STRENGTH
STABILITY
TRUST

2017
ANNUAL
REPORT

Sagicor

Sagicor Financial Corporation Limited

STRENGTH STABILITY TRUST

For over 177 years, Sagicor has been a symbol of strength in the Caribbean. Operating in over 23 countries, Sagicor has total assets of $6.8 billion with capital of $932 million. A publicly listed company with over 36,000 shareholders and listed on the Barbados Stock Exchange, the Trinidad & Tobago Stock Exchange and the London Stock Exchange — Sagicor is one of the most highly regulated financial institutions in the Caribbean. It is upon this foundation of stability and trust that we are creating the building blocks of a better future for our team, clients, friends and neighbours.

OUR VISION

To be a great company committed to improving the lives of people in the communities in which we operate.

Our Values

Sagicor is Timeless, Borderless, and Colourless. These values speak to the all-encompassing nature of our company, guiding our behaviour, procedures, business decisions and relationships.

Timeless

We are building a company for today, which, while relevant to the current time, will continue to remain relevant for all times. Therefore we will always be innovative and embrace change, never allowing ourselves to become staid or obsolete so that we can retain our edge to compete in the future.

Borderless

We view ourselves as members of one organisation, and will not be constrained by any self-imposed physical, intellectual or cultural limitations. We will conduct our business in a way that truly reflects this philosophy.

Colourless

We conduct our business and interpersonal relationships on that consciously high level which creates an environment characterised by a philosophy of equitable treatment and equal opportunity for all.

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ABOUT SAGICOR

"Our name and reputation draw on
strength, stability and financial prudence…
that is our heritage."

ABOUT SAGICOR

SAGICOR –
WISE FINANCIAL THINKING FOR LIFE

"Wise Financial Thinking for Life" is far more than a tagline. It is the heart and soul of Sagicor, and summates why we do, what we do and how we do it. More importantly, it is the reason our clients choose Sagicor and stay with us. Sagicor means "wise judgment" and has derived out of an inspirational framework that has supported the company for 177 years.

Sagicor's business is based on long-term relationships with its clients who entrust us with their financial well-being. Our name and reputation draw on the strength, stability and financial prudence that are our heritage, and this identity defines the flexibility that wise financial thinking can bring to our clients throughout their lives. Through local expertise and in partnership with world-class asset managers and reinsurers, together with sound risk management practices, Sagicor is able to provide wise financial advice that meets the needs of its clients.

Sagicor provides financial support and voluntary assistance, primarily in the areas of health, education, youth and community development and sports, to a number of organisations and institutions.

- We consider the value of education to be immeasurable. We offer strong support across the region to learning institutions from primary to tertiary, catering to traditional studies and education for those with special needs.

- Our vision outlines our commitment to initiatives and developments which will enhance the long-term quality of life in the communities in which we operate. From this perspective, we have made health a priority area of our corporate support. As a regional leader in the industry, we lead by example, both within and outside of the organisation.

- Our footprint spans over 23 countries worldwide. As we grow and develop, our presence is mirrored in each local community. Our support for the growth and development of people and social infrastructure is unwavering. This is a legacy of which we are proud.

- Nations and companies alike are built on teamwork and sportsmanship. Sagicor views these traits as character-building, and through our support of sporting events, seeks to nurture their importance across all, races, ages and genders.

As we move forward through these challenging times in the economic life of our region and the rest of the world, Sagicor's core business strategies will continue to provide a wide range of financial products and services, while focused on our vision, "To be a great company, committed to improving the lives of people in the communities in which we operate".

Sagicor has followed a carefully crafted business strategy, which has seen the company transform from a local single-line life insurance company to a financial services group with a solid regional base, before expanding into the international financial services market. Today, operating in 23 countries, including the USA and Latin America, Sagicor has total assets of US $6.8 billion, and $932 million in capital. The Sagicor Group offers a wide range of products and services including life insurance, annuities and group and individual health, and has an insured base in the region of two (2) million. Sagicor is a widely-held publicly-traded company with over 36,000 Shareholders, and is listed on the stock exchanges of Barbados, Trinidad and Tobago and London.

OUR HISTORY

1840	Establishment of the Barbados Mutual Life Assurance Society
1849	St Vincent branch opened
1858	Branches in Trinidad and Tobago & Grenada opened
1861	St Kitts branch opened
1863	Antigua & Montserrat branches opened
1866	Demerara (Guyana) branch opened
1868	Dominica branch opened
1896	Jamaica branch opened
1987	Mutual Finance Company Ltd established • Acquisition of Travellers Portfolio and the rebranding of Aruba, Bahamas, Belize, Cayman Islands, Curacao, St Maarten and Haiti to Capital Life
1993	Establishment of the Mutual Bank of the Caribbean, the first indigenous bank to Barbados
1994	Mutual Financial Services and Caribbean Caricard Services established
1996	Capital International Management Services established
1997	Establishment of Mutual Asset Management Inc and Mutual Funds Inc
1998	Acquisition of the Panama branch of Atlantic Southern Insurance Company
1999	Acquisition of Island Life in Jamaica and Nationwide Insurance Company in Trinidad and Tobago. • The acquisition of shares in Life of Jamaica • First AM Best Rating 'A' Excellent received by BMLAS and maintained by Sagicor Life Inc
2000	The acquisition of 23% interest in Life of Barbados
2001	Acquisition of Life of Jamaica in Jamaica and Allnation in the US
2002	Acquisition of majority shares in Life of Barbados. • Resolution for the demutualisation of Barbados Mutual Life Assurance Society was passed. • Conversion from Barbados Mutual Life Assurance Society to Sagicor Life Inc. • The establishment of the holding Company, Sagicor Financial Corporation (SFC). 45,000 policyholders awarded shares as a result of demutualisation. • The Initial Public Offering of Sagicor Shares, increasing shareholders to 49,000
2003	SFC Lists on the Barbados Stock Exchange • Sale of the Mutual Bank
2004	SFC Lists on Trinidad and Tobago Stock Exchange
2005	Acquisition of majority interest in Pan Caribbean Financial Services. • Acquisition of Laurel Life and its wholly-owned subsidiary, American Founders Life Insurance Company in the US • Life of Jamaica acquires Cayman General Insurance • Acquisition of 20% of FamGuard • Acquisition of First Life Insurance portfolio
2006	Successful US$150 million Bond Offering on the US market • Sagicor Life Inc assigned a Standard and Poor's (S&P) financial strength rating of "BBB+" • American Founders Life Insurance Company rebrands as Sagicor Life Insurance Company Limited
2007	SFC Lists on the London Stock Exchange • Establishment of Sagicor Europe Ltd • Acquisition of Gerling at Lloyd's Group in the UK • Gerling at Lloyd's rebranded as Sagicor at Lloyd's • Acquisition of Byrne and Stacey Underwriting in the UK
2008	Rebranding of Life of Jamaica to Sagicor Life Jamaica Limited • SFC Lists on the Jamaica Stock Exchange • Rebranding of Byrne and Stacey Underwriting to Sagicor Underwriting • Acquisition of controlling interest in Barbados Farms Limited
2012	Sagicor Life Jamaica agrees to participate in the Government of Jamaica National Debt Exchange Programme • Sagicor Life acquires the traditional life insurance policies of British American Insurance Company Limited in the Eastern Caribbean
2013	SFC sells Sagicor Europe and its subsidiaries to AmTrust Financial Services • Sagicor Group Jamaica enters into a Sale and Purchase Agreement to acquire RBC Jamaica
2014	• Central Bank of Jamaica approves Sagicor Group Jamaica's acquisition of RBC Jamaica • Rebranding of RBC Jamaica to Sagicor Bank
2015	• Sagicor Celebrates its 175th Anniversary • Successful US $320 million Bond Offering on the international market
2016	SFC redomiciles in Bermuda and the company name is changed to Sagicor Financial Corporation Limited

CHAIRMAN'S STATEMENT

“ Our guiding principle has always been to act wisely.
Wise financial thinking for life is what we do. ”

CHAIRMAN'S STATEMENT

Dr Stephen D R McNamara, CBE, LLD (Hon)
Chairman

The Sagicor Group experienced a good performance for the 2017 financial year, with improvement in the key areas of revenue, net income and equity.

This performance was in the context of contrasting economic conditions, both regionally and internationally, where Sagicor operates. Regionally, the Caribbean experienced modest economic growth, but continued to engage in fiscal consolidation through various measures of tax increases and public expenditure cuts to reduce high levels of public debt. Internationally, the USA experienced growth, increases in interest rates and a significant, but favourable change in its tax regime for business.

Group Net Income was US $115.3 million, compared to US $109.3 million in the prior year, an increase of US $6.0 million. Group Equity was US $932.3 million, compared to US $795.4 million in the prior year, an increase of US $136.9 million.

Net income attributable to shareholders was US $72.2 million, compared to US $61.7 million in the prior year, an increase of US $10.5 million. Earnings per common share was US 23.7¢, and represented an annualised return on common shareholders' equity of 13.3% compared to 12.6% for the prior year.

Total revenue increased to US $1,220.9 million, compared to the prior year amount of US $1,134.1 million, an increase of US $86.8 million or 7.7%. Net premium revenue reached US $745.6 million, compared to US $664.0 million, an improvement of US $81.6 million or 12.3%. Premium income increased in all segments and benefited from the issuance of a single premium annuity relating to our Jamaica segment.

Net investment income was US $379.2 million, compared to US $353.4 million in the prior year, an improvement of US $25.8 million and benefited from higher investment gains in our international investment portfolios.

Fees and other revenue closed the year at US $93.7 million, compared to the prior year amount of US $116.8 million, a decline of US $23.1 million. There was a reduction in commissions income on insurance and reinsurance contracts amounting to US $19.8 million, reflecting commissions net of gains due to reinsurers on supporting assets in our USA segment. Exchange gains/(losses) also showed a loss of US $4.2 million, compared to gains of US $12.6 million in the prior year, a reduction of US $16.8 million. Foreign 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 our Jamaica segment. Overall, the company experienced a gain on translation of the Jamaica segment, which is reported in other comprehensive income. In addition, the prior year included exchange gains relating to declines in the Trinidad dollar, when compared to the United States dollar, there was no significant foreign exchange movement, relative to this currency in 2017.

Total benefits closed at US $660.8 million, up from the prior year amount of US $560.4 million. The growth in benefits is consistent with that of the growth in premium revenue and partially represents increased provisions for future benefits. Included in benefits were net costs of US $8.5 million relating to claims exposure from hurricane activity during the year, along with an increase of US $14.2 million relating to the impact of the Tax Cuts and Jobs Act rate reduction in the United States, which came into effect in 2017.

Expenses (including agents' and brokers' commissions) closed the year at US $436.4 million, compared to the prior year amount of US $424.2 million, an increase of US $12.2 million. The Jamaica Segment incurred some non-recurring costs, together with higher administration costs relating to the expansion of cards and payments business.

Income taxes were US $18.6 million, compared to US $41.7 million in the prior year, a reduction of US $23.1 million. This was principally related to our 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. This contributed to a decrease of US $19.9 million in income taxes and an increase in the provision for future benefits of US $14.2 million in the segment.

Group comprehensive income was US $179.3 million, compared to US $96.7 million for the prior year, an increase of US $ 82.6 million. 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 our 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.

The discontinued operation represents our UK business, which was sold on December 23, 2013. The terms of the sale required Sagicor to retain an interest in the 2011, 2012 and 2013 underwriting years of account, subject to a limit denominated in pound sterling. At the end of 2015, the Company had fully provided for the contingent exposure relating to this business (the limit). During 2017 there were positive developments in this exposure which resulted in net income of US $10.1 million.

In the statement of financial position as at December 31, 2017, assets amounted to US $6.8 billion, compared to US $6.5 billion in the prior year. Liabilities closed at US $5.9 billion, compared to US $5.7 billion in the prior year. Sagicor's Group equity totalled US $932.3 million, compared to US $795.4 million in the prior year; an increase of US$136.9 million.

The Group's debt, which is included in other liabilities, was US $413.8 million. The debt to capital ratio was 30.7%, down from 33.2% for the prior year.

Sagicor has voluntarily adopted the Canadian international capital standard, "Minimum Continuing Capital and Surplus Requirements" (MCCSR), and has been following this standard since 1991. The MCCSR seeks to demonstrate to policyholders and shareholders the capital strength of the life insurance companies of the Group, as a measure of its ability to meet its long-term obligations. Canadian regulators expect insurance companies to maintain an MCCSR ratio of 150% and Sagicor has consistently maintained a ratio above 175%. As at the end of the year our MCCSR Ratio was 258%.

Sagicor is listed on the Barbados Stock Exchange, The Trinidad and Tobago Stock Exchange and the London Exchange. We comply with the rigorous requirements of these exchanges.

Sagicor is rated on an annual basis by AM Best, Standard and Poor's Global Ratings, and Fitch Ratings. We have been rated by AM Best since 1998, S&P since 2006 and Fitch since 2015. These ratings are an independent measure of our financial strength. The current ratings are as follows:

- AM Best - "A-" Excellent
- S&P - BB- stable
- Fitch - B stable

Sagicor has embarked on a programme to provide relief from the recent hurricanes. To date, Sagicor has made a financial contribution of US $300,000, as well as the provision of goods and services. Consistent with our vision to improve the lives of the people in the communities in which we operate, key initiatives include a school feeding programme to students, a mobile medical clinic and assistance to the regional airline, LIAT. We have also partnered with The University of the West Indies to host a Celebrity T20 Cricket Hurricane Relief Benefit to raise additional funds for the islands which have suffered significant damage during the passage of hurricanes Irma and Maria in 2017.

During 2018, the Sagicor Group will continue to work on the corporate re-organisation to respond to the changing regulatory environment, while we continue to pursue opportunities for growth.

On behalf of the Board of Sagicor, I wish to thank our shareholders and customers for their continued support.

Stephen McNamara
Chairman
April 4, 2018

FINANCIAL HIGHLIGHTS

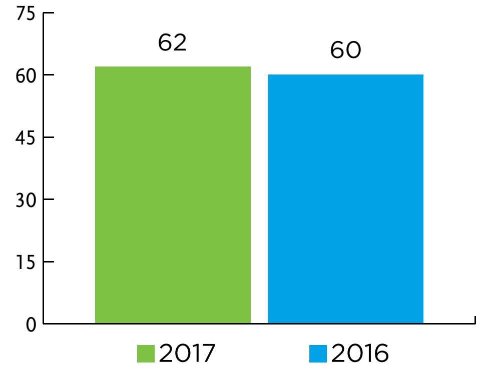
“We earn the trust of our clients
by delivering a solid performance.”

FINANCIAL HIGHLIGHTS

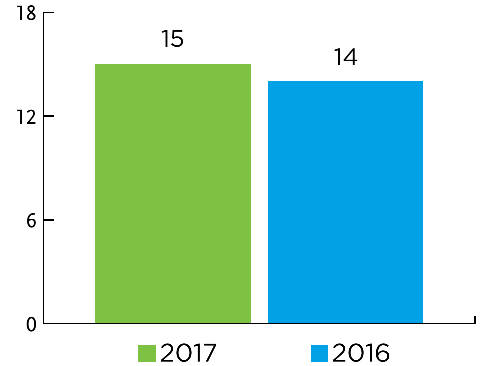
Amounts in US$ millions unless otherwise stated

SHAREHOLDER RETURNS

NET INCOME [1]

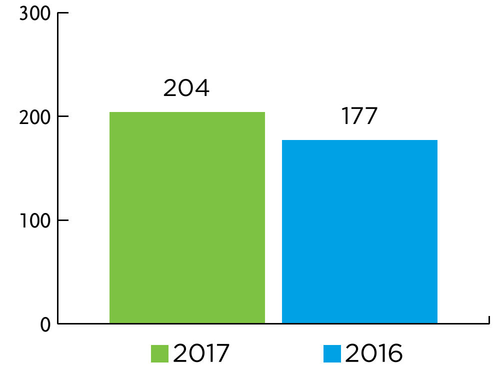


COMMON DIVIDENDS



BOOK VALUE PER SHARE

Amounts in US cents

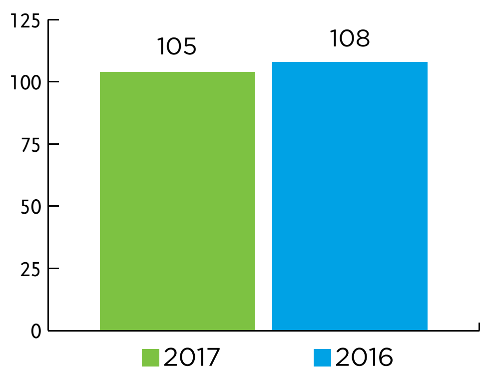


	2017	2016
Basic earnings per share [1]	20.4¢	19.5¢
Return on shareholder's equity [1]	11.3%	12.3%

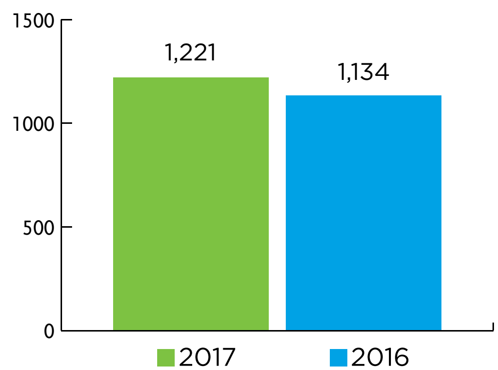
[1] *from continuing operations*

GROUP RESULTS 1

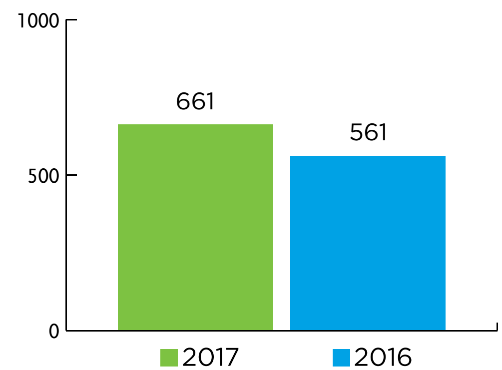
NET INCOME[1]



REVENUE



BENEFITS

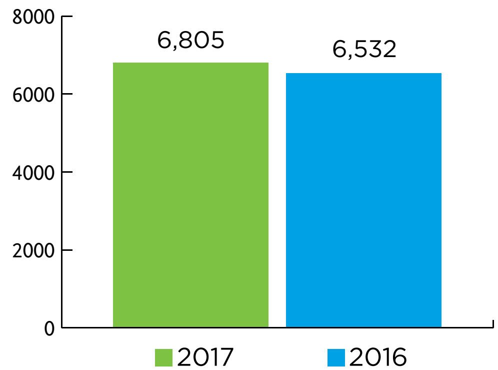


[1] *from continuing operations*

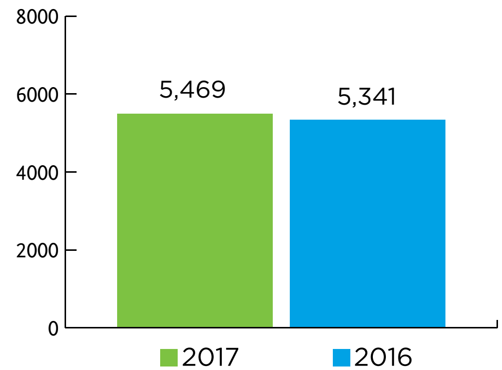
Amounts in US$ millions unless otherwise stated

GROUP FINANCIAL POSITION

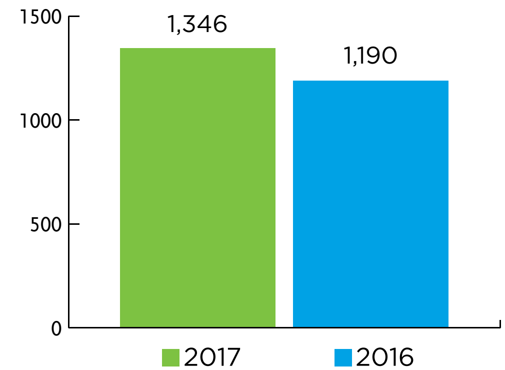
ASSETS [1]



OPERATING LIABILITIES



EQUITY & DEBT CAPITAL (TOTAL CAPITAL)

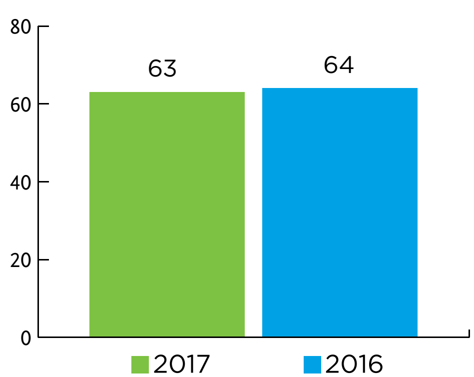


	2017	2016
Debt to Capital	30.7%	33.2%
MCCSR	258%	249%

[1] *from continuing operations*

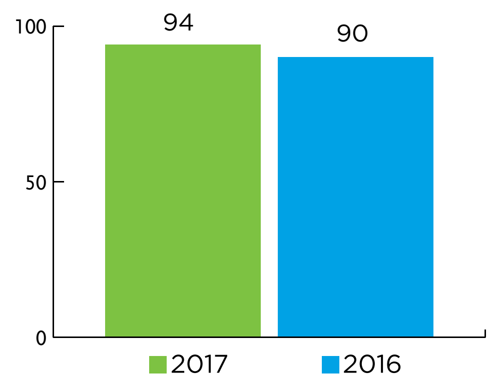
SEGMENT RESULTS

SAGICOR LIFE INC - NET INCOME



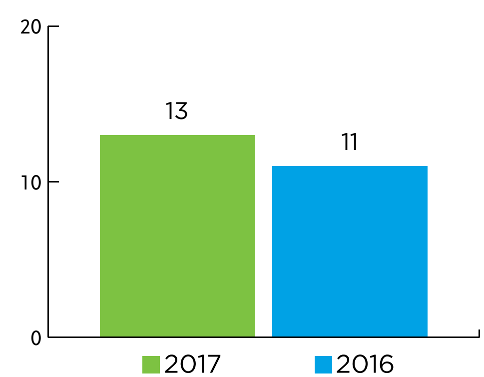
	2017	2016
Revenue	421	411
Assets	1,953	1,928

SAGICOR GROUP JAMAICA- NET INCOME



	2017	2016
Revenue	592	524
Assets	2,836	2,674

SAGICOR USA - NET INCOME



	2017	2016
Revenue	159	149
Assets	1,982	1,901

TECHNOLOGY & INNOVATION

“Investing in technology to bring real value to our clients.”

TECHNOLOGY & INNOVATION

Sagicor's investment in Information Technology (IT) is a key component in supporting customer satisfaction, growth, and profitability goals. Sagicor's IT strategy is focused on accelerating all facets of our business and enhancing our reputation for quality. The following are a few of 2017's technology highlights.

