



2021

Sagicor Life Jamaica

Audited Financial Statements



Sagicor Life

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Sagicor Life Jamaica Limited

**Financial Statements
31 December 2021**

OPINION OF THE ACTUARY

I have examined the financial condition and valued the policy benefit liabilities of Sagicor Life Jamaica Limited for its statement of financial position as at 31 December 2021 and the corresponding change in the policy liabilities in the income statement for the year then ended. I meet the appropriate qualification standards and am familiar with the valuation and solvency requirements applicable to life insurance companies in Jamaica. I have relied upon the Company's Executive Vice President Finance/CFO, Executive Vice President Individual Insurance Division, and Executive Vice President Employee Benefits Division for the substantial accuracy of the inforce records and information concerning other liabilities.

In my opinion:

- (i) the methods and procedures used in the verification of the valuation data are sufficient and reliable, and fulfil acceptable standards of care;
- (ii) the valuation of actuarial and other policy liabilities has been made in accordance with generally accepted actuarial practice with such changes as determined and directions made by the Commission;
- (iii) the methods and assumptions used to calculate the actuarial and other policy benefit liabilities are appropriate to the circumstances of the Company and of the said policies and claims;
- (iv) the amount of the policy benefit liabilities represented in the statement of financial position of Sagicor Life Jamaica Limited makes proper provision for the future payments under the Company's policies and meets the requirements of the Insurance Act and other appropriate regulations of Jamaica;
- (v) a proper charge on account of these liabilities has been made in the income statement;
- (vi) there is sufficient capital available to meet the solvency standards as established by the Commission.



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A handwritten signature in black ink, appearing to read 'Janet Sharp'.

JANET SHARP, FSA, MAAA, CERA
APPOINTED ACTUARY FOR
SAGICOR LIFE JAMAICA
LIMITED

FEBRUARY 25, 2022



Independent auditor's report

To the Members of Sagicor Life Jamaica Limited

Report on the audit of the financial statements

Our opinion

In our opinion, the financial statements give a true and fair view of the financial position of Sagicor Life Jamaica Limited (the Company) as at 31 December 2021, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and with the requirements of the Jamaican Companies Act.

What we have audited

The Company's financial statements comprise:

- The statement of financial position as at 31 December 2021;
- The income statement for the year then ended;
- The statement of comprehensive income for the year then ended;
- The statement of changes in equity for the year then ended;
- The statement of cash flows for the year then ended; and
- The notes to the financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

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

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

Independence

We are independent of the Company in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code). We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.



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

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

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.



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

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

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 financial statements are in agreement therewith and give the information required by the Jamaican Companies Act, in the manner so required.

PricewaterhouseCoopers
Chartered Accountants
Kingston, Jamaica
30 March 2022

Sagicor Life Jamaica Limited

Statement of Financial Position

31 December 2021

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2021 \$'000	2020 \$'000
ASSETS:			
Cash resources	6	1,887,948	391,919
Financial investments	8	154,464,400	144,064,152
Pledged assets	8	685,225	95,245
Lease receivables	9	94,428	94,428
Investment properties	10	1,105,647	857,629
Intangible assets	11	1,508,690	1,524,829
Property, plant and equipment	12	3,011,228	3,004,793
Right-of-use assets	38	1,025,437	1,322,942
Reinsurance contracts	13	535,924	854,338
Premiums due and Unpaid	40	3,305,720	3,291,578
Retirement benefit asset	14	-	292,780
Deferred income taxes	15	1,061,912	408,953
Investment in subsidiary	39	459,018	459,018
Taxation recoverable		2,225,046	1,461,297
Other assets	17	11,731,237	9,544,967
TOTAL ASSETS		183,101,860	167,668,868

The accompanying notes on pages 7 -137 form an integral part of these financial statements.

Sagicor Life Jamaica Limited

Statement of Financial Position (Continued)

31 December 2021

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2021 \$'000	2020 \$'000
STOCKHOLDERS' EQUITY AND LIABILITIES:			
Stockholders' Equity Attributable			
Stockholders' of the Company			
Share capital	18	7,854,938	7,854,938
Equity reserves	19	1,547,581	1,722,050
Retained earnings		52,668,645	46,777,007
Total Equity		62,071,164	56,353,995
Liabilities			
Due to banks and other financial institutions	24	711,269	1,670,914
Taxation payable		478,006	997,851
Retirement benefit obligations	14	3,803,478	2,214,172
Lease liabilities	38	1,248,617	1,515,353
Other liabilities	25	9,106,747	7,322,170
Policyholders' Funds			
Life and health Insurance contracts liabilities	26	85,882,477	79,982,251
Investment contracts liabilities	27	14,400,621	12,957,313
Other policy liabilities	28	5,399,481	4,654,849
		105,682,579	97,594,413
Total Liabilities		121,030,696	111,314,873
TOTAL EQUITY AND LIABILITIES		183,101,860	167,668,868

Approved for issue by the Board of Directors on March 30, 2022 and signed on its behalf by:



Peter Melhado

Chairman



Christopher Zacca

Director

The accompanying notes on pages 7 -137 form an integral part of these financial statements.

Sagicor Life Jamaica Limited

Income Statement

Year ended 31 December 2021

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2021 \$'000	2020 \$'000
Revenue:			
Gross premium revenue	30	47,900,239	45,041,433
Insurance premium ceded to reinsurers	30	(843,505)	(612,222)
Net premium revenue	30	47,056,734	44,429,211
Interest income earned from financial assets measured at amortised cost and FVTOCI	31	7,535,534	7,178,266
Net gains on de-recognition of financial assets measured at amortised cost	31	3,292,396	1,172,382
Net gain on de-recognition of financial assets measured at FVTOCI	31	23,509	374,542
Interest income earned and unrealised gains/(losses) from assets measured at FVTPL	31	2,681,649	(2,983,139)
Investment income		13,533,088	5,742,051
Interest and other investment expense	31	(732,193)	(739,830)
Expected credit losses	31/43 (d)	(23,237)	(324,979)
Net investment income	31	12,777,658	4,677,242
Fee and other income	32	4,160,386	3,682,217
Total revenue		63,994,778	52,788,670
Benefits:			
Insurance benefits incurred		31,640,553	29,407,480
Insurance benefits reinsured		(304,964)	(285,653)
Net insurance benefits	33	31,335,589	29,121,827
Net movement in actuarial liabilities	26(d)	3,440,196	(5,039,143)
Expenses:			
Administration expenses	35	8,833,796	7,919,277
Commission and sales expenses	36	6,582,035	6,081,171
Depreciation – Property, plant and equipment	12	206,614	211,086
Depreciation- Right of Use Assets	38	376,436	382,410
Amortisation of intangible assets	11	58,277	76,796
Premium and other taxes	37	211,716	200,642
		16,268,874	14,871,382
		51,044,659	38,954,066
Profit before Taxation		12,950,119	13,834,604
Taxation	37	(2,380,372)	(3,053,097)
NET PROFIT		10,569,747	10,781,507

The accompanying notes on pages 7 -137 form an integral part of these financial statements.

Sagicor Life Jamaica Limited

Statement of Comprehensive Income

Year ended 31 December 2021

(expressed in Jamaican dollars unless otherwise indicated)

	2021 \$'000	2020 \$'000
Net profit for the year	10,569,747	10,781,507
Other comprehensive income:		
Items that may be subsequently reclassified to profit or loss		
Fair value reserve:		
Unrealised (losses)/gains on securities designated as FVTOCI	(401,831)	240,031
losses/(gains) recycled to the income statement on sale and maturity of FVTOCI securities	542,380	(134,888)
Provision for expected credit losses on securities designated as FVTOCI	37,872	229,373
Expected credit losses recycled to the Income Statement on sale and maturity of FVTOCI securities	(421,918)	(25,135)
Change in actuarial liabilities recognized in OCI	(96,757)	(1,296)
	<u>61,577</u>	<u>68,054</u>
Items that will not be subsequently reclassified to profit or loss		
Unrealised gains on owner-occupied properties	130,556	274,033
Re-measurements of retirement benefits obligations	(1,363,765)	258,526
Total other income recognised directly in other comprehensive income, net of taxes	(1,573,463)	840,644
Total Comprehensive Income	<u>8,996,284</u>	<u>11,622,151</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 37(c).

The accompanying notes on pages 7-137 form an integral part of these financial statements.

Sagicor Life Jamaica Limited

Statement of Changes in Equity

Year ended 31 December 2021

(expressed in Jamaican dollars unless otherwise indicated)

	Note	Share	Equity	Retained	Grand
		Capital	Reserves	Earnings	Total
		\$'000	\$'000	\$'000	\$'000
Balance as at January 1, 2020		7,854,938	1,106,899	36,412,724	45,374,561
Profit for the year		-	-	10,781,507	10,781,507
Other comprehensive income, net of taxation		-	582,118	258,526	840,644
Total comprehensive income for the year		-	582,118	11,040,033	11,622,151
Transactions with owners -					
Dividends paid to owners of the parent	23	-	-	(579,125)	(579,125)
Transfer of company shares		-	-	(63,592)	(63,592)
Total transactions with owners		-	-	(642,717)	(642,717)
To special investment reserve	2(o)	-	33,033	(33,033)	-
Total transfers between reserves		-	33,033	(33,033)	-
Balance at 31 December 2020		7,854,938	1,722,050	46,777,007	56,353,995
Profit for the year		-	-	10,569,747	10,569,747
Other comprehensive income, net of taxation		-	(209,698)	(1,363,765)	(1,573,463)
Total comprehensive income for the year		-	(209,698)	9,205,982	8,996,284
Transactions with owners -					
Dividends paid to owners of the parent	23	-	-	(3,238,754)	(3,238,754)
Transfer of company shares		-	-	(40,361)	(40,361)
Total transactions with owners		-	-	(3,279,115)	(3,279,115)
To special investment reserve	2(o)	-	35,229	(35,229)	-
Total transfers between reserves		-	35,229	(35,229)	-
Balance at 31 December 2021		7,854,938	1,547,581	52,668,645	62,071,164

The accompanying notes on pages 7 -137 form an integral part of these financial statements.

Sagicor Life Jamaica Limited

Statement of Cash Flows

Year ended 31 December 2021

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2021 \$'000	2020 \$'000
Cash Flows from Operating Activities			
Net profit		10,569,747	10,781,507
Adjustments for:			
Items not affecting cash and changes to policyholders' funds:			
Adjustments for non-cash items, interest, and dividends	41(a)	(4,607,767)	(3,498,582)
Changes in other operating assets and liabilities	41(a)	(1,945,890)	(2,714,513)
Net investment sales/(purchases)	41(a)	4,423,254	(3,233,389)
Interest received		7,971,179	7,794,414
Interest paid		(732,193)	(739,830)
Taxes paid		(3,218,459)	(2,236,477)
Net cash generated from operating activities		<u>12,459,871</u>	<u>6,153,130</u>
Cash Flows from Investing Activities			
Purchase of property, plant and equipment, net	41(b)	(81,122)	(212,084)
Purchase of investment properties	10	(193,018)	(37,629)
Purchase of intangible assets	11	(42,138)	(77,669)
Net cash used in investing activities		<u>(316,278)</u>	<u>(327,382)</u>
Cash Flows from Financing Activities			
Stock options cost above Black Scholes value		(40,361)	(63,592)
Dividends paid to stockholders	23	(3,238,754)	(579,125)
Finance lease repayment		(345,665)	(307,513)
Net cash used in financing activities		<u>(3,624,780)</u>	<u>(950,230)</u>
Effect of exchange rate on cash and cash equivalents		57,127	63,267
Increase/ (Decrease) in cash and cash equivalents		8,575,940	4,938,785
Cash and cash equivalents at beginning of year		6,249,610	1,310,825
CASH AND CASH EQUIVALENTS AT END OF YEAR	7	<u>14,825,550</u>	<u>6,249,610</u>

The accompanying notes on pages 7 -137 form an integral part of these financial statements.

Sagicor Life Jamaica Limited

Notes to the Financial Statements

31 December 2021

(expressed in Jamaican dollars unless otherwise indicated)

1. Identification and Activities

- (a) Sagicor Life Jamaica Limited (SLJ, the Company) is incorporated and domiciled in Jamaica. SLJ is a wholly owned subsidiary of Sagicor Group Jamaica Limited (SGJ), which is incorporated and domiciled in Jamaica. The ultimate parent company is Sagicor Financial Company Limited (SFC), which is incorporated and domiciled in Bermuda. SFC has an overall interest of 49.11% (2020 – 49.11%) in SGJ.

The principal activities of the Company are the provision of life insurance, health insurance, annuities, retirement products, pension administration and investment services. The registered office of the Company is located at 28 - 48 Barbados Avenue, Kingston 5, Jamaica

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 have been prepared under the historical cost convention as modified by the revaluation of fair value through other comprehensive income (FVTOCI) investment securities, retirement benefit assets, investment property, certain property, plant and equipment, financial assets and liabilities at fair value through profit or loss (FVTPL), the determination of retirement benefit liabilities using the projected unit credit method and the determination of actuarial liabilities, using methods described in note 2 (s). These financial statements do not consolidate the results of Bailey Williams Limited, a 70% subsidiary of the Company, as discussed in Note 2 (cc).

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. 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 judgment 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 amendments to existing standards have been published that became effective during the current financial year. The Company has assessed the relevance of all such new interpretations and amendments, and has adopted the following, which are relevant to its operations.

Amendment to IFRS 16, 'Leases' – Covid-19 related rent concessions, (effective for annual periods beginning on or after 1 June 2020). On 28 May 2020, the IASB published an amendment to IFRS 16 that provides an optional practical expedient for lessees from assessing whether a rent concession related to COVID-19 is a lease modification. Lessees can elect to account for such rent concessions in the same way as they would if they were not lease modifications. In many cases, this will result in accounting for the concession as variable lease payments in the period(s) in which the event or condition that triggers the reduced payment occurs. There was no impact to the Company on adoption of this amendment.

Sagicor Life Jamaica Limited

Notes to the Financial Statements

31 December 2021

(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 Company

At the date of authorisation of these financial statements, certain new standards and amendments to existing standards have been issued which are not effective at the date of the statement of financial position, and which the Company has not early adopted. The Company has assessed the relevance of all such new standards and amendments, has determined that the following may be relevant to its operations, and has concluded as follows:

Amendment to IFRS 16, 'Leases' – COVID-19 related rent concessions Extension of the practical expedient, (effective for annual periods beginning on or after 1 April 2021). On 31 March 2021, the IASB published an additional amendment to extend the date of the practical expedient from 30 June 2021 to 30 June 2022. Lessees can elect to account for such rent concessions in the same way as they would if they were not lease modifications. In many cases, this will result in accounting for the concession as variable lease payments in the period(s) in which the event or condition that triggers the reduced payment occurs. There will be no impact to the Company on adoption of this amendment.

A number of narrow-scope amendments to IFRS 3, IAS 16, IAS 17 and some annual improvements on IFRS 1, IFRS 9, IAS 41 and IFRS 16, (effective for annual periods beginning on or after 1 January 2022). Amendments to IFR 3, 'Business combinations' update a reference in IFRS 3 to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations. Amendments to IAS 16, 'Property, plant and equipment' prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognize such sales proceeds and related cost in profit or loss. Amendments to IAS 37, 'Provisions, contingent liabilities and contingent assets' specify which costs a company includes when assessing whether a contract will be loss-making. Annual improvements make minor amendments to IFRS 1, 'First-time Adoption of IFRS', IFRS 9, 'Financial instruments', IAS 41, 'Agriculture' and the Illustrative Examples accompanying IFRS 16, 'Leases'. The Company is currently assessing the impact of future adoption of the amendments on its financial statements.

Amendments to IAS 1, Presentation of financial statements on classification of liabilities, (effective for annual periods beginning on or after 1 January 2023). These narrow-scope amendments to IAS 1, 'Presentation of financial statements', clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date (for example, the receipt of a waiver or a breach of covenant). The amendment also clarifies what IAS 1 means when it refers to the 'settlement' of a liability. The Company is currently assessing the impact of future adoption of the amendment on its financial statements.

Sagicor Life Jamaica Limited

Notes to the Financial Statements

31 December 2021

(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 Company (continued)

IFRS 17, 'Insurance contracts', (effective for annual periods beginning on or after 1 January 2023). 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 2023.

IFRS 17 requires a number of key changes compared with current accounting policies for insurance. Under IFRS 17 the estimated future profit will be included in the measurement of the insurance contract liability as the contractual service margin ('CSM') and this will be gradually recognised in revenue as services are provided over the duration of the insurance contract. Directly attributable costs will be incorporated in the CSM and, as recognised, will be presented as a deduction to reported revenue. This will result in a reduction in reported operating expenses. While the profit over the life of an individual contract will be largely unchanged, its emergence will be later under IFRS 17. IFRS 17 requires the increased use of current market values in the measurement of insurance assets and liabilities. Additionally, the treatment of the CSM liability will reduce both tangible and overall equity, however we expect that the CSM will be considered as equity for the purposes of measuring regulatory solvency.

The Company is in the process of implementing IFRS 17, and industry practice and interpretation of the standard continue to develop. Additionally, the impact on the forecast future returns of our insurance business is dependent on the growth, duration and composition of the insurance contract portfolio. Therefore, the likely financial impact of this implementation remains uncertain.

Narrow scope amendments to IAS 1, Practice statement 2 and IAS 8, (effective for annual periods beginning on or after 1 January 2023). The amendments aim to improve accounting policy disclosures and to help users of the financial statements to distinguish between changes in accounting estimates and changes in accounting policies. There will be no impact to the Company on adoption of this amendment.

Amendment to IAS 12 – Deferred tax related to assets and liabilities arising from a single transaction, (effective for annual periods beginning on or after 1 January 2023). These amendments require companies to recognise deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences. The Company is currently assessing the impact of future adoption of the amendment 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 Company.

Sagicor Life Jamaica Limited

Notes to the Financial Statements

31 December 2021

(expressed in Jamaican dollars unless otherwise indicated)

2. Summary of Significant Accounting Policies (Continued)

(b) Foreign currency translation

(i) Functional and presentation currency

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

The financial statements are presented in Jamaican dollars, which is also the Company's functional currency.

(ii) Transactions and balances

Foreign currency transactions or transactions 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 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 Company 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.

All foreign exchange gains and losses recognised in the income statement are presented net in the income statement within the corresponding item. Foreign exchange gains and losses on other comprehensive income items are presented in other comprehensive income (OCI) 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 the carrying amount are recognised in OCI.

Translation differences on non-monetary financial instruments, such as equities held at FVTPL, are reported as part of the fair value gain or loss.

Sagicor Life Jamaica Limited

Notes to the Financial Statements

31 December 2021

(expressed in Jamaican dollars unless otherwise indicated)

2. Summary of Significant Accounting Policies (Continued)

(c) 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,
- bank overdrafts which are repayable on demand; and
- other borrowings from financial institutions made for the purpose of meeting cash commitments and which have maturities of three months or less from origination.

Cash equivalents are subject to an insignificant risk of change in value. Cash and cash equivalents exclude balances held to meet statutory requirements.

(d) 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. All other 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 Company 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 Company commits to purchase or sell the asset.

