



Sagicor   
Since 1840



ANNUAL  
REPORT  
2015



## THE HINKSONS

### Port of Spain, Trinidad and Tobago

(Cover Photo)

There is that one big personality that most reflects the passion of a family. Ana Hinkson is a five year-old Trinidadian who wasn't meant to be the focus of our story, but who best represents the loving moments between parents and their children, and siblings, that Sagicor values. Whether it's the tenderness shared here with her brother Samuel, or the total submission of the family dog to her assertive commands, we were honoured to enter a quiet little sanctuary in Port-of-Spain, with the Hinksons, on an otherwise hectic Carnival Saturday in Trinidad.

Michelle and Sean Hinkson are the adults in this story. Their four children keep them busy, but they always find time for special moments on the Savannah. Sagicor came highly recommended to them as a young couple, and when they decided to discuss their goals with an advisor, they started with their properties. Michelle explained that they were able to secure a mortgage, and loans to renovate and maintain their growing investments.

The Hinksons also have life insurance with Sagicor, so they can provide for their family in the future. They are saving for their children's academic goals, too. "We love these children, and one of the things that drives us is making sure they get the best education," adds Michelle. Levi, Shay, Samuel and Ana will grow up understanding the importance of moments like these with family, and also with the added security of wise financial guidance.

## **MEET THE REAL PEOPLE BEHIND OUR SUCCESS. OUR CLIENTS.**

Throughout this Annual Report, you will see how our clients' lives are filled with moments that range from life-changing events to everyday occasions, and everything else in between. They remind us of how precious and diverse life can be for each of us.

Moments like these add up, and for 175 years, Sagicor has been committed to turning them into years of stability and growth for our clients.

# OUR VISION

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

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# ABOUT SAGICOR





## THE MURPHYS

### St. Philip, Barbados

Sometime in July of 2013, the island of Barbados passionately rallied around the story of young Zane Murphy. Zane suffered an accident that resonated with the wider Barbadian community. Friends and strangers from across the island heard his story after an initial call to donate blood, and Barbadians responded overwhelmingly. This led to a growing online community, fed by concern for the young and energetic symbol of hope that Zane represents, and served by a mother who recognised the need from a concerned public to share the Murphys' burden. Four years later, there's still a bit of magic to Zane's progress. To see his energy as any other five-year-old is true motivation. His passion for farm life and a doting family signals a blessed future for this young boy.

Today, for Zane's parents, Mark and Dr Maddy Murphy, and big brother Matthew, farm life continues to be a lesson in moments that matter most. As a lecturer in Public Health at the University of the West Indies, Maddy understands the importance of informed decision-making. So when the time came for her own family's medical care, she turned to Sagicor. "Sagicor helped us make informed decisions so we wouldn't have any surprises," says Maddy. "So much so that when we've had to use our insurance overseas for Zane, the hospitals commented on the ease of working with our insurance company."

Knowing their family's ongoing medical needs will be covered makes it easier for the Murphys to plan for tomorrow. "We're confident that Sagicor is looking out for the best interest of myself and my family. I've personally seen this in action," adds Maddy.

## ABOUT SAGICOR

Sagicor is a dynamic, indigenous Group which has been redefining financial services in the Caribbean. Following a carefully crafted business strategy, the company transformed from a local single-line life insurance company to a financial services group with a solid regional base, before expanding into the international financial services market.

After the company demutualised in 2002, Sagicor Financial Corporation was formed as a publicly-listed holding company. The word Sagicor means “wise judgment”, and reflects the quality of the financial advice and services we offer. Sagicor now operates in 22 countries in the Caribbean, the USA and Latin America.

For 175 years, Sagicor’s business has been based on long-term relationships with its customers, employees, and communities, who entrust us with their financial well-being. Our name and reputation draw on the strength, stability and financial prudence that are our heritage, and this identity defines the flexibility that wise financial thinking can bring to our customers throughout their lives. Through local expertise and in partnerships with world-class asset managers, reinsurers, together with sound risk management practices, Sagicor is able to provide wise financial advice, and continue to meet the needs of our customers now and in the future.

It is Sagicor’s view that the entire business of wealth-creation and protection is about social investment. For many decades, Sagicor provided financial support and voluntary assistance, primarily in the areas of health, education,

youth development and sports, to a number of organisations and institutions. Sagicor continues to provide significant support for the prevention of non-communicable diseases by promoting healthy living, and improving access to and facilities for health-care in the region. Sagicor supports education at the primary, secondary and tertiary level, and sponsors a number of adult education and development activities.

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

### SAGICOR MILESTONES

In 2015, the Sagicor Group of Companies marked a very special moment - 175 years of financial service to the Caribbean and beyond. Our company began its journey in 1840 and throughout these pages (as shown below) we trace the emergence of the Barbados Mutual Life Assurance Society, our expansion across the Caribbean and the development of the Sagicor Group of companies, a dynamic, global financial services Group.

The establishment of the Barbados Mutual Life Assurance Society, which thrived amidst



an era of economic turmoil. The first policy was purchased on November 24, 1840.



## CELEBRATING 175 YEARS

### Everything can change in a second.

It's a good thing we've been around for 5.5 billion of them. Sagicor is celebrating 175 years of helping you enjoy the most precious moments, and get through the more difficult ones. As we move into the future, let's work together to turn those seconds into years and decades of stability and growth.

**EVERYTHING CAN CHANGE IN A SECOND**

ONE ONE THOUSAND

TWO ONE THOUSAND

**Sagicor celebrates 175 Years of your most precious moments**

This year, Sagicor is celebrating 175 years of helping you enjoy the precious moments - like welcoming a new addition - and getting through the more difficult ones. We look forward to turning your future seconds into decades of stability and growth.

**EVERYTHING CAN CHANGE IN A SECOND**

TWO

TWO

**Sagicor celebrates 175 Years of your most precious moments**

This year, we are celebrating 175 years of helping you enjoy the precious moments - like being recognized for all that hard work - and getting through the more difficult ones. We look forward to turning your future seconds into decades of stability and growth.

The Barbados Mutual Life Assurance Society was the only indigenous life insurance company



established throughout the British Caribbean. By 1900, (BLMAS) had 9 branches in the Caribbean.

# CHAIRMAN'S STATEMENT





## THE SAULS

### Soufriere, St. Lucia

Petra and Zephaniah have their hands full with seven-year-old Lanna Niahlie and two-year-old Alazne Jewel. However, no matter how busy things get for the Sauls and their daughters, they take time to appreciate life's blessings.

"With two awesome girls, I find myself living in the moment, having fun at home or taking them to the beach, which they love," says Petra.

Being part of the Sagicor family has given the Sauls peace of mind for their future. "We have a wonderful Sagicor Advisor, and have been able to rely on Sagicor to give us a mortgage for our home," states Petra. "In addition, I want to ensure that our children are better off than I was growing up, and that I can secure a good financial future for them. I believe Sagicor can help me achieve this."

## CHAIRMAN'S STATEMENT



**Stephen McNamara, CBE**  
Chairman

I am pleased to report on the 2015 financial performance of the Sagicor Group. Consistent with prior years, the Group's 2015 financial statements have been presented with continuing operations being separated from the discontinued run-off operations of Sagicor Europe. The continuing operations comprise our businesses in the Caribbean and the USA.

The Sagicor Group experienced strong performance, with net income for the year closing at US \$76.8 million, compared to US \$73.9 million for 2014, an increase of 3.9%.

Net income from continuing operations attributable to shareholders was US \$56.3 million, compared to the prior year result of US \$53.7 million. Earnings per common share from continuing operations was US 18.2¢, and represented an annualised return on common shareholders' equity of 11.7%.

Total revenue increased to US \$1,104.2 million, compared to the prior year amount of US \$1,045.2 million, an increase of US \$59.0 million or 5.6%. Net premium revenue closed at US \$673.9 million, compared to US \$625.6 million for the prior year, an increase of US \$48.3 million or 7.7%. The Group experienced premium growth in all segments. Net investment income closed

the period at US \$322.2 million, up from US \$307.2 million in the prior year, representing an improvement of 4.9%. Fees and other revenue amounted to US \$109.1 million, compared to US \$83.3 million in 2014, an improvement of US \$25.8 million or 31.0%. Net investment income and Fees and other revenue include the impact of the RBC Royal Bank's operation in Jamaica, which was acquired on June 27, 2014.

Total benefits incurred from continuing operations held fairly steady at US \$552.9 million, compared to US\$542.2 million in 2014.

Expenses (including agents' and brokers' commissions) increased to US \$427.7 million, compared to US \$385.9 million for the prior year, an increase of US \$41.8 million, or 10.8%. The increase in expenses reflected expenses incurred with the inclusion of the operation and integration of the RBC Royal Bank's Jamaica banking operation for the entire year, compared to six months in 2014. Higher asset taxes also impacted the year's expenses.

On August 11, 2015, Sagicor refinanced its total debt with the issuance of US \$320.0 million seven-year Senior Notes, repayable in 2022. The notes carry a fixed rate of interest of 8.875% payable semi-annually, and can be repurchased after four years. The notes were issued to refinance the existing Senior Notes, Convertible Redeemable Preference Shares and Short-Term Notes which mature in May 2016. Consequently, on September 10, 2015, the company redeemed the US \$150.0 million 7.50% 2016 Senior Notes at a price of US \$160.5 million, and has pre-funded the redemption of the Convertible Redeemable Preference Shares and the other Short-Term Notes.

As a result of the issuance of the Senior Notes in August 2015, the Group's finance cost increased to US \$37.2 million, compared to US \$22.5 million for the prior year. Included in finance cost are additional costs which arose for two further reasons. Firstly, US \$6.8 million were incurred related to the early redemption of the US \$150.0 million Senior Notes, which were due to mature in May 2016. Secondly, financing costs of US \$11.8 million arose from the pre-funding of redemptions of the Convertible Redeemable Preference Shares and the Short-Term Notes, also due to mature in mid-2016, and the above-mentioned Senior Notes.



Total comprehensive income showed a loss of US \$0.6 million, compared to a profit in the prior year of US \$80.6 million. Other comprehensive income showed a loss of US \$77.4 million, compared to a profit of US \$6.7 million in the prior year. During 2015, the Group experienced mark-to-market declines on financial assets associated with our international portfolios. These changes resulted from volatility in international bond prices, reflecting concerns over global economic growth, and uncertainty surrounding the Federal Reserve's monetary policy. The Jamaica dollar declined against the US dollar by 4.8% for 2015, compared to 7.8% for 2014, contributing to currency retranslation losses of US \$15.7 million.

The discontinued operation represents our UK business, which was sold on December 23, 2013. The terms of the sale required the Sagicor Group to retain an interest in the 2011, 2012 and 2013 underwriting years of account, subject to a limit denominated in pounds sterling. This business experienced a loss of US \$21.6 million, (US \$26.4 million for 2014), resulting from adverse movements in claims reserves. The company has now fully provided for this contingent exposure and no further adverse exposure to underwriting losses will be incurred.

In the statement of financial position as at December 31, 2015, assets amounted to US \$6.4 billion, compared to US \$6.2 billion in the prior year. Liabilities closed at US \$5.7 billion, compared to US \$5.4 billion in the prior year. Sagicor's Group equity totalled US \$739.2 million, compared to US \$773.5 million in the prior year, and was impacted by mark-to-market declines on financial investments.

The Group's debt, which is included in other liabilities, was US \$475.5 million. Following the issue of the senior notes on August 11, 2015, the redemption

of the US \$150.0 million 7.5% 2016 senior notes, and pre-funding the redemption of the Convertible Redeemable Preference Shares and other Short-term Notes, the debt to capital ratio increased from 27.9% at the end of 2014 to 39.1% for 2015. The debt to capital ratio will return to lower levels, (approximately 35%) when the Convertible Redeemable Preference shares and the other Short-term Notes, which mature in May 2016, are redeemed.

On March 21, 2016, the company early redeemed the other Short-term Notes of US \$43.4 million due May 12, 2016, and issued new notes in the amount of US \$75.0 million, due April 14, 2017. The new notes were issued at a rate of 5.0% per annum.

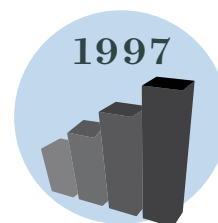
The Board has declared dividends of US 3.25 cents per preference share and US 2.0 cents per common share, payable on May 15.

The economic environment in which the Sagicor Group operates continues to show signs of improvement. The Board and Management continue to adapt our strategies as we deliver quality products to our customers and competitive returns to our shareholders. On behalf of the Board of Sagicor, I wish to thank our Shareholders and Customers for their continued support.



Stephen McNamara  
Chairman  
April 8, 2016

Mutual Asset Management Inc, and Mutual Funds Inc.  
are established with great success.



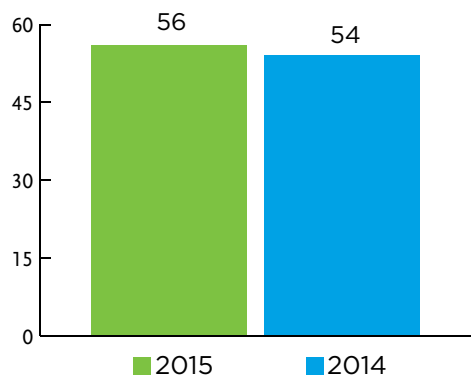
By year-end, the Fund had net assets of \$19.7  
million and 1600 shareholders.

## FINANCIAL HIGHLIGHTS

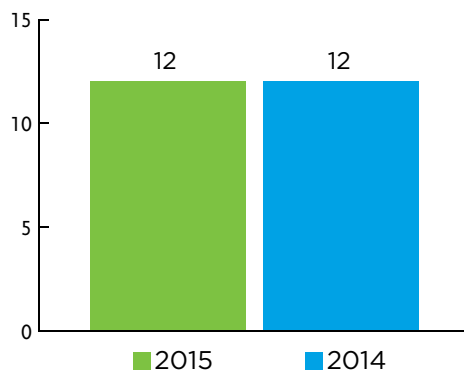
Amounts in US\$ millions unless otherwise stated

### SHAREHOLDER RETURNS

#### NET INCOME<sup>1</sup>

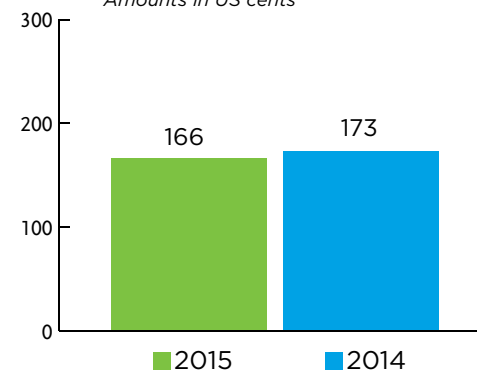


#### COMMON DIVIDENDS



#### BOOK VALUE PER SHARE

Amounts in US cents

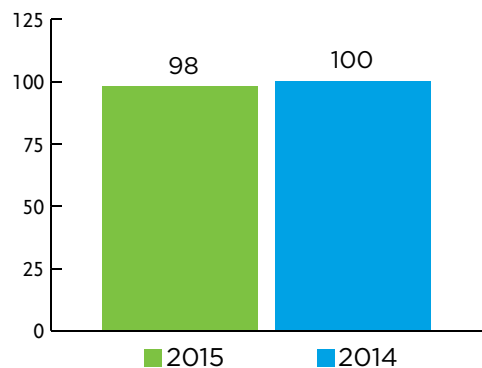


<sup>1</sup> from continuing operations

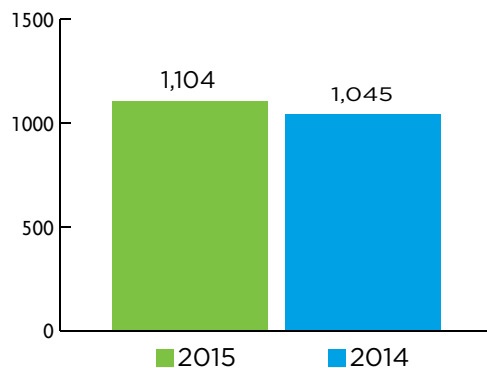
	2015	2014
Basic earnings per share <sup>1</sup>	18.2¢	17.3¢
Return on shareholder's equity <sup>1</sup>	11.7%	11.2%

### GROUP RESULTS<sup>1</sup>

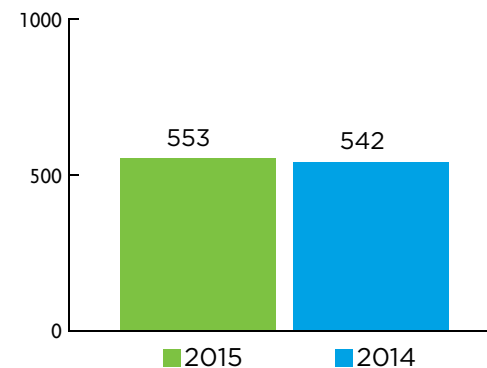
#### NET INCOME<sup>1</sup>



#### REVENUE



#### BENEFITS

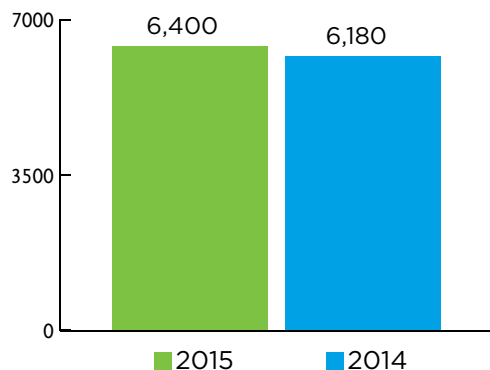


<sup>1</sup> from continuing operations

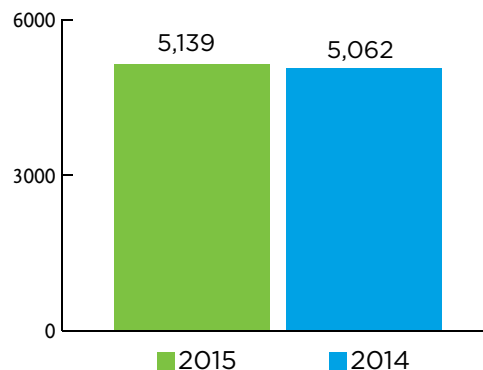
Amounts in US\$ millions unless otherwise stated

### GROUP FINANCIAL POSITION

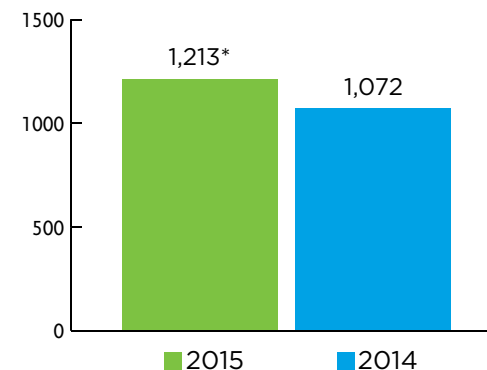
#### ASSETS



#### OPERATING LIABILITIES



#### EQUITY & DEBT CAPITAL (TOTAL CAPITAL)

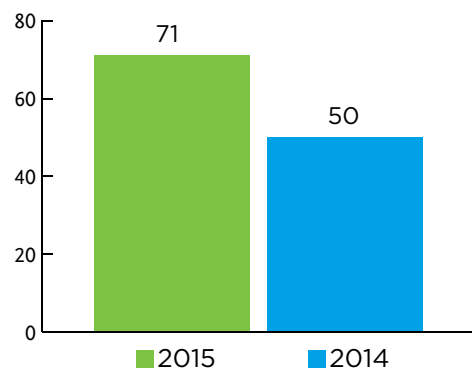


	2015	2014
Debt to Capital	39.2%	27.9%
MCCSR	221%	273%

\* Includes US \$120 million Convertible Redeemable Preference Shares due 2016

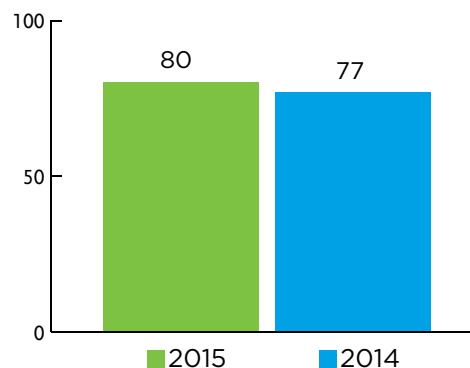
### SEGMENT RESULTS

#### SAGICOR LIFE INC - NET INCOME



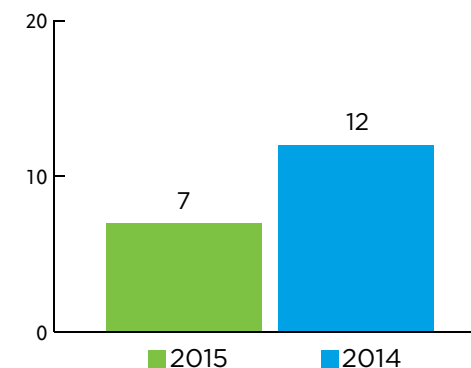
	2015	2014
Revenue	471	362
Assets	1,904	1,773

#### SAGICOR GROUP JAMAICA- NET INCOME



	2015	2014
Revenue	511	486
Assets	2,513	2,495

#### SAGICOR USA - NET INCOME



	2015	2014
Revenue	78	153
Assets	1,701	1,743

# CORPORATE & SOCIAL RESPONSIBILITY







## THE McCLURES

### Tampa Bay, USA

After earning a Master's degree in Chemistry and working in the fiberglass industry for 20 years, Denice McClure decided it was time for a life-altering change. So Denice traded her lab coat for a yoga mat, and traveled across the United States, training to become a yoga teacher.

With a master's certification and three young children, Denice left her life in Cleveland and moved to Tampa to open a yoga studio. Her teenage daughter, Christie, also a yoga master, teaches at the studio, and sons Jack and Jared help out at the front desk.

In addition to modeling a healthy lifestyle, Denice wanted to ensure her children's educational needs would be met if anything unexpected happened. Sagicor agent and friend, Dawn Hudson, explored all of Denice's options. With Sagicor, she found a life insurance plan that fits her needs, and discovered the company's values also fit her own.

Through yoga, the McClures spend every moment they can helping others - one downward-facing dog at a time.

## IN OUR COMMUNITIES

### Health

The Caribbean is the region of the Americas worst affected by the epidemic of non-communicable, chronic diseases. The human and economic cost burden of conditions, such as diabetes, stroke and cancer is not sustainable in the long term, and this is at the route of Sagicor's continued support in this area. By promoting healthy living, and improving access to, and facilities for healthcare in the region, Sagicor is playing its part in the eradication of chronic diseases, which currently contribute to almost 50 percent of disability-adjusted life years lost in the Caribbean.

## HEALTH

### Healthy Caribbean Coalition - Sagikor Life Inc - Barbados

An extension of a Memorandum of Understanding (MOU), originally established in 2012, was formalised between Sagikor Life Inc (SLI) and the Healthy Caribbean Coalition (HCC). Funding provided through this partnership supports the continued work of a Secretariat and management team to undertake the professional and administrative functions of the HCC. The HCC is a civil society alliance established to combat non-communicable, chronic diseases and their associated risk factors and conditions.

### Globe-athon - Sagikor Life Inc - Barbados

SLI shared title sponsorship of the 2015 Barbados 'Globe-athon 5K Walk & Run to End Women's Cancers' event with Sagikor General Insurance. In September, Barbadians walked in support of the Barbados Cancer Society's fight to reduce the incidence and impact of gynaecological cancers. Over 2,000 participants were registered, an increase on the previous year's attendance. Sagikor staff and family supported the event, with approximately 150 persons registering through the company.

### World Health Day

The global campaign for World Health Day heralded a regional message from the Barbados location to its regional staff, group clients, brokers and service providers. Staff also received an email with health tips, while brokers, clients and service providers received a group insurance advertisement. The advertisement was designed to raise awareness for the global effort, as well as reinforce Sagikor's commitment to its main pillar of corporate and social responsibility - health.

### Health Fair - Sagikor Life (Eastern Caribbean) Inc - St Lucia

Sagikor's clients and the general public were welcomed at a free health event, which offered health checks and one-on-one health information sessions. Sagikor Advisors were also on hand to conduct financial check-ups, and exhibitors included non-profit organisations, providing support and advice on cancer, diabetes, nutrition, reflexology, counselling and fitness.



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1. (L- R) Edward Clarke, COO, Sagikor Life Inc and General Manager, Barbados Operations; Professor Sir Trevor Hassell, President of the Healthy Caribbean Coalition, and Maisha Hutton, Manager of the Healthy Caribbean Coalition, after signing an extension to the MOU between Sagikor Life Inc and HCC.
2. Runners at the beginning of the 2015 Globe-athon Walk & Run to End Women's Cancers.



**Health Symposium - Sagicor Life Inc - Belize**

As part of its commitment to the provision of access to affordable quality healthcare in a global environment where healthcare costs continue to rise, Sagicor partnered with Diversified Life Solutions and hosted a Health Symposium in September 2015. The two-day event featured hospital exhibits, along with information-packed sessions and networking opportunities related to urology, oncology, cardiology, neurology, paediatrics and endocrinology. Day One focused on the local medical fraternity, while Day Two focused on information for Sagicor’s policyholders and plan administrators. The event better empowered medical practitioners to provide patients with the best options available.

**Sigma Run - Sagicor Group Jamaica Limited - Jamaica**

Approximately 24,000 persons participated in the region’s largest corporate run. The event, hosted by Sagicor Group Jamaica Limited (SGJ), raised funds for the Cornwall Regional Hospital’s Neo Natal Unit and the Jamaica Kidney Kids Foundation (JKKF). The JKKF was presented with a peritoneal dialysis machine and other dialysis supplies to strengthen their service delivery to kidney patients, while the Cornwall Regional Hospital Neo Natal Unit received equipment and supplies.

**Phoenix Children’s Hospital - Sagicor Life Insurance Company - USA**

In 2015, the Phoenix Children’s Hospital (PCH) in Arizona partnered with a local television station and a local radio station to host its annual Telethon and Radiothon. Sagicor Life Insurance Company (SLIC) supported both PCH fund-raisers in the form of monetary donations and volunteer time. The company designated funds, and employees from the Scottsdale Arizona office volunteered to work on the phone banks, answering calls and taking donations. PCH is one of the ten largest children’s hospitals in the United States. PCH also operates within communities around the state with specialty and urgent care centers. Phoenix Children’s Hospital would not be possible without support from companies and individuals all across the state.

**All Children’s Hospital - Sagicor Life Insurance Company - USA**

For the last several years, SLIC’s staff have participated in the All Children’s

Hospital (ACH) fund-raising efforts. In 2015, during the hospital’s annual Radiothon, the company made its annual donation, and staff members from Tampa, Florida volunteered to work the phone banks, taking donations from those in the community pledging their support. All Radiothon proceeds benefit All Children’s Hospital’s facilities and the care of its young patients.

**The American Cancer Society - Sagicor Life Insurance Company - USA**

“Making Strides Against Breast Cancer”, a 5k walk in Arizona hosted by the



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American Cancer Society, attracted more than 500 teams with over 5,000 participants. These walks formed the largest network of breast cancer awareness events in the US, and one of the 500 teams that participated was Team Sagikor Life, who walked for survivors, loved ones, people who are currently battling cancer and for people who have touched our lives with the diagnosis of breast cancer. Each step was one step closer to a cure, helping to raise over US \$400,000 for breast cancer research.

#### **The Tampa Bay Lightning - Sagikor Life Insurance Company - USA**

In March 2015, the National Hockey League's Tampa Bay Lightning held its 14th annual Bolt Run at the Tampa Bay Times Forum. The event consisted of 5K, 5-mile and 1-mile fun runs that featured pre and post-race parties on the Forum's plaza. The Bolt Run was partly-sponsored by SLIC, with all proceeds going to the Leukemia and Lymphoma Society. More than 2,400 runners gave their support to the cause. SLIC is a corporate sponsor of the Tampa Bay Lightning, and enjoys in-arena signage during the 41-game home season. 2015 was an especially good year for the team, as they made it to the Stanley Cup Finals, extending their season and Sagikor's sponsorship until June.

3. (L- R) Jeannette Barrow, Portfolio Manager, Sagikor Life Inc; Patricia Brathwaite-Marshall, Vice President, Group Insurance, Sagikor Life Inc; Dr Luis Linares, Hope International; Harrison Pilgrim, Diversified Life Solutions; Patricia Carrera de Rodriguez, Hope International; and Abel Simpson, Sagikor Agency Manager in Belize, pose for a group photo.
4. The starting line at the 2015 Sigma Run.
5. SLIC staff volunteering at the 2015 Phoenix Children's Hospital Telethon.
6. Volunteers at the phone banks accepting pledges for the All Children's Annual Fund-Raiser.
7. The Sagikor information stand at the 14th Annual 5K and 5 mile Bolt Run.

## IN OUR COMMUNITIES

### Education

Sagicor shares the belief that an investment in education is the most powerful investment in our future, and that the only thing more expensive than investing in education, is not investing in education. Sagicor's support to educational programmes guides people on the path towards good health and empowerment, with the view that, over time, education reduces poverty and boosts economic growth. Education can also increase a person's chances of having a healthy life, reduce maternal deaths, combat diseases such as HIV and AIDS, as well as many other issues in society.

## EDUCATION

### Sagicor Visionaries Challenge

Science, Technology, Engineering and Mathematics (STEM) education is a vital part of Sagicor's educational CSR programme. Through the implementation of the Sagicor Visionaries Challenge, STEM affects what is nearest and dearest to us - our children. STEM is essential to their future in the technological age in which they live and will grow up, offering their best career options, and their key to wise decisions. By extension, STEM is vital to the future of the Caribbean region, as it shapes our everyday experiences, and is at the core of our natural world. For these reasons, the Sagicor Visionaries Challenge was developed and launched.

This Group-wide initiative provides students with an opportunity to work with a teacher at their school to identify a problem facing their community and, using STEM, develop an effective, innovative and sustainable solution. Students compete against other students throughout the Caribbean and from Florida, USA.

An account of our regional winners and their projects is below:

2015 welcomed participants from the US, specifically from Florida's Hillsborough County School District. In February, Hillsborough County conducted a STEM Fair, with Jai Patel from Walker Middle Magnet School and his mentor (teacher) Ms. Nancy Robords emerging as the US winner.

Five Rivers Secondary School from Trinidad and Tobago captured first place with their winning project, Cardboard Box Pellet – A Recycling Project. The project outlined how to reduce Trinidad and Tobago's carbon footprint by providing an efficient alternative to the waste disposal system, and creating a useful, environmentally-friendly by-product from the discarded cardboard breakfast boxes at their school. As part of their prize, the school received a complete Caribbean Science Foundation computerised Vernier mobile science and technology centre, as well as six Caribbean Examination Council (CXC) approved science kits.

The Abram Zuil Secondary School from Guyana emerged as national winners out of 34 projects. The team, headed by team leader, Athina Indar, and supervising teacher, Jerome Rajpersaud, presented their project on Rice Husk Particle Board, which showed that rice husk can be made into a low cost, durable building material, while reducing the carbon dioxide emissions that result from the burning of the rice husk, an agricultural waste product.

In Belize, Bishop Martin High School copped the national title with its winning project - Mayan Power for Modern Times. This project was headed by team leader Maria Pech, with Wilson Mendoza, the supervising teacher. The project aimed to increase awareness and usability of Chaya in Belizean diets by creating a database, blog and instructional videos on Chaya preparation. Chaya, native to Mexico, is a fast-growing perennial shrub that produces large, dark green leaves.

The Belizean team also won the People's Choice Award, where more than 51,000 participants voted for their best Sagicor Visionaries Challenge Project for 2015.

In Antigua & Barbuda, Christ the King High School presented the Nevo Oven. The science students experienced difficulty in determining the percentage yield of crystals (i.e. actual mass of crystals / expected mass of crystal) synthesised in the laboratory. The reason for this was that there was no furnace or oven to dry the prepared crystals, as the cost of electrical or laboratory furnaces is very high. As a result, experimental procedures were negatively affected and several errors were constantly occurring. In order to solve the problem, students decided to produce homemade ovens, designed to be built with readily available and recyclable materials.

At Queen's College, Barbados, The Green Way to Get Styrofoam Away was presented as a solution to the amount of waste generated on a daily basis, the majority of which was styrofoam. Styrofoam poses problems because it occupies excessive space in dumps and landfills and, since it is non-biodegradable, it remains in landfills for a long time. Styrofoam containers often collect water and become a breeding ground for

mosquitoes, encouraging dengue fever, malaria and chikungunya. It also causes unsightly pollution and harm to marine life when it reaches the sea. As a method of reducing styrofoam waste at school and in the wider community, the students demonstrated that acetone, an organic solvent, can dissolve the organic compound, polystyrene, from which the styrofoam is made, leaving very little residue. However, for a more eco-friendly, sustainable and cost-effective solution, an essential limonene oil could be extracted from citrus fruits as an alternative to acetone. A proposal was made to the school to set up a styrofoam waste collection system, where the waste will be reduced using limonene extracted from citrus fruits. The end product can then be used as a sealant or glue.

The back of the L-shaped wing of St Martin Secondary School, Dominica, consists of a narrow stretch of land used for planting flowers by the six classes which occupy the building. However, students' interest had decreased, as the garden is hidden from the public and is therefore only visible to the students in the classrooms. The distance between the water source and the garden also made it difficult to water. Students have encountered difficulties in planting because the sandy stony soil is not fertile enough and the space per class is limited. The solution, dubbed, "Techno-Gardeners", has the potential to transform a failing vegetable garden, incorporating the use of recyclable materials, such as plastic bottles and tyres for growing crops. The students intend to use organic waste from the food laboratory to make compost, which will improve the soil structure and provide nutrients to the soil. Hydroponics with a solar powered pump will also be used, and rain water will be collected in a large tank to provide a readily available supply of water. Vegetables from the garden will be sold through a small school market to students at low cost for their cooking classes in the food lab, and students will be encouraged to eat healthily and plant small gardens at home.

St Mary's College, St Lucia, and its immediate community, have a litter problem with plastic waste finding its way into gutter systems and causing flooding during heavy rainfall periods. The plan was to produce biodegradable plastics out of a renewable resource. Plastics are typically



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1. *Trinidad and Tobago National Winners from Five Rivers Secondary School explaining the benefits of the Cardboard Box Pellet Recycling Project to Jacinto Martinez, (R) Vice President, Sales and Marketing, Sagicor Life Inc.*
2. *Team members from the Abram Zuil Secondary School in Guyana with the model of their project, Rice Husk Particle Board, demonstrating how rice husk can be made into a low cost, durable building material.*





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3. 2015 Sagikor Visionaries Challenge overall winners, Bishop Martin High School, Belize, explaining the concept behind the project, 'Mayan Power for Modern Times', to a judge. The Belizean team also won the People's Choice Award, receiving over 51,000 votes.

4. Sagikor Visionaries Challenge Team, Antigua

5. Sagikor Visionaries Challenge Team, Barbados..

made of an artificial synthetic polymer and their structures are not naturally occurring and non-biodegradable. Based on research and an understanding of the correlation between the polymer structure, properties and natural processes, a starch-based polymer was recommended to replace the original polymers that were synthetically made. However, the plastic made out of starch will not be able to meet all the properties of the previous synthetically made polymers. So biodegradable additives would have to be added to strengthen it, making it long-lasting for practical use.

#### **Tivoli High School Inspiration Day - Sagikor Group Jamaica Limited - Jamaica**

Members of SGJ's Executive Management gave their time to visit the Tivoli High school and talk with the 5th and 6th form students on life skills and career choices, in keeping with their theme "Inspire Them to Achieve Greatness." SGJ also expanded the intern employment programme which gives tertiary level students a chance to work with the company for a three-month period. The programme, which started in October 2013, has grown from sixteen participants to sixty in March 2015.

#### **Scholarships - Sagicor Group Jamaica Limited - Jamaica**

SGJ awarded scholarships to outstanding secondary and tertiary students. At the tertiary level, thirty-four students received Sagicor Scholarships to attend five local Universities and Colleges for the 2015/16 school year. Thirteen students at the tertiary level, who did not qualify for scholarships, also received book grants. At the secondary level, students entering high schools across the island in September 2015, were presented with academic scholarships. Sixteen scholarships for secondary schools were awarded to children of SGJ stakeholders who excelled in the local Grade Six Achievement Test (GSAT). Additionally, SGJ awarded scholarships to the children of its team members through its Corporate Staff Education Programme. There were ninety-two awards at the primary level and forty-one at the secondary level.

#### **International Day of Literacy - Sagicor Group Jamaica Limited - Jamaica**

SGJ's support to educational initiatives was also demonstrated through its observation of International Day of Literacy. Staff members conducted a reading session with students at the Balcombe Drive Primary School, and SGJ also sponsored the prizes in the annual Jamaica Library Service Reading Competition.

#### **Adopt-a-Classroom - Sagicor Life Insurance Company - USA**

“Santa” and some of his ‘elves’ visited a kindergarten class at Wilson Primary School in downtown Phoenix as part of SLIC’s Adopt-a-Classroom programme. Each student received toys from a wish list, as well as a pair of socks and shoes, clothing and a coat or jacket, all of which were donated by SLIC. Students came from low income families and some were homeless. Many would not have otherwise received a Christmas present. The Adopt-a-Classroom programme has been in place for 17 years, with each classroom being sponsored by a company or an individual family within the community.

#### **Back-to-School Clothing Drive - Sagicor Life Insurance Company - USA**

This Drive was established in 1967, for the purpose of providing clothing, uniforms and school supplies to children in need. The clothes provided meet mandatory school uniform policies and other guidelines, and the programme

now reaches approximately 25,000 school children through three signature programmes:

- The “New Clothes, New Beginnings” annual clothing distribution;
- The matching grants programme, Student Attire For Education (SAFE), and
- Stitches of Love.

Employees from SLIC’s Scottsdale office also volunteered to assist with a Back-to-School Clothing Drive event held at Grand Canyon University. Children who participated in the programme received uniforms, shoes and socks, a sweatshirt, a backpack and assorted school supplies. All the items received by the children were provided through donated funds raised from corporate sponsorships and private donations. Twenty-nine SLIC employees donated 164 hours of service for this event, during which thousands of children received school supplies. The donations went a long way towards creating a brighter beginning for a successful school year, while giving the recipients a greater sense of pride, higher self-esteem, self-confidence, and hope.

#### **Step Up For Students - Sagicor Life Insurance Company - USA**

In 2015, SLIC entered into its second year of supporting the state programme, Step Up For Students. It allows SLIC to redirect its Florida premium taxes from the Florida Department of Revenue to Step Up For Students. In 2015, SLIC provided \$82,500 to the organisation. The programme is a Florida-based, not-for-profit corporation that was created to help alleviate the enormous educational challenges faced by children in Florida who live in or near poverty. The organisation provides Tax Credit Scholarships to students in K-12 from low-income families. These scholarships allow the students to consider participating private schools or an out-of-district public school that may better suit their needs.



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- 6. Mark Clarke, Vice President, Information Technology Services, Sagicor Life Jamaica speaking to students at the Tivoli High School Inspiration Day.
- 7. Proud Scholarship winners receiving their awards from Sagicor Group Jamaica Chairman, Dr the Honourable R Danny Williams (R) and President and Chief Executive Officer, Richard Byles.
- 8. Primary school children receiving their presents from Santa as part of SLIC's Adopt-a-Class programme.
- 9. Representatives from SLIC presenting a school with a donation from 'Step Up For Students'.



## **IN OUR COMMUNITIES**

### **Youth and Community Development**

Sagikor continues to be a part of every community in which it operates, guided by the belief that we have a fundamental responsibility to contribute to enhancing and sustaining people's quality of life. This belief is also shared by our community partners with whom we collaborate across the Sagikor Group. Our investment in these partnerships and community organisations allows us to contribute to the economic and social advancement of our communities, as well as help them affect change.

## YOUTH AND COMMUNITY DEVELOPMENT

### University Scholarships - Sagicor Life Inc - Barbados

For over 15 years, as part of our commitment to youth development and education, Sagicor has been awarding Scholarships to outstanding students enrolled at the University of the West Indies, Cave Hill Campus. Romeco King, a student from St Vincent and the Grenadines, and Shaneeka Bovell, a Barbadian, were the recipients of the 2014/2015 Sagicor Academic Scholarship Programme. Both young scholars demonstrated diligence, determination and a commitment to excellence. Their keen interest in the community was also impressive, as each displayed humility and kindness, expressing their desire to share their skills and knowledge with others. The scholarships are open to undergraduate students at the University of the West Indies who are from Barbados and the Eastern Caribbean, and are majoring in Actuarial Science, Business Studies, Accounting or Computer Science. The funds from the scholarships will be used towards maintenance costs, books, fees and incidental expenses.

### NIFCA Performing Arts - Sagicor Life Inc - Barbados

Sagicor continued its support of youth and cultural development in its third year of sponsoring the National Independence Festival of Creative Arts (NIFCA) Performing Arts Finals Juniors' Night. The Finals showcased the best youth performers of the season, and they were evaluated for achievement awards. In 2015, event attendees were given tokens of appreciation which highlighted Sagicor's 175th Anniversary. One of the finalists, The Akoya Dance Ensemble, was recognised for its performance of 'Future Ones' with the Sagicor Visionaries NIFCA Performing Arts Prize for Juniors, and also judged 'Most Promising Newcomer to NIFCA Dance'. NIFCA was originally conceptualised as a forum to showcase and encourage the disciplines of dance, music, drama, literary arts, culinary arts, fine arts and craft, photography and film during the Independence celebrations in Barbados. Outstanding participants received gold, silver and bronze awards of achievement along with specialty awards.

### Junior Achievement Trade Fair - Sagicor Life (Eastern Caribbean) Inc - St Kitts

For a second year, SLI supported the Junior Achievement Programme as a sponsor and exhibitor at the Programme's Annual Trade Fair. The event showcased the products and services of participating schools and companies to the general public and the business community.

### Coast Guard Youth Development Summer Programme - Sagicor Life (Eastern Caribbean) Inc - St Vincent and the Grenadines

This summer programme provided constructive activities for young people between the ages of fourteen and eighteen. Participants learned valuable life skills, and gained new perspectives in areas such as social and professional etiquette, first aid, leadership development, swimming and life saving, as well as conflict resolution.

1. *Sagicor Life Inc Agency Manager, Denrick Connor, presenting a donation to Kevin Roberts of 'Junior Achievement'.*



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**Adopt-A-Project Campaign - Sagicor Life Inc - Trinidad and Tobago**

From July to November 2015, Sagicor Advisors and administrative staff from different locations reached out to their communities and asked in what ways Sagicor could assist, as part of the Adopt-A-Project Campaign. This resulted in Sagicor partnering with local communities to address specific needs or requirements in the areas of youth development through sport, education and health. Staff volunteered to take part in activities such as painting and refurbishing schools, homes for disadvantaged youth, and the aged, as well as installing ovens, washers, dryers and a pump.

**Red Cross Kiddies Carnival - Sagicor Life Inc - Trinidad and Tobago**

Committed to maintaining and developing cultural heritage and national art, SLI was honoured as a Gold Sponsor at the 58th edition of the Red Cross Kiddies Carnival. Sagicor was the prize sponsor for the Medium Band Category for first, second, and third places. Kiddies Carnival is part of the Trinidad and Tobago Red Cross' fund-raising efforts, which has given the organisation the opportunity to purchase ambulances and service vehicles. More recently, fund-raisers have assisted the Red Cross with their Gift of Light project, whereby those children in Trinidad and Tobago who are without electricity, are provided with solar lanterns. Funds raised from Kiddies Carnival 2015 were used to support the Solar Lantern Project.

**MovieTowne Trinbago Kids Got Talent - Sagicor Life Inc - Trinidad and Tobago**

This annual event, held during the summer vacation, provided a platform for children to display their skills and abilities, from singing to dancing, and many other musical and non-musical talents. For the past three years, Sagicor has been a proud sponsor of this event, supporting the development of young stars, encouraging and rewarding the gifted children of Trinidad and Tobago.

**#45WaysToGiveBack - Sagicor Group Jamaica Limited - Jamaica**

In June, SGJ launched its 45th Anniversary initiative out of SGJ's need to serve and give back to the community that contributed to its success for their 45 years of existence. After reviewing over three hundred applications,

forty-five individuals, schools, charity groups, communities and institutions benefited from acts of kindness based on need, as nominated by friends, family, and associates. The 45 beneficiaries received a variety of donations, ranging from wheel chairs, health and school supplies, equipment and furniture for their charities and refurbishing supplies.

**Sagicor Motivational Seminar (SMS) - Sagicor Group Jamaica Limited - Jamaica**

The SMS is staged by SGJ to develop and motivate team members to achieve their highest potential. While planning this bi-annual Seminar, SGJ Team Members combined their efforts and resources to identify and offer assistance to a local charity, and so demonstrate their commitment to social responsibility. The Strathmore Gardens Children's Home received monetary assistance through the biannual event, and SGJ staff also participated in a workday to refurbish sections of the childcare facility.





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2. Team members from Sagicor Life Inc, Trinidad, painting Rainbow Rescue, a home for socially displaced children, as part of the Adopt-A-Project campaign.
3. A member of the public speaking with a Sagicor Advisor at the Sagicor stand during the MovieTowne Trinbago Kids Got Talent competition.
4. Sagicor Group Jamaica Assistant Vice President, Group Human Resources, Jacqueline Donaldson, handing a cheque for a new wheelchair to 14-year-old Ajani Miller, one of 45 recipients of #45WaysToGiveBack.
5. Volunteers from Sagicor Group Jamaica helping to refurbish the Strathmore Gardens Children's Home in St Catherine, as organised by the Sagicor Motivational Seminar Planning Committee.

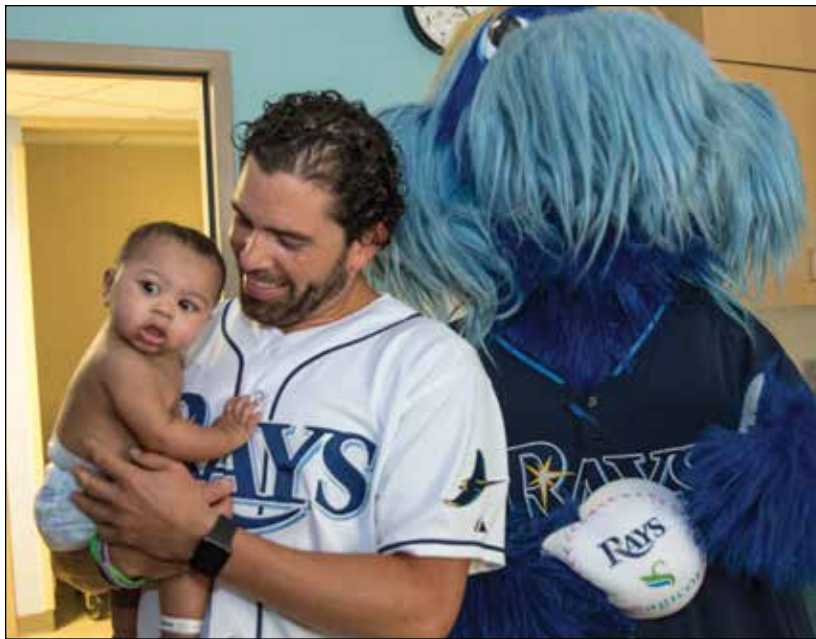


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**Tampa Bay Rays - Sagikor Life Insurance Company - USA**

SLIC currently runs two community programmes with the Tampa Bay Rays' Sponsorship. The 'Junior Announcer Sweepstakes' provides children aged eight to sixteen with the opportunity to be an announcer for one inning during a Rays' home game. Junior Announcers were selected for every Sunday home game throughout the 2015 season. The second programme, 'Salute to Education', recognises Tampa Bay area educators. At every other home game, 40 in total, current and former teachers attending the game are asked to stand and be recognised on the stadium's video scoreboard for Sagikor Life's salute to education.