ELECTRONIC APPLICATION

At Sagicor USA, the new Accelewriting platform is a state-of-the-art automated underwriting system for Simplified Issue products. Recognised by Celent as the winner in the Digital and Omnichannel category, the technical platform provides real-time underwriting decisions within minutes. Building on the successful introduction in the US, this capability was deployed across all Sagicor territories in the Southern Caribbean. Its real-time underwriting brings the value of insurance to our customers. In the Caribbean context, the total elapsed time required to create an insurance application, and move it through the entire review and approval process is experiencing reductions of up to 50%, with additional improvements to come.

MOBILE APPLICATION

Sagicor Go is a new service that enables customers to access their policy information as well as general information on insurance from smartphones and tablets. Available in Apple's App Store and Google's Play store, Sagicor Go allows customers and policyholders to view details and balances for life insurance policies, view general product information, and locate a Sagicor branch.

DIRECT TO CONSUMER

Direct to Consumer is a programme that introduces innovative change to our industry. Initially designed for the US marketplace, SagicorNow is a new way for consumers to secure life insurance. It is a fast, fully online experience. US consumers can obtain life insurance coverage up to US $1,000,000 on term or up to US $250,000 on whole life in just 20 minutes. With SagicorNow, getting life insurance has never been easier. This initiative will be rolled out to the Caribbean in 2018.

CORPORATE & SOCIAL RESPONSIBILITY

"We are honoured to support
the people and places in our communities."

CORPORATE & SOCIAL RESPONSIBILITY

HEALTH

SAGICOR LIFE INC, BARBADOS

HEALTHY CARIBBEAN COALITION PARTNERSHIP

In May 2017, Professor Sir Trevor Hassell, President of the Healthy Caribbean Coalition (HCC) presented the organisation's Strategic Plan 2017 – 2021 to its major funder, Sagicor. The Plan assessed the work of the organisation and regional NGOs, and also put forth strategies on how to better combat non-communicable diseases (NCD's) over the next five years. Since 2008, the HCC has worked primarily with regional, non-governmental organisations (NGOs) to align civil society action with the mandates of the Port-of-Spain Declaration, which was ratified to address the NCD epidemic affecting the Caribbean. September 2017 marked the 10th anniversary of the Declaration.

BREAST CANCER AWARENESS PINK WEEK

In October, as the Barbados Cancer Society marked Breast Cancer Awareness month, Sagicor did its part to raise awareness by encouraging women to undergo breast examinations. During "Pink Ribbon Week" the Mobile Breast Health Clinic was hosted by Sagicor Life Inc's Collymore Rock office in Barbados, and both staff and customers were encouraged to visit and receive free manual breast examinations from nurses who also provided guidance on the technique and stressed the importance of early detection.

SAGICOR LIFE INC & SAGICOR GENERAL INSURANCE INC, BARBADOS

GLOBE-A-THON 5K WALK & RUN TO END GYNAECOLOGICAL CANCERS

Sagicor was the title sponsor of this initiative in 2017, launching the event with a donation of ultrasound equipment to the Queen Elizabeth Hospital's Gynaecological Cancer & Diagnostic Unit. The equipment had been purchased with funds raised from the previous year's event. Held on the first Sunday in September, the event saw over 2,000 Barbadians complete the five kilometer course through the island's capital, Bridgetown to help raise awareness of prevalent gynaecological diseases and the importance of regular screening. Persons were further engaged with an online social media campaign, resulting in an additional $10,000 being raised towards the purchase of additional equipment for the hospital's gynaecological unit.

SAGICOR GROUP JAMAICA

SAGICOR SIGMA CORPORATE RUN

The first quarter of the year saw the 19th staging of the Sagicor Sigma Corporate Run with a record 25,320 participants, raising over USD $387,596 in cash and kind. Proceeds were divided among three beneficiaries. Medical equipment valued at USD $170,542 was presented to the Spanish Town Hospital Special Care Unit and the Mandeville Regional Hospital Neonatal Intensive Care Unit in November and December, respectively, while the handing over ceremony for the Bethlehem Home for Abandoned Children, is slated for late 2018. Proceeds from the event also funded a number of refurbishment projects, improving the ambiance at all three locations, and a much-needed vehicle was purchased for The Bethlehem Home for Abandoned Children.

COMMUNITY HEALTH TOUR

In keeping with its health mandate, the Sagicor Foundation impacted eight parishes in Jamaica with its annual Community Health Tour. Utilising the Sagicor Mobile Wellness Units, the exercise aims to provide basic and essential healthcare services to Jamaicans who ordinarily are neither able to access, nor afford them. Free health checks were provided to over 6,000 persons, inclusive of blood pressure, blood sugar and blood cholesterol tests, as well as vision and eye checks.

SICKLE CELL DONATION

In August, the Sagicor Foundation donated JAD $2 million to support the Sickle Cell Trust in its research efforts, enabling the continuation of a research project that had generated much awareness about the disease some years ago.

KEEPING ABREAST LUNCHEON

In October, the Sagicor Foundation also continued its support of the Jamaica Cancer Society's premier fundraiser, the annual "Keeping Abreast" luncheon, which honours cancer survivors. Sagicor's support was given in both cash and kind. Held during Breast Cancer Awareness Month, proceeds helped support the Cancer Society's ongoing programme of screening and education. In previous years, funds raised have also been used to assist women undergoing cancer treatments.

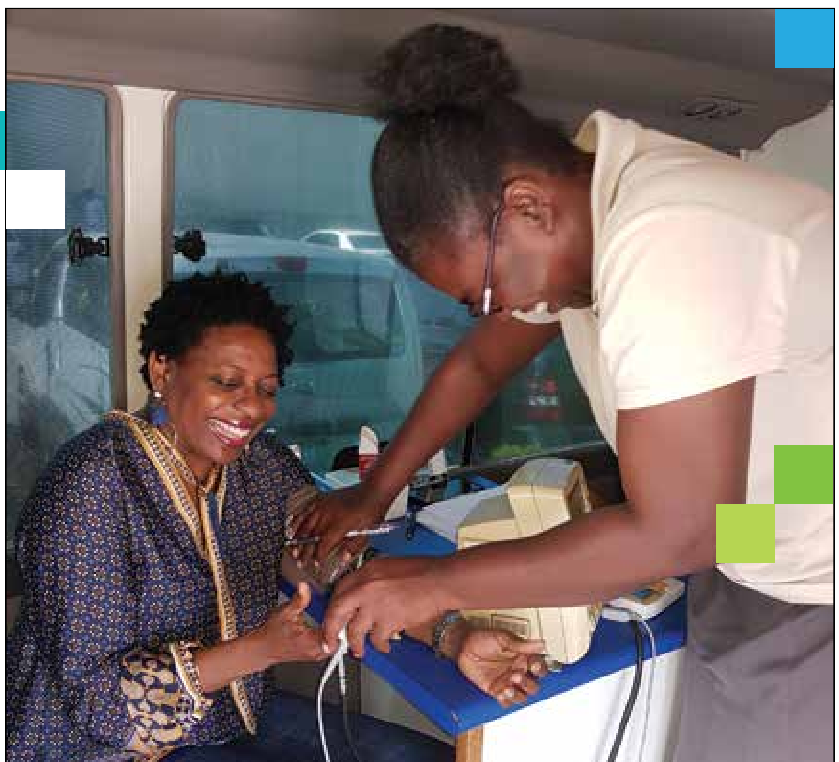
1

SAGICOR LIFE INSURANCE COMPANY, TAMPA, USA

WALK TO CURE ARTHRITIS

Sagicor was once again a General Sponsor of the Walk to Cure Arthritis, held in May by the Tampa Bay chapter of the Arthritis Foundation. The Walk to Cure Arthritis takes place annually in a number of cities throughout the United States and the proceeds help fund research aimed at finding a cure for the condition, America's leading cause of disability. This was the 9th consecutive year for Sagicor's corporate support of the event, with a further $2,745 being raised by staff who were inspired to form a team and participate in the walk. Sagicor was recognised as being the #1 Corporate Fundraising Team for 2016, taking the spotlight during the Night of Heroes Awards Reception at the picturesque Westshore Yacht Club in July.

2



3

4

1. *Ready Set Go! Participants at the 19th staging of the 2017 Sagicor Sigma Corporate Run in Jamaica.*
2. *Journalist Janet Silvera (left) gets a health check from nurse Marlene Cox on the Sagicor Foundation's Health Tour in St James, Jamaica. The Sagicor Mobile Unit toured across the island, doing free health checks at nine (9) Sagicor locations.*
3. *Team Sagicor, recognised as the #1 Corporate Fundraising Team at the Walk To Cure Arthritis in Tampa.*
4. *Sagicor Foundation presents its JAD $2 million donation to the Sickle Cell Trust's former Chairman, Professor Graham Serjeant.*

1

2

EDUCATION

SAGICOR LIFE INC, BARBADOS

SAGICOR ADOPT-A-SCHOOL

Sagicor continued its Adopt-A-School programme, offering support to eleven primary schools across the island. Assistance was offered to students, parents and teachers in the areas of financial and personal mentorship, and beautification projects included renovations to the schools' surroundings. Supplies and stationery were also provided over the course of the school year, and students benefitted from a special campaign promoting good health and nutrition.

GIRLS IN INFORMATION COMMUNICATION TECHNOLOGY (ICT) DAY - CARIBBEAN HACKATHON

Sagicor recognised April 27, 2017 as "Girls in Information Communication Technology (ICT) Day". A Gold Sponsor of the Barbados segment of the Caribbean Hackathon, Sagicor Life Inc sponsored a team of students for the event, which was held simultaneously in Jamaica and Trinidad. Participants were young women from various Barbadian secondary schools and the University of the West Indies, Cave Hill, and they assembled at the Sagicor Cave Hill School of Business and Management to learn more about current areas of technology and participate in activities such as app development, coding and programming.

HEALTHY BODY INITIATIVE

In June, an initiative to raise awareness of childhood obesity and its physiological consequences was rolled out to students participating in the Sagicor Adopt-A-School programme. Each adopted school was given health-related activity books at the start of the new year, and were encouraged to start health clubs for their students. Later in the school year, a full day of activities was held at the Usain Bolt Sports Complex at the University of the West Indies (UWI), with the ultimate hope of inspiring a new generation of young athletes and sports enthusiasts. Under the guidance of the UWI Academy of Sport's professional coaches, the students participated in cricket, football and track and field drills and were given tours of the newly built facilities, before wrapping up the day with a seminar on diet and nutrition.

1. *Representatives from Sagicor Life Eastern Caribbean Dominica with recipients of the Student Education Grants.*
2. *Children from the Adopt-A-School initiative presented with their Healthy Body Books.*
3. *GSAT and tertiary scholarship recipients at the Sagicor Scholarship Awards Ceremony.*

INNOVATE BARBADOS

Sagicor supported a seminar entitled “Imagine Tomorrow – The Blue Flame Challenge”, as part of the Barbados Investment & Development Corporation’s annual Innovate Barbados conference. The conference examined novel strategies and concepts needed to propel Barbados forward in the areas of Renewable Energy, Health, Wellness and Wellbeing, Creative Industries and Cuisine. In the Sagicor-sponsored segment, young people were challenged to imagine what Bridgetown 2025 would be like in terms of accessibility, commerce, food security, green space, transportation, energy, infrastructure, waste management and security.

SAGICOR LIFE (EASTERN CARIBBEAN) INC, DOMINICA

STUDENT EDUCATION GRANTS

At the beginning of the school year, twelve students whose parents were Sagicor policyholders were rewarded for their hard work during the previous term. Education grants of EC $500 were presented to the six students advancing from primary to secondary school, while grants of EC $1,000 were presented to the six students advancing to college. The grants encouraged continued excellence in their academic endeavours.

SAGICOR LIFE (EASTERN CARIBBEAN) INC, ST KITTS & NEVIS

PUBLIC LIBRARY READ-A-THON

Over the Easter school break, the Charles A. Halbert Public Library in St. Kitts & Nevis hosted a Read-A-Thon for children and Sagicor donated prizes in the form of gift certificates from a local book store. Students were encouraged to read as many books as possible, and their recall and understanding of what they read was evaluated.

SAGICOR LIFE INC, CURACAO

GIVING BACK TO BONAM

In September 2017, Sagicor donated 10 laptops to the Bonam Homework Centre, replacing computer equipment previously stolen from the centre. In keeping with its commitment to education, Sagicor staff partnered with the team at the Bonam Centre to offer a computer literacy programme, and volunteered to give their time on a weekly basis over a six-month period.

SAGICOR LIFE INC, TRINIDAD & TOBAGO

DEEP SEA WONDERS OF THE CARIBBEAN

In January 2017, Sagicor was a proud sponsor of the ‘Deep Sea Wonders of the Caribbean’ educational video series and book, produced by the National Institute for Higher Education, Research, Science and Technology. The series aims to foster greater understanding and appreciation of the region’s deep-sea environment. It is based on the experiences of Dr Judith F. Gobin, lecturer in the Department of Life Sciences, the University of the West Indies, St Augustine, and part of the team of the EV Nautilus.

SAGICOR GENERAL INSURANCE INC, BARBADOS

WORKMANS PRIMARY

During an address at the 2017 graduation ceremony of Workmans Primary School, Sagicor congratulated all the students and teachers of the St. George institution for their outstanding performance over the past year, and pledged continued support for the school. Held at Sunbury Great House, the graduation event was sponsored by Sagicor General Insurance Inc in keeping with the group’s mandate to give back to the community. Having adopted the school, Sagicor staff joined with partners, teachers and parents to complete several projects, including the upgrade of bathrooms at the school.

SAGICOR GROUP JAMAICA

SAGICOR SCHOLARSHIP AWARDS

The Sagicor Foundation disbursed over US $155,039 in awarding sixty-eight exemplary secondary students with new scholarships in 2017. Thirty-seven of them were rewarded for exceptional performance in the national Grade

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Six Achievement Test (GSAT), while thirty-one others received awards for their academic performance, community involvement, volunteerism, strong leadership potential and financial need. The GSAT scholarship recipients included children of clients, team members and members of the Jamaica Defence Force. Scholarships were also awarded to the 2017 Champion boy and girl from the Jamaica Teachers' Association/Sagicor National Athletics Championship. Receiving almost US $2,000 each per year to cover tuition fees, the tertiary scholars were selected from some of Jamaica's top institutions, including the University of the West Indies; University of Technology Jamaica; Mico University College; the Caribbean Maritime Institute; Northern Caribbean University; University of the Commonwealth Caribbean, and the Edna Manley College of the Visual and Performing Arts.

ADOPT-A-SCHOOL

Sagicor Foundation's Adopt-a-School programme was re-launched in October in the child-friendly and festive Jamaica Pegasus Ballroom. This initiative aided infrastructural improvements at three rural basic schools, all with an aim of creating a comfortable environment for the toddlers. The newly adopted schools were the Haughton Grove Early Childhood Institution in Hanover, the AME Basic School in Clarendon, and the D'Frank Early Childhood Institution in Manchester. The Foundation hosted various activities at the schools throughout the academic year, and during the Christmas season the students were feted and given toys. Students from other adopted schools across the island were also given Christmas treats.

READING IS COOL

In May, during Child month, the Sagicor Foundation once again staged its second "Reading is Cool" event at the Hope Zoo, working in partnership with Lasco. Over 150 children from seven early childhood institutions and primary schools across Jamaica enjoyed a day of fun, frolic and 'edutainment'. The students, aged five to twelve, hailed from the Bath Early Childhood Institution, Westmoreland; Glendevon Primary & Junior High School, St. James; Maranatha Basic School, Kingston; New Day Primary School, Kingston; Rollington Town Primary School, Kingston; Small Treasures Child Care, Kingston; and Treadlight Primary School, Clarendon.

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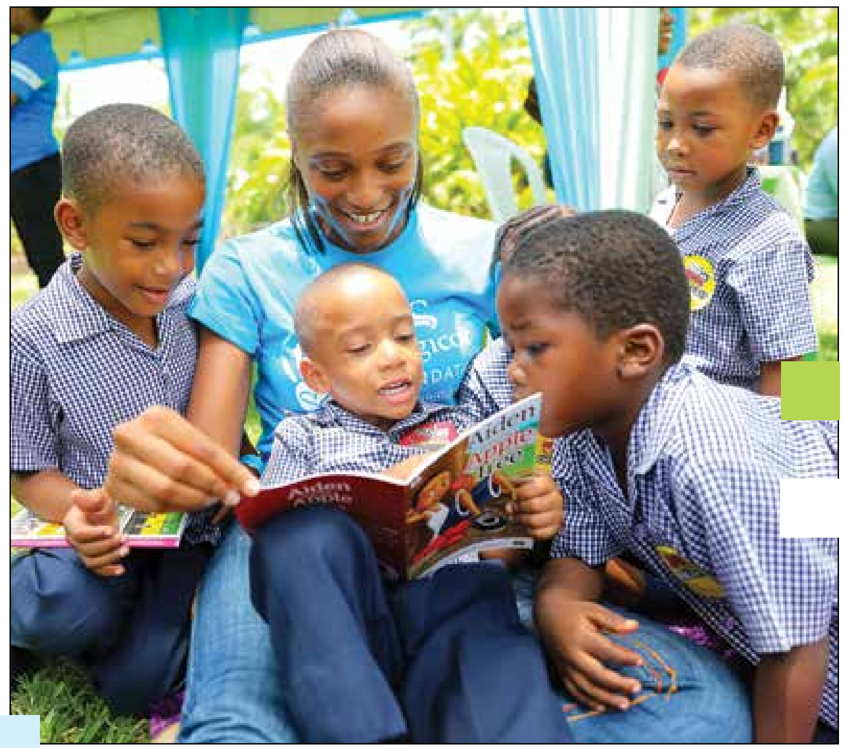

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1. *A student from the AME Basic School greets Christopher Zacca, President and CEO of Sagicor Group Jamaica, while Chairman of the Sagicor Foundation, R Danny Williams looks on during the launch of the 2017/2018 Sagicor Foundation Adopt-a School programme.*
2. *Students from Small Treasures Daycare are deeply interested in the story being read by Sherika Nelson, a Sagicor team volunteer at Sagicor's 'Reading is Cool' event.*

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3. *PCA Scholarship recipients with Bart Catmull (left), President and Chief Operating Officer, Sagicor USA, during the cheque presentation at the start of the Tampa Bay Rays vs Kansas City Royals Major League Baseball game.*

SAGICOR LIFE INSURANCE COMPANY, TAMPA, USA

POSITIVE COACHING ALLIANCE

Sagicor is a founding member of the Tampa Bay Chapter of the Positive Coaching Alliance (PCA), a non-profit organisation dedicated to developing better athletes and better people by providing resources to high school coaches, parents, administrators and student-athletes. In February, the PCA of Tampa Bay hosted a Triple-Impact Competitor® Scholarship event in downtown Tampa, following which, twenty-five high school student-athlete seniors from the area were selected as finalists and introduced to their designated PCA mentors. The inclusion of PCA mentors is a new component of the scholarship program.

In May, an on-field presentation was held before the start of the Tampa Bay Rays vs Kansas City Royals Major League Baseball game, during which Sagicor presented a cheque for US $50,000 to cover awards of $2,000 each for the 25 PCA scholarship finalists. Following the presentation, the scholarship recipients, their families, and friends watched the game from a fully hosted hospitality suite.

STEP UP FOR STUDENTS

Sagicor was once again a proud partner of "Step Up for Students", contributing US $100,000 in tax-credited contributions to expand opportunities for underprivileged families across Florida. Seventeen scholarships were funded for the 2016-2017 school year in support of a state-approved non-profit Scholarship Funding Organisation that helps administer both the Personal Learning Scholarship Account (PLSA) for special needs students, and the Florida Tax Credit Scholarship Programme, which is an income-based scholarship. Demand for these scholarships remains high in Florida, due in a large measure to the effectiveness of the programme.

LUAU, LUNCH AND LOOT

The 'Tropical Team' from Sagicor's Tampa office hosted a Luau-style feast and 50/50 raffle, raising US $851.19 for the Hillsborough County Education Foundation. Luau guests dressed in tropical attire befitting the theme, while enjoying music and games throughout the celebration

BT WASHINGTON HOLIDAY PARTY

Sagicor held its annual holiday party for the third-grade class of BT Washington Elementary at the public library next door to the school. Sagicor staff members started the day by packing up gifts for the children, transporting them and then decorating the library ballroom where the party was held. Later in the day, the staff served lunch to approximately 105 students and their teachers, also organising a DJ for entertainment.

HILLSBOROUGH EDUCATION FOUNDATION

In July, staff from the Tampa office spent time at the Hillsborough Education Foundation's Teaching Tools Store which provides free school supplies to economically disadvantaged students attending designated Title I schools. Currently, 149 of the 263 public and charter schools in Hillsborough County qualify for the Title I designation and the store served 140 of them. The Teaching Tools Store is stocked with donations from the community, using dedicated volunteers to sort donations, stock shelves and assist teachers in procuring supplies to take back to their classrooms for the children.

SAGICOR LIFE INSURANCE COMPANY, PHOENIX, USA

SAGICOR INTERNSHIPS

Sagicor continued its annual Actuary Internship programme, recruiting Jeremy Ryan and Kimiko Inouye in 2017. They both attended the ASU Actuarial Science Career Day in February as part of a wider recruitment campaign, with Jeremy representing Sagicor on a panel of actuarial analysts who shared their experiences in starting careers in Phoenix. Other Sagicor representatives interacted with students as well, promoting the benefits of interning with Sagicor. Sagicor interns from previous years who also took part in the event included Shea Ingram (Sagicor intern Fall 2015); Hieu Tran (Sagicor intern Fall 2016); and Julie Tang (Sagicor intern Spring 2016). Jeremy Ryan is now a full-time Sagicor Actuarial Analyst.

ARIZONA LUTHERAN ACADEMY FUNDRAISING GALA

In March, Sagicor became a first-time sponsor of the Arizona Lutheran Academy's (ALA) 6th Annual Benefit Gala, which provides tuition assistance and supplies non-budgetary items for the high school. Donated items such as gift baskets, craft beer, wine, dream vacation packages and a tour of the Samuel Adams Brewery in Boston were auctioned and outright donations were also made, helping the charitable event to raise nearly US $40,000. The gala was considered a tremendous success.

ANNUAL BACK TO SCHOOL CLOTHING DRIVE

Thirty-six employees from Sagicor's Scottsdale and Mesa Riverview offices donated over two hundred and sixteen hours to the annual Back to School Clothing Drive for children of low-income families, held at the Grand Canyon University Arena. During the event, staff assisted with registering students and distributing badges; stuffing and distributing backpacks; escorting students through the various departments; and serving as "personal shoppers" to ensure that shoes and clothing items fit each student. The recipients were children from the area, ranging from kindergarten through sixth grade.