Classification of debt instruments

Classification and subsequent measurement of debt instruments depend on:

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

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

Measured at amortised cost

Debt instruments that are held to collect the contractual cash flows and that contain contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest (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.

Sagicor Life Jamaica Limited

Notes to the Financial Statements

31 December 2021

(expressed in Jamaican dollars unless otherwise indicated)

2. Summary of Significant Accounting Policies (Continued)

(d) Financial assets (continued)

(i) Classification of financial assets (continued)

Measured at FVTOCI

Financial assets that are held for collection of contractual cash flows and for selling the assets, where cash flows represent SPPI, and that are not designated at FTVPL, are measured at FVTOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses on the instrument's amortised cost which are recognised in the income statement. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity, through OCI to the income statement and recognised as part of net investment income. Interest income from these financial assets is included in interest income using the effective interest rate method.

Measured at FVTPL

Assets that do not meet the criteria for amortised cost or FVTOCI are measured at FVTPL. Movements in the carrying amount are recognised in the income statement and presented within "Unrealized gains on financial assets measured at FVTPL". Interest income on a debt investment that is subsequently measured FVTPL and is not part of a hedging relationship is recognised in the income statement and presented in profit or loss within "Interest income from FVTPL investments" in the period in which it arises. Interest income from these financial assets is calculated 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. Assets held for trading are measured at FVTPL.

Business model assessment

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

- The past experience on how the cash flows of these assets were collected;
- How the assets' performance is evaluated and reported to key management;
- How risks are assessed and managed and how managers are compensated;
- How the Company 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 Company assesses whether the financial instruments' cash flows represent SPPI. In making this assessment, the Company considers whether the contractual cash flows are consistent with a basic lending arrangement. Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related financial asset is classified and measured at FVTPL.

Sagicor Life Jamaica Limited

Notes to the Financial Statements

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(expressed in Jamaican dollars unless otherwise indicated)

2. Summary of Significant Accounting Policies (Continued)

(d) Financial assets (continued)

(ii) Unit linked funds fair value model

The Company'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. This eliminates any accounting mismatch. The time to maturity of the short-term deposits and securities purchased under resale agreements result in the carrying amount approximating to fair value.

(iii) Embedded derivatives

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are SPPI.

(iv) Impairment of financial assets measured at amortized cost and FVTOCI

IFRS 9 requires the recognition of expected credit losses ("ECL") on financial assets measured at amortised cost and FVTOCI and off statement of financial position loan commitments and financial guarantees.

At initial recognition, an 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 SICR 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 Company considers reasonable and supportable information that is available including information from the past and forward-looking information. Factors such as whether payments of principal and interest are in delinquency, an adverse change in the 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.

Sagicor Life Jamaica Limited

Notes to the Financial Statements

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2. Summary of Significant Accounting Policies (Continued)

(d) Financial assets (continued)

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

(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;
- 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.

Sagicor Life Jamaica Limited

Notes to the Financial Statements

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(expressed in Jamaican dollars unless otherwise indicated)

2. Summary of Significant Accounting Policies (Continued)

(d) Financial assets (continued)

(viii) The general approach to recognising and measuring ECL (continued)

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. The Company 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 lifetime ECL on initial recognition. For ECL provisions modelled on a collective basis, provisioning is done based on groupings of exposures, 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 43 (d)) 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 ECLs is the respective PD horizon. Stage 1 and Stage 2 ECLs also incorporate different exposures 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 exposures, however, these processes will be 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 ECLs. The measurement of ECLs for each stage and the assessment of SICR 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.

Sagicor Life Jamaica Limited

Notes to the Financial Statements

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(expressed in Jamaican dollars unless otherwise indicated)

2. Summary of Significant Accounting Policies (Continued)

(d) Financial assets (continued)

(viii) The general approach to recognising and measuring ECL (continued)

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

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 ECL calculation has 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. Management's estimation of ECL in Stage 1 and Stage 2 is a discounted probability-weighted estimate that considers a minimum of three future macroeconomic scenarios. Management's base case scenario is based on macroeconomic forecasts that are publicly available. Upside and downside scenarios are set relative to management's 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, 2020 and December 31, 2021 are disclosed in Note 43 (d)

Impairment on financial assets measured at amortized cost and FVTOCI, is recognized in the income statement. For FVTOCI debt instruments, an amount equal to the impairment recognised in the income statement, is also recognised in OCI. Unrealised gains and losses arising from changes in fair value on FVTOCI assets are recognised in OCI. When a FVTOCI debt instrument is sold, the cumulative gain or loss and the cumulative provision for ECL previously recognised in OCI, are reclassified to profit or loss as part of net gain on de-recognition of financial assets measured at FVTOCI.

(ix) Interest income and interest earned on assets measured at FVTPL

Interest income is earned based on the interest rate before allowances. Interest earned on assets measured at FVTPL 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.

Sagicor Life Jamaica Limited

Notes to the Financial Statements

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2. Summary of Significant Accounting Policies (Continued)

(d) Financial assets (continued)

(xi) Modification of loans

The Company sometimes renegotiates or otherwise modifies the contractual cash flows of loans to customers and debt instruments. When this happens, the Company assesses whether or not the new terms are substantially different to the original terms. The Company 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.
- Whether any substantial new terms are introduced, such as a profit share/equity-based return that substantially affects the risk profile of the loan.
- Significant extension of the loan term when the borrower is not in financial difficulty.
- Significant change in the interest rate.
- Change in the currency the loan is denominated in.
- 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 Company 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 Company will assess if the asset is POCI.

(e) Investment in subsidiary

Investment in subsidiary is stated in the Company's financial statements initially at cost less impairment.

(f) Investment properties

Investment property consists of freehold lands and freehold properties which are held for rental income and/or capital appreciation.

Investment property is recorded initially at cost. In subsequent financial years, investment property is recorded at fair values determined by independent valuers, with the appreciation or depreciation in value being taken to investment income.

Sagicor Life Jamaica Limited

Notes to the Financial Statements

31 December 2021

(expressed in Jamaican dollars unless otherwise indicated)

2. Summary of Significant Accounting Policies (Continued)

(f) Investment properties (continued)

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 (i).

Investment property may include property of which a portion is held for rental to third parties and the other portion is occupied by the Company. In such circumstances, the property is accounted for as an investment property if the Company'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.

(g) Leases

The Company leases various offices. Rental contracts are typically made for fixed periods of 3 to 6 years but may have extension options as described below.

Contracts may contain both lease and non-lease components. Where these exist, the Company allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices.

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.

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:

- (i) fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- (ii) variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date;
- (iii) amounts expected to be payable by the Company under residual value guarantees;
- (iv) the exercise price of a purchase option if the Company is reasonably certain to exercise that option; and
- (v) payments of penalties for terminating the lease, if the lease term reflects the Company exercising that option.

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 Company, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

Sagicor Life Jamaica Limited

Notes to the Financial Statements

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(expressed in Jamaican dollars unless otherwise indicated)

2. Summary of Significant Accounting Policies (Continued)

(g) Leases (continued)

To determine the incremental borrowing rate, the Company:

- 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 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 income statement over the lease period 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 Company is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life. While the Company 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 Company.

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 from existing locations would be onerous.

The lease term is reassessed if an option is actually exercised (or not exercised) or the Company 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.

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Notes to the Financial Statements

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2. Summary of Significant Accounting Policies (Continued)

(h) Impairment of assets

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.

(i) Property, plant and equipment

Freehold land and buildings owned and used by the Company 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 owner occupied properties fair value reserve. Decreases that offset previous increases of the same asset are charged against the owner occupied properties fair value reserve. 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 - 50%
Furniture		10%
Other equipment		15%
Motor vehicles		20%

Land is not depreciated.

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.

Sagicor Life Jamaica Limited

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2. Summary of Significant Accounting Policies (Continued)

(j) Real estate developed for sale

Construction in progress for resale are classified as real estate held for resale and are accounted for in accordance with IAS 2, Inventory. They are 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.

(k) Intangible assets

(i) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Company's share of the net identifiable assets of the acquired business at the acquisition date. Goodwill on acquisition of businesses, including subsidiaries is included in intangible assets. Goodwill on acquisition of associates is included in investment in associates.

Goodwill arising on the acquisition of subsidiaries and insurance portfolios is calculated as the amount by which the consideration paid and other related expenses exceed the fair value of the net identifiable assets acquired.

At each year end date, the Company assesses whether there is any indication of impairment. If such indications exist, an analysis is performed to assess whether the carrying amount of goodwill is fully recoverable. A write down is made if the carrying amount exceeds the recoverable amount.

An excess of the identifiable net assets acquired over the acquisition cost is treated as negative goodwill. Negative goodwill related to expected post-acquisition losses is taken to income during the period the future losses are recognised. Negative goodwill which does not relate to expected future losses and expenses is recognised as income immediately.

(ii) Contractual customer relationships

This asset represents the present value of the benefit to the Company from customer lists, contracts, or customers' 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) Computer software

Acquired computer software licenses 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 Company, 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 changed in circumstances indicate a potential impairment.

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2. Summary of Significant Accounting Policies (Continued)

(I) Employee benefits

The Company 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 Company pays fixed contributions into a separate entity. The Company 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 corporate 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 OCI in the period in which they arise.

Past-service costs are recognised immediately in the income statement.

For the defined contribution plan, the Company pays contributions to privately administered pension plans on a contractual basis. The Company 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.

Sagicor Life Jamaica Limited

Notes to the Financial Statements

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2. Summary of Significant Accounting Policies (Continued)

(I) Employee benefits (continued)

(ii) Other post-retirement obligations

The Company 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 OCI 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.

(iv) Share-based compensation

Share options

The Company participates in a Group share based arrangement plan, through which, its executives are awarded stock options over the shares of its immediate parent, SGJ whose shares are listed on the Jamaica Stock Exchange (JSE). The stock option plan is a group plan, the important features of which are as follows:

- The plan is designed and implemented by SGJ;
- All terms and conditions of the plan are set by and can only be changed by SGJ;
- The valuation of the options is calculated by SGJ;
- SGJ has the obligation to settle all share-based payment transactions;
- All calculation and awards of options are done by SGJ and;
- All options are on SGJ's shares.

Sagicor Life Jamaica Limited

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2. Summary of Significant Accounting Policies (Continued)

(I) Employee benefits (continued)

SGJ's shares for the stock option plan are held in a Trust, controlled and consolidated by SGJ. The fair value of the options awarded is calculated by SGJ using the Black-Scholes model and amortised over the vesting period of the options, four years. At the group level, the share-based payments transactions are accounted for as an equity-settled award as the Group is obligated to settle the liability with its own shares. The transaction is treated at the subsidiary level as cash-settled as SGJ awards its own shares to the subsidiaries' executives and request a cash recharge to the subsidiaries for the shares that it acquires in the open market. In substance, this transaction is a funding arrangement between SGJ and its subsidiaries. As SGJ awards stock options over its own equity to the executives of its subsidiaries (equity-settled share-based payment), each affected subsidiary records a charge, as described in the next paragraph, to its income statement; with a corresponding credit to liability, as a capital contribution over the vesting period of the share-based plan.

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 entity 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 cover the remaining vesting period.

Share grants

The market value of the shares issued at grant date is recognised as an expense when granted.

Share purchase plan

Employees of the Company are also eligible to purchase shares in the immediate parent company under a share purchase plan.

(v) Productivity bonus plan

The Company 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 net profit for the period. The Company 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 Company 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.

Sagicor Life Jamaica Limited

Notes to the Financial Statements

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2. Summary of Significant Accounting Policies (Continued)

(m) Pension and investment funds

The Company has issued deposit administration and units linked contracts in which full return of the assets supporting these contracts accrue directly to the contract-holders. As these contracts are not operated under separate legal trusts, but form part of underlying contracts issued by the Company, they have been consolidated in these financial statements.

The Company 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 unitholders. Consequently, the assets, liabilities and activity of these funds are not included in these financial statements.

(n) 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) Dividends on ordinary shares are recognised in stockholders' equity in the period in which they are approved by the Company's Board of Directors.

(o) Special investment reserve

Unrealised gains on investment properties are recorded in the income statement under IFRS. Regulatory reserve requirements are met through the following:

(i) Net unrealised gains brought forward at the beginning of each year are transferred from the special investment reserve to retained earnings at 10%.

(ii) Net unrealised gains earned during the year are transferred from retained earnings to the special investment reserve at 90%.

Sagicor Life Jamaica Limited

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2. Summary of Significant Accounting Policies (Continued)

(p) Financial Liabilities

(i) Classification

Financial liabilities are measured at initial recognition at fair value and are classified as and subsequently measured either at amortised cost, or at 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 Company 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. All other financial liabilities are carried at amortised cost.

During the ordinary course of business, the Company issues investment contracts or otherwise assumes financial liabilities that expose the Company to financial risk. The recognition and measurement of the Company's principal types of financial liabilities are disclosed the following paragraphs.

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 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.

Sagicor Life Jamaica Limited

Notes to the Financial Statements

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2. Summary of Significant Accounting Policies (Continued)

(q) Insurance and investment contracts

(i) Classification

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

The Company 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.

(ii) Recognition and measurement

Insurance contracts and investment contracts issued by the Company are summarised below:

(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

Claims are recorded when incurred. Reserves are recorded as described in Note 2 (s).

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 are recognised on the same basis as premiums earned.

(1.2) Long-term traditional insurance contracts

These contracts are traditional participating and non-participating policies. The Company's participating policies do not have a discretionary participation feature as the amount of additional benefits is not paid at the discretion of the Company.

Sagicor Life Jamaica Limited

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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

(1.2) Long-term traditional insurance contracts (continued)

Long-term traditional insurance contracts are generally issued for fixed terms of five years or more, or for the remaining life of the insured. Benefits are typically a death, disability or critical illness benefit, a cash value on termination and/or a monthly annuity. Annuities are generally payable until the death of the beneficiaries with a proviso for a minimum number of payments. Some of these contracts have regular policy holder dividends which are non-discretionary. 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 loans and receivables in the financial statements and are secured by the cash values of the respective policies. Policy bonuses may be “non-cash” and utilised to purchase additional amounts of insurance coverage. Accumulated cash bonuses and dividends are recorded as interest bearing policy balances.

Reserves for future policy liabilities are recorded as described in Note 2(s).

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.

(1.3) 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.

Sagicor Life Jamaica Limited

Notes to the Financial Statements

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2. Summary of Significant Accounting Policies (Continued)

(q) Insurance and investment contracts (continued)

(ii) Recognition and measurement (continued)

(1.3) Long-term universal life and unit linked insurance contracts (continued)

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 charged 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 received and consists of all monies received from the policyholders. Typically, premiums are fixed at the inception of the contract or periodically thereafter, but additional non-recurring premiums may be paid. Policy benefits are recognised on the notification of death, disability or critical illness, on the receipt of a withdrawal request, on the termination or maturity date of the contract, or on the annuity payment date. Reserves for future policy liabilities are recorded as described in note 2 (s).

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;

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2. Summary of Significant Accounting Policies (Continued)

(q) Insurance and investment contracts (continued)

(iv) Deposit administration and other investment contracts (continued)

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 Company may provide pension administration services to the pension schemes. The Company 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.

(v) Reinsurance contracts held

Contracts entered into by the Company with reinsurers under which the Company is compensated for losses on one or more contracts issued by the Company 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 Company under which the contract holder is another insurer (inwards reinsurance) are included with insurance contracts.

The benefits to which the Company 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 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 Company assesses its reinsurance assets for impairment on a quarterly basis. If there is objective evidence that the reinsurance asset is impaired, the Company reduces the carrying amount of the reinsurance asset to its recoverable amount and recognises that impairment loss in the income statement. The Company gathers the objective evidence that a reinsurance asset is impaired using the same process adopted for financial assets held at amortised cost. The impairment loss is also calculated following the same method used for these financial assets.

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.

Sagicor Life Jamaica Limited

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2. Summary of Significant Accounting Policies (Continued)

(r) Actuarial liabilities (continued)

(1.1) Life insurance and annuity contracts (continued)

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

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

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

An actuarial valuation is prepared at least annually. Except as described above, 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 and renewable group term mortgage policies are estimated in respect of claims that have been incurred but not yet reported or settled.

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2. Summary of Significant Accounting Policies (Continued)

(s) Revenue recognition

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 Company'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.

Revenue from service contracts with customers is recognised when (or as) the Company 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.

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 Company 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 Company charges customers for asset management and other related services using the following approaches:

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2. Summary of Significant Accounting Policies (Continued)

(s) Revenue recognition (continued)

(ii) Fee income (continued)

- 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.

(t) Interest

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.

(u) Commissions

Commissions are expensed over the policy year on the same basis as earned premiums.

(v) Taxation

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 OCI or directly in equity. In these cases, the tax is also recognised in OCI 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 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.

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2. Summary of Significant Accounting Policies (Continued)

(v) Taxation (continued)

Current and deferred taxes (continued)

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 Company 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 Company.

(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 Company's financial instruments are discussed in Note 42.

(y) Offsetting of financial instruments

Financial assets and liabilities are offset with the net amount presented in the statements of financial position, only if the Company holds a currently enforceable legal right to set off the recognized amounts and there is an intention to settle on a net basis or to realise assets and settle the liability simultaneously. The legal right to set off the recognized amounts must be enforceable in both the normal course of business, and in the event of default, insolvency or bankruptcy of both the Company and its counterparty. In all other situations they are presented gross. When financial assets and financial liabilities are offset in the statement of financial position, the associated income and expense items will also be offset in the income statements, unless specifically prohibited by an applicable accounting standard.

(z) Securities purchased under agreements to resell

Securities purchased under agreements to resell (reverse 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.

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.

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2. Summary of Significant Accounting Policies (Continued)

(aa) Provision

Provisions are recognised when the Company 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.

(bb) Consolidation

The Company holds 70% of the issued share capital of Bailey Williams Limited, a company incorporated in Jamaica. The Company has elected not to present consolidated financial statements in accordance with the exemption set out in section 147(2)(b)(i) of the Jamaican Companies Act, which is consistent with the exemption permitted in IFRS 10, 'Consolidated financial statements', as it and its subsidiary are included by full consolidation in the consolidated financial statements of its parent, Sagicor Group Jamaica Limited, which is incorporated in the Jamaica and its consolidated financial statements are publicly available on the Jamaica Stock Exchange.

3. Critical Accounting Estimates and Judgements in Applying Accounting Policies

The Company 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 Company's accounting policies

(i) Consolidation of Sagicor Pooled Investment Fund (PIF)

A number of significant judgements, as highlighted below, were made by the Company in determining whether or not PIF should be consolidated within the financial statements of the Company.

- Sagicor Pooled Investment Fund

IFRS 10, Consolidated Financial Statements, is not prescriptive as to what level of exposure definitely result in control and the assessment should therefore be based on the relevant facts and circumstances. Determining whether a fund manager has control over the fund it manages, therefore involves significant judgement. Although the contractual terms provide the Company with power over PIF, management is of the view that the overall exposure of the Company to the variability of returns is not sufficient to conclude that the Company has control. Management considers that the Company does not have control of Sagicor Pooled Investment Fund. Therefore, the Sagicor Pooled Investment Fund has not been consolidated in these financial statements.

