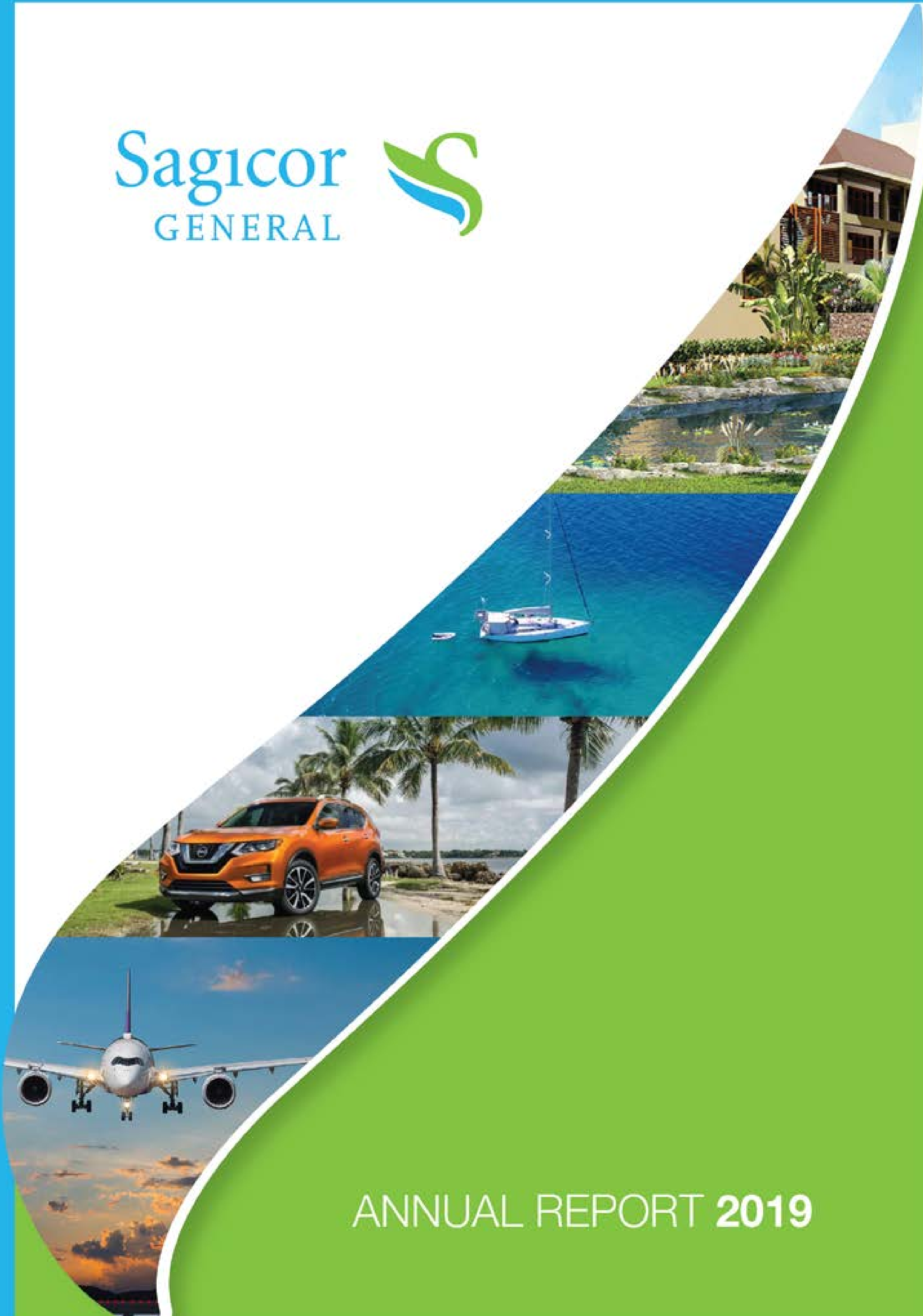
Sagicor GENERAL



ANNUAL REPORT 2019

HOME

MARINE

MOTOR

TRAVEL

CORPORATE OVERVIEW

We have been in existence for 140 years offering a comprehensive range of general insurance solutions to individuals and companies. In July 2003, a Special Resolution was passed by the shareholders authorising an amendment to the Articles of Incorporation to change the name of the company from 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 Commercial Fire, Residential, Motor, Engineering, Bonds, Marine, Liability and various Miscellaneous classes.

Our main premium revenue is realised from the Property portfolio which accounts for approximately 50% of revenue. Motor is 38% while the Marine and Accident portfolios account for 12%.

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.

Sagicor General Insurance Inc.

CONTENTS

MISSION

Our mission is to become the leading P&C provider in the Caribbean. We will achieve this by crafting a customer centric organization driven by inspired and engaged people.

VISION

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

CHAIRMAN & CEO'S REPORT

Global economic activity for 2019 was estimated at 2.9%, the weakest growth rate since the global financial crisis a decade ago. Rising trade barriers and associated uncertainty weighed on business sentiment and activity globally.

Regionally economic fortunes were mixed. Slowdown in global GDP growth and trade combined with the ongoing US-China trade war was expected to negatively impact tourism and the services sector in the OECS. In this climate of weak global growth, it was expected that economic growth in the Eastern Caribbean would be constrained as economies faced more challenging conditions for tourism sectors together with weaker domestic construction activity and declining export performance. Weak public finances and high debt levels continue to feature prominently and severely constrain the ability of the public sector is provide economic stimulus to the various islands. 2019 GDP growth for Antigua was forecasted at 3.7% down from 4.9% in 2018. Dominica continued its post-hurricane rebuilding and recovery which resulted in accelerated construction activity and some spill-off activity in the tourism sector. This activity placed their growth trajectory on an upward path with a forecast growth rate of 9% for 2019. Despite expansion in the tourism, manufacturing and transport sectors, St. Lucia's real GDP growth slowed from 2.6% in 2018 to 1.7% in 2019 as a result of contraction in wholesale, retail, construction and agriculture.

DR M. PATRICIA DOWNES-GRANT

Chairman

KESTON HOWELL

President and Chief Executive Officer

Sagicor General Insurance Inc.

CHAIRMAN & CEO'S REPORT

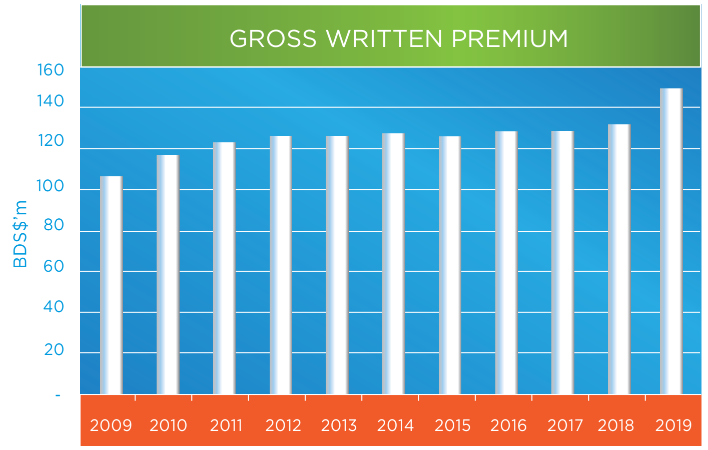
In Barbados, real economic activity is estimated to have declined during 2019 by 0.1%. However, international reserves increased by BDS$481 million which is equivalent to 18 weeks of import cover. This increase in international reserves reflected borrowings from the international financial institutions, the on-going suspension of commercial external debt payments and an active foreign exchange market that allowed commercial banks to sell foreign exchange to the Central Bank. During the year there was an improvement in the debt-to-GDP ratio which now stands at 119.5%. The lowering of the debt-to-GDP ratio was a direct consequence of the completion of the external debt restructuring in December 2019. Completion of the debt restructuring was rewarded by a rating upgrade from S&P as Barbados' Long-term Foreign Currency credit rating was upgraded to B- from Selective Default (SD). The unemployment rate remained constant at 10.1% at the end of December 2019 when compared to 2018. However, inflation trended upwards to 4.1%, primarily as a result of the impact of persistent drought conditions on non-sugar agriculture, the influx of sargassum seaweed on fish catches and policy measure implementation at some state-owned enterprises.

In Trinidad & Tobago a slow and steady recovery in the energy sector contributed to an expected GDP growth rate of 1.8% in 2019. A combination of fiscal restraint and moderate non-oil revenue growth together with one off receipts from a tax penalty amnesty, royalty arrears and legacy payments aided a reduction in the fiscal deficit in 2018/19, to an estimated 2.6% of GDP. T&T's Debt to GDP ratio was estimated to reach 63.2% at the end of 2019. As at September 30, 2019, headline and core inflation were subdued at 1.1% and 1.0% respectively. At the end of October 2019, gross official reserves were approximately US$7,110.0 million, equivalent to 7.9 months of prospective imports of goods and services which was US$465.0 million lower than the value recorded at the end of 2018.

Up north, economic activity in the Bahamas was significantly impacted by Hurricane Dorian which struck the Bahama islands in September. While Bahamas experience modest growth in the first two quarters of 2019, the damage caused by Hurricane Dorian to the tourism sector is expected to negatively impact the Bahamian economy in the near term. The hurricane combined with a less supportive international environment and an anticipated expected slowdown in the US was expected to contribute to a subdued growth rate in 2019 of 1.1%.

Underwriting

Premium revenue grew by 12% to $148.8 million aided by the accretion of a full year of premiums from the Harmony General portfolio which was

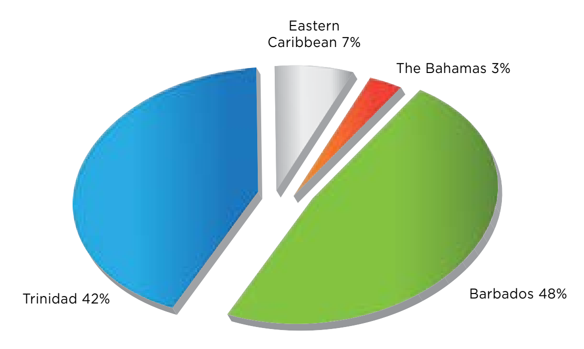


acquired in September 2018. Premium growth was also driven by our unwavering focus on improving our customer experience which positively impacted our renewal retention rates as well as our new business premiums when compared to the prior year.

All the markets in which we operate continue to be intensely competitive, with significant downward pressure on rates across all lines of business.

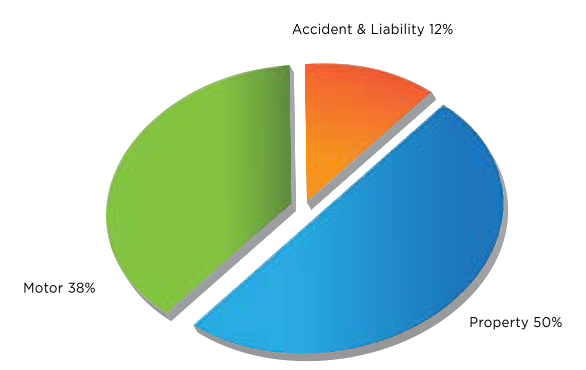
Barbados became our leading market following the acquisition of Harmony General, contributing 48% of our gross written premiums. Trinidad while having an increase in premium revenue over 2018 accounted for 42% of gross written premiums. St. Lucia, Antigua, Dominica and the Bahamas jointly accounted for the remaining 10% of the business.

2019 GROSS WRITTEN PREMIUM BY TERRITORY



The property portfolio remained the largest line of business accounting for 50% of total premiums. Motor portfolio accounted for 38%, with Accident and Liability contributing the remaining 12%.

2019 GROSS WRITTEN PREMIUM BY LINE OF BUSINESS



Net premiums earned increased by 11% over the prior year. This slower growth rate in net premiums reflects increasing reinsurance costs as we adopted a more conservative position in the Bahamas and Eastern Caribbean by purchasing additional reinsurance protection. This was a direct response to the rise in frequency and severity of hurricanes over the past three years.

Overall Total Revenue increased by $13.8 million or 16% to $101.9 million.

Claims

The 2019 loss ratio was 58.6% up from 56.2% in 2018, with total claims incurred increasing by $6.1 million. Property claims from Hurricane Dorian in the Bahamas eliminated any improvement in loss ratios experienced across our other lines of business.

OPERATING INCOME B$'000	2019	2018	2017
Gross Premiums	148,811	132,545	128,466
Reinsurance Expense	(73,549)	(64,920)	(70,470)
Net Premiums	75,262	67,625	57,996
Fees and other income	22,795	17,722	21,873
Total Revenue - Insurance Operations	98,057	85,347	79,869
Investment income	3,888	2,804	4,376
Total Revenue	101,945	88,151	84,245
Claims incurred	(43,850)	(37,773)	(53,497)
Acquisition costs	(17,134)	(16,217)	(16,131)
Operating Income	40,961	34,161	14,617

Operating income increased to $40.9 million from $34.2 million in 2018. This performance was encouraging given the decline of average premium rates over the last several years, the overall increase in motor claims and the impact of Hurricane Dorian on The Bahamas.

Investments

Investment income for 2019 totaled $3.9 million up from the $2.8 million in the prior year which included the share of the loss from associated company of $1.1 million.

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 deposits. The income stream from investments continues to provide earnings diversification for the company.

Expenses

Total expenses for 2019 were $54.6 million which included full year of administrative costs for the Harmony General portfolio, which resulted in a $2.3 million increase over the prior year. In 2018 we had the one time hit for IFRS 9 and Government of Barbados debt impairment of $2.9 million.

