



**Putting our clients
at the heart of all
we do provides
clear direction
across all our
markets for how we
run our business.**



OUR VISION

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

OUR PHILOSOPHY

Only when our clients win, we win.

BRAND VISION

To be loved by our clients and admired by our competitors.

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20 YEARS OF CONSISTENT GROWTH



Key 2019 Highlights

GROUP PROFIT ATTRIBUTABLE
TO STOCKHOLDERS

\$15.65_B

TOTAL ASSETS
UNDER MANAGEMENT

\$928.17_B

DIVIDEND
DISTRIBUTION

\$5.62_B

INDUSTRY RATING

SGJ RETAINED THE HIGHEST
CREDIT RATING IN JAMAICA
FROM CariCRIS

CLIENT SATISFACTION

47% NET
PROMOTER
SCORE

SLJ INDIVIDUAL LIFE DIVISION

\$4.21_B

INCREASED NEW BUSINESS

GROUP INSURANCE,
ANNUITIES AND PENSIONS

\$8.68_B

INCREASED NEW BUSINESS

SAGICOR
BANK

\$84.66_B

TOTAL LOAN PORTFOLIO

SAGICOR
INVESTMENTS

\$178.53_B FUM

TOP STOCKBROKERAGE
& UNIT TRUST

20 Years of Consecutive Profit Growth

In 2019, Sagicor Group Jamaica recorded a historic feat – for the 20th consecutive year, the financial conglomerate reported profit growth. The Group's consolidated full-year profit attributable to stockholders was \$15.65 billion, a 10% increase over 2018. Earnings per stock unit were \$4.01 compared to \$3.65 in 2018. The annualised return on stockholders' equity was 19% as against 20% for 2018.

Other significant achievements for the Group in 2019 included Sagicor Investments' 60% acquisition of Advantage General Insurance Company and the launch of Sagicor Select Funds Limited, an equity listed funds, which is the first of its kind, on the Jamaica Stock Exchange (JSE). The two funds listed under Sagicor Select Funds Limited were the financial select fund and the manufacturing and distribution select fund. The Group's life insurance arm, Sagicor Life, launched the first-ever online platform in the region for purchasing life insurance – e-Life. The Group also signed a Memorandum of Understanding and entered into a partnership with the University of Technology, Jamaica to develop an Innovation Lab.

The Group's core business, Sagicor Life, continued to be the market leader in individual life insurance, group health and life insurance and pension fund management, and remained the most profitable subsidiary in the Group.

The individual life insurance business contributed \$5.37 billion to the Group for the year, a 13% improvement over 2018. The business posted net premium income of \$26.47 billion, which was 11% higher than 2018 – this was driven by strong new business in both Jamaica and Cayman, and improved conservation of the in-force block of policies, which grew by 7% to almost 595,000 policies.

The Group's employee benefits division's revenue was up by 15% (\$27.23 billion) and posted profits of \$4.29 billion, a 5% increase over 2018.

The Group's commercial banking arm, Sagicor Bank, continued to perform well year-over-year and contributed net profits of \$3.04 billion, which was 7% more than in 2018.

Sagicor Investments saw significant business growth in 2019 with revenues up by 44% over 2018 to \$6.65 billion. The company contributed profits of \$2.89 billion.

As a socially responsible Group that gives back to the communities in which it operates, Sagicor Group Jamaica, through its charitable arm, Sagicor Foundation, invested over \$150 million, approximately 1% of the Group's profit, to various initiatives in the areas of health and education.



Peter Melhado Appointed Sagicor Group Jamaica Chairman

On July 1, 2019, at a special meeting of directors, Peter Melhado was appointed Chairman of Sagicor Group Jamaica Limited. The appointment became effective on July 2, 2019.

Prior to his appointment as Chairman, Mr. Melhado served as a director with the Group since 2004. Mr. Melhado was also appointed Director and Chairman of Sagicor Life Jamaica Limited and Sagicor Life of the Cayman Islands and he continues to serve as a Director of Sagicor Bank Jamaica Limited.

Peter Melhado is the President and CEO of ICD Group Holdings Limited, an investment holding company with interests in real estate development, general insurance, technology distribution, ecommerce, business process outsourcing and property management. Prior to joining ICD, Melhado led the manufacturers group up until its merger with PanCaribbean, now Sagicor Bank Jamaica.

Mr. Melhado's appointment came following the appointment of his predecessor, Richard Byles, to the post of Governor of the Bank of Jamaica, and his subsequent resignation as Chairman and Director of Sagicor Group Jamaica, its subsidiaries and all board committees.



1



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1. Sagicor Group Jamaica Chairman, Peter Melhado, on stage during the Sagicor Motivational Seminar in October 2019. Also pictured is Executive Financial Advisor, Loeri Robinson.
2. Peter Melhado (left), Chairman, Sagicor Group Jamaica, in conversation with Christopher Zacca (centre), President and CEO, Sagicor Group Jamaica and Ryan Hymel, Chief Financial Officer, Playa Resorts during Sagicor's Pooled Investment Funds seminar in July 2019.

Our connected organisation is the sum of its diverse parts. Balancing expertise, discipline and reliable results, the company is building momentum toward a strong secure future.



Statement of the Chairman

Peter Melhado

Sagicor Group Jamaica achieved record profitability in the year under review. The critical regulatory indices were met by our subsidiary companies and we continued to perform well with regards to our targets for Team Engagement, Corporate Social Responsibility, Client Service, Compliance, Shareholder Return and Internal Control.

In the fourth year of the Jamaica Stock Exchange's external evaluation of corporate governance, Sagicor received an A rating, which reflects our continued commitment to governance, even as we strive for greater improvement in this important area. With the continued diligence of our 48-member Board and with the work accomplished over 85 meetings in 2019, we expect this collective effort to translate into improved policymaking for the Group.

Having served as Sagicor Group Jamaica Chairman since July 1, 2019, it has been a privilege to work alongside a tremendously dedicated and knowledgeable group of Directors and to interact with so many Sagicor team members who are unrelentingly focused on creating value for our clients. On behalf of the Board of Directors, I thank the leadership and the wider Sagicor team for their contribution to the success of the Group and I thank our clients for the confidence they have placed in us to safeguard their physical and financial wellness at every stage of their life.

I thank Richard Downer and Jeffrey Cobham, for having served the SGJ Board tremendously well over the years; both men resigned from the Board effective May 13, 2020.

At Sagicor, we remain committed to being a responsible, caring and impactful corporate citizen, focused on helping our fellow Jamaicans in the areas of health and education, through the work of Sagicor Foundation. We continue to expand our reach in these fundamental areas, while developing our capacity to make meaningful contributions to the welfare of our society.

As the world faces an unprecedented upheaval with the advent of the COVID-19 pandemic, we at Sagicor remain positive, resolute and optimistic, and will continue to work assiduously to find valuable ways to serve our stakeholders throughout these very difficult times.

Peter K. Melhado

April 23, 2020

Statement of the President & CEO

Christopher Zacca

On behalf of the Board of Directors of Sagicor Group Jamaica Limited (SGJ or the Group), I am pleased to share with you the report for our 2019 performance.

20 Years of Consecutive Growth

Sagicor Group Jamaica had another successful year in 2019, raising stockholders' value by generating solid returns as all business lines in the Group performed well. This contributed to the Group's continued financial growth and improved financial results for the 20th consecutive year. Our Team delivered net profit of \$15.65 billion, which is 10% above 2018. This earnings performance was driven primarily by strong business growth across all the Group's business lines and favourable investment returns. The return on average equity for the Group was 19%. Dividends per share paid in 2019 amounted to \$1.44 compared to \$1.20 in 2018, an increase of 20%. Revenues were 31% ahead of prior year, reaching \$92.67 billion. EPS was \$4.01, 10% better than 2018. Rising confidence in the economy, combined with this favourable EPS performance, drove the price per share from \$39.80 at December 31, 2018 to \$77.95 at December 31, 2019 and market cap from \$155.44 billion to \$304.44 billion, a 96% growth spurt. In Sagicor Life Jamaica, the MCCR was 179.4% (150% regulated minimum). For Sagicor Investments Jamaica and Sagicor Bank Jamaica, the capital adequacy ratios were 19.6% and 14.1% respectively (10% regulated minimum).

Subsequent Events – COVID-19

The impact of the novel coronavirus (COVID-19) pandemic has been unprecedented in our lifetime and has caused us all to re-evaluate our priorities as we navigate the far-reaching humanitarian, social, and economic impacts of the disease. For Sagicor Group Jamaica, we have placed the health and safety of our team members and clients above all else. As a Group, we have also reprioritised our strategic initiatives to focus on those that will significantly enhance our service delivery to clients by electronic means, as well as rapidly advancing the digitisation of our processes and our products.



\$15.65B

NET PROFIT
↑ 10%

\$92.67B

REVENUES
↑ 31%

\$91.25B

STOCKHOLDERS' EQUITY
↑ 23%

\$460B

GROUP TOTAL ASSETS
↑ 17%

\$4.01

EARNINGS PER SHARE
↑ 10%

Consistent Performance, Innovation, Execution and a bold Pioneering Philosophy are the reasons we are optimistic about our future.

Committed to Sound Governance

As a Group we remain committed to practising sound corporate governance; upholding our responsibility and being accountable to our over half-a-million clients, our thousands of shareholders and the respective regulatory bodies. Our dedicated Board of Directors plays a fundamental role in SGJ achieving such high standards of governance and we thank them for their wise counsel and tremendous contribution.

2019 was the 20th consecutive year of profit growth for the Group, which is a tremendous feat that could not be accomplished without the unwavering support of the persons who serve on our Sagicor Group Jamaica Board and the Boards of each of our subsidiaries. We thank them for their invaluable guidance through the years and, in particular, we extend special thanks to the Hon. R Danny Williams, Director Emeritus, as the Group celebrates its 50th anniversary on June 1, 2020.

In 2019 we said farewell to three of our team members who have served Sagicor well and who have made an invaluable contribution to the Group. After 24 years of service to Sagicor, Hope Wint demitted office in March 2019; after 17 years of service to Sagicor, Philip Armstrong demitted office in May 2019, and in February 2019, Simone Walker demitted office. In April 2020, after many years of service to Sagicor, Ivan Carter retired.

Delivering Exceptional Client Service

Our mantra of “only when our clients win, we win” remains the pillar on which our strong client service is built, and in 2019 we continued to deliver top-notch service to our clients, always ensuring we meet and exceed our clients’ expectations.

In 2019 we continued the ongoing training of our team members, as well as continued upgrades to our systems to better serve our clients in the most effective and efficient way. The Group’s Net Promoter Score, which measures customer rating, was 47%, which is well above industry standard, making SGJ one of the most highly recommended financial services companies in the country. In 2020, one of our main areas of focus will be enhancing our online and digital platforms to offer even more convenience and ease of doing business for our clients, providing easy, simple and personal solutions to meet their needs. We remain focused on delivering exceptional client service to all persons who come in contact with all our touch points across all the business lines in our Group.

Building Brand Loyalty and Affinity

SGJ remains a top brand in the marketplace, with 98% brand awareness in 2019. The brand continues to make a positive impact in the communities in which we operate, while providing easy, simple and personal solutions for our clients, which is supported by the Group’s innovative and creative marketing campaigns focused on building strong market presence, brand awareness, client loyalty and affinity.

Improving the Lives of the People in the Communities We Serve

As a committed corporate and socially responsible citizen, the Group, through its charitable arm - Sagicor Foundation Jamaica, provided support to numerous organisations, individuals and communities, primarily in the areas of health and education, helping hundreds of thousands of Jamaicans and positively impacting their lives. Overall, the Group invested over \$166 million in its corporate social responsibility initiatives in 2019.

On February 17, 2019, the Group held its largest charity event – the 21st staging of the Sagicor Sigma Corporate Run, which successfully raised a record \$52.4 million with the support of over 27,000 participants, corporate sponsors and individual donors. Beneficiaries of the 2019 Sigma Run are May Pen Hospital Neonatal Intensive Care Unit; Diabetes Association of Jamaica and the Lupus Foundation of Jamaica. Through our annual Sagicor Foundation Scholarship Programme, over \$26.5 million was disbursed in both new and renewed scholarships to some 150 top performing tertiary and secondary students across the island.

As part of the Scholarship Programme, the Group also provided \$1 million in educational grant support to children of Jamaica Defence Force members who successfully completed the Primary Exit Profile examinations to matriculate to the secondary level. The Group's support for education also extends to our Adopt-A-School initiative, which is focused on providing infrastructural upgrades for early childhood institutions to improve their outlook for long-term sustainability. In 2019 over \$18 million was invested in the programme, which saw major improvements at three schools in Westmoreland, St. Ann and St. Catherine. For the 2019/2020 programme, an additional \$15 million has been committed to upgrade three schools in Kingston, Clarendon and Westmoreland.

Sagicor Group Jamaica remains a strong corporate citizen committed to contributing positively to our country and to nation building through our focus on health and education.

I thank our shareholders for the continued confidence in us to deliver on our promise of being a strong and solvent Group.

I thank our loyal and supportive clients who have placed their confidence and trust in us as a Group to provide them with the best products and services and wise financial guidance through our various business lines of Health & Life Insurance, Investment and Commercial Banking, Property Services, and Annuities and Pensions Management.

As a Group, we are committed to being innovators and market leaders, always ensuring that we have a solution to meet our clients' unique financial needs.

I thank our business partners and associates for their continued support and professionalism.

I thank my entire SGJ team for their continued dedication, support, perseverance and continuous display of passion in executing their duties.

2020 has so far been a challenging year for the Group, however, now more than ever the Group has shown how innovative, adaptable and resilient we are.

I look forward to 2020 and beyond with great optimism and confidence that as a Group we will rebound from the pandemic even stronger, as we continue to strengthen our connection with our clients, innovate greater solutions to support their needs and continue to give back to our country.

Jamaica is a resilient nation that has faced many adversities, and once again we shall overcome, and Sagicor Group Jamaica stands ready to assist our country on the journey to recovery.

Christopher Zacca
President & CEO

May 20, 2020

Group 10-Year Financial Statistics

YEAR ENDED DECEMBER 31, 2019

		2019	2018	2017	2016	2015	2014	2013	Revised 2012	Revised 2011	Revised 2010
SALES:											
INSURANCE AMOUNTS											
Individual Life - Sums Assured	\$m	236,353	209,675	184,455	176,329	171,246	151,131	149,096	137,571	150,624	116,311
Group Life - Sums Assured	\$m	7,706	5,860	11,718	6,109	9,678	6,940	4,988	1,710	2,358	1,462
Total New Insurance Amount	\$m	244,060	215,535	196,173	182,438	180,924	158,071	154,084	139,281	152,982	117,773
NEW ANNUALISED PREMIUMS											
Individual Life and Health	\$m	4,470	4,140	3,614	3,341	2,918	2,656	2,583	2,530	2,110	1,998
Individual Annuities	\$m	209	223	103	401	387	83	117	131	194	90
Group Life and Health	\$m	1,447	1,399	817	510	794	496	647	636	184	194
Group Health Single Premiums	\$m	23	14	9	26	33	49	-	-	56	356
Group Annuities	\$m	3,522	2,815	2,323	2,007	1,900	1,209	1,456	1,820	1,139	1,279
Bulk Annuities Single Premiums	\$m	1,525	-	5,713	1,147	1,904	2,212	4,820	428	2,153	-
Group Pensions	\$m	2,161	2,362	2,284	1,756	3,392	4,348	475	212	-	111
Total New Annualised Premiums	\$m	13,357	10,953	14,863	9,187	11,328	11,053	10,098	5,757	5,836	4,028
IN FORCE:											
INSURANCE AMOUNT											
Individual Life - Sums Assured	\$m	1,587,313	1,437,151	1,289,703	1,198,090	1,075,967	996,768	908,068	813,598	734,195	666,096
Group Life - Sums Assured	\$m	967,899	882,103	772,050	661,581	601,357	591,020	493,945	553,171	491,577	468,407
Property and Casualty	\$m	213,258	87,340	76,036	67,937	43,940	40,135	34,481	29,058	22,957	19,584
Total Insurance Amounts in Force	\$m	2,768,470	2,406,594	2,137,789	1,927,608	1,721,264	1,627,922	1,436,494	1,395,827	1,248,730	1,154,087
Number of Individual Life policies in force		594,249	556,742	520,888	492,355	440,328	421,937	407,927	393,411	376,872	361,548
Number of New Individual Life policies		75,908	73,635	68,131	63,968	56,164	59,449	59,318	60,226	55,547	49,782
FINANCIAL POSITION & STRENGTH:											
Total Assets	\$m	459,999	394,133	352,037	340,955	300,390	284,216	198,310	174,532	160,372	142,731
Pension Funds under Management	\$m	247,537	206,359	186,761	154,734	130,311	98,209	85,506	79,725	74,399	64,569

Group 10-Year Financial Statistics

YEAR ENDED DECEMBER 31, 2019

		2019	2018	2017	2016	2015	2014	2013	Revised 2012	Revised 2011	Revised 2010
Other Funds under Management	\$m	220,631	163,180	141,023	113,842	95,616	78,865	45,692	40,683	22,304	20,081
Total Assets Under Management	\$m	928,167	763,672	679,819	609,531	526,317	461,290	329,508	294,940	257,075	227,381
Bank Loans and Advances, net of provision for credit losses ₆	\$m	84,663	69,061	61,329	56,038	43,760	37,302	10,819	9,390	9,258	9,501
Customer Deposits ₆	\$m	107,250	92,264	84,280	75,166	62,924	56,044	12,468	11,411	10,600	9,017
Invested Assets ₅	\$m	382,208	326,287	293,363	290,118	256,506	232,678	180,330	155,730	144,942	127,941
Policyholders' Funds (including Segregated Funds)	\$m	116,991	97,623	95,493	86,390	77,617	71,143	64,538	52,534	47,532	42,735
Shareholders' Equity	\$m	91,252	74,340	68,502	56,411	46,569	46,065	35,926	32,856	28,411	25,203
Market Capitalisation	\$m	304,444	155,444	148,609	116,778	78,113	40,033	39,867	37,986	37,610	25,650
OPERATING RESULTS:											
Total Revenue	\$m	92,669	70,657	70,444	59,701	54,998	45,630	42,356	35,507	33,108	29,436
Total Policyholder Benefits and Reserves _{3,5}	\$m	38,055	27,727	32,584	25,838	23,868	22,770	23,231	17,767	16,519	14,064
Total Commissions, Expenses, and Taxes ₅	\$m	39,067	30,510	26,933	23,108	21,278	17,515	12,660	11,668	10,835	10,501
Net Profit, Attributable to Shareholders ₅	\$m	15,650	14,232	12,070	11,258	9,793	8,513	6,298	5,865	5,523	4,671
FINANCIAL RATIOS:											
Return on Average Assets	%	4	4	3	4	3	4	3	4	4	3
Return on Average Shareholders' Equity	%	19	20	19	22	21	21	18	19	21	21
Share Price	\$	77.95	39.80	38.05	29.90	20.00	10.25	10.60	10.10	10.00	6.82
Earnings Per Share	\$	4.01	3.65	3.11	2.90	2.51	2.21	1.67	1.56	1.47	1.24
Price Earnings Ratio	\$	19.44	10.90	12.23	10.31	7.97	4.64	6.35	6.47	6.80	5.49
Dividends Per Share	\$	1.44	1.20	1.28	1.12	0.73	0.63	0.40	0.56	0.65	0.43
Administration Expenses and Depreciation to Revenue	%	31	31	32 ₄	29 ₄	29 ₄	29 ₄	22 ₄	19 ₄	20 ₄	22 ₄
"Commissions and Related Sales Expenses to net premium income"	%	14 ₄	15 ₄	14 ₄	14 ₄	14 ₄	14 ₄	15 ₄	14 ₄	15 ₄	15 ₄

Footnotes:

1 - Includes Segregated Funds

2 - Includes Sagicor Pooled Funds and Self-Directed Funds

3 - Includes movement in Actuarial Liabilities

4 - These ratios reflect a 10% weighting for single premiums

5 - Prior period computations have been adjusted to include Segregated Funds

6 - These amounts relate to the Commercial Banking subsidiary

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN THAT THE SIXTH ANNUAL GENERAL MEETING of the Company will be held virtually on 8th day of September 2020 at 3:00 p.m. to consider and if thought fit pass the following Resolutions::

ORDINARY BUSINESS

1. To Receive the Audited Accounts

Resolution No. 1

“THAT the Audited Accounts and the Reports of the Directors and Auditors for the year ended December 31, 2019 be and are hereby adopted.”

2. To elect Directors.

Resolution No. 2:

“That the election of directors be made en-bloc.”

Resolution No. 3:

a) Article 98 of the Company's Articles of Incorporation provides that one-third of the directors or if their number is not three or a multiple of three then the number nearest to one-third shall retire from office at each Annual General Meeting. The directors retiring under this Article are Directors Marjorie Fyffe-Campbell, Jacqueline Coke-Lloyd and Peter Clarke being eligible offer themselves for re-election.

“THAT Directors Marjorie Fyffe-Campbell, Jacqueline Coke-Lloyd and Peter Clarke who retire by rotation and are eligible re-election

be and are hereby re-elected as Directors of the Company en-bloc”.

b) Article 96 of the Company's Articles of Incorporation provides that the Directors shall have power at any time and from time to time to appoint any other person to be a Director of the Company, either to fill a casual vacancy or as an addition to the Board. The persons being appointed under this Article are Tim Hodgson, Reza Satchu and Mahmood Khimji and Lisa Lake.

“THAT Tim Hodgson, Reza Satchu and Mahmood Khimji and Lisa Lake be and are hereby elected as Directors of the Company en-bloc”

3. To fix the remuneration of the Directors.

Resolution No. 4:

THAT the amount of \$36,364,470.00 included in the Audited Accounts of the Company for the year ended December 31, 2019 as remuneration for their services as Directors be and is hereby approved.

4. To appoint Auditors and authorize the Directors to fix the remuneration of the Auditors.

Resolution No. 5:

THAT PricewaterhouseCoopers, Chartered Accountants, having agreed to continue in office as Auditors, be and are hereby appointed Auditors for the Company to hold office until the conclusion of the next Annual General Meeting at a remuneration to be fixed by the Directors of the Company.

5. To ratify interim dividends and declare them final.

Resolution No. 6:

THAT the interim dividends of Seventy-nine (0.79) cents paid on 6th day of May 2019 and Sixty-five (0.65) cents paid on 13TH day of November 2019, respectively, be and are hereby ratified and declared as final for the year ended December 31, 2019.

DATED THIS 30th day of May 2020

BY ORDER OF THE BOARD



Janice A.M Grant Taffe
Corporate Secretary

REGISTERED OFFICE
28-48 Barbados Avenue
Kingston 5, Jamaica

A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote in his/her stead. A Proxy need not be a member of the Company.

If you are unable to attend to attend, we enclose a Form of Proxy for your convenience. This should be completed and deposited with the Secretary at the Registered Office of the Company, at 28-48 Barbados Avenue, Kingston 5 not less than 48 hours before the time appointed for the meeting. The Proxy Form should bear stamp duty of \$100.00 before being signed. The stamp duty may be paid by adhesive stamps and cancelled by the person signing the Proxy.



Directors' Report

The Directors are pleased to submit their Report and the Audited Financial Statements for the year ended December 31, 2019. The Financial Statements reflect the consolidated results of Sagicor Group Jamaica Limited (SGJ) and its subsidiaries.

	2019 J\$'000's	2018 J\$'000's
OPERATING RESULTS:		
Group Profit before tax	20,717,597	18,048,325
Taxation	(5,253,971)	(4,170,507)
Net Profit after tax	15,463,626	13,877,818
Attributable to:		
Stockholders of the parent company	15,650,304	14,231,982
Non-controlling interests	(186,678)	(354,164)
STOCKHOLDERS' EQUITY:		
Stockholders' equity brought forward	74,340,008	68,502,131
Share capital, opening	8,863,302	8,415,051
Treasury shares	(15,028)	448,251
Share capital, ending	8,848,274	8,863,302
Reserves, opening	4,286,773	7,522,083
Changes on initial application of IFRS 9	-	(295,446)
Restated balance as at January 1	-	7,226,637
Net gains/(losses) recognised in equity	6,603,946	(3,851,528)
Stock options and grants schemes value of services rendered	30,986	21,097
Stock options and grants exercised/expired	(24,876)	(27,980)
Transfers from reserves	2,673,569	918,547
Reserves, ending	13,570,398	4,286,773
Retained earnings, opening	61,189,933	52,564,997
Changes on initial application of IFRS 9	-	(164,352)
Restated balance as at January 1	-	52,400,645
Total comprehensive income	16,133,101	14,590,050
Transfers to reserves	(2,673,569)	(918,547)
Treasury shares	(192,468)	(195,450)
SGJ dividends paid	(5,624,115)	(4,686,765)
Retained earnings, ending	68,832,882	61,189,933
Stockholders' equity carried forward	91,251,554	74,340,008

The Group performed well in 2019, producing strong growth across our major business lines.

Dividends

Interim dividends of 79 cents per share were paid on May 06, 2019 and 65 cents per share on November 13, 2019.

Directors

Article 98 provides that one third of the Directors shall retire from office at each Annual General Meeting. Directors Marjorie Fyffe-Campbell, Jacqueline Coke-Lloyd and Peter Clarke retire under this Article and, being eligible, offer themselves for re-election.

Auditors

The retiring Auditors, PricewaterhouseCoopers, having expressed their willingness to continue in office, will do so in accordance with the provisions of Section 154 of the Companies Act. A resolution authorising the Directors to fix the remuneration of the Auditors will be presented at the Annual General Meeting.



Peter Melhado
Chairman

March 1, 2020

Our Board has an appropriate mix of executive and independent directors. This breadth of knowledge and expertise provide for diversity of opinions and invaluable support to the decision-making process which underpins the need for independent and critical thinking.

Sagicor Board of Directors



PETER K. MELHADO BSc, MBA

Chairman
Appointed 2014
Citizen of Jamaica

Mr. Peter Melhado is the Chairman (appointed July 2019) of the Sagicor Group Jamaica Limited. Mr. Melhado holds a B.Sc. in Mechanical Engineering from McGill University and an MBA from Columbia University Graduate School of Business, with a major in Finance.

Mr. Melhado currently serves as Board Chairman of Sagicor Life Jamaica Limited, CGM Gallagher Group, West Indies Home Contractors, Social Commerce Inc (Puerto Rico), American International School of Kingston and Industrial Chemical Company. His current directorships include British Caribbean Insurance Company, Couples Resorts, IWC (St Lucia), Advantage Communications and Red Stripe.

He is President & CEO of ICD Group Limited having joined Manufacturers Group in 1993 and becoming its CEO in 1995 until its merger with PanCaribbean in 2004. In that time, he was responsible for the growth and development of Manufacturers, leading to the merger with Sigma to create Manufacturers Sigma Merchant Bank, then one of the leading financial and asset management companies in Jamaica. His current directorships include British Caribbean Insurance Company, Couples Resorts, IWC (St Lucia), Advantage Communications and Red Stripe. He is a former Vice President of the Private Sector Organisation of Jamaica.



CHRISTOPHER ZACCA B.Sc., MBA, CD, JP

Appointed 2017
Citizen of Jamaica

Mr. Christopher Zacca is the President & CEO of Sagicor Group Jamaica Limited and a Director of several Sagicor entities. He is an astute businessman with a wealth of business and management experience in both the public and private sectors, spanning over three decades.

He is highly respected in the private sector where he has held senior management positions at Desnoes and Geddes, ATL Group, Air Jamaica Ltd. and served as President of the Private Sector Organisation of Jamaica.

His track record in public sector service is equally impressive, having served as special advisor to the Prime Minister from 2009 to 2011. He is a former Chairman of the Development Bank of Jamaica and the National Health Fund.

Mr. Zacca holds an MBA from the University of Florida and a B.Sc. in Engineering from the Massachusetts Institute of Technology.



THE HON. R.D. WILLIAMS OJ, CD, JP

Hon. LLD (UTech), Hon. LLD (UWI)
 Chairman (Retired April 30, 2017)
 Appointed 1969
 Citizen of Jamaica

Dr. the Hon. R. Danvers (Danny) Williams is the founder of Life of Jamaica Limited, now Sagicor Life Jamaica, serving as President & CEO on two separate occasions. He also serves on the boards of a number of Sagicor Group Jamaica member companies.

In 1972 Dr. Williams was awarded the National Honour of Commander of the Order of Distinction (CD) and in 1993 was conferred with the Order of Jamaica (OJ) for voluntary service to his community. He served the Government of Jamaica for three years (from 1977 to 1979) as a Senator, Minister of State and Minister of Industry and Commerce, respectively. He was conferred twice with the degree of Doctor of Laws (Hon) by the University of Technology in 2005 and by the University of the West Indies (Mona) in 2013. Dr. Williams currently serves on the boards of several major Jamaican companies, organisations and foundations. He is Director Emeritus of Jamaica Broilers Group Limited and Sagicor Group Jamaica Limited.



PETER E. CLARKE B.A.

Appointed 2012
 Citizen of Trinidad & Tobago

Mr. Clarke is a financial consultant. He is a director of Sagicor Financial Corporation and several other companies in the Group, including Sagicor Life Inc. and Sagicor Asset Management Trinidad and Tobago Ltd. He is the holder of a Bachelor of Arts degree in History from Yale University and a law degree from Downing College, Cambridge University.

He is the Chairman of Guardian Media Ltd., a director of the Trinidad and Tobago Stock Exchange and a director of the Trinidad and Tobago International Financial Centre Limited.



JEFFREY COBHAM B.A., Dip. Mgmt.

Appointed 2003
 Citizen of Barbados and Jamaica

Mr. Jeffrey Cobham sits on the boards of Sagicor Group Jamaica Limited, Sagicor Life Jamaica Limited, Sagicor Property Services Limited and Sagicor Life of the Cayman Islands.

Mr. Cobham is Chairman of Stocks and Securities Limited and Vice Chairman of SSL Growth Equity Ltd., a company registered in Barbados. He is also a director of Pulse Investments Limited. He is a representative of The Chancellor to the University of the West Indies Mona Campus Council, and sits on its Finance and General Purposes Committee, its Audit Committee and the Committee of Universal Media Company Ltd., a UWI subsidiary.



JACQUELINE COKE-LLOYD

Appointed 2010
Citizen of Jamaica

Jacqueline Coke-Lloyd is the Founder/Principal Director of Make Your Mark Consultants with over 30 years of expertise in General Management, Human Resource Development, Negotiation, and Employment Relations. She is a graduate of the University of Technology Jamaica and the International Training Centre of the International Labour Organisation (ILO), Turin, Italy. Mrs. Coke-Lloyd is a SHRM Certified Behavioural Coach and is currently pursuing her Doctorate in Transformational Leadership. She has served on several local boards including the National Housing Trust (NHT), Jamaica Productivity Centre, University of Technology Jamaica (UTech), Young Entrepreneurs Association of Jamaica, and the Jamaica Employers Federation (JEF), as well as on international boards such as the International Labour Organization (ILO) and the Caribbean Employers Confederation (CEC).

Mrs. Coke-Lloyd is the former CEO of Jamaica Employers' Federation (JEF). She is a member of the Women Business Owners of Jamaica (WBO), Women's Leadership Initiative (WLI), PSOJ, the Human Resource Management Association of Jamaica (HRMAJ). She also serves as Member of the International Council of Women Business Leaders (ICWBL) USA and as an advisor to the MSc in Workforce Education and Training at the University of Technology, Jamaica.



RICHARD DOWNER CD, FCA

Appointed 2008
Citizen of Jamaica

Mr. Richard Downer currently serves on the Board of Sagicor Group Jamaica and is chairman of the Audit Committee and a member of the Risk Management Committee. He is a director of Sagicor Life of Jamaica Limited, a chairman of its Audit Committee and a member of the Investment & Risk Committee.

Mr. Downer, former senior partner of PricewaterhouseCoopers in Jamaica, is also a member of the Rating Committee of CariCRIS Limited and the Mentor of Dolphin Cove Limited and tTech Limited. Mr. Downer has served on other private sector boards, including Sagicor Investments Limited, Sagicor Bank Limited, Victoria Mutual Building Society, Lascelles deMercado & Co. Ltd, and ICD Group Limited. In the public sector, he has served as executive director of the Bureau of Management Support in the Office of the Prime Minister of Jamaica and a director of the Bank of Jamaica and was chairman of the Coffee Industry Board. He has also served on the boards and audit committees of the National Education Trust, the Overseas Examination Commission and the Tourism Enhancement Fund. He has advised the governments of sixteen countries on privatisation and was agent of the Minister of Finance as temporary manager of several troubled financial institutions.

Mr. Downer was made a Commander of the Order of Distinction for services to accountancy and being a pioneer in privatisation and has been given the Distinguished Member award by the Institute of Chartered Accountants of Jamaica and a place in the Munro College Hall of Fame for services to accountancy.



PAUL A.B. FACEY B.Sc., MBA.

Appointed 2005
Citizen of Jamaica

Mr. Paul Facey holds a B.Sc. in Marketing and Management from the University of South Florida and an MBA in Finance from Florida International University Business School. He has a wide range of experience in banking, investment, manufacturing, retail and distribution.

Mr. Facey is the Chief Investment Officer at PanJam Investment Limited. He currently sits on the Boards of PanJam, Jamaica Property Company Limited and Sagicor Bank Jamaica Limited.



STEPHEN B. FACEY B.A., M.Arch

Appointed 2004
Citizen of Jamaica

Mr. Stephen B. Facey is the Chairman and Chief Executive Officer of PanJam Investment Limited (formerly Pan-Jamaican Investment Trust Limited). He has over 35 years of experience in architecture, real estate development and management, and private equity investing. Under Mr. Facey's leadership, PanJam continually creates shareholder value by investing across the Jamaican economic landscape.

An architect by training, Mr. Facey holds a B.A. in Architecture from Rice University and an M.Arch. from the University of Pennsylvania. His passion has always been for real estate. As such, he is currently involved with both public and private organisations that represent that industry. Mr. Facey is the Chairman of Jamaica Property Company Limited, the Jamaica Developers Association, Kingston Restoration Company Limited and the New Kingston Civic Association.

In keeping with the Facey family's commitment to the development of Jamaica's youth, Mr. Facey is the Chairman of the Boys' Town Infant and Primary School, as well as the C.B. Facey Foundation, the charitable arm of PanJam.

Mr. Facey is also the Chairman of New Castle Group of Companies. He is a Director of Sagikor Group Jamaica Limited, Sagikor Life Jamaica Limited, Chukka Caribbean Adventures Limited and the National Gallery of Jamaica, and a Trustee of the Institute of Jamaica.



MARJORIE FYFFE CAMPBELL

J.P., BSc (Hons.), M.Sc., FCA, DBA
Appointed 2003
Citizen of Jamaica

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

Dr. Fyffe Campbell possesses extensive experience in Finance and Accounting, Corporate Governance, Risk Management and Property Development and Management. She is a former Adjunct Lecturer in Financial and Managerial Accounting and Enterprise Risk Management Governance at the Mona School of Business and Management. She is also a member of the Board of Directors of Sagikor Financial Corporation (SFC), Sagikor Life Cayman and Sagikor Property Services Limited.

Corporate Governance is the task of a company's board to provide entrepreneurial leadership, guidance and oversight to the company for maximising shareholder wealth within the bounds of law and community standards of ethical behaviour.



PAUL HANWORTH M.A., M.Sc., A.C.A., C.P.A

Appointed 2008

Citizen of Jamaica and the United Kingdom

Mr. Hanworth is the Chief Operating Officer of PanJam Investment Limited, a multi-faceted investment holding company in Kingston, Jamaica. He is both a Certified Public Accountant (USA) and a Chartered Accountant (England & Wales), and holds Master's degrees in Management from Rensselaer Polytechnic and in Classics from Sidney Sussex College, Cambridge University. He is chairman of the Risk Management Committee and a member of the Audit Committee, and is a director of Sagicor Life of Jamaica Limited and a member of its Audit Committee.

Prior to joining PanJam, Mr. Hanworth worked with KPMG in the USA and England for 14 years, with Diageo in the USA and South Africa for 9 years, and with the Mechala Group (now ICD Group) in Jamaica for 6 years. He is a director and chairs the Audit Committee of British Caribbean Insurance Company, and is a director of Jamaica's National Health Fund, as well as the chair of its Finance Committee. He also sits on the board of a number of PanJam's subsidiary and associated companies and chairs the Listed Companies Committee of the Private Sector Organisation of Jamaica. He founded Jamaica's first specialty fine wine business in 2004, which he sold in 2012.



STEPHEN MCNAMARA CBE, LLD

Appointed 2014

Citizen of St. Lucia and Ireland

Mr. Stephen McNamara was called to the Bar at Lincoln's Inn, and in St Lucia in 1972. He is the senior partner of McNamara & Company, Attorneys-at-Law of St. Lucia. The barrister/solicitor specialises in the representation of foreign investors in St Lucia in the Tourism, Manufacturing and Banking sectors. He served as Chairman of the St Lucia Tourist Board for nine years. He was appointed Non-Executive Chairman of Sagicor Financial Corporation, the Group's holding company, on 1 January 2010, having formally served as Vice Chairman since June 2007. He is the Chairman of the Group's main operating subsidiary Sagicor Life Inc. and also of Sagicor USA and a number of other subsidiaries within the Group.

Mr. McNamara's St Lucia-based service includes the Board of St Lucia Electricity Services Ltd, where he was elected as the Chairman in December 2015 and served until his retirement at the end of 2017, and as the President of the St Lucia Tennis Association.

Mr. McNamara was made a Commander of the Order of the British Empire (CBE) in the 2015 Queen's Birthday Honours for public service and services to the legal profession. In 2015 he was also awarded an honorary doctorate from the University of the West Indies for his outstanding achievements and contribution to the region in the areas of business, sport and general philanthropy for more than forty years.



DR. DODRIDGE MILLER

FCCA M.B.A., LLM, Hon. LLD

Appointed 2001

Citizen of Barbados

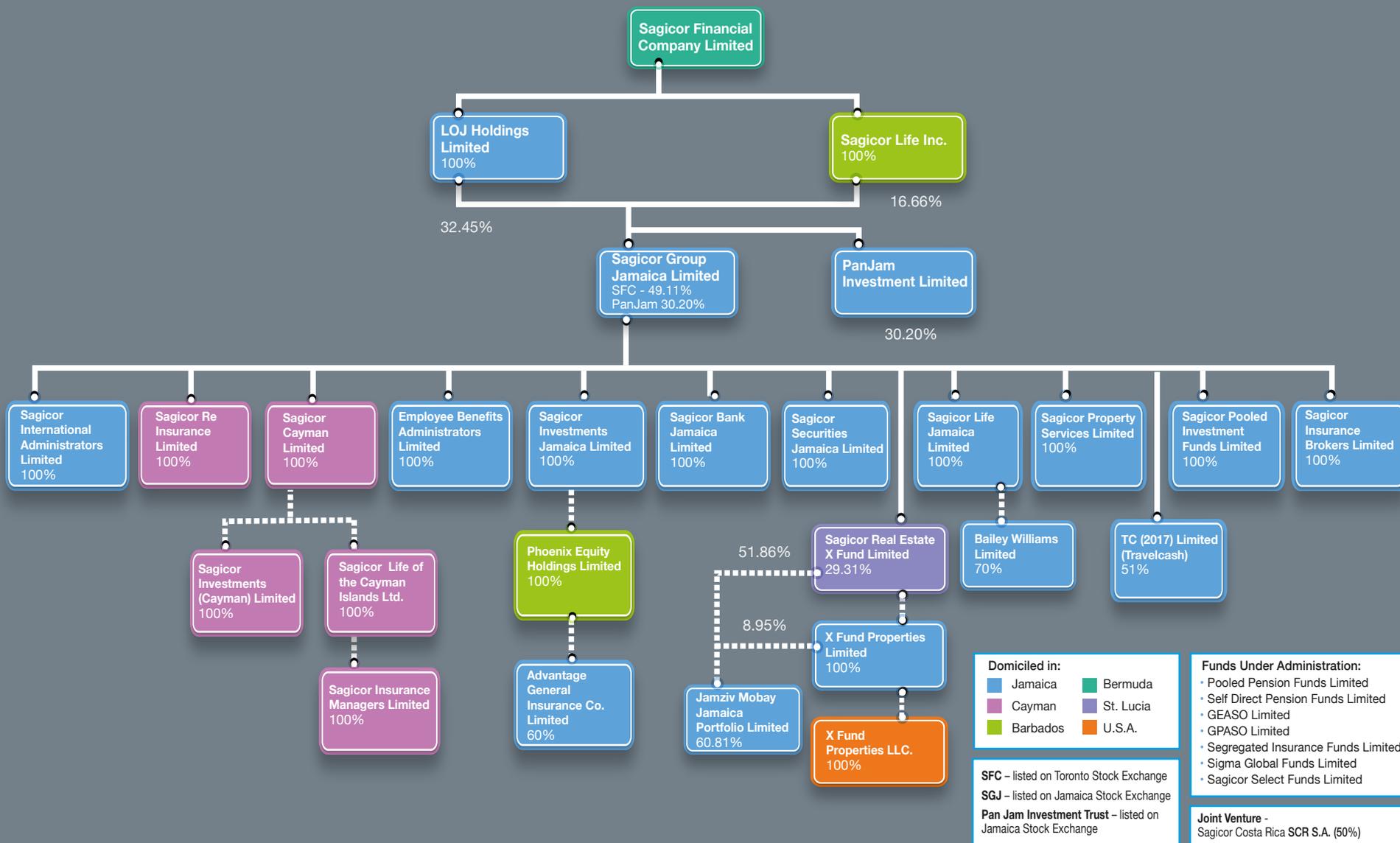
Dr. Dodridge Miller was appointed Group President and Chief Executive Officer of Sagicor Financial Corporation Limited in July 2002 and has been a Director since December 2002. A citizen of Barbados, Mr. Miller is a Fellow of the Association of Chartered Certified Accountants (ACCA) and obtained his 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.

Dr. Miller also serves as a Director on the Boards of Sagicor Life Jamaica Limited, Sagicor Bank Jamaica Limited and Sagicor Investments Jamaica Limited.

Sagikor Group Jamaica Limited

Organisation Structure

AS AT DECEMBER 31, 2019



Notes:

- Percentages in the boxes reflect ownership interest of the significant shareholders.
- Ownership interest of 29.31% in Sagikor Real Estate X Fund Ltd:
 - Sagikor Group Jamaica Ltd. – 21.22%
 - Sagikor Segregated Funds – 8.09%
- Jamziv Mobay Jamaica Portfolio Limited holds 15.33% of Playa Hotels & Resorts N.V.
- AGI acquisition was finalized September 30th 2019.
- Bailey Williams Limited acquisition was finalized November 30th 2019.
- Reorganization of the Cayman entities took effect December 31st 2019.

Strategic Acquisition

60%

Sagicor acquires majority stake in Advantage General Insurance Company

Sagicor Investments Jamaica Limited (SIJ), on September 30, 2019, successfully completed the acquisition of majority share in the country's most profitable general insurance company locally, Advantage General Insurance Company Limited (AGIC). AGIC's shares were acquired by an unincorporated consortium, led by Sagicor Investments Jamaica Limited through its wholly owned subsidiary Phoenix Equity Holdings Limited.

Under the US\$50.5-million deal, Sagicor owns a 60 per cent stake in AGIC, while a newly formed entity, Fundy Bay Equity Holdings Limited, holds a 34 per cent stake in the company; and premier portfolio management company, Resource in Motion, holds six per cent.

The acquisition of AGIC is a welcome addition to the suite of products and services offered by Sagicor Group and provides Sagicor with a solid foothold into Jamaica's general insurance market.





Our expansion in Property and Casualty insurance will give the Group a solid foothold into Jamaica's General Insurance market and will offer the wider Jamaica access to an expanded suite of financial products and services.

This deal is expected to afford clients, team members and shareholders of Sagicor, as well as the wider Jamaica, a more expanded suite of financial products and services.

Advantage General's portfolio is heavily weighted towards motor coverage. It operates a branch network of 11 offices across Jamaica and is among the top general insurers in the island.

The board of directors for Advantage General Insurance are:

Christopher Zacca

PRESIDENT AND CEO,
SAGICOR GROUP JAMAICA

Willard Brown

EXECUTIVE VICE-PRESIDENT OF THE EMPLOYEE
BENEFITS DIVISION OF SAGICOR LIFE JAMAICA

Kevin Donaldson

EXECUTIVE VICE PRESIDENT OF SAGICOR GROUP
AND CEO OF SAGICOR INVESTMENTS

Dorothy Russell-Clarke

CHARTERED INSURER

Kathryn Lewis

ATTORNEY-AT-LAW

John Bell

CHARTERED ACCOUNTANT

Christopher Zacca

B.SC., MBA, CD, JP

**President and CEO,
Sagicor Group Jamaica**

Christopher Zacca joined Sagicor Group Jamaica as President & CEO on May 1, 2017. With over three decades of experience in the private and public sectors, he has brought a wealth of knowledge in business management to the Group. He sits on the boards of all Sagicor Group Jamaica member companies. Zacca's experience spans a wide range of industries and his expertise includes General Management, Asset & Investment Management, Innovation, Strategic Management, International Business, Corporate Finance and Information Technology. For his contributions to the private and public sectors, he was conferred in 2014 with the National Honour of the Order of Distinction in the rank of Commander (CD).

CHORVELLE JOHNSON CUNNINGHAM

B.SC.

CEO, Sagicor Bank Jamaica

Chorvelle Johnson is the CEO of Sagicor Bank Limited – a subsidiary of Sagicor Group Jamaica. With over a decade of experience in the financial sector, she joined the team in January 2018. A results-oriented individual who embraces competition, she develops and maintains strategies that carefully balance risk and rewards to meet targets and objectives. Chorvelle is a proponent of female empowerment and women shattering societal expectations. She is Jamaica's first International Women's Forum Fellow who served for one year between 2015 and 2016 when she studied Leadership at Harvard and INSEAD Business schools. Chorvelle served as the Chair of the Women's Leadership Initiative (WLI) for the period 2017- 2018 – an organisation with programmes geared towards empowering women and girls in Jamaica; she is currently the Chair of the Membership Committee. With a diverse educational background, Chorvelle is also a trained teacher with specialization in Business Education and is also the holder of a Bachelor's degree in Professional Management from the Nova Southeastern University.

Sagicor Leadership Team



Mark Chisholm

MBA (HONS.), JP
Executive Vice President,
Individual Life Insurance Division, Sagicor Life Jamaica
President & CEO
Sagicor Life of the Cayman Islands

Mark's experience in the insurance industry spans over 30 years. Over this period, he has moved up the corporate ladder to his current position of Executive Vice President, President & CEO of Sagicor Life of The Cayman Islands with direct responsibility for the Individual Life Division which encompasses Sales, Distribution and Business Operations in Jamaica and Sagicor Life of the Cayman Islands. Mark is also responsible for spearheading the Sagicor Group Client Experience.



Willard Brown

FSA, B.SC. (HONS.)
Executive Vice President
Employee Benefits Division, Sagicor Life Jamaica

Willard has served the Group in various capacities in Information Technology, Employee Benefits Division and Employee Benefits Administrator Ltd. He is currently the Executive Vice President with direct responsibility for the Employee Benefits Division, which provides products and services to groups of employees or members through their employers, associations or other institutions to manage their respective benefits programmes. He has responsibility for Sagicor's operations in Costa Rica and also has oversight of all actuarial resources within Sagicor Life Jamaica. He currently holds the position of director on the boards of Employee Benefits Administrator Ltd and Advantage General Insurance Company.



Kevin Donaldson

B.SC., MBA (HONS.)
CEO, Sagicor Investments Jamaica &
Executive Vice President, Sagicor Group Jamaica

Kevin has been the Chief Executive Officer for Sagicor Investments since January 1, 2018. He has over 19 years' experience in the financial industry. His responsibilities include overseeing the growth and development of the company in the areas of asset management, largely through its industry-leading Sagicor Sigma Global Funds, investment banking, treasury, and trading. He is instrumental in the development of new investment products for retail and corporate investors, as well as seeking out new markets for the growth and expansion of the group. Kevin is also Executive Vice President of Sagicor Group Jamaica.



Karl Williams

B.SC., EXECUTIVE MBA

**Senior Vice President
Group Human Resources and Corporate Sales
& Services**

Karl is the SVP, Group Human Resources & Corporate Services at Sagicor Group Jamaica Limited. His leadership spans over 25 years in the management disciplines of Marketing & Sales, Learning & Development and Human Resources. His responsibilities include Group Procurement, Facilities and Records Management and Security Operations. Karl is the Immediate Past President of the Human Resource Management Association of Jamaica (HRMA), a Director of the Jamaica Institute of Financial Services (JIFS), the National Insurance Fund (NIF) and the Deputy Chairman of the Universal Service Fund (USF).

Janice Grant Taffe

LL.B. (HONS.), CLE

**Senior Vice President,
General Counsel & Corporate Secretary**

Janice is corporate secretary to the Board and its local non-banking subsidiaries and General Counsel for the Group with oversight responsibility for its legal, regulatory and the overall corporate governance framework for the Group. Under her leadership, she has guided major investment and corporate strategies which have helped to position the company as a major player in the financial services and the real estate sectors. Her experience spans 20 years in the areas of corporate and commercial law, with considerable experience in pensions, real estate transactions and insurance law. A member of the Leadership Team since 1997, Janice is a strategic and analytical thinker and an avid team player. She is a member of the Jamaica Bar Association and served as a member of its Continuing Legal Education Committee.



Donnette Scarlett

B.SC. (HONS.), CFA

**Senior Vice President
Group Treasury and Asset Management**

Donnette was appointed Senior Vice President – Group Treasury and Asset Management on January 1, 2018 having over 25 years of experience in the financial services industry. In this role, she manages key risks for the Group's Treasury and Asset Management area including liquidity, concentration and financial risks. She also manages the Group's policy and regulatory responsibilities related to the investment portfolios across business lines. As a member of the executive leadership of Sagicor Group, she participates in determining the strategic direction of the Group. Donnette is a CFA charter holder and a member of the CFA Institute and the CFA Society of Jamaica.

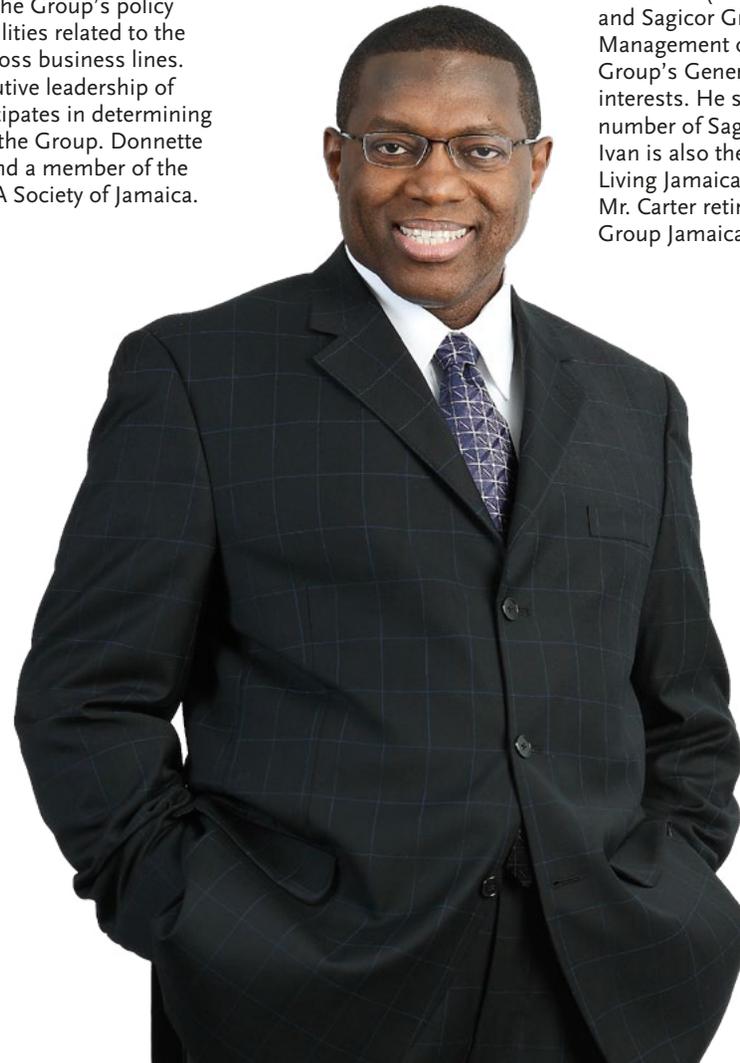


Ivan B. O'B. Carter

MBA, M.SC., FLMI

**Executive Vice President,
Finance and Group CFO**

Ivan is the Executive Vice President, Finance and Group CFO for Sagicor Group Jamaica. He is responsible for directing the Accounting, Financial Reporting, Financial Management, Taxation and Regulatory Reporting functions of the Group in accordance with International Financial Reporting Standards (IFRS), local laws and regulations and Sagicor Group policies; Strategic Financial Management of the organisation; leadership of the Group's General Insurance and Captive Management interests. He sits on the Board of Directors of a number of Sagicor Group Jamaica member companies. Ivan is also the Deputy Chairman of 138 Student Living Jamaica Limited. Effective April 17, 2020 Mr. Carter retired from his respective roles at Sagicor Group Jamaica.



Sagicor partners with UTech, Jamaica to create Innovation Lab

With innovation as a key strategic pillar for Sagicor Group Jamaica, the financial conglomerate, in July 2019, inked a partnership with one of the region's leading tertiary institutions, the University of Technology, Jamaica (UTech, Jamaica), to create the Innovation Lab (i-Lab), which serves as the hub for research and development on Information Communication Technology (ICT) initiatives.

A Memorandum of Understanding (MoU) was formally signed by Christopher Zacca, President & CEO, Sagicor Group Jamaica and Professor Stephen Vasciannie, President of UTech, Jamaica, at a ceremony on the university's main campus in Papine, St. Andrew.

The MoU between the two entities is for an initial period of five years, and has already seen Sagicor and UTech, Jamaica collaborating on innovation projects, focusing on the integration of resources to support research and development in financial technology and ICT.

The partnership with UTech, Jamaica is expected to strengthen efforts in driving technological advancements and creating smart solutions for everyday challenges.

Sagicor continues to embark on its digital journey, through creativity, innovation and technology, as it is always seeking to improve its products and services for its clients, making it simple, personal and easy to do business with its group of companies.





1. Sagicor Group Jamaica President and CEO Christopher Zacca (left) and Professor Stephen Vasciannie, President of the University of Technology (UTech) ink their signature to the memorandum of understanding (MoU) document for collaboration by Sagicor and UTech on research and information sharing and the development of the Sagicor Innovation Lab.
2. Sagicor Group Jamaica President and CEO Christopher Zacca (left) and Professor Stephen Vasciannie, President of the University of Technology Jamaica (UTech) showcases a copy of the memorandum of understanding (MoU) document signed to allow for collaboration between Sagicor and UTech on research and information sharing and the development of the Sagicor Innovation Lab.

Sagicor Client Experience 2019

...Because Our Clients Matter

In 2019 Sagicor Group continued its investment in its Client Service and Experience initiatives, to ensure that we powerfully demonstrated our commitment to our philosophy **“only when our clients win, we win”**. As part of our award-winning service culture strategy, we expanded our Client Experience Team which enabled us to more effectively manage our clients’ feedback, address service gaps and innovate our policies and procedures. Our efforts were endorsed by the PSO/JaCSA when Sagicor copped the top Customer Service Trophy in the large company category of the 2019 Service Excellence Awards. The Group also won the category award for Reward & Recognition, Charter & Standards and Leadership & Strategy, validating our commitment to service excellence.

Our market is changing rapidly, and clients’ expectations of their financial service providers continue to evolve as they try to meet the challenges of the new industrial revolution. In addition to our usual business activities, we rolled out several initiatives across the Group business units to strengthen our partnership with our individual and business clients. The extremely positive feedback from these initiatives resulted in a world-class Group NPS performance of 47%, making SGJ one of the most highly recommended financial services company in the country.

Our Business Units and World Class Contact Centre continued to serve unprecedented numbers of clients as they engaged the company using the traditional and non-traditional touch points. During the year, we resolved, via our phone, chat and email channels, 562,870 client queries. This translated to our contact answer rates holding firm at 80% in 2019. We maintained industry best in quality interaction and first call resolution of 95% and 98%, respectively.

A true marker of the value of a financial partnership is how much Sagicor Investments continue to help our clients build and maintain wealth. Our series of Investor Briefings and Market Watch Research Emailers helped our clients discover new opportunities for creating, growing and preserving their wealth. With an expanded Client Service and Advisor team and newly implemented Contact Management System, we were better able to serve our clients and improve on service delivery times. We made sure to engage our clients and prospects across the island with our **“Do Road Campaign”**, demonstrating our appreciation for their belief in us. To top it off for our investors, Sagicor Investments was the first investment house to lower online trading fees, which made it more affordable for persons to trade stocks and have access to an effective and convenient avenue to maximise wealth creation.



562,870

Contacts with clients via phone/chat/email

98%

First call resolution

24/7

Innovation - Digital Trustee Training Tutorial

\$18 billion

Paid out in Health Claims

60%

Market Share of nation's Life Insurance business

80% Call answer rate	95% Call quality interaction
23mins Average Transaction Time in SBJ Branch	47% Net Promoter Score – Sagicor Group Jamaica
95% Percentage of health claims processed within 5 days	\$10.5 billion Total benefits paid to IL Policyholders and Beneficiaries
\$3.2 billion Paid out in Death Claims** (combined group and individual life)	\$619 million Critical Illness Living Benefit
Statement On The Fly – Self-help solution which enables clients to access pension statements	

Our Pension business, with a world-leading NPS of 84% - highest in the Sagicor Group - continued its ongoing educational efforts for both trustees and members. We launched our Trustee Training Tutorial Video which has satisfied the need for orientation at the onboarding of new trustees or Refresher Training for our existing trustees. For members, we continued our focus on the importance of saving for retirement and launched our **“Power Up Your Voluntary Contributions Campaign”**, which demonstrated to members the significant value of making voluntary contributions. By way of our e-blasts, we highlighted common retirement mistakes and provided useful retirement tips. The communication was done in “bite-sized” portions, making it more appealing, user-friendly and easier to “digest” by members.

Reducing the client transaction time in our banking halls remained a top service priority in 2019. The average time spent in our banking halls continued its downward trend from an average 30 minutes in 2018 to 23 minutes, resulting in tremendous commendations from our retail clients. We further strengthened our partnership with our SME with the launch of our **“Secrets to Success”** programme, demonstrating that we are truly **“in their corner”**.

The ‘Employee Benefits’ Health Claims team enjoyed a very productive year, with one of our major accomplishments being meeting our 5-day turn-

around time for more than 95% of the over 3.5 million claims processed. Health claims paid out increased by 9% over 2018, reaching almost \$18 billion. We continue to pay out over \$1 billion in Group Life death claims which, together with the health claims payout, help our clients to maintain financial security during difficult times.’

Our core Individual Life insurance business continues to dominate the space with a 63% market share of the local life insurance industry, paying out more than 10 billion dollars of benefits to policyholders and their beneficiaries. With the launch of our first to market e-Life®, we changed the face of life insurance. This innovative platform allowed us to significantly improve our service delivery through shorter processing times, ease of access and convenience.

All our initiatives, at the core, were aligned with our Brand Vision “to be loved by our clients and admired by our competitors”. We continue to improve our Execution Edge and Accountability, as we put forward a strong resolve to always “follow through” as the Sagicor Group continues to be a client-driven business. 2019 demonstrated once again that our client demands continue to grow—and we have to respond in such a way that says we have earned the right to be our clients’ financial partner. We now step forward to a year of **#BeyondGold Client Experience**.

Sagicor Select Funds

Sagicor Investments disrupted the market in 2019 when it launched Jamaica’s first two listed equity funds – the Sagicor Financial Select Fund and the Sagicor Manufacturing and Distribution Select Fund – making investing doubly accessible to all Jamaicans.

Dismantling the notion that investing in the stock market is a practice for the wealthy, the company levelled the playing field for all Jamaicans and provided them with opportunities to benefit from investing in a pool of assets from a range of financial, and manufacturing and distribution firms listed on the junior and main market of the Jamaica Stock Exchange (JSE).



Our aim at Sagicor Investments is to take Jamaicans to the next level in investing, in order to create, grow and preserve their wealth."

- Kevin Donaldson -
CEO, SAGICOR INVESTMENTS

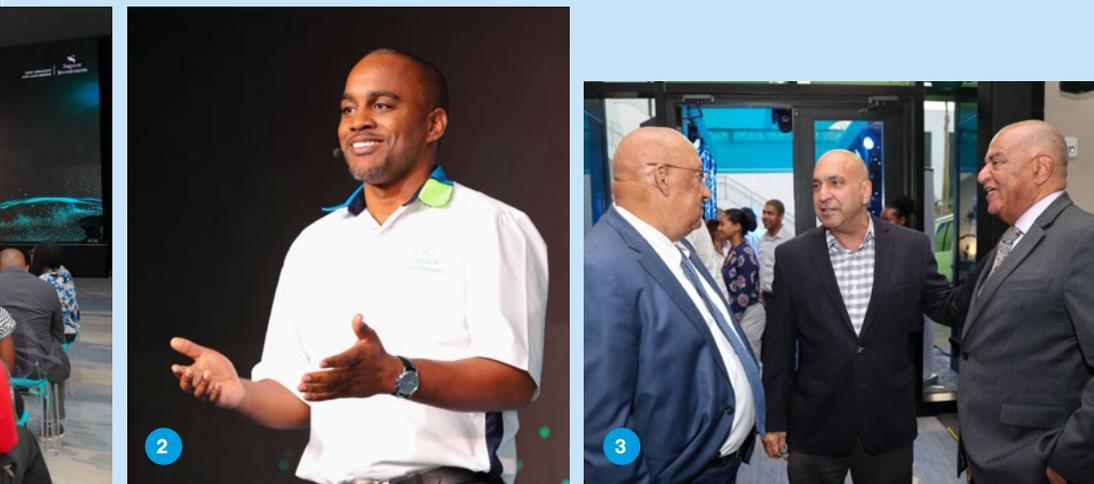
With share ownership being the number one way to wealth creation, Sagicor provided the opportunity for many Jamaicans to own portions of some of the island’s largest and most profitable

entities listed on the local stock market. In fact, with as little as J\$1,000 investors were able to buy shares and become part owners of the companies.

“We want to celebrate financial independence. We want every single Jamaican to benefit and experience what it is to own a business through the ownership of shares, which is the number one way to wealth creation. We believe that providing all Jamaicans with a path to create, grow and preserve their wealth will ultimately lead to a vibrant and strong economy,” Donaldson noted at the time.

Launched last July, the Sagicor Financial Select Fund represents the “Class B” ordinary shares of Sagicor Select Funds Limited (SSFL) – the passive listed equity fund company which holds all select funds – and consists of stocks for 23 of the island’s financial entities. Receiving an overwhelming support from investors, the fund was oversubscribed with over 20,000 applications and raised \$6.3 billion from its IPO. It was listed on the JSE in August.





1. Potential investors attentively listen to Kevin Donaldson, CEO, Sagicor Investments, at an investor briefing. 2. Kevin Donaldson, CEO, Sagicor Investments, speaking at the investor briefing. 3. Christopher Zacca (centre), President and CEO, Sagicor Group Jamaica, greets Dordridge Miller (left), Group President and CEO, Sagicor Financial Company Limited, and Barrington Chisholm, Businessman and Director of Development Bank of Jamaica, at the investor briefing held in July at the AC Marriott Hotel in Kingston. 4. Kevin Donaldson (left), celebrates the listing of the Sagicor Financial Select Fund on the Jamaica Stock Exchange (JSE) during a ceremony on August 8, 2019 at the JSE office in Kingston. He is joined by Sagicor Investments and JSE team members. 5. Reynaldo Thompson (left), Assistant Vice President – Portfolio and Fund Management, Sagicor Investments, inserts the Sagicor Manufacturing and Distribution Select Fund strip on the listing board of the Jamaica Stock Exchange (JSE). Looking on are (front row, from left): Marlene Street Forrest, Managing Director, JSE; Sara Ying Henriques, Manager – Group Treasury and Operations, Sagicor Group Jamaica; Andrea Kelly, General Manager, Jamaica Central Securities Depository (JSCD) and SCSD Trustee Service; (back row, from left) Mischa McLeod Hines, Assistant Vice President – Capital Markets, Sagicor Investments; Jodian Aris, Research Strategy Analyst; and attorney Bazil-Lee Williams of MH&Co Attorneys-at-Law. 6. (From left) Reynaldo Thompson, Assistant Vice President – Portfolio and Asset Management, Sagicor Investments Jamaica, points to the Sagicor Financial Select Fund strip on the listing board of the Jamaica Stock Exchange, during a listing ceremony on Thursday August 8, 2019. Looking on (from left) are: Kevin Donaldson, CEO, Sagicor Investments Jamaica; Suzette Whyte, Financial Controller, Jamaica Stock Exchange; and Natalie Brown, Assistant Manager, Capital Markets, Sagicor Investments Jamaica.

The market innovators later listed the Sagicor Manufacturing and Distribution Select Fund, which represents the “Class C” ordinary shares of SSFL. The company successfully raised \$2.5 billion from this IPO and purchased shares in 30 of Jamaica’s publicly traded manufacturing and distribution companies in November.

The unique investment options also track the performance of the JSE financial and manufacturing and distribution indices – another first in the Jamaican market. Through this feature, investors are able to ascertain the funds’ net asset value, market value as well as the status of the indices daily.

Sagicor Select Funds Limited (SSFL)	
Sagicor Financial Select Fund	Sagicor Manufacturing and Distribution Select Fund
“Class B” ordinary shares	“Class C” ordinary shares
23 stocks of financial entities	30 stocks of manufacturing and distribution companies
\$6.3 billion raised	\$2.5 billion raised
20,000+ applicants	5,000+ applicants
Listed August 2019	Listed November 2019

Overall, the Group financial performance was good in an environment of low interest rates, a somewhat volatile J\$/US\$ exchange rate and vibrant equity markets, especially the Jamaica Stock Exchange (JSE).

Our business structure has been created to build assets and protect our clients' financial security



D&A



OVERVIEW

The Management's Discussion and Analysis (MD&A) is intended to provide Management's perspective on the operating environment (internal and external), operating results and financial condition of Sagicor Group Jamaica (SGJ, Sagicor, or the Group). This MD&A should be read in conjunction with the 2019 financial statements dated 12 March 2020 which form a part of the Annual Report.

Sagicor Group Jamaica is a leading Financial Services Group in Jamaica, commanding the largest market share in many of the lines of business in which it operates.

At the end of the 2019 financial year, the Group maintained our position as the second-largest conglomerate on the Jamaica Stock Exchange, measured in terms of profitability. The Group has a diversified business model with the main segments of Individual Insurance, Employee Benefits and Banking (Commercial and Investments) contributing about one third each to the Group's bottom line.

The growth trend continued with improved financial results for the 20th consecutive year. The Group produced profits attributable to stockholders of \$15.65 billion, equivalent to \$4.01 per share, a 10% improvement over prior year. Stockholders' equity reached \$91.25 billion, a 23% growth for the year, after distributing dividends of \$1.44 per share.

In addition to strong revenue growth across our major business lines, the Group made a significant investment in Property and Casualty Insurance with the acquisition of a 60% interest in Advantage General Insurance Company Limited (AGIC). Our 2019 operations also included activities for a full year relating to the Sagicor X-Fund Group ("X-Fund") of which we took effective control and consolidated into SGJ from the 4th quarter of 2018, and TravelCash Jamaica Limited (TravelCash) which was acquired effective December 1, 2018. The Investment Banking line of business showed significant growth in 2019 compared to 2018.

The 2018 results included a significant "one-time" gain of \$1.52 billion on consolidation of X-Fund.

2019 FINANCIAL PERFORMANCE HIGHLIGHTS

	Dec 2019 Audited	Dec 2018 Audited	% Change
Operating Results (Income Statement Data):			
Net Profit, attributable to Stockholders - J\$ billions	15.65	14.23	10%
Total Revenue - J\$ billions	92.67	70.66	31%
Financial Position & Strength (Balance Sheet Data):			
Total Assets of Sagicor Group Jamaica - J\$ billions	460.00	394.13	17%
Total Assets under management - J\$ billions	928.17	773.71	20%
Stockholders' Equity - J\$ billions	91.25	74.34	23%
Stockholders' Equity to total assets	20%	19%	5%
	Dec 2019	Dec 2018	% Change
Profitability:			
Return on average Stockholders' Equity (ROE)	19%	20%	-5%
Return on average assets (ROA)	4%	4%	0%
Group efficiency ratio (Admin. expenses/Revenue)*	31%	31%	0%
Earnings per stock unit (EPS) - J\$	4.01	3.65	10%
Dividends paid per stock unit - J\$	1.44	1.20	20%
Other Market Information:			
SGJ Share Price - J\$	77.95	39.80	96%
Market capitalization - J\$ billions	304.44	155.44	96%

*Normalised & before segregated funds

In 2019 Sagicor Group Jamaica Limited retained the highest credit rating in Jamaica from Caribbean Information and Credit Rating Services Limited (CariCRIS). We also delivered on our corporate social responsibility through many initiatives, highlighted with activities undertaken by the Sagicor Foundation, as well as various business lines within the Group.

Factors which impact the Financial Services Sector and our Operations:

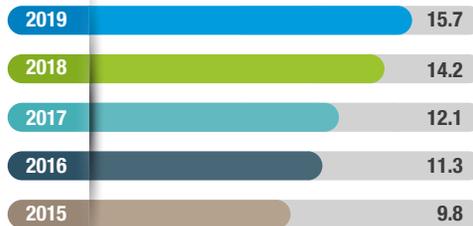
The macro-economies in which we operate, including:

- – Interest rates and yield curves
- – Currency fluctuations
- – Inflation
- – Employment/unemployment rates
- Competition, both from niche players and multi-line conglomerates
- The high cost to invest in new technologies and continually upgrade existing systems
- Emerging technologies including artificial intelligence, data analytics and use of big data
- Stringent and increasing regulations
- Complex and expanding accounting and actuarial standards
- Performance of capital markets and stock exchanges
- Cyber/data/information security

OUR PERFORMANCE

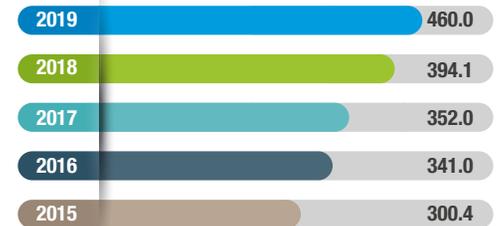
Net Profit Attributable to Stockholders

J\$ BILLIONS



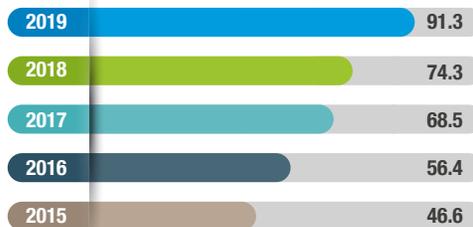
Total Assets

J\$ BILLIONS



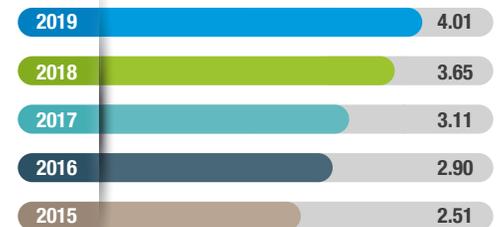
Stockholders' Equity

J\$ BILLIONS



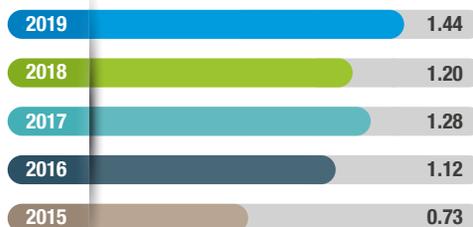
Earnings Per Share

J\$ DOLLARS



Dividends Per Share

J\$ DOLLARS



\$15.65 billion

Profit Attributable to Stockholders

The growth trend continued with improved financial results for the 20th consecutive year.

THE ECONOMIC ENVIRONMENTS

Sagicor Group Jamaica operates primarily in the economies of Jamaica, the Cayman Islands, Costa Rica and the United States. The Group also has investments in several other countries and is exposed to the macro-economic performance of these countries. Commentaries on the landscape of the main economies in which the Group operates are set out below:

JAMAICA

The overall improvement in several macroeconomic conditions continued and has positively impacted the country's ability to attract investments and the Government's ability to focus on the core areas to support continued economic growth. In September 2019, the International Monetary Fund (IMF) concluded its sixth and final review mission under the Precautionary Stand-By Arrangement. Jamaica is now viewed as an example of a country that has executed difficult economic policies to make a turnaround. The critical outcome going forward is that fiscal responsibility is entrenched, and the country is on a sustainable path to achieving economic growth in line with its potential. Having reduced the debt levels, the country is now better able to focus on creating economic growth by way of facilitating growth in businesses. The IMF has recommended "renewed attention to supply-side reforms to address

crime, support agricultural resilience, and invest in education and health care".

The Jamaican economy is estimated to have real GDP growth of 0.9% in 2019, representing the seventh consecutive year of growth. This performance was facilitated by improved macroeconomic stability, increased domestic demand supported by increased levels of employment and higher external demand for Jamaica's export. The closure of Jiuquan Iron and Steel Company (JISCO) Alpart in 2019 has hindered growth due to the downtime to replace aged equipment.

Other supply-side factors positively impacted economic performance. The increase of flights to the island by 2.5%, facilitated higher visitor arrivals. Year-over-year, the Hotels & Restaurants industry grew by 5.0%. Increased external demand for Jamaica's Hotels & Restaurants has supported the growth in the industry relative to 2018.

On the demand-side, labour market conditions improved, supporting higher economic activity as well as increased demand from the island's main trading partners in sectors such as Manufacturing and Tourism. Also, macroeconomic stability evidenced by low interest rates and stable inflation facilitated growth in the economy.

The unemployment rate as of October 2019 was 7.2%. This represented the lowest unemployment rate ever recorded in Jamaica - 1.5 percentage points

below the rate in October 2018. The reduction was supported by the addition of 29,200 jobs relative to October 2018. There was an increase in the number of persons in the Jamaican labour force relative to October 2018. The primary source of this increase was a decrease of 10,800 persons who were outside of the labour force.

For most of 2019, inflation trended toward the lower end of the targeted inflation range of 4.0% to 6.0%. As a result, the central bank continued to relax its monetary stance during 2019 to support inflation, moving closer to the middle of the range. The increases in the price of agricultural produce and higher utility rates were the main drivers of inflation. Towards the end of the year, the impact of lower energy prices was offset by increases in the cost of air travel.

Consistent with the continued developments towards achieving macroeconomic stability and reducing external debt, there was improvement in the credit ratings from all three rating agencies on long- and short-term foreign and local currency sovereigns.

Accommodative monetary conditions, as well as increased competition in the market for loanable funds, continued to support growth in overall financing in Jamaica. This was reflected in an expansion of the finance and insurance industry during the year. At the end of December 2019, the stock of loans and advances for commercial banks increased by 17.6% year-over-year. The positive trends

in business and consumer confidence are conducive to increased domestic and foreign investments, which will support increased economic activity over the medium term.

At the end of December 2019, the BOJ's weighted average selling rate closed at J\$132.57 to the US dollar relative to J\$127.72 at the start of the year. At the end of December, the YTD depreciation was 3.5%, compared to 2.0% for the similar period in 2018. In the fourth quarter, there was an upswing in the average selling rate, which peaked at J\$142.23 in November. One of the factors influencing the spike in demand for foreign currency was the heightened demand relating to portfolio transactions, combined with seasonal re-stocking by retailers ahead of the Christmas period. There was much discussion due to the apparent two-way movement in the exchange rate in October 2019, which caused a breach in the threshold of J\$140.00.

The Current Account deficit recorded in the country's Balance of Payments (BOP) declined from 10.4% of GDP in FY 2012/13 to 2.2% in FY 2018/19. The current account deficit (CAD) of Jamaica's balance of payments for January to September 2019 amounted to US\$291.1 million, relative to a deficit of US\$251.2 million over the comparable period of 2018.

Changes in the policy interest rate (interest rate offered on overnight placements at the BOJ) continued to be guided by monthly inflation data. The policy rate will, therefore, be increased if the

assessment suggests that inflation will tend to exceed the upper bound of the target, i.e., over 6.0%. The policy rate will, conversely, be reduced if inflation is projected to fall below the lower bound of the target, i.e., below 4.0%. In light of inflation falling below the lower bound of the target, the Bank of Jamaica pursued a more accommodative monetary stance. The Bank of Jamaica reduced its policy rate by 125 basis points to close the year at a policy rate of 0.50%. This movement was reflected in a lowering of the yield on treasury bills; the yields on 90-day and 180-day T-bills were 1.32% and 1.60%, respectively.

The Central Government's Primary Surplus target of 6.5% was exceeded in FY 2018/19 with an outturn of 7.5% of GDP. The over-performance was primarily due to lower-than-budgeted total expenditure by \$13.3 billion or 2.2%. The overall performance was due to lower-than-programmed expenditure, as well as a strong performance by tax revenues. The fiscal surplus outturn of \$19.2 billion was better than the budgeted fiscal deficit of \$3.9 billion by \$23.1 billion. It reflected the strong overall performance of Revenue and Grants combined with lower-than-budgeted expenditure (net of amortization).

For the 12-month period to December 2019, Central Government's operations recorded a fiscal surplus of \$29.3 billion (1.4% of GDP), relative to the surplus of \$26.6 billion (1.3% of GDP) for the similar period of 2018. The 12-month primary surplus at December 2019 was \$158.6 billion (7.4% of GDP), compared to \$155.0 billion (7.7% of GDP) at December 2018.

+7.5%
Primary Surplus

The Central Government's target of 6.5% was exceeded in FY 2018/19

Outlook

On March 11, 2020, the World Health Organization declared the novel coronavirus, designated COVID-19, a global pandemic which has subsequently changed the projected positive outlook for global growth.

The impact of COVID-19 is expected to temporarily halt economic growth and fiscal progress in Jamaica, as the country's external accounts and government finances are tested. With the closure of borders, the tourism sector and other sectors will have a negative impact on the country's revenue. The severity and duration of COVID-19 will play a crucial role on fiscal performance, external accounts and subsequent recovery.

Despite the risks to growth, Jamaica's reform has resulted in a more robust economy, an all-time low unemployment rate and a significant reduction in a high, unsustainable public debt. This will aid in cushioning the impact of COVID-19 and quicken the pace of recovery, especially in Tourism. The support by way of J\$10 billion in fiscal contingency funding, as

well as the IMF funding, will support areas of concern and balance of payments. The country has applied for financing under the IMF's rapid finance programme. This programme is without conditions and quarterly reviews, and is intended to support economic fall-out should the need arise within the context of expected lower revenues and higher expenses.

KEY ECONOMIC STATISTICS:

- Growth in Real Gross Domestic Product (GDP) was estimated at 0.9% for the 12 months to December 2019 compared to 1.8% in 2018.
- The average savings rate (domestic currency) was 1.19% at the end of December 2019. The rate at the end of 2018 was 1.10%.
- The 6-month Treasury Bill rate decreased by 47 bps to 1.60%. The rate at December 2018 was 2.07%.
- The average lending rate declined to 13.03% at the end of December 2019 from 13.19% at the end of December 2018.
- Inflation ended the 12-month period to December 2019 at 6.2%, slightly above the target (4.0% - 6.0%) and up from 2.4% last year.

- The Jamaica Stock Exchange main index grew 34%, advancing to 509,916. The market advanced 32% in 2018.
- The J\$/US\$ exchange rate showed volatility throughout 2019, characterised by cycles of appreciation and depreciation. The Jamaican dollar depreciated by 3.5% against the US\$ for the calendar year, versus 2.0% in 2018 with the weighted average daily selling price of \$132.57 as at December 2019.
- The unemployment rate declined to a record low of 7.2% at October 2019, a decline of 1.5 percentage points relative to 8.7% in October 2018.
- The primary surplus as a per cent of GDP (7.0%) for FY 2018/19 exceeded a relaxed target of 6.5% of GDP.
- The Debt/GDP declined to 96% as at March 2019 from 101% in March 2018.
- The NIR remains in a strong position, with reserves increasing by US\$0.16 billion to close 2019 at US\$3.2 billion, up from US\$3.0 billion at end of December 2018. The NIR levels remain substantially above the requirements under the country's agreement with the IMF.

180-Day T-Bill Movements



J\$ vs US\$ Exchange Rate Movements



12 Month Inflationary Changes



JSE Main Index Movements



THE CAYMAN ISLANDS

The Cayman Islands' real gross domestic product (GDP) for the first six months of 2019 was 3.1%, compared to 3.7% for 2018.

There was growth in all sectors within the economy. This growth was attributed to projected increases for hotels and restaurants 8.0%; wholesale & retail trade, repairs & installation 6.1%; construction 5.9%, and real estate 4.5%. According to the 2019 Spring Labour Force Survey, the unemployment rate decreased to 3.0% from 3.4% in the similar period of 2018.

The financing and insurance services sector, which continues to be the most significant contributor to GDP, grew by 1.9% during the six months. Indicators of financial service mostly fell in the first six months of the year. Mutual funds and stock market indicators improved while all other categories declined. The thrust towards enhanced efficiency, through consolidation, persisted among bank and trust companies during the review period. As at June 2019, the number of licensed bank and trust companies declined by 9.5% to 133. The number of mutual funds increased by 2.3% to 10,959 at the end of June 2019 relative to the end of the corresponding period in 2018.

The tourism sector benefited from a rise in air arrivals during the first half of the year, despite a decline in cruise arrivals which weighed on the total arrivals for the period. Total arrivals fell by 2.0% to 1,289,159. Stay-over arrivals remained strong for the first half of 2019, with visitors from all regional markets increasing. Tourist arrivals were supported by sustained economic growth in the major source

countries and improved marketing by the Cayman Islands.

For January–June 2019, the Cayman Islands central government's net lending (or fiscal surplus), which is revenue less expenditure, increased marginally year-over-year. Specifically, net lending rose to a record of \$178.3 million from \$178.3 million.

The uptick in net lending was due to an increase in revenue which outweighed a rise in expenditure. The increase in revenue stemmed from both the taxes and other revenue categories. In contrast, the rise in expenditure reflected higher expenses (formerly current expenditure) and net investment in nonfinancial assets (previously net capital expenditure and net lending).

The net operating balance (formerly current balance), which is revenue minus expense, increased to \$193.2 million from \$188.5 million in the first six months of 2018.

COSTA RICA

Growth of the economy for 2019 reached 2.1%, less than the 2.7% growth recorded for 2018.

Macroeconomic conditions remain broadly stable, but growth continues to be subdued. Following consecutive falls in growth from 2017 to early 2019, the economy has turned around since mid-2019, owing to a rebound in services, agriculture, and manufacturing. Inflation fell below the 2% to 4% target range set by the Central Bank. This inflation outturn reflected weaker economic activity, elevated unemployment around 12%, lower oil prices, and

a stronger domestic currency. The current account deficit narrowed, with reserve coverage at comfortable levels.

Successful implementation of the fiscal reform approved at end of 2018 and the fiscal rule that came into effect with the 2020 budget remain key to preserving macroeconomic stability and boosting confidence. The successful issuance of a US\$1.5-billion Eurobond in November 2019 helped to reduce pressures on domestic interest rates even further. Implementation of tax measures enacted in the fiscal reform law started to bring higher revenues. However, the central government primary deficit still rose to 2.8% of GDP in 2019. The overall deficit rose to 7%, its highest level in more than three decades, owing to a growing interest bill, higher capital spending, and payment of some transfers owed in 2018. The central government debt reached 58.5% of GDP, up from 53.2% in 2018.

USA

For 2019, the US economy recorded real GDP growth of 2.3%, compared with growth of 2.9% in 2018.

During the year, increases in consumer spending, government spending, business investment and inventory investment were partially offset by a decrease in housing investment as well as higher imports. Labour market conditions continue to strengthen with unemployment at its lowest level in nearly five decades. The unemployment rate at December was 3.5%, a decline relative to a rate of 3.9% in December 2018. Notable job gains occurred in retail trade and health care, while mining lost jobs.

\$92.67B
 Group Consolidated
 Revenue increased
 31% over prior year

In addition, inflation remains low and is expected to average 1.9% in 2020. This is within the Fed's target for the inflation rate.

For the second half of 2019, the US market faced looming uncertainty surrounding its ongoing trade dispute with China. The US had imposed tariffs on Chinese goods to pressure Beijing into changing its policies on intellectual property, industrial subsidies, market access, and the forced transfers of technology to Chinese firms. This resulted in roughly six months of ongoing tariff measures being implemented by both countries. Within the context of these uncertainties, the Federal Reserve reduced the target range for federal funds rate three times for a total of 75 basis points throughout the year.

FINANCIAL PERFORMANCE

Overall, the Group continued to grow its profits in an environment of low interest rates, a somewhat volatile J\$/US\$ exchange rate and vibrant equity markets, especially the Jamaica Stock Exchange (JSE).

Consolidated full-year profit attributable to stockholders was \$15.65 billion, a 10% increase over prior year. Earnings per stock unit were \$4.01 compared to \$3.65 in 2018 and the Group improved its dividend per share from \$1.20 to \$1.44, distributing dividends of \$5.62 billion to stockholders compared to \$4.69 billion in 2018. The annualized return on stockholders' equity was 19% as against 20% for 2018 as stockholders' equity grew by 23%.