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3. Critical Accounting Estimates and Judgements in Applying Accounting Policies (Continued)

(b) Key sources of estimation uncertainty

The Company 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 Company will ultimately pay for such claims.

The determination of the liabilities under long-term insurance contracts is dependent on estimates made by the Company. Estimates are made as to the expected number of deaths for each of the years in which the Company is exposed to risk. The Company bases these estimates on standard industry mortality tables that reflect recent historical mortality experience, adjusted where appropriate to reflect the Company'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 Company 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 Company is exposed for longevity risk.

(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.

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3. Critical Accounting Estimates and Judgements in Applying Accounting Policies (Continued)

(b) Key sources of estimation uncertainty (continued)

(iii) *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 Company as a whole.

(iv) *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 Company 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.

(v) *Impairment of financial assets*

In determining ECL, management is required to exercise judgement in defining what is considered a SICR 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

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3. Critical Accounting Estimates and Judgements in Applying Accounting Policies (Continued)

(b) Key sources of estimation uncertainty (continued)

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

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

The Company uses its internal credit rating model to determine in which of the three stages an asset is to be categorized for the purposes of ECL. Once the asset has experienced a SICR the investment will move from Stage 1 to Stage 2. Sagicor has assumed that the credit risk of a financial instruments has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial asset that is investment grade or Sagicor risk rating of 1-3 is considered low credit risk. Stage 1 investments are rated (i) investment grade, or (ii) below investment grade 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.

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3. Critical Accounting Estimates and Judgements in Applying Accounting Policies (Continued)

(b) Key sources of estimation uncertainty (continued)

(v) Impairment of financial assets (continued)

- Establishing staging for other assets measured at amortised cost, lease receivables and loan commitments.

Exposures are considered to have resulted in a SICR 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 criterion 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. Management assesses data sources from the government, International Monetary Fund (IMF) 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.

(vi) Novel coronavirus (COVID-19)

COVID 19 continues to cause major disruptions in economies within which the company operates. A full year on from the initial outbreak, the virus remains prevalent across the world, with various mutations extending the uncertainties surrounding economic recoveries. Continued travel restrictions and strict lockdown measures have prolonged the downturn in demand for tourism, entertainment and related services. However, the introduction and administration of vaccines, have aided recovery efforts in some economies. In the prior year, the company made significant adjustments to the ECLs to recognize the increased credit risk associated with the economic fallout on borrowing and investment portfolios, some of which have been reversed in the current year to reflect a slight uptick in economic activities.

Sagicor Life Jamaica Limited

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4. 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 Company. Such interests include holdings of debt or equity securities and investment management agreements. Structured entities are assessed for consolidation in as discussed in Note 3(a) (i).

Consolidated Structured Entity

The Company has no consolidated structured entity.

Unconsolidated Structured Entity

The Company established the PIF to provide customers and pension funds with several investment opportunities.

PIF

PIF administers assets of the Pooled Pension Investment Funds (“PPIF”) which are held in trust on behalf of pension funds. The Trust has independent trustees. The administration of the assets in trust is done by the Company. The investment manager of these Funds is a fellow subsidiary, Sagicor Investment Jamaica Limited. Both the administration of the assets and the provision of investment management services entitled the Company to receive management fees based on the assets under management.

The table below shows the total assets of PIF, the Company’s interest in and income arising from involvement with PIF as well as the maximum exposure to loss. The maximum exposure to loss from the Company’s interests represents the maximum loss that the Company could incur as a result of its involvement with PIF, regardless of the probability of the loss being incurred. The income from the Company’s interest includes recurring and non-recurring fees and any mark-to-market gains/losses on a net basis.

	2021	2020
	\$’000	\$’000
Total assets of PIF	191,302,123	176,933,611
Maximum exposure to loss	15,051,378	13,992,357
Total Income/(loss) from the Company’s interests	<u>1,409,504</u>	<u>(1,359,287)</u>

The Company 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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5. 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 Company's policy liabilities 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 Company 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.

6. Cash Resources

	2021	2020
	\$'000	\$'000
Balances with banks payable on demand	1,887,793	391,794
Cash in hand	<u>155</u>	<u>125</u>
	<u><u>1,887,948</u></u>	<u><u>391,919</u></u>

The entire balance is expected to be recovered within less than twelve months after the financial year end.

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7. Cash and Cash Equivalent

Cash and cash equivalents include the following for the purposes of the statement of cash flows:

	2021	2020
	\$'000	\$'000
Cash resources	1,887,948	391,919
Short term deposits	7,846,766	3,882,023
Treasury bills	2,662,048	1,349,205
Securities purchased under resale agreements	3,094,865	1,192,657
Bank overdrafts (Note 24)	(666,077)	(566,194)
	<u>14,825,550</u>	<u>6,249,610</u>

8. Financial Investments

	2021	2020
	\$'000	\$'000
Financial assets FVTPL -		
Debt Securities		
Sovereign bonds	3,022,357	3,148,331
Corporate bonds	4,211,036	2,223,091
	<u>7,233,393</u>	<u>5,371,422</u>
Equities		
Quoted and unquoted equities	9,138,729	6,113,189
Unit trusts	23,234,199	24,666,274
	<u>32,372,928</u>	<u>30,779,463</u>
Total FVTPL	<u>39,606,321</u>	<u>36,150,885</u>
Financial assets at FVTOCI -		
Debt Securities		
Sovereign bonds	2,449,428	3,213,527
Corporate bonds	12,764,648	13,544,756
Total FVTOCI	<u>15,214,076</u>	<u>16,758,283</u>
Investments at amortized cost, net of ECL -		
Debt Securities		
Sovereign bonds	74,691,963	71,387,417
Corporate bonds	10,766,792	11,065,116
Securities purchased under resale agreement	3,224,307	1,314,518
Mortgage Loans	3,501,547	3,309,670
Policy loans	297,853	291,485
Short term deposits	7,846,766	3,882,023
Total investments at amortised cost, net of ECL	<u>100,329,228</u>	<u>91,250,229</u>
Less pledged assets	<u>(685,225)</u>	<u>(95,245)</u>
Total Financial Investments	<u>154,464,400</u>	<u>144,064,152</u>

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8. 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:

	2021			2020		Total \$'000
	Mandatory designation \$'000	Designated by election \$'000	Total \$'000	Mandatory designation \$'000	Designated by election \$'000	
Unit trust and equities	28,885,602	3,487,326	32,372,928	25,742,795	5,036,668	30,779,463
Debt securities	7,233,393	-	7,233,393	5,371,422	-	5,371,422
	<u>36,118,995</u>	<u>3,487,326</u>	<u>39,606,321</u>	<u>31,114,217</u>	<u>5,036,668</u>	<u>36,150,885</u>

Items pledged as collateral:

Assets of the Company are pledged as collateral with financial institutions. Mandatory cash reserves and investment securities are also held with the Financial Services Commission. The balance below represents the total for which the transferee has the right by contract or custom to sell or re-pledge.

	Asset	
	2021 \$'000	2020 \$'000
Balance with regulators	<u>685,225</u>	<u>95,245</u>

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 Company 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 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.

The securities purchased for resale, policy loans, deposits and lease receivables are all stage 1 and there is no ECL. The maximum exposure is therefore equivalent to the carrying amounts as follows:

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8. Financial Investments (Continued)

Credit risk exposure- financial investments subject to impairment (continued)

Financial Investments – amortised cost	2021				Total
	ECL Staging			Purchased credit- impaired	
	Stage 1 12-month ECL	Stage 2 lifetime ECL	Stage 3 lifetime ECL		
	\$000	\$000	\$000	\$000	\$000
Credit grade:					
Investment	10,721,114	-	-	-	10,721,114
Non-investment	88,959,357	500,474	-	-	89,459,831
Default	-	-	319,405	-	319,405
Gross carrying amount	99,680,471	500,474	319,405	-	100,500,350
Loss allowance	(136,691)	(7,969)	(26,462)		(171,122)
Carrying amount	99,543,780	492,505	292,943	-	100,329,228

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8. Financial Investments (Continued)

Credit risk exposure- financial investments subject to impairment (continued)

Financial Investments – amortised cost	2020				Total
	ECL Staging			Purchased credit- impaired	
	Stage 1 12-month ECL	Stage 2 lifetime ECL	Stage 3 lifetime ECL		
	\$000	\$000	\$000	\$000	\$000
Credit grade:					
Investment	10,964,281	-	-	-	10,964,281
Non-investment	79,745,235	286,040	-	-	80,031,275
Default	-	-	419,417	-	419,417
Gross carrying amount	90,709,516	286,040	419,417	-	91,414,973
Loss allowance	(149,779)	(7,456)	(7,509)	-	(164,744)
Carrying amount	90,559,737	278,584	411,908	-	91,250,229

Mortgage loans are included above and are collateralised by the underlying residential and commercial properties. The values ascribed to these properties have been considered in arriving at the LGDs for each mortgage loan. The total value of the collateral as at year end with respect mortgage loans that were credit-impaired at the reporting date (stage 3) was \$1,287,912,000 (2020 - \$2,539,200,000).

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8. Financial Investments (Continued)

Credit risk exposure- financial investments subject to impairment (continued)

Debt securities – FVTOCI	2021 ECL Staging				Purchased credit- impaired	Total
	Stage 1 12-month ECL	Stage 2 lifetime ECL	Stage 3 lifetime ECL			
	\$000	\$000	\$000	\$000		
Credit grade:						
Investment	8,943,163	-	-	-	-	8,943,163
Non-investment	5,950,219	180,097	-	-	-	6,130,316
Maximum credit exposure	14,893,382	180,097	-	-	-	15,073,479
Loss allowance	(23,151)	(26,767)	-	-	-	(49,918)
Maximum credit exposure, net of ECL	14,870,231	153,330	-	-	-	15,023,561

Debt securities – FVTOCI	2020 ECL Staging				Purchased credit- impaired	Total
	Stage 1 12-month ECL	Stage 2 lifetime ECL	Stage 3 lifetime ECL			
	\$000	\$000	\$000	\$000		
Credit grade:						
Investment	9,334,429	-	-	-	-	9,334,429
Non-investment	6,063,463	688,402	489,583	28,024	-	7,269,472
Maximum credit exposure	15,397,892	688,402	489,583	28,024	-	16,603,901
Loss allowance	(17,666)	(73,276)	(342,708)	-	-	(433,650)
Maximum credit exposure, net of ECL	15,380,226	615,126	146,875	28,024	-	16,170,251

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8. Financial Investments (Continued)

Credit risk exposure- financial investments subject to impairment (continued)

Maximum exposure to credit risk - Financial instruments not subject to impairment

For financial investments measured at FVTPL which are related to under the unit-linked funds insurance and investment contracts, the unit holders bear the credit risk and the Company has no direct credit exposure.

	Maximum exposure to credit risk	
	2021 \$'000	2020 \$'000
Financial assets designated at fair value		
Debt securities	7,233,393	5,371,422

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 lifetime ECL;
- Impacts on the measurement of ECL due to changes made to models and assumptions; and
- Foreign exchange retranslations for assets denominated in foreign currencies and other movements;

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8. Financial Investments (Continued)

Loss allowances (continued)

The following tables contain an analysis of the loss allowance financial investments for which an ECL allowance is recognised.

	ECL staging				Total
	Stage 1	Stage 2	Stage 3	Purchased	
	12-month ECL	Lifetime ECL	Lifetime ECL	credit- impaired	
	\$000	\$000	\$000	\$000	\$000
DEBT SECURITIES - FVTOCI					
Loss Allowance as at January 01, 2020	56,762	168,988	-	-	225,750
Transfers:					
Transfer from Stage 1 to Stage 2	(104)	104	-	-	-
Transfer from Stage 2 to Stage 3	-	(121,960)	121,960	-	-
New financial assets originated or purchased	10,239	28,491	-	-	38,730
Financial assets fully derecognised during the period	(10,050)	(18,615)	-	-	(28,665)
Changes to inputs used in ECL calculation	(39,323)	4,193	220,748	-	185,618
Foreign exchange adjustment	142	12,075	-	-	12,217
Loss Allowance as at December 31, 2020	17,666	73,276	342,708	-	433,650
New financial assets originated or purchased	2,116	-	-	-	2,116
Financial assets fully derecognised during the period	(2,319)	(62,222)	(342,708)	-	(407,249)
Changes to inputs used in ECL calculation	5,423	15,675	-	-	21,098
Foreign exchange adjustment	265	38	-	-	303
Loss Allowance as at December 31, 2021	23,151	26,767	-	-	49,918

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8. Financial Investments (Continued)

Loss allowances (continued)

	ECL staging				Total
	Stage 1	Stage 2	Stage 3	Purchased	
	12-month ECL	Lifetime ECL	Lifetime ECL	credit- impaired	
	\$000	\$000	\$000	\$000	\$000
FINANCIAL INVESTMENTS – AMORTISED COST					
Loss Allowance as at January 01, 2020	63,541	230	3,846	-	67,617
Transfers:					
Transfer from Stage 1 to Stage 2	(104)	104	-	-	-
Transfer from Stage 1 to Stage 3	(34)	-	34	-	-
Transfer from Stage 2 to Stage 1	84	(84)	-	-	-
Transfer from Stage 2 to Stage 3	-	(43)	43	-	-
Transfer from Stage 3 to Stage 2	-	126	(126)	-	-
Transfer from Stage 3 to Stage 1	577	-	(577)	-	-
New financial assets originated or purchased	14,607	-	240	-	14,847
Financial assets fully derecognised during the period	(4,532)	-	(40)	-	(4,572)
Changes to inputs used in ECL calculation	74,005	7,123	4,089	-	85,217
Foreign exchange adjustment	1,635	-	-	-	1,635
Loss Allowance as at December 31, 2020	149,779	7,456	7,509	-	164,744
Transfer from Stage 1 to Stage 2	(629)	629	-	-	-
Transfer from Stage 1 to Stage 3	(92)	-	92	-	-
Transfer from Stage 2 to Stage 1	2,881	(2,881)	-	-	-
Transfer from Stage 2 to Stage 3	-	(238)	238	-	-
Transfer from Stage 3 to Stage 2	-	1,268	(1,268)	-	-
Transfer from Stage 3 to Stage 1	872	-	(872)	-	-
New financial assets originated or purchased	17,528	1,134	-	-	18,662
Financial assets fully derecognised during the period	(22,051)	(474)	(86)	-	(22,611)
Changes to inputs used in ECL calculation	(15,251)	1,075	20,849	-	6,673
Foreign exchange adjustment	3,654	-	-	-	3,654
Loss Allowance as at December 31, 2021	136,691	7,969	26,462	-	171,122

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8. Financial Investments (Continued)

IFRS 9 maximum exposure to credit risk

The following tables explain the changes in the maximum exposure to credit risk between the beginning and the end of the period due to these factors. With the exception of FVTOCI investments, the maximum exposure to credit risk equals the carrying amount.

	ECL staging				Total \$000
	Stage 1 12-month ECL \$000	Stage 2 Lifetime ECL \$000	Stage 3 Lifetime ECL \$000	Purchased credit- impaired \$000	
DEBT SECURITIES – FVTOCI					
Maximum exposure to credit risk as at January 01, 2020	13,172,389	909,331	-	27,395	14,109,115
Transfers:					
Transfer from Stage 1 to Stage 2	(166,141)	166,141	-	-	-
Transfer from Stage 2 to Stage 3	-	(462,024)	462,024	-	-
New financial assets originated or purchased	8,831,066	217,783	-	-	9,048,849
Financial assets fully derecognised during the period	(6,499,372)	(50,847)	-	(1,453)	(6,551,672)
Changes in principal and interest	(19,020)	(160,909)	27,559	-	(152,370)
Foreign exchange adjustment	78,970	68,927	-	2,082	149,979
Maximum exposure to credit risk as at December 31, 2020	15,397,892	688,402	489,583	28,024	16,603,901
Transfers:					
Transfer from Stage 1 to Stage 2	-	-	-	-	-
Transfer from Stage 2 to Stage 3	-	-	-	-	-
New financial assets originated or purchased	4,036,408	-	-	-	4,036,408
Financial assets fully derecognised during the period	(4,799,310)	(521,031)	(489,583)	(28,024)	(5,837,948)
Changes in principal and interest	(40,470)	12,615	-	-	(27,855)
Foreign exchange adjustment	298,862	111	-	-	298,973
Maximum exposure to credit risk as at December 31, 2021	14,893,382	180,097	-	-	15,073,479

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8. Financial Investments (Continued)

IFRS 9 maximum exposure to credit risk (continued)

	ECL staging				Total
	Stage 1 12-month ECL \$000	Stage 2 Lifetime ECL \$000	Stage 3 Lifetime ECL \$000	Purchased credit- impaired \$000	
FINANCIAL INVESTMENTS - AMORTISED COST					
Maximum exposure to credit risk as at January 01, 2020	81,654,599	266,234	385,330	-	82,306,163
Transfers:					
Transfer from Stage 1 to Stage 2	(165,632)	165,632	-	-	-
Transfer from Stage 2 to Stage 1	96,941	(96,941)	-	-	-
Transfer from Stage 3 to Stage 2	-	12,668	(12,668)	-	-
Transfer from Stage 3 to Stage 1	57,853	-	(57,853)	-	-
New financial assets originated or purchased	22,423,727	-	417,904	-	22,841,631
Financial assets fully derecognised during the period	(15,367,383)	(49,355)	(313,285)	-	(15,730,023)
Changes in principal and interest	(216,315)	(12,198)	(11)	-	(228,524)
Foreign exchange adjustment	2,225,726	-	-	-	2,225,726
Maximum exposure to credit risk as at December 31, 2020	90,709,516	286,040	419,417	-	91,414,973
Transfers:					
Transfer from Stage 1 to Stage 2	(231,337)	231,337	-	-	-
Transfer from Stage 1 to Stage 3	(33,779)	-	33,779	-	-
Transfer from Stage 2 to Stage 1	110,538	(110,538)	-	-	-
Transfer from Stage 2 to Stage 3	-	(9,139)	9,139	-	-
Transfer from Stage 3 to Stage 2	-	70,852	(70,852)	-	-
Transfer from Stage 3 to Stage 1	48,705	-	(48,705)	-	-
New financial assets originated or purchased	24,175,223	71,241	-	-	24,246,464
Financial assets fully derecognised during the period	(16,978,093)	(18,168)	(4,817)	-	(17,001,078)
Changes in principal and interest	(157,387)	(21,151)	(18,556)	-	(197,094)
Foreign exchange adjustment	2,037,085	-	-	-	2,037,085
Maximum exposure to credit risk as at December 31, 2021	99,680,471	500,474	319,405	-	100,500,350

The Company manages its exposure to credit risk by analysing the financial investments by type of debt security, whether corporate or sovereign, and the location and sector of the issuer. The table below is a summary of the significant category and sector concentrations of debt instruments subject to expected credit losses.

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8. Financial Investments (Continued)

Concentration of debt instruments

The Company also manages its exposure to credit risk by analysing the financial investments by type of debt security, whether corporate or sovereign, and the location and sector of the issuer. The table below is a summary of the significant category and sector concentrations of debt instruments subject to expected credit losses.

