Sagicor GENERAL

SAGICOR GENERAL ANNUAL REPORT | 2017

CORPORATE OVERVIEW

Sagicor GENERAL

Wise Financial Thinking for Life

We have been in existence for 130 years offering a comprehensive range of general insurance solutions to individuals and companies. In July 2003, a Special Resolution was passed by the shareholders authorizing an amendment to the Articles of Incorporation to change the name of the company form Barbados Fire and Commercial Insurance Company Limited to Sagicor General Insurance Inc.

Sagicor General has a financial rating of A - (Excellent) issued by A. M. Best after a thorough quantitative and qualitative review of the company, taking into consideration financial performance, balance sheet strength as well as underwriting and claims philosophies.

Our product lines include Commerical Fire, House, Residential, Motor, Engineering, Bonds, Marine, Liability and various Miscellaneous classes.

Our main premium revenue is realised from the Property portfolio which accounts for approximately 49% of revenue. Motor premium revenue is 38% while the Marine and Accident portfolios account for 13%.

Sagicor General is continuing on an expansion drive to increase its market share, either through organic growth or by way of mergers or acquisitions. We will also extend our reach into other territories.

CONTENTS

Sagicor

GENERAL

Wise Financial Thinking for Life

MISSION

"To provide excellent insurance services while ensuring the growth, profitability and stability of the Company, and adequate return on investment for shareholders and creating an environment where employees can develop and excel."

VISION

"To be the insurer of choice, leading through innovation, excellence in customer service and financial strength, while meeting our stakeholders' expectations and uplifting the communities in which we operate."

CHAIRMAN & CEO'S REPORT

2017 was a challenging year for the general insurance industry, regionally and globally. Regionally the industry was impacted by hurricanes Harvey, Irma and Maria, which were all classified as Category 5 hurricanes. These hurricanes created misery and destruction across the Caribbean and the US, while amassing damages estimated to be more than US$100 billion.

The industry was further impacted by earthquakes in Mexico and wildfires in the US, making 2017 one of the most loss affected years in recent history. This is expected to bring an end to the soft market conditions which have prevailed for the past six (6) years. We have since experienced price increases for reinsurance protection due to the market losses experienced last year. We therefore anticipate that there will be an increase in insurance premiums in 2018 because of these higher costs.

Regional economies within the southern Caribbean generally experienced moderate levels of growth except for the economy of Trinidad and Tobago, which contracted. During 2017, regional growth was constrained by a litany of events including an active hurricane season which adversely impacted economies within the Eastern Caribbean, while Barbados' protracted economic malaise and the attendant macro challenges of dwindling foreign reserves, burdensome debt levels and high fiscal deficit dampened growth.

The Eastern Caribbean Currency Union (ECCU) moderately slowed during the latter half of 2017 following a series of natural disasters. Negative growth in the hurricane stricken territories was overshadowed by growth elsewhere within the OECS which estimated into an overall growth of 2.4% within the union for the year. The subdued growth during the second half of the year was largely due to lower than expected tourist arrivals and a decrease in exports. However, these factors are expected to recover in 2018 as reconstruction

DR M. PATRICIA DOWNES-GRANT
Chairman

KESTON HOWELL
President and Chief Executive Office

efforts commence. In 2017, inflation in the ECCU is forecasted at 1.7%, from 0.5% in 2016 while international reserves increased, as at September 2017, and stood at EC$8,129 million.

The Citizenship by Investment program, continued to be a major source of revenue for many of the Currency Union's territories and was a major contributor to the consolidated fiscal surplus. However, due to its medium-term nature, its revenue stream is expected to weaken, producing a lower 2018 GDP forecast. This constraint to revenue is expected to increase public debt, which will crowd out private investment and governments will continue to pursue fiscal consolidation through commitments made under IMF programmes or to the UK government.

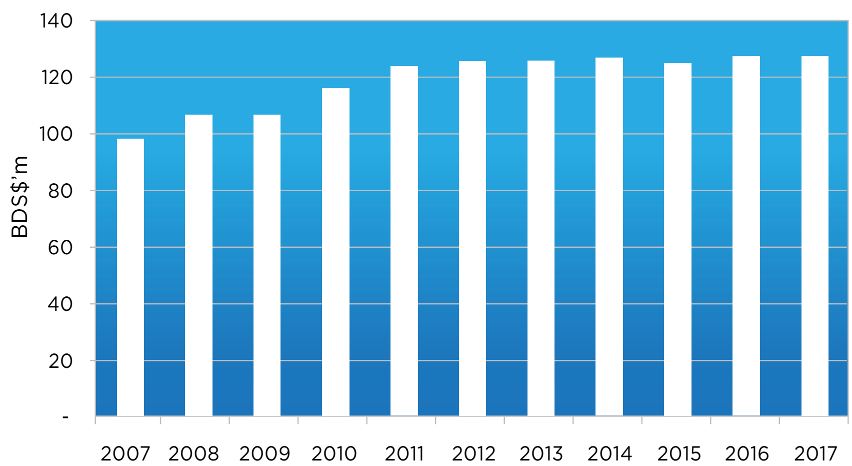
The Barbados economy slowed during the period in the face of multiple downgrades during the year; due to high government debt, deficits, limited appetite for private-sector financing and depleted international reserves. Barbados' economy grew by 1% during the year while unemployment increased to 10.2% 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. Standard & Poor further downgraded the island's long-term local currency to CCC during the third quarter Of 2017.

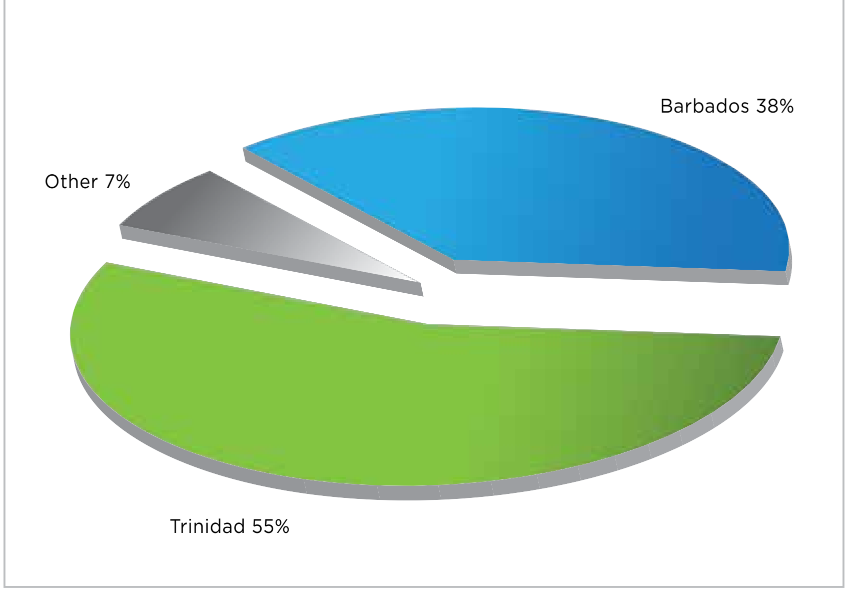
Trinidad and Tobago's economy is estimated to have contracted by 1.9% for 2017 by the Central Statistical Office. The unemployment rate increased to 4.5% during 2017 which contributed to the contraction in an environment of sluggish economic activity. Headline inflation remained low during the year at 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.

It is in this context of sluggish regional economic conditions, soft market pricing and a hyperactive and destructive 2017 hurricane season that we present this report on our 2017 financial performance.

GROSS WRITTEN PREMIUM



2017 GROSS WRITTEN PREMIUM BY TERRITORY



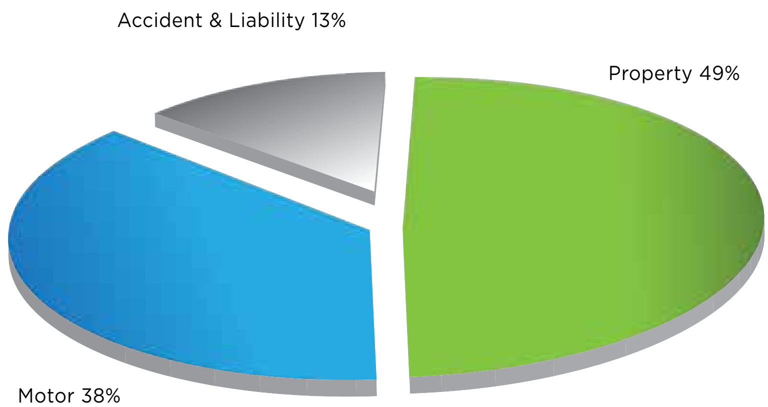
Underwriting

Notwithstanding a 5.6% growth in policy count, gross written premium (GWP) remained flat at $128.4 million for 2017. This is directly attributable to intense competition in our various markets, which continued to exert downward pressure on average rates in all markets. Enhanced service levels and client experience were the key drivers, which resulted in improved renewal retention rates as well as new business when compared to the prior year.

Trinidad and Tobago continues to be our leading market, generating 55% of GWP, while Barbados accounted for 38%. Other which comprises operations in St. Lucia, Antigua, Dominica and Bahamas contributed, 7% combined. On January 1, 2017 the company commenced business in the Bahamas, under an agency agreement. While it is early days for this market we are encouraged by the trends and market potential.

Net premiums increased by 56% over the prior year, as the company adjusted its reinsurance program to assume more risk on the motor portfolio, thus retaining more of its gross written premium. This change in the reinsurance program also resulted in a 31% decline in fees earned. Overall Total Revenue increased by $11.4 million or 16% to $83.7 million.

GROSS WRITTEN PREMIUM BY BUSINESS CLASS



Regarding revenue by class of business, our property portfolio is the largest contributor accounting for 49% of total GWP. Our Motor portfolio accounts for 38% of GWP with Accident and Liability contributing the remaining 13%.

Claims

Our loss ratio for 2017 was 91.9% compared to 41.5% in 2016. This increase was largely attributable to the claims arising from Hurricane Maria, although changes in our reinsurance program resulted in the company assuming a higher share of claims on the motor portfolio when compared to the previous year. Reported claims increased by 8.5% over the prior year. If we normalize these claims to exclude the impact of Hurricane Maria, motor claims rose 5.3% and property 26.6%. Declining average rates across lines of business also negatively impacted our loss ratio.

Investments

Investment income for 2017 was up 14% on the prior year. This was achieved because of improved interest income on our bond portfolio together with capital gains derived from the disposal of equities. The company also recorded a share of loss of $0.5 million from Globe Finance Inc., an associated company, in which the company owns a 20% stake.

SGI's investment philosophy remains conservative. The restrictions placed by the regulators on the type of investments that can be held largely dictates the composition of our existing portfolio which comprises mainly government bonds, cash and short-term deposit. The income stream from investments continues to provide earnings diversification for the company.

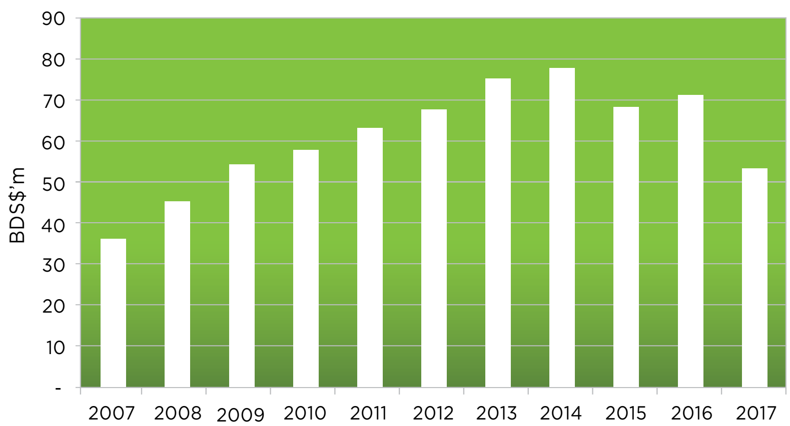
Expenses

Total expenses were $0.9 million higher in 2017 when compared to 2016. Administrative expenses were up $1.0 million over the prior year given severance payments and provisions for aged receivables. Depreciation expense fell $0.8 million as there was some accelerated depreciation on the assets in the prior year.

Financial Position

The company's financial position remains strong. Shareholders' equity declined from $71.3 million to $53.0 million given the net comprehensive loss for the year of $18.2 million.

TOTAL EQUITY



Total assets now stand at over $227.5 million, an increase of 7.1% over the prior year reaffirming the company's financial strength and stability.

During the year, A.M. Best conducted their annual review and has reaffirmed the company's A- (Excellent) financial rating. This rating is the outcome of a due diligence on the company's financial and operating performance and reflects the rater's assessment of the company's financial strength, inclusive of the backing of its primary shareholders Sagicor Life Inc and Goddard Enterprises Ltd., along with strong brand name recognition. The rating also takes into consideration the structure of our comprehensive reinsurance program backed by quality reinsurers.

Leadership Changes

During the year the Board of Directors made strategic changes at the leadership helm. On October 1, 2017 Mr. Keston Howell assumed the position as President & Chief Executive Officer. He was joined on November 1, 2017 by Mr. Patrick Hinkson who assumed the position of Chief Financial Officer.