On January 1, 2019 the company adopted IFRS 16 – Accounting for Leases, which required that all operating leases to be accounted for as Right-to-Use assets which are depreciated and a corresponding Lease Liability with an inputted interest factor. These changes have been reflected on the income statement with depreciation including $1.6 million for the Right-to-Use assets and interest expense which have $0.7 million of interest on lease liability, with a corresponding decrease in rental expense under Administrative Costs.

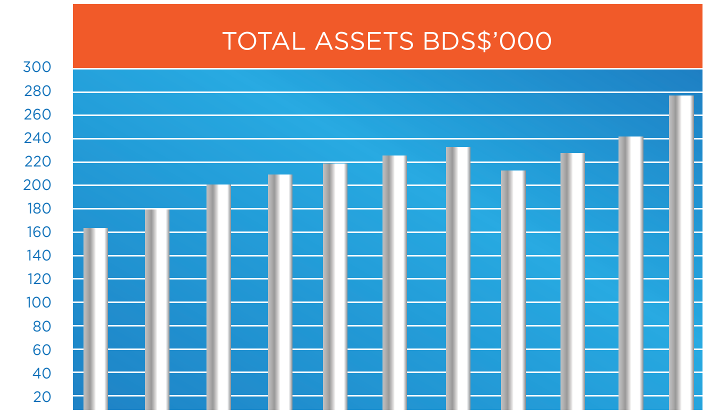
Net Income/Comprehensive Income

Net income before taxes for the year was $3.5 million, an improvement of $8.8 million over the prior year, with net income of $0.97 million compared to a net loss of $11.3 million in 2018.

Total Comprehensive income for 2019 was $3.7 million, which included gains of $1.9 million on the defined pension benefit plans.

Financial Position

The company's financial position remains strong. Shareholders' equity increased from $38.6 million to $42.4 million.



Total assets now stand at over $276.9 million, an increase of 15% 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 main shareholder Sagicor Life Inc along with strong brand name recognition. The rating also takes into consideration the structure of our comprehensive reinsurance program backed by quality reinsurers.

Looking forward

We continue to operate in an ultra-competitive marketplace in very challenging economies. The COVID 19 crisis has been added to the mix and this will further complicate our environment given that regional sovereigns are severely restricted by their fiscal condition and debt capacity to implement any meaningful stimulus packages.

As previously articulated, strategic focus and discipline will continue to be the hallmarks of our approach. While we focus on building the business, we will continue to be mindful of our responsibilities to our communities as evidenced by our many activities in 2019 and our generous contributions in response to the COVID 19 crisis. Earlier this year we completed an organization restructure with the objective of improving operational efficiencies and our customer experience. The implementation of our digital strategy is expected to place us in a better position to safely and effectively service our clients remotely in an environment where physical distancing is becoming the new norm. We are reaping the benefits of living our cultural standards, the training and development of our people and the building of principle centered leadership. We will increase our efforts on these fronts as we see it as the primary way of developing a sustainable competitive advantage.

We are pleased with our improved results in 2019 and confident that we are on the right path to further success. 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

Sagicor General Insurance Inc.

DR. PATRICIA DOWNES-GRANT
CHAIRMAN

Dr. Patricia 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.

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.

Mr. 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.

JOHN EDWARD CLARKE
DIRECTOR

Mr. 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 currently the Chairman of the Barbados Private Sector Association and the Immediate Past 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: Barbados Farms Ltd., Sagicor Funds Inc, Sagicor Asset Management Inc, Sagicor General Insurance Inc and the Insurance Association of the Caribbean Inc., as well as Co-Chair of the Barbados Economic Recovery and Transformation (BERT) Monitoring Committee.

C. NATASHA SMALL
DIRECTOR

Mrs. C. Natasha 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.

BOARD OF DIRECTORS

Sagicor General Insurance Inc.

RAVI RAMBARRAN
DIRECTOR

Mr. Ravi 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.

PETER CLARKE
DIRECTOR

Mr. Peter Clarke serves as a director of Sagicor Financial Company Ltd, Sagicor Life Inc., Sagicor Group Jamaica Limited and Sagicor Life Jamaica Limited.

Mr Clarke is a Financial Consultant who practiced as a Barrister-at-Law before embarking on a 22-year career in stockbroking. From 1984-2000, he was the Managing Director of Money Managers Limited, and served as the Chief Executive of West Indies Stockbrokers Limited from 2001 to 2005, when he retired. From 2002 to 2005 he was also a director of the Trinidad and Tobago Chamber of Industry and Commerce. From 1995 to 1999 he was Chairman of the Trinidad and Tobago Stock Exchange, and he is currently a director of that organisation. From 1992 to 1995 Mr Clarke served as Deputy Chairman of the Trinidad and Tobago Free Zones Company, and he is currently the Chairman of Guardian Media Limited in Trinidad and Tobago, and a director of a number of companies including the Trinidad and Tobago IFC Management Company Limited.

He is a member of the Finance Council of the Roman Catholic Archdiocese of Port of Spain, and sits on the board of some 14 other companies.

He obtained the Bachelor of Arts degree from Yale University, and a law degree from Downing College, Cambridge University. Mr Clarke was called to the Bar as a member of Gray's Inn in London in 1979, and to the Bar of Trinidad and Tobago in 1980.

DAVID WRIGHT
DIRECTOR

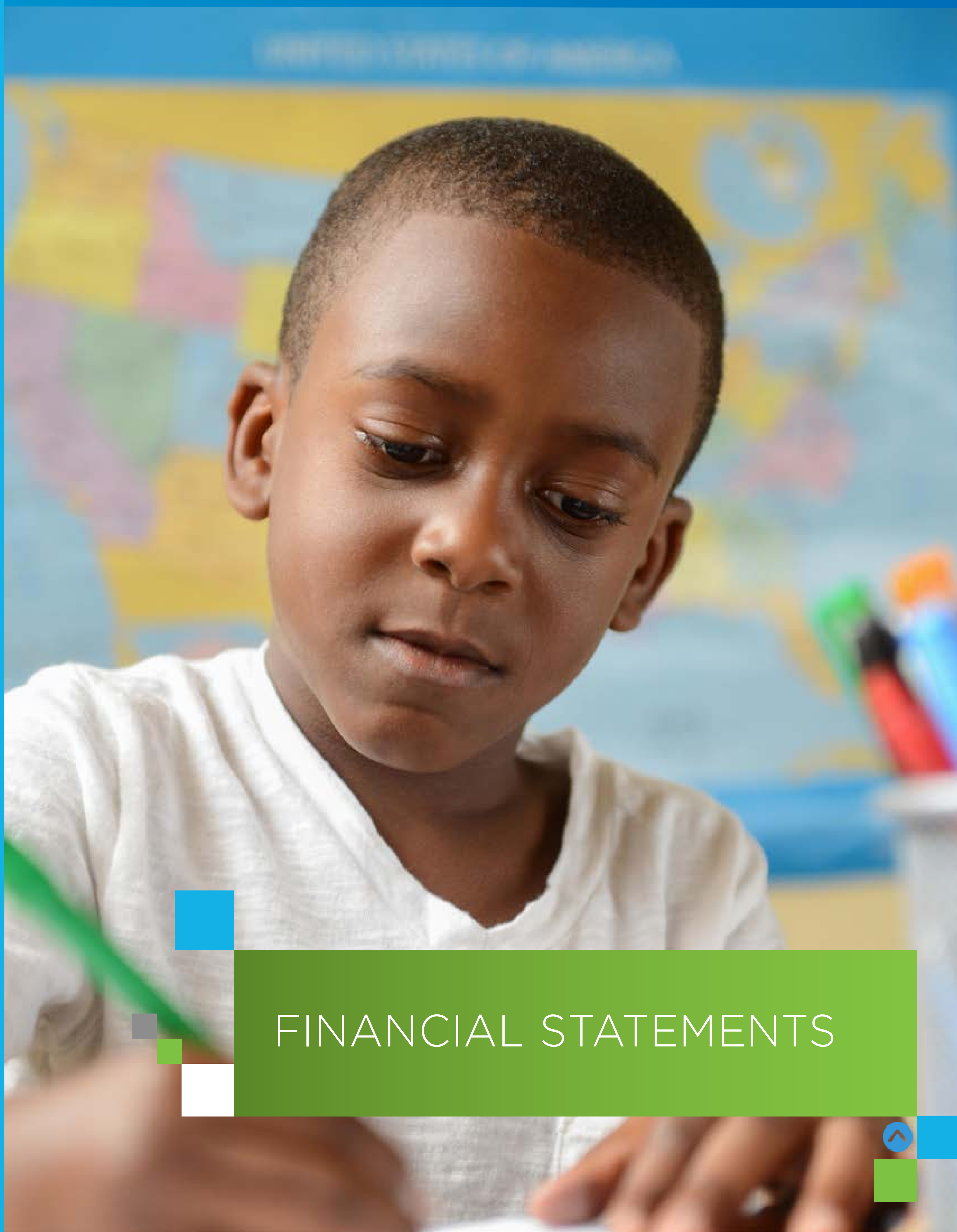
Mr. David Wright is an independent non-executive Director.

A UK qualified accountant, he is the Chief Executive Officer of the HBW Group and has over 30 years' experience in the international financial services sector with expertise in insurance, investment management, financial risk management, corporate restructuring, tax planning and trading in securities and precious metals. He is also trained in information and communications technology with emphasis on implementing process and productivity improvements.

Mr. Wright has served on a number of Boards and Committees in the international financial services sector and an advisory committee for the review of securities and related legislation.

Mr. Wright is also a director of Sagicor Life Inc and a number of subsidiaries within the Sagicor Group.

He is an avid golfer and sports enthusiast.



FINANCIAL STATEMENTS

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, 2019, 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, 2019;
- 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), which is expected to be made available to us after the date of this auditor's report.

Our opinion on the financial statements does not cover the other information and we will 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
T: +246-626-6700, F:+246-436-1275, www.pwc.com/bb

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

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

Responsibilities of management and those charged with governance for the 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.

Amounts expressed in Barbados dollars $000's

pwc

- 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

April 30, 2020
Bridgetown, Barbados

	Notes	2019	2018
ASSETS			
Property, plant and equipment	5	20,869	10,522
Property held-for-sale	33	-	2,750
Intangible Assets	7	5,333	6,025
Financial investments	9	110,763	96,831
Reinsurance assets	10	44,357	52,428
Income tax assets	11	2,602	1,997
Amounts payable by related parties	32	171	-
Premiums receivable and deferred acquisition costs	12	34,220	33,611
Provisions	15	3,046	245
Miscellaneous assets and receivables	13	3,856	2,465
Cash and cash equivalents		51,712	34,431
Total assets		**276,929**	**241,305**
LIABILITIES			
Policyholders' liabilities	14	145,745	141,761
Due to reinsurers, deferrals and premium tax payable	16	22,022	18,417
Amounts payable to related parties	32	-	24,136
Lease liabilities	37	9,749	-
Loans payable	30	23,483	-
Notes payable	31	25,000	-
Accounts payable and accrued liabilities		8,554	18,320
Total liabilities		**234,553**	**202,634**
EQUITY			
Share capital	17	3,705	3,705
Reserves	18	28,381	26,161
Retained earnings		10,290	8,805
Total equity		**42,376**	**38,671**
Total equity and liabilities		**276,929**	**241,305**

These financial statements have been approved for issue by the Board of Directors on April 23, 2020.