The table below is a summary of financial instruments by location, sovereign and corporate.

	2021 \$000	2020 \$000
Debt securities		
Sovereign debt instruments		
Jamaica	79,305,053	76,203,127
USA	692,628	1,349,205
Other	166,068	196,943
Corporate debt instruments		
Jamaica	20,080,360	18,648,174
Trinidad & Tobago	81,086	101,815
USA	6,721,219	7,464,001
Other	859,810	618,973
	107,906,224	104,582,238

The table below is a summary sector concentration of corporate instruments.

	2021 \$000	2020 \$000
Corporate debt instruments		
Communication Services	1,009,043	1,112,945
Consumer Discretionary	1,865,739	1,266,402
Consumer Staples	1,004,880	956,955
Energy	2,665,220	3,309,587
Financials	14,403,618	14,833,495
Health Care	1,631,738	1,051,698
Industrials	2,071,584	2,292,591
Information Technology	1,056,642	789,870
Materials	534,437	619,629
Real Estate	367,966	309,916
Tourism	35,151	34,297
Utilities	1,096,457	255,578
	27,742,475	26,832,963

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9. Lease Receivables

	2021	2020
	\$'000	\$'000
Gross investment in finance leases -		
Later than one year and not later than five years (i)	<u>94,428</u>	<u>94,428</u>

(i) The above represents the principal amount for lease receivables and does not include unearned interest.

10. Investment Properties

	2021	2020
	\$'000	\$'000
At beginning of year	857,629	750,000
Acquired during the year	193,018	37,629
Fair value gains	<u>55,000</u>	<u>70,000</u>
At end of year	<u>1,105,647</u>	<u>857,629</u>

The investment properties as at 31 December were valued at current market value NIA Jamaica Langford & Brown and Allison Pitter and Co. Limited, qualified property appraisers and valuers.

Rental income and repairs and maintenance expenditure in relation to investment properties are as follows:

	2021	2020
	\$'000	\$'000
Rental income	39,768	38,735
Direct operating expenses	<u>(25,012)</u>	<u>(13,090)</u>

During the year, only some of the properties were tenanted and generated rental income. Operating expenses related to the properties which were not tenanted amounted to \$451,333. 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, adjustments have been made to incorporate adjustments using judgement, regarding size, age, condition of comparable properties and the state of the local economy that are unobservable.

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11. Intangible Assets

	Goodwill	Contractual Customer Relationship	Computer Software	Total
	\$'000	\$'000	\$'000	\$'000
Cost -				
At 1 January 2020	1,385,317	1,428,973	685,431	3,499,721
Additions	-	-	77,669	77,669
At 31 December 2020	1,385,317	1,428,973	763,100	3,577,390
Additions	-	-	42,138	42,138
At 31 December 2021	1,385,317	1,428,973	805,238	3,619,528
Amortisation -				
At 1 January 2020	-	1,405,953	569,812	1,975,765
Amortisation charge	-	23,020	53,776	76,796
At 31 December 2020	-	1,428,973	623,588	2,052,561
Amortisation charge	-	-	58,277	58,277
At 31 December 2021	-	1,428,973	681,865	2,110,838
Net Book Value -				
31 December 2020	1,385,317	-	139,512	1,524,829
31 December 2021	1,385,317	-	123,373	1,508,690

Amortisation charges of \$58,277,000 (2020 - \$76,796,000) have been included in expense for the company. Customer relations were amortised over 10 – 20 years and computer software are being amortised over 5 years.

The allocation of goodwill to the Company's Cash Generating Units (CGUs) is as follows:

	2021	2020
	\$'000	\$'000
Individual Lines Division	855,191	855,191
Employee Benefits Division	530,126	530,126
	<u>1,385,317</u>	<u>1,385,317</u>

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11. Intangible Assets (Continued)

At 31 December 2021, management tested goodwill and the unamortised balance of other purchased intangibles allocated to the Individual Lines Division, and Employee Benefits Division for impairment.

The recoverable amounts of Individual Lines Division and Employee Benefits Division are determined using fair value less costs to sell through 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. The recoverable amounts are considered to be level 3 in the fair value hierarchy due to the unobservable inputs used in the valuation.

There was no impairment of any of the Company's CGUs.

Management's approach and the key assumptions used to determine the CGU's FVLCS were as follows:

	2021				2020			
	Earnings Multiple	Cost to Sell	Post-tax Discount Rate	Long-term Growth Rate	Earnings Multiple	Cost to Sell	Post-tax Discount Rate	Long-term Growth Rate
Individual Lines Division	9.7	0.5%	14.29%	4.5%	10.3	0.5%	14.21%	5.0%
Employee Benefits Division	10.7	0.5%	13.87%	5.0%	10.8	0.5%	13.79%	5.0%

The inputs are determined as follows:

- Earnings multiple represents the inverse of the capitalisation rate that is, 1 divided by post-tax discount rate less long-term growth rate.
- Cost to sell is estimated cost, based on management's experience of the typical incident costs associated with a sale of business such as legal and professional fees as well as statutory charges, to dispose of CGU as a going-concern business
- Post-tax discount rate reflects specific risks related to the business, industry and country of operation.
- Long-term growth rate (%) is based on historical/projected financial performance of each CGU, nominal GDP growth rates and factors specific to the industry each CGU operates in.

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12. Property, Plant and Equipment

	Leasehold Buildings & Improvements	Freehold Land & Buildings	Furniture & Equipment	Motor Vehicles	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
Cost or Valuation -					
At 1 January 2020	468,397	1,992,251	1,823,943	167,150	4,451,741
Additions	100,479	-	80,059	31,646	212,184
Revaluation adjustments	-	279,418	-	-	279,418
Disposals	-	-	(178)	(11,000)	(11,178)
At 31 December 2020	568,876	2,271,669	1,903,824	187,796	4,932,165
Additions	4,072	-	72,069	4,981	81,122
Revaluation adjustments	-	123,729	-	-	123,729
Disposals	-	-	(355)	(17,376)	(17,731)
At 31 December 2021	572,948	2,395,398	1,975,538	175,401	5,119,285
Accumulated Depreciation -					
At 1 January 2020	260,008	14,897	1,372,041	87,800	1,734,746
Charge for the year	36,634	15,357	129,243	29,852	211,086
Relieved on revalued assets	-	(11,087)	-	-	(11,087)
Relieved on disposals	-	-	-	(7,373)	(7,373)
At 31 December 2020	296,642	19,167	1,501,284	110,279	1,927,372
Charge for the year	36,102	17,145	125,258	28,109	206,614
Relieved on revalued assets	-	(12,810)	-	-	(12,810)
Relieved on disposals	-	-	(225)	(12,894)	(13,119)
At 31 December 2021	332,744	23,502	1,626,317	125,494	2,108,057
Net Book Value -					
31 December 2020	272,234	2,252,502	402,540	77,517	3,004,793
31 December 2021	240,204	2,371,896	349,221	49,907	3,011,228

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12. Property, Plant and Equipment (Continued)

In accordance with the Company's policy, owner-occupied properties were independently revalued during the year by professional real estate valuers. The excess of the revalued amount of these property, plant and equipment over the carrying value on such date, amounting to \$136,539,000 (2020 - \$290,505,000), has been credited to investment and fair value reserves.

If revalued assets of the Company were stated on a historical cost basis, the amounts would be as follows:

	2021	2020
	\$'000	\$'000
Cost	589,042	589,042
Accumulated depreciation	<u>(60,404)</u>	<u>(56,222)</u>
Net book value	<u>528,638</u>	<u>532,820</u>
Carrying value of revalued assets	<u>2,371,896</u>	<u>2,252,502</u>

13. Reinsurance Contracts

	2021	2020
	\$'000	\$'000
Claims recoverable from reinsurers at the beginning of the year	854,338	434,491
Claims approved but not yet recovered during the year	232,369	462,408
Premiums incurred and offset during the year	(22,017)	(4,544)
Amounts recovered during the year	<u>(528,766)</u>	<u>(38,017)</u>
Claims recoverable from reinsurers at the end of the year	<u>535,924</u>	<u>854,338</u>

The entire balance is expected to be recovered less than twelve months after the financial year end.

Sagicor Life Jamaica Limited

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(expressed in Jamaican dollars unless otherwise indicated)

14. Retirement Benefits

	2021 \$'000	2020 \$'000
Retirement benefit assets -		
Pension scheme	-	292,780
Retirement benefit obligations -		
Pension scheme	933,245	-
Other post-retirement benefits	2,870,233	2,214,172
	<u>3,803,478</u>	<u>2,214,172</u>
	2021	2020
	\$'000	\$'000
Retirement benefit assets	-	(292,780)
Retirement benefit obligations	933,245	-
	<u>933,245</u>	<u>(292,780)</u>

The Company operates a defined contribution plan for eligible sales agents and administration staff joining on or after August 1, 2009 and a defined benefit plan for eligible administrative staff before August 1, 2009. The assets are held in a trust fund and are separate and apart from the assets of the Company. The defined benefits for the staff are based on service and salary, whereas the benefits for agents are based on contributions and interest. The solvency level (the ratio of assets to past service liabilities) as at the last triennial funding valuation (2018) was 115%.

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 0.50% of payroll per annum where plan rules do not specify a minimum.

The Trustees of the pension schemes ensure that benefits are funded, benefits are paid, and that assets are 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 absorbed by the Company.

Sagicor Life Jamaica Limited

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(expressed in Jamaican dollars unless otherwise indicated)

14. Retirement Benefits (Continued)

(a) Pension schemes

The amounts recognised in the statement of financial position are determined as follows:

	2021	2020
	\$'000	\$'000
Present value of funded obligations	21,525,417	18,113,524
Fair value of plan assets	<u>(20,592,172)</u>	<u>(18,406,304)</u>
Deficit/(Surplus) of funded plan	<u>933,245</u>	<u>(292,780)</u>
Liability/(Asset) in the statement of financial position	<u>933,245</u>	<u>(292,780)</u>

Movement in the present value of the defined benefit obligations recognised in the statement of financial position is as follows:

	2021	2020
	\$'000	\$'000
Liability at beginning of year	<u>18,113,524</u>	<u>19,858,841</u>
Current service cost	446,929	461,911
Interest cost	<u>1,602,363</u>	<u>1,458,288</u>
Net expense recognised in income	2,049,292	1,920,199
Re-measurement:		
Losses/(Gains) from changes in financial assumptions	1,012,562	(1,644,262)
Losses/(Gains) from changes in experience	<u>373,618</u>	<u>(1,748,485)</u>
Net (gains)/ losses recognised in OCI	1,386,180	(3,392,747)
Contributions by the members	609,024	572,505
Value of purchased annuities	1,108,038	846,819
Benefits paid	<u>(1,740,641)</u>	<u>(1,692,093)</u>
Net liability, end of year	<u>21,525,417</u>	<u>18,113,524</u>

Sagicor Life Jamaica Limited

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14. Retirement Benefits (Continued)

(a) Pension schemes (continued)

Movement in the fair value of plan assets recognised in the statement of financial position:

	2021	2020
	\$'000	\$'000
Opening balance	18,406,304	19,593,632
Contributions made by the Employer	464,226	357,576
Contributions by the members	609,024	572,505
Value of purchased annuities	1,108,038	846,819
Benefits paid	(1,740,641)	(1,692,093)
Interest income on plan assets	1,675,969	1,472,645
Re-measurement:		
Gains/(Losses) from changes in financial assumptions	98,265	(239,320)
Losses from changes in experience	(29,013)	(2,505,460)
Net (losses)/gains recognised in OCI	<u>69,252</u>	<u>(2,744,780)</u>
Balance, end of year	<u><u>20,592,172</u></u>	<u><u>18,406,304</u></u>

The amounts recognised in the income statements as follows:

	2021	2020
	\$'000	\$'000
Current service cost	446,929	461,911
Interest cost on plan obligations	1,602,363	1,458,288
Interest income on plan assets	(1,675,969)	(1,472,645)
Total, included in staff cost (Note 35)	<u><u>373,323</u></u>	<u><u>447,554</u></u>

Sagicor Life Jamaica Limited

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(expressed in Jamaican dollars unless otherwise indicated)

14. Retirement Benefits (Continued)

(a) Pension schemes (continued)

The amounts recognised in OCI (Note 37 (c)) are as follows:

	2021	2020
	\$'000	\$'000
Change in financial assumptions	914,297	(1,404,942)
Interest income on plan assets	402,631	756,975
	<u>1,316,928</u>	<u>(647,967)</u>
Deferred tax	(329,232)	161,992
	<u><u>987,696</u></u>	<u><u>(485,975)</u></u>

The principal actuarial assumptions used were as follows:

	2021	2020
Discount rate J\$ Benefits	8.00%	9.00%
Discount rate - US\$ Indexed Benefits	5.50%	5.00%
Inflation	5.00%	6.00%
Expected return on plan assets	8.00%	9.00%
Future salary increases	8.00%	9.00%
Future pension increases	0.50%	0.50%
Average expected remaining working lives (years)	<u>13</u>	<u>13</u>

Sagicor Life Jamaica Limited

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14. Retirement Benefits (Continued)

(a) Pension schemes (continued)

Pension plan assets are comprised as follows:

	2021		2020	
	\$'000	%	\$'000	%
Equities	6,004,820	29	5,832,846	31
Repurchase Agreements	-	-	100,175	1
Mortgages and real estate	3,214,069	16	2,738,144	15
Money market fund	55,899	-	60,640	-
Fixed income fund	1,838,319	9	1,463,414	8
Foreign currency fund	2,313,115	11	2,378,201	13
Global market fund	621,278	3	676,510	4
Inflation-linked	520,016	3	454,252	2
	<u>14,567,516</u>	<u>71</u>	<u>13,704,182</u>	<u>74</u>
Value of purchased annuities	6,024,656	29	4,702,122	26
	<u>20,592,172</u>	<u>100</u>	<u>18,406,304</u>	<u>100</u>

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.

Sagicor Life Jamaica Limited

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14. Retirement Benefits (Continued)

(b) Other post-retirement benefits

In addition to pension benefits, the Company offers retiree medical and life insurance benefits that contribute to the health care and life insurance coverage of employees and beneficiaries after 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:

	2021	2020
	\$'000	\$'000
Present value of unfunded obligations	3,112,913	2,436,814
Fair value of plan assets	<u>(242,680)</u>	<u>(222,642)</u>
Liability in the statement of financial position	<u>2,870,233</u>	<u>2,214,172</u>

Movement in the amounts recognised in the statement of financial position:

	2021	2020
	\$'000	\$'000
Liability at beginning of year	2,436,814	2,027,614
Current service cost	55,612	53,819
Interest cost	<u>215,085</u>	<u>148,521</u>
Net expense recognised in income	270,697	202,340
Re-measurement:		
Losses/(Gains) from changes in financial assumptions	348,150	(325,792)
Losses from changes in experience	<u>153,276</u>	<u>629,058</u>
Net losses/ (gains) recognised in OCI	501,426	303,266
Benefits paid	<u>(96,024)</u>	<u>(96,406)</u>
Liability at the end of the year	<u>3,112,913</u>	<u>2,436,814</u>

Sagicor Life Jamaica Limited

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(expressed in Jamaican dollars unless otherwise indicated)

14. Retirement Benefits (Continued)

(b) Other post-retirement benefits (continued)

The amounts recognised in the income statement are as follows:

	2021	2020
	\$'000	\$'000
Current service cost	55,612	53,819
Interest cost on plan obligation	215,085	148,521
Interest income on plan assets	<u>(20,038)</u>	<u>(15,533)</u>
Total, included in staff cost (Note 35)	<u>250,659</u>	<u>186,807</u>

The amounts recognised in OCI are as follows:

	2021	2020
	\$'000	\$'000
Change in financial assumptions	348,150	(325,792)
Interest income on plan assets	<u>153,276</u>	<u>629,058</u>
	501,426	303,266
Deferred tax	<u>(125,357)</u>	<u>(75,817)</u>
	<u>376,069</u>	<u>227,449</u>

The principal actuarial assumption used was as follows:

	2021	2020
Rate of medical inflation	<u>8.00%</u>	<u>7.00%</u>

Sagicor Life Jamaica Limited

Notes to the Financial Statements

31 December 2021

(expressed in Jamaican dollars unless otherwise indicated)

14. Retirement Benefits (Continued)

(b) Other post-retirement benefits (continued)

Movement in the fair value of plan assets recognised in the statement of financial position:

	2021	2020
	\$'000	\$'000
Balance, as previously reported	222,642	207,109
Interest income on plan assets	<u>20,038</u>	<u>15,533</u>
Balance, end of year	<u><u>242,680</u></u>	<u><u>222,642</u></u>

(c) Plan risks

Through its defined benefit pension plans and post-employment medical plans, the Company is exposed to a number of risks. The Company 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 Company 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 Company 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 Company'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 Company 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 investment.

(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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14. Retirement Benefits (Continued)

(d) Sensitivity tests

(i) The effect of a 1% increase/decrease in the medical inflation rate assumption:

2021		2020	
Decrease by 1% Increase/ (Decrease) in Health & Life benefits \$'000	Increase by 1% Increase/ (Decrease) in Health & Life benefits \$'000	Decrease by 1% Increase/ (Decrease) in Health & Life benefits \$'000	Increase by 1% Increase/ (Decrease) in Health & Life benefits \$'000
(376,000)	470,000	(263,000)	322,000

(ii) Impact of a 1% increase/decrease in the discount rate assumption:

2021			2020		
Decrease by 1% Increase/ (Decrease) in Pension benefits \$'000	Decrease by 1% Increase/ (Decrease) in Health & Life benefits \$'000	Total \$'000	Decrease by 1% Increase/ (Decrease) in Pension benefits \$'000	Decrease by 1% Increase/ (Decrease) in Health & Life benefits \$'000	Total \$'000
1,165,000	533,000	1,698,000	940,000	366,000	1,306,000

2021			2020		
Increase by 1% Increase/ (Decrease) in Pension benefits \$'000	Increase by 1% Increase/ (Decrease) in Health & Life benefits \$'000	Total \$'000	Increase by 1% Increase/ (Decrease) in Pension benefits \$'000	Increase by 1% Increase/ (Decrease) in Health & Life benefits \$'000	Total \$'000
(891,000)	(421,000)	(1,312,000)	(730,000)	(295,000)	(1,025,000)

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14. Retirement Benefits (Continued)

(d) Sensitivity tests (continued)

(iii) Impact of a 1% increase/decrease in future salary increases:

2021			2020		
Decrease by 1% Increase/ (Decrease) in Pension benefits \$'000	Decrease by 1% Increase/ (Decrease) in Health & Life benefits \$'000	Total \$'000	Decrease by 1% Increase/ (Decrease) in Pension benefits \$'000	Decrease by 1% Increase/ (Decrease) in Health & Life benefits \$'000	Total \$'000
(343,000)	(20,000)	(363,000)	(293,000)	(18,000)	(311,000)

2021			2020		
Increase by 1% Increase/ (Decrease) in Pension benefits \$'000	Increase by 1% Increase/ (Decrease) in Health & Life benefits \$'000	Total \$'000	Increase by 1% Increase/ (Decrease) in Pension benefits \$'000	Increase by 1% Increase/ (Decrease) in Health & Life benefits \$'000	Total \$'000
395,000	23,000	418,000	337,000	21,000	358,000

(iv) Impact of a .50% (2020 - 1%) increase/decrease in future pension increases:

2021		2020	
Decrease by .5% Increase/ (Decrease) in Pension benefits \$'000	Increase by .5% Increase/ (Decrease) in Pension benefits \$'000	Decrease by 1% Increase/ (Decrease) in Pension benefits \$'000	Increase by 1% Increase/ (Decrease) in Pension benefits \$'000
(814,000)	874,000	(1,302,000)	1,396,000

Sagicor Life Jamaica Limited

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14. Retirement Benefits (Continued)

(v) Impact of a 1-year change in life expectancy:

2021			2020		
Decrease by 1-year Increase/ (Decrease) in Pension benefits \$'000	Decrease by 1 year Increase/ (Decrease) in Health & Life benefits \$'000	Total \$'000	Decrease by 1-year Increase/ (Decrease) in Pension benefits \$'000	Decrease by 1 year Increase/ (Decrease) in Health & Life benefits \$'000	Total \$'000
(90,000)	(113,000)	(203,000)	(68,000)	(75,000)	(143,000)

2021			2020		
Increase by 1-year Increase/ (Decrease) in Pension benefits \$'000	Increase by 1 year Increase/ (Decrease) in Health & Life benefits \$'000	Total \$'000	Increase by 1-year Increase/ (Decrease) in Pension benefits \$'000	Increase by 1 year Increase/ (Decrease) in Health & Life benefits \$'000	Total \$'000
88,000	115,000	203,000	66,000	75,000	141,000

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.