SLIC and the Tampa Bay Rays conducted three visits to All Children's Hospital during the season. Players, along with the team mascot, Raymond, interacted with the children, sharing Sagikor baseball pillows, and bringing smiles to the faces of, not only the young patients, but their parents and hospital staff as well. Sagikor staff members were on hand to assist the players with their rounds.



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**Habitat for Humanity - Sagikor Life Insurance Company - USA**

In March, fifteen associates from the SLIC's Scottsdale office met in North Phoenix to put the finishing touches to the outside of a new home built through the Habitat for Humanity organisation. More than 4 tons of landscaping rock was shoveled, rolled, dumped and placed by the team. Staff also dug water line trenches, planted shrubs and a tree and leveled both the side and back gardens. Another team of five Scottsdale associates followed up to clean the inside of the home from top to bottom. Later, in September, employees from the Scottsdale office helped hang drywall. Many of the volunteers were on site by 6:15 am, and the level of experience for hanging drywall ranged from novice to 'old pro'. Sagikor volunteers donated their time and abilities to this worthwhile project as part of our Corporate Giving Programme. Habitat for Humanity is a nonprofit, ecumenical Christian

6. A 'Junior Announcer Sweepstakes' winner, during a Tampa Bay Rays' home game.

7. Tampa Bay Rays' team member on a visit to the All Children's Hospital with team mascot, Raymond.



ministry which supports people in need, regardless of race or religion, and welcomes volunteers and supporters from all backgrounds.

#### **Dominica Relief Effort - Sagikor Group of Companies**

In August 2015, the island of Dominica sustained significant damage due to the passage of Tropical Storm Erika. A band of torrential rain caused by the system resulted in 6 to 8 inches of rainfall in less than twelve hours, and triggered massive flooding and several landslides, which resulted in families losing their homes. In addition to the loss of lives, and personal belongings, there was also total destruction of subsistence crops. Directly after Erika, the general population of Dominica, Sagikor staff included, were in need of assistance for basic necessities at the beginning of the recovery process. An internal Crisis Management Team was set up immediately to plan the support for Sagikor staff and the wider community. All companies within the Group participated.

In an effort to support the employees and their families in Dominica, financial donations were collected across Barbados, Trinidad and Tobago and the Eastern Caribbean. In the US, SLIC donated the funds collected during its September Casual Dress Days, as well as additional funds donated from its team members. Senior Management from all Sagikor companies committed to matching the staff donations. In support of the wider Dominica community, staff members donated an array of items detailed in the Red Cross List of Emergency Supplies. More than 180 boxes of dried food goods, personal hygiene items and safety equipment were shipped to Dominica to those in need.

Time and time again, we have seen an exemplary response from Sagikor staff, demonstrating a high level of generosity and compassion to those facing adversity. Whether it was hurricane Ivan or Katrina ravaging the Gulf Coast, or tornados ripping through Oklahoma, our staff have been there and they are to be commended for their actions.



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8. SLIC Volunteers putting the finishing touches on a home for 'Habitat for Humanity'.
9. President and Chief Operating Officer, Bart Catmull, presenting a donation raised by SLIC Staff to Donald Austin, President and Chief Executive Officer, Sagikor Life Eastern Caribbean Limited, to assist the Sagikor team in Dominica after the passing of Tropical Storm Erika.



## IN OUR COMMUNITIES

### Sports

Throughout the Caribbean, sports are a unifying cultural mainstay and a part of everyday life. To Sagicor, sport is a cultural and social phenomenon. Sport plays an important role in people's daily lives, and acts as a force that brings them together, providing a sense of unity. Sagicor's support to sports has bolstered programmes designed to train and mould promising sportsmen and women, coaches and sports administrators, enabling them for service at the international level.

## SPORTS

### **National Sports Council Summer Camp - Sagicor Life Inc - Barbados**

During the months of July and August, the Barbados National Sports Council hosts a summer camp for children aged eight to sixteen. For several years, SLI has sponsored the summer programme, offering twenty-five sports disciplines at various locations across the island. Several workshops and special visits took place during the camp, and 2015 welcomed a special session from the Sagicor University of the West Indies Cricket Team. Cricketers Pedro Collins and Ryan Hinds conducted a practice session with the cricket group, as well as hosted a friendly match. Campers also benefited from a session with Krystal Boyea, who educated the children about diabetes. Krystal is a recognised Ambassador and Spokesperson for Diabetes in the Caribbean, having been diagnosed with the disease as a very young child.

### **Inter Schools' Athletics - Sagicor Life Inc - St Kitts and Nevis**

SLI renewed its sponsorship of the annual Inter-Schools' Athletics Championship. Over three days of competition at the Silver Jubilee Stadium, athletes from the island's eleven secondary schools competed for national records, as well as the opportunity to represent their country at the annual CARIFTA (Caribbean Free Trade Association) Games.

### **Regional Police Cricket 20/20 - Sagicor Life (Eastern Caribbean) Inc - St Vincent and the Grenadines**

Sagicor supported the Royal St Vincent and the Grenadines' Police Force with their Regional Police Cricket 20/20 Tournament on Easter Weekend. The tournament, which takes place annually among member states of the Regional Security System (RSS), saw teams from St Vincent and the Grenadines, Barbados, Grenada, St Lucia and Trinidad and Tobago, all vying for the championship.

### **Sagicor Twenty/20 and Shield Tournaments - Sagicor General Insurance - Barbados**

Sagicor General Insurance (SGI) has become synonymous with cricket sponsorship, and the Sagicor General Insurance Twenty/20 Competition and

the Sagicor General Shield tournament are two of the largest competitions at the local level. They attracted several local teams, and the standard of competition was high.

### **Barbados Association of Classic Cars - Sagicor General Insurance - Barbados**

Sagicor was the proud sponsor of the Association's car show, held at Content, St Thomas, in July 2015. Many patrons came out to support the event and to view the cars, many of which pre-dated 1985.

### **St Andrews Invitational - Sagicor Life Inc - Trinidad and Tobago**

The event, now in its 15th year, is one of the most prestigious tournaments in Trinidad and Tobago, and attracts the country's elite golfers from over six golf clubs nationwide. The main focus of this tournament was on gross scores and no handicaps. The participants were awarded points based on their performance, towards selection for the Trinidad and Tobago national golf team.

1 A 1954 Ford Popular at the Classic Car Show.



**Sagicor Kids on the Green - Sagicor Life Inc - Trinidad and Tobago**

Sagicor hosted 'Sagicor Kids on the Greens', where staff members and their children teed off, after some practice sessions on the putting greens with a St Andrews' golf coach.

**Sagicor Junior Tennis - Sagicor Life Inc - Trinidad and Tobago**

The 13th Sagicor Junior Tennis Tournament took place in July, at the Eddie Taylor Public Courts, Nelson Mandela Park, where 115 contenders vied for top trophies and cash prizes.

**CariFin - Sagicor Life Inc - Trinidad and Tobago**

Sagicor was well represented in the 2015 CariFin Games, with over 50 employees from both Sagicor Life Inc and Sagicor General taking up the challenge. CariFin is focused on promoting health and fitness among workers in the financial sector. The Games are a series of events held over several months, with the Torch Run in April signalling the start of the Games. Other

elements of CariFin include The Urban Challenge, a series of three challenges in and around the Port of Spain, Queens Park area, a Fitness Burnout in May and a Cross-Country Run. The 2015 Games were particularly thrilling, as SLI TT employee, Adona Joseph, won three of the events and placed 2nd in two others in her very first year of competition.

**National Association of Athletics Administration (NAAA) Senior Championships - Sagicor Life Inc - Trinidad and Tobago**

For the 12th year, Sagicor was title sponsor for the NAAA Senior Championships. Over the years, Sagicor and the NAAA have forged a partnership which has seen Sagicor become an integral part of the Games Committee - the forum that provides local athletes with the opportunity to pre-qualify for major international track and field events, such as the Commonwealth Games, IAAF World Championships and the Olympics.

- 2. *Sagicor UWI Cricket team player, Ryan Hinds, giving campers a few pointers on batting at the National Sports Council Summer Camp.*
- 3. *Golfers getting ready to tee off at the St Andrews Golf Club, Moka, Trinidad.*



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- 4. A budding tennis player at the 13th Sagicor Junior Tennis Tournament.
- 5. Sagicor Life Inc Trinidad employee, Adona Joseph, crossing finish line at the Cross Country Run at Sevilla Golf Course during the CariFin Fun Day.



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**National Athletic Championships - Sagicor Group Jamaica Limited - Jamaica**

The annual two-day Meet was implemented by SGJ as their contribution to youth sport. This Championship included 1,200 Primary, all-age and Junior High school student athletes participating from 800 schools across the island. The Champion Boy and Girl at this athletic meet received five-year scholarships to further their education at the secondary level.

**Arizona State University - Sagicor Life Insurance Company - USA**

SLIC sponsored Arizona State University's football, basketball and baseball programmes. During the football season, Sagicor provided a unique opportunity for children, ages six to twelve years, to be a "Sagicor Kick Off Kid". A child is selected for each home game to run out on the field after the kick off to collect the kicking tee. The child and family, who receive VIP tickets to the game, are also featured on the video board as they run out on the field to retrieve the kicking tee. The 2015 programme was extended to include women's basketball, volleyball and softball teams.

**Brigham Young University Athletics - Sagicor Life Insurance Company - USA**

As part of its 2015 promotional activities for the launch of the Sagicor Benfell Agency in Utah, SLIC supported Brigham Young University (BYU) Athletics. The BYU sponsorship presented the new Agency, as well as SLIC, at a national game, as the University has strong alumni support around the country. Several of BYU's football games were televised nationally.

**Knights of Columbus Golf - Sagicor Life Insurance Company - USA**

In early April, SLIC sponsored a hole in the Knights of Columbus Golf (KofC) outing and fundraiser. KofC supports many charitable organisations which help the less-fortunate in the Arizona communities. In 2015, KofC was able to make an immediate donation to charitable organisation, St. Vincent de Paul.

**Save the Tiger - Sagicor Life Insurance Company - USA**

The 3rd annual "Save the Tiger" 5K Race was held in May, at the Palm Beach Zoo. "Save the Tiger" is one of two annual Palm Beach Zoo 5K races that are

sponsored by SLIC. This particular race supports the maintenance and care of the Malayan Tiger exhibit. Malayan Tigers are an endangered species.

The sponsorship of the Palm Beach Zoo encourages the local community by supporting a world-class Zoo. 2015's event was the best yet, attracting record participants and raising more funds for the Zoo than the year before.

**National Arthritis Awareness Month - Sagicor Life Insurance Company - USA**

The Walk to Cure Arthritis was held during the month of May, offering a three-mile and a one-mile course for the walkers, as well as featuring arthritis information and activities for those in attendance. SLIC has been raising and donating funds, as well as participating in the Walk to Cure Arthritis for six years. The event has become an annual tradition for the company.

**Phoenix Children's Hospital - Sagicor Life Insurance Company - USA**

The Phoenix Children's Hospital (PCH) golf tournament is one of the premier charity golf tournaments in Arizona, attracting more than 300 of the community's most active and affluent business leaders. Over the past sixteen years, the tournament has raised more than \$4.8 million in funding to support the outstanding medical care provided at the Hospital. Sagicor has been an active supporter of PCH, and a sponsor and participant in the annual golf outing for a number of years. The 17th Annual Phoenix Children's Hospital Golf Tournament was held in November, at the Troon North Golf Club in Scottsdale.



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- 6. Track and field athletes race at the Sagcor/National Association of Athletics Administration (NAAA) Senior Championships.
- 7. Team Sagcor at the presentation for the Phoenix Children's Hospital Golf Tournament.



# HUMAN CAPITAL REPORT



## THE VICTORINS

### Anse La Raye, St Lucia

One observes a quiet dignity from the Victorins. It's reflected in their determination when they speak of their future, and the importance of education for daughter Phoebe's future successes. It seems only fitting that the time they spend together often involves taking in the natural beauty of St Lucia. When twelve-year-old Phoebe isn't busy studying, the Victorins like to visit the scenic town of Soufrière and other wonders of their island.

To protect moments like these, and support new ones, they turned to Sagicor. "We selected Sagicor as our preferred insurance company on the basis of reputation, variety and, most importantly, affordability." When asked about the coverage they receive, Gracelyn explained: "Each service is beneficial, and provides protection against loss of income in the event of critical illness, plus a start for our daughter to pursue her academic desires."

The Victorins make it a priority to savour life's special moments – even the homework that accompanies them.



## HUMAN CAPITAL REPORT

### TALENT MANAGEMENT AND WORKFORCE PLANNING

Having completed a series of assessments of the business activity chain, the project team on the Process Review and Optimisation (PRO) initiative, which was launched in 2014, provided recommendations for certain changes that would improve efficiency, and which would be implemented in the next cycle of the strategic plans.

EXL Services, an international business process solutions firm, continues to assist the company with this project.

The PRO initiative aims to:

- Overhaul our processes and systems, reducing complexity and inefficiencies;
- Create a culture of continuous improvement, driven by measurement and analysis of performance metrics;
- Provide our customers with a wider range of products and services at improved value;
- Improve the work experience of our staff, and deliver better returns to our shareholders.

### CORPORATE APPOINTMENTS

The registration of Sagicor Life (Eastern Caribbean) Inc led to the appointment of Mr Donald Austin to the post of Chief Executive Officer for this entity, and the appointment of key management in St Lucia to support our Eastern Caribbean strategy.

### SUCCESSION PLANNING

The Human Resources Committee of the Board of Directors and management completed interviews with suitably qualified talent

across the Sagicor Group of Companies for certain key positions during 2015.

Succession plans were updated in Phase 1 of this project, which included assessing the existing bench strength, conducting competency profiling interviews and developing competency profiles for key leadership roles.

Group companies introduced Leadership Development Programmes and other training interventions for both administrative and sales managers to develop required competencies.

### TRAINING AND DEVELOPMENT

Sagicor Life Inc, in conjunction with the Cave Hill School of Business, announced the launch of The Sagicor Corporate University, exclusively created to offer education and training in a customised in-house format. The 2016 calendar includes a High Potential Leaders Programme and a Mentoring and Coaching Skills programme.

### LEADERSHIP DEVELOPMENT

Assistant Vice Presidents and Managers attended two workshops facilitated by LIMRA. The workshops, Power to Connect and Mentoring for Impact, gave participants the skills to tailor their communication styles, which will ultimately affect productive, cohesive teams, and nurture a corporate culture of mentoring, which will leverage talent and achieve peak performance.

### COMPETENCY-BASED TRAINING FUND

In December 2014, Sagicor Life Inc was informed that the company had been awarded approximately US \$400,000 in training funding through the Competency-Based Training Fund, an Inter American Development Bank project with the Government of Barbados, under The Skills for the Future programme.

The company has partnered with the Barbados Institute of Management & Productivity (BIMAP) to provide this competency-based training, which will lead to the award of the internationally-recognised National Vocational Qualification (NVQ) Certification for employees who successfully complete the programme.

During 2015, employees attended courses in Customer Service, Management, Business Communication, Time Management, Conflict Management, Stress Management, and Sales and Leadership workshops.

In Trinidad and Tobago, training programmes focused on product development across group and individual product lines. Programme content for managers and supervisors included Performance Management, along with Planning and Monitoring. Supervisors graduated from the “Building Supervisory Excellence Programme” in July 2015, having successfully completed 10 modules of the programme over a six-month period.

The ‘Priority You’ customer care transformational project, which started in 2014, continued as part of the organisation’s market differentiation strategy. The programme includes a customer care vision and standards, service quality testing via mystery shopper exercises, training managers and supervisors in the service experience, and the appointment of “Priority You” Advocates.

Brian Moran, author of the “12 Week Year”, facilitated a one-day interactive training session with all sales and administrative managers, advisors and supervisors, introducing them to the disciplines and principles of high performance within the context of the twelve-week year. This transformed the traditional way of doing business by shortening the annual planning and execution cycle to a twelve-week model, thereby dispelling the low productivity which is sometimes associated with annualised thinking.

In Jamaica, Sagicor Group Jamaica Limited (SGJ) launched three new development programmes – Human Relations; Problem Solving and Decision Making, and Managing in an Environment of Change. Members of Sagicor Bank and Sagicor Investments focused on the new banking platform, T24. By December 2015, the company introduced the new e-banking features to its corporate clients.

A new Service Excellence programme was launched, focusing on Client Experience and Service Value. The three-day programme is now part of the on-boarding programme for new staff.

New recruits to sales teams now go through the Incubator programme, covering topics that include Ethics & Professionalism, Networking and Sales Skills.

SGJ’s Internship Programme gives recent university graduates an opportunity to gain valuable work experience, and an opportunity for the company to assess potential for critical professional and leadership roles. Interns later make a seamless transition into the workforce. This programme which began in 2013, has grown from sixteen participants to eighty-five in 2015. Some forty-three tertiary graduates have successfully transitioned from intern to team member status within the Sagicor Jamaica Group.

In the USA, management provided career and personal development opportunities for new trainees who, after completing a programme designed to enhance their leadership skills in the areas of New Business and Compliance, have been promoted into supervisory/management roles. Leadership training videos are now incorporated into management meetings to enhance current skills in the areas of communication and effective people management.

### **COMPLIANCE**

The Group continues training and testing of employees on FATCA and Money Laundering on an online platform. An annual disclosure process is used to support compliance with the company's Code of Business Conduct and Ethics.

### **EDUCATIONAL ACCOMPLISHMENTS**

The Fellow Life Management Institute (FLMI) programme is a 10-course professional development system that provides an industry-specific business education in the context of the insurance and financial services industry. Established in 1932, the programme is the world's largest university-level education programme in insurance and financial services. There are three levels of certification, the final of which is the Fellow, Life Management Institute (FLMI).

We proudly welcomed our newest Fellow Life Management Institute (FLMI) graduates:

- Samanta Pinder – Sales and Marketing – Sagicor Life Inc – Barbados.
- Krystal Bunting – Employee Benefits – Sagicor Life Inc – Trinidad and Tobago.
- Amanda Abraham – Employee Benefits – Sagicor Life Inc – Trinidad and Tobago.

### **HRIS**

Staff in the USA now enjoy the facilities of a new mobile application that gives them access to their pay statements, W-2's, and time-and-labour data from their mobile devices.

- Managers have access to time and labour data, time-off requests and approvals with their mobile devices.
- Employees have self-service features, enabling them to change their addresses and withholding exemptions, and

add/delete direct deposit information directly with ADP Payroll Service.

Staff in Sagicor Financial Corporation, Sagicor Life Inc, and Sagicor USA (SUSA) now have access to information on the status of their equity compensation via an online portal, providing easy access to grants, grant status and balances.

Upgrades to the current platform on Success Factors, which was rebranded as Sagicor Success, are scheduled for 2016, providing access to new modules and enhanced functionality for performance management, learning and development, communication and collaboration.

### **NATIONAL AND INTERNATIONAL AWARDS AND OTHER APPOINTMENTS IN 2015**

President & Chief Executive Officer, Sagicor Group Jamaica, Richard Byles, received the following awards:

1. International Achievement Award from the American Friends of Jamaica;
2. Manager of the Year from the Jamaica Institute of Management, and
3. Commitment Award from Jamaica College Boys' Association of Canada.

Executive Vice President and General Manager, Sagicor Life Inc – Trinidad and Tobago, Robert Trestrail, was appointed to the post of President of the Chamber of Commerce in Trinidad and Tobago.

## REWARDS AND RECOGNITION

Group companies recognised and celebrated the following achievements during 2015:



**Ben Davidson, AVP,  
Chief Underwriter - Sagicorian  
Award - the most outstanding  
Manager in the Sagicor Group of  
Companies for 2014.**

Ben was recognised for his vision, dedication and innovation when he developed and implemented a ground-breaking, automated underwriting process that we now know as Accelewriting®. The process allows a computerised system to make underwriting decisions based on very specific responses to underwriting questions and third party data. SUSA is the first life insurance company to implement a fully-automated underwriting system and, when coupled with SUSA's electronic application (eApp), the result is a much faster turnaround time for agents and a renewed interest in Sagicor's products.

Each year in the USA, the Insurance Accounting & Systems Association (IASA), along with the Ward Group, recognises insurance companies who have successfully implemented technology projects that are both innovative and impactful in guiding strategic direction, improving overall operational efficiency, or increasing revenue, by nominating them for the Technology Innovation Award.

To qualify, applicants must show a tangible, measurable impact on the insurer's business. Submissions are reviewed by a nine-member judging panel, comprising representatives from a wide cross-section of the industry, including insurance professionals, consultants and media. Sagicor was the second finalist for the 2015 Award, and was recognised for Accelewriting®.



**Pedro Medford - Sagicorian  
Award - the most outstanding  
Employee in the Sagicor Group of  
Companies for 2014.**

Pedro Medford is an Actuarial Assistant at Sagicor Life Inc, who led the implementation of the new monthly valuation process in 2014. Pedro's automated improvements reduced the work process cycle from 18 to 11-12 days, a 40% improvement in the overall process efficiency.

He is the student representative for the Caribbean Actuarial Association. A keen fitness enthusiast and motivator, he organises the exploits of 'Sagicor's Epic Walkers' in Sagicor Life Inc, Barbados.





**Markus Galuschka of Sagicor Life Inc in Barbados - Group Pioneer Award**

Markus was awarded for work completed on the GIAS Life Administration project. He also designed a Footprints Reporting Dashboard, improving the delivery of customer service.



**Garvin Ali of Sagicor General Inc (Trinidad and Tobago) - Group Contributor Award.**

Garvin was recognised for his outstanding team spirit and commitment to the organisation, and for his exceptional customer service.

**TOP PRODUCERS**



**Janice Mullin-Sargeant - Barbados**



**Loeri Robinson - Jamaica**



**Natalia Hidalgo - The Dutch Caribbean**



**Allan Kercelus - Trinidad and Tobago**



**Solange Magloire - The Eastern Caribbean**



**Evan Kleeger - The United States of America**

### COMMUNITY SERVICE

In the USA, Sagicor implemented a corporate giving programme that encourages employees to participate in community volunteer opportunities and embrace culture. This programme requires all employees to participate in 8 hours of community service with specified Sagicor-partnered organisations. Employees completed 1,713 hours of service in 2015, making a difference in our communities.

- St Mary's Food Bank - Scottsdale & Metropolitan Ministries - Tampa
- Broward Partnership - Plantation & Boys and Girls Club - Scottsdale
- Hillsborough School Foundation - Tampa
- Multiple organizations for Oklahoma and other locations.

Employees in Barbados volunteered for a YWCA programme, which received corporate support to provide breakfast to children.

### EMPLOYEE EVENTS

An important event on the annual staff agenda is the Kick-off Meetings held in each Group entity at the start of the year. These meetings are hosted by the Presidents and Chief Executive Officers under specific themes, and relevant to the corporate strategy. Group companies shared information on the past year's performance, corporate strategy, and celebrated significant achievements with staff. Motivational speakers helped set the tone for the new year's performance.

Employees enjoyed a highly diverse annual calendar of events, highlights of which included Christmas events, Movie Nights, Sagicor Spirit Day, Hat Day, Tropical Day, Favourite Football Team Day and Team building and Health events. The Mr and Miss Sagicor Competition and the Sagicor Grande Market Expo, where team members showcase their talents, creativity and entrepreneurial spirit, are novel events in Jamaica. The Annual Great Train Hike in Barbados challenged the minds and bodies of several of the bravest employees and walking enthusiasts to complete the 26-mile journey.

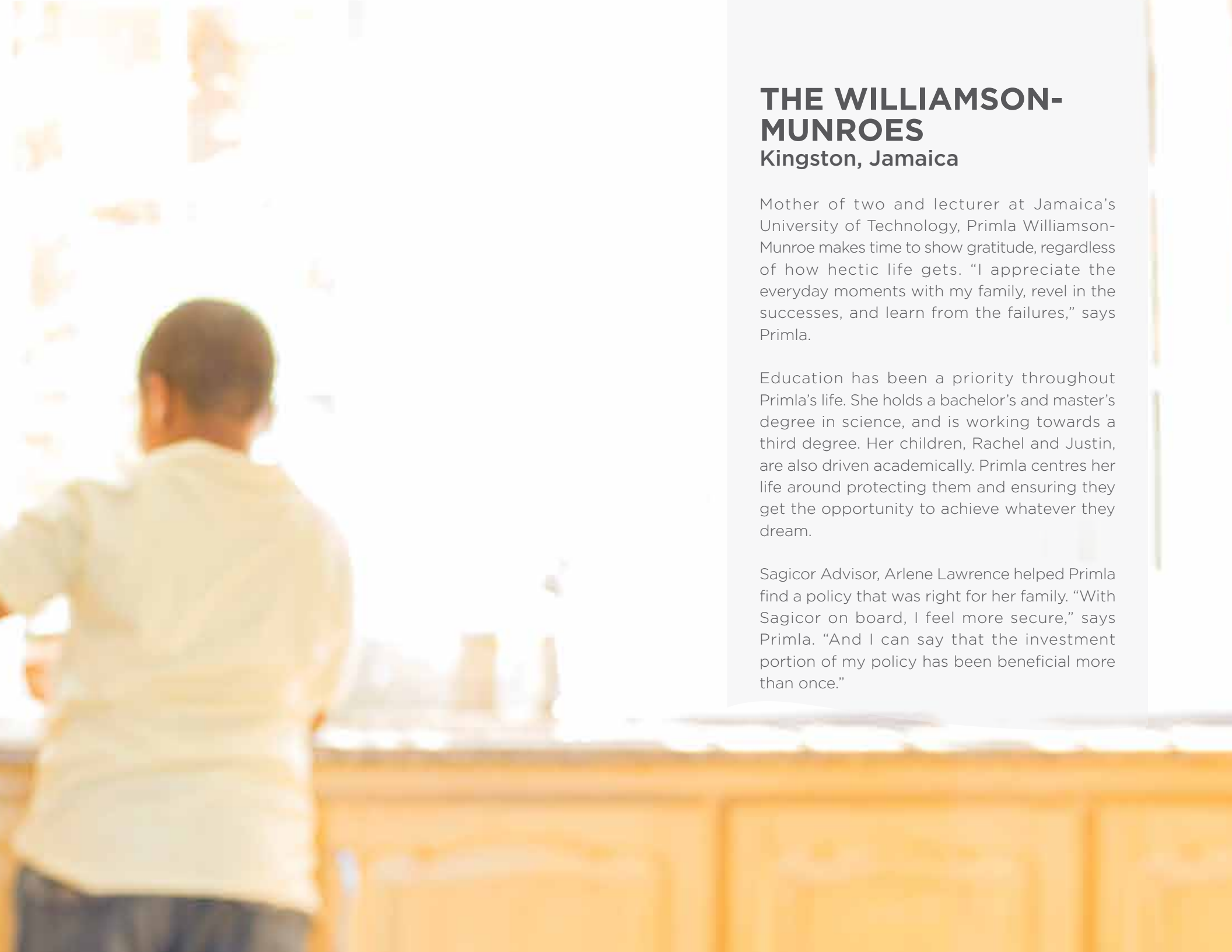
AM Best assigns Barbados Mutual Life Assurance Society an "A" FSR, reflecting a



solid reputation in financial strength, strategic management and operating effectiveness.



# OPERATING & FINANCIAL REVIEW



## **THE WILLIAMSON- MUNROES**

**Kingston, Jamaica**

Mother of two and lecturer at Jamaica's University of Technology, Primla Williamson-Munroe makes time to show gratitude, regardless of how hectic life gets. "I appreciate the everyday moments with my family, revel in the successes, and learn from the failures," says Primla.

Education has been a priority throughout Primla's life. She holds a bachelor's and master's degree in science, and is working towards a third degree. Her children, Rachel and Justin, are also driven academically. Primla centres her life around protecting them and ensuring they get the opportunity to achieve whatever they dream.

Sagicor Advisor, Arlene Lawrence helped Primla find a policy that was right for her family. "With Sagicor on board, I feel more secure," says Primla. "And I can say that the investment portion of my policy has been beneficial more than once."



## OPERATING AND FINANCIAL REVIEW

### OVERVIEW

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

The main insurance lines are life insurance, annuities and pension management, health insurance and property and casualty insurance. The customer base is predominately individuals, but certain lines are marketed to employers to provide employee benefits, and to commercial enterprises to provide property and casualty products.

### EXTERNAL ENVIRONMENT

The external environment impacts the operating and financial performance of the Sagicor Group.

Economic factors, such as economic growth, employment levels and disposable income impact the levels of both new business and renewal life insurance and annuity products offered by the Group. Interest rates and investment yields affect the level of savings and investment returns offered for life insurance, annuities and banking products, and ultimately the profit margins that the Group can generate from these product lines.

The health and mortality of insured customers and beneficiaries impact the levels of death, disability and health benefits the Group is required to meet.

Property and casualty insurance products offer policyholders financial protection against loss or damage to property, accidents, and liability to third parties.

The Group's operating units are all regulated by insurance, banking and securities regulations. The Group therefore has to meet statutory and reporting requirements to governments and government agencies.

### Economic Environment

The year 2015 saw continued subdued economic growth globally, with emerging and developing markets experiencing a prolonged decline. For the advanced economies, the modest recovery continued; in the USA, growth remained constant at 2.4%, while the economies of Europe and Japan experienced improved growth of 1.5% and 0.6%, respectively. The USA started to tighten monetary policy as short-term interest rates were increased in December, while Europe and Japan prolonged their accommodative fiscal and monetary policies throughout 2015. Furthermore, the continued sharp and extended decline in oil prices, as well as the gradual slowdown of the Chinese economy, negatively impacted global growth. In light of weaker-than-expected growth in emerging markets such as China, Brazil and the Middle East, the International Monetary Fund revised downward its projections for global growth by 0.2% to 3.4% for 2016.

In the USA, economic indicators were mixed. Consumer-spending slowed during the fourth quarter of 2015, while the unemployment rate trended down to 5.0% in December. The US dollar strengthened during the year, which led to a decline in exports, while the Federal Reserve raised the Fed funds rate by 25 basis points. Inflation remained subdued and was recorded at 0.7% in December.

In Europe, the low level of inflation, coupled with the generally weak investment climate and persistently high unemployment, continued to weigh on economic growth. Therefore, the European Central Bank (ECB)

Sagicor Financial Corporation is established. 45,000 policyholders are awarded shares as a result of demutualization, which



helped Sagicor compete in a global arena. Sagicor launches the most successful IPO in the history of the Caribbean.

maintained its relaxed fiscal policy stance and further decreased the already-negative interest rates to an unprecedentedly low level.

Regionally, economic growth across the majority of Caribbean countries trended positively, albeit at relatively low levels. However, the protracted economic challenges of burdensome fiscal deficits, increasing debt levels, as well as dwindling foreign direct investment, remained hindrances to the economic stability of the region.

Conversely, there was enhanced recovery in the tourism sector, which generally showed moderate improvement for tourism-based economies.

The Barbados economy experienced modest expansion of 0.5% in 2015, which was supported by improved growth within the tourism sector. Trinidad and Tobago and Jamaica experienced real GDP growth for 2015 of 0.2% and 1.5% (September 2015) respectively. The level of unemployment remained high across the region, while the level of inflation trended lower and remained positively correlated with the decline in global oil prices.

In Jamaica, areas of expansion were in manufacturing, tourism, and other services, while the slowdown of growth in the Trinidad and Tobago economy was due to the fall in production of crude oil and natural gas, and also tepid activity in distribution and construction. Trinidad and Tobago's budgetary price assumptions for oil have remained at US \$45 per barrel. Trinidad and Tobago's Repo rate increased to 4.75%, up from 3.5% recorded in January 2015.

Throughout 2015, the US dollar rallied against major international currencies. In the region, the Jamaica dollar depreciated relative to the US dollar by an annualised rate of 5.0%.

## Regulation

### Insurance Regulation

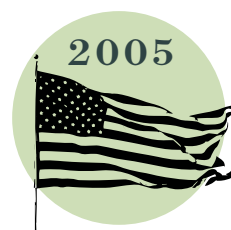
There have been no significant legislative changes in the insurance sphere in the Caribbean during 2015. However, the following revisions to insurance legislation have been initiated, and are contemplated in the near future:

- A new Insurance Act to repeal the existing legislation in Trinidad together with regulations; delayed until 2016.
- Harmonised Insurance Act in the Eastern Caribbean to repeal existing legislation in the eight EC territories; pending industry consultation
- In the USA, enhanced Risk Based Capital Rules are proposed.
- In Belize, the Private Pensions Act 2016 was gazetted on March 19, 2016, after revisions were made to it in late 2015, and applies to every pension plan that is established by an employer for persons employed in Belize, or in respect of which, an employer makes contributions. The Act excludes certain statutory entities, pension plans for government officials and certain public officers and social security pensioners. The Act strengthens pension oversight, and provides for membership, vetting and retirement age, ancillary and death benefits, locking-in and portability, wind up, surplus, asset transfers and conversion. Pension regulations are to be implemented in the near future.

### Banking

With regard to legislative changes in the banking arena, in Jamaica, the Banking Services Act, 2014 repealed the Banking Act and Financial Institutions Act, and amended the Bank of Jamaica Act and the Building Societies Act. It consolidated three deposit-taking statutes – The Banking Act, The Financial Institutions Act and The Bank of Jamaica's (Building Societies) Regulations – into a single piece of legislation, and came into

Sagikor Group enters the US market through the acquisition of Laurel Life Insurance Company and its subsidiary



American Founders Life Insurance Company (AFLIC). It rebrands to Sagikor Life Insurance Company.

effect on September 30, 2015. Its purpose is to further strengthen oversight of the deposit-taking financial sector, and achieve greater conformity with the Basel Core Principles. Subsidiary Rules and Regulations were also implemented in 2015.

#### GROUP RESULTS

Revenues from continuing operations in 2015 totalled US \$1,104 million, and were US \$59 million higher than the prior year amount of US \$1,045 million. The prior year included US \$29.1 million in negative goodwill on the acquisition of a banking operation in Jamaica. Revenues in 2015 were impacted by higher premium growth, when compared to 2014. Investment income and Fees and other revenue were also higher than the prior year amounts as a result of the full-year impact of the RBC banking operation in Jamaica, which was acquired on June 27, 2014.

Insurance and other benefits increased in 2015 to a total of US \$553 million, compared to a total of US \$542 million in 2014. Expenses and taxes increased, reaching US \$453 million in 2015, as compared to a total of US \$403 million in 2014. Expenses now include 12 months of operating costs on the banking business acquired in Jamaica, compared to 6 months in 2014. During 2015, the Group also incurred additional finance costs. Firstly, US \$6.8 million were incurred related to the early redemption of the US \$150.0 million senior notes which were due to mature in May 2016. Secondly, financing costs of US \$11.8 million arose from the pre-funding of redemptions of the Convertible Redeemable Preference Shares and the Short-term Notes, also due to mature in mid-2016 and the above mentioned senior notes.

Total comprehensive income from continuing operations was US \$21 million in 2015, compared to US \$107 million in 2014.

<b>CONSOLIDATED INCOME <sup>1</sup> - \$ millions</b>	<b>2015</b>	<b>2014</b>
Revenue	1,104	1,045
Benefits	(553)	(542)
Expenses & taxes	(453)	(403)
<b>Net income</b>	<b>98</b>	<b>100</b>
<b>COMPREHENSIVE INCOME</b>	<b>2015</b>	<b>2014</b>
Other comprehensive (loss) / income	(77)	7
<b>Total comprehensive income</b>	<b>21</b>	<b>107</b>
<i><sup>1</sup> from continuing operations</i>		

Other comprehensive income was a loss of US \$77 million, compared to income of US \$7 million in 2014. Comprehensive income in 2015 was impacted by mark-to-market declines on financial assets associated with our international portfolios. These changes resulted from volatility in international bond prices, reflecting concerns over global economic growth, and uncertainty surrounding the Federal Reserve's monetary policy. The Jamaica dollar declined against the US dollar by 4.8% for 2015, compared to 7.8% for 2014, contributing to currency retranslation losses of US \$16 million.

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

#### Shareholder Returns

The Group's net income and comprehensive income are allocated to the equity owners of the respective Group companies in accordance with their

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

For the 2015 financial year, US \$56 million of net income from continuing operations were allocated to the holders of common shares of Sagicor Financial Corporation, which corresponded to earnings per share of US 18.2 cents. The comparative amounts for 2014 were US \$54 million of net income and earnings per share of US 17.3 cents. The respective annual returns on shareholders' equity were 11.7% for 2015 and 11.2% for 2014.

Dividends declared to common shareholders in respect of 2015 totalled US \$12 million, and represented US 4 cents per share. The same amounts were declared for 2014.

COMMON SHAREHOLDER RETURNS <sup>1</sup>	2015	2014
Net income - \$ millions	56	54
Dividends - \$ millions	12	12
Earnings per share - cents	18.2	17.3
Dividends per share - cents	4.0	4.0
Return on equity - %	11.7	11.2
<sup>1</sup> from continuing operations except for dividends.		

#### Revenue

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

REVENUE - \$ millions	2015	2014
Net insurance premiums:		
Life and annuity	506	461
Health	150	146
Property & casualty	18	19
	674	626
Net investment income	322	307
Fees and other revenues	109	83
Gain arising on acquisition	(1)	29
	1,104	1,045

Premium revenue from life insurance and annuity was US \$506 million, and represented 75% of total premium revenue. The comparative amounts for 2014 were US \$461 million and 74%. The Group markets a range of life and annuity products, most of which are long-term contracts for which a monthly premium is paid by the customer.

For some long-term contracts, however, a single premium (usually a lump sum) is paid at the beginning of the contract. There are also annual renewable contracts which are marketed largely to employers to provide coverage to their employees on a group basis.

The Group also markets annual renewable health insurance contracts to employers and associations. These provide benefits against medical costs incurred by insured persons. Premium revenue from health insurance totalled US \$150 million, an increase of US \$4 million over the 2014 total.

The Group also markets property and casualty insurance contracts in the Caribbean region. These are marketed to individuals and commercial enterprises. Premium revenue from these classes of insurance totalled US \$18 million, and was in line with the prior year comparative amount.



Income is generated from the investments made by the Group. Net investment income closed the year at US \$322 million, compared to US \$307 million in 2014. The annual yields achieved on financial investments were as follows.

INTEREST YIELDS	2015	2014
Debt securities	6.4%	6.3%
Mortgage loans	6.5%	6.6%
Policy loans	7.3%	7.5%
Finance loans & finance leases	12.7%	11.4%
Securities purchased for resale	2.4%	5.6%
Deposits	0.9%	1.7%

Income from fees and other revenues totalled US \$109 million, as compared to the 2014 level of US \$83 million, and includes the impact of the RBC Royal Bank's operation in Jamaica, which was acquired on June 27, 2014, and therefore, contributed 12 month results compared to 6 months in the prior year.

The 2014 comparative amount was impacted by the fact that, on June 26, 2014, the Group completed the acquisition of RBC Royal Bank's Jamaica banking operations and rebranded the business as Sagicor Bank. After determining the fair value of acquired assets and liabilities of the business, the Group experienced negative goodwill on acquisition of US \$29 million.

#### Benefits

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

BENEFITS - \$ millions	2015	2014
Net insurance benefits:		
Life and annuity	373	363
Health	111	108
Property and casualty	10	8
	<hr/>	<hr/>
	494	479
Interest expense	59	63
	<hr/>	<hr/>
	<b>553</b>	<b>542</b>

Insurance benefits comprise amounts payable to policyholders and beneficiaries, in accordance with the contract terms of insurance policies issued or assumed by the Group. Interest payable to investment contract-holders or financial institutions, which have placed funds with the Group are treated as interest benefits. Current life insurance and annuity benefits are recognised on the notification of death, disability or critical illness of an insured person; on the maturity or surrender of a policy; on the declaration of a policy bonus or dividend, or an annuity payment date. Future life insurance and annuity benefits are recognised in the financial statements on in-force long-term insurance contracts based on reserving methodologies adopted by the Group, in accordance with established Canadian accepted actuarial standards.

Life and annuity benefits totalled US \$373 million in 2015, of which US \$346 million related to current benefits, and US \$27 million related to future benefits. The corresponding amounts for 2014 were a total of US \$363 million, of which US \$322 million were for current benefits, and US \$41 million were in respect of future benefits.

The amount of future benefits recorded in the statement of income is a function of the policy contracts in-force, and of the appropriate actuarial assumptions which are made to value them.

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

Total health insurance benefits were US \$111 million, representing an overall claims to premium ratio of 74%. The comparative 2014 amounts were US \$108 million, and an overall claims to premium ratio of 74%. Property and casualty claims amounted to US \$10 million in 2015, an increase of US \$2 million from the 2014 comparative figure.

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

INTEREST YIELDS	2015	2014
Investment contracts	5.2%	5.4%
Other funding instruments	2.2%	2.0%
Customer deposits	1.9%	2.6%
Securities sold for repurchase	3.7%	5.0%

#### Expenses and taxes

EXPENSES & TAXES - \$ millions	2015	2014
Administrative expenses	252	234
Commissions	105	98
Finance costs, depreciation and amortisation	56	43
Premium, asset and income taxes	40	28
	<u>453</u>	<u>403</u>

Expenses and taxes totalled US \$453 million for 2015, up from US \$403 million for 2014.

Administrative Expenses represent the largest expense category and totalled US \$252 million in 2015, compared to US \$234 million in 2014. The increase in expenses reflected expenses incurred with the inclusion of the operation and integration of the RBC Royal Bank's Jamaica banking operation for the entire year, compared to six months in 2014. The banking operation was acquired on June 27, 2014.

Finance costs, depreciation and amortisation incurred was US \$56 million, compared to US \$43 million in 2014. On August 11, 2015, Sagicor refinanced its total debt with the issuance of US \$320.0 million seven-year Senior Notes, repayable in 2022. The notes were issued to refinance the existing US \$150 million Senior Notes, Convertible Redeemable Preference Shares and other Short-Term Notes all of which mature 2016. On September 10, 2015, the company early redeemed the US \$150.0 million 7.50% 2016 Senior Notes due to mature in May 2016, incurring additional finance costs of US \$6.8 million in the process. Further financing costs of US \$11.8 million arose from the pre-funding of redemptions of the Convertible Redeemable Preference Shares, the Short-Term Notes, and the above mentioned Senior Notes, all due to mature in mid-2016.

Commissions represent compensation and benefits payable to insurance agents and brokers who generate new and renewal premium revenue for the Group. Commissions totalled US \$105 million for 2015, compared to US \$98 million for 2014.

The Group is subject to a variety of direct taxes, with premium and income taxes comprising the main types of tax. Taxes are incurred in the jurisdiction in which the income is generated. Premium tax is customarily a percentage of gross premium revenue, while income tax is usually either a percentage of investment income or a percentage of profits. Higher asset taxes were experienced in 2015, when compared to the prior year.

Comprehensive income

Gains and losses recorded within other comprehensive income arise from fair value changes of certain classes of assets and from the retranslation of foreign currency operations.

There was a comprehensive loss of US \$77 million, compared to income of US \$7 million in 2014. Comprehensive income in 2015 was impacted by mark-to-market declines on financial assets associated with our international portfolios. These changes resulted from volatility in international bond prices, reflecting concerns over global economic growth, and uncertainty surrounding the Federal Reserve's monetary policy. The Jamaica dollar declined against the US dollar by 4.8% for 2015, compared to 7.8% for 2014, contributing to currency retranslation losses of US \$16 million.

Net income and other comprehensive income together result in total comprehensive income. Summarising the Group's results from continuing operations, total comprehensive income was US \$21 million for 2015, compared to US \$107 million for 2014.

**GROUP FINANCIAL POSITION**

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

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

The table below summarises the consolidated financial position of Sagicor as of December 31, 2015 and 2014.

STATEMENT OF FINANCIAL POSITION - \$ millions	2015	2014
Assets	<b>6,400</b>	<b>6,180</b>
Liabilities arising from operations	5,185	5,107
Borrowings	476	299
Equity	739	774
	<b>6,400</b>	<b>6,180</b>

Assets

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

INVESTMENTS & CASH - \$ millions	2015 <sup>1</sup>	2014 <sup>1</sup>
Debt securities	3,418	3,448
Mortgage loans	341	294
Policy loans	132	133
Finance loans and finance leases	436	411
Securities purchased for re-sale	8	32
Deposits	261	127
Cash	250	403
Investment property and other items	394	347
	<b>5,240</b>	<b>5,195</b>
<sup>1</sup> continuing operations		

Debt securities are the largest class of invested assets, and represented 65% of total investments and cash as of December 31, 2015 (66% as of December 31, 2014). These securities are very suitable instruments to back long-term insurance liabilities, because of their medium to long term duration, the regular interest payments received, and the relatively low credit risk.

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

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

#### Liabilities arising from operations

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

<b>INSURANCE LIABILITIES - \$ millions</b>	<b>2015 <sup>1</sup></b>	<b>2014 <sup>1</sup></b>
Future benefits - individual contracts	2,207	2,137
Future benefits - group contracts	426	426
Current benefits and other payables	245	242
	<b>2,878</b>	<b>2,805</b>
<sup>1</sup> continuing operations		

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

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

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

<b>FINANCIAL LIABILITIES - \$ millions</b>	<b>2015</b>	<b>2014</b>
Investment contracts	369	361
Securities sold for re-purchase	520	665
Customer deposits	670	571
Other funding instruments and other items	383	369
	<b>1,942</b>	<b>1,966</b>

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

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

The discontinued operation (Sagikor at Lloyds) was sold on December 23, 2013. There is a liability of US \$46 million (2014 US \$46 million) relating to future price adjustments on the run off of the 2011, 2012, and 2013 underwriting years of account.



**Capital**

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

<b>EQUITY &amp; BORROWINGS - \$ millions</b>	<b>2015</b>	<b>2014</b>
Common shareholders' equity	502	522
Preference shareholders' balances	120	118
Minority interest shareholders' balances	232	242
7.5% senior notes due 2016	0	147
8.875% senior notes due 2022	314	0
4.6% notes due 2015	45	43
Participating accounts & other	2	1
	<b>1,215</b>	<b>1,073</b>
<b>Classified as:</b>		
Equity	739	774
Borrowings	476	299
	<b>1,215</b>	<b>1,073</b>

304,494,131 common shares of Sagicor Financial Corporation are outstanding and are tradable on the Barbados, Trinidad & Tobago and London Stock Exchanges. 120 million convertible redeemable 5-year 6.5% preference shares were issued by the Company in 2011, and these are also tradable on the Barbados and Trinidad and Tobago Stock Exchanges. Common shares of certain subsidiaries are held by minority interests primarily in Jamaica, where those shares are tradable on the local Stock Exchange.

On September 10, 2015, the Company redeemed, before maturity, the US \$150.0 million 7.5% 2016 senior notes.

On August 11, 2015, the Group issued seven-year senior notes in the amount of US \$320.0 million, which are repayable in 2022. The notes carry a fixed annual rate of interest of 8.875% payable semi-annually.

On December 18, 2013, the Company issued eighteen-month notes with a par value of US \$43 million, which were repayable in 2015 and carried a 4.6% annual rate of interest. Effective June 19, 2015, the notes were extended at an annual rate of interest of 5.0% and a maturity date of May 12, 2016.