This earnings performance was driven by:

- Strong portfolio growth across all business lines
- Substantial securities and FX trading gains
- Substantial growth in fee-based income
- Lower credit losses from improvement of certain bond ratings and loan recoveries in the Bank

At the same time some factors dampened the results, including:

- The volatility of the J\$/US\$ exchange rate
- Increase in Group Insurance loss ratio
- Lower yields on investment securities and declining re-investment rates

Total Group assets at December 2019 were \$460.00 billion, up from \$394.13 billion as at December 2018. Assets grew organically except for the acquisition of AGIC on September 30, 2019 and a \$2.91 billion recorded as Right-of-use assets from properties being leased under IFRS 16.

Total assets under management, as at December 2019, including Group assets, Pension Funds assets managed on behalf of clients and Unit Trusts, were \$928.17 billion, a 20% increase over the December 2018 amount of \$773.71 billion.

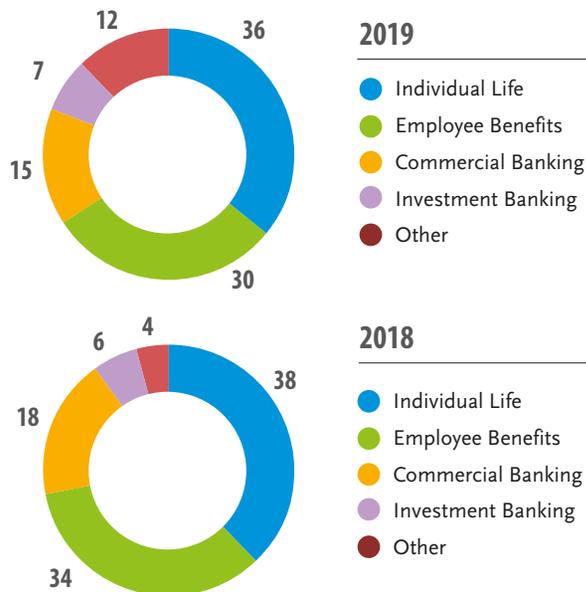
Group consolidated revenue for the year of \$92.67 billion was 31% more than the \$70.66 billion for 2018, in part influenced by the X-Fund consolidation from October 2018 and the acquisition of AGIC on 30 September 2019. In 2018 we recorded large investment credit losses which did not repeat at the same level in 2019.

Revenue by Business Segment

	2019 J\$M	%	2018 J\$M	%
Individual Life	33,645	36%	26,827	38%
Employee Benefits	27,231	30%	23,754	34%
Commercial Banking	13,854	15%	12,433	18%
Investment Banking	6,677	7%	4,583	6%
Other	11,262	12%	3,060	4%
Total	92,669	100%	70,657	100%

Revenue by Business Segment

PERCENTAGE (%)



Sagicor Group Jamaica
Net Profit by Business Segment

J\$ BILLIONS



Net premium income of \$46.51 billion increased by 17% over 2018 and accounted for 50% of total revenue. AGIC premium income contributed about 3% to this growth. Net investment income of \$16.85 billion, before capital gains and losses, was 7% better than last year despite interest rates trending down in Jamaica. The Group earned substantial gains from trading and capital appreciation of \$10.94 billion in 2019 (of which \$4.50 billion relates to stockholders) compared to \$4.19 billion in 2018. These gains were heavily influenced by growth of 34% in the JSE main index.

Fee-based income of \$13.90 billion increased by 22%, driven by growth in asset management fees, expansion of our payments channels and from increased corporate financing deals. By end December 2019, the value of the J\$ to the US\$ declined by 3.5% with wider fluctuations at points throughout the year. The Group benefited from improved realised foreign exchange trading gains and unrealised gains from the revaluation of foreign currency denominated assets.

10%
Increase in Consolidated Profit Attributable to Stockholders

20%
Increase in Total Asset Under Management

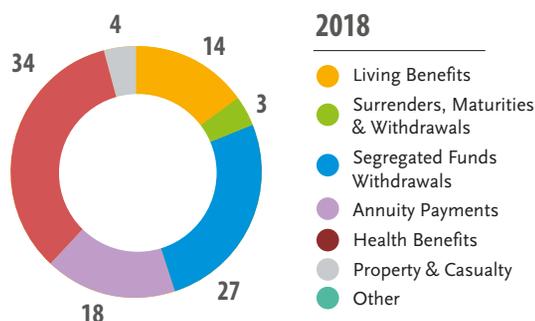
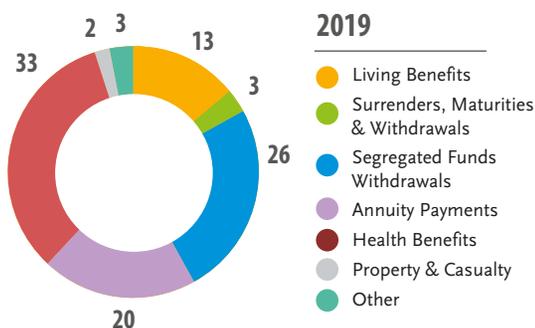
17%
Increase in Net Premium Income

7%
Increase in Net Investment Income (before capital gains and losses)

22%
Increase in Fee-based Income

Benefits by Expense Type

PERCENTAGE (%)



Benefits by Expense Type

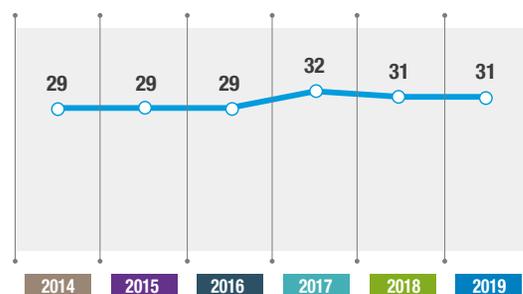
	2019 J\$M	%	2018 J\$M	%
Living Benefits	3,783	13%	3,700	14%
Surrenders, Maturities & Withdrawals	935	3%	892	3%
Segregated Funds Withdrawals	7,477	26%	6,809	27%
Annuity Payments	5,648	20%	4,473	18%
Health Benefits	9,678	33%	8,682	34%
Property & Casualty	677	2%	-	-
Other	909	3%	919	4%
Total	29,107	100%	25,475	100%

Liabilities under Annuities and Insurance Contracts

	2019 \$ '000	2018 \$ '000
Group annuities	50,017,977	45,870,027
Group insurance	4,188,044	4,059,258
Individual insurance	37,235,941	30,032,747
Total	91,441,962	79,962,032

Sagicor Group Efficiency Ratio (normalised)

% PERCENTAGE



Total benefits and expenses of \$71.87 billion were 33% more than the \$54.07 billion for 2018, due to:

- a) Higher Actuarial Liabilities mainly from growth of the Individual Insurance and Group Annuities portfolios coupled with the effect of lower interest rates.
- b) Increased policy benefits, including annuity payments, health claims, surrenders and withdrawals from Segregated policy funds, as portfolios grew. P&C claims for last quarter 2019 relating to AGIC contributed to approximately 18% of the overall increase.
- c) Consolidated administration expenses, including depreciation and amortisation of software, of \$22.63 billion was 20% higher than in 2018. Excluding the effect of acquisitions and consolidation of X-Fund, the increase was 12%. Despite this, the Group efficiency ratio of administration expenses to total revenue, a key measure of expense management, remained at 31%.

Total Comprehensive Income, including net profit for the year and movements in reserves held in Equity, increased from \$9.46 billion for 2018 to \$22.79 billion (with \$22.74 billion attributed to stockholders) in 2019.

There were higher profits in 2019 and significant unrealised gains net of deferred taxes on investment securities classified as FVOCI of \$8.79 billion. In addition, there were large unrealised foreign currency gains of \$1.75 billion

on translation of our foreign operations. These were reduced by expected credit losses recycled to the income statement on sale and maturity of FVTOCI securities of \$1.52 billion and change in actuarial liabilities charge of \$1.50 billion.

Group consolidated cash used in operating activities was \$10.42 billion compared to cash generated of \$1.43 billion in 2018, mainly influenced by higher investment/re-investment of available cash in 2019, net outflow from structured products and derivatives of \$7.73 million in 2019 versus an inflow of \$2.31 billion last year and \$3.01 billion more in income tax payments in the current year. Cash flows from Investing activities were also down in 2019 mainly due to cash outflows on acquisition of Advantage General Insurance Company and Bailey Williams Limited. Cash flows generated from Financing activities were \$16.45 billion relative to cash used of \$8.66 billion in 2018. This reflects the significant growth in customer deposits. Liquidity of the Group remained strong with Cash and Cash Equivalents at the year-end being \$17.21 billion (2018: \$15.53 billion).

\$16.45 billion

Cash Flows generated from Financing Activities

\$17.21 billion

In Cash and Cash Equivalents reflects the Group's strong liquidity

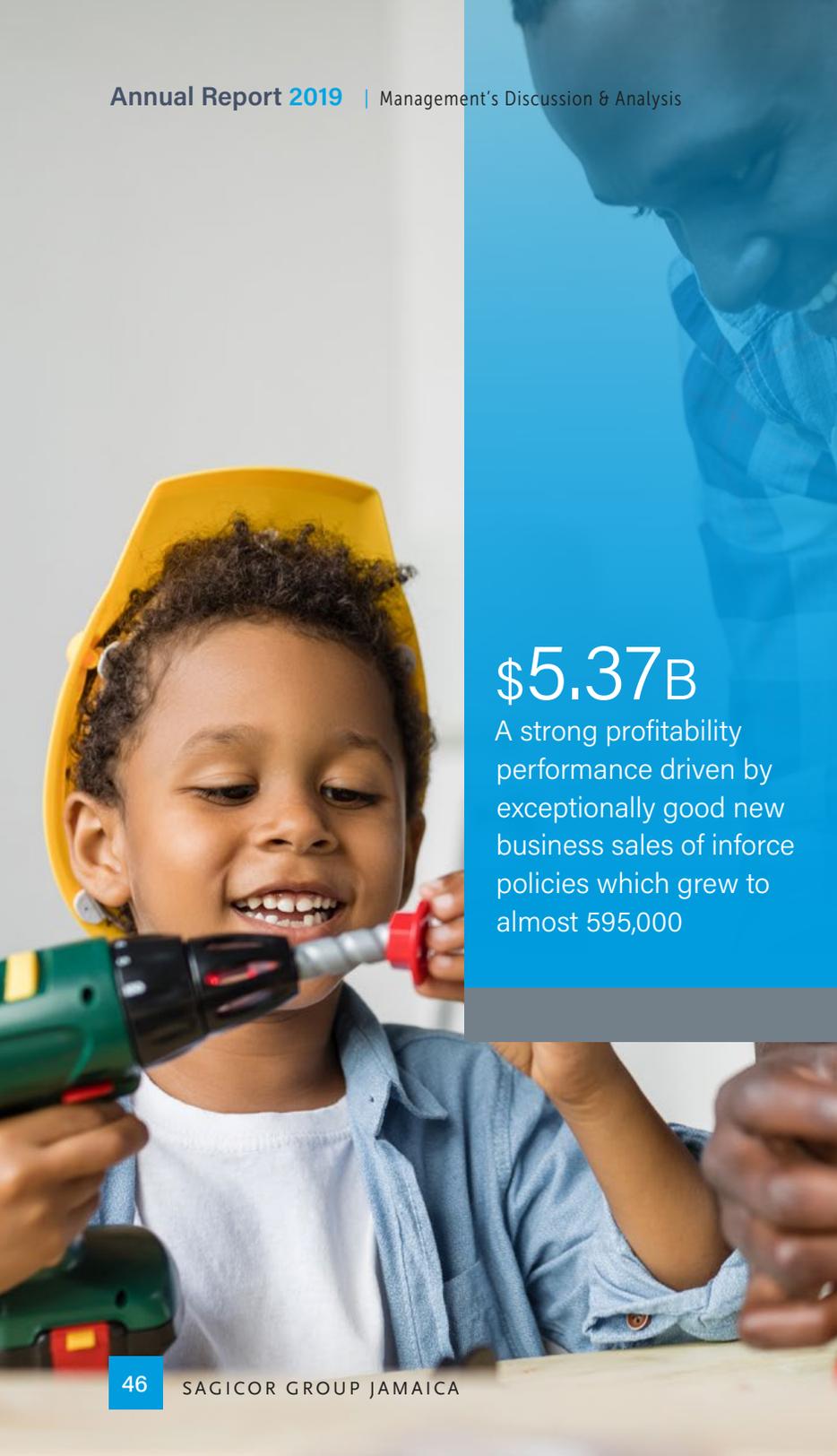
BUSINESS SEGMENT PERFORMANCE

Sagicor Group Jamaica is a multi-line Financial Services Group.

The Group's profits are generated primarily from the four large segments. The diverse business model gives the Group certain competitive advantages.

CONTRIBUTION TO NET PROFIT





\$5.37B

A strong profitability performance driven by exceptionally good new business sales of inforce policies which grew to almost 595,000

SECTOR PERFORMANCE

INDIVIDUAL INSURANCE

The Individual Insurance Division provides individual clients with life and health insurance policies, individual annuities, investment products, living benefits and other insurance-related solutions through a wide range of products. The Division is serviced through a large distribution network of 513 financial advisors in the Branch Distribution System and 36 Agency and Brokerage House Affiliates in Jamaica (Sagicor Life Jamaica or SLJ) and the Cayman Islands (Sagicor Life of the Cayman Islands Ltd or SLC).

The Division earns its revenues principally from insurance premiums; mortality charges and other fees; contributions to segregated policy funds; and investment income on assets assigned to cover the liabilities and surplus requirements of the portfolios.

This segment continued its strong profitability performance, contributing \$5.37 billion to the Group for the year (13% improvement) from revenues of \$33.67 billion. The segment continues to deliver an attractive return on the capital allocated.

The results were driven by exceptionally good new business sales and improved conservation of the inforce block of policies, which grew by 7% to almost 595,000 policies. Meaningful capital gains were also earned in this segment during the year. Key performance indicators continued to trend positively, including market share, which stood at 60% in Jamaica.

Net premium income for the Individual Insurance lines of business of \$26.47 billion was 11% higher than the comparative 2018 period, driven by the growth in new annualised premium income in Jamaica and Cayman of 7% and 14% ahead of last year, respectively.

Individual Insurance Division

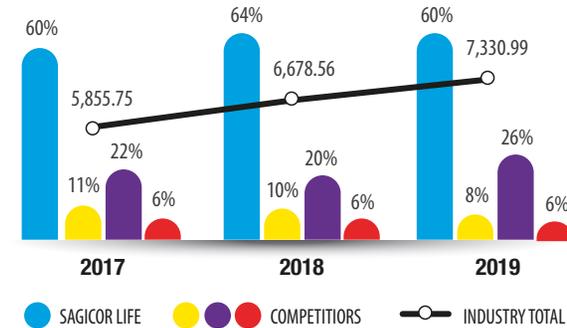
High level P&L for 2019 and 2018

	2019 J\$M	2018 J\$M	% Variance
Revenue	33,666	26,844	25.4%
Benefits	(12,273)	(11,453)	-7.2%
Movement in Actuarial liabilities	(6,098)	(1,330)	-358.5%
Commissions	(4,907)	(4,641)	-5.7%
Expenses	(3,300)	(3,048)	-8.3%
Taxes (including asset tax)	(1,717)	(1,613)	-6.4%
Net Profit	5,371	4,759	12.9%

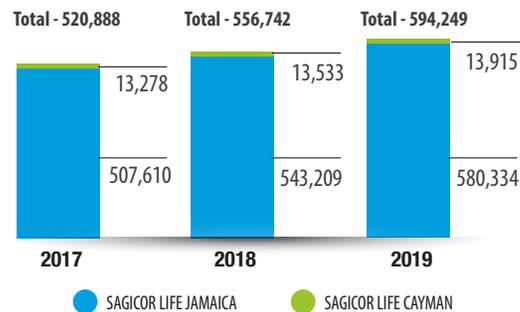
Sagicor vs The Industry

Individual Life Market Share by Gross Premium Income

YEAR OVER YEAR - (DECEMBER 2017, 2018 & 2019)



Total In-Force Policy Count



Benefits accrued or paid to policyholders were \$12.27 billion, up from \$11.45 billion in 2018, due to business expansion and withdrawals from segregated policy funds. The increase in actuarial liabilities was much higher than last year due to our growth and lower interest rates while releases for mortality experience, expenses and other efficiencies were lower this year.

In 2019, the Individual Insurance Division implemented several initiatives to improve efficiencies by leveraging the use of technology. These improvements sought to automate the onboarding process and the sales reporting process which included a Go-Green thrust to limit the use of paper. These systems included on-boarding through our P360 Web Application, allowing for the automatic settlement of coupon policies, the introduction of E-Life allowing for clients to apply for coupon and investment products using an online platform, as well as improving the delivery and accuracy of Sales Data and reports through automation as well as to lift customer experience by channelling increased usage of the Client Web interface. The Division initiated the Implementation of a Work From Home strategy which also improved efficiency, productivity and team members' life balance.

In Jamaica, the Division continues to set industry records for New Annualised Premium Income with production of \$4.21 billion, 7% more than in 2018 and maintaining market share of 60%.

This is inclusive of individual health sales activity. New Individual Life policies sold were 74,393, showing a 3% increase when compared to 2018; this was accompanied by a larger average case size compared to 2018. The number of new cases sold represented 63% (2018: 65%) of total cases sold by the entire industry.

Sagicor Life of the Cayman Islands showed marked improvement in 2019, generating New Individual Life and Annuities Premium Income of US\$1.97 million, whereas US\$1.72 million was delivered in 2018. Several operational and strategic changes made during the year in the Cayman market helped to boost performance.

Within the local landscape, a large segment of the Jamaican population continues to be under-insured or does not have insurance (underserved) or participate in an approved pension scheme, allowing for opportunities for product design and further market penetration supported by effective technologies.

The Division views these factors as opportunities for continued growth given the anticipated changes within the industry where we see new entrants, mergers and acquisitions continuing to shape the market, which creates a more competitive landscape.

A very important measure of any life insurance company's business growth is the continuous positive movement in the block of in-force policies. In 2019 the Division's block of in-force policies (combined SLJ & SLC) grew by 7% (2018 – 7%) versus a target of 5%. This represents actual policy count of 594,249.



SECTOR PERFORMANCE

EMPLOYEE BENEFITS

This Division provides group health, group life, creditor life and personal accident insurance to institutional clients and associations. The Division also provides pension fund administration services and annuity products to corporate clients. It focuses on building financial security programmes that balance the needs of both employer and employees, and remains the market leader in these areas. The Division also provides administration services to the Government of Jamaica Employers and Pensioners Health Insurance Scheme. The Division operates in a highly competitive environment where most contracts are renewed annually.

The Employee Benefits Division earns its revenue from insurance premiums; fees from funds under management and investment income generated on the assets required to support the liabilities and surplus of its insurance and annuities portfolios. The Division generated profits of \$4.29 billion on revenues of \$27.23 billion during 2019, an increase of 5% when compared to \$4.09 billion in 2018.

Segment revenue of \$27.23 billion was 15% ahead of 2018 as a result of good premium income growth.

Annuity premiums for 2019 of \$5.06 billion were well ahead of expectations. In contrast to 2018, a new bulk annuity contract was settled in 2019. Group Health premiums were slightly down on prior year and Group Life improved by 11%. Policy benefits expense of \$16.16 billion grew with the business and were 15% higher than last year contributing to the significant increase in ratio of claims to premium income. The increase in actuarial liabilities was due to portfolio growth and lower interest rate assumptions.

The annuities, group life and health portfolios continued their record-breaking performance in 2019; recording premiums which exceeded the performance of the previous year by 54%.

The Pensions line of business also showed strong performance, with \$2.16 billion in new deposits and there was regulatory reporting compliance of about 97%. Our clients continue to have a very strong, positive perception of our service delivery and continue to reward us with their loyalty (100% conservation).

Employee Benefits Division

High level P&L for 2019 and 2018

	2019 J\$M	2018 J\$M	% Variance
Revenue	27,231	23,754	14.6%
Benefits	(16,158)	(14,021)	-15.2%
Movement in Actuarial liabilities	(1,979)	(663)	-198.5%
Commissions	(1,178)	(1,187)	0.8%
Expenses	(3,032)	(2,831)	-7.1%
Taxes (including asset tax)	(596)	(959)	37.9%
Net Profit	4,288	4,093	4.7%

The Division continued to strategically pursue the growth of its insurance and pensions portfolios by expanding the reach of group insurance coverage while implementing strategies to continue to improve our customer service.

Also, as stakeholders in the pensions industry, the Division is very aware of the potential negative impact to Jamaica of low pension coverage and inadequate pension savings. Therefore, as good corporate citizens, it deliberately and strategically focused on increasing the awareness of planning adequately for one's retirement, not only among its clients but also the public at large.

The segment continues to deliver an attractive return on the capital allocated.

\$27.23 billion

Revenue generated
+15% over prior year

\$4.29 billion

Profit generated
+5% over prior year

SECTOR PERFORMANCE

COMMERCIAL BANKING

Sagicor Bank continued to improve its performance in 2019. SBJ contributed net profits of \$3.04 billion for the year, which was 7% more than the amount recorded in 2018.

These profits were produced from revenues of \$13.86 billion, which were 12% more than prior year, reflecting business expansion, trading gains and improved credit losses. Fee-based income was 10% more than in 2018 as our Payments channels continue to grow.

Total assets of \$142.48 billion were 16% above the December 2018 amount of \$122.91 billion. Loans and advances, net of provision for loan losses, were \$84.66 billion, 23% higher than the December 2018 balance.

The bank continues to reap positive results from its many strategies to grow the business, expand its client base, raise client satisfaction and improve efficiencies.

As the fourth (4th) largest Commercial Bank in Jamaica, Sagcor Bank continued to cement its reputation of being “in our Clients’ Corner” by delivering “Easy, Simple & Personal” service to clients by constantly listening to the feedback from our Clients and making further improvements to exceed expectations.

\$13.86 billion

Revenue generated
+12% over prior year

\$3.04 billion

Profit generated
+ 7% over prior year

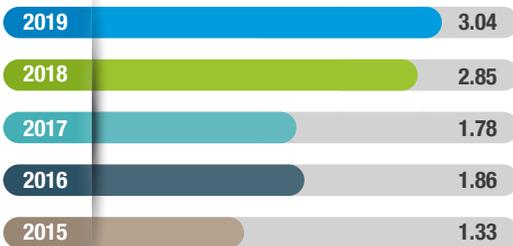
\$142.48 billion

Total Assets
+ 16% over prior year

Sagicor Bank Jamaica

Profit

J\$ BILLIONS



Sagicor Bank Jamaica

Loans to Deposit Ratio

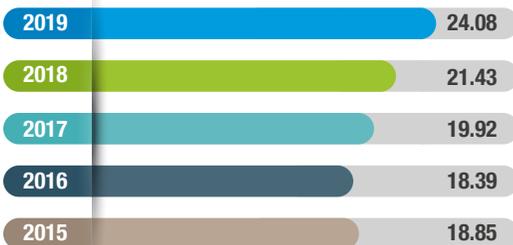
PERCENTAGE (%)



Sagicor Bank Jamaica

Stockholders' Equity

J\$ BILLIONS



Sagicor Bank Jamaica

Non-Performing Loans to Total Loans

PERCENTAGE (%)



In 2019 we focused on being efficient and effective in serving our Clients and have introduced technology that is expected to deliver cost savings over the next 2 – 3 years.

We recognize that financial inclusion is critical for the growth of our economy and continue to pursue strategies to grow Small and Medium Enterprises by establishing key partnerships and hosting seminars. The use of our flagship products SWYPE and MYCASH continued.

For the core business (deposits & loans), the loan portfolio grew by 23% and the credit card spend grew by twenty percent (20%) year over year, deposits grew by 16% to \$107.25 billion compared to \$92.26 billion.

SBJ maintained its position of being the third largest authorized foreign exchange dealer in 2019. Greater collaboration with the SBJ and the Sagicor Group Jamaica teams provided opportunities to better serve our valued clients and capitalize on some market opportunities that became available during the year.

Our lending portfolio increased by \$15.7 billion, equally driven by our corporate and retail lending activities. The new loan business was largely funded by customer deposits, which grew by \$14.99 billion. Return on allocated assets remained at 2.4%. Return on allocated equity improved over 2018.

Financial inclusion is critical for the growth of our economy and we continue to pursue strategies to grow Small and Medium Enterprises

The second of two tranches, Class B 8.25%, \$1.41 billion cumulative non-convertible redeemable preference shares set to mature on March 1, 2020, was repaid early on June 3, 2019. This brings the total Capital Redemption Reserves to \$2.06 billion in 2019.

Total revenue of \$13.9 billion increased by 12% or \$1.46 billion over the 2018 financial year. This revenue comprised net interest income, fees and commission income and other fee-earning activities. Net interest income increased by 13% due to favourable market conditions and consistent with the increase in the loan portfolio, while net interest margin remained flat at 8%.

Non-interest income grew 4% over the prior year. Non-credit related fee income was the main driver as it accounted for 57% of our non-interest income activities. This improved performance was driven by the strategy to grow our electronic channels, including the delivery of new credit card products and other initiatives.

Operating costs increased by 5% over the prior year. This was largely driven by operating expenses which grew by 16%. The major contributors to the operating expenses related to technology due mainly to upgrades and/or new product enhancements and increased costs relating to our electronic channels, as well as increased expenditure on advertising, promotion and staffing.

The Bank reported after-tax profits of \$3.04 billion for the year ended December 31, 2019, an increase of 7% compared to last year's \$2.85 billion.

Sagicor Bank Key Performance Indicators

Indicators	2019	2018
Profitability		
Return on assets	2.29%	2.30%
Return on equity	13.37%	13.80%
Efficiency		
Operating efficiency	64.61%	67.74%
Net interest margin	7.94%	8.08%
Credit Quality		
Non-performing loans to gross loans	1.74%	2.81%
Provisions to total loans	1.57%	2.44%
Financial leverage		
Deposits to total assets	75.27%	75.06%
Capital Adequacy		
	14.07%	15.18%

Commercial Banking Division

High level P&L for 2019 and 2018

	2019 J\$M	2018 J\$M	% Variance
Revenue	13,862	12,398	11.8%
Expenses	(8,956)	(8,203)	-9.2%
Taxes (Corporation & Other)	(1,863)	(1,342)	-38.8%
Net Profit	3,043	2,853	6.7%

\$13.9 billion

Total Revenue
+12% over prior year

\$3.04 billion

After-tax Profit
+7% over prior year

\$107.25 billion

Total Deposits
+16% over prior year

\$84.7 billion

Total Loan Portfolio

13%

Increase in Net Interest Income



US\$700B

Total deal flow for another record year for our Capital Markets Unit

SECTOR PERFORMANCE

INVESTMENT BANKING

Sagicor Investments generated net profit of \$2.89 billion, showing growth of 42%, excluding the share of AGIC earnings. The major contributors to this significant increase in earnings were strong growth in net trading income and fee-based income.

Sagicor Investments is the investment banking, asset management, trading and wealth management arm of Sagicor Group Jamaica. In 2019, our strategic intent was the continued diversification of our earnings profile, while strengthening our core businesses. This strategy was executed with several notable successes.

Our Asset Management section embarked on several new initiatives, raising over \$7 billion in funding for our Select Funds, a transparent listed equity fund which tracks both the financial index and manufacturing index. The flagship of this unit, Sigma continued to lead the market both in performance and funds under management. We take pride in being able to offer a solution for our clients' needs as they seek to create, grow and preserve their wealth.

Our Capital Markets unit had another record year, with the execution and underwriting of several large deals. Total deal flow for 2019 was over US\$700 billion. Our intent was to establish ourselves as a regional financier. This was achieved with the execution of several inter-regional deals with our partners.

Treasury & Trading, operating in a dynamic market, had several exceptional performances. We were the #1 Stockbroker in Jamaica with over 30% of the trading value on the market. We also take pride in continuing to lead the market in driving down transaction costs and innovation. During the year, we lowered online commissions and encouraged the use of this tool while providing research tips. The treasury team had an excellent year in terms of trading.

We also diversified our balance sheet by taking private equity stakes in emerging businesses as well as raising additional capital. We expect private equity to be a strong part of our growth in coming years. We have established relationships with Proven private equity managers and expect that this will be another tool to enable growth for our stakeholders.

Our Wealth Management teams located in the Kingston Metropolitan Area, West, North and Central Regions continue to provide our clients with tremendous service, as evidenced by our industry leading Net Promoter Score of 54%. The efforts of revenue teams was bolstered by our business support unit and group treasury operations delivering efficient service.

Sagicor Investments continues to seek innovative ways to meet our client's needs as our mantra remains to enable the creation, growth and preservation of wealth.

Total revenue of \$6.65 billion increased by 44% or \$2.03 billion over the 2018 financial year. This revenue comprised net interest income, fees and commission income and trading income. Net interest income was 3% lower than 2018 as the company continues to focus on the growth of the off-balance sheet portfolios. Consequently, net interest income contributed 23% of the operating income compared to 31% in 2018. Net interest margin fell to 2.0% compared to 2.2% in 2018.

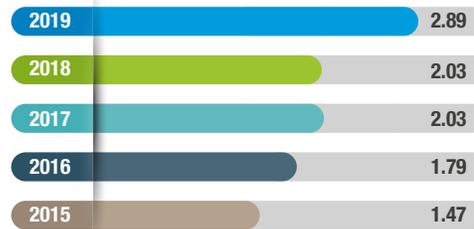
Non-interest income comprised 77% of total revenue, up from 69% in 2018. This source of revenue shows a 47% increase over the prior

year resulting from net trading income growth of 54% and the execution of an increased number of corporate financing deals during the year. Fees and commission income achieved solid growth of over 45%.

Operating costs increased by 8% over the prior year primarily from increased team member costs.

The segment reported after-tax profits of \$2.89 billion for the year ended December 31, 2019, a 42% increase over prior year. Return on equity was 21.4% compared to 18.7% in 2018. The return on allocated assets increased to 3.2% compared to 2.6% in 2018 due primarily to an increase in earnings.

Sagicor Investments Jamaica
Profit
J\$ BILLIONS



Sagicor Investments Jamaica
Stockholders' Equity
J\$ BILLIONS



Investment Banking Division

High level P&L for 2019 and 2018

	2019 J\$M	2018 J\$M	% Variance
Revenue	6,649	4,623	43.8%
Expenses	(2,292)	(1,663)	-37.8%
Taxes (including asset tax)	(1,471)	(928)	-58.5%
Net Profit	2,886	2,032	42.0%

Sagicor Investments Key Performance Indicators

Indicators	2019	2018
Profitability		
Return on assets	3.22%	2.56%
Return on equity	21.44%	18.67%
Efficiency		
Operating efficiency	36.60%	38.57%
Net interest margin	1.98%	2.19%
Financial leverage		
Interest bearing liabilities to total assets	78.10%	82.55%
Capital Adequacy	19.64%	13.87%

42%
Increase in after-tax Profit

SECTOR PERFORMANCE

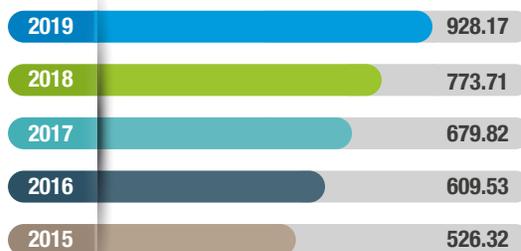
SAGICOR GROUP TREASURY AND ASSET MANAGEMENT DIVISION

Group Treasury & Asset Management is geared towards the effective management of key financial assets of Sagicor Group Jamaica Limited. This was engineered to improve profitability through a single oversight of investment decisions for financial assets, with due consideration to risks across all business lines. Key risk objectives impacted are:

- Policy and regulatory compliance
- Liquidity Management
- Concentration risk
- Financial Risk Management
- Internal controls

To effectively utilise the Group's assets, Group Treasury & Asset Management Division includes a matrix structure to allow coordination of the Treasury-related activities of Sagicor Life Jamaica, Sagicor Life Cayman, Sagicor Bank and Sagicor Investments Jamaica Limited.

Sagicor Group Jamaica
Funds Under Management
J\$ BILLIONS



Group Treasury and Asset Management's function also incorporates oversight for:

- Commercial real estate including assessment, project management & development, sales, property management, and maintenance
- Sales and administration of mortgages for policyholders, team members and administration for third parties

- Pension Fund Management related to investment decisions, execution, reporting and relationship management

The Division successfully re-engineered the Group Treasury operational functions that support the management of our financial assets and continues to enhance our processes to improve investment decision-making and efficiency.

Group Treasury Operations coordinates activities related to settlement, liquidity and regulatory risk while providing internal control for Treasury-related activities.

The key financial assets cover various portfolios which include pension clients, annuitants, individual policyholders, investment and insurance clients, as well as stockholders.

As at December 31, 2019, the Division's total assets under management totalled \$707.54 billion.

Sagicor Life General Fund

The total invested assets of Sagicor Life Jamaica General Fund increased 4% from \$97.42 billion in 2018 to \$100.98 billion at the end of 2019. The portfolio generated income before capital gains and interest expense of \$7.23 billion, representing a yield of 7.4%. Sagicor Life Jamaica's General Fund is invested primarily in Government of Jamaica bonds denominated in JMD and USD, as well as other sovereign and corporate bonds and notes, mortgage loans, equities and real estate.

The invested assets of Sagicor Life of the Cayman Islands' General Fund increased by 14% to \$15.67 billion at the end of 2019. The investments in this portfolio are heavily weighted towards international corporate bonds with an Investment Grade rating at acquisition. The portfolio produced income of \$817.19 million, before capital gains and interest expense charges, with a yield of 5.4%.

Segregated Policy Investment Funds

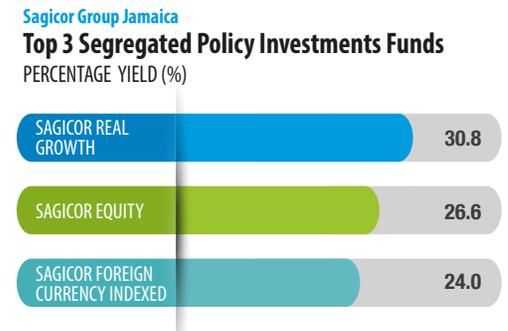
Sagicor manages segregated investment funds on behalf of policyholders of both Sagicor Life Jamaica Limited (SLJ) and Sagicor Life of the Cayman Islands (SLC). The policyholders share all the rewards and risks associated with the performance of these funds. SLJ's segregated investment funds under management totalled \$34.02 billion at the end of 2019, representing a 20% increase over the

\$28.43 billion at the end of 2018. The funds are unitised and provide clients with the opportunity to create diversified portfolios across asset classes, mainly local and international stocks, bonds and real estate, both locally and globally. In addition, policyholders can structure their portfolios and invest in assets that protect against the major investment risks, namely currency risk, interest rate risk and inflationary risks.

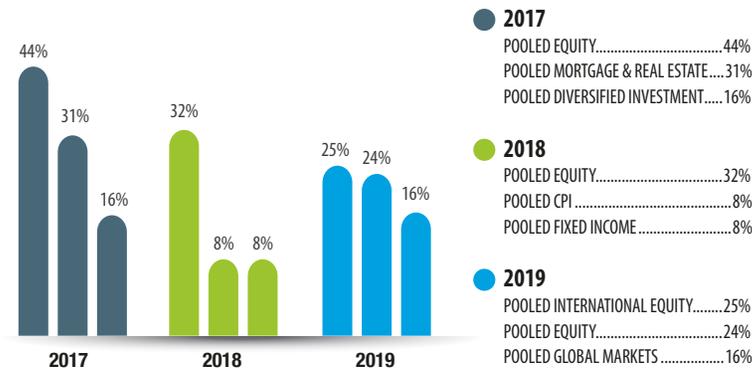
The Sagicor Real Growth, Equity and Foreign Currency Indexed funds were the top performing funds generating positive double-digit returns of 30.8%, 26.6% and 24.0% respectively, with the Balanced and International Equity funds each providing a return of 11% for its investors.

The SLJ segregated funds continue to create wealth and has generated solid medium- to long-term returns for our policyholders over the past 30 years.

SLC's segregated funds under management totalled \$3.17 billion, an increase of 19% over the prior year. These funds are invested in global equities and fixed-income securities. As at the year-end, all funds generated positive double-digit returns for investors, with the International Equity, Investment and Fixed Income funds providing a return of 22.3%, 20.0% and 15.7% respectively.



Sagicor Group Jamaica
Top 3 Performing Pension Funds 2017 -2019
 PERCENTAGE RETURN (%)



Pension Funds

Sagicor Life Jamaica, as a licensed investment manager, operates three pension investment structures as follows:

- Type I Pooled Funds
- Self-Directed Funds
- Deposit Administration

The total pension funds under management as at December 31, 2019 stood at \$247.54 billion, which represent an increase of 13% over 2018 of \$219.00 billion. We offer our clients the most flexible and diverse range

of investment options of local and global stocks and bonds, as well as a diversified real estate portfolio that spans commercial, warehousing and tourism properties diversified across Jamaica and the region. This allows pension fund trustees to efficiently diversify, thereby reducing the overall level of investment risk for their respective pension plans. The structure also facilitates better duration matching of the pension liabilities and assets. The Pooled Funds comprise nine unitised funds, the assets of which are segregated from the assets of SLJ, and held under trust arrangement via a wholly owned subsidiary

company, Sagicor Pooled Investment Funds (PIF) Limited. Sagicor manages pension funds on behalf of corporate clients as approved superannuation funds, as well as for individuals through an approved retirement scheme known as 'Sagicor Lifestyle'.

The 12-month performance of our pooled funds occurred within the context of a concerted effort on the part of the Government to improve the country's debt position and overall fundamentals. Key macroeconomic indicators, such as inflation and the country's Net International Reserves (NIR), continue to be within ranges deemed to be adequate. Debt to GDP has fallen below the 100% mark. The labour force continues to strengthen with the unemployment rate at 7% and the stock market giving strong performance as market interest rates remain low.

The top performing Pooled Fund was the Pooled International Equity Fund, which generated 12-month returns of 25.1%, followed by Pooled Equity and Pooled Global Markets which generated a return of 23.9% and 16.3%, respectively. Sagicor has a proven track record of pension fund management spanning over forty-five years, and we continue to deliver strong performance through the experience, dedication and hard work of our team. We are proud of our achievements, which include being Jamaica's top investment manager both in funds under management and performance.

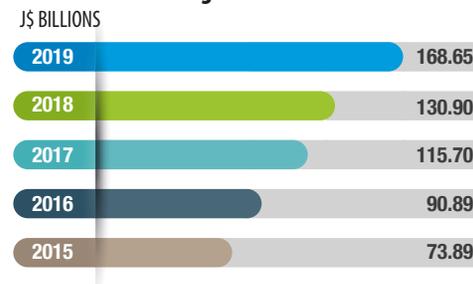
As the leading investment manager in Jamaica, our objective remains to generate real long-term investment growth for our clients based on a prudent long-term asset allocation strategy which incorporates the process of diversification. We thank you for your continued confidence in us, and we look forward with optimism as we aim to strengthen our relationship with you, our clients, for many years to come.

Sagicor Sigma Global Funds

Sagicor Sigma Global Funds maintained its coveted position as the largest collective investment scheme (CIS) in the region. Total funds under management grew by 29% to \$168.65 billion in 2019. The expansion in Funds Under Management (FUM) was driven by the solid performance of the respective portfolios and the continuing growth in the rate of subscription.

The Sigma Equity Fund, which comprises mainly JSE listed companies, was the top performing portfolio, generating outstanding returns of 31.2%. Sigma Global Equity (+20%) and Sigma Global Equity (USD) (+21%), which has exposure to the US equities market also provided excellent returns for 2019. Sigma Global Venture Fund also generated strong returns for our clients (+19%), along with Sigma Global Bond Fund (+12%). Despite the financial market challenges, the Sigma Global Funds continue to outperform established benchmarks, a testament to the expertise of our fund managers.

Sagicor Sigma Global Funds Funds Under Management

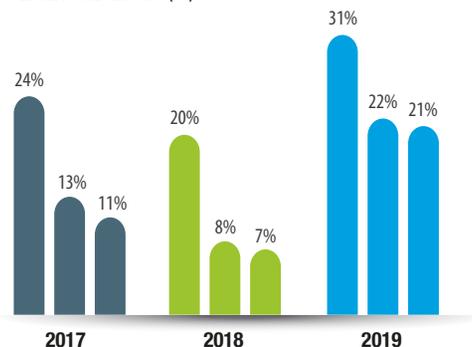


\$168.65 B

Total Funds Under Management
Largest Collective Investment Scheme in the region

Sagicor Sigma Global Funds Top 3 Performing Funds 2017 -2019

PERCENTAGE RETURN (%)



- 2017**
 SIGMA EQUITY 24%
 SIGMA DIVERSIFIED PORTFOLIO 13%
 SIGMA REAL ESTATE 11%
- 2018**
 SIGMA EQUITY 20%
 SIGMA GLOBAL VENTURE 8%
 SIGMA BOND 7%
- 2019**
 SIGMA EQUITY 31.2%
 SIGMA GLOBAL EQUITY (USD) 21.7%
 SIGMA GLOBAL EQUITY (JMD) 20.9%

Sagicor Property Services Limited (SPS)

Sagicor Property Services Limited (SPS), our property management subsidiary, provides property management (including property maintenance), leasing, project management, real estate sales and rental services for Sagicor Group-owned and third-party properties.

The primary revenue sources for SPS are fee-based income from the various services offered. In 2019, property management fees earned by SPS was \$126.08 million, which was 6% above the annual target. The annual targets for real estate sales commissions, leasing commission, profits and contribution to the Group's profits and overheads were also all exceeded.

At the end of 2019, SPS managed approximately 4.5 million square feet of prime commercial and residential real estate across the island, making the company one of, if not the largest private property managers in Jamaica.

SPS' goal is to leverage all the key business lines to increase its value added to the Group through several strategies. The continued growth in the real estate market offers a significant opportunity for SPS to position itself both for Sagicor-owned and third-party opportunities.



Sagicor Real Estate X Fund

Sagicor Real Estate X Fund Limited (X Fund), a St. Lucian International Business Company, is the largest publicly traded real estate investment company in Jamaica on the Jamaica Stock Exchange ("JSE"). Sagicor Group Jamaica has a total shareholding of 29.31% in X Fund.

The X Fund Group comprises:

Sagicor Real Estate X Fund Limited (SREXF)

X Fund Properties Limited (XFP)

X Fund Properties LLC (XFLLC)

Jamziv Mobay Portfolio Limited (Jamziv)

X Fund maintains full ownership of the DoubleTree by Hilton at the entrance to Universal Orlando ("DTO")

in Orlando, Florida; a reduced position in the Sigma Real Estate Portfolio ("Sigma Real Estate"); now carries a 23% holding in Jewel Grande Montego Bay ("Jewel Grande") and owns 61% of Jamziv Jamaica Limited (which owns 15% of Playa Hotel & Resorts Ltd). We expanded our reach in the tourism market, through a partnership with Playa Resorts NV in 2018, which has exposed us to a diversified portfolio of hotel properties across the Caribbean and Latin America.

X Fund Group earned revenues of \$6.30 billion for the year, which represented a 28% decrease compared to 2018 as a result of the change in the business model, i.e. reduced direct ownership of hotels, with hospitality investments mainly through an Associated Company. The group generated a net loss of \$38.31 million compared to a net profit of \$154.35 million reported for 2018. The prior year results included a one-time gain of \$264 million recognized from the sale of the Jewel hotels.

Sagicor Insurance Managers

Sagicor Insurance Managers Ltd. (SIM), our Cayman Islands subsidiary which manages Captive Insurance Companies, continues to make a positive contribution to Group results. Among its client base are private sector companies and the prestigious Caribbean Catastrophe Risk Insurance Facility, Segregated Portfolio Company (CCRIF SPC), the first multi-country risk pool in the world, which provides Parametric Insurance products to 19 Caribbean governments and 3 Central American government. SIM has provided insurance management services to CCRIF SPC since its inception in 2007.

SIM has been at the forefront of initiatives for CCRIF SPC as it expands its service offerings to regional governments.

Current service offerings include Earthquake and Tropical Cyclone policies from inception, the Excess Rainfall Product offered from 2015/16 and plans for

new Drought and Electric Utilities Products in the 2020/21 policy year. Parametric Insurance coverage has been taken up by Central American countries for the first time in 2015/16 underwritten by its own segregated portfolio. There are currently 3 countries in this portfolio.

CCRIF SPC also offers a Technical Assistance programme to member countries. This includes a Small Grants Programme which supports small disaster risk management projects being implemented at the community level. By this means, CCRIF SPC finances small projects that are conceptualised and managed by non-governmental organisations (NGOs), community-based organisations (CBOs), charity organisations in local communities as well as academic institutions across Caribbean CCRIF member countries and/or CARICOM member countries. The University of the West Indies is a CCRIF SPC beneficiary under this programme through its UWI Scholarship Programme.

This is aimed at enhancing the development of expertise and capacities in the region in the area of Disaster Risk Management.

SIM continues to provide value-added services through partnerships with risk intermediaries, insurance and reinsurance companies in the region and elsewhere.

Sagicor Costa Rica

Sagicor Costa Rica, a joint venture with Banco Promerica, received approval in 2013 to operate as a composite insurance company. We can conduct business in the Costa Rican Life and P&C insurance business. The build-out of products, distribution and administrative capacity is ongoing.

The joint venture contributed positively to the Group's results in 2019 and future growth is expected.

CAPITAL STRENGTH

Our Capital ratios are well above required minimums set by industry regulations. Through various Management Committees and Board Committees, the Group actively manages capital allocations and returns on capital employed.

The Jamaica Insurance Act and Regulations require life insurance companies to carry a Minimum Continuing Capital and Surplus Requirement (MCCSR) ratio of at least 150%. The MCCSR measures the ratio of available capital to required capital for insurance companies. Sagicor Life Jamaica Limited (SLJ) carried a ratio of 179.4% as at December 31, 2019, compared to the ratio for last year,

CAPITAL RATIOS

Regulated Entities	Key Regulatory Ratios	Minimum Statutory Requirements	Dec 31, 2019	Dec 31, 2018
Sagicor Life Jamaica Limited	Minimum continuing capital and surplus requirements ratio (MCCSR)	150.0%	179.4%	183.8%
Sagicor Bank Jamaica Limited	Regulatory capital to risk weighted assets ratio	10.0%	14.1%	15.2%
Sagicor Investments Jamaica Limited	Regulatory capital to risk weighted assets ratio	10.0%	19.6%	13.9%
Sagicor Life of the Cayman Islands Limited	Minimum capital requirement (MCR)	125.0%	475.9%	399.0%
Advantage General Insurance Company Limited	Minimum capital test ratio (MCT)	250.0%	388.0%	473.9%





A.M. Best - Sagicor Life

B++
Financial Strength Rating

bbb+
Issuer Credit Rating

Stable
Outlook

Cari Cris - Sagicor Life

jmAAA
Jamaica National Scale
Highest Credit Worthiness
Rating for a Jamaican Company

Stable
Outlook

which was 183.8%. The slight reduction is due primarily to retained earnings growth tempered by dividend distributions to its parent company and increased negative reserves.

The Cayman Islands Insurance (Capital and Solvency) (Class A Insurers) Regulations stipulate that the minimum capital requirement for a local Class A insurer shall be the greater of US\$300,000 or the square root of the sum of the square of five risk components – assets, policy liabilities, subsidiaries, catastrophe exposure and foreign exchange. The prescribed capital must be at least 125% of the minimum capital requirement. As at the balance sheet date, the prescribed capital requirement for Sagicor Life of the Cayman Islands Ltd (SLC) was US\$10,882,000 (2018: US\$13,801,000) and available capital when expressed as a percentage of prescribed capital was 475.9% (2018: 399.0%). This improvement was mainly due to lower asset default risk, increased investment reserves and growth in retained earnings. At the same time, the MCCR ratio for Sagicor Life Cayman (SLC), based on Canadian Regulatory Standards, was 249.4% (2018: 278.3%).

Capital adequacy of Sagicor Bank Jamaica Limited and Sagicor Investments Jamaica Limited is managed in accordance with techniques based on guidelines developed by the Financial Services Commission (FSC), The Bank of Jamaica (BOJ), Basel 11 and the Board of Directors Risk Management Committees. The regulated required capital base to risk weighted assets is 10% for both entities. At the year-end Sagicor Investments Jamaica Limited (SIJL) had a ratio of 19.6% (2018: 13.9%) and Sagicor Bank Jamaica Limited (SBJ) 14.1 % (2018: 15.2%).

INDUSTRY RATINGS

Presently, financial ratings are only conducted for the largest subsidiary, Sagicor Life Jamaica Limited (SLJ). These ratings provide an independent opinion of SLJ's financial strength as an insurer and its ability to meet its obligations to policyholders.

In September 2019, A. M. Best rating agency affirmed the Sagicor Life Jamaica Limited (SLJ)'s Financial Strength Rating (FSR) of B++ (Good) and an Issuer Credit Rating (ICR) of bbb+ with a stable outlook.

SLJ also retained the highest creditworthiness rating of jmAAA on the Jamaica national scale with a stable outlook, from Caribbean Information and Credit Rating Services Limited (CariCRIS).

Sagicor Group Jamaica Limited (SGJ) retained the highest credit rating in Jamaica from Caribbean Information and Credit Rating Services Limited (CariCRIS).

The ratings attributed to SGJ carry a stable outlook and are:

- CariA (Regional Scale Foreign Currency)
- CariA+ (Regional Scale Local Currency)
- jmAA+ (Local Scale Foreign Currency)
- jmAAA (Local Scale Local Currency)

The CariCRIS ratings were awarded following a review in February 2020.

ACCOUNTING CHANGES

From 1 January 2019, the Group adopted the requirements of International Financial Reporting Standards (IFRS) 16 "Leases" which sets out the principles for the recognition, measurement and disclosure of leases that are in scope. Prior periods have not been restated as allowed by the standard. The impact on the December 2019 financial statements was recognition of a Right-of-use (ROU) Lease asset of \$2.91 billion and a Leases liability of \$3.08 billion on the balance sheet. The Income Statement includes Interest cost on the Leases liability of \$194.45 million and amortisation charges on the ROU asset of \$557.63 million. The net charges to the Income Statement are higher than the Leases payments which are now taken from the Leases liability balance. These accounting changes do not affect cash flow.

ACQUISITIONS

On 30 September 2019, the Group acquired 60% of the share capital of Advantage General Insurance Company Limited. This investment will give us a stronger foothold in the insurance market and afford clients, team members, shareholders and the wider Jamaica an expanded suite of financial products and services. Post-acquisition results have been included in these consolidated accounts.

On 30 November 2019, the Sagicor Life Jamaica Limited purchased 70% of the issued share capital of Bailey Williams Limited. The transaction was accounted for as an asset purchase, as at the time of the acquisition, Bailey-Williams was not a business,

as defined by IFRS 3. In accounting for the asset purchase, the purchase consideration for the shares was allocated among the identifiable assets in proportion to their relative fair values. There was no fair valuation of the identifiable assets which were recognised on acquisition. As stipulated by IFRS 3 for asset acquisitions, no goodwill or negative goodwill was recognised. Non-controlling interest in the transaction was determined by reference to the non-controlling interest's proportionate share of the value of the assets recognised.

OPERATIONAL CAPABILITIES AND TECHNOLOGY

Sagicor Group Jamaica's operational capabilities include the mix of team members, financial advisors, brokers, health-care providers, consultants, suppliers and all other entities along the supply and value chains. We carefully manage and synchronise the roles of the entities that contribute to the delivery of our offerings. For those internal, there are a number of ongoing programmes, including envisioning and training. Strong relationships are built with external partners to ensure the best value and convenience for our clients.

In addition to our people, internal systems, processes and structures are pivotal to the delivery of the promise. We cultivate a competitive environment that spurs innovation and is performance driven. We continuously seek to improve operations by streamlining workflows, automating processes and leveraging the best available technologies. Indeed, there are a high number of new initiatives each year and the most outstanding are recognised at the

Annual Awards gala in March, where we celebrate excellence in achievements.

Operations are governed by best practice frameworks and guidelines. Sagicor believes it has the capacity to achieve the strategies designed and objectives set.

Use of Technology

Sagicor Group recognises the criticality of technology as an important lever of business, especially in financial services. It is our vision to develop the Group as a leading digital financial services organisation in the Caribbean.

We strive to deliver reliable, innovative and cutting-edge technologies for business growth, new capabilities, efficiencies, penetration into new market segments and to offer a superior client experience.

To realise our vision of becoming a leading fully-integrated financial services player in the Caribbean through:

- Data Analytics
- Innovation and Digital Transformation
- Increased focus on resilience, data privacy and protection
- Providing platforms to underserved market segments

Data Privacy and Security

The Group understands its obligations to our customers, regulators and various data protection standards bodies. In this regard, the Group treats the reliability and security of its information, technology infrastructure, and customer databases as a top priority. We have implemented and continually maintain or improve the requisite policies, standards, procedures and technologies required to protect against, detect and report on critical system failures, loss of service availability or any material breach of data privacy and security, particularly involving confidential customer data.

We value the trust of our clients and we understand that handling their information with care is one of the most important responsibilities. As such, only team members who need to know a customer's information or to perform certain functions are provided with authorised access, which is also monitored.

The Group operates under a detailed and rigorous cyber/data/information security policy and programme designed to protect the confidentiality, integrity, and availability of our customers' information.

The Board of Directors has approved this policy and programme, and the Board is kept informed of the overall status of our cyber/data/information security programme. The cyber/data/information security programme is also subject to ongoing examination by auditors and regulators. In addition, we have a strict code of ethics for all employees. This code requires confidential treatment of customer information.

Additionally, all employees with access to customer information must complete information protection training annually. The Group also maintains physical, electronic and procedural safeguards to protect against unauthorised access to customer information.

Business Continuity

Sagicor Group Jamaica is committed to maintaining ongoing operations for our various stakeholders. We recognise that certain uncontrollable events may cause interruptions to our normal operations. In preparation for such events, we have developed continuity of operations and response plans to ensure enough resources are available for the recovery of critical business operations. Included in these plans are the following:

- A Corporate Business Continuity Plan (BCP), which includes a Crisis Management Plan (CMP)
- A Corporate Emergency Response Plan (ERP)
- An Information Technology Disaster Recovery Plan (IT DRP), which includes an Incident Response Plan (IRP).

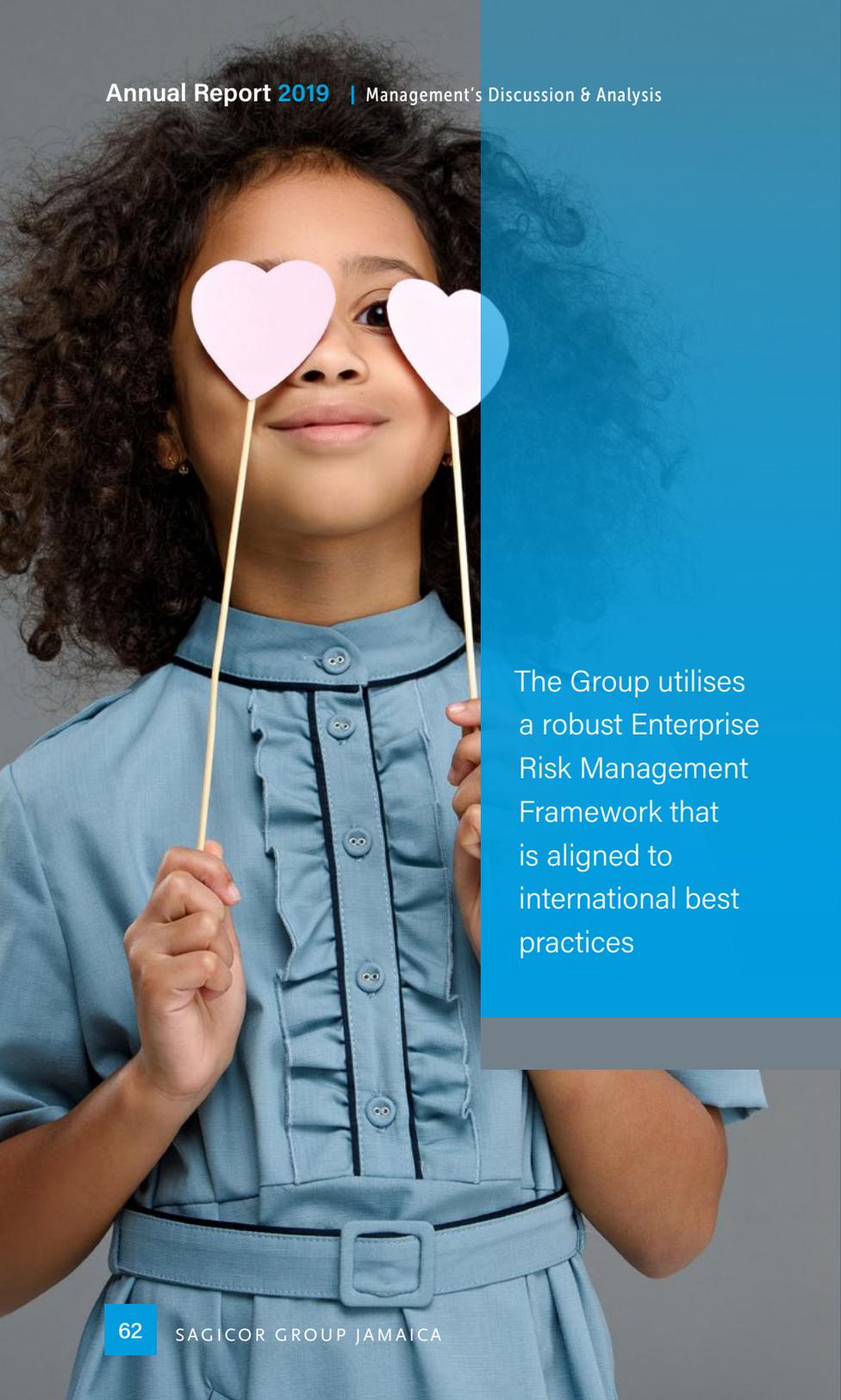
The Corporate Business Continuity Plan (BCP) was developed with input from all business units, critical business partners and approved by the Board of Directors. The BCP ensures the continuity of critical business functions in the event of a recoverable business disruption and helps to minimise the impact on team members, customers and other stakeholders, thus enabling the continued provision of certain critical services in the event of a disruption, crisis or emergency. The BCP seeks to address events such as natural disasters, loss of utilities,

loss of services by external providers, organised &/or deliberate disruption and other organisational threats. The Crisis Management Plan includes the processes that will be taken to respond to a critical situation (physical or non-physical) that could negatively affect profitability, reputation or our ability to operate.

The Corporate Emergency Response Plan (ERP) was developed in synchrony with the BCP and is aimed at protecting employees, visitors, contractors and anyone else in the various facilities through which we operate. The plan assigns roles and responsibilities for the implementation of the plan during an emergency. Establishes communication procedures, equipment, and a primary and alternate Emergency Operations Centre location. The plan also establishes mitigation procedures and protective actions to safeguard the health and safety of personnel.

The Information Technology Disaster Recovery Plan (IT DRP) was developed in congruence with the BCP and encompasses the policies and procedures related to preparing for recovery or continuation of the technology and communications infrastructure after a recoverable disaster or emergency. Our IT infrastructure also includes a high level of redundancy, resilience and data protection features, and alternative computing sites, aimed at ensuring the availability, integrity and confidentiality of the information asset.

To ensure that our continuity of operations and response strategies, policies and procedures are relevant, regular testing and simulation exercises form part of our preparedness strategy, which are used to refine our recovery procedures and inform the evergreening of our policies and plans.



The Group utilises a robust Enterprise Risk Management Framework that is aligned to international best practices

ENTERPRISE RISK MANAGEMENT & COMPLIANCE

Given the nature of Sagicor's business operations and the wide diversity of products and services offered, the organisation is exposed to a variety of risks that are either financial or non-financial in nature or by source. These risks are proactively managed and communicated to ensure that the Group achieves the optimal balance between risk and return, in order to maximize stakeholder value and minimise potential adverse effects on its performance and reputation. This is supplemented by Risk Appetite Statements and tolerance limits which aligns with Sagicor's Strategy and promotes risk culture and awareness.

The Group utilises a robust Enterprise Risk Management Framework that is aligned to international best practices and designed to identify new and emerging risks, assess the severity of risks, prioritise risks and develop an enterprise-wide view of risks.

The ERM Framework is supported by innovative risk tools to ensure that risks are managed adequately, and a well-defined organisational structure depicted by a three lines of defence / accountability model with delegated authorities and clearly articulated roles and responsibilities.

Risk Process

The risk management process is interactive as Executive Management and business process owners play an integral role in the identification and assessment of existing and emerging risks enterprise wide. Key risks and mitigation strategies are identified during this process, and the ownership of these risks are assigned to the relevant executives for management and reporting. Risk assessment activities are ongoing to ensure that key risks being monitored and reported remain relevant to the Bank's business strategies. Consequently, reports are prepared quarterly for the attention of the Board of Directors and Board Sub-Committees on the management of financial, operational and business risks.

Risk Governance

The Board of Directors is ultimately responsible for the management of risks at the Group. In dispensing its oversight functions, the Board is supported by several committees.

Audit Committee

The Audit Committee is a committee of the Board comprising independent directors, and is responsible for:

- Overseeing management's monitoring of internal controls, compliance with Regulations and the Group's risk management policies, and adequacy of the risk management framework to risks faced by the Group;
- Reviewing the Group's annual and quarterly financial statements, related policies and assumptions;
- Reviewing the internal audit function as well as the external auditor's independence, objectivity and effectiveness.

The Audit Committee is assisted in its oversight role by the Internal Audit Department and the Enterprise Risk Management & Group Compliance Department. The Internal Audit Department undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

Risk Management Committee

The Risk Management Committee comprises a majority of independent directors. As part of its mandate, the Committee:

- Oversees the Group's risk management framework and ensures that risk management policies, standards and procedures are in place to effectively manage key risks;
- Approves the investment and risk management policies and limits within which the Group's investment portfolios are managed;
- Evaluates the effectiveness and prudence of senior management in managing the operations of the organisation and the risks to which it is exposed;
- Reviews key exposures to financial and non-financial risks, including the amount, nature, characteristics, concentration and quality of the investment and credit portfolios, liquidity, funding and capital management positions and processes;
- Reviews the effectiveness of management's risk responses and tactics to key risks. That is, decisions taken to either accept, avoid, pursue, reduce, share, review business objective or review strategy in response to key risks.

Asset/Liability Management Committee

The Group has Asset/Liability Management (ALM) Committees in place at its subsidiaries comprising key members of the respective Leadership Teams. The Committee:

- Monitors the profile of the Group's assets and liabilities;
- Plans, directs and monitors various financial risks, including interest rate risk, liquidity risk, foreign currency risk and credit risk;
- Provides guidance to Treasury with regards to the appropriateness of investments assigned or purchased to support the liabilities of the various lines of business;
- Monitors market variables and make adjustments as needed in the investment and lending portfolios; and
- Monitors any change in strategy given changing macro-economic conditions impacting the Group.

Key Risks

Credit Risk

Changes in credit markets related to either general credit market movements, or the creditworthiness of a specific issuer of a fixed-income security on the company's balance sheet, or of a counterparty to whom credit has been extended. Credit risk is managed within business lines, through the development and maintenance of the various policies and limits, the comprehensive reporting of credit risk exposures, and proactive monitoring of exposures throughout the Group.

Market Risk

Changes in financial markets, prices, or rates associated with general market movements or a specific asset on the company's balance sheet that may have a negative impact on Sagicor's earnings or capital. The Company is exposed to foreign currency fluctuations through its foreign currency denominated assets and liabilities (both on and off- balance sheet). The Company manages this risk by adhering to its internal policy limits, actively monitoring changes in the environment and adjusting its positions accordingly.

Interest rate risk is the potential impact on earnings and capital due to changes in interest rates. Interest rate risk arises when principal and interest cash flows (including final maturities),

both on- and off-balance sheet, have mismatched repricing dates. Sagicor's exposure is a function of the magnitude and direction of interest rate changes and the size and maturity structure of the mismatched positions. Interest rate risk is managed using duration analysis and estimation of repricing gaps. Duration reflects an instrument's sensitivity to interest rate changes while the repricing gap approximates the potential change in net interest income.

Liquidity Risk

Changes in liquidity supply or demand; which can translate into three different levels of impact: (a) untimely sale of assets at unexpected price/volume; (b) inability to meet contractual obligations; or (c) default. Sagicor is exposed to liquidity risks through the mismatches in the timing of its cash flows and maturity of its assets and liabilities. Sagicor mitigates liquidity risk by maintaining a diversified and stable source of funding, which includes deposits from retail and corporate customers. Sagicor's liquidity position is managed daily by the Treasury department, which ensures adherence to the limits in the Liquidity Risk Policy. The ALCO meets regularly to review the management of liquidity risk exposures and reports to the Risk Management Committee on a periodic basis.

Insurance Risk

Change in value due to a deviation of the actual claims' payments from the expected amount of claims payments, including expenses. Insurance risks includes the pricing of products or services offered related to various assumptions, the reserving of money to pay policyholders who have filed or are expecting to file legitimate claims on their policies and assessing or underwriting risks associated with insurance policies. Our Insurance Risk is managed through the establishment of underwriting guidelines, carefully selected to match our business objectives and risk tolerance.

Operational Risk

Losses resulting from inadequate or failed internal processes, people and systems; whether from internal or external sources are inherent in the activities of Sagicor due to the high volumes of transactions being processed. Operational risk includes fraud & wrongdoing, disasters, people, processes and technology. Sagicor has policies and procedures in place to ensure that operational risk is appropriately identified and effectively managed. In addition, there are business continuity and disaster recovery plans in place to ensure the continuity of critical business functions in the event of business disruptions. These plans are to ensure that potential adverse impact on team members, clients and other stakeholders are minimised.

Data and Information Risk

Sagicor treats the reliability and security of its information, technology infrastructure and customer databases as a top priority. In this regard, we have implemented and continually maintain or improve the requisite policies, procedures and technologies required to protect against and report on critical system failures, loss of service availability or any material breach of data security, particularly involving confidential customer data.

Sagicor operates under a detailed, rigorous information security policy and programme designed to protect the security and confidentiality of customers' information; as we value the trust of our clients and we understand that handling their information with care is one of our most important responsibilities. The information security programme is also subject to ongoing examination by auditors and regulators. In addition, we have a strict code of ethics for all team members. This code requires confidential treatment of customer information. Additionally, all team members with access to client information must complete data privacy/security training annually. The Group also maintains physical, electronic and procedural safeguards to protect against unauthorised access to client information.

Compliance Risk

Money laundering is the concealment of the illegal origins of income from criminal activities, while terrorist financing refers to providing financial support to terrorist organisations. Regulatory Compliance involves the non-compliance with laws, regulations and other guidelines which govern the operations of the Group.

Group Compliance is responsible for the development and maintenance of the Group's Anti Money Laundering & Counter Terrorist Financing (AML/CFT) and Regulatory Compliance framework, which includes implementing AML/CFT & Regulatory Compliance policies, interrogating financial transactions to identify reportable items, monitoring and filing the required AML/CFT reports with the Board of Directors, Management and Regulatory bodies, keeping abreast of laws and regulations affecting Sagicor, and providing guidance on regulatory changes to ensure the appropriate implementation of operational processes to conform with these changes. Management is responsible for ensuring and enforcing compliance with AML/CFT & Regulatory Compliance policies.

Strategic Risk

The design of strategy not being viable, or strategy not being executed as expected, in relation to but not limited to, the choices of products/services; distribution channels; target markets; resource allocation, or value proposition. Strategic risks also arise from making poor business decisions, pursuing unsuccessful business plans, or from failure to respond well to changes in the business environment. The Board of Directors has ultimate responsibility for overseeing strategic risk management; and is responsible for approving the annual strategic plan.

Reputational Damage

Negative publicity or public perception, whether true or not, that may have an adverse impact on Sagicor's value, revenue or customer base. Reputational damage can stem from the opinions of clients, investors, business partners, the media and the general public. This is managed through policies, procedures and training. Team members and directors have a responsibility to conduct their activities in accordance with Sagicor's Code of Conduct.

OUR CORPORATE STRATEGY

Strategic thinking, strategic planning, financial modelling, performance measurement, performance-driven compensation and benchmarking against the best of class in the world are central to how we manage our business.

Annually, the overarching vision and objectives are first set at the Group level. In support of the Group vision and objectives, each business unit and operating department conduct detailed SWOT analyses, determine specific objectives and identify strategies to address the SWOT and attain objectives, always ensuring congruence with the Group vision. These detailed plans are used to build the Group strategic plan with supporting budgets for a three-year planning horizon. Our Board of Directors approves the strategic plans and budgets in December each year.

Amidst the local and global competitive and economic challenges, we at Sagicor will continue to exploit our advantages and opportunities while managing risks and exposures.

Sagicor Group Jamaica will be guided by three (3) strategic areas of focus for 2020-2022:

Revenue Growth

Service Delivery Transformation

Innovation and Digital Agenda

These 3 areas facilitate alignment across the main priorities of the Group for 2020 which will propel growth and increase stockholders' value:

GROWTH

Various business development and growth strategies

CLIENTS

Enriching the client experience through improved mechanisms and processes

EXPANSION

Expanding our service offerings throughout the region

CULTURE

Embedding a One Sagicor Culture within our Team

ACQUISITION

Pursuing acquisition opportunities

TECHNOLOGY

Advancing the use of data analytics and governance

TALENT

Developing the Leadership talent within the Group

INNOVATION

Resourcing and promoting a culture of Innovation

SALES

Providing solutions for our clients' needs

Advantage General Insurance Company now part of Sagicor Group

The sale of shares in Advantage General Insurance Company Limited (AGIC) by NCB Capital Markets Limited to an unincorporated consortium led by Sagicor Investments Jamaica Limited (SIJ), through its wholly owned subsidiary Phoenix Equity Holdings Limited, was completed on September 30, 2019. The consortium will now work to implement a strategy for the growth of AGIC's business and its full integration into the Sagicor Group.

This expansion in Property and Casualty insurance will give the Group a solid foothold into Jamaica's General Insurance market and our clients, team members, shareholders and the wider Jamaica can expect an expanded suite of financial products and services.

OUTLOOK

Jamaica's current economic environment is characterised by low interest rates, moderate inflation and modest economic growth.

The improvement in the Government of Jamaica's fiscal position has created space for higher levels of capital expenditure, mostly geared towards infrastructure. The extent of the current threat posed by the novel Coronavirus is still being assessed locally and globally. Future uncertainties also

include upcoming elections in Jamaica and the United States, as well as the unfolding of BREXIT. Given our economy's exposure to tourism, while cautiously optimistic about the future, we are taking a conservative view of the potential impact of the novel Coronavirus and managing our businesses accordingly, especially with regards to the welfare of our team members and our customers.

ACKNOWLEDGEMENT

To all our Team members, Financial Advisors and Brokers who serve with passion and contribute to the achievements of the Group and every day exemplify the Sagicor Values. To our loyal clients for their trust and commitment. To our supportive business partners. To our stockholders for their continued confidence and to our Directors for their diligence and wise counsel. We say thank you!

CHRISTOPHER ZACCA C.D., J.P.
PRESIDENT & CHIEF EXECUTIVE OFFICER

ANDRE HO LUNG
CHIEF FINANCIAL OFFICER

Change is a challenge in the real world. With the right help and support, progress is always possible. That's the reality and the promise of what we do.

Sagicor Stacks Up Awards In 2019

A spirit of excellence blanketed Sagicor Group Jamaica in 2019 when the financial conglomerate weighted its trophy chest by coping numerous awards for its superb client service, exceptional business performance, civic leadership and innovativeness.

Earning the revere of the American Chamber of Commerce of Jamaica, Sagicor Group Jamaica walked away with the coveted first place awards in both major categories at the organisation’s annual Business and Civic Leadership Awards ceremony.

The financial institution won the award for excellence in the category of large company for Corporate Social Responsibility and Sagicor Foundation won the top award for large foundation in the category of Civic Leadership.

Sagicor added to its awards when the company dominated at the Private Sector Organisation of Jamaica/Jamaica Customer Service Association Service Excellence Awards, winning the Customer Service Award in the large company category. The Group also won sectional prizes for its efforts in Recognition and Reward, Charter and Standards, and Leadership and Strategy. The company was assessed in the areas of leadership and customer service strategy; existence and effectiveness of a Customer Service Charter and Standards; training and capacity

building to ensure adherence to customer service standards; and existence and effectiveness of monitoring and measurement systems for customer service.

The company’s commitment to excellence was further recognised at the 15th annual Jamaica Stock Exchange (JSE) Best Practices Awards, when the Group walked away with four awards for its stellar business performance and client service. Sagicor Investments – the investments arm of the financial conglomerate – contributed to the Group’s trophy haul, winning the Chairman’s Award in the Member Dealers’ category and won the top award for the expansion of investors and listed companies base, for its efforts in increasing the number of clients in the Jamaica Central Securities Depository. The team also won the second and third prizes for the Investor Relations – for consistently exceeding clients’ expectations – and the third prize for Best Website.

As a company focused on driving innovation, Sagicor was also recognised for its Human Resources and Workforce Management initiatives, receiving the silver Workforce Optimas award in the Vision category last year, for its creative and effective response to an anticipated shift in internal and external trends. The award was based on the creation of the Sagicor Pro-Millennial Mentorship Society — a programme it started in 2017 to provide customised professional development for its millennial employees through interactive training and real-world problem-solving.





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1. Gail Moss Solomon (left), director, American Chamber of Commerce Jamaica, presents R Danny Williams, Sagcor Foundation Chairman, with the award for excellence in civic leadership for the Foundation. He is joined by Alysia White, Sagcor Foundation Executive Director.
2. Sagcor Group Jamaica's Head of Marketing, Alysia White (fourth left) accepts the AMCHAM award for excellence in Corporate Social Responsibility from AMCHAM Director Stephen Price (third left). They are flanked by members of the Sagcor Group Marketing team (from left): Jedrael Carter Stewart, Public Relations and Corporate Social Responsibility Officer; Charissa Clemetson, Assistant Manager – Digital and Social Media; Georgiann Shepherd, Brand Experience Officer and Sigma Run Team Lead; Denise Dennis, Public Relations and Corporate Social Responsibility Officer; Michelle-Ann Letman, Manager – Public Relations and Corporate Social Responsibility; and Chevonn Lewis, Marketing Officer – Sagcor Foundation.
3. Marlene Street Forrest (6th from right), Managing Director, Jamaica Stock Exchange (JSE), is flanked by the Sagcor Investments team, headed by CEO, Kevin Donaldson (centre) at the 15th annual JSE Best Practices Banquet.
4. Kevin Donaldson (right), CEO, Sagcor Investments accepts the Chairman's Award for top Member Dealer from Ian McNaughton, Chairman, Jamaica Stock Exchange.
5. Members of the Sagcor Pro-Millennial Mentorship Society celebrate the company's victory at the 2019 Workforce Optimas Award, where Sagcor Group Jamaica won the silver award in the vision category. The award was based on the creation of the Sagcor Pro-Millennial Mentorship Society, which was started to provide customised professional development for its millennial employees through interactive training and real-world problem-solving.
6. Barrington Groves (second left), Client Experience Manager, Sagcor Life; Andre Latchman, Manager, Group Client Experience, Sagcor Group Jamaica; and Ava Dixon (second right), Assistant Vice President, Group Client Experience, Sagcor Group Jamaica, showcase awards for Best Customer Service in the large company category from Marie Matthews (left), Board Director, Jamaica Customer Service Association (JACSA), and Ilsa duVerney (right) of the JACSA at the Private Sector Organisation/JACSA Service Excellence Awards ceremony.



Committed to maintaining the highest standards in corporate governance policies and a code of ethics consistent with regulatory and legal requirements, industry best practices

Corporate Governance Report

Sagicor Group Jamaica Limited (and its subsidiaries) remains committed to maintaining a high standard of corporate governance by adopting and complying with the principles and guidelines set out in its Corporate Governance Code. This Code is influenced by applicable laws and regulations and internationally accepted corporate governance best practices, which is available on our website at www.sagicorjamaica.com.

CORPORATE GOVERNANCE FRAMEWORK

Our corporate governance framework ensures effective engagement with our stakeholders and helps us evolve with changing times. It also ensures that we make timely disclosures and share accurate information regarding our financials and performance, as well as the leadership and governance of the Company.

As a part of our commitment to follow corporate governance best practices, we are substantially compliant with PSOJ's Code of Corporate Governance.

This framework is best illustrated in the diagram below:



OUR COMMITMENT TO OUR SHAREHOLDERS

We adhere to the highest standards of corporate governance and ethical conduct. We believe that accountability, transparency and good decision-making support our business, serve our customers and create value for our shareholders.

Our shareholders are able to proactively engage the Board and Management during a question and answer session at the Company's Annual General Meeting and are given clear guidelines before voting at the General Meeting of the shareholders.

The Minutes of the Annual General Meetings (AGM), including questions asked and the responses given, are prepared and made available to shareholders for review on the Company's website and at the subsequently held AGM. Shareholders may also request a copy of the Minutes by sending an email to SGJ_grouplegal@sagicor.com.

The Company utilises several avenues to communicate with and keep our shareholders informed. Information on company developments are readily provided via the Company's website, social media accounts and through media briefings, in terms of transparency on our financial results, as well as print media and television. Significant regulatory developments are communicated via JSE announcements and press releases published in the daily newspapers.

OVERALL BOARD RESPONSIBILITIES AND ACTIVITIES

Strategic Planning

- Approving and administering a consolidated Group strategic plan.
- Directing Management in the formulation of the Group's strategic plan.
- Reviewing and approving the Group's financial objectives and action plans.
- Reviewing and approving the Group's annual strategic plan including operating and capital expenditure programmes and plans.

Enterprise Risk Management

- Identifying the Group's inherent risk profile and internal control priorities and ensuring that Management's plans and supervision of such risk is adequate, independent and objective.
- Approving the Group's policies for identifying, originating, administering, monitoring and reporting the Group's significant risks.
- Approving major capital expenditures, raising capital, allocation of capital among lines of business, transactions within the Board's reserved power, organisational restructuring and other major financial activities.

Performance Evaluation

- Reviewing and approving annual performance targets for Group President/CEO and other executive officers.
- Reviewing and approving the process within the Group for identifying high potential officers.

Communication

- Reviewing the Group's communications programme, including measures for receiving feedback from stakeholders.
- Ensuring that infrastructure is in place for accurate, timely and full public disclosure of disclosable events, transactions and conditions.
- Reviewing due diligence processes and controls for certifying the Group's financial statements.

Internal Controls

- Reviewing and approving the Group's Code of Conduct and Management's plans for instilling the right value system in the Company.
- Ensuring the Group's compliance with applicable legislative, regulatory and internal policy requirements.

Corporate Governance

- Ensuring the maintenance of corporate governance policies and guidelines and a code of ethics consistent with regulatory and legal requirements, industry best practices and company needs.
- Establishing the protocols for subsidiary supervision.
- Ensuring compliance with all regulatory and statutory requirements.

BOARD CULTURE

As a Board, we are committed to ensuring that we adhere to best-practice corporate governance principles and apply them in a pragmatic way that adds value to the Group. Continually enhancing our corporate governance is central to our aim of ensuring the stability of the Group.

Culture and the fostering of an inclusive performance-based organisation is a key focus for us as part of our wider governance framework. The Board will continue to work to ensure the Group's strategy, operating model and remuneration framework are aligned with our cultural focus.

We continue to focus on ensuring the Group's core vision and values are developed and clearly understood by all our stakeholders, particularly our team members. We recognise that the Board must lead by example to promote a culture across the Group that supports the pursuit of teamwork and excellence.

A healthy culture protects and generates value for our stakeholders, and the Board is committed to fostering a culture that thrives on ethics, transparency, excellence and performance accountability.

BOARD COMMITTEES

The Board has delegated certain of its authorities to various Board Committees to focus on complex and specialised issues facing the Group. Currently, the Board has four (4) regulatory committees – Audit; Corporate Governance and Ethics; Human Resources and Compensation; and Risk Management. Each Committee operates under its own terms of reference with clearly defined mandates given by the Board. These Committees make recommendations and report on a regular basis to the Board, which retains ultimate responsibility for all decisions taken.

Certain Board functions are also delegated to Executive Management through the President and Chief Executive Officer with defined limits of management's power and authority to enable it to execute and manage the business on a day-to-day basis in line with the approved policies, strategies and applicable laws.

The Board Committees meet periodically (typically on a quarterly basis) to examine issues which fall within their respective mandate and each Committee Chairman presents a report to the Board on the Committee's activities. Committee members are appointed by the Board of Directors immediately following the Annual General Meeting each year and hold office for three (3) years or until they cease to be Directors. All Committees except the Risk Management Committee consist entirely of independent directors. Members of the Executive Management Team are invited to attend meetings and participate through presentation of discussion documents and development of strategies.

AUDIT COMMITTEE REPORT

for the year ended 31 December 2019

The Audit Committee comprises five (5) members of the Board. In 2019, Mr. Peter Melhado resigned as a Member of the Audit Committee effective October 30. The Committee has responsibility for monitoring the effectiveness of the Company's internal control systems and compliance with applicable regulations and laws. It also oversees the internal and external audit processes.

Audit Committee meetings are regularly attended by key members of the management team.

The Committee met six (6) times during the year. There was full attendance at five (5) of the six meetings held

The Committee:

- reviewed and recommended the approval of the audited financial statements to the Board;
- considered and approved inter alia the financial reports of the Company and its subsidiaries and disclosures to the shareholders and regulators;
- reviewed and assessed the main areas of operational risk management and internal control processes;
- reviewed the activities of the internal and external auditors;
- assessed the level of compliance with legal and regulatory requirements;
- approved the Annual Audit Plan and the Audit Charter during the period;
- considered the management of fraud activities across the Group; and
- recommended the Anti-Fraud framework for approval by the Board.

AUDIT AND ACCOUNTABILITY

External Auditors

The external auditors, PricewaterhouseCoopers (PWC), were recommended by the Audit Committee and Board and approved by the shareholders at the Annual General Meeting. The Audit Committee managed the relationship with the Company's external auditors on behalf of the Board and carried out an assessment of the cost effectiveness of the audit process, together with the auditor's independence, approach to audit quality and transparency in making its recommendation.

In order to maintain the independence of the external auditors, the Group has specific guidelines which govern the conduct of non-audit work by the external auditors. This includes the prohibition of external auditors from:

- performing services which would result in the auditing of their own work or advice;
- participating in activities normally undertaken by management;
- acting as an advocate for the Company; or
- creating a mutuality of interest between the auditors and the Company, for example being remunerated through a success fee structure.

Having undertaken a review of the non-audit services provided during the year, the Audit Committee remains confident that the objectivity and independence of the external auditors are not in any way impaired by reason of the non-audit services which they provided to the Group.

Internal Auditors

The Group Internal Audit Department, with oversight from the Audit Committee, annually reviews and assesses the Group's systems of internal controls and regulatory compliance through discussions with management and external auditors.

The Audit Committee considered and reviewed, with management and the Head of Group Internal Audit, the following:

- Annual internal audit plans to ensure that the plans were sufficiently covered;
- Internal controls of the Group;
- Significant internal audit observations and management's responses thereto; and
- Budget and staffing for the internal audit functions.

The External Auditors and the Group Internal Audit Department maintain separate independent auditing and reporting functions.

Signed,
Mr. Richard Downer
 Chairman
 SGJ Audit Committee



Each of the Board Committees operates under its own terms of reference with clearly defined mandates given by the Board. Committees make recommendations and report on a regular basis to the Board, which retains ultimate responsibility for all decisions taken.

CORPORATE GOVERNANCE AND ETHICS COMMITTEE REPORT

For the year ended 31 December 2019

THE CORPORATE GOVERNANCE AND ETHICS COMMITTEE MANDATE

The Corporate Governance and Ethics Committee is charged with ensuring compliance with best practice of Corporate Governance and Ethics. The Committee's mandate also includes the management of the process for director succession, nomination and re-election, performance evaluation of the Board, directors' peer review, directors' compensation, related party transactions and issues relating to any potential conflicts of interest.

THE ROLE OF THE BOARD

We believe that an active, well-informed and independent Board is necessary to ensure the highest standards of corporate governance. It is well recognised that an effective Board is a pre-requisite for a strong and effective corporate governance. The Board is at the core of our corporate governance practice and oversees how Management serves and protects the long-term interests of our stakeholders.

In 2019 the Board undertook:

- setting the strategic direction of the Company and overseeing its implementation;
- approving material transactions and capital initiatives;
- approving the enterprise risk management framework (including risk appetite, risk management strategy and control and compliance systems) and monitoring its effectiveness;
- monitoring the performance of management and the business;
- ensuring that the Group's corporate governance framework was strictly adhered to; and
- ensuring that the Group adhered to regulatory and compliance issues pertaining to all the jurisdictions in which it operates.

We believe that our Board needs to have an appropriate mix of executive and independent directors to maintain its independence and separate its functions of governance and management. Appointment of Directors throughout the Group is subject to prior approval of our regulators.

There were a number of changes to the Board of the Group during 2019. As at June 30, 2019, Mr. Richard Byles resigned as Chairman of the Board of Directors which then comprised fourteen (14) members. As an interim measure, Dr. the Hon. R. Danny Williams was appointed Interim Chairman of the Board to preside over the Company's Annual General Meeting held on July 1, 2019. At a Special Meeting of the Directors held on that same day, Mr. Peter Melhado was appointed Chairman of the Company effective July 2, 2019.

The Board wishes to extend its sincere appreciation to Mr. Byles for his services to the Group over the past 13 years. He played a pivotal role on the Board as President and CEO then later as Chairman and we are grateful for the commitment he showed to the Company during his tenure.