Director Director

For the year ended December 31, 2019 Amounts expressed in Barbados dollars $000's

	Notes	2019	2018
REVENUE			
Premium revenue	19	148,811	132,545
Reinsurance expense	19	(73,549)	(64,920)
Net premium revenue		75,262	67,625
Investment income	20	3,888	3,745
Share of operating loss of associated company	6	-	(1,181)
Fees and other revenue	21	22,795	17,722
Gain on disposal of associated company	6	-	240
Total revenue		**101,945**	**88,151**
CLAIMS INCURRED			
Claims incurred	22	47,041	50,400
Claims reinsured	22	(3,191)	(12,627)
Net claims incurred		**43,850**	**37,773**
EXPENSES			
Administrative expenses		28,676	30,984
Commissions and related compensation	12	17,134	16,217
Net premium taxes		1,836	1,437
Interest expense		2,003	942
Credit losses	34.3	(396)	2,932
Depreciation and amortisation	5,7	5,363	3,135
Total expenses		**54,616**	**55,647**
INCOME (LOSS) BEFORE TAXES		3,479	(5,269)
Income taxes	25	(2,508)	(6,019)
NET INCOME (LOSS) FOR THE YEAR		**971**	**(11,288)**

	Notes	2019	2018
NET INCOME (LOSS) FOR THE YEAR		**971**	**(11,288)**
OTHER COMPREHENSIVE INCOME			
Items net of tax that may be reclassified subsequently to income:			
Retranslation of foreign currency operations	28	809	(1,800)
		809	(1,800)
Items net of tax that will not be reclassified subsequently to income:			
Gains (losses) on defined benefit plans	28	1,925	(642)
		1,925	(642)
Other comprehensive income (loss) for the year		**2,734**	**(2,442)**
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE YEAR		**3,705**	**(13,730)**

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

Amounts expressed in Barbados dollars $000's

	Share capital Note 17	Reserves Note 18	Retained earnings	Total
Balance, December 31, 2018	**3,705**	**26,161**	**8,805**	**38,671**
Total comprehensive income	-	809	2,896	3,705
Transfer to catastrophe reserve	-	1,411	(1,411)	-
Balance, December 31, 2019	**3,705**	**28,381**	**10,290**	**42,376**

	Year ended December 31, 2018			
	Share capital Note 17	Reserves Note 18	Retained earnings	Total
Balance, December 31, 2017	**3,705**	**27,384**	**21,939**	**53,028**
Transition adjustment on adoption of IFRS 9 (note 9)	-	-	(627)	(627)
Balance, January 1, 2018	**3,705**	**27,384**	**21,312**	**52,401**
Total comprehensive loss	-	(1,800)	(11,930)	(13,730)
Transfer from investment reserve	-	(696)	696	-
Transfer to catastrophe reserve	-	1,273	(1,273)	-
Balance, December 31, 2018	**3,705**	**26,161**	**8,805**	**38,671**

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

	Notes	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES			
Income (loss) before taxation		3,479	(5,269)
Adjustments for non-cash items, interest and dividends	29	2,223	3,887
Interest and dividends received		2,850	3,474
Interest received from Sagicor Group companies		497	497
Interest paid		(1,663)	-
Income taxes paid		(3,490)	(1,609)
Changes in operating assets	29	(14,267)	(13,422)
Changes in operating liabilities	29	(18,269)	15,560
Net cash (used in) / from operating activities		**(28,640)**	**3,118**
CASH FLOWS FROM INVESTING ACTIVITIES			
Property, plant and equipment	29	(1,493)	(1,512)
Acquisition of company, net of cash & cash equivalents	8	-	(5,398)
Proceeds from disposal of associated company	6	-	1,012
Net cash used in investing activities		**(1,493)**	**(5,898)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Loans payable		23,143	-
Notes payable		25,000	-
Lease liability principal payments		(1,340)	-
Dividends paid to shareholders		-	(1,567)
Net cash from / (used in) financing activities		**46,803**	**(1,567)**
Effects of exchange rate differences		**611**	**600**
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS		**17,281**	**(3,747)**
Cash and cash equivalents, beginning of year		34,431	38,178
CASH AND CASH EQUIVALENTS, END OF YEAR	29	**51,712**	**34,431**

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.

On November 27, 2018, Sagicor Financial Corporation Limited, the ultimate parent company entered into a definitive arrangement agreement as amended on January 28, 2019 with Alignvest Acquisition II Corporation pursuant to which on December 6, 2019, Alignvest Acquisition II Corporation acquired all the shares of Sagicor Financial Corporation Limited by way of a scheme of arrangement under the laws of Bermuda, where it is incorporated and continued as Sagicor Financial Company Ltd.

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, 2019 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)

Adoption of IFRS 16 - Leases

Effective January 1, 2019, the company adopted IFRS 16. The company has implemented IFRS 16 – Leases using the modified retrospective method with no restatement of comparative information. As a result, the comparatives for 2018 have not been restated. For contracts entered into before January 1, 2019, the company, as lessor, relied on its assessment made in applying IAS 17 - Leases and IFRIC 4 - Determining whether an arrangement contains a lease. Accordingly, the company has also elected not to reassess whether a contract in effect before January 1, 2019, is, or contains a lease.

As of January 1, 2019, the company, as lessee, has recognised right-of-use assets and lease liabilities for the operating leases previously entered into. The impact of this change is summarised in note 37.

The accounting policy for leases is set out in note 2.20.

Amendments to existing IFRS and IAS effective January 1, 2019

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

Standard	Description of amendment
IFRS 9 – Financial Instruments	The amendment "Financial instruments on prepayment features with negative compensation" to enable companies to measure at amortised cost some pre-payable financial assets with negative compensation. The assets affected, would otherwise have been measured at FVTPL. Negative compensation arises where the contractual terms permit the borrower to repay the instrument before its contractual maturity, but the prepayment amount could be less than unpaid amounts of principal and interest. However, to qualify for amortised cost measurement, negative compensation must be reasonable compensation for early termination of the contract.
IFRIC 23 – Uncertainty over Income Tax Treatments	This interpretation clarifies how to apply the recognition and measurement requirement in IAS-12 "Income Taxes" when there is uncertainty over income tax treatments. This interpretation applies to the determination of taxable profit (taxable loss), tax bases, unused tax losses, unused tax credits and tax rates when there is doubt as to the tax treatments to be used in accordance with IAS-12.
IAS 28 – Investments in Associates and Joint Ventures	The amendment "Long-term Interest in Associates and Joint Ventures" clarifies the situation where an entity applies the equity method and owns long-term interests that meet the criteria to be qualified in substance as long-term net investments. This amendment applies more specifically to shares when there are losses that must be absorbed by long-term interests.

For the year ended December 31, 2019 Amounts expressed in Barbados dollars $000's

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

Standard	Description of amendment
IAS 19 – Employee Benefits	The amendment "Plan Amendment, Curtailment or Settlement" clarifies, for defined benefit pension plans, when changes require a revaluation of the net cost of assets and liabilities involved. The amendment requires the entity to use the adjusted assumptions resulting from the reassessment to determine the cost of services rendered during the period and the net interest for the period following the changes made to the pension plans or the revaluation. This amendment applies prospectively. .
Annual Improvements	The Annual Improvements clarify situations specific to four standards: • IFRS-3 "Business Combinations" related to the fact that a business combination achieved in stages is applicable when a party to a joint arrangement obtains control of a business that is a joint operation, and this improvement will apply prospectively; • IFRS-11 "Joint Arrangements" related to the fact that an interest previously owned by an entity in a joint operation is not remeasured when the entity obtains joint control of the joint operation, and this improvement will apply prospectively; • IAS-12 "Income Taxes" related to the recognition of income taxes on dividend liabilities to be paid, and this improvement will apply retrospectively; • IAS-23 "Borrowing Costs" related to the fact that an entity shall exclude from the calculation of capitalized borrowing costs the borrowing costs for the period during the completion of the assets, and this improvement will apply prospectively.

2. ACCOUNTING POLICIES (continued)

2.1 Basis of preparation (continued)

IFRS (Effective date)	Subject/ Comments
Amendments to IFRS 9, IAS 39 and IFRS 7 – Interest (January 1, 2020)	These amendments provide certain reliefs in connection with interest rate benchmark reform. The reliefs relate to hedge accounting and have the effect that IBOR reform should not generally cause hedge accounting to terminate. However, any hedge ineffectiveness should continue to be recorded in the income statement. Given the pervasive nature of hedges involving IBOR-based contracts, the reliefs will affect companies in all industries. This standard will have no material effect on the company.
Amendments to IFRS 3 – Definition of a business (January 1, 2020)	This amendment revises the definition of a business. According to feedback received by the IASB, application of the current guidance is commonly thought to be too complex, and it results in too many transactions qualifying as business combinations. This standard will have no material effect on the company.
Amendments to IAS 1 and IAS 8 – The Definition of Material (January 1, 2020)	These amendments to IAS 1, 'Presentation of financial statements', and IAS 8, 'Accounting policies, changes in accounting estimates and errors', and consequential amendments to other IFRSs: i) use a consistent definition of materiality throughout IFRSs and the Conceptual Framework for Financial Reporting; ii) clarify the explanation of the definition of material; and iii) incorporate some of the guidance is IAS 1 about immaterial information. This standard will have no material effect on the company. The Conceptual Framework was revised because important issues were not addressed, and some indications were outdated or unclear. This revised version includes, among other things, a new chapter on valuation, guidance on the presentation of financial performance and improved definitions of an asset and a liability and guidance in support of those definitions. The Conceptual Framework helps entities to develop their accounting method when no IFRS is applicable to a specific situation. The provisions will apply prospectively to financial statements beginning on or after January 1, 2020. This standard will have no material effect on the company.

2. ACCOUNTING POLICIES (continued)

2.1 Basis of preparation (continued)

IFRS (Effective date)	Subject / Comments
IFRS 17 Insurance Contracts (January 1, 2023)	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 has commenced review of this standard.

2. ACCOUNTING POLICIES (continued)

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).

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

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

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

For the year ended December 31, 2019 — Amounts expressed in Barbados dollars $000's

2. ACCOUNTING POLICIES (continued)

2.3 Foreign currency translation (continued)

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

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

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

Asset	Estimated useful life
Buildings	50 years
Furnishings	10 years
Computers & Office Equipment	3 to 5 years
Motor vehicles	5 years
Right-of-use assets	Lease term (1.5 to 12 years)

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. ACCOUNTING POLICIES (continued)

2.5 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.

2.6 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 discernible 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.

2. ACCOUNTING POLICIES (continued)

2.6 Insurance contracts (continued)

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.

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)

2.7 Financial assets

(a) Classification of financial assets

IFRS 9 introduces a principles-based approach to the classification of financial assets. Debt instruments, including hybrid contracts, are measured at fair value through profit or loss ("FVTPL"), fair value through other comprehensive income ("FVOCI") or amortized cost based on the nature of the cash flows of these assets and the company's business model. Equity instruments are measured at FVTPL, unless they are not held for trading purposes, in which case an irrevocable election can be made on initial recognition to measure them at FVOCI with no subsequent reclassification to profit or loss.

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

(b) Classification of debt instruments

Classification and subsequent measurement of debt instruments depend on:

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

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

Measured at amortised cost

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

Measured at fair value through other comprehensive income (FVOCI)

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

2. ACCOUNTING POLICIES (continued)

2.7 Financial assets (continued)

Measured at fair value through profit and loss (FVTPL)

Debt instruments are classified in this category if they meet one or more of the criteria set out below and are so designated irrevocably at inception:
- the use of the designation removes or significantly reduces an accounting mismatch;
- when the performance of a group of financial assets is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy;
- when the debt instruments are held for trading and are acquired principally for the purpose of selling in the short-term or if they form part of a portfolio of financial assets in which there is evidence of short-term profit taking.

Business model assessment

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

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

Solely payments of principal and interest ("SPPI")

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

2. ACCOUNTING POLICIES (continued)

2.7 Financial assets (continued)

(c) Impairment of financial assets measured at amortized cost and FVOCI

IFRS 9 introduces an impairment model that requires the recognition of expected credit losses ("ECL") on financial assets measured at amortised cost and FVOCI and off-balance sheet loan commitments and financial guarantees which were previously provided for under IAS 37 Provisions, Contingent Liabilities and Contingent Assets.

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

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

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

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

Financial assets that are purchased or originated at a deep discount that reflects the incurred credit losses are defined as POCI. This population includes the recognition of a new financial instrument following a renegotiation where concessions have been granted for economic or contractual reasons relating to the borrower's financial difficulty that otherwise would not have been considered. The amount of change-in-lifetime ECL is recognised in profit or loss until the POCI is derecognised, even if the lifetime ECL is less than the amount of ECL included in the estimated cash flows on initial recognition.

2. ACCOUNTING POLICIES (continued)

2.7 Financial assets (continued)

(e) Definition of default

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

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

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

(f) Write-off

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

(g) The general approach to recognising and measuring ECL

The measurement of ECL reflects:

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

Measurement

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

2. ACCOUNTING POLICIES (continued)

2.7 Financial assets (continued)

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

The main difference between Stage 1 and Stage 2 expected credit losses is the respective PD horizon. Stage 1 estimates will use a maximum of a 12-month PD while Stage 2 estimates will use a lifetime PD. Stage 3 estimates will continue to leverage existing processes for estimating losses on impaired loans, however, these processes will be updated to reflect the requirements of IFRS 9, including the requirement to consider multiple forward-looking scenarios. An expected credit loss estimate will be produced for each individual exposure, including amounts which are subject to a more simplified model for estimating expected credit losses.

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

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

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

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

2. ACCOUNTING POLICIES (continued)

2.7 Financial assets (continued)

Forward looking information

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

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

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

(h) Re-classified balances

The company reclassifies debt instruments when and only where its business model for managing those assets changes. The reclassification takes place from the start of the first reporting period following the change. Such changes are expected to be very infrequent and none occurred during the period.

(i) Classification of equity instruments

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

(j) Presentation in the statements of income and other comprehensive income (OCI)

Debt and equity instruments measured at FVTPL

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

2. ACCOUNTING POLICIES (continued)

2.7 Financial assets (continued)

Debt instruments measured at amortized cost

- Interest income is included in net investment income.
- Credit impairment losses are presented in the income statement.
- Gain or loss on de-recognition is expected to be relatively infrequent and is included in net investment income.

Debt instruments measured at FVOCI

- Interest income is included in net investment income.
- Credit impairment losses are presented in the income statement.
- Unrealised gains and losses arising from changes in fair value are presented in OCI.
- On de-recognition, the cumulative gain or loss in OCI is transferred from OCI to net investment income.

Equity instruments measured at FVOCI

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

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) <u>Loans Payable</u>
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) <u>Fair Value</u>
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.

For the year ended December 31, 2019 Amounts expressed in Barbados dollars $000's

2. ACCOUNTING POLICIES (continued)

2.8 Financial liabilities (continued)

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 non-insurance commission income are recognised on an accrual basis when the service has been provided. Fees and commissions arising from negotiating or participating in the negotiation of a transaction for a third party are recognised on completion of the underlying transaction. Portfolio and other management advisory and service fees are recognised based on the applicable service contracts, usually on a time-proportionate basis. Asset management fees related to investment funds are recognised rateably over the period in which the service is provided. Performance linked fees or fee components are recognised when the performance criteria are fulfilled. Other revenue is recognised on an accrual basis when the related service has been provided.