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ADOPT-A-CLASSROOM SCOTTSDALE

Staff from the Scottsdale office had their annual Adopt-a-Classroom event, visiting a second-grade class at the Wilson Elementary School in downtown Phoenix. Sagicor spent approximately US $90 on each student, enabling each one to receive toys from their 'Wish List' to Santa along with clothes, a coat or jacket, and a pair of shoes and socks. During the event, the pupils received a snack and juice box while listening to Santa read stories. Most of the students at Wilson are from low income families and some are homeless, and each year Sagicor volunteers eagerly await the children's letters so that they can begin shopping.

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1. *Volunteers from Sagicor's Tampa office sorting stock for the Hillsborough Education Foundation's Teaching Tools Store.*
2. *Students trying out their new laptops donated by the Giving Back to Bonam initiative in Curaçao.*
3. *School Children are assisted by a Sagicor volunteer at the annual Back to School Clothing Drive in Arizona.*
4. *Sagicor Interns at the ASU Actuarial Science Career Day in Arizona.*

YOUTH & COMMUNITY DEVELOPMENT

SAGICOR LIFE INC, BARBADOS
CLASSICAL BEST OF YOUTH CONCERT

Sagicor's investment in youth development and culture in Barbados was demonstrated through its sponsorship of the "Classical Best of Youth Concert V" event in December. Organised by the Rotary Club of Barbados South, this was the fifth installment of the classical music concert and was entitled. "Pan and A Minor". Musical selections by the Barbados National Youth Symphony Orchestra were featured, along with those from a number of trained vocalists and steel pannists.

SAGICOR LIFE (EASTERN CARIBBEAN) INC, ST LUCIA
TELEVISION TRIBUTE TO GOVERNOR GENERAL OF SAINT LUCIA

In March, Sagicor sponsored the television premiere of a locally-produced biography on Dame Pearlette Louisy, Governor General of St Lucia. At the time of her retirement on December 31, 2017, Dame Louisy was the longest serving Governor General in the Commonwealth. The television programme aired on four local stations, and was also broadcast over additional stations in the region, the United States and the United Kingdom.

SAGICOR LIFE (EASTERN CARIBBEAN) INC, DOMINICA
PHENOMENAL WOMAN

In January, Sagicor participated in the 8th Phenomenal Caribbean Women Symposium, held in Cabrits National Park. This occasion provided a unique opportunity for Sagicor representatives to engage participants, and share financial solutions available to them in their professional environment.

SAGICOR LIFE (EASTERN CARIBBEAN) INC, CURAÇAO
VILLA HELENA

In December, Sagicor helped the Villa Helena guest house to complete work on their greenhouse. Villa Helena provides accommodation for people with mental and/or physical disabilities, enabling them to receive short-term care away from home thereby giving their caregivers a brief respite. Through the efforts of Sagicor staff, a brick path was installed, a water-resistant wooden table was built, and fruits and vegetables were planted. Staff also cleaned a birdcage and donated new birds, bringing joy to residents of the guest house.

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SAGICOR LIFE INC & SAGICOR GENERAL INSURANCE INC, TRINIDAD AND TOBAGO

FLOOD RELIEF

Sagicor Life Inc and Sagicor General Insurance partnered to launch "Our Brother's Keeper", a campaign devoted to assist families affected by the unprecedented rains and floods that affected southern and north-eastern Trinidad during the week of October 15th. The initiative saw care packages of cleaning supplies being delivered later that month to 160 families in the affected communities of Avocat, Vega de Oropouche, Sangre Grande, and Mayaro.

1. *A Sagicor staff member pots soil to begin replanting the greenhouse at Villa Helena.*
2. *Volunteers from Sagicor's Trinidad office handing over a cleaning supplies package to Sangre Grande residents affected by floods.*
3. *Team Sagicor excitedly complete laps around the track at the 2017 staging of Relay for Life.*

SAGICOR GROUP JAMAICA

LABOUR DAY

On May 23rd more than 400 Sagicor volunteers were involved in various Labour Day projects across the island. The teams successfully enhanced the learning environment in ten schools, undertaking structural repairs to buildings; fencing; painting; landscaping, and generally beautifying the compounds. Projects were completed at Bigswood Primary School, Mountainside District, St. Elizabeth; Rollington Town Primary School, Kingston; Colin's Close Basic School, Kingston; D'Frank Early Childhood Institute, Greenvale, Mandeville, Manchester; May Pen Unit for the Deaf, May Pen, Clarendon; Montego Bay Autism Centre, Montego Bay, St. James; Vision Academy, Tucker District, Montego Bay, St. James; Naggo Head Primary School, Portmore, St. Catherine; Chantilly Gardens Early Childhood, Chantilly Gardens, Savanna-Lar-Mar, Westmoreland, and Ocho Rios Primary School, Ocho Rios, St. Ann.

RELAY FOR LIFE

In July, the Jamaica Cancer Society's annual Relay for Life event was supported, with more than 300 Sagicor team members and their relatives numbering among the participants. The event recognises and pays tribute to cancer victims and survivors, fostering awareness about the disease. The event was held at the Police Officer's Club.

IMAGINE AWARDS

The inaugural "Sagicor Imagine Awards" were introduced in 2017 to assist promising young Jamaican entrepreneurs who either own an existing business, or who have developed a new business idea. It aimed to encourage creativity and entrepreneurial aptitude and entrants were asked to submit a well-articulated business plan outlining their business idea or concept, growth strategy and the funds required. Winners were presented with trophies and money to invest in their businesses. First place winner, Invitokens received a Sagicor Bank SME account valued at JAD $500,000, while second place winner, Billodex Limited received JAD $300,000. Third place finisher Castor Field Farms received JAD $150,000. The contestants made pitches to a judging panel which included some of Jamaica's leading business minds, such as Sagicor Group Jamaica's former President and CEO, Richard Byles, and Chairman Emeritus R Danny Williams.

JAMAICA ASSOCIATION FOR THE DEAF

The Sagicor Foundation also donated JAD $4 million to the Jamaica Association for the Deaf (JAD) in September, helping to establish a scholarship fund in honour of the late Herbert Hall. Hall served the association for over 50 years prior to his death last year. Having also served as chairman of the JAD in the 1960's, Hall is widely recognised as one of the insurance industry's stalwarts, having co-founded Life of Jamaica, now Sagicor Life Jamaica.

SAGICOR LIFE INSURANCE COMPANY, TAMPA, USA

CATHOLIC FOUNDATION EVENT

The Tampa Career Agency participated in the Tampa Bay Catholic Foundation's, "A Gift from the Heart" celebration. The purpose of the event was to raise scholarship funds for the benefit of students attending Tampa Bay area Catholic Schools. A formal dinner and presentation was held at the Hilton Hotel in Downtown Tampa, featuring Herm Edwards, former NFL star and current sports announcer, as the keynote speaker. The Tampa Career Agency worked with the Catholic Foundation to provide Sagicor products to those parishioners who made donations to the church.

HABITAT FOR HUMANITY

In June, a group of volunteers from the Tampa office met at a Habitat build site in the Citrus Park area of the city to work on the future home of the Jeon-Kim family. The home was approaching the final stages of construction and the team of Sagicor volunteers focused on landscaping, laying seven pallets of sod and planting various shrubs to adorn the property. The Jeon-Kim family, originally from North Korea, was scheduled to move into their new home at the end of the month.

One early October morning, a team of Sagicor staff members also helped Habitat for Humanity by doing some landscaping and touch ups on the new home being prepared for Leo Mejia on Kesler Lane. The team shoveled piles of stones, dug holes for plants, installed and repaired irrigation and covered the front yard with landscaping rocks. Over six trees and several plants were installed. Work was also done in the kitchen, where painting was done, and a new countertop and vent covers installed.

JOHNS HOPKINS ALL CHILDREN'S HOSPITAL

Each year Sagicor staff members join with Rays players to conduct a series of hospital visits to the Johns Hopkins All Children's Hospital in St. Petersburg, Florida, giving away Sagicor-branded baseball pillows on each occasion. Rays players also take the opportunity to give out autographed baseball cards to the young patients. These "Kids Spirit Day" visits bring smiles to the brave young patients and are always appreciated by the parents and hospital staff.

In May, Sagicor staff members joined with Tampa Bay Rays shortstop Daniel Robertson and catcher Wilson Ramos for the first of the year's four hospital visits. The second visit took place in June, where Rays pitchers Tommy Hunter and Danny Farquhar, along with Raymond the mascot, visited with children, parents and staff for approximately two hours. During this visit, some patients

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received complimentary Rays' tickets, and Tommy Hunter played some make-shift baseball with an eager young patient anxious to show off her skills. On the third occasion, shortstop Matt Duffy, outfielder Mikie Mahtook and Raymond the mascot were accompanied by Sagicor staff members, spending approximately two hours at the hospital. Mahtook made special visits to children who had recently undergone bone marrow transplants, donning a fresh disposable gown, mask and rubber gloves before entering each room. In August, the Rays made their final visit for the year, and Sagicor staff members, Rays pitchers Nathan Eovaldi and Jake Faria made their rounds in the hospital, leaving gifts, autographs, and big smiles with the patients, families, and nurses. Raymond the mascot posed for selfies with Faria and friends, while Eovaldi interacted with as many patients as possible, while observing the strict no-contact policies.

In December, Sagicor participated in the 10th Annual "US 103.5 FM Cares for Kids" radiothon, raising a total of $406,488 for the Johns Hopkins All Children's Hospital. The 2017 event saw several Tampa staff members working the phone banks, accepting donations and pledges from callers. One Sagicor employee went on air to present the company's $10,000 donation, also taking the opportunity to talk about Sagicor and its community activities. This was the ninth consecutive year that Sagicor had participated in either the hospital's telethon or radiothon, donating an accumulated total of $90,000. The hospital is part of the Children's Miracle Network.

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Tampa staff members attending their Sagicor holiday party were asked to donate an unwrapped gift appropriate for a teenager. The gifts were then delivered to Johns Hopkins All Children's Hospital just before the holidays and added to other gifts being collected by the hospital for distribution to patients on Christmas Day.

RAYS PARTNER LUNCH

Sagicor is a proud partner of the Tampa Bay Rays, and as Sagicor's largest partnership, the Tampa Bay Rays provides Sagicor with consistent exposure for seven months out of the year. The Tampa Bay Rays hosted a Partner Lunch aboard the Yacht StarShip, which featured an address by Rays President, Brian Auld. He thanked the attendees for their partnerships and gave an update on what might be expected from the team moving forward. A Q&A session followed, and there was a meet-and-greet with players Steven Souza Jr., Chase Whitley and Álex Colomé. The highlight of the event came when a member of the Sagicor team had the winning raffle ticket and was presented with the top prize of a baseball jersey signed by former Rays third baseman Evan Longoria.

1. *Team Sagicor under instruction for the landscaping of a home for the Jeon-Kim Family as part of a Habitat for Humanity Project.*
2. *Sagicor Group Jamaica's President and Chief Executive Officer, Christopher Zacca (left) and Sagicor Foundation Chairman, R Danny Williams (second left) present a cheque for JAD $4 million to Iris Soutar, Executive Officer at the Jamaica Association for the Deaf and Christopher Williams (right), Chairman of the Jamaica Association for the Deaf.*
3. *Tampa Bay Rays player, Nathan Eovaldi, sharing a warm hug during a visit to Johns Hopkins All Children's Hospital.*
4. *Team Sagicor USA at the Rays Partner Lunch.*

TAMPA CHAMBER OF COMMERCE

Tampa Career Agents attended a networking reception organised by the Tampa Chamber of Commerce to honor the contributions of senior enlisted members of the military residing in the area. A member of the Chamber of Commerce, Sagicor purchased ten tickets to support the event, held on the MacDill Air Force Base. For each civilian ticket purchased, a senior enlisted member received a complimentary ticket.

METROPOLITAN MINISTRIES

In August, a group of Tampa staff made its way to Metropolitan Ministries to sort a warehouse full of donated school supplies and prepare back-to-school packs for local low-income Hillsborough children. The Sagicor volunteers ensured the quality of the items and assisted with the distribution to those in need.

99.5 WQYK GUITAR PULL

Sagicor was a sponsor of the 3rd annual Guitar Pull concert presented by Tampa country radio station, 99.5 WQYK FM at the Straz Center for the Performing Arts in downtown Tampa. The Guitar Pull was a unique concert experience, featuring a host of artists on stage at the same time, taking turns performing songs and swapping stories about the unique experiences they have had during their careers. Featured artists included Big & Rich, Jon Pardi, Chris Jenson, Joe Nichols, High Valley and Danielle Bradbery. As part of its sponsorship, Sagicor provided free valet parking for the first 500 persons arriving by car, and Tampa Career Agents were able to promote Sagicor and its products prior to the show and during intermission. Sagicor also organised a draw, with the prize being a free Martin Guitar autographed by the performers.

COMMUNITY SERVICE WALL

The Tampa office recently established a community service wall to highlight the corporate and social responsibility activities undertaken in their community. Displayed on the wall were certificates and plaques presented to Sagicor for its participation in various community events and its corporate donations to organisations. Another feature of the wall was a collection of photos featuring staff members involved in community service projects.

SAGICOR LIFE INSURANCE COMPANY, PHOENIX, USA

BREAKFAST BONANZA STAFF FUNDRAISER

The Scottsdale office kicked off their staff fundraising efforts with a series of breakfast-themed events. The 'Sagicor Bakery Store' team offered Dunkin Donuts and homemade cookies during the first week of March, followed by the 'Bagel Blowout' in the second week. As an added bonus to buying the delicacies, for every dollar donated, participants chose a raffle ticket from one of six different raffle options.

HABITAT FOR HUMANITY

All Sagicor locations in the USA are active in their local Habitat for Humanity chapters. Over the years, volunteers have performed many different jobs and the tradition was continued in April, when staff worked on a new-build project of three-story townhouses, wearing hard hats and carrying hammers and electric drills. Their task for the day was to install dry-wall on various levels of the units.

SALVATION ARMY WATER DRIVE

'Team 2' from the Scottsdale office raised money for the Salvation Army Water Drive through its 50/50 raffle, with the grand prize winner taking home half of the pot. USD $1,024 was collected as a result of the raffle, with USD $512.00 being donated to the Salvation Army. The Salvation Army's Extreme Heat Emergency Project was launched in the summer of 2005, after a prolonged heat wave resulted in the deaths of twenty people in the Metropolitan Phoenix area. During the summer months, eleven hydration stations were set up to provide bottled water, sunscreen, moisturiser with SPF, lip balm, hats, bandanas, cooling towels and sun safety information for the homeless and less fortunate. Monetary donations were also provided through the project.

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PHOENIX CHILDREN'S HOSPITAL GIVE-A-THON

Now in its 17th year, the annual Phoenix Children's Hospital (PCH) Give-A-Thon remains the top fundraiser of its kind in the whole country, successfully collecting over US $1.66 million in donations over a nineteen-hour period. Sagicor maintained its usual support to PCH in 2017, donating both funds and volunteer time to the event. Staff from the Scottsdale office volunteered to work as greeters, also manning the phone bank, answering calls and taking donations. The funds raised were donated to the hospital's Hope Fund which helps finance research projects, new clinical programmes and technology. It also enables the hospital to recruit world-renowned physicians, funds child- and family-friendly services and provides healthcare to children in the community who are in need.

PHOENIX CHILDREN'S HOSPITAL GOLF TOURNAMENT

Sagicor was a proud sponsor of the 19th Annual Phoenix Children's Hospital Golf Tournament Fundraiser. The tournament was a 4-person scramble with fun activities at every hole. Additionally, Sagicor sponsored a hole to help in support of this great cause.

SAGICOR LIFE INSURANCE COMPANY, OKLAHOMA, USA

OKLAHOMA REGIONAL FOOD BANK

Volunteers from the Oklahoma City office gave two days of service to the Oklahoma Regional Food Bank, helping to assemble meals for the Food Bank's Kids Café. Students across the Oklahoma City metro area enrolled in after-school programmes received meals from the Kids Café, representing more than 37 percent of the Regional Food Bank's emergency food recipients. In previous years, the Regional Food Bank's Food for Kids programme distributed almost 3 million meals to more than 37,700 children.

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1. *Sagicor USA's Community Service Wall in the Tampa office.*
2. *Team Sagicor Arizona at the Phoenix Children's Hospital Give-a-Thon.*
3. *Sagicor volunteers from the Oklahoma office at the Regional Food Bank.*

SPORT

SAGICOR LIFE INC, BARBADOS

UNIVERSITY OF THE WEST INDIES (UWI) GAMES

In May 2017, Sagicor sponsored the 2017 University of the West Indies (UWI) Student Games at the Usain Bolt Sports Complex. The nine days of competitive events, in which the region's top student athletes showcased their talents, attracted hundreds of athletes, officials and supporters from across the Caribbean.

NATIONAL SPORTS COUNCIL SUMMER CAMP

During the months of July and August, the Barbados National Sports Council once again hosted a Sagicor sponsored summer camp for children aged eight to sixteen, offering over twenty sports disciplines at various locations across the island. The camp featured workshops and special visits, and in 2017 there was a special session with former Barbadian Olympian and swimmer, Lani Cabrera. Cabrera, who represented Barbados at the 2016 Summer Olympics in Rio, Brazil, shared her journey to the Olympics with enthusiastic campers, stressing the importance of setting goals, sacrifice and determination to achieve one's dreams. Campers also benefited from a session with recognised sports nutritionist, Kimberley Rudder, who educated the children about proper diet and nutrition.

NATIONAL SPORTS COUNCIL YOUTH BASKETBALL TOUR

Sagicor provided financial support to assist twenty-four junior basketballers in reaching their fund-raising goal so they could attend the Dwight & Sheryl Howard Foundation Basketball Summer Camp in Atlanta, Georgia. Participants in the National Sports Council's basketball development programme, the junior players received training, mentorship and personal enrichment during the seven day summer camp which was founded by the parents of current NBA player, Dwight Howard Jr. Although the National Sports Council covered part of the cost, additional fund-raising efforts had to be undertaken to meet the full cost of the trip.

SAGICOR LIFE (EASTERN CARIBBEAN) INC, ST KITTS & NEVIS

INTERSCHOOL ATHLETIC CHAMPIONSHIPS

Sagicor continued its commitment to youth athletics with the sponsorship of the 41st edition of the Inter-School Championships at the Kim Collins Stadium in St Kitts. Top secondary school athletes competed, as close to 431 athletes from twelve tertiary and secondary institutions came together to create the largest inter-school event ever to take place in the twin-island nation. The annual athletic competition is the preeminent national event for amateur student athletes in the federation.

SAGICOR LIFE INC, BELIZE

SAGICOR PHOENIX WALK AND RUN

In September, the Sagicor Phoenix Walk/Run was held, with the 5K course beginning and ending at Sagicor's offices at Coney Drive, Belize City. The event supported both the Kidney Association of Belize, and the Belize Diabetes Association, giving participants an opportunity for personal rejuvenation. The event also served to sensitise Belizeans to ways to avoid kidney disease, while also promoting proper management and care of persons living with diabetes.

SAGICOR LIFE INC, TRINIDAD & TOBAGO

SAGICOR ST ANDREWS TOURNAMENT

The Sagicor St Andrews 17th Invitational Golf Tournament took place in April, attracting over 100 golfers to the greens. Proceeds from the event supported the Downs Syndrome Family Network (DSFN), whose focus is on providing parents or caregivers of persons with Downs Syndrome with the resources, support and answers they need to educate and develop the full potential of these individuals over their lifetime.

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1. Olympian swimmer, Lani Cabrera, with swimming students at the National Sports Council Summer Camp in Barbados.
2. Athletes sprinting for the finish line at the Interschool Athletic Championships in St Kitts.
3. The Sagicor management team flank the winners of the seven flights of the two-day Sagicor St Andrews Invitational Golf Tournament in Trinidad.
4.. And they're off! Runners at the starting line for the second annual Phoenix Walk Run, outside Sagicor's Coney Drive office, Belize City.

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SAGICOR PHOENIX WALK AND RUN

In April 2017, thousands participated in the second annual Sagicor Phoenix Walk and Run which raised TTD $100,000 for the Dyslexia Association and the Downs Syndrome Family Network, with each charity receiving $50,000. His Worship, The Mayor of Port-of-Spain, Joel Martinez, blew the starting horn for the one lap around the Queen's Park Savannah. Runners were treated to lighting displays and the sounds of tassa and steelpan at various points along the route,

SAGICOR JUNIOR LAWN TENNIS TOURNAMENT

In June, Sagicor continued its sponsorship of the 15th Sagicor Junior Lawn Tennis Tournament at the Trinidad Country Club, Maraval, where more than 90 junior players took part.

RED STAR UNDER-10 TOURNAMENT

Sagicor hosted the fourth annual Red Star under-10 Tournament, in addition to the Junior Lawn Tennis Tournament. This competition is an introductory beginners' tournament, whereby the siblings of participants from the junior competition are encouraged to enter.

SAGICOR GROUP JAMAICA

JTA/SAGICOR PRIMARY, ALL-AGE AND JUNIOR HIGH CHAMPIONSHIPS

Through a partnership with the Jamaica Teachers' Association (JTA), the Sagicor Foundation provided approximately US $62,015 in sponsorship toward the 34th staging of the Primary, All-Age and Junior High School National Athletics Championships. An energetic, two-day athletics competition, the June meet allowed over 1200 students in fifty-two track and field activities to showcase their athletic prowess at the National Stadium. Sagicor also provided over 200 team member volunteers to ensure the smooth execution of the two-day event, with the Sagicor Foundation offering two five-year scholarships at the secondary level to the Champion boy and girl of the meet.