Looking forward

We anticipate that our business environment will continue to be challenging. Major challenges include low economic growth, declining corporate profits, falling disposable income, intense competition, uneconomic premium rates and another active hurricane season.

It will be important in this environment to remain disciplined and retain our focus on the proper execution of our key strategic initiatives. We will resist the temptation to compete on price and ensure appropriate risk selection and pricing. We will improve operational efficiencies and our expense ratio through organizational restructure, process mapping and the strategic use of technology. We will retain a laser sharp focus on ensuring that we continually improve our customer experience. We will develop our leadership and our people to ensure that we maintain our cultural standards of integrity, accountability, urgency, teamwork and service excellence. We will remain vigilant to acquisition opportunities to achieve improved economies of scale, risk diversification and increased market share. We will achieve all this while ensuring that we comply with the strict regulatory and compliance framework which govern our industry.

We are confident that we are on the right path to building a strong and profitable company that will live up to the high expectations of our various stakeholders. On behalf of the Board of Sagicor General, we wish to thank our policyholders, clients, management, staff, insurance advisors and business partners for their continued and valued support to Sagicor General.

BOARD OF DIRECTORS

BOARD OF DIRECTORS

DR. M. PATRICIA DOWNES-GRANT
CHAIRMAN

Dr. Downes-Grant, joined Sagicor Life Inc. in 1991 where she held several senior positions, including Group Chief Operating Officer; and Treasurer and Executive Vice President (Finance and Investments) before being appointed as Chief Executive Officer and President on January 1, 2006. She holds an MBA in Finance, an MA in Economics, and a Doctorate in Business Administration (Finance). Prior to joining Sagicor, Dr. Downes-Grant was a Senior Manager in the Management, Consulting and Insolvency Division of Coopers & Lybrand (now PricewaterhouseCoopers).

Dr. Downes-Grant has more than 20 years of work experience in insurance, banking and asset management. She is a former Chairman of the Barbados Stock Exchange and Barbados Central Securities Depository and a Director of several companies within the Sagicor Group and within the private sector of Barbados. In 2014, Dr. Downes-Grant was honored for her services to the financial industry and was awarded a Commander of the British Empire (CBE).

Dr. Downes-Grant was conferred with an Honorary Doctor of Laws degree by the University of the West Indies.

ANTHONY ALI
VICE CHAIRMAN

Mr. Ali spent most of his working life in Canada and where he worked in the areas of Operations, Sales, Marketing, Customer Allegiance and Strategic Planning for a number of fortune 500 companies in Canada and the United States in a variety of industries including manufacturing, distribution and technology. Before joining Goddard Enterprises Ltd in 2013 as Managing Director, he worked with SM Jaleel in Trinidad – the largest soft drink manufacturer in the English speaking Caribbean - where he served as General Manager from 2010 – 2013 and where he was responsible for growing the business as well as the company's market share over two years in all categories of their business.

Upon graduating from the University of Toronto in 1988 with a B.Sc. Honours Degree in Chemistry, Mr. Ali worked as a Research Chemist at National Silicates – a manufacturer of sodium silicates and silicates derivatives - and subsequently as their Business Development Manager. He also completed a post graduate degree in Executive Marketing from the University of Western Ontario in 1992 and has completed several leadership and management programmes.

In 1993, he was selected from 6,000 employees from Abitibi-Price Inc. – manufacturers and sellers of

ANTHONY ALI
CONT'D

newsprint and groundwood specialties products – to participate in a fellowship at McKinsey & Co. for two years where he worked on a number of projects – both financial and operational – for a variety of clients.

He later joined Thermo Fisher Scientific – the world's largest provider of scientific equipment - in 2005 as Global Director of Operations and Customer Allegiance where he remained for three years; and then moved to Enerworks Inc. – a North American manufacturer of Solar Thermal systems - where he served as Vice President of Sales, Marketing and Customer Allegiance.

Mr. Ali has served on several Boards in the Energy field, is the co-author of several publications and has four patents pending. He has an interest in all types of sporting activities.

RAVI RAMBARRAN
DIRECTOR

Mr. Rambarran is the Group Chief Operating Officer and the Head of the Southern Caribbean operations of Sagicor Financial Corporation Limited.

Mr. Rambarran is a Director of Sagicor Costa Rica, Sagicor USA, Sagicor General and a member of the executive committee that runs Sagicor Financial Corporation Limited.

Mr. Rambarran, an Open Mathematics Scholar, has a BSc Actuarial Science (First Class Honours) from The City University, London and MSc Finance from the University of London and is a Fellow of the Institute and Faculty of Actuaries.

Mr. Rambarran's experience spans over twenty years in the insurance, pensions and asset management industries. Mr. Rambarran's experiences include rehabilitating distressed insurance companies, raising capital in the international capital markets, mergers and acquisitions in the insurance space and developing insurance business extra regionally.

Mr. Rambarran has led and participated in committees for the reform of the insurance and pensions sectors in Jamaica. Ravi was a part time lecturer at the University of the West Indies, a former executive of the Caribbean Actuarial Association and representative for the Caribbean on the insurance committee of the International Actuarial Association.

He is a frequent speaker at regional and international conferences on insurance and pensions.

BOARD OF DIRECTORS

JOHN EDWARD CLARKE
DIRECTOR

Edward Clarke was appointed to the position of Chief Operating Officer for Sagicor Life Inc in September, 2010. Prior to this, he held the position of Group Internal Auditor. Mr. Clarke is a Fellow of the Association of Chartered Certified Accountants and is a Certified Internal Auditor with more than 25 years' experience in the field of auditing and finance.

Mr. Clarke began his accounting career at Pannell Fitzpatrick & Company Chartered Accountants (now Ernst & Young). He later joined Texaco and served as a senior member of its finance team in Barbados, Nigeria and the USA. Before joining Sagicor, Mr. Clarke was the Chief Finance Officer of Goddard Enterprises Limited.

Mr. Clarke is Senior Vice President of the Barbados Chamber of Commerce, a member of the UWI Campus Council and the National Non-Communicable Disease Commission; in this capacity, he advocates private enterprise to adopt Wellness progammes in their respective organisations with a view of encouraging healthier lifestyles not only among employees but also the wider public, thereby reducing the cost of healthcare in Barbados as it relates to NCDs.

In furthering this commitment, Sagicor Life Inc has been a strong supporter of the Healthy Caribbean Coalition.

Additionally, Mr. Clarke is a Director of the following companies: Globe Finance Inc, Barbados Farms Ltd., Sagicor Funds Inc, Sagicor Asset Management Inc and the Insurance Association of the Caribbean Inc.

C. NATASHA SMALL
DIRECTOR

Mrs. Small was appointed to the position of Chief Financial Officer of Goddard Enterprises Limited effective January 1, 2008 after having acted in the post from April 1st, 2007. Previously she served as Group Financial Officer from April 1, 2006. Mrs. Small joined the Group on September 4, 2000 as Financial Controller of Hipac Limited. She held this position for five and a half years before being promoted to Head Office. Her activities involve planning and coordinating the Group' financial and investment activities as well as developing and coordinating the financial strategy of the Group; ensuring that adequate financial resources are available to accomplish the Group's business objectives; managing the corporate finance and accounting functions, managing cash flow investments and credit lines to maximise the productivity of the Group's financial resources.

Mrs. Small was educated at Queens College and the Barbados Community College. She attended the University of the West Indies, Cave Hill Campus where she obtained a Bachelor of Science degree with First Class Honours in Accounting. She is a fellow of the Association of Chartered Certified Accountants (FCCA), having qualified in September 2000. Prior to joining Goddard Enterprises Limited Group, Mrs. Small worked with Ernst & Young. She is currently a part-time lecturer at the University of the West Indies Cave Hill Campus. She was born in 1977.

WILLIAM PUTNAM
DIRECTOR

Mr. Putnam was the Executive Vice President of Macmillan Holdings Inc., a fuel distributor base in Miami, Florida, responsible for strategic, financial and operational issues.

Previously, Mr. Putnam worked for Goddard Enterprises Ltd. in several capacities including Star Discount, Bridgetown Cruise Terminals Inc. and Courtesy Garage Ltd. Later he spent seven years in Brazil first as President of Suzuki's automotive operations and then as Managing Director of an industrial export company.

Mr. Putnam earned a Bachelor of Science - Finance from Miami University and a MBA from Florida International University.

KESTON HOWELL
DIRECTOR

Mr. Keston Howell has been selected to assume the role of President and Chief Executive Officer of Sagicor General Insurance Inc effective October 1, 2017.

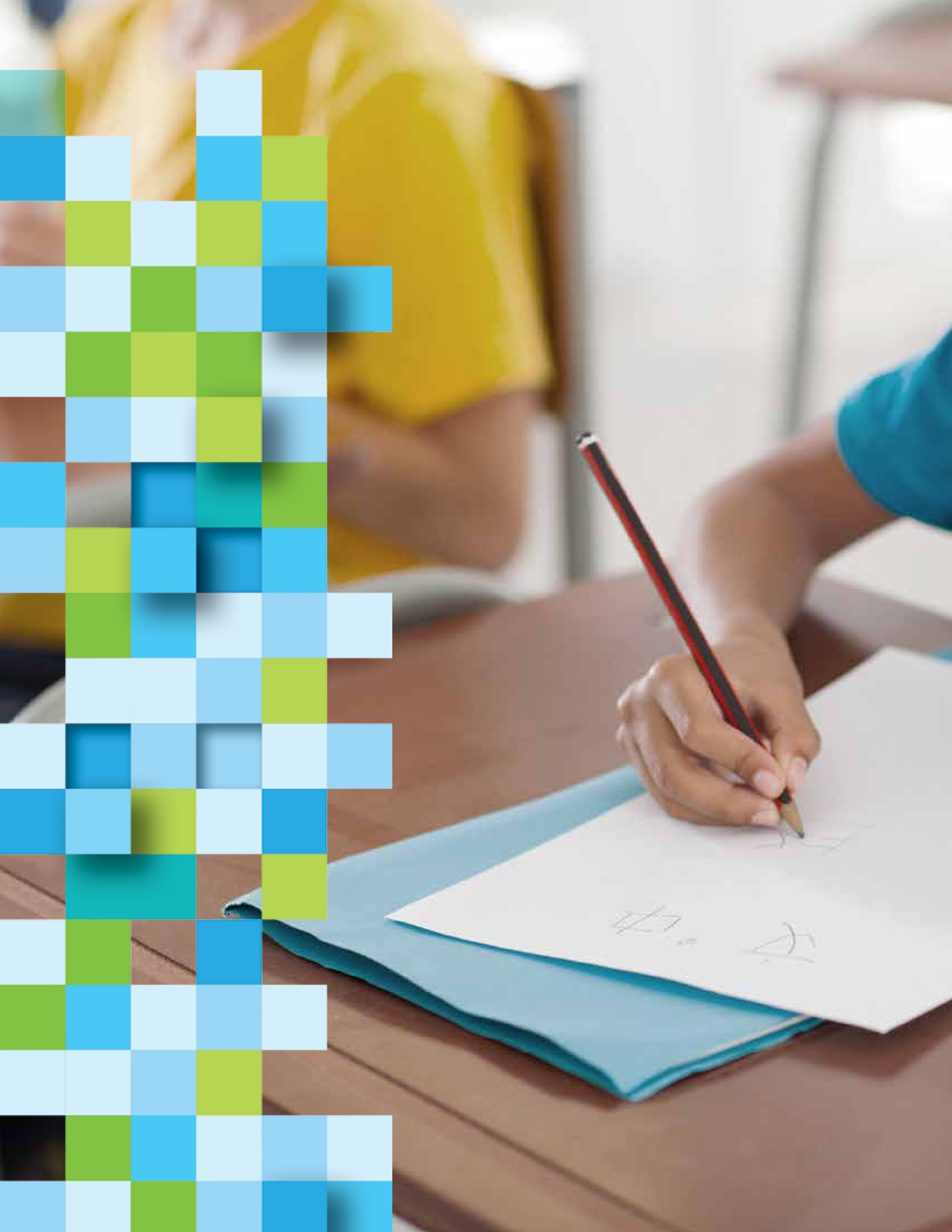
Mr. Howell has been a member of Sagicor Life Inc's (SLI) executive management team since 2005. Recently he held the post of Executive Vice President and General Manager, SLI with responsibility for the Dutch Caribbean, (Aruba, Curacao, St Maarten) Belize and Panama. He currently serves as a Director on the Boards of Sagicor Finance Inc, Sagicor Asset Management Inc, and Sagicor Funds Inc.

His career includes key roles in the Financial Services Sector in Trinidad and Tobago where, as a member of the leadership team of RBTT Merchant Bank Limited, he served as Vice President - Risk & Control, and as an Assistant General Manager Syndication. Other appointments included senior roles at Scotiabank Trinidad & Tobago Limited and The Royal Bank of Trinidad and Tobago Limited. He is a Past President of the Securities Dealers Association of Trinidad & Tobago.

Mr. Howell has over 18 years in the banking and insurance industry.