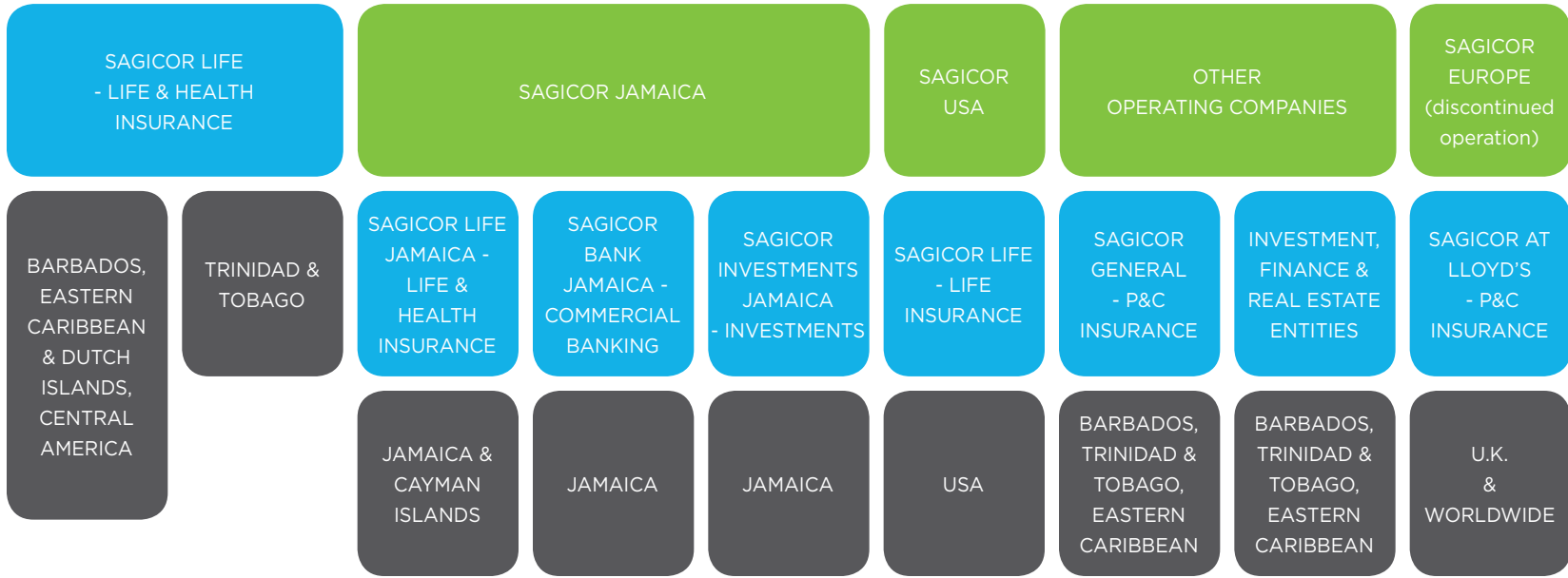
Participating accounts were established by a subsidiary to provide additional policyholder protection on participating policies, which pay policy bonuses and dividends.

A measure of financial stability is the debt (borrowings) to capital ratio which, for the Sagicor Group, was 39.2% as of December 31, 2015, (December 31, 2014: 27.9%). The debt to capital ratio will return to lower levels (approximately 35%) when the Convertible Redeemable Preference shares and the other Short-term Notes, which mature in May 2016, are redeemed.

A measure used to determine the capital adequacy of a life insurance Group, which is the predominant activity within Sagicor, is the Canadian Minimum Continuing Capital and Surplus Requirement (MCCSR). The consolidated MCCSR ratio for the Sagicor Group was 221% as of December 31, 2015, compared to 273%, at December 31, 2014, both of which are significantly in excess of the minimum recommended ratio of 150%. These ratios include risk factors for the potential credit default of debt instruments of Caribbean Governments held by life insurance subsidiaries.

# SAGICOR GROUP SUMMARY ORGANISATIONAL CHART

## SAGICOR FINANCIAL CORPORATION - HOLDING COMPANY & GROUP FINANCING



**OPERATING SEGMENTS**

The Group's principal reportable operating segments, as defined by International Financial Reporting Standards, are Sagicor Life Inc, Sagicor Jamaica, Sagicor USA, and Sagicor Europe. The Sagicor Europe segment was disposed of on December 23, 2013. The performance of these segments in 2015 is discussed under the following sub-headings.

***Sagicor Life Inc Segment***

The Sagicor Life Inc segment consists of the life insurance subsidiaries which conduct business in Barbados, Trinidad and Tobago, the Eastern and Dutch Caribbean islands, Belize, Bahamas and Panama. The main activities of this segment are the provision of life insurance, annuities, health insurance, pension investment and pension administration services.

In 2015, this segment generated revenue of US \$471 million. During the year, Sagicor Life USA entered into a reinsurance agreement with Sagicor Life. Included in the segment revenues is US \$91 million and segment expenses of US \$91 million relating to this transaction. Excluding this transaction, there was an increase in segment revenues of US \$18 million over the previous year. The main revenue component was premium income, which totalled US \$291 million. Investment income totalled US \$75 million, while other items totalled US \$14 million.

Benefits totalled US \$199 million, and closed at a similar level as the prior year. Current insurance benefits were US \$200 million, while amounts recognised for future insurance benefits totalled a reduction of US \$1 million.

Total expenses and taxes in 2015 closed the year at US \$201 million, compared to US \$116 million in 2014. Included in expenses is US \$91 million relating to a reinsurance arrangement with Sagicor Life USA. Excluding this transaction, there was a reduction in expenses of US \$6 million over the previous year.

<b>SAGICOR LIFE INC</b>		
<b>INCOME - \$ millions</b>	<b>2015</b>	<b>2014</b>
Revenue	471	362
Benefits	(199)	(195)
Expenses and taxes	(201)	(116)
Segment income	71	51
Segment income attributable to shareholders	<b>69</b>	<b>44</b>
<b>FINANCIAL POSITION - \$ millions</b>	<b>2015</b>	<b>2014</b>
Assets	1,904	1,773
Liabilities	(1,305)	(1,309)
Net assets	<b>599</b>	<b>464</b>

Net segment income for the year was US \$71 million, compared to US \$51 million for the prior year. After accounting for income allocated to policyholders, the net income attributable to shareholders for the segment totalled US \$69 million in 2015, compared to US \$44 million in 2014.

Financial investments comprised 74% of segment assets and policy liabilities comprised 91% of segment liabilities at the end of 2015.

***Sagicor Jamaica Segment***

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

This segment generated revenue of US \$511 million in 2015, an increase of US \$25 million over the 2014 total. The main revenue component was premium income, which totalled US \$278 million, compared to US \$264 million in 2014. Investment income totalled US \$181 million, compared to US \$158 million in the prior year. Net investment income

and Fees and other revenue include the results of the RBC Royal Bank's operation in Jamaica, which was acquired on June 27, 2014, and impacted these results for the entire year, compared to six months in 2014. Revenue in 2014 also included negative goodwill of US \$29 million on the acquisition of the RBC Royal Bank's Jamaica banking operations in Jamaica.

Benefits totalled US \$249 million, as compared to US \$250 million in 2014.

Expenses and taxes incurred totalled US \$182 million in 2015, increasing by US \$24 million over the prior year. Expenses include the results of the RBC Royal Bank's operation in Jamaica for the entire year, compared to six months in 2014. Higher asset taxes were also incurred in 2015.

<b>SAGICOR JAMAICA</b>		
<b>INCOME - \$ millions</b>	<b>2015</b>	<b>2014</b>
Revenue	511	486
Benefits	(249)	(250)
Expenses and taxes	(182)	(158)
Segment income	80	78
Segment income attributable to shareholders	39	38
<b>FINANCIAL POSITION - \$ millions</b>	<b>2015</b>	<b>2014</b>
Assets	2,513	2,495
Liabilities	(2,116)	(2,083)
Net assets	397	412

Net segment income for the year was US \$80 million, compared to a total of US \$78 million recorded for 2014. As the Sagicor Jamaica segment is owned 49% by the Group, the resulting net income attributable to shareholders was US \$39 million in 2015 (US \$38 million in 2014).

Financial investments comprised 83% of the segment's assets at the end of 2015. The liabilities of this segment were distributed 31% to policy liabilities and 69% to deposit and security liabilities and other liabilities at the end 2015.

#### Sagicor USA Segment

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

Segment revenue totalled US \$78 million in 2015, decreasing by US \$75 million over 2014. During the year, Sagicor Life USA entered into a reinsurance agreement with Sagicor Life. Included in revenue is a reduction of US \$83 million, and there is also a reduction in expenses and taxes of US \$83 million relating to this transaction. Excluding this transaction, there was an increase of US \$8 million over the previous year. Premium revenue recorded in 2015 was US \$81 million, and was increased from the 2014 total by US \$6 million. Investment income for 2015 totalled US \$60 million, compared to the prior year amount of US\$ 64 million.

<b>SAGICOR USA</b>		
<b>INCOME - \$ millions</b>	<b>2015</b>	<b>2014</b>
Revenue	78	153
Benefits	(88)	(83)
Expenses and taxes	17	(58)
Segment income	7	12
Segment income attributable to shareholders	7	12
<b>FINANCIAL POSITION - \$ millions</b>	<b>2015</b>	<b>2014</b>
Assets	1,701	1,743
Liabilities	(1,578)	(1,535)
Net assets	123	208



Total benefits amounted to US \$88 million in 2015, compared to US \$83 million in 2014. Current insurance benefits were US \$102 million, while the expense for future insurance benefits in 2015 was a reduction of US \$17 million, compared to a reduction of US \$18 million in the prior year.

Expenses and taxes totalled negative US \$17 million in 2015, compared to US \$58 million in 2014. Sagicor Life USA entered into a reinsurance agreement with Sagicor Life. Included in expenses are negative expenses of \$83 relating to this transaction. Excluding this transaction, expenses showed an increase of US \$8 million.

Net income of the segment for 2015 was US \$7 million, compared to the US \$12 million recorded for 2014.

As of December 31, 2015, financial investments comprised 62% of the segment assets and policy liabilities comprised 83% of the segment liabilities.

#### DISCONTINUED OPERATION

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

As stated in a foregoing section, the Group made a decision to dispose of these operations. The disposal of this segment occurred on December 23, 2013. In accordance with International Financial Reporting Standards, the Sagicor at Lloyd's operation is defined as a discontinued operation.

The terms of the sale included future price adjustments to the sale consideration representing adjusted syndicate profit in the run-off of the 2011, 2012 and 2013 underwriting years. During 2015, future price adjustments amounted to US \$23 million. The company has now fully provided for this contingent exposure, and no further adverse exposure to underwriting losses is expected.

Sagicor Europe made a net loss of US \$23 million in 2015, compared to a net loss of US \$26 million in 2014.

DISCONTINUED OPERATION		
INCOME - \$ millions	2015	2014
Movement in price adjustment	(23)	(26)
Net loss	(23)	(26)
FINANCIAL POSITION - \$ millions	2015	2014
Assets	-	-
Liabilities	(46)	(46)
<b>Net assets</b>	<b>(46)</b>	<b>(46)</b>

**LOOKING FORWARD**

The outlook for global economic growth remains tepid for 2016, owing to continued relatively depressed levels of growth within emerging economies led by China, and continued softening of commodity prices coupled with a modest expansion in developed economies. Following estimated global growth of 3.1% for 2015, the IMF projected a moderate improvement in global growth of 3.4% for 2016.

Generally, the tenuous economic climate will continue to be underpinned by the highly accommodative fiscal and monetary stimulus, particularly across the non-US developed, as well as emerging economies. In the US, the Federal Reserve's commitment to systematic fiscal tightening is expected to be derailed and, if necessary, abandoned, as global headwinds, inclusive of deflationary pressures, remain major concerns and imperil economic stability.

Regionally, economic conditions are expected to continue to show signs of improvement, led by the moderate expansion in tourism and tourism-related activity. However, sustained recovery in the region hinges on the economic conditions in developed markets, such as the United States of America and United Kingdom, which remain the region's main source markets for tourism. During 2016, regional fiscal deficits are expected to narrow in line with declining commodity prices. In this regard, we remain cautiously optimistic and anticipate marginal improvement in regional economic growth for 2016.

During 2016, Sagikor will continue to adapt our strategies as we deliver quality products to our customers and competitive returns to our shareholders.

# BOARD OF DIRECTORS







## THE AUSTINS

### St James, Barbados

For eleven-year-old Johnathan Austin, skateboarding is the best thing in the world. However, there was a moment in time when he was very sick and his beloved board gathered dust. Johnathan has Gastroparesis: a life-altering condition that causes stomach paralysis. To manage it, doctors inserted a gastric pacemaker through surgery at a US hospital, where Johnathan spent a month in recovery.

For the Austins, Sagicor medical coverage has been a lifeline. “If we didn’t have our plan, there’s a possibility my son would not be alive today,” says Johnathan’s father, Stephen.

Today, Johnathan is helping others who need overseas medical care, and has raised over \$7,000 for the Johnathan Austin Helping Hands Sick Children’s Fund. Best of all, he’s now back on his board, back in school, and back to being the active boy he was.



## BOARD OF DIRECTORS



**STEPHEN MCNAMARA**, 65, was appointed Non-Executive Chairman on January 1, 2010, having formerly served as Vice-Chairman since June 2007. He has been an independent Director since December 2002, and is a citizen of St Lucia and Ireland. He is a British-trained Attorney-at-law, and is the Senior Partner of McNamara & Company, Attorneys-at-Law of St Lucia. Mr McNamara was elected to the Board of Sagicor Life Inc in 1997. He is Chairman of the Group's main operating subsidiary, Sagicor Life Inc, Sagicor USA, and Sagicor Finance Inc. He serves as a Director of Sagicor Group Jamaica Limited, and a number of other subsidiaries within the Group.

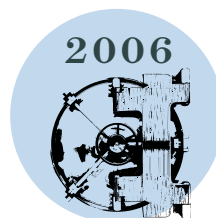


**ANDREW ALEONG**, 55, has been an independent Director since June 2005, and is a citizen of Trinidad and Tobago. He holds an MBA from the Richard Ivey School of Business, University of Western Ontario, Canada. Mr Aleong is Group Managing Director of the Albrosco Group of Companies, Trinidad and Tobago, and has served the Trinidad and Tobago manufacturing industry for over 25 years. He is a former President of the Trinidad and Tobago Manufacturers' Association. Mr Aleong also serves as a Director of a number of private companies. He was elected a Director of Sagicor Life Inc in 2005, and is also a Director of a number of other subsidiaries within the Group.



**PROFESSOR SIR HILARY BECKLES**, K.A, 60, has been an independent Director since June 2005, and is a citizen of Barbados. Sir Hilary earned his PhD from Hull University, United Kingdom, and received an Honorary Doctorate of Letters from the same University in 2003. He is the Vice Chancellor of the University of the West Indies, and has previously served as the Head of the History Department and Dean of the Faculty of Humanities. In 1998, he was appointed Pro-Vice-Chancellor for Undergraduate Studies and, in 2002, the Principal of Cave Hill Campus. Sir Hilary has published widely on Caribbean economic history, cricket history and culture and higher education, and serves on the Editorial Boards of several academic journals. He has lectured in Africa, Asia, Europe and the Americas. He was elected a Director of Sagicor Life Inc in 2005. He is a member of the Secretary General of the UN, Ban Ki Moon's Advisory Board on Science and Sustainable Development, and Vice President of the Commonwealth Ministers' Advisory Board on Sport.

Sagicor raises \$150 million US on the United States Bond Market and becomes the first



non-governmental Caribbean Company to receive a BBB+ financial strength rating from Standard & Poor's.



**PETER CLARKE**, 61, has been an independent Director since June 2010, and is a citizen of Trinidad and Tobago. He obtained a Bachelor of Arts degree from Yale University and a Law degree from Downing College, Cambridge University. He was called to the Bar as a member of Grays Inn, London, in 1979 and to the Bar of Trinidad and Tobago in 1980. Mr Clarke is a Financial Consultant, who formerly practised as a Barrister-at-Law before embarking on a 22-year career in stockbroking. From 1984 to 2000, he was the Managing Director of Money Managers Limited, and Chief Executive of West Indies Stockbrokers Limited from 2001 until his retirement in 2005.

Mr Clarke, is a Director of a number of companies in Trinidad and Tobago, including the Trinidad and Tobago Stock Exchange. He is also a member of the University of the West Indies Development and Endowment Fund, and the Finance Council of the Roman Catholic Archdiocese of Port of Spain. From 2002 to 2005, he was a Director of the Trinidad and Tobago Chamber of Industry and Commerce. Mr Clarke also serves as a Director of Sagikor Life Inc, Sagikor Group Jamaica Limited and Sagikor Life Jamaica Limited.



**DR JEANNINE COMMA**, 65, has been an independent Director since June 2007, and is Chairman of the Human Resources Committee. She is a citizen of Trinidad and Tobago. She holds a PhD from George Washington University, Washington, DC, USA, and is also a graduate of the University of the Virgin Islands. Dr Comma is CEO/Director of the Cave Hill School of Business of The University of the West Indies, Cave Hill Campus. She specialises in organisational development, strategy and leadership development. She has made significant contributions to the sustainable development of human capital within the regional business community.

Dr Comma has extensive experience in Leadership Development, Organisational Strategic Planning, Transformation Management and Corporate Governance. She has also taught at the undergraduate and graduate levels at George Washington University, Howard University, Washington, DC, and the University of the West Indies. She is a member of The American Society for Training and Development, and serves on the Boards of the Barbados Tourism Investment Inc, the National Initiative for Service Excellence and the Barbados Entrepreneurship Foundation. She is also a Board Member of the Commonwealth Association of Public Administration and Management (CAPAM). Dr Comma was elected a Director of Sagikor Life Inc in 2006.



**MONISH DUTT**, 57, has been an independent Director since 2012 and is a citizen of India and a permanent resident of the United States of America. He holds an MBA with a concentration in Finance from the London Business School, London University, and a BA in Economics from the University of Delhi. He is a Fellow of the Institute of Chartered Accountants, London, England. Currently a Consultant on Emerging Markets, Mr Dutt is a seasoned investment professional who, for the 25 years preceding 2011, was employed with International Finance Corporation (IFC), a member of the World Bank Group.

While at IFC, he held various positions, the most recent of which was Chief Credit Officer for Global Financial Institutions & Private Equity Funds. He was formerly the Head of IFC's Private Equity Advisory Group; the Head of the Baltics, Central Europe, Turkey and Balkans Group; Principal Investment Officer for Asia; Senior Investment Officer for Central & Eastern Europe, and an Investment Officer for Africa, Latin America and Asia. Mr Dutt has extensive experience evaluating investment proposals in financial institutions and private equity funds globally, structuring investments, tracking global investment portfolios, and providing quality control guidance to private equity fund investments. Mr Dutt has also represented IFC on boards of investee companies. Mr Dutt serves as a Director of Sagikor Bank Jamaica Limited.



**MARJORIE FYFFE-CAMPBELL**, 64, has been an independent Director since June 2005, and is a citizen of Jamaica. She is a Management Consultant, and holds an MSc in Accounting from the University of the West Indies, is a Fellow of the Institute of Chartered Accountants of Jamaica and a member of the Hospitality, Financial and Technology Professionals. She is a former President and Chief Executive Officer of the Urban Development Corporation, Jamaica, a large development and property-owning company that manages several entities such as hotels, attractions, a maintenance company, a water supply company, a shopping centre, a conference centre and a golf course.

Mrs Fyffe-Campbell is an Adjunct Lecturer in Financial and Management Accounting and Enterprise Risk Management Governance at the Mona School of Business and Management of the University of the West Indies, where she is also pursuing a Doctorate in Business Administration with emphasis on corporate governance. She was elected a Director of Sagicor Life Jamaica in 2002, and is also a Director of other subsidiaries within the Group.



**RICHARD KELLMAN**, 64, was elected as a Director in June 2009, and was appointed Group Chief Operating Officer on November 1, 2009. He is a citizen of Guyana and the United Kingdom. He holds a BSc in Statistics from University College, London University, and is a Fellow of the Institute of Actuaries and an Associate of the Society of Actuaries.

He has also attended training programmes at Harvard Business School and has completed other financial, investment and management training courses. Mr Kellman is a financial services professional with wide knowledge regionally in the areas of finance, pensions, insurance and investments. He has also held senior actuarial and management positions and served on several Boards.



**WILLIAM LUCIE-SMITH**, 64, has been an independent Director since June 2005, and is a citizen of Trinidad and Tobago. He holds an MA from Oxford University and is a Chartered Accountant. He is a retired Senior Partner of PricewaterhouseCoopers, Trinidad and Tobago, where he headed the Corporate Finance and Recoveries Divisions, specialising in all aspects of business valuations, privatisation, mergers and acquisitions and corporate taxation.

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



**DODRIDGE MILLER**, 58, was appointed Group President and Chief Executive Officer in July 2002, and has been a Director since December 2002. A citizen of Barbados, Mr Miller is a Fellow of the Association of Chartered Certified Accountants (ACCA), and obtained his MBA from the University of Wales and Manchester Business School. He holds an LLM in Corporate and Commercial Law from the University of the West Indies and, in October 2008, he was conferred with an Honorary Doctor of Laws degree by the University of the West Indies. He has more than 30 years' experience in the banking, insurance and financial services industries.

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



**JOHN SHETTLE, JR**, 61, has been an independent Director since June 2008, and is a citizen of the United States of America. He received his undergraduate degree from Washington & Lee University, and holds an MBA from the Sellinger School of Business at Loyola College, Maryland. Mr Shettle is an Operating Partner of Stone Point Capital, a private equity firm in the global financial services industry. He has over 20 years' experience in senior management positions in the property/casualty, health and insurance-related services industry.

More recently, he served as Senior Advisor to Lightyear Capital, a private equity firm, and President and Chief Executive Officer of the Victor O Schinnerer Company. Prior to that, he was the Chief Executive Officer of Tred Avon Capital Advisors, Inc, a firm providing advisory services to companies and private equity firms focused on the insurance sector. He has held senior management positions at Securitas Capital, Swiss Reinsurance Company and Frederick, the Maryland-based AVEMCO Corporation (NYSE). Mr Shettle is also a Director of Sagicor USA and a number of subsidiaries within the Group.



**RICHARD P YOUNG**, 66, a citizen of Trinidad and Tobago, was appointed an independent Director of the Company in January, 2014. He is a Chartered Accountant by profession, and has had a distinguished career in accounting, auditing, insurance and banking. He has over forty years' experience in the regional financial services sector, the last seventeen of which he spent as the Managing Director of Scotiabank Trinidad & Tobago Limited and a Senior Vice President of The Bank of Nova Scotia, before retiring in 2012.

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





**CORPORATE  
GOVERNANCE**



## THE BELLS

### Kingston, Jamaica

Kevin Bell has one of those infectious smiles you can't fake. The kind that spreads to the eyes and stays there.

The smile of a man who, at 38 years, can boast of a promising life, a successful career and a loving family. As explained to our team, when he opened the doors to Bell's Auto Services, his dream of owning a business was realised. It is that moment in time that regenerates and keeps this young entrepreneur's smile true. The reason for, and the result of, hard work and dedication.

Kevin has had a sixteen-year relationship with Sagicor which, he notes, has provided him with the unwavering support he needed for his business, and personally as well. Kevin has two trusted Sagicor Advisors: Sharon Brooks-Hylton for life insurance and Lisa Walker for his business. Sharon and Lisa work hard to help Kevin protect the things he holds most important, so he can enjoy all of life's precious moments.

Those moments include Kevin's future plans to expand Bell's Auto Services, buy property, and put his three children: Kevane, Kymani and Akeelah, through tertiary education. "The future is bright, and I give thanks for getting this far," says Kevin.

## CORPORATE GOVERNANCE

### Directors' interests

Directors' interests as at December 31, 2015, and as at the record date, April 19, 2016, are as follows:

	Shares as at 31-Dec-15				Shares as at 19-Apr-16			
	Common Shares		Preference Shares		Common Shares		Preference Shares	
	Beneficial	Non-Beneficial	Beneficial	Non-Beneficial	Beneficial	Non-Beneficial	Beneficial	Non-Beneficial
Stephen McNamara	23,993	0	0	0	23,993	0	0	0
Andrew Aleong	533,358	0	55,000	0	533,358	0	55,000	0
Professor Sir Hilary Beckles	9,579	0	0	0	9,579	0	0	0
Peter Clarke	10,000	0	0	0	10,000	0	0	0
Dr Jeannine Comma	22,300	0	5,000	0	22,300	0	5,000	0
Monish Dutt	1,000	0	0	0	1,000	0	0	0
Marjorie Fyffe-Campbell	50,850	0	0	0	50,850	0	0	0
Richard Kellman	421,576	0	150,000	0	421,576	0	150,000	0
William Lucie-Smith	120,000	0	0	0	120,000	0	0	0
Dodridge Miller	1,707,967	0	15,000	0	1,707,967	0	15,000	0
John Shettle, Jr	1,000	0	0	0	1,000	0	0	0
Richard P. Young	34,266	0	10,000	0	34,266	0	10,000	0

	Restricted Stock Grants				Stock options					
	As at 31-Dec-15		As at 19-Apr-16		As at 31-Dec-15			As at 19-Apr-16		
	Vested	Unvested	Vested	Unvested	Vested	Exercised	Unvested	Vested	Exercised	Unvested
Richard Kellman	491,328	104,351	491,328	104,351	327,627	0	430,249	327,627	0	430,249
Dodridge Miller	2,065,808	1,366,985	2,065,808	1,366,985	2,283,729	0	1,873,194	2,283,729	0	1,873,194

## 1 Board Composition and Structure

The maximum number of Directors permitted by the Restated Articles of Incorporation of the Company is 12, and the minimum is 7. The Board of Directors presently consists of 12 Members, 10 of whom are independent Non-Executive Directors. The remaining 2 are the Group President and Chief Executive Officer, and the Group Chief Operating Officer. Biographical information on the Directors and details of their interests in the Company as at December 31, 2015, and as at the record date, April 19, 2016, are set out earlier in this Report.

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

On February 14, Sagicor becomes the first Caribbean company to have its shares admitted into trading on the main market



of the London Stock Exchange. This was a significant milestone in becoming an international financial services group.



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

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

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

The Company is also mindful that the Board must reflect the business, social, economic and cultural jurisdictions from which the Company draws customer patronage, and that Directors must have sufficient time available to devote to performance of their Board duties. Finally, Directors are required to undergo annually a rigorous self-assessment. This assessment is designed to ensure that appropriate standards of independence and objectivity are maintained. All non-executive Directors have satisfied the 2015 independence self-assessment.

## **2 Rotation and Re-election of Directors**

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

L. Jeannine Comma, Peter E. Clarke and Dodridge D Miller retire at the Thirteenth Annual Meeting, and all being qualified, have offered themselves for re-election. Profiles of the nominees are contained in the Management Proxy Circular accompanying the Notice of the Meeting. The Board recommends that all the nominees be re-elected. In making this recommendation, the Board has been guided by the nomination process overseen by the Corporate Governance and Ethics Committee, which requires a review of the core competency requirements of the Board as a whole; the skills and experience of each nominee; their independence

as defined by our Corporate Governance Policy; and their performance as Directors, including their willingness and ability to devote the time necessary to fulfil their role as directors. It is intended that Directors who have served on the Board for 9 or more years will be subject to enhanced due diligence by the Corporate Governance and Ethics Committee, to ensure that their performance over the period of their tenure is such as to justify the Committee's recommendation to the Board that they be nominated for re-election.

## **3 New Director Orientation**

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

## **4 On-going Director Education**

During the year, on-going Director education included sessions on successfully leading change, transition and transformation and reviews of the Group's corporate governance structure and the Executive Incentive Programme. Directors also completed the Myers Briggs Type Indicator assessment and received feedback on the results. The directors considered this to be a worthwhile exercise in understanding and valuing personality differences. The Board is committed to continuing these sessions to ensure Director effectiveness is optimised by enhancing Director knowledge.

## **5 Board Responsibilities**

### **5.1 Board of Directors**

The Board of Directors is collectively responsible for providing entrepreneurial leadership, guidance and oversight to the Company, within a framework of prudent and effective controls that enable risk to be assessed

and managed, with a view to maximising shareholder wealth within the bounds of law and community standards of ethical behaviour.

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

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

## **5.2 Board Committees**

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

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

The Committee oversees the Internal Audit function, reviewing Internal Audit's assessment of the adequacy and effectiveness of the Group's internal controls, compliance with legal, statutory, regulatory and other requirements, and management of risk. The Committee's composition meets the independence and skill requirements of the Group's Corporate Governance Policy. The Members are financially literate, and three Members, William Lucie-Smith, Monish Dutt and Marjorie Fyffe- Campbell, all Chartered Accountants, have relevant accounting expertise. The current Members are William Lucie-Smith (appointed a Member on August 24, 2005 and Chairman on June 28, 2006), Peter Clarke (appointed a Member on March 21, 2014), Marjorie Fyffe- Campbell (appointed a Member on September 11, 2008), Dr Jeannine Comma (appointed a Member on September 11, 2008) and Monish Dutt (appointed a Member on March 18, 2014).

The role of the Corporate Governance and Ethics Committee is principally to develop and recommend to the Board policies and procedures to establish and maintain best practice standards of Corporate Governance and Corporate Ethics. It also manages the process for Director succession, Director performance, the operation of the President, the composition of Board and Committees, Shareholder communications, and corporate image. The Committee's composition meets the independence requirements of the Group's Corporate Governance Policy. The current Members are Stephen McNamara (appointed a Member on March 9, 2004 and Chairman on February 17, 2010), Professor Sir Hilary Beckles (appointed a Member on March 18, 2009), Marjorie Fyffe-Campbell (appointed a Member on March 18, 2009), John Shettle, Jr (appointed a Member on August 18, 2010) and Richard P. Young (appointed a Member on March 18, 2014).

The mandate of the Human Resources Committee is to advise the Board with respect to compensation policies, programmes and plans; human resources policies and practices to attain the Company's strategic goals; executive management recruitment; succession plans; performance evaluation and compensation. The Committee's composition meets the independence requirements of the Group's Corporate Governance Policy. The current Members are Dr Jeannine Comma (appointed a Member on September 18,

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

The Investment and Risk Committee is charged with ensuring generally that the Group manages risk within its defined philosophy and appetite, and in compliance with policy risk parameters. Its specific mandate is to ensure that an appropriate enterprise risk management framework is implemented throughout the Group, approve risk policies and risk undertakings and exposures reserved for Board decision. It continually monitors exposures relating to certain risks. Committee Members are required to understand the enterprise's significant inherent risks and the policies and controls used by Management to assess, manage and report these risks. The Committee regularly reviews the Group risk profile, and assesses Management's plans for ensuring financial stability and capital soundness. The Committee's composition meets the independence requirements of the Group's Corporate Governance Policy. The current Members are Stephen McNamara (appointed a Member on November 26, 2003 and Chairman on February 17, 2010), Andrew Aleong (appointed a Member on March 18, 2009), John Shettle, Jr (appointed a Member on March 18, 2009), Peter Clarke (appointed a Member on August 18, 2010), Richard P. Young (appointed a Member on March 18, 2014), and William Lucie-Smith (appointed a Member on March 21, 2014).

## 6 Board Evaluation

In 2015, the Board undertook its annual performance evaluation to assess the effectiveness of the Board's performance as a whole. The evaluation took the form of a self-assessment and peer-review questionnaire, and an evaluation of the Corporate Governance system as a whole. Findings continue to reveal ongoing opportunities for the enhancement of our Corporate Governance practices. The Corporate Governance and Ethics Committee continued to manage Director independence and potential conflicts of interest, and the Committee concluded that Directors continued to meet the independence requirements under our Corporate Governance Policy.

## 7 Interlocking Directorships

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

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

## 8 Board Operations

During 2015, Management engaged the Board of Directors (BOD) 18 times, either in formal meetings or by requests for round-robin decisions in between meetings. In relation to the engagement of the Standing Committees of the Board, the Audit Committee (AC) met 5 times; the Corporate Governance and Ethics Committee (CGC) met 4 times; the Human Resources Committee (HRC) met 4 times; and the Investment and Risk Committee (IRC) met once. Directors' record of attendance was as follows:



	BOD	AC	CGC	HRC	IRC	Total	%
Stephen McNamara	18 of 18		4 of 4	4 of 4	1 of 1	27 of 27	100
Andrew Aleong	18 of 18			4 of 4	1 of 1	23 of 23	100
Prof Sir Hilary Beckles	18 of 18		3 of 4			21 of 22	95
Peter Clarke	18 of 18	4 of 5			0 of 1	22 of 24	92
Dr Jeannine Comma	17 of 18	5 of 5		4 of 4		26 of 27	96
Monish Dutt	18 of 18	5 of 5		4 of 4		27 of 27	100
Marjorie Fyffe- Campbell	17 of 18	5 of 5	3 of 4			25 of 26	96
Richard Kellman	18 of 18					18 of 18	100
William Lucie-Smith	17 of 18	5 of 5			1 of 1	23 of 24	96
Dodridge Miller	18 of 18					18 of 18	100
John Shettle, Jr	16 of 18		4 of 4		1 of 1	21 of 23	91
Richard P Young	18 of 18		4 of 4		1 of 1	23 of 23	100

The Board manages an annual schedule of critical agenda items designed to ensure that it fulfils its recurring obligations, and that Board- reserved items are routinely considered. The principal business at Board meetings in 2015 was to:

- consider and approve the Group strategic plan, capital plan and projections for the period 2016 to 2018;
- consider the terms of the US\$320 million Corporate Bond raised by the Group
- receive reports on the Process Review and Optimisation initiative
- receive reports on proposed corporate reorganisation
- review periodically the Group capital and liquidity plan, strategic and business development initiatives forming part of the Strategic Plan, and other key initiatives;
- receive and consider periodic reports and presentations from Management on the performance of various subsidiaries within the Group and the Group, on a consolidated basis;
- review and approve unaudited interim and audited annual consolidated financial statements;
- approve interim and final dividends;
- review and approve actuarial reports of the Appointed Actuary; and
- receive reports on work being carried out by Board Committees, and consider and approve their recommendations as required.

## 9 Committee Operations

Audit Committee Report:

### The 2015 activities of the Audit Committee included:

- reviewing and approving the external audit plan and timetable;
- evaluating the performance of the External Auditors for Group entities and approving their audit fees;
- reviewing the External Auditors' 2014 Management Letter and Report on the 2014 audit;
- approving the 2015 Audit Engagement Letter;
- reviewing and recommending for approval by the Board interim and annual audited financial statements;
- making dividend recommendations to the Board;
- reviewing actuarial reports of the Appointed Actuary;
- reviewing reports of the External Auditors on key audit issues;
- reviewing the financial performance of the Group and key subsidiaries;
- examining the implications of changes to International Financial Reporting Standards;
- approving the 2015 Internal Audit Plan, reviewing Internal Audit reports and monitoring Management action on open Internal Audit items;
- reviewing compliance with various financial covenants;
- reviewing reports on pending material litigation and claims, and pending regulatory issues;
- reviewing regulatory compliance and other compliance reports;
- assessing the adequacy of the Committee's mandate, and evaluating its effectiveness in fulfilling the same.

### Corporate Governance and Ethics Committee Report:

The Committee's principal business during 2015 included:

- reviewing Board and Director core competencies and identifying gaps to inform the nomination process;
- overseeing Director nominations, Board Committee, subsidiary and outside Board appointments;

- overseeing the management of independence requirements and conflicts of interest;
- overseeing the Director self and peer performance evaluation process;
- monitoring Director attendance;
- Reviewing Corporate Governance structure of subsidiaries
- reviewing Insider Trading Policy;
- conducting its annual review of the adequacy of the Code of Business Conduct and Ethics;
- generally monitoring the operation of Corporate Governance policies and practices; and
- assessing the adequacy of the Committee's mandate, and evaluating its effectiveness in fulfilling the same.

### Human Resources Committee Report:

During 2015, the Human Resources Committee:

- reviewed executive performance, compensation and terms of engagement;
- monitored succession planning and leadership and development plans at the executive level;
- considered succession planning needs across the Group for senior employees below the executive level;
- granted awards to qualified participants under the annual cash incentive, long-term incentive plan (LTI) and employee share ownership plan (ESOP), based on performance against established benchmarks;
- reviewed aspects of the rules of the Company's annual long-term incentive plans;
- reviewed ESOP financial statements; and
- assessed the adequacy of the Committee's mandate, and evaluated its effectiveness in fulfilling the same.

**Investment and Risk Committee Report:**

In 2015, the Investment and Risk Committee's work included monitoring key risks to which the Group is exposed:

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

**10 Sagicor's Compensation Philosophy**

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

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

The quantum of annual cash incentive compensation, once earned, is calculated using a methodology called the Balance Score Card. This methodology takes into account financial as well as non-financial measures, including revenue, profitability, efficiency and customer satisfaction.

in addition, compensation includes a non-cash component (long-term incentive) which is performance based and takes into consideration an externally calculated cost of equity. For the financial year under review, compensation paid in cash to the top 5 members of the Executive Management team of the Company, amounted in aggregate to US \$5,420,192. The table immediately below shows a breakdown of the non-cash component of the compensation of the top 5 members of the Executive Management team.

	<b>Restricted Stock Grants</b>	<b>Stock options</b>
	<b>For the financial year ended 31-Dec-15</b>	<b>For the financial year ended 31-Dec-15</b>
Top 5 Members of the Group Executive Management Team	Vested	Vested
	<b>1,008,428</b>	<b>928,204</b>

### Board of Directors

The Company's compensation philosophy for the Board of Directors has objectives akin to that for employees. It is designed to attract, retain and motivate Directors of the quality required to ensure the efficient oversight of the Company's business. In 2006, the Board commissioned the independent firm of Ernst & Young of Atlanta, to review Directors' compensation and make compensation recommendations. After examination of international best practice in the area, and consideration of various factors, including the level of responsibility, potential liability, and the time and commitment required for the role, Ernst & Young made certain recommendations to the Board regarding the levels and structure of compensation for Directors. These recommendations were approved by shareholders at the 2007 Annual Meeting, and remain unaltered to-date. Non-Executive Directors do not participate in any performance-based incentive plans, and their remuneration consists solely of cash. The Board Chairman and Directors are paid fees, and Committee Chairmen and Members are paid an additional fee for each Committee on which they serve. Non-Executive Directors' fees for the financial year under review amounted in aggregate to US \$687,000.

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



**11 Fees Paid to External Auditors**

PricewaterhouseCoopers is the Group's external auditor. Following is a statement of the fees paid to the external auditors for audit and non-audit services during 2014 and 2015:

Services	Fees Paid US\$ '000	
	2014	2015
Audit	3,398	3,420
Non-Audit	179	254
Statutory Returns	580	912
Other	383	1,956
Total	4,540	*6,542

*\*This amount includes fees of US\$1,476,000 incurred by Sagikor Finance (2015) Ltd for the US\$320 million Corporate Bond raised in 2015.*

**12 Enterprise Risk Management**

The Group's enterprise risk management framework comprises articulation of risk philosophy and appetite; risk structures and processes; risk policies and a regime of monitoring risk exposures, both at the enterprise and subsidiary levels. The Group's activities of issuing insurance contracts, accepting funds from depositors, and investing insurance premium and deposit receipts in a variety of financial and other assets expose the Group to various insurance, financial and operational risks. Insurance risks include pricing, claims and lapse risks. Financial risks include credit, liquidity, interest rate and market risks. Operational risks include fraud; damage to physical assets; improper business practices; improper employment practices; business interruption and system failures, and execution and process errors. Exposure and sensitivity to financial and insurance risks are disclosed in Notes 41 to 43 to the 2015 audited financial statements contained in this Annual Report.

**13 Internal Audit**

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

**14 Compliance**

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

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

major operating subsidiary, the Group Chief Risk Officer and Group General Counsel.

#### **15 Code of Business Conduct and Ethics**

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

#### **16 Investor Relations and Communications**

During 2015, the Company continued to execute its investor relations communications program with periodic briefings to the Media, Analysts and Brokers. The Company continues to ensure that price-sensitive information is released across markets at the same time, and to manage its Insider Trading Policy as an integral part of the Code of Business Conduct and Ethics. The annual Shareholders' briefing was held in Trinidad, where the majority of Shareholders reside, for the benefit of Shareholders who were unable to travel to Barbados for the Annual Meeting of Shareholders.

By Order of the Board of Directors.



Althea C Hazzard  
Corporate Secretary  
April 19, 2016

# EXECUTIVE MANAGEMENT





## THE ELLIS'

### Castries, St. Lucia

It's easy to see how passions can be transferred through generations, and at times as we watched Shane and his son Noah play, the obvious glee in their eyes gave us an honest moment with the Ellis family.

Shane and his wife Derniea know how to make the most of every moment. They love taking three-year-old Noah on beautiful drives along St Lucia's coast, and then there's playtime with the toys. Little Noah is especially fond of sports cars. Like father, like son.

For the Ellis', planning for retirement is another way of making life's collective moments count. Derniea's parents had policies with Sagicor, so she followed suit, and secured her own family's future. "Being comfortable at retirement is important to us," says Derniea. "Having access to policies that cover 'unpredictables', and provide for us when we retire makes this easier to achieve."



## EXECUTIVE MANAGEMENT



**DODRIDGE D MILLER**, FCCA, MBA, LLM, LLD (Hon)

*Group President and Chief Executive Officer*

Dodridge Miller was appointed Group President and Chief Executive Officer in July 2002, and has been a Director since December 2002. A citizen of Barbados, Mr Miller is a Fellow of the Association of Chartered Certified Accountants (ACCA), and obtained his MBA from the University of Wales and Manchester Business School. He holds an LLM in Corporate and Commercial Law from the University of the West Indies and, in October 2008, he was conferred with an Honorary Doctor of Laws degree by the University of the West Indies. He has more than 30 years' experience in the banking, insurance and financial services industries. Prior to his appointment as Group President and Chief Executive Officer, he held the positions of Treasurer and Vice President – Finance and Investments, Deputy Chief Executive Officer and Chief Operating Officer. Mr Miller joined the Group in 1989. He is a Director of Sagicor Life Inc, Sagicor USA, Sagicor Group Jamaica Limited, Sagicor Life Jamaica Limited, Sagicor Investments Jamaica Limited and a number of other subsidiaries within the Group.



**RICHARD M KELLMAN**, BSc, FIA, ASA

*Group Chief Operating Officer*

Richard Kellman was elected as a Director in June 2009, and was appointed Group Chief Operating Officer on November 1, 2009. He is a citizen of Guyana and of the United Kingdom. He holds a BSc in Statistics from University College, London University, is a Fellow of the Institute of Actuaries and an Associate of the Society of Actuaries. He has also attended training programmes at Harvard Business School and has completed other financial, investment and management training courses. Mr Kellman is a financial services professional with wide knowledge regionally in the areas of finance, pensions, insurance and investments. He has also held senior actuarial and management positions, and served on several Boards.



**DONALD S AUSTIN**, BSc, MBA, FCCA

*Chief Executive Officer, Sagicor (Eastern Caribbean) Inc*

Mr Donald Austin was appointed Chief Executive Officer, Sagicor Life (Eastern Caribbean) Inc on March 1, 2015. He has held several senior management roles with regional responsibility throughout his career including Executive Vice President – Government, Legal & Regulatory Affairs and Corporate Communications at Cable and Wireless (LIME) Caribbean; President- Cable and Wireless Barbados, CEO of Cable and Wireless St. Lucia, CEO of Cable and Wireless St. Vincent and the Grenadines. He holds a Bachelor of Science (Honors) in Electronic Engineering from the University of Bristol, a Master of Business Administration from Manchester Business School and he is a Fellow of the Association of Chartered Certified Accountants. Mr Austin is a former Chairman of the Board of Directors of LIME Grenada and LIME Dominica and a current Board Member of LIME Barbados, Sagicor Funds Inc and Sagicor Asset Management Inc.





**RONALD B BLITSTEIN**, BA, MBA

*Group Chief Information Officer*

Ronald Blitstein joined Sagikor Financial Corporation in September 2013. He holds a BA in Political Science and a MBA in Finance from Syracuse University. He has attended various training programmes at Harvard Business School and Massachusetts Institute of Technology. Mr Blitstein is an IT professional, with broad and deep knowledge in all areas of information technology and its application to driving improved business outcomes. He has previously served as Director, Business Technology and Strategies Practice for the global advisory firm, Cutter Consortium, supporting Fortune 500 clients, as well as national governments and various United Nations agencies. Mr Blitstein has also held CIO or other key executive leadership positions at Revlon, Pitney Bowes, BOC Group, and Xerox Corporation. He has served as a Six Sigma Champion for firms pursuing enterprise operational excellence.



**RICHARD O BYLES**, BSc, MSc

*President and Chief Executive Officer, Sagikor Group Jamaica Limited*

Richard Byles was appointed President and CEO of Sagikor Life Jamaica Limited in March 2004. He is Chairman of the Board of Sagikor Bank Jamaica Limited, Sagikor Property Services Limited, Sagikor Reinsurance Limited (Cayman), Sagikor Insurance Managers (Cayman) and Desnoes and Geddes Limited. He also serves on the Boards of several subsidiary and associated companies, and is a Director of Pan-Jamaican Investment Trust Ltd. Mr Byles is the Co-chair of the Economic Programme Oversight Committee (EPOC), a private/public sector committee established to oversee the Implementation of the IMF Programme in Jamaica. He has earned valuable experience within the financial sector, spanning the areas of Life, Health and General Insurance, Asset and Investment Management, Banking, Pension Administration, Property Development and Reinsurance Management. Mr Byles holds a BSc in Economics from the University of the West Indies and an MSc in National Development from the University of Bradford, England.



**BART F CATMULL**, BSc, CPA

*President and Chief Operating Officer, Sagikor USA, Inc*

Bart Catmull was appointed President and Chief Operating Officer in April 2013. A citizen of the United States of America, Mr Catmull is a Certified Public Accountant (CPA), and obtained his Bachelor of Science degree in Accounting from Brigham Young University in 1992. He has more than 20 years' experience in the insurance industry. Prior to his appointment as President, he held the positions of Chief Operating Officer, Chief Financial Officer, Treasurer and Chief Accounting Officer. Mr Catmull joined the Group in 2005, when the predecessor of Sagikor Life Insurance Company (the US operating company) was acquired by the Group. He has been with the Company since 1999.



**ANTHONY O CHANDLER**, CGA, MBA

*Group Chief Financial Controller*

Anthony Chandler was appointed Group Chief Financial Controller on July 1, 2013. Prior to this, he served as Executive Vice President and Chief Financial Officer of Sagicor Life Inc from 2011. He joined Sagicor in 1995 as Financial Accountant, and was transferred to the Group subsidiary, Island Life Insurance Company Ltd, in 2000. In 2003 he joined the management of Life of Jamaica as Head of its Internal Audit function, before returning to Barbados in the position of Vice President, Finance, of Sagicor Life Inc later in the same year. In 2006, he was promoted to Vice President and Chief Financial Officer. Mr Chandler is a member of the Certified General Accountants Association of Canada, and holds an MBA from the University of Manchester.



**DR M PATRICIA DOWNES-GRANT**, CBE, MA, MBA, DBA, LLD (Hon)

*Chief Executive Officer and President, Sagicor Life Inc*

Dr Patricia Downes-Grant was appointed President and Chief Executive Officer of Sagicor Life Inc on January 1, 2006, having served as Group Chief Operating Officer, since July 1, 2002. She joined Sagicor in 1991 and held several senior positions, including those of Vice President, Investments and Treasury and Executive Vice President (Finance and Investments) before being appointed Chief Executive Officer. She holds an MBA in Finance, an MA in Economics, and a Doctorate in Business Administration (Finance). Prior to joining Sagicor, Dr. Patricia-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). More recently, Dr. Downes-Grant was conferred with an Honorary Doctor of Laws degree by the University of the West Indies.



**J ANDREW GALLAGHER**, FSA, FCIA, CERA

*Chief Risk Officer*

Andrew Gallagher was appointed to the position of Chief Risk Officer for the Group in 2007. He joined Sagicor in August 1997, and previously held the position of Resident Actuary. He holds a Bachelor of Mathematics degree from the University of Waterloo, is both a Fellow of the Canadian Institute of Actuaries and a Fellow of the Society of Actuaries, and is a Chartered Enterprise Risk Analyst. Prior to joining Sagicor, Mr Gallagher worked with Eckler Partners in Toronto in their financial institutions practice. He has over 25 years of experience in the insurance industry.