The Company 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 Company's ALM objective is to match assets to the pension obligations by investing in long-term fixed interest securities with maturities that match the benefit payments as they fall due. The Company actively monitors how the duration and the expected yield of the investments are matching the expected cash outflows arising from the pension obligations. The Company has not changed the processes used to manage its risks from previous periods. The Company does not use derivatives to manage its risk. Investments are well diversified, such that the failure of any single investment would not have a material impact on the overall level of assets. A large portion of assets in 2021 consists of bonds and equities.

The weighted average duration of the defined benefit obligation is 30 years (2020 – 30 years).

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15. Deferred Income Taxes

Deferred income taxes are calculated in full on all temporary differences under the liability method using a principal rate of 25% (2020 - 25%) for the Company.

Deferred tax assets and liabilities, net recognized on the statement of financial position are as follows:

	2021	2020
	\$'000	\$'000
Deferred income tax assets, net	<u>(1,061,912)</u>	<u>(408,953)</u>

Deferred tax assets and liabilities recognised on the statement of financial position, prior to offsetting, are as follows:

	\$'000	\$'000
Deferred income tax assets	(1,333,202)	(854,026)
Deferred income tax liabilities	<u>271,290</u>	<u>445,073</u>
	<u>(1,061,912)</u>	<u>(408,953)</u>

The amounts shown in the statement of financial position included the following:

	2021	2020
	\$'000	\$'000
Deferred tax assets to be recovered after more than 12 months	<u>(1,163,130)</u>	<u>(460,608)</u>

The movement on the deferred income tax account is as follows:

	2021	2020
	\$'000	\$'000
Balance as at 1 January	(408,953)	(534,831)
Tax credited to the income statement (Note 37(a))	(106,540)	(46,288)
Tax (credited)/charged to components in OCI (Note 37(c))	<u>(546,419)</u>	<u>172,166</u>
Balance as at 31 December	<u>(1,061,912)</u>	<u>(408,953)</u>

Sagicor Life Jamaica Limited

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15. Deferred Income Taxes (Continued)

Deferred income tax assets and liabilities are attributable to the following items:

	Property, plant and equipment	Fair value gains	Unrealised foreign exchange gains	Post- employment benefits	Other	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
At 1 January 2020	121,257	37,492	(242,156)	(521,424)	70,000	(534,831)
(Credited)/Charged to income statement	(18,484)	121,748	(36,869)	(45,095)	(67,588)	(46,288)
Charged to OCI	16,472	64,720	-	86,175	4,799	172,166
At 31 December 2020	119,245	223,960	(279,025)	(480,344)	7,211	(408,953)
(Credited)/Charged to income statement	(21,345)	(60,730)	(20,940)	(15,940)	12,415	(106,540)
(Credited)/Charged to OCI	5,789	(96,849)	-	(454,589)	(770)	(546,419)
At 31 December 2021	103,689	66,381	(299,965)	(950,873)	18,856	(1,061,912)

	2021 \$'000	2020 \$'000
Deferred income tax assets -		
Unrealised foreign exchange	(299,965)	(279,025)
Post-employment benefits	(950,873)	(480,344)
Other	(82,364)	(94,657)
	<u>(1,333,202)</u>	<u>(854,026)</u>
Deferred income tax liabilities -		
Property, plant and equipment	103,689	119,245
Fair Value Gains	66,381	223,960
Other	101,220	101,868
	<u>271,290</u>	<u>445,073</u>
	<u>(1,061,912)</u>	<u>(408,953)</u>

Sagicor Life Jamaica Limited

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16. 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 its subsidiary, the ultimate parent company, parent company and fellow subsidiaries. Related parties include directors, key management and companies for which the Company and its parent company provide management services. Related parties also include the PIF and other managed funds.

(a) The statement of financial position includes the following balances with related parties and companies:

	2021	2020
	\$'000	\$'000
Due from related companies -		
Ultimate parent company	50,426	75,425
Parent company	4,178,171	3,558,945
Fellow subsidiaries	144,228	192,188
Other managed funds	263,041	54,021
	<u>4,635,866</u>	<u>3,880,579</u>
	2021	2020
	\$'000	\$'000
Due to related companies -		
Parent company	137,639	55,519
Other related companies	33,221	29,174
Other managed funds	72,006	51,844
	<u>242,866</u>	<u>136,537</u>

Sagicor Life Jamaica Limited

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16. Related Party Balances and Transactions (Continued)

- (a) The statement of financial position includes the following balances with related parties and companies (continued):

	2021	2020
	\$'000	\$'000
Loans and Financial Investments-		
Promissory Note with Parent	10,661,879	10,943,851
Loans with SBJ	-	20,430
Loans with subsidiary	58,281	55,099
Equity Securities- Real Estate X Funds	1,563,993	1,517,993
Short term deposits	1,523	1,523
Securities purchased under resale agreements with SIJL	3,218,609	1,099,181
Sagicor Select Funds Units	72,753	88,759
Sigma Units	22,736,895	24,313,184
	<u>38,313,933</u>	<u>38,040,020</u>

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16. Related Party Balances and Transactions (Continued)

(b) The following arose from transactions with related parties and companies during the year:

	2021 \$'000	2020 \$'000
Parent company -		
Investment income	<u>218,027</u>	<u>263,879</u>
Parent company -		
Shared services fees	<u>100,099</u>	<u>117,270</u>
Fellow subsidiaries -		
Investment income	56,201	45,535
Administration fee income	45,675	39,639
Commission Expense	<u>99,265</u>	<u>113,648</u>

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16. Related Party Balances and Transactions (Continued)

(b) The following arose from transactions with related parties and companies during the year: (continued)

	2021	2020
	\$'000	\$'000
Sagicor Pooled Investment Funds -		
Management fee income	1,256,249	1,241,778
Administration fee income	<u>89,999</u>	<u>77,228</u>
Other related parties -		
Sagicor Sigma Global Funds administration fee income	1,420,794	1,322,720
Lease rental expense– Sigma	93,247	109,983
Self-Directed Funds management fee income	<u>231,863</u>	<u>203,862</u>
Key management compensation -		
Salaries and other short-term benefits	504,528	514,414
Share based payments	178,051	148,332
Contributions to pensions and insurance schemes	<u>27,343</u>	<u>25,241</u>
	<u>709,922</u>	<u>687,987</u>
Directors' emoluments -		
Fees	28,275	30,242
Other expenses	1,080	939
Management remuneration (included above)	<u>238,896</u>	<u>224,644</u>
	<u>268,251</u>	<u>255,825</u>

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17. Other Assets

	2021	2020
	\$'000	\$'000
Due from sales representatives	1,585,362	1,405,657
Real estate developed for resale – (i)	4,586,809	3,189,832
Due from related parties (Note 16 (a))	4,635,866	3,880,579
Service contract assets		
Due from Government Employees Administrative Scheme Only Fund, Government Pensioners Administrative Scheme Only Fund and Other ASO	172,705	170,869
Prepayments	734,550	777,661
Other receivables	64,396	168,820
	<u>11,779,688</u>	<u>9,593,418</u>
Provision against doubtful receivables	(48,451)	(48,451)
	<u>11,731,237</u>	<u>9,544,967</u>

Of the carrying amount, \$4,540,875,000 (2020 - \$4,755,164,000) is expected to be recovered after more than twelve months after the financial year end. The remaining balance is expected to be recovered less than twelve months after the financial year end.

(i) Real estate developed for sale relates to the construction of residential and commercial complexes.

18. Share Capital

	2021	2020
	\$'000	\$'000
Authorised:		
13,598,340,000 (2020 – 13,598,340,000)		
Ordinary shares		
Issued and fully paid:		
3,760,991,782 (2020 – 3,760,991,782)		
Ordinary shares at no par	<u>7,854,938</u>	<u>7,854,938</u>

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19. Equity Reserves

Note	Investment and Fair Value Reserves			Other Reserves		Total
	Actuarial Liabilities	Owner occupied properties fair value reserve	Fair value reserves (FVTOCI)	Capital redemption reserve	Special investment reserve	
Balance at 31 December 2019	(176,387)	1,414,082	(455,849)	2,675	322,378	1,106,899
Net gains recycled to revenue on disposal and maturity of FVTOCI securities	-	-	(134,888)	-	-	(134,888)
Net unrealized gains on FVTOCI securities	-	-	304,751	-	-	304,751
Provision for expected credit losses- IFRS 9 on FVTOCI securities	-	-	234,172	-	-	234,172
Expected credit losses - IFRS 9 recycled to income statement on sale and maturity of FVTOCI securities	-	-	(25,135)	-	-	(25,135)
Net unrealized gains on revaluation of owner-occupied properties	-	290,505	-	-	-	290,505
Deferred tax on unrealized capital gains	-	(16,472)	(69,519)	-	-	(85,991)
Shadow accounting	(1,296)	-	-	-	-	(1,296)
Total comprehensive income for the year	(1,296)	274,033	309,381	-	-	582,118
Transfers between reserves -						
To special investment reserve	2(o)	-	-	-	33,033	33,033
Total transfers between reserves	-	-	-	-	33,033	33,033
Balance at 31 December 2020	(177,683)	1,688,115	(146,468)	2,675	355,411	1,722,050
Net gains recycled to revenue on disposal and maturity of FVTOCI securities	-	-	542,380	-	-	542,380
Net unrealized losses on FVTOCI securities	-	-	(498,680)	-	-	(498,680)
Provision for expected credit losses- IFRS 9 on FVTOCI securities	-	-	37,102	-	-	37,102
Expected credit losses - IFRS 9 recycled to income statement on sale and maturity of FVTOCI securities	-	-	(421,918)	-	-	(421,918)
Net unrealized gains on revaluation of owner-occupied properties	-	136,345	-	-	-	136,345
Deferred tax on unrealized capital gains	-	(5,789)	97,619	-	-	91,830
Shadow accounting	(96,757)	-	-	-	-	(96,757)
Total comprehensive income for the year	(96,757)	130,556	(243,497)	-	-	(209,698)
Transfers between reserves -						
To special investment reserve	2(o)	-	-	-	35,229	35,229
Total transfers between reserves	-	-	-	-	35,229	35,229
Balance at 31 December 2021	(274,440)	1,818,671	(389,965)	2,675	390,640	1,547,581

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19. Equity Reserves (Continued)

The Investment and Fair Value Reserve represents the unrealised surplus or deficit on the re-measurement of securities classified as FVOTCI and the revaluation of property, plant and equipment. The reserves also include ECL's recognized and reversed on disposal and sale of investments and an adjustment for gains or losses on FVTOCI securities which have matured or have been disposed of. They also include actuarial liabilities recognized in OCI.

The Special Investment Reserve represents a non-distributable reserve under the provisions of the Insurance Regulations, 2001 (Note 2(o)).

20. Stock Options

Long-term incentive plan

The Company offers a Long-Term Incentive (LTI) plan to senior executives. Under the LTI plan, executives are entitled but not obliged to purchase the Sagicor Group Jamaica Limited 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 instalments 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:

	2021		2020	
	Options (thousands)	Weighted Average exercise price in \$ per share	Options (thousands)	Weighted Average exercise price in \$ per share
At beginning of year	8,274	32.13	6,950	26.40
Granted - 2019			2,587	39.99
- 2020	1,701	52.40	-	-
Expired	-	-	22	-
Exercised	(2,337)	29.63	(1,285)	16.32
At end of year	7,638	35.21	8,274	32.13
Exercisable at the end of the period	4,793	33.00	4,728	27.73

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20. Stock Options (Continued)

Stock options outstanding at the end of the year for the company have the following expiry dates and exercise prices:

Expiry Date	2021 '000	Exercise Price	2020 '000	Exercise Price
March 2021	-	-	129	7.11
March 2022	110	9.50	191	9.50
March 2023	624	10.49	861	10.49
March 2024	415	23.65	761	23.65
March 2025	1,005	34.10	1,508	34.10
March 2026	1,700	36.45	2,237	36.45
March 2027	2,082	39.99	2,587	39.99
March 2028	1,702	52.40	-	-
	<u>7,638</u>	<u>35.21</u>	<u>8,274</u>	<u>32.13</u>

For options outstanding at the end of the year, exercise prices range from \$9.50 to \$52.40 (2020 - \$7.11 to \$39.99). The remaining contractual terms range from 3 months to 7 years (2020 – 3 months to 7 years).

The weighted average share price for options exercised during the year was \$51.19 (2020 - \$59.95) and the cost of these options was (\$7,477,000) (2020 - \$1,819,000).

The stock options 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 \$28,737,000. The significant inputs into the model were share price of \$51.88, dividend yield of 2.04%, standard deviation of the expected share price returns of 29%, and annual risk-free interest rate of 4.16%. The expected volatility is based on statistical analysis of month-end share prices over the preceding seven years.

The Company recognized cumulative expenses of \$45,185,000 in the Stock Option (2020 - \$37,102,000) and share options expense of \$16,979,000 (2020 - \$22,282,000) in the income statement.

In 2020, 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 Company 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 2021, the Staff Share Purchase Plan Trust purchased nil (2020 – nil) shares over the Stock Exchange for a total value of \$nil (2020 - nil). At the point at which the shares are transferred to staff, the Subsidiary Companies recognize their share of the cost of those shares in the income statement.

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21. Investment and Fair Value Reserve

This represents the unrealised surplus or deficit on the re-measurement of securities classified as FVOTCI and the revaluation of property, plant and equipment. The reserves also include ECL's recognized and reversed on disposal and sale of investments and an adjustment for gains or losses on FVTOCI securities which have matured or have been disposed of. They also include actuarial liabilities recognized in OCI. An analysis of the investment and fair value reserves is as follows:

	2021	2020
	\$000	\$000
Unrealised gains on owner-occupied properties	1,818,671	1,688,115
Unrealised gains on FVTOCI securities	(389,965)	(146,468)
Actuarial Liabilities	(274,440)	(177,683)
	<u>1,154,266</u>	<u>1,363,964</u>

22. Other Reserves

Special Investment Reserve

This represents a non-distributable reserve under the provisions of the Insurance Regulations, 2001 (Note 2(o)).

23. Dividends Declared

	2021	2020
	\$'000	\$'000
First interim dividend – 86 cents per share (2020 – 8 cents per share)	3,238,754	284,000
Second interim dividend – nil cents per share (2020 – 8 cents per share)	<u>-</u>	<u>295,125</u>
	<u>3,238,754</u>	<u>579,125</u>

Dividends represented a dividend per stock unit of \$0.86 (2020 \$0.15). In April 2020, the Bank of Jamaica (BOJ) announced a pre-emptive monetary policy strategy aimed at preserving liquidity and granting certain levels of regulatory relief. As part of this strategy, the BOJ requested that Financial Holding Companies suspend the payment of dividends to shareholders, subsequently excluding shareholders holding less than 1% of the ordinary shares of the Company. As a result of the BOJ's ruling, the company paid significantly lower dividends to its parent company.

In April 2021, subsequent to the year end, the BOJ lifted the moratorium on dividend payments. In April 2021 the Company declared a dividend per stock unit of \$0.86 totalling \$3,238,754,000.

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24. Due to Banks and Other Financial Institutions

	Interest Rate %	Maturity Period	2021 \$'000	2020 \$'000
Long term loans:				
National Housing Trust	various	various	45,192	1,104,720
Bank overdraft:				
National Commercial Bank			-	43,300
Sagicor Bank Jamaica Limited	48%	2021	666,077	522,894
			<u>711,269</u>	<u>1,670,914</u>

The current portion of the Due to Banks and other Financial Liabilities is disclosed under Note 43 (e).

a) *National Housing Trust (NHT)*

This is a third-party financing agreement between the company and the National Housing Trust and attracts interest rates ranging from 0.0% to 4%.

b) *Bank Overdrafts*

The bank overdraft balance represents book overdraft at year end. The actual balances at bank were positive at year end.

25. Other Liabilities

	2021 \$'000	2020 \$'000
Accounts payable and accruals	934,957	654,441
Dividends payable	73,852	74,486
Due to related parties (Note 16)	242,866	136,537
Due to brokers and agents	1,011,416	826,849
Premiums not applied	4,376,538	3,874,152
Reinsurance payable	467,959	372,508
Mortgage principal and real estate payables	520,107	117,599
Staff related payables and Statutory payables	1,221,982	1,048,141
Cheques issued but uncashed	219,315	170,718
Miscellaneous	37,755	46,739
	<u>9,106,747</u>	<u>7,322,170</u>

Of the carrying amount, \$199,936 (2020 - \$103,304) is expected to be settled after more than twelve months after the financial year end. The remaining balance is expected to be settled less than twelve months after the financial year end.

Sagicor Life Jamaica Limited

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26. Life and Health Insurance Contract Liabilities

(a) Composition by line of business is as follows:

	2021	2020
	\$'000	\$'000
Group annuities	57,097,517	52,203,408
Group insurance	6,084,316	4,720,114
Individual insurance	22,700,644	23,058,729
Total	<u>85,882,477</u>	<u>79,982,251</u>

Of the carrying amount, \$80,317,672,000 (2020 - \$75,077,849,000) is expected to be settled after more than twelve months after the financial year end. The remaining balance is expected to be settled less than twelve months after the financial year end.