2.11 Interest income and interest expense

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

2.12 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)

2.12 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.

2.13 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 2019 are as follows:

Barbados	2% of net income
Trinidad and Tobago	30% of net income
Eastern Caribbean	25% - 30% of net income
The Bahamas	0%

(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.

For the year ended December 31, 2019 Amounts expressed in Barbados dollars $000's

2. ACCOUNTING POLICIES (continued)

2.13 Taxes

(c) Tax on Assets

The company is subject to a tax on assets in Barbados. The tax on assets is 0.35% of adjusted assets held at the end of the period.

2.14 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.

2.15 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 $1,411 (2018 - $1,273).

2.16 Presentation of current and non-current assets and liabilities

In note 34.4, 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.

2.17 Property held for resale

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

2. ACCOUNTING POLICIES (continued)

2.18 Intangible Assets

(a) Goodwill

Goodwill arising from an acquisition is allocated to appropriate cash generating unit.

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

On the disposal of an insurance business, the associated goodwill is de-recognised and is included in the gain or loss on disposal.

(b) Other intangible assets

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

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

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

Class of intangible asset	Asset	Estimated useful life
Customer related	Customer relationships	5 years

2.19 Leases

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

2. ACCOUNTING POLICIES (continued)

2.19 Leases (continued)

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

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

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

(a) the amount of the initial measurement of the lease liability;
(b) any lease payments made at or before the commencement date, less any lease incentives received;
(c) any initial direct costs incurred by the company; and
(d) restoration costs.

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

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

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

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

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

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

2. ACCOUNTING POLICIES (continued)

2.19 Leases (continued)

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

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

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

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

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.

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

In determining ECL (defined in note 2.7(a)), management is required to exercise judgement in defining what is considered a significant increase in credit risk and in making assumptions and estimates to incorporate relevant information about past events, current conditions and forecasts of economic conditions. Further information about the judgements involved is included in the earlier sections 'Measurement' and 'Forward-looking information'.

(a) Establishing staging for debt securities and deposits

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

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

3.2 Impairment of financial assets (continued)

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

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

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

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

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

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

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

3.2 Impairment of financial assets (continued)

Qualitative test

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

Backstop Criteria

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

(b) Forward looking information

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

(b) Impairment of Government of Barbados debt securities

As further disclosed in note 32.3 (c), the company participated in a debt exchange following the implementation of a debt restructuring programme by the Government of Barbados. The replacement debt securities are classified as purchased or originated credit-impaired assets (POCI) and have been valued using an internally generated yield curve derived from the Central Bank of Barbados base-line yield curve to which management has applied a risk premium.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

3.3 Fair value of securities not quoted in an active market

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

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

3.4 Recognition and measurement of intangible assets

The recognition and measurement of intangible assets, other than goodwill, in a business combination involve the utilisation of valuation techniques which may be very sensitive to the underlying assumptions utilised. These intangibles include customer listings.

3.5 Impairment of intangible assets

(a) Goodwill

The assessment of goodwill impairment involves the determination of the value of the cash generating business units to which the goodwill has been allocated. Determination of the value involves the estimation of future cash flows or of income after tax of these business units and the expected returns to providers of capital to the business units

The company updates its business unit financial projections annually and applies discounted cash flow or earnings multiple models to these projections to determine if there is any impairment of goodwill. The assessment of whether goodwill is impaired can be highly sensitive to the inputs of cash flows, income after tax, discount rate, growth rate or capital multiple, which are used in the computation. Further details of the inputs used are set out in note 7.

(b) Other intangible assets

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

For the year ended December 31, 2019 Amounts expressed in Barbados dollars $000's

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 $82,904 (2018 - $85,406) 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.

5. PROPERTY, PLANT AND EQUIPMENT

2019	Freehold land and building	Office furnishings	Right-of-use assets	Software and Computer Equipment	Motor vehicles	Total
Net book value, beginning of year	**-**	**2,687**	**-**	**6,874**	**961**	**10,522**
Recognised on adoption of IFRS 16 (note 37)	-	-	10,736	-	-	10,736
Additions at cost / reclassifications	2,750	227	343	875	426	4,621
Disposals / reclassifications	-	(21)	-	(215)	(528)	(764)
Depreciation charge	(25)	(710)	(1,636)	(1,925)	(375)	(4,671)
Depreciation on disposals	-	19	-	212	418	649
Effect of foreign exchange revaluation	-	-	-	(224)	-	(224)
Net book value, end of year	**2,725**	**2,202**	**9,443**	**5,597**	**902**	**20,869**
Represented by:						
Cost or valuation	2,750	10,708	11,079	19,160	2,392	46,089
Accumulated depreciation	(25)	(8,506)	(1,636)	(13,563)	(1,490)	(25,220)
	2,725	**2,202**	**9,443**	**5,597**	**902**	**20,869**

Amounts expressed in Barbados dollars $000's

5. PROPERTY, PLANT AND EQUIPMENT (continued)

	2018				
	Freehold land and building	Office furnishings	Software and Computer Equipment	Motor vehicles	Total
Net book value, beginning of year	-	3,344	7,710	859	11,913
Additions at cost	-	84	921	519	1,524
Additions from acquisition	-	32	-	-	32
Disposals / reclassifications	-	(23)	(53)	(308)	(384)
Depreciation charge	-	(750)	(1,757)	(398)	(2,905)
Depreciation on disposals	-	-	53	289	342
Net book value, end of year	**-**	**2,687**	**6,874**	**961**	**10,522**
Represented by:					
Cost or valuation	-	10,502	18,724	2,494	31,720
Accumulated depreciation	-	(7,815)	(11,850)	(1,533)	(21,198)
	-	**2,687**	**6,874**	**961**	**10,522**

6. INVESTMENT IN ASSOCIATED COMPANY

The company held 1,000,000 Class A common shares in Globe Finance Inc., a company incorporated in Barbados, which represented a 20% ownership interest and 25% voting interest.

The aggregate balances and results in respect of the associated company were as follows

	2019	2018
Summarised Statement of Comprehensive Income up to date of disposal		
Revenue		
Investment income	-	6,438
Fees and other revenue	-	3,915
Total revenue	-	10,353
Expenses		
Interest expense	-	3,119
Other expenses	-	12,737
Total expenses	-	15,856
Loss before taxes	-	(5,503)
Income taxes	-	(403)
Net loss for the year	-	(5,906)
Other comprehensive loss for the period / year	-	-
Total comprehensive loss for the period / year	-	(5,906)
Share of operating loss of associated company		(1,181)

On September 4, 2018 the company disposed of its 20% investment in Globe Finance Inc., the carrying amount of its net assets and the consideration receivable was as follows:

	2019	2018
Net assets	-	1,975
Proceeds	-	(2,215)
Gain on disposal of associated company	-	(240)

Amounts expressed in Barbados dollars $000's

7. INTANGIBLE ASSETS

	2019		
	Goodwill	Customer relationships	Total
Net book value, beginning of year	2,793	3,232	6,025
Amortisation	-	(692)	(692)
Net book value, end of year	2,793	2,540	5,333
Represented by:			
Cost or valuation	2,793	3,463	6,256
Accumulated depreciation	-	(923)	(923)
	2,793	2,540	5,333

	2018		
	Goodwill	Customer relationships	Total
Net book value, beginning of year	-	-	-
Identified on acquisition			
Harmony General Insurance Company Ltd	2,793	3,463	6,256
Amortization	-	(231)	(231)
Net book value, end of year	2,793	3,232	6,025
Represented by:			
Cost or valuation	2,793	3,463	6,256
Accumulated depreciation	-	(231)	(231)
	2,793	3,232	6,025

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

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

The value in use methodology used is based cash flows extracted from the financial projections to which appropriate discount factors and residual growth rates are applied.

7. INTANGIBLE ASSETS (continued)

The company recognised goodwill from the acquisition of Harmony General Insurance Company Ltd. in 2018.

The value in use methodology has been used to test goodwill impairment in both years. The pre-tax discount factor was 15.06% (2018 – 24.8%) which was derived from an after-tax factor of 15.0% (2018 – 21.2%) using an iterative method. The residual growth rate was 2.5% (2018 – 2.5%).

<u>Sensitivity</u>

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

	2019 test		
	Scenario 1	Scenario 2	Scenario 3
After tax discount factor	15.0	16.0	17.0
Residual growth rate	2.5	2.5	2.0
Reduction in residual growth rate	n/a	n/a	20%
Increase in after tax discount factor	n/a	n/a	13%
Excess of recoverable amount	5,754	2,754	154
Impairment	Nil	Nil	Nil

For the year ended December 31, 2019 Amounts expressed in Barbados dollars $000's

8. ACQUISITION OF HARMONY GENERAL INSURANCE COMPANY LTD.

On September 1, 2018 the company acquired 100% of the shareholding of Harmony General Insurance Company Ltd., a general insurance company incorporated and operating in Barbados. The acquisition was by way of legal amalgamation and Sagicor General Insurance Inc. continued as the amalgamated entity.

The summary of net assets acquired were as follows:

	Fair Value	Acquiree's carrying value
Net assets acquired:		
Property, plant and equipment	32	32
Intangible assets	3,463	-
Financial investments	8,754	12,194
Reinsurance assets	7,665	7,665
Income tax assets	368	368
Miscellaneous assets and receivables	5,166	5,166
Cash & cash equivalents	4,102	4,102
Other insurance liabilities	(19,220)	(19,220)
Provisions	(233)	(233)
Accounts payable and accrued liabilities	(3,390)	(3,390)
Total net assets	6,707	6,684
Share of net assets acquired	6,707	
Purchase consideration	(9,500)	
Goodwill arising on acquisition	2,793	

	2019	2018
Cash & cash equivalents acquired	-	4,102
Purchase consideration	-	(9,500)
Acquisition of company, net of cash & cash equivalents	-	(5,398)

9. FINANCIAL INVESTMENTS

	2019 IFRS 9 Basis		2018 IFRS 9 Basis	
	Carrying value	Fair value	Carrying value	Fair value
Investments at Amortised Cost				
Equity securities	1,205	1,205	1,365	1,365
Debt securities	78,541	79,105	74,249	71,738
Mortgage loans	962	982	1,270	1,294
Money market securities	10,052	10,052	-	-
Deposits	20,003	20,003	19,947	19,947
Total financial investments	110,763	111,347	96,831	94,344

Debt securities comprise:	2019	2018
Government and government-guaranteed debt securities	62,236	40,309
Other securities	16,305	33,940
	78,541	74,249

Amounts expressed in Barbados dollars $000's

10. REINSURANCE ASSETS

	2019	2018
Claim recoveries from reinsurers (note 14)	16,167	25,772
Unearned premiums ceded to reinsurers (note 14)	28,190	26,656
	44,357	52,428

11. INCOME TAX ASSETS

	2019	2018
Income and withholding taxes recoverable	2,570	1,828
Deferred income tax assets (note 26)	32	169
	2,602	1,997

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

12. PREMIUMS RECEIVABLE AND DEFERRED ACQUISITION COSTS

	2019	2018
Premiums in the course of collection	24,430	24,117
Deferred commission expense	8,105	8,055
Deferred premium tax	1,685	1,439
	34,220	33,611

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

	2019	2018
Deferred commission expense		
Balance, beginning of year	8,055	6,898
Commission paid	17,184	17,374
Commissions and related compensation expense	(17,134)	(16,217)
Balance, end of year	8,105	8,055

	2019	2018
Deferred premium tax		
Balance, beginning of year	1,439	1,184
Premium tax paid	2,082	3,012
Premium tax expense	(1,836)	(2,757)
Balance, end of year	1,685	1,439

13. MISCELLANEOUS ASSETS AND RECEIVABLES

	2019	2018
Prepaid expenses	693	498
Other accounts receivable	3,163	1,967
	3,856	2,465

14. POLICYHOLDERS' LIABILITIES

	2019	2018
Claims in the course of settlement	74,657	72,458
Provision for unearned premiums	71,088	69,303
	145,745	141,761

14.1 Claims in the course of settlement

(a) Analysis of claims in the course of settlement

	2019	2018
Property business	8,107	13,614
Motor business	47,287	42,407
Accident and liability business	19,263	16,437
	74,657	72,458

Claims in the course of settlement include $17,787 (2018- $16,095) in provisions for claims incurred but not yet reported.

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

	2019	2018
Property business	4,793	11,463
Motor business	6,234	8,404
Accident and liability business	5,140	5,905
	16,167	25,772

Amounts expressed in Barbados dollars $000's

14.1 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:

	2019	2018
Balance, beginning of year	72,458	74,267
Amounts assumed on acquisition	-	12,243
Claims incurred (note 22)	47,041	50,400
Claims paid	(45,148)	(64,956)
Effect of exchange rate changes	306	504
Balance, end of year	74,657	72,458

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

	2019	2018
Balance, beginning of year	25,772	33,431
Amounts assumed on acquisition	-	4,662
Ceded in year (note 22)	3,191	12,627
Claim recoveries	(12,502)	(27,057)
Effect of exchange rate changes	(294)	2,109
Balance, end of year (note 10)	16,167	25,772

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 $1,075 and $243 (2018 - $1,125 and $308) respectively and a $832 (2018 - $817) decrease in income from ordinary activities. A 10% decrease in development would result in a decrease in gross reserves and reinsurance recoveries of $1,092 and $248 (2018 - $1,149 and $313) respectively and a $844 (2018 - $836) increase in income from ordinary activities.

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.