**ALTHEA C HAZZARD**, LL.M (Cantab), FCIS, MICA

*Executive Vice President, General Counsel and Corporate Secretary*

Althea Hazzard was appointed Executive Vice President, General Counsel and Corporate Secretary of Sagicor Financial Corporation on January 1, 2014, having previously served in the positions of Vice President, Legal and Compliance of Sagicor Life Inc and Corporate Secretary of Life of Barbados Limited. An Attorney-at-Law, Chartered Secretary and Compliance Professional, Mrs Hazzard joined the Group in 1997 after an eight-year attachment to a leading corporate law firm in Barbados, specialising in international business.

Mrs Hazzard holds a Bachelor of Laws Honors Degree from the University of the West Indies and a Certificate in Legal Education from the Hugh Wooding Law School in Trinidad, and was called to the Bar in Barbados and Trinidad and Tobago in 1989. She obtained her Master of Laws degree from the University of Cambridge, United Kingdom, and also holds International Diplomas in Compliance and Anti-money Laundering from the International Compliance Association in the United Kingdom and the Executive Diploma in Management from the UWI Centre for Management Development (now the Cave Hill School of Business). Mrs Hazzard is a professional member of the International Compliance Association and a Fellow of the Institute of Chartered Secretaries and Administrators in Canada.



**J EDWARD CLARKE**, FCCA, CIA

*Chief Operating Officer Sagicor Life Inc and General Manager - Barbados Operations*

Edward Clarke was appointed to the position of Chief Operating Officer, Sagicor Life Inc and General Manager, Barbados Operations 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 30 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. Prior to joining Sagicor, Mr Clarke was the Chief Finance Officer of Goddard Enterprises Limited. Mr Clarke is a Director of Sagicor General Insurance Inc, Sagicor Funds Inc, Barbados Farms Limited and Globe Finance Inc. He is also a Director of The Insurance Association of the Caribbean and a Vice President of the Barbados Chamber of Commerce and Industry.



**RAVI C RAMBARRAN**, BSc, MSc, FIA

*President and Chief Executive Officer, Sagicor International*

Ravi Rambarran has 25 years of experience, both regionally and internationally, in the pension, insurance and asset management industries. He was awarded an Open Mathematics Scholarship by the Government of Trinidad and Tobago, has a BSc (Hons) in Actuarial Science from City University, London, an MSc in Finance from the University of London, and is a Fellow of the Institute of Actuaries.

He is a member of the Executive of the Caribbean Actuarial Association and represents the Caribbean on the International Actuarial Association Insurance Committee. Mr Rambarran is a director of Sagicor USA Inc, Sagicor Life Insurance Company and Sagicor General Insurance Inc.



**ROBERT J L TRESTRAIL, BA**

*Executive Vice President and General Manager, Trinidad and Tobago Operations*

Robert Trestrail was appointed Executive Vice President and General Manager for the Trinidad and Tobago Operations of Sagicor Life Inc with effect from January 1, 2007. He joined Sagicor Life Inc on May 1, 2001, as an Assistant Vice President – Administration, and became a member of the Senior Management Team of the Trinidad and Tobago Branch operations. He has since been responsible for general branch administration and administration of the Investment Portfolio. He was promoted to the post of Vice President – Administration in 2004, and became Executive Vice President and General Manager Designate on May 1, 2006. He brings several years of Commercial Banking experience to this position, and holds a Bachelor of Arts with an Economics major from the University of Toronto.



**KESTON D HOWELL, BSc, (Hon) MBA**

*Executive Vice President and General Manager, Dutch Caribbean & Central America*

After seventeen years in the banking industry (the last seven of which were at the senior executive level) Keston Howell joined Sagicor in July 2006 as Executive Vice-President, Merchant Banking, with responsibility for the establishment of Sagicor Merchant Limited as well as the overall banking strategy for the Group. In 2008 he assumed the position of Executive Vice President and General Manager of Sagicor Asset Management where he was responsible for overseeing management of the investment portfolios of Sagicor Life Inc and Sagicor Capital Life as well as promoting and managing Sagicor’s Eastern and Southern Caribbean Asset Management Initiative. On April 1st 2013, Mr Howell assumed executive responsibility for Sagicor Capital Life Insurance Company Limited and Sagicor Life Aruba N.V. He retains executive oversight of the Mortgage Recovery Unit and for the Mortgage department. Mr Howell holds a B.Sc. (Hons) in Management Studies from the University of the West Indies and a MBA from the University of London.

2014



Sagicor expands its banking footprint and acquires RBC’s Jamaican operations. This acquisition allows

Sagicor to serve its customers better through more branches and ATM locations island wide.







# INDEX OF FINANCIAL STATEMENTS



## **THE BURNETTS**

### **St. James, Barbados**

There is this innate ability of a musician that even when surrounded by people, whether in a concert hall or in this case a photo shoot, they can lose themselves in their music. For as long as he can remember, John Burnett has had the music in him. Now, there are two passions that keep this former Combermerian going: the ever-present urge to play and his family.

“When my son was born, I started thinking about what we had to put in place for his future. All the things we needed to do to provide sufficient support to get him started in life. A chat with my Sagicor Advisor helped me think about how Sagicor could help. What we got was a sincere, knowledgeable review of our options, and then making a decision was easy,” says John.

Today, John is reaching his financial milestones and protecting his loved ones, and still playing. “I’m on my way to reaching my goals.”

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## AUDITOR'S REPORT



### INDEPENDENT AUDITOR'S REPORT

To the Shareholders of  
Sagcor Financial Corporation

We have audited the accompanying consolidated financial statements of **Sagcor Financial Corporation** and its subsidiaries as shown on pages 96 to 210, which comprise the consolidated statement of financial position as of December 31, 2015 and the consolidated statements of income, comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

#### *Management's Responsibility for the Consolidated Financial Statements*

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

#### *Auditor's Responsibility*

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

PricewaterhouseCoopers SRL, The Financial Services Centre, Bishop's Court Hill, P.O. Box 111, St. Michael, BB1-4004, Barbados, West Indies  
T: +246-626-6700, F: +246-436-1275, [www.pwc.com/bb](http://www.pwc.com/bb)



#### *Opinion*

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of **Sagcor Financial Corporation** and its subsidiaries as of December 31 2015, and their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

#### *Other Matter*

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

*PricewaterhouseCoopers SRL*

April 8, 2016  
Bridgetown, Barbados



## ACTUARY'S REPORT





**SAGICOR FINANCIAL CORPORATION**  
**APPOINTED ACTUARY'S**  
**2015 REPORT TO THE SHAREHOLDERS AND**  
**POLICYHOLDERS**

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

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

for the balance sheet, at 31<sup>st</sup> December 2015, and their change in the consolidated statement of operations, for the year then ended, for each organization and on a consolidated basis in accordance with accepted actuarial practice, including selection of appropriate assumptions and methods.

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

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



Sylvain Goulet, FCIA, FSA, MAAA  
 Affiliate Member of the Institute and Faculty of Actuaries  
 Member of the Caribbean Actuarial Association  
 Appointed Actuary for Sagicor Financial Corporation, and the above Life Subsidiaries A to E

2 March 2016

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

As of December 31, 2015

**Sagikor Financial Corporation***Amounts expressed in US \$000*

	Note	2015	2014
<b>ASSETS</b>			
Investment property	5	79,172	88,766
Property, plant and equipment	7	170,249	169,469
Associates and joint ventures	6	84,530	40,806
Intangible assets	8	88,183	76,056
Financial investments	9	4,826,621	4,661,494
Reinsurance assets	10	665,819	527,171
Income tax assets	11	66,342	57,503
Miscellaneous assets and receivables	12	168,480	156,630
Cash resources		250,489	402,525
<b>Total assets</b>		<b>6,399,885</b>	<b>6,180,420</b>

**LIABILITIES**

	Note	2015	2014
Actuarial liabilities	13	2,632,387	2,562,221
Other insurance liabilities	14	205,891	197,420
Investment contract liabilities	15	368,596	360,961
Total policy liabilities		3,206,874	3,120,602
Notes and loans payable	16	475,517	298,942
Deposit and security liabilities	17	1,607,611	1,623,971
Provisions	18	88,206	78,356
Income tax liabilities	19	34,765	41,767
Accounts payable and accrued liabilities	20	201,722	197,444
Liabilities of discontinued operation	38	46,026	45,796
<b>Total liabilities</b>		<b>5,660,721</b>	<b>5,406,878</b>

**EQUITY**

Share capital	21	299,320	295,989
Reserves	22	(59,688)	(8,765)
Retained earnings		266,414	244,474
Total shareholders' equity		506,046	531,698
Participating accounts	23	1,383	364
Non-controlling interest in subsidiaries		231,735	241,480
<b>Total equity</b>		<b>739,164</b>	<b>773,542</b>
<b>Total liabilities and equity</b>		<b>6,399,885</b>	<b>6,180,420</b>

These financial statements have been approved for issue by the Board of Directors on April 8, 2016.



Director



Director

**CONSOLIDATED STATEMENT OF INCOME**

Year ended December 31, 2015

**Sagikor Financial Corporation**

Amounts expressed in US \$000

	Note	2015	2014
<b>REVENUE</b>			
Premium revenue	24	969,522	889,121
Reinsurance premium expense	24	(295,597)	(263,564)
Net premium revenue		673,925	625,557
Net investment income	25	322,229	307,215
Fees and other revenue	26	109,090	83,344
Gain/(loss) arising on acquisition	37	(1,025)	29,051
Total revenue		1,104,219	1,045,167
<b>BENEFITS</b>			
Policy benefits and change in actuarial liabilities	27	692,937	714,770
Policy benefits and change in actuarial liabilities reinsured	27	(198,801)	(236,292)
Net policy benefits and change in actuarial liabilities		494,136	478,478
Interest expense	28	58,807	63,739
Total benefits		552,943	542,217
<b>EXPENSES</b>			
Administrative expenses		251,892	233,742
Commissions and related compensation		105,093	97,965
Premium and asset taxes		14,808	11,474
Finance costs		37,234	22,544
Depreciation and amortisation		18,687	20,220
Total expenses		427,714	385,945
<b>INCOME BEFORE TAXES</b>		123,562	117,005
Income taxes	32	(25,119)	(16,700)
<b>NET INCOME FROM CONTINUING OPERATIONS</b>		<b>98,443</b>	<b>100,305</b>

	Note	2015	2014
Net income from continuing operations		98,443	100,305
Net loss from discontinued operation	38	(21,648)	(26,367)
<b>NET INCOME FOR THE YEAR</b>		<b>76,795</b>	<b>73,938</b>
<b>Net income/(loss) is attributable to:</b>			
Common shareholders:			
From continuing operations		56,327	53,737
From discontinued operation		(21,648)	(26,367)
		34,679	27,370
Participating policyholders		1,285	6,200
Non-controlling interests		40,831	40,368
		76,795	73,938
<b>Basic earnings /(loss) per common share:</b>			
	34		
From continuing operations		18.2 cents	17.3 cents
From discontinued operation		(7.2) cents	(8.7) cents
		11.0 cents	8.6 cents
<b>Fully diluted earnings /(loss) per common share:</b>			
	34		
From continuing operations		17.3 cents	16.6 cents
From discontinued operation		(6.6) cents	(8.2) cents
		10.7 cents	8.4 cents

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

Year ended December 31, 2015

**Sagikor Financial Corporation***Amounts expressed in US \$000*

OTHER COMPREHENSIVE INCOME	Note	2015	2014	TOTAL COMPREHENSIVE INCOME	2015	2014
<b>Items net of tax that may be reclassified subsequently to income:</b>	35			Net income	76,795	73,938
Available for sale assets:				Other comprehensive (loss) / income	(77,392)	6,681
Gains / (losses) on revaluation		(103,101)	38,386	<b>TOTAL COMPREHENSIVE (LOSS) / INCOME FOR THE YEAR</b>	(597)	80,619
Gains transferred to income		(1,175)	(2,830)			
Net change in actuarial liabilities		48,346	(19,970)	<b>Total comprehensive income / (loss) is attributable to:</b>		
Retranslation of foreign currency operations		(15,686)	(22,036)	Common shareholders:		
		(71,616)	(6,450)	From continuing operations	14,461	64,156
<b>Items net of tax that will not be reclassified subsequently to income:</b>	35			From discontinued operation	(21,648)	(26,367)
Gains / (losses) on revaluation of owner-occupied property		(345)	27		(7,187)	37,789
Gains / (losses) on defined benefit plans		(5,431)	13,212	Participating policyholders	1,249	6,262
Other items		-	(108)	Non-controlling interests	5,341	36,568
		(5,776)	13,131		(597)	80,619
<b>OTHER COMPREHENSIVE INCOME / (LOSS) FROM CONTINUING OPERATIONS</b>		(77,392)	6,681			

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

Year ended December 31, 2015

**Sagikor Financial Corporation***Amounts expressed in US \$000*

	Share Capital (note 21)	Reserves (note 22)	Retained Earnings	Total Shareholders' Equity	Participating Accounts (note 23)	Non-controlling Interests	Total Equity
<b>2015</b>							
Balance, beginning of year	295,989	(8,765)	244,474	531,698	364	241,480	773,542
Total comprehensive income from continuing operations	-	(38,419)	52,880	14,461	1,249	5,341	21,051
Total comprehensive income from discontinued operation	-	-	(21,648)	(21,648)	-	-	(21,648)
Transactions with holders of equity instruments:							
Allotment of common shares	556	-	-	556	-	-	556
Movements in treasury shares	2,775	-	-	2,775	-	-	2,775
Changes in reserve for equity compensation benefits	-	(1,650)	-	(1,650)	-	(313)	(1,963)
Dividends declared (note 21.3)	-	-	(19,842)	(19,842)	-	(14,835)	(34,677)
Transfers and other movements	-	(10,854)	10,550	(304)	(230)	62	(472)
Balance, end of year	299,320	(59,688)	266,414	506,046	1,383	231,735	739,164
<b>2014</b>							
Balance, beginning of year	295,450	(4,825)	221,472	512,097	(5,662)	218,751	725,186
Total comprehensive income from continuing operations	-	2,556	61,600	64,156	6,262	36,568	106,986
Total comprehensive income from discontinued operation	-	-	(26,367)	(26,367)	-	-	(26,367)
Transactions with holders of equity instruments:							
Movements in treasury shares	539	-	-	539	-	-	539
Changes in reserve for equity compensation benefits	-	(463)	-	(463)	-	79	(384)
Dividends declared (note 21.3)	-	-	(19,835)	(19,835)	-	(12,303)	(32,138)
Changes in ownership interest in subsidiaries	-	-	1,499	1,499	-	(1,779)	(280)
Transfers and other movements	-	(6,033)	6,105	72	(236)	164	-
Balance, end of year	295,989	(8,765)	244,474	531,698	364	241,480	773,542



**CONSOLIDATED STATEMENT OF CASH FLOWS**

Year ended December 31, 2015

**Sagikor Financial Corporation***Amounts expressed in US \$000*

	Note	2015	2014		Note	2015	2014
<b>OPERATING ACTIVITIES</b>				<b>FINANCING ACTIVITIES</b>			
Income before taxes		123,562	117,005	Movement in treasury shares		(896)	(1,114)
Adjustments for non-cash items, interest and dividends	36.1	(200,783)	(185,855)	Other notes and loans payable, net	36.3	156,458	(683)
Interest and dividends received		299,482	275,582	Dividends received from associates		480	7,860
Interest paid		(76,276)	(81,518)	Dividends paid to common shareholders		(11,842)	(11,819)
Income taxes paid		(27,444)	(19,402)	Dividends paid to preference shareholders		(7,800)	(7,800)
Net increase in investments and operating assets	36.1	(269,081)	(245,772)	Dividends paid to non-controlling interests		(14,600)	(11,498)
Net increase in operating liabilities	36.1	58,514	305,976	<b>Net cash flows - financing activities</b>		<b>121,800</b>	<b>(25,054)</b>
<b>Net cash flows - operating activities</b>		<b>(92,026)</b>	<b>166,016</b>	<b>Effects of exchange rate changes</b>		<b>(3,900)</b>	<b>7,925</b>
<b>INVESTING ACTIVITIES</b>				<b>NET CHANGE IN CASH AND CASH EQUIVALENTS - CONTINUING OPERATIONS</b>			
Property, plant and equipment, net	36.2	(16,586)	(20,916)			(34,896)	218,189
Associates and joint ventures		(28,986)	(540)	Net change in cash and cash equivalents - discontinued operation		(21,419)	(35,595)
Intangible assets		(15,198)	(2,469)	Cash and cash equivalents, beginning of year		441,194	258,600
Acquisition of subsidiary, net of cash and cash equivalents	37	-	93,227	<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	36.4	<b>384,879</b>	<b>441,194</b>
<b>Net cash flows - investing activities</b>		<b>(60,770)</b>	<b>69,302</b>				

## Notes to the Financial Statements

Year ended December 31, 2015

**Sagicor Financial Corporation**

*Amounts expressed in US \$000*

### 1 INCORPORATION AND PRINCIPAL ACTIVITIES

Sagicor Financial Corporation was incorporated on December 6, 2002 under the Companies Act of Barbados as a public limited liability holding company. On December 6, 2002, Sagicor Life Inc was formed following its conversion from The Barbados Mutual Life Assurance Society (The Society). On December 30, 2002, Sagicor Financial Corporation allotted common shares to the eligible policyholders of The Society and became the holding company of Sagicor Life Inc.

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

The principal activities of the Sagicor Group are as follows:

- Life and health insurance
- Annuities and pension administration services
- Property and casualty insurance
- Banking, investment management and other financial services

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

### 2 ACCOUNTING POLICIES

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

#### 2.1 Basis of preparation

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

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

The consolidated financial statements are prepared under the historical cost convention except as modified by the revaluation of investment property, owner-occupied property, available for sale investment securities, financial assets and liabilities held at fair value through income, actuarial liabilities and associated reinsurance assets.

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

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

**Notes to the Financial Statements**

Year ended December 31, 2015

**Sagikor Financial Corporation***Amounts expressed in US \$000***2.1 Basis of preparation (continued)**

## Amendments to IFRS

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after January 1, 2015, and have not been applied in preparing these consolidated financial statements (see note 2.25). There are no new standards, amendments to standards and interpretations effective for this financial year that have a significant effect on the consolidated financial statements.

**2.2 Basis of consolidation**(a) Subsidiaries

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

**2.2 Basis of consolidation (continued)**

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

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

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

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

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

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

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

## Notes to the Financial Statements

Year ended December 31, 2015

**Sagikor Financial Corporation**  
Amounts expressed in US \$000

### 2.2 Basis of consolidation (continued)

#### (b) Discontinued operation

In December 2012, the Group agreed to sell Sagikor Europe Limited, its subsidiary Sagikor at Lloyd's Limited and its interest in Lloyd's of London syndicate 1206. The decision to sell resulted in the closure of the Sagikor Europe operating segment and therefore met the criteria of a discontinued operation. The sale was concluded in December 2013. Consequently, the balances and results associated with the discontinued operation have been classified separately in these financial statements.

As of December 31, 2015, the future price adjustments relating to the discontinued operation are disclosed in the statement of financial position at their estimated undiscounted value. Prior to the sale (as of December 31, 2012 and during interim financial periods in 2013), the net assets of the discontinued operation were carried in the statement of financial position at their estimated fair value less costs to sell. As this amount was less than the previous carrying value, impairments were recorded and applied to the goodwill and intangible assets component of the discontinued operation's assets.

#### (c) Sale of subsidiaries

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

#### (d) Associates and joint venture

The investments in associated companies, which are not majority-owned or controlled but where significant influence exists, are included in these consolidated financial statements under the equity method of accounting.

### 2.2 Basis of consolidation (continued)

Investments in associate and joint venture companies are originally recorded at cost and include intangible assets identified on acquisition. Accounting policies have been changed where necessary to ensure consistency with the accounting policies adopted by the Group.

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

#### (e) Pension and investment funds

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

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

#### (f) Employees share ownership plan (ESOP)

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

**Notes to the Financial Statements**

Year ended December 31, 2015

**Sagikor Financial Corporation***Amounts expressed in US \$000***2.3 Foreign currency translation****(a) Functional and presentational currency**

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

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

**(b) Reporting units**

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

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

Currencies which are pegged to the United States dollar are converted at the pegged rates. Currencies which float are converted to the United States dollar by reference to the average of buying and selling rates quoted by the respective central banks or in the case of pounds sterling, according to prevailing market rates. Exchange rates of the other principal operating currencies to the United States dollar were as follows:

	2015 closing	2015 average	2014 closing	2014 average
Barbados dollar	2.0000	2.0000	2.0000	2.0000
Eastern Caribbean dollar	2.7000	2.7000	2.7000	2.7000
Jamaica dollar	119.9758	116.7122	114.3232	110.5386
Trinidad & Tobago dollar	6.4196	6.3412	6.3586	6.3920
Pound sterling	0.67480	0.65276	0.64070	0.60482

**2.3 Foreign currency translation (continued)**

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

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

**(c) Transactions and balances**

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

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

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

**2.4 Segments**

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



## Notes to the Financial Statements

Year ended December 31, 2015

**Sagikor Financial Corporation**  
Amounts expressed in US \$000

### 2.5 Investment property

Investment property consists of freehold lands and freehold properties which are held for rental income and/or capital appreciation. Investment property is recorded initially at cost. In subsequent financial years, investment property is recorded at fair values as determined by independent valuation, with the appreciation or depreciation in value being taken to investment income. Fair value represents the price (or estimates thereof) that would be agreed upon in an orderly transaction between market participants at valuation date.

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

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

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

Rental income is recognised on an accrual basis.

### 2.6 Property, plant and equipment

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

### 2.6 Property, plant and equipment (continued)

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

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

The Group, as lessor, enters into operating leases with third parties to lease assets. Operating leases are leases in which the Group maintains substantially the risks of ownership and the associated assets are recorded as property, plant and equipment. Income from operating leases is recognised on the straight-line basis over the term of the lease.

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

Asset	Estimated useful life
Buildings	40 to 50 years
Furnishings and leasehold improvements	10 years or lease term
Computer and office equipment	3 to 10 years
Vehicles	4 to 5 years
Leased equipment and vehicles	5 to 6 years

Lands are not depreciated.

**Notes to the Financial Statements**

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**Sagikor Financial Corporation***Amounts expressed in US \$000***2.6 Property, plant and equipment (continued)**

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

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

**2.7 Intangible assets****(a) Goodwill**

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

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

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

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

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

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

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

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

Class of intangible asset	Asset	Estimated useful life
Customer related	Customer relationships	4 - 20 years
	Broker relationships	10 years
Contract based	Licences	15 years
Technology based	Software	2 – 10 years

## Notes to the Financial Statements

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**Sagikor Financial Corporation**

*Amounts expressed in US \$000*

### 2.8 Financial assets

#### (a) Classification

The Group classifies its financial assets into four categories:

- held to maturity financial assets;
- available for sale financial assets;
- financial assets at fair value through income;
- loans and receivables.

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

Held to maturity financial assets are non-derivative financial instruments with fixed or determinable payments and fixed maturities that management has both the intent and ability to hold to maturity.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

Financial assets in the category at fair value through income comprise designated assets or held for trading assets. These are set out below.

- Assets designated by management on acquisition form part of managed portfolios whose performance is evaluated on a fair value basis in accordance with documented investment strategies. They comprise investment portfolios backing deposit administration and unit linked policy contracts for which the full return on the portfolios accrue to the contract-holders.
- Held for trading securities are acquired principally for the purpose of selling in the short-term or if they form part of a portfolio of financial assets in which there is evidence of short-term profit taking. Derivatives are also classified as held for trading unless designated as hedges.

Available for sale financial assets are non-derivative financial instruments intended to be held for an indefinite period of time and which may be sold in response to liquidity needs or changes in interest rates, exchange rates and equity prices.

### 2.8 Financial assets (continued)

#### (b) Recognition and measurement

Purchases and sales of financial investments are recognised on the trade date. Interest income arising on investments is accrued using the effective yield method. Dividends are recorded in revenue when due.

Held to maturity assets, loans and receivables are carried at amortised cost less provision for impairment.

Financial assets in the category at fair value through income are measured initially at fair value and are subsequently re-measured at their fair value based on quoted prices or internal valuation techniques. Realised and unrealised gains and losses are recorded as net gains in investment income. Interest and dividend income are recorded under their respective heads in investment income. Interest income on financial assets at fair value through income is calculated using the effective interest rate method.

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

#### (c) Fair value

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

## Notes to the Financial Statements

Year ended December 31, 2015

**Sagikor Financial Corporation**

*Amounts expressed in US \$000*

### 2.8 Financial assets (continued)

#### (d) Impaired financial assets

A financial asset is considered impaired if its carrying amount exceeds its estimated recoverable amount.

An impairment loss for assets carried at amortised cost is calculated as the difference between the carrying amount and the present value of expected future cash flows discounted at the original effective interest rate. The carrying value of impaired financial assets is reduced by impairment losses.

The recoverable amount for an available for sale security is its fair value.

For an available for sale equity security or investment in an associated company, an impairment loss is recognised in income if there has been a significant or prolonged decline in its fair value below its cost. Determination of what is significant or prolonged requires judgement which includes consideration of the volatility of the fair value, and the financial condition and financial viability of the investee. In this context, management considers a 40% decline in fair value below cost to be significant and a decline that has persisted for more than twelve months to be prolonged. Any subsequent increase in fair value occurring after the recognition of an impairment loss is reported in other comprehensive income.

For an available for sale security other than an equity security, if the Group assesses that there is objective evidence that the security is impaired, an impairment loss is recognised for the amount by which the instrument's amortised cost exceeds its fair value. If in a subsequent period the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed, and the amount of the reversal is recognised in revenue.

### 2.8 Financial assets (continued)

#### (e) Securities purchased for resale

Securities purchased for resale are treated as collateralised financing transactions and are recorded at the amount at which they are acquired. The difference between the purchase and resale price is treated as interest and is accrued over the life of the agreements using the effective yield method.

#### (f) Finance leases

The Group, as lessor, enters into finance leases with third parties to lease assets. Finance leases are leases in which the Group has transferred substantially the risks of ownership to the lessee. The finance lease, net of unearned finance income, is recorded as a receivable and the finance income is recognised over the term of the lease using the effective yield method.

#### (g) Embedded derivatives

The Group holds certain bonds and preferred equity securities that contain options to convert into common shares of the issuer. These options are considered embedded derivatives.

If the measurement of an embedded derivative can be separated from its host contract, the embedded derivative is carried at current market value and is presented with its related host contract. Unrealised gains and losses are recorded as investment income.

If the measurement of an embedded derivative cannot be separated from its host contract, the full contract is accounted for as a financial asset at fair value through income.

## Notes to the Financial Statements

Year ended December 31, 2015

**Sagikor Financial Corporation**

*Amounts expressed in US \$000*

### 2.9 Real estate developed or held for resale

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

Real estate acquired through foreclosure is classified as real estate held for resale and is stated at the lower of carrying value and fair value less costs to sell.

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

### 2.10 Policy contracts

#### (a) Classification

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

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

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

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

### 2.10 Policy contracts (continued)

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

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

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

Residual gains in the participating accounts constitute discretionary participation features which the Group classifies as equity (see also note 2.20).

#### (b) Recognition and measurement

##### (i) Property and casualty insurance contracts

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

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

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



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**Sagcor Financial Corporation**

*Amounts expressed in US \$000*

### 2.10 Policy contracts (continued)

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

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

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

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

### 2.10 Policy contracts (continued)

#### *(ii) Health insurance contracts*

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

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

Claims are recorded on settlement. Reserves are recorded as described in note 2.11.

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

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

#### *(iii) Long-term traditional insurance contracts*

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

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

## Notes to the Financial Statements

Year ended December 31, 2015

**Sagicor Financial Corporation**

*Amounts expressed in US \$000*

### 2.10 Policy contracts (continued)

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

Reserves for future policy liabilities are recorded as described in note 2.11.

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

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

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

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

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

### 2.10 Policy contracts (continued)

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

Policy benefits are recognised on the notification of death, disability or critical illness, on the receipt of a withdrawal request, on the termination or maturity date of the contract, or on the annuity payment date. Reserves for future policy liabilities are recorded as described in note 2.11.

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

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

#### *(v) Reinsurance contracts assumed*

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

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

#### *(vi) Reinsurance contracts held*

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

**Notes to the Financial Statements**

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**Sagcor Financial Corporation***Amounts expressed in US \$000***2.10 Policy contracts (continued)**

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

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

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

*(vii) Deposit administration and other investment contracts*

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

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

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

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

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

**2.10 Policy contracts (continued)**

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

*(c) Embedded derivatives*

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

The Group does not separately measure embedded derivatives that are closely related to the host insurance contract or that meet the definition of an insurance contract. Options to surrender an insurance contract for a fixed amount are also not measured separately. In these cases, the entire contract liability is measured as set out in note 2.11.

*(d) Liability adequacy tests*

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

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

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

## Notes to the Financial Statements

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**Sagicor Financial Corporation**

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### 2.11 Actuarial liabilities (continued)

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

Net insurance contract liabilities represent the amount which, together with estimated future premiums and net investment income, will be sufficient to pay projected future benefits, policyholder dividends and refunds, taxes (other than income taxes) and expenses on policies in-force net of reinsurance premiums and recoveries. The determination of net insurance liabilities is based on an explicit projection of cash flows using current assumptions plus a margin for adverse deviation for each material cash flow item. Investment returns are projected using the current asset portfolios and projected reinvestment yields. The period used for the projection of cash flows is the policy lifetime for most individual insurance contracts.

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

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

### 2.11 Actuarial liabilities (continued)

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

#### (b) Health insurance contracts

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

### 2.12 Financial liabilities

During the ordinary course of business, the Group issues investment contracts or otherwise assumes financial liabilities that expose the Group to financial risk. The recognition and measurement of the Group's principal types of financial liabilities are disclosed in note 2.10(b) (vii) and in the following paragraphs.

#### (a) Securities sold for re-purchase

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

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

**Notes to the Financial Statements**

Year ended December 31, 2015

**Sagikor Financial Corporation***Amounts expressed in US \$000***2.12 Financial liabilities (continued)****(b) Deposit liabilities**

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

**(c) Loans and other debt obligations**

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

Obligations undertaken for the purposes of financing operations and capital support are classified as notes or loans payable and the associated cost is classified as finance costs. Loan obligations undertaken for the purposes of providing funds for on-lending, leasing or portfolio investments are classified as deposit and security liabilities and the associated cost is included in interest expense.

**(d) Fair value**

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

**2.13 Provisions**

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

**2.14 Derivative financial instruments and hedging activities**

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

**2.14 Derivative financial instruments and hedging activities (continued)**

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

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

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

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

**2.15 Offsetting financial instruments**

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

**2.16 Presentation of current and non-current assets and liabilities**

In note 41.2, the maturity profiles of financial and insurance assets and liabilities are identified. For other assets and liabilities, balances presented in notes 5 to 8, 10 to 12, 14, 18, 19 and 33 are non-current unless otherwise stated in those notes.



## Notes to the Financial Statements

Year ended December 31, 2015

**Sagikor Financial Corporation**

*Amounts expressed in US \$000*

### 2.17 Employee benefits

#### (a) Pension benefits

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

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

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

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

#### (b) Other retirement benefits

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

### 2.17 Employee benefits (continued)

#### (c) Profit sharing and bonus plans

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

#### (d) Equity compensation benefits

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

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

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

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

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

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

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

**Notes to the Financial Statements**

Year ended December 31, 2015

**Sagcor Financial Corporation***Amounts expressed in US \$000***2.17 Employee benefits (continued)**

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

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

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

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

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

**(e) Termination benefits**

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

**2.18 Taxes****(a) Premium taxes**

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

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

Premium tax is recognised gross in the statement of income.

**(b) Asset tax**

The Group is subject to an asset tax in Jamaica and Barbados. In Jamaica, the asset tax is levied on insurance, securities dealers and deposit taking institutions, and is 0.14% of adjusted assets held at the end of the year. In Barbados, the asset tax is levied on insurance, deposit taking institutions and credit unions and is 0.20% of adjusted assets held at the end of a period.

**(c) Income taxes**

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

## Notes to the Financial Statements

Year ended December 31, 2015

**Sagikor Financial Corporation**  
Amounts expressed in US \$000

### 2.18 Taxes (continued)

Income tax rates	Life insurance and non-registered annuities	Registered annuities	Other lines of business
Barbados	5% of gross investment income	Nil	25% of net income
Jamaica	25% of profit before tax	Nil	25% of profit before tax
Trinidad and Tobago	15% - 25% of investment income	Nil	25% of net income
United States of America	35% of net income	Nil	35% of net income

#### (i) Current income taxes

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

#### (ii) Deferred income taxes

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

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

### 2.19 Common and preference shares

#### (a) Common shares

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

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

#### (b) Preference shares

On July 18, 2011, the Company issued convertible redeemable preference shares that are accounted for as a compound financial instrument. The shares are contractually redeemable on July 18, 2016 if the shareholder has not opted to convert the shares prior to this date. Dividends may be declared semi-annually by the Company's directors.

The redemption value is recognised as a contractual liability, and is measured initially at its discounted fair value. The discount rate reflects as of July 18, 2011: (i) the rate of interest applicable to a similar liability with a contractual dividend rate, and (ii) the interest premium required by the shareholder for an instrument with a non-contractual dividend. The liability component is disclosed in note 16.

The preference shareholders' rights to receive dividends is recognised within shareholders' equity, and is measured initially as the residual fair value of the preference shares in their totality after deducting the liability for the redemptive value. The equity component is initially recorded as a preference share reserve in note 22.

Incremental costs directly attributable to the issue of the preference shares are allocated between the liability for the redemption value and the equity reserve in proportion to their initial carrying amounts. After initial recognition, the liability component is accreted to its ultimate redemption value using the effective interest yield method, with the accretion being recorded as a finance cost in the statement of income. After initial recognition, the preference share reserve is transferred to retained earnings pro-rata to the dividends declared over the period to redemption.

**Notes to the Financial Statements**

Year ended December 31, 2015

**Sagicor Financial Corporation***Amounts expressed in US \$000***2.19 Common and preference shares (continued)**

On the initial recognition of the preference shares, the conversion feature of the instrument was deemed to have no value. Subsequently, when a number of preference shares are converted to common shares, the associated liability for redemption will be extinguished and consequently will be transferred to the share capital account for common shares. Additionally at conversion, the proportion of the preference share reserve attributable to the converted number of preference shares will also be transferred to the share capital account for common shares. In summary, the total transfer to the share capital account for common shares will approximate the original consideration for the converted number of preference shares less attributable issue costs.

**(c) Dividends**

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

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

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

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

**2.20 Participating accounts (continued)**

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

**(b) "Open" participating account**

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

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

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

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

## Notes to the Financial Statements

Year ended December 31, 2015

**Sagicor Financial Corporation**

*Amounts expressed in US \$000*

### 2.20 Participating accounts (continued)

#### (c) Financial statement presentation

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

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

### 2.21 Statutory reserves

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

### 2.22 Interest income and expenses

Interest income and expenses are recognised in the income statement for all interest bearing instruments on an accrual basis using the effective yield method based on the initial transaction price. Interest includes coupon interest and accrued discount and premium on financial instruments.

### 2.23 Fees and other revenue

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

### 2.24 Cash flows

The following classifications apply to the cash flow statement.

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

Cash and cash equivalents comprise:

- cash balances,
- call deposits,
- other liquid balances with maturities of three months or less from the acquisition date,
- less bank overdrafts which are repayable on demand,
- less other borrowings from financial institutions made for the purpose of meeting cash commitments and which have maturities of three months or less from origination.

Cash equivalents are subject to an insignificant risk of change in value.



**Notes to the Financial Statements**

Year ended December 31, 2015

**Sagikor Financial Corporation***Amounts expressed in US \$000***2.25 Future accounting developments and reporting changes (continued)**

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

IFRS (Effective Date)	Subject / Comments
IFRS 9 – Financial Instruments (January 1, 2018)	<p>Classification and measurement of financial instruments</p> <p>IFRS 9, addresses the classification, measurement and recognition of financial assets and financial liabilities. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through OCI and fair value through P&amp;L. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in OCI not recycling. There is now a new expected credit losses model that replaces the incurred loss impairment model used in IAS 39.</p> <p>For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss.</p> <p>IFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually use for risk management purposes.</p> <p>The IASB is currently discussing an optional deferral of IFRS 9 until January 2021 for certain companies issuing insurance contracts. The Group is yet to assess IFRS 9's full impact.</p>

IFRS (Effective Date)	Subject / Comments
IFRS 11 - Accounting for Acquisitions of Interests in Joint Operations (January 1, 2016)	<p>The amendments to IFRS 11 clarify the accounting for the acquisition of an interest in a joint operation where the activities of the operation constitute a business. They require an investor to apply the principles of business combination accounting when it acquires an interest in a joint operation that constitutes a business.</p> <p>This includes:</p> <ul style="list-style-type: none"> <li>• measuring identifiable assets and liabilities at fair value</li> <li>• expensing acquisition-related costs</li> <li>• recognising deferred tax, and</li> <li>• recognising the residual as goodwill, and testing this for impairment annually.</li> </ul> <p>Existing interests in the joint operation are not remeasured on acquisition of an additional interest, provided joint control is maintained.</p> <p>The amendments also apply when a joint operation is formed and an existing business is contributed. The Group is assessing the impact of these amendments.</p>
IFRS 15 – Revenue from contracts with customers (January 1, 2017)	<p>IFRS 15 deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS 18 'Revenue' and IAS 11 'Construction contracts' and related interpretations. The Group is assessing the impact of IFRS 15.</p>

## Notes to the Financial Statements

Year ended December 31, 2015

**Sagikor Financial Corporation**

*Amounts expressed in US \$000*

### 2.25 Future accounting developments and reporting changes (continued)

IFRS (Effective Date)	Subject / Comments
IFRS 16 – Leases (Annual periods beginning on or after 1 January 2019 with earlier application permitted if IFRS 15, 'Revenue from Contracts with Customers', is also applied.)	<p>This standard replaces the current guidance in IAS 17 and is a far-reaching change in accounting by lessees in particular. Under IAS 17, lessees were required to make a distinction between a finance lease (on balance sheet) and an operating lease (off balance sheet). IFRS 16 now requires lessees to recognise a lease liability reflecting future lease payments and a 'right-of-use asset' for virtually all lease contracts. The IASB has included an optional exemption for certain short-term leases and leases of low-value assets; however, this exemption can only be applied by lessees. For lessors, the accounting stays almost the same. However, as the IASB has updated the guidance on the definition of a lease (as well as the guidance on the combination and separation of contracts), lessors will also be affected by the new standard. At the very least, the new accounting model for lessees is expected to impact negotiations between lessors and lessees.</p> <p>Under IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Group is yet to assess the impact of IFRS 16.</p>
IAS 6 and IAS 41 - Agriculture: Bearer Plants (January 1, 2016)	<p>IAS 41 Agriculture now distinguishes between bearer plants and other biological asset. Bearer plants must be accounted for as property plant and equipment and measured either at cost or revalued amounts, less accumulated depreciation and impairment losses.</p> <p>A bearer plant is defined as a living plant that:</p> <ul style="list-style-type: none"> <li>• is used in the production or supply of agricultural produce</li> <li>• is expected to bear produce for more than one period, and</li> <li>• has a remote likelihood of being sold as agricultural produce, except for incidental scrap sales.</li> </ul> <p>Agricultural produce growing on bearer plants remains within the scope of IAS 41 and is measured at fair value less costs to sell with changes recognised in profit or loss as the produce grows. The Group is yet to assess the impact of the amendment.</p>

IFRS (Effective Date)	Subject / Comments
IFRS 10, IFRS 12 and IAS 28 – Investment entities: Applying the consolidation exception (January 1, 2016)	<p>Amendments made to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in associates and joint ventures clarify that:</p> <ul style="list-style-type: none"> <li>• The exception from preparing consolidated financial statements is also available to intermediate parent entities which are subsidiaries of investment entities.</li> <li>• An investment entity should consolidate a subsidiary which is not an investment entity and whose main purpose and activity is to provide services in support of the investment entity's investment activities.</li> <li>• Entities which are not investment entities but have an interest in an associate or joint venture which is an investment entity have a policy choice when applying the equity method of accounting. The fair value measurement applied by the investment entity associate or joint venture can either be retained, or a consolidation may be performed at the level of the associate or joint venture, which would then unwind the fair value measurement.</li> </ul> <p>Early adoption is permitted. The Group is yet to assess the impact of the amendment.</p>
IFRS 10 and IAS 28 – Sale or contribution of assets between an investor and its associate or joint venture (January 1, 2016)	<p>The IASB has made limited scope amendments to IFRS 10 Consolidated financial statements and IAS 28 Investments in associates and joint ventures.</p> <p>The amendments clarify the accounting treatment for sales or contribution of assets between an investor and its associates or joint ventures. They confirm that the accounting treatment depends on whether the non-monetary assets sold or contributed to an associate or joint venture constitute a 'business' (as defined in IFRS 3 Business Combinations).</p> <p>Where the non-monetary assets constitute a business, the investor will recognise the full gain or loss on the sale or contribution of assets. If the assets do not meet the definition of a business, the gain or loss is recognised by the investor only to the extent of the other investor's investors in the associate or joint venture. The amendments apply prospectively. The Group is yet to assess the impact of the amendment.</p>

## Notes to the Financial Statements

Year ended December 31, 2015

**Sagicor Financial Corporation**

*Amounts expressed in US \$000*

### 3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

#### 3.1 Impairment of financial assets

An available for sale debt security or a loan or a receivable is considered impaired when management determines that it is probable that all amounts due according to the original contract terms will not be collected. This determination is made after considering the payment history of the borrower, the discounted value of collateral and guarantees, and the financial condition and financial viability of the borrower. The determination of impairment may either be considered by individual asset or by a grouping of assets with similar relevant characteristics.

#### 3.2 Recognition and measurement of intangible assets

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

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

#### 3.3 Impairment of intangible assets

##### (a) Goodwill

The assessment of goodwill impairment involves the determination of the fair value of the cash generating business units to which the goodwill has been allocated. Determination of fair value involves the estimation of future cash flows or of income after tax of these business units and the expected returns to providers of capital to the business units and / or to the Group as a whole. For the Sagicor Life reporting segment, the Group uses an actuarial appraisal value technique for testing goodwill impairment.

#### 3.3 Impairment of intangible assets (continued)

##### (a) Goodwill (continued)

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

##### (b) Other intangible assets

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

#### 3.4 Valuation of actuarial liabilities

##### (a) Canadian Actuarial Standards

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

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

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

## Notes to the Financial Statements

Year ended December 31, 2015

**Sagikor Financial Corporation**

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### 3.4 Valuation of actuarial liabilities (continued)

#### (a) Canadian Actuarial Standards (continued)

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

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

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

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

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

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

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

### 3.5 Carrying value of the assets and liabilities of the discontinued operation

As of December 31, 2015, the liability of the discontinued operation is the estimated residual liability due to the purchaser arising from the estimated results of the syndicate for the underwriting years of account up to and including 2013 until the end of the run-off period. The reported liability is also impacted by movements in various foreign exchange rates as the insured risks are denominated in a number of different currencies.

**Notes to the Financial Statements**

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**Sagikor Financial Corporation***Amounts expressed in US \$000***4 SEGMENTS**

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

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

In accordance with the relevant financial reporting standard, the Group has determined that there are three principal subsidiary Groups within continuing operations which represent the reportable operating segments of Sagikor. These segments and other Group companies are set out in the following sections. Details of the discontinued operating segment are set out in note 38.

**(a) Sagikor Life**

These comprise Group subsidiaries conducting life, health and annuity insurance business, and pension administration services in (i) Barbados, Eastern Caribbean, Dutch Caribbean, Bahamas and Central America and (ii) Trinidad and Tobago. As these two segments are broadly similar in products, services, distribution, administrative and regulatory environment, they are presented on an aggregated basis in these financial statements. The companies are set out in the following two tables.

**4 SEGMENTS (continued)**

<b>Sagikor Life Segment Companies</b>	<b>Principal Activities</b>	<b>Country of Incorporation</b>	<b>Effective Shareholders' Interest</b>
Sagikor Life Inc <sup>(1)</sup>	Life and health insurance, annuities and pension administration services	Barbados	100%
Sagikor Life Aruba NV	Life and health insurance, annuities and pension administration services	Aruba	100%
Capital Life Insurance Company Bahamas Limited	Life insurance	The Bahamas	100%
Sagikor Panamá, SA	Life and health insurance	Panamá	100%
Nationwide Insurance Company Limited	Life insurance	Trinidad & Tobago	100%
<b>Associates</b>			
RGM Limited	Property ownership and management	Trinidad & Tobago	33%
FamGuard Corporation Limited	Investment holding company	Bahamas	20%
Principal operating company: Family Guardian Insurance Company Limited	Life and health insurance and annuities	Bahamas	20%
Primo Holding Limited	Property investment	Barbados	38%

<sup>(1)</sup> On December 31, 2014, Sagikor Life Inc and its wholly-owned subsidiary Sagikor Capital Life Insurance Company Limited were amalgamated under the laws of Barbados. Under the terms of the amalgamation, the two companies continue as one corporate entity under the name of Sagikor Life Inc.



## Notes to the Financial Statements

Year ended December 31, 2015

## Sagikor Financial Corporation

Amounts expressed in US \$000

### 4 SEGMENTS (continued)

#### (b) Sagikor Jamaica

This segment comprises Group subsidiaries conducting life, health, annuity, property and casualty insurance business, and pension administration services and financial services in Jamaica, Cayman Islands and Costa Rica.

Effective May 2014, Sagikor Investment Jamaica Limited (SIJL) became a wholly owned subsidiary of Sagikor Group Jamaica Limited (SGJ). Previously, Sagikor Investment Jamaica Limited was owned 85.45% (2013 – 85.45%) by Sagikor Life Jamaica Limited. The existing minority shareholders of Sagikor Investment Jamaica Limited exchanged their shares for Sagikor Group Jamaica Limited (SGJ) shares. The existing parent company, Sagikor Life Jamaica Limited exchanged their shares in SIJL for unsecured debenture bonds from SGJ. SIJL was subsequently delisted from the Jamaica Stock Exchange. The exchange of SIJL shares to SGJ shares took effect on 7 May 2014. This transaction resulted in a reduction of the Sagikor Financial Corporation's effective shareholder's interest from 51% to 49.11%.

On June 27, 2014, the Group acquired 100% of the share capital of RBC Royal Bank (Jamaica) Limited and its subsidiary, RBC Securities (Jamaica) Limited and rebranded that business to Sagikor Bank.

All Jamaican subsidiaries are now wholly owned by Sagikor Group Jamaica Limited. The companies comprising this segment are as follows.