SAGICOR LIFE INSURANCE COMPANY, TAMPA, USA

RAYS FAN FEST

As a major sponsor of the Tampa Bay Rays, Sagicor featured prominently during their annual Fan Fest at Tropicana Field, drawing approximately 20,000 fans. In addition to Sagicor's branded signage behind-the-plate, in the concession stand and on the outfield wall, Sagicor also conducted the "Salute to Education" in-game promotion, while the Tampa Career Agents in the Sagicor-branded tent registered individuals for their chance to win an autographed Kevin Kiermaier game jersey, major league baseball memorabilia,

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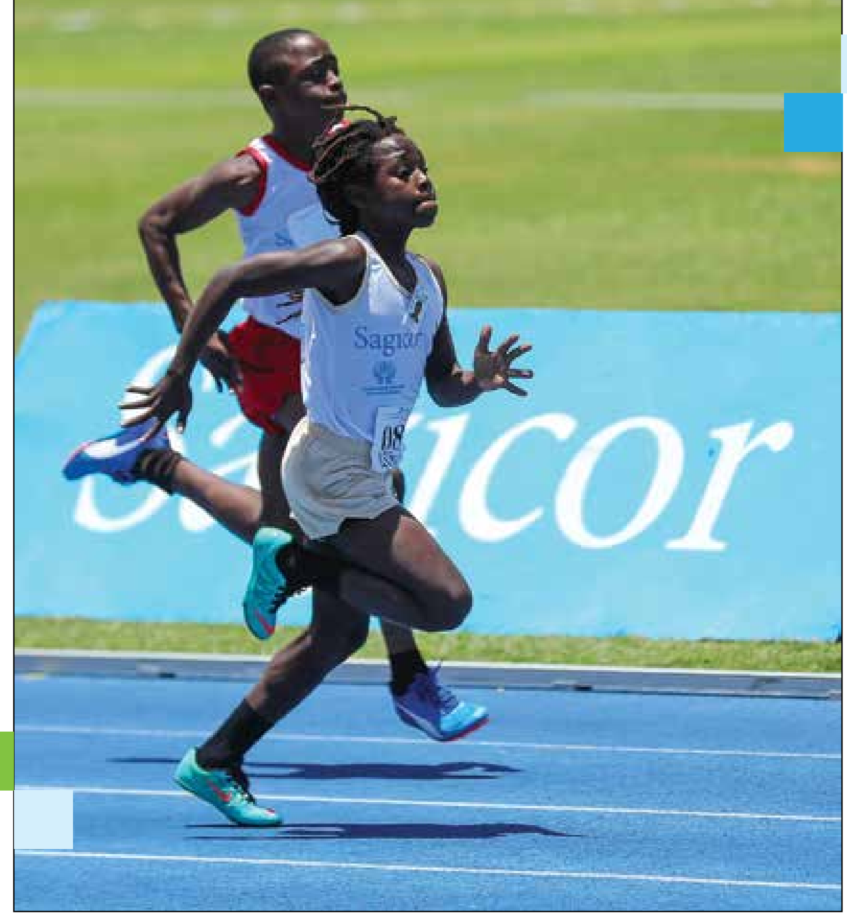
and Sagicor-branded items. Sagicor sponsored other aspects of the Fan Fest, such as the Coaches' Clinic, the High Five Station and a Run the Bases competition.

LIGHTNING BOLT RUN

Sagicor was the proud sponsor of the Tampa Bay Lightning's 16th Annual Bolt Run in March, which saw approximately 2,200 runners taking part in the 5K, 5 Mile, and 1 Mile Family Fun events. Career Agents Morris Windless and Magnos Beckett represented Sagicor at the event, manning the Sagicor-branded tent and giving out Sagicor branded foam hockey pucks and water bottles. They also were available to discuss Sagicor products and services with interested persons. Proceeds from the race were shared between the Lightning Foundation and local charities. Runners enjoyed a post-race party on the arena's plaza and received tickets to the Lightning's NHL Hockey game played later that evening.



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1. *Host, Sunny Bling, engages runners and walkers at the Sagicor Phoenix Walk Run, at the Queen's Park Savannah, Port-of-Spain.*
2. *A young tennis player gets ready to return a volley during the 14th edition of the Sagicor Junior Tennis Tournament in Trinidad.*
3. *The Sagicor Booth at the Rays Fan Fest, Tropicana Field in Tampa.*
4. *Young athletes race to the finish line at the JTA/Sagicor National Athletic Championships in Jamaica.*
5. *Tampa Career Agents engaging visitors to the Sagicor Booth before the 16th Annual Lightning Bolt Run.*

GOLFING WITH THE KNIGHTS OF COLUMBUS

Sagicor supported the Knights of Columbus charitable golf outing, raising funds to support the less fortunate in the community. The outing raised over $10,000 and an initial $5,000 cheque was provided to the St Vincent de Paul charitable organisation, one of the groups supported by the fundraising.

BIG LEAGUER FOR THE DAY

During April, two members of Sagicor USA were in a group of approximately 50 Tampa Bay Rays corporate sponsors, and participated in what has become the annual "Big Leaguer for a Day" event. Participants experience a day in the life of a Major League ballplayer, starting off by dressing out in an official Tampa Bay Rays uniform, complete with their last name on the back of the jersey. Throughout the day, the group visited several skills stations where they benefitted from hitting drills; batting practice; pitching; fielding pop-ups and fly balls in the outfield, and taking infield grounders. After a lunch of traditional ballpark food favourites, the participants were divided into teams and played a game just like the pros.

SAGICOR LIFE INSURANCE COMPANY, PHOENIX, USA

SAGICOR KICKOFF KID

For the fifth consecutive year, Sagicor partnered with Arizona State Football to sponsor the Kickoff Kid contest which saw one young Sun Devil fan, between six and twelve years old, receive tickets to the game, as well as a t-shirt and an autographed football. The lucky winner also got the privilege of running onto the field and retrieving the kicking tee after the opening kickoff. They were also featured on the big video board in the stadium.

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1 *Sagicor USA's Laura Morrison, Vice President Sales, and Shaun Williams, Chief Financial Officer, became Big leaguers for the day compliments of the Tampa Bay Rays.*

2. *(l-r) Professor Sir Hilary Beckles, Sagicor Financial Corporation Limited Director; Donald Austin, President and Chief Executive Officer, Sagicor Life (Eastern Caribbean) Inc; J Edward Clarke, Sagicor Life Inc Chief Operating Officer and General Manager; and Brenton Hilaire, Sagicor Life Inc Dominica Agency Manager presenting US $100,000 for hurricane relief.*

3. *Dominican patrons proudly wearing their national colours at the Celebrity Tournament.*

SAGICOR FINANCIAL CORPORATION LIMITED
CELEBRITY T20 CRICKET HURRICANE RELIEF BENEFIT

In November, the University of the West Indies, Cave Hill Campus, and Sagicor Financial Corporation Limited came together to host the Celebrity T20 Cricket Hurricane Relief Benefit in aid of the many Caribbean islands which suffered significant damage during the passage of hurricanes Irma and Maria.

Among the participating celebrities were cricketers Fidel Edwards, Sulieman Benn, Dwayne Smith, Floyd Reifer, Vasbert Drakes, Tino Best, Ian Bradshaw, Dale Richards, Daren Ganga, Rayad Emrit, Ramnaresh Sarwan, Curtly Ambrose, Franklyn Rose and Yohan Blake. Vice-Chancellor of the UWI, Professor Sir Hilary Beckles also played on the Sagicor-UWI Icons side.

The match was held at the Sagicor 3W's Oval at the UWI Cave Hill Campus in Barbados, and saw the Prime Ministers' XI play against a Sagicor-UWI Icons XI. While admission was free, members of the public were asked to give generously by making cash donations at the match. Funds raised were directed towards the rebuilding of hospitals and schools in the affected Caribbean countries.

During the first week of September, Hurricane Irma hit Anguilla, Antigua and Barbuda, Cuba, the Virgin Islands, and St. Maarten/St Martin. The system continued its destructive path to the Turks and Caicos Islands and the northern border of Haiti, as well as the southeastern islands of the Bahamas. Then, the category 5 Hurricane Maria descended on Dominica on September 18. Guadeloupe, St. Kitts and Nevis, the Virgin Islands, Puerto Rico, the northeastern coast of the Dominican Republic, and the southeastern Bahamas were all impacted.

This partnership was one initiative of a larger two-phased approach to response efforts by The UWI. Phase 1, or the "rapid response" phase was largely concentrated on the deployment of relief aid and experts to assist in the areas of greatest need as identified by the impacted states, in conjunction with the Caribbean Disaster Emergency Management Agency (CDEMA), and regional Heads of Governments.

Phase 2, or the "recovery and rehabilitation phase", focuses on the mobilisation of funding and expertise to assist in the restoration of these affected islands, with special priority, from The UWI perspective, on the sectoral areas of education and healthcare.

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HUMAN CAPITAL REPORT

"We manage our people
to ensure we achieve our productivity
and strategic goals to better serve our clients."

ORGANISATIONAL TRANSFORMATION

The Human Resources Committee of the Board of Directors and Executive Management continued to guide organisational transformation through several projects and new initiatives. At the Executive Management level, the Sagicor Group completed the following successful transitions, driven by retirements, regional transfers and new talent acquisitions.

CHANGING OF THE GUARD

SAGICOR LIFE INC, SOUTHERN CARIBBEAN

Mr Richard Kellman retired as Group Chief Operating Officer with responsibility for Sagicor Life Inc Southern Caribbean on December 31, 2017, a position he had held since November 2009. During the past eight years, he provided entrepreneurial leadership, guidance and oversight of the Sagicor Group of Companies, while serving as a member of the Executive Committee and member of the Board of Directors of Sagicor Financial Corporation Limited. He will continue to serve on the Board of Sagicor Financial Corporation Limited.

Mr 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 at Sagicor Financial Corporation.

SAGICOR GROUP JAMAICA LIMITED.

Mr Richard Byles retired as President and Chief Executive Officer of Sagicor Group Jamaica Limited on April 30, 2017, having held the post since 2004. Under his leadership the Group evolved through a series of acquisitions, the most recent being the purchase of the banking operations of RBC Royal Bank Jamaica. Mr Byles will continue to serve as the Chairman of Sagicor Group Jamaica Limited, replacing Dr the Hon R. Danny Williams who was subsequently appointed Director Emeritus on June 1, 2017. Mr Byles is also Chairman of the Board of Sagicor Real Estate X-Fund, and serves as a Director on the Boards of Sagicor Investments Jamaica Limited, Sagicor Life Jamaica Limited, and Sagicor Bank Jamaica Limited.

Mr Christopher Zacca was appointed to the post of President and Chief Executive Officer at Sagicor Group Jamaica Limited, effective May 1, 2017. Highly respected in the private sector in Jamaica, he has held senior management positions at Desnoes and Geddes, ATL Group, and Air Jamaica Limited. He has also had two stints as the President of the Private Sector Organisation of Jamaica, with the most recent term ending in 2014.

Mr Donovan Perkins retired as President and Chief Executive Officer of Sagicor Bank Jamaica Limited, following a career spanning some 25 years in the industry. He will continue to serve on the Board of Sagicor Bank Jamaica.

Other Executive and Key Senior Management Appointments

SAGICOR FINANCIAL CORPORATION LIMITED.

Ingrid Card has been appointed to the post of Vice President–Corporate Communications and Brand Experience at Sagicor Financial Corporation Limited. She was formerly Vice President-Group Marketing with Sagicor Group Jamaica Limited.

Rohan Miller has been appointed to the post of Head of Treasury with Sagicor Financial Corporation Limited. He has formerly served as the President and Chief Executive Officer at Sagicor Investments Jamaica Limited. and Sagicor Real Estate X-Fund Limited, and as the Chief Investment Officer at Sagicor Group Jamaica Limited.

Nari Persad has been appointed to the post of Group Chief Actuary with Sagicor Financial Corporation Limited, where he will assume leadership of actuarial functions in the USA and Southern Caribbean.

SAGICOR LIFE INC

Christian Pasea was promoted to the post of Vice President - Finance at Sagicor Life Inc, Trinidad and Tobago, with responsibility for Financial, Regulatory, Investment and Management Accounting.

SAGICOR GENERAL INC

Keston Howell was appointed to the post of President and Chief Executive Officer of Sagicor General Insurance Inc, on October 1, 2017.

Patrick Hinkson was appointed to the post of Chief Financial Officer at Sagicor General Insurance Inc, Barbados, with effect from November 1, 2017.

TRANSFORMATIONAL PROJECTS

TECHNOLOGY: SAGICOR SUCCESS PROJECT

In 2017 the Human Resources Departments across the Sagicor Group of Companies implemented an upgrade to the existing Sagicor Success Performance Management System, introducing an additional platform, *Employee Central*. This upgrade to the Human Resource Information Management System will permit greater operating efficiency, advancing the move towards a paperless environment as team member records are conveniently stored online. This will result in increased data reliability, make information on skills gaps and employees' achievements more accessible, and allow for a more strategic focus from the Human Resources Team. Team recognition should also be positively impacted as management will have access to more complete employee profiles.

FLEXIBLE WORKING ARRANGEMENTS

The workplace flexibility pilot program at Sagicor Life Insurance Company continued during 2017. As a result, workplace arrangements could be influenced as technology and the evolving workspace influence how, where and when work is performed.

CHANGE MANAGEMENT INITIATIVES

Sagicor Life Inc Southern Caribbean, partnered with the University of the West Indies Sagicor Cave Hill School of Business and Management to conduct a series of Change Management Workshops in support of the organisation's transformation initiative – *Sagicor Next*. The initiative aims to provide fora that enhance communication and feedback on the implementation of change and its impact on our people and our business, therefore strengthening commitment, engagement and personal performance within Sagicor as we look to the future.

A Change Management Committee chaired by Keston Howell, formerly the Executive Vice-President and General Manager for the Dutch Caribbean and Central America, steered the first phases of this project, but by the end of year, Robert Trestrail– Executive Vice President and General Manager in Trinidad and Tobago, had assumed the chairmanship. Workshops will continue in 2018, as this project moves into a new phase.

EMPLOYEE ENGAGMENT

Employee Opinion Surveys were facilitated by the Life Office Management Association (LOMA) in 2017, yielding impressive ratings for Sagicor Life Inc, Southern Caribbean, Sagicor USA and Sagicor Group Jamaica.

The surveys were confidential examining:

- Company image, organisational commitment and job satisfaction, to assess overall satisfaction with the company and jobs.
- The degree to which employees are involved in the functioning of the organisation.
- Leadership provided by Executive Management and by direct Supervisors.
- The degree of recognition and satisfaction with salary and benefits.
- The degree to which employees feel the company is a good place to work in terms of demands placed on them and the more general company environment in which they work.

Survey results for Sagicor Life Southern Caribbean indicated a satisfaction rating of 74.12%, reflecting a 2.3% increase over the last survey. Within this group, Sagicor Life Eastern Caribbean achieved top scores in all measured dimensions, increasing its ratings by 6.36% in the satisfaction index as compared to the last survey.

Sagicor USA earned a satisfaction rating of 80.16%, an 1.88% increase compared to the previous survey report, while Sagicor Group Jamaica recorded a satisfaction rating of 78.6%, an increase of 1.2% over the previous year. Notably, this was the highest rating ever achieved by Sagicor Group Jamaica in the annual LOMA Team Member Opinion Survey, with increased levels of satisfaction in all variables of the survey, particularly in the area of Company Image and Recognition.

The survey results provided valuable feedback from employees, and will guide the development of employee engagement initiatives and corporate branding programmes into 2018 and beyond.

ANNUAL MEETINGS

Companies throughout the Sagicor Group held their Annual "Kick-off" meetings in the new year, gathering employees and Sagicor Advisors to review the past year's performance and present strategies for the upcoming year. Branded with such motivational themes as "*Dare to Soar*", "*Blast Off*" and "*Sagicor Strong*", the upbeat meetings featured presentations from energised motivational speakers, executives and other business leaders who shared inspirational stories and success strategies to help individuals shape their personal plans for the new year. A distinctive feature of some of the meetings in the Southern Caribbean was a fireside chat with Mr Ravi Rambarran, newly appointed Group Chief Operating Officer with responsibility for the Southern Caribbean.

The new Sagicor Corporate Uniforms

NEW CORPORATE UNIFORMS

New Sagicor corporate uniforms were issued in 2017 to company employees in Barbados, Trinidad, the Eastern and Dutch Caribbean, and Central America.

PEOPLE DEVELOPMENT

SAGICOR GROUP OF COMPANIES

The Sagicor Group of Companies saw the delivery of a robust talent development program during 2017, reflecting its commitment to world-class learning and development interventions to increase productivity and engagement.

In Barbados, 301 team members were certified under the Competency Based Training Fund project which was funded by the Inter-American Development Bank and the Government of Barbados. Participants received training in the areas of Customer Service, Management, Leadership and Business Communication. Certification in the areas of Time Management, Stress Management and Conflict Management was also achieved by an additional group of 429 participants.

The introduction of a full business curriculum for the Sagicor University at the Sagicor Cave Hill School of Business in Barbados, and a scholarship programme is planned for 2018.

SAGICOR GROUP JAMAICA

In Sagicor Group Jamaica, the Learning and Development Unit developed and facilitated "*#Creating Smiles*," a client experience course which directly aligns with the Client Experience Group Strategy. Their Middle Managers' Development Programme provided accelerated leadership skills for participants, equipping them to meet the strategic goals of the Organisation. A new cross-training initiative also led to forty-three employees successfully transitioning into new opportunities.

SAGICOR LIFE INC TRINIDAD AND TOBAGO

In Sagicor Life Inc Trinidad and Tobago, 199 Sagicor Advisors were introduced to the Electronic Application Platform, an innovative automated application system. In addition, 400 staff and advisors were better equipped to manage internal and external customer encounters following their participation in the *Priority You* Customer Focus Programme. The company also developed a full curriculum comprising 120 business programmes for staff in 2017, which covered such topics as Performance Management, Financial Empowerment, Time Management and Entrepreneurial Skills, and Sagicor programmes and initiatives such as the Sales Cycle and Crossroads Pre-Management Programmes.

SAGICOR GENERAL INSURANCE INC

Sagicor General Insurance Inc introduced a new slate of corporate cultural standards and associated behaviours to its companies in in Barbados, Trinidad and Tobago, Antigua and St. Lucia. The five cultural standards are (1) Service Excellence, (2) Teamwork, (3) Accountability, (4) Urgency and (5) Integrity, and will be reflected all regions, to inspire consistency in corporate behavior and align employees with strategic objectives.

Leadership development was the focus of in-house training initiatives for the leadership team. Some of the topics covered were Employee Engagement and its link to critical business outcomes, Managing for Results, Managing Performance and Goal-setting. Key Performance Indicators to be achieved by successful leaders were also shared.

Sagicor General Insurance Inc continued to invest in the enhanced industry knowledge of its people through various general insurance certification programme s. Notable professional achievements in 2017 included:

SAGICOR GENERAL INSURANCE INC

1. Elizabeth Alleyne
   - Fellow, Life Management Institute (FLMI)
2. Ingrid Brathwaite
   - Fellow, Life Management Institute (FLMI)
3. Liesl Gajadhar
   - Fellow, Life Management Institute (FLMI)
4. Nathalia Smith - SHRM Certified Professional (SHRM-CP)
5. Michael Hoffman
   - Fellow, Life Management Institute (FLMI)
6. Michael Morrison
   - Associate of the Society of Actuaries (ASA)

ENGAGING TOMORROW'S LEADERS

YOUNG MILLENNIALS INITIATIVE

The year began with Sagicor Group President and Chief Executive Officer Mr Dodridge Miller hosting a series of highly engaging and interactive meetings for the company's young millennials under the theme, "*Engaging Tomorrow's Leaders Today*". Facilitated by the Sagicor Cave Hill School of Business, the sessions provided our millennials with a historical perspective of the company's development, and provided an opportunity for the future managers and leaders to put forth ideas pertaining to Sagicor's business, products and systems transformation. This pilot programme precedes the launch of the new "*Sagicor Young Leaders Initiative*" planned for the second quarter of 2018, which will hopefully inspire the millennials as they decide on and shape their own careers.

PRO-MILLENNIAL MENTORSHIP SOCIETY

The Pro-Millennial Mentorship Society was launched by Sagicor Group Jamaica in March 2017. The Society's membership now exceeds two hundred millennials (aged 18-35) across the Group. The strategic objective is the development of a team of the company's young leaders, with members benefitting from mentorship by Sagicor leaders as they become more adept in Financial Management, Personal Branding, Leadership, Communication and Interpersonal Skills. Community Service is also important, and the Society is required to undertake a project annually that will add value to Sagicor Group Jamaica.

SUMMER MENTORSHIP PROGRAMME

Also in Jamaica, the Sagicor Summer Mentorship Programme welcomed two-hundred and seventy-four (274) 6th-form high school and university students. The programme provided robust professional development experience, coupled with workshops on managing emotional intelligence, teambuilding and strategies for critically assessing and leveraging their skills and business competencies. Twenty-seven (27) of the participants have since returned to fill vacant roles in the Company.

Participants of the Summer Mentorship Programme.

MILLENNIALS ENGAGEMENT COMMITTEE

Sagicor General Insurance Inc established the Millennials Engagement Committee and the Engagement Committee; both Committees play a critical role in providing feedback on initiatives to be rolled out, and are champions of the organisational cultural changes being introduced.

INTERNSHIP PROGRAMMES

Sagicor Group Companies in Barbados, Trinidad and Tobago and the USA supported summer internships for five young Caribbean students under the 2017 Student Programme for Innovation in Science and Engineering (SPISE). The SPISE programme targets gifted Caribbean secondary school students interested in studying and exploring careers in disciplines related to Science, Technology, Engineering and Math (STEM), and is open to students of most Caribbean countries as well as those of Caribbean descent residing in the United Kingdom. SPISE is an integral part of the partnership between the Caribbean Science Foundation and the University of the West Indies, Cave Hill Campus in Barbados.

Funding for the SPISE Sagicor Visionaries Challenge also continued, with five tertiary students receiving awards.

Sagicor Life Inc Chief Operating Officer and General Manger for Barbados, Ed Clarke, with staff at the Millenials workshop for "Engaging Tomorrow's Leaders Today".

1. Quilee Simeon is a St. Lucian student who has completed an Associate Degree in Natural Sciences at the Sir Arthur Lewis Community College in Castries, St. Lucia, where he made the Dean's List and Honor Roll. He began his studies in Neuroscience at the Massachusetts Institute of Technology (MIT) in the Fall of 2017.

2. Kyra-Akilah Richards is a Dominican student who has completed an Associate Degree in Chemistry, Physics and Biology at the Dominica State College. She will begin studies in Medicine (Pathology) in 2018.

3. Kamau Bridgeman is a Barbadian who received a Barbados Scholarship in 2015. He is currently studying Electrical Engineering at the University of Toronto, Canada.

4. David Serrant is a Trinidadian student currently enrolled at the University of the West Indies, St. Augustine Campus. He is studying Mechanical Engineering and expects to complete his degree in 2018.

5. Obe Joseph is a Dominican student who is pursuing a Bachelor of Science degree in Industrial Engineering at the State University of New York at Buffalo, and anticipates graduating in May of 2019.

SAGICOR EXPERIENCE INTERNSHIP PROGRAMME

The Sagicor Experience Internship Programme is now in its fourth year, and continues to support and develop talented, bright university graduates with at least a Bachelor's Degree. The Programme offers valuable work experience and helps build confidence, and make a seamless transition to the workforce. The interns were placed in twenty-eight (28) different departments across all five (5) divisions, while aligning them with opportunities in sync with their career goals. The current cohort of 31 interns benefitted from multiple training sessions and meaningful work experiences during the invigorating three-month programme, which culminated at the end of December. A Showcase and Mingle event was also held, where the interns were organised into seven (7) groups and asked to present their ideas on how to make Sagicor a stronger organisation.