14. POLICYHOLDERS' LIABILITIES (continued)

14.1 Claims in the course of settlement (continued)

	2011	2012	2013	2014	2015	2016	2017	2018	2019
Gross									
Estimate of ultimate claims incurred:									
At the end of financial reporting year	39,717	35,563	34,471	39,909	48,330	43,475	74,752	54,412	48,023
One year later	38,520	34,539	34,396	43,337	45,946	45,007	81,907	54,022	
Two years later	38,429	34,893	33,017	43,232	47,121	42,029	81,503		
Three years later	38,091	34,644	33,189	42,913	44,338	42,073			
Four years later	36,823	33,412	34,293	41,480	43,721				
Five years later	35,884	33,288	33,006	41,362					
Six years later	35,855	33,643	32,965						
Seven years later	35,883	33,449							
Eight years later	35,823								
Current estimate of ultimate claims incurred	35,823	33,449	32,965	41,362	43,721	42,073	81,503	54,022	48,023
Cumulative payments to date	35,036	32,268	30,818	37,812	38,793	35,917	73,127	40,868	22,257
Liability recognised in the balance sheet	787	1,181	2,147	3,550	4,928	6,156	8,376	13,154	25,766
Liability in respect of prior years & adjustments									5,340
Liability for unallocated loss adjustment expenses									3,272
Total liability included in the balance sheet									**74,657**

Amounts expressed in Barbados dollars $000's

14. POLICYHOLDERS' LIABILITIES (continued)

14.1 Claims in the course of settlement (continued)

	2011	2012	2013	2014	2015	2016	2017	2018	2019
Reinsurance									
Estimate of ultimate claims incurred:									
At the end of financial reporting year	20,396	16,586	15,873	19,213	25,570	22,643	21,394	8,040	2,713
One year later	19,265	15,904	16,684	20,764	24,011	22,936	29,441	8,712	
Two years later	19,448	16,316	15,715	20,626	24,526	21,381	29,620		
Three years later	19,367	16,045	15,662	20,516	23,065	21,393			
Four years later	18,769	15,349	16,252	19,747	22,472				
Five years later	18,164	15,194	15,577	19,664					
Six years later	18,115	15,384	15,553						
Seven years later	18,142	15,305							
Eight years later	18,111								
Current estimate of ultimate claims incurred	18,111	15,384	15,553	19,664	22,472	21,393	29,620	8,712	2,713
Cumulative payments to date	17,765	14,950	14,700	18,141	19,871	18,685	27,534	7,894	551
Liability recognised in the balance sheet	346	434	853	1,523	2,601	2,708	2,086	818	2,162
Liability in respect of prior years & adjustments									2,634
Total liability included in the balance sheet									**16,167**

14. POLICYHOLDERS' LIABILITIES (continued)

14.2 Provision for unearned premiums

(a) Analysis of provision for unearned premiums

	2019	2018
Property business	35,677	31,810
Motor business	28,061	28,852
Accident and liability business	7,350	8,641
	71,088	69,303

The associated unearned premiums ceded to reinsurers:

	2019	2018
Property business	26,327	25,180
Motor business	432	56
Accident and liability business	1,431	1,420
	28,190	26,656

(b) Movement in provision for unearned premiums

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

	2019	2018
Balance, beginning of year	69,303	59,995
Amounts assumed on acquisition	-	6,977
Premiums written	150,506	134,876
Premium revenue (note 19)	(148,811)	(132,545)
Effect of exchange rate changes	90	-
Balance, end of year	71,088	69,303

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

	2019	2018
Balance, beginning of year	26,656	21,197
Amounts assumed on acquisition	-	3,003
Reinsurance on premiums written	75,018	65,376
Reinsurance expense (note 19)	(73,549)	(64,920)
Effect of exchange rate changes	65	2,000
Balance, end of year (note 10)	28,190	26,656

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15. PROVISIONS

	2019	2018
Pensions plan asset (note 24)	3,046	245

16. DUE TO REINSURERS, DEFERRALS AND PREMIUM TAX PAYABLE

	2019	2018
Amounts due to reinsurers	9,437	5,627
Deferred commission income	8,266	8,504
Premium tax payable	3,600	3,658
Deferred premium tax	719	628
	22,022	18,417

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

	2019	2018
Deferred commission income		
Balance, beginning of year	8,504	7,702
Commission received	14,655	14,351
Commission earned (note 21)	(14,893)	(13,549)
Balance, end of year	8,266	8,504
Deferred premium tax		
Balance, beginning of year	628	548
Premium tax recoveries	1,571	1,400
Premium taxes earned	(1,480)	(1,320)
Balance, end of year	719	628

17. SHARE CAPITAL

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

	2019	2018
Issued 2,018,000 shares, with no par value	3,705	3,705

18. RESERVES

	2019	2018
Fair value reserve - available for sale investment securities:		
Balance, beginning of year	696	696
Transfer to retained earnings	(696)	(696)
Balance, end of year	-	-
Fair value reserve – property, plant & equipment / property held-for-sale:		
Balance, end of year	2,254	2,254
Currency translation reserve:		
Balance, beginning of year	(4,079)	(2,279)
Retranslation of foreign currency operation	809	(1,800)
Balance, end of year	(3,270)	(4,079)
Statutory reserves:		
Balance, beginning of year	27,986	26,713
Transfer to catastrophe reserve	1,411	1,273
Balance, end of year	29,397	27,986
Reserves, end of year	28,381	26,161

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19. PREMIUM REVENUE

	Premium revenue		Reinsurance expense	
	2019	2018	2019	2018
Property business	73,813	65,439	66,746	59,884
Motor business	57,149	50,916	1,699	1,494
Accident and liability business	17,849	16,190	5,104	3,542
	148,811	132,545	73,549	64,920

20. INVESTMENT INCOME

	2019	2018
Interest income:		
Debt securities	3,155	3,157
Mortgage loans	53	65
Deposits	141	205
Other	260	262
Dividend income	62	176
Gains on disposal of financial investments	(160)	72
Loss on de-recognition of original GoB bonds (note 32.3)	-	(132)
Amortisation on bonds	377	(60)
	3,888	3,745

The company operates across both active and inactive financial markets. The financial investments placed in both types of markets 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.

21. FEES AND OTHER REVENUE

	2019	2018
Commission income on insurance ceded to reinsurers (note 16)	14,893	13,549
Fees, other revenue and profit commission	7,412	3,990
Miscellaneous income	490	183
	22,795	17,722

22. CLAIMS INCURRED

	Claims incurred		Claims reinsured	
	2019	2018	2019	2018
Property business	7,117	17,660	3,942	16,179
Motor business	34,006	30,783	(720)	(1,505)
Accident and liability business	5,918	1,957	(31)	(2,047)
	47,041	50,400	3,191	12,627

23. EMPLOYEE COSTS

Included in administrative expenses are the following:

	2019	2018
Administrative staff salaries, directors' fees and other short-term benefits	14,075	13,352
Employer's contributions to social security schemes	1,137	975
Employer's contribution to group health and life	705	660
Costs - defined benefit pension scheme (note 24)	(13)	(67)
	15,904	14,920

24. EMPLOYEE RETIREMENT BENEFITS

The company has contributory defined benefit pension schemes 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 plans are held under deposit administration contracts with Sagicor Life Inc.

The plan was valued on December 31, 2019.

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

	2019	2018
Present value of funded pension obligations	18,220	19,539
Fair value of pension plan assets	(21,266)	(19,784)
Net asset	(3,046)	(245)
Represented by:		
Asset balances (note 15)	(3,046)	(245)

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24. EMPLOYEE RETIREMENT BENEFITS (continued)

(b) Movements in balances:

	2019			2018		
	Retirement obligations	Retirement plan assets	Total	Retirement obligations	Retirement plan assets	Total
Net liability/(asset), beginning of year	19,539	(19,784)	(245)	15,492	(15,737)	(245)
Current service cost	245	6	251	221	-	221
Interest expense/ (income)	1,199	(1,213)	(14)	117	(429)	(312)
Past service costs	-	(250)	(250)	24	-	24
Net expense recognised in income	1,444	(1,457)	(13)	362	(429)	(67)
Losses from changes in assumptions						
Gains from changes in experience	(11)	224	213	225	1,019	1,244
Return on plan assets	-	47	47	-	200	200
Change in asset ceiling	(2,586)	401	(2,185)	-	(802)	(802)
Net (gains)/ losses recognised in other comprehensive income	(2,597)	672	(1,925)	225	417	642
Contributions made by the company	-	(897)	(897)	-	(890)	(890)
Contributions made by employees	377	(377)	-	364	(364)	-
Benefits paid	(829)	829	-	(443)	443	-
Assumed on acquisition	-	-	-	2,999	(2,766)	233
Other items	286	(252)	34	540	(458)	82
Other movements	(166)	(697)	(863)	3,460	(4,035)	(575)
Net liability/(asset), end of year	18,220	(21,266)	(3,046)	19,539	(19,784)	(245)

(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	2.0%	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 $852.

24. 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	13,917	3,692
	Effect on pension obligations	
Decrease discount rate by 1.0%	1,937	369
Increase discount rate by 1.0%	(1,531)	(290)
Decrease salary growth rate by 0.5%	(297)	(73)
Increase salary growth rate by 0.5%	362	76
Increase average life expectancy by 1 year	606	140
Decrease average life expectancy by 1 year	(562)	(41)

25. INCOME TAXES

The income tax expense is comprised of:

	2019	2018
Current tax	2,371	2,956
Deferred tax	137	3,063
	2,508	6,019

For the year ended December 31, 2019 Amounts expressed in Barbados dollars $000's

25. INCOME TAXES

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:

	2019	2018
Income (loss) subject to tax	3,479	(5,269)
Tax calculated at a tax rate of 2% (2018 – 30%)	70	(1,581)
Different tax rates in other countries	1,934	7
Income taxed at different rates	-	(71)
Over (under) provision of current deferred tax	458	485
Movement in deferred tax asset not recognised	109	83
Transfer to catastrophe reserve deductible for tax	(83)	(261)
Tax allowances	-	(66)
Expenses not deductible for tax	(52)	2,596
Income not subject to tax	(95)	(92)
Tax effect of remeasurement	-	3,101
Tax losses utilised	(194)	-
Difference between theoretical rate and deferred tax rate	-	1,447
Other taxes	361	371
	2,508	6,019

26. DEFERRED INCOME TAXES

Analysis of net deferred income tax asset

	2019	2018
Defined benefits liability	(239)	(180)
Unused tax losses	271	320
Accelerated tax depreciation	-	29
	32	169

Expiry period for unused tax losses

	2019	2018
2019	-	1,283
2020	2,117	2,117
2022	7,709	7,709
2023	4,914	4,914
	14,740	16,023

26. DEFERRED INCOME TAXES (continued)

The company has not recognised the deferred tax asset in the amount of $4,580 (2018 - $4,125). These losses expire between 2020 and 2025 (2018 – 2019 and 2024).

2019	Accelerated tax depreciation	Defined benefits liability	Unused tax losses	Total
Balance, beginning of year	29	(180)	320	169
Charge to profit or loss	(29)	(59)	(49)	(137)
Balance, end of year	-	(239)	271	32
2018				
Balance, beginning of year	371	61	2,732	3,164
Assumed on acquisition	-	68	-	68
Charge to profit or loss	(342)	(309)	(2,412)	(3,063)
Balance, end of year	29	(180)	320	169

27. DIVIDENDS PER COMMON SHARE

No dividends were declared in respect of 2019 or 2018.

28. OTHER COMPREHENSIVE INCOME

	2019			2018		
	Before tax	Tax	After tax	Before tax	Tax	After tax
Items that may be reclassified subsequently to income:						
Retranslation of foreign currency operations	809	-	809	(1,800)	-	(1,800)
	809	-	809	(1,800)	-	(1,800)

Amounts expressed in Barbados dollars $000's

28. OTHER COMPREHENSIVE INCOME (continued)

	2019			2018		
	Before tax	Tax	After tax	Before tax	Tax	After tax
Items that will not be reclassified subsequently to income:						
Defined benefit gains (losses)	1,925	-	1,925	(642)	-	(642)
	1,925	-	1,925	(642)	-	(642)
Other comprehensive income (loss) for the year	2,734	-	2,734	(2,442)	-	(2,442)

29. CASH FLOWS

29.1 Operating activities

	2019	2018
Adjustments for non-cash items, interest and dividends		
Increase (decrease) in provision for unearned premiums, net of reinsurance	251	(127)
Interest income	(3,806)	(3,426)
Impairment (recoveries) losses	(396)	2,932
Loss on de-recognition of GoB securities	80	132
Dividend income	(62)	(176)
Net gains on disposal of financial investments	160	(72)
Decrease in bad debt provision	(73)	-
Share of operating loss of associated company	-	1,181
Interest expense	1,232	942
Lease liability interest expense	771	-
Gain on disposal of associated company	-	(240)
Movement in recognised employee retirement benefits	(876)	(642)
Depreciation	4,671	2,905
Amortisation of intangibles	692	231
Write-down of property held-for-sale	-	400
(Gain) loss on disposal of property, plant and equipment	(87)	30
Exchange gain	(334)	(183)
	2,223	3,887

29. CASH FLOWS (continued)

	2019	2018
Changes in operating assets		
Debt securities	(12,475)	(5,701)
Mortgage loans	308	191
Deposits	37	(12,159)
Receivables and other assets	(2,137)	4,247
	(14,267)	(13,422)
Debt securities		
Purchases	(36,857)	(40,323)
Proceeds on maturities and disposals	24,382	34,622
	(12,475)	(5,701)
Changes in operating liabilities		
Claims in the course of settlement, net of reinsurance	12,199	(1,729)
Amounts payable to related parties	(24,307)	19,043
Other liabilities and payables	(6,161)	(1,754)
	(18,269)	15,560

29.2 Investing activities

	2019	2018
Property, plant and equipment		
Purchases	(1,608)	(1,524)
Disposal proceeds	115	12
	(1,493)	(1,512)

	2019	2018
Cash resources	51,712	23,659
Term deposits and T Bills with original maturities of less than 90 days	-	10,772
	51,712	34,431

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29. CASH FLOWS (continued)

29.3 Financing activities

	2019	2018
Loan payable		
Advances	24,000	-
Repayments	(857)	-
	23,143	-

	2019	2018
Note payable		
Advances	25,000	-

30. LOAN PAYABLE

	2019	2018
Loan payable	23,483	-

On May 24, 2019 the company entered into a $24,000 loan agreement with CIBC FirstCaribbean International Bank (Barbados) Limited. The loan matures on July 31, 2024 and bears interest at the rate of 3.50% per annum. It is repayable in quarterly instalments of $857 plus accrued interest.