Sagikor Jamaica Segment Companies	Principal Activities	Country of Incorporation	Effective Shareholders' Interest
Sagikor Group Jamaica Limited	Group holding company	Jamaica	49.11% <sup>(1)</sup>
Sagikor Life Jamaica Limited	Life and health insurance and annuities	Jamaica	49.11% <sup>(1)</sup>
Sagikor Life of the Cayman Islands Limited	Life insurance	The Cayman Islands	49.11% <sup>(1)</sup>
Sagikor Pooled Investment Funds Limited	Pension fund management	Jamaica	49.11% <sup>(1)</sup>
Employee Benefits Administrator Limited	Pension administration services	Jamaica	49.11% <sup>(1)</sup>

### 4 SEGMENTS (continued)

Sagikor Jamaica Segment Companies (continued)	Principal Activities	Country of Incorporation	Effective Shareholders' Interest
Sagikor Re Insurance Limited	Property and casualty insurance	The Cayman Islands	49.11% <sup>(1)</sup>
Sagikor Insurance Brokers Limited	Insurance brokerage	Jamaica	49.11% <sup>(1)</sup>
Sagikor International Administrators Limited	Group insurance administration	Jamaica	49.11% <sup>(1)</sup>
Sagikor Insurance Managers Limited	Captive insurance management services	The Cayman Islands	49.11% <sup>(1)</sup>
Sagikor Property Services Limited	Property management	Jamaica	49.11% <sup>(1)</sup>
Sagikor Investments Jamaica Limited	Investment banking	Jamaica	49.11% <sup>(2)</sup>
Sagikor Bank Jamaica Limited	Commercial banking	Jamaica	49.11% <sup>(2)</sup>
Sagikor Costa Rica SCR, S.A.	Life insurance	Costa Rica	24.56%
LOJ Holdings Limited	Insurance holding company	Jamaica	100%
Sagikor St Lucia Limited	Financial services holding company	St. Lucia	49.11% <sup>(1)</sup>
Sagikor Securities Jamaica Limited	Securities trading	Jamaica	49.11%
<b>Associates</b>			
Sagikor Real Estate X-Fund Ltd.	Investment in real estate activities	St. Lucia	29.31% <sup>(3)</sup>

(1) 51% prior to May 7, 2014. (2) 44% prior to May 7, 2014

(3) In September 2015, Sagikor Group acquired the Sagikor Real Estate X Fund. This acquisition took the Sagikor Group's holding to 29.3%. At December 2014, the Sagikor Group owned 12.30% which was diluted to 8% with the rights issue.

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

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

**Notes to the Financial Statements**

Year ended December 31, 2015

**Sagikor Financial Corporation***Amounts expressed in US \$000***4 SEGMENTS (continued)**(c) Sagikor Life USA

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

Sagikor Life USA Segment Companies	Principal Activities	Country of Incorporation	Effective Shareholders' Interest
Sagikor Life Insurance Company	Life insurance and annuities	USA - Texas	100%
Sagikor USA Inc	Insurance holding company	USA - Delaware	100%

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

These comprise the following:

Other Group Companies	Principal Activities	Country of Incorporation	Effective Shareholders' Interest
Sagikor Financial Corporation	Group parent company	Barbados	100%
Sagikor General Insurance Inc	Property and casualty insurance	Barbados	53%
Sagikor Finance Inc	Loan and lease financing, and deposit taking	St. Lucia	70%
Sagikor Asset Management (T&T) Limited	Investment management	Trinidad & Tobago	100%
Sagikor Asset Management Inc	Investment management	Barbados	100%
Barbados Farms Limited	Farming and real estate development	Barbados	77%
Sagikor Funds Incorporated	Mutual fund holding company	Barbados	100%
Globe Finance Inc	Loan and lease financing, and deposit taking	Barbados	51%
The Mutual Financial Services Inc	Financial services holding company	Barbados	73%
Sagikor Finance Limited	Group financing vehicle	The Cayman Islands	100%
Sagikor Finance (2015) Limited <sup>(1)</sup>	Group financing vehicle	The Cayman Islands	100%

(1) Sagikor Finance (2015) Limited was incorporated in the Cayman Islands with its primary function being the issuance of debt.

**Notes to the Financial Statements**

Year ended December 31, 2015

**Sagikor Financial Corporation**

Amounts expressed in US \$000

**4.1 Statement of income by segment**

2015	Sagikor Life	Sagikor Jamaica	Sagikor Life USA	Head office and other	Adjustments	Total
Net premium revenue	291,237	278,312	80,963	23,413	-	673,925
Interest income	73,121	159,828	51,236	9,247	-	293,432
Other investment income	1,862	21,101	8,831	(66)	(2,931)	28,797
Fees and other revenues	12,606	53,243	20,124	23,113	4	109,090
Gain / (loss) arising on acquisition	-	(1,025)	-	-	-	(1,025)
Inter-segment revenues	92,596 <sup>(1)</sup>	-	(82,890) <sup>(1)</sup>	39,905	(49,611)	-
	471,422	511,459	78,264	95,612	(52,538)	1,104,219
Net policy benefits	189,934	163,574	101,898	12,171	-	467,577
Net change in actuarial liabilities	(1,482)	44,634	(16,593)	-	-	26,559
Interest expense	11,247	40,824	2,693	4,043	-	58,807
Administrative expenses	64,958	114,977	35,673	35,449	835	251,892
Commissions and premium and asset taxes	40,694	44,298	24,761	10,148	-	119,901
Finance costs	-	-	49	(343)	37,528	37,234
Depreciation and amortisation	5,831	6,573	1,276	5,007	-	18,687
Inter-segment expenses	82,585 <sup>(1)</sup>	886	(81,207) <sup>(1)</sup>	9,943	(12,207)	-
	393,767	415,766	68,550	76,418	26,156	980,657
Segment income / (loss) before taxes	77,655	95,693	9,714	19,194	(78,694)	123,562
Income taxes	(6,888)	(15,581)	(3,106)	(343)	799	(25,119)
<b>Net income / (loss) from continuing operations</b>	<b>70,767</b>	<b>80,112</b>	<b>6,608</b>	<b>18,851</b>	<b>(77,895)</b>	<b>98,443</b>
Net income/(loss) attributable to shareholders from continuing operations	69,482	39,344	6,608	(18,740)	(40,367)	56,327
Total comprehensive income/(loss) attributable to shareholders from continuing operations	70,925	4,881	(3,404)	(19,460)	(38,481)	14,461

<sup>(1)</sup> During the year, Sagikor Life USA entered into a reinsurance agreement with Sagikor Life; included in the inter-segment revenues is \$90,515 and inter-segment expenses of \$82,225 relating to this transaction.

**Notes to the Financial Statements**

Year ended December 31, 2015

**Sagikor Financial Corporation***Amounts expressed in US \$000***4.1 Statement of income by segment (continued)**

2014	Sagikor Life	Sagikor Jamaica	Sagikor Life USA	Head office and other	Adjustments	Total
Net premium revenue	266,017	263,880	74,538	21,122	-	625,557
Interest income	70,728	133,818	49,671	10,144	-	264,361
Other investment income	6,689	23,790	14,045	(1,670)	-	42,854
Fees and other revenues	10,419	35,365	15,230	22,306	24	83,344
Gain arising on acquisition	-	29,051	-	-	-	29,051
Inter-segment revenues	7,911	-	-	33,763	(41,674)	-
	361,764	485,904	153,484	85,665	(41,650)	1,045,167
Net policy benefits	174,595	156,024	97,697	9,165	-	437,481
Net change in actuarial liabilities	9,247	49,967	(18,217)	-	-	40,997
Interest expense	11,566	44,098	3,642	4,433	-	63,739
Administrative expenses	64,638	104,386	30,548	32,827	1,343	233,742
Commissions and premium and asset taxes	37,798	40,847	20,618	10,176	-	109,439
Finance costs	-	-	41	(243)	22,746	22,544
Depreciation and amortisation	5,026	9,177	1,437	4,580	-	20,220
Inter-segment expenses	354	1,336	926	8,065	(10,681)	-
	303,224	405,835	136,692	69,003	13,408	928,162
Segment income / (loss) before taxes	58,540	80,069	16,792	16,662	(55,058)	117,005
Income taxes	(8,297)	(2,700)	(4,878)	(825)	-	(16,700)
<b>Net income / (loss) from continuing operations</b>	<b>50,243</b>	<b>77,369</b>	<b>11,914</b>	<b>15,837</b>	<b>(55,058)</b>	<b>100,305</b>
Net income/(loss) attributable to shareholders from continuing operations	44,043	38,055	11,914	(7,963)	(32,312)	53,737
Total comprehensive income/(loss) attributable to shareholders from continuing operations	50,330	34,004	19,478	(7,428)	(32,228)	64,156

## Notes to the Financial Statements

Year ended December 31, 2015

**Sagicor Financial Corporation**

*Amounts expressed in US \$000*

### 4.1 Statement of income by segment (continued)

The principal non-controlling interests in the Group are in respect of Sagicor Group Jamaica Limited (Sagicor Jamaica).

Out of the total net income attributable to non-controlling interests of \$40,831 (2014 - \$40,368), Sagicor Jamaica contributed \$40,767 (2014 - \$39,314).

### 4.2 Variations in segment income

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

#### (i) Investment gains

Fair value investment gains are recognised on:

- the revaluation of investment property;
- the revaluation of debt and equity securities classified as at fair value through income;
- the disposal of debt and equity securities classified as available for sale or loans and receivables.

Therefore, significant gains and losses may be triggered by changes in market prices and / or by decisions to dispose of investments.

#### (ii) Allowances for impairment of financial investments

Significant impairment losses may be triggered by changes in market prices and economic conditions.

#### (iii) Gains on acquisitions/divestitures

On acquisition of a business or portfolio, if the fair value of the net assets acquired exceeds the total consideration transferred, the difference is recognized directly in the statement of income.

### 4.2 Variations in segment income (continued)

#### (iv) Foreign exchange gains and losses

Movements in foreign exchange rates may generate significant exchange gains or losses when the foreign currency denominated monetary assets and liabilities are re-translated at the date of the financial statements.

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

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



**Notes to the Financial Statements**

Year ended December 31, 2015

**Sagikor Financial Corporation***Amounts expressed in US \$000***4.2 Variations in segment income (continued)**

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

Variations in income by segment	2015					2014				
	Sagikor Life	Sagikor Jamaica	Sagikor Life USA	Head Office and Other	Total	Sagikor Life	Sagikor Jamaica	Sagikor Life USA	Head Office and Other	Total
Investment gains / (losses)	(1,226)	28,342	5,309	(7)	32,418	3,306	30,616	13,371	375	47,668
Impairment of financial investments	(1,782)	(8,368)	(17)	(171)	(10,338)	(3,409)	(7,030)	(13)	(2,186)	(12,638)
Foreign exchange gains / (losses)	1,624	1,182	-	8	2,814	(1,376)	4,421	-	180	3,225
Gains / (losses) on acquisitions/ divestitures	-	(1,025)	-	-	(1,025)	-	29,051	-	-	29,051
Decrease / (increase) in actuarial liabilities from changes in assumptions	36,114	(403)	1,642	-	37,353	5,622	17,472	(25,443)	-	(2,349)
	34,730	19,728	6,934	(170)	61,222	4,143	74,530	(12,085)	(1,631)	64,957

**Notes to the Financial Statements**

Year ended December 31, 2015

**Sagikor Financial Corporation**

Amounts expressed in US \$000

**4.3 Other comprehensive income**

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

*(i) Unrealised investment gains*

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

*(ii) Changes in actuarial liabilities*

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

*(iii) Foreign exchange gains and losses*

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

*(iv) Defined benefit plans gains and losses*

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

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

	Variations in other comprehensive income by segment					Total
	Sagikor Life	Sagikor Jamaica	Sagikor Life USA	Head Office and other	Adjustments	
<b>2015</b>						
Unrealised investment (losses)	(5,252)	(61,165)	(36,500)	(184)	-	(103,101)
Changes in actuarial liabilities	9,729	3,702	34,915	-	-	48,346
Retranslation of foreign currency operations	(982)	(14,708)	-	23	(19)	(15,686)
Losses on defined benefit plans	(1,053)	(3,787)	-	(591)	-	(5,431)
<b>2014</b>						
Unrealised investment gains	6,207	6,602	25,371	206	-	38,386
Changes in actuarial liabilities	(4,178)	-	(15,792)	-	-	(19,970)
Retranslation of foreign currency operations	1,339	(23,528)	-	69	84	(22,036)
Gains on defined benefit plans	2,763	9,086	-	1,363	-	13,212

**Notes to the Financial Statements**

Year ended December 31, 2015

**Sagikor Financial Corporation***Amounts expressed in US \$000***4.4 Statement of financial position by segment**

	<b>Sagikor Life</b>	<b>Sagikor Jamaica</b>	<b>Sagikor Life USA</b>	<b>Head office and other</b>	<b>Adjustments</b>	<b>Total</b>
<b>2015</b>						
Financial investments	1,402,811	2,087,139	1,061,649	275,022	-	4,826,621
Other external assets	331,311	415,738	630,719	195,496	-	1,573,264
Inter-segment assets	169,945	10,350	8,323	53,505	(242,123)	-
<b>Total assets</b>	<b>1,904,067</b>	<b>2,513,227</b>	<b>1,700,691</b>	<b>524,023</b>	<b>(242,123)</b>	<b>6,399,885</b>
Policy liabilities	1,189,512	646,942	1,309,946	60,474	-	3,206,874
Other external liabilities	87,439	1,467,043	224,063	629,276	-	2,407,821
Liabilities of discontinued operation	-	-	-	46,026	-	46,026
Inter-segment liabilities	28,475	1,696	43,839	168,113	(242,123)	-
<b>Total liabilities</b>	<b>1,305,426</b>	<b>2,115,681</b>	<b>1,577,848</b>	<b>903,889</b>	<b>(242,123)</b>	<b>5,660,721</b>
<b>Net assets</b>	<b>598,641</b>	<b>397,546</b>	<b>122,843</b>	<b>(379,866)</b>	<b>-</b>	<b>739,164</b>
<b>2014</b>						
Financial investments	1,259,473	2,021,180	1,247,365	133,476	-	4,661,494
Other external assets	379,124	464,724	495,735	179,343	-	1,518,926
Inter-segment assets	134,254	9,363	241	49,805	(193,663)	-
<b>Total assets</b>	<b>1,772,851</b>	<b>2,495,267</b>	<b>1,743,341</b>	<b>362,624</b>	<b>(193,663)</b>	<b>6,180,420</b>
Policy liabilities	1,197,480	622,299	1,244,053	56,770	-	3,120,602
Other external liabilities	87,733	1,460,700	250,792	441,255	-	2,240,480
Liabilities of discontinued operation	-	-	-	45,796	-	45,796
Inter-segment liabilities	23,620	217	40,582	129,244	(193,663)	-
<b>Total liabilities</b>	<b>1,308,833</b>	<b>2,083,216</b>	<b>1,535,427</b>	<b>673,065</b>	<b>(193,663)</b>	<b>5,406,878</b>
<b>Net assets</b>	<b>464,018</b>	<b>412,051</b>	<b>207,914</b>	<b>(310,441)</b>	<b>-</b>	<b>773,542</b>

## Notes to the Financial Statements

Year ended December 31, 2015

## Sagikor Financial Corporation

Amounts expressed in US \$000

### 4.4 Statement of financial position by segment (continued)

The principal non-controlling interests in the Group are in respect of Sagikor Group Jamaica Limited (Sagikor Jamaica). Out of the total non-controlling interests in the statement of financial position of \$231,735 (2014 - \$241,480), Sagikor Jamaica contributed \$194,690 (2014 - \$202,133).

### 4.5 Additions to non-current assets by segment

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

	2015	2014
Sagikor Life	9,139	7,384
Sagikor Jamaica	45,968	7,878
Sagikor Life USA	2,806	2,064
Head office and other	4,557	10,645
	62,470	27,971

### 4.6 Products and services

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

	2015	2014
Life, health and annuity insurance contracts issued to individuals	636,061	584,973
Life, health and annuity insurance and pension administration contracts issued to groups	273,382	273,138
Property and casualty insurance	32,653	34,308
Banking, investment management and other financial services	150,152	112,927
Farming and unallocated revenues	11,971	39,821
	1,104,219	1,045,167

### 4.7 Geographical areas

The Group operates in certain geographical areas which are determined by the location of the subsidiary or branch initiating the business.

Group operations in geographical areas include certain non-current assets comprising investment property, property, plant and equipment, investment in associated companies and intangible assets.

Total external revenues and non-current assets by geographical area are summarised in the following table.

	External revenue		Non-current assets	
	2015	2014	2015	2014
Barbados	162,545	146,640	195,457	198,624
Jamaica	478,798	458,565	117,964	69,985
Trinidad & Tobago	153,790	145,735	69,132	67,396
Other Caribbean	150,860	140,737	34,485	35,499
USA	158,226	153,490	5,096	3,593
	1,104,219	1,045,167	422,134	375,097

**Notes to the Financial Statements**

Year ended December 31, 2015

**Sagikor Financial Corporation***Amounts expressed in US \$000***5 INVESTMENT PROPERTY**

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

	<b>2015</b>	<b>2014</b>
Balance, beginning of year	88,766	98,369
Additions at cost	111	1,638
Transfer (to) / from property, plant and equipment (note 7)	(3,410)	583
Disposals	(5,255)	(8,269)
Change in fair values	(816)	(3,468)
Effects of exchange rate changes	(224)	(87)
Balance, end of year	79,172	88,766

Investment property includes \$11,446 (2014 - \$14,372) which represents the Group's proportionate interest in joint operations summarised in the following table.

Country	Description of property	Percentage ownership
Barbados	Freehold lands	50%
	Freehold office buildings	10% -33%
Trinidad & Tobago	Freehold office building	60%

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



**Notes to the Financial Statements**

Year ended December 31, 2015

**Sagicor Financial Corporation***Amounts expressed in US \$000***6 ASSOCIATES AND JOINT VENTURES****6.1 Interest in Associates and Joint Ventures**

Name of Entity	Country of Incorporation	% of ownership interest		Nature of relationship	Measurement Method	Carrying Amount	
		2015	2014			2015	2014
RGM Limited	Trinidad & Tobago	33%	33%	Associate	Equity Method	23,199	21,080
FamGuard Corporation Limited <sup>(1)</sup>	Bahamas	20%	20%	Associate	Equity Method	14,059	12,856
Primo Holding Limited	Barbados	38%	38%	Associate	Equity Method	362	368
Sagicor Costa Rica SCR, S.A.	Costa Rica	50%	50%	Joint Venture	Equity Method	6,326	6,460
Sagicor Real Estate X-Fund Ltd. <sup>(2)</sup>	St. Lucia	29%	12%	Associate	Equity Method	40,584	-
Immaterial associates						-	42
						84,530	40,806

<sup>(1)</sup> FamGuard Corporation Limited is listed on the Bahamas International Securities Exchange. The proportionate share of market value calculated on the basis of the year-end closing rate of \$5.60 per share was \$11,200.

<sup>(2)</sup> The Sagicor Real Estate X Fund Limited traded on the Jamaica Stock Exchange. The proportionate share of market value calculated on the basis of the year-end closing rate of \$0.09 (J\$11.00) per share was \$58,346.

Included in the carrying value for the investment acquired in this financial year is goodwill of \$10,544 which has been provisionally determined, as allowed by IFRS 3. Should the finalized determination of the value of these intangibles in the next financial year be a materially different value, the financial statements will have to be restated during the next financial year.

**6.2 Commitments and Contingent Liabilities**

	2015	2014
<b>Contingent liabilities – associates</b>		
Share of contingent liabilities incurred jointly with other investors of the associate	-	4,207
Total contingent liabilities	-	4,207

**Notes to the Financial Statements**

Year ended December 31, 2015

**Sagicor Financial Corporation***Amounts expressed in US \$000***6.3 Summarised Financial Information**

	RGM Limited		FamGuard Corporation Limited		Primo Holding Limited		Sagicor Costa Rica SCR, S.A.		Sagicor Real Estate X-Fund Ltd.	
	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
<b>ASSETS</b>										
Financial Investments	-	-	251,312	235,157	-	-	7,840	10,415	93,939	-
Cash Resources	11,829	4,112	10,092	9,190	-	-	3,607	1,118	19,972	-
Other investments and assets	132,735	131,086	63,622	54,643	1,050	1,050	1,867	1,371	168,306	-
Total assets	144,564	135,198	325,026	298,990	1,050	1,050	13,314	12,904	282,217	-
<b>LIABILITIES</b>										
Policy liabilities	-	-	206,002	191,199	-	-	1,829	911	-	-
Other liabilities	74,972	71,963	10,966	9,208	186	170	144	1,259	151,799	-
Total liabilities	74,972	71,963	216,968	200,407	186	170	1,973	2,170	151,799	-
Net Assets	69,592	63,235	108,058	98,583	864	880	11,341	10,734	130,418	-

**Notes to the Financial Statements**

Year ended December 31, 2015

**Sagikor Financial Corporation***Amounts expressed in US \$000***6.3 Summarised Financial Information (continued)**

	RGM Limited		FamGuard Corporation Limited		Primo Holding Limited		Sagikor Costa Rica SCR, S.A.		Sagikor Real Estate X-Fund Ltd.	
	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
<b>Reconciliation to carrying amounts:</b>										
Investment, beginning of year	21,080	25,211	12,856	12,542	368	373	6,460	6,031	-	-
Additions	423	168	-	-	-	-	152	372	28,453	-
Amounts assumed on acquisition	-	-	-	-	-	-	-	-	12,288	-
Dividends received	-	(7,380)	(480)	(480)	-	-	-	-	-	-
Share of income/(loss) before taxes Share of amortisation or impairment of	1,677	3,505	959	864	(6)	(5)	(284)	57	807	-
intangible assets which were identified on acquisition	-	-	(72)	(176)	-	-	-	-	-	-
Share of income taxes	248	(738)	-	-	-	-	-	-	-	-
Share of other comprehensive income/(loss)	-	-	796	106	-	-	-	-	171	-
Effects of exchange rate changes	(229)	314	-	-	-	-	(2)	-	(1,135)	-
Investment, end of year	23,199	21,080	14,059	12,856	362	368	6,326	6,460	40,584	-

**Notes to the Financial Statements**

Year ended December 31, 2015

**Sagikor Financial Corporation***Amounts expressed in US \$000***6.3 Summarised Financial Information (continued)**

	RGM Limited		FamGuard Corporation Limited		Primo Holding Limited		Sagikor Costa Rica SCR, S.A.		Sagikor Real Estate X-Fund Ltd.	
	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
<b>Summarised statement of comprehensive income</b>										
<b>REVENUE</b>										
Net premium revenue	-	-	90,253	87,186	-	-	5,893	1,656	-	-
Net investment and other income	25,619	25,798	26,444	26,690	-	-	384	841	56,654	-
<b>Total revenue</b>	<b>25,619</b>	<b>25,798</b>	<b>116,697</b>	<b>113,876</b>	<b>-</b>	<b>-</b>	<b>6,277</b>	<b>2,497</b>	<b>56,654</b>	<b>-</b>
<b>BENEFITS AND EXPENSES</b>										
Benefits	-	-	75,671	72,764	-	-	5,346	182	-	-
Expenses	20,526	16,330	34,205	35,097	16	14	1,463	2,201	44,100	-
<b>Total benefits and expenses</b>	<b>20,526</b>	<b>16,330</b>	<b>109,876</b>	<b>107,861</b>	<b>16</b>	<b>14</b>	<b>6,809</b>	<b>2,383</b>	<b>44,100</b>	<b>-</b>
<b>INCOME BEFORE TAXES</b>	<b>5,093</b>	<b>9,468</b>	<b>6,821</b>	<b>6,015</b>	<b>(16)</b>	<b>(14)</b>	<b>(532)</b>	<b>114</b>	<b>12,554</b>	<b>-</b>
Income taxes	747	(2,209)	-	-	-	-	(35)	-	(1,438)	-
<b>NET INCOME FOR THE PERIOD</b>	<b>5,840</b>	<b>7,259</b>	<b>6,821</b>	<b>6,015</b>	<b>(16)</b>	<b>(14)</b>	<b>(567)</b>	<b>114</b>	<b>11,116</b>	<b>-</b>
Other comprehensive income	-	-	882	3,279	-	-	-	-	709	-
<b>Total comprehensive income</b>	<b>5,840</b>	<b>7,259</b>	<b>7,703</b>	<b>9,294</b>	<b>(16)</b>	<b>(14)</b>	<b>(567)</b>	<b>114</b>	<b>11,825</b>	<b>-</b>
Dividends received from associates and joint ventures	-	7,380	480	480	-	-	-	-	-	-

**6.4 Individually immaterial associates**

The aggregate carrying amounts of individually immaterial associates for 2015 – Nil (2014 - \$42).

**Notes to the Financial Statements**

Year ended December 31, 2015

**Sagikor Financial Corporation***Amounts expressed in US \$000***7 PROPERTY, PLANT AND EQUIPMENT**

	2015					2014				
	Owner-occupied property		Office furnishings, equipment & vehicles	Operating lease vehicles & equipment	Total	Owner-occupied properties		Office furnishings, equipment & vehicles	Operating lease vehicles & equipment	Total
	Lands	Land & buildings				Land	Land & buildings			
Net book value, beginning of year	38,220	77,901	39,910	13,438	169,469	38,428	66,281	33,893	12,937	151,539
Additions at cost	-	967	14,275	2,933	18,175	-	2,173	14,637	6,514	23,324
Additions arising from acquisitions	-	-	-	-	-	-	11,568	2,473	-	14,041
Transfer (to) investment property (note 5)	-	3,410	-	-	3,410	-	(583)	-	-	(583)
Transfer to intangible assets (note 8)	-	-	(6,348)	-	(6,348)	-	-	(3,286)	-	(3,286)
Other transfers	-	6	139	-	145	-	15	386	-	401
Transfers (to) real estate developed or held for sale (Note 12)	(22)	-	-	-	(22)	(7)	-	-	-	(7)
Disposals	(167)	(109)	(827)	(1,019)	(2,122)	-	-	(834)	(2,748)	(3,582)
Change in fair values	-	815	-	-	815	(201)	278	-	-	77
Depreciation charge	-	(1,079)	(7,296)	(3,138)	(11,513)	-	(1,013)	(6,713)	(3,265)	(10,991)
Effects of exchange rate changes	-	(1,217)	(543)	-	(1,760)	-	(818)	(646)	-	(1,464)
Net book value, end of year	38,031	80,694	39,310	12,214	170,249	38,220	77,901	39,910	13,438	169,469
Represented by:										
Cost or valuation	38,031	84,316	112,382	19,705	254,434	38,220	80,885	111,025	19,707	249,837
Accumulated depreciation	-	(3,622)	(73,072)	(7,491)	(84,185)	-	(2,984)	(71,115)	(6,269)	(80,368)
	38,031	80,694	39,310	12,214	170,249	38,220	77,901	39,910	13,438	169,469

Owner-occupied lands are largely utilised for farming operations.

Owner-occupied land and buildings consist largely of commercial office buildings.



**Notes to the Financial Statements**

Year ended December 31, 2015

**Sagikor Financial Corporation***Amounts expressed in US \$000***8 INTANGIBLE ASSETS****8.1 Analysis of intangible assets and changes for the year**

	2015				2014			
	Goodwill	Customer & broker relationships	Software	Total	Goodwill	Customer & broker relationships	Software	Total
Net book value, beginning of year	46,643	19,129	10,284	76,056	47,948	16,220	7,725	71,893
Additions at cost	-	-	15,198	15,198	-	-	2,469	2,469
Assumed on acquisition	-	-	-	-	-	10,304	-	10,304
Transfer from property, plant and equipment (note 7)	-	-	6,348	6,348	-	-	3,286	3,286
Amortisation/impairment charges	(585)	(1,837)	(4,680)	(7,102)	-	(5,995)	(3,056)	(9,051)
Divestitures and disposals	-	-	(289)	(289)	-	-	-	-
Effects of exchange rate changes	(786)	(851)	(391)	(2,028)	(1,305)	(1,400)	(140)	(2,845)
Net book value, end of year	45,272	16,441	26,470	88,183	46,643	19,129	10,284	76,056
Represented by:								
Cost or valuation	47,085	38,316	57,513	142,914	48,456	40,224	39,776	128,456
Accumulated depreciation and impairments	(1,813)	(21,875)	(31,043)	(54,731)	(1,813)	(21,095)	(29,492)	(52,400)
	45,272	16,441	26,470	88,183	46,643	19,129	10,284	76,056

## Notes to the Financial Statements

Year ended December 31, 2015

**Sagikor Financial Corporation**  
Amounts expressed in US \$000

### 8.2 Impairment of intangible assets

Goodwill arises from past acquisitions and is allocated to cash generating units (CGUs). Goodwill is tested annually for impairment. The recoverable amount of a CGU is determined as the higher of its value in use or its fair value less costs to sell. Annually, the management of each operating segment or other operating company prepares financial projections for the next three years.

For those CGU's which the fair value less costs to sell methodology is used, the financial projections are used as inputs to determine maintainable earnings over time to which is applied an appropriate earnings multiple. For those CGU's which the value in use methodology is used, cash flows are extracted from the financial projections to which are applied appropriate discount factors and residual growth rates, or alternatively, the cash flows from the financial projections are extended to 50 years using an actuarial appraisal value technique which incorporates appropriate discount rates and solvency capital requirements.

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

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

(a) Sagikor Life operating segment

	2015	2014
Carrying value of goodwill	27,061	27,157

### 8.2 Impairment of intangible assets (continued)

(i) Years ended December 31, 2015 & 2014

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

- Discount rates of 7 - 11% (2014, 7 - 11%) for individual life and annuity inforce business,
- New individual life and annuity business was included for the five year period 2016 to 2020,
- Annual growth rate for new individual life and annuity business was 0.01 - 7.5% for 2016 and 5 - 12.6 % from 2018 to 2020 (2014 - 7.5% from 2015 to 2018),
- Discount rates of 11 - 15% (2014, 11 - 15%) for new individual life and annuity business,
- Required Minimum Continuing Capital and Surplus Ratio (MCCSR) of 200%.

Sensitivity

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

Barbados, Eastern Caribbean, Dutch Caribbean, Bahamas and Central America			MCCSR target ratio		
			Low	Mid	High
Discount rate	Inforce	New business	175%	200%	225%
Low	7%	11%	221,756	219,358	216,854
Mid	9%	13%	120,106	114,387	108,452
High	11%	15%	47,465	39,688	31,657

**Notes to the Financial Statements**

Year ended December 31, 2015

**Sagikor Financial Corporation**

Amounts expressed in US \$000

**8.2 Impairment of intangible assets (continued)**

Trinidad and Tobago			MCCSR target ratio		
			Low	Mid	High
Discount rate	Inforce	New business	175%	200%	225%
<b>Low</b>	7%	11%	84,616	82,544	80,306
<b>Mid</b>	9%	13%	40,012	36,134	31,941
<b>High</b>	11%	15%	8,492	3,645	(1,595)

**(b) Sagikor Jamaica operating segment**

	2015	2014
Carrying value of goodwill	13,927	14,617

The fair value less cost to sell methodology was adopted to test goodwill impairment in both years. The after tax multiple used for the segment was 7.4 (2014– 7.1) which was derived from a pre-tax factor of 5.9 (2014 - 6.14) using an iterative method.

Sensitivity

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

	2015 test		
	Scenario 1	Scenario 2	Scenario 3
After tax earnings multiples	7.4	4.9	4.4
Reduction in forecast earnings	n/a	10%	10%
Excess of recoverable amount (of 49.11% interest)	115,187	86	n/a
Impairment (of 49.11% interest)	Nil	Nil	(13,731)

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

	2015	2014
Carrying value of goodwill	4,284	4,284

The Group recognised goodwill on the acquisition of its interests in Sagikor General Insurance Inc. The value in use methodology has been used to test goodwill impairment in both years. The after tax discount factor was 12.5% (2014 – 14.0%) which was derived from a pre-tax factor of 14.0% (2014 – 15.3%) using an iterative method. The residual growth rate was 4.4% (2014 – 3.8%).

Sensitivity

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

	2015 test		
	Scenario 1	Scenario 2	Scenario 3
After tax discount factor	12.5	12.5	15.0
Residual growth rate	4.4	3.7	3.7
Reduction in residual growth rate	n/a	16%	16%
Increase in after tax discount factor	n/a	n/a	20%
Excess of recoverable amount (of 53.0% interest)	7,038	85	n/a
Impairment (of 53.0% interest)	Nil	Nil	(4,284)

**Notes to the Financial Statements**

Year ended December 31, 2015

**Sagikor Financial Corporation**

Amounts expressed in US \$000

**9 FINANCIAL INVESTMENTS****9.1 Analysis of financial investments**

	2015		2014	
	Carrying value	Fair value	Carrying value	Fair value
<b>Held to maturity securities:</b>				
Debt securities	20,530	21,940	20,364	21,102
<b>Available for sale securities:</b>				
Debt securities	2,311,591	2,311,591	2,357,014	2,357,014
Equity securities	88,380	88,380	76,221	76,221
	2,399,971	2,399,971	2,433,235	2,433,235
<b>Financial assets at fair value through income:</b>				
Debt securities	136,727	136,727	142,840	142,840
Equity securities	126,577	126,577	118,053	118,053
Derivative financial instruments (note 41.6)	15,479	15,479	23,268	23,268
Mortgage loans	47,052	47,052	38,718	38,718
Deposits	56	56	-	-
	325,891	325,891	322,879	322,879
<b>Loans and receivables:</b>				
Debt securities	948,871	983,063	927,331	972,759
Mortgage loans	293,871	294,041	255,515	255,630
Policy loans	132,486	141,950	133,483	142,150
Finance loans and finance leases	436,161	419,214	410,585	417,476
Securities purchased for re-sale	8,064	8,064	31,524	26,271
Deposits	260,776	260,776	126,578	126,578
	2,080,229	2,107,108	1,885,016	1,940,864
<b>Total financial investments</b>	<b>4,826,621</b>	<b>4,854,910</b>	<b>4,661,494</b>	<b>4,718,080</b>

**9.1 Analysis of financial investments (continued)**

	2015	2014
<b>Non-derivative financial assets at fair value through income comprise:</b>		
Assets designated at fair value upon initial recognition	310,412	299,611
<b>Debt securities comprise:</b>		
Government and government-guaranteed debt securities	1,767,389	1,776,729
Collateralised mortgage obligations	213,747	227,519
Corporate debt securities	1,314,223	1,325,583
Other securities	122,360	117,718
	3,417,719	3,447,549

Debt securities include \$8,085 (2014 - \$32,403) that contain options to convert to common shares of the issuer.

Corporate debt securities include \$10,270 (2014 - \$11,394) in bonds issued by an associated company.

Equity securities include \$963 (2014 - Nil) in mutual funds managed by the Group.

**Notes to the Financial Statements**

Year ended December 31, 2015

**Sagikor Financial Corporation***Amounts expressed in US \$000***9.2 Pledged assets**

Debt and equity securities include \$234,211 (2014 - \$226,153) as collateral for loans payable and other funding instruments.

Collateral for the obligation to the Federal Home Loan Bank of Dallas (FHLB) which is included in other funding instruments (note 17), consists of an equity holding in the FHLB with a market value of \$7,589 (2014 - \$8,434), and mortgages and mortgage backed securities having a total market value of \$174,478 (2014 - \$199,387).

Debt securities are pledged as collateral under repurchase agreements with customers and other financial institutions and for security relating to overdraft and other facilities with other financial institutions. As of December 31, 2015, these pledged assets totalled \$526,824 (2014 - \$764,909). Of these assets pledged as security, \$51,549 (2014 - \$73,501) represents collateral for securities sold under agreements to repurchase in instances when the transferee has the right by contract or by custom to sell or re-pledge the collateral.

**9.3 Returns accruing to the benefit of contract-holders**

Financial investments include the following amounts for which the full income and capital returns accrue to the holders of unit linked policy and deposit administration contracts.

	2015	2014
Debt securities	102,641	95,316
Equity securities	122,367	111,950
Mortgage loans	47,052	38,718
	<u>272,060</u>	<u>245,984</u>

**9.4 Reclassification of financial investments**

In 2008, the Group reclassified certain securities from the available for sale classification to the loans and receivables classification. The assets reclassified were primarily:

- Government of Jamaica debt securities with a maturity date of 2018 and after, which are held to back long-term insurance liabilities; and
- Non-agency collateralised mortgage obligations in the USA.

The reclassifications were made because the markets for these securities were considered by management to have become inactive.

The following disclosures are in respect of these reclassified assets.

	2015		2014	
	Carrying value	Fair value	Carrying value	Fair value
Government debt securities maturing after September 2018	44,338	51,818	49,282	56,236
Other debt securities	2,076	2,730	2,721	3,479
	<u>46,414</u>	<u>54,548</u>	<u>52,003</u>	<u>59,715</u>
		<u>2015</u>	<u>2014</u>	
Cumulative net fair value gain / (loss), beginning of year		1,994	(7,322)	
Net fair value gains		1,355	9,437	
Disposals		947	174	
Effect of exchange rate changes		(33)	(295)	
Cumulative net fair value gain, end of year		<u>4,263</u>	<u>1,994</u>	

## Notes to the Financial Statements

Year ended December 31, 2015

**Sagikor Financial Corporation**

*Amounts expressed in US \$000*

### 9.4 Reclassification of financial investments (continued)

The net fair value gain or loss approximates the fair value gain or loss that would have been recorded in total comprehensive income had the reclassification not been made. The disposal amount represents the net loss that would have been reclassified from other comprehensive income to income on disposal.

### 10 REINSURANCE ASSETS

	2015	2014
<b>Reinsurers' share of:</b>		
Actuarial liabilities (note 13.1)	601,597	470,271
Policy benefits payable (note 14.2)	37,816	31,998
Provision for unearned premiums (note 14.3)	21,356	20,152
Other items	5,050	4,750
	665,819	527,171

The provision for unearned premiums and other items are expected to mature within one year of the financial statements date.

### 11 INCOME TAX ASSETS

	2015	2014
Deferred income tax assets (note 33)	41,023	28,310
Income and withholding taxes recoverable	25,319	29,193
	66,342	57,503

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

### 12 MISCELLANEOUS ASSETS AND RECEIVABLES

	2015	2014
Net defined benefit assets (note 31)	1,066	1,055
Real estate developed or held for resale (ii)	11,084	12,199
Prepaid and deferred expenses (ii)	19,967	20,753
Premiums receivable	42,398	39,731
Legal claim (iii)	42,902	34,174
Other assets and accounts receivable (i)	51,063	48,718
	168,480	156,630

(i) Other assets and accounts receivables include \$5,478 (2014 - \$7,493) due from managed funds.

(ii) Real estate developed for resale includes \$8,234 (2014 - \$6,953) which is expected to be realised within one year of the financial statements date. Prepaid and deferred expenses are also expected to be realised within one year of the financial statements date.

(iii) \$42,902 (2014 - \$34,174) Legal claim

In March 2014, the Supreme Court of Jamaica granted judgement in favour of a claimant in a case brought against Sagikor Bank Jamaica Limited (formerly RBC Royal Bank of Jamaica Limited). This claim pre-dated the acquisition of control of the Bank by Sagikor Group Jamaica Limited, and also pre-dated the acquisition of control of the Bank by RBTT International Limited from Finsac Limited ('Finsac') in 2001. By virtue of the Share Sale Agreement entered into between Finsac, RBTT Financial Holdings Limited and RBTT International Limited, Finsac agreed to fully indemnify RBTT International Limited (now SGJ Holdings (St. Lucia) Limited). Though the judgement is being appealed, the amount computed as settlement has been recorded as payable to the claimant and correspondingly receivable from Finsac (Note 20).

During 2015, interest was accrued on this liability and resulted in an increase in the amount outstanding to \$42.9 million.



**Notes to the Financial Statements**

Year ended December 31, 2015

**Sagikor Financial Corporation***Amounts expressed in US \$000***13 ACTUARIAL LIABILITIES****13.1 Analysis of actuarial liabilities**

	Gross liability		Reinsurers' share	
	2015	2014	2015	2014
<b>Contracts issued to individuals:</b>				
Life insurance - participating policies	239,861	251,011	57	100
Life insurance and annuity - non-participating policies	1,767,313	1,698,485	582,224	448,021
Health insurance	5,361	11,190	420	503
Unit linked funds	166,234	146,703	-	-
Reinsurance contracts held	27,982	29,135	-	-
	<u>2,206,751</u>	<u>2,136,524</u>	<u>582,701</u>	<u>448,624</u>
<b>Contracts issued to groups:</b>				
Life insurance	31,548	36,554	267	819
Annuities	358,604	351,826	18,460	20,681
Health insurance	35,484	37,317	169	147
	<u>425,636</u>	<u>425,697</u>	<u>18,896</u>	<u>21,647</u>
<b>Total actuarial liabilities</b>	<u>2,632,387</u>	<u>2,562,221</u>	<u>601,597</u>	<u>470,271</u>

The following notes are in respect of the foregoing table:

- Life insurance includes coverage for disability and critical illness.
- Actuarial liabilities include \$81,615 (2014 - \$98,666) in assumed reinsurance.
- The liability for reinsurance contracts held occurs because the reinsurance premium costs exceed the mortality costs assumed in determining the gross liability of a policy contract.

**13.2 Movement in actuarial liabilities**

	Gross liability		Reinsurers' share	
	2015	2014	2015	2014
Balance, beginning of year	2,562,221	2,324,319	470,271	285,250
Changes in actuarial liabilities:				
Recorded in income (note 27)	157,887	226,018	131,328	185,021
Recorded in other comprehensive income	(67,146)	28,473	-	-
Other movements	(679)	(326)	-	-
Effect of exchange rate changes	(19,896)	(16,263)	(2)	-
Balance, end of year	<u>2,632,387</u>	<u>2,562,221</u>	<u>601,597</u>	<u>470,271</u>
<b>Analysis of changes in actuarial liabilities</b>				
Arising from increments and decrements of inforce policies and from the issuance of new policies	205,909	270,600	131,327	185,021
Arising from changes in assumptions for mortality, lapse, expenses, investment yields and asset default	(91,068)	2,349	-	-
Other changes:				
Actuarial modelling, refinements, improvements and corrections	(1,235)	(6,378)	-	-
Other items	(22,865)	(12,080)	1	-
Total	<u>90,741</u>	<u>254,491</u>	<u>131,328</u>	<u>185,021</u>

## Notes to the Financial Statements

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**Sagikor Financial Corporation**  
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### 13.3 Assumptions – life insurance and annuity contracts

#### (a) Process used to set actuarial assumptions and margins for adverse deviations

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

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

#### (b) Assumptions for mortality and morbidity

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

Annually, insurers update studies of recent mortality experience. The resulting experience is compared to external mortality studies including the Canadian Institute of Actuaries (CIA) 1997 - 2004 tables. Appropriate modification factors are selected and applied to underwritten and non-underwritten business respectively. Annuitant mortality is determined by reference to CIA tables or to other established scales.

Assumptions for morbidity are determined after taking into account insurer and industry experience and established guidelines from Actuarial Institutes.

#### (c) Assumptions for lapse

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

### 13.3 Assumptions – life insurance and annuity contracts (continued)

#### (d) Assumptions for investment yields

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

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

Ultimate rate of return	2015	2014
Barbados	6.5%	6.5%
Jamaica	5.0% – 5.5%	5.0%
Trinidad & Tobago	4.75%	4.5%
Other Caribbean	4.5% - 6.5%	4.5% - 6.5%
USA	0.85% - 4.75%	0.85% - 4.75%

#### (e) Assumptions for operating expenses and taxes

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

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

**Notes to the Financial Statements**

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**Sagicor Financial Corporation***Amounts expressed in US \$000***13.3 Assumptions – life insurance and annuity contracts (continued)**(f) Asset defaults

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

(g) Margins for adverse deviations

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

Provisions for adverse deviations	2015	2014
Mortality and morbidity	82,363	79,362
Lapse	59,595	61,605
Investment yields and asset default	68,830	51,630
Operating expenses and taxes	11,101	17,273
Other	9,997	2,726
	231,886	212,596

**13.4 Assumptions – health insurance contracts**

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

**Notes to the Financial Statements**

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**Sagicor Financial Corporation***Amounts expressed in US \$000***14 OTHER INSURANCE LIABILITIES****14.1 Analysis of other insurance liabilities**

	2015	2014
Dividends on deposit and other policy balances	66,271	68,542
Policy benefits payable	105,910	95,276
Provision for unearned premiums	33,710	33,602
	<u>205,891</u>	<u>197,420</u>

**14.2 Policy benefits payable**

	Gross liability		Reinsurers' share	
	2015	2014	2015	2014
<b>Analysis of policy benefits payable:</b>				
Life insurance and annuity benefits	72,120	65,987	19,091	14,711
Health claims	3,379	3,389	1,363	2,071
Property and casualty claims	30,411	25,900	17,362	15,216
	<u>105,910</u>	<u>95,276</u>	<u>37,816</u>	<u>31,998</u>

**14.2 Policy benefits payable (continued)**

	Gross liability		Reinsurers' share	
	2015	2014	2015	2014
<b>Movement for the year:</b>				
Balance, beginning of year	95,276	90,834	31,998	28,325
Policy benefits incurred	532,532	485,321	67,528	51,272
Policy benefits paid	(520,933)	(479,423)	(61,571)	(47,477)
Effect of exchange rate changes	(965)	(1,456)	(139)	(122)
Balance, end of year	<u>105,910</u>	<u>95,276</u>	<u>37,816</u>	<u>31,998</u>

**14.3 Provision for unearned premiums**

	Gross liability		Reinsurers' share	
	2015	2014	2015	2014
<b>Analysis of the provision:</b>				
Property and casualty insurance	32,399	32,413	21,356	20,152
Health insurance	1,311	1,189	-	-
	<u>33,710</u>	<u>33,602</u>	<u>21,356</u>	<u>20,152</u>

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

**Notes to the Financial Statements**

Year ended December 31, 2015

**Sagcor Financial Corporation**

Amounts expressed in US \$000

**14.3 Provision for unearned premiums (continued)**

	Gross liability		Reinsurers' share	
	2015	2014	2015	2014
<b>Movement for the year:</b>				
Balance, beginning of year	33,602	33,564	20,152	20,153
Premiums written	72,779	72,704	48,757	47,882
Premium revenue	(72,683)	(72,669)	(47,552)	(47,883)
Effect of exchange rate changes	12	3	(1)	-
Balance, end of year	33,710	33,602	21,356	20,152

**15 INVESTMENT CONTRACT LIABILITIES**

	2015		2014	
	Carrying value	Fair value	Carrying value	Fair value
<b>At amortised cost:</b>				
Deposit administration liabilities	127,882	127,780	128,404	128,404
Other investment contracts	115,537	118,860	115,748	119,317
	243,419	246,640	244,152	247,721
<b>At fair value through income:</b>				
Unit linked deposit administration liabilities	125,177	125,177	116,809	116,809
	368,596	371,817	360,961	364,530

**16 NOTES AND LOANS PAYABLE**

	2015		2014	
	Carrying value	Fair value	Carrying value	Fair value
7.5% senior notes due 2016	-	-	147,182	154,867
8.875% senior notes due 2022	313,780	350,336	-	-
6.5% convertible redeemable preference shares due 2016	115,488	130,932	107,689	122,863
5.0% notes due 2016	44,551	44,551	43,363	43,363
Finance lease payable	1,698	1,698	708	708
	475,517	527,517	298,942	321,801

- (a) On August 11, 2015 the Group issued seven year senior notes in the amount of \$320.0 million which are repayable in 2022. The notes carry a fixed annual rate of interest of 8.875% payable semi-annually. Financial covenants in respect of these notes are summarised in Note 46.3 (a).
- (b) On December 18, 2013, the Company issued eighteen month notes with a par value of \$43,386 which were repayable in 2015 and carried a 4.6% annual rate of interest. Effective June 19, 2015, the notes were extended at an annual rate of interest of 5.0% and a maturity date of May 12, 2016. Financial covenants in respect of these notes are summarised in Note 46.3 (b).
- (c) Details of the 6.5% convertible redeemable preference shares due 2016 are set out in note 21.2. The initial fair value of the subscription proceeds was determined by discounting the ultimate redemption value (\$120,000), at a rate of 6.5% for 5 years. The subsequent finance cost recognised is the amortisation of the difference between the ultimate redemption value and the initial carrying value, calculated on an effective interest method for the 5 years to maturity. Financial covenants in respect of these notes are summarised in Note 46.3 (c).
- (d) On September 10, 2015 the Company redeemed, before maturity, the US\$150.0 million 7.5% 2016 senior notes at a price of US\$160.5 million.