President and Group Chief Executive Officer, Mr. Christopher Zacca serves as the highest-ranking officer of the Group and the only Executive Director on the Board. He is responsible for running the day-to-day operations of the Group, the management of the key objectives and leads the Executive Team. He is also responsible for the Group's strategy development, including opportunities for growth, and implementing policies and strategies across the Group.

OUR CHAIRMAN

The Chairman, Mr. Peter Melhado is responsible for the effective leadership, operation and governance of the Board and its Committees. He ensures that all Directors contribute effectively to the development and implementation of the Company's strategy whilst ensuring that the nature and extent of the significant risks that the Company is willing to embrace in the implementation of its strategy are determined and challenged.

DIRECTOR INDEPENDENCE

We firmly believe that Board independence is essential to bringing objectivity and transparency in the Management and dealings of the Company.

As at July 2, 2019, the majority of our Board members – 7 out of 13 – are independent members. An independent director is nominated as the Chairperson of each of the audit, corporate governance and ethics, human resources and compensation; and risk management committees.

Independence is based on criteria agreed by the Board and outlined in the Group's Corporate Governance Code and in accordance with local laws and regulations. It includes:

- A Director who has not within the last three (3) years been an employee or officer in the Sagicor Group.
- A Director who has not received additional remuneration from the Company (apart from a director's compensation) nor participate in the Group's share option or a performance-related pay scheme and is not a member of the Company's pension scheme.
- A Director (or their immediate family) who has not within the last three years had a material business relationship with the Group either as a director or as a shareholder, director or senior executive officer, or an employee of a company that makes payments to, or receives payments from, the Group for property or services in an amount which, in any single fiscal year, exceeds the greater of US\$0.5 million, or 2% of such other company's consolidated gross revenues.
- A Director (or their immediate family member) who is not a current or former partner or employer (within the last 3 years) of a firm engaged as an

internal or external auditor within the Sagicor Group.

- A Director who does not hold cross-directorships or has significant links with other Company directors through involvement in other companies or bodies (unless the Board can argue a case for independence).
- A Director who does not
 - (i) control
 - (ii) hold investment equal to 15% or more of his/her net worth
 - (iii) serve as an officer; or
 have or been deemed to have a material influence on the management of an entity where the Group beneficially owns 5% or more of any class of equity securities of such entity.

Directors are required to submit to an annual self-assessment of their compliance with these criteria and any conflict of interest requirements.

In 2019 the Directors who met the independent criteria were:

- Dr. the Hon. R. Danny Williams
- Mr. Richard Downer
- Mr. Peter Melhado
- Mrs. Jacqueline Coke-Lloyd
- Mr. Jeffrey Cobham
- Dr. Marjorie Fyffe Campbell
- Mr. Peter Clarke

DIRECTOR NOMINATION AND APPOINTMENT

The Committee is guided by the Board Composition and Director Independence Policies outlined in the Company's Corporate Governance Manual in assessing candidates for directorship.

Candidates are assessed against six (6) criteria:

- Board Core Competency Requirements
- Director Core Competency Requirements
- Knowledge and Expertise
- Representational Factors
- Time Commitments
- Director Independence

The Committee, among other things, considers the prevailing needs of the Company in terms of its strategic imperatives, external business drivers and the existing talents around the Board table. The Committee must also be mindful of the importance of maintaining an essential mix and balance of talents on the Board to deal with the Company's present and impending challenges.

Once potential candidates are identified, the Committee conducts the relevant interviews, does due diligence checks and prepares a New Director profile providing information on the assessment criteria. If the Committee deems the independence qualifications and biographical information to be in order, and if the other tests have been met, i.e. the Board's competencies will be enhanced by the addition of this individual to the Board, the candidate meets Board competency requirements for directors, his/her representation is consistent with Company requirements and he/she commits to the time requirements of the role, the Committee will make a recommendation to the full Board for the admission of the candidate as director for a specified term, no more than three years.

DIRECTOR ORIENTATION AND TRAINING

All new Directors inducted to the Board are introduced to the business through a formal orientation process. Current Directors and senior management provide an overview of the Company's operations and introduce the organisation structure, services, group structure and subsidiaries, constitution, Board procedures, matters reserved for the Board and major risks and risk management strategy of the Group.

The Board's existing Directors receive periodic training relating to the core business of the Company and its subsidiaries, including the drivers of the business lines and their products. Directors are also kept abreast of trends in the business and regulatory environment and informed of trends in financial reporting. Directors are also required to participate in annual mandatory AML/CFT (Anti Money Laundering & Counter Finance Terrorist Activity) training as well as training in Data Privacy.

Training programmes attended by directors as arranged by the Group included: -

- October 7, 2019 – Directors' Responsibilities by Simon Romano (Stikeman Elliott)
- October 7, 2019 – Nasdaq Boardvantage Training
- October 8, 2019 – Capital Structure Issues by Andre Mousseau (Sagicor Group)
- October 8, 2019 – Investor Relations by Samantha Cheung (Sagicor Group)
- October 8, 2019 – Enterprise Risk Management by Sim Segal (SimErgy Consulting LLC)

The annual offsite strategic Board/Management Retreat was held on October 24 -25, 2019. This provided an opportunity for an in-depth assessment of the strategic plan as presented by Management and discussions on the issues impacting the lines of business and a look at the future direction of the Group.

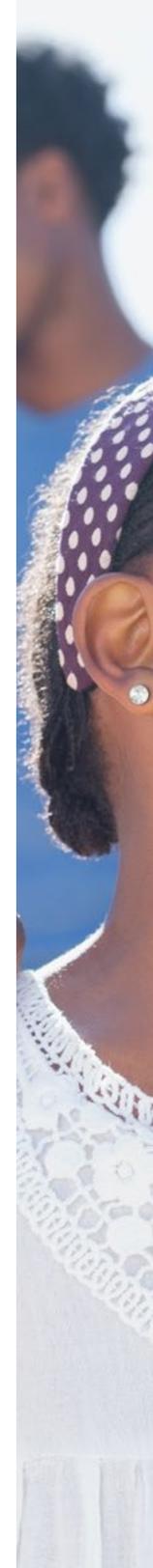
BOARD EXPERTISE AND COMPOSITION

The Board seeks members who combine a broad and relevant spectrum of experience and expertise with a reputation for integrity. Its members have experience in positions with a high degree of responsibility and possess the necessary competencies and knowledge in wide and diverse areas relevant to the business. These include areas of international business, banking, corporate finance, mergers and acquisitions, strategic management, human resources, corporate governance, corporate law, asset management, insurance, property management, information technology, marketing and general management. This breadth of knowledge and expertise provide for diversity of opinions and invaluable support to the Board's decision-making process, which underpins the need for independent and critical thinking in their ability to represent the interests of shareholders. Additionally, Directors are afforded the opportunity through training to build on or to be exposed to other disciplines.

The diagrams below illustrate the diverse skillset of the Directors.

SKILLS & EXPERTISE	BOARD MEMBERS												
	Paul Facey	Stephen McNamara	Stephen Facey	Paul Hanworth	Richard Downer	Marjorie Fyffe-Campbell	Jeffrey Cobham	Peter Melhado	Jacqueline Coke-Lloyd	Hon. R.D. Williams	Dodridge Miller	Peter Clarke	Christopher Zacca
General Management	■	■	■	■	■	■	■	■	■	■	■	■	■
International Business		■		■					■		■		■
Finance	■		■	■	■	■	■	■	■	■	■	■	■
Strategic Management	■												■
Corporate Law		■										■	■
Banking	■				■		■			■			
Corporate Finance (Mergers & Acquisitions)			■	■	■			■			■	■	■
Asset Management	■							■			■	■	■
Insurance				■			■			■			
Human Resource Management						■	■		■				
Property	■	■	■	■		■			■	■			■
Information Technology											■		
Corporate Governance		■				■							
Marketing & Public Relations									■				

■ Independent Director



APPOINTMENT, TERM, ELECTION & RETIREMENT

The Committee evaluates the Board size and composition and required skills set annually and may make recommendations for new directors for appointment by the shareholders. Directors serve for three (3) years and are eligible for re-election to hold office up to age 72 and on a discretionary basis (in accordance with the Company's Articles of Incorporation) may be appointed after the age of 72 for a specified period.

The Company's Articles of Incorporation mandate that at least one third of the Directors retire by rotation each year, at the Company's Annual General Meeting. The retiring Directors are eligible for re-appointment by the shareholders.

Directors Dr. Marjorie Fyffe-Campbell, Jacqueline Coke-Lloyd and Peter Clarke retire by rotation and are eligible for re-election. All three (3) directors are being recommended for re-election by the shareholders having regard to their expertise, core competencies and performance and their willingness to devote the time required to effectively perform their role as directors.

Mr. Richard Byles retired as a Director of the Company in June 2019. Subsequent to the year-end, Directors Jeffrey Cobham and Richard Downer resigned as Directors of the Company effective May 13, 2020. The Articles of Incorporation of the Company gives the Directors the power to appoint any other person to be a Director of the Company, at any time and from time to time, either to fill a casual vacancy or as an addition to the Board. With the resignation of Directors Downer, Cobham and Byles the following persons were appointed by the Board to fill the casual vacancies. Messrs. Tim Hodgson, Reza Satchu and Mahmood Khimji. Ms. Lisa Lake was also appointed as an additional Director. These four (4) directors will retire at the 2020 Annual General Meeting and being eligible offer themselves for election.



The Board seeks members with experience in positions with a high degree of responsibility and the necessary competencies and knowledge in wide and diverse areas relevant to the business.

BOARD OPERATIONS

In 2019, the Board held twelve (12) formal meetings. Additional meetings were held to deal with other urgent matters. With the Board being represented by Directors residing in other countries, in accordance with the Company’s Articles of Incorporation, video/ teleconferencing facilities are utilised to enable those Directors to participate. The critical agenda items which were covered at board meetings during the year included:

- Approval of the year-end Audited Financial Statements;
- Review and approval of the quarterly Unaudited Financial Statements and Reports to the stockholders;
- Annual General Meeting preparation;
- Approval of the Company’s Budget and Strategic Plan for 2020 - 2023;
- Consideration and approval of interim dividend payments to stockholders;
- Approval of major investment activities including new products and strategic business initiatives;
- Monitor the performance of executive management in the implementation and achievement of strategic objectives and financial performance of the lines of business and subsidiaries of the Group;
- Receive and approve reports/decisions of Board Committees; and
- Consider and approve new Corporate Policies and approved amendments to existing policies.

BOARD MEETING ATTENDANCE REPORT											
DIRECTORS	ATTENDANCE										
Dr. the Hon. R.D. Williams	■	■	■	■	■	■	■	■	■	■	■
Dr. Dodridge Miller	■	■	■	■	■	■	■	■	■	■	■
Richard Byles ¹	■	■	■	■	■	■	■	■	■	■	■
Stephen Facey	■	■	■	■	■	■	■	■	■	■	■
Paul Hanworth ⁶	■	■	■	■	■	■	■	■	■	■	■
Jeffrey Cobham	■	■	■	■	■	■	■	■	■	■	■
Dr. Marjorie Fyffe Campbell	■	■	■	■	■	■	■	■	■	■	■
Richard Downer	■	■	■	■	■	■	■	■	■	■	■
Stephen McNamara	■	■	■	■	■	■	■	■	■	■	■
Peter Melhado ³	■	■	■	■	■	■	■	■	■	■	■
Jacqueline Coke-Lloyd	■	■	■	■	■	■	■	■	■	■	■
Paul Facey	■	■	■	■	■	■	■	■	■	■	■
Peter Clarke	■	■	■	■	■	■	■	■	■	■	■
Christopher Zacca	■	■	■	■	■	■	■	■	■	■	■

¹ Mr. Richard Byles resigned as at June 30, 2019.

³ Mr. Peter Melhado did not attend Board meetings held May 13, 2019 and June 13, 2019 due to a declared conflict of interest.

⁶ Paul Hanworth did not attend meetings held May 13, 2019 and June 13, 2019 due to a declared conflict of interest.

COMMITTEE MEETINGS - ATTENDANCE AND ACTIVITIES FOR THE YEAR ENDED 2019

CORPORATE GOVERNANCE & ETHICS COMMITTEE

DIRECTORS		ATTENDANCE					
 Dr. the Hon. R. Danny Williams ⁷							
 Richard Byles ¹							
 Stephen Facey							
 Dr. Marjorie Fyffe Campbell							
 Peter Melhado ³							
 Jacqueline Coke-Lloyd							

■ Chairperson ■ Director

¹ Mr. Richard Byles resigned as at June 30, 2019.

³ Mr. Peter Melhado was appointed as a Member of the Corporate Governance and Ethics Committee as at July 2, 2019.

⁷ Dr. the Hon. R. Danny Williams resigned as a member of the Corporate Governance and Ethics Committee as at October 30, 2019.

The Committee met six (6) times in 2019.

Among the matters considered by the Committee:

- a review and approval of Related Party Transactions;
- approval of the Procurement Policy and Framework (as revised);
- review of the process for dealing with potential conflicts of interest;
- review of the list of Corporate Policies to ensure that these were being updated periodically;
- review of the Company's procurement process; and
- approval of contracts awarded to suppliers and vendors.

The Group President and the Chief Financial Officer regularly attend these meetings as invitees.

AUDIT COMMITTEE

DIRECTORS		ATTENDANCE					
 Paul Hanworth							
 Dr. Marjorie Fyffe Campbell							
 Richard Downer							
 Peter Melhado ³							
 Jacqueline Coke-Lloyd							
 Paul Facey							

■ Chairperson ■ Director

³ Mr. Peter Melhado resigned as a Member of the Audit Committee as at October 30, 2019

The Committee:

- reviewed and recommended the approval of the audited financial statements to the Board;
- considered and approved inter alia the financial reports of the Company and its subsidiaries and disclosures to the shareholders and regulators;
- reviewed and assessed the main areas of operational risk management and internal control processes
- reviewed the activities of the internal and external auditors and assessed the level of compliance with legal and regulatory requirements;
- approved the Annual Audit Plan and the Audit Charter during the period;
- considered the management of fraud activities across the Group;
- recommended the Anti-Fraud framework for approval by the Board; and
- considered the Company's compliance with local laws and regulations.

RISK MANAGEMENT COMMITTEE

DIRECTORS		ATTENDANCE	
 Dr. Dodridge Miller			
 Richard Byles ¹			
 Paul Hanworth			
 Jeffrey Cobham			
 Richard Downer			
 Stephen McNamara ²			
 Peter Melhado ³			
 Christopher Zacca			

 Chairperson  Director

¹ Mr. Richard Byles resigned as at June 30, 2019.

² Mr. Stephen McNamara resigned as a Member of the Risk Management Committee as at October 30, 2019.

³ Mr. Peter Melhado was appointed as a Member of the Risk Management Committee as at July 2, 2019.

The Risk Management Committee oversees and assesses the Group’s risk appetite in respect of financial and regulatory risks. The Chief Risk Officer regularly attends meetings of the Committee.

The Committee met twice during the year to:

- consider and approve the Risk Management Charter and the Top Risks which are likely to impact the business and the effectiveness of the risk management framework on a Group-wide basis; and
- review and approve risk management principles and policies recommended by the risk committees of each subsidiary who are charged to monitor financial, regulatory and operational risks.

HUMAN RESOURCES AND COMPENSATION COMMITTEE

DIRECTORS		ATTENDANCE			
 Dr. the Hon. R. Danny Williams					
 Dr. Dodridge Miller					
 Richard Byles ¹					
 Stephen Facey					
 Dr. Marjorie Fyffe Campbell					
 Peter Melhado ³					
 Jacqueline Coke-Lloyd					

 Chairperson  Director

¹ Mr. Richard Byles resigned as at June 30, 2019.

³ Mr. Peter Melhado was appointed as a Member of the Human Resources and Compensation Committee as at July 2, 2019.

The Human Resources and Compensation Committee has overall responsibility for the Human Resource policies and practices and ensures that human resource practices conform with the strategic goals and compensation policies. The committee also has oversight of the Management Succession plans and the staff Pension Plan.

Meetings of this committee are regularly attended by the Group President & CEO, the Senior Vice President – Group Human Resources and the Chief Financial Officer.

The Committee met four (4) times during the period to:

- consider and approve the annual and long-term incentive plan for executives and the bonus payment to staff;
- approve changes to the Charter and review the Pension Fund Performance and amendments to benefits for members;
- consider issues affecting team members;

- give oversight to the union negotiations and issues which are likely to affect the business arising from the exercise;
- monitor the annual team member Satisfaction Survey;
- consider amendments to the Pension Plans proposed by Management.

INVESTMENT AND CAPITAL ALLOCATION COMMITTEE

DIRECTORS		ATTENDANCE				
 Paul Hanworth		■	■	■	■	■
 Dr. Marjorie Fyffe Campbell	■	■	■	■	■	■
 Richard Downer		■	■			
 Peter Melhado ³		■	■			
 Jacqueline Coke-Lloyd		■	■	■	■	■
 Paul Facey		■	■	■	■	

■ Chairperson
 ■ DirectorChairperson
 ■ Director

¹ Mr. Richard Byles resigned as at June 30, 2019.

⁴ Mr. Stephen Facey resigned as a member of the Investment and Capital Allocation Committee as at October 30, 2019.

⁵ Mr. Paul Facey was appointed as a member of the Investment and Capital Allocation Committee as at October 30, 2019.

The Investment and Capital Allocation Committee, while not a statutory committee, is constituted to monitor how capital is deployed across the Group and is considered vital to the efficient operations of the Group. Key Management members are invitees to this meeting. The Committee met five (5) times in 2019.

PERFORMANCE EVALUATION

A key function of the Board as a fiduciary of the shareholders is to ensure consistent monitoring and review of its effectiveness as a Board, the effectiveness of its committees and each individual Director. The Board works along with the Corporate Governance Committee to establish the evaluation criteria for the performance of each Director as well as the overall Board.

The evaluation process consists of three elements:



The assessment is a key part of the process of reviewing the functioning and effectiveness of the Board and for identifying possible paths for improvement.

Each Director is requested to evaluate the effectiveness of the Board dynamics and relationships, information flow, decision making of the directors, Company performance and strategy and the effectiveness of the whole Board and its various committees. Arising from the exercise, the Board Chairman meets with the Directors and discusses their performance and gaps, if any are highlighted and action plans established to improve performance.

The evaluation of the President and Chief Executive Officer, Management and the Company Secretary is also covered under this review process.

For the year 2020, on the recommendation of this Committee, an independent evaluation of all Directors who have served for 9 years or more will be conducted; this is scheduled for the 2nd half of 2020.

DIRECTORS' REMUNERATION

Board/Committee (\$J)	Annual Retainer	Audit	Investment & Capital Allocation	Risk Management	Corporate Governance & Ethics	Human Resource & Compensation
Board Chairman	2,674,113.75*					
Members	1,701,708.75*					
Committee Chair		1,041,962.50*	681,345.00	1,250,235.00*	694,575.00*	694,575.00*
Members		694,575.00*	434,230.00	833,490.00*	463,050.00*	463,050.00*

DIRECTORS' REMUNERATION

The level and structure of fees paid to non-executive directors annually is determined by the Board based on prevailing market conditions while taking into consideration the responsibilities and time commitment required to meet their obligations. These fees are not related to the performance of the Group. Executive directors are not paid fees in respect of their office as a Director of the Company or any of its subsidiaries.

The Directors' fees comprise a basic retainer fee, additional fees for appointment to board committees and a travel allowance for Directors who were required to travel out of their country or city of residence to attend board meetings and board committee meetings which did not coincide with Board meetings. The Chairperson of each board committee is also paid a higher fee compared with the members of the respective committees in view of the greater responsibility carried by that office. Directors do not receive any share-based compensation; however, they are encouraged to purchase shares on the open market.

Having regard to the prevailing market conditions and referencing directors' fees with that of the peer group (i.e. other listed companies). The fee structure as at December 31, 2019 comprises:

CORPORATE VALUES

Corporate Governance is the task of a company's board to provide entrepreneurial leadership, guidance and oversight to the company for maximising shareholder wealth within the bounds of law and community standards of ethical behaviour. The direction and momentum assumed by the Governance process must be driven by a value system that permeates the enterprise to ensure business priority alignment between board and management. The Sagicor value system is guided by the following policies:

Code of Conduct

The Sagicor Code of Business Conduct and Ethics governs the behaviour of Directors, officers, agents and employees of the Group. The standards contained in the Code emphasise the deterrence of wrongdoing that could lead to fraud and misconduct, and address the following essential areas:

- Conflicts of interest
- Corporate opportunities
- Confidentiality
- Fair dealing
- Protection and use of company assets
- Compliance with laws

- Rules and regulations, including insider trading laws, and
- Encouraging and reporting of any illegal or unethical behaviour

Ultimate accountability for the Code with regards to the employees rests with the President and CEO with delegated responsibility for its administration to the Group Compliance Officer, and for the Directors, with the Corporate Governance and Ethics Committee.

Conflict of Interest

Under the Code, the Directors are expected to complete an Internal Disclosure Certificate annually to declare any personal interest he or she may have (whether direct or indirectly) which may have an impact on any matters being considered by the Board. The completed disclosure certificates are submitted to the Corporate Governance and Ethics Committee for onward transmission to the Group Compliance Officer.

Whistleblower Policy

The Company provides a confidential system to allow employees to anonymously report of observed breaches of the Code and other Company guidelines related to fraud, misconduct, bribery, non-compliance with legal or regulatory mandates, or questionable accounting or audit practices.

The Company guarantees in its Fraud and other Wrongdoing Policy that it will not permit any reprisal, retaliation or disciplinary action to be taken against anyone for raising a concern in good faith.

Marjorie Fyffe Campbell

Chair
CORPORATE GOVERNANCE & ETHICS COMMITTEE
1 May 2020

OUR TEAM SETS US APART

Sagicor Group Jamaica Team Member of the Year (TMOY) Nominees

1. **Stuart South**
Team Member of the Year
2. **Frankene Brooks**
1st Runner-up TMOY
3. **Garth Alleyne**
2nd Runner-up TMOY
4. **Camisha Morgan**
5. **Novalee Bennett**
6. **Cordell Panton**
7. **Chevon Lewis**
8. **Clayon Warner**

Sagicor Group Jamaica Team Members of the Quarter

1st Quarter

9. **Nickeshia Salmon Gordon**
10. **Karen Nugent**
11. **Jermaine Stewart**
12. **Patrice Taylor**
13. **Daidre Sloley-McKay**
Manager of the Quarter

2nd Quarter

14. **Sean Blackwood**
15. **Lilieth Fearon Henry**

3rd Quarter

16. **Shanique Abbott**
17. **Daneilia Francis**
18. **Kaylia Williams**

4th Quarter

19. **Karen Brown**
20. **Von-Dane Lambert**
21. **Osheane Gayle**
22. **Trudian Thomas**
23. **Dayna-Simone White**



“

To the customer, you are the company.

— Shep Hyken —

Customer Service & Experience Expert

Group Human Resources 2019 Highlights and Achievements

NEXT LEVEL ENGAGEMENT AND INTEGRATION

2019 was an exciting and challenging year for Sagicor Group Jamaica that saw us channelling our efforts to create #NEXTLEVEL experiences for our team members, clients and other stakeholders. We embarked on new opportunities to strengthen the brand while continuing to streamline business lines to ensure greater efficiency and effectiveness. The year saw us welcoming Advantage General Insurance Company Limited (AGIC) to the Sagicor family with a staff complement of 220 team members. Group HR's focus during 2019 remained steadfast on creating a strategic, caring, client-centric and technology-driven department. This ensured that we continued to foster high levels of productivity that is integral to our high-performance culture. With this mandate, a myriad of events and activities were hosted to develop and synergize team members at all levels, continue

building a collaborative culture, infuse innovation, enhance recognition and reward efforts and celebrate successes across the Group.

In November 2019, team member engagement was again measured via the annual LOMA Team Member Opinion Survey. Sagicor Group Jamaica showed a strong satisfaction rating of 78.4, a 0.1-point increase over the previous year.

Team Member Engagement Scores 2015 -2019
Percentage (%)



RECOGNITION - JAMAICA & BEYOND

International Recognition-Optima Win!

Sagicor Group Jamaica Limited continues to establish and distinguish itself as a choice employer. In October 2019, we received the Silver Optima Award for Vision in recognition of the work that is being done with our millennials across the Group through the Pro-Millennial Mentorship Society. The Optima Awards, which was established by Workforce Magazine, is based in the USA and recognises exemplary HR programmes that meet significant business challenges.



Members of the Sagicor Pro-Millennial Club posing with their recently won Silver Optima Award.



Saluting a Sagicor Hero

Suzan Foster, Client Service Representative at Sagicor Bank Jamaica Limited, received The Badge of Honour for Gallantry from the Government of Jamaica on October 21, 2019, which is celebrated as National Heroes Day in Jamaica. Suzan was awarded for her display of bravery in saving the life of a police officer who, under criminal assault, was hit from his motorcycle. Suzan rescued the injured officer and transported him to the hospital.

Suzan Foster collected her Badge of Honour for Gallantry on October 21, 2019.

78.4%

Team Member Satisfaction

455+

Team members recognised for exceptional performance and long service

6,261

Field force training hours completed

25

Management Promotions

379

Persons benefited from Youth Development Initiatives

TEAM ENGAGEMENT

We hosted several social and bonding activities throughout the year. These included events which displayed our team members' talents to ensure we continue to provide a 'fun, fit, and friendly' environment for our team members. New initiatives were introduced, and we also brought back some favourites, particularly for our new team members.

Recognising Team Member Performance and Commitment

Rewards & Recognition

Rewards and Recognition saw a huge spike this year in "On the Spot Recognition" for team members delivering exceptional service to our internal and external clients, as well as displaying overall helpfulness within their departments.

Submission for Team Member of the Month (TMOM) and Team Member of the Quarter (TMOQ) also increased in 2019 with more departments nominating their team members.

Corporate Awards - The theme for Corporate Awards for 2019 was Broadway. Over 200 team members were recognised for their exceptional performance across

all areas of the group. Our Team Member of the Year was Wayne Thorpe, creating history in the Group by winning the coveted award for the second time.

Long Service Award 2019 - Sagicor Group Jamaica celebrated and recognised 255 team members for their tremendous effort, contribution and support of the Sagicor vision at the annual Long Service Awards Ceremony, celebrated under the theme "Toast". Among the 2019 awardees were members of the Group's leadership team which included: -

- **Mark Chisholm**, Executive Vice President - Individual Life Division – 30 Years
- **Janice Grant Taffe**, Senior Vice President - General Counsel & Corporate Secretary – 30 Years
- **Karl Williams**, Senior Vice President - Group Human Resources and Corporate Sales & Services – 25 Years

Corporate Scholarship Education Fund

- The fund over the years has helped to assist team members with their back-to-school expenses for the upcoming school year. Over \$6M were disbursed from the fund in 2019 to 154 scholarship recipients who are enrolled in school at the primary and secondary levels.



1. Suzette Black (left) accepts her award for personal banker of the year from Michael Willacy, Vice President, Retail, SME and Corporate Banking, at the 2019 Sagicor Corporate Awards. 2. Christopher Zacca (left), President & CEO, Sagicor Group Jamaica, congratulates Janice Grant Taffe, Senior Vice President, Legal Counsel and Corporate Secretary, on her long service award at the 2019 Long Service Awards. 3. Chorvelle Johnson Cunningham (left), CEO, Sagicor Bank, presents Karl Williams, Senior Vice President, Group Human Resources and Corporate Sales & Services, with his long service award at the 2019 ceremony. 4. A team of financial advisors share the spotlight at the 'Live on Broadway' themed Corporate Awards in 2019. 5. Carol Lawrence (left), Vice President, Group Insurance Services, presents a certificate to a young recipient of the Sagicor Corporate Scholarship, while her parent shares in the photo..



6. Jacqueline Donaldson (left), Vice President, Corporate Services, Sagicor Group Jamaica Human Resources, hands over a cheque valued at \$300,000 to Yulit Gordon (right), Executive Director of the Jamaica Cancer Society (JCS), representing proceeds from the Group's 'pink lemonade' fundraising initiative. Also pictured are: Shullian Brown (2nd left), Fundraising and Public Relations Officer, JCS, and Michael Leslie (3rd left), Financial Manager.

7. Ranice Barrett, Sagicor Bank Client Care Officer, wows the crowd with her performance at the Group's Stars Among Stars competition. 8. Team members take part in activities at the 2019 staging of the Sagicor Motivational Seminar (SMS).



Keeping Minds, Bodies, and Souls Healthy

Breast Cancer Awareness Initiative – Pink Lemonade Pop Up

In October, Team Sagicor once again joined in the global initiative of raising awareness and funds to assist with research, prevention, diagnosis, treatment and cure for breast cancer. Our engagement activities, namely “Pink Fridays” & “Pink Lemonade” sale days allowed our team members the opportunity to wear pink on designated days to show their support, give donations, participate in photo competitions, trivia, quizzes and games all aimed at educating and engaging the team to support the cause. There were also giveaways of free mammogram tests and with the team’s support and participation, we were able to donate \$300,000.00 to the Jamaica Cancer Society to continue its mission to eliminate cancer as a major health problem in Jamaica.


\$300,000

Donated to the Jamaica Cancer Society by Sagicor Team Members

Keeping Spirits High

Enhancing team synergy, we delivered on our promises through social and bonding activities:

- Group HR introduced **First Fridays** and **TalentCon Mingle**, which are events that allow for team members from different departments to interact and integrate.
- The 2019 **Sagicor Motivational Seminar (SMS)** was held at the Iberostar Hotel and Resorts. Our #NextLevel SMS included speakers such as Emmy award-winning entertainer and motivational speaker Steve Harvey, Raphael Saul, Wayne Henry and Shani McGraham-Shirley.
- The second staging of GHR “**Back-to-School Fair**” 2019.
- “**Beat the Heat**” promotional ice-cream give-aways to team members.
- Sensitization of the team with information on personal security and safety via our **Lunch & Learn** webinars.
- STARS Week **Corporate Church Service and Gospel Concert**.
- Our **STARS Week** competitions: “**Stars Among Stars**”, “**Department Feud**” and “**Pop-Up Events**” afforded team members the opportunity to showcase their talents and creativity whilst fostering team camaraderie.
- **STARS Week** also included activities for our non-corporate branches and was themed “**Artistry...Created to Create**”.



1. Team members have fun in the 360-degree photobooth at the 2019 staff Christmas party – Altitude. 2. A team member and her child prepare a meal in a cookoff during Sagicor’s 2019 Summer Camp. 3. A screenshot of the web-based learning and development platform – Sagicor Intuit.

- The annual **Team Member Christmas Party “Altitude”**, was held at the Caymanas Golf Club, on Saturday December 14, 2019.

- **Summer Skills Camp**

In a bid to develop the skills, talents and capabilities of the team, as well as to increase the level of engagement amongst the team, we launched our Summer Skills Camp. The first programme was an **“Introduction to Photography”**. Our second programme was **“Quick and Easy Meal Prepping”** by the popular food brand Pink Apron. The feedback from the team for both programmes was extremely positive.

TALENT DEVELOPMENT: SUPPORTING AND DEVELOPING OUR TEAM

Learning & Development: Building Talent and Career Advancement

- For 2019 the Learning and Development Unit engaged in the continued transformation of a client-centric culture. As part of promoting our **#OneSagicor** culture, one of the mandatory courses was **“Building Trust in Teams”**. Additionally, based on a needs assessment as part of the client experience culture programme, team members were able to select one course from our client experience catalogue. These included: **“Mastering Emotional Intelligence”**, **“Teamwork”**, **“Communication – The Art of Listening”** and **“Leadership Skills”**.

To better serve the needs of the team, other training courses were offered, which included Excel Courses, Client Service Documentation, Compliance, Fraud Detection and Prevention, Introduction to Data

Analytics, Managing Stress through Colour Therapy, Time Management, Self-Awareness and Managing Money.

Talent development was one of our top priorities and for good reason — our people possess the intellectual capital that differentiates Sagicor from its competitors, the creativity to innovate, the expertise to problem-solve, and the ideas to keep Sagicor nimble and relevant to its clients. We are committed to developing and delivering world-class learning and development interventions needed to achieve the strategic objectives and to increase productivity and engagement.

With over 2,000 team members to be developed, the training sessions for the team were held every day of the working week, with training also being held on Saturdays to accommodate units such as the Group Client Contact Centre, our non-corporate branches and team members with extenuating circumstances.

The Learning and Development Unit placed strategic emphasis on the following in 2019:

- **Technological Innovation - Sagicor Intuit Platform** was launched on March 4, 2019. The system is used for the following activities:
 - » Registration for classroom training sessions
 - » Online check-in instead of physical registers
 - » Easy generation of reports to support growth and development metrics
 - » Online evaluations – which will lead to the generation of feedback reports for all training sessions
 - » Free online courses available to all team members
 - » Team members can track and manage their own development

- **Client Service Documentation Training**
Client Service Documentation, Compliance and Fraud Prevention workshops were held during 2019 for all operations team members at Sagicor Bank Jamaica, including all Client Service Representatives, Client Care Officers and Assistant Managers - Branch Operations.

- **Sagicor LEAD Leadership Development Programme**

This performance-driven initiative continued its mandate to develop outstanding future leaders within the company. Launched in the prior year, our current cohort of 15 team members were given personal and professional guidance to further harness their leadership skills.

The participants of the programme were selected across the Group and includes a team member from Grand Cayman. At the culmination of this 18-month dynamic programme, our trainees will benefit from formal and on-the-job training, invaluable leadership discussions as well as personal coaching and mentoring.

Programme Framework

- Formal Learnings– Completed 3-day Middle Managers’ Development Conference
- Completed Public speaking workshop
- On-the-Job rotations across all business lines and within GHR
 - » Leadership Discussions on select books – Completed discussions with our Senior Vice-President- Group Human Resources, Corporate Sales & Services, Karl Williams on “Start with Why” by Simon Sinek and “The Go-Giver” by Bob Burg and John David Mann; discussion led by our President & CEO, Christopher Zacca

- » Strategic presentation made to Sagicor Bank on **SWYPE strategies, Ambassadors for Corporate Group Sales and Innovation and Strategy**
- » Corporate social responsibility – charity work conducted with the Mustard Seed Communities home for disabled children, “My Father’s House”
- The members of LEAD initiated a mentorship programme, dubbed ‘I-Care’, to give back to the community. A monetary contribution was donated to the Yallahs High School in St. Thomas to help with completing construction of the school’s grade 9 block of classrooms. The Sagicor LEAD cohort also provided mentorship to the students.
 - » Sagicor LEAD’s presentations made to the Senior Leadership Team and to the Board of Directors regarding Sagicor’s Strategic Direction
 - » Four (4) of the participants have been promoted since their involvement in the programme.

- **People Managers’ Development Programme**

This programme was launched to address the gaps identified within the people managers’ group. The initiative was critical as this team leads the majority of our team members.

Some of the trainings completed:

- » Understanding Your Role as Middle Managers
- » Becoming Better Coaches
- » Change Management
- » Leading with Emotional Intelligence
- **Cross Training**
In 2019, we had a total of thirty-four (34) team members who successfully completed the cross-training programme in sixteen (16) departments across the Group.

4. Laura-Kaye Watson, a participant in the Sagicor LEAD programme shares in an interactive session with students at Yallahs High School. 5. Dr. the Hon. Christopher Tufton, Minister of Health (left), greets Willard Brown, Executive Vice President, Employee Benefits Division, Sagicor Life Jamaica (3rd left) at the start of the opening ceremony for the Mental Health Symposium. Also pictured are: (from left) Karl Williams, Senior Vice President of Group Human Resources and Corporate Sales and Services; Chorvelle Johnson Cunningham, CEO, Sagicor Bank Jamaica; and Mark Chisholm, Executive Vice President, Individual Life Division, Sagicor Life Jamaica.



Mental Health Symposium – My Mind, My Wealth

This symposium was held during the period October 29 to October 31, to recognise Mental Health Awareness month. The initiative was launched to educate, fight stigma and provide support for all team



1. Comedian, Christopher 'Johnny' Daley (2nd left), shares in an engagement session with team members during the Mental Health Symposium.

members. The sessions brought awareness to challenges associated with mental health, which affects everyone directly or indirectly through family, friends or co-workers.

A total of 298 team members were in attendance over the three-day period. Sessions included presentations, panel discussions, free wellness check-ups and counselling services. The wellness services and counselling sessions were also provided throughout the week to our non-corporate branches.

Field Force Training Activities

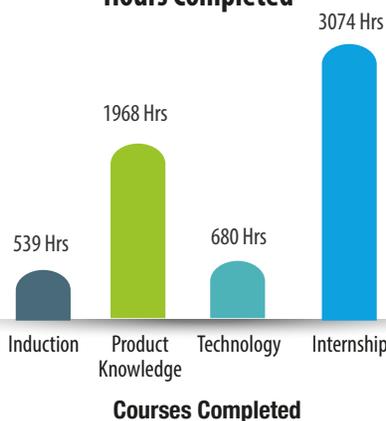
Mandatory Courses Completed:

- Sagicor Sales Internship Programme
- Sagicor Induction Programme
- Technology Training
- Product Knowledge
- Fraud Detection & Prevention
- Transformational Leadership (Managers)
- Coaching for Sales Leader

Sagicor Sales Internship

This newly revamped 5-day programme is designed to ensure that all newly contracted Financial Advisors are equipped with the necessary skills to not just “Close the Sale” but build long-lasting relationships with their clients. These courses included Real Play and Simulation Exercises. The participants were fully engaged and were extremely receptive to the techniques and knowledge imparted by both facilitators.

Field Force Total Training Hours Completed



Breakdown of the Field Force training hours completed in 2019

MANAGEMENT PROMOTIONS

The following promotions occurred throughout 2019 which also resulted in changes or additions to succession positions for critical roles:

Team Member	New Role
Andrew Burke	Vice President - Innovation Assurance & Projects
Coretta Foster	Vice President - Group Human Resources
Kevin Chin-Sue	Assistant Vice President - Cards & Payment
Jassetta Jones	Assistant Vice President - Group Legal Services
Jacqueline Brown Barnes	Assistant Vice President - Group Insurance Services
Howard Smith	Manager - SME Business Banking
Claudette Ramdanie	Branch Manager - Hope Road
Taniesha Harris	Relationship Manager - Corporate Banking
Antonette Rose	Manager - Loyalty & Retention
Andre Latchman	Manager - Group Client Experience
Natalie Lumsden	Manager - Underwriting
Sheldon Watson	Manager - New Business
Kaydian Morris	HR Relationship Manager
Deyhmia Cross	Manager - Talent Management & Compliance
William McDermott	Manager - Application Development
Jason Bailey	Manager - ERM, Strategic & Operational Risk
Damon Clarke	Manager - IT Service Desk
O'Neil Parchment	Manager - FX Trading
Bredgette Rodney	Manager - Client Services
Alesia Whyte	Manager - Group Compliance
Christopher Lawe	Senior Branch Manager - Holborn Branch
Maurice McDonald	Branch Manager - Spanish Town Branch
Mark Lindsay	Branch Manager - Senators Branch
Alwaine Thorpe	Unit Manager - Holborn Branch
Novia Brooks-Campbell	Unit Manager - Belmont Dukes Branch

YOUTH DEVELOPMENT INITIATIVES

Sagicor Experience Internship Programme

In 2019, we continued the expansion of our Sagicor Experience Internship Programme, which allowed us to do our part in supporting and developing the Jamaican leaders of tomorrow. The Programme gives recent university graduates an opportunity to not only gain valuable work experience and build confidence, but also to make a seamless transition into the workforce.

Sagicor's most recent cohort of twenty-five (25) university graduates successfully graduated the programme in December 2019. Our invigorating 3-month programme provided the platform for meaningful employment to departments aligned with these graduates' career goals, multiple training sessions, and a Showcase and Mingle Event. In addition to the mentorship and experience gained, the interns also participated in public speaking sessions. Forty-eight per cent (48%) of the recently graduated group have already rejoined the company on new permanent or temporary contracts. We only expect to see great things from them, and the other members of their cohort, as time progresses.

1. University students enrolled in the 2019 Sagicor Experience Internship Programme pose for a photo.
2. Interns display an innovation project at the Internship Showcase, as part of the 2019 programme.
3. The first cohort of participants in the 2019 Sagicor Summer Mentorship Programme.



HEART Trainee Programme

The Sagicor HEART Trainee programme is a partnership with HEART Trust/NTA meant to provide opportunities and growth through meaningful employment to young Jamaicans, especially those from underprivileged backgrounds. Twenty-four (24) entry-level positions were filled through our HEART Trainee programme this year. Throughout the year, sixteen (16) HEART Trainees have transitioned into new roles within the Group, either at the end of their HEART Trainee contracts, or through early termination of their HEART Trainee contracts.

New elements will be added to the programme to further enhance the experience for our HEART Trainees in the upcoming year.

Sagicor Summer Mentorship Programme

The Sagicor Summer Mentorship Programme welcomed approximately 330 summer workers between May 20, 2019 and August 30, 2019 in three batches. The programme provided the opportunity for a robust professional development experience which saw sixth form and university students participating in training and development workshops geared towards critically assessing and leveraging their skills and competencies with the demands of the business needs, as well as understanding the importance of teamwork. Several participants have transitioned to other opportunities across the Group.

“NEW WORK” POLICIES

With the digitisation of the labour world or “new work”, Group HR is tasked with leading Sagicor and its workforce into a more flexible, individualised and technologically focused working world. 2019 saw the implementation of two such policies:

Paternity Leave Policy

The Paternity Leave company policy outlines provisions for team members who are going to become fathers. Our company endorses the rights of its team members to become great parents, regardless of gender. This policy helps new fathers fulfil their new parental duties. It also aligns with and reinforces work/life balance initiatives we take here at Sagicor to support our team members.

Work From Home Policy

The Work From Home (WFH) policy is designed to provide an opportunity for team members to balance their work and family life, thereby resulting in a beneficial state of well-being. Team members may work from home or telecommute when their duties and responsibilities can be quantified and be effectively performed remotely, at a place located outside of the company’s premises. This arrangement can be occasional, temporary or permanent. However, renewal or continuation thereof will only be considered if the arrangement proves completely satisfactory to both the company and the team member after an evaluation is carried out.

TOAST to our Team Member of the Year shortlisted nominees

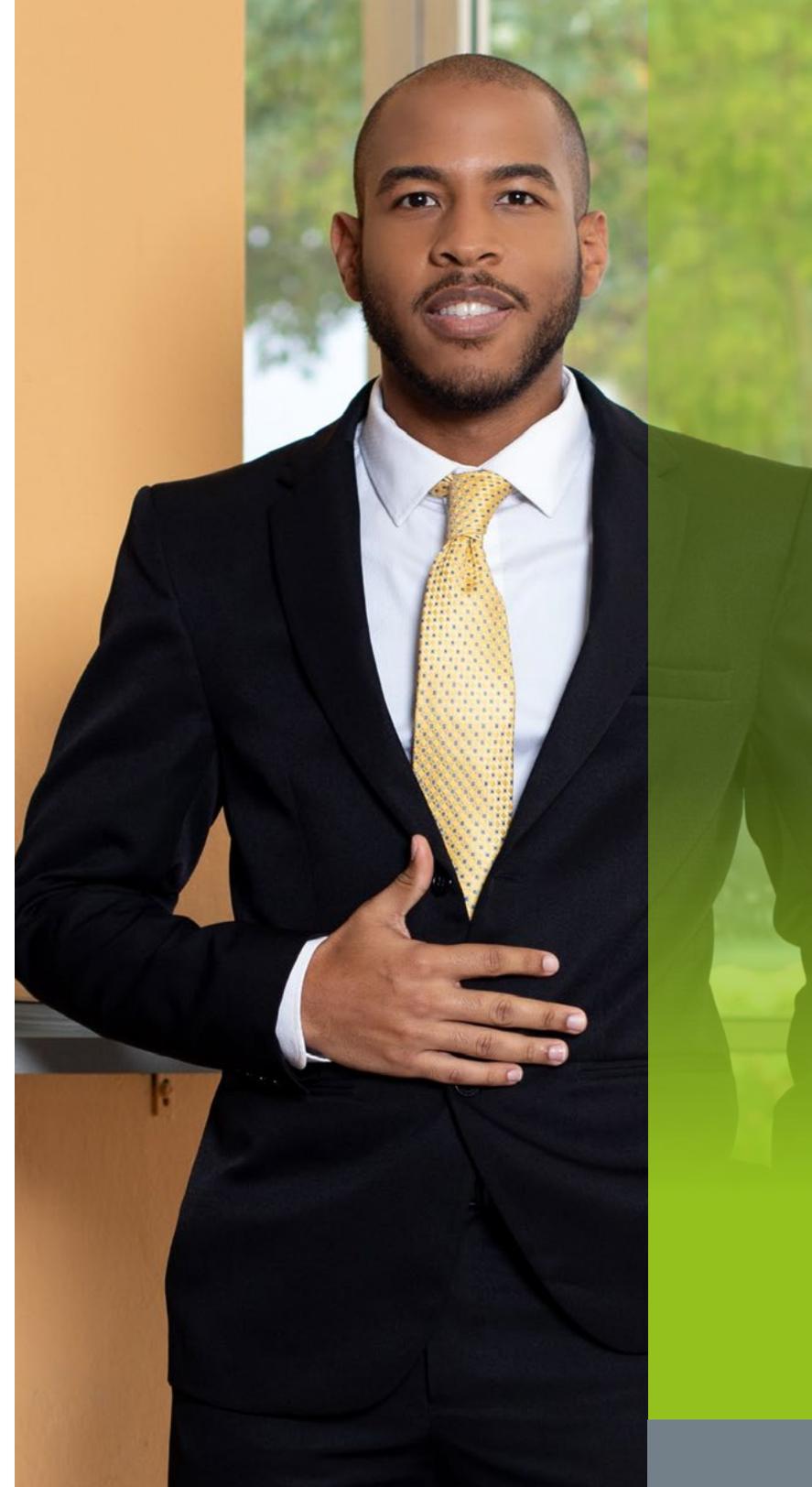
WE SALUTE YOU! Your nomination speaks volume to your commitment, dedication, work ethics and outstanding performance throughout 2019. Continue to emulate our core values of the SCRIPT - Service, Communication, Respect, Integrity, Performance & Teamwork as you impact and shape your immediate team, department and, by extension, Sagicor!

2020 & BEYOND

2019 was another strong year for Group HR as we created many **#Next Level** experiences for our team members. We remain committed to excellence in managing and developing our human resources. Our strategic plans in support of the 2020 Group business objectives include:

- Enhancing our ability to attract, motivate and retain talent through market-competitive compensation
- Continuing to build strategies for success to embed the **One Sagicor** culture across the Group
- Enhancing core competencies through the establishment of the Sagicor Learning Centre

Guided by our vision to be a strategic, caring, client-centric and technology-driven department, Group HR will remain focused on maintaining a winning team that is equipped to deliver next-level experiences as we go beyond gold in 2020.



STUART SOUTH

SAGICOR GROUP JAMAICA 2019 TEAM MEMBER OF THE YEAR

Campion College alum Stuart South started his Sagicor journey in 2014 and has since then set himself apart as a hard-working and dedicated team member, adding significant value to the output of his team and the company.

An actuarial analyst in the Employee Benefits Division of Sagicor Life Jamaica, South has not only committed to doing his part in safeguarding the retirement security of the company's pension clients but has also honed his passion for the field through his involvement in the division. His position sees him carrying out risk analysis for pension plans that are offered by employers, providing advice to various stakeholders, including trustees, employers and members.

Although he initially harboured hopes of studying computer science at the revered Massachusetts Institute of Technology (MIT) in the United States, he is now happy he made the choice to study actuarial science at the University of the West Indies, as it has earned him the ability to make a meaningful contribution to the country's economy based on the overall impact of pensions coverage to the population.

"The passion for the field developed as I realised it requires a personality that is headstrong, diligent and dedicated, and a person able to withstand failures, which all match my own personal qualities. Everything happens for a reason. This career found me, and I enjoy every minute of it," he said.

This evident passion for the career, along with his voluntary involvements and clear determination for success, is what earned the associate actuary the honour of being the 2019 Sagicor Group Jamaica Team Member of the Year title.



I was very surprised when I learnt I was the Team Member of the Year, but I am ecstatic, so happy. It's always good to be recognised, as it shows that I am going in the right direction; this is motivation to do even better, and I am hopeful that others can learn from my journey.

- Stuart South -

In 2019, Stuart took on the challenge of working with colleagues from the U.S.A, Barbados and Bermuda, including Sagicor Financial Corporation's group chief actuary, and external consultants to more effectively re-organise US\$200 million of the group's capital to improve the quality of service to key stakeholders. While the project required that he learn a new area of operations, he places the experience as his most meaningful.

He also represented Sagicor at the annual conference for the Caribbean Association of Pension Supervisors where he delivered a well-received presentation on creating sustainable retirement income for participants in Defined Contribution pension plans. He was specially selected to address this audience that included regulators, actuaries and other industry stakeholders because of his strong communication skills, familiarity with the topic and ability to tailor his discussions to fulfil the objectives for such a select group.

Highlighting his team leadership abilities, in 2019, Stuart also led a team in organising his department's awards ceremony, which saw members of the team being specially recognised for their performance in the prior year.

"I enjoy my experience at Sagicor; with everything else that makes it a great company, there is such a great sense of family, which is what I treasure the most," he said.

For the past four years, Stuart has served as a representative on the Caribbean Actuarial Association (CAA), where he was part of an executive team which had the goal of furthering the actuarial profession in the Caribbean. During his time as a Student Representative, Stuart was successful in raising the profile of the profession by delivering presentations in high schools and universities, as well as contributing to expanding the university's reimbursement programme for early actuarial exams across the Caribbean.

Stuart also assisted with planning several of the association's premier annual conferences; revamped the association's annual report to make it more appealing to readers outside the actuarial community, and proposed a programme to assist nearly qualified association members with study material. Stuart has also contributed and edited several articles for use by the CAA, including one he wrote in 2019 providing a practical guide to persons interested in pursuing the actuarial designation.

Despite his responsibilities at work, Stuart has been able to continually excel in his personal studies, having prepared for and passed his penultimate actuarial exam that brought him one step closer to qualifying as an actuary – a feat not easily accomplished.

#NextLevel Motivational Seminar

Some 800 Sagicor Group Jamaica team members ascended to the #NextLevel when they attended the Sagicor Motivational Seminar (SMS) held at the Montego Bay Convention Centre (MBCC) and the Iberostar Resorts last October.

Sagicor was well talked about locally, as clips of its high-energy motivational conference was shared online, inciting a great affinity to the brand and its treatment of team members. The biennial three-day conference featured influential local speakers, including some outstanding Sagicor team members, who shared their stories and energised the team to end the year on a high note, as they worked towards their personal and professional goals.

The speaker line-up also included several regional and international orators, chief among them being American comedian and TV show host Steve Harvey, who closed out the final day of the conference, delivering an impactful address on his journey to success. Harvey's two-hour-long presentation, which was live streamed on all of Sagicor's social media platforms, was the perfect blend of motivation and humour that inspired persons to dream big and focus on achieving their goals despite their situations.

Other SMS speakers included: Dr Wayne Henry, Director General of the Planning Institute of Jamaica; Shani McGraham Shirley, CEO of Yahsuh Fitbox; Rochelle Gapere, Happiness Coach and Author; Regina Bedoya,



1. American comedian and talk show host Steve Harvey at the 2019 staging of the Sagicor Motivational Seminar held at the Montego Bay Convention Centre.

2. Shani McGraham-Shirley, Fitness Coach and Motivational Speaker, delivers her inspirational bit at the Sagicor Motivational Seminar.





3. Wendy Wallace, Sagicor Life Financial Advisor, shares her story on the stage of the 2019 Sagicor Motivational Seminar.

4. From left: Motivational Speaker Rafael Saul pauses for a photo with Christopher Zacca, President and CEO, Sagicor Group Jamaica, and Peter Melhado, Chairman, Sagicor Group Jamaica, at the company’s motivational seminar.

5. Enthused Sagicor Foundation Scholars (from left) Shernette Johnson, Blake Brown, Venessa Daley, Anastasia Fraser, Jonelle McPherson, Tevin Gibbons and Latoi Griffiths pause for a photo outside the entrance of the Montego Bay Convention Centre’s main conference room, just before witnessing an awe-inspiring line-up of local and international speakers on the final day of Sagicor’s Motivational Seminar.

President, Million Dollar Round Table; and Raphael Saul, Motivational Speaker, Business Consultant, Attorney-at-Law and Corporate Trainer. Team members were also engaged in panel discussions and workshops that focused on various relevant topics for targeted groups over the three days.

The #NextLevel themed event transported team members to a new realm of entertainment, kicking things off on opening night with a welcome cocktail reception. After being charged mentally to conquer their dreams during the day, the team members were given the opportunity to unwind each night through meticulously planned and executed entertainment concepts. The team members were brought back in time as they celebrated Jamaican culture at a dancehall-themed party on night two and satisfied their entertainment appetite on night three with a children’s fashion show, which featured couture from local designers and a reggae concert with artistes Romain Virgo, Proteje and new reggae sensation Lila Ike.

In true Sagicor fashion, the benevolent company also raised and presented \$1.5 million (\$150,000 each) in grants to 10 young men from underprivileged backgrounds. The money was raised through contributions from Sagicor team members and other donors.

Dubbed the Sagicor ‘SOUL’ – Saving Our Underprivileged Lives – the charity initiative also gave the young men, who are between the ages of 15 and 21, a once-in-a-lifetime opportunity to have lunch with SMS’ specially invited guest speaker Steve Harvey at the Iberostar Hotel on the seminar’s final day. Harvey, whose journey to success was not without challenges, encouraged the young men to persevere in working to attain their goals.

The beneficiaries of the grants were selected from the Sarah’s Children charity programme in Montego Bay and the Our Sons initiative in Kingston.

6. Directors of the SMS Executive committee (back row, from left) Olivia Campbell, Assistant Manager, Sagicor Life Individual Life Sales; Wayne Thorpe, Sagicor Life Senior Underwriter; Marcia Richards, Executive Agent, Sagicor Life; Anthony Lily, Driver, Sagicor Group Jamaica; Ian Bourne, Unit Manager, Sagicor Life Holborn Branch. Front row, from left: Nicole Robinson, Manager, Brand Experience and Special Projects, Sagicor Group Jamaica; Shamar Tomlinson, Benefits Officer, Human Resources, Sagicor Group Jamaica; Michelle Distant, Human Resources Relationship Manager, Sagicor Group Jamaica; Loeri Robinson, Executive Agent, Sagicor Life; Alysia White, Assistant Vice President and Head of Group Marketing, Sagicor Group Jamaica; Stephen Levy, Assistant Manager, Group Corporate Sales, Sagicor Group Jamaica; and Kristen Golding, Brand Experience Officer, Sagicor Group Jamaica.

7. Steve Harvey (centre), American comedian and TV show host, takes a photo with the leadership team of Sagicor Group Jamaica (from left): Karl Williams, Senior Vice President – Group Human Resources, Sagicor Group Jamaica; Mark Thompson, CEO, Advantage General Insurance Company; Chorvelle Johnson Cunningham, CEO, Sagicor Bank; Willard Brown, Executive Vice President – Employee Benefits, Sagicor Life Jamaica; Christopher Zacca, President and CEO, Sagicor Group Jamaica; Mark Chisholm, Executive Vice President – Individual Life, Sagicor Life Jamaica; Janice Grant Taffe, Senior Vice President – General Counsel and Corporate Secretary, Group Legal Trust & Corporate Services, Sagicor Group Jamaica; and Kevin Donaldson, CEO, Sagicor Investments Jamaica and Executive Vice President, Sagicor Group Jamaica.

8. American comedian, television host and actor Steve Harvey (seated left) shares a photo with Loeri Robinson, Executive Financial Advisor, Sagicor Life, and the Sagicor Motivational Seminar (SMS) grant awardees (from left): Damari Chambers, Kevin Ricketts, Textin Anderson, Bryan Campbell, Peter Sinclair, Melbourne Calame and Ronaldo Nicholson at the event in Montego Bay.





9. Business Consultant, Motivational Speaker, Attorney-at-Law and Corporate Trainer, Raphael Saul on stage at the 2019 Sagicor Motivational Seminar delivering his powerful “I AM” themed presentation.

10. Ravi Rambarran, Group Chief Operating Officer, Sagicor Financial Corporation, addresses the audience at SMS 2019.

11. Panellists (from left) Sagicor Life Jamaica Senior Underwriter and two-time winner of the Team Member of the Year award Wayne Thorpe; author and GOFAH founder and Chief Marketing Officer Odetta Rockhead-Kerr; Jamaica Observer Senior Associate Editor – Lifestyle & Social Content Novia McDonald Whyte; celebrity chef Wenford Simpson are with moderator Alysia White, Assistant Vice President and Head of Group Marketing, Sagicor Group Jamaica.

12. Melia McKitty Plummer (right), Branch Manager at Sagicor Life Corporate Circle, pauses for a photo with Regina Bedoya, President of the Million Dollar Round Table.



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Dave Hill
General Manager

SAGICOR LIFE OF THE CAYMAN ISLANDS LTD.

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George Town
Grand Cayman KY1-1102
Cayman Islands
Tel: (345) 949-8211
Fax: (345) 949-8262
Mark Chisholm
President & CEO

SAGICOR COSTA RICA, SCR, S.A.

102 Avenida Escazu,
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Escuzu, San Jose,
Costa Rica
Fernando Viquez
Deputy Manager

SAGICOR REAL ESTATE X FUND LIMITED

20 Micoud Street
Castries, St. Lucia
Brenda-Lee Martin
CEO

SAGICOR POOLED INVESTMENT FUNDS LIMITED

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SAGICOR RE- INSURANCE LIMITED

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SAGICOR PROPERTY SERVICES LIMITED

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SAGICOR INSURANCE MANAGERS LIMITED

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SAGICOR FOUNDATION JAMAICA

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Alysia White
Executive Director

SAGICOR INTERNATIONAL ADMINISTRATORS LIMITED

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SAGICOR PROPERTY DEVELOPERS LIMITED

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SAGICOR SECURITIES LIMITED

(in voluntary liquidation)
17 Dominica Drive
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Tel: (876) 929-8920-9
TC (2017) LIMITED
28-48 Barbados Avenue
Kingston 5



Corporate Data

DIRECTORS:

Dr. the Hon. R.D. Williams
O.J., C.D., LL.D (Hon.), J.P.
Director Emeritus

Peter K. Melhado
Chairman
(Appointed July 1, 2019)

Christopher Zacca
C.D., J.P.
President & CEO

Peter Clarke

Jeffery Cobham

Jacqueline Coke-Lloyd

Paul A.B. Facey

Stephen B. Facey

Richard Downer

Dr. Marjorie Fyffe Campbell

Paul Hanworth

Stephen McNamara

Dr. Dodridge Miller

LEADERSHIP TEAM:

Christopher Zacca
President & CEO

Ivan B. O'B. Carter*
Executive Vice President,
Finance and Group CFO

Janice A.M. Grant Taffe
Senior Vice President, General
Counsel & Corporate Secretary

Donnette Scarlett
Senior Vice President,
Treasury & Asset Management,
Sagicor Life Jamaica Ltd.

Kevin Donaldson
CEO

Sagicor Investments
Jamaica Limited

Mark Chisholm
Executive Vice President,
Individual Insurance Division

Willard Brown
Executive Vice President,
Employee Benefits Division

Karl Williams
Senior Vice President,
Group Human Resources and
Corporate Sales & Services

Chorvelle Johnson Cunningham
CEO
Sagicor Bank Jamaica Limited

* Demitted office April 17, 2020

Corporate Secretary:
Janice A.M. Grant Taffe

Appointed Actuary:
Janet Sharp

Auditors:
PricewaterhouseCoopers

Bankers:
Sagicor Bank Jamaica Limited
Scotiabank Jamaica Limited
National Commercial Bank
(Jamaica) Limited
Cayman National Bank Ltd.

Attorneys:

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6A Holborn Road
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St. Andrew

Myers, Fletcher & Gordon
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Kingston
St. Andrew

DunnCox
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FOREIGN OPERATIONS

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Sagicor Sigma Corporate Run

A Record-Breaking Year

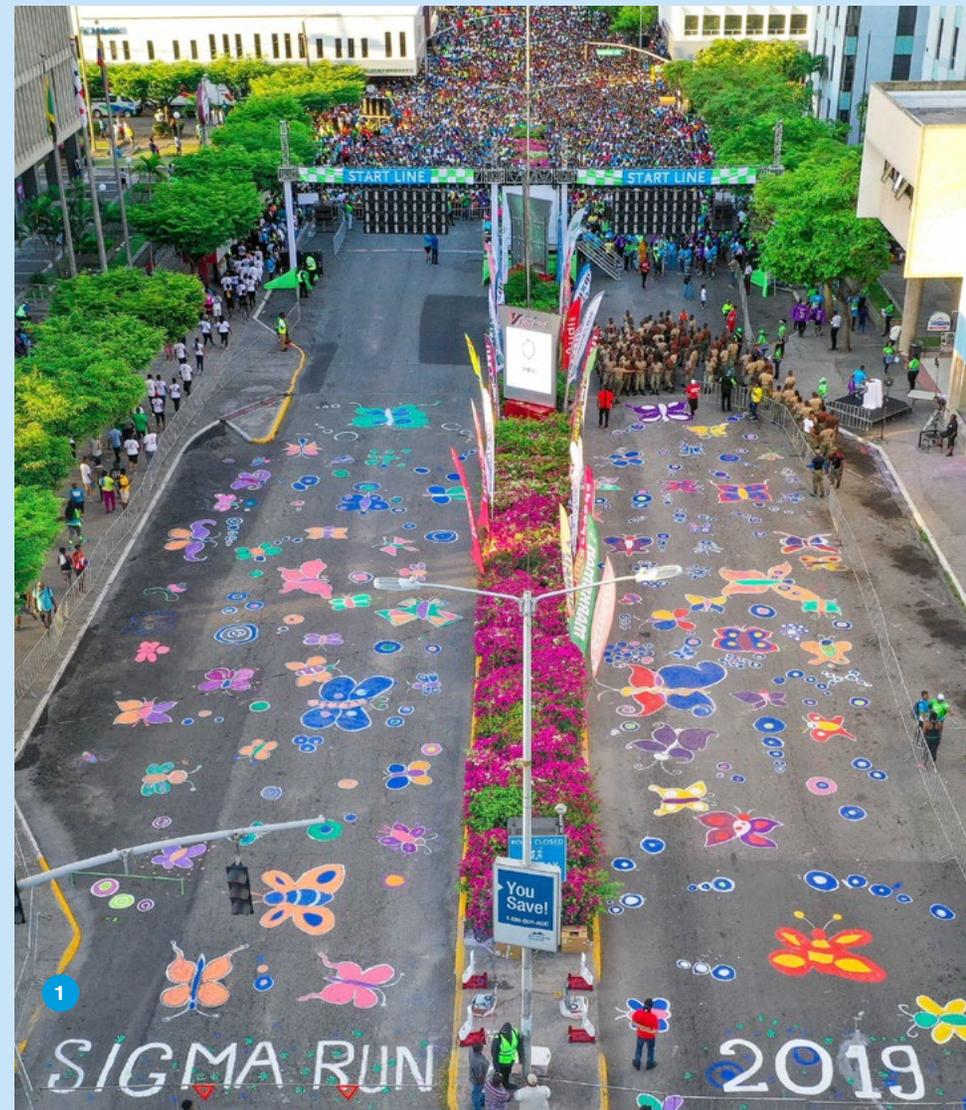
The 21st staging of the Sagicor Sigma Corporate Run on Sunday, February 17, 2019, has been firmly lodged in the annals of Sagicor history as one of record-breaking success. The company pulled off an extraordinary feat to register over 27,000 participants for the 5K road race and raise over \$52.4 million in cash and kind for three charitable causes.

On the morning of the race, the streets of Kingston bore witness to the willingness of corporate Jamaica and the energy of a people eager to give support to the three worthy causes – the May Pen Hospital Neonatal Intensive Care Unit, the Lupus Foundation of Jamaica and the Diabetes Association of Jamaica. The atmosphere was rife with excitement as Sigma Run patrons – Jamaican-born international supermodel Stacy-Ann McKenzie and Olympian Yohan Blake – joined the Sagicor leadership team and singing sensations Tessanne Chin and Wayne Marshall to get activities underway at the start-line.

A team of soldiers from the Jamaica Defence Force led the way for the start of the Caribbean's largest road race as cheerleaders lined the roadways, motivating the runners, walkers and wheelers alike. Participants were also able to enjoy the return of the Sigma Run Fun Zone, which included a foam pit, a delight for the young and young at heart; and a beautiful mural at the start-line, featuring butterflies to help raise awareness of the lupus disease.

The 2019 staging of the event further touched the hearts of many, as it sought to honour longtime Sigma Run start-line emcee, late comedienne Elva Ruddock, who lost her battle with the lupus disease in 2018. Family, friends and supporters of Ruddock could be seen on race day donning a specially designed purple 'Hero Duck' cape.

The Sagicor Sigma Corporate Run has, for the past 21 years, galvanized the heartbeat of Jamaica – a people filled with love, light and willingness to serve those who are most vulnerable. Raising some \$400 million for charity over the years, the stage is set for a continued commitment to impacting the lives of the people in the communities in which the company operates.





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1. A view of the mural at the Sigma Run start-line.
2. Olympian Yohan Blake sets off the race.
3. Paralympian Alphonso Cunningham (left) leads the way as the wheelchair-bound racers make their way to the finish line.
4. From left - Dr. Desiree Tulloch-Reid, President of the Lupus Foundation of Jamaica; St. Andrade Sinclair, CEO of the May Pen Hospital; and Lurline Less, Chair of the Diabetes Association of Jamaica celebrate after being presented with a symbolic cheque valued at \$52.4 million.
5. Elisabeth Mondon (left) receives some last-minute motivation from Sigma Run race director Gina Harrison, as she readies to cross the finish line as the female winner of the race.
6. Family and supporters of former start-line emcee and comedienne, Elva Ruddock, show off their 'Hero Duck' capes at the start-line.
7. Children enjoy the foam pit as part of the fun zone along the race route in Kingston.
8. Stacey McKenzie, Jamaican-born international supermodel, and Sigma Run 2019 Patron struts on the runway during the start-line fashion show.
9. Christopher Zacca (left), President and CEO, Sagicor Group Jamaica, shares a photo-op on the Sigma Run start-line stage with 2019 patrons, Jamaican-born international supermodel Stacey McKenzie and Olympian Yohan Blake.



\$166m+
Total Invested in CSR in 2019



\$8m

Jamaica Teachers' Association
Sagico Primary and Junior High School
National Athletics Championships

Over **12,000** Student
Athletes



\$26.5m

Sagico Foundation
Scholarship Programme
Over **150** Scholars



\$52.4m

Raised by Sigma Run
for May Pen Neonatal Intensive Care
Unit, Diabetes Association of Jamaica
and Lupus Foundation of Jamaica
Record **27,028** Registrants



\$18.6m

Sagico Foundation
Adopt-A-School Programme
3 Early Childhood Institutions
Chantilly Gardens Early Childhood
Institution, Savanna-la-Mar;
Tobolski Basic School, Brown's Town;
Clifton Basic School, Portmore



\$12m+

Health, Educational & National Efforts

- \$1m** Jamaica Teachers' Association
Critical Illness Fund
- \$1.2m** Prime Minister's Youth Awards
- \$1m** Jamaica National
Children's Home
- \$2m** CSJP Pre-vocational Programme
- \$1m** Back-to-School Initiatives



\$2m

Labour Day Project
4 Children's Homes

Reddie's Place of Safety in Rollington
Town; SOS Children's Village, Barrett
Town; St. Augustine Place of Safety,
Chapelton; Pringle's Children's Home,
Carron Hall



\$4m

Jamaica Cancer
Society Support

Relay for Life and Keeping
Abreast Luncheon



Corporate Social Responsibility



To be a great company committed to improving the lives of the people in the communities in which it operates"

Staying true to its vision statement - Sagicor Group Jamaica, through its charitable arm the Sagicor Foundation, continues to display a commitment to fulfilling its mandate of caring, inspiring and serving the people of Jamaica. The Sagicor Foundation has an active, lively and robust corporate social responsibility programme, with core initiatives aimed at significantly improving the health and education sectors.

Sagicor has a strong volunteerism culture, with some 500 team members actively involved in the Foundation's activities that are undertaken throughout the year.



HEALTH

SAGICOR SIGMA CORPORATE RUN

Sagicor celebrated the 21st anniversary of its annual signature charity event, the Sagicor Sigma Corporate Run, on Sunday, February 17, 2019. This saw a record 27,028 registrants signing up to participate in the 5K fun run held in New Kingston.

The event raised over \$52.4 million in cash and kind for the three beneficiaries – the Lupus Foundation of Jamaica, the Diabetes Association of Jamaica and the May Pen Hospital Neonatal Intensive Care Unit.

International Jamaican supermodel Stacey McKenzie and Olympian Yohan Blake were the patrons for the run.

1. Start line at the Sigma Run. 2. Ready to go! President and CEO of Sagicor Group Jamaica Christopher Zacca (right), Minister of Health and Wellness Christopher Tufton, and CEO of Sagicor Bank Chorvelle Johnson Cunningham strike a pose ahead of the start of the 21st Sagicor Sigma Corporate Run. 3. We did it! Posing with the symbolic cheque highlighting the \$52.4 million funds raised from the Sagicor Sigma Corporate Run 2019 for the three beneficiaries are (from left), Mark Chisholm, Director, Sagicor Foundation and Executive Vice President, Individual Life Division - Sagicor Life Jamaica; Stacey McKenzie, International Jamaican supermodel and 2019 Sigma Corporate Run Patron; Dr. Desiree Tulloch-Reid, President of the Lupus Foundation of Jamaica; St. Andrade Sinclair, CEO of the May Pen Hospital; Lurline Less, Chair of the Diabetes Association of Jamaica; Chorvelle Johnson Cunningham, CEO of Sagicor Bank; and Yohan Blake, Olympian and 2019 Sigma Corporate Run Patron.



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4. Michelle Distant (left), Relationship Manager – Human Resources, Sagicor Group Jamaica, and Wendy Wallace (2nd left), Financial Advisor, Sagicor Life Jamaica, present a cheque from the Sagicor Foundation valued at \$1 million to Shullian Brown, Fund-raising and Public Relations Officer, Jamaica Cancer Society (JCS), and Michael Leslie, Financial Manager, JCS, towards the 2019 staging of the Cancer Society’s Keeping Abreast Luncheon. 5. An attendee at the Jamaica Cancer Society Relay for Life vigil participates in the Sagicor Jeopardy Charity game, whereby amounts won by players were contributed to the Jamaica Cancer Society and matched by Sagicor Foundation. 6. Sagicor team members at the Jamaica Cancer Society’s Relay for Life on June 1, held on the lawns of the University of Technology, Jamaica. 7. Christopher Zacca (left), President and CEO, Sagicor Group Jamaica, presents Dr. Garth Anderson, President of the Jamaica Teachers’ Association (JTA) with a symbolic cheque representing Sagicor’s commitment to donate \$1 million towards the JTA Critical Illness Trust Fund. 8. Janice Grant Taffe, Senior Vice President, General Counsel and Corporate Secretary, Sagicor Group Jamaica, presents tertiary scholar Nile Anderson with his certificate during the Sagicor Foundation 2019 Scholarship Awards Ceremony.

JAMAICA CANCER SOCIETY

The Jamaica Cancer Society (JCS) continues to receive support from Sagicor for its various outreach and fund-raising initiatives, with Sagicor Foundation investing over \$4 million in the Society’s 2019 annual fund-raising and awareness activities - Keeping Abreast Luncheon for Breast Cancer Awareness month and the Relay for Life vigil. Sagicor Foundation donated \$1 million in cash towards the luncheon and provided tokens to each attendee at the event.

The Society’s Relay for Life vigil celebrates the life of cancer survivors, while remembering and honouring the memory of those who have succumbed to the disease. Over 200 Sagicor team members, along with their families, supported the event, which is a twelve-hour vigil starting at 6:00 pm and ending at 6:00 am.

JAMAICA TEACHERS’ ASSOCIATION (JTA) CRITICAL ILLNESS FUND

Sagicor donated \$1 million to the JTA Critical Illness Fund, which was established to mark the JTA’s 55th anniversary and will provide financial assistance for medical purposes to teachers who are in need.

EDUCATION

SAGICOR FOUNDATION SCHOLARSHIP PROGRAMME

The Sagicor Foundation awarded 100 exemplary and deserving students with scholarships and educational grants in 2019. Thirty-nine (39) primary school students were rewarded for their exceptional performance in the Primary Exit Profile (PEP) examination, while thirty-three (33) tertiary-level students received awards for their excellent academic performance, community involvement, volunteerism, strong leadership potential and based on their financial need.

The PEP scholarships were awarded to children of various Sagicor stakeholders who excelled in the national examination. The scholars included children of clients, team members and members of the Jamaica Defence Force. Scholarships were also awarded to the overall champion boy and girl of the Jamaica Teachers' Association/ Sagicor Primary and Junior High School National Athletics Championships, while educational grants were awarded to other male and female parish champions of the meet.

Secondary scholarships are valued at up to \$50,000 annually, for a maximum of five years, while tertiary scholarships are valued at up to \$300,000, for a maximum of four years. Tertiary scholars are enrolled in the following universities across the island - University of the West Indies, Mona Campus; University of Technology, Jamaica; Mico University College; Caribbean Maritime University; Northern Caribbean University; and the Edna Manley College of the Visual and Performing Arts. Over \$13 million were disbursed for the new scholarships and grants; while another 111 scholarships were renewed, valued at over \$13 million.

SAGICOR FOUNDATION ADOPT-A-SCHOOL PROGRAMME

Sagicor Foundation's Adopt-A-School programme is geared at helping early childhood institutions improve their overall teaching and learning environment; upgrading the schools' physical environment and helping them to become fully certified by the Early Childhood Commission.

For the 2019/2020 programme, three new schools were adopted and made welcome at an exciting launch event held at the Hope Zoo. The adopted schools were St. Peter Claver Infant School in Kingston, Prime Time Early Childhood Institution in May Pen, Clarendon, and Petersville Early Childhood Institution in Westmoreland.



9. Tertiary-level recipients of the Sagicor Foundation 2019 scholarship share a photo with Christopher Zacca (left, 1st row), President and CEO, Sagicor Group Jamaica and Hon. R. Danny Williams (right, 1st row), Chairman of the Sagicor Foundation. **10.** Christopher Zacca (left, 1st row), President and CEO, Sagicor Group Jamaica, and Hon. R. Danny Williams (right, 1st row), Chairman of the Sagicor Foundation, with the 2019 secondary-level recipients of the Sagicor Foundation scholarship at the awards ceremony. **11.** Sagicor Group team members (from left) Jedrael Stewart, Public Relations and Corporate Social Responsibility Officer; Jhanine Jackson, Assistant Manager, Sales and Leasing, Sagicor Property Services; Chevon Lewis, Marketing Officer, Sagicor Foundation; Tiffany Wright, Marketing Administrator; Georgiann Shepherd, Brand Experience Officer; and Jemela Caldwell, Marketing Associate, share a moment with students of the Sagicor Foundation adopted schools following the launch of the 2019/2020 Adopt-A-School Programme.

Eighteen million dollars have been earmarked for the programme, particularly for the physical infrastructural upgrade of the schools, including the building of additional classrooms, renovation and refurbishing of existing classrooms, bathrooms and play areas. Additionally, the children were treated to a special Christmas treat in December, with several other engaging, fun and educational activities planned for the remainder of the programme.

Over \$18.6 million was invested in upgrading the physical infrastructure of the 2018/2019 adopted schools – Clifton Basic School in Portmore, St. Catherine, Tobolski Basic School in Brown's Town, St. Ann and Chantilly Early Childhood Institution in Savanna-la-mar, Westmoreland. Following the upgrades at Clifton Basic School, the school was fully certified by the Early Childhood Commission.



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PRIME MINISTER'S YOUTH AWARDS FOR EXCELLENCE

With a mandate to support our nation's youth, Sagicor Foundation awarded 12 scholarship grants totalling \$1.2 million to selected recipients of the 2019 Prime Minister's Youth Awards for Excellence. Valued at \$100,000 each, the grants offered by the Foundation were to support the educational development of the awardees, helping them on their journey to achieving their dreams.

UNITED NATIONS WOMEN'S GUILD SCHOLARSHIP PROGRAMME

As part of its ongoing support for education, Sagicor Foundation donated \$250,000 to the Jamaican chapter of the United Nations Women's Guild (UNWG) to provide scholarships for high school students under the organisation's scholarship programme. The women's organisation provides assistance to underprivileged students, helping to cover transportation and meal costs, which enables the students to attend school regularly.



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BACK-TO-SCHOOL DONATIONS

Sagicor Foundation donated over \$1 million in cash, book vouchers and educational supplies to several community back-to-school initiatives in 2019. These donations assisted numerous students from underprivileged communities with purchasing of books, uniforms, school bags and other essential items for the school year.

SPORT DEVELOPMENT

JAMAICA TEACHERS' ASSOCIATION (JTA)/SAGICOR PRIMARY AND JUNIOR HIGH SCHOOL NATIONAL ATHLETICS CHAMPIONSHIPS

The JTA/Sagicor Primary and Junior High School National Athletics Championships is a two-day athletics competition that brings together over 1,000 student athletes from across the country to compete for their parish in various track and field events and vie for the top prize of Parish Champions and overall Champion Boy and Champion Girl.



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11. Mischa McLeod-Hines (centre), Assistant Vice President, Capital Markets, Sagicor Investments, hands over a certificate to Tia Ferguson, for a Sagicor Foundation scholarship grant valued at \$100,000, during the Prime Minister's Youth Awards for Excellence on November 30 at Jamaica House. Looking on is Alando Terrelonge, State Minister of Education, Youth and Information. 13. Curline Cousins (right), Financial Advisor, Sagicor Life Jamaica, New Kingston branch, hands over a symbolic cheque valued at \$50,000 to Rev. Peter Garth (left), Pastor, Hope Gospel Assembly, towards scholarship grants, at the church's annual Back-To-School Fair. 14. Karee Tape of St. Elizabeth took home the top individual prize of Champion Girl at the 2019 JTA/Sagicor Primary and Junior High School National Athletics Championships. This was the young athlete's second title; she first won Champion Girl at the 2017 Championships. 15. Christopher McKenzie, from St. Andrew, is all smiles as he celebrates being the overall Champion Boy for the 2019 JTA/Sagicor Primary and Junior High School National Athletics Championships. 16. Student athletes compete in a track event during the 2019 staging of the JTA/Sagicor Primary and Junior High School National Athletics Championships.



17. A Sagicor team member is focused on painting this play swing bar at the Reddies Place of Safety on Labour Day. 18. Sagicor team members paint a section of the Pringles Children's Home in St. Mary on Labour Day. 19. Executive Vice President of Sagicor Life Jamaica and Director of Sagicor Foundation, Mark Chisholm (left) presents a certificate of completion to Cheryl Williamson, one of the participants of the CSJP who graduated in December. 20. Valedictorian for the 2019 CSJP graduating class, Jermon Simmonds (right), gives a thumbs up as he shares a photo with President and CEO of Sagicor Group Jamaica, Christopher Zacca. 21. Chorvelle Johnson Cunningham (left), presents, Kimone Palmer, with her certificate of completion at the graduation ceremony for participants of the CSJP.



The event is held at the National Stadium in Kingston and provides a platform for the students to showcase their athletic prowess.

In 2019 Sagicor Foundation invested over \$8 million in the Championships, covering varying expenses for the meet. Over the two days, some 100 Sagicor team members served as volunteers at the meet, helping in varied capacities to ensure the smooth execution of the Championships.

COMMUNITY OUTREACH

LABOUR DAY PROJECTS

On May 23, 2019, in recognition of Labour Day, over 300 Sagicor Group Jamaica team members volunteered to carry out renovation, refurbishing and clean-up activities at four children's homes across the island, in line with the national Labour Day theme: **'Child Safety – It's You, It's Me, It's All A We'**.

The children's homes that received support were: Reddie's Place of Safety, Kingston; SOS Children's Village, Montego Bay, St. James; St. Augustine's Place of Safety, Chapelton, Clarendon; and Pringle's Children's Home, Pringles, St. Mary.

SAGICOR HOSTS MOTIVATIONAL LUNCHEON AND GRADUATION FOR AT-RISK YOUTHS

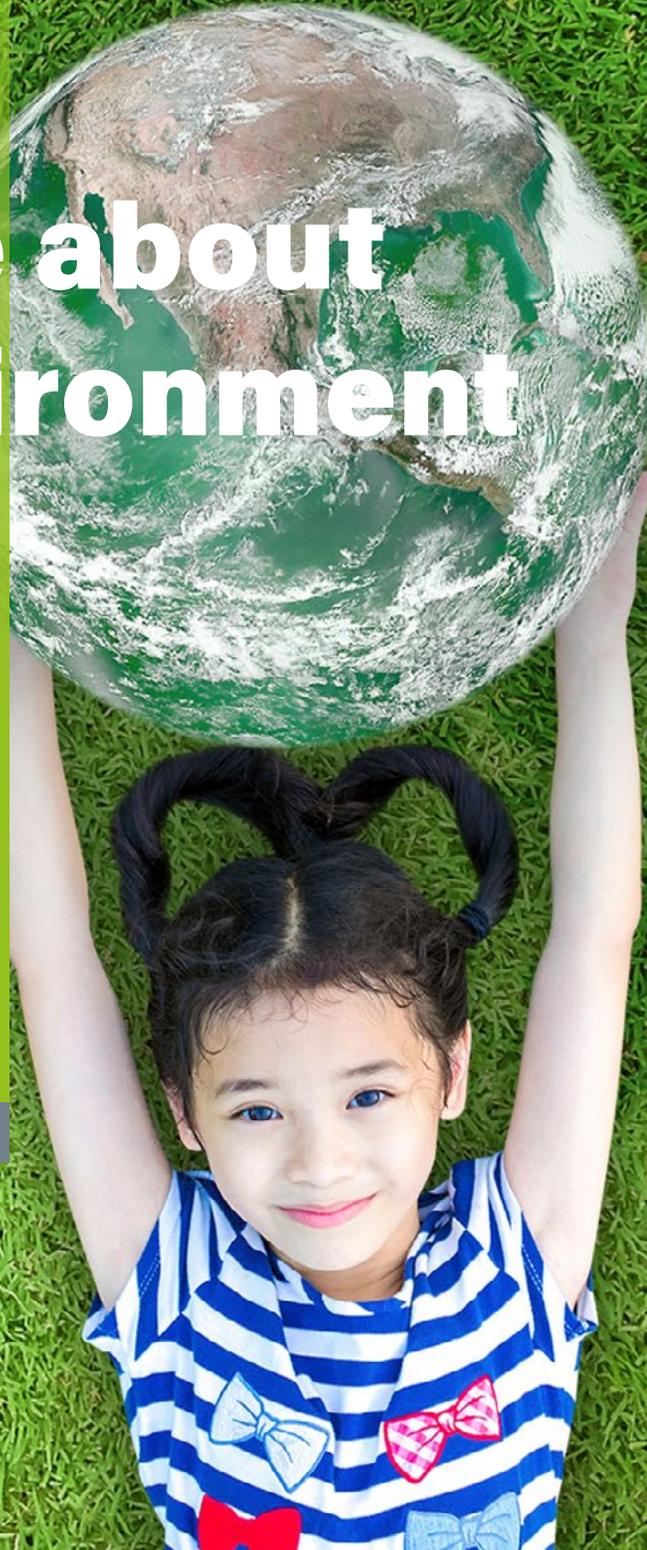
In July 2019 Sagicor hosted a group of 36 youngsters who were participants of the Ministry of National Security's Citizen and Security Justice Programme (CSJP) to a special motivational luncheon, where they were offered words of encouragement and inspiration by Sagicor executives and team members. Under the programme the participants, who were between the ages of 17 and 30 years and hailed mainly from inner-city communities, learnt literacy and numeracy skills, as well as vocational training to help prepare them to enter the workforce.

The graduation ceremony for the cohort, which was sponsored by Sagicor, was held in December at the company's head office auditorium.



We care about the environment

Playing our part in protecting the environment



As responsible corporate citizens, Sagicor Group Jamaica remains environmentally conscious and continues to implement and maintain 'go green' measures to play our part in protecting the environment.

The Go Green initiative at the Sagicor Sigma Run continues to be a success with over 15,000 bottles being collected from the 5K event in 2019. The number of bottles collected by the Sigma Run Greening Team, supported by Recycling Partners of Jamaica Limited, equalled approximately 651 pounds of plastic bottles.

To encourage recycling among the participants of the run, receptacles are strategically placed all along the race route as well as in Emancipation Park where the event culminates.

As a health and wellness company, Sagicor Group Jamaica also encourages its team members to conserve on energy, as well as utilise a reusable water bottle throughout the day to drink water instead of using plastic cups.

The company also has in place a 'Think Before You Print' initiative, which is part of efforts to minimise paper waste. Reuse of paper, where possible, is also encouraged if there is a need to print. The intranet, which is the company's information hub for team members, is continuously updated by Group HR and can be utilised by team members to apply for and request various documents, thereby minimising the need for persons to print.

In addition to the internal measures for team members, the Group also encourages its clients across its subsidiaries to conduct 'paperless'



transactions via the various electronic channels. Not only is it more convenient for clients to conduct their business online, it also eliminates many of the processes that are required for an in-person transaction, which all plays a part in helping the environment.

Via the Sagicor Bank e-banking platform, clients can conduct a lot of their day-to-day banking online. There is also email banking via the Bank’s Transact services, as well as clients can utilise the Bank’s ABMs islandwide.