BARBADOS COMMUNITY COLLEGE STUDENT INTERNSHIPS

Sagicor Life Inc continued its partnership with the Barbados Community College, providing internship opportunities to students in the College's Divisions of Computer Studies and Commerce. Students from the Division of Health Sciences who were enrolled in the Health Information Management programme also participated. These internships allowed students to gain practical work experience, and in some instances, satisfy prerequisites for the completion of their Associate Degrees.

SAGE TOASTMASTERS YOUTH LEADERSHIP PROGRAMME

The SAGE Toastmasters Club, based at the Sagicor Corporate Centre in Barbados, successfully organised its inaugural Youth Leadership Programme, hosting 25 students between the ages of 10 and 17 years. The programme focused on building self-confidence and improving both written and oral communication skills.

2017 HEART TRAINEE PROGRAMME

The Sagicor Life Jamaica Group continues its partnership with HEART Trust NTA which provides employment opportunities for young Jamaicans. Graduates from these programs provide a strong pool of talent to support the Group's recruitment strategy.

2016 AWARDS HIGHLIGHTS

Barbados

The Annual Awards ceremony in 2017 recognized the outstanding performance of the following team members:

Janice Mullin-Sargeant - Most Outstanding Sagicor Advisor – Sagicor Life Inc - Barbados

Janice Mullin Sargeant captured four (4) awards, the President's Trophy for the fifth consecutive year; the Honour Club Diamond; the 100 Club; and the D.W. Allan Production Award.

The Leading Agency award in Barbados was won by the Nana Agency.

Nadia Chandler-Guy - the Manager of the Year award; **Samanta Pinder** - the Employee of the Year award; **Russel Campbell** - the Contributor of the Year award; and **Gillian De Roche-Austin** - the Pioneer of the Year award.

Trinidad and Tobago



Asha Nabbie, Manager of the Year; **Sergio Smith** – Employee of the Year; and **Marlon De Leon** – Agent of the Year

Sagicor General Inc - Barbados


Employee of the Year 2016 – **Andrea Evans** and Pioneer of the Year 2016 – **Yvonne Griffith**

Sagicor General Inc - Eastern Caribbean

Contributor of the Year 2016 – **Jason Edwin**

Sagicor General Inc - Trinidad and Tobago


Sagicor General Inc - **Lisa Mahabir** – Manager of the Year and **Garvin Ali** – Employee of the Year

Sagicor Life Eastern Caribbean Inc

Caril Archibald- Employee of the Year

Jennifer Tross-Clarke received the President's Trophy. This award is given to an Advisor who is a member of the Diamond Club, or a member of the 100 club who also won the leading advisor case count and NAC awards.

SAGICOR GROUP AWARDS:

Outstanding performance is also recognised at the Sagicor Group level. The coveted Sagicorian Awards are presented in two categories, to an outstanding Manager and non-managerial employee. The Contributor and Pioneer awards are presented for personal performance, Customer service and for innovation and creativity.

Asha Nabbie – The Sagicorian – Group Manager of the Year

Asha Nabbie was a Marketing Manager at Sagicor Life Inc in Trinidad and Tobago, who among other things, created a high-performance environment, challenging her reports to excel, and worked assiduously to collect and collate a myriad of documents from the relevant departments, both in Barbados and Trinidad as Project Co-ordinator for an important acquisition. She was an instrumental business partner on critical projects for product development and research, as well as projects related to her substantive role. She supported the development of two creative sales and reinstatement campaigns, which resulted in improved persistency rates, and increased Year on Year Annual Premium income by more than 19%. Asha has since been promoted to the post of Assistant Vice President Marketing, Research and Sales Support.

Garvin Ali – The Sagicorian – Employee of the Year

Garvin Ali is a Claims Specialist with Sagicor General Inc in Trinidad and Tobago. He copped the Rookie, and Contributor of the Year awards in SGI for the last three years and subsequently the Sagicor Group Contributor of the Year award. In 2016, he was selected to work on a special Subrogation project, where he recovered over $6 million in premium income. He was the only employee to consistently make referrals, resulting in earnings of over $83,000 in gross written premium in the 'Road Map To 65M' challenge for non-underwriting staff.

Russel Campbell – Group Contributor of the Year

Russel Campbell is a Mortgages Officer with the Mortgages Department of Sagicor Asset Management Inc in Barbados. He achieved 181% of his annual target, or $12.7 million in underwriting in approved and accepted new business, in an aggressive mortgage industry where competitors reduced interest rates to approximately 4%. His personal performance pushed the department to exceed its annual target for 2016.

Gillian De Roche-Austin – Group Pioneer of the Year

Gillian De Roche-Austin is a Customer Retention Officer with the Sales Department in Sagicor Life Inc in Barbados. Her project to implement strategies to mitigate lapses and surrenders, involved soliciting buy-in from sales staff at all levels through participation at sales meetings and other fora where she spoke on the issues impacting Sagicor Life's overall persistency. Gillian's advocacy efforts improved customer retention, the quality of customer service from our Sagicor Advisors, and the quality of business, as well as the creation of greater value for customers.

WELLNESS INITIATIVES IN 2017

Group Companies continued a series of Wellness intiatives that provided information on lifestyle, opportunties for Biometric testing for blood pressure, blood glucose, cholesterol and Body Mass Indices. Programs were presented under various themes including "Fit for Life", and provided staff with Fitbits to monitor physical activity. A range of programs that included Hike or Bike, Zumba, Group Exercise sessions , Line dancing, Dancersize, Healthy Fruit day intiative, a Womens Heath week, and Man Talk provided considerable diversity and choice for Sagicor Employees.

These programs take a preventative approach to providing Health Care and aim to provide information on Chronic lifestyle illnesses, influence life style changes, and so manage the national costs of providing health care.

A full suite of staff events saw some new innovations to the substantial calendar with the addition of the Spring Celebration, the Cinco De Mayo Salsa Challenge, the Taste of Freedom, and Paint and Sip events.

Super Bowl functions, photographic competitions, Movie nights, Family picnics, Thanksgiving Luncheons and themed Christmas parties are now part of the annual calendar. Local teams join national hikes and marathons and compete against other teams at football and cricket, and support national charities.

STAFF COMMUNITY PROJECTS AND OTHER EVENTS

The 2017 Hurricane Season captured international attention and tested the planning and training of the Crisis Management teams in the Caribbean, but particularly tested the training and the resolve of the Eastern Caribbean Crisis Management team. Since June of 2017, this team comprised of Branch Managers, members of the EC Executive Management team and Miss Kim Jones – Business Continuity Co-Ordinator went through the emergency plans with every business unit, ensuring compliance with the Business Emergency Plans (BEP). These plans were fully tested in August and September. As hurricane Irma approached the islands the emergency plans were activated, with office closures, landlines and mobile phones checked in the call chains, and WhatsApp groups formed at the Branch, EC Group, and Corporate levels.

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1. *Water and other supplies ready to be shipped to Dominica.*
2. *Staff at Sagicor Life Inc's Antigua office packaging urgent hurricane supplies.*

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1. *Supplies ready to be shipped to Dominica*
2. *Brenton Hilaire, Agency manager, Sagicor Life Inc, Dominica.*

Barbuda and Saint Martin suffered significant infrastructural damage from Hurricane Irma. Hurricane Jose on August 31, caused additional destruction in the region and on September 13, Dominica suffered a direct strike from the category five (5) Hurricane Maria.

The Crisis Management team quickly had met with the respective personnel from offices in Barbados and the US. The Executive team, led by Donald Austin, Shaunita Jordan and General Manager of the Branch Office in St Lucia, pulled together food supplies, water, and personal hygiene items for the Dominica staff and their surrounding neighbors.

Sagicor Life Eastern Caribbean Inc commended Mr Brenton Hilaire for his courage and commitment to Sagicor. Initially he was the primary contact on the island of Dominica immediately after hurricane Maria, Brenton along with Sagicor Team Dominica assisted with the distribution of relief supplies to staff and clients of Sagicor Life Inc and Sagicor General Inc, despite challenging personal circumstances. This team undertook the massive clean-up of knee-high debris left behind because of the flooding of the city and made a significant contribution to our ability to reopen offices in Roseau, Dominica to our clients.

Cash Contributions and donations of personal supplies from employees across the Sagicor Group of companies, as well as corporate contributions, provided critical assistance to employees and their families, customers, local hospitals and other community groups.

While Sagicor staff in Tampa, Florida were busy raising funds to assist Dominica's recovery efforts, they were also helping their own neighbours affected by hurricanes. In September, staff came together to help clean up debris on Marco Island in Southwest Florida, an area that received heavy damage from Hurricane Irma.

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3, 4 & 5.   Staff from Tampa, Florida working to clear debris on Marco Island.

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OPERATING
& FINANCIAL REVIEW

“As we continue to grow stronger and wiser into the future, we want our clients to do the same.”

OPERATING AND FINANCIAL REVIEW

OVERVIEW

The Sagicor Group is a leading provider of insurance products and related services in the Caribbean region. It also provides insurance products in the United States of America (USA) and banking services in Jamaica.

The main business lines are life, critical illness and health insurance, annuities and pension management, asset management, together with property and casualty insurance. The customer base is predominately individuals but certain lines are marketed to employers to provide employee benefits, and to commercial enterprises to provide property and casualty coverage.

EXTERNAL ENVIRONMENT

The external environment impacts the operating and financial performance of the Sagicor Group. Economic factors such as economic growth, employment levels and disposable income impact the levels of both new business and renewal of life insurance and annuity products offered by the Group. Interest rates and investment yields affect the level of savings and investment returns offered for life insurance, annuities and banking products, and ultimately the profit margins that the Group can generate from these product lines. The health and mortality of insured customers and beneficiaries impact the levels of death, disability and health benefits the Group is required to meet. Property and casualty insurance products offer policyholders financial protection against accidents, loss or damage to property, and liability to third parties. The Group's operating units are all regulated by insurance, banking and securities regulations. The Group therefore has to meet statutory and reporting requirements to governments and government agencies.

International Economic Environment

Global economic activity continued its rebound for 2017 as growth increased slightly to 3% based on World Bank's estimates. This growth was broad based; however, most noticeable increases came within Emerging Markets and Developing Economies which averaged growth of 4.3%.

In the USA, GDP growth of 2.3% was estimated for 2017. Furthermore, economic indicators showed favourable improvement as evidenced by increased consumer spending during the fourth quarter of 2017, while the unemployment rate trended down to 4.1% in December. The US dollar strengthened against the currencies of all major trading partners during the year as the price of crude oil maintained its upward trend. The US Federal Reserve Bank continued to tighten monetary policy as short-term interest rates were increased three times during the year from a range of 0.50% to 0.75% as at December 2016 to a range of 1.25% – 1.5% as at December 2017.

Europe and Japan experienced growth of 2.3% and 2.4%, respectively as their respective Central Banks generally continued accommodative fiscal and monetary policies throughout 2017. The Bank of England raised its interest rates incrementally during the period from 0.25% to 0.5% while Japan's short-term rates remained unchanged.

International equity markets advanced during 2017. The Nasdaq composite gained 28.2% for the year, while the Dow Jones Industrial Average Index and the S&P 500 Index grew 25.1% and 19.4% respectively. The MSCI Emerging Market Index led major indices with a gain of 34.3%. Interest rate hikes saw the yield on 10- year treasury increased from 2.1% to 2.4%, which induced a flatter yield curve.

Regional Economic Environment

Regionally, economic growth across the Caribbean generally trended positively with the exception of Trinidad and Tobago where the economy contracted. However, the protracted economic challenges of burdensome fiscal deficits, increasing debt levels and dwindling foreign reserves, resultant from a decline in foreign direct investment, remained a hindrance to the economic stability of the region. The issue of de-risking became prevalent during the year as foreign correspondent banks withdrew their services from respondent banks, which created an even greater strain on an already fragile foreign exchange market.

The Barbados economy slowed during the period in the face of multiple downgrades during the year; due to high government deficits; limited appetite for private-sector financing and depleting international reserves. Barbados' economy grew by 1% during the year while unemployment increased to 10.2% and inflation to 4%. This moderate improvement during 2017 was buoyed by expansion in the tourism and construction sectors.

International reserves remained worrisomely low and decreased to $0.4 billion, which represented 6.6 weeks of import cover. The fiscal deficit for the fiscal year 2017/2018 was projected to have decreased to 5.7% of GDP.

The country's debt burden remained high with the gross central government debt decreasing slightly to 145.9%. During 2016, Barbados' sovereign rating was downgraded to B- and Caa1 by Standard and Poor's and Moody's rating agencies. During the first quarter of 2017, Barbados' sovereign rating remained under pressure and was further downgraded to Caa3 and CCC+ by Moody's rating agency and Standard and Poor's respectively. S&P further downgraded the island's long-term local currency to CCC during the third quarter of 2017.

Trinidad and Tobago's economy is estimated by the Central Statistical Office to have contracted by 1.9% for 2017. The unemployment rate increased to 4.5% during 2017, which contributed to the contraction in an environment of sluggish economic activity. Headline inflation remained low during the year at 1.3%. The Central Bank's net foreign reserves fell to US$8,369.8 million or 9.7 months of prospective imports of goods and non-factor services as foreign debt service requirements increased during 2017. The declining economic conditions during the previous two fiscal years lead to a downgrade of the country's credit by Standard's and Poor rating agency. Trinidad and Tobago's long-term debt was downgraded to BBB+ during the second quarter of 2017.

The Jamaica economy grew between 1% and 2% facilitated by the Bank of Jamaica expansionary policies during the 2017 fiscal year. The bank reduced its lending rate by 50 basis points or 0.5% to 3.25% as at December 2017. This monetary policy action reflected the Bank's assessment that inflation for the next four to eight quarters would remain within the target range of 4.0% to 6.0% per cent. The economic expansion translated to gains on the Jamaica Stock Exchange which returned 50% in local currency terms for the year.

Regulation

Insurance Regulation

The following revisions to insurance legislation have been initiated and/or are contemplated in the near future:

- A new Insurance Act together with regulations to replace the existing legislation in Trinidad is expected to be enacted in 2018.

- Industry consultations have concluded on the draft Harmonised Insurance Bill in the Eastern Caribbean which will repeal existing legislation in the eight EC countries. The final draft of the Harmonised Insurance Bill is projected to be completed in the 3rd quarter of 2018. Once finalised, the Bill will be circulated to the EC countries for enactment.

GROUP RESULTS

Revenues from continuing operations in 2017 reached US $1,221 million and were US $87 million higher than the prior year amount of US $1,134 million. Net premium revenue was US $746 million, compared to US $664 million, an improvement of US $82 million or 12.3%. Premium income increased in all segments and benefited especially from the issuance of a single premium annuity relating to our Jamaica segment.

Net investment income was US $379 million, compared to US $353 million in the prior year, an improvement of US $26 million, and benefited from higher investment gains in our international investment portfolios.

Fees and other revenue closed the year at US $94 million, compared to the prior year amount of US $117 million, a decline of US $23 million. There was a reduction in commissions income on insurance and reinsurance contracts amounting to US $20 million, reflecting commissions net of gains due to reinsurers on supporting assets in our USA segment. Exchange losses were US $4 million, compared to gains of US $13 million in the prior year, a reduction of US $17 million. Foreign 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 our Jamaica segment. Overall, the Group experienced a gain on translation of the Jamaica segment, which is reported in other comprehensive income. In addition, the prior year included exchange gains relating to declines in the Trinidad dollar, when compared to the United States dollar. There was no significant foreign exchange movement, relative to the Trinidad dollar currency in 2017.

Total benefits closed at US $661 million, up from the prior year amount of US $561 million. The growth in benefits is consistent with that of the growth in premium revenue and partially represented increased provisions for future benefits. Included in benefits were net costs of US $9 million relating to claims exposure from hurricane activity during the year, along with an increase of US $14 million relating to the impact of the Tax Cuts and Jobs Act rate reduction in the United States, which came into effect in 2017.

Expenses (including agents' and brokers' commissions) closed the year at US $436 million, compared to the prior year amount of US $424 million, an increase of US $12 million. The Jamaica Segment incurred some non-recurring costs, together with higher administration costs relating to the expansion of cards and payments business.

Income taxes were US $19 million, compared to US $42 million in the prior year, a reduction of US $23 million. This was principally related to our 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. This contributed to a decrease of US $20 million in income taxes and an increase in the provision for future benefits of US $14 million in the segment.

CONSOLIDATED INCOME [1] - $ millions	2017	2016
Revenue	1,221	1,134
Benefits	(661)	(561)
Expenses & taxes	(455)	(466)
Net income	**105**	**107**
COMPREHENSIVE INCOME	**2017**	**2016**
Other comprehensive (loss)	64	(13)
Total comprehensive income	**169**	**94**

[1] *from continuing operations*

Other comprehensive income was US $64 million, compared to a loss of US $13 million for the prior year, an increase of US $ 77 million. The principal sources of the increase were an improvement in net gains on financial assets of US $19 million, resulting from marked-to-market gains on financial assets in our international portfolios; a positive movement of US $38 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 $ 38 million.

In December 2012, the Board and Management decided to dispose of Sagicor Europe, which owns the Sagicor at Lloyd's operations. In accordance with International Financial Reporting Standards, the results of Sagicor Europe have been separated from the Group's continuing operations and presented as a discontinued operation. Sagicor Europe was sold on December 23, 2013. The results of the Group's continuing operations are further analysed under the next several sub-headings. The results of the discontinued operation are discussed and analysed in the Operating Segments section.

Shareholder Returns

The Group's net income and comprehensive income are allocated to the equity owners of the respective Group companies in accordance with their results. As some Group companies have minority shareholders, particularly in the

Sagicor Jamaica operating segment, the Group's net income is allocated accordingly between holders of Sagicor's common shares and the minority interest shareholders. There is also an allocation to Sagicor Life Inc policyholders who hold participating policies, an arrangement which was established at the demutualisation of Barbados Mutual Life Assurance Society (now Sagicor Life Inc).

For the 2017 financial year US $62 million of net income from continuing operations was allocated to the holders of common shares of Sagicor Financial Corporation Limited, which corresponded to earnings per share of US 20.4 cents. The comparative amounts for 2016 were US $60 million of net income and earnings per share of US 19.5 cents. The respective annual returns on shareholders' equity were 11.3% for 2017 and 12.3% for 2016.

Dividends declared to common shareholders in respect of 2017 totalled US $15 million and represented US 5.0 cents per share. Dividends of US 4.5 cents per share were declared for 2016.

COMMON SHAREHOLDER RETURNS [1]	2017	2016
Net income - $ millions	62	60
Dividends - $ millions	15	14
Earnings per share - cents	20.4	19.5
Dividends per share - cents	5.0	4.5
Return on equity - %	11.3	12.3

[1] *from continuing operations except for dividends.*

Revenue

The sources of the Group's revenue are insurance premiums from customers, investment income, fee income and other revenues. The following table summarises the main items of revenue.

REVENUE - $ millions	2017	2016
Net insurance premiums:		
Life and annuity	568	496
Health	149	150
Property & casualty	29	18
	746	664
Net investment income	379	353
Fees and other revenues	94	117
Gain arising on disposal	2	-
	1,221	**1,134**

Premium revenue from life insurance and annuity was US $568 million and represented 76% of total premium revenue. The comparative amounts for 2016 were US $496 million and 75%. The Group 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.

Premium revenue was higher by US $82 million when compared to the prior year. Premium income increased in all segments and benefited from the issuance of a single premium annuity relating to our Jamaica segment.

The Group also markets annual renewable health insurance contracts to employers and associations. These provide benefits against medical costs incurred by insured persons. Premium revenue from health insurance totalled US $149 million, and stood at approximately the same level as the prior year.

The Group also markets property and casualty insurance contracts in the Caribbean region. These are marketed to individuals and commercial enterprises. Premium revenue from these classes of insurance totalled US $29 million. The Group increased its retention on this business in 2017 when compared to the prior year.

Income is generated from the investments made by the Group. Net investment income closed the year at US $379 million compared to US $353 million in 2016 an improvement of US $26 million and benefited from higher investment gains in our international investment portfolios.

INTEREST YIELDS	2017	2016
Debt securities	6.1%	6.2%
Mortgage loans	5.7%	6.1%
Policy loans	7.2%	6.9%
Finance loans & 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 $94 million compared to US $117 million in the prior year, a reduction of US $23 million.

There was a reduction in commissions income on insurance and reinsurance contracts amounting to US $20 million, reflecting commissions net of gains due to reinsurers on supporting assets in our USA segment. Exchange gains/(losses) also showed a loss of US $4 million, compared to gains of US $13 million in the prior year, a reduction of US $17 million. Foreign 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 our Jamaica segment. In addition, the prior year included exchange gains relating to declines in the Trinidad dollar, when compared to the United States dollar, there was no significant foreign exchange movement, relative to this currency in 2017.

Benefits

The table below summarises the expense incurred by the Group in providing benefits.

BENEFITS - $ millions	2017	2016
Net insurance benefits:		
Life and annuity	465	376
Health	114	116
Property and casualty	27	8
	606	500
Interest expense	55	61
	661	**561**

Insurance benefits comprise amounts payable to policyholders and beneficiaries in accordance with the contract terms of insurance policies issued or assumed by the Group. Interest payable to investment contract-holders or financial institutions which have placed funds with the Group are treated as interest benefits. Current 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 an 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 the Group in accordance with established Canadian accepted actuarial standards.

Life and annuity benefits totalled US $465 million in 2017, of which US $343 million related to current benefits and US $122 million related to future benefits. The corresponding amounts for 2015 were a total of US $373 million, of which US $346 million were for current benefits and US $27 million were in respect of future benefits.

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.

The corresponding amounts for 2016 were a total of US $376 million, of which US $331 related to current benefits and US $45 million related to future benefits.

Health, property and casualty insurance benefits are recognised either or on the notification or settlement (for short notification periods) of a claim from policyholders. In addition, incurred but not reported (IBNR) benefits are recognised in accordance with established or expected trends for claims incurred.

Total health insurance benefits were US $114 million representing an overall claims to premium ratio of 77%. The comparative 2016 amounts were US $116 million and an overall claims to premium ratio of 77%.

Property and casualty claims amounted to US $27 million in 2017, compared US $8 million from the 2016 an increase of US $19. The company decided to increase its retention of this business in 2017. Property and casualty claims also Included $9 million relating to claims exposure from hurricane activity during the year.

The interest returns the Group has provided to investment contract-holders and financial institutions which have advanced funds are summarised in the following table:

INTEREST YIELDS	2017	2016
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

EXPENSES & TAXES - $ millions	2017	2016
Administrative expenses	267	255
Commissions	99	99
Finance costs, depreciation and amortisation	57	60
Premium, asset and income taxes	32	52
	455	**466**

Expenses and taxes totalled US $455 million for 2017 down from US $466 million for 2016.