M.r Howell holds a B.Sc. Management Studies (Hons.) from The University of the West Indies, St. Augustine Campus, and an MBA Banking (Merit), from the University of London, London, England.

He is an avid Jazz enthusiast and an audiophile, who also enjoys gardening.



SAGICOR GENERAL INSURANCE INC.

FINANCIAL STATEMENTS

DECEMBER 31, 2017

Independent auditor's report

To the Shareholders of Sagicor General Insurance Inc.

Our opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Sagicor General Insurance Inc. (the Company) as at December 31, 2017, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

What we have audited

The Company's financial statements comprise:

- the statement of financial position as at December 31, 2017;
- the statement of income for the year then ended;
- the statement of comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of 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 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 Company 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.

Other information

Management is responsible for the other information. The other information comprises the Annual Report (but does not include the financial statements and our auditor's report thereon).

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

PricewaterhouseCoopers SRL, The Financial Services Centre, Bishop's Court Hill, P.O. Box 111, St. Michael, BB14004, Barbados, West Indies
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In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

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

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

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an 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 financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Other Matter

This report is made solely to the Company's shareholders, as a body, in accordance with Section 147 of the Companies Act of Barbados. Our audit work has been undertaken so that we might state to the Company's shareholders those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law and subject to any enactment or rule of law to the contrary, we do not accept or assume responsibility to anyone other than the Company and the Company's shareholders as a body, for our audit work, for this report, or for the opinion we have formed.

PricewaterhouseCoopers SRL

PricewaterhouseCoopers SRL
Bridgetown, Barbados
April 30, 2018

As of December 31, 2017 Amounts expressed in Barbados dollars $000's

	Notes	2017	2016
ASSETS			
Property, plant and equipment	5	11,913	16,038
Property held for resale	30	3,150	-
Investment in associated company	6	3,156	3,673
Financial investments	7	76,365	71,655
Reinsurance assets	8	54,628	59,716
Income tax assets	9	6,000	2,988
Premiums receivable and deferred acquisition costs	10	32,446	34,395
Provisions	13	245	-
Miscellaneous assets and receivables	11	1,403	761
Cash and cash equivalents		38,178	23,261
Total assets		**227,484**	**212,487**
LIABILITIES			
Policyholders' liabilities	12	134,262	105,121
Provisions	13	-	456
Income tax liabilities	14	-	263
Due to reinsurers, deferrals and premium tax payable	15	27,602	27,658
Amounts payable to related parties	29	5,093	4,745
Accounts payable and accrued liabilities		7,499	2,977
Total liabilities		**174,456**	**141,220**
EQUITY			
Share capital	16	3,705	3,705
Reserves	17	27,384	26,293
Retained earnings		21,939	41,269
Total equity		**53,028**	**71,267**
Total equity and liabilities		**227,484**	**212,487**

These financial statements have been approved for issue by the Board of Directors on April 19, 2018.

________________ Director   ________________ Director

For the year ended December 31, 2017 Amounts expressed in Barbados dollars $000's

	Notes	2017	2016
REVENUE			
Premium revenue	18	128,466	128,496
Reinsurance expense	18	(70,470)	(91,327)
Net premium revenue		57,996	37,169
Investment income	19	4,376	3,829
Share of operating loss of associated company	6	(517)	(511)
Fees and other revenue	20	21,873	31,812
Total revenue		**83,728**	**72,299**
CLAIMS INCURRED			
Claims incurred	21	76,244	35,416
Claims reinsured	21	(22,747)	(20,007)
Net claims incurred		**53,497**	**15,409**
EXPENSES			
Administrative expenses		28,565	27,503
Commissions and related compensation	10	16,131	15,714
Net premium taxes		936	683
Depreciation		2,830	3,622
Total expenses		**48,462**	**47,522**
(LOSS) INCOME BEFORE TAXES		(18,231)	9,368
Income taxes	24	197	(3,181)
NET (LOSS) INCOME FOR THE YEAR		**(18,034)**	**6,187**

For the year ended December 31, 2017 Amounts expressed in Barbados dollars $000's

	Notes	2017	2016
NET (LOSS) INCOME FOR THE YEAR		**(18,034)**	**6,187**
OTHER COMPREHENSIVE INCOME			
Items net of tax that may be reclassified subsequently to income:	27		
Available for sale financial assets			
Unrealised (losses) gains arising on revaluation		(96)	(28)
Retranslation of foreign currency operations		(279)	(2,000)
		(375)	(2,028)
Items net of tax that will not be reclassified subsequently to income:	27		
Unrealised gain (loss) arising on revaluation of property		280	(1,000)
Losses on defined benefit plans		(110)	(373)
		170	(1,373)
Other comprehensive loss for the year		**(205)**	**(3,401)**
TOTAL COMPREHENSIVE (LOSS) INCOME FOR THE YEAR		**(18,239)**	**2,786**

The accompanying notes form an integral part of these financial statements.

For the year ended December 31, 2017 Amounts expressed in Barbados dollars $000's

	Year ended December 31, 2017			
	Share capital Note 16	**Reserves Note 17**	**Retained earnings**	**Total**
Balance, beginning of year	**3,705**	**26,293**	**41,269**	**71,267**
Total comprehensive income	-	(95)	(18,144)	(18,239)
Transfer to catastrophe reserve	-	1,186	(1,186)	-
Balance, end of year	**3,705**	**27,384**	**21,939**	**53,028**

	Year ended December 31, 2016			
	Share capital Note 16	**Reserves Note 17**	**Retained earnings**	**Total**
Balance, beginning of year	**3,705**	**28,424**	**36,352**	**68,481**
Total comprehensive (loss) income	-	(3,028)	5,814	2,786
Transfer to catastrophe reserve	-	897	(897)	-
Balance, end of year	**3,705**	**26,293**	**41,269**	**71,267**

The accompanying notes form an integral part of these financial statements.

For the year ended December 31, 2017 Amounts expressed in Barbados dollars $000's

	Notes	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before taxes		(18,231)	9,368
Adjustments for non-cash items, interest and dividends	28	14,521	235
Interest and dividends received		3,133	3,108
Interest received from Sagicor Group companies		572	582
Income taxes paid		(2,700)	(2,665)
Changes in operating assets	28	(3,907)	1,205
Changes in operating liabilities	28	23,401	(7,869)
Net cash from operating activities		**16,789**	**3,964**
CASH FLOWS FROM INVESTING ACTIVITIES			
Property, plant and equipment	28	(1,593)	(2,396)
Net cash used in investing activities		**(1,593)**	**(2,396)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid to shareholders		-	(152)
Net cash used in financing activities		**-**	**(152)**
Effects of exchange rate differences		**(279)**	**(1,000)**
NET INCREASE IN CASH AND CASH EQUIVALENTS		**14,917**	**416**
Cash and cash equivalents, beginning of year		23,261	22,845
CASH AND CASH EQUIVALENTS, END OF YEAR	28	**38,178**	**23,261**

The accompanying notes form an integral part of these financial statements.

1. INCORPORATION AND PRINCIPAL ACTIVITIES

The company is incorporated in Barbados and carries on general insurance business in Barbados and certain other Caribbean Islands. The company's parent company is Sagicor Life Inc. which is incorporated in Barbados. Its ultimate parent company is Sagicor Financial Corporation Limited, which on July 20, 2016 continued as an exempt company under the Laws of Bermuda and as an external company, under the Companies Act of Barbados.

2. ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these 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 financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) under the historical cost convention except as modified by the revaluation of land and buildings and available for sale investments.

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

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

(a) Amendments to IFRS

A number of new standards or amendments to standards and interpretations are effective for annual periods beginning after January 1, 2017 and have not been applied in preparing these financial statements. There are no new standards, amendments to standards and interpretations effective for this financial year that have a significant effect on the financial statements.

(b) Future accounting developments

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 company's financial statements are summarised in the following table.

2. ACCOUNTING POLICIES (continued)

2.1 Basis of preparation (continued)

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. 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.

2. ACCOUNTING POLICIES (continued)
2.1 Basis of preparation (continued)

IFRS (Effective date)	Subject/ Comments
IFRS 9 – Financial Instruments (January 1, 2018)	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. The new standard is not expected to impact the company's 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 Company's financial statements, as the Company does not use hedge accounting.

2. ACCOUNTING POLICIES (continued)
2.1 Basis of preparation (continued)

IFRS (Effective date)	Subject/ Comments
IFRS 9 – Financial Instruments (January 1, 2018)	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'. 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 Company 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 Company'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 Company must consider the maximum contractual period over which the Company 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 Company is exposed to credit risk and where the credit losses would not be mitigated by management actions.

2. ACCOUNTING POLICIES (continued)
2.1 Basis of preparation (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 Company's disclosures about its financial instruments particularly in the year of the adoption of the new standard.

2. ACCOUNTING POLICIES (continued)
2.1 Basis of preparation (continued)

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. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer – so the notion of control replaces the existing notion of risks and rewards. A new five-step process must be applied before revenue can be recognised: • identify contracts with customers • identify the separate performance obligation • determine the transaction price of the contract • allocate the transaction price to each of the separate performance obligations, and • recognise the revenue as each performance obligations is satisfied. Key changes to current practice are: • Any bundled goods or services that are distinct must be separately recognised, and any discounts or rebates on the contract price must generally be allocated to the separate elements. • Revenue may be recognised earlier than under current standards if the consideration varies for any reasons (such as for incentives, rebates, performance fees, royalties, success of an outcome etc.) –minimum amounts must be recognised if they are not at significant risk of reversal. • The point at which revenue is able to be recognised may shift: some revenue which is currently recognised at a point in time at the end of a contract may have to be recognised over the contract term and vice versa. • There are new specific rules on licenses, warranties, non refundable upfront fees and, consignment arrangements, to name a few. • As with any new standard, there are also increased disclosures. Entities will have a choice of full retrospective application, or prospective application with additional disclosures. The Company's primary activity is insurance. Insurance product revenue recognition is defined in IFRS 4.

2. ACCOUNTING POLICIES (continued)
2.1 Basis of preparation (continued)

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 Company is yet to fully assess the impact of this standard.
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 Company has assessed its eligibility for deferral and has concluded that it will adopt IFRS 9 on 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 Company is currently assessing the impact of this approach on its financial statements.

2. ACCOUNTING POLICIES (continued)
2.1 Basis of preparation (continued)

IFRS (Effective date)	Subject/ Comments
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. • 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 Company 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 Company is yet to assess the impact of this interpretation.

2. ACCOUNTING POLICIES (continued)
2.1 Basis of preparation (continued)

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 Company is yet to assess the impact of IFRS 17.

2. ACCOUNTING POLICIES (continued)

2.1 Basis of preparation (continued)

Sale or contribution of assets between an investor and its associate or joint venture – Amendments to IFRS 10 and IAS 28	The IASB has made limited scope amendments to IFRS 10 Consolidated financial statements and IAS 28 Investments in associates and joint ventures. The amendments clarify the accounting treatment for sales or contribution of assets between an investor and its associates or joint ventures. They confirm that the accounting treatment depends on whether the non- monetary assets sold or contributed to an associate or joint venture constitute a 'business' (as defined in IFRS 3 Business Combinations). Where the non-monetary assets constitute a business, the investor will recognise the full gain or loss on the sale or contribution of assets. If the assets do not meet the definition of a business, the gain or loss is recognised by the investor only to the extent of the other investor's investors in the associate or joint venture. The amendments apply prospectively. ** In December the IASB decided to defer the application date of this amendment until such time as the IASB has finalised its research project on the equity method.

2.2 Investment in associated company

The investment in associated company, which is not majority-owned or controlled, is included in these financial statements under the equity method of accounting. The investment was initially recorded at cost and includes intangible assets identified on acquisition.

Accounting policies of the associate have been changed where necessary to ensure consistency with the accounting policies adopted by the company.

The company recognises in income its share of the associated company's 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 company and its associate are eliminated to the extent of the company's interest in the associate. The company recognises in other comprehensive income its share of the associated company's post acquisition other comprehensive income.

2.3 Foreign currency translation

(a) Functional and presentational currency

Items included in the financial statements of each branch of the company are measured using the currency of the primary economic environment in which the branch operates (the functional currency).

2. ACCOUNTING POLICIES (continued)

2.3 Foreign currency translation (continued)

These financial statements are presented in thousands of Barbados dollars, which is the company's presentational currency.

The results and financial position of all branches that have a functional currency other than the presentational currency are translated into the presentational currency 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.

(b) Transactions and balances

Transactions arising during the year involving foreign currencies are translated and recorded at the rates of exchange prevailing on the dates of the transactions. Monetary assets and liabilities and non-monetary assets carried at fair value expressed in foreign currencies are translated at the rates of exchange ruling at the financial statement date. Translation differences arising from fluctuations in exchange rates related to these items are included in the Statement of Income, with the exception of equities classified as 'available for sale' which are reported as part of the fair value gain or loss in other comprehensive income.

2.4 Property, plant and equipment

Property, plant and equipment are recorded initially at cost.