The loan is secured by a guarantee from the parent company, Sagicor Life Inc.

31. NOTE PAYABLE

	2019	2018
Note payable	25,000	-

On December 18, 2019 the company entered into a $25,000 Surplus Debenture agreement with its parent company Sagicor Life Inc., which was approved by the Financial Services Commission. The Financial Services Commission approved the amount of $25,000 to be included as contributed regulatory capital for the company. See note 36.1.

The Surplus Debenture bears interest at the rate of 0.00% per annum and is repayable in part or in full on demand subject to approval by the Financial Services Commission.

32. RELATED PARTY TRANSACTIONS

32.1 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:

	2019	2018
Compensation		
Salaries, directors' fees and other short-term benefits	1,782	1,274
Pension and other retirement benefits	104	81
	1,886	1,355
Mortgages and staff loans		
Balance, beginning of year	329	383
Repayments	(61)	(54)
Balance, end of year	268	329

Mortgage loans bear interest at the rate of 4.5% to 5.5%. Other staff loans bear interest at 7.5% to 8%.

32.2 Other related party transactions

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

	2019	2018
Premium income	2,762	2,542
Management fees	(152)	(152)
Investment income	497	410
Interest expense	(892)	(941)
Rental expense	(95)	(95)

Amounts payable by related parties amounted to $171 (2018 payable to $24,136) and are interest free with no stated terms of repayment. Premiums receivable amounted to $908 (2018 - $763).

During the year the company repaid the $20,000 loan to its parent company, Sagicor Life Inc. The loan was unsecured, bore interest at the rate of 9% per annum and had no fixed terms of repayment.

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33. PROPERTY HELD-FOR-SALE

Property held-for-sale is carried at fair value as determined by an independent valuation less estimated selling costs. 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, 2019 are as follows:

	Level 1	Level 2	Level 3	Total
Property held-for-sale	-	-	-	-

	Land and building
Balance, beginning of year	2,750
Transferred to Property, Plant and Equipment	(2,750)
Balance, end of year	-

On January 1, 2019 the company reclassified the land and building at Beckwith Place, Bridgetown from Property Held-for-Sale to Property, Plant and Equipment.

34. FINANCIAL RISK

The company's activities of issuing insurance contracts, investing insurance premium and deposit receipts in a variety of financial and other assets, 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 notes 34 and 35.

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 the company 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.

34.1 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 risks are associated primarily with financial investments and reinsurance assets.

Credit risk from financial investments is minimised through

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

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

Exposure to credit risk is also managed in part by obtaining collateral and guarantees.

For mortgage loans, the collateral is real estate property, and the approved loan limit is 75% to 95% of collateral value.

The company may foreclose on overdue mortgage loans by repossessing the pledged asset and seek to dispose of the pledged asset by sale.

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34. FINANCIAL RISK (continued)
34.1 Credit risk (continued)

Rating of financial assets

The company's credit rating model (note 3.2) applies a rating scale to three categories of exposures:

- Investment portfolios, comprising debt securities, deposits, securities purchased for re-sale, and cash;
- Lending portfolios, comprising mortgage loans;
- Reinsurance exposures, comprise realistic disaster scenarios for property and casualty insurance (see note 35.3).

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

In sections 34.2 and 34.3 below, we set out various credit risks and exposures in accordance of assets measured in accordance with IFRS 9.

34.2 Credit risk exposure – financial assets subject to impairment
The total credit risk exposure of the company at year end is summarised in the following table. For assets measured at FVOCI or amortised cost, credit risk exposure is the gross carrying amount. For assets measured at FVTPL, the company's credit risk exposure is the carrying amount.

	2019	**2018**
Investment portfolios:		
Debt securities at amortised cost	78,541	74,249
Money market securities at amortised cost	10,052	-
Deposits at amortised cost	20,003	19,947
	108,596	**94,196**
Lending portfolios:		
Mortgage loans at amortised cost	962	1,270
	962	**1,270**
Cash	51,712	34,431
Reinsurance assets	16,167	25,772
Receivables (premium, accounts and miscellaneous)	28,286	26,084
Total financial statement exposures	**205,723**	**181,753**

34. FINANCIAL RISK (continued)
34.2 Credit risk (continued)
Financial assets carried at amortised cost or FVOCI are subject to credit impairment losses which are recognised in the statement of income. The following tables contain analyses of the credit risk exposure of financial investments subject to an ECL allowance.

	Debt securities – Amortised Cost				
	2019				
	ECL Staging			POCI	Total
	Stage 1 12-month ECL	Stage 2 life-time ECL	Stage 3 life-time ECL		
December 31:					
Credit grade:					
Investment	48,103	-	-	-	48,103
Non-investment	7,356	4,194	-	16,196	27,746
Watch	157	2,584	-	517	3,258
Default	-	-	-	-	-
Unrated	-	-	-	-	-
Gross carrying amount	55,616	6,778	-	16,713	79,107
Loss allowance	(44)	(467)	-	(55)	(566
Carrying amount	55,572	6,311	-	16,658	78,541

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34. FINANCIAL RISK (continued)
34.2 Credit risk (continued)

The following tables contain analyses of the credit risk exposure of financial investments subject to an ECL allowance.

Debt securities – Amortised Cost

	2018				
	ECL Staging			POCI	Total
	Stage 1 12-month ECL	Stage 2 life-time ECL	Stage 3 life-time ECL		
December 31:					
Credit grade:					
Investment	32,356	-	-	-	32,356
Non-investment	8,149	15,600	-	15,345	39,094
Watch	152	2,583	-	531	3,266
Default	-	-	476	-	476
Unrated	-	-	-	-	-
Gross carrying amount	40,657	18,183	476	15,876	75,192
Loss allowance	(43)	(724)	(100)	(76)	(943)
Carrying amount	40,614	17,459	376	15,800	74,249

34.2 Credit risk exposure – financial assets subject to impairment (continued)

Mortgage loans – amortised cost

	2019				
	ECL Staging			POCI	Total
	Stage 1 12-month ECL	Stage 2 life-time ECL	Stage 3 life-time ECL		
December 31:					
Credit grade:					
Non-investment	966	-	-	-	966
Watch	-	-	16	-	16
Gross carrying amount	966	-	16	-	982
Loss allowance	(19)	-	(1)	-	(20)
Carrying amount	947	-	15	-	962

34. FINANCIAL RISK (continued)
34.2 Credit risk exposure – financial assets subject to impairment (continued)

Mortgage loans – amortised cost

	2018				
	ECL Staging			POCI	Total
	Stage 1 12-month ECL	Stage 2 life-time ECL	Stage 3 life-time ECL		
December 31:					
Credit grade:					
Non-investment	1,277	-	16	-	1,293
Gross carrying amount	1,277	-	16	-	1,293
Loss allowance	(22)	-	(1)	-	(23)
Carrying amount	1,255	-	15	-	1,270

34.2 Credit risk exposure – financial assets subject to impairment (continued)

Deposits – amortised cost

	2019				
	ECL Staging			POCI	Total
	Stage 1 12-month ECL	Stage 2 life-time ECL	Stage 3 life-time ECL		
December 31:					
Credit grade:					
Investment	18,864	-	-	-	18,864
Non-investment	1,146	-	-	-	1,146
Gross carrying amount	20,010	-	-	-	20,010
Loss allowance	(7)	-	-	-	(7)
Carrying amount	20,003	-	-	-	20,003

For the year ended December 31, 2019 Amounts expressed in Barbados dollars $000's

34. FINANCIAL RISK (continued)
34.2 Credit risk exposure – financial assets subject to impairment (continued)

	Deposits – amortised cost				
	2018				
	ECL Staging			POCI	Total
	Stage 1 12-month ECL	Stage 2 life-time ECL	Stage 3 life-time ECL		
December 31:					
Credit grade:					
Investment	18,828	-	-	-	18,828
Non-investment	1,144	-	-	-	1,144
Gross carrying amount	19,972	-	-	-	19,972
Loss allowance	(25)	-	-	-	(25)
Carrying amount	19,947	-	-	-	19,947

34. FINANCIAL RISK (continued)
34.3 Credit impairment losses – financial assets subject to impairment

The allowance for ECL is recognised in each reporting period and is impacted by a variety of factors, as described below:

- Transfers between stages due to financial instruments experiencing significant increases (or decreases) of credit risk or becoming credit-impaired during the period;
- Additional allowances for new financial instruments recognised during the period, as well as releases for financial instruments de-recognised in the period;
- Impact on the measurement of ECL due to inputs used in the calculation including the effect of 'step-up' (or 'step down') between 12-month and life-time ECL;
- Impacts on the measurement of ECL due to changes made to models and assumptions; and
- Foreign exchange retranslations for assets denominated in foreign currencies and other movements.

The following tables contain analyses of the movement of loss allowances from January 1, 2019 to December 31, 2019 in respect of financial investments subject to impairment.

	Debt securities – amortised cost				
	2019				
	ECL Staging			POCI	Total
	Stage 1 12-month ECL	Stage 2 life-time ECL	Stage 3 life-time ECL		
Loss allowance at January 1, 2019	43	724	100	76	943
Transfers:					
Transfer from Stage 2 to Stage 3	-	-	-	-	-
Debt securities originated or purchased	6	-	-	-	6
Debt securities fully derecognised	(1)	(20)	(100)	-	(121)
Changes to inputs used in ECL calculation	(4)	(237)	-	(21)	(262)
Loss allowance at December 31, 2019	44	467	-	55	566
Credit impairment gain recorded in statement of income					(377)

Amounts expressed in Barbados dollars $000's

34. FINANCIAL RISK (continued)

34.3 Credit impairment losses – financial assets subject to impairment

	Debt securities – amortised cost				
	2018				
	ECL Staging			POCI	Total
	Stage 1 12-month ECL	Stage 2 life-time ECL	Stage 3 life-time ECL		
Loss allowance at January 1, 2018	53	474	-	60	587
Transfers:					
Transfer from Stage 2 to Stage 3	-	(9)	9	-	-
Debt securities originated or purchased	22	-	-	-	22
Debt securities fully derecognised	(27)	(229)	-	-	(256)
Changes to inputs used in ECL calculation	(5)	488	91	16	590
Loss allowance at December 31, 2018	43	724	100	76	943
Credit impairment loss recorded in statement of income					2,921

34. FINANCIAL RISK (continued)

34.3 Credit impairment losses – financial assets subject to impairment

	Mortgage loans – amortised cost				
	2019				
	ECL Staging			POCI	Total
	Stage 1 12-month ECL	Stage 2 life-time ECL	Stage 3 life-time ECL		
Loss allowance at January 1, 2019	23	-	-	-	23
Transfers:					
Transfer from Stage 2 to Stage 3	-	-	-	-	-
Financial assets fully recognized during the year	(3)	-	-	-	(3)
Effect of exchange rate changes	-	-	-	-	-
Loss allowance at December 31, 2019	20	-	-	-	20
Credit impairment gain recorded in statement of income					(3)

	2018				
	ECL Staging			POCI	Total
	Stage 1 12-month ECL	Stage 2 life-time ECL	Stage 3 life-time ECL		
Loss allowance at January 1, 2018	29	1	-	-	30
Transfers:					
Transfer from Stage 2 to Stage 3	-	(1)	1	-	-
Changes to inputs used in ECL calculation	(6)	-	(1)	-	(7)
Effect of exchange rate changes	-	-	-	-	-
Loss allowance at December 31, 2018	23	-	-	-	23
Credit impairment gain recorded in statement of income					(5)

Amounts expressed in Barbados dollars $000's

34. FINANCIAL RISK (continued)

34.3 Credit impairment losses – financial assets subject to impairment

Deposits - amortised cost

	2019				
	ECL Staging				
	Stage 1 12-month ECL	Stage 2 life-time ECL	Stage 3 life-time ECL	POCI	Total
Loss allowance at January 1, 2019	25	-	-	-	25
Deposits originated or purchased	-	-	-	-	-
Changes to inputs used in ECL calculation	(18)	-	-	-	(18)
Effect of exchange rate changes	-	-	-	-	-
Loss allowance at December 31, 2019	7	-	-	-	7
Credit impairment gain recorded in statement of income					(16)

	2018				
	ECL Staging				
	Stage 1 12-month ECL	Stage 2 life-time ECL	Stage 3 life-time ECL	POCI	Total
Loss allowance at January 1, 2018	9	-	-	-	9
Deposits originated or purchased	2	-	-	-	2
Changes to inputs used in ECL calculation	14	-	-	-	14
Effect of exchange rate changes	-	-	-	-	-
Loss allowance at December 31, 2018	25	-	-	-	25
Credit impairment loss recorded in statement of income					16

34.3 Credit impairment losses – financial assets subject to impairment

(a) Economic variable assumptions

During the year updates were made to the regression models. With the exception of the utility and energy sector, the macroeconomic indicators for all sectors were updated to produce regressions which are better fitted to explain the relationship between the respective default rates and the macroeconomic variables.