Client Web, My Voluntary, My Sagicor and e-Life are all online/paperless platforms that Sagicor Life clients can use to conveniently conduct their various

life, health and pension related business. From being able to update policies, request encashments and make policy payments on Client Web, to being able to check supplemental and pension benefits online at My Voluntary, clients have the freedom of doing business wherever and whenever. Now, via Sagicor Life e-Life platform, persons can sign up for life insurance from anywhere. These online platforms significantly reduce the need for paper transactions.

The company’s environmentally friendly initiatives also include energy efficiency and optimisation, with offices outfitted with light-emitting-diode (LED) bulbs – one of the most energy-efficient lighting option. LED lights are durable and long-lasting, resulting in lower waste production. And with approximately 75% less energy usage than incandescent lights, and an 80-90% reduction in heat emissions, LED bulbs cut down on fossil-fuel consumption and our impact on climate change.

In non-essential spaces across Sagicor buildings, automatic shut-off of air conditioners is scheduled for 5:00 pm on Mondays through Fridays, and automatic switch-off for office lights is at 9:00 pm in the week, and throughout the weekend.

Motion-sensing lights are also employed in small offices and restrooms. The lower electricity usage cuts fuel consumption and greenhouse gas emissions, and the decreased usage of lights in our high-rises cuts down on light pollution.

Additionally, the company has also started to outfit office bathrooms with touchless automatic faucet motion sensor taps, thereby significantly reducing water wastage.

Sagicor Group Jamaica is playing our part in helping to reduce the carbon footprint, minimise waste and improve energy efficiency, ultimately driving innovation and contributing to a safer, cleaner and healthier environment.

OUR GO GREEN INITIATIVES

Go Green initiative at the Sagicor Sigma Run collected over 15,000 plastic bottles



‘Think Before You Print’ initiative minimises paper waste



Electronic platforms allow clients to conduct a lot of their day-to-day transactions online



Energy savings with LED lighting and scheduled automatic shut-offs for office air conditioners



Touchless automatic motion sensor faucets significantly reduce water wastage



Vice Presidents

EMPLOYEE BENEFITS



Nicola Leo-Rhynie
Vice President
EBD Marketing



Carol Lawrence
Vice President
Group Insurance Services

EMPLOYEE BENEFITS ADMINISTRATOR



Latoya Mayhew-Kerr
General Manager
Employee Benefits Administrators Ltd.

INDIVIDUAL INSURANCE



Audrey Flowers-Clarke
Vice President
Insurance Operations

SAGICOR INVESTMENTS JAMAICA LTD



Tara Nunes
Vice President
Wealth Management & Client Services

SAGICOR BANK JAMAICA LTD.



Michael Willacy
Vice President
Corporate, SME & Retail Banking



Jeffrey Chevannes
Vice President
Credit Risk & Centralized Collateral & Securities



Sabrina Cooper
Vice President
Card & Payments

SHARED SERVICES



Mark Clarke
Vice President
Group Infrastructure & Technical Services



Jacqueline Donaldson
Vice President
Corporate Services



Andrew Burke
Vice President
Innovation, Assurance & Projects



Coretta Foster
Vice President
Group Human Resources



Merrick Plummer
Vice President
Corporate Group Sales



Brenda-Lee Martin
Chief Executive Officer
Sagicor Real Estate X Fund; Vice President - Asset Management

Assistant Vice Presidents

EMPLOYEE BENEFITS ADMINISTRATOR LTD.		EMPLOYEE BENEFITS ADMINISTRATOR LTD.		INDIVIDUAL INSURANCE DIVISION		SHARED SERVICES				
										
Corrinne Bellamy <i>Assistant Vice President</i> EBA Actuarial Services	Megan Irvine <i>Assistant Vice President</i> Pensions & Annuities	Jacqueline Brown-Barnes <i>Assistant Vice President</i> Group Insurance Services	Andrea Taylor <i>Assistant Vice President</i> New Business, Underwriting, & Paramed	Philbert Perry <i>Assistant Vice President</i> Sales & Distribution	Alysia Moulton White <i>Assistant Vice President</i> Group Marketing	Danielle Davidson <i>Assistant Vice President</i> Enterprise Risk Management & Group Compliance	Pavel Byles <i>Assistant Vice President</i> Application Support & Development	Camisha Sinanon <i>Assistant Vice President</i> Group Corporate Accounting		
SAGICOR INVESTMENTS JAMAICA LTD.				SAGICOR PROPERTY SERVICES LTD.						
					Alice Campbell <i>Assistant Vice President</i> Group Human Resources	Jacinth Kelly <i>Assistant Vice President</i> Group Insurance Accounting	Charmaine Leckie <i>Assistant Vice President</i> Group Internal Audit	Lorna Jamieson-Bond <i>Assistant Vice President</i> Group Management Accounting		
	Karen Richards <i>Assistant Vice President</i> Investment Client Services	Bianca Nam <i>Assistant Vice President</i> Wealth Management	Roger McKenzie <i>Assistant Vice President</i> Treasury & Trading	Wayne Robinson <i>Assistant Vice President</i> Sagicor Property Services						
SAGICOR BANK JAMAICA LTD.										
					Yvonne Pandohie <i>Assistant Vice President</i> Finance: Banking	Andrea Chung <i>Assistant Vice President</i> Group Project Management Office	Grace Royal Bassaragh <i>Assistant Vice President</i> Legal Counsel	Jassetta Jones <i>Assistant Vice President</i> Group Legal Services		
Annette Osborne <i>Assistant Vice President</i> Operations	Danyu Dacres <i>Assistant Vice President</i> Business Re-engineering & Operations Efficiency	Kevin Chin-Sue <i>Assistant Vice President</i> Cards & Payments	Clinton Hunter <i>Assistant Vice President</i> Retail Banking	Omar Brown <i>Assistant Vice President</i> Treasury						
					Camille Witter <i>Assistant Vice President</i> Corporate Actuarial	Christopher King <i>Assistant Vice President</i> Corporate Actuarial	Faith Vincent <i>Assistant Vice President</i> Treasury & Investment Operations			

Regional Branch Managers

SAGICOR LIFE JAMAICA LTD.



Mark Lindsay
Branch Manager
Senators



Odine Dacosta
Branch Manager
Half Way Tree



Flora "Dale" Greaves-Smith
Branch Manager
Mandeville



Michael Forbes
Branch Manager
New Kingston



Dave Hill
General Manager
Sagicor Insurance
Brokers Limited



Leslie Francis
Branch Manager
Knutsford



Roaan Brown
Branch Manager
Belmont Dukes



Ramoth Watson
Branch Manager
Ocho Rios



Maurice McDonald
Branch Manager
Spanish Town



Christopher Lawe
Senior Branch Manager
Holborn



Pete Forrest
Senior Branch Manager
Corporate Circle



Patrick Sinclair
Senior Branch Manager
Montego Bay



Derrick Lewis
Branch Manager
Liguanea



Tatiana Brown
Country Manager
Sagicor Life of the
Cayman Islands



Norman Wilson
Sales Manager

CAYMAN ISLANDS

SAGICOR BANK JAMAICA LTD.



Loven McCook
Regional Manager
Retail Banking (South)



Omoi Green
Branch Manager
Montego Bay-Fairview



Marvia Brown
Branch Manager
Dominica Drive



Clement Ellington
Branch Manager
Duke & Tower Street



Glenroy Morgan
Branch Manager
Half Way Tree



Claudette Ramdanie
Branch Manager
Hope Road



Tricia Moulton
Branch Manager
Liguanea & Manor
Park



Kavon Walker
Branch Manager
Mandeville



Natalie Buddan-Powell
Branch Manager
May Pen



Wendy Ansine Bernard
Branch Manager
Montego Bay-Sagicor
Commercial Centre



Doreen Pindling Williams
Branch Manager
Ocho Rios



Nursita Gray Barriffe
Branch Manager
Tropical Plaza



Vilma Barrett Gunter
Branch Manager
Black River



Joyce Gordon
Branch Manager
Portmore (Acting)



Carla Drummond
Branch Manager
Sav-la-mar



Laurel Webster
Branch Manager
Up Park Camp

SAGICOR INVESTMENTS LTD.



Carlos Gordon
Regional Manager
Investment Client
Services (Central &
North)



Stephanie Vassell
Regional Manager
Investment Client
Services (West)



Financial Statements

YEAR ENDED 31 DECEMBER 2019

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31 December 2019

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Independent auditor's report

To the members of Sagicor Group Jamaica Limited

Report on the audit of the consolidated and stand-alone financial statements

Our opinion

In our opinion, the consolidated financial statements and the stand-alone financial statements give a true and fair view of the consolidated financial position of Sagicor Group Jamaica Limited (the Company) and its subsidiaries (together 'the Group') and the stand alone financial position of the Company as at 31 December 2019, and of their consolidated and stand-alone financial performance and their consolidated and stand-alone cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and with the requirements of the Jamaican Companies Act.

What we have audited

Sagicor Group Jamaica Limited's consolidated and stand-alone financial statements comprise:

- The Consolidated statement of financial position as at 31 December 2019;
- The Consolidated income statement for the year ended 31 December 2019;
- The Consolidated statement of comprehensive income for the year ended 31 December 2019;
- The Consolidated statement of changes in equity for the year ended 31 December 2019;
- The Consolidated statement of cash flows for the year ended 31 December 2019;
- The Company statement of financial position as at 31 December 2019;
- The Company statement of comprehensive income for the year ended 31 December 2019;
- The Company statement of changes in equity for the year ended 31 December 2019;
- The Company statement of cash flows for the year ended 31 December 2019; and
- The notes to the consolidated and stand-alone financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated and stand-alone financial statements* section of our report.

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

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L.A. McKnight P.E. Williams B.L. Scott B.J. Denning G.A. Reece P.A. Williams R.S. Nathan C.I. Bell-Wisdom G.K. Moore T.N. Smith DaSilva K.D. Powell



Independence

We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code). We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

Our audit approach

Audit scope

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated and stand-alone financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

How we tailored our group audit scope

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industries in which the Group operates.

The context of our audit is set by the Group's major activities for 2019. One of the most significant events was the acquisition of Advantage General Insurance Company Limited (AGIC), resulting in AGIC being accounted for as a subsidiary and consolidated within the Group. The Group's adoption of IFRS 16 'Leases' resulted in the recognition of a liability and a "right-of-use" asset, arising from lease contracts, previously characterised as operating leases. We have two new key audit matters; one relating to the acquisition of AGIC and the other relating to the measurement of AGIC's insurance contract liabilities.

We determined the scope of our audit by first considering the internal organisation of the Group and then identifying the components of the audit that have the most significant impact on the financial statements. The Group comprised 13 reporting components of which, we selected 8, which represents the principal business units within the Group and are located in Jamaica, The Cayman Islands and Costa Rica. Full scope audits were performed for 7 components, while audits of one or more financial statements line items were performed for 1 component. The audit work performed covered 98% of the Group's total assets and 99% of total revenue. For business units located in Costa Rica, we used component auditors from a non-PwC firm, familiar with the local laws and regulations to perform this audit work.

The Group's businesses are organised into four primary business segments being Individual Lines, Employee Benefits, Commercial Banking, Investment Banking and Other. Geographically, the segments are Jamaica, Cayman Islands, United States of America and Other.



Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated and stand-alone financial statements of the current period. These matters were addressed in the context of our audit of the consolidated and stand-alone financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
<p>Actuarial methodologies and assumptions used in the valuation of insurance contract liabilities and annuity insurance contracts (Group)</p> <p><i>See notes 2 (q - r), 3 (b) and 37 to the financial statements for disclosures of related accounting policies, judgements, estimates and balances.</i></p> <p>As at 31 December 2019, total reserves for life insurance and annuity contracts account for \$91.4 billion or 27% of total liabilities of the Group.</p> <p>We focused on this area as it involves significant judgement over uncertain future outcomes, mainly the ultimate total settlement value of long-term policyholder liabilities. Economic assumptions, such as investment return and associated discount rates, and operating assumptions such as mortality and persistency (including consideration of policyholder behaviour) are the key inputs used to estimate these long-term liabilities.</p> <p>Management uses qualified internal actuaries to assist in determining these assumptions and in valuing the actuarial liabilities.</p>	<p>Our approach to addressing the matter involved the following procedures, amongst others:</p> <ul style="list-style-type: none"> We updated our understanding for any changes impacting the assumptions, specifically, we focused on mortality assumptions, contract lapses, investment return and associated discount rate, and operating expenses, all of which are based on the entity experience or published industry studies. We were assisted by our own actuarial specialist to evaluate the methodologies and assumptions utilized by management's actuaries considering industry and component specific facts and circumstances. We tested the policy master file for completeness and accuracy of the underlying data utilized by management as inputs to the actuarial valuation. We tested a sample of contracts to assess whether contract features corresponded to the data file as part of our reliability of data tests. <p>The results of our procedures indicated that significant estimates and assumptions used by management were not unreasonable, and that the methodologies used were actuarially established, accepted and appropriate in the circumstance and consistent with prior years.</p>



Key audit matter

How our audit addressed the key audit matter

Valuation of incurred but not reported claims for property & casualty contracts (Group)

See notes 2 (q - r), 3 (b) and 39 to the financial statements for management's disclosures of related accounting policies, judgements and estimates.

As at 31 December 2019, total incurred but not reported reserves account for \$1.7 billion or 0.5% of total liabilities of the Group.

The methodologies and assumptions utilized to develop incurred but not reported reserves involve a significant degree of judgement.

The liabilities are based on the best-estimate ultimate cost of all claims incurred but not settled at a given date, whether reported or not, together with the related claims handling costs. There is generally less information available in relation to these claims, which can result in variability between initial estimates and final settlement. A range of methods may be used to determine these provisions.

We focused on this area because, underlying these methods are a number of explicit and implicit assumptions relating to the expected settlement amount and settlement patterns of claims and the values determined are subject to complex calculations.

Our approach to addressing the matter involved the following procedures, amongst others:

- We tested the completeness, accuracy and reliability of the underlying data utilized by management, and their external actuarial experts to support the actuarial valuation.
- We were assisted by actuarial specialists who performed a methods and assumptions analysis of the actuarial valuation performed by the Group's actuary.
- We evaluated the assumptions used by management and assessed the methodologies used for appropriateness and consistency with established actuarial practice and methodologies used in the prior year.

The results of our procedures indicated that significant estimates and assumptions used by management were not unreasonable, and that the methodologies used were actuarially established, accepted and appropriate in the circumstance and consistent with prior years



Key audit matter

IFRS 9 ‘Financial Instruments’ – Probabilities of Default & Forward Looking Assumptions (Group and Company)

Refer to 2(f), 3 (b), 9 and 54 (d) to the financial statements for disclosures of related accounting policies, judgements, estimates and balances.

As at 31 December 2019, the Group on balance sheet loans and advances, net of provision for credit losses totaled \$84.9 billion. The Group’s debt securities measured at amortised cost and fair value through other comprehensive income (FVOCI) totaled \$224 billion. Overall, the total of the above exposures represents 67% of total assets. The resultant impairment recorded under the ECL amounted to \$1.4 billion for loans and advances and \$598million for debt securities.

In assessing impairment, IFRS 9 prescribes a forward looking, expected credit loss (‘ECL’) impairment model which takes into account reasonable and supportable forward looking information as well as probabilities of default (‘PD’).

PDs represent the likelihood of a borrower defaulting on an obligation over the next twelve months or over the remaining lifetime of the obligation. This is one of the three critical elements used in the ECL calculation. The twelve month and the one-year PDs are determined differently for loans and investments.

For loans and advances, management determined PDs are developed based on the Group’s specific historical default rates for each industry classification. In performing historical analyses, management identified economic variables impacting credit risk and ECLs for each portfolio. Various scenarios were identified, and weightings assigned using macro-economic factors and as well as management’s experience and judgement.

How our audit addressed the key audit matter

Our approach to addressing the matter involved the following procedures, amongst others:

- We updated our understanding of management’s ECL model including any changes to source data, assumptions and tested the mathematical integrity of the model.
- We evaluated the design and tested the operating effectiveness of the relevant controls for the forward looking information in the ECL determination, by inspection of the review and approval of key assumptions, judgments and forward-looking assumptions prior to them being incorporated within the ECL model. We found that this control was operating effectively, and therefore that we could rely on it for the purposes of our audit.
- With the assistance of our valuation specialists, for both loans and advances and debt securities, we evaluated the appropriateness of management’s judgements pertaining to forward looking information, including macro-economic factors and the basis of the multiple economic scenarios used. We sensitised the various inputs and assumptions as part of our reasonability tests.

Loans and advances:

- We tested the completeness and accuracy of the historical data used on a sample basis by agreeing the details of the customer payment profile to source documents.
- We reformed the calculation of days past due, a key data input into the PD parameter, in the Group’s banking system on a sample basis.
- We tested the critical data fields used in the ECL model for the PD determination, such as default date, effective interest rate, write-off data, and loan type by tracing data back to source documents.



Key audit matter

For debt securities including sovereign and corporate investment securities, PDs are developed with reference to external data collated by Standard & Poors (‘S&P’) with specific adjustments for industries and country specific risks, where necessary.

For the investment portfolio, management performs scenario analysis to determine the impact of future economic conditions on PDs in the countries and industries where the Group has investment securities. A macro-economic indicator is determined, which is statistically linked to the credit risk of the sovereign exposure and/or corporate exposure.

We focused on this area, because the complexity of the techniques used to determine PDs and the number of significant judgements made by management regarding possible future economic scenarios.

Goodwill impairment (Group)

See notes 2 (m) (i), 3 (b) and 18 to the financial statements for disclosures of related accounting policies, judgements, estimates and balances.

The total carrying value of goodwill is \$4.7 billion or 1% of total assets as at 31 December 2019.

Management performed goodwill impairment assessments using the Fair Value Less Costs to Sell approach (‘FVLCS’) to derive the fair value of the life entity -related Cash Generating Units (‘CGUs’) and Sagicor Real Estate X Fund Limited and the Value-in-Use approach (‘VIU’) to derive fair value for the non-life CGUs (except for the Sagicor Real Estate X Funds Limited) as these are considered the higher value model in each of these components. The value-in-use approach is based discounted cash flows and FVCLS is based on the capitalized earnings approach. Both approaches cover a three year period. Management determined there was no impairment as at 31 December 2019.

We focused on this area as the determination of the carrying value of the goodwill requires management judgement and estimation, and

How our audit addressed the key audit matter

Debt Securities:

- We tested the reliability of source data used to determine the PD in the model by corroborating the data to external public information, where available.
- We tested the critical data fields used in the ECL model for the PD determination, such as the credit rating and date of default if any, and type of debt security by tracing data back to source documents.

Based on the procedures described above, no adjustments were considered necessary.

Our approach to addressing the matter involved the following procedures, amongst others:

- Updated our understanding of management’s approaches to performing their annual impairment assessments. This were consistent with prior year.
- We evaluated management’s future cash flow forecasts and updated our understanding of the process by which they were developed. We compared previous forecasts to actual results to assess the performance of the business and the extent reliance can be placed on management’s ability to forecast. We confirmed that the three-year forecast used in the valuation model was consistent with the Board approved business plan, and that the key assumptions were subject to oversight from the Board of Directors.
- We tested the assumptions and methodologies used, in particular those relating to the earnings multiple, growth rate, discount rate as follows:



Key audit matter	How our audit addressed the key audit matter
<p>the test remains sensitive to reasonably possible change in key assumptions being earnings multiple (FVLCS method), earnings growth rate and discount rate.</p>	<ul style="list-style-type: none"> Evaluated these assumptions with reference to valuations of similar companies with the assistance of our valuation specialist. Compared the key assumptions to externally derived data where possible, including market expectations of investment return, projected economic growth and interest rates. Applied sensitivities in evaluating the directors' assessment of the planned growth rate in cash flows. <p>In testing the valuation models, we tested the calculations for mathematical accuracy and considered the sensitivity of the calculation by varying the key assumptions and adjustments within management's cash flow forecast.</p> <p>Based on the work performed, management's assumptions were not unreasonable.</p>
<p>Impairment assessment for the Group's shareholding in associated company (Group) See notes 2 (b), 3 (a) (iii) and 16 to the financial statements for disclosures of related accounting policies.</p> <p>At 31 December 2019, the market capitalisation for the Group's shareholdings in its associated company was below its carrying value of \$24.5 billion, as determined using equity accounting. This was considered to be an indicator of potential impairment, which required further consideration by management, as to whether a formal impairment assessment was required.</p> <p>Management concluded that an assessment was required and performed a value-in-use calculation to determine a value for the recoverable amount, as required by IAS 36, "Impairment of Assets". Based on the results of management's assessment, management has concluded that the investment is not impaired.</p> <p>We focused on this due to its subjectivity and the sensitivity to changes in inputs, as the performance of value in use calculation involves the use of estimates including earnings before interest, taxes, depreciation</p>	<p>Our approach to addressing the matter involved the following procedures, amongst others:</p> <ul style="list-style-type: none"> We examined management's assessment of the historical performance of its investment and compared underlying financial data used in the assessment to audited financial statements and other publicly available financial information. We also performed inquiries with key management of the Group and of the associated company regarding its forecast earnings, occupancy levels, leverage and cost of capital. We were assisted by our valuation expert to evaluate management's value-in-use calculation. We evaluated management's assumptions in relation to future earnings before interest, taxes, depreciation and amortisation (EBITDA), discount rates and terminal growth rates by forming our own independent expectation, referencing historical entity performance information, economic and statistical data.



Key audit matter	How our audit addressed the key audit matter
<p>and amortisation (EBITDA), discount rates and terminal growth rates.</p> <p>Business combination (Group) See notes 2 (b), 3 and 64 to the financial statements for management's disclosures of related accounting policies, judgements and estimates.</p> <p>The Group acquired 60% of the issued share capital of AGIC for a total consideration of \$4.1 billion. As a result of the transaction, and certain changes to the composition of AGIC's board, management concluded that it obtained control of AGIC, and consequently, that AGIC became a subsidiary of the Group.</p> <p>The accounting for the acquisition was a key audit matter because of the nature of business combinations, the requirements of which can be complex and require management to exercise judgement in determining certain estimates. The complex judgements include determining identifying and estimating the fair value of the intangible assets acquired. The Group was assisted by an external valuation expert in this process.</p> <p>Intangibles arising on acquisition of AGIC totalled \$2 billion or 0.4% of total assets.</p>	<p>Based on the work performed, management's assumptions were not unreasonable.</p> <p>Our approach to addressing the matter involved the following procedures, amongst others:</p> <p>We were assisted by our own valuation expert in aspects of our work. We tested the fair values of the intangible assets recognized, as follows:</p> <ul style="list-style-type: none"> Evaluated the application of the valuation methodologies utilised to derive the fair value of the identified intangible assets. Tested the reasonableness of valuation assumptions and inputs by: <ul style="list-style-type: none"> Comparing historical information in management's cash flow projections to supporting documents and information; Corroborating the revenue growth rates, margins, attrition rates, expense forecasts, capital and tax rates by comparison to independent economic and statistical data; Comparing the discount rate to that used by other market participants; and Agreeing the remaining useful lives of each intangible asset identified to the period over which the cash flows are expected to be generated. Tested the mathematical accuracy of management's discounted cash flow by reperforming the underlying calculations. We performed sensitivity analyses on certain of management's assumptions and inputs. Assessed the competence and capability of management's valuation expert. <p>Based on the procedures performed, no adjustments were considered necessary.</p>



Other information

Management is responsible for the other information. The other information comprises the Sagicor Group Jamaica Annual Report (Annual Report) (but does not include the consolidated and stand-alone financial statements and our auditor's report thereon), which is expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated and stand-alone financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

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

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

Responsibilities of management and those charged with governance for the consolidated and stand-alone financial statements

Management is responsible for the preparation of the consolidated and stand-alone financial statements that give a true and fair view in accordance with IFRS and with the requirements of the Jamaican Companies Act, and for such internal control as management determines is necessary to enable the preparation of consolidated and stand-alone financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's responsibilities for the audit of the consolidated and stand-alone financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated and stand-alone financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated and stand-alone financial statements.



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

- Identify and assess the risks of material misstatement of the consolidated and stand-alone financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group and Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group or Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and stand-alone financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group or Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated and stand-alone financial statements, including the disclosures, and whether the consolidated and stand-alone financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated and stand-alone financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.



Report on other legal and regulatory requirements

As required by the Jamaican Companies Act, we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

In our opinion, proper accounting records have been kept, so far as appears from our examination of those records, and the accompanying consolidated and stand-alone financial statements are in agreement therewith and give the information required by the Jamaican Companies Act, in the manner so required.

The engagement partner on the audit resulting in this independent auditor's report is Garfield Reece.

Priscilla Cooper

Chartered Accountants
Kingston, Jamaica
19 March 2020

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2019

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2019 \$'000	2018 \$'000
ASSETS			
Cash resources	6	13,966,477	11,552,916
Cash reserve at Central Bank	8	11,139,755	12,330,758
Financial investments	9	188,707,833	158,837,169
Derivative financial instruments	10	35,005	31,464
Loans and leases, after allowance for credit losses	11	84,996,376	69,284,592
Pledged assets	12	80,167,044	70,485,620
Investment properties	13	3,355,590	2,552,460
Investment in joint venture	14	436,493	330,804
Investment in associated company	16	24,509,615	24,764,690
Intangible assets	18	8,275,993	6,651,581
Property, plant and equipment	19	20,133,831	19,000,411
Right-of-use assets	50	2,910,614	-
Reinsurance contracts	20	2,052,051	765,651
Retirement benefit assets	21	863,638	183,351
Deferred income taxes	22	848,631	3,405,053
Taxation recoverable	23	2,264,183	3,256,419
Other assets	24	15,335,895	10,699,814
TOTAL ASSETS		459,999,024	394,132,753

The accompanying notes on pages 126 – 238 form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

31 December 2019

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2019 \$'000	2018 \$'000
STOCKHOLDERS' EQUITY AND LIABILITIES:			
Stockholders Equity Attributable to:			
Stockholders' of the Company			
Share capital	26	8,848,274	8,863,302
Equity reserves	27	13,570,398	4,286,773
Retained earnings	33	68,832,882	61,189,933
		91,251,554	74,340,008
Non-Controlling Interests	62	29,672,714	27,354,811
Total Equity		120,924,268	101,694,819
Liabilities			
Deposit and security liabilities	34	180,170,778	164,933,500
Derivative financial instruments	10	35,005	31,464
Loans payable	35	14,375,012	9,970,102
Deferred income taxes	22	1,605,692	412,486
Taxation payable		135,054	1,880,810
Retirement benefit obligations	21	3,344,834	3,076,400
Lease liabilities	50	3,081,573	-
Other liabilities	36	19,335,837	14,510,124
Policyholders' Funds			
Life and health insurance contracts liabilities	37	91,441,962	79,962,032
Investment contracts liabilities	38	14,531,020	13,408,342
Property and casualty insurance contracts and other policy liabilities	39	11,017,989	4,252,674
		116,990,971	97,623,048
Total Liabilities		339,074,756	292,437,934
TOTAL EQUITY AND LIABILITIES		459,999,024	394,132,753

Approved for issue by the Board of Directors on 12 March 2020 and signed on its behalf by:



Peter Melhado

Chairman



Christopher Zacca

Director

CONSOLIDATED INCOME STATEMENT

Year ended 31 December 2019

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2019 \$'000	2018 \$'000
Revenue:			
Gross premium revenue	41	48,375,350	41,057,422
Insurance premium ceded to reinsurers	41	(1,861,255)	(1,242,638)
Net premium revenue	41	46,514,095	39,814,784
Interest income earned from financial assets measured at amortised cost and FVTOCI	42	21,293,405	20,034,057
Net gain on de-recognition of financial assets measured at amortised cost	42	1,765,187	1,321,396
Net gain on de-recognition of financial assets measured at FVTOCI	42	2,830,155	1,500,894
Income earned and capital gains from assets measured at FVTPL	42	6,933,478	1,765,570
Investment income	42	32,822,225	24,621,917
Interest and other investment expense	42	(5,041,055)	(4,661,838)
Credit impairment losses	42/54(d)	(799,179)	(1,713,387)
Net Investment Income	42	26,981,991	18,246,692
Hotel revenue	43	5,274,284	1,247,215
Fees and other income	44	13,898,953	11,348,102
Total revenue, net of reinsurance, interest expense and credit losses		92,669,323	70,656,793
Benefits:			
Insurance benefits incurred		29,581,922	26,110,407
Insurance benefits reinsured		(474,382)	(635,858)
Net insurance benefits	45	29,107,540	25,474,549
Net movement in actuarial liabilities	37(d)	8,947,285	2,252,471
Expenses:			
Administration expenses	46	20,158,377	17,586,406
Commissions and sales expenses	48	6,093,805	5,782,073
Hotel expenses	47	4,139,370	892,631
Depreciation – Property, plant and equipment	19	1,363,787	743,966
Amortisation of lease liabilities	50	557,631	-
Amortisation of intangible assets	18	787,001	704,200
Amortisation of loan costs		69,353	(7,342)
Other taxes and levies	49(a)	643,539	638,047
		33,812,863	26,339,981
		71,867,688	54,067,001
Share of profit from joint venture	14	14,624	18,007
Gain on step acquisition of Sagicor X Fund	65	-	1,521,065
Share of loss from associate	16	(98,662)	(80,539)
Profit before Taxation		20,717,597	18,048,325
Taxation	49(b)	(5,253,971)	(4,170,507)
NET PROFIT		15,463,626	13,877,818
Attributable to:			
Stockholders of the parent company		15,650,304	14,231,982
Non-controlling interests	62	(186,678)	(354,164)
		15,463,626	13,877,818
Earnings per stock unit for profit attributable to the stockholders of the parent company during the year:			
Basic and fully diluted	51	4.01	3.65

The accompanying notes on pages 126 – 238 form an integral part of these financial statements.

The accompanying notes on pages 126 – 238 form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2019

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2019 \$'000	2018 \$'000
Net profit for the year		15,463,626	13,877,818
Other comprehensive income:			
Items that may be subsequently reclassified to profit or loss			
Fair value reserve:			
Unrealised gains/(losses) on securities designated as FVTOCI		8,758,394	(4,646,873)
Share of joint venture and associate unrealized gains/(losses) on securities designated as FVTOCI		28,537	(21,649)
		<u>8,786,931</u>	<u>(4,668,522)</u>
Currency translation -			
Currency translation of foreign subsidiaries		672,636	(179,426)
Currency translation of associate and joint venture		1,075,613	(1,254,406)
		<u>1,748,249</u>	<u>(1,433,832)</u>
Gains recycled to the income statement on sale and maturity of FVTOCI securities		(897,904)	(710,315)
Provision for expected credit losses on securities designated as FVTOCI		742,264	852,500
Expected credit losses recycled to the Income Statement on sale and maturity of FVTOCI securities		(1,523,248)	(416,567)
Change in actuarial liabilities recognised in other comprehensive income	37 (d)	(1,495,784)	1,056,028
Net gains recycled on change of accounting from associate to subsidiary	65	-	(393,774)
Transfer of share of accumulated unrealised revaluation gains on owner occupied property (OOP)	65	-	(202,411)
Share of fair value losses on interest rate swap of associate company		(410,058)	-
		<u>(3,584,730)</u>	<u>185,461</u>
Items that will not be subsequently reclassified to profit or loss			
OOP			
Unrealized gains on OOP		558,307	239,723
Share of unrealized (losses)/gains on OOP of associate and joint venture		(742,763)	890,869
		<u>(184,456)</u>	<u>1,130,592</u>
Unrealised gains on FVTOCI equities		2,241	9,304
Re-measurements of retirement benefits obligations		571,628	358,070
Re-measurements of retirement benefits obligations of associate		(16,676)	-
Total other income/(loss) recognised directly in stockholders' equity, net of taxes		<u>7,323,187</u>	<u>(4,418,927)</u>
Total Comprehensive Income		22,786,813	9,458,891
Attributable to:			
Stockholders of the parent company		22,737,047	10,738,522
Non-controlling interests		49,766	(1,279,631)
		<u>22,786,813</u>	<u>9,458,891</u>

Items in the statement above are stated net of taxes. The income tax relating to each component of other comprehensive income is disclosed in Note 49(c).

The accompanying notes on pages 126 – 238 form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2019

(expressed in Jamaican dollars unless otherwise indicated)

Note	Share Capital \$'000	Equity Reserves (Note 27) \$'000	Retained Earnings \$'000	Equity Owners' Total \$'000	Non-controlling Interests Total \$'000	Grand Total \$'000
Balance as at January 1, 2019	8,863,302	4,286,773	61,189,933	74,340,008	27,354,811	101,694,819
Total comprehensive income for the year	-	6,603,946	16,133,101	22,737,047	49,766	22,786,813
Transactions with owners -						
Employee stock option plan - value of services provided	-	30,986	-	30,986	-	30,986
- options exercised/expired	-	(24,876)	-	(24,876)	-	(24,876)
Dividends paid to owners of the parent	32	-	(5,624,115)	(5,624,115)	-	(5,624,115)
Treasury shares	28	(15,028)	-	(192,468)	(207,496)	-
Acquisition of Advantage General Insurance	64	-	-	-	2,071,415	2,071,415
Acquisition of Bailey Williams Limited	64	-	-	-	196,722	196,722
Total transactions with owners		<u>(15,028)</u>	<u>6,110</u>	<u>(5,816,583)</u>	<u>(5,825,501)</u>	<u>(3,557,364)</u>
Transfers between reserves -						
To special investment reserve	2(o)	-	28,925	(28,925)	-	-
To retained earnings	2(o)	-	(15,515)	15,515	-	-
To capital redemption reserves	31(d)	-	1,414,700	(1,414,700)	-	-
To loan loss reserves	31(b)	-	28,097	(28,097)	-	-
To retained earnings reserves	31(c)	-	1,217,362	(1,217,362)	-	-
Total transfers between reserves		<u>-</u>	<u>2,673,569</u>	<u>(2,673,569)</u>	<u>-</u>	<u>-</u>
Balance at December 31, 2019	8,848,274	13,570,398	68,832,882	91,251,554	29,672,714	120,924,268

The accompanying notes on pages 126 – 238 form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2019

(expressed in Jamaican dollars unless otherwise indicated)

Note	Share Capital	Equity Reserves (Note 27)	Retained Earnings	Equity Owners' Total	Non-controlling Interests Total	Grand Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Balance as at December 31, 2017	8,415,051	7,522,083	52,564,997	68,502,131	-	68,502,131
Changes on initial application of IFRS 9	-	(295,446)	(164,352)	(459,798)	-	(459,798)
Balance as at January 1, 2018	8,415,051	7,226,637	52,400,645	68,042,333	-	68,042,333
Total comprehensive income for the year	-	(3,851,528)	14,590,050	10,738,522	(1,279,631)	9,458,891
Transactions with owners -						
Non-controlling interest on acquisition of Travel Cash Limited	64	-	-	-	192,163	192,163
Non-controlling interest on acquisition of Sagicor Real Estate X Fund Limited	65	-	-	-	28,442,279	28,442,279
Employee stock option plan - value of services provided		-	21,097	-	21,097	-
- options exercised/expired		-	(27,980)	-	(27,980)	-
Dividends paid to owners of the parent	32	-	(4,686,765)	(4,686,765)	-	(4,686,765)
Treasury shares	28	448,251	-	(195,450)	252,801	-
Total transactions with owners		448,251	(6,883)	(4,882,215)	(4,440,847)	28,634,442
Transfers between reserves -						
To special investment reserve	2(o)	-	21,000	(21,000)	-	-
To retained earnings	2(o)	-	(200,600)	200,600	-	-
To retained earnings on step acquisition	65	-	(725,621)	725,621	-	-
To capital redemption reserves	31(d)	-	620,854	(620,854)	-	-
To loan loss reserves	31(b)	-	65,740	(65,740)	-	-
To retained earnings reserves	31(c)	-	1,137,174	(1,137,174)	-	-
Total transfers between reserves		-	918,547	(918,547)	-	-
Balance at December 31, 2018	8,863,302	4,286,773	61,189,933	74,340,008	27,354,811	101,694,819

The accompanying notes on pages 126 – 238 form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2019

(expressed in Jamaican dollars unless otherwise indicated)

Note	2019 \$'000	2018 \$'000
Net profit	15,463,626	13,877,818
Adjustments for:		
Items not affecting cash and changes to policyholders' funds:		
Adjustments for non-cash items, interest and dividends	52(a) (8,378,474)	(11,279,033)
Changes in other operating assets and liabilities	52(b) (4,934,131)	3,782,086
Net investment purchases	52(c) (22,428,746)	(17,734,335)
Interest and dividends received	21,097,987	20,991,596
Interest paid	(4,932,875)	(4,904,762)
Income taxes paid	(6,304,769)	(3,299,646)
Net cash (used in) / generated from operating activities	(10,417,382)	1,433,724
Cash Flows from Investing Activities		
Investment in joint venture	14 -	(18,724)
Net cash arising on acquisition of Travel Cash and consolidation of Sagicor X Fund	64/65 -	1,686,418
Net cash outflows on acquisition of Advantage General Insurance Company and Bailey Williams Limited	64 (4,355,569)	-
Disposal of investment property, net	166,571	8,207
Property, plant and equipment, net (purchase)/disposals	52(d) (171,704)	879,234
Purchase of intangible assets, net	18 (392,414)	(314,905)
Net cash (used in) / generated from investing activities	(4,753,116)	2,240,230
Cash Flows from Financing Activities		
Redemption of preference shares	(1,414,700)	(646,800)
Deposits and securities liabilities	24,082,586	(3,575,039)
Finance lease repayment	(386,673)	-
(Purchase)/disposal of treasury shares, net	(207,496)	252,806
Dividends paid to stockholders	32 (5,624,115)	(4,686,765)
Net cash generated from/(used in) financing activities	16,449,602	(8,655,798)
Effect of exchange rate on cash and cash equivalents	397,843	126,111
Increase/(decrease) in cash and cash equivalents	1,676,947	(4,855,733)
Cash and cash equivalents at beginning of year	15,528,581	20,384,314
CASH AND CASH EQUIVALENTS AT END OF YEAR	17,205,528	15,528,581

The accompanying notes on pages 126 – 238 form an integral part of these financial statements.

COMPANY STATEMENT OF FINANCIAL POSITION

31 December 2019

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2019 \$'000	2018 \$'000
ASSETS:			
Cash resources	6	424,666	296,597
Financial investments	9	610,474	1,247,387
Investment in subsidiaries	17	72,444,299	72,444,299
Investment in joint venture	14	414,267	414,267
Intangible assets	18	453,884	622,159
Property, plant and equipment	19	210,949	279,307
Deferred income taxes	22	149,667	88,670
Taxation recoverable	23	49,210	46,994
Other assets	24	865,376	618,505
TOTAL ASSETS		75,622,792	76,058,185
STOCKHOLDERS' EQUITY AND LIABILITIES			
Stockholders' Equity Attributable to Stockholders' of the Company			
Share capital	26	8,848,274	8,863,302
Equity reserves	27	28,283,013	28,274,853
Retained earnings	33	21,431,725	21,478,765
		58,563,012	58,616,920
Liabilities			
Bank overdraft	7/34	12,311	-
Promissory notes	34	12,627,383	13,260,219
Other liabilities	36	4,420,086	4,181,046
Total Liabilities		17,059,780	17,441,265
TOTAL EQUITY AND LIABILITIES		75,622,792	76,058,185

Approved for issue by the Board of Directors on 12 March 2020 and signed on its behalf by:

	Chairman		Director
Peter Melhado		Christopher Zacca	

The accompanying notes on pages 126 – 238 form an integral part of these financial statements.

COMPANY STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2019

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2019 \$'000	2018 \$'000
Revenue:			
Investment income	42	6,650,615	6,236,351
Interest and net investment expense	42	(367,153)	(647,185)
Net Investment Income	42	6,283,462	5,589,166
Management fees	44	304,771	306,644
Other income	44	10,843	14,326
Total revenue, net of interest and other investment expense		6,599,076	5,910,136
Expenses:			
Administration expenses	46	647,585	459,050
Depreciation	19	102,990	97,073
Amortisation of intangible assets	18	333,108	311,186
Asset tax		-	200
		1,083,683	867,509
Profit before Taxation		5,515,393	5,042,627
Taxation	49 (a)	61,681	73,951
NET PROFIT		5,577,074	5,116,578
Other Comprehensive Income, net of taxes			
Unrealized gains on FVTOCI		2,047	134,296
Total Comprehensive Income		5,579,121	5,250,874

The accompanying notes on pages 126 – 238 form an integral part of these financial statements.

COMPANY STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2019

(expressed in Jamaican dollars unless otherwise indicated)

Note	Share Capital	Equity	Retained	Grand
		Reserves (Note 27)	Earnings	Total
	\$'000	\$'000	\$'000	\$'000
Balance at 31 December 2017	8,415,051	28,142,284	21,054,199	57,611,534
Changes on initial application of IFRS 9	-	5,159	(5,250)	(91)
Balance as at January 1, 2018	8,415,051	28,147,443	21,048,949	57,611,443
Total comprehensive income	-	134,296	5,116,578	5,250,874
Dividends paid to owners of parent	32	-	(4,686,762)	(4,686,762)
Transfer of treasury shares	28	454,365	-	454,365
Purchase of treasury shares	28	(6,114)	-	(6,114)
Employee stock options		(6,886)	-	(6,886)
	448,251	127,410	429,816	1,005,477
Balance at 31 December 2018	8,863,302	28,274,853	21,478,765	58,616,920
Total comprehensive income	-	2,047	5,577,074	5,579,121
Dividends paid to owners of parent	32	-	(5,624,114)	(5,624,114)
Transfer of treasury shares	28	456,053	-	456,053
Purchase of treasury shares	28	(471,081)	-	(471,081)
Employee stock options		6,113	-	6,113
	(15,025)	8,160	(47,040)	(53,908)
Balance at 31 December 2019	8,848,274	28,283,013	21,431,725	58,563,012

The accompanying notes on pages 126 – 238 form an integral part of these financial statements.

COMPANY STATEMENT OF CASH FLOWS

Year ended 31 December 2019

(expressed in Jamaican dollars unless otherwise indicated)

Note	2019	2018
	\$'000	\$'000
Net profit	5,577,074	5,116,578
Adjustments for: Items not affecting cash and changes to policyholders' funds:		
Adjustments for non-cash items, interest and dividends	52(a) (5,923,150)	(5,283,238)
Changes in other operating assets and liabilities	52(b) (3,722)	309,229
Net investment sales	52(c) -	113,070
Interest and dividend received	6,659,325	6,249,498
Interest paid	(230,056)	(44,438)
Income taxes paid	-	(60)
Net cash generated from operating activities	6,079,471	6,460,639
Cash Flows from Investing Activities		
Investment in joint venture	14 -	(18,724)
Investment in subsidiaries	64 -	(390,000)
Purchase of property, plant and equipment	19 (40,686)	(67,387)
Purchase of intangible assets	18 (164,833)	(124,762)
Net cash used in investing activities	(205,519)	(600,873)
Cash Flows from Financing Activities		
Securities liabilities	(769,944)	(954,545)
(Purchase)/disposal of treasury shares	(15,022)	448,248
Dividends paid to stockholders	32 (5,624,114)	(4,686,762)
Net cash used in financing activities	(6,409,080)	(5,193,059)
Effect of exchange rate on cash and cash equivalents	3,198	2,200
(Decrease)/Increase in cash and cash equivalents	(531,930)	668,907
Cash and cash equivalents at beginning of year	947,325	278,418
CASH AND CASH EQUIVALENTS AT END OF YEAR	415,395	947,325

The accompanying notes on pages 126 – 238 form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019

(expressed in Jamaican dollars unless otherwise indicated)

1. Identification and Principal Activities

- (a) Sagicor Group Jamaica Limited (SGJ, the company) is incorporated and domiciled in Jamaica and is listed on the Jamaica Stock Exchange. It is 32.45% (2018 – 32.45%) owned by LOJ Holdings Limited (LOJH) which is also incorporated and domiciled in Jamaica and 16.66% owned by Sagicor Life Inc. (SLI) which is domiciled in Barbados. Both LOJH and SLI are wholly owned by Sagicor Financial Company Limited (Sagicor), the ultimate parent company, which is incorporated and domiciled in Bermuda. Sagicor has an overall interest of 49.11% (2018 – 49.11%) in the company. The other significant shareholder in SGJ is PanJam Investment Limited with a 30.20% (2018 – 31.55%) holding.

The registered office of the company is located at 28 - 48 Barbados Avenue, Kingston 5, Jamaica.

- (b) The company, its subsidiaries, joint venture and associate all have co-terminous year ends. The company's subsidiaries, joint venture and associate, which together with the company are referred to as "the Group", are as follows:

Subsidiaries, Joint Venture and Associate	Principal Activities	Incorporated In	Holding
Sagicor Life Jamaica Limited	Life insurance, health insurance annuities, retirement products, pension administration and investment services	Jamaica	100%
• Bailey Williams Limited	Real estate development	Jamaica	70%
Sagicor Investments Jamaica Limited	Investment banking	Jamaica	100%
• Phoenix Equity Holdings Limited	Holding Company	Barbados	100%
• Advantage General Insurance Company Limited	General insurance	Jamaica	60%
Sagicor Bank Jamaica Limited	Commercial banking	Jamaica	100%
Sagicor Securities Jamaica Limited	Securities trading	Jamaica	100%
Grupo Sagicor G.S., G.A. and subsidiary	Group insurance and general insurance	Costa Rica	50%
Sagicor Re Insurance Ltd.	Property and casualty insurance (captive)	Grand Cayman	100%
Employee Benefits Administrator Limited	Pension administration services	Jamaica	100%
Sagicor Property Services Limited	Property management, real estate sales and rentals	Jamaica	100%
Sagicor Pooled Investment Funds Limited	Pension fund management	Jamaica	100%
Sagicor Insurance Brokers Limited	Insurance brokerage	Jamaica	100%
Sagicor International Administrators Limited	Group insurance administration	Jamaica	100%
Sagicor Real Estate X Fund Limited (i)	Real estate investment	St. Lucia	29.31%
• X Fund Properties Limited	Hospitality and real estate investment	Jamaica	100%
• X Fund Properties LLC	Hospitality	USA	100%
• Jamziv MoBay Jamaica Portfolio Limited (JAMZIV)	Holding Company	Jamaica	60.81% (15.49%/15.33%)
• Playa Hotels & Resorts N.V. (Playa)	Hospitality	Netherlands	-2018
Travel Cash Jamaica Limited	Microfinance	Jamaica	51%
Sagicor Cayman Limited	Holding Company	Grand Cayman	100%
• Sagicor Investments (Cayman) Ltd.	Investment banking	Grand Cayman	100%
• Sagicor Life of the Cayman Islands Ltd.	Life insurance	Grand Cayman	100%
• Sagicor Insurance Managers Limited	Captives management	Grand Cayman	100%

- (i) Sagicor Real Estate X Fund Limited owns 51.86% of Jamziv Montego Bay Portfolio Jamaica Limited, (Jamziv Jamaica Limited) and X Fund Properties Limited owns 8.95%. Together Sagicor X Fund Group owns 60.81% of Jamziv Jamaica Limited, which in turn holds 15.49% (2018: 15.33%) of Playa Hotels & Resorts N.V.

(c) Shared Services

The Group operates a shared services organization through Sagicor Group Jamaica Limited with the provision of common services to member companies. Inputs for these services are procured at agreed prices. The cost of these services is charged to each entity at cost based on volumes consumed.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019

(expressed in Jamaican dollars unless otherwise indicated)

1. Identification and Principal Activities (Continued)

- (d) Control of Sagicor Real Estate X Fund Group
Sagicor Group Jamaica Limited took effective control of the Sagicor Real Estate X Fund Group from October 1, 2018. This triggered a step acquisition with Sagicor Real Estate X Fund no longer accounted for as an associate from October 1, 2018, and from then, being accounted for as a subsidiary. There was no change in the ownership interest of 29.31%.

2. Summary of Significant Accounting Policies

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

(a) Basis of preparation

These financial statements have been prepared in accordance with and comply with International Financial Reporting Standards (IFRS) and interpretations issued by the IFRS Interpretations Committee (IFRS IC) applicable to companies reporting under IFRS and have been prepared under the historical cost convention as modified by the revaluation of fair value through other comprehensive income (FVTOCI) 'securities, derivatives, investment property, certain property, plant and equipment, defined benefit pension plans where plan assets are measured at fair value and financial assets and liabilities at fair value through profit or loss.

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 Group's accounting policies. Although these estimates are based on management's best knowledge of current events and action, actual results could differ from these estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3.

Standards, interpretations and amendments to existing standards effective during the current year

Certain new standards, interpretations and amendments to existing standards have been published that became effective during the current financial year. The Group has assessed the relevance of all such new interpretations and amendments, and has adopted the following, which are relevant to its operations.

IFRS 16, 'Leases', (effective for annual periods beginning on or after 1 January 2019) was issued in January 2017 and replaces IAS 17, 'Leases'. The standard introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments.

IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently. IFRS 16 also requires enhanced disclosures to be provided by lessors and lessees that will improve information provided to users of the financial statements. The impact on the Group of implementing IFRS 16 is discussed in Note 50 to the financial statements.

Amendment to IFRS 9, 'Financial instruments', on prepayment features with negative compensation (effective for annual periods beginning on or after 1 January 2019)

The Board has issued a narrow-scope amendment to IFRS 9 to enable companies to measure at amortised cost some prepayable financial assets with negative compensation. The assets affected, that include some loans and debt securities, would otherwise have been measured at fair value through profit or loss (FVTPL). Negative compensation arises where the contractual terms permit the borrower to prepay the instrument before its contractual maturity, but the prepayment amount could be less than unpaid amounts of principal and interest. However, to qualify for amortised cost measurement, the negative compensation must be reasonable compensation for early termination of the contract. There was no significant impact from the adoption of this amendment during the year.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019

(expressed in Jamaican dollars unless otherwise indicated)

2. Summary of Significant Accounting Policies (Continued)

(a) Basis of preparation (continued)

Standards, interpretations and amendments to existing standards effective during the current year (continued)

Amendment to IAS 28, 'Investments in associates', (effective for annual periods beginning on or after 1 January 2019). This amendment clarifies that companies use IFRS 9 in accounting for long-term interests in an associate or joint venture to which the equity method is not applied. There was no significant impact from the adoption of this amendment during the year.

IFRIC 23, 'Uncertainty over income tax treatments', (effective for annual periods beginning on or after 1 January 2019). This IFRIC clarifies how the recognition and measurement requirements of IAS 12 'Income taxes', are applied where there is uncertainty over income tax treatments. The IFRS IC had clarified previously that IAS 12, not IAS 37 'Provisions, contingent liabilities and contingent assets', applies to accounting for uncertain income tax treatments. IFRIC 23 explains how to recognise and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment. An uncertain tax treatment is any tax treatment applied by an entity where there is uncertainty over whether that treatment will be accepted by the tax authority. For example, a decision to claim a deduction for a specific expense or not to include a specific item of income in a tax return is an uncertain tax treatment if its acceptability is uncertain under tax law. IFRIC 23 applies to all aspects of income tax accounting where there is an uncertainty regarding the treatment of an item, including taxable profit or loss, the tax bases of assets and liabilities, tax losses and credits and tax rates. There was no significant impact from the adoption of this amendment during the year.

Amendment to IAS 19, 'Employee benefits' (effective for annual periods beginning on or after 1 January 2019). This amendment requires an entity to:

- Use updated assumptions to determine current service cost and net interest for the remainder of the period after a plan amendment, curtailment or settlement; and
- Recognise in profit or loss as part of past service cost, or a gain or loss on settlement, any reduction in surplus, even if that surplus was not previously recognized because of the impact of the asset ceiling.

There was no significant impact from the adoption of this amendment during the year.

Annual improvement 2015-2017, (effective for annual periods beginning on or after 1 January 2019). These amendments includes minor changes to:

- IFRS 3, 'Business Combinations', a company measures its previously held interest in a joint operation when it obtains control of the business.
- IFRS 11, 'Joint arrangements', a company does not measure its previously owed interest in a joint operation when it obtains joint control of the business.
- IAS 12, 'Income taxes', a company accounts for all income tax consequences of dividend payments in the same way.
- IAS 23, 'Borrowing costs', a company treats as part of general borrowings any borrowing originally made to develop an asset when the asset is ready for its intended use or sale.

There was no significant impact from the adoption of this amendment during the year.

Standard early adopted by the Group

Amendment to IFRS 3, 'Business combinations', (effective for annual periods beginning on or after 1 January 2020). This amendment revises the definition of a business. According to feedback received by the International Accounting Standard Board (IASB), application of the current guidance is commonly thought to be too complex, and it results in too many transactions qualifying as business combinations. The Group has used the amendment to IFRS 3 to assess its acquisition of shares in Bailey-Williams Limited as discussed in Note 64 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019

(expressed in Jamaican dollars unless otherwise indicated)

2. Summary of Significant Accounting Policies (Continued)

(a) Basis of preparation (continued)

Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Group

At the date of authorisation of these financial statements, certain new standards, amendments and interpretations to existing standards have been issued which are not effective at the date of the statement of financial position, and which the Group has not early adopted. The Group has assessed the relevance of all such new standards, interpretations and amendments, has determined that the following may be relevant to its operations, and has concluded as follows:

IFRS 17, 'Insurance contracts', (effective for annual periods beginning on or after 1 January 2022). IFRS 17 replaces IFRS 4 which currently permits a wide variety of practices in accounting for insurance contracts. IFRS 17 will fundamentally change the accounting by all entities that issue insurance contracts and investment contracts with discretionary participation features. The standard requires a current measurement model where estimates are re-measured each reporting period. Contracts are measured using the building blocks of discount probability –weighted cash flows, an explicit risk adjustment, and a contract service margin (CSM) representing the unearned profit of the contract which is recognised as revenue over the coverage period. This IFRS provides a common global insurance accounting standard leading to consistency in recognition, measurement, presentation and disclosure. The standard applies to annual periods beginning on or after 1 January 2022.

Amendment to IAS 1 and IAS 8, (effective for annual periods beginning on or after 1 January 2020). These amendments to IAS 1, 'Presentation of financial statements', and IAS 8, 'Accounting policies, changes in accounting estimates and errors', and consequential amendments to other IFRSs: i) use consistent definition of materiality throughout IFRSs and the Conceptual Framework for Financial Reporting; ii) clarify the explanation of the definition of material; and iii) incorporate some of the guidance in IAS 1 about immaterial information. The Group is currently assessing the impact of future adoption of the new standard on its financial statements.

There are no other IFRS or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Group.

NOTES TO THE FINANCIAL STATEMENTS

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(expressed in Jamaican dollars unless otherwise indicated)

2. Summary of Significant Accounting Policies (Continued)

(b) Basis of consolidation

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 can affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group, and subsidiaries are de-consolidated from the date on which control ceases.

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 minority 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 (negative goodwill). Any non-controlling interest balances represent the equity in a subsidiary not attributable to Sagicor's interests.

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

Non-controlling interest balances are increased/decreased by the non-controlling interest's proportionate share of changes in equity after the date of acquisition. Investments in subsidiaries are stated in the company's financial statements at cost less impairment.

- (i) Change in ownership interests in subsidiaries without change in control
Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions that is, as transactions with owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.
- (ii) Associates and Joint Ventures
The investments in associated companies where significant influence exists, are included in these consolidated financial statements under the equity method of accounting. Investments in associated companies and joint ventures are originally recorded at cost and include intangible assets identified on acquisition. The Group recognises in income its share of associate 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 are eliminated to the extent of the Group's interest in the associates. The Group recognises in other comprehensive income, its share of post acquisition other comprehensive income.

NOTES TO THE FINANCIAL STATEMENTS

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(expressed in Jamaican dollars unless otherwise indicated)

2. Summary of Significant Accounting Policies (Continued)

(b) Basis of consolidation (continued)

(iii) Pension and investment funds

Insurers have issued deposit administration and units linked contracts in which full return of the assets supporting these contracts accrues 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 also manages a number of segregated pension funds, mutual funds and unit trusts. These funds are segregated and investment returns on these accrue directly to the unit-holders. The assets, liabilities and activity of these funds are not included in these consolidated financial statements unless the Group is acting as principal and has significant exposure to variable returns.

(iv) Employees share ownership plans (ESOP)

The Group operates two ESOP Trusts which acquire SGJ shares on the open market. The Trusts hold the shares on behalf of employees. Until transfer to employees, shares held by the Trusts are accounted for as treasury shares. All dividends received by the Trusts are applied towards the future purchase of Sagicor Group Jamaica Limited shares.

(c) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker is the Group President and CEO.

(d) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). These financial statements are presented in Jamaican dollars, which is the company's functional currency.

(ii) Transactions and balances

Transactions denominated in a foreign currency transactions or that require settlement, in a foreign currency are translated into the functional currency using the exchange rates prevailing at the dates of the transactions.

Monetary items denominated in foreign currency are translated with the closing rate as at the reporting date. Non-monetary items measured at historical cost denominated in a foreign currency are translated with the exchange rate as at the date of initial recognition; non-monetary financial instruments items in a foreign currency that are measured at fair value are translated using the exchange rates at the date when the fair value was determined. These rates represent the weighted average rates at which the Group trades in foreign currency.

Foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in equity as gains or losses from qualifying cash flow hedging instruments and when part of shadow accounting. Foreign exchange gains and losses on other comprehensive income items are presented in other comprehensive income within the corresponding item.

Changes in the fair value of monetary securities denominated in foreign currency classified as FVTOCI are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in amortised cost are recognised in the income statement, and other changes in carrying amount are recognised in other comprehensive income. Translation differences on non-monetary financial instruments, such as equities held at fair value through profit or loss, are reported as part of the fair value gain or loss. Translation differences on non-monetary financial instruments, such as equities classified as FVTOCI financial assets, are included in the fair value reserve in other comprehensive income.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019

(expressed in Jamaican dollars unless otherwise indicated)

2. Summary of Significant Accounting Policies (Continued)

(d) Foreign currency translation (continued)

(iii) Group companies

The results and financial position of all the Group entities that have a functional currency different from the presentation currency of the Group are translated into the presentation currency as follows:

- Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position; income and expenses for each income statement are translated at average exchange rates; and
- All resulting exchange differences are recognised as a separate component of stockholders' equity in the currency translation reserve.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations is taken to stockholders' equity. When a foreign operation is sold, such exchange differences are recognised in the income statement as part of the gain or loss on sale. Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

(e) Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise:

- cash balances;
- short term deposits;
- other liquid securities with maturities of three months or less from the acquisition date; and
- bank overdrafts which are repayable on demand.

Cash equivalents are subject to an insignificant risk of change in value. Cash and cash equivalents exclude balances held to meet statutory requirements.

(f) Financial assets

(i) Classification of financial assets

Equity instruments are measured at FVTPL, unless they are not held for trading purposes, in which case an irrevocable election can be made on initial recognition to measure them at FVTOCI with no subsequent reclassification to profit or loss. Financial assets are measured on initial recognition at fair value and are classified as and subsequently measured either at amortised cost, at FVTOCI or at FVTPL. Financial assets and liabilities are recognised when the Group becomes a party to the contractual provision of the instrument. Purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset.

Classification of debt instruments

Classification and subsequent measurement of debt instruments depend on:

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

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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019

(expressed in Jamaican dollars unless otherwise indicated)

2. Summary of Significant Accounting Policies (Continued)

(f) Financial assets (continued)

(i) Classification of debt instruments (continued)

Measured at amortised cost

Debt instruments that are held to collect the contractual cash flows and that contain contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI), such as most loans and advances to banks and customers and some debt securities, are measured at amortised cost. The carrying value of these financial assets at initial recognition includes any directly attributable transactions costs. Interest income from these financial assets is included in "Interest income" using the effective interest rate method.

Measured at fair value through other comprehensive income

Financial assets that are held for collection of contractual cash flows and for selling the assets, where cash flows represent solely payments of principal and interest, and that are not designated at FVTPL, are measured at fair value through other comprehensive income (FVTOCI). Movement in the carrying amount are taken through other comprehensive income (OCI), except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses on the instruments carrying value, which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in Net Investment income. Interest income from these financial assets is included in "Interest income" using the effective interest rate method.

Measured at fair value through profit and loss

Assets that do not meet the criteria for amortised cost or FVTOCI are measured at FVTPL. Interest income on a debt investment that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognised and presented in the profit or loss statement within "Interest income from FVTPL" in the period earned. Interest income from these financial assets is included in "Interest income" using the effective interest rate method.

Held for trading securities are acquired principally for the purpose of selling in the short-term or if they form part of a portfolio of financial assets in which there is evidence of short-term profit taking. Derivatives are also classified as held for trading unless designated as hedges. Assets held for trading are measured at FVTPL.

Business model assessment

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

- The past experience on how the cash flows of these assets were collected;
- How the asset's performance is evaluated and reported to key management;
- How risks are assessed and managed and how managers are compensated;
- How the Group intends to generate profits from holding a portfolio of assets; and
- The historical and future expectations of asset sales within a portfolio.

SPPI

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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019

(expressed in Jamaican dollars unless otherwise indicated)

2. Summary of Significant Accounting Policies (Continued)

(f) Financial assets (continued)

(ii) Unit linked funds fair value model

The Group's liabilities include unit linked funds which are components of insurance contracts issued or unit linked investment contracts issued with terms that the full investment return earned on the backing assets accrue to the contract-holders. As these liabilities are accounted for at FVTPL, the financial assets backing these liabilities are consequently classified as and measured at FVTPL.

(iii) Embedded derivatives

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

(iv) Impairment of financial assets measured at amortized cost and FVTOCI

IFRS 9's impairment model requires the recognition of expected credit losses ("ECL") on financial assets measured at amortized cost and FVTOCI and off-statement of financial position loan commitments and financial guarantees which were previously provided for under IAS 37 Provisions, Contingent Liabilities and Contingent Assets.

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

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

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

(v) Purchased or originated credit-impaired assets

Financial assets that are purchased or originated at a deep discount that reflects the incurred credit losses are considered to be POCI. These financial assets are credit-impaired on initial recognition. The Group calculates the credit adjusted effective interest rate, which is calculated based on the fair value at origination of the financial asset instead of its gross carrying amount and incorporates the impact of ECLs in estimated future cash flows. This rate is used to calculate interest revenue and amortized cost. Their ECL is always measured on a lifetime basis, but they do not carry a day-1 loss.

(vi) Definition of default

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019

(expressed in Jamaican dollars unless otherwise indicated)

2. Summary of Significant Accounting Policies (Continued)

(f) Financial assets (continued)

(vii) Write-off

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

(viii) The general approach to recognising and measuring ECL

The measurement of ECL reflects:

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

Measurement

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

The PD, LGD and EAD models which support these determinations are reviewed periodically during the year. Therefore, the underlying models and their calibration, including how they react to forward-looking economic conditions remain subject to review and refinement. This is particularly relevant for lifetime PDs, which have not been previously used in regulatory modelling and for the incorporation of 'downside scenarios' which have not generally been subject to experience gained through stress testing. The exercise of judgement in making estimations requires the use of assumptions which are highly subjective and sensitive to the risk factors, in particular to changes in economic and credit conditions across a large number of geographical areas. Many of the factors have a high degree of interdependency and there is no single factor to which loan impairment allowances as a whole are sensitive. Therefore, sensitivities (Note 55) are considered in relation to key portfolios which are particularly sensitive to a few factors and the results should not be further extrapolated.

One key difference between Stage 1 and Stage 2 expected credit losses is the respective PD horizon. Stage 1 and Stage 2 ECLs also incorporate different exposure at default which is based on the amortizing schedule for non-revolving assets. Stage 1 estimates will use a maximum of a 12-month PD while Stage 2 estimates will use a lifetime PD. Stage 3 estimates will continue to leverage existing processes for estimating losses on impaired loans, however, these processes have been updated to reflect the requirements of IFRS 9, including the requirement to consider multiple forward-looking scenarios. An ECL estimate will be produced for each individual exposure, including amounts which are subject to a more simplified model for estimating expected credit losses. The measurement of ECLs for each stage and the assessment of significant increases in credit risk must consider information about past events and current conditions as well as reasonable and supportable forecasts of future events and economic conditions. The estimation and application of forward-looking information will require significant judgment.

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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019

(expressed in Jamaican dollars unless otherwise indicated)

2. Summary of Significant Accounting Policies (Continued)

(f) Financial assets (continued)

- (ix) The general approach to recognising and measuring ECL (continued)

Measurement (continued)

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

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

Forward looking information

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

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

Scenario design, including the identification of additional downside scenarios occurs on at least an annual basis and more frequently if conditions warrant. Scenarios are probability-weighted according to our best estimate of their relative likelihood based on historical frequency and current trends and conditions. Probability weights are updated on a quarterly basis. The base scenario reflects the most likely outcome and is assigned with the highest weighting.

The weightings assigned to each economic scenario as at December 31, 2018 and December 31, 2019 were as follows:

	Base	Upside	Downside
December 31, 2018:			
Sagicor Group Jamaica - investments portfolios	80%	10%	10%
Sagicor Group Jamaica - lending portfolios	80%	10%	10%
December 31, 2019:			
Sagicor Group Jamaica - investments portfolios	80%	10%	10%
Sagicor Group Jamaica - lending portfolios	75%	15%	10%

Refer to Note 54 for Government of Barbados exposures

Impairment of financial assets measured at amortized cost and FVTOCI, recognize impairment gains and losses are recognized in the statement of profit and loss. Unrealised gains and losses arising from changes in fair value on FVTOCI assets are measured in other comprehensive income and the loss allowance is recycled to profit and loss as gains or losses on maturity or disposal. When the asset is sold, the cumulative gain or loss is also reclassified to profit or loss on maturity or disposal.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019

(expressed in Jamaican dollars unless otherwise indicated)

2. Summary of Significant Accounting Policies (Continued)

(f) Financial assets(continued)

- (x) *Interest income and interest earned on assets measured at fair value through profit and loss*

Interest income is earned based on the interest rate before allowances. Interest earned on assets measured at fair value through profit and loss is recognised based on the effective interest rate. For assets that are credit-impaired when purchased or originated, the carrying amount after allowances for ECL is the basis for applying the interest rate.

- (xi) Modification of loans

The Group sometimes renegotiates or otherwise modifies the contractual cash flows of loans to customers and debt instruments. When this happens, the Group assesses whether or not the new terms are substantially different to the original terms. The Group does this by considering, among others, the following factors:

- If the borrower is in financial difficulty, whether the modification merely reduces the contractual cash flow to amounts the borrower is expected to be able to pay; or
- Whether any substantial new terms are introduced, such as a profit share/equity-based return that substantially affects the risk profile of the loan; or
- Significant extension of the loan term when the borrower is not in financial difficulty;
- Significant change in the interest rate; or
- Change in the currency the loan is denominated in; or
- Insertion of collateral, other security or credit enhancements that significantly affect the credit risk associated with the loan.

If the terms are substantially different, the group derecognises the original financial asset and recognises a new asset at fair value and recalculates the new effective interest rate for the asset. The date of negotiation is consequently considered to be the date of initial recognition for impairment calculation purposes and the purpose of determining if there has been a significant increase in credit risk. At this point the Group will assess if the asset is POCI.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019

(expressed in Jamaican dollars unless otherwise indicated)

2. Summary of Significant Accounting Policies (Continued)**(g) Investment properties**

Investment property consists of freehold land 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 determined by independent valuers, with the appreciation or depreciation in value being taken to investment income. Investment property includes property held under partnership and joint venture arrangements with third parties which are accounted for using the equity method. 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 (k).

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 owner-occupied. Rental income is recognised on an accrual basis.

(h) Leases – Policies under IFRS 16

The group has changed its accounting policy for leases where the group is the lessee. The new policy, and the impact of the change are described in Note 50.

Until 31 December 2018, leases of property, plant and equipment where the member companies of the Group, as lessee, had substantially all the risks and rewards of ownership were classified as finance leases. Finance leases were capitalised at the lease's inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, were included in other short-term and long-term payables. Each lease payment was allocated between the liability and finance cost. The finance cost was charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases was depreciated over the asset's useful life, or over the shorter of the asset's useful life and the lease term if there was no reasonable certainty that the member company would obtain ownership at the end of the lease term.

Leases in which a significant portion of the risks and rewards of ownership were not transferred to the group as lessee were classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease.

Leases – Policies under IAS 17**(i) As lessee**

Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership, are classified as finance leases. Finance leases are recognised at the inception of the lease at the lower of the fair value of the leased asset or the present value of minimum lease payments. Each lease payment is allocated between the liability and interest charges so as to produce a constant rate of charge on the lease obligation. The interest element of the lease payments is charged to the income statement over the lease period.

Leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments under operating leases are charged to the income statement on a straight-line basis over the period of the lease.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019

(expressed in Jamaican dollars unless otherwise indicated)

2. Summary of Significant Accounting Policies (Continued)**(h) Leases – Policies under IFRS 16****Leases – Policies under IAS 17 (continued)**

When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

(ii) As lessor

When assets are leased out under a finance lease, the present value of the lease payments is recognised as a receivable. The difference between the gross receivable and the present value of the receivable is recognised as unearned finance income. Lease income is recognised over the term of the lease in a manner which reflects a constant periodic rate of return on the net investment in the lease.

Assets leased out under operating leases are included in property, plant and equipment in the statement of financial position. They are depreciated over their expected useful lives on a basis consistent with similar owned assets. Rental income is recognised on a straight-line basis over the lease term.

(i) Acceptances, guarantees, indemnities, letter of credit and undertakings

Financial guarantee contracts are contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due, in accordance with the terms of a debt instrument. Such financial guarantees are given to banks, financial institutions and others on behalf of customers to secure loans, overdrafts and other banking facilities.

Financial guarantee contracts are initially measured at fair value and subsequently measured at the higher of:

- (i) The amount of the loss allowance; and
- (ii) The premium received on initial recognition less income recognized in accordance with the principles of IFRS 18

Loan commitments provided by the Group are measured as the amount of the loss allowance. The Group has not provided any commitment to provide loans at a below-market interest rate, or that can be settled net in cash or by delivering or issuing another financial instrument.

For loan commitments and financial guarantee contracts, the loss allowance is recognized as a provision. However, for contract that include both a loan and an undrawn commitment and the Group cannot separately identify the expected credit losses on the undrawn commitment component from those on the loan component, the expected credit losses on the undrawn commitment are recognized together with the loss allowance for the loan. To the extent that the combined expected credit losses exceed the gross carrying amount of the loan, the expected credit losses are recognized as a provision.

Assets carried at amortised cost loans and advances and provisions for credit losses

(j) Provision for credit losses determined under the Bank of Jamaica regulatory requirements

The effect of the provision for credit losses determined under the Bank of Jamaica regulatory requirements is to preserve capital. No amounts are booked to the income statement in respect of regulatory provisions. Provisions calculated based on regulatory requirements that exceed the amounts required under IFRS are transferred from retained earnings to a non-distributable loan loss reserve in stockholders' equity.

The provision for credit losses determined under the Bank of Jamaica regulatory requirements comprises a "specific provision", a "special provision" and a "general provision". The specific and special provisions are determined based on each specific loan for which problems have been identified. The general provision is considered to be prudential in nature and is established to absorb portfolio losses.

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(expressed in Jamaican dollars unless otherwise indicated)

2. Summary of Significant Accounting Policies (Continued)

(j) Provision for credit losses determined under the Bank of Jamaica regulatory requirements (continued)

The specific provision is established for the estimated net loss for all non-performing loans and performing loans that meet specified criteria. Loans are considered to be non-performing where a principal or interest payment is contractually 90 days or more in arrears. At the time of classification as non-performing, any interest that is contractually due but in arrears is reversed from the income statement and interest is thereafter recognised in the income statement on the cash basis only. The estimated net loss is defined as the net exposure remaining after deducting the estimated net realisable value of the collateral (as defined by and determined by the regulations) from the outstanding principal balance of the loan. The regulations quantify the specific provision at ranges from 20% to 100% of the estimated net loss of each non-performing loan depending on the length of time the loan has been in arrears. In addition, where a non-performing loan is fully secured but the collateral is unrealised for a period of 12 months, a provision of 50% of the amounts outstanding should be made. Where the collateral is unrealised for a further 6 months (with limited exceptions which allow for up to a further 15 months) a full provision is made. The regulations further require that the specific provision for each loan should not be less than 1% of the amounts outstanding.

In respect of loans that are considered sub-standard for reasons other than being non-performing, a special provision is established for the greater of 1% of the amounts outstanding or 20% of the estimated net loss. A general provision is established for all loans (other than loans for which specific and special provisions were established) at 1% of the amounts outstanding.

Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. 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 value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

(k) Property, plant and equipment

Freehold land and buildings owned and used by the Group are treated as owner-occupied properties. These properties are stated at their fair values based on valuations by external valuers, less subsequent depreciation for buildings. All other property, plant and equipment are stated at historical cost less accumulated depreciation.

Increases in the carrying amounts arising from the revaluation of owner-occupied properties are included in the investment and fair value reserves. Decreases that offset previous increases of the same asset are charged against the investment and fair value reserves. All other reductions are taken directly to the income statement.

Depreciation is calculated on the straight-line basis at annual rates that will write off the carrying value of each asset over the period of its expected useful life. Annual depreciation rates are as follows:

Freehold buildings		2.5%
Leasehold improvements	Period of lease, not to exceed ten years	
Computer equipment		20 - 33½%
Furniture		10%
Other equipment		15%
Motor vehicles		20%
Leased assets	Shorter of period of lease or useful life of asset	
Land is not depreciated		

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2. Summary of Significant Accounting Policies (Continued)

(k) Property, plant and equipment (continued)

Property, plant and equipment are periodically reviewed for impairment. Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount. Gains or losses on disposal of property, plant and equipment are determined by reference to their carrying amount and are taken into account in determining operating profit. Repairs and renewals are charged to the income statement when the expenditure is incurred. On disposal of revalued assets, the revaluation amounts are transferred to retained earnings.

(l) Real estate developed for sale

Construction in progress for resale is classified as real estate held for resale and is valued at the lower of cost and net realisable value. Gains and losses realised on the sale of real estate are included in revenue at the time of sale.

(m) Intangible assets

(i) Goodwill

Goodwill arises on the acquisition of subsidiaries or associates and represents the excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured at fair value is less than the fair value of the net assets of the subsidiary acquired, as, in the case of a bargain purchase, the difference is recognized as negative goodwill directly in the income statement.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the Cash Generating Unit (CGUs), or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of the CGU containing the goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

(ii) Contractual customer relationships

This asset represents the present value of the benefit to the Group from customer lists, contracts, or customer relationships that can be identified separately and measured reliably. Customer relationships include those of insurance and banking customer relationships with an estimated useful life of 10 to 20 years.

(iii) Trademarks and licences

Trademarks and licences are shown at historical cost. They have a definite useful life and are carried at cost less accumulated amortisation and impairment. Amortisation is calculated using the straight-line method to allocate the cost of trademarks and licences over their estimated useful life.

(iv) Computer software

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their expected useful life of three years.

Costs that are directly associated with the production of identifiable and unique software products controlled by the Group, and that will probably generate benefits exceeding costs beyond one year, are recognised as intangible assets. Direct costs include the software development team's employee costs and an appropriate portion of relevant overheads. All other costs associated with developing or maintaining computer software programmes are recognised as an expense as incurred. Intangible assets with indefinite useful lives are assessed for impairment annually, or more frequently if events change or in circumstances which indicate a potential impairment.

NOTES TO THE FINANCIAL STATEMENTS

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(expressed in Jamaican dollars unless otherwise indicated)

2. Summary of Significant Accounting Policies (Continued)**(n) Employee benefits**

The group operates various post-employment schemes, including both defined benefit and defined contribution pension plans and post-employment medical plans.

(i) Pension obligations

A defined contribution plan is a pension plan under which the group pays fixed contributions into a separate entity. The group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. A defined benefit plan is a pension plan that is not a defined contribution plan.

Typically defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The asset or liability recognised in the statement of financial position in respect of the defined benefit pension plan is the present value of the defined benefit obligation at the statement of financial position date less the fair value of plan assets, together with adjustments for past service costs. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality sovereign bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.

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

Past-service costs are recognised immediately in the income statement.

For the defined contribution plan, the Group pays contributions to privately administered pension insurance plans on a contractual basis. The Group has no further payment obligations once the contributions have been paid. The contributions are charged to the income statement in the period to which they relate.

(ii) Other post-retirement benefit obligations

The Group provides supplementary health, dental 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 the same accounting methodology as used for defined benefit pension plans. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to other comprehensive income in the period in which they arise. These obligations are valued annually by independent qualified actuaries.

(iii) Annual leave

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the year end date.

NOTES TO THE FINANCIAL STATEMENTS

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(expressed in Jamaican dollars unless otherwise indicated)

2. Summary of Significant Accounting Policies (Continued)**(n) Employee benefits (continued)****(iv) Share-based compensation**

The Group operates equity-settled, share-based compensation plans namely; Long-term Incentive Plan (LTI) and Staff Share Purchase Plan (SSPP).

Share options

Senior Executives of the Group participate in a Long-term Incentive Plan (LTI) for Share Options. Shares are purchased on the market and held in trust by the LTI Trust until they are transferred to Executives. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. At each statement of financial position date, the Group revises its estimates of the number of options that are expected to become exercisable. It recognises the impact of the revision of original estimates, if any, in the income statement, and a corresponding adjustment to equity reserve for share based compensation over the remaining vesting period. Proceeds received net of any directly attributable transaction costs are paid to the trust on transfer of share options being exercised. Any cost to the Group beyond the exercise price of the options is reported in equity as provided for under IFRS 2.

Share grants

Senior Executives of the Group participate in a Long-term Incentive Plan for stock grants. Grants earned have a vesting period of four years after which they will expire. The market value of the shares issued at grant date is recognised as an expense in the measurement year to which the grants relate.

Share purchase plan

Non – Executive employees of the Group are eligible to purchase shares in the Sagicor Group Jamaica Limited at a discount under a share purchase plan.

(v) Bonus Plans**Annual Incentives Plan for Bonus**

Senior Executives of the Group participate in an Annual Incentive plan for bonus which is paid on company and individual performance against a balanced score card.

Productivity bonus

The Group recognises a liability and an expense for productivity bonuses as profit-sharing, paid to Non- Executive administrative staff based on a formula that takes into consideration the profit attributable to stockholders. The Group recognises a provision where contractually obliged or where past practice has created a constructive obligation.

(vi) 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 separation. Benefits falling due more than twelve months after the year end date are discounted to present value.

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(expressed in Jamaican dollars unless otherwise indicated)

2. Summary of Significant Accounting Policies (Continued)

(o) Share capital, reserves and transfers

Share Capital

Shares are classified as equity when there is no obligation to transfer cash or other assets.

- (i) **Share issuance cost**
Incremental costs directly attributable to the issue of new shares or options are shown in stockholders' equity as a deduction from the proceeds.
- (ii) **Mandatorily redeemable preference shares are classified as liabilities (Note 2(p)).**
- (iii) **Dividends on ordinary shares are recognised in stockholders' equity in the period in which they are approved by the company's Board of Directors.**

Dividends for the year that are declared after the year end date are dealt with in the subsequent events note.

(iv) Treasury Stock

Sagicor Group Jamaica Limited shares held by Group member companies or the Long-term Incentive Trust (LTI) and Staff Share Purchase Trust (SSPP) are carried as treasury stock on consolidation and reported in stockholders' equity.

(v) Reserve and transfers

Special investment reserve

Unrealised gains on investment properties are recorded in the income statement under IFRS. Regulatory reserve requirements are met through the following:

- Net unrealised gains brought forward at the beginning of each year are transferred to the special investment reserve from retained earnings at 10%.
- Net unrealised gains earned during the year are transferred from retained earnings to the special investment reserve at 10%.

Transfers to retained earnings

Unrealised gains on certain quoted equities were recorded in the investment and fair value reserves under IFRS. Regulatory reserve requirements are met by transferring the following:

- Net unrealised gains brought forward at the beginning of each year are transferred from the investment and fair value reserves to retained earnings at 25%.
- Net unrealised gains earned during the year are transferred from the investment and fair value reserves to the retained earnings at 25%.

NOTES TO THE FINANCIAL STATEMENTS

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(expressed in Jamaican dollars unless otherwise indicated)

2. Summary of Significant Accounting Policies (Continued)

(p) Financial liabilities

(xii) Classification

Financial liabilities are measured at initial recognition at fair value and are classified as and subsequently measured either at amortised cost, or at fair value through profit or loss (FVTPL). Financial liabilities are derecognised when they are extinguished (i.e. when the obligation specified in the contract is discharged, cancelled or expires).

The financial liabilities described under the unit linked fair value model (see section (a) above) are classified and measured at FVTPL as the Group is obligated to provide investment returns to the unit holder in direct proportion to the investment returns on a specific portfolio of assets, which are also carried at FVTPL. Derivative financial liabilities are carried at FVTPL. All other financial liabilities are carried at amortised cost. Financial liabilities measured at FVTPL do not have a cumulative own credit adjustment gain or loss.

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 the following paragraphs.

Deposit liabilities

Deposits are recognised initially at fair value and are subsequently measured at amortised cost using the effective yield method plus or minus transaction costs.

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 loans payable and associated cost 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.

Preference shares, which are mandatorily redeemable on a specific date, are classified as liabilities. The dividends on these preference shares are recognised in the income statement as interest expense.

Structured products

Structured products are recognised initially at the nominal amount when funds are received. Derivatives are separately accounted for at fair value through profit or loss. The non-derivative elements are stated at amortised cost using the effective interest method.

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(expressed in Jamaican dollars unless otherwise indicated)

2. Summary of Significant Accounting Policies (Continued)**(q) Insurance and investment contracts****(i) 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.

Insurance contracts and investment contracts issued by the Group are summarised below:

(1.1) 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, accident and liability. Property insurance contracts provide coverage for the risk of property damage or of loss of property. Commercial property, homeowners' property 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.

Written premiums are recognized when due. 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 are recognised on the same basis as premiums earned. At the date of the financial statements, commissions attributable to unearned premiums are recorded as deferred policy acquisition costs. Profit sharing commission payable to reinsurers 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.

NOTES TO THE FINANCIAL STATEMENTS

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(expressed in Jamaican dollars unless otherwise indicated)

2. Summary of Significant Accounting Policies (Continued)**(q) Insurance and investment contracts (continued)****(i) Classification(continued)****(1.1) 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(r).

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 payable is recognised on the same basis as premiums earned.

(1.3) Long-term traditional insurance contracts

These contracts are traditional participating and non-participating policies. The Group's participating policies do not have a discretionary participation feature as the amount of additional benefits is not paid at the discretion of the Group.

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 provision for a minimum number of payments. 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.

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 financial investments (investments at amortised cost) 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(r).

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 payable is recognised on the same basis as earned premiums.

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(expressed in Jamaican dollars unless otherwise indicated)

2. Summary of Significant Accounting Policies (Continued)

(q) Insurance and investment contracts (continued)

(ii) Recognition and measurement (continued)

(1.4) 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, and administrative expenses. Fund withdrawals may be permitted.

Premium revenue is recognised when due 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(r).

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 are generally recognised only on settlement of premiums.

(iii) Liability adequacy test

At each year end date, liability adequacy tests are performed to ensure the adequacy of the 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.

(iv) 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; or
- 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.

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.

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(expressed in Jamaican dollars unless otherwise indicated)

2. Summary of Significant Accounting Policies (Continued)

(q) Insurance and investment contracts (continued)

(v) Reinsurance contracts held

Contracts entered into by the Group with reinsurers under which the Group is compensated for losses on one or more contracts issued by the Group and that meet the classification requirements for insurance contracts are classified as reinsurance contracts held. Contracts that do not meet these classification requirements are classified as financial assets. Insurance contracts entered into by the Group under which the contract holder is another insurer (inwards reinsurance) are included with insurance contracts.

The benefits to which the Group is entitled under its reinsurance contracts held are recognised as reinsurance assets. These assets consist of short-term balances due from reinsurers (classified within loans and receivables), as well as longer term receivables (classified as reinsurance assets) that are dependent on the expected claims and benefits arising under the related reinsured insurance contracts. Amounts recoverable from or due to reinsurers are measured consistently with the amounts associated with the reinsured insurance contracts and in accordance with the terms of each reinsurance contract. Reinsurance liabilities are primarily premiums payable for reinsurance contracts and are recognised as an expense when due.

The Group assesses its reinsurance assets for impairment on a quarterly basis. If there is objective evidence that the reinsurance asset is impaired, the Group reduces the carrying amount of the reinsurance asset to its recoverable amount and recognises that impairment loss in the income statement. The Group gathers the objective evidence that a reinsurance asset is impaired using the same process adopted for financial assets held at amortised cost.

Actuarial liabilities arising from reinsurance are included as an insurance contract liability.

(r) Actuarial liabilities

(1.1) Life insurance and annuity contracts

The determination of actuarial liabilities of long term insurance contracts has been done using the Policy Premium Method (PPM) of valuation. Under this method, explicit allowance is made for all future benefits and expenses under the policies and expected earned investment income. The premiums, benefits and expenses for each policy are projected and the resultant future cash flows are discounted back to the valuation date to determine the reserves.

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.

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2. Summary of Significant Accounting Policies (Continued)

(r) Actuarial liabilities (continued)

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

Under this methodology, assets of each insurer are selected to back its actuarial liabilities. Changes in the carrying value of these assets may generate corresponding changes in the carrying amount of the associated actuarial liabilities. Some of these assets may be designated as FVTOCI for which unrealized gains or losses in fair value are recorded in other comprehensive income. The fair value reserve for actuarial liabilities has been established in the equity reserves 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 securities backing liabilities. This approach is called "Shadow Accounting".

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 FVTPL 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.