**Notes to the Financial Statements**

Year ended December 31, 2015

**Sagicor Financial Corporation**

Amounts expressed in US \$000

**17 DEPOSIT AND SECURITY LIABILITIES**

	2015		2014	
	Carrying value	Fair value	Carrying value	Fair value
<b>At amortised cost:</b>				
Other funding instruments	379,612	381,499	360,810	362,514
Customer deposits	669,518	772,011	570,567	589,519
Securities sold for re-purchase	519,608	519,508	664,802	657,506
Bank overdrafts	2,158	2,158	1,459	1,459
	<u>1,570,896</u>	<u>1,675,176</u>	<u>1,597,638</u>	<u>1,610,998</u>
<b>At fair value through income:</b>				
Structured products	35,112	35,112	20,068	20,068
Derivative financial instruments (note 41.6)	1,603	1,603	6,265	6,265
	<u>36,715</u>	<u>36,715</u>	<u>26,333</u>	<u>26,333</u>
	<u>1,607,611</u>	<u>1,711,891</u>	<u>1,623,971</u>	<u>1,637,331</u>

Other funding instruments consist of loans from banks and other financial institutions and include balances of \$167,913 (2014 - \$189,928) due to the Federal Home Loan Bank of Dallas (FHLB). The Group participates in the FHLB program in which funds received from the Bank are invested in mortgages and mortgage backed securities.

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

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

**18 PROVISIONS**

	2015	2014
Net defined benefit liabilities (note 31)	87,950	77,926
Other provisions	256	430
	<u>88,206</u>	<u>78,356</u>

**19 INCOME TAX LIABILITIES**

	2015	2014
Deferred income tax liabilities (note 33)	29,785	31,557
Income taxes payable	4,980	10,210
	<u>34,765</u>	<u>41,767</u>

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

**20 ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

	2015	2014
Amounts due to policyholders	15,702	16,526
Amounts due to reinsurers	23,792	28,404
Legal claim (i)	42,902	34,174
Other accounts payable and accrued liabilities	119,326	118,340
	<u>201,722</u>	<u>197,444</u>

(i) In March 2014, the Supreme Court of Jamaica granted judgement in favour of a claimant in a case brought against Sagicor Bank Jamaica Limited (formerly RBC Royal Bank of Jamaica Limited). This claim pre-dated the acquisition of control of the Bank by Sagicor Group Jamaica Limited, and also pre-dated the acquisition of control of the Bank by RBTT International Limited from Finsac Limited ('Finsac') in 2001. By virtue of the Share Sale Agreement entered into between Finsac, RBTT Financial Holdings Limited and RBTT International Limited, Finsac agreed to fully indemnify RBTT International Limited (now SGJ Holdings (St. Lucia) Limited). Though the judgement is being appealed, the amount computed as settlement has been recorded as payable to the claimant and correspondingly receivable from Finsac (Note 12). During 2015, interest was accrued on this liability and resulted in an increase in the amount outstanding to \$42.9 million.



**Notes to the Financial Statements**

Year ended December 31, 2015

**Sagicor Financial Corporation***Amounts expressed in US \$000***21 COMMON AND PREFERENCE SHARES**

The Company is authorised to issue:

- an unlimited number of common shares,
- an unlimited number of preference shares, and
- an unlimited number of convertible redeemable preference shares.

In each case the shares are without nominal or par value.

**21.1 Common shares**

	2015		2014	
	Number in 000's	Share capital	Number in 000's	Share capital
<b>Issued and fully paid:</b>				
Balance, beginning of year	303,917	301,600	303,917	301,600
Allotments arising from LTI	577	556	-	-
Balance, end of year	304,494	302,156	303,917	301,600
<b>Treasury shares:</b>				
Shares held for LTI and ESOP, end of year (note 30.1)	(2,126)	(2,836)	(3,145)	(5,611)
<b>Total</b>	<b>302,368</b>	<b>299,320</b>	<b>300,772</b>	<b>295,989</b>

The common shares are listed on the Barbados, Trinidad & Tobago and London stock exchanges.

**21.2 Convertible redeemable preference shares**

On July 18, 2011, the Company issued 120,000,000 convertible redeemable preference shares with the following features:

- Issue price of US \$1.00 or Barbados \$2.00 per share;
- Annual dividend rate of 6.5%, dividends to be declared by the Company's directors and payable half yearly on May 15 and November 15;
- Convertible into common shares at a ratio of 1.98 preference shares to 1.00 common shares, conversion to be at the option of the shareholder and exercisable on May 16 or November 16 in any year prior to the redemption date;
- Redeemable on July 18, 2016 at issue price, if not converted before.

The preference shares are accounted for as a compound financial instrument and were initially recognised in the statement of financial position as a financial liability (note 16) and also as equity (note 22). The preference shares are listed on the Barbados and Trinidad & Tobago stock exchanges. Put option rights in respect of the preference shares are disclosed in note 46.3(c).

**21.3 Dividends**

The dividends declared and paid during the year in respect of the Company's convertible redeemable preference shares and common shares are set out in the following table.

	2015		2014	
	Per share	Total	Per share	Total
<b>Dividends declared and paid:</b>				
Preference shares	6.50 ¢	7,800	6.50 ¢	7,800
Common shares	4.0 ¢	12,042	4.0 ¢	12,035
		<u>19,842</u>		<u>19,835</u>

**Notes to the Financial Statements**

Year ended December 31, 2015

**Sagikor Financial Corporation***Amounts expressed in US \$000***21.3 Dividends (continued)**

The dividends declared after the date of the financial statements in respect of the Company's convertible redeemable preference shares and common shares are set out in the following table.

	2015		2014	
	Per share	Total	Per share	Total
<b>Dividends proposed:</b>				
Preference shares - May 15	3.25 ¢	3,900	3.25 ¢	3,900
Common shares - final for current year	2.0 ¢	6,090	2.0 ¢	6,018
		<u>9,990</u>		<u>9,918</u>

**21.4 Restrictions on common share dividends**

The Company's Articles of Incorporation include the following limitations on the payment of common share dividends.

- (i) For any 6 month period that the convertible redeemable preference shares are not paid, dividends on common shares shall be suspended for that period plus the next 6 month period, and the Company shall not repurchase any of its common shares, except when pursuant to the LTI plan and ESOP.
- (ii) The Company shall not pay any dividends on its common shares, in respect of the 2011 financial year or thereafter, or repurchase any of its common shares, other than a repurchase pursuant to the LTI plan and ESOP, if the cumulative amount of such dividends and repurchases after July 31, 2011 would exceed 50% of the cumulative amount of Group net income from January 1, 2011.

**Notes to the Financial Statements**

Year ended December 31, 2015

**Sagikor Financial Corporation***Amounts expressed in US \$000***22 RESERVES**

	Fair value reserves			Currency translation reserves	Preference share reserves	Other reserves	Total reserves
	Owner occupied property	Available for sale assets	Actuarial liabilities				
<b>2015</b>							
Balance, beginning of year	25,249	43,850	(38,556)	(87,946)	10,481	38,157	(8,765)
Other comprehensive income from continuing operations allocated to reserves	(202)	(77,153)	47,329	(8,393)	-	-	(38,419)
Transactions with holders of equity instruments:							
Allocated to reserve for equity compensation benefits	-	-	-	-	-	3,171	3,171
Eliminated from reserve for equity compensation benefits	-	-	-	-	-	(4,821)	(4,821)
Transfers to retained earnings and other movements	-	(2)	-	-	(6,262)	(4,590)	(10,854)
Balance, end of year	25,047	(33,305)	8,773	(96,339)	4,219	31,917	(59,688)
<b>2014</b>							
Balance, beginning of year	25,433	8,798	(16,779)	(77,411)	16,743	38,391	(4,825)
Other comprehensive income from continuing operations allocated to reserves	(184)	35,052	(21,777)	(10,535)	-	-	2,556
Transactions with holders of equity instruments:							
Allocated to reserve for equity compensation benefits	-	-	-	-	-	2,057	2,057
Eliminated from reserve for equity compensation benefits	-	-	-	-	-	(2,520)	(2,520)
Transfers to retained earnings and other movements	-	-	-	-	(6,262)	229	(6,033)
Balance, end of year	25,249	43,850	(38,556)	(87,946)	10,481	38,157	(8,765)

Other reserves comprise reserves for equity compensation benefits of \$14,420 (2014 - \$16,070) and statutory reserves of \$17,497 (2014 - \$22,087).

**Notes to the Financial Statements**

Year ended December 31, 2015

**Sagikor Financial Corporation***Amounts expressed in US \$000***23 PARTICIPATING ACCOUNTS**

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

	Closed participating account		Open participating account	
	2015	2014	2015	2014
<b>Movement for the year:</b>				
Balance, beginning of year	(950)	(3,159)	1,314	(2,503)
Total comprehensive income / (loss)	343	2,209	906	4,053
Return of transfer to support profit distribution, to shareholders	-	-	(230)	(236)
Balance, end of year	(607)	(950)	1,990	1,314
<b>Financial statement amounts:</b>				
Assets	84,909	86,687	200,009	200,007
Liabilities	85,516	87,637	198,019	198,693
Revenues	7,825	8,524	25,453	28,636
Benefits	6,811	5,512	22,034	21,176
Expenses	584	606	2,037	2,813
Income taxes	122	172	405	681

The Group has the ability to reduce future policy bonuses and dividends in order to eliminate a deficit in a participating account.

**24 PREMIUM REVENUE**

	Gross premium		Ceded to reinsurers	
	2015	2014	2015	2014
Life insurance	383,655	361,552	30,808	32,445
Annuity	364,726	309,329	212,130	177,564
Health insurance	155,414	151,571	5,107	5,672
Property and casualty insurance	65,727	66,669	47,552	47,883
	969,522	889,121	295,597	263,564

**Notes to the Financial Statements**

Year ended December 31, 2015

**Sagicor Financial Corporation***Amounts expressed in US \$000***25 NET INVESTMENT INCOME**

	2015	2014
<b>Investment income:</b>		
Interest income	293,432	264,361
Dividend income	3,244	2,577
Rental income from investment property	4,165	4,760
Net investment gains	32,418	47,668
Share of operating income of associates and joint venture	3,153	4,419
Other investment income	125	382
	<u>336,537</u>	<u>324,167</u>
<b>Investment expenses:</b>		
Allowances for impairment losses	10,338	12,638
Direct operating expenses of investment property	1,947	2,410
Other direct investment expenses	2,023	1,904
	<u>14,308</u>	<u>16,952</u>
<b>Net investment income</b>	<u>322,229</u>	<u>307,215</u>

The Group operates across both active and inactive financial markets. The financial investments placed in both types of market support the insurance and operating financial liabilities of the Group. Because the type of financial market is incidental and not by choice, the Group manages its financial investments by the type of financial instrument (i.e. debt securities, equity securities, mortgage loans etc). Therefore, the income from financial instruments is presented consistently with management practice, rather than by accounting classification.

The capital and income returns of most investments designated at fair value through income accrue to the holders of unit linked policy and deposit administration contracts which do not affect the net income of the Group.

**25 NET INVESTMENT INCOME (continued)**

Further details of interest income and investment gains are set out in the following table.

	2015	2014
<b>Interest income:</b>		
Debt securities	211,596	201,441
Mortgage loans	19,963	17,652
Policy loans	9,407	9,683
Finance loans and finance leases	50,402	31,121
Securities purchased for re-sale	464	1,960
Deposits	1,681	2,422
Other balances	(81)	82
	<u>293,432</u>	<u>264,361</u>
<b>Net investment gains / (losses):</b>		
Debt securities	14,937	21,560
Equity securities	22,366	15,087
Investment property	(842)	(626)
Other financial instruments	(4,043)	11,647
	<u>32,418</u>	<u>47,668</u>

**Notes to the Financial Statements**

Year ended December 31, 2015

**Sagikor Financial Corporation***Amounts expressed in US \$000***26 FEES AND OTHER REVENUE**

	2015	2014
Fee income – assets under administration	23,328	19,406
Fee income – deposit administration and policy funds	1,813	1,363
Commission income on insurance and reinsurance contracts	32,845	28,653
Other fees and commission income	25,937	14,694
Foreign exchange gains	2,814	3,225
Other operating and miscellaneous income	22,353	16,003
	<u>109,090</u>	<u>83,344</u>

**28 INTEREST EXPENSE**

	2015	2014
Insurance contracts	2,828	2,607
Investment contracts	14,279	15,241
Other funding instruments	8,098	6,552
Customer deposits	11,755	9,989
Securities sold for re-purchase	21,695	28,805
Other items	152	545
	<u>58,807</u>	<u>63,739</u>

**27 POLICY BENEFITS AND CHANGE IN ACTUARIAL LIABILITIES**

	Gross benefit		Ceded to reinsurers	
	2015	2014	2015	2014
Life insurance benefits	206,977	208,096	12,591	12,409
Annuity benefits	191,897	149,092	39,849	23,276
Health insurance claims	114,315	111,486	2,826	3,420
Property and casualty claims	21,861	20,078	12,207	12,166
Total policy benefits	535,050	488,752	67,473	51,271
Change in actuarial liabilities (note 13.2)	157,887	226,018	131,328	185,021
Total policy benefits and change in actuarial liabilities	<u>692,937</u>	<u>714,770</u>	<u>198,801</u>	<u>236,292</u>

The Group manages its interest-bearing obligations by the type of obligation (i.e. investment contracts, securities etc). Therefore, the interest expense is presented consistently with management practice, rather than by accounting classification.

The capital and income returns of most financial liabilities designated at fair value through income accrue directly from the capital and income returns of financial assets designated at fair value through income. Therefore, the related interest expense does not affect the net income of the Group.



**Notes to the Financial Statements**

Year ended December 31, 2015

**Sagikor Financial Corporation***Amounts expressed in US \$000***29 EMPLOYEE COSTS**

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

	2015	2014
Administrative staff salaries, directors' fees and short-term benefits	109,339	98,529
Social security and defined contribution retirement costs	8,859	7,917
Equity-settled compensation benefits (note 30.1 to 30.3)	4,646	3,732
Defined benefit expense (note 31 (b))	10,773	14,936
	<u>133,617</u>	<u>125,114</u>

**30 EQUITY COMPENSATION BENEFITS****30.1 The Company**

Effective December 31, 2005, the Company introduced a Long Term Incentive (LTI) plan for designated executives of the Sagikor Group and an Employee Share Ownership Plan (ESOP) for permanent administrative employees and sales agents of the Group. A total of 26,555,274 common shares of the Company (or 10% of shares then in issue) have been set aside for the purposes of the LTI plan and the ESOP.

(a) LTI plan – restricted share grants

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

**30.1 The Company (continued)**

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

	2015		2014	
	Number of grants '000	Weighted average price	Number of grants '000	Weighted Average price
Balance, beginning of year	3,749	US\$1.02	3,524	US\$1.14
Grants issued	2,703	US\$0.84	2,576	US\$1.00
Grants vested	(2,695)	US\$0.96	(897)	US\$1.07
Grants lapsed/forfeited	(230)	US\$1.04	(1,454)	US\$1.29
Balance, end of year	<u>3,527</u>	<u>US\$0.93</u>	<u>3,749</u>	<u>US\$1.02</u>

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

	2015		2014	
	Number in 000's	\$000	Number in 000's	\$000
Balance, beginning of year	2	2	673	714
Shares acquired	1,376	2,469	753	819
Shares distributed	(1,377)	(2,468)	(1,424)	(1,531)
Balance, end of year	<u>1</u>	<u>3</u>	<u>2</u>	<u>2</u>

**Notes to the Financial Statements**

Year ended December 31, 2015

**Sagikor Financial Corporation**

Amounts expressed in US \$000

**30.1 The Company (continued)**(b) LTI plan – share options

Share options have been granted to designated key management of the Group during the year. Up to 2008, options were granted at the fair market price of the Company shares at the time that the option was granted. From 2009, options are granted at the fair market price of the Company shares prevailing one year before the option is granted. Options vest over four years, 25% each on the first four anniversaries of the grant date. Options are exercisable up to 10 years from the grant date.

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

	2015		2014	
	Number of options '000	Weighted average exercise price	Number of options '000	Weighted average exercise price
Balance, beginning of year	16,206	US\$1.63	13,290	US\$1.75
Options granted	3,029	US\$1.05	2,916	US\$1.08
Options lapsed/forfeited	(2,838)	US\$1.85	-	-
Balance, end of year	16,397	US\$1.48	16,206	US\$1.63
Exercisable at the end of the year	9,903	US\$1.73	8,022	US\$1.85
Share price at grant date	US \$1.05 – 2.50		US \$1.08 – 2.50	
Fair value of options at grant date	US\$0.23 – 0.69		US\$0.24 – 0.69	
Expected volatility	19.3% – 35.8%		19.3% – 35.8%	
Expected life	7.0 years		7.0 years	
Expected dividend yield	2.6% - 3.8%		2.6% - 3.7%	
Risk-free interest rate	4.8% - 6.8%		4.8% - 6.8%	

**30.1 The Company (continued)**

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

(c) ESOP

From 2006, the Company approved awards under the ESOP in respect of permanent administrative employees and sales agents of the Company and certain subsidiaries. The ESOP is administered by Trustees under a discretionary trust. The amount awarded is used by the Trustees to acquire company shares. Administrative employees and sales agents are required to serve a qualifying period of five years from the award date in order to qualify as a beneficiary. Shares are distributed to beneficiaries upon their retirement or termination of employment. During 2012, the rules were amended so that vesting will take place in four equal annual instalments commencing one year after the award. The change came into effect during 2013. The shares acquired by the Trustees during the year were as follows:

	2015		2014	
	Number in 000's	\$000	Number in 000's	\$000
Balance, beginning of year	3,143	5,609	2,910	5,436
Shares acquired	414	378	286	295
Shares distributed	(1,432)	(3,154)	(53)	(122)
Balance, end of year	2,125	2,833	3,143	5,609

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

The Group offers stock grants and stock options to senior executives as part of its long-term incentive plan. The Group has set aside 150,000,000 of its authorised but un-issued shares of J\$0.10 each for the stock grants and stock options.

**Notes to the Financial Statements**

Year ended December 31, 2015

**Sagicor Financial Corporation***Amounts expressed in US \$000***30.2 Sagicor Group Jamaica Limited (continued)**

In January 2007, the Group introduced a new Long Term Incentive (LTI) plan which replaced the previous Stock Option plan. Under the LTI plan, executives are entitled but not obliged to purchase the Group stock at a pre-specified price at some future date. The options are granted each year on the date of the Board of Directors Human Resources Committee meeting following the performance year at which the stock option awards are approved. Stock options vest in 4 equal installments beginning the first December 31 following the grant date and for the next three December 31 dates thereafter (25% per year). Options are not exercisable after the expiration of 7 years from the date of grant. The number of stock options in each stock option award is calculated based on the LTI opportunity via stock options (percentage of applicable salary) divided by the Black-Scholes value of a stock option of Sagicor Group Jamaica Limited stock on 31 March of the measurement year. The exercise price of the options is the closing bid price on 31 March of the measurement year.

In December 2013, the Sagicor Group of companies in Jamaica was reorganized to establish a new holding company which directly or indirectly carries the Group's holdings in member companies. As a consequence Sagicor Life Jamaica (SLJ) was delisted from the Jamaica Stock Exchange (JSE) and Sagicor Group Jamaica Limited (SGJ) was listed. Further, to harmonize compensation plans across the Group and considering the pending delisting of the subsidiary, Sagicor Investments Jamaica Limited (SIJL), all outstanding options in SIJL as at December 2013 were converted to corresponding SGJ options with equivalent monetary value. From the 2013 measurement year, all executives of the Group participate in the SGJ LTI plan.

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

	2015		2014	
	Number of options '000	Weighted average exercise price	Number of options '000	Weighted average exercise price
Balance, beginning of year	70,025	J\$8.19	72,148	J\$8.22
Options granted	10,849	J\$9.50	19,077	J\$7.11
Options exercised	(19,657)	J\$7.25	(13,826)	J\$5.68
Options lapsed/forfeited	(7,573)	J\$9.40	(7,374)	J\$10.56
Balance, end of year	53,644	J\$8.63	70,025	J\$8.19
Exercisable at the end of the year	36,529	J\$8.64	50,841	J\$9.69

**30.2 Sagicor Group Jamaica Limited (continued)**

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

	2015	2014
Fair value of options outstanding	J\$53,646,000	J\$70,025,000
Share price at grant date	J\$4.20 – 14.10	J\$4.20 – 14.10
Exercise price	J\$4.20 – 14.10	J\$4.20 – 14.10
Standard deviation of expected share price returns	27.0%	27.0%
Remaining contractual term	0.08 - 7 years	0.25 - 7 years
Risk-free interest rate	9.58%	9.19%

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

**(b) Employee share purchase plan**

Sagicor Life Jamaica has in place a share purchase plan which enables its administrative and sales staff to purchase shares at a discount. The proceeds from shares issued under this plan totalled \$312 (2014 – \$711).

## Notes to the Financial Statements

Year ended December 31, 2015

**Sagikor Financial Corporation**  
Amounts expressed in US \$000

### 31 EMPLOYEE RETIREMENT BENEFITS

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

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

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

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

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

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

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

### 31 EMPLOYEE RETIREMENT BENEFITS (continued)

#### (a) Amounts recognised in the statement of financial position

	2015	2014
Present value of funded pension obligations	215,681	186,752
Fair value of retirement plan assets	(193,876)	(169,380)
	21,805	17,372
Present value of unfunded pension obligations	37,763	35,034
Present value of unfunded medical and life benefits	27,316	24,465
Net liability	86,884	76,871
Represented by:		
Amounts held on deposit by the Group as deposit administration contracts	37,611	40,623
Other recognised liabilities	50,339	37,303
Total recognised liabilities (note 18)	87,950	77,926
Recognised assets (note 12)	(1,066)	(1,055)
Net liability	86,884	76,871

Pension plans have purchased annuities from insurers in the Group to pay benefits to plan retirees. These obligations are included in actuarial liabilities in the statement of financial position and are excluded from the table above.

**Notes to the Financial Statements**

Year ended December 31, 2015

**Sagikor Financial Corporation***Amounts expressed in US \$000***31 EMPLOYEE RETIREMENT BENEFITS (continued)**(b) Movements in balances

	2015			2014		
	Retirement obligations	Retirement plan assets	Total	Retirement obligations	Retirement plan assets	Total
<b>Net liability / (asset), beginning of year</b>	246,251	(169,380)	76,871	210,356	(136,084)	74,272
Current service cost	7,251	-	7,251	8,424	-	8,424
Interest expense / (income)	18,431	(15,001)	3,430	18,933	(14,301)	4,632
Past service cost and gains / losses on settlements	-	92	92	1,766	114	1,880
<b>Net expense recognised in income</b>	25,682	(14,909)	10,773	29,123	(14,187)	14,936
(Gains) / losses from changes in assumptions	20,513	(1,466)	19,047	(4,848)	-	(4,848)
(Gains) / losses from changes in experience	(6,554)	(7,799)	(14,353)	(8,526)	(3,670)	(12,196)
Return on plan assets excluding interest income	-	2,995	2,995	-	2,099	2,099
<b>Net losses recognised in other comprehensive income</b>	13,959	(6,270)	7,689	(13,374)	(1,571)	(14,945)
Contributions made by the Group	-	(8,164)	(8,164)	419	(6,297)	(5,878)
Contributions made by employees and retirees	6,988	(5,192)	1,796	6,532	(5,316)	1,216
Benefits paid	(12,869)	11,460	(1,409)	(13,088)	11,546	(1,542)
Liabilities assumed on acquisition of subsidiary	-	-	-	31,846	(22,268)	9,578
Other items	8,338	(7,272)	1,066	1,150	105	1,255
Effect of exchange rate movements	(7,589)	5,851	(1,738)	(6,713)	4,692	(2,021)
<b>Other movements</b>	(5,132)	(3,317)	(8,449)	20,146	(17,538)	2,608
<b>Net liability / (asset), end of year</b>	280,760	(193,876)	86,884	246,251	(169,380)	76,871

**Notes to the Financial Statements**

Year ended December 31, 2015

**Sagikor Financial Corporation**

Amounts expressed in US \$000

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

	2015	2014
Equity unit linked pension funds under Group management:		
Sagikor Equity Fund (Barbados)	28,828	24,579
Sagikor Bonds Fund (Barbados)	16,901	13,847
Sagikor Pooled Investment Funds (Jamaica):		
Equity Funds	23,044	19,827
Mortgage & Real Estate Fund	19,887	13,270
Fixed Income Fund	15,272	21,689
Foreign Currency Funds	16,657	18,130
Money Market Fund	16,423	5,221
Other Funds	15,636	17,161
	152,648	133,724
Other assets	41,228	35,656
Total plan assets	193,876	169,380

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

**31 EMPLOYEE RETIREMENT BENEFITS (continued)**(d) Significant actuarial assumptions

The significant actuarial assumptions for the principal geographic areas as of December 31, 2015 were as follows:

Pension plans	Barbados & Eastern Caribbean	Jamaica	Trinidad
Discount rate - local currency benefits	7.75%	8.50%	4.00%
Discount rate - US\$ indexed benefits	n/a	5.00%	n/a
Expected return on plan assets	7.75%	9.50%	4.00%
Future promotional salary increases	3.00%	0.00%	2.00%
Future inflationary salary increases	1.50% for 5 years, 2.75% thereafter	6.50%	1.00%
Future pension increases	2.00%	2.00%	0.00%
Future increases in National Insurance Scheme Ceilings	3.50%	n/a	3.00%
Mortality table	UP94 with projection scale AA	GAM1994 with 5 year improvement	UP94 with projection scale AA
Termination of active members	3% up to age 30, reducing to 1% at age 50, 0% at age 51	10% up to age 30, reducing to 5% at age 50, 0% at age 51	3% up to age 30, reducing to 1% at age 50, 0% at age 51
Early retirement	100% at the earliest possible age to receive unreduced benefits	n/a	100% at the earliest possible age to receive unreduced benefits



**Notes to the Financial Statements**

Year ended December 31, 2015

**Sagcor Financial Corporation***Amounts expressed in US \$000***31 EMPLOYEE RETIREMENT BENEFITS (continued)**

Group medical and life plans	Jamaica
Long term increase in health costs	7.00%

**(e) Sensitivity of actuarial assumptions**

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

	Barbados & Eastern Caribbean	Jamaica	Trinidad
Base pension obligation	75,964	138,799	13,977
<b>Change in absolute assumption</b>	<b>Increase / (decrease) in pension obligations</b>		
Decrease discount rate by 1.0%	10,206	17,670	2,397
Increase discount rate by 1.0%	(7,862)	(13,481)	(1,765)
Decrease salary growth rate by 0.5%	(1,916)	(534)	(525)
Increase salary growth rate by 0.5%	2,099	1,903	596
Increase average life expectancy by 1 year	1,895	2,490	486
Decrease average life expectancy by 1 year	(994)	(2,518)	(217)

**31 EMPLOYEE RETIREMENT BENEFITS (continued)****(f) Amount, timing and uncertainty of future cash flows**

In addition to the annual actuarial valuations prepared for the purpose of annual financial statement reporting, full actuarial valuations of pension plans are conducted every 1-3 years. These full valuations contain recommendations for Group and employee contribution levels which are implemented by the Group as the recommendations are made.

For the 2016 financial year, the total Group contributions to its defined benefits pension plans are estimated at \$15,177.

**Notes to the Financial Statements**

Year ended December 31, 2015

**Sagikor Financial Corporation***Amounts expressed in US \$000***32 INCOME TAXES**

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

	2015	2014
<b>Income tax expense:</b>		
<b>Current tax</b>		
Current tax on profits for the year	24,506	14,522
Adjustments to current tax of prior periods	(257)	26
<b>Total current tax expense</b>	24,249	14,548
<b>Deferred tax</b>		
Decrease/(increase) in deferred tax assets	(1,740)	(3,373)
(Decrease)/increase in deferred tax liabilities	2,858	4,787
<b>Total deferred tax expense</b>	1,118	1,414
Share of tax of associated companies	(248)	738
	25,119	16,700

**32 INCOME TAXES (continued)**

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

	2015	2014
Income before income tax expense	123,562	117,005
Taxation at the applicable rates on income subject to tax	29,228	34,343
Adjustments to current tax for items not subject to / allowed for tax	(15,207)	(28,838)
Other current tax adjustments	175	(77)
Adjustments for current tax of prior periods	(257)	26
Movement in unrecognised deferred tax asset	8,682	7,666
Deferred tax relating to the origination of temporary differences	223	(424)
Deferred tax relating to changes in tax rates or new taxes	387	(17)
Deferred tax that arises from the write down / (reversal of a write down) of a tax asset	(383)	(752)
Tax on distribution of profits from policyholder funds	1,046	1,598
Other taxes	1,225	3,175
	25,119	16,700

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

**Notes to the Financial Statements**

Year ended December 31, 2015

**Sagikor Financial Corporation***Amounts expressed in US \$000***33 DEFERRED INCOME TAXES**

	<b>2015</b>	<b>2014</b>
<b>Analysis of deferred income tax assets:</b>		
Defined benefit liabilities	11,031	7,367
Unrealised losses on financial investments	12,406	1,093
Unused tax losses	21,870	26,376
Other items	(4,284)	(6,526)
Total deferred income tax assets (note 11)	41,023	28,310
Deferred income tax assets to be recovered within one year	2,067	26,402
<b>Unrecognised tax balances:</b>		
Tax losses	237,548	217,561
Potential deferred income tax assets	59,404	54,402
<b>Expiry period for unrecognised tax losses:</b>		
2015	-	14,370
2016	18,765	19,362
2017	20,054	20,495
2018	25,324	25,334
2019	27,785	27,627
2020	24,956	24,885
2021	20,207	18,906
2022	37,007	37,006
2023	29,577	29,576
After 2023	33,873	-
	237,548	217,561

**Notes to the Financial Statements**

Year ended December 31, 2015

**Sagikor Financial Corporation***Amounts expressed in US \$000***33 DEFERRED INCOME TAXES**

Deferred income tax assets movements:	Defined benefit liabilities	Unrealised losses on financial investments	Unused tax losses	Other items	Total
<b>2015</b>					
Balance, beginning of year as previously reported	7,367	1,093	26,376	(6,526)	28,310
(Charged)/credited to:					
Profit or Loss	1,753	238	(3,467)	3,216	1,740
Other comprehensive income	2,280	11,443	-	(1,186)	12,537
Effects of exchange rate changes	(369)	(368)	(1,039)	212	(1,564)
Balance, end of year	11,031	12,406	21,870	(4,284)	41,023
<b>2014</b>					
Balance, beginning of year as previously reported	2,293	3,674	1,427	(2,586)	4,808
(Charged)/credited to:					
Profit or Loss	10,704	(915)	5,573	(11,989)	3,373
Other comprehensive income	(1,683)	(1,488)	-	(48)	(3,219)
Assumed on acquisition	(3,652)	13	20,333	7,801	24,495
Effects of exchange rate changes	(295)	(191)	(957)	296	(1,147)
Balance, end of year	7,367	1,093	26,376	(6,526)	28,310

**Notes to the Financial Statements**

Year ended December 31, 2015

**Sagikor Financial Corporation***Amounts expressed in US \$000***33 DEFERRED INCOME TAXES (continued)****Analysis of deferred income tax liability:**

	<u>2015</u>	<u>2014</u>
Accelerated tax depreciation	1,806	1,775
Policy liabilities taxable in the future	58,377	40,064
Defined benefit assets	133	84
Accrued interest	944	963
Unrealised gains on financial investments	(1,023)	22,486
Off-settable tax assets in respect of unused tax losses and other items	(30,851)	(34,214)
Other items	399	399
Total (note 19)	<u>29,785</u>	<u>31,557</u>
Deferred income tax liabilities to be settled within one year	<u>5,728</u>	<u>4,816</u>

**Notes to the Financial Statements**

Year ended December 31, 2015

**Sagikor Financial Corporation***Amounts expressed in US \$000***33 DEFERRED INCOME TAXES**

Deferred income tax liabilities movements:	Accelerated tax depreciation	Policy liabilities taxable in the future	Defined benefit assets	Accrued interest	Unrealised gains on financial investments	Off-settable tax assets in respect of unused tax losses and other items	Other Items	Total
<b>2015</b>								
Balance, beginning of year as previously reported	1,775	40,064	84	963	22,486	(34,214)	399	31,557
(Charged)/credited to:								
Profit or Loss	31	(487)	56	(20)	(85)	3,363	-	2,858
Other comprehensive income	-	18,800	(7)	-	(23,425)	-	-	(4,632)
Equity	-	-	-	1	1	-	-	2
Balance, end of year	1,806	58,377	133	944	(1,023)	(30,851)	399	29,785
<b>2014</b>								
Balance, beginning of year as previously reported	1,769	40,577	39	902	9,758	(31,102)	591	22,534
(Charged)/credited to:								
Profit or Loss	6	7,928	-	61	96	(3,112)	(192)	4,787
Other comprehensive income	-	(8,441)	45	-	12,575	-	-	4,179
Effects of exchange rate changes	-	-	-	-	57	-	-	57
Balance, end of year	1,775	40,064	84	963	22,486	(34,214)	399	31,557



**Notes to the Financial Statements**

Year ended December 31, 2015

**Sagcor Financial Corporation***Amounts expressed in US \$000***34 EARNINGS PER COMMON SHARE**

The basic earnings per common share is computed by dividing earnings attributable to common shareholders by the weighted average number of shares in issue during the year, after deducting treasury shares. Earnings attributable to common shareholders recognise the impact on net income of the Company's convertible redeemable preference shares (note 21.2).

The table below derives the earnings attributable to common shareholders and the basic earnings per common share.

	2015	2014
Net income / (loss) attributable to common shareholders	34,679	27,370
Finance costs attributable to preference share subscription	6,483	6,483
Amortisation of issue expenses allocated to preference share reserve	(221)	(221)
Preference share dividends declared	(7,800)	(7,800)
Earnings / (loss) attributable to common shareholders	33,141	25,832
Weighted average number of shares in issue in thousands	301,924	301,554
<b>Basic earnings / (loss) per common share</b>	<b>11.0¢</b>	<b>8.6¢</b>
Attributable to:		
Continuing operations	18.2¢	17.3¢
Discontinued operation	(7.2)¢	(8.7)¢

The computation of diluted earnings per common share recognises the dilutive impact of LTI share grants and share options (note 30.1), ESOP shares grants (note 30.1), and the convertible redeemable preference shares. In computing diluted earnings per share, the income attributable to common shareholders is adjusted by the dilutive impact of the convertible preference shares and the weighted average number of common shares is adjusted by the dilutive impacts of the aforementioned share grants, options and preference shares.

**34 EARNINGS PER COMMON SHARE (continued)**

The table below derives the adjusted earnings attributable to common shareholders, the adjusted weighted average number of common shares, and the fully diluted earnings per common share.

	2015	2014
Earnings / (loss) attributable to common shareholders	33,141	25,832
Weighted average number of shares in issue in thousands	301,924	301,554
LTI restricted share grants	4,201	2,981
ESOP shares	3,006	2,744
Adjusted weighted average number of shares in issue	309,131	307,279
<b>Fully diluted earnings / (loss) per common share</b>	<b>10.7¢</b>	<b>8.4¢</b>
Attributable to:		
Continuing operations	17.3¢	16.6¢
Discontinued operation	(6.6)¢	(8.2)¢

**Notes to the Financial Statements**

Year ended December 31, 2015

**Sagicor Financial Corporation**

Amounts expressed in US \$000

**35 OTHER COMPREHENSIVE INCOME (OCI)****Schedule to OCI from continuing operations**

	2015					2014				
	OCI tax expense	After tax OCI is attributable to				OCI tax expense	After tax OCI is attributable to			
		Shareholders	Participating policyholders	Non-controlling interests	Total		Shareholders	Participating policyholders	Non-controlling interests	Total
<b>Items that may be reclassified subsequently to income:</b>										
Available for sale assets:										
Gains / (losses) arising on revaluation	31,306	(72,866)	867	(31,102)	(103,101)	(15,278)	36,707	(1,792)	3,471	38,386
(Gains) / losses transferred to income	3,533	(4,287)	-	3,112	(1,175)	1,158	(1,655)	-	(1,175)	(2,830)
Net change in actuarial liabilities	(18,800)	47,329	(867)	1,884	48,346	8,503	(21,777)	1,807	-	(19,970)
Retranslation of foreign currency operations	-	(8,393)	(36)	(7,257)	(15,686)	-	(10,535)	47	(11,548)	(22,036)
	16,039	(38,217)	(36)	(33,363)	(71,616)	(5,617)	2,740	62	(9,252)	(6,450)
<b>Items that will not be reclassified subsequently to income:</b>										
Gains / (losses) arising on revaluation of owner-occupied property	(1,159)	(202)	-	(143)	(345)	(48)	(184)	-	211	27
Defined benefit gains / (losses)	2,258	(3,447)	-	(1,984)	(5,431)	(1,733)	7,971	-	5,241	13,212
Other items	-	-	-	-	-	-	(108)	-	-	(108)
	1,099	(3,649)	-	(2,127)	(5,776)	(1,781)	7,679	-	5,452	13,131
<b>Total OCI movements</b>	17,158	(41,866)	(36)	(35,490)	(77,392)	(7,398)	10,419	62	(3,800)	6,681
Allocated to equity reserves		(38,419)					2,556			
Allocated to retained earnings		(3,447)					7,863			
		(41,866)					10,419			

**Notes to the Financial Statements**

Year ended December 31, 2015

**Sagcor Financial Corporation***Amounts expressed in US \$000***36 CASH FLOWS****36.1 Operating activities**

	2015	2014
<b>Adjustments for non-cash items, interest and dividends:</b>		
Interest and dividend income	(296,676)	(266,938)
Net investment gains	(32,418)	(47,668)
(Gain) / loss arising on acquisition	1,025	(29,051)
Net increase in actuarial liabilities	26,559	40,997
Interest expense and finance costs	96,041	86,283
Depreciation and amortisation	18,687	20,220
Increase in provision for unearned premiums	(1,093)	44
Other items	(12,908)	10,258
	<u>(200,783)</u>	<u>(185,855)</u>
<b>Net increase in investments and operating assets:</b>		
Investment property	5,118	9,472
Debt securities	(151,201)	(222,964)
Equity securities	(15,875)	8,463
Mortgage loans	(51,613)	(35,500)
Policy loans	934	(4,491)
Finance loans and finance leases	(43,147)	(17,510)
Securities purchased for re-sale	5,647	(3,632)
Deposits	8,189	37,346
Other assets and receivables	(27,133)	(16,956)
	<u>(269,081)</u>	<u>(245,772)</u>

**36.1 Operating activities (continued)**

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

	2015	2014
<b>Investment property:</b>		
Disbursements	(111)	(1,638)
Disposal proceeds	5,229	11,110
	<u>5,118</u>	<u>9,472</u>
<b>Debt securities:</b>		
Disbursements	(1,351,966)	(1,037,913)
Disposal proceeds	1,200,765	814,949
	<u>(151,201)</u>	<u>(222,964)</u>
<b>Equity securities:</b>		
Disbursements	(55,395)	(70,757)
Disposal proceeds	39,520	79,220
	<u>(15,875)</u>	<u>8,463</u>
<b>Net increase in operating liabilities:</b>		
Insurance liabilities	7,020	2,930
Investment contract liabilities	12,190	1,314
Other funding instruments	8,881	55,072
Deposits	137,800	32,877
Securities sold for re-purchase	(137,084)	151,980
Other liabilities and payables	29,707	61,803
	<u>58,514</u>	<u>305,976</u>

**Notes to the Financial Statements**

Year ended December 31, 2015

**Sagikor Financial Corporation**

Amounts expressed in US \$000

**36.2 Investing activities**

	2015	2014
<b>Property, plant and equipment:</b>		
Purchases	(18,175)	(23,324)
Disposal proceeds	1,589	2,408
	(16,586)	(20,916)

**36.3 Financing activities**

	2015	2014
<b>Other notes and loans payable:</b>		
Proceeds	310,545	-
Repayments	(154,087)	(683)
	156,458	(683)

**36.4 Cash and cash equivalents**

	2015	2014
Cash resources	250,489	402,525
Call deposits and other liquid balances	183,068	57,782
Bank overdrafts	(2,158)	(1,459)
Other short-term borrowings	(46,520)	(17,654)
	384,879	441,194

**37 SUBSIDIARY ACQUISITION AND OWNERSHIP CHANGES**

On June 27, 2014, the Group acquired 100% of the share capital of RBC Royal Bank (Jamaica) Limited and its subsidiary, RBC Securities (Jamaica) Limited.

The net assets acquired amounted to \$113,429 for a purchase consideration of \$84,378. This gave rise to negative goodwill of \$29,051. The acquisition was recorded based on provisionally determined values in 2014. These balances were finalized during the year. The adjustments made during the measurement period of \$1.0 million was recognised during the current year as they were not material to the Group.

Management has assessed the bank's ability to recognise the deferred tax asset arising from tax losses and has deemed it appropriate to have such recognition based on projections of future profits.

Banking operations of the acquired and existing bank were combined during 2014, management has restructured the organization to remove duplication of resources and costs.

	Fair Value	Acquiree's carrying value
<b>Net assets acquired:</b>		
Property, plant and equipment	14,041	6,390
Intangible assets	10,304	8,816
Financial investments	255,036	255,036
Deferred tax asset	30,602	-
Miscellaneous assets and receivables	45,948	17,503
Cash resources	178,778	178,778
Other insurance liabilities	(10,957)	(10,957)
Deposit and security liabilities	(356,044)	(356,044)
Provisions	(40,281)	(6,107)
Income tax liabilities	(4,228)	(4,228)
Accounts payable and accrued liabilities	(9,770)	(9,770)
Total net assets	113,429	79,417
Share of net assets acquired	113,429	
Purchase consideration and related costs	84,378	
Goodwill arising on acquisition (note 8)	(29,051)	

	Total Revenue	Net Income
<b>Details of acquiree's net income and total revenue:</b>		
For the year ended December 31, 2014	56,317	(7,425)
Consolidated from acquisition date to December 31, 2014	18,626	(5,049)

**Notes to the Financial Statements**

Year ended December 31, 2015

**Sagikor Financial Corporation***Amounts expressed in US \$000***38 DISCONTINUED OPERATION**

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

The operations of the Sagikor Europe operating segment are presented as discontinued operations in these financial statements and a financial liability has been included for the settlement of open underwriting years.

The Group's effective shareholder's interest in these companies prior to divestment was 100% and the effective legal interest was 93%.

The consideration for the sale was £56,178,000 (\$91,913), representing the assumption by AmTrust of indebtedness of Sagikor Europe and its subsidiaries to Sagikor.

The terms of the sale required the Company to take certain actions and provide certain commitments which included:

- (i) The purchase prior to the sale by Sagikor of the legal 7% shareholding interest held by the minority shareholders;
- (ii) Future price adjustments to the consideration, representing adjusted profits or losses from January 1, 2013 in the run-off of the 2011, 2012 and 2013 underwriting years of account of syndicates 1206 and 44, the total price adjustments subject to a limit.

Immediately prior to the sale, Sagikor purchased the minority shareholdings for \$1,157. The minority shareholders were participating employees who had subscribed in cash for shares of Sagikor Europe. Each participating employee had contracted with Sagikor Europe and the Company under a share subscription agreement. Under the provisions of these agreements, participating employees could exercise a put option to the Company to acquire their shares at the prevailing fair value. The first tranches of put options vested in 2012 and 2013 representing 7% of the total shareholding and were exercised for cash consideration of \$1,305. The put options were accounted for as cash settled share based payment arrangements.

**38 Discontinued operation (continued)**

As of December 31, 2015, the price adjustments have been estimated at £31,058,000 (\$46,026) which has been recorded as a liability to AmTrust. The anticipated settlement dates are as follows:

	2015	2014
March 31, 2015	-	21,069
March 31, 2016	46,525	30,682
March 31, 2019	(499)	(5,955)
	46,026	45,796

**Movement in Price Adjustments**

	2015
Balance Payable end 2014	45,796
Payment made	(21,231)
Experience loss for 2015	23,013
Net currency movements	(1,552)
Payable end 2015	46,026

The price adjustments were subject to a limit based on the terms of the agreement. As at December 31, 2015, the limit was fully utilised. The Group therefore has no further contingent liability for future price adjustments.

**Notes to the Financial Statements**

Year ended December 31, 2015

**Sagikor Financial Corporation***Amounts expressed in US \$000***38 Discontinued operation (continued)**

The net loss recognised in the statement of income and the statement of comprehensive income is as follows.

Statement of income	2015	2014
Currency translation gain / (loss)	1,552	417
Other expenses	(187)	(592)
Movement in price adjustment	(23,013)	(26,192)
<b>Net loss and total comprehensive loss</b>	<b>(21,648)</b>	<b>(26,367)</b>

**39 CONTINGENT LIABILITIES**

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

	2015	2014
Customer guarantees and letters of credit <sup>(1)</sup>	27,154	16,288

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

**(a) Legal proceedings**

During the normal course of business, the Group is subject to legal actions which may affect the reported amounts of liabilities, benefits and expenses. Management considers that any liability from these actions, for which provision has not been already made, will not be material.

**(b) Tax assessments**

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



**Notes to the Financial Statements**

Year ended December 31, 2015

**Sagikor Financial Corporation***Amounts expressed in US \$000***40 FAIR VALUE OF PROPERTY**

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

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

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

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

The results of applying the fair value hierarchy to the Group's property as of December 31, 2015 are as follows:

	Level 1	Level 2	Level 3	Total
Investment property	-	-	79,172	79,172
Owner-occupied lands	-	-	38,031	38,031
Owner-occupied land and buildings	-	-	80,694	80,694
	-	-	197,897	197,897

**40 Fair value of property (continued)**

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

	Investment property	Owner-occupied property		Total
		Lands	Land and buildings	
Balance, beginning of year	88,766	38,220	77,901	204,887
Additions	111	-	967	1,078
Transfers in / (out)	(3,410)	(22)	3,416	(16)
Fair value changes recorded in net investment income	(816)	-	-	(816)
Fair value changes recorded in other comprehensive income	-	-	815	815
Depreciation	-	-	(1,079)	(1,079)
Disposals and divestitures	(5,255)	(167)	(109)	(5,531)
Effect of exchange rate changes	(224)	-	(1,217)	(1,441)
Balance, end of year	79,172	38,031	80,694	197,897

## Notes to the Financial Statements

Year ended December 31, 2015

**Sagikor Financial Corporation**

*Amounts expressed in US \$000*

### 41 FINANCIAL RISK

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

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

The amounts disclosed in this note and in notes 42 and 43, exclude amounts in the statement of financial position classified as liabilities of discontinued operation.

#### 41.1 Credit risk

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

Credit risk from financial investments is minimised through holding a diversified portfolio of investments, purchasing securities and advancing loans only after careful assessment of the borrower, obtaining collateral before advancing loans, and placing deposits with financial institutions with a strong capital base. Limits may be placed on the amount of risk accepted in relation to one borrower.

The Group has developed an internal credit rating standard. The internal rating is a 10 point scale which allows for distinctions in risk characteristics and is referenced to the rating scales of international credit rating agencies. The scale is set out in the following table.

Category		Sagikor 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	

**Notes to the Financial Statements**

Year ended December 31, 2015

**Sagicor Financial Corporation**

Amounts expressed in US \$000

**41.1 Credit risk (continued)**

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

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

The 3 default grades are used for lending portfolios while investment portfolios and reinsurance exposures use one default grade: 8.

The maximum exposures of the Group to credit risk without taking into account any collateral or any credit enhancements are set out in the following table.