Owner-occupied property is re-valued at least every three years to its fair value as determined by independent valuers. Movements in fair value are reported in other comprehensive income. Accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the re-valued amount of the asset. On disposal of owner-occupied property, the amount included in the fair value reserve is transferred to retained earnings.

Depreciation is calculated on the straight-line method to write down the cost or fair value of assets to their residual values over their estimated useful lives. The rates used are as follows:

Asset	Rates
Freehold land	Nil %
Buildings	2 %
Office furnishings	10 %
Equipment	20 %
Motor vehicles	20 %

2. ACCOUNTING POLICIES (continued)

2.4 Property, plant and equipment (continued)

Land is not depreciated.

The carrying amount of an asset is written down immediately through the depreciation account if the carrying amount is greater than its estimated recoverable amount.

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.

2.5 Financial investments

The company classifies its financial investments into two categories:
- available for sale securities;
- loans and receivables.

Management determines the appropriate classification of these assets at initial recognition.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These assets are carried at amortised cost less provision for impairment.

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. These assets are measured initially at cost and are subsequently re-measured at their fair value based on quoted bid prices or internal valuation techniques. Unrealised gains and losses, net of deferred income taxes, are reported in other comprehensive income. The previously recorded unrealised gain or loss is transferred to investment income either on the disposal of the asset or if the asset is determined to be impaired. Discounts and premiums on available for sale securities are amortised using the effective interest method.

Purchases and sales of financial investments are recognised on the trade date. Cost of purchases includes transaction costs. Interest income arising on investments is accrued using the effective yield method.

Interest income includes coupons earned on fixed income investment securities, loans and deposits and accrued discount and premium on discounted instruments. Dividends are recorded in revenue when due.

Fair value amounts represent estimates of the consideration that would be agreed upon between knowledgeable, willing parties who are under no compulsion to act and is best evidenced by a quoted market value, if one exists. The estimated fair values of financial assets are based on quoted prices of securities as at December 31 where available.

2. ACCOUNTING POLICIES (continued)

2.5 Financial investments (continued)

In estimating the fair value of non-traded financial assets, the company 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 according to the perceived additional risk of the non-government security.

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 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 equity security is its fair value.

For an available for sale equity security, 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 12 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 company 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.

2.6 Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents comprise cash balances, call deposits and other liquid balances with original maturities of three months or less from the acquisition date. Cash and cash equivalents do not include balances principally of an investment nature or funds held to meet statutory requirements. Cash equivalents are subject to an insignificant risk of change in value.

2. ACCOUNTING POLICIES (continued)

2.7 Insurance contracts

(a) Classification
The company issues contracts that transfer insurance risk. Insurance contracts transfer insurance risk and may also transfer financial risk. The company defines insurance risk as an insured event which could cause an insurer to pay significant additional benefits in a scenario that has a discernable effect on the economics of the transaction.

(b) Recognition and measurement
The insurance contracts issued by the company are summarised below.

(i) Property and casualty insurance contracts

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

Property insurance contracts provide coverage for the risk of property damage or of loss of property. 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 to third parties. Personal accident, employers' liability and public liability are common types of casualty insurance.

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 and loss adjustment expenses are recorded as incurred. Claim reserves represent estimates of future payments of reported and unreported claims and related expenses with respect to insured events that have occurred up to the balance sheet date.

Reserving involves uncertainty and the use of statistical techniques of estimation. These techniques generally involve projecting from past experience the development of claims over time to form a view of the likely ultimate claims to be experienced, having regard to variations in business written and the underlying terms and conditions. The claim reserve is not discounted and is included in policyholders' liabilities.

Liability adequacy tests are performed at the date of the financial statements 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 claims incurred.

2. ACCOUNTING POLICIES (continued)

2.7 Insurance contracts (continued)

The company obtains 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. Reinsurance claim recoveries are established at the time of recording of the claim liability. Profit sharing commission due to the company is recognised only when there is reasonable certainty of collectability, at which time it is recorded as commission income.

Commission income and expense are recognised on the same basis as earned premiums ceded to reinsurers and earned premiums respectively. Deferred commission income includes commission on the unexpired portion of reinsurance ceded and deferred acquisition costs include commission on the unexpired portion of premiums written.

Premium tax and premium tax recovered are recognised as premiums are earned and reinsurance premiums are expensed respectively. Premium tax is deferred on the unexpired portion of reinsurance ceded and the unexpired portion of premiums written.

(ii) Reinsurance contracts held

As noted in section (i) above, the company may obtain reinsurance coverage for insurance risks underwritten. The company 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 company of its liability.

The benefits to which the company 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, it is recorded in the statement of income. The obligations of the company under reinsurance contracts held are recognised as reinsurance liabilities or payables.

Reinsurance balances are measured consistently with the insurance liabilities to which they relate. Reinsurance is recorded gross in the balance sheet unless a right of offset exists.

2. ACCOUNTING POLICIES (continued)

2.8 Financial liabilities

During the ordinary course of business, the company assumes financial liabilities that expose it to financial risk. The recognition and measurement of the company's financial liabilities are disclosed in the following paragraphs.

(a) Loans Payable
Loans payable are recognised initially at fair value, being their issue proceeds, net of transaction costs incurred. Subsequently, borrowings 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 borrowings using the effective yield method.

(b) 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.

The estimated fair values of financial liabilities are based on market values of quoted securities as at December 31 where available. In assessing the fair value of non-traded financial liabilities, the company 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.

2.9 Provisions

Provisions are recognised when the company 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.

2.10 Fees and other revenue

Fees and other revenue are recognised on an accrual basis when the related service has been provided.

2.11 Employee pension benefits

The company maintains a defined benefit plan for its employees, the assets of which are held in a fund administered by the parent company, Sagicor Life Inc.

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 for the maturity dates and location of the related liability.

2. ACCOUNTING POLICIES (continued)

2.11 Employee pension benefits (continued)

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

2.12 Taxes

(a) Premium taxes

Insurers are subject to tax on premium revenues generated in certain jurisdictions. The principal rates of premium tax are as follows:

Barbados	4% - 4.75%
Eastern Caribbean	3% - 5%

(b) Income taxes

The company is subject to taxes on income in the jurisdictions in which business operations are conducted. Rates of taxation in the principal jurisdictions for income year 2016 are as follows:

Barbados	25% of net income
Trinidad and Tobago	25% of net income
Eastern Caribbean	30% - 40% 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 expected to apply to the period when the asset is realised or the liability settled. 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.

Deferred tax, related to fair value re-measurement of available for sale investments 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. ACCOUNTING POLICIES (continued)

2.13 Dividend distributions

Dividend distributions on the company's common shares are recorded in the period during which the dividend declaration has been approved by the directors.

2.14 Statutory reserves

Statutory reserves consist of the surplus account and the catastrophe reserve fund.

In accordance with Section 152 of the Insurance Act 1996-32, the company is required to appropriate towards surplus at least 25% of net income until such time as the surplus of the company equals or exceeds the liability in respect of unearned premiums.

In accordance with Section 155(1)(b) of the Insurance Act 1996-32, the company established a catastrophe reserve fund for the purpose of settling claims in the event of a catastrophe. The company may transfer 25% of the net written premiums from the company's property insurance business annually which is accounted for as an appropriation of retained earnings. The appropriation made in respect of the current year is $1,186 (2016 - $897).

2.15 Presentation of current and non-current assets and liabilities

In note 31.2, the maturity profiles of financial and insurance assets and liabilities are identified. For other assets and liabilities, balances presented in notes 5, 6, 9, 13 and 14 are non-current unless otherwise stated in those notes.

2.16 Property held for resale

Property held for resale are stated at the lower of carrying value or fair value. Any gain or loss on the disposal of the property held for resale is recognised in income at the time of the sale.

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 company's reported assets, liabilities, revenues, benefits and expenses. The items which may have the most effect on the company's financial statements are set out below.

3.1 Claims in the course of settlement

Claim liabilities are based on estimates due to the fact that the ultimate disposition of claims incurred prior to the date of the financial statements, whether reported or not, is subject to the outcome of events that may not yet have occurred. Significant delays are experienced in the notification and settlement of certain types of claims, particularly in respect of casualty contracts. Events which may affect the ultimate outcome of claims include inter alia, jury decisions, court interpretations, legislative changes and changes in the medical condition of claimants.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

3.1 Claims in the course of settlement (continued)

Any estimate of future losses is subject to the inherent uncertainties in predicting the course of future events. The two most critical assumptions made to determine claim liabilities are that the past is a reasonable predictor of the likely level of claims development and that the statistical estimation models used are fair reflections of the likely level of ultimate claims to be incurred. Consequently, the amounts recorded in respect of unpaid losses may change significantly in the short term.

Management engages independent actuaries either to assist in making or to confirm the estimate of claim liabilities. The ultimate liability arising from claims may be mitigated by recovery arising from reinsurance contracts held.

3.2 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 Company 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 Trinidad and Tobago and Government of Barbados carried at amortised cost. The Company 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 Company.

4. STATUTORY RESTRICTIONS ON ASSETS

The company is 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.

To satisfy the above requirements, invested assets totalling $64,858 (2016 - $47,280) have been deposited with or are held in trust to the order of the insurance regulators.

In some countries where the company operates, there are exchange control or other restrictions on the remittance of funds out of those countries.

For the year ended December 31, 2017 Amounts expressed in Barbados dollars $000's

5. PROPERTY, PLANT AND EQUIPMENT

	2017				
	Freehold land and building	**Office furnishings**	**Equipment**	**Motor vehicles**	**Total**
Net book value, beginning of year	2,870	3,843	8,087	1,238	16,038
Additions at cost	-	239	1,247	193	1,679
Disposals / reclassifications	(3,000)	(139)	(230)	(558)	(3,927)
Depreciation in fair values	-	-	-	-	-
Depreciation charge	-	(738)	(1,620)	(472)	(2,830)
Depreciation on disposals	130	139	226	458	953
Net book value, end of year	**-**	**3,344**	**7,710**	**859**	**11,913**
Represented by:					
Cost or valuation	-	10,409	17,856	2,283	30,548
Accumulated depreciation	-	(7,065)	(10,146)	(1,424)	(18,635)
	-	**3,344**	**7,710**	**859**	**11,913**

	2016				
	Freehold land and building	**Office furnishings**	**Equipment**	**Motor vehicles**	**Total**
Net book value, beginning of year	3,929	5,474	7,339	1,557	18,299
Additions at cost	-	120	2,064	426	2,610
Disposals	-	-	(12)	(448)	(460)
Depreciation in fair values	(1,000)	-	-	-	(1,000)
Depreciation charge	(59)	(1,751)	(1,313)	(499)	(3,622)
Depreciation on disposals	-	-	9	202	211
Net book value, end of year	**2,870**	**3,843**	**8,087**	**1,238**	**16,038**
Represented by:					
Cost or valuation	3,000	10,309	16,839	2,648	32,796
Accumulated depreciation	(130)	(6,466)	(8,752)	(1,410)	(16,758)
	2,870	**3,843**	**8,087**	**1,238**	**16,038**

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6. INVESTMENT IN ASSOCIATED COMPANY

The company holds 1,000,000 Class A common shares in Globe Finance Inc., a company incorporated in Barbados, which represents a 20% ownership interest and 25% voting interest. The aggregate balances and results in respect of the associated company for the year are as follows:

	2017	2016
Assets		
Financial investments	154,776	136,098
Cash resources	16,171	31,757
Other assets	15,474	36,166
Total assets	186,421	204,021
Liabilities		
Deposit liabilities	163,474	172,448
Other liabilities	7,153	13,207
Total liabilities	170,627	185,655
Net assets	15,794	18,366
Reconciliation to carrying amounts		
Investment, beginning of year	3,673	4,184
Share of operating loss of associated company	(517)	(511)
Investment, end of year	3,156	3,673
Summarised Statement of Comprehensive Income		
Revenue		
Investment income	11,078	12,203
Fees and other revenue	5,285	7,346
Total revenue	16,363	19,549
Expenses		
Interest expense	5,258	6,364
Other expenses	13,312	13,541
Total expenses	18,570	19,905
Loss before taxes	(2,207)	(356)
Income taxes	104	(1)
Net loss for the year	(2,103)	(357)
Other comprehensive loss for the year	9	(22)
Total comprehensive loss for the year	(2,094)	(379)
Dividends received	-	64

For the year ended December 31, 2017 Amounts expressed in Barbados dollars $000's

7. FINANCIAL INVESTMENTS

	2017		2016	
	Carrying value	Fair value	Carrying value	Fair value
Available for sale securities:				
Debt securities	-	-	1,670	1,670
Equity securities	1,293	1,293	1,528	1,528
	1,293	1,293	3,198	3,198
Loans and receivables:				
Debt securities	66,410	69,069	62,326	67,384
Mortgage loans	1,484	1,412	1,836	1,697
Deposits	7,178	7,178	4,295	4,295
	75,072	77,659	68,457	73,376
Total financial investments	76,365	78,952	71,655	76,574

Debt securities comprise:	2017	2016
Government and government-guaranteed debt securities	53,528	55,386
Other securities	12,882	8,610
	66,410	63,996

Debt securities include $2,500 that contain options to convert to common shares of the issuer.