(1.1) Life insurance and annuity contracts

An actuarial valuation is prepared annually. Changes in the policyholders' liabilities are recorded in the income statement. Maturities and annuities are accounted for when due.

Death and disability claims and surrenders are recognised in the financial statements in the year in which they have been notified.

These contracts insure events associated with human life (for example death, or survival) over a long duration. Premiums are recognised as revenue when they become payable by the contract holder. Premiums are shown before deduction of commission.

Benefits are recorded as an expense when they are incurred.

(1.2) 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.

(1.3) Property and casualty insurance contracts

The Group is required to actuarially value its insurance reserves annually. Consequently, provision for claims incurred but not reported (IBNR) as well as the provision for adverse deviations have been independently actuarially determined. The remaining components of the reserves, as below, are determined by management, but are also reviewed by the actuary in determining the overall adequacy of the provision for the company's insurance liabilities.

(i) Provision for unearned premium

The provision for unearned premium represents that proportion of premiums written in respect of risks to be borne subsequent to the year end, under contracts entered into on or before the date of the statement of financial position and is computed by applying the "24th" basis to gross written premiums for the period.

(ii) Unearned commission

The unearned commission represents the actual commission income on premium ceded on proportional reinsurance contracts relating to the unexpired period of risk carried. The income is deferred as unearned commission reserves, and amortised over the period in which the commissions are expected to be earned. These reserves are calculated on the 24th basis.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019

(expressed in Jamaican dollars unless otherwise indicated)

2. Summary of Significant Accounting Policies (Continued)

(r) Actuarial liabilities (continued)

(1.3) Property and casualty insurance contracts (continued)

(iii) Claims outstanding

A provision is made to cover the estimated cost of settling claims arising out of events which occurred by the year end, IBNR, less amounts already paid in respect of those claims. This provision is estimated by management (insurance case reserves) and the appointed actuary (IBNR) on the basis of claims admitted and intimated.

(iv) Claims incurred but not reported

The reserve for IBNR claims has been calculated by an independent actuary using the Paid Loss Development method, the Incurred Loss Development method, the Bornhuetter-Ferguson Paid Loss method, the Bornhuetter-Ferguson Incurred Loss method, the Expected Loss Ratio method and the Claim Count method.

(v) Provision for adverse deviations

This provision reflects considerations relating to the company's claims practices, the underlying data, and the nature of the lines of business and seeks to provide for any unforeseen adverse development in claims liabilities.

(vi) Liability adequacy test

At the end of each reporting period, liability adequacy tests are performed to ensure the adequacy of the policy liabilities, net of related deferred policy acquisition costs. In performing these tests, current best estimates of future contractual cashflows are compared to the carrying amount of policy liabilities and any deficiency is immediately recognised in profit or loss as unexpired risk provision.

(s) Provisions

Provisions are recognised when the Group has a present 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.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

NOTES TO THE FINANCIAL STATEMENTS

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(expressed in Jamaican dollars unless otherwise indicated)

2. Summary of Significant Accounting Policies (Continued)

(t) Revenue recognition

Revenues from service contracts with customers consist primarily of management and administration fees earned from third party investment funds, pension plans and insurance benefit plans (managed funds or administrative service only (ASO) benefit plans). These service contracts generally impose single performance obligations, each consisting of a series of similar related services to the unitholder or policyholder of each fund or plan. The Group's performance obligations within these service arrangements are generally satisfied over time as the unitholders and policyholders simultaneously receive and consume contracted benefits over time.

The Group also earns revenues for the provision of corporate finance, stockbroking, trust and related services to various customers.

Revenue from service contracts with customers is recognised when (or as) the Group satisfies the performance obligation of the contract. For obligations satisfied over time, revenue is recognised monthly or over some other period. For performance obligations satisfied at a point in time, revenue is recognised at that point in time.

The various fees are billed periodically and are collected either by deduction or within a short period of time.

(i) Premium income

Gross premiums for traditional life and health insurance contracts are recognised as revenue when due. Revenue for universal life products and annuity contributions are recognised when received. When premiums are recognised, the related actuarial liabilities are computed, resulting in benefits and expenses being matched with revenue.

Property and casualty insurance premiums are recognised on a pro-rated basis over the period of the respective policies. Unearned premiums are the proportion of net premiums written in the current year which relate to cover provided in the following year.

Commission payable on premium income and commissions receivable on reinsurance of risks are charged and credit to profit or loss, respectively, over the life of the policies.

Where collection of premium is considered doubtful, or payment is outstanding for more than 90 days, the insurance regulations stipulate that the outstanding premium should be provided for in full. IFRS requires that when premiums become doubtful of collection, they are written down to their recoverable amounts and thereafter recognised based on the rate of interest that was used to discount the future cash flows for the purpose of measuring the recoverable amount.

(ii) Fee income

Fees consist primarily of investment management fees arising from services rendered in conjunction with the issue and management of investment contracts where the Group actively manages the consideration received from its customers to fund a return that is based on the investment profile that the customer selected on origination of the instrument. Fee income is recognised on an accrual basis. Loan origination fees for loans which are likely to be drawn down are deferred, together with related direct costs, and recognised as an adjustment to the effective yield on the loan. 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.

The Group charges customers for asset management and other related services using the following approaches:

- Front-end fees are charged to the client on inception. This approach is used particularly for single premium contracts. The consideration received is deferred as a liability and recognised over the life of the contract on a straight-line basis.
- Regular fees charged to the customer periodically either directly or by making a deduction from invested funds. Fees charged at the end of the period are accrued as a receivable that is offset against the financial liability when charged to the customer.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019

(expressed in Jamaican dollars unless otherwise indicated)

2. Summary of Significant Accounting Policies (Continued)

(t) Revenue recognition (continued)

(iii) Interest income

Jamaican banking regulations stipulate that, where collection of interest income is considered doubtful or payment is outstanding for 90 days or more, interest should be taken into account on the cash basis. See 2 (f) for policies with respect to impairment for loan receivable. The difference between the regulatory and IFRS bases of interest recognition was assessed to be immaterial.

(v) Hotel revenue - Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown net of General Consumption Tax or applicable sales tax, returns, rebates and discounts and after eliminating sales within the Group.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the Group's activities as described below. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

• Sales of services

Sale of services generated from hotel and other operations are recognised in the accounting period in which the services are rendered, by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided.

• Sale of goods

Sale of goods, mainly from gift shops is recognised when products are sold to customers. Sales are usually in cash or by credit card.

• Interest income

Interest income is recognised using the effective interest method.

• Gain or loss on sale of investment

Gain or loss on the disposal or maturity of investments, is determined by comparing sale proceeds with the carrying amount of the investment (along with any recycled accumulated unrealised gain/loss from fair value reserves if classified as FVTOCI). Net gains and losses are recognised in revenue.

(u) Interest and commission expense

(i) Interest expense

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

(ii) Commission expense

Commissions are expensed over the policy year on the same basis as earned premiums.

NOTES TO THE FINANCIAL STATEMENTS

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(expressed in Jamaican dollars unless otherwise indicated)

2. Summary of Significant Accounting Policies (Continued)

(v) Taxation

(i) Current and deferred taxes

The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the statement of financial position date. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

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 consolidated financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the statement of financial position date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled. Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

(w) Fiduciary activities

The Group acts as trustees and in other fiduciary capacities that result in the holding or placing of assets on behalf of individuals, trusts, retirement benefit plans and other institutions. These assets and income arising thereon are excluded from these financial statements, as they are not assets of the Group.

(x) Financial instruments

Financial instruments carried on the statement of financial position include cash resources, investments, securities purchased under resale agreements, loans & leases, other assets, securities sold under repurchase agreements, due to banks and other financial institutions, customer deposits and other liabilities.

The fair values of the Group's and the company's financial instruments are discussed in Note 53.

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 realize the asset and settle the liability simultaneously.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019

(expressed in Jamaican dollars unless otherwise indicated)

2. Summary of Significant Accounting Policies (Continued)

(y) 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.

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 statement of financial position. 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. The Group designates its interest rate swap as a cash flow hedge. 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 strategy for undertaking various hedging transactions. The Group also documents its assessment, 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 stockholders' equity, in the fair value reserve, and are transferred to the income statement when the forecast cash flows affect the income statement. The gain or loss relating to the ineffective portion is recognised immediately in the income statement.

Amounts accumulated in stockholders' equity are recycled to the income statement in the periods when the hedged item affects profit or loss. They are recorded in the revenue or expense lines in which associated with the related hedged item is reported.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in stockholders' equity at that time remains in stockholders' equity and is recognised when the forecast transaction is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in stockholders' equity is immediately transferred to the income statement within net trading income'.

(z) Securities purchased/sold under agreements to resell/repurchase

Securities purchased under agreements to resell (reverse repurchase agreements) and securities sold under agreements to repurchase (repurchase agreements) are treated as collateralised financing transactions and are recorded at the amount at which the securities were acquired or sold plus accrued interest.

Securities sold subject to repurchase agreements ('repos') are reclassified in the financial statements as pledged assets when the transferee has the right by contract or custom to sell or re-pledge the collateral; the counterparty liability is included in amounts due to other banks, deposits from banks, other deposits or deposits due to customers, as appropriate. Securities purchased under agreements to resell ('reverse repos') are recorded as loans and advances to other banks or customers, as appropriate. The difference between sale and repurchase price is treated as interest and accrued over the life of the agreements using the effective interest method. Securities lent to counterparties are also retained in the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019

(expressed in Jamaican dollars unless otherwise indicated)

3. Critical Accounting Estimates, and Judgements in Applying Accounting Policies

The Group makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

(a) Critical judgements in applying the Group's accounting policies

(i) Consolidation of related entities

Management assessments were done for the Sagicor Real Estate X Fund Limited Group (Sagicor X Fund), Sagicor Pooled Investment Fund and Sagicor Sigma Global Funds to ensure proper application of IFRS 10. A number of significant judgements were used regarding whether or not these entities had met the requirements to be consolidated within the financial statements of the Group and are highlighted below:

- Sagicor Pooled Investment Fund Limited and Sagicor X Fund
IFRS 10 does not establish bright lines as to what level of exposure definitely results in control and the assessment should be based on the relevant facts and circumstances. The determination of whether a fund manager has control over the fund it manages, therefore, involves significant judgement. Management considers that the Group does not have control either of Sagicor Pooled Investment Fund. It was also of the view that it did not control Sagicor X Fund, until October 1, 2019. Although there are contractual terms which provide the Group with influence over Sagicor Pooled Investment Fund Funds, management is of the view that the overall exposure of the Group to the variability of returns is not sufficient to conclude that the Group has control. Therefore, Sagicor Pooled Investment Fund has not been consolidated in these financial statements.

However, while the Group did not control Sagicor X Fund until October 1, 2018, it had significant influence over it until then, and therefore it was treated as an associate of the Group in accordance with IAS 28 up to September 30, 2018. Effective October 1, 2018 there were certain changes to the Board of Directors of Sagicor X Fund which triggered a reassessment of whether or not the Group then had control over Sagicor X Fund. Management concluded that the Group now has effective control over Sagicor X Fund through a step-acquisition as defined by IFRS 3 and this has resulted in Sagicor X Fund being treated as a subsidiary in the Group's consolidated financial statements. See Note 65 for further details. In addition, Sagicor X Fund has approximately 15% of the ordinary shares of Playa. This investment is being accounted for an associate in accordance with IAS 28, as management concluded that it has significant influence in Playa given that it has two directors on the board of Playa and also sits on two strategic board committees.

- Sagicor Sigma Funds
These are Unit Trusts managed by the Group, but which have independent trustees. Determining whether the Group has control over the Unit Trusts requires judgement. This would include a consideration of the trustees' rights to remove the investment manager and an assessment of the exposure to variability arising from the aggregate economic interests of the Group in the Unit Trusts.

Under IFRS 10.B65, the single party substantive removal rights may in isolation be sufficient to conclude that the fund manager is an agent. However, the language in the Trust Deed is not specific on causes for which the manager can be removed. "Good and sufficient reason" envisaged by the Trust Deed may include negligence, poor financial performance and other reasons. However, the Deed also provides for the right for the manager to appeal. This appeal right and the requirement that the removal of the manager must be withheld by the independent party may limit the Trustee's freedom of removing the manager without good grounds for this. Under these circumstances, drawing a conclusion whether the removal rights of the Trustee are substantive rights requires significant judgement. Management considers that the Group does not have control of Sagicor Sigma Funds. Although there are contractual terms which provide the Group with influence over Sagicor Sigma Funds, the overall exposure of the Group to the variability of returns of Sagicor Sigma Funds is not sufficient to conclude that the Group has control. Therefore, the Sagicor Sigma Funds have not been consolidated in these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

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(expressed in Jamaican dollars unless otherwise indicated)

3. Critical Accounting Estimates, and Judgements in Applying Accounting Policies (Continued)

(a) Critical judgements in applying the Group's accounting policies (continued)

(ii) Investment in associate

As at July 1, 2018 the Group's has a shareholding in Playa of 15.33%. From an accounting perspective, IAS 28 (Investments in Associate and Joint Ventures) paragraphs 5, 6 and 8 guidance were considered as follows:

Where an entity holds 20% or more of the voting power (directly or through subsidiaries) on an investee, it will be presumed the investor has significant influence unless it can be clearly demonstrated that this is not the case. If the holding is less than 20%, the entity will be presumed not to have significant influence unless such influence can be clearly demonstrated. A substantial or majority ownership by another investor does not necessarily preclude an entity from having significant influence.

The existence of significant influence by an entity is usually evidenced in one or more of the following ways:

- representation on the board of directors or equivalent governing body of the investee;
- participation in the policy-making process, including participation in decisions about dividends or other distributions;
- material transactions between the entity and the investee;
- interchange of managerial personnel; or
- provision of essential technical information

In assessing whether potential voting rights contribute to significant influence, the entity examines all facts and circumstances (including the terms of exercise of the potential voting rights and any other contractual arrangements whether considered individually or in combination) that affect potential rights, except the intentions of management and the financial ability to exercise or convert those potential rights. Management has representation via two (2) seats out of twelve on the Board and are also members of two strategic Board committees.

Management has concluded, given its participation in the policy-making decisions and significant involvement in, and influence over, decision making of Playa, that it clearly demonstrates influence over Playa financial and operating results despite owning less than 20% of Playa shares. Management has therefore concluded that its strategic investment in the Playa is to be treated as an investment in associate in accordance with IAS 28.

NOTES TO THE FINANCIAL STATEMENTS

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(expressed in Jamaican dollars unless otherwise indicated)

3. Critical Accounting Estimates, and Judgements in Applying Accounting Policies (Continued)

(a) Critical judgements in applying the Group's accounting policies (continued)

(iii) Impairment of the Group's Investment in Playa

At 31 December 2019, the Group's Investment in Playa, accounted for as investment in associated company using the equity method, was carried at a value of \$ 24,509,615,000. The Group's interest in Playa is held through a downstream subsidiary, JAMZIV, which is owned 60.81% by its immediate parent, Sagicor X-Fund. The Group has an effective holding of 29.31% of Sagicor X-Funds, inclusive of shares owned directly by the Sagicor Segregated Funds (8.09%).

Playa owns and/or operates hotels in Mexico, Jamaica and the Dominican Republic (DR). Shares in Playa are quoted, and trade on the National Association of Securities Dealers Automated Quotations (NASDAQ) exchange. The value of the Group's shares in Playa at 31 December 2019, using the last traded price of USD\$8.40 per share amounted, to \$22,286,376,000, \$2,223,239,000 below its carrying value. This was seen by management to be an impairment indicator. In accordance with the requirements of IAS 36, "Impairment of non-financial assets", management therefore conducted an impairment assessment.

In conducting the impairment assessment, management determined a recoverable value for Playa, using the value in use method. The value in use method is a discounted cash flow technique that utilizes a significant amount of judgement in estimating key variables such as earnings before interest, taxes, depreciation and amortisation (EBITDA), terminal growth rates and a discount factor. Value in use calculations are very sensitive to changes in these estimates.

In arriving at its estimates for EBITDA, management also considered the impact of the following events and circumstances:

- Increase in room inventory, consequent on the completion of renovation works at two hotels;
- Negative press from incidents with tourists in the DR; and
- Negative perceptions about the level of crime in Mexico.

The estimates for EBITDA did not contemplate the potential impact of the corona virus. As at 31 December 2019, there was a limited number of cases of an unknown virus communicated to the World Health Organisation (WHO). There was also no explicit evidence of human-to-human transmission at that date. The subsequent spread of the virus, and its identification as a new corona virus, the imposition of travel restrictions, the downsizing of flights on certain routes etc. do not provide additional evidence about conditions impacting Playa at 31 December 2019 and are therefore non-adjusting events.

Management's value in use calculations did not identify any impairment. As part of its impairment assessment, management performed the following sensitivity analyses, using reasonably possible changes in EBITDA, terminal growth rates and discount factors. The sensitivity analyses were done individually, while holding all other variables constant. In practice, this is unlikely to occur as changes in one variable can impact the others.

Variable	Change in Estimate	Indicator of Impairment	Estimate of Impairment
EBITDA	5% reduction (assumes no major fallout from the corona virus)	No	NA
EBITDA	15 – 20% reduction (assumes fallout from the corona virus)	Yes	\$1.6 billion - \$4.5 billion
EBITDA growth rate	1% point reduction 2020-2023 and a 2.1% point reduction in 2024	No	NA
Terminal Growth Rates	1% point reduction	No	NA
Discount factor	0.3% percentage point increase	No	NA

NOTES TO THE FINANCIAL STATEMENTS

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(expressed in Jamaican dollars unless otherwise indicated)

3. Critical Accounting Estimates, and Judgements in Applying Accounting Policies (Continued)

(b) Key sources of estimation uncertainty

The Group makes estimates and assumptions that affect the reported assets and liabilities within the next financial year. The resulting accounting estimates will, by definition, seldom equal the related actual results. Areas of key sources of estimation uncertainty include the following:

(i) Insurance

The ultimate liability arising from claims made under insurance contracts. There are several sources of uncertainty that need to be considered in the estimate of the liability that the Group will ultimately pay for such claims.

The determination of the liabilities under long-term insurance contracts is dependent on estimates made by the Group. Estimates are made as to the expected number of deaths for each of the years in which the Group is exposed to risk. The Group bases these estimates on standard industry mortality tables that reflect recent historical mortality experience, adjusted where appropriate to reflect the Group's own experience. For contracts that insure the risk of longevity, appropriate but not excessively prudent allowance is made for expected mortality improvements. The estimated number of deaths determines the value of the benefit payments and the value of the valuation premiums.

The main source of uncertainty is that epidemics and wide-ranging lifestyle changes, such as in eating, smoking and exercise habits, could result in future mortality being significantly worse than in the past for the age groups in which the Group has significant exposure to mortality risk. However, continuing improvements in medical care and social conditions could result in improvements in longevity in excess of those allowed for in the estimates used to determine the liability for contracts where the Group is exposed for longevity risk.

Sensitivity analyses for key estimates used in determining the actuarial liabilities are included in Note 55.

For the property and casualty insurance business, outstanding claims comprise estimates of the amount of reported losses and loss expenses and a provision for losses incurred but not reported (IBNR) based on the historical experience of the Group and industry data. These claims are analysed separately between those arising from damage to insured property and consequential losses. Claims arising from damage to insured property can be estimated with greater reliability, and the Group's estimation processes reflect all the factors that influence the amount and timing of cash flows from these contracts. The shorter settlement period for these claims allow the Group to achieve a higher degree of certainty about the estimated cost of claims, and relatively little IBNR is held at year-end. However, the longer time needed to assess the emergence of claims arising from consequential losses makes the estimation process more uncertain for these claims. Significant delays may occur in the notification of claims and a substantial measure of experience and judgment is involved in assessing outstanding liabilities, the ultimate cost of which cannot be known with certainty as at the reporting date. The reserve for claims outstanding is determined on the basis of information currently available; however, it is inherent in the nature of the business written that the ultimate liabilities may vary as a result of subsequent developments.

NOTES TO THE FINANCIAL STATEMENTS

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(expressed in Jamaican dollars unless otherwise indicated)

3. Critical Accounting Estimates, and Judgements in Applying Accounting Policies (Continued)

(b) Key sources of estimation uncertainty (continued)

(ii) Pension and post-retirement benefits

The cost of these benefits and the present value of the pension and the other post-retirement liabilities depend on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) for pension and post-retirement benefits include the expected long-term rate of return on the relevant plan assets, the discount rate and, in the case of the post-employment medical benefits, the expected rate of increase in medical costs. Any changes in these assumptions will impact the net periodic cost (income) recorded for pension and post-retirement benefits and may affect planned funding of the pension plans. The expected return on plan assets assumption is determined on a uniform basis, considering long-term historical returns, asset allocation and future estimates of long-term investments returns. The discount rate represents the interest rate that should be used to determine the present value of estimated future cash outflows required to meet the pension, life insurance and medical benefits as they fall due. The discount rate is based on yields on long term Government of Jamaica and CARICOM bonds. The expected rate of increase of medical costs is based on expected increases in utilisation and general increases in medical expenses above expected price inflation. Other key assumptions for the pension and post-retirement benefits cost and credits are based in part on current market conditions.

(iii) Income taxes

Estimates are required in determining the provision for income taxes. There are some transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for possible tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

(iv) Impairment of financial assets

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

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

Category	Sagicor Risk Rating	Classification	S&P	Moody's	Fitch	AM Best	
Non-default	1	Minimal risk	AAA, AA	Aaa, Aa	AAA, AA	aaa, aa	
	Investment grade	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

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(expressed in Jamaican dollars unless otherwise indicated)

3. Critical Accounting Estimates, and Judgements in Applying Accounting Policies (Continued)

(b) Key sources of estimation uncertainty (continued)

(iv) Impairment of financial assets (continued)

- Establishing staging for debt securities and deposits.
The Group uses its internal credit rating model to determine which of the three stages an asset is to be categorized for the purposes of ECL. Once the asset has experienced a significant increase in credit risk the investment will move from Stage 1 to Stage 2. Sagicor has assumed that the credit risk of a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial asset that is investment grade or Sagicor risk rating of 1-3 is considered low credit risk. Stage 1 investments are rated (i) investment grade, or (ii) below investment grade and have not been downgraded more than 2 notches since origination. Stage 2 investments are assets which (i) have been downgraded from investment grade to below investment grade, or (ii) are rated below investment grade and have been downgraded more than 2 notches since origination. Stage 3 investments are assets in default.
- Establishing staging for other assets measured at amortised cost, lease receivables, loan commitments and financial guarantee contracts.

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

Qualitative test

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

Backstop Criteria

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

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

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(expressed in Jamaican dollars unless otherwise indicated)

3. Critical Accounting Estimates, and Judgements in Applying Accounting Policies (Continued)

(b) Key sources of estimation uncertainty (continued)

(v) Impairment of Government of Barbados financial assets

As at 31 December 2018, the Group's holdings of US Dollar Denominated instruments with a carrying value amounting to \$1.2 billion and expected credit loss ('ECL') amounting to \$874.7 million issued by the Government of Barbados (GOB). This represented the only stage 3 debt securities within the Group's portfolio. During the financial year, the GOB announced its intention to restructure both local and foreign currency denominated debt. As at the year end, the US Dollar Denominated debt remains in default with negotiations with creditors continuing.

In the absence of restructure terms for the US dollar denominated debt, the Group estimated the impairment loss on these instruments based on the cash flows and the yield curve of the related instruments, which they expect to accept on exchange as disclosed in the consolidated and stand-alone financial statements.

Management determined the carrying value of the US dollar denominated instruments based on a loss given default (LGD) of 36%. The exposure at default was the outstanding principal and accrued interest for these instruments at the end of the financial year.

(vi) Estimated impairment of intangible assets

Goodwill

The assessment of goodwill impairment involves the determination of the fair value of the cash-generating units to which the goodwill has been allocated. Determination of fair value involves the estimation of future net income of these business units and the expected returns to providers of capital to the business units and the Group as a whole.

Other intangible assets

The assessment of impairment of other intangible assets involves the determination of the intangible asset'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 asset's value in use, estimates are required of future cash flows generated because of the assets.

(vii) Purchase Price Allocation of a business combination

In a business combination, the acquirer must allocate the cost of the business combination at the acquisition date by recognising the acquiree's identifiable assets, liabilities and contingent liabilities at fair value at that date. The allocation is based upon certain valuations and other studies performed with the assistance of external valuation specialists. Due to the underlying assumptions made in the valuation process, the determination of those fair values requires estimations of the effects of uncertain future events at the acquisition date and the carrying amounts of some assets, such as intangible assets, acquired through a business combination could therefore differ significantly in the future.

4. Responsibilities of the Appointed Actuary and External Auditors

The Board of Directors pursuant to the Insurance Act appoints the Actuary whose responsibility is to carry out an annual valuation of the policy liabilities of the Insurance Companies in accordance with accepted actuarial practice and regulatory requirements and report thereon to the policyholders and stockholders. In performing the valuation, the Actuary makes assumptions as to the future rates of interest, asset defaults, mortality, morbidity, claims experience, policy termination, inflation, reinsurance recoveries, expenses and other contingencies, taking into consideration the circumstances of the companies and the insurance policies in force.

The stockholders pursuant to the Companies Act appoint the external auditors. Their responsibility is to conduct an independent and objective audit of the financial statements in accordance with International Standards on Auditing and report thereon to the stockholders. In carrying out their audit, the auditors also make use of the work of the appointed Actuary and the report on the policy liabilities.

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(expressed in Jamaican dollars unless otherwise indicated)

5. Segmental Financial Information

Management has determined the operating segments based on the reports reviewed by the Group President and CEO that are used to make strategic decisions. The Group President and CEO is considered to be the Chief Operating Decision Makers (CODM).

The Group is managed on a matrix basis, reflecting both line of business and geography. Accordingly, segment information is presented in two formats. The Group is organised into four primary business segments:

- Individual Lines - Provides life insurance, health and annuity products to individuals.
- Employee Benefits - Provides group life and creditor life, personal accident, group health, group annuities, pension funds investment and administration services and the administration of trust accounts.
- Commercial Banking - Comprises of personal banking, retail mortgages, small business (SME's) banking, treasury management and corporate banking.
- Investment Banking - Comprises of wealth management products and services offered to retail and institutional clients; including unit trusts, mutual funds, brokerage, asset management and corporate trust.
- Other - Comprises property management, captives management, property and casualty insurance, hospitality services, real estate investment and stockholders' funds.

Segment assets and liabilities comprise operating assets and liabilities, being the majority of the statement of financial position, but exclude items such as taxation, retirement benefit assets and obligations.

The Group measures the performance of its operating segments through a measure of segment profit or loss which is profit before taxation.

Segment liabilities that are reviewed by the CODM include policyholders' funds and interest-bearing liabilities.

Costs incurred by the support units of the Group are allocated to the business segments based on certain criteria determined by management. These criteria include staff complement, square footage and time spent providing the service to the business segment. The expenses that are allocated are mainly staff costs, depreciation and amortisation and other operating expenses and are treated as direct allocated costs.

Transactions between the operating segments are on normal commercial terms and conditions. There has been no change in the basis of the pricing of transactions over the prior year.

Eliminations comprise inter-company and inter-segment transactions.

No revenue from transactions with a single external customer or counterparty amounted to 10% or more of the Group's total revenue in 2019 or 2018.

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5. Segmental Financial Information (Continued)

	The Group						Group
	2019						
	Individual Lines	Employee Benefits	Commercial Banking	Investment Banking	Other	Eliminations	
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
External revenues	33,645,272	27,230,885	13,853,507	6,677,286	11,262,373		92,669,323
Revenue from other segments	20,385		8,268	(28,022)	(570,133)	569,502	-
Total revenue	33,665,657	27,230,885	13,861,775	6,649,264	10,692,240	569,502	92,669,323
Benefits and expenses	(20,401,161)	(20,231,123)	(8,339,100)	(2,207,390)	(8,635,498)	315,180	(59,499,092)
Change in actuarial liabilities	(6,097,521)	(1,979,093)	-	-	-	(870,671)	(8,947,285)
Depreciation of property, plant and equipment	(63,749)	(31,776)	(256,484)	(15,890)	(995,888)	-	(1,363,787)
Amortisation of right-of-use assets	-	(15,257)	(147,050)	-	(395,324)	-	(557,631)
Amortisation of intangibles	(15,236)	(89,764)	(204,043)	(68,908)	(409,050)	-	(787,001)
Amortisation of loan costs	-	-	(8,319)	-	(61,034)	-	(69,353)
Other taxes	-	-	-	-	(492)	-	(492)
Asset tax	(97,364)	(33,166)	(281,264)	(180,907)	(50,346)	-	(643,047)
Total benefits and expenses	(26,675,031)	(22,380,179)	(9,236,260)	(2,473,095)	(10,547,632)	(555,491)	(71,867,688)
Share of profit from joint venture	-	-	-	-	14,624	-	14,624
Share of loss from associate	-	-	-	-	(98,662)	-	(98,662)
Profit before taxation	6,990,626	4,850,706	4,625,515	4,176,169	60,570	14,011	20,717,597
Taxation	(1,619,765)	(562,739)	(1,582,109)	(1,289,717)	(199,641)		(5,253,971)
Net profit	5,370,861	4,287,967	3,043,406	2,886,452	(139,071)	14,011	15,463,626
Segment assets -							
Intangible assets	1,543,769	595,486	1,204,889	551,764	4,380,087		8,275,993
Other assets	66,657,850	71,982,764	136,166,605	99,015,777	59,847,034	(8,605,379)	425,064,654
	68,201,620	72,578,250	137,371,494	99,567,541	64,227,121	(8,605,379)	433,340,647
Unallocated assets -							
Investments in joint venture (Note 14)							436,493
Investments in associate							24,509,615
Deferred income taxes (Note 22)							848,631
Retirement benefits asset (Note 21)							863,638
Total assets							459,999,024
Segment liabilities	57,225,121	59,329,991	117,532,006	80,143,402	29,882,359	(9,988,649)	334,124,230
Unallocated liabilities -							
Deferred income taxes (Note 22)							1,605,692
Retirement benefit obligations (Note 21)							3,344,834
Total liabilities							339,074,756
Other segment items:							
Capital expenditure: Computer software (Note 18)							392,414
Property, plant and equipment (Note 19)							1,016,648

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(expressed in Jamaican dollars unless otherwise indicated)

5. Segmental Financial Information (Continued)

	The Group						Group \$'000
	Individual Lines \$'000	Employee Benefits \$'000	Commercial Banking \$'000	Investment Banking \$'000	Other \$'000	Eliminations \$'000	
External revenues	26,827,239	23,753,535	12,433,312	4,582,566	3,060,141	-	70,656,793
Revenue from other segments	16,636	-	(35,391)	40,178	246,184	(267,607)	-
Total revenue	26,843,875	23,753,535	12,397,921	4,622,744	3,306,325	(267,607)	70,656,793
Benefits and expenses	(19,063,795)	(17,874,717)	(7,760,743)	(1,585,777)	(3,718,236)	267,609	(49,735,659)
Change in actuarial liabilities	(1,329,992)	(663,207)	-	-	103	(259,375)	(2,252,471)
Depreciation	(63,974)	(34,460)	(256,618)	(11,814)	(377,100)	-	(743,966)
Amortisation of intangibles	(14,428)	(129,141)	(172,769)	(65,316)	(322,546)	-	(704,200)
Amortisation of loan costs	-	-	(12,663)	-	20,005	-	7,342
Other taxes	-	331	-	-	(5,115)	-	(4,784)
Asset tax	(92,684)	(24,945)	(264,757)	(183,920)	(66,957)	-	(633,263)
Total benefits and expenses	(20,564,873)	(18,726,139)	(8,467,550)	(1,846,827)	(4,469,846)	8,234	(54,067,001)
Share of profit from joint venture	-	-	-	-	18,007	-	18,007
Share of loss from associate	-	-	-	-	(80,539)	-	(80,539)
Gain on step acquisition of Sagicor X Fund	-	-	-	-	1,521,065	-	1,521,065
Profit before taxation	6,279,002	5,027,396	3,930,371	2,775,917	295,012	(259,373)	18,048,325
Taxation	(1,520,038)	(934,082)	(1,077,436)	(743,543)	104,592	-	(4,170,507)
Net profit	4,758,964	4,093,314	2,852,935	2,032,374	399,604	(259,373)	13,877,818
Segment assets -							
Intangible assets	1,513,861	685,250	1,284,201	576,679	2,591,590	-	6,651,581
Other assets	55,442,585	67,477,913	120,237,502	79,301,046	45,034,063	(8,695,835)	358,797,274
	56,956,446	68,163,163	121,521,703	79,877,725	47,625,653	(8,695,835)	365,448,855
Unallocated assets -							
Investments in joint venture (Note 14)							330,804
Investments in associate							24,764,690
Deferred income taxes (Note 22)							3,405,053
Retirement benefits asset							183,351
Total assets							394,132,753
Segment liabilities	47,321,224	54,628,147	100,585,572	69,785,004	26,586,828	(9,957,727)	288,949,048
Unallocated liabilities -							
Deferred income taxes (Note 22)							412,486
Retirement benefit obligations (Note 21)							3,076,400
Total liabilities							292,437,934
Other segment items:							
Capital expenditure: Computer software (Note 18)							314,905
Property, plant and equipment (Note 19)							588,193

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5. Segmental Financial Information (Continued)

	The Group						
	2019						
	Individual Lines	Employee Benefits	Commercial Banking	Investment Banking	Other	Eliminations	Group
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Revenue from contracts with customers:							
Products transferred at a point in time	-	-	4,997,650	1,243,152	1,056,642	-	7,297,424
Products and services transferred over time	57,541	2,021,848	470,243	1,273,756	5,886,916	-	9,710,304
Total included in fees and other revenue	57,541	2,021,848	5,467,893	2,516,888	6,943,558	-	17,007,728

	The Group						
	2018						
	Individual Lines	Employee Benefits	Commercial Banking	Investment Banking	Other	Eliminations	Group
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Revenue from contracts with customers:							
Products transferred at a point in time	-	2,418	3,447,658	1,022,183	1,249,245	-	5,721,504
Products and services transferred over time	57,001	1,720,705	1,317,691	882,261	1,670,718	-	5,648,376
Total included in fees and other revenue	57,001	1,723,123	4,765,349	1,904,444	2,919,963	-	11,369,880

The Group's geographic information:

	Jamaica	Cayman Islands	United States of America	Other	Total
	2019				
	\$'000	\$'000	\$'000	\$'000	\$'000
Revenue	83,299,011	4,096,028	5,274,284	-	92,669,323
Total assets	387,059,293	27,616,455	44,886,783	436,493	459,999,024
2018					
	\$'000	\$'000	\$'000	\$'000	\$'000
Revenue	66,183,859	3,303,867	1,169,067	-	70,656,793
Total assets	330,538,079	18,980,562	44,283,308	330,804	394,132,753

Geographically, the segments are Jamaica, Cayman Islands, United States of America and Other (Costa Rica and St. Lucia).

Segment assets consist of investments that match insurance and banking liabilities, intangible assets and other operating assets such as receivables and cash. They exclude deferred income taxes, retirement benefit assets and investment in associates.

Segment liabilities comprise insurance liabilities, financial liabilities arising mainly from investment contracts and borrowing arrangements. They exclude items taxation, and retirement benefit liabilities.

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6. Cash Resources

	The Group		The Company	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
Balances with banks payable on demand	10,948,123	8,327,692	424,666	296,597
Cash in hand	3,018,354	3,225,224	-	-
	<u>13,966,477</u>	<u>11,552,916</u>	<u>424,666</u>	<u>296,597</u>

7. Cash and Cash Equivalents

Cash and cash equivalents include the following for the purposes of the statement of cash flows:

	The Group		The Company	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
Cash resources	13,966,477	11,552,916	424,666	296,597
Restricted cash	(575,594)	(362,815)	-	-
	<u>13,390,883</u>	<u>11,190,101</u>	<u>424,666</u>	<u>296,597</u>

	The Group		The Company	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
Cash resources (excluding restricted cash)	13,390,883	11,190,101	424,666	296,597
Short term deposits	426,414	2,513,096	-	-
USA Government Treasury Bills and BOJ CD's	2,688,274	1,826,447	-	126,593
Securities purchased under resale agreement	1,439,884	-	3,040	524,135
Bank overdrafts (Note 34)	(739,927)	(1,063)	(12,311)	-
	<u>17,205,528</u>	<u>15,528,581</u>	<u>415,395</u>	<u>947,325</u>

The amounts of \$426,414 (2018: \$2,513,096) represent deposits with original maturities of less than 90 days out of the total Group short-term deposits of \$864,322 (2018 - \$2,941,789), before accrued interest.

8. Cash Reserves at Central Bank

Minimum cash reserve and liquid asset ratios in respect of deposit liabilities are required to be maintained by Sagicor Bank Jamaica Limited with the Bank of Jamaica. Cash reserves are not available for investment, lending or other use by the Bank.

The cash and liquid asset requirements at year-end were as follows:

	2019	2018
Cash Reserve:		
Foreign currency liabilities	15%	15%
Jamaican dollar liabilities	7%	12%
Liquid Assets:		
Foreign currency liabilities	29%	29%
Jamaican dollar liabilities	21%	26%

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9. Financial Investments

	The Group		The Company	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
Short term deposits	870,435	2,952,013	523,178	515,773
Financial assets at fair value through profit or loss – (FVTPL)				
Government of Jamaica securities	2,281,779	5,514,357	-	-
Corporate bonds	3,085,480	1,821,032	-	-
Unquoted equity	1,558,879	991,424	-	-
Quoted equity	7,402,697	2,933,580	-	-
Interest receivable	66,121	122,768	-	-
Foreign governments securities	116,725	319,937	-	-
Unit trust	28,836,010	23,006,257	-	-
	<u>43,347,691</u>	<u>34,709,355</u>	<u>-</u>	<u>-</u>
Financial assets at fair value through Other Comprehensive Income (FVTOCI) -				
Government of Jamaica securities	69,708,063	48,906,220	-	-
Foreign governments securities	12,643,600	12,050,036	-	126,593
Corporate bonds	59,742,630	55,797,871	32,297	28,910
Quoted equities	100,000	28,461	-	-
Unquoted equities	71,110	6,034	-	-
Interest receivable	1,683,534	1,875,087	309	300
	<u>143,948,937</u>	<u>118,663,709</u>	<u>32,606</u>	<u>155,803</u>
Investments at amortized cost, net of ECL-				
Government of Jamaica securities	66,322,240	59,837,894	51,588	51,586
Foreign governments securities	516,302	497,076	-	-
Corporate bonds	6,905,897	6,393,069	-	-
Securities purchased under resale agreement	1,440,973	904,694	3,040	524,136
Mortgage loans	2,964,452	3,103,772	-	-
Promissory notes	244,487	46,294	-	-
Policy loans	878,234	883,931	-	-
Interest receivable	1,435,229	1,330,982	62	89
	<u>80,707,814</u>	<u>72,997,712</u>	<u>54,690</u>	<u>575,811</u>
Less Pledged assets (Note 12)	<u>(80,167,044)</u>	<u>(70,485,620)</u>	<u>-</u>	<u>-</u>
Total Financial Investments	<u>188,707,833</u>	<u>158,837,169</u>	<u>610,474</u>	<u>1,247,387</u>

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9. Financial Investments (Continued)

The table below shows the composition of FVTPL securities according to those securities that were mandatorily designated, and those that were designated by election.

	2019			2018		
	Mandatory designation \$'000	Designated by election \$'000	Total \$'000	Mandatory designation \$'000	Designated by election \$'000	Total \$'000
Unit trust and equities	29,856,332	7,941,253	37,797,585	23,177,237	3,754,026	26,931,263
Debt securities	5,179,609	370,497	5,550,106	7,778,092	-	7,778,092
	<u>35,035,941</u>	<u>8,311,750</u>	<u>43,347,691</u>	<u>30,955,329</u>	<u>3,754,026</u>	<u>34,709,355</u>

Included in quoted equities classified as FVTPL are investments in Exchange Traded Funds (ETFs) by the Group totaling \$2,911,168,000 (2018 - \$2,219,215,000).

Included in financial investments are the following amounts which are pledged as collateral:

- (i) Government of Jamaica Fixed Rate Benchmark Note with a carrying value of \$90,000,000 (2018 - \$90,000,000) which have been pledged with the Regulator, the Financial Services Commission, pursuant to Section 8 of the Insurance Regulations, 2001 by Sagicor Life Jamaica Limited.
- (ii) International bonds with a carrying value of US\$3,678,000 (2018- US\$14,709,970) have been pledged as security for margin loans of US\$2,750,050 (2018-US\$10,944,798) with Morgan Stanley Smith Barney by Sagicor Investments Jamaica Limited.
- (iii) International bonds with a carrying value of US\$11,452,920 (2018-US\$2,940,480 Gilead Sciences Inc. Corporate bond); have been pledged as security for margin loans of US\$8,002,196 (2018 -US\$2,505,347) with Jefferies LLC by Sagicor Investments Jamaica Limited.

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10. Derivative Financial Instruments and Hedging Activity

Derivatives are carried at fair value and carried in the statement of financial position 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 was 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 fair values are set out below:

	The Group	
	2019 \$'000	2018 \$'000
Derivatives – Assets		
(i) Equity indexed options	<u>35,005</u>	<u>31,464</u>
Derivatives - Liabilities		
(i) Equity indexed options	<u>35,005</u>	<u>31,464</u>

- (i) Equity indexed options

These derivative instruments give the holder the ability to participate in the upward movement of an equity index while protecting from downward risk and form part of certain structured product contracts with customers (Note 34). Sagicor Investments Jamaica Limited is exposed to credit risk on purchased options only, and only to the extent of the carrying amount, which is their fair value.

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11. Loans and Leases, after Allowance for Credit Losses

	The Group	
	2019 \$'000	2018 \$'000
Gross loans and advances	85,915,825	70,590,502
Less: Allowance for credit losses	(1,428,563)	(1,794,204)
	84,487,262	68,796,298
Loan interest receivable	223,247	264,481
	84,710,294	69,060,779
Lease receivables	285,867	223,813
	84,996,376	69,284,592

The Group's current portion of loans and leases was \$24,089,739,000 (2018 - \$23,907,551,000).

The movement in the allowance for credit losses determined under the requirements of IFRS 9 is:

	The Group			
	Loans		Leases	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
Total non-performing loans/leases	1,506,320	1,983,525	-	1,611
Balance at beginning of year	1,794,203	1,522,821	2,591	6,904
IFRS 9 adjustment	-	347,689	-	732
Movement during the year -				
Charged against profit during the year	713,207	1,032,423	-	-
Recoveries of bad debts	(329,633)	(408,357)	(2,376)	(5,045)
Charged in the income statement (Note 54 (d))	383,574	624,066	(2,376)	(5,045)
Previously provided for, now written-off	(773,679)	(773,350)	-	-
Impairment at acquisition	-	58,984	-	-
Currency revaluation adjustment	24,465	13,994	-	-
Balance at end of year	1,428,563	1,794,204	215	2,591

The provision for credit losses determined under Central Bank regulatory requirements was as follows:

	The Group	
	2019 \$'000	2018 \$'000
Specific provision	1,205,250	1,708,357
General provision	890,013	734,486
	2,095,263	2,442,843
Excess of regulatory provision over IFRS provision recognised in the Bank reflected in non-distributable loan loss reserve (Note 31 (b))	691,255	707,623

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11. Loans and Leases, after Allowance for Credit Losses (Continued)

Lease receivables:

	The Group	
	2019 \$'000	2018 \$'000
Gross investment in finance leases -		
Not later than one year	135,834	100,839
Later than one year and not later than five years	187,801	168,312
	323,635	269,151
Less: Unearned income	(37,553)	(42,747)
Net investment in finance leases	286,082	226,404
Net investment in finance leases -		
Not later than one year	113,555	79,928
Later than one year and not later than five years	172,527	146,476
	286,082	226,404
Less: Provision for credit losses	(215)	(2,591)
	285,867	223,813

12. Pledged Assets

Assets of the Group are pledged as collateral under repurchase agreements with customers and financial institutions. Mandatory cash reserves and investment securities are also held with the regulators, the Bank of Jamaica and the Financial Services Commission.

	The Group			
	Asset		Related Liability	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
Balance with regulators	144,305	141,869	-	-
Investment securities and securities sold under repurchase agreements	1,984,827	9,650,825	1,411,268	6,814,731
	2,129,132	9,792,694	1,411,268	6,814,731

Of the assets pledged as security, the following represents the total for those assets pledged for which the transferee has the right by contract or custom to sell or re-pledge the collateral.

	The Group	
	2019 \$'000	2018 \$'000
Investment securities	80,167,044	70,485,620

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13. Investment Properties

	The Group	
	2019 \$'000	2018 \$'000
At beginning of year	2,552,460	530,000
Additions during the year (i)	10,849	6,349
Acquired on acquisition of Advantage General Note 64(b)	734,797	-
Acquired on consolidation of Sagicor X Fund Note 65	-	2,113,735
Disposal during the year (ii)	(173,800)	(14,556)
Fair value gains/(losses)	231,284	(83,068)
At end of year	<u>3,355,590</u>	<u>2,552,460</u>

The investment properties as at 31 December 2019 were valued at current market value by Allison Pitter & Company and NIA Jamaica Langford & Brown, qualified property appraisers and valuers.

- (i) Additions during the year related to works done at Anchovy Estate and 85 Hope Road (Sagicor Life Jamaica Limited).
- (ii) Disposals during the year related to sale of 4-6 Trafalgar Road (Advantage General Insurance).

Rental income and repairs and maintenance expenditure in relation to investment properties are as follows:

	The Group	
	2019 \$'000	2018 \$'000
Rental income	1,073,172	388,571
Direct operating expenses	(951,022)	(513,410)

The valuations of investment property have been classified as Level 3 of the fair value hierarchy under IFRS 13, *Fair Value Measurement*. The valuations have been performed using a sales comparison approach but, as there have been a limited number of similar sales in the local market, the valuers incorporate adjustments using judgement, regarding size, age, condition and state of the local economy that are unobservable.

14. Investment in Joint Venture

This relates to the group's investment in Sagicor Costa Rica

	The Group		The Company	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
Balance at 1 January	330,804	356,391	414,267	395,543
Capital injection	-	18,724	-	18,724
Share of after tax earnings	14,624	18,007	-	-
Share of movement in other comprehensive income, net of taxation	91,065	(62,318)	-	-
Balance at 31 December	<u>436,493</u>	<u>330,804</u>	<u>414,267</u>	<u>414,267</u>

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14. Investment in Joint Venture (Continued)

The joint venture has share capital consisting solely of common and nominative shares, which is held directly by the Group.

Sagicor Costa Rica, S.A. is a private company and there is no quoted market price available for its shares.

There are no contingent liabilities relating to the Group's interest in the joint venture.

Summarised Financial Information of Joint Venture

Set out below are the summarized financial information for Grupo Sagicor GS, G.A. and subsidiary, which is accounted for using the equity method.

Summarised Statement of Financial Position

	The Group	
	2019 \$'000	2018 \$'000
Current assets		
Cash and cash equivalents	122,661	497,253
Other current assets	<u>2,255,402</u>	<u>1,614,995</u>
	<u>2,378,063</u>	<u>2,112,248</u>
Non-current assets		
Investments	1,226,121	1,015,932
Other non-current asset	<u>221,544</u>	<u>154,982</u>
	<u>1,447,665</u>	<u>1,170,914</u>
Total Assets	<u>3,825,728</u>	<u>3,283,162</u>
Current liabilities		
Provision for unearned premiums	1,502,935	1,496,526
Other liabilities	<u>1,449,808</u>	<u>1,125,026</u>
Total Liabilities	<u>2,952,743</u>	<u>2,621,552</u>
Net Assets	<u>872,985</u>	<u>661,610</u>

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14. Investment in Joint Venture (Continued)

Summarised Financial Information of Joint Venture (Continued)

Summarised statement of comprehensive income

	The Group	
	2019 \$'000	2018 \$'000
Insurance revenue	6,651,136	1,789,020
Insurance expenses	(5,399,682)	(1,211,770)
Underwriting profit	1,251,454	577,250
Other (expense)/income	(29,331)	170,889
Operating expenses	(1,176,284)	(675,674)
Net profit before taxation	45,839	72,465
Taxation	(16,590)	(23,777)
Net profit after tax for the period	29,249	48,688
Other comprehensive income	164,045	(140,911)
Total comprehensive income	193,294	(92,223)

Reconciliation of summarised financial information

Opening net assets at 1 January	661,610	712,782
Capital injection	-	18,724
Net profit after tax for the period	29,249	48,688
Other comprehensive income	164,045	(140,911)
Other movement	18,081	22,327
Closing net assets	872,985	661,610

Reconciliation of the Group's share of 50% net assets –

Opening net assets at 1 January	330,804	356,391
Capital injection	-	18,724
Share of profits	14,624	18,007
Share of other comprehensive income and other movement	91,065	(62,318)
Carrying value	436,493	330,804

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15. Interest in Structured Entities

A structured entity is an entity in which voting or similar rights are not the dominant factor in deciding control. Structured entities are generally created to achieve a narrow and well defined objective with restrictions around their ongoing activities. An interest in a structured entity is any form of contractual or non-contractual involvement which creates variability in returns arising from the performance of the entity for the Group. Such interests include holdings of debt or equity securities and investment management agreements. Structured entities are assessed for consolidation in accordance with the accounting policy set out in Note 3(a) (ii).

Consolidated Structured Entity

The Group has no consolidated structured entity.

Unconsolidated Structured Entity

The Group established Sagicor Pooled Investment Fund Limited (PIF), Sagicor Sigma Global Unit Trust (twenty-one portfolios), and the Sagicor Select Funds Limited (two portfolios) to provide customers and pension funds with several investment opportunities.

- (i) PIF
PIF is a custodian trustee for the assets of the Pooled Pension Investment Funds which are held in trust on behalf of pension funds. The trust has a separate Board of Directors. The administration of the assets in trust is done by one of the Group's subsidiaries, Employee Benefits Administrator Limited. The investment manager of these Funds is also one of the Group's subsidiaries, Sagicor Life Jamaica Limited. Both the administration of the assets and the provision of investment management services entitled the Group to receive management fees based on the assets under management. See critical accounting estimates Note 3 (a) (i) for further details.

The table below shows the total assets of PIF, the Group's exposure in and income arising from involvement with PIF as well as the maximum exposure to loss. The maximum exposure to loss from the Group's interests represents the maximum loss that the Group could incur as a result of its involvement with the PIF regardless of the probability of the loss being incurred. The income from the Group's interest includes recurring and non-recurring fees and any mark-to-market gains/losses on a net basis. The Group's exposure to loss arises from the Group's defined benefit pension scheme's investment in units in PIF. The income earned from the Group's interests represents the income earned by the Group's defined benefit pension scheme's investment in units in PIF. Management fees are earned by the Group from its administration and investment management activities.

	The Group	
	2019 \$'000	2018 \$'000
Total assets of PIF	193,507,431	170,685,477
Maximum exposure to loss	22,204,099	19,446,979
Total income from the Group's interests	2,957,159	2,002,006
Management Fees earned	2,079,707	1,728,275

The Group has not provided any non-contractual financial support during the period and does not anticipate providing non-contractual support to the company in the future.

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15. Interest in Structured Entities (Continued)

(ii) Sagicor Sigma Global Unit Trust

The Group established the Sagicor Sigma Global Unit Trust to provide customers with investment opportunities. The Unit Trust comprises twenty-one portfolios. See Note 3 (a) (i) for further details.

The Unit Trust has an independent trustee. One of the Group's subsidiaries, Sagicor Investments Jamaica Limited is the investment manager of the Unit Trust and is entitled to receive management fees based on the assets under management. The Group also holds units in the Unit Trust.

The table below shows the total assets of the Unit Trust, the Group's interest in and income arising from involvement with the Unit Trust, the Group's liability to the Unit Trust in relation to repurchase obligations, as well as the maximum exposure to loss. The maximum exposure to loss from the Group's interests represents the maximum loss that the Group could incur as a result of its involvement with the Unit Trust regardless of the probability of the loss being incurred. The income from the Group's interest includes recurring and non-recurring fees and any mark-to-market gains/losses on a net basis.

	The Group	
	2019 \$'000	2018 \$'000
Total assets of the Unit Trust	127,923,000	101,279,493
The Group's interest – Carrying value of units held (included in fair value through profit and Loss – Note 9)	28,836,010	23,006,257
Maximum exposure to loss	(28,836,010)	(23,006,257)
Liability to the Unit Trust in relation to investment in repurchase obligations (included in repurchase obligations on the consolidated statement of financial position)	18,525,160	19,114,002
Liability to the Unit Trust in relation to the purchase of shares in Advantage General Insurance Company Limited	2,262,000	-
Total income from the Group's interests	2,590,767	2,262,217

The Group has not provided any non-contractual financial support during the period and does not anticipate providing non-contractual support to the Unit Trust in the future.

(iii) Sagicor Select Funds

Sagicor Select Funds consists of two publicly traded companies listed on Jamaica Stock exchange. They are the Financial Select Fund and the Manufacturing and Distribution Select Fund. The objective of these funds is to provide a low cost and effective means of investing in a diverse pool of companies listed on the stock market.

The table below shows the total assets of the Select Funds, the Group's interest in and income arising from involvement with the Entities, the Group's liability to the Funds in relation to repurchase obligations as well as the maximum exposure to loss. The maximum exposure to loss from the Group's interests represents the maximum loss that the Group could incur as a result of its involvement with the Funds regardless of the probability of the loss being incurred. The income from the Group's interest includes recurring and non-recurring fees and any mark-to-market gains/losses on a net basis.

	The Group	
	2019 \$'000	
Total assets of Funds	9,882,169	
The Group's interest – Carrying value of units held (included in fair value through profit and Loss – Note 9)	1,319,746	
Maximum exposure to loss	(1,319,746)	
Liability in relation to investment in repurchase obligations (included in repurchase obligations on the consolidated statement of financial position)	280,000	
Total income from the Group's interests	104,871	

The Group has not provided any non-contractual financial support during the period and does not anticipate providing non-contractual support to the Unit Trust in the future.

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16. Investment in Associated Company

Sagicor Real Estate X Fund Limited (Sagicor X-Fund) is an international business company incorporated under the International Business Act, 1999 (as amended) of Saint Lucia. Sagicor X - Fund is listed on the JSE and its main activity is to invest in real estate.

In September 2015, the Group acquired an additional 21% stake (598,134,700 shares) in Sagicor X- Fund, by way of a non-renounceable rights issue, at a price \$6.95 per share. This acquisition took the Group's holding to 29.3% (including holdings of the Segregated Funds), and from thereon, Sagicor X-Fund was accounted for as an associated company in the financial statements of the Group.

On June 2, 2018, Sagicor X Fund entered a definitive agreement for a business combination with Playa Hotels & Resorts N.V. (Playa). In exchange for certain hotels it previously owned by Sagicor X Fund, Jamziv Montego Bay Portfolio Limited (Jamziv), a subsidiary of Sagicor X-Fund, received 20 million shares of Playa common stock and US\$100 million in cash. The transaction resulted in Jamziv, owning 15.3281% of the 130,478,993 shares issued by Playa. Through its control of Jamziv, Sagicor X Fund's levels of investment in, and significant influence over Playa (by virtue of seats on its board of directors and membership of its nominee directors on key committees), Sagicor X Fund accounted for its investment in Playa as an associated company from the date of its acquisition, as required by IAS 28. There are no contingent liabilities relating to the Group's interest in the associated company.

On October 1, 2018, the Group obtained control over Sagicor X Fund (see note 65), which resulted in Sagicor X Fund no longer being an associate, but a subsidiary of the Group. Step-acquisition accounting, as required by IFRS 3, was used to account for the transaction. The results of Sagicor X Fund have been consolidated in these financial statements from 1 October 2018. As Playa became an associate of Sagicor X Fund, which (Sagicor X Fund) is now a subsidiary of the Group, Playa also become an associate of the Group.

During 2019 Jamziv's interest at December 31, 2019 in Playa increased by .1600% to 15.4893% from 15.3281% at December 31, 2018. The net gain on the increased ownership was not significant.

(a) The investment in associated company is represented as follows:

	The Group		The Company	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
Investment, beginning of year	24,764,690	7,050,842	-	3,305,560
Disposal of interest (i)	-	(7,701,776)	-	(3,305,560)
Fair value of associate (Note 65)/ (ii)	-	25,819,032	-	-
Share of:				
Net (loss) after tax for the period	(98,662)	(80,539)	-	-
Other comprehensive income	(1,169,497)	890,868	-	-
Effects of exchange rate changes	1,013,084	(1,213,737)	-	-
Total Comprehensive income	(255,075)	(403,408)	-	-
Investment, end of year	24,509,615	24,764,690	-	-

- (i) This amount represents the carrying value of the Group's 29.31% interest in Sagicor X Fund on September 30, 2018 prior to accounting treatment changing from investment in associate to a subsidiary as required by IFRS 3.
- (ii) This amount represents the fair value of the associate, Playa Hotels & Resorts N.V. on October 1, 2018 as determined by reference to the quoted price on NASDAQ.

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16. Investment in Associated Company (Continued)

(b) Summarised Financial Information of Associated Company

- (i) Set out below is the summarized financial information for Sagicor X-Fund which is accounted for using the equity method up to September 30, 2018.

Summary Statement of Financial Position as at September 30, 2018.

		<u>The Group</u>
		<u>2018</u>
		<u>\$'000</u>
Current assets:	Cash resources	2,076,418
	Other current assets	2,290,835
		<u>4,367,253</u>
Non-current assets:	Investments	1,286,022
	Other non-current asset	44,330,888
		<u>45,616,910</u>
Total Assets		<u>49,984,163</u>
Current liabilities:	Loans payable	704,252
	Other liabilities	2,449,104
		<u>3,153,356</u>
Non-current liabilities:	Loan payable	9,968,611
	Other liabilities	693,752
Total Liabilities		<u>13,815,719</u>
Less Minority Interest		<u>11,249,190</u>
Net Assets		<u>24,919,254</u>

Summarised statement of comprehensive income for the nine months ended September 30, 2018.

		<u>The Group</u>
		<u>2018</u>
		<u>\$'000</u>
Revenue		7,039,535
Other operating income		151,290
Operating expenses		<u>(6,176,502)</u>
Operating Profit		<u>1,014,323</u>
Share of Profits from Associate		<u>(106,505)</u>
Net Profit		907,818
Taxation		<u>(243,849)</u>
Net Profit after tax		663,969
Minority Interest		<u>(41,739)</u>
Net Profit Attributable to Controlling Interest		705,708
Other comprehensive income		<u>1,515,153</u>
Total comprehensive income		<u>2,220,861</u>

Reconciliation of the Group's 29.31% interest disposed of

Share of net assets	7,303,833
Intangible assets including goodwill	397,934
Carrying value disposed of	<u>7,701,767</u>

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16. Investment in Associated Company (Continued)

(b) Summarised Financial Information of Associated Company (continued)

- (ii) Set out below is the summarized financial information for, Playa Hotels & Resorts N.V., which is accounted for using the equity method as at December 31, 2018 and December 31, 2019.

Summary Statement of Financial Position

		<u>The Group</u>	
		<u>2019</u>	<u>2018</u>
		<u>\$'000</u>	<u>\$'000</u>
Current assets:	Cash resources	2,745,616	14,754,131
	Other current assets	17,978,880	15,116,032
		<u>20,724,496</u>	<u>29,870,163</u>
Non-current assets:	Property, Plant and equipment, net	254,108,161	231,793,892
	Other non-current assets	14,306,358	11,562,832
		<u>268,414,519</u>	<u>243,356,724</u>
Total Assets		<u>289,139,015</u>	<u>273,226,887</u>
Current liabilities:	Loan Payable	8,436,018	1,582,018
	Other current liabilities	29,140,523	21,026,662
		<u>37,576,541</u>	<u>22,608,680</u>
Non-current liabilities:	Loans payable	128,074,172	125,459,120
	Other non-current liabilities	17,036,471	16,184,743
Total Liabilities		<u>182,687,184</u>	<u>164,252,543</u>
Net Assets		<u>106,451,831</u>	<u>108,974,344</u>

Summarised statement of comprehensive income for year 2019 and the period October 1, 2018 to December 31, 2018.

		<u>The Group and The Company</u>	
		<u>2019</u>	<u>2018</u>
		<u>\$'000</u>	<u>\$'000</u>
Revenue		84,444,644	19,507,584
Operating expenses		<u>(81,099,256)</u>	<u>(17,780,334)</u>
Operating profit		3,345,388	1,727,250
Other operating (expenses)/income		<u>(424,549)</u>	<u>598,663</u>
Interest expense		<u>(5,849,212)</u>	<u>(3,481,964)</u>
Net loss		(2,928,373)	(1,156,051)
Taxation		2,284,703	(718,833)
Net loss after tax		<u>(643,670)</u>	<u>(1,874,884)</u>
Other comprehensive income		<u>(4,059,533)</u>	<u>786,465</u>
Total comprehensive income		<u>(4,703,203)</u>	<u>(1,088,419)</u>

Reconciliation of the Group's 15.4893% (2018:15.328% interest)

Share of net assets	16,448,512	16,703,587
Deemed goodwill	8,061,103	8,061,103
Carrying value	<u>24,509,615</u>	<u>24,764,690</u>

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16. Investment in Associated Company (Continued)

- (c) The carrying values of investment in associated company, Playa Hotels & Resorts N.V. and the values indicated by prices quoted on the National Association of Securities Dealers Automated Quotation ("NASDAQ Indicative Value") as at December 31, 2019 are as follows:

	NASDAQ Indicative Value		NASDAQ Indicative Value	
	Carrying Value	Value	Carrying Value	Value
	2019	2018	2018	2018
	\$'000	\$'000	\$'000	\$'000
The Group	24,509,615	22,037,719	24,764,690	18,234,545

An impairment assessment was done for the carrying value of the Group's investment in Playa. The results of the impairment assessment are discussed in note 3 (a) (iii).

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17. Investment in Subsidiaries

	2019	2018
	\$'000	\$'000
<i>Shares in member companies at cost:</i>		
Sagicor Life Jamaica Limited (i)	34,257,354	34,257,354
Sagicor Cayman Limited	10,858,929	-
Sagicor Life of the Cayman Islands Limited (ii)	-	10,858,929
Sagicor Re Insurance Limited	211,028	211,028
Sagicor Insurance Brokers Limited	33,181	33,181
Sagicor International Administrators Limited	5,783	5,783
Sagicor Property Services Limited	150,000	150,000
Sagicor Pooled Investments Limited	1	1
Sagicor Investments Jamaica Limited	10,742,300	10,742,300
Sagicor Bank Jamaica Limited	11,821,188	11,821,188
Sagicor Securities Jamaica Limited	583,974	583,974
Employee Benefits Administrator Limited	85,001	85,001
Travel Cash Jamaica Limited (iii)	390,000	390,000
Sagicor Real Estate X Fund Limited (iv)	3,305,560	3,305,560
	<u>72,444,299</u>	<u>72,444,299</u>

- (i) Sagicor Life Jamaica Limited
On November 30, 2019 Sagicor Group Jamaica Limited, through its wholly owned subsidiary, Sagicor Life Jamaica Limited acquired a 70% interest in Bailey Williams Limited, at a cost of \$459,018,000.
- (ii) Sagicor Life of the Cayman Islands Limited
Sagicor Group Jamaica Limited ("SGJ") the former direct parent company of Sagicor Life of the Cayman Island Limited ("SLC"), took steps to segregate and ring fence SLC's investment business from its life insurance business in accordance with regulatory obligations. To this end, two new companies were incorporated, namely: (a) Sagicor Cayman Limited ("Holdco") and (b) Sagicor Investments (Cayman) Limited ("SIC"). SIC has made an application to CIMA for a licence to carry on its investment business, and now awaits feedback on the outcome of its application.

Holdco which is a wholly owned subsidiary of SGJ is the immediate holding company for both SLC and SIC. The investment and insurance business were separated through a reconstruction agreement between Holdco, SGJ, SLCI and SIC. The transaction became effective on December 31, 2019.
- (iii) Travel Cash Jamaica Limited
On December 1, 2018 Sagicor Group Jamaica Limited acquired a 51% interest in Travel Cash Jamaica Limited, at a cost of \$390,000,000.
- (iv) Sagicor Real Estate X Fund Limited
On October 1, 2018 Sagicor Group Jamaica Limited obtained control over its Associated Company, Sagicor Real Estate X Fund Limited. As of that date, the accounting for the company was changed from the equity method to full consolidation.

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18. Intangible Assets

	The Group				Total \$'000
	Goodwill	Contractual Customer Relationship	Trade Names	Computer Software	
	\$'000	\$'000	\$'000	\$'000	
Cost -					
At 1 January 2018	2,228,396	4,553,499	473,433	2,933,020	10,188,348
Arising on acquisitions	1,421,907	145,000	333,000	-	1,899,907
Additions	-	-	-	314,905	314,905
Translation adjustment	13,217	-	-	60	13,277
At 31 December 2018	3,663,520	4,698,499	806,433	3,247,985	12,416,437
Acquired on acquisitions	1,035,721	744,000	124,000	92,147	1,995,868
Additions	-	-	-	392,414	392,414
Translation adjustment	23,107	-	-	104	23,211
At 31 December 2019	4,722,348	5,442,499	930,433	3,732,650	14,827,930
Amortisation -					
At 1 January 2018	-	3,009,874	473,433	1,577,311	5,060,618
Amortisation charge	-	215,884	34	488,282	704,200
Translation adjustment	-	-	-	38	38
At 31 December 2018	-	3,225,758	473,467	2,065,631	5,764,856
Amortisation charge	-	220,602	16,841	549,558	787,001
Translation adjustment	-	-	-	80	80
At 31 December 2019	-	3,446,360	490,308	2,615,269	6,551,937
Net Book Value -					
31 December 2018	3,663,520	1,472,741	332,966	1,182,354	6,651,581
31 December 2019	4,722,348	1,996,139	440,125	1,117,381	8,275,993

Amortisation charges of \$787,001,000 (2018 - \$704,200,000) have been included as expense in the Income Statement as amortisation of Intangible Assets for the Group.

	The Company Computer Software \$'000
Cost -	
At 1 January 2018	1,483,054
Additions	124,762
At 31 December 2018	1,607,816
Additions	164,833
At 31 December 2019	1,772,649
Amortisation -	
At 1 January 2018	674,471
Amortisation charge	311,186
At 31 December 2018	985,657
Amortisation charge	333,108
At 31 December 2019	1,318,765
Net Book Value -	
31 December 2018	622,159
31 December 2019	453,884

Amortisation charges of \$333,108,000 (2018 - \$311,186,000) have been included in expense for the Company.

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18. Intangible Assets (Continued)

The allocation of goodwill to the Group's and the company's Cash Generating Units (CGUs) is as follows:

	The Group	
	2019 \$000	2018 \$000
Sagicor Life Jamaica Individual Lines Division	855,191	855,191
Sagicor Life Jamaica Employee Benefits Division	530,126	530,126
Sagicor Life of the Cayman Islands Individual Lines Division	654,437	632,626
Sagicor Investments Jamaica Limited	186,066	186,066
Sagicor Insurance Managers Limited	38,900	37,604
Travel Cash Jamaica Limited (Note 64)	189,994	189,994
Advantage General Insurance Company (Note 64)	1,035,721	-
Sagicor Real Estate X - Fund Limited (Note 65)	1,231,913	1,231,913
	4,722,348	3,663,520

- (i) At 31 December 2019, management tested goodwill and the unamortised balance of other purchased intangibles allocated to all the CGUs as listed in the table above.
- (ii) The recoverable amounts of Sagicor Life Jamaica Individual Lines Division, Sagicor Group Jamaica Employee Benefits Division and Sagicor Life of the Cayman Islands Individual Lines Division CGUs are determined by their fair values less costs to sell, on the capitalised earnings approach. These calculations use projected sustainable earnings based on audited earnings and financial budgets approved by management covering a three year period and the earnings multiples stated below.
- (iii) The recoverable amounts of the non-life CGUs, Sagicor Investments Jamaica Limited, Sagicor Insurance Managers Limited, Sagicor Real Estate X Funds, Advantage General Insurance Company Limited and Travel Cash Jamaica Limited are determined based on value in use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a three year period. Cash flows beyond the three year period are extrapolated using the estimated growth rates stated below. The growth rate does not exceed the long term average growth rate for the business in which the CGU operates.

There was no impairment of any of the Group's CGUs.

Key assumptions used for the impairment calculations are as follows:

	2019			2018		
	Earnings Multiple	Earnings Growth Rate	Discount Rate	Earnings Multiple	Earnings Growth Rate	Discount Rate
Sagicor Life Jamaica Individual Life Division	10.0	-	-	10.0	-	-
Sagicor Life Jamaica Employee Benefits Division	10.8	-	-	10.8	-	-
Sagicor Life of the Cayman Islands Individual Life Division	8.8	-	-	8.8	-	-
Sagicor Bank Jamaica Limited	-	5.75%	15.28%	-	5.75%	15.78%
Sagicor Investments Jamaica Limited	-	4.75%	13.53%	-	4.75%	14.04%
Sagicor Real Estate X - Fund Limited	-	4.5%	11.03%	-	6.00%	12.82%
Sagicor Insurance Managers Ltd.	-	2.00%	11.86%	-	2.00%	13.22%
Travel Cash	-	4.50%	15.00%	-	6.75%	15.71%
Advantage General Insurance Company Limited	-	5.75%	14.46%	-	-	-

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19. Property, Plant and Equipment

	The Group				
	Leasehold Buildings & Improvements	Freehold Land & Buildings	Furniture & Equipment	Motor Vehicles	Total
Cost or Valuation -	\$'000	\$'000	\$'000	\$'000	\$'000
At 1 January 2018	1,001,171	3,376,336	3,738,130	204,567	8,320,204
Additions	101,762	23,250	396,637	66,544	588,193
Arising on acquisitions	93	13,263,792	2,155,030	-	15,418,915
Revaluation adjustments	-	228,028	-	-	228,028
Disposals	-	(1,050,615)	(472)	(19,148)	(1,070,235)
Translation adjustment	994	(599,223)	(114,806)	-	(713,035)
At 31 December 2018	1,104,020	15,241,568	6,174,519	251,963	22,772,070
Additions	221,164	22,284	700,666	72,534	1,016,648
Arising on acquisitions	21,589	984,756	143,441	1,284	1,151,070
Reclassification	-	-	(1,312)	-	(1,312)
Revaluation adjustments	-	467,493	-	-	467,493
Disposals	-	(758,655)	(6,209)	(46,232)	(811,096)
Translation adjustment	2,002	456,738	73,359	-	532,099
At 31 December 2019	1,348,775	16,414,184	7,084,464	279,549	25,126,972
Accumulated Depreciation -					
At 1 January 2018	539,953	284,831	2,330,924	100,850	3,256,558
Charges for the year	84,223	115,366	503,671	40,707	743,967
Relieved on revalued assets	-	(25,425)	-	-	(25,425)
Relieved on disposals	-	(183,881)	(65)	(18,024)	(201,970)
Translation adjustment	735	(1,353)	(853)	-	(1,471)
At 31 December 2018	624,911	189,538	2,833,677	123,533	3,771,659
Charges for the year	89,200	370,201	862,572	41,814	1,363,787
Relieved on revalued assets	-	(88,095)	-	-	(88,095)
Relieved on disposals	-	(23,760)	(3,527)	(31,066)	(58,353)
Translation adjustment	1,586	(386)	2,943	-	4,143
At 31 December 2019	715,697	447,498	3,695,665	134,281	4,993,141
Net Book Value -					
31 December 2018	479,109	15,052,030	3,340,842	128,430	19,000,411
31 December 2019	633,078	15,966,686	3,388,799	145,268	20,133,831

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19. Property, Plant and Equipment (Continued)

	The Company			
	Leasehold Improvement	Furniture & Equipment	Motor Vehicle	Total
Cost or Valuation -	\$'000	\$'000	\$'000	\$'000
At 1 January 2018	15,278	425,002	-	440,280
Additions	18,368	40,402	8,617	67,387
At 31 December 2018	33,646	465,404	8,617	507,667
Additions	-	18,875	21,840	40,715
Disposal	-	(330)	(8,617)	(8,947)
At 31 December 2019	3,646	483,949	21,840	539,435
Accumulated Depreciation -				
At 1 January 2018	1,123	130,164	-	131,287
Charges for the year	2,615	92,441	2,017	97,073
At 31 December 2018	3,738	222,605	2,017	228,360
Charges for the year	3,365	97,436	2,189	102,990
Disposal	-	(114)	(2,750)	(2,864)
At 31 December 2019	7,103	319,927	1,456	328,486
Net Book Value -				
31 December 2018	29,908	242,799	6,600	279,307
31 December 2019	26,543	164,022	20,384	210,949

In accordance with the Group's policy, owner-occupied properties were independently revalued during the year by professional real estate valuers. The excess of revalued amount over the carrying value of these property, plant and equipment, amounting to \$569,904,850 (2018 - \$253,454,000), has been credited to investment and fair value reserves. If revalued assets of the Group were stated on a historical cost basis, the amounts would be as follows:

	The Group	
	2019	2018
	\$'000	\$'000
Cost	11,522,562	10,679,582
Accumulated depreciation	(1,088,098)	(772,503)
Net book value	10,434,464	9,907,079
Carrying value of revalued assets	15,966,686	15,052,030

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20. Reinsurance Contracts

	The Group	
	2019	2018
	\$'000	\$'000
Claims recoverable from reinsurers	516,439	564,959
Unearned premiums ceded to reinsurers	1,422,386	178,186
Reinsurers share of insurance liabilities	113,226	22,506
	<u>2,052,051</u>	<u>765,651</u>

The claims recoverable balances which are short-term and expected to be settled within one year.

21. Retirement Benefits

	The Group	
	2019	2018
	\$'000	\$'000
Retirement benefit assets -		
Pension scheme	863,638	183,351
Retirement benefit obligations -		
Pension scheme	268,064	301,042
Other post-retirement benefits	3,076,770	2,775,358
	<u>3,344,834</u>	<u>3,076,400</u>
Pension schemes comprised the following –		
	2019	2018
	\$'000	\$'000
Retirement benefit assets	(863,638)	(183,351)
Retirement benefit obligations	268,064	301,042
	<u>(595,574)</u>	<u>117,691</u>

The Group operates the following pension plans:

- Sagcor Life Jamaica Limited operates a hybrid pension plan for its permanent staff. The plan has two sections – a Defined Contribution (DC) section and a Defined Benefit (DB) section, which is funded. The DB section is closed to new members and includes administrative staff joining the company before August 1, 2009, while the DC section includes eligible sales agents and administrative staff joining Sagcor Life Jamaica Limited on or after August 1, 2009. The assets of the plan are held independently of the company's assets in separate trustee administered funds. The benefits for the DB section are based on service and salary, whereas the DC section benefits are based on contributions made by the members and the company, with interest. The solvency level (the ratio of assets to past service liabilities) as at the last triennial funding valuation (2018) was 115%.
- Sagcor Life of the Cayman Islands Ltd. participates in the Cayman Islands Chamber of Commerce Pension Plan. This plan is a money purchase contributory plan covering all the employees in the Cayman Islands. Contributions are vested immediately. The company contributes at a fixed rate of 7% of pensionable earnings.
- Sagcor Investments Jamaica Limited and Sagcor Bank Jamaica Limited jointly operate an open DC pension plan and a closed DB pension plan covering its permanent employees. The assets of these funded plans are held independently of the companies' assets in separate trustee administered funds. The solvency level (the ratio of assets to past service liabilities) as at the last triennial funding valuation (2016) was 130% and 114% for the DB and DC plan, respectively.
- Sagcor Bank Jamaica Limited has a closed DC plan covering all permanent employees (formerly employed to RBC Jamaica Limited) who are not covered under the DC and DB plans it jointly operates with Sagcor Investments Jamaica Limited. The assets of this funded plan are held independently of the company's assets in separate trustee administered funds. The solvency level (the ratio of assets to past service liabilities) as at the last triennial funding valuation (2016) was 109%.

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21. Retirement Benefits (Continued)

- Advantage General Insurance Company Limited sponsors a DB scheme, which is open to all employees who have satisfied certain minimum service requirements. The scheme is funded by employee and employer contributions at varying rates. Retirement and other benefits are based on average salary for the last three years of pensionable service.

The law requires each plan sponsor to be an ordinary annual contributor but does not stipulate a minimum funding rate or solvency level. In absence of guidance from the regulator, the actuaries have agreed on a minimum employer contribution rate of 0.25% of payroll per annum where plan rules do not specify a minimum. The Trustees of the pension schemes ensure benefits are funded, benefits are paid, assets invested to maximise returns subject to acceptable investment risks while considering the liability profile. Any plan surplus or funding deficiency for the defined benefits plans as determined by independent actuaries annually using the Projected Unit Credit Method are recognised fully as a charge to shareholders' equity.

(a) Pension schemes

The amounts recognised in the statement of financial position are determined as follows:

	The Group	
	2019	2018
	\$'000	\$'000
Present value of funded obligations	27,891,510	23,501,301
Fair value of plan assets	(28,487,084)	(23,383,610)
(Surplus) / deficit of funded plan	(595,574)	117,691
(Asset) / liability in the balance sheet	<u>(595,574)</u>	<u>117,691</u>

Movement in the present value of the defined benefit obligations recognised in the statement of financial position:

	The Group	
	2019	2018
	\$'000	\$'000
Liability at start of year	23,501,301	20,904,965
Liability assumed on acquisition of subsidiary	1,317,726	-
Current service cost	567,011	521,649
Interest cost	1,640,319	1,643,504
Net expense recognised in income	2,207,330	2,165,153
Re-measurements:		
(Gains)/losses from changes in financial assumptions	(945,224)	1,212,707
Losses/(Gains) from changes in experience	2,020,047	(539,065)
Net losses recognised in other comprehensive income	1,074,823	673,642
Contributions by the members	666,278	577,273
Value of purchased annuities	517,456	614,572
Benefits paid	(1,393,404)	(1,434,304)
Net Liability, end of year	<u>27,891,510</u>	<u>23,501,301</u>

NOTES TO THE FINANCIAL STATEMENTS

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(expressed in Jamaican dollars unless otherwise indicated)

21. Retirement Benefits (Continued)

(a) Pension schemes (continued)

Movement in the fair value of plan assets recognised in the statement of financial position:

	The Group	
	2019	2018
	\$'000	\$'000
Balance at start of year	23,383,610	21,368,238
Assets assumed on acquisition of subsidiary	1,413,234	-
Contributions made by the employer	474,989	387,776
Contributions by the members	666,278	577,273
Value of purchased annuities	517,456	614,572
Benefits paid	(1,386,488)	(1,427,629)
Interest income on plan assets	1,670,425	1,717,374
Re-measurement:		
Gains from changes in financial assumptions	41,955	22,326
Gains from changes in experience	1,705,625	123,680
Net gains recognised in other comprehensive income	1,747,580	146,006
Balance, end of year	28,487,084	23,383,610

The amounts recognised in the income statements as follows:

	The Group	
	2019	2018
	\$'000	\$'000
Current service cost	567,011	521,649
Interest cost on plan obligation	1,640,319	1,643,504
Interest income on plan assets	(1,670,425)	(1,717,374)
Total, included in staff cost (Note 46)	536,905	447,779

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019

(expressed in Jamaican dollars unless otherwise indicated)

21. Retirement Benefits (Continued)

(a) Pension schemes (continued)

The amounts recognised in other comprehensive income is as follows:

	The Group	
	2019	2018
	\$'000	\$'000
Change in financial assumptions	(987,179)	1,190,381
Experience adjustments	314,422	(662,745)
Deferred tax	217,222	(146,766)
	(455,535)	380,870

The principal actuarial assumptions used were as follows:

	The Group	
	2019	2018
Discount rate - J\$ benefits	7.50%	7.00%
Discount rate - US\$ Indexed benefits	5.00%	6.00%
Inflation	4.00%	3.00%
Expected return on plan assets	7.00%	7.00%
Future salary increases	9.00%	7.00%
Future pension increases	0.50%	0.50%
Minimum Funding Rate (MFR) as a % of payroll	0.25%	0.25%
Average expected remaining working lives (years)	13	13

The weighted average duration of the defined benefit obligation ranges from 31 years (2018 – 31 years) to 41 years (2018 – 41 years).

Assumptions regarding future mortality are set based on actuarial advice in accordance with published statistics and experience in each territory. These assumptions translate into an average life expectancy in years for a pensioner retiring at age 65.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019

(expressed in Jamaican dollars unless otherwise indicated)

21. Retirement Benefits (Continued)

(a) Pension schemes (continued)

Pension plan assets are comprised as follows:

	The Group			
	2019		2018	
	\$'000	%	\$'000	%
Equities	10,734,170	38	8,130,931	35
GOJ Bonds	312,223	1	-	-
Corporate Bonds	268,130	1	-	-
Repurchase Agreements	68,285	-	-	-
Real Estate	54,575	-	-	-
Leases	20,063	-	-	-
Mortgages and real estate fund	4,399,515	15	4,555,372	19
Money market fund	247,116	1	303,593	1
Fixed income fund	2,841,842	10	2,082,558	9
Foreign currency fund	3,351,671	12	2,933,998	13
Global market fund	802,278	3	738,632	3
Diversified investment fund	2,245	-	(19,143)	-
Inflation-linked (CPI) fund	551,071	2	517,467	2
	23,650,939	83	19,262,550	82
Value of purchased annuities	4,836,145	17	4,121,059	18
	28,487,084	100	23,383,610	100

The sensitivity of the defined benefit pension obligation to changes in the principal assumptions is as follows:

	The Group		
	Increase/(decrease) in defined benefit obligation		
	Change in Assumption	Increase in Assumption	Decrease in Assumption
		2019	2019
		\$'000	\$'000
Discount rate	1%	(1,456,162)	1,930,047
Future salary increases	1%	681,691	(591,051)
Future pension increases	1%	2,516,598	(2,070,737)
Life expectancy	1 year	131,659	(137,142)

	The Group		
	Increase/(decrease) in defined benefit obligation		
	Change in Assumption	Increase in Assumption	Decrease in Assumption
		2018	2018
		\$'000	\$'000
Discount rate	1%	(1,134,582)	1,482,610
Future salary increases	1%	502,388	(458,953)
Future pension increases	1%	2,157,860	(1,872,161)
Life expectancy	1 year	94,961	(122,552)

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the pension liability recognised within the statement of financial position.

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21. Retirement Benefits (Continued)

(b) Other retirement benefits

In addition to pension benefits, the Group offers retirees medical and life insurance benefits that contribute to the health care and life insurance coverage of employees and beneficiaries during retirement. The method of accounting and frequency of valuations are similar to those used for defined benefit pension schemes.

The amounts recognised in the statement of financial position are determined as follows:

	The Group	
	2019	2018
	\$'000	\$'000
Present value of unfunded obligations	3,283,879	2,968,918
Fair value of plan assets	(207,109)	(193,560)
Liability in the statement of financial position	3,076,770	2,775,358

Movement in the amounts recognised in the statement of financial position:

	The Group	
	2019	2018
	\$'000	\$'000
Liability at beginning of year	2,968,918	3,658,697
Liability assumed on acquisition of subsidiary	296,735	-
Current service cost	88,656	181,854
Interest cost	209,148	288,941
Net expense recognised in income	297,804	470,795
Re-measurement:		
(Gains)/losses from changes in financial assumptions	(139,807)	786,061
Gains from changes in experience	(31,724)	(1,850,940)
Net gains recognised in other comprehensive income	(171,531)	(1,064,879)
Benefits paid	(108,047)	(95,695)
Net Liability, end of year	3,283,879	2,968,918

The principal actuarial assumption used was as follows:

	The Group	
	2019	2018
	5%	5%
Rate of medical inflation		

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(expressed in Jamaican dollars unless otherwise indicated)

21. Retirement Benefits (Continued)

(b) Other retirement benefits (continued)

The amounts recognised in the income statements are as follows:

	The Group	
	2019 \$'000	2018 \$'000
Current service cost	88,656	181,854
Interest cost	209,148	288,941
Interest income on plan assets	(13,549)	(14,338)
Total, included in staff cost (Note 46(a))	<u>284,255</u>	<u>456,457</u>

The amounts recognised in other comprehensive income is as follows:

	The Group	
	2019 \$'000	2018 \$'000
Change in financial assumptions	(139,807)	786,061
Experience adjustments	<u>(31,724)</u>	<u>(1,850,940)</u>
	(171,531)	(1,064,879)
Deferred tax	<u>55,438</u>	<u>325,939</u>
	<u>(116,093)</u>	<u>(738,940)</u>

Movement in the fair value of plan assets recognised in the statement of financial position:

	The Group	
	2019 \$'000	2018 \$'000
Balance	193,560	179,222
Interest income on plan assets	<u>13,549</u>	<u>14,338</u>
Balance, end of year	<u>207,109</u>	<u>193,560</u>

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019

(expressed in Jamaican dollars unless otherwise indicated)

21. Retirement Benefits (Continued)

(b) Other retirement benefits (continued)

The sensitivity of the other retirement benefits obligation to changes in the principal assumptions is as follows:

	The Group		
	Increase/(decrease) in other retirement benefits obligation		
	Change in Assumption	Increase in Assumption	Decrease in Assumption
		2019 \$'000	2019 \$'000
Discount rate	1%	(422,620)	534,977
Medical cost inflation	1%	372,161	(466,315)
Future salary increases	1%	34,440	(30,371)
Life expectancy	1 year	88,845	(89,855)

	The Group		
	Increase/(decrease) in other retirement benefits obligation		
	Change in Assumption	Increase in Assumption	Decrease in Assumption
		2018 \$'000	2018 \$'000
Discount rate	1%	(412,813)	528,300
Medical cost inflation	1%	468,810	(371,498)
Future salary increases	1%	27,328	(23,276)
Life expectancy	1 year	87,901	(87,908)

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the pension liability recognised within the statement of financial position.