	2015		2014	
	\$000	%	\$000	%
Investment portfolios	3,937,104	68.4	4,008,176	71.4
Lending portfolios	909,570	15.8	838,301	14.9
Reinsurance assets	644,463	11.2	507,019	9.0
Other financial assets	151,842	2.6	145,891	2.6
<b>Total financial statement exposures</b>	<b>5,642,979</b>	<b>98.0</b>	<b>5,499,387</b>	<b>97.9</b>
Loan commitments	69,936	1.2	69,307	1.2
Customer guarantees and letters of credit	27,154	0.5	16,288	0.4
Other	19,380	0.3	25,415	0.5
<b>Total off financial statement exposures</b>	<b>116,470</b>	<b>2.0</b>	<b>111,010</b>	<b>2.1</b>
<b>Total</b>	<b>5,759,449</b>	<b>100.0%</b>	<b>5,610,397</b>	<b>100.0%</b>

The amounts in respect of customer guarantees and letters of credit represent potential claims against customers in the event of a call on customer guarantees and letters of credit issued by the Group.

**41.1 Credit risk (continued)**

The Group's largest exposures to individual counterparty credit risks as of December 31, 2015 and 2014 are set out below. The individual ratings reflect the rating of the counterparty listed below, while the amounts include exposures with subsidiaries of the counterparty.

	Sagicor Risk Rating	2015	Sagicor Risk Rating	2014
<b>Investment portfolios:</b>				
Government of Jamaica	5	901,896	5	929,353
Government of Trinidad and Tobago	2	200,307	2	156,574
Government of Barbados	5	307,185	5	297,742
The Bank of Nova Scotia	2	185,743	1	86,405
Government of St Lucia	5	81,412	5	79,013
The Federal National Mortgage Association	1	101,356	1	91,943
The Federal Home Loan Mortgage Corporation	1	67,523	1	81,139
<b>Lending portfolios:</b>				
Value Assets International S.A. and Egret Limited	3	29,780	4	32,611
<b>Reinsurance assets:</b>				
Guggenheim Partners <sup>(1)</sup>	3	543,329	5	412,516

<sup>(1)</sup>The reinsurance asset held in the name of Guggenheim Partners are secured by assets held in trust totalling \$573,774 (2014 - \$421,098).

**Notes to the Financial Statements**

Year ended December 31, 2015

**Sagikor Financial Corporation**

Amounts expressed in US \$000

**41.1 Credit risk (continued)**(a) Investment portfolios

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

Investment portfolios					
Risk Rating	Classification	2015		2014	
		Exposure \$000	Exposure %	Exposure \$000	Exposure %
1	Minimal risk	317,670	8%	587,359	15%
2	Low risk	794,812	20%	642,099	16%
3	Moderate risk	1,026,099	26%	994,603	25%
4	Acceptable risk	193,025	5%	119,418	3%
5	Average risk	1,518,308	39%	1,610,551	40%
6	Higher risk	23,472	1%	11,575	0%
7	Special mention	18	0%	5,692	0%
8	Substandard	2,683	0%	10,851	0%
TOTAL RATED EXPOSURES		3,876,087	99%	3,982,148	99%
UN-RATED EXPOSURES		61,017	1%	26,028	1%
TOTAL		3,937,104	100%	4,008,176	100%

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

**41.1 Credit risk (continued)**(b) Lending portfolios

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

Lending portfolios					
Risk Rating	Classification	2015		2014	
		Exposure \$000	Exposure %	Exposure \$000	Exposure %
1	Minimal risk	455,471	50%	407,558	49%
2	Low risk	77,350	9%	57,952	7%
3	Moderate risk	184,911	20%	198,498	24%
4	Acceptable risk	30,282	3%	16,919	2%
5	Average risk	26,653	3%	30,102	4%
6	Higher risk	8,852	1%	12,779	2%
7	Special mention	23,345	3%	647	0%
8	Substandard	8,953	1%	13,763	2%
9	Doubtful	4,693	1%	5,665	1%
10	Loss	9,699	1%	11,020	1%
TOTAL RATED EXPOSURES		830,209	92%	754,903	92%
UN-RATED EXPOSURES		79,361	8%	83,398	8%
TOTAL		909,570	100%	838,301	100%

**Notes to the Financial Statements**

Year ended December 31, 2015

**Sagikor Financial Corporation***Amounts expressed in US \$000***41.1 Credit risk (continued)**

Exposure to credit risk is also managed in part by obtaining collateral and guarantees for lending portfolios. For mortgage loans, the collateral is real estate property, and the approved loan limit is 80% to 95% of collateral value. For finance loans and finance leases, the collateral often comprises a vehicle or other form of security and the approved loan / lease limit is 90% of the collateral value. Unsecured finance loans and finance leases are only granted when the initial amount is less than \$5,001.

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

Exposure to the lending portfolios by geographic area is as follows.

	2015	2014
Barbados	203,250	212,236
Jamaica	389,521	361,387
Trinidad & Tobago	150,387	111,662
Other Caribbean	108,598	97,585
USA	57,814	55,431
	909,570	838,301

**(c) Past due and impaired financial assets**

A financial asset is past due when a counterparty has failed to make payment when contractually due. The Group is most exposed to the risk of past due assets with respect to its debt securities, mortgage loans, finance loans and finance leases.

Debt securities are assessed for impairment when amounts are past due, when the borrower is experiencing cash flow difficulties, or when the borrower's credit rating has been downgraded.

**41.1 Credit risk (continued)**

Mortgage loans less than 90 to 180 days past due and finance loans and finance leases less than 90 days past due are not assessed for impairment unless other information is available to indicate the contrary.

The assessment for impairment includes a review of the collateral. If the past due period is less than the trigger for impairment review, the collateral is not normally reviewed and re-assessed. Accumulated allowances for impairment reflect the Group's assessment of total individually impaired assets at the date of the financial statements. The following tables set out the carrying values of debt securities, mortgage loans, finance loans and finance leases, analysed by past due or impairment status.

	Debt securities	Mortgage loans	Finance loans & leases
<b>2015</b>			
Neither past due nor impaired	3,410,331	275,500	369,137
Past due up to 3 months, but not impaired	3,706	30,483	59,836
Past due up to 12 months, but not impaired	-	3,891	982
Past due up to 5 years, but not impaired	-	11,137	-
Past due over 5 years, but not impaired	-	2,490	-
Total past due but not impaired	3,706	48,001	60,818
Impaired assets (net of impairment)	3,682	17,422	6,206
Total carrying value	3,417,719	340,923	436,161
Accumulated allowances on impaired assets	723	2,754	15,779
Accrued interest on impaired assets	10	462	49

**Notes to the Financial Statements**

Year ended December 31, 2015

**Sagikor Financial Corporation***Amounts expressed in US \$000***41.1 Credit risk (continued)**

	Debt securities	Mortgage loans	Finance loans & leases
<b>2014</b>			
Neither past due nor impaired	3,435,400	233,202	330,215
Past due up to 3 months, but not impaired	683	23,810	67,037
Past due up to 12 months, but not impaired	125	8,944	419
Past due up to 5 years, but not impaired	-	9,177	-
Past due over 5 years, but not impaired	-	4,765	-
Total past due but not impaired	808	46,696	67,456
Impaired assets (net of impairment)	11,341	14,335	12,914
Total carrying value	3,447,549	294,233	410,585
Accumulated allowances on impaired assets	9,334	3,976	20,575
Accrued interest on impaired assets	216	400	212

The Group is also exposed to impaired premiums receivable. Property and casualty insurers frequently provide settlement terms to customers and intermediaries which extend up to 3 months. However, under the terms of insurance contracts, insurers can usually lapse an insurance policy for non-payment of premium, or if there is a claim, recover any unpaid premiums from the claim proceeds.

**(d) Repossessed assets**

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

**41.1 Credit risk (continued)****(e) Renegotiated assets**

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

**41.2 Liquidity risk**

Liquidity risk is the exposure that the Group may encounter difficulty in meeting obligations associated with financial or insurance liabilities that are settled by cash or by another financial asset. Liquidity risk also arises when excess funds accumulate resulting in the loss of opportunity to increase investment returns.

Asset liability matching is a tool used by the Group to mitigate liquidity risks particularly in operations with significant maturing short-term liabilities. For long-term insurance contracts, the Group has adopted a policy of investing in assets with cash flow characteristics that closely match the cash flow characteristics of its policy liabilities. The primary purpose of this matching is to ensure that cash flows from these assets are synchronised with the timing and the amounts of payments that must be paid to policyholders.

Group companies monitor cash inflows and outflows in each operating currency. Through experience and monitoring, the Group is able to maintain sufficient liquid resources to meet current obligations.

Investment property may be held to back insurance liabilities. As these assets are relatively illiquid, the insurers hold less than 5% of their total assets in investment property.



**Notes to the Financial Statements**

Year ended December 31, 2015

**Sagikor Financial Corporation***Amounts expressed in US \$000***41.2 Liquidity risk (continued)****(a) Insurance liabilities**

The Group's monetary insurance liabilities mature in periods which are summarised in the following table. Amounts are stated at their carrying values recognised in the financial statements and are analysed by their expected due periods, which have been estimated by actuarial or other statistical methods.

	Expected discounted cash flows			Total
	Maturing within 1 year	Maturing 1 to 5 years	Maturing after 5 years	
<b>2015</b>				
Actuarial liabilities	206,721	631,453	1,794,213	2,632,387
Other insurance liabilities	103,394	15,500	53,287	172,181
Total	310,115	646,953	1,847,500	2,804,568
<b>2014</b>				
Actuarial liabilities	193,615	597,671	1,770,935	2,562,221
Other insurance liabilities	95,220	13,691	54,907	163,818
Total	288,835	611,362	1,825,842	2,726,039

**Notes to the Financial Statements**

Year ended December 31, 2015

**Sagikor Financial Corporation***Amounts expressed in US \$000***41.2 Liquidity risk (continued)****(b) Financial liabilities and commitments**

Contractual cash flow obligations of the Group in respect of its financial liabilities and commitments are summarised in the following table. Amounts are analysed by their earliest contractual maturity dates and consist of the contractual un-discounted cash flows. Where the interest rate of an instrument for a future period has not been determined as of the date of the financial statements, it is assumed that the interest rate then prevailing continues until final maturity.

	2015 - Contractual un-discounted cash flows				2014 - Contractual un-discounted cash flows			
	On demand or within 1 year	1 to 5 years	After 5 years	Total	On demand or within 1 year	1 to 5 years	After 5 years	Total
<b>Financial liabilities:</b>								
Investment contract liabilities	310,094	54,054	9,834	373,982	314,269	43,026	9,241	366,536
Notes and loans payable	194,461	143,079	348,400	685,940	56,353	275,644	-	331,997
Deposit and security liabilities:								
Other funding instruments	361,328	15,626	12,305	389,259	330,844	31,778	11,527	374,149
Customer deposits	591,403	78,632	701	670,736	532,004	44,978	4	576,986
Structured products	23,799	12,268	-	36,067	1,221	18,860	-	20,081
Securities sold for re-purchase	524,578	28	-	524,606	669,455	122	-	669,577
Derivative financial instruments	1,052	551	-	1,603	9,063	1,425	-	10,488
Bank overdrafts	2,158	-	-	2,158	1,459	-	-	1,459
Accounts payable and accrued liabilities	158,072	51,631	747	210,450	117,784	45,859	34,870	198,513
<b>Total financial liabilities</b>	<b>2,166,945</b>	<b>355,869</b>	<b>371,987</b>	<b>2,894,801</b>	<b>2,032,452</b>	<b>461,692</b>	<b>55,642</b>	<b>2,549,786</b>
<b>Off financial statement commitments:</b>								
Loan commitments	69,936	-	-	69,936	47,732	7,656	13,919	69,307
Non-cancellable operating lease and rental payments	25,311	8,721	2,644	36,676	4,553	7,875	4,324	16,752
Operating lease and capital commitments	14,275	3,765	-	18,040	22,730	1,542	2,486	26,758
<b>Total off financial statements commitments</b>	<b>109,522</b>	<b>12,486</b>	<b>2,644</b>	<b>124,652</b>	<b>75,015</b>	<b>17,073</b>	<b>20,729</b>	<b>112,817</b>
<b>Total</b>	<b>2,276,467</b>	<b>368,355</b>	<b>374,631</b>	<b>3,019,453</b>	<b>2,107,467</b>	<b>478,765</b>	<b>76,371</b>	<b>2,662,603</b>

**Notes to the Financial Statements**

Year ended December 31, 2015

**Sagicor Financial Corporation***Amounts expressed in US \$000***41.2 Liquidity risk (continued)****(c) Financial and insurance assets**

The contractual maturity periods of monetary financial assets and the expected maturity periods of monetary insurance assets are summarised in the following table. Amounts are stated at their carrying values recognised in the financial statements. For this disclosure, monetary insurance assets comprise policy loans and reinsurance assets.

	2015 – Contractual or expected discounted cash flows				2014 – Contractual or expected discounted cash flows			
	Maturing within 1 year	Maturing 1 to 5 years	Maturing after 5 years	Total	Maturing within 1 year	Maturing 1 to 5 years	Maturing after 5 years	Total
Debt securities	389,557	872,098	2,156,064	3,417,719	427,885	892,531	2,127,133	3,447,549
Mortgage loans	20,890	36,484	283,549	340,923	24,449	28,132	241,652	294,233
Policy loans	5,319	13,746	113,421	132,486	5,237	14,298	113,948	133,483
Finance loans and finance leases	73,664	64,948	297,549	436,161	106,041	143,164	161,380	410,585
Securities purchased for re-sale	8,064	-	-	8,064	31,487	37	-	31,524
Deposits	256,636	1,927	2,269	260,832	116,070	8,530	1,978	126,578
Derivative financial instruments	14,928	551	-	15,479	21,845	1,423	-	23,268
Reinsurance assets: share of actuarial liabilities	79,535	248,411	273,651	601,597	52,877	168,454	248,940	470,271
Reinsurance assets: other	37,366	5,295	205	42,866	32,082	4,449	217	36,748
Premiums receivable	42,398	-	-	42,398	39,731	-	-	39,731
Other assets and accounts receivable	47,431	43,800	2,734	93,965	42,436	3,010	37,446	82,892
Cash resources	229,755	-	20,734	250,489	402,525	-	-	402,525
<b>Total</b>	<b>1,205,543</b>	<b>1,287,260</b>	<b>3,150,176</b>	<b>5,642,979</b>	<b>1,302,665</b>	<b>1,264,028</b>	<b>2,932,694</b>	<b>5,499,387</b>

## Notes to the Financial Statements

Year ended December 31, 2015

**Sagikor Financial Corporation**

*Amounts expressed in US \$000*

### 41.3 Interest rate risk

The Group is exposed to interest rate risks. Cash flow interest rate risk is the risk that future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the fair value of a financial instrument will fluctuate because of changes in market interest rates. The occurrence of an adverse change in interest rates on invested assets may result in financial loss to the Group in fulfilling the contractual returns on insurance and financial liabilities.

The return on investments may be variable, fixed for a term or fixed to maturity. On reinvestment of a matured investment, the returns available on the new investment may be significantly different from the returns formerly achieved. This is known as reinvestment risk.

Guaranteed minimum returns exist within cash values of long term traditional insurance contracts, long term universal life insurance contracts, annuity options, deposit administration liabilities and policy funds on deposit. Where the returns credited exceed the guaranteed minima, the insurer usually has the option to adjust the return from period to period. For other financial liabilities, returns are usually contractual and may only be adjusted on contract renewal or contract re-pricing.

The Group is therefore exposed to the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. Interest margins may increase or decrease as a result of such changes. Interest rate changes may also result in losses if asset and liability cash flows are not closely matched with respect to timing and amount.

The Group is exposed to risk under embedded derivatives contained in a host insurance contract. These risks include exposures to investment returns which may produce losses to the insurer arising from the following contract features:

- minimum annuity rates which are guaranteed to be applied at some future date;
- minimum guaranteed death benefits which are applicable when the performance of an interest bearing or unit linked fund falls below expectations;
- minimum guaranteed returns in respect of cash values and universal life investment accounts.

### 41.3 Interest rate risk (continued)

The Group manages its interest rate risk by a number of measures, including where feasible the selection of assets which best match the maturity of liabilities, the offering of investment contracts which match the maturity profile of assets, the re-pricing of interest rates on loans receivable, policy contracts and financial liabilities in response to market changes. In certain Caribbean markets, where availability of suitable investments is often a challenge, the Group holds many of its fixed rate debt securities to maturity and therefore mitigates the transient interest rate changes in these markets.

**Notes to the Financial Statements**

Year ended December 31, 2015

**Sagicor Financial Corporation***Amounts expressed in US \$000***41.3 Interest rate risk (continued)**

The table following summarises the exposures to interest rates on the Group's monetary insurance and financial liabilities (excluding actuarial liabilities which are disclosed in note 43). It includes liabilities at carrying amounts, categorised by the earlier of contractual re-pricing or maturity dates. Insurance liabilities are categorised by their expected maturities.

	2015					2014				
	Exposure within 1 year	Exposure 1 to 5 years	Exposure after 5 years	Not exposed to interest	Total	Exposure within 1 year	Exposure 1 to 5 years	Exposure after 5 years	Not exposed to interest	Total
Other insurance liabilities	33,518	4,860	53,287	80,516	172,181	43,990	4,859	54,422	60,547	163,818
Investment contract liabilities	308,644	51,442	8,510	-	368,596	312,935	40,052	7,974	-	360,961
Notes and loans payable	159,911	1,042	316,740	(2,176)	475,517	708	298,637	-	(403)	298,942
Deposit and security liabilities:										
Other funding instruments	364,132	8,688	6,242	550	379,612	325,194	28,443	6,681	492	360,810
Customer deposits	477,934	78,511	701	112,372	669,518	533,351	37,048	4	164	570,567
Structured products	22,927	11,966	-	219	35,112	184	13,149	-	6,735	20,068
Securities sold for re-purchase	516,944	171	-	2,493	519,608	655,048	6,158	-	3,596	664,802
Derivative financial instruments	-	-	-	1,603	1,603	4,600	-	-	1,665	6,265
Bank overdrafts	2,158	-	-	-	2,158	1,459	-	-	-	1,459
Accounts payable and accrued liabilities	981	42,904	-	157,837	201,722	8,117	292	-	189,035	197,444
<b>Total</b>	<b>1,887,149</b>	<b>199,584</b>	<b>385,480</b>	<b>353,414</b>	<b>2,825,627</b>	<b>1,885,586</b>	<b>428,638</b>	<b>69,081</b>	<b>261,831</b>	<b>2,645,136</b>

**Notes to the Financial Statements**

Year ended December 31, 2015

**Sagikor Financial Corporation***Amounts expressed in US \$000***41.3 Interest rate risk (continued)**

The table following summarises the exposures to interest rate and reinvestment risks of the Group's monetary insurance and financial assets. Assets are stated at carrying amounts, categorised by the earlier of contractual re-pricing or maturity dates. Reinsurance assets and policy loans are categorised by their expected maturities.

	2015					2014				
	Exposure within 1 year	Exposure 1 to 5 years	Exposure after 5 years	Not exposed to interest	Total	Exposure within 1 year	Exposure 1 to 5 years	Exposure after 5 years	Not exposed to interest	Total
Debt securities	585,718	785,142	1,996,826	50,033	3,417,719	627,847	828,091	1,942,487	49,124	3,447,549
Equity securities	-	-	-	214,957	214,957	742	-	-	193,532	194,274
Mortgage loans	40,595	53,664	243,497	3,167	340,923	49,590	33,754	207,015	3,874	294,233
Policy loans	4,302	13,510	110,311	4,363	132,486	4,358	14,049	110,646	4,430	133,483
Finance loans and leases	374,909	25,663	34,390	1,199	436,161	288,177	64,861	55,637	1,910	410,585
Securities purchased for re-sale	8,041	-	-	23	8,064	31,378	-	-	146	31,524
Deposits	256,385	1,908	1,902	637	260,832	115,621	8,422	1,570	965	126,578
Derivative financial instruments	-	-	-	15,479	15,479	4,999	-	-	18,269	23,268
Reinsurance assets: other	112	-	205	42,549	42,866	2,281	-	217	34,250	36,748
Premiums receivable	1,495	-	-	40,903	42,398	2,286	-	-	37,445	39,731
Other assets and accounts receivable	797	43,337	-	49,831	93,965	5,229	605	12	77,046	82,892
Cash resources	153,277	-	-	97,212	250,489	273,993	-	-	128,532	402,525
<b>Total</b>	<b>1,425,631</b>	<b>923,224</b>	<b>2,387,131</b>	<b>520,353</b>	<b>5,256,339</b>	<b>1,406,501</b>	<b>949,782</b>	<b>2,317,584</b>	<b>549,523</b>	<b>5,223,390</b>



**Notes to the Financial Statements**

Year ended December 31, 2015

**Sagicor Financial Corporation**

Amounts expressed in US \$000

**41.3 Interest rate risk (continued)**

The table below summarises the average interest yields on financial assets and liabilities held during the year in respect of continuing operations.

	2015	2014
<b>Financial assets:</b>		
Debt securities	6.4%	6.3%
Mortgage loans	6.5%	6.6%
Policy loans	7.3%	7.5%
Finance loans and finance leases	12.7%	11.4%
Securities purchased for re-sale	2.4%	5.6%
Deposits	0.9%	1.7%
<b>Financial liabilities:</b>		
Investment contract liabilities	5.2%	5.4%
Notes and loans payable	8.3%	8.3%
Other funding instruments	2.2%	2.0%
Deposits	1.9%	2.6%
Securities sold for re-purchase	3.7%	5.0%

a) Sensitivity

Sensitivity to interest rate risk is considered by operating subsidiaries. The effects of changes in interest rates of assets backing actuarial liabilities are disclosed in note 43.4. The Group's property and casualty operations are not exposed to a significant degree of interest rate risk, since the majority of its interest bearing instruments has short-term maturities. The sensitivity of the Group's principal operating subsidiaries engaged in banking, investment management and other financial services are considered in the following paragraphs.

**41.3 Interest rate risk (continued)**Sagicor Investments Jamaica Limited and Sagicor Bank Jamaica Limited

The following table indicates the sensitivity to a reasonable possible change in interest rates, with all other variables held constant, on net income and total comprehensive income (TCI) of the above companies which operate in Jamaica.

The sensitivity of income is the effect of the assumed changes in interest rates on income based on floating rate debt securities and financial liabilities. The sensitivity of TCI is calculated by revaluing fixed rate available-for-sale financial assets for the effects of the assumed changes in interest rates. The correlation of a number of variables will have an impact on market risk. It should be noted that movements in these variables are non-linear and are assessed individually.

2015				2014			
Change in interest rate		Effect on net income	Effect on TCI	Change in interest rate		Effect on net income	Effect on TCI
JMD	USD			JMD	USD		
- 1%	- 0.5%	4,145	10,219	- 1%	- 0.5%	(996)	11,653
+2.5%	+ 2%	(6,838)	(35,879)	+2.5%	+ 2%	1,799	(37,376)

**41.4 Foreign exchange risk**

The Group is exposed to foreign exchange risk as a result of fluctuations in exchange rates since its financial assets and liabilities are denominated in a number of different currencies.

In order to manage the risk associated with movements in currency exchange rates, the Group seeks to maintain investments and cash in each operating currency, which are sufficient to match liabilities denominated in the same currency. Exceptions are made to invest amounts in United States dollar assets which are held to back liabilities in Caribbean currencies. Management considers that these assets diversify the range of investments available in the Caribbean, and in the long-term are likely to either maintain capital value and/or provide satisfactory returns.

Assets and liabilities by currency are summarised in the following tables.

**Notes to the Financial Statements**

Year ended December 31, 2015

**Sagicor Financial Corporation***Amounts expressed in US \$000***41.4 Foreign exchange risk (continued)**

2015	US\$ 000 equivalents of balances denominated in						Total
	Barbados \$	Jamaica \$	Trinidad \$	Eastern Caribbean \$	US \$	Other Currencies	
<b>ASSETS</b>							
Financial investments <sup>(1)</sup>	459,902	782,475	355,091	146,006	2,698,719	169,471	4,611,664
Reinsurance assets	11,040	1,189	11,068	1,792	618,240	1,134	644,463
Receivables <sup>(1)</sup>	25,533	76,047	10,338	12,873	7,368	4,204	136,363
Cash resources	21,349	45,720	39,224	14,825	89,379	39,992	250,489
Total monetary assets	517,824	905,431	415,721	175,496	3,413,706	214,801	5,642,979
Other assets <sup>(2)</sup>	200,772	324,237	86,074	28,755	119,332	(2,264)	756,906
Total assets of continuing operations	718,596	1,229,668	501,795	204,251	3,533,038	212,537	6,399,885
<b>LIABILITIES</b>							
Actuarial liabilities	392,022	271,391	330,099	63,948	1,500,972	73,955	2,632,387
Other insurance liabilities <sup>(1)</sup>	70,336	18,878	28,989	9,113	33,929	10,936	172,181
Investment contracts	34,561	66,619	135,169	49,993	74,847	7,407	368,596
Notes and loans payable	19,980	-	-	-	455,537	-	475,517
Deposit and security liabilities	91,187	476,088	1,548	14,929	1,003,153	20,706	1,607,611
Provisions	26,870	37,236	14,732	988	2,815	5,565	88,206
Accounts payable and accruals	30,769	85,701	12,973	10,130	50,510	11,639	201,722
Total monetary liabilities	665,725	955,913	523,510	149,101	3,121,763	130,208	5,546,220
Other liabilities <sup>(2)</sup>	12,787	4,756	20,089	2,789	26,944	1,110	68,475
Total liabilities of continuing operations	678,512	960,669	543,599	151,890	3,148,707	131,318	5,614,695
<b>Net position</b>	40,084	268,999	(41,804)	52,361	384,331	81,219	785,190

<sup>(1)</sup> Monetary balances only<sup>(2)</sup> Non-monetary balances, income tax balances and retirement plan assets

**Notes to the Financial Statements**

Year ended December 31, 2015

**Sagikor Financial Corporation***Amounts expressed in US \$000***41.4 Foreign exchange risk (continued)**

2014	US\$ 000 equivalents of balances denominated in						Total
	Barbados \$	Jamaica \$	Trinidad \$	Eastern Caribbean \$	US \$	Other Currencies	
<b>ASSETS</b>							
Financial investments <sup>(1)</sup>	478,885	689,190	289,162	135,458	2,684,225	190,300	4,467,220
Reinsurance assets	10,174	911	10,149	2,507	481,543	1,735	507,019
Receivables <sup>(1)</sup>	16,357	65,213	10,382	8,400	17,751	4,520	122,623
Cash resources	16,313	48,162	71,990	9,137	205,568	51,355	402,525
Total monetary assets	521,729	803,476	381,683	155,502	3,389,087	247,910	5,499,387
Other assets <sup>(2)</sup>	211,032	275,029	83,939	33,860	66,396	10,777	681,033
Total assets of continuing operations	732,761	1,078,505	465,622	189,362	3,455,483	258,687	6,180,420
<b>LIABILITIES</b>							
Actuarial liabilities	401,181	270,145	327,944	71,624	1,404,396	86,931	2,562,221
Other insurance liabilities <sup>(1)</sup>	68,178	18,861	26,603	9,351	27,799	13,026	163,818
Investment contracts	34,726	66,206	126,811	48,703	76,544	7,971	360,961
Notes and loans payable	18,630	-	-	-	280,312	-	298,942
Deposit and security liabilities	87,245	521,969	1,774	12,293	969,762	30,928	1,623,971
Provisions	26,744	29,400	13,586	1,026	1,492	6,108	78,356
Accounts payable and accruals	29,863	79,045	12,912	7,677	64,800	3,147	197,444
Total monetary liabilities	666,567	985,626	509,630	150,674	2,825,105	148,111	5,285,713
Other liabilities <sup>(2)</sup>	13,059	6,258	22,208	3,652	29,110	1,082	75,369
Total liabilities of continuing operations	679,626	991,884	531,838	154,326	2,854,215	149,193	5,361,082
<b>Net position</b>	53,135	86,621	(66,216)	35,036	601,268	109,494	819,338

<sup>(1)</sup> Monetary balances only<sup>(2)</sup> Non-monetary balances, income tax balances and retirement plan assets

## Notes to the Financial Statements

Year ended December 31, 2015

**Sagicor Financial Corporation**  
Amounts expressed in US \$000

### 41.4 Foreign exchange risk (continued)

#### (a) Sensitivity

The Group is exposed to currency risk in its operating currencies whose values have noticeably fluctuated against the United States dollar (USD).

The exposure to currency risk may result in three types of risk, namely:

- Currency risk relating to the future cash flows of monetary balances

This occurs when a monetary balance is denominated in a currency other than the functional currency of the reporting unit to which it belongs. In this instance, a change in currency exchange rates results in the monetary balances being retranslated at the date of the financial statements and the exchange gain or loss is taken to income (note 26).

- Currency risk of reported results of foreign operations

This occurs when a reporting unit's functional currency depreciates or appreciates in value when retranslated to the USD, which is the Group's presentational currency. In this instance, the conversion of the reporting unit's results at a different rate of exchange results in either less or more income being consolidated in the Group's income statement.

- Currency risk of the Group's investment in foreign operations

This occurs when a reporting unit's functional currency depreciates or appreciates in value when retranslated to the USD, which is the Group's presentational currency. In this instance, the conversion of the reporting unit's assets and liabilities at a different rate of exchange results in a currency loss or gain which is recorded in the currency translation reserve (note 22). If the reporting unit was disposed of, either wholly or in part, then the corresponding accumulated loss or gain in the currency translation reserve would be transferred to income or retained earnings.

The operating currency whose value noticeably fluctuate against the USD is the Jamaica dollar (JMD). The theoretical impact of JMD currency risk on reported results and of the Group's investment in foreign operations is considered in the following section.

### 41.4 Foreign exchange risk (continued)

#### JMD currency risk

The effect of a 10% depreciation in the JMD relative to the USD arising from JMD reporting units as of December 31, 2015 and for the year then ended are considered in the following table.

	Amounts denominated in		Total amounts	Effect of a 10% depreciation
	JMD	USD		
<b>Financial position:</b>				
Assets	1,316,478	1,057,465	2,373,943	(131,647)
Liabilities	996,823	981,039	1,977,862	(99,682)
Net position	319,655	76,426	396,081	(31,965)
Represented by:				
Currency risk of the Group's investment in foreign operations				(31,965)
<b>Income statement:</b>				
Revenue	427,495	55,620	483,115	(34,893)
Benefits	(223,756)	(12,274)	(236,030)	22,376
Expenses	(142,339)	(8,723)	(151,062)	14,234
Income taxes	(20,202)	-	(20,202)	2,020
Net income	41,198	34,623	75,821	3,737
Represented by:				
Currency risk relating to the future cash flows of monetary balances				7,856
Currency risk of reported results of foreign operations				(4,119)
				3,737

A 10% appreciation in the JMD relative to the USD would have equal and opposite effects to those disclosed above.

**Notes to the Financial Statements**

Year ended December 31, 2015

**Sagicor Financial Corporation***Amounts expressed in US \$000***41.5 Fair value of financial instruments**

The fair value of financial instruments is measured according to a fair value hierarchy which reflects the significance of market inputs in the valuation. This hierarchy is described and discussed in sections (i) to (iii) below.

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

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

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

A financial instrument is classified as Level 2 if:

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

In estimating the fair value of non-traded financial assets, the Group uses a variety of methods such as obtaining dealer quotes and using discounted cash flow techniques. Where discounted cash flow techniques are used, estimated future cash flows are discounted at market derived rates for government securities in the same country of issue as the security; for non-government securities, an interest spread is added to the derived rate for a similar government security rate according to the perceived additional risk of the non-government security.

**41.5 Fair value of financial instruments (continued)**

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

Certain of the Group's policy liabilities are unit linked, i.e. derive their value from a pool of assets which are carried at fair value. The Group assigns a fair value hierarchy of Level 2 to the contract liability if the liability represents the unadjusted fair value of the underlying pool of assets.

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

A financial instrument is classified as Level 3 if:

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

Level 3 available for sale securities comprise primarily of corporate and government agency debt instruments issued in the Caribbean, primarily in Jamaica and Trinidad. The fair values of these instruments have been derived from December 31 market yields of government instruments of similar durations in the country of issue of the instruments.

Level 3 assets designated fair value through income include mortgage loans, debt securities and equities for which the full income return and capital returns accrue to holders of unit linked policy and deposit administration contracts. These assets are valued with inputs other than observable market data.

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

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**Sagikor Financial Corporation**

Amounts expressed in US \$000

**41.5 Fair value of financial instruments (continued)**(a) Financial instruments carried at fair value

	2015				2014			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
<b>Available for sale securities:</b>								
Debt securities	355,330	1,929,520	26,741	2,311,591	396,980	1,947,067	12,967	2,357,014
Equity securities	46,644	29,538	12,198	88,380	36,010	29,200	11,011	76,221
	401,974	1,959,058	38,939	2,399,971	432,990	1,976,267	23,978	2,433,235
<b>Investments at fair value through income:</b>								
Debt securities	15,820	35,048	85,859	136,727	22,824	49,495	70,521	142,840
Equity securities	12,100	110,267	4,210	126,577	20,841	91,108	6,104	118,053
Derivative financial instruments	-	1,603	13,876	15,479	-	6,663	16,605	23,268
Mortgage loans	-	-	47,052	47,052	-	-	38,718	38,718
Deposits	56	-	-	56	-	-	-	-
	27,976	146,918	150,997	325,891	43,665	147,266	131,948	322,879
<b>Total assets</b>	429,950	2,105,976	189,936	2,725,862	476,655	2,123,533	155,926	2,756,114
<b>Total assets by percentage</b>	16%	77%	7%	100%	17%	77%	6%	100%
<b>Investment contracts:</b>								
Unit linked deposit administration liabilities	-	-	125,177	125,177	-	-	116,809	116,809
<b>Deposit and security liabilities:</b>								
Structured products	-	-	35,112	35,112	-	-	20,068	20,068
Derivative financial instruments	-	1,603	-	1,603	-	6,265	-	6,265
	-	1,603	35,112	36,715	-	6,265	20,068	26,333
<b>Total liabilities</b>	-	1,603	160,289	161,892	-	6,265	136,877	143,142
<b>Total liabilities by percentage</b>	0%	1%	99%	100%	0%	4%	96%	100%



**Notes to the Financial Statements**

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**Sagikor Financial Corporation***Amounts expressed in US \$000***41.5 Fair value of financial instruments (continued)**

Balances totalling \$4,805 have been transferred from Level 1 to Level 2 in 2015 (2014 - Nil). Transfers from Level 2 to Level 1 in 2015 – Nil (2014 - \$27,696).

For Level 3 instruments, reasonable changes in inputs which could be applied to the valuation of available for sale securities would affect other comprehensive income. Reasonable changes in inputs which could be applied to the valuations of investments designated at fair value are largely offset in income, since the changes in fair value are borne by contract holders. Changes in the valuations of structured products reflect changes in the underlying securities and are borne by the contract holders. The following table presents the movements in Level 3 instruments for the year.

	2015			2014		2015			2014	
	Available for sale securities	Investments at fair value through income	Derivative instruments	Total assets	Total assets	Policy liabilities	Structured products	Total liabilities	Total liabilities	
Balance, beginning of year	23,978	115,343	16,605	155,926	149,673	116,809	20,068	136,877	131,745	
Additions	21,934	54,379	18,771	95,084	43,634	-	-	-	-	
Transfers into Level 3 classification	1,873	-	-	1,873	-	-	-	-	-	
Issues	-	-	-	-	-	18,757	16,437	35,194	19,851	
Settlements	-	-	-	-	-	(8,471)	-	(8,471)	(6,332)	
Fair value changes recorded within net investment income	342	2,202	(3,287)	(743)	6,846	-	-	-	-	
Fair value changes recorded within interest expense	-	-	-	-	-	(682)	-	(682)	(742)	
Fair value changes recorded in other comprehensive income	(54)	-	-	(54)	19	-	-	-	-	
Disposals	(8,163)	(32,262)	(18,213)	(58,638)	(44,376)	-	-	-	-	
Transfers to instruments carried at amortised cost	-	-	-	-	-	-	-	-	(7,766)	
Effect of exchange rate changes	(971)	(2,541)	-	(3,512)	130	(1,236)	(1,393)	(2,629)	121	
Balance, end of year	38,939	137,121	13,876	189,936	155,926	125,177	35,112	160,289	136,877	
Fair value changes recorded in investment income for instruments held at end of year	3	605	(4,538)	(3,930)	4,018	-	-	-	-	
Fair value changes recorded in interest expense for instruments held at end of year	-	-	-	-	-	(682)	-	(682)	(742)	

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**Sagikor Financial Corporation**

Amounts expressed in US \$000

**41.5 Fair value of financial instruments (continued)****(b) Financial instruments carried at amortised cost**

The carrying values of the Group's non-traded financial assets and financial liabilities carried at amortised cost approximate their fair value in notes 10, 12, and 20. The fair value hierarchy of other financial instruments carried at amortised cost as of December 31, 2015 is set out in the following tables.

	Level 1	Level 2	Level 3	Total
<b>Held to maturity securities:</b>				
Debt securities	-	21,940	-	21,940
<b>Loans and receivables:</b>				
Debt securities	-	347,859	635,204	983,063
Mortgage loans	-	22,480	271,561	294,041
Policy loans	-	-	141,950	141,950
Finance loans and finance leases	-	-	419,214	419,214
Securities purchased for resale	-	-	8,064	8,064
	-	370,339	1,475,993	1,846,332
	-	392,279	1,475,993	1,868,272

**41.5 Fair value of financial instruments (continued)**

	Level 1	Level 2	Level 3	Total
<b>Investment contracts:</b>				
Deposit administration liabilities	-	-	127,780	127,780
Other investment contracts	-	-	118,860	118,860
	-	-	246,640	246,640
<b>Notes and loans payable:</b>				
Convertible redeemable preference shares	-	130,932	-	130,932
Notes and lease payables	-	350,336	46,249	396,585
	-	481,268	46,249	527,517
<b>Deposit and security liabilities</b>				
Other funding instruments	-	-	381,499	381,499
Customer deposits	-	1,759	770,252	772,011
Securities sold for repurchase	-	-	519,508	519,508
	-	1,759	1,671,259	1,673,018
	-	483,027	1,964,148	2,447,175

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**Sagikor Financial Corporation***Amounts expressed in US \$000***41.5 Fair value of financial instruments (continued)**(c) Equity price risk

The Group is exposed to equity price risk arising from changes in the market values of its equity securities. The Group mitigates this risk by establishing overall limits of equity holdings for each investment portfolio and by maintaining diversified holdings within each portfolio of equity securities.

Sensitivity

The sensitivity to fair value changes in equity securities arises from those instruments classified as available for sale. There is no significant sensitivity to those instruments classified at fair value through income, since fair value changes are borne by policy contract holders.

The effects of an across the board 20% change in equity prices of the Group's available for sale equity securities as of December 31, 2015 on total comprehensive income before tax (TCIBT) are as follows.

Available for sale equities	Carrying value	20% change on TCIBT
Listed on Caribbean stock exchanges and markets	21,483	4,297
Listed on US stock exchanges and markets	59,649	11,930
Listed on other exchanges and markets	7,248	1,450
	88,380	17,677

**41.6 Derivative financial instruments and hedging activities**

The Group's derivative activities give rise to open positions in portfolios of derivatives. These positions are managed to ensure that they remain within acceptable risk levels, with matching deals being utilised to achieve this where necessary. When entering into derivative transactions, the Group employs its credit risk management procedures to assess and approve potential credit exposures.

**41.6 Derivative financial instruments and hedging activities (continued)**

Derivatives are carried at fair value and presented in the financial statements as separate assets and liabilities. Asset values represent the cost to the Group of replacing all transactions with a fair value in the Group's favour assuming that all relevant counterparties default at the same time, and that transactions can be replaced instantaneously. Liability values represent the cost to the Group counterparties of replacing all their transactions with the Group with a fair value in their favour if the Group were to default. Derivative assets and liabilities on different transactions are only set off if the transactions are with the same counterparty, a legal right of set-off exists and the cash flows are intended to be settled on a net basis. The contract or notional amounts of derivatives and their fair values are set out below.

	Contract / notional amount	Fair value	
		Assets	Liabilities
<b>2015</b>			
<b>Derivatives held for trading:</b>			
Equity indexed options	643,667	15,479	1,603
	643,667	15,479	1,603
<b>2014</b>			
<b>Derivatives held for trading:</b>			
Cross currency swap	19,226	5,022	4,626
Equity indexed options	473,982	18,246	1,639
	493,208	23,268	6,265

**Notes to the Financial Statements**

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**Sagikor Financial Corporation***Amounts expressed in US \$000***41.6 Derivative financial instruments and hedging activities (continued)***(i) Cross currency swap*

A Group company entered into a currency swap with an initial notional principal amount of Euro 45 million which matured in February 2015. Under the terms of this swap, the Group company paid Euro at a rate of 5% and received 4.26% in US dollars on the notional principal amount.

The Group company obtained principal and interest in Euros on a promissory note included in debt securities classified as financial assets at fair value through income in note 9.

*(ii) Equity indexed options*

The Group has purchased equity indexed options in respect of structured products and in respect of life and annuity insurance contracts.

For certain structured product contracts with customers (note 17), equity indexed options give the holder the ability to participate in the upward movement of an equity index while being protected from downward risk. The Group is exposed to credit risk on purchased options only, and only to the extent of the carrying amount, which is their fair value.

For certain universal life and annuity insurance contracts, an insurer has purchased custom call options that are selected to materially replicate the policy benefits that are associated with the equity indexed components within the policy contract. These options are appropriate to reduce or minimise the risk of movements in specific equity markets. Credit risk that the insurer has regarding the options is mitigated by ensuring that the counterparty is sufficiently capitalized. Both the asset and the associated actuarial liability are valued at fair market value on a consistent basis, with the change in values being reflected in the income statement. The valuations combine external valuations with internal calculations.

**Notes to the Financial Statements**

Year ended December 31, 2015

**Sagikor Financial Corporation***Amounts expressed in US \$000***41.7 Offsetting Financial Assets and Liabilities**

The Group is eligible to present certain financial assets and financial liabilities on a net basis on the balance sheet pursuant to criteria described in Note 1 "Accounting Policies: 2.15 Offsetting financial instruments".

The following tables provide information on the impact of offsetting on the consolidated balance sheet, as well as the financial impact of netting for instruments subject to an enforceable master netting arrangement or similar agreement as well as available cash and financial instrument collateral.

<b>2015</b>	<b>Gross amounts of financial assets</b>	<b>Gross amounts set off on the balance sheet</b>	<b>Net amounts of financial assets presented on the balance sheet</b>	<b>Impact of master netting arrangements</b>	<b>Financial instruments collateral</b>	<b>Net amount</b>
<b>ASSETS</b>						
Financial investments	4,803,078	-	4,803,078	(629,825)	(302,098)	3,871,155
Securities purchases under resale agreement	8,064	-	8,064	-	-	8,064
Derivative financial instruments	15,479	-	15,479	(1,603)	-	13,876
	<u>4,826,621</u>	<u>-</u>	<u>4,826,621</u>	<u>(631,428)</u>	<u>(302,098)</u>	<u>3,893,095</u>
<b>LIABILITIES</b>						
Security Liabilities	1,606,008	-	1,606,008	(614,643)	(255,860)	735,505
Derivative financial instruments	1,603	-	1,603	(1,603)	-	-
	<u>1,607,611</u>	<u>-</u>	<u>1,607,611</u>	<u>(616,246)</u>	<u>(255,860)</u>	<u>735,505</u>
<b>2014</b>						
<b>ASSETS</b>						
Financial investments	4,606,702	-	4,606,702	(785,673)	(314,174)	3,506,855
Securities purchases under resale agreement	31,524	-	31,524	-	-	31,524
Derivative financial instruments	23,268	-	23,268	(6,663)	-	16,605
	<u>4,661,494</u>	<u>-</u>	<u>4,661,494</u>	<u>(792,336)</u>	<u>(314,174)</u>	<u>3,554,984</u>
<b>LIABILITIES</b>						
Security Liabilities	1,617,706	-	1,617,706	(741,188)	(262,777)	613,741
Derivative financial instruments	6,265	-	6,265	(6,265)	-	-
	<u>1,623,971</u>	<u>-</u>	<u>1,623,971</u>	<u>(747,453)</u>	<u>(262,777)</u>	<u>613,741</u>

## Notes to the Financial Statements

Year ended December 31, 2015

**Sagicor Financial Corporation**

*Amounts expressed in US \$000*

### 42 INSURANCE RISK – PROPERTY & CASUALTY CONTRACTS

Property and casualty insurers in the Group are exposed to insurance risks such as underwriting, claims and availability of reinsurance, and to credit risk in respect of reinsurance counterparties.

Sagicor General Insurance is the principal insurer within the Group's continuing operations that issues property and casualty insurance contracts. It operates mainly in Barbados and Trinidad and Tobago.

The principal insurance risks affecting property and casualty contracts are disclosed in the following sections.

#### 42.1 Underwriting risk

Risks are priced to achieve an adequate return on capital on the insurer's business as a whole. This return is expressed as a premium target return. Budgeted expenses and reinsurance costs are included in the pricing process. Various pricing methodologies, including benchmark exposure rates and historic experience are used and are generally applied by class of insurance. All methods produce a technical price, which is compared against the market to establish a price margin.

Annually, the overall risk appetite is reviewed and approved. The risk appetite is defined as the maximum loss the insurer is willing to incur from a single event or proximate cause. Risks are only underwritten if they fall within the risk appetite. Individual risks are assessed for their contribution to aggregate exposures by nature of risk, by geography, by correlation with other risks, before acceptance. Underwriting a risk may include specific tests and enquiries which determine the insurer's assessment of the risk. Insurers may also establish deductibles, exclusions, and coverage limits which will limit the potential losses incurred.

Inaccurate pricing or inappropriate underwriting of insurance contracts, which may arise from poor pricing or lack of underwriting control, can lead to either financial loss or reputational damage to the insurer.

#### 42.2 Claims risk

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

- attritional losses, which are expected to be of reasonable frequency and are less than established threshold amounts;

#### 42.2 Claims risk (continued)

- large losses, which are expected to be relatively infrequent and are greater than established threshold amounts;
- catastrophic losses, which are an aggregation of losses arising from one incident or proximate cause, affecting one or more classes of insurance. These losses are infrequent and are generally very substantial.

The insurer records claims based on submissions made by claimants. The insurer may also obtain additional information from loss adjustors, medical reports and other specialist sources. The initial claim recorded may only be an estimate, which has to be refined over time until final settlement occurs. In addition, from the pricing methodology used for risks, it is assumed that at any particular date, there are claims incurred but not reported (IBNR).

Claims risk is the risk that incurred claims may exceed expected losses. Claims risk may arise from

- invalid or fraudulent claim submissions;
- the frequency of incurred claims;
- the severity of incurred claims;
- the development of incurred claims.

Claims risk may be concentrated in geographic locations, altering the risk profile of the insurer. The most significant exposure for this type of risk arises where a single event could result in a large number of claims. Concentration of risk is mitigated through risk selection, line sizes, event limits, quota share reinsurance and excess of loss reinsurance.

Total insurance coverage on insurance policies provides a quantitative measure of absolute risk. However, claims arising in any one year are a very small proportion in relation to the total insurance coverage provided. The total amounts insured by the Group at December 31, gross and net of reinsurance, are summarised by class of insurance.



**Notes to the Financial Statements**

Year ended December 31, 2015

**Sagicor Financial Corporation***Amounts expressed in US \$000***42.2 Claims risk (continued)**

Total insurance coverage		2015	2014
Property	Gross	6,726,203	6,196,281
	Net	1,004,774	1,435,522
Motor	Gross	346,729	356,963
	Net	173,364	178,482
Accident and liability	Gross	2,162,735	2,153,760
	Net	1,034,289	1,035,102
Total	Gross	9,235,667	8,707,004
	Net	2,212,427	2,649,106

The insurer assesses its exposures by modelling realistic disaster scenarios of potential catastrophic events. Claims arising from wind storms, earthquakes and floods and events triggering multi-coverage corporate liability claims are considered to be the potential sources of catastrophic losses arising from insurance risks. A realistic disaster scenario modelled for 2015 is presented below and results in estimated gross and net losses.