8. REINSURANCE ASSETS

	2017	2016
Claim recoveries from reinsurers (note 12)	33,431	21,188
Unearned premiums ceded to reinsurers (note 12)	21,197	38,528
	54,628	59,716

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9. INCOME TAX ASSETS

	2017	2016
Income and withholding taxes recoverable	2,836	1,651
Deferred income tax assets (note 25)	3,164	1,337
	6,000	2,988

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

10. PREMIUMS RECEIVABLE AND DEFERRED ACQUISITION COSTS

	2017	2016
Premiums in the course of collection	24,364	25,659
Deferred commission expense	6,898	7,634
Deferred premium tax	1,184	1,102
	32,446	34,395

The movement in deferred balances for the year is as follows:

	2017	2016
Deferred commission expense		
Balance, beginning of year	7,634	7,897
Commission paid	15,395	15,451
Commissions and related compensation expense	(16,131)	(15,714)
Balance, end of year	6,898	7,634

	2017	2016
Deferred premium tax		
Balance, beginning of year	1,102	1,058
Premium tax paid	2,382	2,311
Premium tax expense	(2,300)	(2,267)
Balance, end of year	1,184	1,102

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11. MISCELLANEOUS ASSETS AND RECEIVABLES

	2017	2016
Prepaid expenses	179	170
Other accounts receivable	1,224	591
	1,403	761

12. POLICYHOLDERS' LIABILITIES

	2017	2016
Claims in the course of settlement	74,267	44,216
Provision for unearned premiums	59,995	60,905
	134,262	105,121

12.1 Claims in the course of settlement

(a) Analysis of claims in the course of settlement

	2017	2016
Property business	26,226	4,616
Motor business	31,670	26,663
Accident and liability business	16,371	12,937
	74,267	44,216

Claims in the course of settlement include $18,835 (2016- $16,795) in provisions for claims incurred but not yet reported.

The associated reinsurance recoveries from claims in the course of settlement are in respect of:

	2017	2016
Property business	18,427	3,979
Motor business	7,738	11,046
Accident and liability business	7,266	6,163
	33,431	21,188

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12. POLICYHOLDERS' LIABILITIES (continued)

12.1 Claims in the course of settlement (continued)

(b) Movement in claims in the course of settlement

The movement in claims in the course of settlement for the year is as follows:

	2017	2016
Balance, beginning of year	44,216	58,310
Claims incurred (note 21)	76,244	35,416
Claims paid	(46,193)	(47,010)
Effect of exchange rate changes	-	(2,500)
Balance, end of year	74,267	44,216

The movement in claims in the course of settlement includes the following amounts which are recoverable from reinsurers:

	2017	2016
Balance, beginning of year	21,188	34,373
Ceded in year (note 21)	22,747	20,007
Claim recoveries	(10,504)	(30,192)
Effect of exchange rate changes	-	(3,000)
Balance, end of year (note 8)	33,431	21,188

The valuation of claims liabilities is sensitive to the underlying assumptions used which are based on historical development patterns for incurred and paid to date claims. A 10% increase in development would result in an increase in gross reserves and reinsurance recoveries of $1,220 and $524 (2016 - $1,180 and $617) respectively and a $696 (2016 - $563) decrease in income from ordinary activities. A 10% decrease in development would result in a decrease in gross reserves and reinsurance recoveries of $1,239 and $531 (2016 - $1,205 and $633) respectively and a $708 (2016 - $572) increase in income from ordinary activities.

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12. POLICYHOLDERS' LIABILITIES (continued)

12.1 Claims in the course of settlement (continued)

The development of claims in the course of settlement provides a measure of the company's ability to estimate the ultimate value of claims incurred. The top half of the tables below illustrate how the estimate of total claims incurred for each year has changed at successive year ends. The bottom half of the table reconciles the cumulative claims incurred to the liability included in the current statement of financial position. The disclosures are by accident year which is the financial period in which the claim is incurred.

	2013	2014	2015	2016	2017	Total
Gross						
Estimate of ultimate claims incurred:						
At the end of financial reporting year	30,658	36,178	43,201	39,081	70,250	219,368
One year later	30,689	39,329	40,885	40,399		
Two years later	29,141	39,370	42,392			
Three years later	29,251	39,231				
Four years later	30,514					
Current estimate of ultimate claims incurred	30,514	39,231	42,392	40,399	70,250	222,786
Cumulative payments to date	(26,957)	(33,306)	(33,236)	(30,131)	(30,831)	(154,461)
Liability recognised in the statement of financial position	3,557	5,925	9,156	10,268	39,419	68,325
Liability in respect of prior years						3,834
Liability for unallocated loss adjustment expenses						2,108
Total liability included in the statement of financial position						74,267
Net favourable/ (unfavourable) development	144	(3,053)	809	(1,318)	-	

	2013	2014	2015	2016	2017	Total
Reinsurance						
Estimate of ultimate claims incurred:						
At the end of financial reporting year	15,712	19,149	23,991	22,304	20,939	102,095
One year later	16,515	20,673	22,562	22,610		
Two years later	15,514	20,479	23,180			
Three years later	15,476	20,369				
Four years later	16,063					
Current estimate of ultimate claims incurred	16,063	20,369	23,180	22,610	20,939	103,161
Cumulative payments to date	(14,240)	(17,407)	(18,588)	(17,506)	(1,890)	(69,631)
Asset recognised in the statement of financial position	1,823	2,962	4,592	5,104	19,049	33,530
Asset in respect of prior years						1,015
Liability in respect of prior years						(1,114)
Total asset included in the statement of financial position						33,431
Net favourable/ (unfavourable) development	(351)	(1,220)	811	(306)	-	

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12. POLICYHOLDERS' LIABILITIES (continued)

12.2 Provision for unearned premiums

(a) Analysis of provision for unearned premiums

	2017	2016
Property business	27,233	27,752
Motor business	24,902	24,209
Accident and liability business	7,860	8,944
	59,995	60,905

The associated unearned premiums ceded to reinsurers:

	2017	2016
Property business	19,632	22,668
Motor business	130	12,134
Accident and liability business	1,435	3,726
	21,197	38,528

(b) Movement in provision for unearned premiums

The movement in the provision for unearned premium for the year is as follows:

	2017	2016
Balance, beginning of year	60,905	62,637
Premiums written	127,556	129,264
Premium revenue (note 18)	(128,466)	(128,496)
Effect of exchange rate changes	-	(2,500)
Balance, end of year	59,995	60,905

The movement in unearned premiums ceded to reinsurers is as follows:

	2017	2016
Balance, beginning of year	38,528	40,681
Reinsurance on premiums written	53,139	92,174
Reinsurance expense (note 18)	(70,470)	(91,327)
Effect of exchange rate changes	-	(3,000)
Balance, end of year (note 8)	21,197	38,528

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13. PROVISIONS

	2017	2016
Pensions plan asset (note 23)	245	-
Pensions plan liability (note 23)	-	456

14. INCOME TAX LIABILITIES

	2017	2016
Deferred income tax liabilities	-	263

15. DUE TO REINSURERS, DEFERRALS AND PREMIUM TAX PAYABLE

	2017	2016
Amounts due to reinsurers	16,412	7,311
Deferred commission income	7,702	16,244
Premium tax payable	2,940	3,352
Deferred premium tax	548	751
	27,602	27,658

The movement in deferred balances for the year is as follows:

	2017	2016
Deferred commission income		
Balance, beginning of year	16,244	17,559
Commission received	11,388	22,237
Commission earned (note 20)	(19,930)	(23,552)
Balance, end of year	7,702	16,244
Deferred premium tax		
Balance, beginning of year	751	733
Premium tax recoveries	1,162	1,602
Premium taxes earned	(1,365)	(1,584)
Balance, end of year	548	751

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16. SHARE CAPITAL

The company is authorised to issue an unlimited number of common shares with no par value.

	2017	2016
Issued 2,018,000 shares, with no par value	3,705	3,705

17. RESERVES

	2017	2016
Fair value reserve - available for sale investment securities:		
Balance, beginning of year	792	820
Total comprehensive income (note 27)	(96)	(28)
Balance, end of year	696	792
Fair value reserve – property held for sale:		
Balance, beginning of year	1,974	2,974
Unrealised gain (loss) arising on revaluation (note 5)	280	(1,000)
Balance, end of year	2,254	1,974
Currency translation reserve:		
Balance, beginning of year	(2,000)	-
Retranslation of foreign currency operation	(279)	(2,000)
Balance, end of year	(2,279)	(2,000)
Statutory reserves:		
Balance, beginning of year	25,527	24,630
Transfer to catastrophe reserve	1,186	897
Balance, end of year	26,713	25,527
Reserves, end of year	27,384	26,293

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18. PREMIUM REVENUE

	Premium revenue		Reinsurance expense	
	2017	2016	2017	2016
Property business	62,806	63,525	58,841	59,483
Motor business	48,346	47,369	6,010	24,187
Accident and liability business	17,314	17,602	5,619	7,657
	128,466	128,496	70,470	91,327

19. INVESTMENT INCOME

	2017	2016
Interest income:		
Debt securities	3,378	3,054
Mortgage loans	73	74
Deposits	429	423
Other	131	158
Dividend income	50	162
Gains on disposal of financial investments	443	169
Amortisation on bonds	(128)	(211)
	4,376	3,829

The company 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 company. Because the type of financial market is incidental and not by choice, the company 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.

20. FEES AND OTHER REVENUE

	2017	2016
Commission income on insurance ceded to reinsurers (note 15)	19,930	23,552
Fees, other revenue and profit commission	1,060	8,217
Miscellaneous income	883	43
	21,873	31,812

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21. CLAIMS INCURRED

	Claims incurred		Claims reinsured	
	2017	2016	2017	2016
Property business	36,202	7,643	19,237	6,781
Motor business	33,256	23,705	1,140	11,404
Accident and liability business	6,786	4,068	2,370	1,822
	76,244	35,416	22,747	20,007

22. EMPLOYEE COSTS

Included in administrative expenses are the following:

	2017	2016
Administrative staff salaries, directors' fees and other short-term benefits	13,152	12,627
Employer's contributions to social security schemes	884	910
Employer's contribution to group health and life	571	585
Costs - defined benefit pension scheme (note 23)	229	488
	14,836	14,610

23. EMPLOYEE RETIREMENT BENEFITS

The company has a contributory defined benefit pension scheme in place for eligible administrative staff. The plan provides defined benefits based on final salary and number of years active service.

The assets of the pension plan are held under deposit administration contracts with Sagicor Life Inc.

The plan was valued on December 31, 2017.

(a) The amounts recognised in the financial statements are as follows:

	2017	2016
Present value of funded pension obligations	15,492	15,898
Fair value of pension plan assets	(15,737)	(15,442)
Net (asset) liability	(245)	456
Represented by:		
(Asset) liability balances (note 13)	(245)	456

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23. EMPLOYEE RETIREMENT BENEFITS (continued)

(b) Movements in balances:

	2017			2016		
	Retirement obligations	Retirement plan assets	Total	Retirement obligations	Retirement plan assets	Total
Net liability/(asset), beginning of year	15,898	(15,442)	456	14,393	(14,118)	275
Current service cost	313	-	313	460	-	460
Interest expense/ (income)	1,050	(1,134)	(84)	1,078	(1,050)	28
Net expense recognised in income	1,363	(1,134)	229	1,538	(1,050)	488
Losses from changes in assumptions						
Gains from changes in experience	(856)	-	(856)	(280)	-	(280)
Return on plan assets	-	966	966	-	653	653
Net (gains)/ losses recognised in other comprehensive income	(856)	966	110	(280)	653	373
Contributions made by the company	-	(1,127)	(1,127)	-	(726)	(726)
Contributions made by employees	374	(374)	-	410	(410)	-
Benefits paid	(1,287)	1,287	-	(485)	485	-
Other items	-	87	87	322	(276)	46
Other movements	(913)	(127)	(1,040)	247	(927)	(680)
Net liability/(asset), end of year	15,492	(15,737)	(245)	15,898	(15,442)	456

(c) The significant actuarial assumptions used were as follows:

	Barbados	Trinidad
Discount rate	7.8%	5.0%
Expected return on plan assets	7.8%	5.0%
Future salary increases	4.5%	2.0%
Future pension increases	2.0%	0.0%
Portion of employees opting for early retirement	0.0%	0.0%

For the next financial year, the total contributions to be made by the company are estimated at $742.