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21. Retirement Benefits (Continued)

(c) Plan risks

Through its defined benefit pension plans and post-employment medical plans, the Group is exposed to a number of risks. The Group does not use derivatives to manage its plan risks. Investments are well diversified, such that the failure of any single investment would not have a material impact on the overall level of assets. Pensions are secured through the purchase of annuities. The remaining assets are invested in segregated pooled funds. The Group has not changed the processes used to manage its risks from previous periods.

The most significant of these plan risks are detailed below:

(i) Investment risk

The plan liabilities are calculated using a discount rate set with reference to Government of Jamaica bond yields. If plan assets underperform this yield, this will create a deficit.

The Group ensures that the investment positions are managed within an asset-liability matching (ALM) framework that has been developed to achieve long-term investments that are in line with the obligations under the pension scheme. Within this framework, the Group's ALM objective is to match assets to the pension obligations by investing in long-term assets with maturities that match the benefit payments as they fall due. The Group actively monitors how the duration and the expected yield of the investments are matching the expected cash outflows arising from the pension obligations.

(ii) Changes in bond yields

A decrease in Government of Jamaica bond yields will increase plan liability, although this will be partially offset by an increase in the return on plan's assets which are linked to debt investments.

(iii) Salary risk

The present value of the plan liabilities is calculated in reference to the future salaries of members. Therefore, an increase in the salary of members will increase the plan's liability.

(iv) Life expectancy

The majority of the plan's obligations are to provide benefits for the life of the member, so increases in life expectancy will result in an increase in the plan's liabilities.

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22. Deferred Income Taxes

Deferred income taxes are calculated in full on all temporary differences under the liability method using a principal rate of:

- 25% for the company (Sagicor Group Jamaica Limited);
- 25% for Sagicor Life Jamaica Limited and Sagicor Property Services Limited;
- 33½% for Sagicor Investments Jamaica Limited, Sagicor Bank Jamaica Limited, Employee Benefits Administrator Limited, Sagicor Insurance Brokers Limited, Sagicor Insurance Administrators Limited Sagicor Securities Jamaica Limited and Advantage General Insurance Company Limited; and
- 1% for the subsidiaries incorporated in St. Lucia.

The subsidiaries incorporated in Grand Cayman operate under a zero tax regime.

Deferred tax assets and liabilities, net recognized on the statement of financial position are as follows:

	The Group		The Company	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
Deferred income tax assets, net	<u>(848,631)</u>	<u>(3,405,053)</u>	<u>(149,667)</u>	<u>(88,670)</u>
Deferred income tax assets, liability	<u>1,605,692</u>	<u>412,486</u>	<u>-</u>	<u>-</u>

The movement on the deferred income tax account is as follows:

	The Group		The Company	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
Balance as at 1 January	(3,405,053)	(2,351,201)	(88,670)	(14,155)
Assumed on acquisition of Bailey Williams Limited	(96)	-	-	-
Charged/(credited) to the income statement (Note 49(a))	895,345	183,507	(61,681)	(74,011)
Tax charged/(credited) to components in other comprehensive income (Note 49(c))	1,661,173	(1,212,789)	684	(474)
Tax charged/(credited) directly to equity – IFRS 9	-	(24,570)	-	(30)
	<u>(848,631)</u>	<u>(3,405,053)</u>	<u>(149,667)</u>	<u>(88,670)</u>

The amounts shown in the statement of financial position for Net Deferred Tax Assets included the following:

	The Group		The Company	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
Deferred tax assets to be recovered after more than 12 months	<u>(1,322,525)</u>	<u>(3,668,070)</u>	<u>(184,230)</u>	<u>(121,118)</u>
Deferred tax liabilities to be settled after more than 12 months	<u>400,366</u>	<u>399,331</u>	<u>34,011</u>	<u>29,762</u>

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22. Deferred Income Taxes (Continued)

Deferred income tax assets and liabilities are attributable to the following items:

	The Group		The Company	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
Deferred income tax assets -				
Property, plant and equipment	(278,493)	(223,493)	(184,221)	(121,107)
Investment securities - FVTOCI	-	(1,557,147)	-	-
Tax losses unused	(74,214)	(893,509)	-	-
Unrealised foreign exchange losses	(242,156)	(436,737)	-	-
Impairment losses on loans & investment securities (IFRS 9)	(19,111)	(30,769)	(9)	(11)
Pensions and other post-retirement benefits	(706,708)	(791,657)	-	-
Other	(107,250)	(105,559)	-	-
	<u>(1,427,932)</u>	<u>(4,038,871)</u>	<u>(184,230)</u>	<u>(121,118)</u>
Deferred income tax liabilities -				
Property, plant and equipment	121,257	115,027	-	-
Trading Investment Securities	-	223,967	-	-
Investment securities at FVTOCI	220,278	1,241	1,925	1,241
Unrealised foreign exchange gains	32,106	28,520	32,086	28,520
Impairment losses on loans	64,042	106,691	-	-
Interest receivable	141,618	158,372	552	2,687
	<u>579,301</u>	<u>633,818</u>	<u>34,563</u>	<u>32,448</u>
Net deferred tax asset	<u>(848,631)</u>	<u>(3,405,053)</u>	<u>(149,667)</u>	<u>(88,670)</u>

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22. Deferred Income Taxes (Continued)

The movement in net deferred tax assets is as follows:

	The Group							
	Property, plant and equipment \$'000	Fair value gains \$'000	Unused tax losses \$'000	Unrealised foreign exchange gains \$'000	Loan & Investment Securities loss provision \$'000	Post-employment benefits \$'000	Other \$'000	Total \$'000
At 1 January 2018	144,207	74,074	(1,523,726)	(311,201)	116,729	(850,493)	(791)	(2,351,201)
(Credited)/charged to income statement	(267,798)	245,401	630,217	(97,016)	(260,566)	(120,335)	53,604	183,507
(Credited)/charged to other comprehensive income	15,125	(1,651,414)	-	-	244,329	179,171	-	(1,212,789)
Credited directly to equity	-	-	-	-	(24,570)	-	-	(24,570)
At 31 December 2018	(108,466)	(1,331,939)	(893,509)	(408,217)	75,922	(791,657)	52,813	(3,405,053)
Assumed on acquisition	-	-	-	-	-	-	(96)	(96)
(Credited)/charged to income statement	(45,342)	45	819,295	198,167	(28,100)	(30,371)	(18,349)	895,345
(Credited)/charged to other comprehensive income	(3,428)	1,552,172	-	-	(2,891)	115,320	-	1,661,173
At 31 December 2019	<u>(157,236)</u>	<u>220,278</u>	<u>(74,214)</u>	<u>(210,050)</u>	<u>44,931</u>	<u>(706,708)</u>	<u>34,368</u>	<u>(848,631)</u>

The movement on the deferred income tax liability account is as follows:

	The Group	
	2019 \$'000	2018 \$'000
Balance as at 1 January	412,486	-
On acquisition of Sagicor Real Estate X-Fund and Advantage General Insurance Company Limited (Notes 64 and 65)	55,262	418,121
Charged to the income statement (Note 49(a))	560,481	32,070
Tax charged to components in other comprehensive income (Note 49(d))	539,607	-
Tax charged to components in other comprehensive income (Note 49(d))	-	2
Foreign exchange impact	37,856	(37,707)
	<u>1,605,692</u>	<u>412,486</u>

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22. Deferred Income Taxes (Continued)

The amounts shown in the statement of financial position for Net Deferred Tax Liability included the following:

	The Group	
	2019 \$'000	2018 \$'000
Deferred tax assets to be recovered after more than 12 months	(12,689)	(228,587)
Deferred tax liabilities to be settled after more than 12 months	827,633	1,397,451

Deferred income tax assets and liabilities are attributable to the following items:

	The Group	
	2019 \$'000	2018 \$'000
Deferred income tax assets -		
Tax losses unused	-	(22,143)
Unrealised foreign exchange losses	-	(3,157)
Interest payable	(1,773)	(1,788)
Other	(12,404)	(989)
	<u>(14,177)</u>	<u>(28,077)</u>
Deferred income tax liabilities -		
Property, plant and equipment	452,698	403,151
Pensions and other post-retirement benefits	27,869	-
Trading securities	413,739	16,137
Investment securities at FVTOCI	522,401	-
Interest receivable	32,002	407
Unrealised foreign exchange losses	160,798	-
Tax losses unused	5,901	19,460
Other	4,461	1,408
	<u>1,619,869</u>	<u>440,563</u>
Net deferred tax liability	<u>1,605,692</u>	<u>412,486</u>

The movement in net deferred tax liabilities is as follows:

	The Group-2019								
	Property, plant and equipment \$'000	Fair value gains \$'000	Unused tax losses \$'000	Unrealised foreign exchange gains \$'000	Interest Receivable \$'000	Interest Payable \$'000	Pension and other post-retirement benefits \$'000	Other \$'000	Total \$'000
At 31 December 2018	381,008	16,137	19,460	(3,157)	407	(1,788)	-	419	412,486
On acquisition of Advantage General Insurance Company	17,797	100,862	-	-	25,847	-	(93,706)	4,462	55,262
(Credited)/charged to income statement (Note 49 (a))	9,186	174,106	133,163	9,058	5,748	15	(35,765)	264,970	560,481
Credited to other comprehensive income (Note 49 (d))	15,026	645,035	-	-	-	-	157,340	(277,794)	539,607
Foreign Exchange	29,681	-	8,175	-	-	-	-	-	37,856
At 31 December 2019	<u>452,698</u>	<u>936,140</u>	<u>160,798</u>	<u>5,901</u>	<u>32,002</u>	<u>(1,773)</u>	<u>27,869</u>	<u>(7,943)</u>	<u>1,605,692</u>

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22. Deferred Income Taxes (Continued)

The movement in net deferred tax liabilities is as follows:

	The Group-2018							
	Property, plant and equipment \$'000	Fair value gains \$'000	Unused tax losses \$'000	Unrealised foreign exchange gains \$'000	Interest Receivable \$'000	Interest Payable \$'000	Other \$'000	Total \$'000
At 31 December 2017								
On acquisition of Sagicor Real Estate X-Fund	418,121	-	-	-	-	-	-	418,121
(Credited)/charged to income statement	13,603	16,137	6,857	(3,157)	407	(1,788)	11	32,070
Credited to other comprehensive income	-	-	-	-	-	-	2	2
Foreign Exchange	(50,716)	-	12,603	-	-	-	406	(37,707)
At 31 December 2018	<u>381,008</u>	<u>16,137</u>	<u>19,460</u>	<u>(3,157)</u>	<u>407</u>	<u>(1,788)</u>	<u>419</u>	<u>412,486</u>

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23. Taxation Recoverable

Taxes are withheld at 25% from interest payments on Government of Jamaica securities and other local bonds. The Group makes monthly filings to Tax Administration of Jamaica (TAJ) for recovery. Amounts approved by TAJ are refunded as cash or off-set against liabilities. The amounts are expected to be recovered within one year of the financial statements date.

24. Other Assets

	The Group		The Company	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
Due from sales representatives	1,331,682	972,983	-	-
Real estate developed for resale (i) -				
Opening balance	987,343	823,739	-	-
Cost of sales	(112,194)	-	-	-
Amounts acquired (Note 64(c))	697,617	-	-	-
Additions during the year	609,460	163,604	-	-
	2,182,226	987,343	-	-
Premiums due and unpaid	4,560,810	3,440,643	-	-
Guests Receivables	188,308	181,204	-	-
Due from related parties (Note 25)	1,177,680	1,233,256	112,908	1,504
Service contract assets:				
Due from Government Employees & Other - Administrative Scheme Only Fund and Government Pensioners Administrative Scheme Only Fund	187,015	158,586	-	-
Prepayments	2,696,839	1,537,287	670,590	571,774
Customer settlements accounts/unsettled trades	832,234	708,435	-	-
Legal claim (Note 59)	142,171	112,643	-	-
Deferred commission expense (ii)	116,375	-	-	-
Other receivables	2,180,732	1,618,109	81,878	45,227
	15,596,072	10,950,489	865,376	618,505
Provision against doubtful receivables and impairment charge	(260,177)	(250,675)	-	-
	<u>15,335,895</u>	<u>10,699,814</u>	<u>865,376</u>	<u>618,505</u>

(i) Real estate developed for sale relates to the construction of residential and commercial complexes.

(ii) Deferred commission expense

The analysis of the deferred commission expense is as follows:

	2019 \$'000
Arising on acquisition of subsidiary (Note 64)	130,599
Commissions paid during year	180,389
Recognised in the income statement during the year	(194,613)
Balance at end of year	<u>116,375</u>

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25. Related Party Balances and Transactions

Parties are considered to be related if one party has the ability to control or exercise significant influence over the other party, in making financial or operational decisions.

Related companies include the ultimate parent company, the parent company, fellow subsidiaries and the Group's joint venture and associated company. Related parties also include directors, key management and companies for which the Group and its parent company provide management services (the Pooled Investment Funds, the Sagicor Sigma Funds and the Sagicor Select Funds). Pan-Jamaican Investment Trust Limited is a related party by virtue of being a shareholder with significant influence over the parent company.

(a) The statement of financial position includes the following balances with related parties and companies:

	The Group		The Company	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
Due from related companies -				
Ultimate parent company	698,273	565,479	-	-
Subsidiaries	-	-	112,908	1,504
Parent company	-	45,836	-	-
Other related companies	393,569	67,767	-	-
Other managed funds	85,838	554,174	-	-
	<u>1,177,680</u>	<u>1,233,256</u>	<u>112,908</u>	<u>1,504</u>
Due to related companies -				
Parent company	684,020	597,238	-	-
Subsidiaries - promissory notes	-	-	12,627,383	13,260,219
Subsidiaries - other liabilities	-	-	4,116,456	3,513,741
Other related companies	861,481	16,535	-	-
Pooled	7,187	27,154	-	-
Other managed funds	3,331,480	440,643	-	-
	<u>4,884,168</u>	<u>1,081,570</u>	<u>16,743,839</u>	<u>16,773,960</u>

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25. Related Party Balances and Transactions (Continued)

(b) The balances below resulted from transactions with related parties and companies as follows:

	The Group		The Company	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
Parent company - Shared services fees	325,298	285,133	-	-
Directors, key management and other related parties-				
Securities sold under agreements to repurchase	(4,037,892)	(9,155,649)	-	-
Customer deposits	(4,011,625)	(3,874,851)	-	-
Structured products	-	(73,508)	-	-
Loans	956,338	833,009	-	-
Sagikor Select Funds units	1,319,746	-	-	-
Sigma units	28,836,010	23,006,257	-	-

(c) The income statement includes the following transactions with related parties and companies. Income earned from the PIF, attributed to the Group's pension schemes, as well as income earned from the Sagikor Sigma Global Unit Trust and the Sagikor Select Funds are disclosed in Note 15.

	The Group		The Company	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
Sagikor Pooled Investment Funds -				
Lease rental expense	379,295	378,433	-	-
Management fee income	1,398,519	1,157,207	-	-
Administration fee income	681,188	571,068	-	-
Directors and key management personnel -				
Interest expense	4,987	7,237	-	-
Interest income	26,044	11,094	-	-
Other related parties -				
Management fees - subsidiaries	-	-	356,971	351,904
Interest recharged expense - subsidiaries	-	-	52,200	52,200
Interest expense - subsidiaries	-	-	(367,153)	(495,620)
Dividend income - subsidiaries	-	-	6,624,115	6,186,762
Interest and other income earned	2,604,431	1,933,469	-	-
Key management compensation -				
Salaries and other short term benefits	519,274	450,222	-	-
Share based payments	103,621	163,040	-	-
Contributions to pensions and insurance schemes	27,946	27,155	-	-
	650,841	640,417	-	-

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25. Related Party Balances and Transactions (Continued)

(c) The income statement includes the following transactions with related parties and companies (continued):

	The Group		The Company	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
Directors' emoluments -				
Fees	134,658	119,147	36,364	34,550
Other expenses	13,095	8,534	3,984	3,265
Management remuneration (included in key management compensation)	176,549	120,539	-	-
	324,302	248,220	40,348	37,815
Other related parties-				
Fee income	2,823	1,629	-	-
Rent and net lease	156,189	44,721	-	-
Interest expense paid	(346,889)	(510,195)	-	-
Interest income earned	59,964	42,094	-	-

26. Share Capital

	The Group and The Company	
	2019 \$'000	2018 \$'000
Authorised:		
13,598,340,000 (2018 – 13,598,340,000) Ordinary shares		
Issued and fully paid:		
3,905,634,916 ordinary stock units at no par	9,161,065	9,161,065
Treasury shares (Note 28)	(312,791)	(297,763)
	8,848,274	8,863,302

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27. Equity Reserves

	Attributable to owners of the parent													
	Investment and Fair Value Reserves						Other Reserves							
	Stock Options Reserve	Actuarial Liabilities	Retirement Benefit Obligations	Interest Rate Swap	Owner Occupied Properties	Fair value Reserves (FVTOCI)	Currency Translation Reserve	Capital Redemption Reserve	Special Investment Reserve	Loan Loss Reserve	Retained Earnings reserve	Equity Owners' Total	Non-Controlling Interests	Group 2019
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Balance at 31 December 2018	24,084	1,009,053	-	-	1,143,937	(6,218,258)	4,333,173	1,706,872	434,488	(878,881)	2,732,305	4,286,773	(925,467)	3,361,306
Net gains recycled to revenue on disposal and maturity of FVTOCI securities	-	-	-	-	-	(897,904)	-	-	-	-	-	(897,904)	-	(897,904)
Net unrealized gains on FVTOCI securities	-	-	-	-	-	11,043,949	-	-	-	-	-	11,043,949	(57,570)	10,986,379
Net unrealized losses on revaluation of owner occupied properties	-	-	-	-	327,038	-	-	-	-	-	-	327,038	(499,896)	(172,858)
Retirement Benefit Obligation	-	-	(2,972)	-	-	-	-	-	-	-	-	(2,972)	(13,704)	(16,676)
Net gains on Interest Rate Swap	-	-	-	(73,085)	-	-	-	-	-	-	-	(73,085)	(336,973)	(410,058)
Deferred tax on unrealized capital gains and impairment	-	-	-	-	(976)	(1,916,522)	-	-	-	-	-	(1,917,498)	(10,622)	(1,928,120)
Provision for expected credit losses -IFRS 9 on FVTOCI securities	-	-	-	-	-	461,579	-	-	-	-	-	461,579	-	461,579
Expected credit losses recycled to the Income Statement on sale and maturity of FVTOCI securities	-	-	-	-	-	(1,523,248)	-	-	-	-	-	(1,523,248)	-	(1,523,248)
Shadow accounting	-	(1,495,784)	-	-	-	-	-	-	-	-	-	(1,495,784)	-	(1,495,784)
Currency translation	-	-	-	-	-	-	681,871	-	-	-	-	681,871	1,066,378	1,748,249
Total comprehensive income for the year	-	(1,495,784)	(2,972)	(73,085)	326,062	7,167,854	681,871	-	-	-	-	6,603,946	147,613	6,751,559

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27. Equity Reserves (Continued)

-----Attributable to owners of the parent-----

<-----Investment and Fair Value Reserves----->

<-----Other Reserves----->

	Stock Options Reserve	Actuarial Liabilities	Retirement Benefit Obligations	Interest Rate Swap	Owner Occupied Properties	Fair value Reserves (FVTOCI)	Currency Translation Reserve	Capital Redemption Reserve	Special Investment Reserve	Loan Loss Reserve	Retained Earnings Reserve	Equity Owners' Total	Non- Controlling Interests	Group 2019
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Total comprehensive income for the year	-	(1,495,784)	(2,972)	(73,085)	326,062	7,167,854	681,871	-	-	-	-	6,603,946	147,613	6,751,559
Transactions with owners -														
Employee share option scheme														
- value of services provided	30,986	-	-	-	-	-	-	-	-	-	-	30,986	-	30,986
- employee stock grants and options exercised / expired	(24,876)	-	-	-	-	-	-	-	-	-	-	(24,876)	-	(24,876)
Total transactions with owners	6,110	-	-	-	-	-	-	-	-	-	-	6,110	-	6,110
Transfers between reserves -														
To special investment reserve	-	-	-	-	-	-	-	-	28,925	-	-	28,925	-	28,925
To retained earnings	-	-	-	-	-	(15,515)	-	-	-	-	-	(15,515)	-	(15,515)
Transfer to capital redemption reserves	-	-	-	-	-	-	-	1,414,700	-	-	-	1,414,700	-	1,414,700
Transfer to loan loss reserve	-	-	-	-	-	-	-	-	-	28,097	-	28,097	-	28,097
Transfer to retained earnings reserves	-	-	-	-	-	-	-	-	-	-	1,217,362	1,217,362	-	1,217,362
Total transfers between reserves	-	-	-	-	-	(15,515)	-	1,414,700	28,925	28,097	1,217,362	2,673,569	-	2,673,569
Balance at 31 December 2019	30,194	(486,731)	(2,972)	(73,085)	1,469,999	934,081	5,015,044	3,121,572	463,413	(850,784)	3,949,667	13,570,398	(777,854)	12,792,544

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27. Equity Reserves (Continued)

	Attributable to owners of the parent												
	<-----Investment and Fair Value Reserves----->					<-----Other Reserves----->				Retained Earnings Reserve	Equity Owners' Total	Non-Controlling interests	Group 2018
Stock Options Reserve	Available-for-sale Fair Assets	Actuarial Liabilities	Owner Occupied Properties	Fair value Reserves (FVTOCI)	Currency Translation Reserve	Capital Redemption Reserve	Special Investment Reserve	Loan Loss Reserve	\$'000				
Balance at 31 December 2017	30,967	(1,137,035)	(46,975)	1,587,666	-	4,589,022	1,086,018	413,488	(596,199)	1,595,131	7,522,083	-	7,522,083
Changes on initial application of IFRS 9	-	1,137,035	-	-	(1,084,059)	-	-	-	(348,422)	-	(295,446)	-	(295,446)
Balance at 1 January 2018	30,967	-	(46,975)	1,587,666	(1,084,059)	4,589,022	1,086,018	413,488	(944,621)	1,595,131	7,226,637	-	7,226,637
Net gains recycled to revenue on disposal and maturity of FVTOCI securities	-	-	-	-	(710,315)	-	-	-	-	-	(710,315)	-	(710,315)
Net unrealized gains on FVTOCI securities	-	-	-	-	(6,310,630)	-	-	-	-	-	(6,310,630)	-	(6,310,630)
Net unrealized gains on revaluation of owner occupied properties	-	-	-	395,021	-	-	-	-	-	-	395,021	646,293	1,041,314
Net gains recycled on change of accounting from associate to subsidiary	-	-	-	(202,407)	-	(393,778)	-	-	-	-	(596,185)	-	(596,185)
Deferred tax on unrealized capital gains and impairment	-	-	-	89,278	1,407,086	-	-	-	-	-	1,496,364	-	1,496,364
Provision for expected credit losses -IFRS 9 on FVTOCI securities	-	-	-	-	(416,567)	-	-	-	-	-	(416,567)	-	(416,567)
Expected credit losses recycled to the Income Statement on sale and maturity of FVTOCI securities	-	-	-	-	1,096,827	-	-	-	-	-	1,096,827	-	1,096,827
Shadow accounting	-	-	1,056,028	-	-	-	-	-	-	-	1,056,028	-	1,056,028
Currency translation	-	-	-	-	-	137,929	-	-	-	-	137,929	(1,571,760)	(1,433,831)
Total comprehensive income for the year	-	-	1,056,028	281,892	(4,933,599)	(255,849)	-	-	-	-	(3,851,528)	(925,467)	(4,776,995)

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27. Equity Reserves (Continued)

	Attributable to owners of the parent												Group 2018
	Investment and Fair Value Reserves					Other Reserves							
	Stock Options Reserve	Available-For-sale Assets	Actuarial Liabilities	Owner Occupied Properties	Fair Value Reserves (FVTOCI)	Currency Translation Reserve	Capital Redemption Reserve	Special Investment Reserve	Loan Loss Reserve	Retained Earnings Reserve	Equity Owners' Total	Non-Controlling Interests	
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Total comprehensive income for the year	-	-	1,056,028	281,892	(4,933,599)	(255,849)	-	-	-	-	(3,851,528)	(925,467)	(4,776,995)
Transactions with owners -													
Employee share option scheme													
- value of services provided	21,097	-	-	-	-	-	-	-	-	-	21,097	-	21,097
- employee stock grants and options exercised / expired	(27,980)	-	-	-	-	-	-	-	-	-	(27,980)	-	(27,980)
Total transactions with owners	(6,883)	-	-	-	-	-	-	-	-	-	(6,883)	-	(6,883)
Transfers between reserves -													
To special investment reserve	-	-	-	-	-	-	21,000	-	-	-	21,000	-	21,000
To retained earnings	-	-	-	(725,621)	(200,600)	-	-	-	-	-	(926,221)	-	(926,221)
Transfer to capital redemption reserves	-	-	-	-	-	-	620,854	-	-	-	620,854	-	620,854
Transfer to loan loss reserve	-	-	-	-	-	-	-	-	65,740	-	65,470	-	65,740
Transfer to retained earnings reserves	-	-	-	-	-	-	-	-	-	1,137,174	1,137,174	-	1,137,174
Total transfers between reserves	-	-	-	(725,621)	(200,600)	-	620,854	21,000	65,740	1,137,174	918,547	-	918,547
Balance at 31 December 2018	24,084	-	1,009,053	1,143,937	(6,218,258)	4,333,173	1,706,872	434,488	(878,881)	2,732,305	4,286,773	(925,467)	3,361,306

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27. Equity Reserves (Continued)

	The Company 2019			
	Capital Reserves \$'000	Stock Option Reserve \$'000	Fair Value Reserves \$'000	Total \$'000
Balance at 31 December 2018	28,247,038	24,080	3,736	28,274,853
Net gains on FVTOCI securities	-	-	2,054	2,054
Provision for expected credit losses - IFRS 9 on FVTOCI securities	-	-	(7)	(7)
Total Comprehensive Income for the year	-	-	2,047	2,047
Transfers with owners-				
Employee share option scheme				
- Value of services provided	-	30,989	-	30,989
- Employee stock grants and options exercised/expired	-	(24,876)	-	(24,876)
Total transactions with owners	-	6,113	-	6,113
Balance at 31 December 2019	28,247,038	30,193	5,783	28,283,013
	The Company 2018			
	Capital Reserves \$'000	Stock Option Reserve \$'000	Fair Value Reserves \$'000	Total \$'000
Balance at 1 January 2018	28,247,038	30,963	(135,717)	28,142,283
IFRS 9- Transition adjustment	-	-	5,159	5,159
Restated opening balance at 1 January 2018	28,247,038	30,963	(130,558)	28,147,442
Net unrealised (loss)/gains on on FVTOCI securities	-	-	(4,718)	(4,718)
Net gains recycled to revenue on disposal and maturity of on FVTOCI securities	-	-	144,158	144,158
Provision for expected credit losses - IFRS 9 on FVTOCI securities	-	-	(5,146)	(5,146)
Total Comprehensive Income for the year	-	-	134,294	134,294
Transfers with owners-				
Employee share option scheme				
- Value of services provided	-	21,097	-	21,097
- Employee stock grants and options exercised/expired	-	(27,980)	-	(27,980)
Total transactions with owners	-	(6,883)	-	(6,883)
Balance at 31 December 2018	28,247,038	24,080	3,736	28,274,853

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28. Stock Options and Grants

Long-term Incentive plan

The Group offers stock grants and stock options to senior executives as part of its long-term incentive plan. The Group has set aside 150,000,000 of its authorised but un-issued shares at no par value for the stock grants and stock options.

In January 2007, the Group introduced a new Long Term Incentive (LTI) plan which replaced the previous Stock Option plan. Under the LTI plan, executives are entitled but not obliged to purchase the Group stock at a pre-specified price at some future date. The options are granted each year on the date of the Board of Directors Human Resources Committee meeting following the performance year at which the stock option awards are approved. Stock options vest in 4 equal installments beginning the first December 31 following the grant date and for the next three December 31st dates thereafter (25% per year). Options are not exercisable after the expiration of 7 years from the date of grant. The number of stock options in each stock option award is calculated based on the LTI opportunity via stock options (percentage of applicable salary) divided by the Black-Scholes value of a stock option of Sagicor Group Jamaica Limited stock on 31 March of the measurement year. The exercise price of the options is the closing bid price on 31 March of the measurement year.

Details of the combined share options outstanding are as follows:

	Sagicor Group Jamaica Limited			
	2019		2018	
	Options (thousands)	Weighted Average exercise price in \$ per share	Options (thousands)	Weighted Average exercise price in \$ per share
At beginning of year	14,614	15.00	21,881	10.61
Measurement year – 2018 awarded 2019	3,375	36.45	-	-
Measurement year – 2017 awarded 2018	-	-	2,713	34.10
Expired	(1,215)	25.52	(1,659)	15.75
Exercised	(7,174)	12.00	(8,321)	9.55
At end of year	9,600	23.44	14,614	15.00
Exercisable at the end of the period	5,742	18.98	9,672	12.59

Stock options outstanding at the end of the year have the following expiry dates and exercise prices:

Expiry Date	2019		2018	
	Exercise Price	No. of Outstanding Options 000's	Exercise Price	No. of Outstanding Options 000's
March 2019	-	-	14.10	226
March 2019	-	-	7.52	186
March 2020	10.75	374	10.75	619
March 2021	7.11	275	7.11	1,475
March 2022	9.50	426	9.50	2,519
March 2023	10.49	2,253	10.49	4,820
March 2024	23.65	1,352	23.65	2,323
March 2025	34.10	1,910	34.10	2,446
March 2026	36.45	3,009	-	-
	23.44	9,599	16.05	14,614

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28. Stock Options and Grants (Continued)

For options outstanding at the end of the year, exercise prices range from \$7.11 to \$36.45 (2018 - \$7.11 to \$34.10). The remaining contractual terms range from 3 months to 7 years (2018 – 3 months to 7 years).

The weighted average share price for options exercised during the year was \$40.51 (2018 - \$35.10) and the Group's share of the cost of these options was \$4,740,000 (2018 - \$1,755,000).

The stock options reserve balance at the year-end represents the accumulated fair value of services provided by employees in consideration for shares, as measured by reference to the fair value of the shares. The fair value of the options granted during the year as determined using the Black-Scholes valuation model was \$34,155,000. The significant inputs into the model were:

	2019	2018
Share Price	\$39.99	\$36.45
Dividend Yield	3.33%	3.40%
Standard Deviation	27%	25%
Risk Free ratio	4.60%	6.49%
Expected Volatility period	7 Years	7 Years

The Sagicor Group Jamaica Limited recognised cumulative expenses of \$30,190,000 in the Stock Option Reserves (2018 – \$24,080,000) and share options expense of \$17,197,000 (2018 - \$20,410,000) in the income statement.

In 2019, the Sagicor Group Jamaica Board HR & Compensation Committee approved the amendment to the termination rules in the Sagicor Group Jamaica LTI Plan to conform with those in the SFC Plan. This amendment relates to the Accelerated Vesting under certain circumstances.

The Group also has in place a share purchase plan which enables its administrative and sales staff to purchase a pool of Sagicor Group Jamaica Limited shares at a predetermined discount rate of the closing bid price on December 31 each year. During 2019, the Staff Share Purchase Plan Trust purchased 4,200,000 shares. The Group recognizes an expense in respect of Staff Share Purchase Plan shares at the point at which the shares are transferred to staff, when the Subsidiary Companies recognize their share of the cost of those shares in the income statement.

The Sagicor Group Jamaica Limited has not been issuing new shares to fulfill its obligations under these plans but instead the LTI and the Staff Share Purchase Plan Trust bought SGJ's shares on the open market. The total number of treasury shares held by the Group at year end was 4,902,851 (2018 – 8,132,273) at a cost of \$312,792,000 (2018 - \$297,763,000).

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29. Investment and Fair Value Reserve

This represents the unrealised surplus or deficit on the re-measurement of securities classified as FVTOCI and the revaluation of property, plant and equipment. An analysis of the investment and fair value reserves is as follows:

	The Group		The Company	
	2019 \$000	2018 \$000	2019 \$000	2018 \$000
Unrealised gains on owner-occupied properties of group entities	1,469,999	1,143,937	-	-
Unrealised gains on FVTOCI securities	934,081	(6,218,258)	5,782	3,737
Actuarial liabilities	(486,731)	1,009,053	-	-
	<u>1,917,349</u>	<u>(4,065,268)</u>	<u>5,782</u>	<u>3,737</u>

30. Currency Translation Reserve

This represents the unrealised foreign exchange gains and losses on the translation of subsidiaries, associate and joint venture with functional currencies other than the Jamaican dollar.

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31. Other Reserves

- (a) Special Investment Reserve - This represents a non-distributable reserve under the provisions of the Insurance Regulations, 2001.
- (b) Loan Loss Reserve - This is a non-distributable reserve representing the excess of the allowance for impairment losses determined using the Bank of Jamaica's regulatory requirements over the amount determined under IFRS.
- (c) Retained earnings reserve - Section 2 of the Banking Act of 1992 permits the transfer of any portion of the Bank's net profit to a retained earnings reserve. This reserve constitutes a part of the capital base for the purpose of determining the maximum level of deposit liabilities and lending to customers. Transfers to the retained earnings reserve are made at the discretion of the subsidiary's Board of Directors. Such transfers must be notified to the Bank of Jamaica.

Reserve fund (included as a part of retained earnings reserve) - This fund is maintained in accordance with the Banking Act 1992 which requires that a minimum of 15% of the net profit of the banking subsidiary as defined by the Act be transferred annually to the reserve fund until the amount of the fund is 50% of the paid-up share capital of the subsidiary, and thereafter 10% of the net profit until the amount of the fund is equal to the paid-up capital of the subsidiary.

- (d) The provision of section 62 (1) (d) of The Companies Act 2004, requires the transfer from retained earnings to the capital redemption reserve fund a sum equal to the amount of the redeemable preference shares redeemed otherwise than out of the proceed of a fresh issue.

32. Dividends Declared

	The Group and Company	
	2019 \$'000	2018 \$'000
First interim dividend – 79 cents per share (2018 – 66 cents per share)	3,085,452	2,577,719
Second interim dividend – 65 cents per share (2018 – 54 cents per share)	2,538,663	2,109,046
	<u>5,624,115</u>	<u>4,686,765</u>

The dividends paid for 2019 and 2018 represented a dividend per stock unit of \$1.44 and \$1.20 respectively. There were no dividends declared subsequent to the year -end.

33. Net Profit and Retained Earnings

	2019	2018
	\$'000	\$'000
(i) Net profit attributable to stockholders of Sagicor Group Jamaica Limited, dealt with in the financial statements of:		
The company	5,577,074	5,116,578
Less dividends from subsidiaries	(6,624,115)	(6,186,762)
The subsidiaries, associate and joint venture	16,697,345	15,302,166
	<u>15,650,304</u>	<u>14,231,982</u>
(ii) Retained earnings reflected in the financial statements of:		
The company	21,431,725	21,478,765
The subsidiaries	47,401,157	39,711,168
	<u>68,832,882</u>	<u>61,189,933</u>

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34. Deposit and Security Liabilities

	The Group		The Company	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
Securities sold under repurchase agreements	67,970,120	53,988,378	-	-
Shareholders loan – Bailey Williams Limited	46,800	-	-	-
Due to banks and other financial institutions (i)	6,221,569	11,347,332	12,311	-
Customer deposits and other accounts	105,036,943	89,945,425	-	-
Structured products (ii)	895,346	8,236,391	-	-
Promissory notes (iii)	-	-	12,627,383	13,260,219
Redeemable preference shares (iv)	-	1,415,974	-	-
	<u>180,170,778</u>	<u>164,933,500</u>	<u>12,639,694</u>	<u>13,260,219</u>

Current portion:	The Group		The Company	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
Deposit and Security Liabilities	<u>176,051,116</u>	<u>150,073,853</u>	<u>12,639,694</u>	<u>13,260,219</u>

	Interest Rate (%)	Maturity Year	The Group		The Company	
			2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
(I) Due to banks and other financial institutions:						
Development Bank of Jamaica Limited (a)	various	various	1,715,942	1,945,124		
National Housing Trust (NHT) (b)	various	various	1,697,949	1,317,659		
Citibank N.A. (c)	2.8	2020	655,986	1,268,754		
MF & G Trust & Finance Ltd (d)	13.0	2020	496			
Jefferies LLC (e)	2.29-2.3	On demand	1,050,257	317,690		
Morgan Stanley Smith Barney (f)	2.30-2.75	On demand	361,012	1,387,854		
Credit Suisse NY (g)	various	2019	-	5,109,188		
Bank overdraft:						
National Commercial Bank Jamaica Limited (h)	21.25	2020	727,616	1,063		
Sagicor Bank Jamaica Limited (h)	28	2020	12,311	-	12,311	-
			<u>6,221,569</u>	<u>11,347,332</u>	<u>12,311</u>	<u>-</u>

- (a) Development Bank of Jamaica Limited (DBJ)
The agreement allows DBJ, at its absolute discretion, to approve J\$ financing to Sagicor Bank Jamaica Limited (SBJ) for on-lending to customers for developmental projects which meet the criteria of DBJ and on such terms and conditions as DBJ may stipulate.

Funds disbursed to SBJ bears interest at DBJ's lending rate prevailing at the date of approval of each disbursement unless otherwise carried by DBJ and extended to the client at a maximum spread as stipulated by DBJ.

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34. Deposit and Security Liabilities (Continued)

(i) Due to banks and other financial institutions (continued)

(b) National Housing Trust (NHT)

This is a third-party financing agreement between Sagicor Life Jamaica Limited, Sagicor Bank Jamaica Limited and the National Housing Trust and attracts interest at rates ranging from 0.759% to 7%.

(c) Citibank N.A. Jamaica Branch

This represents unsecured short-term inter-bank borrowing with an interest rate of 2.8% and is repayable on January 29, 2020.

(d) MF&G Trust & Finance Limited.

This represents amounts under lease facilities. The facilities attract interest rate at 13%. These leases are repayable on February 29, 2020.

(e) Jefferies LLC

This represents amounts due to the broker for securities purchased by Sagicor Investments Jamaica Limited (SIJL) under margin loan facilities. The facilities with SIJL attract interest rates ranging from 2.29% to 2.30%. These loans are repayable on demand and secured by International Corporate bonds totalling US\$11,452,920 (2018: US\$2,940,480).

(f) Morgan Stanley Smith Barney

This represents amounts due to the broker for securities purchased by Sagicor Investments Jamaica Limited (SIJL) under margin loan facilities. The facilities are payable on demand and attract interest rates ranging from 2.30% to 2.75%. This facilities with SIJL are secured by International Corporate bonds totalling US\$3,678,000 (2018: US\$14,709,970).

(g) Credit Suisse

This represents loan facilities received from Credit Suisse NY in the amount of US\$40,000,000 by Sagicor Life Jamaica Limited. The loan attracted interest of 2.0% plus 6 months Libor-BBA and was repaid in full on May 2, 2019.

(h) Bank Overdrafts

The bank overdraft balances represent book overdraft at year end. The actual balances at bank were positive at year end.

The Group has not had any defaults of principal, interest or other breaches with respect to its liabilities during the year.

(ii) Structured products

	2019	2018
	\$'000	\$'000
Principal protected notes -		
With interest guaranteed	895,346	8,236,391
	<u>895,346</u>	<u>8,236,391</u>

Principal Protected Notes

Principal protected notes comprise a fixed income element with or without an interest guarantee (included above) and an equity indexed option element disclosed in Note 10. These notes entitle the holders to participate in any positive returns on the equity indexed options and they also include a principal protection feature. If the return on the index is negative, the holder will obtain the principal invested for notes with no interest guarantee and principal invested plus interest for notes with an interest guarantee. The maturity dates of these notes are May 2020 and June 2020.

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34. Deposit and Security Liabilities (Continued)

(iii) Promissory notes

	The Company	
	2019	2018
	\$'000	\$'000
Sagicor Life Jamaica Limited (i)	10,679,972	11,356,812
Sagicor Securities Jamaica Limited (ii)	661,750	655,192
Sagicor Investment Jamaica Limited (iii)	1,285,661	1,248,215
	<u>12,627,383</u>	<u>13,260,219</u>

The above represent promissory notes that have been issued by the Sagicor Group Jamaica Limited with respect to the corporate reorganization of the Group.

(i) These promissory notes are due by Sagicor Group Jamaica Limited to a subsidiary, Sagicor Life Jamaica Limited, as consideration for the value of Sagicor Investment Jamaica Limited, Sagicor Life of the Cayman Island, Sagicor Re Insurance Limited and other small subsidiaries whose ownership was transferred from the previous parent company, Sagicor Life Jamaica Limited to the holding company, Sagicor Group Jamaica Limited. The promissory notes are unsecured and attract interest at 3% per annum maturing in May 2020 and June 2020.

(ii) This promissory note is due by Sagicor Group Jamaica Limited to a subsidiary, Sagicor Securities Jamaica Limited, whose ownership was transferred from Sagicor Bank Jamaica Limited to Sagicor Group Jamaica Limited. The promissory note issued to Sagicor Securities Jamaica Limited is unsecured and attracts interest at 1% per annum maturing in June 2020.

(iii) This promissory note was issued by Sagicor Group Jamaica Limited to Sagicor Investment Jamaica Limited as consideration for the value of Sagicor Bank Jamaica Limited whose ownership was transferred from Sagicor Investment Jamaica Limited to Sagicor Group Jamaica Limited. The promissory note is unsecured with interest at 3% per annum and matures in May 2020.

(iv) Redeemable Preference Shares

In March 2017, one of the Group's subsidiaries issued redeemable preference shares in two tranches. Tranche A, which was issued for eighteen months, attracted interest at 7.75% and was settled on maturity during September 2018. Tranche B, which was issued for thirty-six months attracts interest at 8.25% for thirty-six months and was redeemed prior to maturity on June 2, 2019.

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35. Loans Payable

	The Group		The Company	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
(a) Mortgage Notes – X Fund Property LLC: 2025 at 4.9%	6,062,226	5,927,711	-	-
(b) Mortgage Notes – Sagicor X Fund Real Estate Limited:				
(i) Tranche B – 2019 at 3.75%	-	190,590	-	-
(ii) Tranche C – 2021 at 4.75%	279,866	261,751	-	-
	<u>279,866</u>	<u>452,341</u>	<u>-</u>	<u>-</u>
(c) Fixed Rate Mortgage Notes – X Fund Property Limited:				
(i) Tranche B – 2020 at 5%	563,965	540,777	-	-
(ii) Tranche B – 2048 at 9% (issued October 29, 2018)	476,889	475,813	-	-
(iii) Tranche D – 2020 at 8.75%	1,343,405	1,353,477	-	-
(iv) Tranche E – 2026 at 11%	1,067,483	1,053,586	-	-
	<u>3,451,742</u>	<u>3,423,653</u>	<u>-</u>	<u>-</u>
(d) Key Money – X Fund Property Limited	148,644	166,397	-	-
(e) Long Term Loan (Tranche B)- Sagicor Investment Jamaica Limited (SIJL)			-	-
(i) Repayable over varying periods and mature August 16, 2024 at 6.75%	2,198,545	-	-	-
Total long term borrowings	<u>12,141,023</u>	<u>9,970,102</u>	<u>-</u>	<u>-</u>
(f) Short Term Loan Tranche A- Sagicor Investment Jamaica Limited (SIJL)			-	-
(i) Repayable on September 16, 2020 at 5%	2,233,989	-	-	-
Total loans payable	<u>14,375,012</u>	<u>9,970,102</u>	<u>-</u>	<u>-</u>
Total current portion of borrowing	<u>4,307,327</u>	<u>193,654</u>	<u>-</u>	<u>-</u>

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35. Loans Payable (Continued)

(a) Mortgage Note - US Dollars

The mortgage note of US\$48,736,586 is recorded at fair value at acquisition and is secured by the investment in hotel property. Interest on the mortgage note is paid monthly through maturity at which time the outstanding principal is due and payable. The subsidiary may prepay the mortgage note prior to the maturity date only in conjunction with the sale of a property or as a result of casualty or condemnation. The note is payable on October 6, 2025 and attracts a fixed rate interest of 4.9%.

The mortgage note contains a debt service coverage ratio covenant and, upon failing to meet the debt service coverage ratio, substantially all the cash flows from the hotel must be directed to accounts controlled by the lender. As at December 31, 2019, the subsidiary was in compliance with the debt service coverage ratio covenant.

(b) (i) Mortgage Note Tranche B – US Dollars

The 3.75% US dollar note whereby the interest was payable quarterly matured May 16, 2019 and was repaid.

(ii) Mortgage Note Tranche C – US Dollars

The 4.75% US dollar note pays interest quarterly. The loan which will mature May 16, 2021 is secured by a debenture over units in the Sigma Real Estate Portfolio and any bonus units issued upon or in respect thereof.

(c) Fixed Rate Mortgage Notes

These notes were issued under four tranches with fixed coupon ranging from 5% to 11% and tenures of 2 to 40 years. The notes are secured by equitable mortgage over the Hilton Rose Hall Resort and Spa, debenture, charge over securities and debt service reverse agreement.

(d) Key Money

This note is interest free with annual forgiveness of debt over ten years, if certain conditions are met.

(e) This loan was arranged by The Jamaica Central Securities Depository (Trustee) to SIJL on 16 August 2019 amounting to \$2.18 billion at an interest rate of 6.75% and is repayable 16 August 2024. Entities which financed the borrowing include related parties.

(f) This bond Tranche A was arranged by The Jamaica Central Securities Depository (Trustee) to SIJL to finance the acquisition of Advantage General Insurance on 16 August 2019 amounting to \$2.22 billion at an interest rate of 5% and is repayable on 16 September 2020. Entities which financed the borrowing include related parties.

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36. Other Liabilities

	The Group		The Company	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
Legal claim payable (Note 59)	142,171	122,643	-	-
Premiums not applied	3,939,358	2,809,270	-	-
Accounts payable and accruals	4,588,445	2,903,038	158,374	556,420
Accrued vacation	350,517	195,502	-	-
Dividends payable	213,230	179,981	138,744	105,210
Due to related parties (Note 25)	2,622,168	1,081,570	4,116,456	3,513,741
Due to brokers and agents	932,884	899,524	-	-
Bonus payable	638,728	462,275	-	-
Reinsurance payable	1,138,344	279,287	-	-
Mortgage principal and real estate payables	112,888	332,820	-	-
Customer settlement accounts	1,322,303	3,045,025	-	-
Guest Deposits	193,900	51,869	-	-
Regulatory fees and Statutory payables	640,830	451,079	-	-
Items in course of payment	440,917	562,204	-	-
Cheques issued but uncashed	696,786	137,855	-	-
Unearned reinsurance commissions	461,508	12,313	-	-
Service contract payable:				
Due to Government Employees Administrative Scheme Only Fund and Government Pensioners Administrative Scheme Only Fund	-	159,794	-	-
Miscellaneous	900,860	824,075	6,512	5,676
	<u>19,335,837</u>	<u>14,510,124</u>	<u>4,420,086</u>	<u>4,181,047</u>

The analysis of the movement in deferred commission income is as follows:

	The Group	
	2019 \$'000	2018 \$'000
Balance at the beginning of the year	12,313	9,983
Arising on acquisition of subsidiary	274,366	-
Commission received during the year	286,843	-
Amounts recognised in income during the year	(112,014)	2,330
Balance at end of year	<u>461,508</u>	<u>12,313</u>

37. Life and Health Insurance Contract Liabilities

The note below details the Group's liabilities under insurance contracts arise from the operations of its life insurance subsidiaries.

(a) Composition by line of business is as follows:

	The Group	
	2019 \$'000	2018 \$'000
Group annuities	50,017,977	45,870,027
Group insurance	4,188,044	4,059,258
Individual insurance	37,235,941	30,032,747
Total	<u>91,441,962</u>	<u>79,962,032</u>

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37. Life and Health Insurance Contract Liabilities (Continued)

(b) Movements in insurance liabilities:

	The Group			
	2019			
	Group Annuities \$'000	Individual Insurance \$'000	Group Insurance \$'000	Total \$'000
Balance at the beginning of the year	45,870,027	30,032,747	4,059,258	79,962,032
Normal changes in policyholders' liabilities recorded to income statement (Note 37(d))	2,482,186	6,397,083	68,016	8,947,285
Changes in actuarial liabilities recorded in Other Comprehensive Income (shadow accounting)	808,382	687,403	-	1,495,785
Foreign currency translation	857,382	118,708	60,770	1,036,860
Balance at end of year	<u>50,017,977</u>	<u>37,235,941</u>	<u>4,188,044</u>	<u>91,441,962</u>

	The Group			
	2018			
	Group Annuities \$'000	Individual Insurance \$'000	Group Insurance \$'000	Total \$'000
Balance at the beginning of the year	44,392,609	28,573,805	4,952,099	77,918,513
Normal changes in policyholders' liabilities recorded to income statement (Note 37(d))	1,597,045	1,593,938	(938,512)	2,252,471
Changes in actuarial liabilities recorded in Other Comprehensive Income (shadow accounting)	(641,721)	(414,306)	-	(1,056,027)
Changes as a result of revaluation	522,094	279,310	45,671	847,075
Balance at end of year	<u>45,870,027</u>	<u>30,032,747</u>	<u>4,059,258</u>	<u>79,962,032</u>

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37. Life and Health Insurance Contract Liabilities (Continued)

(c) Investment and other assets supporting policyholders' and other liabilities:

	The Group				
	2019				
	Insurance	Annuities and Deposit Administration Funds	Other Liabilities	Capital and Surplus	Total
\$'000	\$'000	\$'000	\$'000	\$'000	
Equities, Derivatives and Unit Trusts	29,856,332	-	-	8,147,366	38,003,698
Investment properties	-	-	-	3,355,590	3,355,590
Fixed income securities	37,061,610	57,918,588	173,007,051	44,949,158	312,936,407
Mortgages	-	1,051,338	-	1,914,815	2,966,153
Other assets	3,253,444	-	66,653,074	32,830,658	102,737,176
	<u>70,171,386</u>	<u>58,969,926</u>	<u>239,660,125</u>	<u>91,197,587</u>	<u>459,999,024</u>

	The Group				
	2018				
	Insurance	Annuities and Deposit Administration Funds	Other Liabilities	Capital and Surplus	Total
\$'000	\$'000	\$'000	\$'000	\$'000	
Equities, Derivatives and Unit Trusts	20,463,826	-	-	6,533,396	26,997,222
Investment properties	-	-	-	2,552,460	2,552,460
Fixed income securities	35,689,247	53,882,390	143,995,782	34,967,863	268,535,282
Mortgages	-	618,557	-	2,487,784	3,106,341
Other assets	3,951,868	-	74,320,151	14,669,429	92,941,448
	<u>60,104,941</u>	<u>54,500,947</u>	<u>218,315,933</u>	<u>61,210,932</u>	<u>394,132,753</u>

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37. Life and Health Insurance Contract Liabilities (Continued)

(d) Changes in policy liabilities were caused by the following business activities and changes in actuarial assumptions:

	The Group			
	2019			
	Group Annuities \$'000	Individual Insurance \$'000	Group Insurance \$'000	Total \$'000
Change in assumed investment yields and inflation rate	685,952	1,346,689	(18,212)	2,014,429
Change due to the issuance of new policies and the decrements on in-force policies	3,464,049	8,489,336	283,811	12,237,196
Change due to other actuarial assumptions	(1,667,815)	(3,438,942)	(197,583)	(5,304,340)
	<u>2,482,186</u>	<u>6,397,083</u>	<u>68,016</u>	<u>8,947,285</u>
Change in actuarial liabilities recorded in Other Comprehensive Income	<u>808,382</u>	<u>687,403</u>	<u>-</u>	<u>1,495,785</u>

	The Group			
	2018			
	Group Annuities \$'000	Individual Insurance \$'000	Group Insurance \$'000	Total \$'000
Change in assumed investment yields and inflation rate	255,711	(291,752)	(22,287)	(58,328)
Change due to the issuance of new policies and the decrements on in-force policies	1,495,300	5,329,833	(541,881)	6,283,252
Change due to other actuarial assumptions	(153,966)	(3,444,143)	(374,344)	(3,972,453)
	<u>1,597,045</u>	<u>1,593,938</u>	<u>(938,512)</u>	<u>2,252,471</u>
Change in actuarial liabilities recorded in Other Comprehensive Income	<u>(641,721)</u>	<u>(414,306)</u>	<u>-</u>	<u>(1,056,027)</u>

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37. Life and Health Insurance Contract Liabilities (Continued)

(e) Policy assumptions

At each date for valuation of actuarial liabilities, the Appointed Actuary of each insurer reviews the assumptions made at the last valuation date. The Appointed Actuary tests the validity of each assumption by reference to current data, the Group's experience and where appropriate, changes the assumptions for the current valuation.

Insurance and investment contract liabilities have two major assumptions, best estimate assumptions and provisions for adverse deviation assumptions.

A similar process of review and assessment is conducted in the determination of margins for adverse deviations.

Life Insurance and Annuity Contracts

(i) Best estimate assumptions

Assumptions cover the lifetime of the policies and are made for many variables including mortality, morbidity, investment yields, rates of policy termination (lapse and persistency), operating expenses and certain taxes.

(ii) Mortality and morbidity

The assumptions are based on past Group and industry experience. For individual life policies the Group bases its assumption on the Canadian Institute of Actuaries 97-04 male and female aggregate mortality tables which are 21 year select and ultimate mortality tables. For accidental death and dismemberment benefits the Group bases its assumptions on the 1959 Accidental Death Benefit table for rider benefits and the Canadian Population Accident 1990-1992 sex distinct table for coupon products. Critical illness incidence rates are based on British population sex-distinct incidence rates developed by the Institute of Actuaries. Group annuitant mortality is based on the Society of Actuaries 1994 Group Annuitant male and female basic mortality tables with projection scale AA for improvements in mortality. Individual Annuitant mortality is based on the Society of Actuaries 2012 Individual Annuitant male and female Period mortality tables with projection scale G2 beyond 2012 for improvements in mortality.

(iii) Investment yields

The Group broadly matches assets and liabilities by line of business. The projected cash flows from these assets are combined with future reinvestment rates derived from the current economic outlook and the Group's investment policy to determine expected rates of return on these assets for all future years. The gross long term ultimate reinvestment rate (after 20 years) is based on expectations of risk-free government bond yields. The gross rate is adjusted to take into account investment expenses and asset default. Assumptions taking into account inflation are that real returns after 30 years will be between 2.0% and 3.3% (2018: 2.0% and 3.6%).

(iv) Lapses and persistency

Lapses relate to termination of policies due to non-payment of premiums. Surrender and withdrawals relate to voluntary termination of policies by policyholders. Policy termination assumptions are based on the Group's own experience and vary by type of product. Lapse rates in the first year of a policy range between 4% and 24% of insurance amounts issued. Lapse rates after 20 policy years are assumed to be between 0% and 9.5% of insurance amounts in force. Partial withdrawal rates average about 16.0% (2018: 12.4%) of fund values available from policies in force.

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37. Life and Health Insurance Contract Liabilities (Continued)

Life Insurance and Annuity Contracts (continued)

(v) Policy expenses

Policy maintenance expenses are derived from the Group's own internal cost studies projected into the future with an allowance for inflation. All expenses, including overhead, are functionally allocated by line of business, between the administration of the business and the acquisition of the business. All expenses related to the administration of the business are used to determine the policy maintenance unit costs. No expenses related to the acquisition of the business are included in the unit expense assumption used in the valuation of the actuarial liabilities. Interest sensitive and Universal life policies are assumed to be twice as costly to administer as traditional life policies. The inflation assumption is kept consistent with the investment assumption. The initial inflation rate is based on average calendar year inflation over the last 3 years and declines over the life of the policies such that real returns after 30 years are between 2.0% and 3.3% (2018: 2.0% and 3.6%).

(vi) Provision for adverse deviation assumptions

To recognise the uncertainty in establishing best estimate assumptions, to allow for possible deterioration in experience and to provide greater comfort that the reserves are adequate to pay future benefits, the Appointed Actuary is required to include a margin for adverse deviation in each assumption. The impact of these margins is to increase reserves and so decrease the income that would be recognised on inception of the policy. The Canadian Institute of Actuaries standards indicate that margins are to be between 5% and 20% of the best estimate assumptions or between 2% and 8% of annuitant mortality best estimate assumptions. The Group uses margins for each assumption at the middle of the range, taking into account the risk profiles of the business.

(vii) Changes in assumptions

Every financial year, the expectations of the Group with respect to the best estimate assumptions and the margins for adverse deviation described above are reviewed. All assumptions are updated as appropriate to reflect the circumstances of the Group.

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 statement of financial position date.

38. Investment Contract Liabilities

	The Group	
	2019 \$'000	2018 \$'000
Amortised cost -		
Amounts on deposit	12,698,785	11,345,753
Deposit administration fund	1,253,588	1,521,103
Other investment contracts	578,647	541,486
	<u>14,531,020</u>	<u>13,408,342</u>

The maturity value of these financial liabilities is determined by the fair value of the linked assets, at maturity date. There will be no difference between the carrying amount and the maturity amount at the maturity date.

The fair value of financial liabilities at amortised cost is based on a discounted cash flow valuation technique. This discount rate is determined by current market assessment of the time value of money and risk specific to the liability.

Amounts on deposit comprise of Guaranteed Investor liabilities amounting to \$9,546,065 (2018 - \$8,447,749) and other policyholders' savings plans of \$3,152,720 (2018 - \$2,898,004).

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(expressed in Jamaican dollars unless otherwise indicated)

38. Investment Contract Liabilities (Continued)

Movement of the Deposit Administration Funds:

	The Group	
	2019	2018
	\$'000	\$'000
Balance at the beginning of the year	1,521,103	2,981,844
Deposits received	197,429	102,487
Interest credited	76,266	99,632
Service charges	(21,747)	(24,485)
Withdrawals	(520,099)	(1,638,717)
Revaluation adjustment	636	342
Balance at the end of the year	<u>1,253,588</u>	<u>1,521,103</u>

These represent funds managed on behalf of pension plans administered by the Group. Interest credited to the funds is paid at a fixed annual rate of return, with the rate being revised on an annual basis. At the end of the year, the Group had 139 (2018 - 139) clients. The average interest rate paid by the Group during the year was 5.35% (2018 - 5.35%).

39. Property and Casualty Insurance Contract and Other Policy Liabilities

	The Group	
	2019	2018
	\$'000	\$'000
Life and health claims payable	3,796,228	3,211,363
Property and casualty claims payable and IBNR	3,499,587	22,506
Provision for unearned premiums	2,841,768	186,434
Policy dividends and other funds on deposit	880,406	832,371
	<u>11,017,989</u>	<u>4,252,674</u>

Movement in provision for unearned premiums:

	The Group					
	2019			2018		
	Gross	Reinsurance	Net	Gross	Reinsurance	Net
Balance at 1 January	186,434	(178,186)	8,248	130,177	(119,872)	10,305
Arising on acquisition of subsidiary (Note 64)	2,960,189	(1,016,435)	1,943,754	-	-	-
Premiums written during the year	1,725,744	(1,190,620)	535,124	538,986	(534,327)	4,659
Premiums earned during the year	(2,037,551)	969,522	(1,068,029)	(484,621)	477,667	(6,954)
Effects of exchange rate changes	6,952	(6,667)	285	1,892	(1,654)	238
Balance at 31 December	<u>2,841,768</u>	<u>(1,422,386)</u>	<u>1,419,382</u>	<u>186,434</u>	<u>(178,186)</u>	<u>8,248</u>

NOTES TO THE FINANCIAL STATEMENTS

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(expressed in Jamaican dollars unless otherwise indicated)

39. Property and Casualty Insurance Contract and Other Policy Liabilities (Continued)

Reinsurance Asset and Insurance Contract Provisions

	2019		
	Gross	Reinsurance	Net
	\$'000	\$'000	\$'000
Claims outstanding	3,499,587	(113,226)	3,386,361
Unearned premiums	2,841,768	(1,422,386)	1,419,382
	<u>6,341,355</u>	<u>(1,535,612)</u>	<u>4,805,743</u>

	2019		
	Gross	Reinsurance	Net
	\$'000	\$'000	\$'000
Claims notified	1,861,357	(54,843)	1,806,514
Claims incurred but not reported and other claim estimates	1,785,777	(28,962)	1,756,815
Balance at 1 October	3,647,134	(83,805)	3,563,329
Claims incurred	730,376	(53,095)	677,281
Claims paid	(877,923)	23,674	(854,249)
Balance at 31 December	<u>3,499,587</u>	<u>(113,226)</u>	<u>3,386,361</u>

Analysis of claims outstanding:

	2019		
	Gross	Reinsurance	Net
	\$'000	\$'000	\$'000
Claims notified	1,785,242	(38,522)	1,746,720
Claims incurred but not reported	1,471,587	(72,868)	1,398,719
Provision for adverse deviation	160,463	(1,836)	158,627
Unallocated claim adjustment expense	82,295	-	82,295
Balance at 31 December	<u>3,499,587</u>	<u>(113,226)</u>	<u>3,386,361</u>

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39. Property and Casualty Insurance Contract and Other Policy Liabilities (Continued)

Analysis of gross unearned premium

	2019		
	Gross	Reinsurance	Net
	\$'000	\$'000	\$'000
Liability	61,894	(39,992)	21,902
Motor	2,194,700	(1,045,653)	1,149,047
Pecuniary loss	1,207	(575)	632
Property	583,967	(336,924)	247,801
	<u>2,841,768</u>	<u>(1,422,386)</u>	<u>1,419,382</u>

	2018		
	Gross	Reinsurance	Net
	\$'000	\$'000	\$'000
Liability	5,422	(4,704)	718
Motor	-	-	-
Pecuniary loss	-	-	-
Property	181,012	(173,482)	7,530
	<u>186,434</u>	<u>(178,186)</u>	<u>8,248</u>

	The Group	
	2019	2018
	\$'000	\$'000
Liability	61,894	5,422
Motor	2,194,700	-
Pecuniary loss	1,207	-
Property	583,967	181,012
	<u>2,841,768</u>	<u>186,434</u>

40. Collateralised Reversed Repurchase Agreements

The Group entered into collateralised reverse repurchase agreements which may result in credit exposure in the event that the counterparty to the transaction is unable to fulfil its contractual obligations. Included within reverse repurchase agreements is related accrued interest receivable of \$2,817,000 (2018 – \$5,431,000) for the Group.

At December 31, 2019, the Group held \$1,507,500,000 (2018 – \$932,096,000) of securities, mainly representing Government of Jamaica debt securities, as collateral for reverse repurchase agreements. None of the collateral for reverse repurchase agreements for the Group was repledged.

Included in reverse repurchase agreements for the Group are securities with an original maturity of less than 90 days amounting to \$1,439,884,000 (2018 - Nil) which are regarded as cash equivalents for purposes of the statement of cash flows.

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(expressed in Jamaican dollars unless otherwise indicated)

41. Premium Income

(a) Gross premiums by line of business:

	The Group	
	2019	2018
	\$'000	\$'000
Group insurance -		
Group creditor life	812,771	759,917
Group health	11,204,820	11,174,379
Group life	2,454,176	2,159,631
	<u>14,471,767</u>	<u>14,093,927</u>
Individual insurance -		
Individual life -		
Insurance premium	15,946,465	14,479,903
Segregated funds contributions	10,092,472	9,027,908
Individual health	554,953	559,490
Individual annuities	209,265	222,733
	<u>26,803,155</u>	<u>24,290,034</u>
Group annuities	5,062,877	2,188,840
Property and casualty	2,037,551	484,621
	<u>48,375,350</u>	<u>41,057,422</u>

(b) Reinsurance premiums by line of business:

	The Group	
	2019	2018
	\$'000	\$'000
Group insurance -		
Group health	473,965	321,427
Group life	79,895	58,328
	<u>553,860</u>	<u>379,755</u>
Individual life	337,873	385,216
Property and casualty	969,522	477,667
	<u>1,861,255</u>	<u>1,242,638</u>
Net premiums	<u>46,514,095</u>	<u>39,814,784</u>

(c) Net premiums by geography:

	The Group	
	2019	2018
	\$'000	\$'000
Jamaica	43,834,644	37,202,688
Cayman Islands	2,679,451	2,612,096
	<u>46,514,095</u>	<u>39,814,784</u>

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019

(expressed in Jamaican dollars unless otherwise indicated)

42. Net Investment Income

	The Group		
	2019	2019	2019
	Amortized cost assets	FVTOCI assets	Total
	\$'000	\$'000	\$'000
Interest income -			
Debt securities	6,076,074	6,235,600	12,311,674
Mortgage loans	812,572	-	812,572
Policy loans	85,604	-	85,604
Loans and finance leases	7,957,529	-	7,957,529
Securities purchased for re-sale	72,045	-	72,045
Deposits	53,981	-	53,981
Interest Income	15,057,805	6,235,600	21,293,405
Net gain on de-recognition of financial assets measured at FVTOCI			2,830,155
Net gain on derecognition of financial assets measured at amortized cost			1,765,187
			25,888,747
Interest income from FVTPL investments			349,040
Dividend income			136,007
Unrealized gains on financial assets measured at FVTPL			4,852,788
Net gain on de-recognition of financial assets measured at FVTPL			1,358,821
Appreciation on investment properties			116,998
Net Rental Income			46,500
Share of Jewel Grande Montego Bay Limited(JGM) net gain			73,324
			6,933,478
Total Investment Income			32,822,225
Interest expense -			
Customer deposits, repurchase liabilities and investment contracts			(4,456,054)
Due to banks and other financial institutions			(385,888)
Lease Liabilities			(194,450)
			(5,036,392)
Direct investment expenses			(4,663)
			(5,041,055)
Credit impairment losses			(799,179)
Net investment income			26,981,991

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(expressed in Jamaican dollars unless otherwise indicated)

42. Net Investment Income (Continued)

	The Company		
	2019	2019	2019
	Amortized cost assets	FVTOCI assets	Total
	\$'000	\$'000	\$'000
Interest income -			
Debt securities	1,235	1,841	3,076
Securities purchased for re-sale	1,657	-	1,657
Deposits	21,757	-	21,757
Total interest income	24,649	1,841	26,490
Dividend income			6,624,115
Net losses on de-recognition of financial assets on measured at FVTOCI			-
			6,650,605
Interest expense -			
Promissory notes			(367,153)
Credit impairment-adjustment			10
Net investment income			6,283,462

NOTES TO THE FINANCIAL STATEMENTS

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42. Net Investment Income (Continued)

	The Group		
	2018	2018	2018
	Amortized cost assets	FVTOCI assets	Total
	\$'000	\$'000	\$'000
Interest income -			
Debt securities	5,433,769	6,422,641	11,856,410
Mortgage loans	262,658	-	262,658
Policy loans	90,311	-	90,311
Loans and finance leases	7,431,625	-	7,431,625
Securities purchased for re-sale	109,569	-	109,569
Deposits	283,484	-	283,484
Interest Income	13,611,416	6,422,641	20,034,057
Net gain on de-recognition of financial assets measured at FVTOCI			1,500,894
Net gain on derecognition of financial assets measured at amortized cost			1,321,396
			22,856,347
Interest income from FVTPL investments			414,881
Dividend income			83,108
Unrealized gains on financial assets measured at FVTPL			1,192,348
Net gain on de-recognition of financial assets measured at FVTPL			231,897
Appreciation on investment properties			(83,068)
Net Rental & Other Income			53,048
Share of Jewel Grande Montego Bay Limited(JGM) net loss			(126,644)
			1,765,570
Total Investment Income			24,621,917
Interest expense -			
Customer deposits, repurchase liabilities and investment contracts			(3,995,742)
Due to banks and other financial institutions			(661,160)
Lease Liabilities			-
			(4,656,902)
Direct Investment expenses			(4,936)
			(4,661,838)
Credit impairment losses			(1,713,387)
Net investment income			18,246,692

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31 December 2019

(expressed in Jamaican dollars unless otherwise indicated)

42. Net Investment Income (Continued)

	The Company		
	2018	2018	2018
	Amortized cost assets	FVTOCI assets	Total
	\$'000	\$'000	\$'000
Interest income -			
Debt securities	1,669	27,601	29,270
Securities purchased for re-sale	2,920	-	2,920
Deposits	17,399	-	17,399
Total interest income	21,988	27,601	49,589
			-
Dividend income			6,186,762
Net losses on de-recognition of financial assets on measured at FVTOCI			(151,565)
			6,084,786
Interest expense -			
Promissory notes			(495,620)
Net investment income			5,589,166

NOTES TO THE FINANCIAL STATEMENTS

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43. Hotel Revenues

	2019 \$'000	2018 \$'000
Rooms	3,824,930	913,018
Food and beverage	1,059,049	254,092
Other departments	333,318	70,666
Other	56,987	9,439
	<u>5,274,284</u>	<u>1,247,215</u>

Hotel revenues relate to X Fund Properties LLC, operators of Double Tree Orlando. Note 47 details the costs associated with operating the hotel.

44. Fees and Other Income

	The Group		The Company	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
Service contract revenue				
Administration fees	5,415,131	4,345,681	-	-
Bank service fees	2,642,558	2,332,257	-	-
Property management and related fees	433,016	366,477	-	-
Credit related fees	2,732,763	2,410,400	-	-
Trust fees	73,101	83,391	-	-
General insurance service fees	21,332	-	-	-
Surrender charges	310,597	281,684	-	-
Stockbrokerage fees	301,010	125,187	-	-
Treasury fees	3,554	3,617	-	-
Corporate finance fees	944,635	795,807	-	-
Foreign exchange gains/(losses)	484,703	(178,001)	14,715	12,296
Reinsurance Commission	146,420	34,551	-	-
Other Interest Income	27,580	38,752	-	-
Management Fees	-	-	304,771	306,644
Miscellaneous fees & other income (i)	362,553	708,299	(3,872)	2,030
	<u>13,898,953</u>	<u>11,348,102</u>	<u>315,614</u>	<u>320,970</u>

(i) 2018 Includes net gain from sale of an owner-occupied property of \$573,000,000 in the Group.

NOTES TO THE FINANCIAL STATEMENTS

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45. Insurance Benefits and Claims

	The Group			
	2019		2018	
	Gross incurred \$'000	Reinsured \$'000	Net Claims \$'000	Net Claims \$'000
Death and disability	3,802,331	(19,486)	3,782,845	3,699,983
Maturities	116,161	-	116,161	74,745
Surrenders and withdrawals	819,235	-	819,235	816,888
Segregated funds withdrawals	7,477,294	-	7,477,294	6,809,423
Annuities payments	5,647,741	-	5,647,741	4,472,812
Policy dividends and bonuses	91,989	-	91,989	106,963
Health insurance	10,079,992	(401,801)	9,678,191	8,681,610
Property and Casualty	730,376	(53,095)	677,281	-
Other benefits	816,803	-	816,803	812,125
	<u>29,581,922</u>	<u>(474,382)</u>	<u>29,107,540</u>	<u>25,474,549</u>

NOTES TO THE FINANCIAL STATEMENTS

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(expressed in Jamaican dollars unless otherwise indicated)

46. Administration Expenses

	The Group		The Company	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
Auditors' remuneration - Current year	166,913	134,150	12,000	10,000
Prior year	827	1,115	1,870	-
Office accommodation	942,087	1,233,115	10,583	2,245
Communication and technology	2,288,481	2,003,483	77,644	70,065
Advertising and branding	905,749	670,670	165,860	100,992
Sales convention and incentives	334,159	295,533	3,359	-
Postage, printing and office supplies	347,688	353,167	298	240
Policy stamp duties and reimbursements	79,705	87,441	-	-
Regulators fees	328,371	271,493	11,604	9,106
Directors costs	147,753	127,618	40,348	37,815
Legal and professional fees	643,834	416,764	208,826	131,313
Services outsourced	824,784	800,532	972	945
Electronic channels charges	1,474,994	1,087,326	-	-
Commission and fees	44,748	42,722	-	-
Insurance	227,640	193,472	859	674
Travel and entertainment	181,362	165,066	10,730	8,046
Bank charges and cash transport	306,826	269,672	1,307	1,588
Other expenses	985,027	616,460	35,218	19,421
Staff costs (a)	9,927,429	8,816,607	66,107	66,600
	<u>20,158,377</u>	<u>17,586,406</u>	<u>647,585</u>	<u>459,050</u>

(a) Staff costs

	The Group		The Company	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
Salaries	6,987,613	6,126,609	-	-
Payroll taxes	728,597	695,551	-	-
Pension costs (Note 21)	536,905	447,780	-	-
Other post-retirement benefits (Note 21)	284,255	456,457	-	-
Share based compensation	337,347	178,861	-	-
Restructuring costs	155,315	179,990	-	-
Other	897,397	731,359	66,107	66,600
	<u>9,927,429</u>	<u>8,816,607</u>	<u>66,107</u>	<u>66,600</u>

Other staff costs incurred by the Group associated with its hotel operations are disclosed in Note 47.

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(expressed in Jamaican dollars unless otherwise indicated)

47. Hotel Expenses

	The Group	
	2019 \$'000	2018 \$'000
Rooms	431,874	89,568
Food and beverage	543,262	81,286
Property operations	153,785	146,563
Franchise expense	205,310	49,342
Sales and marketing	292,612	69,719
Other operated departments	1,168,848	100,083
Staff costs (a)	1,343,679	356,070
	<u>4,139,370</u>	<u>892,631</u>

These expenses relate to Double Tree Orlando, the related revenues are disclosed in Note 43.

(a) Staff costs

	The Group	
	2019 \$'000	2018 \$'000
Salaries and benefits	1,265,526	282,268
Payroll taxes	78,153	73,802
	<u>1,343,679</u>	<u>356,070</u>

48. Commission and Sales Expense

Amount represents commission and bonuses paid to sales representatives in the Life companies.

49. Taxation

(a) Tax is computed as follows:

	The Group		The Company	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
Current year taxation -				
Dividend income tax @ 15%	3,673	3,286	-	-
Income tax at 33 1/3%	1,719,260	1,396,935	-	-
Income tax at 25%	2,075,212	2,554,709	-	60
	3,798,145	3,954,930	-	60
Deferred income tax (Note 22) -				
Deferred tax charge/(credit) relating to the origination and reversal of temporary differences	1,455,826	215,577	(61,681)	(74,011)
Taxation	<u>5,253,971</u>	<u>4,170,507</u>	<u>(61,681)</u>	<u>(73,951)</u>
Other taxes:				
Asset tax @ 0.25%	643,047	633,263	-	200
Withholding tax	492	4,784	-	-
Other taxes	<u>643,539</u>	<u>638,047</u>	<u>-</u>	<u>200</u>

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49. Taxation (Continued)

Income tax:

- Income tax at 33 $\frac{1}{3}$ % is payable on taxable profits of Sagicor Investments Jamaica Limited, Sagicor Bank Jamaica Limited, Employee Benefits Administrator Limited, Sagicor Insurance Brokers Limited and Sagicor International Administrators Limited.
- Income tax at 25% is payable on taxable profits of Sagicor Life Jamaica Limited, Sagicor Group Jamaica Limited, AGI and Sagicor Property Services Limited.

Other taxes:

- Asset taxes
 - Life Insurance Companies
Life Insurance Companies are subjected to asset tax at a rate of 0.25% (2017 - 0.25%) of total assets less required capital specified by the Financial Services Commission and withholding tax receivables owed by the Commissioner General of Tax Administration Jamaica.
 - Bank of Jamaica Regulated Companies
Commercial Banks, Building Societies and other deposit taking institutions are subjected to tax of 0.25% (2018 - 0.25%) of total assets less loan loss reserves, withholding tax receivables owed by the Commissioner General of Tax Administration Jamaica and Regulated Capital required by the Bank of Jamaica.
 - Non- Regulated Entities
These entities are subjected to a fixed rate based on the total value of assets.

Tax Losses:

- Subject to the agreement of the Taxpayer Audit and Assessment Department, losses of certain subsidiary companies, available for set off against future taxable profits amount to approximately \$181,387,000 (2018 - \$2,736,987,000).

(b) Reconciliation of applicable tax charges to effective tax charge:

	The Group		The Company	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
Investment income tax - Dividend income	24,485	21,904	-	-
Tax at 15% Income tax - Profit before taxation	3,673	3,286	-	-
	20,717,597	18,048,325	5,515,393	5,042,627
Tax at 1%, 21%, 25% & 33 $\frac{1}{3}$ % Adjusted for:	5,986,112	4,727,392	1,378,848	1,260,657
Income not subject to income tax (i)	(3,365,381)	(2,697,220)	(1,656,029)	(1,546,690)
Asset tax not deductible for tax purposes	198,860	195,901	-	50
Expenses not deductible for tax purposes (ii)	2,738,240	1,961,355	139,388	163,467
Subsidiaries taxed at zero rate	(303,921)	(119,774)	-	-
Prior year (over)/under provision	9,558	(3,386)	-	-
Net effect of other charges and allowances	(13,170)	102,953	76,112	48,565
	5,250,298	4,167,221	(61,681)	(73,951)
Taxation expense	5,253,971	4,170,507	(61,681)	(73,951)

(i) This includes income from Annuities, earnings from associated company and joint venture.

(ii) This include expenses relating to annuities and interest charges of SGJ.

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49. Taxation (Continued)

- The tax (charge)/credit relating to components of other comprehensive income is as follows:

	The Group					
	2019			2018		
	Before tax \$'000	Tax (charge)/credit \$'000	After tax \$'000	Before tax \$'000	Tax (charge)/credit \$'000	After tax \$'000
Fair value (losses)/gains on OCI, net of recycle recycled to income on disposal and maturity of FVTOCI securities	10,088,475	(2,197,207)	7,891,268	(7,020,947)	1,651,414	(5,369,533)
Provision for expected credit losses -IFRS 9 on FVTOCI securities, net recycled to the Income Statement on sale and maturity of FVTOCI securities	(1,061,669)	280,685	(780,984)	680,262	(244,329)	435,933
Shadow accounting reserve	(1,495,784)	-	(1,495,784)	1,056,028	-	1,056,028
Re-measurement of post-employment benefits	827,612	(272,660)	554,952	537,241	(179,171)	358,070
Unrealised gains/(losses) on owner-occupied properties:	(172,858)	(11,598)	(184,456)	1,041,314	(15,125)	1,026,189
Fair value losses on swap of an associate	(410,058)	-	(410,058)	-	-	-
Transfer of share of accumulated revaluation unrealised gains on owner occupied property	-	-	-	(202,411)	-	(202,411)
Retranslation of foreign operations recycle on disposal of associate	-	-	-	(393,774)	-	(393,774)
Retranslation of foreign operations	1,748,249	-	1,748,249	(1,433,832)	-	(1,433,832)
Other comprehensive income	9,523,967	(2,200,780)	7,323,187	(5,736,119)	1,212,789	(4,523,330)
Deferred income taxes (Note 22)	-	(2,200,780)	-	-	1,212,789	-
Unrealised gains/(losses) on owner-occupied properties:	-	-	-	-	-	-
Associated Entity	-	-	-	-	104,403	104,403
	9,523,967	(2,200,780)	7,323,187	(5,736,119)	1,317,192	(4,418,927)

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50. Leases

(a) Amounts recognised in the statement of financial position

The statement of financial position shows the following amounts relating to leases:

	2019
	\$'000
Right-of-use assets	
Buildings	2,852,062
Land	58,552
	<u>2,910,614</u>
Lease liabilities	
Current	538,840
Non-current	2,542,733
	<u>3,081,573</u>

In the previous year, the Group only disclosed its operating lease commitments in relation to leases that were classified as 'operating leases' under IAS 17 Leases. Please refer to Note 54.

Additions to the right-of-use assets during the 2019 financial year were \$130,574,384.

(b) Amounts recognized in the income statement

The income statement shows the following amounts relating to leases:

	2019
	\$'000
Amortization charge of right-of-use assets	
Buildings	557,531
Land	100
	<u>557,631</u>

NOTES TO THE FINANCIAL STATEMENTS

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(expressed in Jamaican dollars unless otherwise indicated)

50. Leases (Continued)

	2019
	\$'000
Interest expense (included in Interest and other interest expense)	194,185
Expense relating to short-term leases (included in administration expenses)	64,292

The total cash outflow for leases in 2019 was \$580,856,639.

(c) The Group's leasing activities and how these are accounted for.

The Group leases various offices. Rental contracts are typically made for fixed periods of 6 months to 8 years but may have extension options as described in (d) below.

Contracts may contain both lease and non-lease components. Where these exist, the Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. However, for leases of real estate for which the Group is a lessee, it has elected not to separate lease and non-lease components and instead accounts for these as a single lease component.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

Until the 2018 financial year, leases of property, plant and equipment were classified as operating leases. From 1 January 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date
- amounts expected to be payable by the Group under residual value guarantees
- the exercise price of a purchase option if the Group is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

NOTES TO THE FINANCIAL STATEMENTS

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(expressed in Jamaican dollars unless otherwise indicated)

50. Leases (Continued)

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

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

To determine the incremental borrowing rate, the Group:

- I. where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received;
- II. uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by Sagikor Life Jamaica Limited, which does not have recent third party financing; and
- III. makes adjustments specific to the lease, e.g. term, country, currency and security.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- i. the amount of the initial measurement of lease liability;
- ii. any lease payments made at or before the commencement date less any lease incentives received
- iii. any initial direct costs; and
- iv. restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life. While the Group revalues its land and buildings that are presented within property, plant and equipment, it has chosen not to do so for the right-of-use buildings held by the Group.

Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT equipment and small items of office furniture.

(a) Extension and termination options

Extension and termination options are included in a number of property and equipment leases across the Group. These are used to maximise operational flexibility in terms of managing the assets used in the Group's operations. The majority of extension and termination options held are exercisable only by the Group and not by the respective lessor.

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). For leases of land and buildings, management has included various extension options in the lease liability, as relocating would from existing locations would be onerous.

As at 31 December 2019, potential future cash outflows of \$64,292,006 (undiscounted) have not been included in the lease liability because it is not reasonably certain that the leases will be extended (or not terminated).

The lease term is reassessed if an option is actually exercised (or not exercised) or the Group becomes obliged to exercise (or not exercise) it. The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances occurs, which affects this assessment, and that is within the control of the lessee. During the current financial year, the financial effect of revising lease terms to reflect the effect of exercising extension and termination options was an increase in recognised lease liabilities and right-of-use assets of \$1,570,733,340.

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51. Earnings per Stock Unit

- (i) Basic earnings per stock unit are calculated by dividing the net profit attributable to stockholders by the weighted average number of ordinary shares in issue during the year.

	The Group	
	2019	2018
Net profit attributable to stockholders (\$'000)	15,650,304	14,231,982
Weighted average number of ordinary stock units in issue ('000)	3,900,732	3,897,502
Basic earnings per stock unit (\$)	4.01	3.65

- (ii) Diluted earnings per stock unit is calculated adjusting the weighted average number of ordinary stock units outstanding to assume conversion of all dilutive potential ordinary shares under the following schemes:

(a) An Employee Share Ownership Plan.

- (b) Group LTIs - Effective 1 May 2003, the Group instituted a share-based compensation plan for Executives. A new LTI Plan was put in place from January 2007. Shares amounting to 150,000,000 have been set aside to cover share grants and options to Executives.

The Group adopted a policy not to issue new shares to satisfy the benefits promised under the above schemes. Instead, the required shares are being purchased over the Jamaica Stock Exchange in the name of the Staff Share Purchase Trust or the Long-term Incentive Plan.