(b) Movements in insurance liabilities:

	2021			
	Group	Individual	Group	Total
	Annuities	Insurance	Insurance	Total
	\$'000	\$'000	\$'000	\$'000
Balance at the beginning of the year	52,203,408	23,058,729	4,720,114	79,982,251
Normal changes in policyholders' liabilities recorded in the income statement (Note 26(d))	2,620,010	(358,085)	1,178,271	3,440,196
Changes in policyholders' liabilities recoded in OCI (shadow accounting)	96,757	-	-	96,757
Changes as a result of revaluation	2,177,342	-	185,931	2,363,273
Balance at end of year	<u>57,097,517</u>	<u>22,700,644</u>	<u>6,084,316</u>	<u>85,882,477</u>
	2020			
	Group	Individual	Group	Total
	Annuities	Insurance	Insurance	Total
	\$'000	\$'000	\$'000	\$'000
Balance at the beginning of the year	47,682,100	31,020,619	4,131,757	82,834,476
Normal changes in policyholders' liabilities recorded in the income statement (Note 26(d))	2,498,776	(7,961,890)	423,971	(5,039,143)
Changes in policyholders' liabilities recoded in OCI (shadow accounting)	1,296	-	-	1,296
Changes as a result of revaluation	2,021,236	-	164,386	2,185,622
Balance at end of year	<u>52,203,408</u>	<u>23,058,729</u>	<u>4,720,114</u>	<u>79,982,251</u>

Sagicor Life Jamaica Limited

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26. Life and Health Insurance Contract Liabilities (Continued)

(c) Investment and other assets supporting policyholders' and other liabilities:

	2021				
	Insurance	Annuities and Deposit Administratio n Funds	Other Liabilities	Capital and Surplus	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
Equities and Unit Trusts	28,885,604	-	-	3,486,918	32,372,522
Investment properties	-	-	-	1,105,647	1,105,647
Fixed income securities	29,333,873	64,782,940	94,428	24,867,831	119,079,072
Mortgages	-	904,353	-	2,596,570	3,500,923
Other assets	2,637	-	(2,973,139)	30,014,198	27,043,696
	58,222,114	65,687,293	(2,878,711)	62,071,164	183,101,860

	2020				
	Insurance	Annuities and Deposit Administration Funds	Other Liabilities	Capital and Surplus	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
Equities and Unit Trusts	25,742,797	-	-	5,036,669	30,779,466
Investment properties	-	-	-	857,629	857,629
Fixed income securities	28,200,517	60,130,202	94,428	21,452,923	109,878,070
Mortgages	-	1,051,570	-	2,259,186	3,310,756
Other assets	494,595	-	(4,399,236)	26,747,588	22,842,947
	54,437,909	61,181,772	(4,304,808)	56,353,995	167,668,868

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26. Life and Health Insurance Contract Liabilities (Continued)

- (d) Changes in policy liabilities were caused by the following business activities and changes in actuarial assumptions:

	2021			
	Group	Individual	Group	Total
	Annuities	Insurance	Insurance	Total
	\$'000	\$'000	\$'000	\$'000
Change in assumed investment yields and inflation rate	128,814	512,686	3,001	644,501
Change due to the issuance of new policies and the decrements on in-force policies	4,931,105	4,142,310	1,151,348	10,224,763
Change due to other actuarial assumptions	(2,439,909)	(5,013,081)	23,922	(7,429,068)
	<u>2,620,010</u>	<u>(358,085)</u>	<u>1,178,271</u>	<u>3,440,196</u>
Changes in actuarial liabilities recorded in OCI	<u>96,757</u>	-	-	<u>96,757</u>
	2020			
	Group	Individual	Group	Total
	Annuities	Insurance	Insurance	Total
	\$'000	\$'000	\$'000	\$'000
Change in assumed investment yields and inflation rate	71,270	2,359,955	5,698	2,436,923
Change due to the issuance of new policies and the decrements on in-force policies	4,532,531	(659,737)	190,056	4,062,850
Change due to other actuarial assumptions	(2,105,025)	(9,662,108)	228,217	(11,538,916)
	<u>2,498,776</u>	<u>(7,961,890)</u>	<u>423,971</u>	<u>(5,039,143)</u>
Changes in actuarial liabilities recorded in OCI	<u>1,296</u>	-	-	<u>1,296</u>

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26. 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 Company'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 (lapses and persistency), operating expenses and certain taxes.

(ii) Mortality and morbidity

The assumptions are based on past company and industry experience. For individual life policies the Company 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 Company 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 Company 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 Company'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 40 years will be between 2.0% (2020: 2%) and 3.3% (2020: 3.2%).

(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 Company's own experience and vary by type of product. Lapse rates in the first year of a policy range between 3.5% and 21% (2020 - 3.5% and 25%) of insurance amounts issued. Lapse rates after 20 policy years are assumed to be between 0% and 9.5% (2020 - 0% and 9.5%) of insurance amounts in force. Partial withdrawal rates average about 15% (2020 - 16%) of fund values available from policies in force.

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26. Life and Health Insurance Contract Liabilities (Continued)

(e) Policy assumptions (continued)

Life Insurance and Annuity Contracts (continued)

(v) Policy expenses

Policy maintenance expenses are derived from the Company'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 declines over the life of the policies such that real returns after 40 years are between 2% (2020: 2%) and 3.3% (2020: 3.2%).

(vi) Provision for adverse deviation assumptions

To recognize 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% (2020 - 5% and 20%) of the best estimate assumptions or between 2% and 8% (2020 - 2% and 8%) of annuitant mortality best estimate assumptions. The Company uses margins for each assumption at the 30th to 50th percentile of the range, taking into account the risk profiles of the business.

(vii) Changes in assumptions

Every financial year, the expectations of the Company 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 Company.

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.

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27. Investment Contract Liabilities

	2021	2020
	\$'000	\$'000
Amortised cost -		
Amounts on deposit	12,807,235	11,368,793
Deposit administration fund	1,474,815	1,470,308
Other investment contracts	<u>118,571</u>	<u>118,212</u>
	<u><u>14,400,621</u></u>	<u><u>12,957,313</u></u>

Current portion of Financial Instruments disclosed under Note 43 (d).

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.

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28. Other Policy Liabilities

	2021	2020
	\$'000	\$'000
Insurance benefits payable	4,799,590	4,142,508
Policy dividends and other funds on deposit	<u>599,891</u>	<u>512,341</u>
	<u><u>5,399,481</u></u>	<u><u>4,654,849</u></u>

The entire balance is expected to be settled less than twelve months after the financial year end.

29. Segregated Fund Benefits

Benefits in the form of withdrawals from unit linked policy contracts without fixed terms for the Company amounting to \$7,114,865,000 (2020 - \$8,098,605,000) are charged to the account of the policyholders. All these contracts are designated at FVTPL.

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30. Premium Income

	2021		
	Gross Premiums	Reinsurance Premiums	Net premiums
Group insurance -			
Group health	11,474,799	(586,747)	10,888,052
Group life	3,729,690	(60,032)	3,669,658
Group annuities	5,085,776	-	5,085,776
	20,290,265	(646,779)	19,643,486
Individual insurance -			
Individual life	27,030,463	(196,726)	26,833,737
Individual health	579,389	-	579,389
Individual annuities	122	-	122
	27,609,974	(196,726)	27,413,248
Net premiums	47,900,239	(843,505)	47,056,734
	2020		
	Gross Premiums	Reinsurance Premiums	Net premiums
Group insurance -			
Group health	11,915,270	(406,205)	11,509,065
Group life	3,340,907	(36,379)	3,304,528
Group annuities	4,727,513	-	4,727,513
	19,983,690	(442,584)	19,541,106
Individual insurance -			
Individual life	24,483,454	(169,638)	24,313,816
Individual health	544,988	-	544,988
Individual annuities	29,301	-	29,301
	25,057,743	(169,638)	24,888,105
Net premiums	45,041,433	(612,222)	44,429,211

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31. Net Investment Income

	2021	2021	2021
	Amortized cost assets	FVTOCI assets	Total
	\$'000	\$'000	\$'000
Interest income -			
Debt securities	6,231,894	1,001,751	7,233,645
Mortgage loans	212,720	-	212,720
Policy loans	38,657	-	38,657
Securities purchased for re-sale	39,365	-	39,365
Deposit	11,147	-	11,147
	<u>6,533,783</u>	<u>1,001,751</u>	<u>7,535,534</u>
Net gains on de-recognition of financial assets measured at FVTOCI			23,509
Net gains on de-recognition of financial assets measured at amortized cost			<u>3,292,396</u>
			10,851,439
Interest income from FVTPL investments			354,450
Dividend income			106,548
Unrealized gains on financial assets measured at FVTPL			1,579,479
Net gains on de-recognition of financial assets measured at FVTPL			489,733
Appreciation on investment properties			55,000
Net Rental income			<u>96,439</u>
			<u>2,681,649</u>
Total Investment Income			<u>13,533,088</u>
Interest expense -			
Investment contracts and other policy liabilities			(638,946)
Lease liabilities			<u>(93,247)</u>
			(732,193)
Expected credit losses			<u>(23,237)</u>
Net investment income			<u><u>12,777,658</u></u>

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31. Net Investment Income (Continued)

	2020	2020	2020
	Amortized cost assets	FVTOCI assets	Total
	\$'000	\$'000	\$'000
Interest income -			
Debt securities	6,067,781	803,891	6,871,672
Mortgage loans	211,121	-	211,121
Policy loans	33,301	-	33,301
Securities purchased for re-sale	35,242	-	35,242
Deposits	26,930	-	26,930
	<u>6,374,375</u>	<u>803,891</u>	<u>7,178,266</u>
Net gain on de-recognition of financial assets measured at FVTOCI			374,542
Net gain on derecognition of financial assets measured at amortized cost			<u>1,172,382</u>
			8,725,190
Interest income from FVTPL investments			459,994
Dividend income			64,417
Unrealized losses on financial assets measured at FVTPL			(3,799,995)
Net gain on de-recognition of financial assets measured at FVTPL			196,797
Appreciation on investment properties			70,000
Net Rental income			<u>25,648</u>
			<u>(2,983,139)</u>
Total Investment Income			<u>5,742,051</u>
Interest expense -			
Investment contracts and other policy liabilities			(629,847)
Lease liabilities			<u>(109,983)</u>
			(739,830)
Expected credit losses			<u>(324,979)</u>
Net investment income			<u><u>4,677,242</u></u>

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32. Fee and Other Income

	2021	2020
	\$'000	\$'000
Administration fees	1,510,793	1,399,949
Management fees	1,488,112	1,445,640
	<u>2,998,905</u>	<u>2,845,589</u>
Other:		
Surrender charges	352,391	327,143
Foreign exchange (losses)/gains	(408,123)	1,797
Other operating income	1,217,213	507,688
	<u>4,160,386</u>	<u>3,682,217</u>

33. Insurance Benefits and Claims

	<u>Year ended 31 December 2021</u>			<u>2020</u>
	Gross		Net Claims	Net Claims
	incurred	Reinsured	\$'000	\$'000
	\$'000	\$'000	\$'000	\$'000
Death and disability	5,847,476	(66,727)	5,780,749	4,261,536
Maturities	68,711	-	68,711	81,137
Surrenders and withdrawals	811,078	-	811,078	641,575
Segregated funds withdrawals	7,114,865	-	7,114,865	8,098,605
Annuities and pensions	5,758,857	-	5,758,857	5,480,853
Policy dividends and bonuses	21,985	-	21,985	35,540
Health insurance	11,038,981	(238,237)	10,800,744	9,598,760
Other	978,600	-	978,600	923,821
	<u>31,640,553</u>	<u>(304,964)</u>	<u>31,335,589</u>	<u>29,121,827</u>

34. Finance Costs

Finance costs represent interest costs incurred on loans used for business development.

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35. Administration Expenses

	2021	2020
	\$'000	\$'000
Auditors' remuneration -		
Current year	78,218	54,576
Office accommodation	327,281	263,863
Communication and technology	947,359	572,573
Advertising and branding	237,375	224,961
Sales convention and incentives	204,093	257,206
Postage, printing and office supplies	130,041	113,523
Policy stamp duties and reimbursements	69,620	57,338
Regulators fees	291,244	264,401
Directors cost	27,811	32,814
Legal & professional fees	217,410	130,315
Services outsourced	1,019,507	935,946
Other expenses	523,578	528,456
Staff cost (a)	<u>4,760,259</u>	<u>4,483,305</u>
	<u><u>8,833,796</u></u>	<u><u>7,919,277</u></u>

(a) Staff costs

	2021	2020
	\$'000	\$'000
Salaries	3,271,589	3,009,026
Payroll taxes	477,602	421,580
Pension costs (Note 14)	373,323	447,554
Other post-retirement benefits (Note 14)	250,659	186,807
Share based compensation	185,022	101,072
Restructuring costs	1,447	52,343
Other	<u>200,617</u>	<u>264,923</u>
	<u><u>4,760,259</u></u>	<u><u>4,483,305</u></u>

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36. Commission and Sales Expense

Amount represents agents' commission and bonuses.

37. Taxation

(a) Tax is computed as follows:

	2021	2020
	\$'000	\$'000
Current year taxation -		
Corporation tax @ 25% (2020-25%)	2,486,912	3,099,385
Deferred income tax (Note 15) -		
Deferred tax credit relating to the origination and reversal of temporary differences	<u>(106,540)</u>	<u>(46,288)</u>
Taxation	<u>2,380,372</u>	<u>3,053,097</u>
Asset tax @ 0.25%	211,531	200,416
Withholding tax	<u>185</u>	<u>226</u>
Other taxes	<u>211,716</u>	<u>200,642</u>

(b) Reconciliation of applicable tax charges to effective tax charge:

	2021	2020
	\$'000	\$'000
Profit before taxation	<u>12,950,119</u>	<u>13,834,604</u>
Tax at 25%	3,237,530	3,458,651
Adjusted for:		
Investment income not subject to income tax	(3,094,574)	(2,647,444)
Asset tax not deductible for tax purposes	32,798	28,781
Expenses not deductible for tax purposes	2,213,180	2,134,886
Prior year over provision	(11,108)	31,564
Net effect of other charges and allowances	<u>2,546</u>	<u>46,659</u>
Taxation expense	<u>2,380,372</u>	<u>3,053,097</u>

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37. Taxation (Continued)

(c) The tax (charge)/credit relating to components of OCI is as follows:

	2021			2020		
	Before tax \$'000	Tax (charge)/ credit \$'000	After tax \$'000	Before tax \$'000	Tax (charge)/ credit \$'000	After tax \$'000
Fair value gains on FVTOCI securities	43,700	96,849	140,549	169,863	(64,720)	105,143
Re-measurement of post-employment benefits	(1,818,354)	454,589	(1,363,765)	344,701	(86,175)	258,526
Impairment charges	(384,816)	770	(384,046)	209,037	(4,799)	204,238
Unrealised gains on owner-occupied properties	136,345	(5,789)	130,556	290,505	(16,472)	274,033
Change in actuarial reserve	(96,757)	-	(96,757)	(1,296)	-	(1,296)
Other comprehensive income	<u>(2,119,882)</u>	<u>546,419</u>	<u>(1,573,463)</u>	<u>1,012,810</u>	<u>(172,166)</u>	<u>840,644</u>
Deferred income taxes (Note 15)		<u>546,419</u>			<u>(172,166)</u>	

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38. Leases

- (a) Amounts recognised in the statement of financial position

The statement of financial position shows the following amounts relating to leases:

	2021	2020
	\$'000	\$'000
Right-of-use assets		
Buildings	969,279	1,265,587
Land	56,158	57,355
	<u>1,025,437</u>	<u>1,322,942</u>
Lease liabilities		
Current	400,380	333,057
Non-current	848,237	1,182,296
	<u>1,248,617</u>	<u>1,515,353</u>

Additions to the right-of-use assets during the 2021 financial year were \$78,929,000 (2020- \$ Nil).

- (b) Amounts recognized in the income statement

The income statement shows the following amounts relating to leases:

	2021	2020
	\$'000	\$'000
Depreciation charge of right-of-use assets		
Buildings	375,239	381,213
Land	1,197	1,197
	<u>376,436</u>	<u>382,410</u>

	2021	2020
	\$'000	\$'000
Interest expense (included in Interest and other interest expense)	<u>93,247</u>	<u>109,983</u>

- (c) The total cash outflow for leases in 2021 was \$438,912,000 (2020- \$417,497,000)

- (d) 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 \$78,930,047 (2020- \$ Nil).

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39. Investment in Subsidiary

On November 30, 2019 Sagicor Life Jamaica Limited acquired a 70% interest in Bailey Williams Limited, at a cost of \$459,018,000. The shares were acquired from related parties who maintain a 30% interest in the company.

40. Premiums Due and Unpaid

	2021			2020		
	Gross \$'000	Provision \$'000	Net \$'000	Gross \$'000	Provision \$'000	Net \$'000
Group insurance	1,282,106	(371,008)	911,098	1,332,926	(320,132)	1,012,794
Individual insurance	6,454,520	(4,059,898)	2,394,622	5,632,269	(3,353,485)	2,278,784
	<u>7,736,626</u>	<u>(4,430,906)</u>	<u>3,305,720</u>	<u>6,965,195</u>	<u>(3,673,617)</u>	<u>3,291,578</u>

The gross amount represents maximum exposure to credit risk at the end of the reporting period. Movement in the gross amount of premiums due and unpaid is as follows:

	Group Annuities \$'000	Group Insurance \$'000	Individual Insurance \$'000	Total \$'000
Amounts due and unpaid as at 1 January 2020	-	1,533,221	4,793,661	6,326,882
Premiums written during the year (Note 30)	4,727,513	15,256,177	25,057,743	45,041,433
Premiums received and applied	(4,727,513)	(15,456,472)	(24,219,135)	(44,403,120)
Amounts due and unpaid as at 31 December 2020	-	1,332,926	5,632,269	6,965,195
Premiums written during the year (Note 30)	5,085,776	15,204,489	27,609,974	47,900,239
Premiums received and applied	(5,085,776)	(15,255,309)	(26,787,723)	(47,128,808)
Amounts due and unpaid as at 31 December 2021	-	1,282,106	6,454,520	7,736,626

Movement in the provision for premiums due and unpaid is as follows:

	Group Insurance \$'000	Individual Insurance \$'000	Total \$'000
Provision as at 1 January 2020	529,589	2,623,750	3,153,339
Amount recorded in profit or loss during the period	(209,457)	729,735	520,278
Provision as at 31 December 2020	320,132	3,353,485	3,673,617
Amount recorded in profit or loss during the period	50,876	706,413	757,289
Provision as at 31 December 2021	371,008	4,059,898	4,430,906

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40. Premiums Due and Unpaid (Continued)

Credit risk is managed based on the line of business. Generally, 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.

Premiums written for individual insurance policies are required to be settled based on modal frequency (monthly, quarterly, semi-annually, or annually). When policies where payments made by means other than salary deduction are outstanding for more than 90 days, the amounts outstanding are provided for in full. When policies where payments made by salary deduction are outstanding for more than 90 but less than 120 days, the outstanding amounts are partially provided for. The remaining policies where payments are outstanding for more than 120 days are provided for in full.

Premiums written for group insurance policies are required to be settled on the modal contractual arrangement for payment. Policies where payment is outstanding for more than 90 days are provided for in full. A separate assessment is done on a case-by-case basis for the recoverability of the amounts outstanding for less than 90 days that are not provided for, to determine if a provision is necessary based on any identified significant increases in credit risk of the policyholder.