The GBP USD and NZD USD currency pairs were introduced to enhance the explanation of the default rates in the respective sectors. This was considered critical since currency risk and sovereign risk vary among currency pairs and currency shocks can result in major losses for companies and impact their ability to satisfy their debt and consequently result in defaults.

In addition to the currency pairs, it is noted that market indices such as the S&P 500 Financial Index and the Dow Jones Industrial Average Index have demonstrated to have a stronger correlation to the performance of our investments in the financial and industrial sectors.

The inclusion of the additional variables in the model has improved the robustness of the model.

A comparison of the sensitivity analyses using the old and updated models produced, especially for the financial sector, a more reliable and supportable fit between the default rate and the macroeconomic variables.

The company has selected three economic factors which provide the overall macroeconomic environment in considering forward looking information for base, upside and downside forecasts.

These are as follows:

For the year ended December 31, 2019 Amounts expressed in Barbados dollars $000's

34. FINANCIAL RISK (continued)

34.3 Credit impairment losses – financial assets subject to impairment

(a) Economic variable assumptions

GDP Growth (USA)	2020	2021	2022
Base	1.6%	1.8%	1.9%
Upside	2.2%	2.5%	2.5%
Downside	1.2%	1.4%	1.3%

World GDP	2020	2021	2022
Base	3.4%	3.6%	3.6%
Upside	5.0%	5.3%	5.3%
Downside	2.5%	2.7%	2.7%

WTI Oil Prices/10	2020	2021	2022
Base	$5.62	$5.32	$5.19
Upside	$9.47	$9.47	$9.47
Downside	$3.45	$3.27	$3.19

DOW Jones Industrial Average Index - EPS	2020	2021	2022
Base	$1,733.64	$1,885.49	$1,885.49
Upside	$2,450.69	$2,665.34	$2,665.34
Downside	$1,045.02	$1,136.56	$1,136.56

S&P 500 Financial Index - EPS	2020	2021	2022
Base	$38.46	$41.44	$41.44
Upside	$54.31	$58.52	$58.52
Downside	$25.42	$27.39	$27.39

GBP/USD	2020	2021	2022
Base	$1.31	$1.32	$1.32
Upside	$1.43	$1.49	$1.54
Downside	$1.18	$1.15	$1.11

NZD/USD	2020	2021	2022
Base	$0.65	$0.65	$0.65
Upside	$0.70	$0.73	$0.75
Downside	$0.59	$0.57	$0.54

34. FINANCIAL RISK (continued)

34.3 Credit impairment losses – financial assets subject to impairment

(a) Economic variable assumptions

Barbados	Expected state for the next 12 months	
	Scenario	**State**
Unemployment rate	Base	Negative
	Upside	Stable
	Downside	Negative
GDP growth	Base	Stable
	Upside	Stable
	Downside	Negative

Trinidad & Tobago	Expected state for the next 12 months	
	Scenario	**State**
Unemployment rate	Base	Negative
	Upside	Stable
	Downside	Negative
GDP growth	Base	Stable
	Upside	Positive
	Downside	Negative

For the year ended December 31, 2019 Amounts expressed in Barbados dollars $000's

34. FINANCIAL RISK (continued)

34.3 Credit impairment losses – financial assets subject to impairment

(b) Loss given default (LGD)

From the inception of IFRS 9, the company has used the LGD for sovereigns as provided by Moody's. The 45% LGD in Moody's current report represents the losses derived using the average trading prices method for US denominated external debt. Due to the limited trading activity and the small percentage of US denominated sovereign debt in our portfolio we do not believe it is appropriate to use the average trading price method. An analysis of this calculation shows that this LGD includes losses for places such as Greece, Russia and African countries and does not truly reflect a Caribbean experience.

During 2019, an analysis of the LGD calculation was done, still using Moody's data as a base but exploring different scenarios for deriving the LGD for Caribbean territories.

Sagicor General's sovereign exposure is primarily in the Caribbean region where bond markets are very thinly traded. For the majority of our sovereign exposures an internal valuation method is used to produce accurate fixed income prices. To determine the accurate fair value for disclosure purposes in financial reporting, we use the present value of the bond's expected cash flows.

Our analysis showed that using Moody's NPV method results in a loss given default (LGD) of approximately 35% regardless of the inclusion of members CARICOM solely or all global defaults. Furthermore, Barbados, the most recent defaulted bond issuer in the Caribbean suffered a maximum loss of approximately 36% on the restructured domestic debt which is in line with the LGD using the NPV method.

In light of the above, we adopted the NPV method for determining the LGD for Caribbean Sovereigns and reduced the LGD to 35% as derived from the calculation.

The ECL impact of changes in LGD rates is summarised as follows:

2019				
			ECL impact of	
Loss Given Default	**Actual value applied**	**Change in threshold**	**Increase in value**	**Decrease in value**
Investments - Corporate Debts	52%	(- /+ 5) %	24	(24)
Investments - Sovereign Debts (excluding Government of Barbados)	35%	(- /+ 5) %	5	(5)
Investments - Sovereign Debts				

34. FINANCIAL RISK (continued)

34.3 Credit impairment losses – financial assets subject to impairment

(b) Loss given default (LGD) (continued)

2018				
			ECL impact of	
Loss Given Default	**Actual value applied**	**Change in threshold**	**Increase in value**	**Decrease in value**
Investments - Corporate Debts	52%	(- /+ 5) %	74	(74)
Investments - Sovereign Debts (excluding Government of Barbados)	45%	(- /+ 5) %	11	(11)
Investments - Sovereign Debts (Government of Barbados)	27%	(- /+ 5) %	24	(24)

(c) Scenario design

The weightings assigned to each economic scenario as at December 31, 2019 are set out in the following table.

	Base – 80% Upside – 10% Downside – 10%		**Base – 80% Upside – 10% Downside – 10%**	
	Increase in ECL		**Decrease in ECL**	
	2019	**2018**	**2019**	**2018**
Investments - excluding Government of Barbados	8	15	(8)	(15)
Lending products	12	2	(11)	(1)

For the year ended December 31, 2019 Amounts expressed in Barbados dollars $000's

34. FINANCIAL RISK (continued)

34.3 Credit impairment losses – financial assets subject to impairment

(c) Government of Barbados debt securities in default

During the month of June 2018, the Government of Barbados (GOB) suspended all payments to creditors of its external commercial debt which is denominated primarily in US dollars. Interest payments due on June 5, 2018 and June 15, 2018 were not made. Principal payments on matured domestic debt which is denominated in Barbados dollars were suspended and debt holders were required to roll-over principal balances.

The announcement of the suspended payments was evidence that the financial assets were credit-impaired and consequently, in June Sagicor re-classified its GOB debt security holdings to Stage 3 with a probability of default of 100%. Some GOB debt instruments were purchased more recently and therefore there were instruments that had not yet experienced a significant increase in credit risk relative to the initial credit risk and moved from Stage 1 to Stage 3 upon the announcement.

On September 7, 2018 the GOB announced its debt restructuring program which is being done in conjunction with the economic recovery plan and an IMF programme. The IMF programme will allow Barbados to reduce its current debt service cost substantially and it is expected that the manageability of the restructured cash flows will improve the credit quality of the instrument offered in the debt exchange.

As at September 30, 2018 the negotiations of the new bond were materially completed and on October 3, 2018 Sagicor signed an agreement with the Government of Barbados which outlined the terms of the debt exchange. In exchange for its debt, the company has accepted the following securities:

Series C

A 15-year amortising bond with interest rates ranging from 1.0% for the first 3 years to 3.75% for years 5 through to maturity. Interest on these bonds is to be paid quarterly with the first payment due on December 31, 2018. The principal will be repaid in four equal quarterly instalments commencing one year prior to maturity.

Series D
A 35-year amortising bond with interest rates ranging from 1.5% for the first 5 years to 7.5% for years 16 through to maturity. Interest on these bonds is paid quarterly with the first payment due on November 30, 2018. The principal will be repaid in three equal instalments commencing one year prior to maturity with the final payment on August 31, 2053.

External Debt
The restructuring of the external debt is yet to be finalised. Credit impairment loss and de-recognition of original domestic debt securities

34. FINANCIAL RISK (continued)

34.3 Credit impairment losses – financial assets subject to impairment

As a result of the debt restructure outlined above, a credit impairment loss has been recognised in the statement of income. In addition, the domestic debt securities were de-recognised since the maturity profile and interest rates of the replacement debt securities were materially different. In November 2018, management derived a yield curve from which the initial fair values of the replacement securities were determined.

The yield curve was derived from the Central Bank of Barbados base-line yield curve to which management applied a further risk premium considering
- the GOB credit rating relative to investment grade,
- the potential for further default,
- the lack of liquidity of the debt, and
- the economic uncertainty as Barbados enters a period of severe economic reform and structural adjustment.

The risk premium derived is summarised in the following table.

Years	Spread
0-10	25 bps
11-21	50bps
22-24	75 bps
25-29	100 bps
30-50	150 bps

The replacement debt securities are classified as "originated credit-impaired" (POCI). The consequential movement in the carrying values of GOB debt for the period referred to above is summarised as follows:

2018	
GOB Debt Securities	**Domestic debt**
Gross carrying value prior to default	17,825
Loss allowance prior to default	(2,572)
Carrying value prior to default	15,253
Credit impairment loss arising from the default	-
Carrying value as of October 3, 2018	15,253
Fair value on recognition of replacement securities	15,121
Loss on de-recognition of original securities	132

For the year ended December 31, 2019 Amounts expressed in Barbados dollars $000's

34. FINANCIAL RISK (continued)

34.4 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.

34. FINANCIAL RISK (continued)

34.4 Liquidity risk

2019	On demand or within 1 year	1 to 5 years	After 5 years	Total
Financial liabilities:				
Due to re-insurers and premium tax	13,037	-	-	13,037
Accounts payable and accrued liabilities	17,493	-	-	17,493
Notes payable	25,000	-	-	25,000
Lease liability	1,064	4,100	4,585	9,749
Loans payable	3,769	19,714	-	23,483
Total financial liabilities	60,363	23,814	4,585	88,762

2018	On demand or within 1 year	1 to 5 years	After 5 years	Total
Financial liabilities:				
Due to re-insurers and premium tax	9,284	-	-	9,284
Amounts payable to related parties	24,136	-	-	24,136
Accounts payable and accrued liabilities	18,320	-	-	18,320
Total financial liabilities	51,740	-	-	51,740

Amounts expressed in Barbados dollars $000's

34. FINANCIAL RISK (continued)

34.4 Liquidity risk

(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
2019				
Policyholders' liabilities	43,301	29,415	1,941	74,657
2018				
Policyholders' liabilities	41,846	28,668	1,944	72,458

(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.

2019	Maturing within 1 year	Maturing 1 to 5 years	Maturing after 5 years	Total
Debt securities	15,842	17,756	54,995	88,593
Mortgage loans	144	429	389	962
Deposits	19,628	375	-	20,003
Reinsurance assets	16,167	-	-	16,167
Premiums in the course of collection	24,430	-	-	24,430
Miscellaneous assets and receivables	3,856	-	-	3,856
Cash resources	51,712	-	-	51,712
Total	131,779	18,560	55,384	205,723

34. FINANCIAL RISK (continued)

34.4 Liquidity risk (continued)

2018	Maturing within 1 year	Maturing 1 to 5 years	Maturing after 5 years	Total
Debt securities	20,017	13,260	41,672	74,949
Mortgage loans	16	196	1,058	1,270
Deposits	19,262	685	-	19,947
Reinsurance assets	25,772	-	-	25,772
Premiums in the course of collection	24,117	-	-	24,117
Miscellaneous assets and receivables	1,967	-	-	1,967
Cash resources	34,431	-	-	34,431
Total	125,582	14,141	42,730	182,453

34.5 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.

For the year ended December 31, 2019 Amounts expressed in Barbados dollars $000's

34. FINANCIAL RISK (continued)

34.5 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.