	The Group	
	2019	2018
Net profit attributable to stockholders (\$'000)	15,650,304	14,231,982
Weighted average number of ordinary stock units in issue ('000)	3,903,762	3,900,532
Fully diluted earnings per stock unit (\$)	4.01	3.65

- (iii) The weighted average number of ordinary stock units used in the basic and diluted earnings per stock unit computations may be reconciled as follows:

	The Group	
	2019 '000	2018 '000
Weighted average number of ordinary stock units for the purposes of the computation of basic earnings per stock unit	3,900,732	3,897,502
Effect of dilutive potential ordinary stock units – stock options	3,030	3,030
Weighted average number of ordinary stock units for the purposes of the computation of diluted earnings per stock unit	3,903,762	3,900,532

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(expressed in Jamaican dollars unless otherwise indicated)

52. Cash Flows

(a) Operating activities

Note	The Group		The Company	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
Adjustments for non-cash items, interest and dividends:				
Depreciation and amortisation	2,708,419	1,448,166	436,098	408,259
Interest and dividend income	(21,778,323)	(20,532,046)	(6,650,605)	(6,236,351)
Interest expense and finance costs	42 5,036,392	4,656,902	367,153	495,620
Income tax expense	49 5,253,971	4,170,507	(61,681)	(73,951)
Other tax expense	49 643,047	638,047	-	-
Amortization of cost for preference shares and loans	69,353	(7,342)	-	-
Gains on disposal of investment securities/investment properties	(5,954,163)	(3,054,187)	-	151,565
Fair value gains on trading securities	42 (4,852,788)	(1,192,348)	-	-
Credit impairment losses	54(d) 799,179	1,713,387	(10)	(6,940)
Impairment charge on property, plant & equipment	14,678	1,249	-	-
Gain on disposal on Investment property	(3,620)	-	-	-
Impairment Charge on Land Developed for Resale	114,286	-	-	-
Share based compensation	-	18,405	-	-
(Gains) / losses on revaluation of investment properties	13 (231,284)	83,068	-	-
(Gains) / losses on disposal of property, plant and equipment	(92,175)	(583,726)	6,052	-
Increase / (decrease) in policyholders' funds	1,116,724	(25,149)	-	-
Net movement in actuarial liabilities	8,947,285	2,252,471	-	-
Retirement benefit obligations	231,211	414,095	-	-
Effect of exchange gains on foreign currency balances	(484,704)	178,001	(20,157)	(21,440)
Gain on sale of interest in step-acquisition of Sagior X-Fund	65 -	(1,521,065)	-	-
Share of Losses from joint venture and associate	84,038	62,532	-	-
	<u>(8,378,474)</u>	<u>(11,279,033)</u>	<u>(5,923,150)</u>	<u>(5,283,238)</u>

(b) Changes in other operating assets and liabilities:

	The Group		The Company	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
Changes in other operating assets and liabilities:				
Statutory reserves at Bank of Jamaica and restricted cash	978,223	(1,274,734)	-	-
Structured products and derivatives	(7,734,471)	2,309,645	-	-
Stock options and grants	6,110	(25,288)	6,110	(6,883)
Reinsurance contracts	(237,475)	(290,456)	-	-
Due from related parties	(176)	29,632	491,311	(134,197)
Other assets	(1,099,249)	9,370,517	(137,695)	(52,636)
Other liabilities	3,152,907	(6,337,230)	(363,448)	502,945
	<u>(4,934,131)</u>	<u>3,782,086</u>	<u>(3,722)</u>	<u>309,229</u>

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52. Cash Flows (Continued)

(c) Net investment purchases:

	The Group		The Company	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
Proceeds on sale of investment securities	274,900,224	68,468,297	-	235,404
Purchase of investment securities	(282,991,155)	(77,075,968)	-	(125,274)
Loans	(14,275,761)	(9,004,263)	-	2,940
Lease receivables	(62,054)	(122,401)	-	-
	<u>(22,428,746)</u>	<u>(17,734,335)</u>	<u>-</u>	<u>113,070</u>

(d) Investing Activities

	The Group		The Company	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
Purchase of property, plant and equipment (Note 19)	(1,016,648)	(588,193)	(40,715)	(67,387)
Proceeds from sale of property, plant and equipment	844,944	1,467,427	29	-
	<u>(171,704)</u>	<u>879,234</u>	<u>(40,686)</u>	<u>(67,387)</u>

(e) Net debt reconciliation

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash. Financing activities represent bank and other loans, excluding bank overdrafts and amounts included as cash and cash equivalents:

	The Group	
	2019 \$'000	2018 \$'000
At January 1, 2019	166,667,211	159,295,066
Interest Payable	(604,812)	(839,142)
Bank Overdraft classified as cash and cash equivalent	(1,063)	(298,061)
	<u>166,061,336</u>	<u>158,157,863</u>
Drawdown, net of repayments (a)	22,667,886	(4,221,839)
Non-Cash Movements:		
Acquired in acquisition Baiely Williams and AGI (2018- Travel Cash)	836,748	150,000
Acquired in consolidation of X-Fund		10,441,519
Foreign Exchange Impact	2,566,866	1,574,285
Amortization of loan cost	69,352	(7,342)
Bank Overdraft classified as cash and cash equivalent	739,927	1,063
Interest at consolidation of X-Fund paid in Q4 2019		(33,150)
Interest payable	708,329	604,812
At December 31, 2019	<u>193,650,444</u>	<u>166,667,211</u>

	The Company	
	2019 \$'000	2018 \$'000
At January 1, 2019	13,260,219	13,763,583
Interest Payable	(206,344)	(348,521)
	<u>13,053,875</u>	<u>13,415,062</u>
Drawdown, net of repayments	(769,944)	(954,545)
Non-Cash Movements:		
Interest Capitalised	145,262	593,358
Interest payable	198,190	206,344
At December 31, 2019	<u>12,627,383</u>	<u>13,260,219</u>

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52. Cash Flows (Continued)

	2019 \$'000	2018 \$'000
Drawdown, net of repayments (a)		
Redemption of preference shares	(1,414,700)	(646,800)
Deposits and securities liabilities	24,082,586	(3,575,039)
	<u>22,667,886</u>	<u>(4,221,839)</u>

	The Group				Total \$'000
	Cash \$'000	Liquid Investments (i) \$'000	Borrowings due within 1 year \$'000	Borrowings due after 1 year \$'000	
Cash and cash equivalents	12,993,039	4,554,572	(739,927)	-	16,807,684
Foreign exchange adjustments	397,844	-	-	-	397,844
Other non-cash movements	-	-	-	-	-
Net debt as at 31 December 2019	<u>13,390,883</u>	<u>4,554,572</u>	<u>(739,927)</u>	<u>-</u>	<u>17,205,528</u>
Cash and cash equivalents	11,063,993	4,339,543	(1,063)	-	15,402,473
Foreign exchange adjustments	126,108	-	-	-	126,108
Other non-cash movements	-	-	-	-	-
Net debt as at 31 December 2018	<u>11,190,101</u>	<u>4,339,543</u>	<u>(1,063)</u>	<u>-</u>	<u>15,528,581</u>

	The Company				Total \$'000
	Cash/bank overdraft \$'000	Liquid Investments (i) \$'000	Borrowings due within 1 year \$'000	Borrowings due after 1 year \$'000	
Net debt as at 1 January 2018					
Cash and cash equivalents	421,468	3,040	(12,311)	-	412,197
Foreign exchange adjustments	3,198	-	-	-	3,198
Other non-cash movements	-	-	-	-	-
Net debt as at 31 December 2018	<u>424,666</u>	<u>3,040</u>	<u>(12,311)</u>	<u>-</u>	<u>415,395</u>
Cash and cash equivalents	294,398	650,728	-	-	945,126
Foreign exchange adjustments	2,199	-	-	-	2,199
Other non-cash movements	-	-	-	-	-
Net debt as at 31 December 2019	<u>296,597</u>	<u>650,728</u>	<u>-</u>	<u>-</u>	<u>947,325</u>

- (i) Liquid investments comprise current investments that are traded in an active market, being the company's financial assets held at fair value through profit or loss.

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53. Fair Values of Financial Instruments

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. Market price is used to determine fair value where an active market exists as it is the best evidence of the fair value of a financial instrument. However, market prices are not available for a significant number of the financial assets and liabilities held and issued by the Group. Therefore, for financial instruments where no market price is available, the fair values presented have been estimated using present value or other estimation and valuation techniques based on market conditions existing at statement of financial position dates.

The values derived from applying these techniques are significantly affected by the underlying assumptions used concerning both the amounts and timing of future cash flows and the discount rates. The following methods and assumptions have been used:

- (i) Investment securities at fair value through profit or loss are measured at fair value by reference to quoted prices when available. If quoted market prices are not available, then fair values are estimated on the basis of pricing models, or discounted cash flows. Fair value is equal to the carrying amount of these items.
- (ii) Investment securities classified as FVTOCI are measured at fair value by reference to quoted market prices or dealer quotes when available (level 1). If quoted market prices are not available, then fair values are based on pricing models or other recognised valuation techniques.(level 3) Investments in unit trusts are based on prices quoted by the fund managers.(level 2)
- (iii) The fair value of the interest rate swap is calculated as the present value of the estimated future cash flows. The fair value of currency forward contracts is determined using quoted forward exchange rates. The fair value of the equity indexed options and the exchange traded funds that are shorted are based on quoted prices (level 1). The fair value of the cross currency swap is based on the present value of the net future cash payments and receipts, which fluctuate based on changes in market interest rates and the euro/U.S. dollar exchange rate.
- (iv) The fair value of demand deposits and customer accounts with no specific maturity is assumed to be the amount payable on demand at the year end date. The estimated fair value of fixed interest bearing deposits is based on discounted cash flows using interest rates for new deposits (level 3).
- (v) The fair value of variable rate financial instruments is assumed to approximate their carrying amounts.
- (vi) Loans are net of provision for impairment. The estimated fair value of loans represents the discounted amount of estimated future cash flows expected to be received (level 3). Expected cash flows are discounted at current market rates to determine fair value.

Differences between the fair values and the carrying values are accounted for in determining the amount of policyholders' liabilities that must be set aside each year.

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53. Fair Values of Financial Instruments (Continued)

The table below summarizes the carrying amount and fair value of financial assets and financial liabilities not presented on the Group's statement of financial position at their fair value:

	The Group			
	Carrying	Fair	Carrying	Fair
	Value	Value	Value	Value
	2019	2019	2018	2018
	\$000	\$000	\$000	\$000
Financial Assets				
Investments at amortized cost (loans and receivables)	80,707,814	104,056,162	72,997,712	80,503,556
Loans & leases, after allowance for credit losses	<u>84,996,376</u>	<u>86,008,594</u>	<u>69,284,592</u>	<u>67,559,752</u>
Financial Liabilities				
Securities sold under agreements to repurchase	67,970,120	67,970,120	53,988,378	60,152,419
Customer deposits and other accounts	105,932,277	106,408,880	98,181,816	98,661,202
Due to banks and other financial institutions (note 34)	6,268,381	6,385,663	12,763,306	9,987,354
Loans Payable	<u>14,375,012</u>	<u>14,375,012</u>	<u>9,970,102</u>	<u>9,970,102</u>
	The Company			
	Carrying	Fair	Carrying	Fair
	Value	Value	Value	Value
	2019	2019	2018	2018
	\$000	\$000	\$000	\$000
Financial Assets				
Financial investments – loans and receivables	<u>54,690</u>	<u>54,690</u>	<u>575,811</u>	<u>575,853</u>

The following table provides an analysis of financial instruments that are measured in the statement of financial position at fair value at 31 December 2019, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

- (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.

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53. Fair Values of Financial Instruments (Continued)

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

A financial instrument is classified as Level 2 if:

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

In estimating the fair value of non-traded financial assets, the Group uses a variety of methods such as obtaining dealer quotes and using discounted cash flow techniques. Where discounted cash flow techniques are used, estimated future cash flows are discounted at market derived rates for government securities in the same country of issue as the security, considering factors such as tenor and currency; for non-government securities, an interest spread is added to the derived rate for a similar government security rate according to the perceived additional risk of the non-government security.

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

Certain of the Group's 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 FVTOCI securities include corporate and government agency debt instruments. 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 as FVTPL include debt securities and equities for which the full income return and capital returns accrue to holders of unit linked liabilities. 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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53. Fair Values of Financial Instruments (Continued)

	The Group 2019			
	Level 1	Level 2	Level 3	Total
Financial Assets				
Financial investments	66,800,681	120,059,389	436,558	187,296,628
Derivative financial instruments	-	35,005	-	35,005
	<u>66,800,681</u>	<u>120,094,394</u>	<u>436,558</u>	<u>187,331,633</u>
Non Financial Assets				
Property, plant & equipment	-	-	15,966,686	15,966,686
Investment properties	-	-	3,355,590	3,355,590
Total Assets	<u>66,800,681</u>	<u>120,094,394</u>	<u>19,758,834</u>	<u>206,653,909</u>
Financial Liabilities				
Derivative financial instruments	-	35,005	-	35,005

	The Group 2018			
	Level 1	Level 2	Level 3	Total
Financial Assets				
Financial investments	72,998,944	79,370,162	1,003,933	153,373,039
Derivative financial instruments	-	31,464	-	31,464
	<u>72,998,944</u>	<u>79,401,626</u>	<u>1,003,933</u>	<u>153,404,503</u>
Non Financial Assets				
Property, plant & equipment	-	-	15,052,030	15,052,030
Investment properties	-	-	2,552,460	2,552,460
	<u>72,998,944</u>	<u>79,401,626</u>	<u>18,608,423</u>	<u>171,008,993</u>
Financial Liabilities				
Derivative financial instruments	-	31,464	-	-

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53. Fair Values of Financial Instruments (Continued)

Description	Fair value at		Unobservable inputs	Range of unobservable inputs		Relationship of unobservable inputs to fair value
	2019	2018		2019	2018	
	\$'000	\$'000				
Investment properties	3,355,590	2,552,460	Comparable sale	5%	5%	Increased in comparable sale prices will have direct correlation to the fair value.
Property, plant & equipment	15,966,686	15,052,030	Comparable sale	5%	5%	Increased in comparable sale prices will have a direct correlation to fair value.
Unquoted ordinary equity	436,558	1,003,933	Risk premium	2.5% - 3.5%	2.5% - 3.5%	Increased earnings growth factor (+500 basis points (bps)) and lower discount rate (-100 bps) would increase /decrease fair value by \$43,655,800 (2018 -\$100,393,000).
	<u>19,758,834</u>	<u>18,608,423</u>				

Reconciliation of level 3 items –

	The Group	
	2019	2018
	\$'000	\$'000
Balance at beginning of year	18,608,425	3,668,598
Total gains – OCI	1,012,712	1,831,140
Total (losses)/gains – income statement	(139,083)	488,646
Purchases	330,982	2,113,733
Transferred in/Assumed on Acquisition	1,610,405	11,601,717
Settlements	(1,664,607)	(1,095,411)
Balance at end of year	<u>19,758,834</u>	<u>18,608,423</u>

The gains or losses recorded in the income statement are included in Note 42.

The following table summarizes the quantitative information about the significant unobservable inputs used to measure the Group's Level 3 financial instruments:

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53. Fair Values of Financial Instruments (Continued)

The fair values for all other financial instruments approximate their carrying values and also fall within Level 2 based on the following:

- The fair value of liquid assets and other assets maturing within one year (such as cash and balances at Central Banks and amounts due from other banks) is assumed to approximate their carrying amount. This assumption is applied to liquid assets and the short-term elements of all other financial assets and financial liabilities;
- The fair value of demand deposits and savings accounts with no specific maturity is assumed to be the amount payable on demand at the date of the statement of financial position; and
- The fair value of variable rate loans is assumed to approximate their carrying amounts and management does not believe that, after deduction of provision for credit losses, there is any significant difference between the fair value of fixed rate loans and their carrying values as interest rates approximate current market rates offered on similar loans.

54. Insurance and Financial Risk Management

The Group's activities expose it to a variety of financial risks and those activities necessitate the analysis, evaluation, control and/or acceptance of some degree of risk or combination of risks. Taking various types of risk is core to the financial services business and operational risks are an inevitable consequence of being in business. The Group's aim is therefore to achieve an appropriate balance between risk and return and minimise potential adverse effects on the Group's financial performance.

The Group has a risk management framework with clear terms of reference. This is supplemented with a clear organisational structure with documented delegated authorities and responsibilities from the Board of Directors to Executive Management committees and senior managers. Policy frameworks which set out the risk profiles for the Group's risk management, control and business conduct standards for the Group's operations have been put in place. Each policy has a member of Executive Management charged with overseeing compliance with that policy.

The Board of Directors is ultimately responsible for the establishment and oversight of the risk management framework. The Board of Directors has established committees/departments/structures for managing and monitoring risks, as follows:

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54. Insurance and Financial Risk Management (Continued)

(i) Board Audit Committee

The Board Audit Committee comprises independent directors. The Committee:

- Oversees how management monitors internal controls, compliance with the Group's risk management policies and adequacy of the risk management framework to risks faced by the Group;
- Reviews the Group's annual and quarterly financial statements, related policies and assumptions and any accompanying reports or statements; and
- Reviews the internal audit function as well as the external auditor's independence, objectivity and effectiveness.

The Board Audit Committee is assisted in its oversight role by the Internal Audit Department. The Internal Audit Department undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Board Audit Committee.

(ii) Board Capital Allocation and Investment Committee

The Board Capital Allocation and Investment Committee comprises mainly of independent directors. As part of its Terms of Reference, the Committee:

- Oversees the solvency position of regulated entities in the Group
- Oversees the return on capital employed
- Decides in the allocation of capital within the group
- Considers new capital funding options
- Oversees the Group's financial risk management framework.
- Approves the investment policies within which the Group's investment portfolios are managed;
- Reviews the performance of the Group's investment portfolios;
- Ensures adherence to prudent standards in making investment and lending decisions and in managing investments and loans; and
- Approves new investment projects over certain thresholds, ensuring the required rates of returns are considered.

(iii) Asset/Liability Management (ALM) Committee

The Group has in place an Asset/Liability Management (ALM) Committee. This Committee:

- Monitors the profile of the Group's assets and liabilities;
- Plans, directs and monitors various financial risks including, interest rate risk, equity risk, liquidity risk, currency risk and country risk;
- Provides guidance to the Investment Managers with regards to the appropriateness of investments assigned or purchased to support the liabilities of the various lines of business; and
- Monitors market interest rates and establishes the credited rate for various investment contracts.

(iv) Anti-Money Laundering (AML)

The Group has assigned responsibility for AML and anti-fraud to a designated department. The responsibilities of this department include:

- Maintaining and communicating the AML and Anti-fraud policies and procedures;
- Interrogating financial transactions to identify suspicious and threshold reportable items;
- Coordinating information received from operating departments on reportable items;
- Ensuring that adequate anti-fraud controls are in place; and
- Filing required reports with Management, Board of Directors and Regulatory bodies.

(v) Regulatory Compliance

The Board has assigned responsibility for monitoring regulatory compliance to a designated department. This department maintains a catalogue of all required regulatory filings and follows-up the respective departments to ensure timely submissions. The Department files the required performance reports with management and the Board of Directors.

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54. Insurance and Financial Risk Management (Continued)

(vi) Enterprise Risk Management

The Group utilises an Enterprise Risk Management (ERM) framework, including policies and procedures designed to identify, measure and control risk in all business activities. The policies and procedures are reviewed periodically by senior managers and the Board of Directors.

The framework provides for quarterly evaluation of risks by senior management, with reporting to the Board Audit Committee. The risk exposures are prioritised each year and the top twenty (20) risks reported on.

Boards of subsidiary companies and management teams carry similar operating structures where applicable.

The most important types of risk facing the Group are insurance risk, reinsurance risk, credit risk, liquidity risk, market risk and other operational risk. Market risk includes currency risk, interest rate and other price risk.

(a) Insurance risk

The Group issues both short term and long term contracts that transfer insurance risk or financial risk or both.

The risk under any one insurance contract is the possibility that the insured event occurs and the uncertainty of the amount of the resulting claim. By the very nature of an insurance contract, this risk is random and therefore unpredictable.

For a portfolio of insurance contracts where the theory of probability is applied to pricing and provisioning, the principal risk that the Insurance companies face under its insurance contracts is that the actual claims and benefit payments exceed the carrying amount of the insurance liabilities. This could occur because the frequency or severity of claims and benefits are greater than estimated. Insurance events are random and the actual number and amount of claims and benefits will vary from year to year from the estimate established using statistical techniques.

Experience shows that the larger the portfolio of similar insurance contracts, the smaller the relative variability about the expected outcome will be. In addition, a more diversified portfolio is less likely to be affected across the board by a change in any subset of the portfolio. The group has developed its insurance underwriting strategy to diversify the type of insurance risks accepted and within each of these categories to achieve a sufficiently large population of risks to reduce the variability of the expected outcome.

Long term insurance contracts

Long-term contracts are typically for a minimum period of 5 years and a maximum period which is determined by the remaining life of the insured. In addition to the estimated benefits which may be payable under the contract, the insurer has to assess the cash flows which may be attributable to the contract. The process of underwriting may also be undertaken and may include specific medical tests and other enquiries which affect the insurer's assessment of the risk. The insurer assesses the likely benefits and cash flows both in establishing the amount of premium payable under the contract and in estimating the statement of financial position liability arising from the contract.

For long-term contracts in-force, 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.

(i) Frequency and severity of claims

For contracts where death is the insured risk the most significant factors that could increase the overall frequency and severity of claims are epidemics (such as AIDS) and wide-ranging lifestyle changes, such as in eating, smoking and exercise habits resulting in earlier or more claims than expected. For contracts where survival is the insured risk, the most significant improvement in medical science and social conditions that would increase longevity. At present, these risks do not vary significantly in relation to the location of the risk insured by the group. However, undue concentration by amounts could have an impact on the severity of benefit payments on a portfolio basis.

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54. Insurance and Financial Risk Management (Continued)

(a) Insurance risk (continued)

Long term insurance contracts

(i) Frequency and severity of claims (continued)

For contracts with fixed and guaranteed benefits and fixed return premiums, there are no mitigating terms and conditions that reduce the insurance risk accepted.

The table below presents the Insurance companies concentration of insured benefits across five bands of insured benefits per individual life assured. The benefit insured figures are shown gross and net of the reinsurance contracts described below in Note 52(b). At year-end, none of these insurance contracts had triggered a recovery under the reinsurance held by the Group. As was the case in the previous year, the risk is concentrated at the higher value bands. (These tables do not include annuity contracts, for which a separate analysis is reported in following pages).

Individual Life Benefits Assured per Life (\$'000)	The Group-2019			
	Total Benefits Insured			
	Before Reinsurance \$'000	%	After Reinsurance \$'000	%
0 – 200	127,643,641	8	120,210,656	8
200 - 400	119,454,983	7	113,886,451	7
400 - 800	135,730,232	9	124,629,985	9
800 - 1000	115,303,533	7	109,667,322	7
More than 1,000	1,089,180,318	69	1,059,937,209	69
Total	1,587,312,707	100	1,528,331,623	100

Individual Life Benefits Assured per Life (\$'000)	The Group-2018			
	Total Benefits Insured			
	Before Reinsurance \$'000	%	After Reinsurance \$'000	%
0 – 200	122,692,563	8	114,447,123	8
200 - 400	113,645,965	8	107,648,904	8
400 - 800	125,832,985	9	115,130,499	8
800 - 1000	110,175,879	8	104,908,120	8
More than 1,000	958,200,639	67	932,514,309	68
Total	1,430,548,031	100	1,374,648,955	100

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54. Insurance and Financial Risk Management (Continued)

(a) Insurance risk (continued)

Long term insurance contracts (continued)

(i) Frequency and severity of claims (continued)

The table below represents the Insurance company's concentration of insured benefits across five bands of insured benefits per group individual life assured. The benefit insured figured are shown gross and net of reinsurance.

Group Life Benefits Assured per Life (\$'000)	The Group-2019			
	Total Benefits Insured			
	Before	%	After	%
	Reinsurance \$'000		Reinsurance \$'000	
0 - 200	30,515,443	3	20,616,030	2
200 - 400	3,604,319	-	2,054,993	-
400 - 800	930,945	-	496,850	-
800 - 1,000	26,862	-	26,862	-
More than 1,000	932,821,648	97	918,396,291	98
	<u>967,899,217</u>	<u>100</u>	<u>941,591,026</u>	<u>100</u>

Group Life Benefits Assured per Life (\$'000)	The Group-2018			
	Total Benefits Insured			
	Before	%	After	%
	Reinsurance \$'000		Reinsurance \$'000	
0 - 200	28,894,850	3	19,592,634	3
200 - 400	3,859,442	-	2,269,596	-
400 - 800	898,630	-	575,226	-
800 - 1,000	27,032	-	27,032	-
More than 1,000	848,422,922	97	838,198,236	97
	<u>882,102,876</u>	<u>100</u>	<u>860,662,724</u>	<u>100</u>

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54. Insurance and Financial Risk Management (Continued)

(a) Insurance risk (continued)

Long term insurance contracts (continued)

(i) Frequency and severity of claims (continued)

The following tables for the Insurance companies' annuity contracts illustrate the concentration of risk based on five bands that group these contracts in relation to the amount payable per annum as if the annuity was in payment at the year end. The greatest risk concentration remains at the highest band, which is consistent with the prior year. The Group does not hold any reinsurance contracts against the liabilities carried for these contracts.

Annuity Payable per annum per annuitant (\$'000)	The Group-2019	
	Total Benefits Insured \$'000	%
0 - 20	89,452	2
20 - 40	89,956	2
40 - 80	81,635	2
80 - 100	42,070	1
More than 100	4,235,147	93
Total	<u>4,538,260</u>	<u>100</u>

Annuity Payable per annum per annuitant (\$'000)	The Group-2018	
	Total Benefits Insured \$'000	%
0 - 20	83,345	2
20 - 40	85,174	2
40 - 80	78,711	2
80 - 100	40,956	1
More than 100	3,868,476	93
Total	<u>4,156,662</u>	<u>100</u>

For interest-sensitive and unit-linked contracts the Group charges for mortality risks on a monthly basis for all insurance contracts and has the right to alter these charges based on mortality experience and hence to minimise its exposure to mortality risk. Delays in implementing increases in charges, and market or regulatory restraints over the extent of any increases may reduce this mitigating effect.

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54. Insurance and Financial Risk Management (Continued)

(a) Insurance risk (continued)

The Group manages these risks through its underwriting strategy and reinsurance arrangements.

(i) Frequency and severity of claims (continued)

The underwriting strategy is intended to ensure that the risks underwritten are well diversified in terms of type of risk and the level of insured benefits. The Group reinsures the excess of the insured benefit for new business for standard risks under an excess of loss reinsurance arrangement. Medically impaired lives are reinsured at a higher cost than standard risks. The Group does not place any reinsurance for contracts that insure survival risk. Insurance risk for contracts is also affected by the policyholders' rights to pay reduced or no future premiums, to terminate the contract completely, or to exercise a guaranteed annuity option. As a result, the amount of insurance risk is also subject to the policyholders' behaviour. On the assumption that the policyholders will make decisions rationally, overall risk can be assumed to be heightened by such behaviour.

The Group has factored the impact of policyholders' behaviour into the assumptions used to measure these liabilities.

(ii) Sources of uncertainty in the estimation of future benefit payments and premium payments

Uncertainty in the estimation of future benefit payments and premium receipts for long term insurance contracts arises from the unpredictability of long term changes in overall levels of mortality and the variability in the policyholder behaviour.

The Group uses appropriate base tables of standard mortality according to the type of contract being written. An investigation as to the actual experience of the Group is carried out, and statistical methods are used to adjust the crude mortality rates to produce a best estimate of expected mortality for the future. The best estimate of future mortality is based on standard industry tables adjusted for the group's overall experience. For contracts that insure survival, an adjustment is made for future mortality improvements based on the mortality investigations performed by independent actuarial bodies. The Group maintains voluntary termination statistics to investigate the deviation of actual termination experience against assumptions. Statistical methods are used to determine appropriate termination rates to be used for the best estimate assumption.

(iii) Process used in deriving assumptions

The assumptions for short term life contracts and the process used in deriving these assumptions have remained substantially unchanged since the previous year.

For long-term insurance contracts, at the reporting date, the Group determines current best estimate assumptions in relation to future deaths, voluntary terminations, investment returns and administration expenses. The best estimate assumptions are determined based on experience studies and the current circumstances of the business. A margin for adverse deviation based on expected deterioration or mis-estimation of the mean, is added to the best estimate assumptions to derive the valuation assumptions which are used for calculating the liabilities arising under the insurance contracts.

See Note 76(e) for detail policy assumptions.

Short-duration life and health insurance contracts

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

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54. Insurance and Financial Risk Management (Continued)

(a) Insurance risk (continued)

Policy benefits payable under short-term contracts are generally triggered by an insurable event, i.e. a medical expense or a death claim. Settlement of these benefits is expected generally within one year. However, some benefits are settled over a longer duration.

The principal risks arising from short-term insurance contracts are premium risk, claims risk and reinsurance risk (See Note 54(b)).

Premium risk is the risk that the premium rate has been set too low for the risk being assumed.

Claims risk is the risk that:

- the number of claims may exceed expectations
- the severity of claims incurred may exceed expectations
- the claim amount may develop during the interval between occurrence and settlement.

For the Group's life and health insurance contracts, significant risk exposures arise from mortality and morbidity experience.

(i) Frequency and severity of claims

These contracts are mainly issued to employers to insure their commitments to their employees in terms of their employee benefit plans. This risk is affected by the nature of the industry in which the employer operates. The risk of death and disability will vary by industry. Undue concentration of risk by industry will therefore increase the risk of a change in the underlying average mortality or morbidity of employees in a given industry, with significant effects on the overall insurance risk.

Insurance risk under disability contracts is also dependent on economic conditions in the industry. The Group attempts to manage this risk through its underwriting, claims handling and reinsurance policy. Excess of loss reinsurance contracts have been purchased by the Group to limit the maximum loss on any one life and health claims, see Note 54(b) for retention limits.

(ii) Sources of uncertainty in the estimation of future claim payments

There is no need to estimate mortality rates or morbidity rates for future years because these contracts have short duration.

(iii) Process used in deriving assumptions

The assumptions for short-duration life contracts and the process used in deriving these assumptions have remained substantially unchanged since the previous year.

See Note 37(e) for detail policy assumptions.

The process to derive the assumptions for short-duration life contracts is similar to long-term insurance contracts. However, the short-term nature of the mortality risk underwritten makes the Group's estimate of the liability covering death benefit payments less uncertain than in the case of long-term contracts.

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54. Insurance and Financial Risk Management (Continued)

(a) Insurance risk (continued)

Property and casualty insurance risk

Advantage General Insurance Company Limited (AGI)

The primary insurance activity carried out by the subsidiary is the transfer of risk from persons or entities that are directly subject to the risk, by means of the sale of insurance policies. As such AGI is exposed to uncertainty surrounding the timing, frequency and severity of claims under these policies.

The principal types of policy written by AGI are:

- Motor insurance
- Property insurance
- Liability insurance

The management team is responsible for the execution of the Insurance Risk Management policies through the establishment of the Insurance Risk Management Committee and the Board Risk Committee. AGI manages its insurance risk through its underwriting and claims policies that include inter alia, authority limits, approval procedures for transactions that exceed set limits, pricing guidelines and the centralised management of reinsurance. AGI actively monitors insurance risk exposures both for individual and portfolio types of risks. These methods include internal risk measurement, portfolio modeling and scenario analyses.

Underwriting strategy

Insurance companies assume risk through the insurance contracts they underwrite and the exposures are associated with both the perils covered by the specific line of insurance and the specific processes associated with the conduct of the insurance business. AGI manages the individual risk through its Underwriting Risk Management Policy to determine the insurability of risks and exposure to large claims. AGI follows detailed, uniform underwriting practices and procedures designed to properly assess and quantify risks before issuing coverage. AGI's underwriting guidelines also outline acceptance limits and the appropriate levels of authority for acceptance of risks.

Reinsurance strategy

A comprehensive reinsurance programme is critical to the financial stability of the organisation and a detailed analysis of AGI's exposures, reinsurance needs and quality of reinsurance securities is conducted by the Board and Senior Management.

AGI's exposures are continually evaluated by Management to ensure that its reinsurances remain adequate and mechanisms are in place to continually monitor the reinsurance counterparties to ensure that they maintain "A" ratings, in keeping with AGI's Board approved Reinsurance Risk Management Policy. Credit risk on reinsurance is discussed in more detail later in Note 54 (b).

Terms and conditions of general insurance contracts and factors affecting cash flows:

The table below provides an overview of the terms and conditions of general insurance contracts written by AGI and the key factors upon which the timing and uncertainty of future cash flows of these contracts depend:

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54. Insurance and Financial Risk Management (Continued)

(a) Insurance risk (continued)

Type of insurance contract	Terms and conditions	Key factors affecting future cash flows
Motor	Motor insurance contracts provide cover in respect of policyholders' motor vehicles and claims complexity is relatively low except with their liability to third parties in respect of damage to property and injury. The exposure on motor insurance contracts is normally limited to the replacement value of the vehicle, bodily injuries will be ultimately settled, and the timeframe within sustained and a policy limit in respect of third party damage.	In general, claims reporting lags are minor and respect to bodily injury claims. Bodily injury claims to estimate due to the uncertainties with respect to the value at which they will be ultimately settled, and the timeframe within which they will be settled.
Property	Property insurance indemnifies, subject to any loss or damage to their own material property and business interruption arising from this damage.	The risk on any policy varies according to many factors such as location, safety measures in place and the age of the property. The event giving rise to a claim for damage to buildings or contents usually occurs suddenly (as for fire and burglary) and the cause is easily determinable. Therefore, claims are generally notified promptly and can be settled without delay. Property business is therefore classified as "short-tailed" and expense deterioration and investment return is of less importance in estimating provisions.
Liability	Under these contracts, compensation is paid for injury suffered by individuals, including employees or members of the public. The main liability exposure is in relation to bodily injury.	The timing of claim reporting and settlement is a function of factors such as the nature of the coverage and the policy provisions. Although bodily injury claims have a relatively long tail, the majority of bodily injury claims are settled in full within three to five years. In general, these contracts involve higher estimation uncertainty.

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54. Insurance and Financial Risk Management (Continued)

(a) Insurance risk (continued)

Management of risks relating to Insurance contracts

Motor contracts:

The risks relating to motor contracts are managed primarily through the pricing and selection process. AGI monitors and reacts to changes in trends of injury awards, litigation and the frequency of claims appeals.

Property contracts:

The risks relating to property contracts are managed primarily through the pricing and selection processes. AGI uses strict underwriting criteria to ensure that the risk of losses is acceptable. Furthermore, AGI accepts property insurance risks for one year so that each contract can be re-priced on renewal to reflect the continually evolving risk profile.

Liability contracts:

Risks arising from liability insurance are managed primarily through pricing, product design, risk selection, adopting an appropriate investment strategy, rating and reinsurance. AGI monitors and reacts to changes in the general economic and commercial environment in which it operates to ensure that only liability risks which meet its criteria for profitability are underwritten. In pricing contracts, AGI makes assumptions that costs will increase in line with the latest available research.

Risk exposure and concentrations of risk:

The following table shows AGI's exposure to general insurance risk (based on the carrying value of insurance provisions at the reporting date) per major category of business. AGI has its largest risk concentration in the motor line.

Risk exposure and concentration of risks:

	AGI- 2019			
	Liability	Property	Motor	Total
	\$'000	\$'000	\$'000	\$'000
Gross	38,095	34,536	3,379,390	3,452,021
Net of proportional reinsurance	38,095	20,688	3,281,768	3,340,551

Development Claim Liabilities

In addition to sensitivity analysis, the development of insurance liabilities provides a measure of AGI's ability to estimate the ultimate value of claims. The table below illustrates how AGI's estimate of the ultimate claims liability for accident years 2013 - 2018 has changed at successive yearends, up to 2018. Updated unpaid claims and adjustment expenses (UCAE) and IBNR estimates in each successive year, as well as amounts paid to date are used to derive the revised amounts for the ultimate claims liability for each accident year, used in the development calculations.

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54. Insurance and Financial Risk Management (Continued)

(a) Insurance risk (continued)

The development of an insurer's claims in the course of settlement provides a measure of its ability to estimate the ultimate value of claims incurred. In the table below, the estimate of total claims incurred for each year is provided at successive year ends. The most recent estimate is then reconciled to the liability recognised in the statement of financial position.

	The Group					
	2015 \$'000	2016 \$'000	2017 \$'000	2018 \$'000	2019 \$'000	Total \$'000
Gross						
Estimate of ultimate claims incurred:						
At the end of the reporting year	2,495,173	2,271,199	2,304,859	2,500,802	2,530,305	12,102,338
One year later	2,385,015	2,766,019	2,582,803	2,656,880	-	10,390,717
Two years later	2,454,816	2,827,400	2,788,246	-	-	8,070,462
Three years later	2,343,177	2,910,761	-	-	-	5,253,938
Four years later	2,348,292	-	-	-	-	2,348,292
Current estimate of cumulative claims	2,348,292	2,910,761	2,788,246	2,656,880	2,530,305	13,234,484
Cumulative payments to date	(2,165,725)	(2,632,684)	(2,398,031)	(2,032,312)	(883,726)	(10,112,478)
	182,567		390,215			
Liability recognised in the statement of financial position		278,077		624,568	1,646,579	3,122,006
Liability in respect of prior years and ULAE						377,581
Total liability						3,499,587

The reinsurers' share of the amounts in the following table is set out below.

	Reinsurers' share					
	2015 \$'000	2016 \$'000	2017 \$'000	2018 \$'000	2019 \$'000	Total \$'000
Estimate of ultimate claims incurred:						
At the end of the reporting year	12,904	286,048	75,667	22,945	137,338	534,902
One year later	11,297	354,524	38,417	23,493	-	427,731
Two years later	29,816	273,743	53,918	-	-	357,477
Three years later	7,838	273,869	-	-	-	281,707
Four years later	10,097	-	-	-	-	10,097
Current estimate of cumulative claims	10,097	273,869	53,918	23,493	137,338	498,715
Cumulative payments to date	(7,838)	(273,869)	(46,248)	(19,533)	(42,169)	(389,657)
Recoverable recognised in the statement of financial position	2,259	-	7,670	3,960	95,169	109,058
Recoverable in respect of prior years						4,168
Total recoverable from reinsurers						113,226

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54. Insurance and Financial Risk Management (Continued)

(a) Insurance risk (continued)

Sensitivity Analysis of Actuarial Liabilities

The determination of actuarial liabilities is sensitive to a number of assumptions, and changes in those assumptions could have a significant effect on the valuation results.

In applying the noted methodologies, the following assumptions were made:

- (i) The claims inflation rate implicitly used in the valuation is equivalent to that rate which is part of the historical data. To the extent that this has raised the average factors on which future development expectations are based, the valuation contains implicit provision for future inflationary shocks, which we believe is appropriate;
- (ii) With respect to the analysis of the incurred claims development history, the level of case reserve adequacy is relatively consistent (in inflation adjusted terms) over the experience period;
- (iii) With respect to the Bornhuetter-Ferguson method, the average on-level ultimate net loss ratios are representative of recent historical loss ratios. There is no evident trend in the historical net loss ratios adjusted for rate changes and cost changes;
- (iv) With respect to the analysis of the gross and net paid claims development history, the rate of payment of ultimate incurred losses for the more recent years is indicative of future settlement patterns. This assumption was based on our discussion with management and the change in AGI's claims settlement practices in recent years; and
- (v) Claims are expressed at their estimated ultimate undiscounted value, in accordance with the requirement of the Insurance Act, 2001.

A 10% increase in the future development assumptions increases the net total claims liability by \$59,746,000 while a 10% decrease, decreases the net liability by \$59,845,000.

Provision for adverse deviation assumptions

The basic assumptions made in establishing insurance reserves are best estimates for a range of possible outcomes. To recognise the uncertainty in establishing these best estimates, to allow for possible deterioration in experience and to provide greater comfort that the reserves are adequate to pay future benefits, the appointed actuary is required to include a margin for adverse deviation in each assumption.

Sagicor Re Insurance Company Limited

Certain casualty risks for the Group and its affiliates are covered through the subsidiary, Sagicor Re Insurance Company Limited.

The frequency and severity of casualty claims can be affected by several factors. The most significant casualty risks under the professional indemnity, directors and officers liability, medical malpractice, contractors all risk, employer's liability and public liability policies are slip and fall accidents at the insured premises, and damage to areas occupied or contents at the insured premises due to blocked drains or burst pipes. In addition, increasing level of awards, the increasing number of cases coming to court and inflation all impact on ultimate claims costs. The Group manages these risks through its underwriting strategy and proactive claims handling. The underwriting strategy concentrates on fully reinsuring the exposures to casualty risks.

Property insurance risks

Property risks for the Group and its affiliates are covered through one of its subsidiaries, Sagicor Re Insurance Company Limited (Sagicor Re).

For property insurance contracts, climatic changes give rise to more frequent and severe extreme weather events (for example, river flooding, hurricanes, etc.) and their consequences (for example, subsidence claims). For certain contracts, there is a maximum amount payable for claims in any policy year.

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54. Insurance and Financial Risk Management (Continued)

(a) Insurance risk (continued)

The Sagicor Re has the right to re-price the risk on renewal. It also has the ability to impose deductibles and reject fraudulent claims. These contracts are underwritten by reference to the commercial replacement value of the properties and contents insured, and claims payment limits are always included to cap the amount payable on occurrence of the insured event. The cost of rebuilding properties, of replacement or indemnity for contents are the key factors that influence the level of claims under these policies. The greatest likelihood of significant losses on these contracts arises from storm or flood damage.

All of the property and casualty risks insured by Sagicor Re are reinsured, while only some of risks insured by AGI are reinsured. However, in the event that these reinsurers are unable to meet their obligations under the reinsurance agreements, the Group would be liable to pay the claims subject to deductibles and a "catch all clause". The Group mitigates the risks associated with failure of its reinsurers by transacting only with well-established and rated insurance/reinsurance companies. These are primarily international reinsurers, however, a portion of reinsurance is placed with local and regional insurers.

(b) 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 established capability to meet their contractual obligations and which generally have high credit ratings. The credit ratings of reinsurers are monitored.

For its property risks, the Group uses Treaty reinsurance - Quota Share, Excess of Loss - and Facultative reinsurance arrangements to cover single events and multiple claims arising from catastrophes. The insurer may be required to pay an additional premium to reinstate the reinsurance coverage where a claim exhausts the reinsurance limit.

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. The Board of Directors approved policy retention limits. Coverage in excess of these limits is ceded to reinsurers up to the treaty limit. The retention programs used by the Group are summarised below

Type of insurance contract-2019

Health insurance contracts with groups

Life insurance contracts with individuals

Life insurance contracts with groups

General Insurance - Property Q/S Treaty

Catastrophe Excess of Loss

General Insurance – Motor Excess of Loss

General Insurance – Facultative – 2 Layers

US\$ Property – Commercial All Risks

Retention by insurers

Retention per individual to a maximum J\$2,000,000.

Retention per individual to a maximum of J\$35,000,000 and US\$500,000.

Retention per individual to a maximum of J\$35,000,000 and US\$100,000.

Retention – 10% of the sum insured per risk or US\$500,000.

Retention – US\$500,000.

Retention – US\$500,000.

Retention – US\$16.25 million (Layer US\$50 million excess US\$50 million)

Retention – US\$750,000 (Layer US\$10 million excess US\$25 million)

Type of insurance contract-2018

Health insurance contracts with groups

Life insurance contracts with individuals

Life insurance contracts with groups

General Insurance - Facultative

US\$ Property Commercial All Risks

Retention by insurers

Retention per individual to a maximum J\$1,500,000.

Retention per individual to a maximum of J\$35,000,000 and US\$500,000.

Retention per individual to a maximum of J\$35,000,000 and US\$100,000.

Retention – US\$17.75 million (Layer US\$50 million excess US\$50 million)

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54. Insurance and Financial Risk Management (Continued)

(c) Cash flow and fair value interest rate risk

Cash flow risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. The Group takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. Interest margins may increase as a result of such changes but may reduce or create losses in the event that unexpected movements arise. 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 Asset and Liability Committee sets limits on the level of mismatch of interest rate repricing that may be undertaken, which is monitored at least quarterly.

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.

The Group monitors interest rate risk by calculating the mean duration of the investment portfolio and the liabilities issued. The mean duration is an indicator of the sensitivity of the assets and liabilities to change in current interest rates. The mean duration of the liabilities is determined by means of projecting expected cash flows from the contracts using best estimate assumptions (Note 37(e) for further details).

The Group is exposed to various risks associated with the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows.

(i) Long term traditional insurance contracts and some investment contracts

Insurance and investment contracts with guaranteed and fixed terms have benefit payments that are fixed and guaranteed at the inception of the contract. The financial components of these benefits may include a guaranteed fixed interest rate and hence the Group's primary financial risk on these contracts is the risk that interest income and capital redemptions from the financial assets backing the liabilities is insufficient to fund the guaranteed benefits payable.

(ii) Long term insurance contracts and investment contracts without fixed terms

For unit-linked contracts the Group matches all the assets on which the unit prices are based with assets in the portfolio. There is no price, currency, credit, or interest rate risk for these contracts.

The Group's primary exposure to financial risk for these contracts is the risk of volatility in asset management fees due to the impact of interest rate and market price movements on the fair value of the assets held in the linked funds, on which investment management fees are based.

A decrease of 10% in the value of the assets would reduce the asset management fees to \$338,992,000 (2018 - \$291,244,000) per annum.

Unit-linked and interest-sensitive universal life type contracts have embedded surrender options. These embedded derivatives vary in response to the change in a financial variable (such as equity prices and interest rates). At year end, all embedded derivatives within insurance liabilities were closely related to the host contract and did not require separation.

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54. Insurance and Financial Risk Management (Continued)

(c) Cash flow and fair value interest rate risk (continued)

(iii) Short term contracts

For short term insurance contracts, the Group has matched the insurance liabilities with a portfolio of debt securities. The financial assets in this portfolio are characterised by interest rate risk.

Short term liabilities are not directly sensitive to the level of market interest rates, as they are undiscounted and contractually non-interest bearing.

The following tables summarise carrying amounts of statement of financial position assets, liabilities and equity in order to arrive at the Group and company's interest rate gap based on earlier of contractual repricing or maturity dates.

The disclosures provided in this note are based on the Group and company's investment portfolio as at 31 December 2019 and 2018.

	The Group						Total
	2019						
	Immediately Rate Sensitive	Within 3 months	3-12 months	1-5 years	Over 5 years	Non- Interest bearing	
	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Assets							
Cash resources	3,066,069	1,508,014	-	-	-	9,392,394	13,966,477
Cash reserve at Bank of Jamaica	-	11,139,755	-	-	-	-	11,139,755
Financial investments and pledged assets	16,265,122	23,620,143	8,478,066	22,714,814	156,593,152	41,203,580	268,874,877
Derivative financial instruments	-	-	35,005	-	-	-	35,005
Loans & leases, after allowance for credit losses	31,450,241	51,621,061	314,019	1,016,891	370,917	223,247	84,996,376
Reinsurance contracts	-	-	-	-	-	2,052,051	2,052,051
Other assets	-	-	-	-	-	10,730,481	10,730,481
Non-financial assets							
Investment properties	-	-	-	-	-	3,355,590	3,355,590
Investment in joint venture	-	-	-	-	-	436,493	436,493
Investment in associated company	-	-	-	-	-	24,509,615	24,509,615
Intangible assets	-	-	-	-	-	8,275,993	8,275,993
Property, plant and equipment	-	-	-	-	-	20,133,831	20,133,831
Deferred income taxes	-	-	-	-	-	848,631	848,631
Taxation recoverable	-	-	-	-	-	2,264,183	2,264,183
Right-of-use assets	-	-	-	-	-	2,910,614	2,910,614
Retirement benefit assets	-	-	-	-	-	863,638	863,638
Other assets	-	-	-	-	-	4,605,414	4,605,414
Total assets	50,781,432	87,888,973	8,827,090	23,731,705	156,964,069	131,805,755	459,999,024

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(expressed in Jamaican dollars unless otherwise indicated)

54. Insurance and Financial Risk Management (Continued)

(c) Cash flow and fair value interest rate risk (continued)

	The Group						
	2019						
	Immediately Rate Sensitive	Within 3 months	3-12 months	1-5 years	Over 5 years	Non- Interest bearing	Total
\$000	\$000	\$000	\$000	\$000	\$000	\$000	
Liabilities							
Deposit and security liabilities	-	148,234,142	28,291,672	1,373,864	1,665,704	60,5396	180,170,778
Derivative financial instruments	-	-	35,005	-	-	-	35,005
Loan Payable	-	131,575	2,220,000	4,852,756	6,972,469	198,212	14,375,012
Other liabilities	-	-	-	-	-	19,335,837	19,335,837
Lease liabilities	35,670	71,943	340,891	2,072,181	560,888	-	3,081,573
Insurance contracts liabilities	-	1,174,331	3,548,811	22,550,939	61,850,826	2,317,055	91,441,962
Investment contracts liabilities	-	8,625,768	983,767	4,921,485	-	-	14,531,020
Other policy liabilities	-	880,405	-	-	-	10,137,584	11,017,989
Non-financial liabilities:							
Taxation payable	-	-	-	-	-	135,054	135,054
Deferred Income Taxes	-	-	-	-	-	1,605,692	1,605,692
Retirement benefit obligations	-	-	-	-	-	3,344,834	3,344,834
Total liabilities	35,670	159,118,164	35,420,146	35,771,225	71,049,887	37,679,664	339,074,756
On statement of financial position interest sensitivity gap	50,745,762	(71,229,191)	(26,593,056)	(12,039,520)	85,914,182	94,126,091	120,924,268
Cumulative interest sensitivity gap	50,745,762	(20,483,429)	(47,076,485)	(59,116,005)	26,798,177	120,924,268	

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(expressed in Jamaican dollars unless otherwise indicated)

54. Insurance and Financial Risk Management (Continued)

(c) Cash flow and fair value interest rate risk (continued)

	The Company						
	2019						
	Immediately Rate Sensitive	Within 3 mths	3-12 mths	1-5 years	Over 5 years	Non- Interest bearing	Total
\$000	\$000	\$000	\$000	\$000	\$000	\$000	
Assets:							
Cash Resources & cash reserves at Central bank	424,666	-	-	-	-	-	424,666
Financial Investments and pledged assets	-	3,040	574,768	-	32,297	369	610,474
Investment in subsidiaries	-	-	-	-	-	72,444,299	72,444,299
Investment in joint venture	-	-	-	-	-	414,267	414,267
Taxation Recoverable	-	-	-	-	-	49,210	49,210
Other Assets	-	-	-	-	-	194,806	194,806
Non-Financial Assets:							
Property, Plant and Equipment	-	-	-	-	-	210,949	210,949
Deferred Income Taxes	-	-	-	-	-	149,667	149,667
Intangible Assets	-	-	-	-	-	453,884	453,884
Other Assets	-	-	-	-	-	670,570	670,570
Total assets	424,666	3,040	574,768	-	32,297	74,588,021	75,622,792

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54. Insurance and Financial Risk Management (Continued)

(C) Cash flow and fair value interest rate risk (continued)

	The Company						Total
	2019						
	Immediately Rate Sensitive	Within 3 mths	3-12 mths	1-5 years	Over 5 years	No specific maturity	
\$000	\$000	\$000	\$000	\$000	\$000	\$000	
Liabilities							
Deposits and security liabilities	-	12,311	-	-	-	-	12,311
Other Liabilities	-	4,420,086	-	-	-	-	4,420,086
Promissory notes payable to member companies	-	-	8,446,923	4,180,460	-	-	12,627,383
Total liabilities	-	12,311	8,446,923	4,180,460	-	4,420,086	17,059,780
On Balance Sheet sensitivity gap	424,666	(9,271)	(7,872,155)	(4,180,460)	32,297	70,167,935	58,563,012
Cumulative liability sensitivity gap	424,666	415,395	(7,456,760)	(11,637,220)	(11,604,923)	58,563,012	

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54. Insurance and Financial Risk Management (Continued)

(c) Cash flow and fair value interest rate risk (continued)

	The Group						
	2018						
	Immediately Rate Sensitive	Within 3 months	3-12 months	1-5 years	Over 5 years	Non-Interest bearing	Total
\$000	\$000	\$000	\$000	\$000	\$000	\$000	
Assets							
Cash resources	2,612,039	-	-	-	-	8,940,877	11,552,916
Cash reserve at Bank of Jamaica	-	12,330,758	-	-	-	-	12,330,758
Financial investments and pledged assets	13,070,940	20,977,817	9,627,541	16,970,382	138,379,458	30,296,651	229,322,789
Derivative financial instruments	-	-	-	-	-	31,464	31,464
Loans & leases, after allowance for credit losses	26,868,940	40,169,631	570,589	1,100,600	310,351	264,481	69,284,592
Reinsurance contracts	-	-	-	-	-	765,651	765,651
Other assets	-	-	-	122,643	-	8,057,923	8,180,566
Non-financial assets							
Investment properties	-	-	-	-	-	2,552,460	2,552,460
Investment in joint venture	-	-	-	-	-	330,804	330,804
Investment in associated companies	-	-	-	-	-	24,764,690	24,764,690
Intangible assets	-	-	-	-	-	6,651,581	6,651,581
Property, plant and equipment	-	-	-	-	-	19,000,411	19,000,411
Deferred income taxes	-	-	-	-	-	3,405,053	3,405,053
Taxation recoverable	-	-	-	-	-	3,256,419	3,256,419
Retirement benefit Assets	-	-	-	-	-	183,351	183,351
Other assets	-	-	-	-	-	2,519,248	2,519,248
Total assets	42,551,919	73,478,206	10,198,130	18,193,625	138,689,809	111,021,064	394,132,753

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54. Insurance and Financial Risk Management (Continued)

(c) Cash flow and fair value interest rate risk (continued)

	The Group						
	2018						
	Immediately Rate Sensitive	Within 3 months	3-12 months	1-5 years	Over 5 years	Non- Interest bearing	Total
\$000	\$000	\$000	\$000	\$000	\$000	\$000	
Liabilities							
Deposit and security liabilities	-	109,925,643	20,332,611	26,568,301	7,496,060	610,885	164,933,500
Derivative financial instruments	-	-	-	-	-	31,464	31,464
Loan Payable	-	-	668,221	2,153,489	6,973,914	174,478	9,970,102
Other liabilities	-	-	-	122,643	-	14,307,517	14,430,160
Insurance contracts liabilities	-	871,381	2,643,078	16,343,016	56,825,265	3,279,292	79,962,032
Investment contracts liabilities	-	6,392,013	3,654,169	3,362,160	-	-	13,408,342
Other policy liabilities	-	1,041,311	-	-	-	3,211,363	4,252,674
Non-financial liabilities:							
Taxation payable	-	-	-	-	-	1,880,810	1,880,810
Deferred Income Taxes	-	-	-	-	-	412,486	412,486
Other Liabilities	-	-	-	-	-	79,964	79,964
Retirement benefit obligations	-	-	-	-	-	3,076,400	3,076,400
Total liabilities		118,230,348	27,298,079	48,549,609	71,295,239	27,064,659	292,437,934
On statement of financial position interest sensitivity gap	42,551,919	(44,752,142)	(17,099,949)	(30,355,984)	67,394,570	83,956,405	101,694,819
Cumulative interest sensitivity gap	42,551,919	(2,200,223)	(19,300,172)	(49,656,156)	17,738,414	101,694,819	

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54. Insurance and Financial Risk Management (Continued)

(c) Cash flow and fair value interest rate risk (continued)

	The Company						
	2018						
	Immediately Rate Sensitive	Within 3 mths	3-12 mths	1-5 years	Over 5 years	Non- Interest bearing	Total
\$000	\$000	\$000	\$000	\$000	\$000	\$000	
Assets:							
Cash Resources & cash reserves at Central bank	296,597	-	-	-	-	-	296,597
Financial Investments and pledged assets	-	710,897	505,415	-	28,911	2,164	1,247,387
Investment in subsidiaries	-	-	-	-	-	72,444,299	72,444,299
Investment in joint venture	-	-	-	-	-	414,267	414,267
Taxation Recoverable	-	-	-	-	-	46,994	46,994
Non-Financial Assets:							
Property, Plant and Equipment	-	-	-	-	-	279,307	279,307
Deferred Income Taxes	-	-	-	-	-	88,670	88,670
Intangible Assets	-	-	-	-	-	622,159	622,159
Other Assets	-	-	-	-	-	618,505	618,505
Total assets	296,597	710,897	505,415	-	28,911	74,516,365	76,058,185

NOTES TO THE FINANCIAL STATEMENTS

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54. Insurance and Financial Risk Management (Continued)

(c) Cash flow and fair value interest rate risk (continued)

	The Company						
	2018						
	Immediately Rate Sensitive	Within 3 mths	3-12 mths	1-5 years	Over 5 years	No specific maturity	Total
\$000	\$000	\$000	\$000	\$000	\$000	\$000	
Liabilities							
Other Liabilities	-	-	-	-	-	4,181,046	4,181,046
Promissory notes payable to member companies	-	-	4,128,929	9,131,290	-	-	13,260,219
Total liabilities	-	-	4,128,929	9,131,290	-	4,181,046	17,441,265
On Balance Sheet sensitivity gap	296,597	710,897	(3,623,514)	(9,131,290)	28,911	70,335,319	58,616,920
Cumulative liability sensitivity gap	296,597	1,007,494	(2,616,020)	(11,747,310)	(11,718,399)	58,616,920	

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54. Insurance and Financial Risk Management (Continued)

(c) Cash flow and fair value interest rate risk (continued)

The table summarises the average effective yields by the earlier of the contractual repricing or maturity dates:

	The Group					
	2019					
	Immediately rate sensitive	Within 3 months	3 to 12 months	1 to 5 Years	Over 5 Years	Weighted Average
%	%	%	%	%	%	
Investments (1)	2.1	2.3	4.3	5.73	7.69	6.81
Loans	13.02	9.06	9.86	9.86	9.86	10.68
Mortgages (2)	-	8.31	8.31	8.31	8.31	8.31
Policy loans	-	-	-	-	11.72	11.72
Investment contracts	-	5.35	5.35	5.35	5.35	5.35
Bank overdraft	-	21.25 – 28.00	-	-	-	-
Deposits	-	1.13	1.65	1.11	-	1.12
Amounts due to banks and other financial institutions	-	3.39	4.65	6.33	5.91	4.01

	The Group					
	2018					
	Immediately rate sensitive	Within 3 months	3 to 12 months	1 to 5 Years	Over 5 Years	Weighted Average
%	%	%	%	%	%	
Investments (1)	-	1.54	6.56	6.23	6.96	5.84
Loans	14.79	10.15	9.93	9.86	9.61	11.91
Mortgages (2)	-	8.33	8.33	8.33	8.33	8.33
Policy loans	-	-	-	-	11.72	11.72
Investment contracts	-	5.35	5.35	5.35	5.35	5.35
Bank overdraft	-	21.25 – 28.00	-	-	-	-
Deposits	-	4.71	2.69	2.11	-	4.02
Amounts due to banks and other financial institutions	-	3.94	5.58	6.46	5.92	4.73

(1) Yields are based on book values and contractual interest adjusted for amortization of premiums and discounts.

(2) Yields are based on book values, net of allowances for impairment and contractual interest rates.

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(expressed in Jamaican dollars unless otherwise indicated)

54. Insurance and Financial Risk Management (Continued)

(c) Cash flow and fair value interest rate risk (continued)

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 55.

The effects of changes in interest rates of assets backing other policy liabilities, deposit and security liabilities and equity are considered below.

(d) Credit risk

Credit risk exposure- financial investments subject to impairment

The following tables contain analyses of the credit risk exposure of financial investments for which an ECL allowance is recognized. The Group categorises its financial assets into investment grade, non-investment grade, watch, default and unrated.

The maximum exposure to credit risk for financial assets carried at fair value represents their amortised cost, as this is the maximum amount of credit loss the Group and Company will suffer in the event of a total default of the counterparty. For financial assets carried at FVTOCI and FVTPL, the amounts shown in the tables will therefore not necessarily reconcile to the financial statements, as the carrying amounts have been adjusted for fair value movements, for which there is market risk.

Provision for credit losses in the Group's financial statements as follow:

Provision for credit losses:

	The Group	
	2019 \$'000	2018 \$'000
Loans	383,574	624,066
Leases	(2,376)	(5,045)
	<u>381,198</u>	<u>619,021</u>

Credit impairment losses:

Investments	<u>417,981</u>	<u>1,094,366</u>
Total per income statement	<u>799,179</u>	<u>1,713,387</u>

Debt securities – amortised cost	The Group-2019					
	ECL Staging				Purchased credit- impaired	Total
	Stage 1 12-month ECL	Stage 2 life-time ECL	Stage 3 life-time ECL			
\$000	\$000	\$000	\$000	\$000	\$000	
Credit grade:						
Investment	3,233,501	-	-	-	3,233,501	
Non-investment	72,222,210	-	-	-	72,222,210	
Gross carrying amount	75,455,711	-	-	-	75,455,711	
Loss allowance	(95,454)	-	-	-	(95,454)	
Carrying amount	<u>75,360,257</u>	-	-	-	<u>75,360,257</u>	

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54. Insurance and Financial Risk Management (Continued)

(d) Credit risk (continued)

Credit risk exposure- financial investments subject to impairment

Debt securities – amortised cost	The Group-2018					
	ECL Staging				Purchased credit- impaired	Total
	Stage 1 12-month ECL	Stage 2 life-time ECL	Stage 3 life-time ECL			
\$000	\$000	\$000	\$000	\$000	\$000	
Credit grade:						
Investment	547,344	-	-	-	547,344	
Non-investment	67,624,271	-	-	-	67,624,271	
Gross carrying amount	68,171,615	-	-	-	68,171,615	
Loss allowance	(125,670)	-	-	-	(125,670)	
Carrying amount	<u>68,045,945</u>	-	-	-	<u>68,045,945</u>	

Debt securities – amortised cost	The Company-2019					
	ECL Staging				Purchased credit- impaired	Total
	Stage 1 12-month ECL	Stage 2 life-time ECL	Stage 3 life-time ECL			
\$000	\$000	\$000	\$000	\$000	\$000	
Credit grade:						
Non-investment	51,688	-	-	-	51,688	
Gross carrying amount	51,688	-	-	-	51,688	
Loss allowance	(40)	-	-	-	(40)	
Carrying amount	<u>51,648</u>	-	-	-	<u>51,648</u>	

Debt securities – amortised cost	The Company-2018					
	ECL Staging				Purchased credit- impaired	Total
	Stage 1 12-month ECL	Stage 2 life-time ECL	Stage 3 life-time ECL			
\$000	\$000	\$000	\$000	\$000	\$000	
Credit grade:						
Non-investment	51,687	-	-	-	51,687	
Gross carrying amount	51,687	-	-	-	51,687	
Loss allowance	(43)	-	-	-	(43)	
Carrying amount	<u>51,644</u>	-	-	-	<u>51,644</u>	

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54. Insurance and Financial Risk Management (Continued)

(d) Credit risk (continued)

Credit risk exposure- financial investments subject to impairment (continued)

Mortgage loans – amortised cost	The Group-2019				Total
	ECL Staging			Purchased credit- impaired	
	Stage 1 12-month ECL	Stage 2 life-time ECL	Stage 3 life-time ECL		
\$000	\$000	\$000	\$000	\$000	
Credit grade:					
Non-investment	2,331,669	266,232	-	-	2,597,901
Watch	-	-	385,332	-	385,332
Gross carrying amount	2,331,669	266,232	385,332	-	2,983,233
Loss allowance	(1,470)	(230)	(3,846)	-	(5,546)
Carrying amount	2,330,199	266,002	381,486	-	2,977,687

Mortgage loans – amortised cost	The Group-2018				Total
	ECL Staging			Purchased credit- impaired	
	Stage 1 12-month ECL	Stage 2 life-time ECL	Stage 3 life-time ECL		
\$000	\$000	\$000	\$000	\$000	
Credit grade:					
Non-investment	2,488,827	279,832	-	-	2,768,659
Default	-	-	355,702	-	355,702
Gross carrying amount	2,488,827	279,832	355,702	-	3,124,361
Loss allowance	(851)	(1,719)	(6,270)	-	(8,840)
Carrying amount	2,487,976	278,113	349,432	-	3,115,521

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54. Insurance and Financial Risk Management (Continued)

(d) Credit risk (continued)

Credit risk exposure- financial investments subject to impairment (continued)

Loans and leases – amortised cost	The Group-2019				Total
	ECL Staging			Purchased credit- impaired	
	Stage 1 12-month ECL	Stage 2 life-time ECL	Stage 3 life-time ECL		
\$000	\$000	\$000	\$000	\$000	
Credit grade:					
Non-investment	82,519,644	2,055,077	-	-	84,574,721
Default	-	-	1,850,433	-	1,850,433
Gross carrying amount	82,519,644	2,055,077	1,850,433	-	86,425,154
Loss allowance	(493,141)	(98,788)	(836,849)	-	(1,428,778)
Carrying amount	82,026,503	1,956,289	1,013,584	-	84,996,376

Loans and leases – amortised cost	The Group-2018				Total
	ECL Staging			Purchased credit- impaired	
	Stage 1 12-month ECL	Stage 2 life-time ECL	Stage 3 life-time ECL		
\$000	\$000	\$000	\$000	\$000	
Credit grade:					
Non-investment	66,933,188	1,878,221	-	-	68,811,409
Default	-	-	2,269,977	-	2,269,977
Gross carrying amount	66,933,188	1,878,221	2,269,977	-	71,081,386
Loss allowance	(558,877)	(153,828)	(1,084,089)	-	(1,796,794)
Carrying amount	66,374,311	1,724,393	1,185,888	-	69,284,592

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54. Insurance and Financial Risk Management (Continued)

(d) Credit risk (continued)

Credit risk exposure- financial investments subject to impairment (continued)

Securities purchased for resale – amortised cost	The Group-2019				Total
	ECL Staging			Purchased credit-impaired	
	Stage 1 12-month ECL	Stage 2 life-time ECL	Stage 3 life-time ECL		
	\$000	\$000	\$000	\$000	\$000
Credit grade:					
Non-investment	1,445,129	-	-	-	1,445,129
Gross carrying amount	1,445,129	-	-	-	1,445,129
Loss allowance	-	-	-	-	-
Carrying amount	1,445,129	-	-	-	1,445,129

Securities purchased for resale – amortised cost	The Group-2018				Total
	ECL Staging			Purchased credit-impaired	
	Stage 1 12-month ECL	Stage 2 life-time ECL	Stage 3 life-time ECL		
	\$000	\$000	\$000	\$000	\$000
Credit grade:					
Non-investment	913,344	-	-	-	913,344
Gross carrying amount	913,344	-	-	-	913,344
Loss allowance	-	-	-	-	-
Carrying amount	913,344	-	-	-	913,344

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54. Insurance and Financial Risk Management (Continued)

(d) Credit risk (continued)

Credit risk exposure- financial investments subject to impairment (continued)

Securities purchased for resale – amortised cost	The Company-2019				Total
	ECL Staging			Purchased credit-impaired	
	Stage 1 12-month ECL	Stage 2 life-time ECL	Stage 3 life-time ECL		
	\$000	\$000	\$000	\$000	\$000
Credit grade:					
Non-investment	3,042	-	-	-	3,042
Gross carrying amount	3,042	-	-	-	3,042
Loss allowance	-	-	-	-	-
Carrying amount	3,042	-	-	-	3,042

Securities purchased for resale – amortised cost	The Company-2018				Total
	ECL Staging			Purchased credit-impaired	
	Stage 1 12-month ECL	Stage 2 life-time ECL	Stage 3 life-time ECL		
	\$000	\$000	\$000	\$000	\$000
Credit grade:					
Non-investment	524,167	-	-	-	524,167
Gross carrying amount	524,167	-	-	-	524,167
Loss allowance	-	-	-	-	-
Carrying amount	524,167	-	-	-	524,167

Policy loans – amortised cost	The Group-2019				Total
	ECL Staging			Purchased credit-impaired	
	Stage 1 12-month ECL	Stage 2 life-time ECL	Stage 3 life-time ECL		
	\$000	\$000	\$000	\$000	\$000
Credit grade:					
Investment	950,789	-	-	-	950,789
Gross carrying amount	950,789	-	-	-	950,789
Loss allowance	(26,055)	-	-	-	(26,055)
Carrying amount	924,734	-	-	-	924,734

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54. Insurance and Financial Risk Management (Continued)

(d) Credit risk (continued)

Credit risk exposure- financial investments subject to impairment (continued)

Policy loans – amortised cost	The Group-2018					Total
	ECL Staging			Purchased credit-impaired		
	Stage 1 12-month ECL	Stage 2 life-time ECL	Stage 3 life-time ECL			
	\$000	\$000	\$000	\$000	\$000	
Credit grade:						
Investment	936,871	-	-	-	-	936,871
Gross carrying amount	936,871	-	-	-	-	936,871
Loss allowance	(13,733)	-	-	-	-	(13,733)
Carrying amount	923,138	-	-	-	-	923,138

Deposits – amortised cost	The Group--2019					Total
	ECL Staging			Purchased credit-impaired		
	Stage 1 12-month ECL	Stage 2 life-time ECL	Stage 3 life-time ECL			
	\$000	\$000	\$000	\$000	\$000	
Credit grade:						
Investment	9,707	-	-	-	-	9,707
Non-investment	860,728	-	-	-	-	860,728
Gross carrying amount	870,435	-	-	-	-	870,435
Loss allowance	-	-	-	-	-	-
Carrying amount	870,435	-	-	-	-	870,435

Deposits – amortised cost	The Group 2018					Total
	ECL Staging			Purchased credit-impaired		
	Stage 1 12-month ECL	Stage 2 life-time ECL	Stage 3 life-time ECL			
	\$000	\$000	\$000	\$000	\$000	
Credit grade:						
Investment	901,184	-	-	-	-	901,184
Non-investment	2,050,829	-	-	-	-	2,050,829
Gross carrying amount	2,952,013	-	-	-	-	2,952,013
Loss allowance	-	-	-	-	-	-
Carrying amount	2,952,013	-	-	-	-	2,952,013

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54. Insurance and Financial Risk Management (Continued)

(d) Credit risk (continued)

Credit risk exposure- financial investments subject to impairment (continued)

Deposits – amortised cost	The Company-2019					Total
	ECL Staging			Purchased credit-impaired		
	Stage 1 12-month ECL	Stage 2 life-time ECL	Stage 3 life-time ECL			
	\$000	\$000	\$000	\$000	\$000	
Credit grade:						
Investment	-	-	-	-	-	-
Non-investment	523,178	-	-	-	-	523,178
Gross carrying amount	523,178	-	-	-	-	523,178
Loss allowance	-	-	-	-	-	-
Carrying amount	523,178	-	-	-	-	523,178

Deposits – amortised cost	The Company-2018					Total
	ECL Staging			Purchased credit-impaired		
	Stage 1 12-month ECL	Stage 2 life-time ECL	Stage 3 life-time ECL			
	\$000	\$000	\$000	\$000	\$000	
Credit grade:						
Investment	390,639	-	-	-	-	390,639
Non-investment	125,134	-	-	-	-	125,134
Gross carrying amount	515,773	-	-	-	-	515,773
Loss allowance	-	-	-	-	-	-
Carrying amount	515,773	-	-	-	-	515,773

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54. Insurance and Financial Risk Management (Continued)

(d) Credit risk (continued)

Credit risk exposure- financial investments subject to impairment (continued)

Debt securities – FVTOCI	The Group-2019					2019 Total \$000
	ECL Staging			Purchased credit- impaired		
	Stage 1 12-month ECL	Stage 2 life-time ECL	Stage 3 life-time ECL			
	\$000	\$000	\$000	\$000	\$000	
Credit grade:						
Investment	56,696,220	-	-	-	-	56,696,220
Non-investment	82,222,684	2,561,420	-	190,525	-	84,974,629
Maximum credit exposure	138,918,904	2,561,420	-	190,525	-	141,670,849
Loss allowance	(235,182)	(236,161)	-	-	-	(471,343)
Maximum Credit Exposure, net of ECL	138,683,722	2,325,259	-	190,525	-	141,199,506
	The Group-2018					2018 Total \$000
	ECL Staging			Purchased credit- impaired		
	Stage 1 12-month ECL	Stage 2 life-time ECL	Stage 3 life-time ECL			
	\$000	\$000	\$000	\$000	\$000	
Credit grade:						
Investment	62,888,408	-	-	-	-	62,888,408
Non-investment	56,201,813	5,066,827	-	-	-	61,268,640
Watch	-	-	-	-	-	-
Default	-	-	2,429,872	-	-	2,429,872
Unrated	-	-	-	-	-	-
Maximum credit exposure	119,090,221	5,066,827	2,429,872	-	-	126,586,920
Loss allowance	(130,742)	(502,944)	(876,760)	-	-	(1,510,446)
Maximum credit exposure, net of ECL	118,959,479	4,563,883	1,553,112	-	-	125,076,474

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54. Insurance and Financial Risk Management (Continued)

(d) Credit risk (continued)

Credit risk exposure- financial investments subject to impairment (continued)

Debt securities – FVTOCI	The Company-2019					2019 Total \$000
	ECL Staging			Purchased credit- impaired		
	Stage 1 12-month ECL	Stage 2 life-time ECL	Stage 3 life-time ECL			
	\$000	\$000	\$000	\$000	\$000	
Credit grade:						
Investment	31,609	-	-	-	-	31,609
Maximum credit exposure	31,609	-	-	-	-	31,609
Loss allowance	(10)	-	-	-	-	(10)
Maximum credit exposure, net of ECL	31,599	-	-	-	-	31,599
	The Company-2018					2018 Total \$000
	ECL Staging			Purchased credit- impaired		
	Stage 1 12-month ECL	Stage 2 life-time ECL	Stage 3 life-time ECL			
	\$000	\$000	\$000	\$000	\$000	
Credit grade:						
Investment	-	-	-	-	-	-
Non-investment	157,511	-	-	-	-	157,511
Watch	-	-	-	-	-	-
Default	-	-	-	-	-	-
Unrated	-	-	-	-	-	-
Maximum credit exposure	157,511	-	-	-	-	157,511
Loss allowance	(17)	-	-	-	-	(17)
Maximum credit exposure, net of ECL	157,494	-	-	-	-	157,494

For financial investments measured at FVTPL under the unit-linked funds fair value model, the unit holders bear the credit risk and the Group has no direct credit exposure.

Maximum exposure to credit risk - Financial instruments not subject to impairment

	The Group Maximum exposure to credit risk	
	2019 \$000	2018 \$000
Financial assets designated at fair value		
Debt securities	338,298	955,946
Derivative financial instruments	-	-

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54. Insurance and Financial Risk Management (Continued)

(d) Credit risk (continued)

Loss allowances

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

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

The following tables contain an analysis of the credit risk exposure of financial investments for which an ECL allowance is recognised. The gross carrying amount of financial assets below represents the Group's maximum exposure to credit risk on these assets.

	The Group-2019				
	ECL staging				
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Purchased credit- impaired	Total
DEBT SECURITIES - FVTOCI	\$000	\$000	\$000	\$000	\$000
Loss Allowance as at January 01, 2019	130,742	502,944	876,706	-	1,510,392
Transfers:					
Transfer from Stage 1 to Stage 2	(77)	77	-	-	-
Transfer from Stage 2 to Stage 1	285	(285)	-	-	-
New financial assets originated or purchased	420,844	-	-	-	420,844
Financial assets fully derecognised during the period	(310,225)	(338,269)	(874,754)	-	(1,523,248)
Changes to inputs used in ECL calculation	(7,189)	65,949	(1,952)	-	56,808
Foreign exchange adjustment	802	5,745	-	-	6,547
Loss Allowance as at December 31, 2019	235,182	236,161	-	-	471,343

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54. Insurance and Financial Risk Management (Continued)

(d) Credit risk (continued)

Loss allowances (continued)

	The Group-2018				
	ECL staging				
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Purchased credit- impaired	Total
DEBT SECURITIES - FVTOCI	\$000	\$000	\$000	\$000	\$000
Loss Allowance as at January 01, 2018	292,239	531,431	11,812	-	835,482
Transfers:					
Transfer from Stage 1 to Stage 2	(1,201)	1,201	-	-	-
Transfer from Stage 1 to Stage 3	(97,473)	-	97,473	-	-
Transfer from Stage 2 to Stage 3	-	(952)	952	-	-
New financial assets originated or purchased	166,495	13,970	-	-	180,465
Financial assets fully derecognised during the period	(197,669)	(205,086)	(11,812)	-	(414,567)
Changes to inputs used in ECL calculation	(36,868)	155,775	776,329	-	895,236
Foreign exchange adjustment	5,219	6,605	1,952	-	13,776
Loss Allowance as at December 31, 2018	130,742	502,944	876,706	-	1,510,392
	The Company-2019				
	ECL staging				
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Purchased credit- impaired	Total
DEBT SECURITIES - FVTOCI	\$000	\$000	\$000	\$000	\$000
Loss Allowance as at January 01, 2019	17	-	-	-	17
Changes to inputs used in ECL calculation	(8)	-	-	-	(8)
Foreign exchange adjustment	1	-	-	-	1
Loss Allowance as at December 31, 2019	10	-	-	-	10

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54. Insurance and Financial Risk Management (Continued)

(d) Credit risk (continued)

Loss allowances (continued)

	The Company-2018				
	ECL staging				
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Purchased credit- impaired	Total
DEBT SECURITIES - FVTOCI					
Loss Allowance as at January 01, 2018	\$000 6,879	\$000 -	\$000 -	\$000 -	\$000 6,879
Financial assets fully derecognised during the period	(6,848)	-	-	-	(6,848)
Changes to inputs used in ECL calculation	(15)	-	-	-	(15)
Foreign exchange adjustment	1	-	-	-	1
Loss Allowance as at December 31, 2018	17	-	-	-	17
	The Group-2019				
	ECL staging				
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Purchased credit- impaired	Total
DEBT SECURITIES – AMORTISED COST					
Loss Allowance as at January 01, 2019	\$000 125,670	\$000 -	\$000 -	\$000 -	\$000 125,670
Financial assets fully derecognised during the period	24,604	-	-	-	24,604
Changes in models/assumptions used in ECL calculation	(27,424)	-	-	-	(27,424)
Changes to inputs used in ECL calculation	(29,241)	-	-	-	(29,241)
Foreign exchange adjustment	1,845	-	-	-	1,845
Loss Allowance as at December 31, 2019	95,454	-	-	-	95,454

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54. Insurance and Financial Risk Management (Continued)

(d) Credit risk (continued)

Loss allowances (continued)

	The Group-2018				
	ECL staging				
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Purchased credit- impaired	Total
DEBT SECURITIES – AMORTISED COST					
Loss Allowance as at January 01, 2018	\$000 129,722	\$000 952	\$000 -	\$000 -	\$000 130,674
New financial assets originated or purchased	74,055	-	-	-	74,055
Financial assets fully derecognised during the period	(38,101)	(952)	-	-	(39,053)
Changes in models/assumptions used in ECL calculation	-	-	-	-	-
Changes to inputs used in ECL calculation	(40,737)	-	-	-	(40,737)
Foreign exchange adjustment	731	-	-	-	731
Loss Allowance as at December 31, 2018	125,670	-	-	-	125,670
	The Company-2019				
	ECL staging				
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Purchased credit- impaired	Total
DEBT SECURITIES – AMORTISED COST					
Loss Allowance as at January 01, 2019	\$000 43	\$000 -	\$000 -	\$000 -	\$000 43
Changes to inputs used in ECL calculation	(3)	-	-	-	(3)
Loss Allowance as at December 31, 2019	40	-	-	-	40

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54. Insurance and Financial Risk Management (Continued)

(d) Credit risk (continued)

	The Company-2018				
	ECL staging				
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Purchased credit- impaired	Total
DEBT SECURITIES – AMORTISED COST	\$000	\$000	\$000	\$000	\$000
Loss Allowance as at January 01, 2018	75	-	-	-	75
Changes to inputs used in ECL calculation	(32)	-	-	-	(32)
Loss Allowance as at December 31, 2018	43	-	-	-	43
	The Group-2019				
	ECL staging				
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Purchased credit- impaired	Total
MORTGAGE LOANS - AMORTISED COST	\$000	\$000	\$000	\$000	\$000
Loss Allowance as at January 01, 2019	851	1,719	6,270	-	8,840
Transfers:					
Transfer from Stage 1 to Stage 2	(11)	11	-	-	-
Transfer from Stage 1 to Stage 3	(11)	-	11	-	-
Transfer from Stage 2 to Stage 1	1,055	(1,055)	-	-	-
Transfer from Stage 2 to Stage 3	-	(538)	538	-	-
Transfer from Stage 3 to Stage 2	-	114	(114)	-	-
Transfer from Stage 3 to Stage 1	941	-	(941)	-	-
New financial assets originated or purchased	160	-	-	-	160
Financial assets fully derecognised during the period	(10)	(24)	(318)	-	(352)
Changes to inputs used in ECL calculation	(1,505)	3	(1,600)	-	(3,102)
Foreign exchange adjustments	-	-	-	-	-
Loss Allowance as at December 31, 2019	1,470	230	3,846	-	5,546

Loss allowances (continued)

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54. Insurance and Financial Risk Management (Continued)

(d) Credit risk (continued)

Loss allowances (continued)

	The Group-2018				
	ECL staging				
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Purchased credit- impaired	Total
MORTGAGE LOANS - AMORTISED COST	\$000	\$000	\$000	\$000	\$000
Loss Allowance as at January 01, 2018	849	7	398	-	1,254
Transfers:					
Transfer from Stage 1 to Stage 2	(63)	63	-	-	-
Transfer from Stage 1 to Stage 3	(1)	-	1	-	-
Transfer from Stage 2 to Stage 1	1	(1)	-	-	-
Transfer from Stage 2 to Stage 3	-	(3)	3	-	-
Transfer from Stage 3 to Stage 2	-	225	(225)	-	-
Transfer from Stage 3 to Stage 1	258	-	(258)	-	-
New financial assets originated or purchased	88	-	-	-	88
Financial assets fully derecognised during the period	(20)	-	-	-	(20)
Changes to inputs used in ECL calculation	(261)	1,428	6,351	-	7,518
Foreign exchange adjustments	-	-	-	-	-
Loss Allowance as at December 31, 2018	851	1,719	6,270	-	8,840
	The Group-2019				
	ECL staging				
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Purchased credit- impaired	Total
LOANS AND LEASES - AMORTISED COST	\$000	\$000	\$000	\$000	\$000
Loss Allowance as at January 01, 2019	558,877	153,828	1,084,089	-	1,796,794
Transfers:					
Transfer from Stage 1 to Stage 2	(8,803)	8,803	-	-	-
Transfer from Stage 1 to Stage 3	(3,327)	-	3,327	-	-
Transfer from Stage 2 to Stage 1	46,311	(46,311)	-	-	-
Transfer from Stage 2 to Stage 3	-	(10,292)	10,292	-	-
Transfer from Stage 3 to Stage 1	19,257	-	(19,257)	-	-
New financial assets originated or purchased	198,312	29,174	118,094	-	345,580
Financial assets fully derecognised during the period	(112,704)	(53,545)	(434,249)	-	(600,498)
Changes to inputs used in ECL calculation	(207,411)	16,448	70,581	-	(120,382)
Foreign exchange adjustment	2,629	683	3,972	-	7,284
Loss Allowance as at December 31, 2019	493,141	98,788	836,849	-	1,428,778

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54. Insurance and Financial Risk Management (Continued)

(d) **Credit risk (continued)**
Loss allowances (continued)

	The Group-2018				Total
	ECL staging				
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Purchased credit- impaired	
LOANS AND LEASES - AMORTISED COST	\$000	\$000	\$000	\$000	\$000
Loss Allowance as at January 01, 2018	691,271	161,300	1,025,707	-	1,878,278
Transfers:					
Transfer from Stage 1 to Stage 2	(12,024)	12,024	-	-	-
Transfer from Stage 1 to Stage 3	(3,036)	-	3,036	-	-
Transfer from Stage 2 to Stage 1	44,605	(44,605)	-	-	-
Transfer from Stage 2 to Stage 3	-	(33,066)	33,066	-	-
Transfer from Stage 3 to Stage 2	-	1,343	(1,343)	-	-
Transfer from Stage 3 to Stage 1	4,117	-	(4,117)	-	-
New financial assets originated or purchased	220,395	23,341	142,592	-	386,328
Financial assets fully derecognised during the period	(205,995)	(60,697)	(336,846)	-	(603,538)
Changes to inputs used in ECL calculation	(182,598)	93,693	219,325	-	130,420
Foreign exchange adjustment	2,142	495	2,669	-	5,306
Loss Allowance as at December 31, 2018	558,877	153,828	1,084,089	-	1,796,794

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019

(expressed in Jamaican dollars unless otherwise indicated)

54. Insurance and Financial Risk Management (Continued)

(d) **Credit risk (continued)**

Loss allowances (continued)

The most significant period-end assumptions used for the ECL were as follows:

At December 31, 2018

Economic variable assumptions for exposure in corporate securities

Outlook for the next three (3) years from December 2018:

		2019	2020	2021
Unemployment rate (USA)	Base	4.2%	4.3%	4.4%
	Upside	4.0%	4.2%	4.3%
	Downside	4.4%	4.7%	4.8%
World GDP growth rate	Base	3.7%	3.7%	3.6%
	Upside	5.4%	5.4%	5.4%
	Downside	2.8%	2.8%	2.7%
WTI Oil Prices/10	Base	4.8	5.05	5.15
	Upside	9.48	9.48	9.48
	Downside	2.95	3.1	3.16

At December 31, 2018

Economic state assumptions for exposure in sovereign securities

Outlook for the next three (3) years from December 2018:

		2019	2020	2021
Jamaica	Base	Positive	Stable	Stable
	Upside	Positive	Positive	Positive
	Downside	Stable	Negative	Negative

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019

(expressed in Jamaican dollars unless otherwise indicated)

54. Insurance and Financial Risk Management (Continued)

(d) Credit risk (continued)

Loss allowances (continued)

At December 31, 2019

Economic variable assumptions for exposure in corporate securities

Outlook for the next three (3) years from December 2019:

		2020	2021	2022
S&P 500 Financial Index EPS	Base	38	41	41
	Upside	54	59	59
	Downside	25	27	27
World GDP growth rate	Base	3.4%	3.6%	3.6%
	Upside	5.0%	5.3%	5.3%
	Downside	2.5%	2.7%	2.7%
WTI Oil Prices/10	Base	5.62	5.32	5.19
	Upside	9.47	9.47	9.47
	Downside	3.45	3.27	3.19

At December 31, 2019

Economic state assumptions for exposure in sovereign securities

Outlook for the next three (3) years from December 2019:

		2020	2021	2022
Jamaica	Base	Positive	Stable	Stable
	Upside	Positive	Positive	Stable
	Downside	Stable	Stable	Negative

Sagicor's lending operations in Jamaica have limited readily available information regarding economic forecasts. Management has examined the information within the market and selected economic drivers that have the best correlation to the portfolio's performance. Economic state is assigned to reflect the driver's impact on ECL.

At December 31, 2018

Outlook for lending at December 2018

Jamaica	Expected state for the next 12 months		
Interest rate	Base	Positive	
	Upside	Positive	
	Downside	Stable	
Unemployment rate	Base	Positive	
	Upside	Super positive	
	Downside	Negative	

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019

(expressed in Jamaican dollars unless otherwise indicated)

54. Insurance and Financial Risk Management (Continued)

(d) Credit risk (continued)

Loss allowances (continued)

At December 31, 2019

Outlook for lending at December 2019

Jamaica	Expected state for the next 12 months	
Interest rate	Base	Positive
	Upside	Positive
	Downside	Stable
Unemployment rate	Base	Positive
	Upside	Super positive
	Downside	Stable

The economic states assigned above are translated into numerical figures.