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23. EMPLOYEE RETIREMENT BENEFITS (continued)

(d) The sensitivity of the pension retirement benefit obligations to individual changes in actuarial assumptions is as follows:

	Barbados	Trinidad
Base pension obligation	9,825	2,278
	Effect on pension obligations	
Decrease discount rate by 1.0%	1,352	195
Increase discount rate by 1.0%	(1,032)	(150)
Decrease salary growth rate by 0.5%	(231)	(50)
Increase salary growth rate by 0.5%	225	53
Increase average life expectancy by 1 year	559	71
Decrease average life expectancy by 1 year	(506)	(18)

24. INCOME TAXES

The income tax expense is comprised of:

	2017	2016
Current tax	1,893	3,422
Deferred tax	(2,090)	(241)
	(197)	3,181

The income tax on the total income subject to taxation differs from the theoretical amount that would arise using the applicable tax rates as set out below:

	2017	2016
(Loss) Income subject to tax	(18,231)	9,368
Tax calculated at a tax rate of 25 %	(4,557)	2,342
Different tax rates in other countries	(2)	(2)
Income taxed at different rates	(72)	(73)
Under/ (over) provision of current and deferred tax	(272)	33
Movement in deferred tax asset not recognised	3,908	(26)
Transfer to catastrophe reserve deductible for tax	(178)	(195)
Tax allowances	(8)	(8)
Expenses not deductible for tax	1,097	827
Income not subject to tax	(281)	(140)
Other taxes	168	423
	(197)	3,181

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25. DEFERRED INCOME TAXES

Analysis of net deferred income tax asset

	2017	**2016**
Defined benefits liability	61	(28)
Unused tax losses	2,732	631
Accelerated tax depreciation	371	471
	3,164	1,074

Expiry period for unused tax losses

	2017	**2016**
2019	1,283	1,283
2020	2,117	2,117
2022	7,526	-
	10,926	3,400

The company has not recognised the deferred tax asset in the amount of $3,954 (2016 - $8). These losses expire between 2018 and 2022 (2016 – 2018 and 2021).

2017	**Accelerated tax depreciation**	**Defined benefits liability**	**Unused tax losses**	**Total**
Balance, beginning of year	471	(28)	631	1,074
(Charge)/credit to profit or loss	(100)	89	2,101	2,090
Balance, end of year	371	61	2,732	3,164
2016				
Balance, beginning of year	-	(165)	998	833
(Charge)/credit to profit or loss	471	137	(367)	241
Balance, end of year	471	(28)	631	1,074

26. DIVIDENDS PER COMMON SHARE

No dividends were declared in respect of 2017 or 2016.

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27. OTHER COMPREHENSIVE INCOME

	2017			2016		
	Before tax	Tax	After tax	Before tax	Tax	After tax
Items that may be reclassified subsequently to income:						
Available for sale assets:						
Losses arising on revaluation	(96)	-	(96)	(28)	-	(28)
Retranslation of foreign currency operations	(279)	-	(279)	(2,000)	-	(2,000)
	(375)	-	(375)	(2,028)	-	(2,028)
Items that will not be reclassified subsequently to income:						
Unrealised gain (loss) arising on revaluation of property	280	-	280	(1,000)	-	(1,000)
Defined benefit losses	(110)	-	(110)	(373)	-	(373)
	170	-	170	(1,373)	-	(1,373)
Other comprehensive loss for the year	(205)	-	(205)	(3,401)	-	(3,401)

28. CASH FLOWS

28.1 Operating activities

	2017	2016
Adjustments for non-cash items, interest and dividends		
Decrease in provision for unearned premiums, net of reinsurance	16,921	(79)
Interest income	(3,812)	(3,551)
Dividend income	(50)	(162)
Net gains on disposal of financial investments	(443)	(169)
Share of operating loss of associated companies	517	511
Movement in recognised employee retirement benefits	(811)	(192)
Depreciation	2,830	3,622
Loss (gain) on disposal of property, plant and equipment	18	34
Amortisation on bonds	128	211
Exchange (gain) loss	(777)	10
	14,521	235

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28. CASH FLOWS (continued)

28.1 Operating activities (continued)

	2017	2016
Changes in operating assets		
Debt securities	(3,260)	520
Equity securities	582	214
Mortgage loans	352	219
Deposits	(2,888)	1,250
Receivables and other assets	1,307	(998)
	(3,907)	1,205
Debt securities		
Purchases	(18,493)	(7,513)
Proceeds on maturities and disposals	15,233	8,033
	(3,260)	520
Equity securities		
Disposal proceeds	582	214
Changes in operating liabilities		
Claims in the course of settlement, net of reinsurance	18,587	(1,409)
Other liabilities and payables	4,814	(6,460)
	23,401	(7,869)

28.2 Investing activities

	2017	2016
Property, plant and equipment		
Purchases	(1,679)	(2,610)
Disposal proceeds	86	214
	(1,593)	(2,396)

	2017	2016
Cash resources	28,476	12,502
Term deposits and T Bills with original maturities of less than 90 days	9,702	10,759
	38,178	23,261

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29. RELATED PARTY TRANSACTIONS

29.1 Key management

Key management comprises directors and senior management of the company. Key management includes those persons at or above the level of Vice-President or its equivalent. Compensation of and loans to these individuals were as follows:

	2017	2016
Compensation		
Salaries, directors' fees and other short-term benefits	1,759	2,077
Pension and other retirement benefits	79	137
	1,838	2,214
Mortgage and staff loans		
Balance, beginning of year	734	744
Advances	-	62
Repayments	(351)	(72)
Balance, end of year	383	734

Mortgage loans bear interest at the rate of 4.5%. Other staff loans bear interest at 7.5%.

29.2 Other related party transactions

Balances at year end and transactions for the year with related parties are as follows:

	2017	2016
Premium income	8,062	9,053
Management fees	(152)	(152)
Investment income	501	275
Dividend income	-	64
Rental expense	(95)	(95)

Deposits with related parties amounted to $ nil (2016 - $1,792) and bear interest at 4.5% (2016 - 4.5%). There were no miscellaneous receivables from related parties. Amounts payable to related parties amounted to $5,093 (2016 - $4,745) and are interest free with no stated terms of repayment. Premiums receivable amounted to $1,234 (2016 - $1,807).

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30. FAIR VALUE OF PROPERTY

Owner-occupied property is carried at fair value as determined by independent valuations using internationally recognised valuation techniques at least every three years. 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.

The fair value hierarchy has been applied to the valuation of the company'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 company's property as of December 31, 2017 are as follows:

	Level 1	**Level 2**	**Level 3**	**Total**
Owner-occupied land and buildings	-	-	3,150	3,150

For Level 3 owner occupied property, reasonable changes in fair value would affect other comprehensive income. The following table represents the movement in Level 3 property for the current year.

	Land and buildings
Balance, beginning of year	2,870
Appreciation in fair value	280
Balance, end of year	3,150

The land and building situated at Beckwith Place, Bridgetown, were independently valued at December 31, 2017 at $3,150 by professional real estate valuers. The appreciation in value of $280 was transferred to other comprehensive income.

31. FINANCIAL RISK

The company's activities of issuing insurance contracts, investing insurance premium in a variety of financial and other assets and dealing in securities exposes the company 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 note 32. The overriding objective of the company'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 company accepts certain levels of risk in order to generate returns and 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.

31.1 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 company. Credit risk is primarily associated with financial investments, premiums in the course of collection, reinsurance contracts held and cash and cash equivalents. Credit risk from financial investments is minimised through holding a diversified portfolio of investments, purchasing securities and advancing staff loans only after careful assessment of the borrower 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. Exposure to credit risk is also managed in part by obtaining collateral and guarantees.

The company 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.

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

For the year ended December 31, 2017 Amounts expressed in Barbados dollars $000's

31. FINANCIAL RISK (continued)

31.1 Credit risk (continued)

The company applies this rating scale to three categories of exposures:

- Investment portfolios, comprising debt securities, deposits and cash balances;
- Lending portfolios comprising mortgages; and
- Reinsurance exposures comprising realistic disaster scenarios (see note 32.3).

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 company to credit risk without taking into account any collateral or any credit enhancements are set out in the following table:

	2017		2016	
	$	%	$	%
Debt securities	66,410	38.5	63,996	45.4
Mortgage loans	1,484	0.9	1,836	1.3
Deposits	7,178	4.2	4,295	3.1
Reinsurance assets	33,431	19.4	21,188	15.0
Premiums in the course of collection	24,364	14.1	25,659	18.2
Miscellaneous assets and receivables	1,403	0.8	761	0.5
Cash resources	38,178	22.1	23,261	16.5
Total exposure	172,448	100.0	140,996	100.0

The company's largest exposures to individual counterparty credit risks as of December 31 are set out below. The individual ratings reflect the rating of the counterparty listed while the amounts include exposures with subsidiaries of the counterparty.

	Sagicor Risk Rating	2017	Sagicor Risk Rating	2016
Debt securities:				
Government of Trinidad and Tobago	3	42,473	2	37,076
Government of Barbados	6	12,338	5	12,873
Sagicor Financial Corporation Limited	5	6,139	5	6,210
Deposits & cash:				
RBTT Bank Limited	1	4,070	1	4,366
CIBC First Caribbean	2	18,138	2	4,475
The Bank of Nova Scotia	2	3,111	1	5,611
Claim recoveries				
Munich Reinsurance Company	1	14,805	1	19,593

For the year ended December 31, 2017 Amounts expressed in Barbados dollars $000's

31. FINANCIAL RISK (continued)

31.1 Credit risk (continued)

The results of the risk rating of investment portfolios are as follows:

Category		Sagicor Risk Rating	Classification	2017 Exposure $	2017 Exposure %	2016 Exposure $	2016 Exposure %
Non-default	Investment grade	1	Minimal risk	5,677	5.0	11,007	11.7
		2	Low risk	23,665	20.9	52,644	55.8
		3	Moderate risk	43,203	38.1	6,375	6.7
	Non-investment grade	4	Acceptable risk	15,356	13.6	6,210	6.5
		5	Average risk	11,120	9.8	17,345	18.4
	Watch	6	Higher risk	13,260	11.7	250	0.3
		7	Special mention	-	-	-	-
Default		8	Substandard	968	0.9	555	0.6
		9	Doubtful	-	-	-	-
		10	Loss	-	-	-	-
			TOTALS	113,249	100.0	95,213	100.0

Exposure to credit risk is also managed in part by obtaining collateral for mortgage loans. The collateral is real estate property, and the approved loan limit is 95% of collateral value. The collateral for vehicle loans to staff is the vehicle and the approved loan limit is 95% to 100% of the collateral value.

All mortgage loans relate to properties in Barbados.

For insurance premiums receivable, the company frequently provides settlement terms to customers and intermediaries which extend up to 11 months.

(a) <u>Past due and impaired financial assets</u>

A financial asset is past due when a counterparty has failed to make payment when contractually due. The company is most exposed to the risk of past due assets with respect to its premiums receivable and its financial investments namely its debt securities and mortgage loans.

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. Mortgage loans less than 90 days past due are not assessed for impairment unless other information is available to indicate the contrary.

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31. FINANCIAL RISK (continued)

31.1 Credit risk (continued)

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 company's assessment of total individually impaired assets at the date of the financial statements. The following tables set out the carrying values of financial assets analysed by past due or impairment status.

2017	Debt securities	Mortgage loans	Premiums in the course of collection
Neither past due nor impaired	66,410	1,449	-
Past due up to 12 months, but not impaired	-	35	23,511
Past due up to 5 years, but not impaired	-	-	-
Total past due but not impaired	-	35	23,511
Impaired assets	-	-	853
Total carrying value	66,410	1,484	24,364
Accumulated allowances on impaired assets	-	-	853
2016			
Neither past due nor impaired	63,996	1,628	-
Past due up to 12 months, but not impaired	-	28	25,024
Past due up to 5 years, but not impaired	-	180	-
Total past due but not impaired	-	208	25,024
Impaired assets	-	-	635
Total carrying value	63,996	1,836	25,659
Accumulated allowances on impaired assets	-	-	635

Premiums in the course of collection are considered to be impaired if the balance has been outstanding for more than 365 days. 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.

For the year ended December 31, 2017 Amounts expressed in Barbados dollars $000's

31. FINANCIAL RISK (continued)

31.2 Liquidity risk

Liquidity risk is the exposure that the company may encounter difficulty in meeting obligations associated with financial or insurance liabilities. Liquidity risk also arises when excess funds accumulate resulting in the loss of opportunity to increase investment returns. The company monitors cash inflows and outflows in each operating currency. Through experience and monitoring, the company is able to maintain sufficient liquid resources to meet current obligations.

The company is exposed to daily calls on its available cash resources to pay claims, and for operating expenses and taxes. The company does not maintain cash resources to meet all these needs as experience shows that a minimum level of revenue flows and maturing investments can be predicted with a high level of certainty.

(a) Financial liabilities and commitments

The maturity profiles of the company's financial liabilities and commitments are summarised in the following tables. 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	**On demand or within 1 year**	**1 to 5 years**	**Total**
Financial liabilities:			
Due to re-insurers and premium tax	19,352	-	19,352
Amounts payable to related parties	5,093	-	5,093
Accounts payable and accrued liabilities	7,499	-	7,499
Total financial liabilities	31,944	-	31,944

2016	**On demand or within 1 year**	**1 to 5 years**	**Total**
Financial liabilities:			
Due to re-insurers and premium tax	10,663	-	10,663
Amounts payable to related parties	4,745	-	4,745
Accounts payable and accrued liabilities	2,977	-	2,977
Total financial liabilities	18,385	-	18,385

For the year ended December 31, 2017 Amounts expressed in Barbados dollars $000's

31. FINANCIAL RISK (continued)

31.2 Liquidity risk (continued)

(b) Insurance liabilities

The maturity profiles of the company's monetary policyholders' liabilities are summarised in the following tables. 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.