2019	Exposure within 1 year	Exposure 1 to 5 years	Exposure after 5 years	Not exposed to interest	Total
Policyholders' liabilities	-	-	-	74,657	74,657
Due to re-insurer and premium tax	-	-	-	13,037	13,037
Lease liabilities	-	-	-	9,749	9,749
Notes payable	25,000	-	-	-	25,000
Loans payable	3,769	19,714	-	-	23,483
Accounts payable and accrued liabilities	-	-	-	8,508	8,508
Total	28,769	19,714	-	105,951	154,434

2018					
Policyholders' liabilities	-	-	-	72,458	72,458
Due to re-insurer and premium tax	-	-	-	9,284	9,284
Payable to related parties	-	18,940	-	5,196	24,136
Accounts payable and accrued liabilities	-	-	-	18,120	18,120
Total	-	18,940	-	105,058	123,998

34. FINANCIAL RISK (continued)

34.5 Interest rate risk (continued)

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

2019	Exposure within 1 year	Exposure 1 to 5 years	Exposure after 5 years	Not exposed to interest	Total
Debt securities	15,838	17,606	54,527	622	88,593
Mortgage loans	144	429	389	-	962
Deposits	19,521	375	-	107	20,003
Reinsurance assets	-	-	-	43,570	43,570
Premiums in the course of collection	-	-	-	24,430	24,430
Miscellaneous assets and receivables	-	-	-	3,856	3,856
Cash resources	-	-	-	51,712	51,712
Total	35,503	18,410	54,916	124,297	233,126

2018	Exposure within 1 year	Exposure 1 to 5 years	Exposure after 5 years	Not exposed to interest	Total
Debt securities	18,895	13,260	41,672	1,122	74,949
Mortgage loans	16	196	1,058	-	1,270
Deposits	19,173	685	-	89	19,947
Reinsurance assets	-	-	-	25,772	25,772
Premiums in the course of collection	-	-	-	24,117	24,117
Miscellaneous assets and receivables	-	-	-	1,967	1,967
Cash resources	-	-	-	34,431	34,431
Total	38,084	14,141	42,730	87,498	182,453

34. FINANCIAL RISK (continued)

34.5 Interest rate risk (continued)

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

	2019	2018
Debt securities	4.9%	4.9%
Mortgage loans	4.5%	4.5%
Deposits	2.4%	1.7%

Sensitivity

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

34.6 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.

34. FINANCIAL RISK (continued)

34.6 Foreign exchange risk (continued)

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

	Barbados$ 000 equivalents of balances denominated in:			
2019	**Barbados $**	**Trinidad $**	**Other currencies**	**Total**
ASSETS				
Financial investments	34,091	53,699	22,973	110,763
Reinsurance assets	22,343	19,496	2,519	44,358
Receivables	15,178	10,187	2,921	28,286
Cash resources	9,913	4,421	37,378	51,712
Total financial and insurance assets	81,525	87,803	65,791	235,119
LIABILITIES				
Policyholders' liabilities	40,789	27,932	5,936	74,657
Notes Payable	-	-	25,000	25,000
Lease liabilities	5,528	4,221	-	9,749
Loans Payable	23,483	-	-	23,483
Payables	16,927	12,405	1,198	30,530
Total financial and insurance liabilities	86,727	44,558	32,134	163,419
Net position	(5,202)	43,245	33,657	71,700
2018				
ASSETS				
Financial investments	27,288	41,961	26,217	95,466
Reinsurance assets	9,625	9,973	6,174	25,772
Receivables	14,183	8,791	3,509	26,483
Cash resources	12,170	13,473	8,788	34,431
Total financial and insurance assets	63,266	74,198	44,688	182,152
LIABILITIES				
Policyholders' liabilities	35,097	29,085	8,276	72,458
Payable to related parties	22,675	925	536	24,136
Payables	20,779	14,580	1,502	36,861
Total financial and insurance liabilities	78,551	44,590	10,314	133,455
Net position	(15,285)	29,608	34,374	48,697

For the year ended December 31, 2019 Amounts expressed in Barbados dollars $000's

34. FINANCIAL RISK (continued)

34.6 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.

34.7 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.

34. FINANCIAL RISK (continued)

34.7 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**
2019				
Equity securities	1,205	-	-	1,205
	1,205	-	-	1,205

Available for sale securities:	**Level 1**	**Level 2**	**Level 3**	**Total**
2018				
Equity securities	1,365	-	-	1,365
	1,365	-	-	1,365

There were no transfers occurring in 2019 or 2018 between levels 1, 2 and 3.

For the year ended December 31, 2019 Amounts expressed in Barbados dollars $000's

34. FINANCIAL RISK (continued)

34.7 Fair value of financial instruments (continued)

b) Financial instruments carried at amortised cost

Loans and receivables:	Level 1	Level 2	Level 3	Total
2019				
Debt securities	-	12,947	61,011	73,958
Mortgage loans	-	-	954	954
	-	12,947	61,965	74,912

Loans and receivables:	Level 1	Level 2	Level 3	Total
2018				
Debt securities	-	17,580	57,540	75,120
Mortgage loans	-	-	1,270	1,270
	-	17,580	58,810	76,390

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	1,205	241

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

35. 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.

35.1 Underwriting 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, 2019 Amounts expressed in Barbados dollars $000's

35. INSURANCE RISK (continued)

35.2 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
2019		
Property business	17,221,732	3,162,267
Motor business	1,002,655	1,002,655
Accident and liability business	6,522,824	6,033,825
Sums insured	**24,747,211**	**10,198,747**

35. INSURANCE RISK (continued)

35.2 Claims risk (continued)

	Gross	Net
2018		
Property business	17,219,999	2,839,044
Motor business	898,933	866,982
Accident and liability business	6,351,739	5,807,630
Sums insured	**24,470,671**	**9,513,656**

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 2019 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	496,179	10,000
Earthquake of magnitude 5.0 on the Richter scale affecting Trinidad:		
Used assumption of this event having a 250 year return period	970,820	10,000

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.

35.3 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, 2019 Amounts expressed in Barbados dollars $000's

35. INSURANCE RISK (continued)

35.3 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 (2018 - $9,000) for a single non-catastrophic event; • maximum retention of $10,000 (2018 - $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 (2018 - $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

35. INSURANCE RISK (continued)

35.3 Reinsurance risk (continued

Reinsurance balances and the effects of reinsurance ceded on income are disclosed at notes 8, 14.1, 14.2, 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:

Category		Sagicor Risk Rating	Classification	Exposure $	Exposure %
Non-default	Investment grade	1	Minimal risk	789,123	55.0
		2	Low risk	657,876	45.0
		3	Moderate risk	-	-
	Non-investment grade	4	Acceptable risk	-	-
		5	Average risk	-	-
	Watch	6	Higher risk	-	-
		7	Special mention	-	-
Default		8	Substandard	-	-
		9	Doubtful	-	-
		10	Loss	-	-
			TOTALS	1,446,999	100.0

35.4 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 14.1 outline the estimates of total ultimate claims incurred and recoverable from reinsurers for each year at successive year ends.

35.5 Sensitivity of incurred claims

The impact on gross claims of a 10% increase and decrease in development is outlined in note 14.1.

For the year ended December 31, 2019 Amounts expressed in Barbados dollars $000's

36. CAPITAL MANAGEMENT

36.1 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:

	2019	2018
Equity	42,376	38,671
Surplus notes (note 31)	25,000	-
Total capital resources	67,376	38,671

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.

The Financial Services Commission has approved the Surplus Debenture in the amount of $25,000 (note 31) to be included as part of the company's regulatory contributed capital.

36.2 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 The Bahamas.

The Bahamas branch solvency was impacted by the level of claims which arose from Hurricane Dorian, we expect the branch to be fully compliant as those claims are settled.

37. TRANSITION TO IFRS 16 - LEASES

The company leases various office space, equipment and motor vehicles. Rental contracts are typically made for periods ranging from 1.5 to 12 years and these may be fixed term or have the option to be renewed or extended. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

37. TRANSITION TO IFRS 16 – LEASES (continued)

Until December 31, 2018, leases of property, plant and equipment were classified as 'operating leases' under the principles of IAS 17 - Leases. Payments made under these operating leases were charged to the statement of income within administrative expenses, on a straight-line basis over the period of the lease. From January 1, 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the company.

On adoption of IFRS 16, the company recognised lease liabilities in relation to leases which had been previously classified as operating leases in accordance with IAS 17 requirements. These liabilities were measured at the present value of the remaining lease payments discounted using the lessee's incremental borrowing rate as of January 1, 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on January 1, 2019 was 7.57%.

For leases previously classified as finance leases the entity recognised the carrying amount of the lease asset and lease liability immediately before transition as the carrying amount of the right-of-use asset and the lease liability at the date of initial application. The measurement principles of IFRS 16 are only applied after that date.

	2019
Operating lease commitments as at December 31, 2018	**11,023**
Add: finance lease liabilities recognised as at December 31, 2018	10,736
(Less): short-term leases recognised on a straight-line basis as expense	-
(Less): low-value leases recognised on a straight-line basis as expense	-
Lease liability recognised as at January 1, 2019	10,736
Of which are:	
Current lease liabilities	1,308
Non-current lease liabilities	9,428
	10,736
Lease liability recognised at December 31, 2019	
Current lease liabilities	1,064
Non-current lease liabilities	8,685
	9,749

For the year ended December 31, 2019 Amounts expressed in Barbados dollars $000's

37. TRANSITION TO IFRS 16 – LEASES (continued)

Right-of use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised on the balance sheet as at December 31, 2018. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

The recognised right-of-use assets relate to the following types of assets:

	December 31, 2019	January 1, 2019
Land & buildings	9,388	10,646
Motor vehicles	55	90
Total right-of-use assets	**9,443**	**10,736**

Right-of-use assets are included in property, plant and equipment.

The change in accounting policy affected the following items in the balance sheet on January 1, 2019:

	Increase/ (Decrease)
Property, plant and equipment	10,736
Current lease liabilities	1,308
Non-current Lease liabilities	9,428
The net impact on retained earnings on January 1, 2019	-

Adjusted net income, assets and liabilities as at December 31, 2019 all increased as a result of the change in accounting policy:

Adjusted net income	Assets	Liabilities
306	9,443	9.749

37. TRANSITION TO IFRS 16 – LEASES (continued)

Transitions

In applying IFRS 16 for the first time, the company has used the following practical expedients permitted by the standard:

(a) the use of a single discount rate for a portfolio of leases with reasonably similar characteristics;
(b) reliance on previous assessments on whether leases are onerous;
(c) the accounting for operating leases with a remaining lease term of less than 12 months as at January 1, 2019 as short-term leases;
(d) the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application, and
(e) the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

38. SUBSEQUENT EVENTS

Subsequent, to the end of the financial year, the World Health Organization declared COVID-19 a world health pandemic. This pandemic has affected many countries and all levels of society and has affected our economic environment in significant ways.

As the COVID-19 situation evolves, many of the markets in which the company operates have implemented public health safety protocols and have largely shut down air and sea traffic.

The COVID-19 pandemic has caused significant economic and financial turmoil around the world and has fueled concerns that it will lead to a global recession. These conditions are expected to continue and worsen in the near term.

We believe that the pandemic will have a significant impact on our business, results of operations, financial condition and liquidity. The extent of these impacts will depend on future developments which cannot be accurately predicted at this time, as new information is emerging each day.

Increased economic uncertainty and increased unemployment resulting from the economic impacts of the spread of COVID-19 may also result in policyholders cancelling insurance policy arrangements at rates greater than we previously expected. Accordingly, policyholder lapse and cancellation rates could exceed our expectations, which could lead to an adverse effect on our business, financial condition, results of operations, liquidity and cash flows. The economic environment could also have an adverse effect on our sales of new business.

Our investment portfolio may be adversely affected as a result of market developments from the COVID-19 pandemic and uncertainty regarding its outcome. Changes in interest rates, reduced liquidity or a continued slowdown in global economic conditions may also adversely affect the values and cash flows of these investments.

The company will continue to monitor the impact of COVID-19.

ADVISORS AND BANKERS
NOTICE OF MEETING

ADVISORS AND BANKERS

APPOINTED ACTUARY

Eckler Ltd.

AUDITOR

PricewaterhouseCoopers SRL

SENIOR COUNSEL

Sir Richard Cheltenham, QC, Ph.D.

BANKERS

CIBC First Caribbean International Bank Limited
First Citizens Bank (Barbados) Limited
The Bank of Nova Scotia
RBC Royal Bank (Barbados) Limited
RBC Royal Bank (Trinidad and Tobago) Limited
Republic Bank Limited

NOTICE OF MEETING

NOTICE IS HEREBY GIVEN that the TWENTY FOURTH GENERAL MEETING of the Shareholders of SAGICOR GENERAL INSURANCE INC. will be held at Cecil F de Caires Building, Wildey, St. Michael, Barbados, on Thursday, June 25, 2020 at 11:00 a.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, 2019.

2. To elect Directors:-

   Mr. Keston D. Howell and Mrs. C. Natasha Small are the Directors whose terms of office expire at the close of this meeting 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
June 2, 2020

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, Cecil F de Caires Building, Wildey, St. Michael, 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. 42724

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 Fourth Annual General Meeting of the Shareholders of Sagicor General Insurance Inc. (hereinafter called the "Company") to be held on June 25, 2020 at 11:00 a.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 Cecil F de Caires Building, Wildey, St. Michael 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, 2019 and the Auditors' Report thereon, are included in the 2019 Annual Report which is being mailed to shareholders with this Notice of the Annual General Meeting and Management Proxy Circular.

ELECTION OF DIRECTORS

The Board of Directors currently consists of seven (7) members. The number of Directors to be elected at the meeting is two (2). 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. Keston D. Howell was appointed as a director on February 8, 2018 to fulfil the unexpired term of a former director who was elected at the Annual Meeting of Shareholders held on May 25, 2017.

Mrs. C. Natasha Small was elected as a director at the Annual Meeting of Shareholders held on May 25, 2017 for a term of three years.

These directors will retire at the close of the Twenty Fourth 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 Mr. Keston Howell and Mrs. C. Natasha Small 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 SRL, 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) of the Companies Act.

No Auditors' statement is submitted pursuant to Section 163(1) of the Companies Act.

Date: June 2, 2020.

Althea C. Hazzard
Corporate Secretary

HOME

MARINE

MOTOR

TRAVEL

Sagicor
GENERAL