinary course of business, and other extraordinary corporate actions such as liquidations and dissolutions, are to be approved by special resolution. In certain cases, a special resolution to approve an extraordinary corporate action is also required to be approved separately by the holders of a class or a series of shares.

Under the JCA, certain corporate actions require approval by a specified minority. Examples of this include schemes of arrangement which require the approval of a majority in number of members representing three fourths in value of the class of members present and voting either in person or by proxy and certain takeover bid offers which must be approved by holders of nine tenths in value of the shares whose transfer is involved (except shares held by the transferee company).

Dissent and Appraisal Rights

The OBCA provides that the shareholders of a corporation entitled to vote on certain matters are entitled to exercise dissent rights and to be paid the fair value of their shares in connection therewith. The OBCA does not distinguish for this purpose between listed and unlisted shares. Such matters include: (i) an amendment to its articles to add, remove or change restrictions on the issue, transfer or ownership of shares of a class or series of the shares of the corporation; (ii) an amendment to its articles to add, remove or change any restriction upon the business or businesses that the corporation may carry on; (iii) any amalgamation with another corporation (other than certain affiliated corporations); (iv) a continuance under the laws of another jurisdiction; (v) the sale, lease or exchange of all or substantially all its property other than in the ordinary course of business; or (vi) going private or squeeze out transitions.

Dissent rights may also be granted by the Court in connection with a Court approved arrangement of a corporation as the Court may make any order that it sees fit. A properly dissenting shareholder is also entitled to elect to receive the appraised value of his or her shares in connection with certain compulsory acquisitions.

Under the JCA, a shareholder has the right to apply to the court in connection with a takeover or other arrangement which has been approved by the requisite majority mentioned for payment of fair value for their shares.

Compulsory Acquisition

Under the OBCA, where over 90% of the shares of an offering corporation (other than shares held at the date of the bid by or on behalf of the bidder or an affiliate or associate of the bidder) are acquired pursuant to a take-over bid or issuer bid, by complying with the provisions of the OBCA, (i) the bidder can force the non-tendering shareholders to either sell their shares on the same terms as the tendering shareholders, or (ii) the non-tendering shareholders can demand payment from the corporation of the fair value of their securities in exchange for the surrender of their securities to the corporation.

Under the JCA, where a scheme or contract involving the transfer of shares or any class of shares in a company ("the transferor company") to another company, ("the transferee company"), has, within four months after the making of the offer in that behalf by the transferee company been approved by the holders of not less than nine-tenths in value of the shares whose transfer is involved (other than shares already held at the date of the offer by, or by a nominee for, the transferee company or its subsidiary):

(a) the transferee company may, at any time within two months after the expiration of the four months, give notice in the prescribed manner to any dissenting shareholder that it desires to acquire his shares; and

(b) when such a notice is given the transferee company shall, unless on an application made by the dissenting shareholder within one month from the date on which the notice was given the court thinks fit to order otherwise, be entitled and bound to acquire those shares on the terms on which, under the scheme or contract, the shares of the approving shareholders are to be transferred to the transferee company, provided all relevant provisions of the JCA are followed.

Transferability of Shares

Unless the articles of a corporation contain a restriction on the transfer of shares, under the OBCA, shares are presumed to be freely transferable. Alignvest's articles do not contain any restriction on the transfer of shares.

Under the JCA, the articles of a private company must contain a restriction on the right to transfer shares. An unlisted public company is not required include a restriction on the right to transfer shares, unless otherwise provided for in its articles. A listed public company must not include a restriction on the right to transfer shares.

Return of Capital on Winding-Up, Liquidation or Dissolution

Under the OBCA, the holders of common shares have the right to receive the remaining property of a corporation on dissolution.

Under the JCA, the trustee should pay unclaimed or undistributed assets of the company into the court if they remain unclaimed or undistributed 6 months after the date of their receipt. Any person claiming entitlement must apply to the court for an order of payment of the sums due. However, the articles may provide otherwise.