	Maturing within 1 year	Maturing 1 to 5 years	Maturing after 5 years	Total
2017				
Policyholders' liabilities	42,657	31,610	-	74,267
2016				
Policyholders' liabilities	25,532	18,684	-	44,216

(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.

2017	Maturing within 1 year	Maturing 1 to 5 years	Maturing after 5 years	Total
Debt securities	11,666	37,260	17,484	66,410
Mortgage loans	221	500	763	1,484
Deposits	7,178	-	-	7,178
Reinsurance assets	33,431	-	-	33,431
Premiums in the course of collection	24,364	-	-	24,364
Miscellaneous assets and receivables	1,403	-	-	1,403
Cash resources	38,178	-	-	38,178
Total	116,441	37,760	18,247	172,448

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31. FINANCIAL RISK (continued)

31.2 Liquidity risk (continued)

2016	Maturing within 1 year	Maturing 1 to 5 years	Maturing after 5 years	Total
Debt securities	10,579	31,591	21,826	63,996
Mortgage loans	259	672	905	1,836
Deposits	4,295	-	-	4,295
Reinsurance assets	13,890	7,298	-	21,188
Premiums in the course of collection	25,659	-	-	25,659
Miscellaneous assets and receivables	410	351	-	761
Cash resources	23,261	-	-	23,261
Total	78,353	39,912	22,731	140,996

31.3 Interest rate risk

The company 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 company 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.

For financial liabilities, returns are usually contractual and may only be adjusted on contract renewal or contract re-pricing.

The company 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 company manages its interest rate risk by a number of measures, including where feasible the selection of assets which best match the maturity of liabilities.

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31. FINANCIAL RISK (continued)

31.3 Interest rate risk (continued)

The table below summarises the exposures to interest rate risks of the company's monetary insurance and financial liabilities. 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	Exposure within 1 year	Exposure 1 to 5 years	Exposure after 5 years	Not exposed to interest	Total
Policyholders' liabilities	-	-	-	74,267	74,267
Due to re-insurer and premium tax	-	-	-	19,352	19,352
Payable to related parties	-	-	-	5,093	5,093
Accounts payable and accrued liabilities	-	-	-	7,499	7,499
Total	-	-	-	106,211	106,211
2016					
Policyholders' liabilities	-	-	-	44,216	44,216
Due to re-insurer and premium tax	-	-	-	10,663	10,663
Payable to related parties	-	-	-	4,745	4,745
Accounts payable and accrued liabilities	-	-	-	2,977	2,977
Total	-	-	-	62,601	62,601

The table below summarises the exposures to interest rate and reinvestment risks of the company's monetary insurance and financial assets. It includes assets at carrying amounts, categorised by the earlier of contractual re-pricing or maturity dates. Reinsurance assets are categorised by their expected maturities.

2017	Exposure within 1 year	Exposure 1 to 5 years	Exposure after 5 years	Not exposed to interest	Total
Debt securities	10,488	37,260	17,484	1,178	66,410
Mortgage loans	221	500	763	-	1,484
Deposits	7,085	-	-	93	7,178
Reinsurance assets	-	-	-	33,431	33,431
Premiums in the course of collection	-	-	-	24,364	24,364
Miscellaneous assets and receivables	379	257	-	767	1,403
Cash resources	13,440	-	-	24,738	38,178
Total	31,613	38,017	18,247	84,571	172,448

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31. FINANCIAL RISK (continued)

31.3 Interest rate risk (continued)

2016	Exposure within 1 year	Exposure 1 to 5 years	Exposure after 5 years	Not exposed to interest	Total
Debt securities	9,347	31,591	21,826	1,232	63,996
Mortgage loans	259	672	905	-	1,836
Deposits	4,197	-	-	98	4,295
Reinsurance assets	-	-	-	21,188	21,188
Premiums in the course of collection	-	-	-	25,659	25,659
Miscellaneous assets and receivables	410	272	-	79	761
Cash resources	11,987	-	-	11,274	23,261
Total	26,200	32,535	22,731	59,530	140,996

The table below summarises the average interest yields on financial assets held during the year.

	2017	2016
Debt securities	4.9%	4.9%
Mortgage loans	4.5%	4.5%
Deposits	2.4%	2.4%

Sensitivity

The company's operations are not exposed to a significant degree of interest rate risk.

31.4 Foreign exchange risk

The company 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 company seeks to maintain investments and cash in each operating currency, which are sufficient to match liabilities denominated in the same currency. A limited proportion is invested in United States dollar assets which management considers diversifies the range of investments available, and in the long-term are likely to either maintain capital value and/or provide satisfactory returns.

31. FINANCIAL RISK (continued)

31.4 Foreign exchange risk (continued)

Monetary assets and liabilities by currency are summarised in the following tables.

	Barbados$ 000 equivalents of balances denominated in:			
2017	**Barbados $**	**Trinidad $**	**Other currencies**	**Total**
ASSETS				
Financial investments	13,410	35,851	25,811	75,072
Reinsurance assets	5,782	12,363	15,286	33,431
Receivables	11,863	9,473	4,431	25,767
Cash resources	7,451	12,284	18,443	38,178
Total financial and insurance assets	38,506	69,971	63,971	172,448
LIABILITIES				
Policyholders' liabilities	17,736	33,078	23,453	74,267
Payable to related parties	4,662	280	151	5,093
Payables	5,222	2,075	19,557	26,854
Total financial and insurance liabilities	27,620	35,433	43,161	106,214
Net position	10,886	34,538	20,810	66,234
2016				
ASSETS				
Financial investments	13,864	29,485	26,778	70,127
Reinsurance assets	6,875	13,947	366	21,188
Receivables	12,423	12,171	1,826	26,420
Cash resources	1,525	13,575	8,161	23,261
Total financial and insurance assets	34,687	69,178	37,131	140,996
LIABILITIES				
Policyholders' liabilities	14,209	29,357	650	44,216
Payable to related parties	2,264	2,470	11	4,745
Payables	2,399	3,671	7,570	13,640
Total financial and insurance liabilities	18,872	35,498	8,231	62,601
Net position	16,214	33,979	28,202	78,395

31. FINANCIAL RISK (continued)

31.4 Foreign exchange risk (continued)

Sensitivity

The exposure to currency risk results primarily from currency risk relating to the future cash flows of monetary financial instruments. This occurs when a financial instrument is denominated in a currency other than the functional currency of the unit to which it belongs. In this instance, a change in currency exchange rates results in the financial instrument being retranslated at the year-end date and the exchange gain or loss is taken to income.

Financial instruments held by branches are predominantly denominated in the branches' functional currency and as such branches are not exposed to significant exposure from fluctuations in exchange rates.

31.5 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. The hierarchy is described and discussed in sections (i) to (iii) below.

(i) Level 1 – unadjusted quoted prices in active markets for identical instruments.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange or other independent source, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The company considers that market transactions should occur with sufficient frequency that is appropriate for the particular market, when measured over a continuous period preceding the date of the financial statements. If there is no data available to substantiate the frequency of market transactions of a financial instrument, then the instrument is not classified as Level 1.

(ii) Level 2 – inputs that are observable for the instrument, either directly or indirectly

A financial instrument is classified as Level 2 if:
- The fair value is derived from quoted prices of similar instruments which would be classified as Level 1; or
- The fair value is determined from quoted prices that are observable but there is no data available to substantiate frequent market trading of the instrument.

In estimating the fair value of non-traded financial assets, the company 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.

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31. FINANCIAL RISK (continued)

31.5 Fair value of financial instruments (continued)

In assessing the fair value of non-traded financial liabilities, the company uses a variety of methods including obtaining dealer quotes for specific or similar instruments and the use of internally developed pricing models, such as the use of discounted cash flows. If the non-traded liability is backed by a pool of assets, then its value is equivalent to the value of the underlying assets.

(iii) Level 3 – inputs for the instrument that are not based on observable market data.

A financial instrument is classified as Level 3 if:

- The fair value is derived from quoted prices of similar instruments that are observable and which would be classified as Level 2; or
- The fair value is derived from inputs that are not based on observable market data.

Level 3 available for sale securities comprise primarily corporate equity instruments issued in Barbados.

Level 3 assets designated include mortgage loans. These assets are valued with inputs other than observable market data.

The techniques and methods described in the preceding section (ii) for non-traded financial assets and liabilities may also be used in determining the fair value of Level 3 instruments.

(a) Financial instruments carried at fair value

Available for sale securities:	**Level 1**	**Level 2**	**Level 3**	**Total**
2017				
Equity securities	1,293	-	-	1,293
	1,293	-	-	1,293

Available for sale securities:	**Level 1**	**Level 2**	**Level 3**	**Total**
2016				
Debt securities	1,670	-	-	1,670
Equity securities	1,516	-	12	1,528
	3,186	-	12	3,198

There were no transfers occurring in 2017 or 2016 between levels 1, 2 and 3.

For the year ended December 31, 2017 Amounts expressed in Barbados dollars $000's

31. FINANCIAL RISK (continued)

31.5 Fair value of financial instruments (continued)

b) Financial instruments carried at amortised cost

Loans and receivables:	Level 1	Level 2	Level 3	Total
2017				
Debt securities	-	20,209	48,860	69,069
Mortgage loans	-	-	1,412	1,412
	-	20,209	50,272	70,481

Loans and receivables:	Level 1	Level 2	Level 3	Total
2016				
Debt securities	-	20,357	47,027	67,384
Mortgage loans	-	-	1,697	1,697
	-	20,357	48,724	69,081

The company is exposed to equity price risk arising from changes in the market values of its equity securities. The company mitigates this risk by holding a diversified portfolio and by minimising the use of equity securities to back its insurance and financial liabilities.

Sensitivity

The sensitivity to fair value changes in equity securities arises from those instruments classified as available for sale.

The effect of an across the board 20% change in equity prices of the company's available for sale equity securities as of the financial statement date on total comprehensive income before tax is as follows:

	Carrying value	Effect of a 20% change
Available for sale equity securities:		
Listed on Caribbean stock exchanges and markets	1,293	259

The effect of the fluctuation on available for sale debt securities would not be material to these financial statements.

32. INSURANCE RISK

Short-term contracts are typically for one year's coverage, with an option to renew under terms that may be amended by the company. In establishing the amount of premium, the company principally assesses the estimated benefits which may be payable under the contract. In determining the premium payable under the contract, the company considers the nature and amount of the risk assumed, and recent experience and industry statistics of the benefits payable. This is the process of underwriting, which establishes appropriate pricing guidelines, and may include specific tests and enquiries which determine the company's assessment of the risk. The company may also establish deductibles to limit amounts of potential losses incurred.

A proportion of risks assumed are written by third parties under delegated underwriting authorities. The third parties are assessed in advance and are subject to authority limits and reporting procedures. The performance of contracts written by each delegated authority is monitored periodically.

Policy benefits payable under short-term contracts are generally triggered by an insurable event, i.e. a property or casualty claim. Settlement of these benefits is expected generally within six months. However, some benefits are settled over a longer duration.

The principal risks arising from short-term insurance contracts are underwriting, claims, availability of reinsurance and claims liability estimation and credit risk in respect of reinsurance counterparties.

32.1Underwriting risk

Risks are priced to achieve an adequate return on capital on the 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.

Pricing techniques are subject to constant review from independent pricing audits, claims patterns, underwriters' input, market developments and actuarial best practice. There are minimum pricing margins for each class of business.

Annually, the overall risk appetite is reviewed and approved. The risk appetite is defined as the maximum loss the company 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 company's assessment of the risk. The company 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.

For the year ended December 31, 2017 Amounts expressed in Barbados dollars $000's

32. INSURANCE RISK (continued)

32.2 Claims risk

Incurred claims are triggered by an event and may be categorised as:

- Attritional losses, which are expected to be of reasonable frequency and are less than established threshold amounts;
- Large losses, such as major fires and accidents, which are expected to be relatively infrequent, are greater than established threshold amounts;
- Catastrophic losses, which are an aggregation of losses arising from one incident or proximate cause such as hurricanes or earthquakes, affecting one or more classes of insurance. These losses are infrequent and are generally very substantial.

The company records claims based on submissions made by claimants. In certain instances additional information is obtained from loss adjustors, medical reports and other specialist sources. However, the possibility exists that claim submissions are either fraudulent or are not covered under the terms of the policy. 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. Claim risk may arise from:

- Invalid claim submissions;
- The frequency of incurred claims;
- The severity of incurred claims;
- The development of incurred claims.

The company carries significant insurance risks concentrated in certain countries within the Caribbean. Significant concentration of insurance risk occurs in Barbados, Trinidad and Tobago and St. Lucia.

Total insurance coverage on insurance policies quantify some of the risk exposures. Typically, claims arising in any one year are a very small proportion in relation to the total insurance coverage provided.

The total sums insured before and after reinsurance on property and casualty risks are summarised below.