Expenses of administration represent the largest expense category and totalled US $267 million in 2017 compared to US $255 million in 2016 an increase of US $12 million. The Jamaica Segment incurred some non-recurring costs, together with higher administration costs relating to the expansion of cards and payments business.

The Group 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 was US $32 million compared to US $52 million in the prior year, a reduction of US $20 million. Of the total taxes, income taxes were US $19 million, compared to US $42 million in the prior year, a reduction of US $23 million. This was principally related to our 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. This contributed to a decrease of US $20 million in income taxes and an increase in the provision for future benefits of US $14 million in the segment.

Comprehensive income

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.

Other comprehensive income was US $64 million, compared to a loss of US $13 million for the prior year, an increase of US $77 million.

The principal sources of the increase were an improvement in net gains on financial assets of US $19 million, resulting from marked-to-market gains on financial assets in our international portfolios, a positive movement of US $38 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 $38 million.

Net income and other comprehensive income together result in total comprehensive income. Summarising the Group's results from continuing operations, total comprehensive income was US $179 million for 2017 compared to US $97 million for 2016.

GROUP FINANCIAL POSITION

Sagicor's activities of issuing insurance contracts; of accepting funds from depositors; of banking and securities dealing; result in the Group receiving significant funds which are held as liabilities and are invested in a variety of assets.

The Group's sources of capital are equity contributions from shareholders, retained earnings and reserves, together with external borrowings.

The table below summarises the consolidated financial position of Sagicor as of December 31, 2017 and 2016.

STATEMENT OF FINANCIAL POSITION - $ millions	2017	2016
Assets	**6,815**	**6,532**
Liabilities arising from operations	5,469	5,342
Borrowings	414	395
Equity	932	795
	6,815	**6,532**

Assets

Invested assets and cash balances as of December 31 are summarised in the table below.

INVESTMENTS & CASH - $ millions	2017 [1]	2016 [1]
Debt securities	3,498	3,441
Mortgage loans	342	332
Policy loans	142	138
Finance loans and finance leases	564	509
Securities purchased for re-sale	17	5
Deposits	111	139
Cash	360	279
Investment property and other items	456	417
	5,490	**5,260**

[1] *continuing operations*

Debt securities are the largest class of invested assets, and represented 64% of total investments and cash as of December 31, 2017 (65% as of December 31, 2016). These securities are very suitable instruments to back long-term insurance liabilities because of their medium to long term duration, the regular interest payments received, and the relatively low credit risk.

Debt instruments are issued primarily by Governments, state sponsored agencies and corporate entities. The Group acquires and holds these instruments usually in the country where the funding arose. The Group also invests in debt instruments of short duration as a way of earning investment returns with minimal risk, and of providing opportunities for investment contract-holders to earn safe returns.

Other invested assets are spread across various asset classes such as mortgages, loans, deposits and property.

The discontinued operation (Sagicor at Lloyds) was sold on December 23, 2013. At the end of 2017 there was a receivable of US $10 million due to the company.

Liabilities arising from operations

The Group issues life insurance and annuity contracts either to individuals or to employers in respect of their employees. Insurance liabilities are summarised in the following table.

INSURANCE LIABILITIES - $ millions	2017 [1]	2016 [1]
Future benefits - individual contracts	2,473	2,349
Future benefits - group contracts	477	428
Current benefits and other payables	269	245
	3,219	**3,022**

[1] *continuing operations*

Future benefits represent amounts recognised at the date of the financial statements for liabilities not yet due. These liabilities may become due in the near, medium or long-term and are estimated using established actuarial techniques.

Current benefits and other payables represent amounts which are currently due and are in the course of settlement. These include benefits in respect of all classes of insurance written - life, annuity, health, property and casualty.

The Group's liabilities which arise from issuing investment contracts, accepting deposits and funding are as follows.

FINANCIAL LIABILITIES - $ millions	2017	2016
Investment contracts	379	378
Securities sold for re-purchase	476	321
Customer deposits	751	915
Other funding instruments and other items	285	353
	1,891	1,967

Investment contracts may be issued to pension funds to hold pension plan assets or to individual customers as savings vehicles. Securities sold for re-purchase provide specific security to depositors who place funds with the Group for investment return. Deposits and other funding provide monies to the Group to invest in loans and related securities.

Other liabilities include general provisions, accruals and payables which arise in the ordinary course of business.

Capital

The Group has issued equity and debt instruments to provide capital for its operations. The amounts recognised in the statement of financial position in respect of these instruments are summarised below.

EQUITY & BORROWINGS - $ millions	2017	2016
Common shareholders' equity	623	536
Preference shareholders' balances	16	-
Minority interest shareholders' balances	309	258
8.875% senior notes due 2022	317	315
4.6% notes due 2015	75	75
Participating accounts & other	6	6
	1,346	**1,190**
Classified as:		
Equity	932	795
Borrowings	414	395
	1,346	**1,190**

306,555,644 common shares of Sagicor Financial Corporation Limited are outstanding and are tradable on the Barbados, Trinidad & Tobago and London stock exchanges.

Common shares of certain subsidiaries are held by minority interests primarily in Jamaica where those shares are tradable on the local stock exchange.

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).

On March 22, 2016, the Company repaid, before maturity, the $43.4 million of short term debt. On March 21, 2016, the Company issued a tranche of fourteen-month notes with 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).

On July 18, 2016, the Company redeemed the 6.5% convertible redeemable preference shares due 2016.

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.

Participating accounts were established by a subsidiary to provide additional policyholder protection on participating policies which pay policy bonuses and dividends.

A measure of financial stability is the debt (borrowings) to capital ratio which for the Sagicor Group was 30.7%, down from 33.2% for the prior year.

A measure used to determine the capital adequacy of a life insurance business, which is the predominant activity within the Sagicor Group, is the Canadian Minimum Continuing Capital and Surplus Requirement (MCCSR). The consolidated MCCSR ratio of the Group's life insurers was 258% as of December 31, 2017 compared to 249%, at December 31, 2016, both of which are significantly in excess of the minimum recommended ratio of 150%. These ratios include risk factors for insurance risk (lapses, mortality, morbidity) and credit risk of all fixed income assets including those issued by Caribbean governments.

SAGICOR GROUP
SUMMARY ORGANISATIONAL CHART

SAGICOR FINANCIAL CORPORATION LIMITED - HOLDING COMPANY & GROUP FINANCING

SAGICOR LIFE - LIFE & HEALTH INSURANCE	SAGICOR JAMAICA			SAGICOR USA	OTHER OPERATING COMPANIES		SAGICOR EUROPE (discontinued operation)
BARBADOS, TRINIDAD AND TOBAGO, EASTERN CARIBBEAN & DUTCH ISLANDS, CENTRAL AMERICA	SAGICOR LIFE JAMAICA - LIFE & HEALTH INSURANCE	SAGICOR BANK JAMAICA - COMMERCIAL BANKING	SAGICOR INVESTMENTS JAMAICA - INVESTMENTS	SAGICOR LIFE - LIFE INSURANCE	SAGICOR GENERAL - P&C INSURANCE	INVESTMENT, FINANCE & REAL ESTATE ENTITIES	SAGICOR AT LLOYD'S - P&C INSURANCE
	JAMAICA & CAYMAN ISLANDS	JAMAICA	JAMAICA	USA	BARBADOS, TRINIDAD & TOBAGO, EASTERN CARIBBEAN	BARBADOS, TRINIDAD & TOBAGO, EASTERN CARIBBEAN	U.K. & WORLDWIDE

OPERATING SEGMENTS

The Group's principal reportable operating segments, as defined by International Financial Reporting Standards, are Sagicor Life Inc, Sagicor Jamaica, Sagicor USA, and Sagicor Europe. The Sagicor Europe Segment was sold on December 23, 2013 under terms that retained some obligations for the Group. The performance of these segments in 2017 is discussed under the following sub-headings.

Sagicor Life Inc Segment

The Sagicor Life Inc segment consists of the life insurance entities that 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, critical illness and health insurance, annuities, pension investment and pension administration services.

In 2017, this segment generated revenues of US $421 million. The main revenue component was premium income which totalled US $309 million. Investment income totalled US $77 million while other items totalled US $35 million.

Benefits totalled US $222 million, and were higher than the prior year by US $9 million. Current insurance benefits were US $210 million, while amounts recognised for future insurance benefits amounted to US $12 million.

Total expenses and taxes in 2017 closed the year at US $131 million compared to US $129 million in 2016.

SAGICOR LIFE INC		
INCOME - $ millions	**2017**	**2016**
Revenue	421	411
Benefits	(222)	(213)
Expenses and taxes	(131)	(129)
Inter-segment reinsurance expense	(5)	(5)
Segment income	63	64
Segment income attributable to shareholders	**65**	**64**
FINANCIAL POSITION - $ millions	**2017**	**2016**
Assets	1,953	1,928
Liabilities	(1,413)	(1,399)
Net assets	**540**	**529**

Net segment income for the year was US $63 million compared to US $64 million for the prior year. After accounting for income allocated to policyholders, the net income attributable to shareholders for the segment totalled US $65 million in 2017, compared to US $64 million in 2016.
Financial investments comprised 71% of segment assets and policy liabilities comprised 92% of segment liabilities at the end of 2017.

Sagicor Jamaica Segment

This segment comprises subsidiaries in Jamaica and Cayman Islands. The principal activities of the segment are the provision of life, critical illness and health insurance, annuities, pensions administration, investment management, securities dealing and commercial banking.

This segment generated revenue of US $592 million in 2017, an increase of US $68 million over the 2016 total. The main revenue component was premium income which totalled US $320 million compared to US $268 million in 2016 an increase of US $52 million. The Jamaica segment benefited from the issuance of a significant single premium annuity during 2017.

Investment income totalled US $207 million compared to US $201 million in the prior year and benefited from significant investment gains.

Benefits totalled US $292 million and was higher than the prior year amount of US $249 million an increase of US $43 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 $206 million in 2017 compared to US $185 million in 2016, and increase of US $21 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.

SAGICOR JAMAICA		
INCOME - $ millions	**2017**	**2016**
Revenue	592	524
Benefits	(292)	(249)
Expenses and taxes	(206)	(185)
Segment income	94	90
Segment income attributable to shareholders	**46**	**44**
FINANCIAL POSITION - $ millions	**2017**	**2016**
Assets	2,836	2,674
Liabilities	(2,276)	(2,223)
Net assets	**560**	**451**

Net segment income for the year was US $94 million, compared to a total of US $90 million recorded for 2016. As the Sagicor Jamaica segment is owned 49% by the Group, the resulting net income attributable to shareholders was US $46 million in 2017. (US $44 million in 2016).

Financial investments comprised 81% of the segment's assets at the end of 2017. The liabilities of this segment were distributed 33% to policy liabilities and 66% to deposit and security liabilities at the end 2017.

Sagicor USA Segment

This segment consists of the USA operations of Sagicor, which market life insurance and annuity products to individuals.

Segment revenue totalled US $159 million in 2017 compared to US $149 million in 2017.

SAGICOR USA		
INCOME - $ millions	**2017**	**2016**
Revenue	159	149
Benefits	(117)	(86)
Expenses and taxes	(34)	(57)
Inter-segment reinsurance expense	5	5
Segment income	13	11
Segment income attributable to shareholders	13	11
FINANCIAL POSITION - $ millions	**2017**	**2016**
Assets	1,982	1,901
Liabilities	(1,742)	(1,682)
Net assets	240	219

Total benefits amounted to US $117 million in 2017 compared to US $86 million in 2016, an increase of US $31 million. Current insurance benefits were US $88 million while the expense for future insurance benefits in 2017 was US $27 million. The passage of Tax Cuts and Jobs Act in the United States, which reduced the effective corporation tax rate contributed to a decrease of US $20 million in income taxes and an increase in the provision for future benefits of US $14 million in the segment.

Expenses and taxes totalled US $34 million in 2017 compared to US $57 million in 2016 a reduction of US $23 million, Income taxes showed a reduction of US $20 million when compared to the prior year and was principally related to the passage during 2017 of the Tax Cuts and Jobs Act in the United States as previously noted.

Net income of the segment for 2017 was US $13 million, compared to the US $11 million recorded for 2016.

As of December 31,2017, financial investments comprised 56% of the segment assets and policy liabilities comprised 86% of the segment liabilities.

DISCONTINUED OPERATION

The discontinued operation comprises the Sagicor at Lloyd's business and consists primarily of property and casualty insurance business written through Lloyd's of London Syndicate 1206. The Lloyd's of London franchise enables the syndicate to write international business outside of the United Kingdom.

As stated in a foregoing section, the Group disposed of this business on December 23, 2013. In accordance with International Financial Reporting Standards, the Sagicor at Lloyd's operation is defined as a discontinued operation

The terms of the sale included:

- Future price adjustments to the sale consideration representing the run-off of the 2011, 2012 and 2013 underwriting years. The three years closed at the end of 2015.
- The future price adjustments were subject to a limit denominated in sterling. A provision was made up to the limit at the end of 2015 and the amount was paid in 2016.
- If the experience is better than expected during the financial period 2016 to 2018, then Sagicor may receive a portion of the favourable experience. If there is no improvement, no payment is expected.
- Sagicor Europe made income of US $10 million in 2017 compared to income of US $1 million in 2016.

DISCONTINUED OPERATION

INCOME - $ millions	2017	2016
Movement in price adjustment	10	1
Net income	10	1
FINANCIAL POSITION - $ millions	**2017**	**2016**
Assets	10	-
Liabilities	-	-
Net assets	10	-

LOOKING FORWARD

The International Monetary Fund (IMF) projects that the momentum in global growth experienced in 2017, is expected to continue throughout 2018 with expected growth of 3.9% based on expected lower unemployment, higher trade levels and higher commodity prices. The Economic Commission for Latin America and the Caribbean has projected economic growth within the Caribbean to increase slightly to 2.2% in 2018 following average growth of 1.3% in 2017.

Central Banks within developed economies are expected to maintain the generally accommodative monetary policy environment for the foreseeable future with moderate tightening supported by improved fundamentals, particularly within the USA. This policy stance favours risk seeking asset classes and therefore supports the favourable performance outlook for international markets led by emerging market equities for 2017.

Emerging market economies led by the BRIC's (Brazil, Russia, India and China) are expected to maintain the lead in spurring economic growth. Despite expected moderate monetary policy tightening to restrain inflationary pressures, many emerging market economies, are expected to maintain strong fundamentals, sound policy frameworks and prudent macro-economic policies, which should position them to outperform their developed market counterparts.

We remain cautiously optimistic about the Caribbean's economic recovery, which hinges on the economic stability of developed economies. In light of the expected economic strengthening within the developed world, the region is expected to experience modest expansion, in tourism and related industries which remain the primary drivers of growth for regional economies.

During 2018 the company will continue to work on the corporate re-organisation to respond to the changing regulatory environment, while we continue to pursue opportunities for growth.

BOARD OF DIRECTORS

“We look to the future, committed to oversight and leadership towards greatness.”

BOARD OF DIRECTORS

DR STEPHEN D R MCNAMARA, Barrister-at-law; CBE, LLD (Hon)
Chairman
Appointed as Chairman in January 2010. Appointed to the Board in December 2002
Citizen of St. Lucia and Ireland

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 specialises 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.

ANDREW ALEONG, MBA
Appointed June 2005
Citizen of Trinidad and Tobago

Mr Aleong holds an MBA from the Richard Ivey School of Business, University of Western Ontario, Canada. He is Group Managing Director of the Albrosco Group of Companies, Trinidad and Tobago, and has served the Trinidad and Tobago manufacturing industry for over 30 years. Mr Aleong is a former President of the Trinidad and Tobago Manufacturers' Association. He also serves as a Director of a number of private companies. Mr Aleong was elected a Director of Sagicor Life Inc in 2005, and is also a Director of a number of other subsidiaries within the Group.

PROFESSOR SIR HILARY MCD BECKLES, KA, BA, PhD
Appointed June 2005
Citizen of Barbados

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 E CLARKE, Barrister-at-Law, BA (History), BA (Law)
Appointed June 2010
Citizen of Trinidad and Tobago

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 practised 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.

DR L JEANNINE COMMA, BA, MA, EDD
Appointed June 2007
Citizen of Trinidad and Tobago and Barbados

Dr Comma is Chairman of the Human Resources Committee for Sagicor Financial Corporation Limited. She holds a PhD from George Washington University, Washington, DC, USA, and is also a graduate of the University of the Virgin Islands. Formerly the CEO/Director of the Sagicor Cave Hill School of Business and Management Inc of The University of the West Indies, Cave Hill Campus, Dr Comma has extensive experience in Leadership Development, Organisation Development, Strategic Planning, Transformation Management and Corporate Governance. She has made significant contributions to the development of human capital within the regional business community, as well as engaged in several consulting assignments with Caribbean Governments and public sector agencies throughout the region. She is an Executive, an Academic, a Consultant, a Leadership Development Expert and a Certified Executive Coach.

Dr Comma serves on the Boards of the Barbados Tourism Investment Inc., the National Initiative for Service Excellence, the Barbados Entrepreneurship Foundation, as well as the Commonwealth Association of Public Administration and Management (CAPAM). She was elected a Director of Sagicor Life Inc in 2006.

MONISH K DUTT, BA, MBA, FCA
Appointed June 2012
Citizen of India and Permanent resident of the United States of America

Mr Dutt holds an MBA 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, London, England. A Consultant on Emerging Markets, Mr Dutt is a seasoned investment professional who serves as a non-executive director on several Boards including Ecobank, a pan-African bank with assets of US$22 billion; Peak Reinsurance of Hong Kong, controlled by the Fosun Group of China together with Prudential of the US; and FINCA Microfinance USA, with operations in around 20 countries in emerging markets. Within the Sagicor Group, Mr Dutt serves as a Director of Sagicor Bank Jamaica Limited, and Sagicor Life Insurance Company USA.

Prior to 2011, Mr Dutt was employed for 25 years with International Finance Corporation (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, structuring and managing investments in financial institutions and private equity funds globally. Mr Dutt has also represented IFC on the boards of investee companies.

DR MARJORIE M FYFFE-CAMPBELL, BSc, MSc, DBA
Appointed June 2005
Citizen of Jamaica

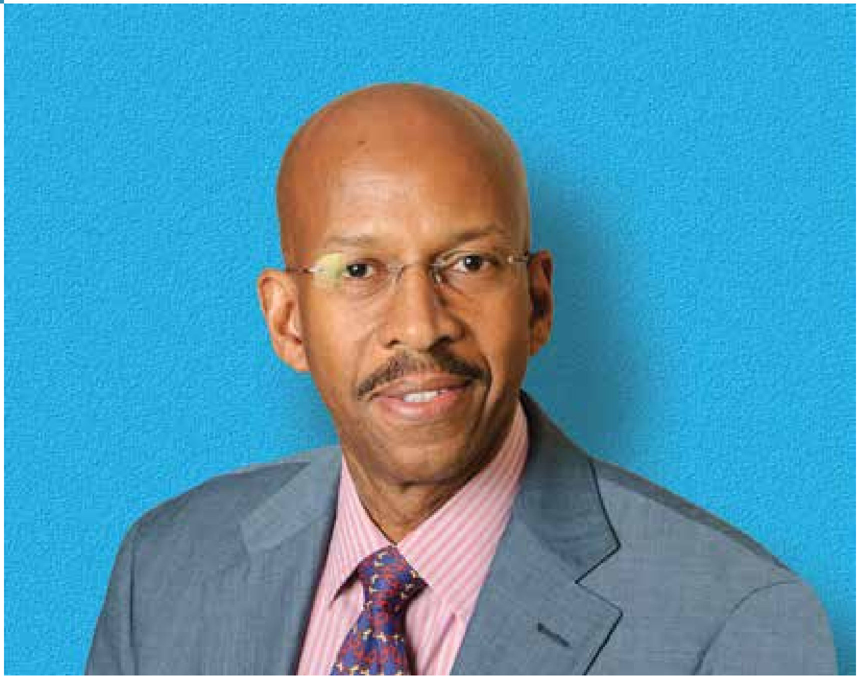
Dr Fyffe-Campbell is a Management Consultant with over 30 years' experience in Finance, Accounting and Executive Management, and holds a Doctorate in Business Administration (DBA) from Mona School of Business and Management, with emphasis in Corporate Governance, an MSc in Accounting and a BSc (Hons) from the University of the West Indies. She is a Fellow of the Institute of Chartered Accountants of Jamaica, a member of the Hospitality, Financial and Technology Professionals, and is a Justice of the Peace/Lay Magistrate in Jamaica. She is a former President and Chief Executive Officer of the Urban Development Corporation, Jamaica.

Dr Fyffe-Campbell possesses extensive experience in Finance and Accounting, Corporate Governance, Risk Management and Property Development and Management. She is a former Adjunct Lecturer in Financial and Managerial Accounting and Enterprise Risk Management Governance at the Mona School of Business and Management. She was elected a Director of Sagicor Life Jamaica in 2002, and is also a Director of other subsidiaries within the Group.

RICHARD M KELLMAN, BSc
Appointed June 2009
Citizen of Guyana

Mr Kellman was appointed Group Chief Operating Officer in June 2009 and retired from this position on December 31, 2017.

Mr Kellman holds a BSc degree in Statistics from University College, London University, and is a retired Fellow of the Institute of Actuaries. His career in the financial services industry spans 43 years, during which time, he has held senior actuarial and management positions with several leading regional insurance companies, and served on a number of industry boards.



WILLIAM P LUCIE-SMITH, MA,FCA
Appointed June 2005
Citizen of Trinidad and Tobago

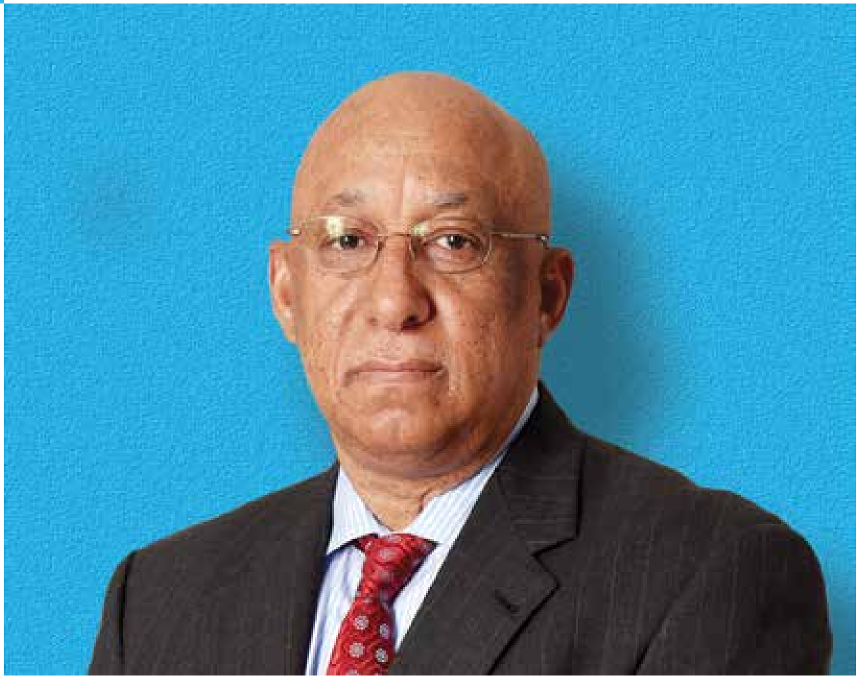
Mr Lucie-Smith holds an MA from Oxford University and is a Chartered Accountant. He is a retired Senior Partner of PricewaterhouseCoopers, Trinidad and Tobago, where he headed the Corporate Finance and Recoveries Divisions, specialising in all aspects of business valuations, privatisation, mergers and acquisitions and corporate taxation.