Premiums written for group annuities are due immediately upon the inception of the contract. Amounts due and unpaid normally exist as at the year-end due to the timing of the receipt of the consideration. These amounts due and unpaid are considered to be subject to a low amount of credit risk and therefore any identified provision is immaterial.

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41. Cash Flows

(a) Operating activities

	Note	2021 \$'000	2020 \$'000
Adjustments for non-cash items, interest and dividends:			
Depreciation and amortization	11 /12/38	641,327	670,292
Interest and dividend income	31	(7,996,532)	(7,702,677)
Interest expense and other finance costs	31	732,193	739,830
Income tax expense	37	2,380,372	3,053,097
Asset and Other tax expense	37	211,716	200,642
Gain on disposal of investment securities/investment properties		(3,805,639)	(1,743,721)
Fair value gains/(losses) on trading securities	31	(1,579,479)	3,799,995
Expected credit loss	31/43 (d)	23,237	324,979
Gains on revaluation of investment properties	10	(55,000)	(70,000)
Gains on disposal of property, plant and equipment		1,111	3,705
Decrease in policyholders' funds		2,003,159	2,658,836
Net movement in actuarial liabilities	26 (d)	3,440,196	(5,039,143)
Retirement benefit obligations		63,732	180,379
Effect of exchange gains on foreign currency balances		(668,160)	(574,796)
		<u>(4,607,767)</u>	<u>(3,498,582)</u>

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41. Cash Flows (Continued)

(a) Operating activities(continued)

	Note	2021 \$'000	2020 \$'000
Changes in other operating assets and liabilities:			
Reinsurance contracts		318,414	(419,847)
Due to related parties		(674,392)	365,954
Due to bank and other financial institutions		(1,059,528)	76,062
Premiums due and Unpaid		(14,142)	(43,896)
Other assets		(2,194,751)	(2,790,843)
Other liabilities		1,678,509	98,057
		<u>(1,945,890)</u>	<u>(2,714,513)</u>
Net investment purchases:			
Proceeds on sale of investment securities		45,421,596	57,536,650
Purchase of investment securities		<u>(40,998,342)</u>	<u>(60,770,039)</u>
		<u>4,423,254</u>	<u>(3,233,389)</u>
Investing Activities			
(b) Property, plant and equipment, net			
Purchase of property, plant and equipment	12	(81,122)	(212,184)
Proceeds from sale of property, plant and equipment		<u>-</u>	<u>100</u>
		<u>(81,122)</u>	<u>(212,084)</u>

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41. Cash Flows (Continued)

(c) Net debt reconciliation

The table below details changes in the Company's liabilities arising from financing activities, including both cash and non-cash. Financing activities represent bank and other loans, lease liabilities, excluding bank overdrafts and amounts included as cash and cash equivalents:

	2021 \$'000	2020 \$'000
At January 1, 2021	3,186,267	3,395,280
Interest Payable		-
Bank Overdraft classified as cash and cash equivalent	(566,194)	(543,756)
	<u>2,620,073</u>	<u>2,851,524</u>
Changes due to financing activities:		
Lease repayments	(345,665)	(307,513)
Changes due to operating activities:		
Drawdown, net of repayments (41(a))	(1,059,528)	76,062
Non-Cash Movements:		
New leases	78,930	-
Bank Overdraft classified as cash and cash equivalent	666,077	566,194
At December 31, 2021	<u><u>1,959,887</u></u>	<u><u>3,186,267</u></u>

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42. 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 Company. 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 FVTPL 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. Investments in unit trusts are based on prices quoted by the fund managers (level 2).
- (iv) The fair value of variable rate financial instruments is assumed to approximate their carrying amounts.
- (v) 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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42. Fair Values of Financial Instruments (Continued)

The table below summaries the carrying amount and fair value of financial assets and financial liabilities not presented on the Company's statement of financial position at their fair value:

	Carrying Value 2021 \$000	Fair Value 2021 \$000	Carrying Value 2020 \$000	Fair Value 2020 \$000
Financial Assets				
Financial investments – Investments at amortized cost	100,329,228	115,896,199	91,250,229	115,626,984
Financial Liabilities				
Due to banks and other financial institutions	711,269	711,269	1,670,914	1,670,914

The following tables provide an analysis of financial instruments that are measured in the statement of financial position at fair value at 31 December 2021, 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 company considers that market transactions should occur with sufficient frequency that is appropriate for the particular market, when measured over a continuous period preceding the date of the financial statements. If there is no data available to substantiate the frequency of market transactions of a financial instrument, then the instrument is not classified as Level 1.

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

A financial instrument is classified as Level 2 if:

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

In estimating the fair value of non-traded financial assets, the Company uses a variety of methods such as obtaining dealer quotes and using discounted cash flow techniques. Where discounted cash flow techniques are used, estimated future cash flows are discounted at market derived rates for government securities in the same country of issue as the security; for non-government securities, an interest spread is added to the derived rate for a similar government security rate according to the perceived additional risk of the non-government security.

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42. Fair Values of Financial Instruments (Continued)

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

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

Certain of the Company's liabilities are unit linked, i.e. derive their value from a pool of assets which are carried at fair value. The Company 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 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.

	2021			
	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Financial Assets				
Financial investments	17,627,244	36,695,848	497,305	54,820,397
Non-Financial Assets				
Property, plant & equipment	-	-	2,371,896	2,371,896
Investment property	-	-	1,105,647	1,105,647
	<u>17,627,244</u>	<u>36,695,848</u>	<u>3,974,848</u>	<u>58,297,940</u>

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42. Fair Values of Financial Instruments (Continued)

	2020			
	Level 1	Level 2	Level 3	Total
	\$'000	\$'000	\$'000	\$'000
Financial Assets				
Financial investments	15,683,455	36,872,625	353,088	52,909,168
Non-Financial Assets				
Property, plant & equipment	-	-	2,252,502	2,252,502
Investment property	-	-	857,629	857,629
	<u>15,683,455</u>	<u>36,872,625</u>	<u>3,463,219</u>	<u>56,019,299</u>

The table below shows the Company's assets, subsequently measured at fair value, categorized as level 3, in the fair value measurement hierarchy.

Description	Fair value at		Unobservable inputs	Range of unobservable inputs		Relationship of unobservable inputs to fair value
	2021	2020		2021	2020	
	\$'000	\$'000		\$'000	\$'000	
Investment properties	1,105,647	857,629	Comparable Sale	5%	5%	Increased in comparable sale prices will have direct correlation to the fair value.
Property, plant & equipment	2,371,896	2,252,502	Comparable Sale	5%	5%	Increased in comparable sale prices will have a direct correlation to fair value.
Unquoted ordinary shares	497,305	353,088	Adjustments to Net Assets	10%	10%	Increases in adjusted net assets of the underlying entities will have a direct correlation to fair value.
	<u>3,974,848</u>	<u>3,463,219</u>				

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42. Fair Values of Financial Instruments (Continued)

Reconciliation of level 3 items –

	2021	2020
	\$'000	\$'000
Balance at beginning of year	3,463,219	2,727,354
Total gains – OCI	136,539	290,505
Total gains – income statement	147,326	70,000
Depreciation	(17,145)	(15,357)
Purchases	283,208	390,717
Sales	(64,911)	-
FX changes	26,612	-
Balance at end of year	<u>3,974,848</u>	<u>3,463,219</u>

The gains or losses recorded in the income statement are included in Note 31.

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43. Insurance and Financial Risk Management

The Company'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 Company's aim is therefore to achieve an appropriate balance between risk and return and minimise potential adverse effects on the Company's financial performance.

The Company has a risk management framework with clear terms of reference. This is supplemented with a clear organizational 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 Company's risk management, control and business conduct standards for the Company'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 indicated below. Management of the Company's insurance and financial risk for this financial year has been impacted by COVID-19. The changes to the Company's risk management as a result of COVID-19 are discussed for each category of risk.

(i) Board Audit Committee

The Board Audit Committee comprises independent directors. The Committee:

- Oversees how management monitors internal controls, compliance with the Company's risk management policies and adequacy of the risk management framework to risks faced by the Company;
- Reviews the Company'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 Investment Committee

The Board Investment Committee comprises independent directors. As part of its Terms of Reference, the Committee:

- Oversees the Company's financial risk management framework.
- Approves the investment policies within which the Company's investment portfolios are managed;
- Reviews the performance of the Company'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.

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43. Insurance and Financial Risk Management (Continued)

(iii) Asset/Liability Management (ALM) Committee

The Company has in place an Asset/Liability Management (ALM) Committee. This Committee:

- Monitors the profile of the Company'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 Company 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.

(vi) Enterprise Risk Management

The Company 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.

The most important types of risk facing the Company 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.

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43. Insurance and Financial Risk Management (Continued)

(a) Insurance risk

The Company 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 Company faces 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 Company 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.

With scientific understanding of the COVID-19 virus, medical response, and actions by governments and organisations evolving rapidly, the situation remains fluid. While high correlation in life and health insurance losses is a feature of pandemic risk, the impact of the virus on long term mortality and morbidity risk is not yet quantified. A characteristic of the pandemic is that losses will materialize over time, Sagicor continues to examine its processes for underwriting, product pricing and product management at the policy level, and evaluate and refine internal models and scenario analyses to measure and manage the implied outcomes.

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 Company 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.

Sagicor Life Jamaica Limited

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43. Insurance and Financial Risk Management (Continued)

(a) Insurance risk

(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 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 risk is that 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 Company. However, undue concentration by amounts could have an impact on the severity of benefit payments on a portfolio basis.

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 Company's 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 43(a). During the year, these insurance contracts had triggered a recovery under the reinsurance held by the Company (Note 33). 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).

Sagicor Life Jamaica Limited

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43. Insurance and Financial Risk Management (Continued)

(a) Insurance risk (continued)

Long term insurance contracts (continued)

(i) Frequency and severity of claims (continued)

Individual Life Benefits
Assured per Life (\$'000)

2021	Total Benefits Insured			
	Before Reinsurance \$'000	%	After Reinsurance \$'000	%
0 – 200	9,226,944	1%	9,210,346	1%
200 – 400	16,608,606	1%	16,607,810	1%
400 – 800	114,410,130	7%	114,120,879	7%
800 – 1000	203,209,009	13%	200,934,835	13%
More than 1,000	1,247,853,594	78%	1,224,347,218	78%
Total	1,591,308,283	100%	1,565,221,088	100%

Individual Life Benefits
Assured per Life (\$'000)

2020	Total Benefits Insured			
	Before Reinsurance \$'000	%	After Reinsurance \$'000	%
0 – 200	7,020,441	0%	7,010,194	1%
200 – 400	10,991,777	1%	10,991,210	1%
400 – 800	75,464,034	5%	75,319,891	5%
800 – 1000	109,777,853	8%	108,802,145	8%
More than 1,000	1,217,301,417	86%	1,196,775,937	86%
Total	1,420,555,522	100%	1,398,899,377	100%

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43. 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 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)

	Total Benefits Insured			
	Before Reinsurance \$'000	%	After Reinsurance \$'000	%
2021				
0 – 200	295	0%	295	0%
200 – 400	1,511	0%	1,511	0%
400 – 800	17,950	0%	17,950	0%
800 - 1,000	18,250	0%	18,250	0%
More than 1,000	1,047,424,197	100%	1,035,686,037	100%
	<u>1,047,462,203</u>	<u>100%</u>	<u>1,035,724,043</u>	<u>100%</u>

Assured per Life (\$'000)

	Total Benefits Insured			
	Before Reinsurance \$'000	%	After Reinsurance \$'000	%
2020				
0 – 200	470	0%	470	0%
200 – 400	1,740	0%	1,740	0%
400 – 800	23,865	0%	23,865	0%
800 - 1,000	25,262	0%	25,262	0%
More than 1,000	999,209,315	100%	984,635,960	100%
	<u>999,260,652</u>	<u>100%</u>	<u>984,687,297</u>	<u>100%</u>

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43. 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 Company's annuity insurance contracts illustrate the concentration of risk based on five bands that Company 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 Company does not hold any reinsurance contracts against the liabilities carried for these contracts.

Annuity Payable per annum per annuitant (\$'000)

2021	Total Benefits Insured	
	\$'000	%
0 – 20	6,988	0%
20 – 40	14,269	0%
40 – 80	54,167	1%
80 – 100	51,159	1%
More than 100	5,216,720	98%
Total	5,343,303	100%

Annuity Payable per annum per annuitant (\$'000)

2020	Total Benefits Insured	
	\$'000	%
0 – 20	7,598	0%
20 – 40	14,864	1%
40 – 80	57,450	1%
80 – 100	45,125	1%
More than 100	4,711,479	97%
Total	4,836,516	100%

For interest-sensitive and unit-linked contracts, the Company 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.

The Company manages these risks through its underwriting strategy and reinsurance arrangements.

Sagicor Life Jamaica Limited

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(expressed in Jamaican dollars unless otherwise indicated)

43. Insurance and Financial Risk Management (Continued)

(a) Insurance risk (continued)

Long term insurance contracts (continued)

(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 Company 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 level. The Company 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 aggravated by such behaviour.

The Company 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 Company uses appropriate base tables of standard mortality according to the type of contract being written. An investigation as to the actual experience of the Company 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 Company'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 Company 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 long-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 Company 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 26(e) for detail policy assumptions.

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43. Insurance and Financial Risk Management (Continued)

(a) Insurance risk (continued)

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.

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 43(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; and
- the claim amount may develop during the interval between occurrence and settlement.

For the Company'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 Company attempts to manage this risk through its underwriting, claims handling and reinsurance policy. Excess of loss reinsurance contracts have been purchased by the Company to limit the maximum loss on any one life and health claims, see Note 43(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 26(e) for detail policy assumptions.

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Notes to the Financial Statements

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43. Insurance and Financial Risk Management (Continued)

(a) Insurance risk (continued)

Short-duration life and health insurance contracts (continued)

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 Company's estimate of the liability covering death benefit payments less uncertain than in the case of long-term contracts.

(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 Company 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 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 Company are summarised below:

Type of insurance contract-2021	Retention by insurers
Health insurance contracts with groups	Retention per individual to a maximum J\$2,250,000
Life insurance contracts with individuals	Retention per individual to a maximum of J\$35,000,000 and US\$500,000.
Life insurance contracts with groups	Retention per individual to a maximum of J\$35,000,000 and US\$100,000.
Type of insurance contract-2020	Retention by insurers
Health insurance contracts with groups	Retention per individual to a maximum J\$2,250,000.
Life insurance contracts with individuals	Retention per individual to a maximum of J\$35,000,000 and US\$500,000.
Life insurance contracts with groups	Retention per individual to a maximum of J\$35,000,000 and US\$100,000

(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 Company 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. Resulting from the financial effects of COVID 19, the Company enhanced its monitoring of its investment portfolios to determine if any action was required to protect its financial position. The Company improved its liquidity by shortening the duration of its portfolios early in the year and, post June 2020, observed improvements in cash flow and interest rate risk.

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43. Insurance and Financial Risk Management (Continued)

(c) Cash flow and fair value interest rate risk (continued)

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 Company 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 26(e) for further details).

The Company 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 Company's primary financial risk on these contracts is the risk that interest income and capital redemptions from the financial assets backing the liabilities are insufficient to fund the guaranteed benefits payable.
- (ii) Long term insurance contracts and investment contracts without fixed terms
For unit-linked contracts the Company 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 Company'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 \$316,166,000 (2020 - \$279,881,000) 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.

- (iii) Short term contracts
For short term insurance contracts, the Company 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 Company's interest rate gap based on earlier of contractual repricing or maturity dates.

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43. 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:

	2021					
	Immediately	Within 3	3 to 12	1 to 5	Over 5	Weighted
	rate sensitive	months	months	Years	Years	Average
	%	%	%	%	%	%
Investments ⁽¹⁾	-	2.96	3.44	3.00	8.94	7.37
Mortgages ⁽²⁾	-	6.22	6.22	6.22	6.22	6.22
Policy loans	-	-	-	-	13.95	13.95
Investment contracts	4.20	4.20	4.20	4.20	4.20	4.20
Bank overdraft	-	8.50	-	-	-	8.50
Amounts due to banks and other financial institutions	-	-	4.00	-	-	4.00
Other policy liabilities	4.00	4.00	4.00	-	-	4.00

	2020					
	Immediately	Within 3	3 to 12	1 to 5	Over 5	Weighted
	rate sensitive	months	months	Years	Years	Average
	%	%	%	%	%	%
Investments ⁽¹⁾	-	2.7	4.33	2.90	8.25	7.11
Mortgages ⁽²⁾	-	6.74	6.74	6.74	6.74	6.74
Policy loans	-	-	-	-	13.95	13.95
Investment contracts	4.20	4.20	4.20	4.20	4.20	4.20
Bank overdraft	-	8.25	-	-	-	8.25
Amounts due to banks and other financial institutions	-	1.50	1.50	3.00	3.00	2.25
Other policy liabilities	5.60	5.60	5.60	-	-	5.60

(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.

Sagicor Life Jamaica Limited

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43. Insurance and Financial Risk Management (Continued)

(c) Cash flow and fair value interest rate risk (continued)

Sensitivity

The Company's sensitivity to interest rate risk is disclosed in Note 44.

(d) Credit risk

COVID 19 has caused a contraction in the Jamaican economy in which the Company operates. The spread of the virus and travel restrictions have had a significant effect on the demand for tourism, entertainment and related services. As a result, Sagicor offered extensions of moratoriums, payment deferrals and other accommodative activities to several clients on a case by case basis in 2020; this against the background that several clients across various sectors experienced significant declines in earnings. In prior year, the Company also made significant adjustments to our ECLs to recognize the increased credit risk associated with the economic fallout on our borrowing and investment portfolios, some of which have been reversed in the current year to reflect a slight uptick in economic activities.

Refer to Note 8 for tables showing movement in credit risk exposure and loss allowance of financial investments subject to impairment.

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43. Insurance and Financial Risk Management (Continued)

(d) Credit risk (continued)

Loss allowances

The most significant period-end assumptions used for the ECL were as follows:

At December 31, 2021

Economic variable assumptions for exposure corporate securities

		2022	2023	2024
S&P 500 Financial Index EPS	Base	44	49	49
	Upside	66	74	74
	Downside	29	32	32
World GDP growth rate	Base	4.9%	3.6%	3.4%
	Upside	7.4%	5.4%	5.1%
	Downside	2.6%	2.6%	2.4%
WTI Oil Prices/10	Base	7.36	6.79	6.40
	Upside	9.39	9.39	9.39
	Downside	3.09	2.85	2.69

Outlook for the next three (3) years from December 2021:

		2022	2023	2024
Jamaica	Base	Negative	Stable	Stable
	Upside	Stable	Stable	Stable
	Downside	Negative	Stable	Stable

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.