	Gross	Net
2017		
Property business	16,690,950	2,821,356
Motor business	866,982	866,982
Accident and liability business	5,538,908	4,507,699
Sums insured	**23,096,840**	**8,196,037**

For the year ended December 31, 2017 Amounts expressed in Barbados dollars $000's

32. INSURANCE RISK (continued)

32.2 Claims risk (continued)

	Gross	Net
2016		
Property business	15,341,361	2,166,183
Motor business	771,955	385,977
Accident and liability business	4,551,038	2,172,395
Sums insured	**20,664,354**	**4,724,555**

The net amounts disclosed are inclusive of the reinsurance applicable on proportional treaties. The retentions on the excess of loss treaties have not been included.

Concentration of risk is mitigated through risk selection, event limits, quota share reinsurance and excess of loss reinsurance. Levels of reinsurance cover are summarised in note 32.3.

The company assesses its exposures by modelling realistic disaster scenarios of potential catastrophic events. Claims arising from wind storms, earthquakes, floods, terrorism, failure or collapse of a major corporation (with liability insurance cover) and events triggering multi coverage corporate liability claims are considered to be the potential sources of catastrophic losses arising from insurance risks.

Realistic disaster scenarios modelled for 2017 resulted in estimated gross and net losses as follows:

Scenario:	**Gross loss**	**Net loss**
Hurricane affecting Barbados and St. Lucia:		
Used assumption of this event having a 200 year return period	416,570	15,000
Earthquake of magnitude 5.0 on the Richter scale affecting Trinidad:		
Used assumption of this event having a 250 year return period	1,014,430	15,000

Therefore, the occurrence of one or more catastrophic events in any year may have a material impact on the reported net income of the company.

32.3 Reinsurance risk

To limit its exposure of potential loss on an insurance policy, the company may cede certain levels of risk to a reinsurer. Reinsurance, however, does not discharge the company'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 failure of a reinsurance layer upon the occurrence of a catastrophic event.

For the year ended December 31, 2017 Amounts expressed in Barbados dollars $000's

32. INSURANCE RISK (continued)

32.3 Reinsurance risk (continued)

The company 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. The company also places reinsurance coverage with various reinsurers to limit its exposure to any one reinsurer. The credit ratings of reinsurers are monitored frequently.

For its property risks, the company uses 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 company to further claim exposure. Under some treaties, when treaty limits are reached, the company may be required to pay an additional premium to reinstate the reinsurance coverage. For other insurance risks, the company limits its exposure by event or per person by excess of loss or quota share treaties.

Retention limits represent the level of risk retained by the company. 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 programs used are summarised in the tables below.

Type of risk	**Retention by company**
Property risks	• maximum retention of $9,000 (2016 - $9,000) for a single non-catastrophic event; • maximum retention of $15,000 (2016 - $10,000) for a catastrophic event; • quota share retention to a maximum of 20% in respect of the treaty limits; • quota share retention is further reduced to a maximum of $750 (2016 - $750) per risk.
Motor and liability risks	• maximum retention of $1,500 for a single event; • quota share retention to maximum of 50% in respect of the treaty limits; • treaty limits apply.
Miscellaneous accident risks	• maximum retention of $150 for a single event; • treaty limits apply.
Engineering business risks	• maximum retention of $1,000 for a single risk; • treaty limits apply for material damage and for liability claims.
Marine risks	• maximum retention of $150 for a single event; • treaty limits apply.
Bond risks	• maximum retention of $600 for a single risk; • quota share retention to maximum of 15% in respect of the treaty limits; • treaty limits apply.
Property, motor, marine, and engineering risk	• catastrophic excess of loss reinsurance cover is available per event for amounts in excess of treaty limits for property, motor, marine and engineering risks; • treaty limits apply to catastrophic excess of loss coverage

For the year ended December 31, 2017 Amounts expressed in Barbados dollars $000's

32. INSURANCE RISK (continued)

32.3 Reinsurance risk (continued

Reinsurance balances and the effects of reinsurance ceded on income are disclosed at notes 8, 12.1, 12.2, 15, 18, 21 and 31.1.

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 scenarios:

- Hurricane with a 200 year return period affecting Barbados and St. Lucia; and
- Earthquake with a 250 year return period affecting Trinidad all within a 24 hour period.

The reinsurance recoveries derived from the above are assigned internal credit ratings as follows:

<table>
<tr><th colspan="2">Category</th><th>Sagicor Risk Rating</th><th>Classification</th><th>Exposure $</th><th>Exposure %</th></tr>
<tr><td rowspan="7">Non-default</td><td rowspan="3">Investment grade</td><td>1</td><td>Minimal risk</td><td>589,030</td><td>42.0</td></tr>
<tr><td>2</td><td>Low risk</td><td>811,970</td><td>58.0</td></tr>
<tr><td>3</td><td>Moderate risk</td><td>-</td><td>-</td></tr>
<tr><td rowspan="2">Non-investment grade</td><td>4</td><td>Acceptable risk</td><td>-</td><td>-</td></tr>
<tr><td>5</td><td>Average risk</td><td>-</td><td>-</td></tr>
<tr><td rowspan="2">Watch</td><td>6</td><td>Higher risk</td><td>-</td><td>-</td></tr>
<tr><td>7</td><td>Special mention</td><td>-</td><td>-</td></tr>
<tr><td colspan="2" rowspan="3">Default</td><td>8</td><td>Substandard</td><td>-</td><td>-</td></tr>
<tr><td>9</td><td>Doubtful</td><td>-</td><td>-</td></tr>
<tr><td>10</td><td>Loss</td><td>-</td><td>-</td></tr>
<tr><td colspan="3"></td><td>TOTALS</td><td>1,401,000</td><td>100.0</td></tr>
</table>

32.4 Estimation of claim liabilities

Due to the inherent uncertainties in estimating claim liabilities described above and in note 3.1, the development of the company's claims in the course of settlement provides a measure of its ability to estimate the ultimate value of claims incurred. The tables in note 12.1 outline the estimates of total ultimate claims incurred and recoverable from reinsurers for each year at successive year ends.

32.5 Sensitivity of incurred claims

The impact on gross claims of a 10% increase and decrease in development is outlined in note 12.1.

For the year ended December 31, 2017 Amounts expressed in Barbados dollars $000's

33. CAPITAL MANAGEMENT

33.1 Capital resources

The company manages its capital resources according to the following objectives:

- To comply with capital requirements established by insurance regulatory authorities;
- To safeguard its ability as a going concern and to provide adequate returns to shareholders by pricing insurance contracts commensurately with the level of risk;
- To maintain a strong capital base to support the future development of company operations.

The principal capital resource of the company at the financial statement date is as follows:

	2017	2016
Equity	53,028	71,267
Total capital resources	53,028	71,267

The company deploys its capital resources through its operating activities. These operating activities are carried out by branches which are insurance operations. The capital is deployed in such a manner as to ensure that branches have adequate and sufficient capital resources to carry out their activities and to meet regulatory requirements.

33.2 Capital adequacy

Management monitors the adequacy of the company's capital to ensure compliance with the solvency requirements of the territories in which it operates and to safeguard its ability as a going concern to continue to provide benefits and returns to shareholders. At year-end the company was in compliance with all of its regulatory capital requirements in all territories, with the exception of St. Lucia and Dominica which were rectified subsequent to the year end.

34. COMPARATIVES

The statement of financial position previously presented Amounts payable to Sagicor Group companies and Accounts payable and accrued liabilities. The current year presentation has been changed to reflect Amounts payable to related parties and $1,567 in the comparative figures have been reclassified from Accounts payable and accrued liabilities to comply with the current year classification.

ADVISORS AND BANKERS

APPOINTED ACTUARY

Eckler Ltd.

AUDITOR

PricewaterhouseCoopers SRL

SENIOR COUNSEL

Sir Richard Cheltenham, QC, Ph.D

BANKERS

CIBC FirstCaribbean International Bank Limited

First Citizens

The Bank of Nova Scotia

NOTICE OF MEETING

NOTICE IS HEREBY GIVEN that the TWENTY-SECOND ANNUAL MEETING of the Shareholders of SAGICOR GENERAL INSURANCE INC. will be held at Cecil F de Caires Building, Wildey, St. Michael, Barbados, on Thursday, May 31, 2018 at 4:00 p.m. for the following purposes:

1. To receive and consider the Financial Statements of the Company and the Reports of the Directors and Auditors for the year ended December 31, 2017.
2. To elect Directors:

   Messrs Anthony Ali, William Putnam and Ravi Rambarran are the Directors whose terms of office expire at the close of this meeting in accordance with the by-laws of the Company, and being eligible offer themselves for re-election for terms expiring at the close of the third annual meeting following this meeting.
3. To re-appoint the incumbent Auditors for the ensuing year and to authorise the Directors to fix their remuneration.
4. To transact such other business as may properly come before the meeting and at any adjournment thereof.

BY ORDER OF THE BOARD

Althea C Hazzard
Corporate Secretary
April 30, 2018

PROXIES

A shareholder who is entitled to attend and vote at the meeting may appoint a proxy to attend and vote in his stead. A proxy need not be a shareholder. Proxy forms must be lodged at the Company’s Registered Office, Beckwith Place, Bridgetown, Barbados, not less than twenty-four hours before the meeting. A form of Proxy is enclosed for your convenience.

SAGICOR GENERAL INSURANCE INC.
COMPANY NO. 11569

MANAGEMENT PROXY CIRCULAR

Management is required by the Companies Act Cap. 308 of the Laws of Barbados (hereinafter called "The Companies Act") to send with the Notice convening the meeting, forms of proxy. By complying with the Companies Act management is deemed to be soliciting proxies within the meaning of the Companies Act.

This Management Proxy Circular accompanies the Notice of the Twenty-Second Annual Meeting of the Shareholders of Sagicor General Insurance Inc. (hereinafter called the "Company") to be held on May 31, 2018 at 4:00 p.m. (hereinafter called the "meeting") and is furnished in connection with the solicitation by the management of the Company of proxies for use at the meeting, or any adjournment thereof. It is expected that the solicitation will primarily be by mail. The cost of the solicitation will be borne by the Company.

REVOCATION OF PROXY

Any shareholder having given a proxy has the right to revoke it by depositing an instrument in writing executed by the shareholder, or his attorney authorised in writing, with the Corporate Secretary at the head office of the Company at Beckwith Place, Bridgetown, Barbados, at any time up to and including the last business day preceding the day of the meeting, or any adjournment thereof, at which the proxy is to be used or with the Chairman of such meeting on the day of the meeting or adjournment thereof.

RECORD DATE, NOTICE OF MEETING & VOTING SHARES

The Directors of the Company have not fixed a record date for determining the shareholders who are entitled to receive notice of the meeting. In accordance with the Companies the statutory record date applies. Only the holders of common shares of the Company of record at the close of business on the day immediately preceding the day on which the Notice is given under Section 109 (1) of the Companies Act will be entitled to receive notice of the meeting.

Only the holders of common shares of the Company will be entitled to attend and vote at the meeting. Each holder is entitled to one vote for each share held. As at the date hereof there are 2,018,087 common shares of the Company outstanding.

PRESENTATION OF FINANCIAL STATEMENTS AND AUDITORS' REPORT

The Financial Statements of the Company for the year ended December 31, 2017 and the Auditors' Report thereon, are included in the 2017 Annual Report which is being mailed to shareholders with this Notice of the Annual Meeting and Management Proxy Circular.

ELECTION OF DIRECTORS

The Board of Directors consists of 7 (seven) members. The number of Directors to be elected at the meeting is three (3). The following are the names of the persons proposed as nominees for election as Directors

of the Company, and for whom it is intended that votes will be cast for their re-election as Directors pursuant to the form of proxy hereby enclosed:
Mr Anthony Ali, Mr William Putnam and Mr Ravi Rambarran were appointed as directors at the Annual Meeting of Shareholders held on June 16, 2015 for a term of three years. These directors will retire at the close of the Twenty-Second Annual Meeting in accordance with the provisions of the by-laws of the Company, but being eligible, offer themselves for re-election for terms expiring not later than the close of the third annual meeting of shareholders following this meeting. The Directors recommend the appointment of Messrs Anthony Ali, William Putnam and Ravi Rambarran for the terms stated above or until their successors are elected or appointed.

The management of the Company does not contemplate that any of the persons named above will, for any reason, become unable to serve as a Director.

APPOINTMENT OF AUDITORS

It is proposed to re-appoint the firm of PricewaterhouseCoopers, the incumbent Auditors, as Auditors of the Company to hold office until the next Annual Meeting of Shareholders.

DISCRETIONARY AUTHORITY

Management knows of no matter to come before the meeting other than the matters referred to in the Notice of Meeting enclosed herewith. However, if any matters which are not known to management should properly come before the meeting or any adjournment thereof, the shares represented by proxies in favour of management nominees will be voted on such matters in accordance with the best judgment of the proxy nominee. Similar discretionary authority is conferred with respect to amendments to the matters identified in the Notice of the Meeting.

The contents of this Management Proxy Circular and the sending thereof to the holders of the common shares of the Company have been approved by the Directors of the Company.

No Directors' statement is submitted pursuant to Section 71(2). No Auditors' statement is submitted pursuant to Section 163(1).
Date: April 30, 2018

Althea C Hazzard
Corporate Secretary

Sagicor
GENERAL