Mr Lucie-Smith was elected a Director of Sagicor Life Inc in 2005, and is also a Director of Sagicor USA, and a number of other subsidiaries within the Group.

DR DODRIDGE D MILLER, FCCA MBA, LLM, LLD (Hon)
Appointed December 2002
Citizen of Barbados

Dr Miller was appointed Group President and Chief Executive Officer of Sagicor Financial Corporation Limited in July 2002. He has been a Director since December 2002. He is a Fellow of the Association of Chartered Certified Accountants (ACCA), 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. Dr Miller has more than 30 years' experience in the banking, insurance and financial services industries.

Dr Miller joined the Group in 1989. Prior to his appointment as Group President and Chief Executive Officer, he held the positions of Treasurer and Vice President - Finance and Investments, Deputy Chief Executive Officer and Chief Operating Officer. He is a Director of Sagicor Life Inc, Sagicor USA, Sagicor Group Jamaica Limited, Sagicor Life Jamaica, Sagicor Investments Jamaica Limited and a number of other subsidiaries within the Group.



JOHN F SHETTLE, JR, BA, MBA
Appointed June 2008
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.

RICHARD P YOUNG, FCCA
Appointed January 2014
Citizen of Trinidad and Tobago

Mr Young is a Chartered Accountant by profession, and has had a distinguished career in accounting, auditing, insurance and banking. He has over forty years' experience in the regional financial services sector, the last seventeen of which he spent as the Managing Director of Scotiabank Trinidad & Tobago Limited and a Senior Vice President of The Bank of Nova Scotia, before retiring in 2012.

Prior to joining Scotiabank, he was the Managing Director of NEM (West Indies) Insurance Ltd. (NEMWIL). Mr Young also served as Chairman and Deputy Chairman of other Scotia Group subsidiaries, as well as Deputy Chairman of the National Housing Authority. He is a former President of the Council of the Institute of Chartered Accountants of Trinidad and Tobago; President of the Bankers Association of Trinidad and Tobago; Chairman of the Trinidad & Tobago Stock Exchange and Committee Member of the Association of Insurance Companies of Trinidad & Tobago. He is Chairman of the Trinidad and Tobago International Financial Centre.

CORPORATE GOVERNANCE

"We take our responsibility seriously,
to make each day better than the last."

CORPORATE GOVERNANCE

DIRECTORS' INTERESTS

Directors' interests as at December 31, 2017, and as at the record date, April 17, 2018, are as follows:

	Shares as at 31-Dec-17		Shares as at 17-Apr-18	
	Common Shares		Common Shares	
	Beneficial	Non- Beneficial	Beneficial	Non- Beneficial
Stephen McNamara	23,993	0	23,993	0
Andrew Aleong	553,358	0	553,358	0
Professor Sir Hilary Beckles	9,579	0	9,579	0
Peter Clarke	25,000	0	25,000	0
Dr Jeannine Comma	22,300	0	22,300	0
Monish Dutt	1,000	0	1,000	0
Marjorie Fyffe-Campbell	50,850	0	50,850	0
Richard Kellman	638,988	0	638,988	0
William Lucie-Smith	150,338	0	150,338	0
Dodridge Miller	2,505,696	0	2,505,696	0
John Shettle, Jr	1,000	0	1,000	0
Richard P. Young	34,266	0	34,266	0

	Restricted Stock Grants		Stock options			
	As at 31-Dec-17*		As at 31-Dec-17*			
	Vested	Unvested	Vested	Exercised	Expired	Unvested
Richard Kellman	1,037,898	0	1,380,624	1,145,787	234,837	0
Dodridge Miller	3,501,089	1,542,446	3,865,278	1,954,366	455,754	3,120,465

** These remained unchanged at April 17, 2018*

1 BOARD COMPOSITION AND STRUCTURE

The maximum number of Directors permitted by the Bye-Laws is 12, and the minimum is 7. The Board of Directors presently consists of 12 Members, 10 of whom are independent Non-Executive Directors. The remaining two are the Group President and Chief Executive Officer, and the former Group Chief Operating Officer. Biographical information on the Directors and details of their interests in the Company as at December 31, 2017 are set out earlier in this Report.

The Board of Directors considers that the quality, skills and experience of Directors enhance the Board's effectiveness, and the collective Board is required to have the core set of skills identified in the Board Core Competency Matrix on the following page.

Directors' Skills and Experience	Stephen McNamara	Andrew Aleong	Professor Sir Hilary Beckles	Dr Jeannine Comma	Peter Clarke	Monish Dutt	Dr Marjorie Fyffe-Campbell	Richard Kellman	William Lucie-Smith	Dr Dodridge Miller	John Shettle, Jr.	Richard Young
General Management	■	■	■	■	■	■	■	■	■	■	■	■
International Business	■			■		■				■	■	■
Finance/Accounting		■				■	■	■	■	■		■
Corporate Finance, Mergers & Acquisitions					■	■	■	■	■	■	■	■
Strategic Marketing		■										
Corporate Law	■				■					■		
Banking					■	■				■		■
Asset Management					■		■	■		■	■	■
Insurance	■	■	■	■	■	■	■	■	■	■	■	■
Human Resource Management		■	■	■								
Property Management and Development	■	■	■				■	■				
Regulatory	■				■							
Risk Management		■		■	■	■					■	■
Information Technology										■		
Corporate Governance	■			■			■					
Other: Education			■	■								

In addition, individual Directors must also possess specific knowledge and experience commensurate with the business requirements of the Company and are also expected to have a style of operation which comprises:

a. high personal standards consistent with the Company's Code of Business Conduct and Ethics;
b. commitment to business leadership;
c. courage to express and defend a position;
d. decisiveness and willingness to be held accountable;
e. effective intervention and decision-making style;
f. willingness to contribute to team synergy, and a
g. mature and thoughtful perspective on business.

The Company is also mindful that the Board must reflect the business, social, economic and cultural jurisdictions from which the Company draws customer patronage, and that Directors must have sufficient time available to devote to the performance of their Board duties. Finally, Directors are required to undergo an annual self-assessment. This assessment is designed to ensure that appropriate standards of independence and objectivity are maintained. All non-executive Directors have satisfied the 2017 independence self-assessment.

2 ROTATION AND RE-ELECTION OF DIRECTORS

The Company's Bye-laws provide that at least one-third, or the number nearest thereto, of the Directors must retire every year, but a Director shall not be required to retire unless he/she has been in office for three years.

Consequent upon the Company's continuance in Bermuda, new Bye-Laws were adopted, which require that the Directors be divided into three classes, designated as Class I, Class II and Class III.

Stephen McNamara, Dr Marjorie Fyffe-Campbell, Richard Kellman and William Lucie-Smith, having been designated as Class III Directors, will retire at the fifteenth Annual Meeting, and all being qualified, have offered themselves for re-election. Profiles of the nominees will be provided in the Management Proxy Circular accompanying the Notice of the Meeting sent to shareholders.

The Director nomination process is overseen by the Corporate Governance and Ethics Committee, which requires a review of the core competency requirements of the Board as a whole; the skills and experience of the nominees; their independence as defined by our Corporate Governance Policy; and their performance, including their willingness and ability to devote the time necessary to fulfil their role as Directors. All Directors who have served on the Board for nine or more years are subject to enhanced evaluation by an independent Corporate Governance professional to ensure that their performance over the period of their tenure is such as to justify the Committee's recommendation to the Board that they be nominated for re-election.

3 NEW DIRECTOR ORIENTATION

The Company's Corporate Governance Manual expressly recognises the importance of an efficient and effective on-boarding process for new Directors. To this end, the Manual establishes a New Director Orientation Programme to assist in developing a high level of institutional, boardroom and interpersonal comfort in order to expedite his/her effectiveness as a Director. The Company has established an online Board Portal for the distribution and housing of Board Meeting materials and other corporate information. All Directors therefore have immediate and constant access to all necessary company materials and documents.

4 ON-GOING DIRECTOR EDUCATION

During the year, on-going Director education included sessions on corporate governance, risk, actuarial movements, cyber security, reinsurance, regulatory changes and changes in international accounting standards. The Board is committed to continuing these education sessions to ensure Director effectiveness is optimised by enhancing Director knowledge.

5 BOARD RESPONSIBILITIES

5.1 BOARD OF DIRECTORS

The Board of Directors is collectively responsible for providing entrepreneurial leadership, guidance and oversight to the Company, within a framework of prudent and effective controls. This framework enables risk to be assessed and managed, with a view to maximising shareholder wealth within the bounds of law and community standards of ethical behaviour.

The Board's six main responsibilities, which it executes through decision-making and oversight, are strategic planning; enterprise risk management; executive succession planning and performance evaluation; shareholder communications and public disclosures; internal controls and corporate governance.

The respective roles of the Chairman of the Board, the Board, Committee Chairmen, Committees and Management are clearly defined. Position descriptions explaining the roles, responsibilities and desired competencies have been developed for the Chairman of the Board, the Chairmen of each Board Committee, as well as the President and CEO. The Group CEO and the Executive Committee (ExCom) are responsible for the day-to-day management of the Group. Their role is to formulate and implement strategy, operational plans, policies, procedures and budgets; monitor operating and financial performance; assess and control risk; prioritise and allocate resources and monitor competitive and environmental forces in each area of operation. The roles of functional Group Executives, who form part of ExCom, are also specifically defined.

5.2 BOARD COMMITTEES

The four Standing Committees of the Board - Audit; Corporate Governance and Ethics; Human Resources and Investment and Risk - play an integral role in the governance process, in that they assist the Board with the proper discharge of its functions by providing an opportunity for more in-depth discussions on areas not reserved specifically for the Board. The mandates of all the Committees comply with best practice.

The mandate of the Audit Committee is to oversee the external audit process, and manage all aspects of the relationship with the External Auditors. The Committee is also required to review the annual audit plan, interim and audited financial statements, and International Financial Reporting Standards having a significant impact on the financial statements. It also reviews actuarial reports and recommendations.

The Committee oversees the Internal Audit function, reviewing Internal Audit's assessment of the adequacy and effectiveness of the Group's internal controls, compliance with legal, statutory, regulatory and other requirements, and management of risk. The Committee's composition meets the independence and skill requirements of the Group's Corporate Governance Policy. The Members are financially literate, and three Members, William Lucie-Smith, Monish Dutt and Marjorie Fyffe-Campbell, all Chartered Accountants, have relevant accounting expertise.

The current Members are:

- William Lucie-Smith (appointed a Member on August 24, 2005 and Chairman on June 28, 2006);
- Marjorie Fyffe- Campbell (appointed September 11, 2008);
- Dr Jeannine Comma (appointed September 11, 2008);
- Monish Dutt (appointed March 18, 2014), and
- Peter Clarke (appointed March 21, 2014).

The role of the Corporate Governance and Ethics Committee is principally to develop and recommend to the Board, policies and procedures to establish and maintain best practice standards of Corporate Governance and Corporate Ethics. It also manages the process for Director succession, Director performance, the operation of the President, the composition of Board and Committees, shareholder communications, and corporate image. The Committee's composition meets the independence requirements of the Group's Corporate Governance Policy.

The current Members are:

- Stephen McNamara (appointed a Member on March 9, 2004 and Chairman on February 17, 2010);
- Professor Sir Hilary Beckles (appointed March 18, 2009);
- Marjorie Fyffe-Campbell (appointed March 18, 2009);
- John Shettle, Jr (appointed August 18, 2010), and
- Richard P. Young (appointed March 18, 2014).

The mandate of the Human Resources Committee is to advise the Board with respect to compensation policies, programmes and plans; human resources policies and practices to attain the Company's strategic goals; executive management recruitment; succession plans; performance evaluation and compensation. The Committee's composition meets the independence requirements of the Group's Corporate Governance Policy.

The current Members are:

- Dr Jeannine Comma (appointed a Member on September 18, 2007, and Chairman on August 24, 2011);
- Stephen McNamara (appointed August 18, 2010);
- Andrew Aleong (appointed March 23, 2012), and
- Monish Dutt (appointed March 18, 2014).

The Investment and Risk Committee is charged with ensuring generally that the Group manages risk within its defined philosophy and appetite, and in compliance with policy risk parameters. Its specific mandate is to ensure that an appropriate enterprise risk management framework is implemented throughout the Group, approve risk policies and risk undertakings and exposures reserved for Board decision. It continually monitors exposures relating to certain risks. Committee Members are required to understand the enterprise's significant inherent risks and the policies and controls used by Management to assess, manage and report these risks. The Committee regularly reviews the Group's risk profile, and assesses Management's plans for ensuring financial stability and capital soundness. The Committee's composition meets the independence requirements of the Group's Corporate Governance Policy.

The current Members are:

- Stephen McNamara (appointed a Member on November 26, 2003 and Chairman on February 17, 2010);
- Andrew Aleong (appointed March 18, 2009);
- John Shettle, Jr (appointed March 18, 2009);
- Peter Clarke (appointed August 18, 2010);
- Richard P. Young (appointed March 18, 2014), and
- William Lucie-Smith (appointed March 21, 2014).

6 BOARD EVALUATION

The Board undertook its annual performance evaluation to assess the effectiveness of the Board's performance as a whole. The evaluation took the form of a self-assessment and peer-review questionnaire, and an evaluation of the Corporate Governance system as a whole. Findings continue to reveal ongoing opportunities for the enhancement of our Corporate Governance practices. The Corporate Governance and Ethics Committee continues to manage Director independence and potential conflicts of interest, and the Committee concluded that Directors continued to meet the independence requirements under our Corporate Governance Policy.

7 INTERLOCKING DIRECTORSHIPS

The Corporate Governance Recommendations of the Barbados Stock Exchange require that the Company makes certain disclosures relating to Directors' interlocks. In addition to their service on the Board of the Company and the Boards of various Group subsidiaries, the following Company Directors also serve together on the Board of the publicly-listed company appearing next to their names:

Directors	Company
Richard P Young William Lucie-Smith	Massy Holdings Ltd

8 BOARD OPERATIONS

During 2017, Management engaged the Board of Directors (BOD) 13 times, either in formal meetings or by requests for round-robin decisions in between meetings. In relation to the engagement of the Standing Committees of the Board, the Audit Committee (AC) met 4 times; the Corporate Governance and Ethics Committee (CGC) met 4 times; the Human Resources Committee (HRC) met 4 times; and the Investment and Risk Committee (IRC) met 3 times. Directors' record of attendance was as follows:

DIRECTOR	BOD	AC	CGC	HRC	IRC	Total	%
Stephen McNamara	13 of 13		4 of 4	4 of 4	3 of 3	24 of 24	100
Andrew Aleong	12 of 13			4 of 4	2 of 3	18 of 20	90
Prof Sir Hilary Beckles	12 of 13		3 of 4			15 of 17	88
Peter Clarke	13 of 13	3 of 4			3 of 3	19 of 20	95
Dr Jeannine Comma	12 of 13	3 of 4		4 of 4		19 of 21	90
Monish Dutt	13 of 13	4 of 4		4 of 4		21 of 21	100
Dr Marjorie Fyffe-Campbell	13 of 13	4 of 4	4 of 4			21 of 21	100
Richard Kellman	12 of 13					12 of 13	92
William Lucie-Smith	13 of 13	4 of 4			2 of 3	19 of 20	95
Dr Dodridge Miller	13 of 13					13 of 13	100
John Shettle, Jr	12 of 13		4 of 4		1 of 3	17 of 20	85
Richard P Young	12 of 13		4 of 4		3 of 3	19 of 20	95

The Board manages an annual schedule of critical agenda items designed to ensure that it fulfils its recurring obligations, and that Board-reserved items are routinely considered. The principal business at Board meetings in 2017 was to:

- consider and approve the Group strategic plan, capital plan and projections for the period 2018 to 2020;
- review proposal to increase authorized share capital;
- review proposal to extend term of Executive Long Term Incentive Plan;
- review causes of postponement of Annual General Meeting
- consider acquisition opportunities;
- receive reports on proposed corporate reorganisation
- review periodically the Group capital and liquidity plan, strategic and business development initiatives forming part of the Strategic Plan, and other key initiatives;
- receive and consider periodic reports and presentations from Management on the performance of various subsidiaries within the Group and the Group, on a consolidated basis;
- review and approve unaudited interim and audited annual consolidated financial statements;
- approve interim and final dividends;
- review and approve actuarial reports of the Appointed Actuary, and
- receive reports on work being carried out by Board Committees, and consider and approve their recommendations as required.

9 COMMITTEE OPERATIONS

AUDIT COMMITTEE REPORT:

The 2017 activities of the Audit Committee included:

- reviewing and approving the external audit plan and timetable;
- evaluating the performance of the External Auditors for Group entities and approving their audit fees;
- reviewing the External Auditors' 2016 Management Letter and Report on the 2016 audit;
- approving the 2017 Audit Engagement Letter;
- reviewing and recommending for approval by the Board interim and annual audited financial statements;
- making dividend recommendations to the Board;
- reviewing actuarial reports of the Appointed Actuary;
- reviewing reports of the External Auditors on key audit issues;
- reviewing the financial performance of the Group and key subsidiaries;
- examining the implications of changes to International Financial Reporting Standards;
- approving the 2017 Internal Audit Plan, reviewing Internal Audit reports and monitoring Management action on open Internal Audit items;
- reviewing compliance with various financial covenants;
- reviewing reports on pending material litigation and claims, and pending regulatory issues;
- reviewing regulatory compliance and other compliance reports;
- assessing the adequacy of the Committee's mandate, and
- evaluating its effectiveness in fulfilling same.

CORPORATE GOVERNANCE AND ETHICS COMMITTEE REPORT:

The Committee's principal business during 2017 included:

- reviewing Board and Director core competencies and identifying gaps to inform the nomination process;
- overseeing Director nominations, Board Committee, subsidiary and outside Board appointments;
- overseeing the management of independence requirements and conflicts of interest;
- overseeing the Director self and peer performance evaluation process;
- monitoring Director attendance;
- reviewing Corporate Governance structure of subsidiaries;
- conducting its annual review of the adequacy of the Code of Business Conduct and Ethics;
- generally monitoring the operation of Corporate Governance policies and practices and
- assessing the adequacy of the Committee's mandate, and evaluating its effectiveness in fulfilling same.

HUMAN RESOURCES COMMITTEE REPORT:

During 2017, activities of the Human Resources Committee included:

- reviewing executive performance, compensation and terms of engagement;
- monitoring succession planning and leadership and development plans at the executive level;
- considering succession planning needs across the Group for senior employees below the executive level;
- granting awards to qualified participants under the annual cash incentive, long-term incentive plan (LTI) and employee share ownership plan (ESOP) based on performance against established benchmarks;

- reviewing aspects of the rules of the Company's annual long-term incentive plans;
- reviewing ESOP financial statements, and
- assessing the adequacy of the Committee's mandate and evaluated its effectiveness in fulfilling same.

INVESTMENT AND RISK COMMITTEE REPORT:

In 2017, the Investment and Risk Committee's work included monitoring key risks to which the Group is exposed. These included:

- reviewing in detail, interest rate, credit, liquidity and foreign exchange risk dashboards for the Company as a whole, and for its major subsidiaries;
- monitoring of risk exposures and reviewing mitigation strategies designed to manage risk, and generally overseeing the enterprise risk management process, and
- reviewing investment performance.

10 SAGICOR'S COMPENSATION PHILOSOPHY

The Sagicor Group's compensation strategy for all employees, including Executive Management, aims to achieve an efficient and competitive position for the Company as an employer of choice in the markets we serve; while supporting our efforts to attract, motivate and retain the best candidates for all positions across the Group. The compensation strategy seeks to strike a balance between the needs of the employee and the strategic objectives of the Company, while ensuring that all employees are treated fairly, recognised and rewarded for team as well as individual performances. Factors such as market competition; supply and demand of critical skills and competencies; and strategic issues are all considered in determining a position's competitive market value.

Base salaries are reviewed annually for all staff and, in determining whether to approve salary increases, the Board of Directors considers various factors, including: the ability to pay; local labour market statistics, e.g. cost of living and compensation trend data; merit budget; and the performance of the Company and business units. All employees must meet a minimum performance standard each year to be considered for a salary increase.

The quantum of annual cash incentive compensation, once earned, is calculated using a methodology called the Balanced Scorecard. This methodology takes into account financial as well as non-financial measures, including revenue, profitability, efficiency and customer satisfaction. In addition, compensation includes a non-cash component (long-term incentive) which is performance based and takes into consideration an externally calculated cost of equity. For the financial year under review, compensation paid in cash to the top 5 members of the Executive Management team of the Company, amounted in aggregate to US $6,920,096. The table immediately below shows a breakdown of the non-cash component of the compensation of the top 5 members of the Executive Management team.

	Restricted Stock Grants	Stock options
	For the financial year ended 31-Dec-17	For the financial year ended 31-Dec-17
Top 5 Members of the Group Executive Management Team	Vested	Vested
	2,055,528	2,353,355

BOARD OF DIRECTORS

The Company's compensation philosophy for the Board of Directors has objectives akin to that for employees. It is designed to attract, retain and motivate Directors of the quality required to ensure the efficient oversight of the Company's business. In 2006, the Board commissioned the independent firm of Ernst & Young of Atlanta to review Directors' compensation and make compensation recommendations. After examination of international best practice in the area, and consideration of various factors, including the level of responsibility, potential liability, and the time and commitment required for the role, Ernst & Young made certain recommendations to the Board regarding the levels and structure of compensation for Directors.

These recommendations were approved by shareholders at the 2007 Annual Meeting, and remain unaltered to-date.

Non-Executive Directors do not participate in any performance-based incentive plans, and their remuneration consists solely of cash. The Board Chairman and Directors are paid fees, and Committee Chairmen and Members are paid an additional fee for each Committee on which they serve. Non-Executive Directors' fees for the financial year under review amounted in aggregate to US $631,000.

Directors receive no additional benefits, but are reimbursed reasonable and customary out-of-pocket expenses associated with their attendance at meetings, and the performance of their role as Directors. Executives who are Directors are not paid fees.