	Gross loss	Net loss
A Barbados and St. Lucia windstorm having a 200 year return period.	283,372	5,000

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

**42.3 Reinsurance risk**

To limit the potential loss for single policy claims and for aggregations of catastrophe claims, the insurer may cede certain levels of risk to a reinsurer. Reinsurance however does not discharge the insurer's liability. Reinsurance risk is the risk that reinsurance is not available to mitigate the potential loss on an insurance policy. The risk may arise from

- the credit risk of holding a recovery from a reinsurer;
- the unavailability of reinsurance cover in the market at adequate levels or prices;
- the failure of a reinsurance layer upon the occurrence of a catastrophic event.

**42.3 Reinsurance risk (continued)**

The Group selects reinsurers which have well established capability to meet their contractual obligations and which generally have a Sagicor credit risk rating of 1 or 2. Insurers also place reinsurance coverage with various reinsurers to limit their exposure to any one reinsurer.

The reinsurance programmes are negotiated annually with reinsurers for coverage generally over a 12 month period. It is done by class of insurance, though for some classes there is aggregation of classes and / or subdivision of classes by the location of risk.

For its property risks, insurers use quota share and excess of loss catastrophe reinsurance treaties to obtain reinsurance cover. Catastrophe reinsurance is obtained for multiple claims arising from one event or occurring within a specified time period. However, treaty limits may apply and may expose the insurer to further claim exposure. Under some treaties, when treaty limits are reached, the insurer may be required to pay an additional premium to reinstate the reinsurance coverage. Excess of loss catastrophe reinsurance treaties typically cover up to four separate catastrophic events per year.

For other insurance risks, insurers limit their exposure by event or per person by excess of loss or quota share treaties.

Retention limits represent the level of risk retained by the insurer. Coverage in excess of these limits is ceded to reinsurers up to the treaty limit. Claim amounts in excess of reinsurance treaty limits revert to the insurer. Principal features of retention program used by Sagicor General for its property insurance class is summarised in the following table.

Type of risk	Retention by insurers - currency amounts in thousands
Property	<ul style="list-style-type: none"> <li>• maximum retention of \$3,500 for a single event;</li> <li>• maximum retention of \$5,000 for a catastrophic event;</li> <li>• quota share retention to maximum of 20% in respect of treaty limits;</li> <li>• quota share retention is further reduced to a maximum of \$375 per event.</li> </ul>

The effects of reinsurance ceded are disclosed in notes 14, 24 and 27 and information on reinsurance balances is included in notes 10, 20 and 41.

## Notes to the Financial Statements

Year ended December 31, 2015

**Sagikor Financial Corporation**  
Amounts expressed in US \$000

### 42.3 Reinsurance risk (continued)

In order to assess the potential reinsurance recoveries on the occurrence of a catastrophic insurance event, the Sagikor credit risk ratings of the reinsurance recoverable are assessed using the following realistic disaster scenario:

- Hurricane with a 200 year return period affecting Barbados and St. Lucia and an earthquake with a 250 year return period affecting Trinidad within a 24 hour period.

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

Risk Rating	Classification	Exposure \$000	Exposure %
1	Minimal risk	210,125	33%
2	Low risk	422,997	67%
3	Moderate risk	-	0%
4	Acceptable risk	-	0%
5	Average risk	-	0%
6	Higher risk	-	0%
7	Special mention	-	0%
8	Substandard	-	0%
TOTAL		633,122	100%

## 43 INSURANCE RISK – LIFE, ANNUITY & HEALTH CONTRACTS

Insurers are exposed to insurance risks such as product design and pricing, mortality and morbidity, lapse, expense, reinsurance, and actuarial liability estimation in respect of life, annuity and health contracts. Disclosure of these risks is set out in the following sections.

### 43.1 Contracts without investment returns

These contracts are principally term life, critical illness and health insurance. Individual term life and critical illness products are generally long-term contracts while group term life and health insurance products are generally one year renewable. The principal insurance risks associated with these contracts are product design and pricing and mortality and morbidity.

### 43.1 Contracts without investment returns (continued)

#### (a) Product design and pricing risk

Product design and pricing risk arises from poorly designed or inadequately priced contracts and can lead to both financial loss and reputational damage to the insurer.

Risks are priced to achieve an adequate return on capital on the insurer's business as a whole. In determining the pricing of an insurance contract, the insurer considers the nature and amount of the risk assumed, and recent experience and industry statistics of the benefits payable. Pricing inadequacy may arise either from the use of inadequate experience and statistical data in deriving pricing factors or from market softening conditions.

The underwriting process has established pricing guidelines, and may include specific medical tests and enquiries which determine the insurer's assessment of the risk. Insurers may also establish deductibles and coverage limits for health risks which will limit the potential claims incurred. Term life and critical illness risks have limitations of insured amounts. The pricing of a contract therefore consists of establishing appropriate premium rates, deductibles and coverage limits.

#### (b) Mortality and morbidity risk

Mortality risk is the risk that worsening mortality rates will result in an increase of death claims. Morbidity is the incidence of disease or illness and the associated risk is that of increased disability and medical claims. Insurance claims are triggered by the incurrence of a medical claim, the diagnosis of a critical illness or by death of the person insured.

For contracts providing death benefits, higher mortality rates would result in an increase in death claims. The Group annually reviews its mortality experience and compares it to industry mortality tables. This review may result in future adjustments to the pricing or re-pricing of these contracts.

Critical illness claims arise from the diagnosis of a specific illness incurred by the policy beneficiary. The Group annually reviews its critical illness claims experience and compares it to industry statistics. This review may result in future adjustments to the pricing or re-pricing of these contracts.

The concentration risks of term life and critical illness contracts are included in the related disclosure on other long-term contracts in note 43.2(b).

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**Sagicor Financial Corporation***Amounts expressed in US \$000***43.1 Contracts without investment returns (continued)**

The cost of health related claims depends on the incidence of beneficiaries becoming ill, the duration of their illness, and the cost of providing medical services. An increase in any of these three factors will result in increased health insurance claims. In such circumstances, the insurer may adjust the pricing or re-pricing of these contracts.

For health insurance contracts, the concentration of insurance risk is illustrated by the distribution of premium revenue by the location of the insured persons.

2015 Premium revenue by location of insureds	Gross	Ceded	Net
Barbados	20,432	994	19,438
Jamaica	80,996	2,141	78,855
Trinidad & Tobago	26,981	637	26,344
Other Caribbean	26,951	1,258	25,693
USA	54	77	(23)
Total	155,414	5,107	150,307

(c) Sensitivity of incurred claims

The sensitivity of term life and critical illness claims is included in the related disclosure on other long-term contracts in note 43.4. The impact on gross claims of increasing the total liability by 5% for un-reinsured health insurance claims is illustrated in the following table.

	2015		2014	
	Liability	5% increase in liability	Liability	5% increase in liability
Actuarial liability	40,845	2,042	48,507	2,425
Claims payable	3,379	169	3,389	169
	44,224	2,211	51,896	2,594

**43.2 Contracts with investment returns**

Life and annuity insurance contracts with investment returns generally have durations of 5 or more years. The contract terms provide for the policyholder to pay either a single premium at contract inception, or periodic premiums over the duration of the contract. From the premium received, acquisition expenses and maintenance expenses are financed. Investment returns are credited to the policy and are available to fund surrender, withdrawal and maturity policy benefits. The principal risks associated with these policies are in respect of product design and pricing, mortality and longevity, lapse, expense and investment.

(a) Product design and pricing risk

Product design and pricing risk arises from poorly designed or inadequately priced contracts and can lead to both financial loss and reputational damage to the insurer.

Risks are priced to achieve an adequate return on capital on the insurer's business as a whole. In determining the pricing of a contract, the insurer considers the age of the policyholder and/or beneficiary, the expenses and taxes associated with the contract, the prospective investment returns to be credited to the contract, and the guaranteed values within the contract. Pricing inadequacy may arise either from the use of inadequate experience and statistical data in deriving pricing factors or from future changes in the economic environment.

(b) Mortality and longevity risk

Mortality risk is the risk that worsening mortality rates will result in an increase of death claims. Longevity risk is the risk that improving mortality rates will lengthen the payout period of annuities.

For contracts providing death benefits, higher mortality rates will result in an increase in death claims over time. For contracts providing the payout of annuities, improving mortality rates will lead to increased annuity benefits over time. Insurers annually review their mortality experience and compare it to industry mortality tables. This review may result in future adjustments to the pricing or re-pricing of these contracts.

## Notes to the Financial Statements

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**Sagicor Financial Corporation**

*Amounts expressed in US \$000*

### 43.2 Contracts with investment returns (continued)

Mortality risk may be concentrated in geographic locations, affecting the risk profile of the insurer. The most significant exposure for this type of risk arises where a single event or pandemic could result in a large number of claims.

Total insurance coverage on insurance policies provides a quantitative measure of absolute mortality risk. However, claims arising in any one year are a very small proportion in relation to the total insurance coverage provided. The total amounts insured by the Group in respect of both contracts with or without investment returns at December 31, gross and net of reinsurance, are summarised by geographic area below.

Total insurance coverage		2015		2014	
		Individual contracts	Group contracts	Individual contracts	Group contracts
Barbados	Gross	3,717,465	1,319,187	3,575,173	1,293,251
	Net	3,404,278	1,272,561	3,245,153	1,244,721
Jamaica	Gross	6,788,633	4,722,254	6,579,009	4,894,151
	Net	6,633,173	4,693,456	6,396,752	4,875,291
Trinidad & Tobago	Gross	3,299,470	2,591,709	3,040,062	1,775,661
	Net	2,699,592	2,460,183	2,458,724	1,660,732
Other Caribbean	Gross	7,425,375	1,993,205	7,248,379	2,382,119
	Net	6,315,588	1,718,537	6,025,887	2,100,054
USA	Gross	5,416,515	45,491	4,630,990	50,022
	Net	1,944,902	43,300	1,821,525	47,230
Total	Gross	26,647,458	10,671,846	25,073,613	10,395,204
	Net	20,997,533	10,188,037	19,948,041	9,928,028

### 43.2 Contracts with investment returns (continued)

Total liability under annuity contracts which represents the present value of future annuity benefits provides a good measure of longevity risk exposure.

Total liability under annuity contracts		2015		2014	
		Individual contracts	Group contracts	Individual contracts	Group contracts
Barbados	Gross	114,475	46,288	99,604	54,160
	Net	114,475	46,288	99,604	54,160
Jamaica	Gross	509	285,843	541	266,893
	Net	509	285,843	541	266,893
Trinidad & Tobago	Gross	113,108	-	112,401	-
	Net	113,108	-	112,401	-
Other Caribbean	Gross	24,171	-	19,998	69
	Net	24,171	-	19,998	69
USA	Gross	946,891	26,447	852,121	29,757
	Net	375,338	7,988	418,838	9,076
Total	Gross	1,199,154	358,578	1,084,665	350,879
	Net	627,601	340,119	651,382	330,198

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**Sagicor Financial Corporation***Amounts expressed in US \$000***43.2 Contracts with investment returns (continued)****(c) Lapse risk**

Lapse risk is that, on average, policyholders will terminate their policies ahead of the insurer's expectation. Early lapse may result in the following:

- Acquisition costs are not recovered from the policyholder;
- In order to settle benefits, investments are liquidated prematurely resulting in a loss to the insurer;
- Maintenance expenses are allocated to the remaining policies, resulting in an increase in expense risk.

**(d) Expense risk**

The Group monitors policy acquisition and policy maintenance expenses. Expenses are managed through policy design, fees charged and expense control. However, there are a significant number of inforce contracts for which insurers have limited or no ability to re-price for increases in expenses caused by inflation or other factors. Therefore growth in maintenance expenses has to be funded either by increasing the volume of inforce policies or by productivity gains. Failure to achieve these goals will require increases in actuarial liabilities held.

**(e) Investment risk**

A substantial proportion of the Group's financial investments support insurer obligations under life and annuity contracts with investment returns. The financial risks outlined in note 41 pertaining to credit, liquidity, interest rate, foreign exchange and equity price are considered integral investment risks associated with these insurance contracts.

Asset defaults, mismatches in asset and liability cash flows, interest rate and equity price volatility generally have the effect of increasing investment risk and consequential increases in actuarial liabilities held.

**43.3 Reinsurance risk**

To limit its exposure of potential loss on an insurance policy, the insurer may cede certain levels of risk to a reinsurer. The Group selects reinsurers which have well established capability to meet their contractual obligations and for new business a Sagicor credit risk rating of 1 or 2 is usually selected. Reinsurance ceded does not discharge the insurer's liability and failure by a reinsurer to honour its commitments could result in losses to the Group.

Insurers have limited their exposure per person by excess of loss or quota share treaties. Retention limits represent the level of risk retained by the insurer. Coverage in excess of these limits is ceded to reinsurers up to the treaty limit. The principal features of retention programs used by insurers are summarised in the following table.

<b>Type of insurance contract</b>	<b>Retention by insurers</b> - currency amounts in thousands
Health insurance contracts with individuals	Retention per individual to a maximum of \$88
Health insurance contracts with groups	Retention per individual to a maximum of \$88
Life insurance contracts with individuals	Retention per individual life to a maximum of \$500
Life insurance contracts with groups	Retention per individual life to a maximum of \$292

**43.4 Sensitivity arising from the valuation of actuarial liabilities**

The estimation of actuarial liabilities is sensitive to a number of assumptions. Changes in those assumptions could have a significant effect on the valuation results which are discussed below.

The valuation of actuarial liabilities of life insurance and annuity contracts is sensitive to:

- the economic scenario used,
- the investments allocated to back the liabilities,
- the underlying assumptions used (note 13.3 (b) to (f)), and
- the margins for adverse deviations (note 13.3 (g)).

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**Sagikor Financial Corporation**

*Amounts expressed in US \$000*

### 43.4 Sensitivity arising from the valuation of actuarial liabilities (continued)

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

Sensitivity	Scenario		Sagikor USA segment
	Sagikor Life Inc segment	Sagikor Jamaica Segment	
Worsening rate of lapse	Lapse rates were either doubled or halved, and the more adverse result was selected.		For 2015, lapse rates were increased or reduced by 30%, and the more adverse result was selected. For 2014, lapse rates were doubled or halved.
High interest rate	Assumed increases in the investment portfolio yield rates of 0.25% per year for 5 years, with the rates remaining constant thereafter.	Assumed increases in the investment portfolio yield rates of 0.5% for 10 years.	A 1% increase was applied to the investment portfolio rate.
Low interest rate	Assumed decreases in investment portfolio yield rates of 0.25% per year for 5 years, with the rates remaining constant thereafter.	Assumed decreases in investment portfolio yield rates of 0.5% per year for 10 years.	A 1% decrease was applied to the investment portfolio rate.
Worsening mortality and morbidity	Mortality and morbidity rates for insurance and critical illness products were increased by 3% of the base rate per year for 5 years. For annuity products, the mortality rates were decreased by 3% of the base rate for 5 years.		For life insurance products only, the base assumed rates were increased annually by 3% cumulatively over the next 5 years. For annuity products, the mortality rates were decreased by 3% of the base rate for 5 years.
Higher expenses	Policy unit maintenance expense rates were increased by 5% per year for 5 years above those reflected in the base scenario.		

### 43.4 Sensitivity arising from the valuation of actuarial liabilities (continued)

The following table represents the estimated sensitivity of each of the above scenarios to net actuarial liabilities for insurers by segment. Correlations that may exist between scenario assumptions were not explicitly taken into account.

Scenario	Sagikor Life segment		Sagikor Jamaica segment		Sagikor Life USA segment	
	2015	2014	2015	2014	2015	2014
Base net actuarial liability	939,819	882,151	326,652	488,320	562,236	715,303
Scenario	increase in liability		increase in liability		increase in liability	
Worsening rate of lapse	127,997	120,151	40,153	41,484	9,123	27,804
High interest rate	(76,882)	(76,586)	(101,205)	(98,548)	(33,619)	(42,745)
Low interest rate	151,291	143,890	136,247	126,221	38,922	49,378
Worsening mortality/morbidity	34,191	33,049	33,891	26,624	12,737	15,295
Higher expenses	19,174	26,770	15,972	16,860	3,846	4,983



## Notes to the Financial Statements

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**Sagcor Financial Corporation**

*Amounts expressed in US \$000*

### 43.5 Dynamic capital adequacy testing (DCAT)

DCAT is a technique used by the Group to assess the adequacy of the insurer's financial position and financial condition in the light of different future economic and policy experience scenarios. DCAT assesses the impact over the next 5 years on the insurer's financial position and financial condition under specific scenarios.

The financial position of an insurer is reflected by the amounts of assets, liabilities and equity in the financial statements at a given date. The financial position therefore relies on the valuation assumptions used for establishing the actuarial liabilities being adequate to measure future adverse deviations in experience. The financial position does not offer any indication of an insurer's ability to execute its business plan.

The financial condition of an insurer at a particular date is its prospective ability at that date to meet its future obligations, especially obligations to policyholders, those to whom it owes benefits and to its shareholders. The financial condition analysis examines both an insurer's ability to execute its business plan and to absorb adverse experience beyond that provided for when its actuarial liabilities are established.

The purpose of the DCAT is

- to develop an understanding of the sensitivity of the total equity of the insurer and future financial condition to changes in various experience factors and management policies;
- to alert management to material, plausible and imminent threats to the insurer's solvency;
- and to describe possible courses of action to address these threats.

Full DCAT is conducted periodically by some insurers within the Group.

### 44 FIDUCIARY RISK

The Group provides investment management and pension administration services to investment and pension funds which involve the Group making allocation, purchase and sale decisions in relation to a wide range of investments. These services give rise to fiduciary risk that may expose the Group to claims for mal-administration or under-performance of these funds.

In the ordinary course of business, the Group manages assets of pension funds, mutual funds and unit trusts which are held in a fiduciary capacity and are not included in the Group's financial statements. The investments and cash under administration are summarised in the following table.

	2015	2014
Pension and insurance fund assets	1,576,696	1,324,229
Mutual fund, unit trust and other investment fund assets	796,775	581,393
	2,373,471	1,905,622

Fee income under administration is discussed in Note 26.

### 45 STATUTORY RESTRICTIONS ON ASSETS

Insurers are registered to conduct insurance business under legislation in place in each relevant jurisdiction. This legislation may prescribe a number of requirements with respect to deposits, investment of funds and solvency for the protection of policyholders. In general, these requirements do not restrict the ability of the insurer to trade investments. Banking subsidiaries may also be required to hold deposits with Central Banks which regulate the conduct of banking operations.

To satisfy the above requirements, invested assets and cash totalling \$1,313,013 (2014 - \$1,169,848) have been deposited with regulators or are held in trust to the order of regulators.

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

## Notes to the Financial Statements

Year ended December 31, 2015

**Sagikor Financial Corporation**

*Amounts expressed in US \$000*

### 46 CAPITAL MANAGEMENT

The Group's objectives when managing capital, which is a broader concept than equity in the statement of financial position, are:

- To comply with capital requirements established by insurance, banking and other financial intermediary regulatory authorities;
- To comply with internationally recognised capital requirements for insurance, where local regulations do not meet these international standards;
- To safeguard its ability as a going concern to continue to provide benefits and returns to policyholders, depositors, note-holders and shareholders;
- To provide adequate returns to shareholders;
- To maintain a strong capital base to support the future development of Group operations.

#### 46.1 Capital resources

The principal capital resources of the Group are as follows:

	2015	2014
Shareholders' equity	506,046	531,698
Non-controlling interest	231,735	241,480
Notes and loans payable	475,517	298,942
Total financial statement capital resources	1,213,298	1,072,120

The Group deploys its capital resources through its operating activities. These operating activities are carried out by subsidiary companies which are either insurance entities or provide other financial services. The capital is deployed in such a manner as to ensure that subsidiaries have adequate and sufficient capital resources to carry out their activities and to meet regulatory requirements.

#### 46.2 Capital adequacy

The capital adequacy of the principal operating subsidiaries is discussed in this section.

##### (a) Life insurers

Capital adequacy is managed at the operating company level. It is calculated by the Appointed Actuary and reviewed by executive management, the audit committee and the board of directors. In addition, certain subsidiaries of the Group seek to maintain internal capital adequacy at levels higher than the regulatory or internationally recognised requirements.

To assist in evaluating the current business and strategy opportunities, a risk-based capital approach is a core measure of financial performance. The risk-based assessment measure which has been adopted is the Canadian Minimum Continuing Capital and Surplus Requirement (MCCSR) standard. The minimum standard recommended by the Canadian regulators for companies is an MCCSR of 150%. A number of jurisdictions in the Caribbean region have no internationally recognised capital adequacy requirements, and in accordance with its objectives for managing capital, the Group has adopted the Canadian MCCSR standard. Jamaica and the USA have recognised capital adequacy standards.

The consolidated MCCSR for the Sagikor Group as of December 31 has been estimated as 221% (2014 – 273%). This is the principal standard of capital adequacy used to assess the overall strength of the Sagikor Group. However, because of the variations in capital adequacy standards across jurisdictions, the consolidated result should be regarded as applicable to the Group as a whole and not necessarily applicable to each individual segment, insurance subsidiary or insurance subsidiary branch.

**Notes to the Financial Statements**

Year ended December 31, 2015

**Sagicor Financial Corporation***Amounts expressed in US \$000***46.2 Capital adequacy (continued)**(i) Sagicor Life Jamaica

Sagicor Life Jamaica is governed by the Jamaican MCCR regime which requires an insurer to maintain a minimum ratio of 150%. For the years ended December 31, 2015 and 2014, this ratio was 202% and 182% respectively.

(ii) Sagicor Life Insurance Company (USA)

A risk-based capital (RBC) formula and model were adopted by the National Association of Insurance Commissioners (NAIC) of the United States. RBC is designed to assess minimum capital requirements and raise the level of protection that statutory surplus provides for policyholder obligations. The RBC formula for life insurance companies measures four major areas of risk: (i) underwriting, which encompasses the risk of adverse loss developments and property and casualty insurance product mix; (ii) declines in asset values arising from credit risk; (iii) declines in asset values arising from investment risks, including concentrations; and (iv) off-balance sheet risk arising from adverse experience from non-controlled assets such as reinsurance guarantees for affiliates or other contingent liabilities and reserve and premium growth. If an insurer's statutory surplus is lower than required by the RBC calculation, it will be subject to varying degrees of regulatory action, depending on the level of capital inadequacy.

The RBC methodology provides for four levels of regulatory action. The extent of regulatory intervention and action increases as the ratio of surplus to RBC falls. The least severe regulatory action is the "Company Action Level" (as defined by the NAIC) which requires an insurer to submit a plan of corrective actions to the regulator if surplus falls below 200% of the RBC amount.

Sagicor Life Insurance Company looks to maintain at least 300% of the Company Action Level, and has maintained these ratios as of December 31, 2015 and 2014 respectively.

**46.2 Capital adequacy (continued)**(b) Sagicor Investments Jamaica Limited and Sagicor Bank Jamaica Limited

Capital adequacy and the use of regulatory capital are monitored monthly by management employing techniques based on the guidelines developed by the Financial Services Commission (FSC), the Bank of Jamaica (BOJ), Basel II and the Risk Management and Compliance Unit. The required information is filed with the respective Regulatory Authorities at stipulated intervals. The BOJ and the FSC require each regulated entity to hold the minimum level of regulatory capital, and to maintain a minimum ratio of total regulatory capital to the risk-weighted assets.

The risk-weighted assets are measured by means of a hierarchy of five risk weights classified according to the nature of each asset and counterparty, taking into account any eligible collateral or guarantees. A similar treatment is adopted for off financial statements exposure, with some adjustments to reflect the more contingent nature of the potential losses.

The table below summarises the capital adequacy ratios. During 2015 and 2014, all applicable externally imposed capital requirements were complied with.

	Sagicor Investments Jamaica		Sagicor Bank Jamaica	
	2015	2014	2015	2014
Actual capital base to risk weighted assets	14%	13%	14%	15%
Required capital base to risk weighted assets	10%	10%	10%	10%

## Notes to the Financial Statements

Year ended December 31, 2015

**Sagikor Financial Corporation**

*Amounts expressed in US \$000*

### 46.3 Financial covenants

#### (a) 8.875% Senior Notes

Under the indenture entered into by the Group on the issue of these senior notes the Group has to comply with a number of covenants as follows:

COVENANT	DESCRIPTION
Limitation of indebtedness	Under this covenant, the Group is restricted to incremental borrowing up to a prescribed level. The Group must maintain a fixed charge coverage ratio, in excess of 2:1 in order to incur additional debt.
Limitation on restricted payments covenant	This covenant limits cash outflows, dividends, acquisition and investments by the Company. The Group must maintain a fixed charge coverage ratio of 2:1 and an MCCSR capital ratio in excess of 175%.
Limitation on restricted distributions from subsidiaries	This covenant limits the subsidiaries from creating encumbrances or restrictions on their ability to make distributions to the Parent.
Limitation on sale of assets of subsidiary stock	This covenant restricts the Company from selling material subsidiary assets without using the proceeds to either reinvest in the business or offer to buy back bondholders.
Limitation on affiliate transactions	This covenant restricts affiliate transactions of the Company.
Change in control	This covenant allows investors to put their bonds back to the Company at a certain value when a specified event has changed ownership/control of the Company.
Limitation on liens	This covenant restricts the Company's ability to secure future debt with the Company's assets.
Optional Redemption	The notes are redeemable at the Company's option after August 11, 2018 at specified redemption rates.

### 46.3 Financial covenants (continued)

#### (b) 5.0% notes due 2016

Under an indenture and a trust deed entered into by the Group on the issue of the senior notes and notes respectively (see note 16), the Group has to comply with permitted lien covenants, which will not allow the Company nor any of its subsidiaries to directly or indirectly, incur or permit to exist any lien to secure any indebtedness or any guarantee of indebtedness, other than permitted liens, without effectively providing that the senior notes and notes are secured equitably and rateably with (or, if the obligation to be secured by lien, this is subordinated in right of payment to the senior notes and notes, prior to) the obligations so secured for so long as such obligations are so secured.

Permitted liens are liens existing on the dates of issue of the senior notes and notes respectively, certain liens which would arise in the course of normal business, and other liens whose outstanding principal amounts in aggregate outstanding principal amount do not exceed 10% of the consolidated net tangible assets (as is defined in the indenture and trust deed). As of December 31, 2015 and 2014, the Group satisfied these requirements.

#### (c) International Finance Corporation (IFC)

On March 31, 2011, the Company entered into subscription and policy agreements with IFC, regarding the latter's participation in the issue of new common and convertible redeemable preference shares. Pursuant to the aforementioned agreements, on July 18, 2011, 12,269,938 common shares and 78,339,530 convertible redeemable preference shares were issued to IFC. The financial covenants included in these agreements are summarised as follows.

#### Put option

IFC has been granted the right to require the Company to purchase IFC's holding of convertible redeemable preference shares in the event that the Company is in breach of any of the policy reporting or IFC policy covenants. The Company may nominate a third party to purchase the shares. The purchase must take place within 10 and 60 days of the date of notice. If the Company either fails to purchase or does not arrange a third party purchase, IFC may sell the shares to a third party and the Company is required to pay a late payment charge of 6.5% per annum.

**Notes to the Financial Statements**

Year ended December 31, 2015

**Sagikor Financial Corporation***Amounts expressed in US \$000***47 RELATED PARTY TRANSACTIONS**

Other than as disclosed in notes 5, 9, 12, 26, 30, 31 and 44, there are no material related party transactions except as disclosed below.

Key management transactions and balances

Key management comprises directors and senior management of the Company and of Group subsidiaries. Key management includes those persons at or above the level of Vice President or its equivalent. Compensation of and loans to these individuals are summarised in the following tables:

<b>Compensation</b>	<b>2015</b>	<b>2014</b>
Salaries, directors' fees and other short-term benefits	20,176	20,177
Equity-settled compensation benefits	3,377	2,324
Pension and other retirement benefits	1,717	1,672
	<u>25,270</u>	<u>24,173</u>

	<b>Mortgage loans</b>	<b>Other loans</b>	<b>Total loans</b>
Balance, beginning of year	5,167	412	5,579
Advances	726	585	1,311
Repayments	(402)	(144)	(546)
Effects of exchange rate changes	1	(17)	(16)
Balance, end of year	<u>5,492</u>	<u>836</u>	<u>6,328</u>
Interest rates prevailing during the year	<u>3.75% - 7.00%</u>	<u>4.00% - 14.00%</u>	

**48 EVENTS AFTER DECEMBER 31, 2015**

On March 21, 2016, the Company redeemed the 5.0% US\$43.4 million notes due May 12, 2016.

Additionally, on the same date, notes in the amount of US\$75.0 million due April 14, 2017 at an annual rate of interest of 5.0%, were issued.





# SHAREHOLDER INFORMATION





## THE LAMBS

### Tampa Bay, USA

For the Lambs, teaching is a family affair. Dr. Jack Lamb, a descendant of several generations of educators, is a retired teacher and past chairman of the eighth largest school district in the United States. His wife Nora is also a retired teacher, and their daughter is a school administrator in the same district.

Living in the moment, while still being prepared for what's ahead, is a life lesson Jack has learned well. For him, "Planning for the future means never procrastinating." This includes protecting what's most important to him: Nora, his best friend and loving partner of 58 years.

Jack is an active member of the West Tampa Chamber of Commerce, and it was there that he met his colleague and trusted Sagicor agent Dawn Hudson. She helped him purchase a life insurance policy and leverage money he already had in the bank to create a larger estate.

"I have confidence in Sagicor's business acumen and it gives me peace of mind," says Jack. After working hard over the years to provide for his family, he wanted to make sure they always had someone to take care of them. With Sagicor, Jack has learned he can count on their wisdom and expertise to carry on and protect his loved ones for years to come.

## SHAREHOLDER INFORMATION

### DIVIDENDS

An interim dividend of US 2 cents per common share, approved for the half-year ended June 30, 2015, was paid on November 16, 2015 to the holders of common shares, including depository interest holders, whose names were registered on the books of the Company at the close of business on October 20, 2015. A final common dividend of US 2 cents per common share, payable on May 17, 2016, was approved for the financial year ended December 31, 2015 to the holders of common shares, including depository interest holders, whose names were registered on the books of the Company at the close of business on April 15, 2016. The total dividend on common shares for the 2015 financial year amounted to US 4 cents per share.

An interim dividend of US 3.25 cents per convertible redeemable preference share was paid on November 16, 2015 to the holders of convertible redeemable preference shares, whose names were registered on the books of the Company at the close of business on October 20, 2015. A final dividend of US 3.25 cents per convertible redeemable preference share, payable on May 17, 2016, was approved for the financial year ended December 31, 2015 to the holders of convertible redeemable preference shares, whose names were registered on the books of the Company at the close of business on April 15, 2016. The total convertible redeemable preference dividend for the 2015 financial year amounted to US 6.50 cents per share.

### SHARES

The following Shareholders own more than 5% and 3% respectively of the capital of the Company as at December 31, 2015:

	Common Shares		Convertible Redeemable Preference Shares	
	Number of Shares	Percentage	Number of Shares	Percentage
International Finance Corporation:	12,269,938	4.03	78,339,530	65.28
National Insurance Board, Barbados:	18,950,000	6.22	10,000,000	8.33
Republic Bank Limited - 1162:	N/A	N/A	4,000,000	3.33

The total number of issued shares as at December 31, 2015 and as at December 31, 2014 is set out below, 577,111 new common shares were issued in 2015 for the performance year 2014 under the approved Long Term Incentive Plan.

Common Shares		Convertible Redeemable Preference Shares	
As at 31-Dec-15	As at 31-Dec-14	As at 31-Dec-15	As at 31-Dec-14
304,494,131	303,917,020	120,000,000	120,000,000

**LONG TERM INCENTIVE PLAN (LTI)**

The Tables below show grants of restricted stock and stock options as at December 31, 2015 under the LTI for Executives.

Restricted Stock							
Award Year	Value attributable to Stock Grant		As of December 31, 2015			Vested in 2015	
			Awards Made and in Effect	Vested	Not Vested		
2006 - 2008	US\$	1.98, 2.01, 2.50	1,302,161	1,302,161	0	0	
2009	US\$	1.58, 2.50	1,033,058	1,033,058	0	0	
2010	US\$	1.60	745,651	745,651	0	0	
2011	US\$	1.48	628,838	628,838	0	0	
2012	US\$	1.53	981,822	981,822	0	341,248	
2013	US\$	1.15	1,766,099	1,297,108	468,991	503,884	
2014	US\$	1.075	2,469,939	1,249,399	1,220,540	855,020	
2015	US\$	1.05	2,668,460	964,954	1,703,506	999,556	
			11,596,028	8,202,991	3,393,037	2,699,708	
						Allocated for settlement of tax 2015	(875,927)
						Total converted to shares 2015	1,823,781

Sagikor celebrates 175 Years of Wise  
Financial Thinking for Life.



And looks forward to a future of more  
historic milestones and successes.

Stock Options							
As of December 31, 2015							
Award Year	Exercise Price of Stock Option	Awards Made and in Effect	Vested	Exercised	Not Exercised	Not Vested	Vested in 2015
2006	US\$ 1.98	589,295	589,295	120,443	468,852	0	0
2007	US\$ 2.01	1,277,358	1,277,358	72,839	1,204,519	0	0
2008	US\$ 2.50	904,410	904,410	0	904,410	0	0
2009	US\$ 2.50	1,072,268	1,072,268	0	1,072,268	0	0
2010	US\$ 1.60	1,587,117	1,587,117	0	1,587,117	0	0
2011	US\$ 1.48	1,994,973	1,994,973	0	1,994,973	0	498,754
2012	US\$ 1.53	1,234,879	926,148	0	926,148	308,731	308,715
2013	US\$ 1.15	1,931,334	1,060,081	0	1,060,081	871,253	482,839
2014	US\$ 1.075	2,971,336	742,820	0	742,820	2,228,516	742,820
2015	US\$ 1.05	3,029,195	0	0	0	3,029,195	0
		16,592,165	10,154,470	193,282	9,961,188	6,437,695	2,033,128

**ANALYSIS OF COMMON SHAREHOLDING*****Common Shareholders by Size of Holding***

Number of Common Shareholders by Size of Holding as at December 31, 2015 (with 2014 Comparison)								
Size of Holding	Number of Shareholders		Percentage of Shareholders		Total Shares Held		Percentage of Shares Held	
	2015	2014	2015	2014	2015	2014	2015	2014
1 - 1,000	6,338	6,335	17.56	17.49	3,783,419	3,823,240	1.24	1.26
1,001 - 2,500	15,012	15,009	41.59	41.44	24,933,801	24,897,535	8.19	8.19
2,501 - 5,000	6,986	7,003	19.36	19.34	24,239,516	24,306,373	7.96	8.00
5,001 - 10,000	3,961	4,031	10.97	11.13	28,276,741	28,825,664	9.29	9.48
10,001 - 25,000	2,878	2,920	7.97	8.06	41,452,604	42,058,378	13.61	13.84
25,001 - 100,000	666	663	1.85	1.83	31,271,160	31,454,944	10.27	10.35
100,001 - 1,000,000	226	230	0.63	0.64	66,788,027	67,944,123	21.93	22.36
1,000,001 & above	26	24	0.07	0.07	83,748,863	80,606,763	27.51	26.52
Total	36,093	36,215	100.00	100.00	304,494,131	303,917,020	100.00	100.00

**Common Shareholders by Country of Residence**

Number of Common Shareholders by Country of Residence and by Type as at December 31, 2015								
Country	Directors, Management, Staff, Advisors		Companies		Individuals		Total	
	Shareholders	%	Shareholders	%	Shareholders	%	Shareholders	%
Trinidad and Tobago	100	0.28	610	1.69	14,889	41.25	15,599	43.22
Barbados	472	1.31	254	0.70	11,244	31.15	11,970	33.16
Eastern Caribbean	26	0.07	35	0.10	6,970	19.31	7,031	19.48
Other Caribbean	13	0.04	34	0.09	168	0.47	215	0.60
Other	24	0.07	5	0.01	1,249	3.46	1,278	3.54
Total	635	1.77	938	2.59	34,520	95.64	36,093	100.00

**Common Shares held by Country of Residence**

Number of Common Shares Held by Country of Residence and by Type as at December 31, 2015								
Country	Directors, Management, Staff, Advisors		Companies		Individuals		Total	
	Shares	%	Shares	%	Shares	%	Shares	%
Trinidad and Tobago	2,149,438	0.71	71,235,325	23.39	82,464,633	27.08	155,849,396	51.18
Barbados	7,059,964	2.32	36,981,248	12.15	55,291,467	18.16	99,332,679	32.63
Eastern Caribbean	75,077	0.02	1,377,215	0.45	19,690,635	6.47	21,142,927	6.94
Other Caribbean	1,350,921	0.44	3,646,368	1.20	1,316,081	0.43	6,313,370	2.07
Other	3,961,802	1.30	12,805,249	4.21	5,088,708	1.67	21,855,759	7.18
Total	14,597,202	4.79	126,045,405	41.40	163,851,524	53.81	304,494,131	100.00



**ANALYSIS OF CONVERTIBLE REDEEMABLE PREFERENCE SHAREHOLDING*****Preference Shareholders by Size of Holding***

<b>Number of Preference Shareholders by Size of Holding as at December 31, 2015 (with 2014 Comparison)</b>								
Size of Holding	Number of Shareholders		Percentage of Shareholders		Total Shares Held		Percentage of Shares Held	
	2015	2014	2015	2014	2015	2014	2015	2014
1 - 1,000	417	417	36.52	36.13	225,813	227,309	0.19	0.19
1,001 - 2,500	184	186	16.11	16.12	365,964	371,404	0.30	0.31
2,501 - 5,000	254	256	22.24	22.18	1,168,621	1,177,810	0.97	0.98
5,001 - 10,000	108	109	9.46	9.45	948,598	954,598	0.79	0.80
10,001 - 25,000	70	77	6.13	6.67	1,280,595	1,419,995	1.07	1.18
25,001 - 100,000	70	71	6.13	6.15	4,161,549	4,224,049	3.47	3.52
100,001 - 1,000,000	32	31	2.80	2.69	13,077,500	12,902,500	10.90	10.75
1,000,001 & above	7	7	0.61	0.61	98,771,360	98,722,335	82.31	82.27
Total	1,142	1,154	100.00	100.00	120,000,000	120,000,000	100.00	100.00

***Preference Shareholders by Country of Residence***

<b>Number of Preference Shareholders by Country of Residence and by Type as at December 31, 2015</b>								
Country	Directors, Management, Staff, Advisors		Companies		Individuals		Total	
	Shareholders	%	Shareholders	%	Shareholders	%	Shareholders	%
USA	2	0.18	1	0.09	3	0.26	6	0.53
Trinidad and Tobago	10	0.88	90	7.88	395	34.59	495	43.35
Barbados	35	3.06	44	3.85	559	48.95	638	55.86
Other	0	-	-	-	3	0.26	3	0.26
Total	47	4.12	135	11.82	960	84.06	1,142	100.00

**Preference Shares held by Country of Residence**

Number of Preference Shares Held by Country of Residence and by Type as at December 31, 2015								
Country	Directors, Management, Staff, Advisors		Companies		Individuals		Total	
	Shares	%	Shares	%	Shares	%	Shares	%
USA	55,000	0.05	78,339,530	65.28	21,095	0.02	78,415,625	65.35
Trinidad and Tobago	250,000	0.21	15,207,507	12.67	4,294,940	3.58	19,752,447	16.46
Barbados	2,172,950	1.81	19,524,245	16.27	130,633	0.11	21,827,828	18.19
Other	-	-	-	-	4,100	0.00	4,100	0.00
Total	2,477,950	2.07	113,071,282	94.22	4,450,768	3.71	120,000,000	100.00

## ADVISORS AND BANKERS

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### BANKERS

First Citizens Bank (Barbados) Limited

CIBC FirstCaribbean International Bank Limited

RBC Royal Bank (Trinidad & Tobago) Limited

RBC Royal Bank (Barbados) Limited

The Bank of Nova Scotia

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 Frenches  
 Kingstown  
 Tel: (784) 456-1159  
 Fax: (784) 456-2232

**SAGICOR LIFE (EASTERN CARIBBEAN) INC**

Sagicor Financial Centre  
 Choc Estate Castries, St. Lucia  
 Tel: (758) 456-1700  
 Fax: (758) 450-3787

**SAGICOR GENERAL INSURANCE INC**

P. O. Box 150  
 Beckwith Place, Lower Broad Street  
 Bridgetown, Barbados  
 Tel: (246) 431-2886  
 Fax: (246) 228-8266  
 Email: sgi-info@sagicorgeneral.com

**Sagicor General Insurance Inc**

Haggatt Hall  
 St Michael  
 Tel: (246) 431-2800  
 Fax: (246) 426-0752  
 Email: sgi-info@sagicorgeneral.com

**St Lucia**

Sagicor Life Inc  
 Sagicor Financial Centre  
 Choc Estate  
 Castries  
 St Lucia  
 Tel: (758) 452-0994  
 Fax: (758) 450-4870

**Trinidad and Tobago**

122 St Vincent Street  
 Port of Spain  
 Tel: (868) 623-4744  
 Fax: (868) 628-1639 or (868) 625-1927

**Sagicor General Insurance Agencies****HHV Whitchurch & Company Limited Old Street**

PO Box 771  
 Roseau  
 Dominica  
 Tel: (767) 448-2182  
 Fax: (767) 448-5787

**Willcher Services Inc**

44 Hillsborough Street  
 Corner Hillsborough & Independence Streets  
 Roseau  
 Dominica  
 Tel: (767) 440-2562  
 Fax: (767) 440-2563

**JE Maxwell & Company Limited**

Linmores Building  
 Castries  
 St Lucia  
 Tel: (758) 451-7829  
 Fax: (758) 451-7271  
 Email: jemax@candw.lc

**GLOBE FINANCE INC**

Shirley House  
 Hastings Main Road  
 Christ Church  
 Tel: (246) 426-4755  
 Fax: (246) 426-4772  
 Website: www.globefinanceinc.com

**SAGICOR FUNDS INCORPORATED**

Cecil F de Caires Building Wildey, St Michael Barbados  
Tel: (246) 467-7500  
Fax: (246) 436-8829  
Email: info@sagicor.com

**SAGICOR ASSET MANAGEMENT INC**

Cecil F de Caires Building  
Wildey, St Michael Barbados  
Tel: (246) 467-7500  
Fax: (246) 426-1153  
Email: info@sagicor.com

**SAGICOR FINANCE INC**

Sagicor Financial Centre Choc Estate  
Castries  
St Lucia  
Tel: (758) 452-4272  
Fax: (758) 452-4279

**SAGICOR ASSET MANAGEMENT (TRINIDAD AND TOBAGO) LIMITED**

Sagicor Financial Centre  
16 Queen's Park West, Port of Spain  
Trinidad  
Tel: (868) 628-1636/7/8  
Fax: (868) 628-1639

**NATIONWIDE INSURANCE COMPANY LIMITED**

Sagicor Financial Centre  
16 Queen's Park West  
Port of Spain, Trinidad  
Tel: (868) 628-1636  
Fax: (868) 628-1639  
Email: comments@sagicor.com

**BARBADOS FARMS LIMITED**

Bulkeley  
St George  
Barbados  
Tel: (246) 427-5299  
Fax: (246) 437-8873

**SAGICOR PANAMA SA**

Ave Samuel Lewis y Calle Santa Rita  
Edificio Plaza Obarrio  
3er Piso Oficina 201  
Panama City, Panama  
Tel: (507) 223-1511  
Fax: (507) 264-1949  
Email: capital1@sinfo.net

**CAPITAL LIFE INSURANCE COMPANY BAHAMAS LIMITED**

C/o Family Guardian Insurance Company Limited  
East Bay & Shirley Street  
PO Box SS-6232  
Nassau, NP Bahamas  
Tel: (242) 393-4000  
Fax: (242) 393-1100  
Email: info@familyguardian.com

**SAGICOR LIFE ARUBA NV**

Fergusonstraat #106  
AHMO Plaza Building, Suites 1 and 2  
Oranjestad, Aruba  
Tel: (297) 582-3967  
Fax: (297) 582-6004  
Email: calico@setarnet.aw

**LOJ HOLDINGS LIMITED**

28-48 Barbados Avenue  
Kingston 5, Jamaica  
Tel: (876) 929-8920(-9)  
Fax: (876) 960-1927

**SAGICOR LIFE JAMAICA LIMITED**

28-48 Barbados Avenue  
Kingston 5, Jamaica  
Tel: (876) 929-8920(-9)  
Fax: (876) 960-1927  
Website: www.sagicorjamaica.com

**EMPLOYEE BENEFITS ADMINISTRATORS LIMITED**

28-48 Barbados Avenue  
Kingston 5, Jamaica  
Tel: (876) 929-8920(-9) Fax: (876) 960-1927  
Website: www.sagicorjamaica.com

**SAGICOR LIFE OF THE CAYMAN ISLANDS LTD**

Global House, 198 North Church Street  
George Town, Grand Cayman  
Cayman Islands  
Tel: (345) 949-8211  
Fax: (345) 949-8262  
Email: global@candw.ky

**SAGICOR INSURANCE MANAGERS LIMITED**

1st Floor Harbour Place  
103 South Church Street  
George Town  
Grand Cayman  
Tel: (345)-949-7028  
Fax: (345)-949-7457

**SAGICOR PROPERTY MANAGEMENT SERVICES LIMITED**

78a Hagley Park Road  
Kingston 10  
Jamaica  
Tel: (876) 929-9182  
Fax: (876) 929-9187

**SAGICOR RE INSURANCE LTD**

Global House, 198 North Church Street  
George Town, Grand Cayman  
Cayman Islands  
Tel: (345) 949-8211  
Fax: (345) 949-8262  
Email: global@candw.ky

**HEALTH CORPORATION JAMAICA LTD****SAGICOR INSURANCE BROKERS LIMITED**

28-48 Barbados Avenue  
Kingston 5, Jamaica  
Tel: (876) 929-8920(-9)  
Fax: (876) 960-1927  
Website: www.sagicorjamaica.com

**SAGICOR INVESTMENTS JAMAICA LIMITED**

Sagicor Bank Building  
60 Knutsford Boulevard  
Kingston 5, Jamaica  
Tel: (876) 929-5583  
Fax: (876) 926-4385  
Email: options@sagicor.com  
Website: www.sagicorjamaica.com

**SAGICOR BANK JAMAICA LIMITED**

Sagicor Bank Building  
60 Knutsford Boulevard  
Kingston 5, Jamaica  
Tel: (876) 929-5583  
Fax: (876) 926-4385  
Website: www.sagicorjamaica.com

**SAGICOR USA, INC**

4010 W. Boy Scout Blvd, Suite 800  
Tampa, Florida 33607, USA  
Tel: (813)-287-1602  
Fax: (813)-287-7420

**SAGICOR LIFE INSURANCE COMPANY**

4010 W. Boy Scout Blvd, Suite 800  
Tampa, Florida 33607, USA  
Tel: (813) 287-1602  
Fax: (813) 287-7420

4343 N. Scottsdale Road, Suite 300

Scottsdale, Arizona, 85251, USA  
Tel: 1-800-531-5067  
Fax: (480) 425-5150  
Website: www.sagicorlifeusa.com

**SAGICOR FINANCE LIMITED**

Maples Corporate Services Limited  
Ugland House  
South Church Street  
George Town, Grand Cayman  
Cayman Islands

**Associated Companies****FAMGUARD CORPORATION LIMITED**

East Bay & Shirley Street  
PO Box SS-6232  
Nassau, NP Bahamas  
Tel: (242) 396 4000  
Fax: (242) 393 1100  
Website: www.famguardbahamas.com

**RGM LTD**

Albion Plaza Energy Centre  
22-24 Victoria Avenue  
Port of Spain  
Trinidad  
Tel: (868) 625-6505  
Fax: (868) 624-7607









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