Sensitivity analysis at December 2019.

SICR	Actual threshold applied	Change in threshold	ECL impact of Change in threshold
Investments	2-notch downgrade since origination	1-notch downgrade since origination	55,533

* See note 2 (f) (viii) for full criteria for staging. The staging for lending products are primarily based on days past due with 30-day used as backstop, thus sensitivity analysis is not performed.

Loss Given Default	Actual value applied	Change in value	Increase in value	ECL impact of Decrease in value
Investments - Corporate Debts	52%	(-/+ 5) %	42,915	(42,915)
Investments - Sovereign Debts (excluding Government of Barbados and Government of Jamaica)	35%	(-/+ 5) %	2,770	(2,770)
Investments - Sovereign Debts (Government of Barbados)	36%	(-/+ 5) %	-	-
Investments - Sovereign Debts (Government of Jamaica)	15%	(-/+ 5) %	33,698	(33,698)

Weighting for downside scenario	Actual value applied	Change in value	Increase in value	ECL impact of Decrease in value
Investments - excluding Government of Barbados	10% (80% for base scenario and 10% for upside scenario)	(-/+ 5) % - keep the weighting for base scenario and adjust the weighting for upside scenario accordingly	14,756	(14,756)
Lending products	10% (75% for base scenario and 15% for upside scenario)	(-/+ 5) % - keep the weighting for base scenario and adjust the weighting for upside scenario accordingly	8,427	(7,130)

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019

(expressed in Jamaican dollars unless otherwise indicated)

54. Insurance and Financial Risk Management (Continued)

(d) Credit risk (continued)

Loss allowances (continued)

Sensitivity analysis at December 2018.

SICR

SICR criteria *	ECL impact of		
	Actual threshold applied	Change in threshold	Change in threshold
Investments	2-notch downgrade since origination	1-notch downgrade since origination	163,230

* See note 2 (f) (viii) for full criteria for staging. The staging for lending products are primarily based on days past due with 30-day used as backstop, thus sensitivity analysis is not performed.

Loss Given Default	ECL impact of			
	Actual value applied	Change in value	Increase in value	Decrease in value
Investments - Corporate Debts	52%	(- /+ 5) %	61,560	(61,560)
Investments - Sovereign Debts (excluding Government of Barbados and Government of Jamaica)	35%	(- /+ 5) %	3,163	(3,163)
Investments - Sovereign Debts (Government of Barbados)	36%	(- /+ 5) %	121,494	(121,494)
Investments - Sovereign Debts (Government of Jamaica)	15%	(- /+ 5) %	30,313	(30,313)

Weighting for downside scenario	ECL impact of			
	Actual value applied	Change in value	Increase in value	Decrease in value
Investments - excluding Government of Barbados	10% (80% for base scenario and 10% for upside scenario)	(- /+ 5) % - keep the weighting for base scenario and adjust the weighting for upside scenario accordingly	14,391	(14,391)
Lending products	10% (80% for base scenario and 10% for upside scenario)	(- /+ 5) % - keep the weighting for base scenario and adjust the weighting for upside scenario accordingly	23,687	(23,687)

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019

(expressed in Jamaican dollars unless otherwise indicated)

54. Insurance and Financial Risk Management (Continued)

(d) Credit risk (continued)

IFRS 9 carrying values

The following tables explain the changes in the maximum credit exposure the beginning and the end of the period due to these factors. For instruments at amortised cost, the gross carrying amount equals the maximum exposure.

DEBT SECURITIES - FVTOCI Maximum credit exposure as at January 01, 2019	The Group-2019				
	ECL staging				
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Purchased credit-impaired	Total
	\$000	\$000	\$000	\$000	\$000
	119,090,221	5,066,827	2,429,872	-	126,586,920
Transfers:					
Transfer from Stage 1 to Stage 2	(264,280)	264,280	-	-	-
Transfer from Stage 1 to Stage 3	-	-	-	-	-
Transfer from Stage 2 to Stage 1	35,494	(35,494)	-	-	-
New financial assets originated or purchased	82,454,366	-	-	190,525	82,644,891
Financial assets fully derecognised during the period	(63,202,851)	(2,926,996)	(2,429,872)	-	(68,559,719)
Changes in principal and interest	(185,059)	119,027	-	-	(66,032)
Foreign exchange adjustment	991,012	73,777	-	-	1,064,789
Gross carrying amount as at December 31, 2019	138,918,903	2,561,421	-	190,525	141,670,849

DEBT SECURITIES - FVTOCI Gross carrying amount as at January 01, 2018	The Group-2018				
	ECL staging				
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Purchased credit-impaired	Total
	\$000	\$000	\$000	\$000	\$000
	115,640,771	5,820,135	290,280	-	121,751,186
Transfers:					
Transfer from Stage 1 to Stage 2	(1,756,141)	1,756,141	-	-	-
Transfer from Stage 1 to Stage 3	(2,322,756)	-	2,322,756	-	-
Transfer from Stage 2 to Stage 3	-	(12,813)	12,813	-	-
New financial assets originated or purchased	32,405,844	140,515	-	-	32,546,359
Financial assets fully derecognised during the period	(19,885,271)	(2,013,151)	(290,280)	-	(22,188,702)
Changes in principle and interest	(6,392,456)	(713,533)	94,303	-	(7,011,686)
Foreign exchange adjustment	1,400,230	89,533	-	-	1,489,763
Gross carrying amount as at December 31, 2018	119,090,221	5,066,827	2,429,872	-	126,586,920

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019

(expressed in Jamaican dollars unless otherwise indicated)

54. Insurance and Financial Risk Management (Continued)

(d) Credit risk (continued)

IFRS 9 carrying values (continued)

	The Company-2019				
	ECL staging				
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Purchased credit- impaired	Total
DEBT SECURITIES - FVTOCI	\$000	\$000	\$000	\$000	\$000
Maximum credit exposure as at January 01, 2019	157,511	-	-	-	157,511
Financial assets fully derecognised during the period	(126,560)	-	-	-	(126,560)
Changes in principal and interest	(409)	-	-	-	(409)
Foreign exchange adjustment	1,067	-	-	-	1,067
Maximum credit exposure as at December 31, 2019	31,609	-	-	-	31,609
	The Company-2018				
	ECL staging				
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Purchased credit- impaired	Total
DEBT SECURITIES - FVTOCI	\$000	\$000	\$000	\$000	\$000
Gross carrying amount as at January 01, 2018	415,344	-	-	-	415,344
Transfers:					
Transfer from Stage 1 to Stage 2	-	-	-	-	-
Transfer from Stage 1 to Stage 3	-	-	-	-	-
Transfer from Stage 2 to Stage 3	-	-	-	-	-
New financial assets originated or purchased	126,560	-	-	-	126,560
Financial assets fully derecognised during the period	(384,634)	-	-	-	(384,634)
Changes in principle and interest	(377)	-	-	-	(377)
Foreign exchange adjustment	618	-	-	-	618
Gross carrying amount as at December 31, 2018	157,511	-	-	-	157,511

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019

(expressed in Jamaican dollars unless otherwise indicated)

54. Insurance and Financial Risk Management (Continued)

(d) Credit risk (continued)

IFRS 9 carrying values (continued)

	The Group				
	ECL staging				
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Purchased credit- impaired	Total
DEBT SECURITIES - AMORTISED COST	\$000	\$000	\$000	\$000	\$000
Gross carrying amount as at January 01, 2019	68,171,615	-	-	-	68,171,615
New financial assets originated or purchased	18,482,946	-	-	-	18,482,946
Financial assets fully derecognised during the period	(11,910,855)	-	-	-	(11,910,855)
Changes in principal and interest	(197,512)	-	-	-	(197,512)
Foreign exchange adjustment	909,518	-	-	-	909,518
Gross carrying amount as at December 31, 2019	75,455,712	-	-	-	75,455,712
	The Company				
	ECL staging				
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Purchased credit- impaired	Total
DEBT SECURITIES - AMORTISED COST	\$000	\$000	\$000	\$000	\$000
Gross carrying amount as at January 01, 2019	51,688	-	-	-	51,688
Gross carrying amount as at December 31, 2019	51,688	-	-	-	51,688

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019

(expressed in Jamaican dollars unless otherwise indicated)

54. Insurance and Financial Risk Management (Continued)

(d) Credit risk (continued)

IFRS 9 carrying values (continued)

	The Group				
	ECL staging				
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Purchased credit- impaired	Total
MORTGAGE LOANS - AMORTISED COST	\$000	\$000	\$000	\$000	\$000
Gross carrying amount as at January 01, 2019	2,490,389	279,832	354,140	-	3,124,361
Transfers:					
Transfer from Stage 1 to Stage 2	(32,180)	32,180	-	-	-
Transfer from Stage 1 to Stage 3	(33,323)	-	33,323	-	-
Transfer from Stage 2 to Stage 1	171,728	(171,728)	-	-	-
Transfer from Stage 2 to Stage 3	-	(87,643)	87,643	-	-
Transfer from Stage 3 to Stage 2	-	6,458	(6,458)	-	-
Transfer from Stage 3 to Stage 1	53,407	-	(53,407)	-	-
New financial assets originated or purchased	253,457	12,103	-	-	265,560
Financial assets fully derecognised during the period	(28,025)	(3,832)	(18,095)	-	(49,952)
Write-offs	-	-	-	-	-
Changes in principal and interest	(543,784)	198,862	(11,814)	-	(356,736)
Foreign exchange adjustment	254	-	-	-	254
Gross carrying amount as at December 31, 2019	2,331,923	266,232	385,332	-	2,983,487

	The Group				
	ECL staging				
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Purchased credit- impaired	Total
POLICY LOANS - AMORTISED COST	\$000	\$000	\$000	\$000	\$000
Gross carrying amount as at January 01, 2019	936,871	-	-	-	936,871
Transfers:					
New financial assets originated or purchased	95,288	-	-	-	95,288
Financial assets fully derecognised during the period	(118,225)	-	-	-	(118,225)
Changes in principal and interest	18,127	-	-	-	18,127
Foreign exchange adjustment	18,728	-	-	-	18,728
Gross carrying amount as at December 31, 2019	950,789	-	-	-	950,789

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019

(expressed in Jamaican dollars unless otherwise indicated)

54. Insurance and Financial Risk Management (Continued)

(d) Credit risk (continued)

IFRS 9 carrying values (continued)

	The Group				
	ECL staging				
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Purchased credit- impaired	Total
LOANS AND LEASES - AMORTISED COST	\$000	\$000	\$000	\$000	\$000
Gross carrying amount as at January 01, 2019	66,931,628	1,878,221	2,269,976	-	71,079,825
Transfers:					
Transfer from Stage 1 to Stage 2	(1,054,067)	1,054,067	-	-	-
Transfer from Stage 1 to Stage 3	(398,416)	-	398,416	-	-
Transfer from Stage 2 to Stage 1	565,453	(565,453)	-	-	-
Transfer from Stage 2 to Stage 3	-	(125,667)	125,667	-	-
Transfer from Stage 3 to Stage 2	-	-	-	-	-
Transfer from Stage 3 to Stage 1	37,751	-	(37,751)	-	-
New financial assets originated or purchased	33,160,301	606,898	233,240	-	34,000,439
Financial assets fully derecognised during the period	(13,495,613)	(653,781)	(851,280)	-	(15,000,674)
Changes in principal and interest	(3,666,956)	(153,423)	(302,863)	-	(4,123,242)
Foreign exchange adjustment	439,563	14,215	7,844	-	461,622
Gross carrying amount as at December 31, 2019	82,519,644	2,055,077	1,843,249	-	86,417,970

	The Group				
	ECL staging				
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Purchased credit- impaired	Total
SECURITIES PURCHASED FOR RESALE - AMORTISED COST	\$000	\$000	\$000	\$000	\$000
Gross carrying amount as at January 01, 2019	913,344	-	-	-	913,344
Net new financial assets originated or purchased	235,562,442	-	-	-	235,562,442
Financial assets fully derecognised during the period	(235,091,350)	-	-	-	(235,091,350)
Changes in principal and interest	(5,192)	-	-	-	(5,192)
Foreign exchange adjustment	65,885	-	-	-	65,885
Gross carrying amount as at December 31, 2019	1,445,129	-	-	-	1,445,129

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019

(expressed in Jamaican dollars unless otherwise indicated)

54. Insurance and Financial Risk Management (Continued)

(d) Credit risk (continued)
IFRS 9 carrying values (continued)

	The Company				
	ECL staging				
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Purchased credit- impaired	Total
	\$000	\$000	\$000	\$000	\$000
SECURITIES PURCHASED FOR RESALE - AMORTISED COST					
Gross carrying amount as at January 01, 2019	524,167	-	-	-	524,167
Net new financial assets originated or purchased	-	-	-	-	-
Financial assets fully derecognised during the period	(521,125)	-	-	-	(521,125)
Foreign exchange adjustment	-	-	-	-	-
Gross carrying amount as at December 31, 2019	3,042	-	-	-	3,042

	The Group				
	ECL staging				
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Purchased credit- impaired	Total
	\$000	\$000	\$000	\$000	\$000
DEPOSITS - AMORTISED COST					
Gross carrying amount as at January 01, 2019	2,952,013	-	-	-	2,952,013
New financial assets originated or purchased	-	-	-	-	-
Financial assets fully derecognised during the period	-	-	-	-	-
Changes in principal and interest	(2,081,578)	-	-	-	2,081,578
Foreign exchange adjustment	-	-	-	-	-
Gross carrying amount as at December 31, 2019	870,435	-	-	-	870,435

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31 December 2019

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54. Insurance and Financial Risk Management (Continued)

(d) Credit risk (continued)
IFRS 9 carrying values (continued)

	The Company				
	ECL staging				
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Purchased credit- impaired	Total
	\$000	\$000	\$000	\$000	\$000
DEPOSITS - AMORTISED COST					
Gross carrying amount as at January 01, 2019	515,773	-	-	-	515,773
New financial assets originated or purchased	-	-	-	-	-
Financial assets fully derecognised during the period	-	-	-	-	-
Changes in principal and interest	(10,030)	-	-	-	(10,030)
Foreign exchange adjustment	17,435	-	-	-	17,435
Gross carrying amount as at December 31, 2019	523,178	-	-	-	523,178

Debt Securities in default

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

The announcement of the suspended payments was evidence that the financial assets were credit-impaired and consequently, in June Sagcor re-classified its GOB debt security holdings to Stage 3 with a probability of default of 100% and a loss given default of 36%. Some GOB debt instruments were purchased more recently and therefore there were instruments that had not yet experienced a significant increase in credit risk relative to the initial credit risk and moved from Stage 1 to Stage 3 upon the announcement.

On September 7, 2018 the GOB announced its debt restructuring program which is being done in conjunction with the economic recovery plan and an IMF programme.

As at September 30, 2018 the negotiations relating to the new bond were materially completed and on October 3, 2018 the Group signed an agreement with the GOB which outlined the terms of the debt exchange for domestic Barbados dollar bonds. In exchange for its Barbados debt the Group accepted the following securities:

Series C

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

NOTES TO THE FINANCIAL STATEMENTS

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54. Insurance and Financial Risk Management (Continued)

(d) Credit risk (continued)

Debt Securities in default (continued)

Series D

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

Series G

A 50-year amortising bond which includes a 15-year grace period on principal payments. The interest rates on the bond range from 4% per annum for the first 15 years to 8% for years 26 through 50 with interest capitalisation of 100% for the first five years.

External Debt

The restructuring of the external debt was not finalised as at December 31, 2018.

Given the agreement and the short timeframe required for the restructuring to close subsequent to

September 30, 2018 the Group applied a significant weighting to the probability of the current instruments being exchanged for the new instruments in determining the expected credit loss. The Group has also considered other scenarios, these however are considered unlikely and have not had a significant impact on the expected credit loss computed as at September 30, 2018. As the new instruments had not been issued, the determination of the expected fair value was based on models and an internally developed yield curve

Th restructuring of the external debt in 2019.

On November 22, 2019 the GoB made an Exchange Offer to Bondholders of GOBD 7.8% Notes due 2019, 7.25% Notes due 2021, 7.00% Notes due 2022 and 6.625 Notes due 2035 respectively. The Group exchanged its holdings of GOBD2019 and GOBG 2021 with outstanding principal and interest of US\$1,736,137 and US\$211,990 respectively. The final exchange offer resulted in the Group receiving US\$1,349,900 GOBG2029 6.5% and US\$82,300 GOGB2021 6.5% in cash of US\$12,503. After the restructuring, a 27% Haircut was recorded.

The exposure to GOB Bonds as at December 31, 2019 was:

	GOB	GOB
	Exposure	Loss Allowances
	\$000	\$000
Balance as of December 31, 2019	190,525	587

NOTES TO THE FINANCIAL STATEMENTS

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54. Insurance and Financial Risk Management (Continued)

(e) Liquidity risk

Liquidity risk is the risk that the Group is unable to meet its payment obligations associated with its financial liabilities when they fall due and to replace funds when they are withdrawn. The consequence may be the failure to meet obligations to repay depositors and fulfill commitments to lend.

The Group is exposed to daily calls on their available cash resources from, insurance benefits payments, working capital requirements, overnight placement of funds, maturing placement of funds, loan draw-downs and guarantees. The Group does not maintain cash resources to meet all of these needs as experience shows that a minimum level of investment of maturing funds can be predicted with a high level of certainty. The Board sets limits on the minimum proportion of maturing funds available to meet such calls and on the minimum level of inter-bank and other borrowing facilities that should be in place to cover withdrawals at unexpected levels of demand.

Liquidity risk management process

The Group's liquidity management process, as carried out within the Group and monitored by the Treasury Department, includes:

- Monitoring future cash flows and liquidity on a daily basis. This incorporates an assessment of expected cash flows and the availability of high grade collateral which could be used to secure funding if required;
- Maintaining a portfolio of highly marketable and diverse assets that can easily be liquidated as protection against any unforeseen interruption to cash flow;
- Maintaining committed lines of credit and optimising cash returns on investments;
- Monitoring statement of financial position liquidity ratios against internal and regulatory requirements. The most important of these is to maintain limits on the ratio of net liquid assets to customer liabilities; and managing the concentration and profile of debt maturities.

Monitoring and reporting take the form of cash flow measurement and projections for the next day, week and month, respectively, as these are key periods for liquidity management. The starting point for those projections is an analysis of the contractual maturity of the financial liabilities and the expected collection date of the financial assets.

The matching and controlled mismatching of the maturities and interest rates of assets and liabilities is fundamental to the management of the Group. It is unusual for companies ever to be completely matched since business transacted is often of uncertain term and of different types. An unmatched position potentially enhances profitability but can also increase the risk of loss.

The maturities of assets and liabilities and the ability to replace, at an acceptable cost, interest-bearing liabilities as they mature, are important factors in assessing the liquidity of the Group and its exposure to changes in interest rates and exchange rates.

Certain investment portfolios within the Group contain securities which can only be disposed of over a period of time. In such instances, the Group generally maintains higher levels of short term instruments to compensate for the relative illiquidity of the aforementioned securities.

The disclosures provided in this note are based on the Group's and the company's investment portfolio as at 31 December 2019 and 2018.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019

(expressed in Jamaican dollars unless otherwise indicated)

54. Insurance and Financial Risk Management (Continued)

(e) Liquidity risk (continued)

The tables below present the undiscounted cash flows payable (both interest and principal cash flows) of the Group's financial and non-financial liabilities based on contractual repayment obligations. The Group expects that many policyholders/customers will not request repayment on the earliest date the Group could be required to pay. The expected maturity dates of liabilities are based on estimates made by management as determined by retention history.

	The Group					
	Within 3 months	3-12 months	1-5 years	Over 5 years	No specific maturity	Total
	\$000	\$000	\$000	\$000	\$000	\$000
Undiscounted Financial Liabilities - 31 December 2019						
Deposit and security liability	132,943,263	15,984,241	29,517,254	1,906,822	2,639,811	182,991,391
Derivative financial instruments	-	35,005	-	-	-	35,005
Loans Payable	-	2,600,166	4,754,225	11,782,446	-	19,136,837
Other liabilities	18,015,428	515,756	28,808	105,062	670,783	19,335,837
Insurance contracts liabilities	1,174,331	3,548,811	22,550,939	64,167,881	-	91,441,962
Lease liabilities	146,116	438,349	2,564,365	1,405,485	-	4,554,315
Investment contracts liabilities	8,625,768	983,767	5,021,263	-	-	14,630,798
Other policy liabilities	880,405	10,137,584	-	-	-	11,017,989
Total undiscounted liabilities	161,785,311	34,243,679	64,436,854	79,367,696	3,310,594	343,144,134
	Within 3 months	3-12 months	1-5 years	Over 5 years	No specific maturity	Total
	\$000	\$000	\$000	\$000	\$000	\$000
Undiscounted Financial Liabilities - 31 December 2018						
Deposit and security liability	124,919,846	28,202,173	14,592,481	13,386,940	-	181,101,440
Derivative financial instruments	-	23,804	7,660	-	-	31,464
Loans Payable	-	333,146	3,187,667	6,449,289	-	9,970,102
Other liabilities	13,358,948	400,124	200,445	105,062	445,545	14,510,124
Insurance contracts liabilities	871,382	2,643,078	16,343,016	60,104,556	-	79,962,032
Investment contracts liabilities	6,392,012	3,654,169	3,362,161	-	-	13,408,342
Other policy liabilities	1,041,311	3,211,363	-	-	-	4,252,674
Total undiscounted liabilities	146,583,499	38,467,857	37,693,430	80,045,847	445,545	303,236,178

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(expressed in Jamaican dollars unless otherwise indicated)

54. Insurance and Financial Risk Management (Continued)

(e) Liquidity risk (continued)

	SGJ Company					
	2019					
	Within 3 mths	3-12 mths	1-5 years	Over 5 years	No specific maturity	Total
\$000	\$000	\$000	\$000	\$000	\$000	
Undiscounted Financial Liabilities						
Deposits and security liabilities	12,311	-	-	-	-	12,311
Derivative financial instruments	-	-	-	-	-	-
Promissory notes payable to member companies	-	12,791,580	-	-	-	12,791,580
Other Liabilities	4,420,086	-	-	-	-	4,420,086
Insurance contracts liabilities	-	-	-	-	-	-
Investment contracts liabilities	-	-	-	-	-	-
Other policy liabilities	-	-	-	-	-	-
Total undiscounted liabilities	4,432,397	12,791,580	-	-	-	17,223,977

	SGJ Company					
	2018					
	Within 3 mths	3-12 mths	1-5 years	Over 5 years	No specific maturity	Total
\$000	\$000	\$000	\$000	\$000	\$000	
Undiscounted Financial Liabilities						
Deposits and security liabilities	-	-	-	-	-	-
Derivative financial instruments	-	-	-	-	-	-
Promissory notes payable to member companies	656,516	12,772,634	-	-	-	13,429,150
Other Liabilities	4,181,047	-	-	-	-	4,181,047
Insurance contracts liabilities	-	-	-	-	-	-
Investment contracts liabilities	-	-	-	-	-	-
Other policy liabilities	-	-	-	-	-	-
Total undiscounted liabilities	4,837,563	12,772,634	-	-	-	17,610,197

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54. Insurance and Financial Risk Management (Continued)

(e) Liquidity risk (continued)

Off-balance sheet items

The tables below show the contractual expiry by maturity of commitments.

	The Group			
	No later than 1 year \$'000	1 to 5 years \$'000	Over 5 years \$'000	Total \$'000
At December 31, 2019				
Credit commitments	5,606,194	1,457,743	144,859	7,208,796
Guarantees, acceptances and other financial facilities	1,906,474	1,193,921	1,507,540	4,607,935
Operating lease commitments	64,292	-	-	64,292
Capital commitments	2,376,360	-	-	2,376,360
	<u>9,953,320</u>	<u>2,651,664</u>	<u>1,652,399</u>	<u>14,257,383</u>
At December 31, 2018				
Credit commitments	4,428,701	1,476,557	1,054,441	6,959,699
Guarantees, acceptances and other financial facilities	2,623,907	135,529	1,737,300	4,496,737
Operating lease commitments	521,657	706,949	653,546	1,882,152
Capital commitments	2,275,484	-	-	2,275,484
	<u>9,849,749</u>	<u>2,319,035</u>	<u>3,445,287</u>	<u>15,614,072</u>

Lease payments, including maintenance, for Group during the year were \$446,057,000 (2018 – \$446,057,000).

The tables below reflect the expected maturities of the Group's discounted financial and non-financial assets and liabilities at the year-end date.

	The Group					Total
	Within 3 months \$000	3-12 months \$000	1-5 years \$000	Over 5 years \$000	No specific maturity \$000	
Assets						
Cash resources	13,966,477	-	-	-	-	13,966,477
Cash reserve at Bank of Jamaica	-	-	-	-	11,139,755	11,139,755
Financial investments & pledged assets	9,923,222	17,916,396	28,958,963	174,107,604	37,968,692	268,874,877
Derivative financial instruments	-	35,005	-	-	-	35,005
Loans and leases, after allowance for credit losses	13,553,002	10,870,113	37,899,655	22,673,121	485	84,996,376
Reinsurance contracts	-	2,052,051	-	-	-	2,052,051
Other assets	3,863,217	1,547,876	252,769	212,803	4,853,816	10,730,481
Non-financial assets:						
Investment properties	-	-	-	-	3,355,590	3,355,590
Investment in joint venture	-	-	-	-	436,493	436,493
Investment in associated companies	-	-	-	-	24,509,615	24,509,615
Intangible assets	-	-	-	8,275,993	-	8,275,993
Property, plant and equipment	-	-	-	-	20,133,831	20,133,831
Deferred income taxes	(70)	(97,312)	277,642	521,429	146,942	848,631
Taxation recoverable	2,264,183	-	-	-	-	2,264,183
Retirement benefit assets	-	-	-	863,638	-	863,638
Right of Use	-	-	-	-	2,910,614	2,910,614
Other assets	713,394	1,285,358	1,401,708	202,938	1,002,016	4,605,414
Total assets	<u>44,283,425</u>	<u>33,609,487</u>	<u>68,790,737</u>	<u>206,857,526</u>	<u>106,457,849</u>	<u>459,999,024</u>

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31 December 2019

(expressed in Jamaican dollars unless otherwise indicated)

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NOTES TO THE FINANCIAL STATEMENTS

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54. Insurance and Financial Risk Management (Continued)**(e) Liquidity risk (continued)**

The tables below reflect the expected maturities of the Group's discounted financial and non-financial assets and liabilities at the year-end date (continued).

	The Group					Total \$000
	2019					
	Within 3 months \$000	3-12 months \$000	1-5 years \$000	Over 5 years \$000	No specific maturity \$000	
Liabilities						
Deposit and security liabilities	150,500,022	26,631,189	1,373,864	1,665,703	-	180,170,778
Derivative financial instruments	-	35,005	-	-	-	35,005
Loans Payable	-	4,307,327	3,423,174	6,644,511	-	14,375,012
Other liabilities	18,010,284	515,756	28,808	110,206	670,783	19,335,837
Insurance contracts liabilities	1,174,331	3,548,811	22,550,938	64,167,882	-	91,441,962
Investment contracts liabilities	8,625,768	983,767	4,921,485	-	-	14,531,020
Lease Liabilities	107,613	340,891	2,072,181	560,888	-	3,081,573
Other policy liabilities	880,406	10,137,583	-	-	-	11,017,989
Non-financial liabilities:						
Taxation payable	135,054	-	-	-	-	135,054
Deferred Income Taxes	-	-	-	-	1,605,692	1,605,692
Other liabilities	-	-	-	-	-	-
Retirement benefit obligations	-	-	-	-	3,344,834	3,344,834
Total liabilities	179,433,478	46,500,329	34,370,450	73,149,190	5,621,309	339,074,756
On statement of financial position interest sensitivity gap	(135,150,053)	(12,890,842)	34,420,287	133,708,336	100,836,540	120,924,268
Cumulative interest sensitivity gap	(135,150,053)	(148,040,895)	(113,620,608)	20,087,728	120,924,268	

NOTES TO THE FINANCIAL STATEMENTS

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54. Insurance and Financial Risk Management (Continued)

(e) Liquidity risk (continued)

Liquidity Risk	The Company					
	2019					
	Within 3 mths	3-12 mths	1-5 years	Over 5 years	No specific maturity	Total
	\$000	\$000	\$000	\$000	\$000	\$000
Assets						
Cash Resources & cash reserves at Central bank	424,666	-	-	-	-	424,666
Cash Reserve at Bank of Jamaica						-
Financial Investments and pledged assets	3,370	523,178	-	83,925	-	610,473
Other Assets	-	194,786	-	-	-	194,786
Non-financial assets:						
Other Assets	53,542	598,581	-	-	18,466	670,589
Investment in subsidiaries	-	-	-	-	72,444,299	72,444,299
Investment in joint venture					414,267	414,267
Taxation Recoverable	49,210	-	-	-	-	49,210
Property, Plant and Equipment	-	-	-	-	210,949	210,949
Deferred Income Taxes	-	(552)	150,219	-	-	149,667
Intangible Assets	-	-	-	453,884	-	453,884
Total assets	530,788	1,315,993	150,219	537,809	73,087,981	75,622,790
	The SGJ Company					
	2019					
	Within 3 mths	3-12 mths	1-5 years	Over 5 years	No specific maturity	Total
	\$000	\$000	\$000	\$000	\$000	\$000
Liabilities						
Deposits and security liabilities	12,311	-	-	-	-	12,311
Other Liabilities	4,420,086	-	-	-	-	4,420,086
Promissory notes payable to member companies	-	8,446,923	4,180,460	-	-	12,627,383
Total liabilities	4,432,397	8,446,923	4,180,460	-	-	17,059,780
On Balance Sheet sensitivity gap	-3,901,609	(7,130,930)	(4,030,241)	537,809	73,087,981	58,563,010
Cumulative liability sensitivity gap	-3,901,609	(11,032,539)	(15,062,780)	(14,524,971)	58,563,010	

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(expressed in Jamaican dollars unless otherwise indicated)

54. Insurance and Financial Risk Management (Continued)

(e) Liquidity risk (continued)

	The Group					Total
	2018					
	Within 3 months	3-12 months	1-5 years	Over 5 years	No specific maturity	
	\$000	\$000	\$000	\$000	\$000	\$000
Assets						
Cash resources	11,552,916	-	-	-	-	11,552,916
Cash reserve at Bank of Jamaica	-	-	-	-	12,330,758	12,330,758
Financial investments & pledged assets	8,210,980	8,222,305	25,952,713	159,956,029	26,980,762	229,322,789
Derivative financial instruments	-	23,804	7,660	-	-	31,464
Loans and leases, after allowance for credit losses	13,511,899	9,881,054	31,698,116	14,193,523	-	69,284,592
Reinsurance contracts	-	765,651	-	-	-	765,651
Other assets	6,268,944	1,010,312	216,610	42,982	641,718	8,180,566
Non-financial assets:						
Investment properties	-	-	-	-	2,552,460	2,552,460
Investment in joint venture	-	-	-	-	330,804	330,804
Investment in associated companies	-	-	-	-	24,764,690	24,764,690
Intangible assets	-	-	-	6,651,581	-	6,651,581
Property, plant and equipment	-	-	-	-	19,000,411	19,000,411
Deferred income taxes	1,264,957	(122,344)	501,540	518,087	1,242,813	3,405,053
Taxation recoverable	3,256,419	-	-	-	-	3,256,419
Retirement benefit assets	-	-	-	183,351	-	183,351
Other assets	417,837	672,998	886,118	-	542,295	2,519,248
Total assets	44,483,952	20,453,780	59,262,757	181,545,553	88,386,711	394,132,753

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(expressed in Jamaican dollars unless otherwise indicated)

54. Insurance and Financial Risk Management (Continued)

(e) Liquidity risk (continued)

The tables below reflect the expected maturities of the Group's discounted financial and non-financial assets and liabilities at the year-end date (continued).

	The Group					Total
	2018					
	Within 3 months	3-12 months	1-5 years	Over 5 years	No specific maturity	
	\$000	\$000	\$000	\$000	\$000	\$000
Liabilities						
Deposit and security liabilities	123,593,437	26,481,479	13,538,008	1,320,576	-	164,933,500
Derivative financial instruments	-	23,804	7,660	-	-	31,464
Loans Payable	-	333,146	3,187,667	6,449,289	-	9,970,102
Other liabilities	13,401,627	400,124	77,802	105,062	445,545	14,430,160
Insurance contracts liabilities	871,382	2,643,078	16,343,016	60,104,556	-	79,962,032
Investment contracts liabilities	6,392,012	3,654,169	3,362,161	-	-	13,408,342
Other policy liabilities	1,041,311	3,211,363	-	-	-	4,252,674
Non-financial liabilities:						
Taxation payable	1,880,810	-	-	-	-	1,880,810
Deferred Income Taxes	-	-	-	-	412,486	412,486
Other liabilities	79,964	-	-	-	-	79,964
Retirement benefit obligations	-	-	-	-	3,076,400	3,076,400
Total liabilities	147,260,543	36,747,163	36,516,314	67,979,483	3,934,431	292,437,934
On statement of financial position interest sensitivity gap	(102,776,591)	(16,293,383)	22,746,443	113,566,070	84,452,280	101,694,819
Cumulative interest sensitivity gap	(102,776,591)	(119,069,974)	(96,323,531)	17,242,539	101,694,819	

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(expressed in Jamaican dollars unless otherwise indicated)

54. Insurance and Financial Risk Management (Continued)

(e) Liquidity risk (continued)

	The Company					Total
	2019					
	Within 3 months	3-12 months	1-5 years	Over 5 years	No specific maturity	
	\$000	\$000	\$000	\$000	\$000	\$000
Assets						
Cash resources	424,666	-	-	-	-	424,666
Cash reserve at Bank of Jamaica	-	-	-	-	-	-
Financial investments & pledged assets	369	526,179	-	83,925	-	610,474
Other assets	-	194,786	-	-	-	194,786
Non-financial assets:						
Investment in subsidiaries	-	-	-	-	72,444,257	72,444,257
Investment in joint venture	-	-	-	-	414,267	414,267
Intangible assets	-	-	-	453,884	-	909,060
Property, plant and equipment	-	-	-	-	210,949	210,949
Deferred income taxes	-	(552)	150,219	-	-	149,667
Taxation recoverable	49,210	-	-	-	-	49,210
Other assets	53,542	598,581	-	-	18,466	670,589
Total assets	527,787	1,318,994	150,219	537,810	73,087,981	75,622,791
Liabilities						
Other liabilities	4,432,473	-	-	-	-	4,432,473
Promissory Notes	-	8,446,923	4,180,460	-	-	12,627,383
Non-financial liabilities:						
Taxation payable	-	-	-	-	-	-
Total liabilities	4,432,473	8,446,923	4,180,460	-	-	17,059,856
On statement of financial position						
interest sensitivity gap	(3,904,610)	(7,127,929)	(4,030,241)	537,810	73,087,981	58,563,011
Cumulative interest sensitivity gap	(3,904,610)	(11,032,539)	(15,062,780)	(14,524,970)	58,563,011	

NOTES TO THE FINANCIAL STATEMENTS

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(expressed in Jamaican dollars unless otherwise indicated)

54. Insurance and Financial Risk Management (Continued)

(e) Liquidity risk (continued)

	The Company					Total
	2018					
	Within 3 months	3-12 months	1-5 years	Over 5 years	No specific maturity	
	\$000	\$000	\$000	\$000	\$000	\$000
Assets						
Cash resources	296,597	-	-	-	-	296,597
Cash reserve at Bank of Jamaica	-	-	-	-	-	-
Financial investments & pledged assets	661,433	505,415	-	80,539	-	1,247,387
Other assets	-	-	-	-	-	-
Non-financial assets:						
Investment in subsidiaries	-	-	-	-	69,138,739	69,138,739
Investment in associated companies	-	-	-	-	3,305,560	3,305,560
Investment in joint venture	-	-	-	-	414,267	414,267
Intangible assets	-	-	-	622,159	-	622,159
Property, plant and equipment	-	-	-	-	279,307	279,307
Deferred income taxes	-	-	88,670	-	-	88,670
Taxation recoverable	46,994	-	-	-	-	46,994
Other assets	77,545	422,360	-	-	-	618,505
Total assets	1,082,569	927,775	88,670	702,698	73,256,473	76,058,185
Liabilities						
Other liabilities	4,181,047	-	-	-	-	4,181,047
Promissory Notes	-	4,128,929	9,131,290	-	-	13,260,219
Non-financial liabilities:						
Taxation payable	-	-	-	-	-	-
Total liabilities	4,181,047	4,128,929	9,131,290	-	-	17,441,266
On statement of financial position						
interest sensitivity gap	(3,098,478)	(3,201,154)	(9,042,620)	702,698	73,256,473	58,616,919
Cumulative interest sensitivity gap	(3,098,478)	(6,299,632)	(15,342,252)	(14,639,554)	58,616,919	

Assets available to meet all of the liabilities and to cover outstanding loan commitments include cash, central bank balances, items in the course of collection, investment securities and other eligible bills, loans and advances to banks, and loans and advances to customers. In the normal course of business, a proportion of customer loans contractually repayable within one year will be extended. In addition, debt securities and treasury and other bills have been pledged to secure liabilities. The Group is also able to meet unexpected net cash outflows by selling securities and accessing additional funding sources from other financing institutions.

NOTES TO THE FINANCIAL STATEMENTS

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54. Insurance and Financial Risk Management (Continued)

(f) Market risk

The Group takes on exposure to market risk, which is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk mainly arise from changes in foreign currency exchange rates and interest rates. Market risk is monitored by the Investment department which carries out extensive research and monitors the price movement of financial assets on the local and international markets. Market risk exposures are measured using sensitivity analysis.

(i) Price risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market price, other than those arising from currency or interest rate risk, whether those changes are caused by factors specific to the instrument or affecting all similar instruments in the market.

The Group is exposed to equity securities price risk because of investments held by the Group and classified as available-for-sale or at fair value through profit or loss. To manage its price risk arising from investments in equity securities, the Group diversifies its portfolio. Diversification of the portfolio is done in accordance with limits set by the Group.

The Group's investments in equity securities are publicly traded on the Jamaica Stock Exchange (JSE), the National Association of Securities Dealers Automated Quotation System (NASDAQ) and the New York Stock Exchange (NYSE). The Group's sensitivity to equity securities price risk is disclosed in Note 53(iii).

(ii) Currency risk

Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Foreign exchange risk occurs when the Group takes an open position in a currency. To control this exchange risk the Asset and Liability Committee (ALCO) has approved limits for net open position in each currency for both intra-day and overnight position. This limit may vary from time to time as determined by ALCO.

The Group also has transactional currency exposure. Such exposure arises from having financial assets in currencies other than those in which financial liabilities are expected to settle. The Group ensures that its net exposure is kept to an acceptable level by buying or selling foreign assets to address short term imbalances.

The Group's operations in the Cayman Islands, Costa Rica and United States of America (USA) create two additional sources of currency risk:

- The operating results of the Group's foreign subsidiaries in the Group financial statements are translated at the average exchange rate prevailing during the period.
- The equity investment in the foreign subsidiaries is translated into Jamaican dollars using the closing exchange rate.

Concentrations of currency risk

The Group and the company are most sensitive to currency risk in its operating currencies which float against the United States dollar.

NOTES TO THE FINANCIAL STATEMENTS

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(expressed in Jamaican dollars unless otherwise indicated)

54. Insurance and Financial Risk Management (Continued)

(e) Market risk (continued)

(ii) Currency risk (continued)

The following tables summarise the exposure of the Group and the company to foreign currency exchange rate risk. Included in the tables are the Group's assets and liabilities at carrying amounts categorised by currency.

	The Group			
	2019			
	Jamaican \$	US\$	Other	Total
\$'000	\$'000	\$'000	\$'000	
Financial assets				
Cash resources	10,150,600	2,794,217	1,021,660	13,966,477
Cash reserve at Bank of Jamaica	4,175,597	6,692,749	271,409	11,139,755
Financial investments and pledged assets	152,689,032	77,152,381	39,033,464	268,874,877
Derivative financial instruments	-	35,005	-	35,005
Loans & leases, after allowance for credit losses	64,174,418	20,821,958	-	84,996,376
Reinsurance contracts	1,784,054	267,997	-	2,052,051
Other assets	9,208,049	1,428,579	93,853	10,730,481
Non-financial assets:				
Investment properties	3,355,590	-	-	3,355,590
Investment in joint venture	-	436,493	-	436,493
Investment in associated companies	(725,374)	25,234,989	-	24,509,615
Intangible assets	7,581,953	694,040	-	8,275,993
Right-of-Use	2,910,614	-	-	2,910,614
Property, plant and equipment	4,729,836	15,403,995	-	20,133,831
Retirement benefit asset	863,638	-	-	863,638
Deferred income taxes	848,631	-	-	848,631
Taxation recoverable	2,264,183	-	-	2,264,183
Other assets	4,511,317	94,097	-	4,605,414
Total assets	268,522,138	151,056,500	40,420,386	459,999,024
Financial liabilities				
Deposit and security liabilities	90,717,737	87,115,046	2,337,995	180,170,778
Derivative financial instruments	-	35,005	-	35,005
Loans Payable	8,150,435	6,224,577	-	14,375,012
Other liabilities	16,630,411	2,640,930	64,496	19,335,837
Insurance contracts liabilities	55,488,528	31,445,669	4,507,765	91,441,962
Lease Liabilities	3,081,573	-	-	3,081,573
Investment contracts liabilities	8,729,634	5,718,478	82,908	14,531,020
Other policy liabilities	10,061,433	406,327	550,229	11,017,989
Non-financial liabilities:				
Taxation payable	135,054	-	-	135,054
Deferred income taxes	1,031,322	574,370	-	1,605,692
Other Liabilities	-	-	-	-
Retirement benefit obligations	3,344,834	-	-	3,344,834
Total liabilities	197,370,961	134,160,402	7,543,393	339,074,756
Net on statement of financial position	71,151,177	16,896,098	32,876,993	120,924,268

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(expressed in Jamaican dollars unless otherwise indicated)

54. Insurance and Financial Risk Management (Continued)

(f) Market risk (continued)

(ii) Currency risk (continued)

Concentrations of currency risk (continued)

	The Group			
	2018			
	Jamaican \$	US\$	Other	Total
	\$'000	\$'000	\$'000	\$'000
Financial assets				
Cash resources	4,742,819	5,660,884	1,149,213	11,552,916
Cash reserve at Bank of Jamaica	6,187,545	5,906,318	236,895	12,330,758
Financial investments and pledged assets	102,790,462	125,038,640	1,493,687	229,322,789
Derivative financial instruments	-	31,464	-	31,464
Loans & leases, after allowance for credit losses	50,927,489	18,357,103	-	69,284,592
Reinsurance contracts	408,384	357,267	-	765,651
Other assets	7,659,930	416,159	104,477	8,180,566
Non-financial assets:				
Investment properties	2,552,460	-	-	2,552,460
Investment in joint venture	-	330,804	-	330,804
Investment in associated companies	-	24,764,690	-	24,764,690
Intangible assets	5,980,719	670,862	-	6,651,581
Property, plant and equipment	3,848,542	15,151,869	-	19,000,411
Retirement benefit asset	183,351	-	-	183,351
Deferred income taxes	3,405,053	-	-	3,405,053
Taxation recoverable	3,256,419	-	-	3,256,419
Other assets	2,462,055	57,193	-	2,519,248
Total assets	194,405,228	196,743,253	2,984,272	394,132,753

The following tables summarise the exposure of the Group and the company to foreign currency exchange rate risk. Included in the tables are the Group's assets and liabilities at carrying amounts categorised by currency (continued).

	Jamaican \$	US\$	Other	Total
	\$'000	\$'000	\$'000	\$'000
Financial liabilities				
Deposit and security liabilities	72,135,911	90,627,673	2,169,916	164,933,500
Derivative financial instruments	-	31,464	-	31,464
Loans Payable	4,042,391	5,927,711	-	9,970,102
Other liabilities	13,735,122	671,768	23,270	14,430,160
Insurance contracts liabilities	46,812,853	29,965,413	3,183,766	79,962,032
Investment contracts liabilities	8,104,529	5,227,331	76,482	13,408,342
Other policy liabilities	3,321,550	268,142	662,982	4,252,674
Non-financial liabilities:				
Taxation payable	1,880,810	-	-	1,880,810
Deferred income taxes	-	412,486	-	412,486
Other Liabilities	79,964	-	-	79,964
Retirement benefit obligations	3,076,400	-	-	3,076,400
Total liabilities	153,189,530	133,131,988	6,116,416	292,437,934
Net on statement of financial position	41,215,698	63,611,265	(3,132,144)	101,694,819

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55. Sensitivity Analysis

Actuarial liabilities for the Group comprise 78.16% (2018 – 81.91%) of total Policyholders' Funds. The determination of actuarial liabilities is sensitive to a number of assumptions, and changes in those assumptions could have a significant effect on the valuation results. These factors are discussed in detail in Note 37(e).

(i) Sensitivity arising from the valuation of life insurance and annuity contracts

In summary, the valuation of actuarial liabilities of life insurance and annuity contracts is sensitive to:

- the economic scenario,
- the investments allocated to back the liabilities,
- the underlying assumptions used, and
- the margins for adverse deviations.

The Appointed Actuary tests the actuarial liabilities under several economic scenarios. These tests have been done and the liabilities have been derived from the scenarios which produce the worst results.

The assumption for future investment yields has a significant impact on actuarial liabilities.

The other assumptions to which the actuarial liabilities of the Group are most sensitive, are in descending order of impact:

- Lapse rates
- Mortality and morbidity
- Operating expenses and taxes

(ii) Dynamic capital adequacy testing (DCAT)

DCAT is a technique used to assess the adequacy of an insurer's future 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 statement of financial position at a given date.

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 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 and the Board to material, plausible and imminent threats to the insurer's solvency; and
- to describe possible courses of action to address these threats.

A DCAT analysis has been completed for Sagicor Life Jamaica Limited and Sagicor Life of the Cayman Islands Ltd.

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55. Sensitivity Analysis (Continued)

(ii) Dynamic capital adequacy testing (DCAT) (continued)

The results are as follows:

(i) Worsening rate of lapse. The scenario was tested in either of the following ways:

For business which produces higher valuation reserves with an increase in lapse rates, the scenario lapse rates were doubled. For business which produces higher valuation reserves with a decrease in lapse rates, the scenario lapse rates were halved.

Overall, this scenario produces adverse results in 2019 and for the next five years.

(ii) High interest rate. An assumed increase in portfolio rate of 0.5% per year for 10 years. Overall, this scenario produces favourable results in 2019 and for the next five years.

(iii) Low interest rate. An assumed decrease in portfolio rate of 0.5% for 10 years was tested in this scenario. Overall, this scenario produces adverse results in 2019 and for the next five years.

(iv) Worsening mortality and morbidity. To test this scenario, mortality and morbidity rates were increased for life insurance, health and critical illness products and decreased for annuity products. For life insurance, health and critical illness products, rates were increased by 3% of the base rate per year for 5 years. For annuity products, rates were decreased by 3% of the base rate for 5 years. Overall, this scenario produces adverse results in 2019 and for the next five years.

(v) Higher expenses. Higher unit maintenance expenses were tested by setting the unit expense rate for each projection year 5% greater than the unit expense rate assumed in the base scenario. Overall, this scenario produces adverse results in 2019 and for the next five years.

(vi) Level new business. New business planned for 2020 was maintained for the 5 year period. Overall, this scenario has no effect on the liabilities in 2019 but produces favourable results for the next five years.

(vii) Double new business. New business planned for the 5 year period was projected to grow at twice the rate of growth anticipated in the base scenario. Overall, this scenario has no effect on the 2019 liabilities, but will produce net lower liabilities over the next five years.

The DCAT conducted has not tested any correlation that may exist between assumptions. The use of differing sensitivity rates by insurers reflects differences in the insurers' environment.

The following table represents the estimated sensitivity of each of the above scenarios to net actuarial liabilities totalling \$91,445,728,000 for the Group at the year-end date.

Variable	Change in Variable	The Group	
		2019 Change in Liability \$'000	2018 Change in Liability \$'000
Worsening of mortality/morbidity	+3% for 5 yrs.	5,593,826	4,971,626
Improvement in annuitant mortality	-3% for 5 yrs.	1,313,265	1,177,480
Lowering of investment return	-0.5% for 10 yrs.	12,231,292	14,045,286
Worsening of base renewal expense and inflation rate	+5% for 5 yrs.	2,129,531	2,110,795
Worsening of lapse rate	x2 or x0.5	9,769,390	8,490,131
Higher interest rates	+0.5% for 10 yrs.	(16,091,598)	(14,749,425)

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55. Sensitivity Analysis (Continued)

(iii) Sensitivity arising from a decline in equity prices

The Group is sensitive to fair value risk on its financial assets at fair value through profit or loss and available for sale equity securities. The effects of an increase by 10% and a decrease by 10% in equity prices at the year end date are set out below.

Financial assets at fair value through profit or loss and available for sale equity securities:	The Group	
	Carrying Value \$'000	Effect of 10% change at 31 December 2019 \$'000
Listed on Jamaica Stock Exchange	4,340,203	434,020
Listed on US stock exchanges	3,039,502	303,950
Other	30,588,988	3,058,899
	<u>37,968,693</u>	<u>3,769,869</u>

(iv) Sensitivity arising from currency risk

The Group is most sensitive to currency risk in its operating currencies which float against the United States dollar.

The effect of a further 15% (2018 – 15%) depreciation and a 1% (2018 – 1%) appreciation in the Jamaican dollar (JMD) relative to the United States dollar (USD) at the year-end date is considered in the following tables.

	The Group					
	2019			2018		
	Balances	Effect of a 15% depreciation at 31 December 2019	Effect of a 1% appreciation at 31 December 2019	Balances	Effect of a 15% depreciation at 31 December 2018	Effect of a 1% appreciation at 31 December 2018
	Denominated in other than JMD \$'000	31 December 2019 \$'000	31 December 2019 \$'000	Denominated in other than JMD \$'000	31 December 2018 \$'000	31 December 2018 \$'000
Statement of financial position:						
Assets	190,751,512	219,364,239	188,843,997	200,857,709	230,986,365	198,849,132
Liabilities	141,703,795	162,959,364	140,286,757	139,248,404	160,135,665	137,855,920
Net position	<u>49,047,717</u>	<u>56,404,875</u>	<u>48,557,240</u>	<u>61,609,305</u>	<u>70,850,700</u>	<u>60,993,212</u>
Income statement:						
Net income	-	6,253,584	(564,049)	-	7,855,186	(708,507)
Equity	-	1,103,574	73,572	-	1,386,209	92,414

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55. Sensitivity Analysis (Continued)

(vi) Interest rate sensitivity

For the larger subsidiaries of the group, the following tables indicate the sensitivity to a reasonable possible change in interest rates, with all other variables held constant, on the income statements and stockholders' equity.

The sensitivity of the profit or loss is the effect of the assumed changes in interest rates on net income and actuarial liabilities based on the floating rate of financial assets and financial liabilities. The sensitivity of stockholders' equity is calculated by revaluing fixed rate FVTOCI 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.

	Sagicor Investments Jamaica Limited			
	Effect on Net Profit after tax 2019 \$'000	Effect on Equity 2019 \$'000	Effect on Net Profit after tax 2018 \$'000	Effect on Equity 2018 \$'000
Change in percentage				
J\$: -1%, US\$: -0.5%				
(2018 – J\$: -1%, US\$: -0.5%)	(331,368)	2,903,249	(600,415)	3,038,467
J\$: 1%, US\$: 0.5%				
(2018 – J\$: +2.5%, US\$: +2%)	331,368	(4,023,596)	594,036	(2,787,333)
	Sagicor Bank Jamaica Limited			
	Effect on Net Profit after tax 2019 \$'000	Effect on Equity 2019 \$'000	Effect on Net Profit after tax 2018 \$'000	Effect on Equity 2018 \$'000
Change in percentage				
J\$: -1%, US\$: -0.5%				
(2018 – J\$: -1%, US\$: -0.5%)	(834,984)	589,198	(681,863)	351,167
J\$: 1%, US\$: 0.5%				
(2018 – J\$: +2.5%, US\$: +2%)	834,984	(545,514)	681,863	(331,566)
	Sagicor Life Jamaica Limited			
	Effect on Net Profit after tax 2019 \$'000	Effect on Equity 2019 \$'000	Effect on Net Profit after tax 2018 \$'000	Effect on Equity 2018 \$'000
Change in percentage				
J\$ -1%, US\$ -0.5% (2018-J\$ -1%, US\$ -0.5%)	(5,430,034)	439,140	(5,815,276)	654,781
J\$ +1%, US\$ +0.5% (2018-J\$ +1%, US\$ +0.5%)	4,296,721	(395,124)	4,637,313	(598,494)

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55. Sensitivity Analysis (Continued)

(vi) Interest rate sensitivity (continued)

	Sagicor Life Cayman Limited			
	Effect on Net Profit after tax 2019 \$'000	Effect on Equity 2019 \$'000	Effect on Net Profit after tax 2018 \$'000	Effect on Equity 2018 \$'000
Change in percentage				
US\$ -0.5% (2018-US\$ -0.5%)	(505,891)	1,071,443	(324,523)	851,557
US\$ +0.5% (2018-US\$ +0.5%)	441,544	(964,167)	289,436	(553,651)

56. Capital Management

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

- 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 to meet future obligations to policyholders, depositors, note-holders and stockholders;
- To provide adequate returns to stockholders by pricing insurance, investment and other contracts commensurately with the level of risk; and
- To maintain a strong capital base which are sufficient for the future development of the Group's operations.

The principal capital resources of the Group comprise its stockholders' equity, any non-controlling interest equity, and any debt financing. The summary of these resources at the year end is as follows:

	2019 \$'000	2018 \$'000
Stockholders' equity	91,251,554	74,340,008
Non-controlling interest	29,672,714	27,354,811
Total statement of financial position capital resources	120,924,268	101,694,819

The Group deploys its capital resources to activities carried out through various lines of business in operating companies which are either insurance entities or provide other financial services. The capital is deployed in such a manner as to ensure that each line of business generates the desired return on capital employed, that the operating companies have adequate and sufficient capital resources to carry out their activities and to meet regulatory requirements.

Required capital adequacy information is computed for regulated entities of the Group on a monthly basis and assessed by Management. These metrics are reported to Boards of Directors quarterly, and are filed with the Regulators in Jamaica monthly, in Cayman annually and in Costa Rica monthly.

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56. Capital Management (Continued)

The capital adequacy of the principal operating entities within the Group is set out below.

(a) Sagicor Life Jamaica Limited

Capital adequacy is managed at the operating company level. It is calculated monthly by the Appointed Actuary and reviewed by Executive Management and the Board of Directors. In addition, Sagicor Life Jamaica Limited seeks to maintain internal capital adequacy at levels higher than the regulatory requirements. To assist in evaluating the current business and strategy opportunities, a risk-based capital approach is one of the core measures of financial performance. The risk-based assessment measure which has been adopted is the Minimum Continuing Surplus and Capital Requirement (MCCSR) standard as per the Insurance Regulations, 2001. The minimum standard required Insurance Regulations 2001 at the year-end date is an MCCSR of 150%. The MCCSR for the Sagicor Life Jamaica Limited as at 31 December 2019 and 2018 is set out below.

	2019	2018
Sagicor Life Jamaica Limited	<u>179.4%</u>	<u>183.8%</u>

(b) Sagicor Life of the Cayman Islands Ltd.

During 2014, the Cayman Islands Insurance (Capital and Solvency) (Class A Insurers) Regulations became effective. The minimum capital requirement (MCR) for a local Class A insurer was established as the greater of US\$300,000, or the square root of the sum of the square of five risk components – assets, policy liabilities, subsidiaries, catastrophe exposure and foreign exchange. Additionally, the prescribed capital for a local Class A insurer must be at least 125% of the minimum capital requirement. As at the year-end date, the prescribed capital requirement was US\$10,882,000 (2018 - \$13,801,000) and available capital when expressed as a percentage of prescribed capital, was 475.9% (2018 – 399.0%).

The MCR, based on the Cayman Island Regulations, is as follows.

	2019	2018
	<u>475.9%</u>	<u>399.0%</u>

The MCCSR, based on the Canadian Regulatory Standards, is as follows.

	2019	2018
	<u>249.4%</u>	<u>278.3%</u>

(c) Sagicor Bank Jamaica Limited and Sagicor Investments Jamaica Limited

The Bank's objectives in managing their capital are:

- (i) To comply with the capital requirements set by the Regulators of the financial market in Jamaica.
- (ii) To provide adequate returns to shareholders commensurate with the level of risk undertaken and adequate benefits to staff and other stakeholders.
- (iii) To safeguard the Banks' ability to meet its obligations to depositors, note-holders and other stakeholders.
- (iv) To safeguard the Banks' ability to continue as solvent going concerns.
- (v) To maintain an appropriate capital base to support the growth and development of its business.

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56. Capital Management (Continued)

Capital adequacy, capital management ratios and the financial statements of the Banks are monitored monthly by management. These are reviewed quarterly by the Boards of Directors. Capital is managed based on prudent best practices and employing techniques and guidelines developed by the Financial Services Commission (FSC), the Bank of Jamaica (BOJ), Basel II and the Board of Directors Risk Management Committees. The required information is filed with the respective Regulatory Authorities at stipulated intervals.

The BOJ and the FSC require each regulated entity to:

- (i) Hold the minimum level of the regulatory capital; and
- (ii) Maintain a minimum ratio of total regulatory capital to the risk-weighted assets.

The regulatory capital is divided into two tiers:

- (i) Tier 1 capital: share capital, retained earnings and reserves created by appropriations of retained earnings. The book value of goodwill is deducted in arriving at Tier 1 capital; and
- (ii) Tier 2 capital: qualifying subordinated loan capital, collective impairment allowances and revaluation on property, plant and equipment.

Any investment in subsidiaries is deducted from Tier 1 and Tier 2 capital to arrive at the regulated capital.

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-balance sheet exposure, with some adjustments to reflect the more contingent nature of the potential losses.

The capital risk ratios for Sagicor Bank Jamaica Limited and Sagicor Investments Jamaica Limited at the year-end were as follows:

	Sagicor Investments Jamaica Limited		Sagicor Bank Jamaica Limited	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
Total regulatory capital	<u>15,194,332</u>	<u>10,727,207</u>	<u>15,661,101</u>	<u>14,336,329</u>
Total required capital	<u>7,736,406</u>	<u>7,734,499</u>	<u>11,128,610</u>	<u>9,429,442</u>
Actual capital base to risk	<u>19.64%</u>	<u>13.87%</u>	<u>14.07%</u>	<u>15.18%</u>
Required capital base to risk	<u>10%</u>	<u>10%</u>	<u>10%</u>	<u>10%</u>

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56. Capital Management (Continued)

- (i) During 2019 and 2018, both banking entities complied with all of the externally imposed capital requirements to which they are subject.
- (ii) Derivative products
The Banks' derivative activities give rise to open positions in portfolios of derivatives. These positions are managed constantly 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 credit risk management procedures to assess and approve potential credit exposures are the same that are used for traditional lending.
- (d) The subsidiary AGI manages capital to:
 - (i) Comply with the capital requirements set by the FSC
 - (ii) Safeguard the company's ability to continue as a going concern

For P&C companies, the Minimum Capital Test (MCT) is used as a measure of capital with a minimum ratio of 250%. The MCT for AGI as at 31 December 2019 was 388%.

57. Fiduciary Risk

Certain subsidiaries in the Group provide custody, trustee, corporate administration, investment management or advisory services to third parties which may involve these subsidiaries making allocation and purchase and sale decisions in relation to a wide range of financial instruments. These assets are not included in these financial statements. As at 31 December 2019, these subsidiaries had financial assets under administration of approximately \$432,041,335,000 (2018 - \$366,937,285,000) as follows:

	The Group	
	2019	2018
	\$'000	\$'000
Sagicor Sigma Global Funds	168,649,547	130,902,485
Securities being held in custody	41,509,736	29,144,051
Real Estate Investment Trust	589,507	531,252
Pooled Investment Funds	193,507,431	170,685,477
Self-directed Pension Funds	54,029,242	48,315,596
Sagicor Select Funds Limited – Financial Select Fund	5,938,182	-
Sagicor Select Funds Limited – Manufacturing and Distribution Select Fund	3,943,987	-
	<u>468,167,632</u>	<u>379,578,861</u>

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58. Contingent Liabilities

Legal proceedings

The Group and the company are subject to various claims, disputes and legal proceedings, as part of the normal course of business. Provision is made for such matters when, in the opinion of management and its professional advisors, it is probable that a payment will be made by the Group, and the amount can be reasonably estimated.

In respect of claims asserted against the Group which, according to the principles outlined above, have not been provided for, management is of the opinion that such claims are either without merit, can be successfully defended, cannot be reasonably estimated or will result in exposure to the Group which is immaterial to both the financial position and results of operations.

Significant matters are as follows:

- (a) Suit has been filed by a customer against one of the Group's subsidiaries for breach of contract, and breach of trust in the amount of US\$8,928,500, being loss allegedly suffered as a result of what the claimants say is the unlawful withholding of insurance proceeds by the subsidiary. No provision was made in these financial statements for this claim as the matter has not been heard.
- (b) Suit has been filed by an independent contractor against one of the Group's subsidiaries for breach of contract arising from alleged contractual agreement. The Claimant alleges that the subsidiary failed to pursue initiatives contemplated by the contract with a third party and that by not doing so, it caused the Claimant company significant losses which they have estimated at over US\$300,000,000. No provision was made in these financial statements for this claim as the claim has been stayed to accommodate arbitration as required under the Agreement between the parties.

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60. Offsetting Financial Assets and Financial Liabilities (Continued)

The following financial assets are subject to offsetting, enforceable master netting arrangements and similar agreements.

The Group							
2019							
			Related amounts not set off in the statement of financial position				
	Gross amounts of financial assets	Gross amounts set off on the balance sheet	Net amounts of financial assets presented on the balance sheet	Impact of master netting agreements	Cash collateral	Financial instruments collateral	Net amounts
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Liabilities							
Due to banks and other financial institutions	180,170,778	-	180,170,778	(69,381,388)	-	-	110,789,390
Derivative financial instruments	35,005	-	35,005	(35,005)	-	-	-
Other liabilities	19,561,295	-	19,561,295	-	-	-	19,561,295
	<u>199,767,078</u>	<u>-</u>	<u>199,767,078</u>	<u>(69,416,393)</u>	<u>-</u>	<u>-</u>	<u>130,350,685</u>
2018							
Liabilities							
Due to banks and other financial institutions	180,623,417	-	180,623,417	(57,704,556)	-	(15,139,610)	107,779,251
Derivative financial instruments	31,464	-	31,464	-	-	(31,464)	-
Other liabilities	6,124,615	-	6,124,615	-	-	-	6,124,615
	<u>186,779,496</u>	<u>-</u>	<u>186,779,496</u>	<u>(57,704,556)</u>	<u>-</u>	<u>(15,171,074)</u>	<u>113,903,866</u>

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60. Offsetting Financial Assets and Financial Liabilities (Continued)

The following financial assets are subject to offsetting, enforceable master netting arrangements and similar agreements.

The Company							
2019							
			Related amounts not set off in the statement of financial position				
	Gross amounts of financial assets	Gross amounts set off on the balance sheet	Net amounts of financial assets presented on the balance sheet	Impact of master netting agreements	Cash collateral	Financial instruments collateral	Net amounts
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Liabilities							
Due banks and other financial institutions	12,627,383	-	12,627,383	-	-	-	12,627,383
Other liabilities	4,420,086	-	4,420,086	-	-	-	4,420,086
	<u>17,047,469</u>	<u>-</u>	<u>17,047,469</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>17,047,469</u>
2018							
Liabilities							
Due banks and other financial institutions	13,260,219	-	13,260,219	-	-	-	13,260,219
Other liabilities	4,175,371	-	4,175,371	-	-	-	4,175,371
	<u>17,435,590</u>	<u>-</u>	<u>17,435,590</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>17,435,590</u>

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61. Breach of Insurance Regulations – Related Party Balances

As at December 31, 2019, one of the Group's subsidiaries, Sagicor Life Jamaica Limited exceeded the regulated 5% maximum of related party balances to total assets of the company. Management is in discussions with the Regulator, Financial Services Commission, in relation to this matter. The regulatory has not imposed any penalty.

62. Non-Controlling Interest

2019:

During the year, the group acquired 60% of AGI and 70% of Bailey Williams Ltd.

In prior year the Group acquired a 51% controlling interest in Travel Cash Jamaica Limited and took effective control of Sagicor Real Estate X Fund Limited and its subsidiaries. The non-controlling interests represent the share of net assets and net profit not attributed to Sagicor Group. The amounts were calculated as follows:

	Travel Cash \$'000	Sagicor X Fund \$'000	Jamziv \$'000	AGI \$'000	Bailey Williams \$'000	2019 Total \$'000
Net Assets	549,482	24,482,860	25,042,645	5,436,436	541,337	56,052,760
Share relating to entities other than the Sagicor Group	49%	70.69%	39.19%	40%	30%	
Non-controlling interest	269,246	17,252,281	9,814,212	2,174,574	162,401	29,672,714
Net profit/(loss) for the period	146,072	(342,943)	(98,662)	142,906	(114,403)	(267,030)
Share relating to entities other than the Sagicor Group	49%	70.69%	39.19%	40%	30%	
Non-controlling interest	71,575	(242,428)	(38,666)	57,162	(34,321)	(186,678)

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62. Non-Controlling Interest (Continued)

2018:

In 2018 the Group acquired a 51% controlling interest in Travel Cash Jamaica Limited and took effective control of Sagicor Real Estate X Fund Limited and its subsidiaries. The non-controlling interests represent the share of net assets and net profit not attributed to Sagicor Group. The amounts were calculated as follows:

	Travel Cash \$'000	X Funds \$'000	Jamziv \$'000	2018 Total \$'000
Total assets	608,481	46,310,600	24,764,702	71,683,783
Total liabilities	(205,071)	(11,917,839)	-	(12,122,910)
Non-Controlling Interest of Jamziv		(9,705,808)	-	(9,705,808)
Net Asset	403,410	24,686,953	24,764,702	49,855,065
Share relating to entities other than the Sagicor Group	49%	70.69%	39.19%	
Non-controlling interest	197,671	17,451,335	9,705,805	27,354,811
Net profit for the period	11,239	(349,476)	(287,382)	(625,619)
Share relating to entities other than the Sagicor Group	49%	70.69%	39.19%	
Non-controlling interest	5,507	(247,046)	(112,625)	(354,164)

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019

(expressed in Jamaican dollars unless otherwise indicated)

63. Changes in Accounting Policies

This note explains the impact of the adoption of IFRS 16 Leases on the Group's financial statements.

As indicated in Note 2, the Group has adopted IFRS 16 Leases retrospectively from 1 January 2019 but has not restated comparatives for the 2018 reporting period, as permitted under the specific transition provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 January 2019. The new accounting policies are disclosed in Note 38.

On adoption of IFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 6.5%.

(a) Practical expedients applied

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

- (i) applying a single discount rate to a portfolio of leases with reasonably similar characteristics;
- (ii) relying on previous assessments on whether leases are onerous as an alternative to performing an impairment review – there were no onerous contracts as at 1 January 2019;
- (iii) accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases;
- (iv) excluding initial direct costs for the measurement of the right-of-use asset at the date of initial application, and;
- (v) using hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the group relied on its assessment made applying IAS 17 and Interpretation 4 Determining whether an Arrangement contains a Lease.

(b) Measurement of lease liabilities

	2019
	\$'000
Operating lease commitments disclosed as at 31 December 2018	1,882,151
Discounted using the lessee's incremental borrowing rate of at the date of initial application	1,798,976
(Less): short-term leases not recognised as a liability	(41,432)
(Less): low-value leases not recognised as a liability	(4,143)
Add: adjustments as a result of a different treatment of extension and termination options	1,584,271
Lease liability recognised as at 1 January 2019	3,337,672
Of which are:	
Current lease liabilities	382,397
Non-current lease liabilities	2,955,275

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019

(expressed in Jamaican dollars unless otherwise indicated)

63. Changes in Accounting Policies (Continued)

(c) Measurement of right-of-use assets

The associated right-of-use assets for property leases were measured on a retrospective basis as if the new rules had always been applied. Other right-of-use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet as at 31 December 2018.

(d) Adjustments recognized in the balance sheet on 1 January 2019

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

- (i) right-of-use assets – increase by \$3,337,672,158
- (ii) lease liabilities – increase by \$3,337,672,158

(e) The Income statement impact

For the year 2019 increased charges of \$170,960,359 was recorded in the income statement.

64. Business Combinations and Asset Purchase

(a) Acquisition of 51% interest in TravelCash Jamaica Limited.

On 1 December 2018, the Group acquired 51% of the share capital of TravelCash Jamaica Limited.

The acquired business contributed post acquisition revenues of \$17,021,000 and \$11,239,000 for the year ended 31 December 2018.

Details of the net assets acquired, purchase consideration and goodwill, were as follows:

	Fair Value
	\$'000
Net assets arising on the acquisition:	
Loans, net of provision for credit losses	392,564
Property, plant and equipment	606
Customer relationship	145,000
Brand	4,000
Due to banks and other financial institutions	(150,000)
Fair value of net assets acquired	392,170
Non-Controlling Interest (49%)	192,163
Purchase price	390,000
Goodwill	189,993

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019

(expressed in Jamaican dollars unless otherwise indicated)

64. Business Combinations and Asset Purchase (Continued)

- (b) Acquisition of 60% interest in Advantage General Insurance Company limited.

On 30 September 2019, the group acquired 60% of the share capital of Advantage General Insurance Company Limited.

The acquired business contributed revenues of \$1,457,994,000 and net profits attributable to shareholders of \$86,744,000 for the year ended 31 December 2019. Had the company been acquired at the beginning of the year, it would have contributed revenues of approximately \$5,852,288,000 and net profits of approximately \$714,790,000 to the Group for the year ended 31 December 2019.

Details of the net assets acquired, purchase consideration and negative goodwill, determined on a provisional basis, were as follows:

	Fair Values \$'000
Net assets arising on the acquisition:	
Cash	245,418
Investment securities (Note 13)	8,346,162
Investment Properties (Note 18)	734,797
Intangibles assets	960,147
Property, plant and equipment (Note 19)	1,151,070
Reinsurance assets	1,035,448
Income tax recoverable	402,180
Other assets	1,184,697
Other Insurance Liabilities	(3,599,568)
Provision for unearned premiums	(2,960,189)
Due to banks and other financial institutions	(789,948)
Income tax liabilities	(55,261)
Other liabilities	(1,000,826)
Deferred commission	(274,366)
Post-retirement benefit obligations	(201,222)
	<u>5,178,539</u>
	\$'000
Purchase consideration - Cash	4,142,843
NCI at acquisition	2,071,415
Net asset acquired	<u>(5,178,537)</u>
Goodwill (Note 18)	<u>1,035,721</u>
Cash paid	4,142,843
Cash and cash equivalents included in net assets acquired (cash and due (to) /from banks and other financial institutions	<u>245,418</u>
Net cash outflow on acquisition	<u>3,897,425</u>

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019

(expressed in Jamaican dollars unless otherwise indicated)

64. Business Combinations and Asset Purchase (Continued)

- (c) Asset Purchase of Bailey Williams Limited.

On 30 November 2019, the Sagikor Life Jamaica Limited purchased 70% of the issued share capital of Bailey Williams Limited. The transaction was accounted for an asset purchase, as at the time of the acquisition, Bailey-Williams was not a business, as defined by IFRS 3. In accounting for the asset purchase, the purchase consideration for the shares was allocated among the identifiable assets in proportion to their relative fair values. There was no fair valuation of the identifiable assets which were recognised on acquisition. As stipulated by IFRS 3 for asset acquisitions, no goodwill or negative goodwill was recognised. Non-controlling interest in the transaction was determined by reference to the non-controlling interest's proportionate share of the value of the assets recognised.

The acquired net assets contributed post acquisition negative revenues of (\$114,285,000) and net loss attributable to shareholders of (\$80,082,000) for the year ended 31 December 2019.

Details of the net assets acquired and the purchase consideration, determined on a provisional basis, were as follows:

	Fair Value \$'000
Net assets acquired:	
Land Developed for Resale	697,617
Cash	874
Other assets	10,453
Deferred tax assets	96
Due to banks and other financial institutions	(46,800)
Other liabilities	(6,500)
	<u>655,740</u>
	\$'000
Purchase consideration	459,018
Minority Interest	196,722
	<u>655,740</u>
Cash paid	459,018
Cash and cash equivalents included in net assets acquired (cash and due (to) /from banks and other financial institutions	<u>874</u>
Net cash outflow on acquisition	<u>458,144</u>

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019

(expressed in Jamaican dollars unless otherwise indicated)

65. Business Combination- Step-Acquisition

Certain events took place on October 1, 2018 which deemed the Group to have taken effective control of Sagicor Real Estate X Fund Limited and its subsidiaries (Sagicor X Fund Group) with its 29.31% interest. As required by IFRS 10 – Consolidation of Financial Statements, the events triggered the accounting for Sagicor X Fund Group to be changed from an associate to a subsidiary, using Step-Acquisition for full consolidation.

Step 1 - The carrying value of the investment in Sagicor X Fund Group on the Group's balance sheet as at September 30, 2018 (deemed purchase consideration), was compared to the Group's share of the market value of Sagicor X Fund Group using the listed share price (deemed proceeds) along with recycling of accumulated unrealized foreign exchange gains in OCI of the Group relating to Sagicor X Fund Group as an associate. The accumulated unrealized fair value amount for revaluation of the owner-occupied property (OPP) of the associate in the Group's books was also transferred from OCI to retained earnings.

Step 2 – The Group then recorded the net identifiable assets and liabilities, at fair value, of Sagicor X Fund Group as a subsidiary and compared its share (new deemed proceeds) to the new carrying value of the investment in subsidiary (new deemed purchase consideration). The non-controlling interest amount was adjusted accordingly.

These transactions gave rise to a net gain on disposal of the associate of \$1,521,065,000, an identifiable intangible asset of \$329,000,000 and a goodwill amount of \$1,213,913,000 on acquisition of the subsidiary in SGJ's books.

Computations for the two steps are set out below:

Step 1: Deemed disposal of associate:

Net realized gain on the step acquisition:	\$'000
Fair value of SGJ's holding in Sagicor X Fund Group as at September 30, 2018	8,829,058
Carrying value of investment in X Fund as an Associate on Balance Sheet of SGJ as at September 30, 2018	<u>(7,701,767)</u>
	1,127,291
Recycle of accumulated unrealized gains from investment in Sagicor X Fund Group as an associate:	
Currency translation reserves	<u>393,774</u>
Total gain on deemed disposal of associate	1,521,065
Accumulated unrealised revaluation gain for the associate being transferred to retained earnings	725,621
Accumulated unrealised revaluation gain for the associate being transferred to policyholders' liability	<u>202,411</u>
	<u>928,032</u>

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019

(expressed in Jamaican dollars unless otherwise indicated)

65. Step-Acquisition – Business Combination (Continued)

Step 2: Deemed acquisition of subsidiary:

Details of the net assets acquired, purchase consideration and goodwill, determined on a provisional basis, were as follows:

Net assets arising on the consolidation:	Fair Value
	\$'000
Cash	2,076,418
Financial investments	1,286,023
Investment Property	2,113,735
Investment in associated entity	25,819,032
Property, plant and equipment	15,418,311
Intangible assets	15,436
Other assets	2,290,213
Franchise Relationship	329,000
Loan payable	(10,441,519)
Deferred tax liability	(418,121)
Other liabilities	(2,449,104)
Minority Interest	(10,119,005)
Fair value of net assets acquired	25,920,419
SGJ's Share of fair value of subsidiary being acquired 29.31%	<u>7,597,145</u>
	\$'000
SGJ's Share of fair value of subsidiary being acquired	7,597,145
Deemed purchase consideration	<u>8,829,058</u>
Goodwill on step - acquisition of subsidiary	<u>1,231,913</u>

Sagicor Real Estate X-Fund Group contributed post acquisition revenues of \$888,502,000 and net loss of \$349,476,000 for the year ended 31 December 2018.

	J\$'000
Fair value of net assets acquired	25,920,419
SGJ's Share of fair value of subsidiary being acquired 29.31%	<u>(7,597,145)</u>
Minority Interest at 70.69%	18,323,274
Minority Interest in Jamziv	10,119,005
Non-controlling interest on acquisition in Sagicor Real Estate X Fund Limited	<u>28,442,279</u>

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019

(expressed in Jamaican dollars unless otherwise indicated)

66. Subsequent Events

Subsequent to the end of the financial year, the WHO has declared the Coronavirus to be a global pandemic. The pandemic has resulted in a significant downturn in commercial activity as there is currently no cure, and the means most recommended to manage contagion is social distancing. Schools have therefore been temporarily closed, entertainment and sporting events which typically generate huge revenues and profits have been either cancelled or suspended, global travel restrictions have been implemented, all of which will have negative global economic consequences.

The Group is exposed to the potential economic effects of the Coronavirus through its various operations as follows:

- Hotel operations – Travel restrictions and the impact on tour and holiday bookings and cancellations. This may result in a downturn in revenues and profits.
- Insurance operations – The potential impact on factors such as morbidity and mortality in its assessment of insurance reserves. Unsuccessful attempts at managing contagion could lead to increases in death benefits from the individual life portfolio, as well as increased health claims from the health insurance portfolio. Economic downturns could also negatively impact the generation of new business, as well as persistency of existing business.
- Banking operations and investments – An economic downturn could lead to depressed asset values from a market risk perspective, lower fees and interest income as well as increased ECL's consequent on higher PD's and LGD's associated with financial assets to which the Group has exposure.

There has not been a sufficient passage of time for management to quantify the impact of the foregoing on its financial results at the time of reporting.

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Disclosure of Shareholdings

SHAREHOLDINGS OF THE TEN LARGEST SHAREHOLDERS

AT 31 DECEMBER 2019

SHAREHOLDERS		NO OF SHARES	%
1.a Sagicor Life Inc	650,663,398	1,918,137,454	49.11%
<i>LOJ Holdings Limited - connected company</i>	1,267,474,056		
1.b (Sagicor Pooled Equity Fund - connected company)	51,492,278	57,134,128	1.46%
<i>(Trustee Sagicor Long-Term Incentive Plan - connected company)</i>	2,429,884		
<i>(Sagicor Life Jamaica Share Purchase Plan 2003)</i>	222,339		
<i>(Trustee of the SLJ of Employee Share Purchase Plan)</i>	2,989,627		
<i>(Trustee SJJL of Employee Share Inv Trust)</i>	-		
2 PanJam Investment Limited	1,180,341,327	1,181,100,306	30.24%
<i>(C. B. Facey Foundation - Connected Company)</i>	718,400		
<i>(Orange Hall Estates - Connected Company)</i>	40,579		
3 SJJML 3119		47,057,543	1.20%
4 National Insurance Fund		47,611,210	1.22%
5 Ideal Portfolio Services Ltd	39,418,634	44,584,611	1.14%
<i>(Ideal Global/Ideal Group/Ideal Betting/Ideal Finance - Con. Co.)</i>	5,165,977		
6 ATL Group Pension Fund Trustee Nominee Limited		30,808,584	0.79%
7 GraceKennedy Ltd Pension Scheme	27,632,689	28,143,819	0.72%
<i>Gracekennedy Pension Fund Pension Plan (2009)</i>	511,130		
8 JCSD Trustee Services Ltd - Sigma Equity		24,632,398	0.63%
9 Donwis Ltd	19,567,360	22,895,477	0.59%
<i>(Donovan/Getrtrude/Katheryn/Luke Lewis - connected person)</i>	3,317,200		
<i>(DALK - connected company)</i>	10,917		
10 JPS Superannuation Fund (PAM)	17,047,940	22,128,514	0.57%
<i>(JPS (Original 1973) PAM - connected company)</i>	5,080,574		
Total		3,424,234,044	87.67%
Others		481,400,872	12.33%
Total Issued Shares		3,905,634,916	100.00%

A healthy culture protects and generates value for our stakeholders, and the Board is committed to fostering a culture that thrives on ethics, transparency, excellence and performance accountability.

SHAREHOLDINGS OF DIRECTORS

AT 31 DECEMBER 2019

LIST OF DIRECTORS		NO OF SHARES	%
1 Peter Melhado - Chairman		Nil	0.00%
2 Christopher Zacca - President & CEO (Edward & Hope Zacca - connected person)	629,955 60	630,015	0.02%
3 Dr. The Hon R. Danny Williams (Ravers Limited - connected company)	Nil 12,332,825	12,332,825	0.32%
4 Dr. Dodridge Miller		25,389	0.00%
5 Jeffrey Cobham		25,000	0.00%
6 Marjorie Fyffe-Campbell		25,000	0.00%
7 Paul Facey (Heather Facey - connected person) (Robert A Facey - connected person) (Angela G. Nathan - connected person)	948,999 1,060,000 1,023,512	3,032,511	0.08%
8 Stephen Facey (Wendy Facey - connected person) (Alexander & Matthew Facey - connected person)	1,027,791 107,463	1,135,254	0.03%
9 Paul Hanworth		99,799	0.00%
10 Richard Downer		Nil	0.00%
11 Jacqueline D Coke-Lloyd		25,000	0.00%
12 Peter Clarke		Nil	0.00%
13 Stephen McNamara		Nil	0.00%

SHAREHOLDINGS OF LEADERSHIP TEAM

AT 31 DECEMBER 2019

SHAREHOLDERS		NO OF SHARES	%
1 Christopher Zacca (Edward & Hope Zacca - connected person)	629,955 60	630,015	0.02%
2 Ivan B. Carter		11,968,923	0.31%
3 Janice A. M. Grant Taffe (Joseph Taffe - connected person)		2,084,240	0.05%
4 Mark Chisholm (Te-Anne Chisholm - connected person) (Sharo Anne Chisholm - connected person) (Jonel Chisholm - connected person)		3,735,840	0.10%
5 Willard Brown		2,252,569	0.06%
6 Karl Williams		1,919,717	0.05%
7 Chorvelle Johnson		31,744	0.00%
8 Kevin Donaldson		128,424	0.00%
9 Donnette Scarlett (Merrick Scarlett - connected person) (Monique Scarlett - connected person)		373,281	0.01%

Corporate Directory

SAGICOR LIFE

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Clement Ellington
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Loven McCook
Regional Manager - South

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Branch Manager
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Kavon Walker
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Karen Richards
Assistant Vice President
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Form of Proxy

I _____ of _____ being a member
of Sagicor Group Jamaica Limited hereby appoint
of _____ or failing him

of _____ as my proxy to vote for me on my behalf at the Annual General Meeting of the Company to be held on the 8th day
of September 2020 at 3:00 p.m. and at any adjournment thereof.

The Proxy will vote on the under mentioned resolutions as indicated:

Resolutions	For	Against
1. To receive the Audited Accounts and Report of the Directors for the year ended December 31, 2019		
2. To elect Directors a) In accordance with Articles 98 Marjorie Fyffe-Campbell Jacqueline Coke-Lloyd Peter Clarke b) In accordance with Article 97(f) Tim Hodgson Reza Satchu Mahmood Khimji Lisa Lake		
3. To fix the remuneration of Directors		
4. To appoint and authorize the Directors to fix the remuneration of the Auditors		
5. To ratify interim dividends and declare them final		

NOTE: If this form is returned without any indication as to how the person appointed proxy shall vote, he will exercise his discretion as to how he votes or whether he abstains from voting.

As witness my hand this _____ day of _____ 2020

Signature _____

NOTE:

- (1) If the appointer is a Corporation, this form must be under its common seal or under the hand of an officer or attorney duly authorized.
- (2) To be valid, this proxy must be lodged with the Secretary of the Company, 28-48 Barbados Avenue, Kingston 5, not less than 48 hours before the time appointed for holding the meeting.
A proxy need not be a member of the Company.

\$100.00
Stamp to
be affixed

Connect with us!

We welcome your feedback. Please use these convenient channels to keep up to date on developments at your company or to send us your comments and queries.

SHAREHOLDERS	→ Connection Points
<p>Contact our Registrar for:</p> <ul style="list-style-type: none"> • Dividends • Change in share registration and address • Lost share certificates • Estate transfers • General shareholder requests 	<p>Corporate Trust Ground Floor R. Danny Williams Building 28-48 Barbados Avenue Kingston 5</p> <p>✉ sbj_registrar@sagicor.com sgj_legalcounsel@sagicor.com</p> <p>☎ (876) 929-5583 ext. 2215 - 7 and 2221-2</p> <p>📠 (876) 764-0356 (876) 920-5804</p>
<p>To obtain additional printed copies of the Annual Report or make enquiries about company news and initiatives</p>	<p>Investor Relations</p> <p>✉ sbj_InvestorRelations@sagicor.com</p> <p>☎ (876) 929-5583</p>

CLIENTS	→ Connection Points
<p>Get general information on the company's activities, policies, products and services.</p>	<p>Client Relations</p> <p>✉ infoja@sagicor.com</p> <p>☎ 888-SAGICOR (724-4267)</p>
<p>View information on Sagicor Group Jamaica online</p>	<p>Website</p> <p>✉ sagicor.com</p>
<p>Receive the latest company news or learn more about Sagicor Group Jamaica</p>	<p>Public Relations</p> <p>✉ sgj_publicrelations@sagicor.com</p>
<p>Call toll free</p>	<p>Within Jamaica - 888-SAGICOR (724-4267) From Canada & USA - 1-800-SAGICOR From Canada 1-800-947-7886 From U.S.A 1-800-550-7886 From the U.K. 1-800-895-903</p>

Don't forget to:

-  Like us on Facebook www.facebook.com/SagicorJamaica
-  Follow us on Twitter <http://twitter.com/SagicorJa>
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