Outlook for lending at December 2021

Jamaica	Expected state for the next 12 months	
Interest rate	Base	Stable
	Upside	Positive
	Downside	Stable
Unemployment rate	Base	Stable
	Upside	Stable
	Downside	Negative

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43. Insurance and Financial Risk Management (Continued)

(d) Credit risk (continued)

Loss allowances (continued)

At December 31, 2020

Economic variable assumptions for exposure corporate securities

		2021	2022	2023
S&P 500 Financial Index EPS	Base	33	39	39
	Upside	50	59	59
	Downside	22	26	26
World GDP growth rate	Base	5.2%	4.2%	3.8%
	Upside	7.8%	6.3%	5.7%
	Downside	2.6%	2.6%	2.6%
WTI Oil Prices/10	Base	4.82	4.67	4.58
	Upside	9.39	9.39	9.39
	Downside	2.02	1.96	1.92

Economic state assumptions for exposure in sovereign securities

		2021	2021	2022
Jamaica	Base	Negative	Stable	Stable
	Upside	Stable	Stable	Stable
	Downside	Negative	Stable	Stable

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.

Jamaica	Expected state for the next 12 months	
Interest rate	Base	Stable
	Upside	Positive
	Downside	Stable
Unemployment rate	Base	Negative
	Upside	Stable
	Downside	Super Negative

The economic states assigned above are translated into numerical figures.

Sagicor Life Jamaica Limited

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43. Insurance and Financial Risk Management (Continued)

(d) Credit risk (continued)

Loss allowances (continued)

At December 31, 2021

ECL sensitivity analyses

The tables below show the sensitivity of the ECL to its various components.

SICR criteria *	Actual threshold applied	Change in threshold	ECL impact of	
			Change in threshold	
Investments	2-notch downgrade since origination	1-notch downgrade since origination	-	

* See note 3 (b) for full criteria for staging. The staging for lending products is 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	ECL impact of	
			Increase in value (\$'000)	Decrease in value (\$'000)
Investments - Corporate Debts	52%	(- /+ 5) %	4,540	(4,540)
Investments - Sovereign Debts (excluding Government of Barbados and Government of Jamaica)	35%	(- /+ 5) %	3	(3)
Investments - Sovereign Debts (Government of Jamaica)	15%	(- /+ 5) %	40,550	(40,550)

Weighting for downside scenario	Actual value applied	Change in value	ECL impact of	
			Increase in value (\$'000)	Decrease in value (\$'000)
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	6,358	(6,358)
Lending products	15% (75% for base scenario and 10% for upside scenario)	(- /+ 5) % - keep the weighting for base scenario and adjust the weighting for upside scenario accordingly	145	(145)

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43. Insurance and Financial Risk Management (Continued)

(d) Credit risk (continued)

Loss allowances (continued)

At December 31, 2020

SICR and IAS 1 critical estimated disclosure

SICR criteria *	Actual threshold applied	Change in threshold	ECL impact of	
			Change in threshold	
Investments	2-notch downgrade since origination	1-notch downgrade since origination	-	

* See note 3(b) for full criteria for staging. The staging for lending products is 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	ECL impact of	
			Increase in value	Decrease in value
Investments - Corporate Debts	52%	(- /+ 5) %	8,478	(8,478)
Investments – Sovereign Debts (excluding Government of Barbados and Government of Jamaica)	35%	(- /+ 5) %	6	(6)
Investments - Sovereign Debts (Government of Jamaica)	15%	(- /+ 5) %	44,164	(44,164)

Weighting for downside scenario	Actual value applied	Change in value	ECL impact of	
			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	7,711	(7,711)
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	8,615	(6,462)

Sagicor Life Jamaica Limited

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43. Insurance and Financial Risk Management (Continued)

(e) Liquidity risk

Liquidity risk is the risk that the Company 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 policyholders and its creditors.

The Company is exposed to daily calls on their available cash resources from its policyholders and its investment contract holders through claims, withdrawals and surrenders. The Company 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.

COVID-19 was expected to have resulted in increased liability run-offs; Sagicor's experience has so far indicated that the impact is moderate. Early in the year the Company improved its liquidity position, thereby enabling the it to meet its contractual and regulatory obligations. The Company has been cautious in deploying liquidity in client segments considered particularly vulnerable to the impact of the pandemic. We continue to prudently manage liquidity by maintaining adequate cash resources and investment in highly marketable instruments. This ensures that there are always resources available to meet planned and unplanned liquidity needs.

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43. Insurance and Financial Risk Management (Continued)

(e) Liquidity risk (continued)

Liquidity risk management process

The Company's liquidity management process, as carried out within the Company and monitored by the Treasury Department, includes:

- (i) 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;
- (ii) Maintaining a portfolio of highly marketable and diverse assets that can easily be liquidated as protection against any unforeseen interruption to cash flow;
- (iii) Maintaining committed lines of credit and optimising cash returns on investments;
- (iv) 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
- (v) 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 Company. 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 Company and its exposure to changes in interest rates and exchange rates.

Certain investment portfolios within the Company contain securities which can only be disposed of over a period of time. In such instances, the Company generally maintains higher levels of short term instruments to compensate for the relative illiquidity of the aforementioned securities.

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43. 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 Company's financial based on contractual repayment obligations. The Company expects that many policyholders/customers will not request repayment on the earliest date the Company could be required to pay. The expected maturity dates of financial assets and liabilities are based on estimates made by management as determined by retention history. Liquidity risk tables are shown for insurance liabilities and financial liabilities.

	Within 1 year	1-5 years	Over 5 years	No specific maturity	Total
	\$000	\$000	\$000	\$000	\$000
Undiscounted Financial Liabilities - 31 December 2021					
Due to banks and other financial liabilities	669,143	11,858	72,410	-	753,411
Other liabilities	9,106,747	-	-	-	9,106,747
Lease Liabilities	470,988	856,905	236,640	-	1,564,533
Investment contracts liabilities	11,752,157	2,744,007	-	-	14,496,164
Total undiscounted liabilities	21,999,035	3,612,770	309,050	-	25,920,855
Undiscounted Financial Liabilities - 31 December 2020					
Due to banks and other financial liabilities	705,970	506,359	1,488,736	-	2,701,065
Other liabilities	7,163,347	103,304	-	55,519	7,322,170
Lease Liabilities	423,227	1,253,563	241,920	-	1,918,710
Investment contracts liabilities	10,316,758	2,724,605	-	-	13,041,363
Total undiscounted liabilities	18,609,302	4,587,831	1,730,656	55,519	24,983,308

The tables below reflect the expected maturities of the company's discounted financial and insurance assets and liabilities at the year-end date.

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43. Insurance and Financial Risk Management (Continued)

(e) Liquidity risk (continued)

	2021				
	Within 1 year	1-5 years	Over 5 years	No Specific Maturity	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
Assets:					
Cash resources	1,887,948	-	-	-	1,887,948
Financial investments & pledged assets	16,961,522	14,473,587	91,341,587	32,372,929	155,149,625
Loans and Leases	-	94,428	-	-	94,428
Reinsurance contracts	535,924	-	-	-	535,924
Premiums due and Unpaid	3,305,720	-	-	-	3,305,720
Other assets	2,181,287	-	-	4,228,598	6,409,885
Total assets	24,872,401	14,568,015	91,341,587	36,601,527	167,383,530
Liabilities					
Due to banks and other financial institutions	667,664	6,136	37,469	-	711,269
Other liabilities	9,106,747	-	-	-	9,106,747
Lease liabilities	400,380	784,456	63,781	-	1,248,617
Insurance contracts liabilities	5,564,805	22,258,680	58,058,992	-	85,882,477
Investment contracts liabilities	11,752,157	2,648,464	-	-	14,400,621
Other policy liabilities	5,399,481	-	-	-	5,399,481
Total liabilities	32,891,234	25,697,736	58,160,242	-	116,749,212
On statement of financial position interest sensitivity gap	(8,018,833)	(11,129,721)	33,181,345	36,601,527	50,634,318
Cumulative interest sensitivity gap	(8,018,833)	(19,148,554)	14,032,791	50,634,318	

	2020				
	Within 1 year	1-5 years	Over 5 years	No Specific Maturity	Total
	\$000	\$000	\$000	\$000	\$000
Total assets	14,800,928	14,252,548	90,876,874	34,428,022	154,358,372
Total liabilities	28,011,038	23,557,250	56,479,043	55,519	108,102,850
On statement of financial position interest sensitivity gap	(13,210,110)	(9,304,702)	34,397,831	34,372,503	46,255,522
Cumulative interest sensitivity gap	(13,210,110)	(22,514,812)	11,883,019	46,255,522	

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 owed amounts contractually repayable within one year will be extended. In addition, debt securities and treasury and other bills have been pledged to secure liabilities. The Company is also able to meet unexpected net cash outflows by selling securities and accessing additional funding sources from other financing institutions.

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43. Insurance and Financial Risk Management (Continued)

(f) Market risk

The Company 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 risks 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 Company is exposed to equity securities price risk because of investments held by the Company and classified as FVTPL. To manage its price risk arising from investments in equity securities, the Company diversifies its portfolio. Diversification of the portfolio is done in accordance with limits set by the Company.

The Company's investments in equity securities are publicly traded on the Jamaica Stock Exchange (JSE), the New York Stock Exchange (NYSE) and the National Association of Securities Dealers Automated Quotation System (NASDAQ). The Company's sensitivity to equity securities price risk is disclosed in Note 43(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 Company 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 positions. This limit may vary from time to time as determined by ALCO.

The Company 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 Company ensures that its net exposure is kept to an acceptable level by buying or selling foreign assets to address short term imbalances.

The tourism sector is a significant foreign currency generator for the Jamaican economy. Travel restrictions caused by COVID-19 have severely impacted foreign currency inflows which resulted in increased foreign currency volatility. This was tempered by increased inflows from remittances. The Company has carefully managed its currency exposures to limit losses generated during the period and enhanced monitoring continues.

Concentrations of currency risk

The Company is most sensitive to currency risk in its operating currencies which float against the United States dollar.

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44. Sensitivity Analysis

Actuarial liabilities for the Company's life, annuity and health insurance contracts comprise of 81.26% (2020 – 81.95%) 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 26(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 Company are most sensitive, are in descending order of impact:

- Mortality and morbidity
- Operating expenses and taxes
- Lapse rates

(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.

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44. Sensitivity Analysis (Continued)

(ii) Dynamic capital adequacy testing (DCAT) (continued)

The DCAT does not test 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 impact of changes in the assumptions to net actuarial liabilities for the Company resulting from changes in the variables listed below. The table below shows the impact on the insurance liability at the end of the year, based on the respective variable changes, and is not reflective of the results of the DCAT assessment.

Variable	Change in Variable	2021 Change in Liability \$'000	2020 Change in Liability \$'000
Worsening of mortality/morbidity	+10%.	6,427,613	5,264,354
Improvement in annuitant mortality	-10%.	1,360,061	1,235,580
Lowering of investment return	-1%.	7,643,217	7,528,509
Worsening of base renewal expense and inflation rate	+10%.	1,253,596	1,150,584
Worsening of lapse rate	+10%	1,415,522	967,540
High Interest	+1%.	(6,087,388)	(5,876,350)

(iii) Sensitivity arising from a decline in equity prices

The Company is sensitive to fair value risk on its FVTPL equity securities. The effects of an increase by 5% (2020 - 5%) and a decrease by 10% (2020 - 10%) in equity prices at the year-end date are set out below.

	Carrying Value \$'000	Effect of 5% Increase at 31 December 2021 \$'000	Effect of 10% Decline at 31 December 2021 \$'000
Financial assets at FVTPL equity securities:			
Listed on Jamaica Stock Exchange	7,878,243	393,912	(787,824)
Listed on US stock exchanges	1,221,332	61,067	(122,133)
Other	23,273,353	1,163,668	(2,327,335)
	<u>32,372,928</u>	<u>1,618,647</u>	<u>(3,237,292)</u>

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44. Sensitivity Analysis (Continued)

(iii) Sensitivity arising from a decline in equity prices (continued)

	Carrying Value \$'000	Effect of 5% Increase at 31 December 2020 \$'000	Effect of 10% Decline at 31 December 2020 \$'000
Financial assets at FVTPL equity securities:			
Listed on Jamaica Stock Exchange	5,201,967	260,098	(520,197)
Listed on US stock exchanges	745,838	37,292	(74,584)
Other	24,831,658	1,241,583	(2,483,166)
	<u>30,779,463</u>	<u>1,538,973</u>	<u>(3,077,947)</u>

(iv) Sensitivity arising from currency risk

The Company is most sensitive to currency risk in its operating currencies which float against the United States dollar.

The effect of a further 6% (2020 – 6%) depreciation and a 2% (2020 – 2%) appreciation in the Jamaican dollar (JMD) relative to the United States dollar (USD) at the year-end date is considered in the following tables.

	2021			2020		
	Balances Denominated in other than JMD \$'000	Effect of a 6% depreciation at 31 December 2021 \$'000	Effect of a 2% appreciation at 31 December 2021 \$'000	Balances Denominated in other than JMD \$'000	Effect of a 6% depreciation at 31 December 2020 \$'000	Effect of a 2% appreciation at 31 December 2020 \$'000
Statement of financial position:						
Assets	46,424,636	49,210,114	45,496,143	43,298,402	45,896,306	42,432,434
Liabilities	36,048,848	38,211,780	35,327,872	32,268,155	34,204,244	31,622,792
Net position	<u>10,375,788</u>	<u>10,998,334</u>	<u>10,168,271</u>	<u>11,030,247</u>	<u>11,692,062</u>	<u>10,809,642</u>
Income statement:						
Net income	<u>-</u>	<u>622,547</u>	<u>(207,516)</u>	<u>-</u>	<u>661,815</u>	<u>(220,605)</u>

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44. Sensitivity Analysis (Continued)

(v) Interest rate sensitivity

The following tables indicate the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, on profit or loss and other components of equity.

The sensitivity of the profit or loss is the effect of the assumed changes in interest rates on net income based on the floating rate of financial assets and financial liabilities. The sensitivity of other components of equity is calculated by revaluing fixed rate FVTOCI financial assets for the effects of the assumed changes in interest rates.

	Effect on Net Profit after tax 2021 \$'000	Effect on Other Components of Equity 2021 \$'000	Effect on Net Profit after tax 2020 \$'000	Effect on Other Components of Equity 2020 \$'000
Change in percentage				
J\$ -1%, US\$ -1% (2020-J\$ - 1%, US\$ -.5%)	(5,769,483)	1,157,253	(5,706,980)	769,293
J\$ +1%, US\$ +1% (2020-J\$ +1%, US\$ +0.5%)	4,602,611	(974,920)	4,467,924	(623,736)

45. Capital Management

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

- (i) To comply with capital requirements established by insurance and other financial intermediary regulatory authorities;
- (ii) To comply with internationally recognised capital requirements for insurance, where local regulations do not require these international standards;
- (iii) To safeguard its ability to meet future obligations to policyholders, depositors, note-holders and stockholders;
- (iv) To provide adequate returns to stockholders by pricing insurance, investment and other contracts commensurately with the level of risk; and
- (v) To maintain a strong capital base which is sufficient for the future development of the Company's operations.

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45. Capital Management (Continued)

The principal capital resource of the Company comprises its stockholders' equity.

The Company deploys its capital resources to activities carried out through various lines of business. 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 filed with the regulators in the countries in which the Company operates, Jamaica, monthly.

The capital adequacy of the principal operating entities within the Company is set out below.

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, the Company 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%. Life Jamaica Limited as at 31 December 2021 and 2020 has met the standard required.

During 2021 and 2020, the Company complied with all of the externally imposed capital requirements to which it is subject.

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46. Fiduciary Risk

The Company provides administration, investment management or advisory services to third parties which involve 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 and include the following:

	2021 \$'000	2020 \$'000
Pension and insurance funds	<u>238,572,712</u>	<u>214,943,973</u>

47. Commitments

In the normal course of business, the Company has entered into commitments at the year-end date for which no provision has been made in these financial statements. The off statement of financial position commitments and their maturity profiles are as follows:

	Contractual cash flows within 1 year \$'000	Contractual Cash flows 1-5 years \$'000	Contractual Cash flows after 5 years \$'000	Current year Total \$'000
At 31 December 2021				
Loan commitments	388,217	-	-	388,217
Capital commitments	500,981	-	-	500,981
	<u>889,198</u>	<u>-</u>	<u>-</u>	<u>889,198</u>
At 31 December 2020				
Loan commitments	479,428	-	-	479,428
Capital commitments	446,381	-	-	446,381
	<u>925,809</u>	<u>-</u>	<u>-</u>	<u>925,809</u>

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48. Contingent Liabilities

Legal proceedings

The Company is subject to various claims, disputes and legal proceedings, as part of the normal course of business. Provision is made for such matters when, in the opinion of management and its professional advisors, it is probable that a payment will be made by the Company, and the amount can be reasonably estimated.

In respect of claims asserted against the Company 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 or will result in exposure to the Company which is immaterial to both the financial position and results of operations.

49. Offsetting Financial Assets and Financial Liabilities

(a) Financial assets

The following financial assets are subject to offsetting, enforceable master netting arrangements and similar agreements.

	2021						
	Gross amounts of financial assets \$'000	Gross amounts set off on the statement of financial position \$'000	Net amounts of financial assets presented on the statement of financial position \$'000	Impact of master Netting Agreements \$'000	Related amounts not set off in the statement of financial position		Net Amount \$'000
Cash collateral \$'000					Financial instruments collateral \$'000		
ASSETS							
Cash resources	1,887,948	-	1,887,948	-	-	-	1,887,948
Financial investments	155,149,625	-	155,149,625	-	-	(685,225)	154,464,400
Lease receivables	94,428	-	94,428	-	-	-	94,428
Premiums due and Unpaid	3,305,720	-	3,305,720	-	-	-	3,305,720
Other assets	6,409,885	-	6,409,885	-	-	-	6,409,885
	166,847,606		166,847,606	-	-	(685,225)	166,162,381
	2020						
ASSETS							
Cash resources	391,919	-	391,919	-	-	-	391,919
Financial investments	144,159,397	-	144,159,397	-	-	(95,245)	144,064,152
Lease receivables	94,428	-	94,428	-	-	-	94,428
Premiums due and Unpaid	3,291,578	-	3,291,578	-	-	-	3,291,578
Other assets	5,566,712	-	5,566,712	-	-	-	5,566,712
	153,504,034		153,504,034	-	-	(95,245)	153,408,789

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49. Offsetting Financial Assets and Financial Liabilities (Continued)

(b) Financial liabilities

The following financial liabilities are subject to offsetting, enforceable master netting arrangements and similar agreements.

	2021						
	Gross amounts of financial assets \$'000	Gross amounts set off on the statement of financial position \$'000	Net amounts of financial assets presented on the statement of financial position \$'000	Impact of master Netting Agreements \$'000	Related amounts not set off in the statement of financial position		Net Amount \$'000
Cash collateral \$'000					Financial instruments collateral \$'000		
LIABILITIES							
Due to banks and other financial liabilities	711,269	-	711,269	-	-	-	711,269
Other liabilities	9,106,747	-	9,106,747	-	-	-	9,106,747
	9,818,016	-	9,818,016	-	-	-	9,818,016
	2020						
LIABILITIES							
Due to banks and other financial liabilities	1,670,914	-	1,670,914	-	-	-	1,670,914
Other liabilities	7,322,170	-	7,322,170	-	-	-	7,322,170
	8,993,084	-	8,993,084	-	-	-	8,993,084



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