11 FEES PAID TO EXTERNAL AUDITORS

PricewaterhouseCoopers 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:

Services	Fees Paid US$ '000	
	2016	2017
Audit	2,950	3,675
Non-Audit	273	349
Statutory Returns	944	952
Other	454	244
Total	4,621	5,220

12 ENTERPRISE RISK MANAGEMENT

The Group's enterprise risk management framework comprises articulation of risk philosophy and appetite; risk structures and processes; risk policies and a regime of monitoring risk exposures, both at the enterprise and subsidiary levels. The Group's activities of issuing insurance contracts, accepting funds from depositors, and investing insurance premium and deposit receipts in a variety of financial and other assets expose the Group to various financial, operational and business risks. Financial risks include insurance credit, liquidity, and market risks. Operational risks include fraud; damage to physical assets; improper business practices; improper employment practices; business interruption and system failures, and execution and process errors. Business risks include legal and regulatory, strategic and reputational risks. Exposure and sensitivity to financial risks are disclosed in Notes 41 to 44 to the 2017 audited financial statements contained in this Annual Report.

13 INTERNAL AUDIT

The role of Group Internal Audit is to provide independent, objective assurance and consulting services, designed to add value and improve the organisation's operations by utilising an appropriate risk-based audit methodology across the Group. It helps the organisation to accomplish its objectives by bringing a systematic, disciplined approach to the evaluation and improvement of risk management, control and governance processes. The scope of work of Internal Audit is to determine whether the organisation's network of risk management controls, and governance processes, as designed and represented by Management, is adequate and functioning in a manner to ensure, among other things, that risks are appropriately identified and managed and that employees' actions are in compliance with policies, standards, procedures, applicable laws and regulations. The work of Internal Audit also seeks to give assurance that resources are acquired economically, used efficiently, and adequately protected, and that quality and continuous improvement are fostered in the organisation's control process. The work also ensures that significant legislative or regulatory issues impacting the organisation are recognised and addressed appropriately.

14 COMPLIANCE

Sagicor continues to strengthen and streamline its compliance function, in response to the increasing complexity of regulatory and other risks, with the Audit Committee continuing to exercise oversight of all aspects of compliance.

The Group Compliance Committee also contributes to compliance management. Its role includes ensuring that compliance is governed by appropriate policies and is implemented and administered in accordance with such policies, ensuring that risk management practices are developed, implemented and administered for identifying, assessing, managing, reporting and monitoring compliance risk. The role also lends value-added support for the administration of, and compliance with, Sagicor's Code of Business Conduct and Ethics. The Committee's membership includes the Group Chief Compliance Officer as Chair, and the Chief Compliance Officer of each major operating subsidiary, the Group Chief Risk Officer, and Group General Counsel.

15 CODE OF BUSINESS CONDUCT AND ETHICS

Sagicor's Code of Business Conduct and Ethics (which codifies our corporate value system, embracing legal, moral and ethical conduct, accountability, corporate social responsibility and leadership) requires Directors, Management, Staff and Advisors to acknowledge, on an annual basis, that they have read the Code and to indicate whether or not they are in compliance. Mechanisms through which code violations can be reported and channelled to the appropriate parties operated satisfactorily, including widely available anonymous whistle-blowing facilities. These enabled Management to take timely corrective action. The Corporate Governance and Ethics Committee carried out its annual review of the Code to ensure its adequacy and determined that further enhancements will be made in 2018.

16 INVESTOR RELATIONS AND COMMUNICATIONS

During 2017, the Company continued to execute its investor relations communications programme with periodic briefings to the Media, Analysts and Brokers. The Company continues to ensure that price-sensitive information is released across markets at the same time, and to manage its Insider Trading Policy as an integral part of the Code of Business Conduct and Ethics. The annual Shareholders' Briefing was held in Trinidad, where the majority of Shareholders reside, for the benefit of Shareholders who were unable to travel to Barbados for the Annual Meeting of Shareholders.

By Order of the Board of Directors.

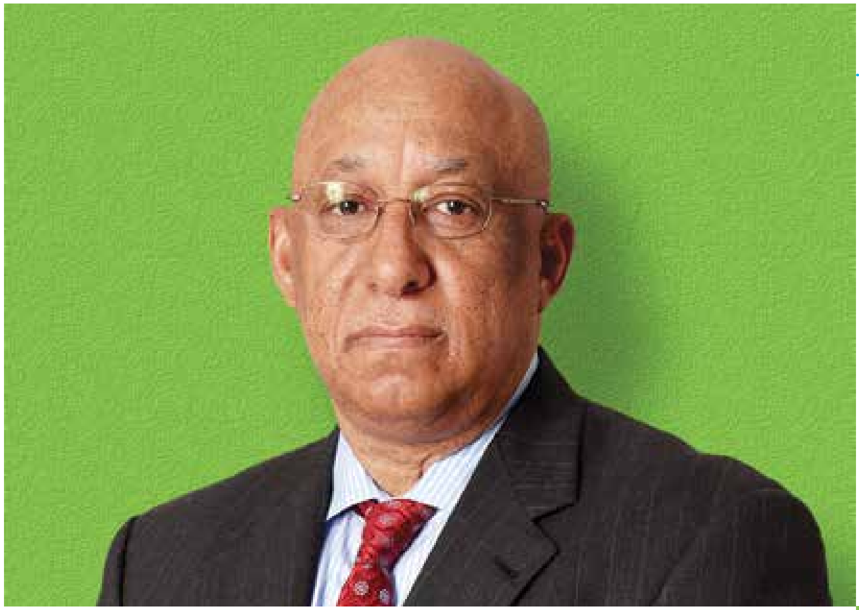
Althea C. Hazzard
Corporate Secretary

April 30, 2018

EXECUTIVE MANAGEMENT

"We deliver growth to our stakeholders
through leadership and sound business strategies."

EXECUTIVE MANAGEMENT

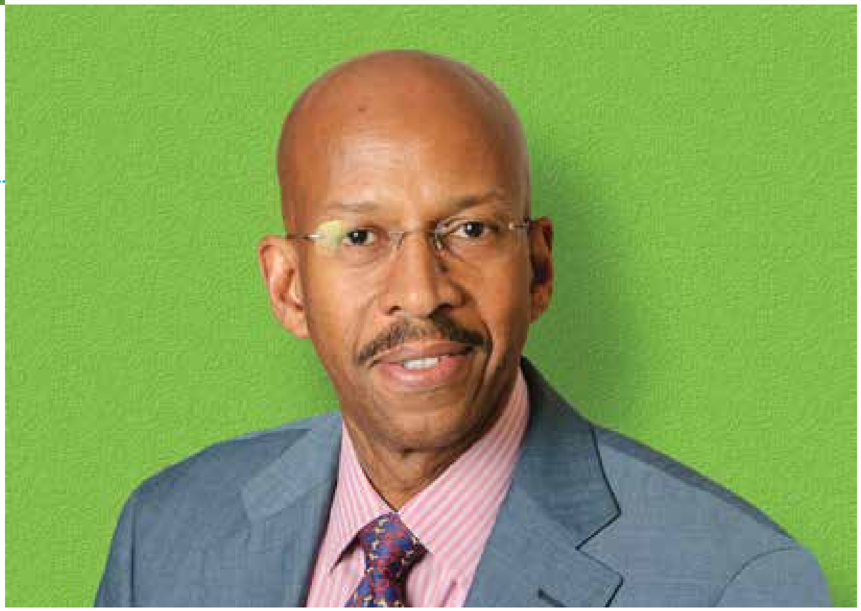


DR DODRIDGE D MILLER FCCA, MBA, LLM, LLD (Hon)
Group President and Chief Executive Officer

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

RICHARD M KELLMAN BSc
Group Chief Operating Officer, with responsibility for Sagicor Life Inc, Southern Caribbean (Retired December 31, 2017)

- Elected a Director in June 2009, and was appointed Group Chief Operating Officer in 2009.
- Holds a BSc in Statistics from University College, London University, and retired from fellowship of the Institute of Actuaries during 2016.
- More than 30 years' experience in the pensions, insurance and financial services industries.
- Held senior actuarial and management positions, and served on several regional Boards.



DR M PATRICIA DOWNES-GRANT CBE, MA, MBA, DBA, LLD (Hon)
Executive Director, Corporate

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

RAVI C RAMBARRAN BSc, MSc, FIA
Chief Operating Officer with responsibility for Sagicor Life Inc, Southern Caribbean Operations (Effective January 1, 2018)

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

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

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

ALTHEA C HAZZARD LLM (Cantab), FCIS, FICA
Executive Vice President, General Counsel and Corporate Secretary

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

RONALD B. BLITSTEIN BA, MBA
Group Chief Information Officer

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

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

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

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

- Appointed Group Chief Actuary in August 2017.
- Holds a BSc Specialist in Actuarial Science and Biochemistry from the University of Toronto.
- Fellow of the Canadian Institute of Actuaries, Fellow of the Society of Actuaries.
- Affiliate member of the Caribbean Actuarial Association.
- Previously served as Partner – Canadian Life Actuarial Practice Leader with Ernst & Young and Principal of Eckler Ltd.
- More than 25 years in the insurance industry including positions at Crown Life Insurance Company, Canada Life Assurance Company, Toronto Dominion Life Insurance Company, Swiss Re Life and Health and Dion Durrell + Associates.

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

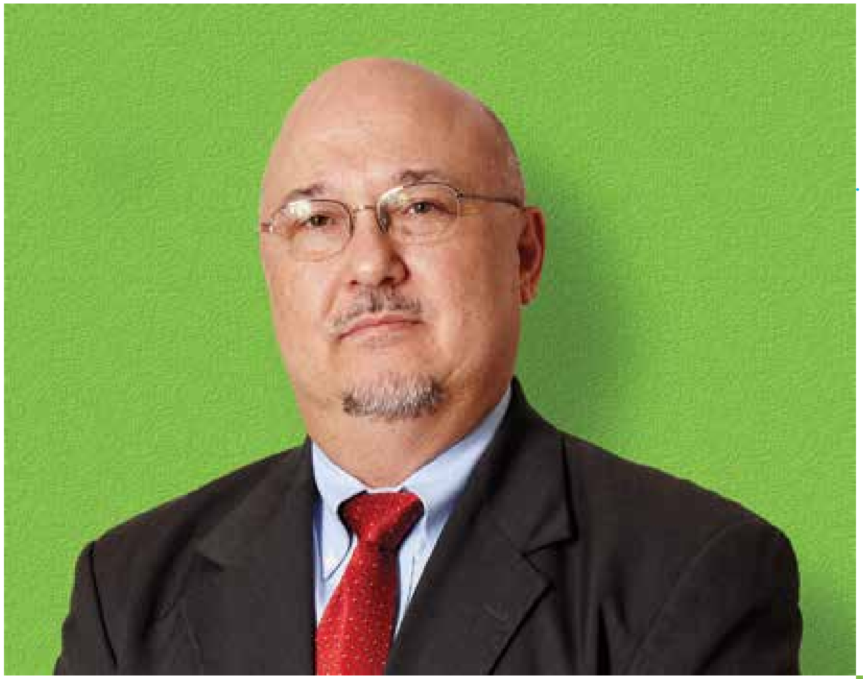
- Appointed Chief Executive Officer, Sagicor Life (Eastern Caribbean) Inc. in 2015.
- Board Member of Sagicor Funds Incorporated and Sagicor Asset Management Inc.
- Former Chairman of the Board of Directors of LIME Grenada and LIME Dominica and Current Board Member of LIME Barbados.
- Holds a Bachelor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

RICHARD O BYLES BSc, MSc
President and Chief Executive Officer, Sagicor Group Jamaica Limited (retired April 2017)

- Appointed Chairman of Sagicor Group Jamaica Limited on May 1, 2017.
- Appointed President and CEO of Sagicor Life Jamaica Limited in 2004.
- In February 2016 he reached retirement age and was employed on a short-term contract until the new Chief Executive Officer assumed the position on May 1, 2017.
- Holds a BSc in Economics from the University of the West Indies and an MSc in National Development from the University of Bradford, England.
- Chairman of the Board of Sagicor Bank Jamaica Limited, Sagicor Property Services Limited, Sagicor Reinsurance Limited (Cayman), Sagicor Insurance Managers (Cayman), Red Stripe Limited and Pan-Jamaican Investment Trust Ltd.
- Former Co-chair of the Economic Programme Oversight Committee (EPOC), a private/public sector committee established to oversee the Implementation of the IMF Programme in Jamaica.
- More than 30 years of experience in insurance, banking and asset management.

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

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



J. EDWARD CLARKE FCCA, CIA

Executive Vice President and General Manager, Barbados

- Appointed Chief Operating Officer, Sagicor Life Inc and General Manager, Barbados in 2010.
- Prior to 2010, he held the position of Group Internal Auditor.
- Fellow of the Association of Chartered Certified Accountants and is a Certified Internal Auditor.
- More than 30 years' experience in auditing and finance in Barbados, Nigeria and the USA.
- Prior to joining Sagicor, Chief Financial Officer of a major conglomerate in Barbados.
- Director of Sagicor General Insurance Inc, Sagicor Funds Inc, Barbados Farms Limited, Globe Finance, the Insurance Association of the Caribbean and a Vice President of the Barbados Chamber of Commerce and Industry.

KESTON D HOWELL BSc, (Hon), MBA

Executive Vice President and General Manager, Dutch Caribbean & Central America (seconded to Sagicor General Insurance Inc as President & CEO (AG) in October 2017)

- Joined Sagicor in July 2006 as Executive Vice-President - Merchant Banking, responsible for the establishment of Sagicor Merchant Bank and overall Banking Strategy of the Group.
- In 2008, assumed the position of Executive Vice President - Sagicor Asset Management Limited.
- Holds an MBA from the University of London.
- More than 18 years in the insurance and banking industry.
- Assumed executive responsibility for Dutch Caribbean and Central America operations and Sagicor Life Aruba N.V. and has executive oversight of Sagicor Life's Mortgage Department and Mortgage Recovery Unit.

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

- Appointed Executive Vice President and General Manager, Trinidad and Tobago in 2007.
- Joined the Group in 2001 as an Assistant Vice President – Administration.
- Holds a BA – Economics from the University of Toronto.
- More than 20 years in the insurance and banking industries.
- Promoted to Vice President – Administration in 2004, and became Executive Vice President and General Manager Designate in 2006.

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

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

INDEX TO FINANCIAL STATEMENTS

"We continue to operate
with integrity, honesty and transparency."

INDEX TO THE FINANCIAL STATEMENTS AND NOTES

AUDITOR'S REPORT

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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, 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

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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.

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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.

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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.

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- 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.

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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

ACTUARY'S REPORT

Eckler

Sagicor

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. ("SLEC"),
- 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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As of December 31, 2017

Sagicor Financial Corporation Limited

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**

	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**

These financial statements have been approved for issue by the Board of Directors on April 4, 2018.

D. Miller

Director

Director

Amounts expressed in US $000

	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.

2.2 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) 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 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 increase 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 obligation 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 investment 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	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 / (losses)	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	678,849	635,289
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		Nature of relationship	Measurement Method	Carrying Amount	
		2017	2016			2017	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 >>>>>>						
	Owner occupied property	Available for sale assets	Actuarial liabilities	Currency translation reserves	Preference share reserves	Other reserves	Total reserves
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) 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:

	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)

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.

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 assessment by the Group of a probable favorable outcome.

(a) 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			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.

	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 Exposure $000	2017 Exposure %	2016 Exposure $000	2016 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 Exposure $000	2017 Exposure $000	2016 Exposure $000	2016 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 amounts	Effect of a 10% depreciation
	JMD	USD		
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) <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 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 Individual contracts	2017 Group contracts	2016 Individual contracts	2016 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 Individual contracts	2017 Group contracts	2016 Individual contracts	2016 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

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.

SHAREHOLDER INFORMATION

“We are creating the building blocks
of a better future for our clients
upon the foundation of strength, stability and trust.”

SHAREHOLDER INFORMATION

DIVIDENDS

An interim dividend of US 2.5 cents per common share, approved for the half-year ended June 30, 2017, was paid on November 15, 2017 to the holders of common shares, including depositary interest holders, whose names were registered on the books of the Company at the close of business on October 18, 2017. A final common dividend of US 2.5 cents per common share, payable on May 15, 2018, was approved for the financial year ended December 31, 2017 to the holders of common shares, including depositary interest holders, whose names were registered on the books of the Company at the close of business on April 17, 2018.

SHARES

The following Shareholders own 4% or more of the capital of the Company as at December 31, 2017:

	Common Shares	
	Number of Shares	**Percentage**
National Insurance Board	18,950,000	6.18
International Finance Corporation	12,269,938	4.00

The total number of issued shares as at December 31, 2017 and as at December 31, 2016 is set out below

Common Shares	
As at 31-Dec-17	**As at 31-Dec-16**
306,555,644	304,494,131

LONG TERM INCENTIVE PLAN (LTI)

The Tables below show grants of restricted stock and stock options as at December 31, 2017 under the LTI for Executives.

Restricted Stock							
			As of December 31, 2017				
Award Year	Value attributable to Stock Grant		Awards Made and in Effect	Vested	Forfeited	Not Yet Vested	Vested in 2017
2006 – 2008	US$	1.98, 2.01, 2.50	1,302,161	1,302,161	12,759	0	0
2009	US$	1.58, 2.50	1,033,058	1,033,058	53,581	0	0
2010	US$	1.60	760,026	760,026	263,108	0	0
2011	US$	1.48	625,787	625,787	493,017	0	0
2012	US$	1.53	1,024,879	1,024,879	459,998	0	0
2013	US$	1.15	1,507,918	1,507,918	686,175	0	0
2014	US$	1.075	2,601,230	2,044,281	791,937	0	425,452
2015	US$	1.05	2,802,877	2,094,099	171,243	655,154	572,462
2016	US$	0.86	3,566,169	1,675,704	91,088	1,799,377	954,735
2017	US$	1.00	3,405,383	1,101,331	38,948	2,265,104	1,101,331
			18,629,488	13,169,244	3,061,854	4,719,635	3,053,980
						Allocated for settlement of taxes	(959,544)
						Total converted to shares	2,094,436

Stock Options								
		As of December 31, 2017						
Award Year	Exercise Price of Stock Option	Awards Made	Vested	Exercised	Forfeited &/or Expired	Not Exercised	Not Vested	Vested in 2017
2006	US$ 1.98	918,815	120,443	120,443	798,372	0	0	0
2007	US$ 2.01	2,049,598	72,839	72,839	1,976,759	0	0	0
2008	US$ 2.5	1,414,758	818,009	0	596,749	818,009	0	0
2009	US$ 2.5	1,613,983	973,711	0	640,272	973,711	0	0
2010	US$ 1.6	2,060,619	1,295,616	0	765,003	1,295,616	0	0
2011	US$ 1.48	2,569,572	1,644,170	0	925,402	1,644,170	0	0
2012	US$ 1.53	1,458,559	1,043,968	0	414,591	1,043,968	0	0
2013	US$ 1.15	2,279,818	1,742,489	990,896	537,329	751,593	0	435,636
2014	US$ 1.075	3,275,787	2,214,589	1,249,377	387,571	965,212	673,627	769,066
2015	US$ 1.05	3,401,743	1,689,017	1,023,317	233,417	665,700	1,479,309	893,909
2016	US$ 0.86	4,946,649	1,462,249	936,112	65,690	526,137	3,418,710	1,462,249
2017	US$ 1.00	4,853,069	380,979	356,004	66,490	24,975	4,405,600	380,979
		30,842,970	13,458,079	4,748,988	7,407,645	8,709,091	9,977,246	3,941,839

ANALYSIS OF COMMON SHAREHOLDING

Common Shareholders by Size of Holding

Number of Common Shareholders by Size of Holding as at December 31, 2017 (with 2016 Comparison)									
Size of Holding	Number of Shareholders		Percentage of Shareholders		Total Shares Held		Percentage of Shares Held	
	2017	2016	2017	2016	2017	2016	2017	2016
1 - 1,000	6,534	6,476	18.14	17.98	3,879,557	3,816,930	1.27	1.25
1,001 - 2,500	14,922	14,962	41.43	41.53	24,732,936	24,843,507	8.07	8.16
2,501 - 5,000	6,960	6,932	19.32	19.25	24,146,139	24,040,879	7.88	7.90
5,001 - 10,000	3,916	3,922	10.87	10.89	27,904,352	27,991,237	9.10	9.19
10,001 - 25,000	2,777	,2,829	7.71	7.85	39,948,479	40,753,105	13.03	13.38
25,001 - 100,000	661	644	1.84	1.79	31,075,736	29,974,552	10.14	9.84
100,001 - 1,000,000	217	222	0.60	0.62	61,386,472	62,695,447	20.02	20.59
1,000,001 & above	32	31	0.09	0.09	93,481,973	90,378,474	30.49	29.69
Total	36,019	36,018	100.00	100.00	306,555,644	304,494,131	100.00	100.00

Common Shareholders by Country of Residence

Number of Common Shareholders by Country of Residence and by Type as at December 31, 2017								
Country	**Directors, Management, Staff, Advisors**		**Companies**		**Individuals**		**Total**	
	Shareholders	%	Shareholders	%	Shareholders	%	Shareholders	%
Trinidad and Tobago	100	0.28	573	1.59	14,828	41.17	15,501	43.04
Barbados	582	1.62	243	0.67	10,999	30.54	11,824	32.83
Eastern Caribbean	109	0.30	36	0.10	6,933	19.25	7,078	19.65
Other Caribbean	34	0.09	36	0.10	178	0.49	248	0.69
Other	64	0.18	5	0.01	1,299	3.61	1,368	3.80
Total	889	2.47	893	2.48	34,237	95.05	36,019	100.00

Common Shares held by Country of Residence

Number of Common Shares Held by Country of Residence and by Type as at December 31, 2017								
Country	**Directors, Management, Staff, Advisors**		**Companies**		**Individuals**		**Total**	
	Shares	%	Shares	%	Shares	%	Shares	%
Trinidad and Tobago	2,406,607	0.79	70,227,920	22.91	79,368,786	25.89	152,003,313	49.58
Barbados	5,983,529	1.95	38,801,990	12.66	56,200,655	18.33	100,986,174	32.94
Eastern Caribbean	292,423	0.10	3,580,097	1.17	19,477,209	6.35	23,349,729	7.62
Other Caribbean	1,556,534	0.51	3,849,269	1.26	1,315,156	0.43	6,720,959	2.19
Other	4,796,834	1.56	12,931,249	4.22	5,767,386	1.88	23,495,469	7.66
Total	15,035,927	4.90	129,390,525	42.21	162,129,192	52.89	306,555,644	100.00

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Sagicor Financial Corporation Limited welcomes your feedback regarding any aspect of our business, or of any member of the Sagicor Group of companies. We are very happy for you to contact us through any of the channels listed below.

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