FINAL TRANSCRIPT

Sagicor Financial Company Ltd.

First Quarter 2023 Results Conference Call

May 23, 2023 — 2:00 p.m. E.T.

Length: 43 minutes

CORPORATE PARTICIPANTS

Andre Mousseau
Sagicor Financial Company Ltd. — Group President & Chief Executive Officer

Kathy Jenkins
Sagicor Financial Company Ltd. — Group Chief Financial Officer

George Sipsis
Sagicor Financial Company Ltd. — Executive Vice President, Corporate Development & Capital Markets

CONFERENCE CALL PARTICIPANTS

Meny Grauman
Scotiabank — Analyst

Darko Mihelic
RBC Capital Markets — Analyst

PRESENTATION

Operator

Good afternoon. My name is Joanna and I will be your conference operator today. At this time I would like to welcome everyone to Sagicor Financial Company's First Quarter 2023 Earnings Call. All lines have been placed on mute to prevent any background noise. After the speakers' remarks, there will be a question-and-answer session. If you would like to ask a question during this time, simply press star then the number one on your telephone keypad. If you would like to withdraw your question, please press star then the number two. Thank you.

Mr. George Sipsis, EVP, Corporate Development and Capital Markets, you may begin your conference.

George Sipsis — Executive Vice President, Corporate Development & Capital Markets, Sagicor Financial Company Ltd.

Great. Thank you, operator, and hello everyone and thank you for joining us today to discuss Sagicor's 2023 first quarter.

Our Q1 results, including the financial statements and the MD&A with the press release, along with the link to our live webcast, is available under the Investor Relations tab on our website at Sagicor.com.

This conference call is open to the financial community, the media, and the public, with a reminder that the Q&A period is reserved for the financial research analysts.

I would like to begin by referring you to the cautionary language and disclaimers in our materials and public filings regarding the use of forward-looking statements and the use of non-IFRS financial measures and ratios which may be mentioned as part of our remarks today. I would like to remind the audience that actual results regarding forward looking information could differ materially and please note that a detailed discussion of Sagicor's risk factors is provided in our MD&A and AIF available on SEDAR and on our website. A discussion of the assumptions underlying our 2024 expectations is provided in our earnings release.

Comments made in reference to the pending acquisition of ivari are made based on assumptions made in respect of business strategies, including economic conditions and other factors and actual results may differ. Sagicor expects the acquisition to close in Q3 of 2023, pending satisfaction of regulatory and other customary closing conditions. Investors can find ivari's financials on the OSFI website.

Unless otherwise noted, all dollar amounts referenced will be in US dollars, consistent with our reporting practice.

Joining me today is our Group President and CEO, Andre Mousseau; our Group Chief Financial Officer, Kathy Jenkins; and Anthony Chandler, our Group Chief Controller. We'll begin with prepared remarks by Andre and Kathy, followed by a Q&A session.

With that, I will pass the call to our Group President and CEO, Andre Mousseau.

Andre Mousseau — Group President & Chief Executive Officer, Sagicor Financial Company Ltd.

Thank you, George, and good afternoon, everyone. Thank you for taking the time to join us today.

So Q1 2023, we have been thinking about this date, or at least this reporting period, for a number of years. To release our financials under the new accounting standard on time on May 15th was the result of an enormous amount of work and so I'd like to start by acknowledging and thanking everyone on our team who got the project through.

I will give some brief remarks focusing on our Group's performance for the quarter. Our results were dominated by volatility relating to IFRS 17's delinking of assets from our liabilities. Under IFRS 17, our net income to shareholders was $1 million and our total comprehensive income to shareholders was $7 million. In our USA segment in particular, our assets backing liabilities appreciated in Q1, but the calculated value of our liabilities increased by $30 million more. We view this loss as an accounting mismatch and completely non-economic, something that would reverse over time, and we will continue to see whether we could refine these calculations over time to minimize this volatility. This volatility was offset by the price appreciation we had in our investment in Playa Hotels and Resorts. Beyond that, our business saw generally solid performance with some instances of one-time expenses and some slightly below projected margins which Kathy will elaborate on. Just for comparability's sake, our best estimate was that, under IFRS 4, our net income to shareholders would have been in the range of approximately $50 million this quarter.

I'll turn the call over to Kathy now to discuss the results then I'll come back to discuss our outlook. Kathy?

Kathy Jenkins — Group Chief Financial Officer, Sagicor Financial Company Ltd.

Thank you, Andre, and hello, everyone. I’ll start by echoing Andre’s remarks about the tremendous effort over the last quarter to ensure a successful transition to IFRS 17 reporting standards.

Turning to our results. Total revenue for the quarter was $418 million with insurance revenue growth across all our segments. We delivered strong total comprehensive income to shareholders of $7 million. Net income to shareholders was $7 million excluding one-time costs relating to the IFRS 17 implementation, the ivari transaction, the build-out of our digital bank in Barbados, and an estimated $1 million of net experience loss. As Andre said, a strong gain in earnings backing surplus from our shareholding in Playa Hotels and Resorts was offset by mark to market volatility from the delinking of our asset and liability values due to IFRS 17. Put simply, the calculated value of our liabilities increased more than the appreciation of our assets backing liabilities, which caused accounting volatility that is not an indication of our underlying business economics.

Now, on to each of our segments. At Sagicor Life, our operating segment in the southern Caribbean, revenues were $88 million, a 24% increase over the transition Q1 2022 figure. This was driven by solid new business sales, growing CSM, and an improved investment performance. Net income to shareholders was $6 million, a significant increase compared to $0.5 million in Q1 2022, which was affected by asset price volatility, with this quarter’s result being affected by continued minor negative experience from the in-force book of business. Solid sales drove new business CSM of $12 million. In addition, we recorded a $13 million increase in CSM due to restructuring of reinsurance contracts, which previously would have been taken into net income. These drove an 11% increase in total net CSM to $242 million.

Sagicor's share of Sagicor Jamaica's net income to shareholders was $7 million, driven by strong individual life production and improving results in its group benefits business due to repricing of contracts in response to medical price inflation. Total net CSM remained relatively stable quarter over quarter as new business CSM of $8 million was mostly offset by amortization of CSM into profit. Net income at the investment banking division was impacted by the current capital markets environment in Jamaica and came in lower than expected.

Moving on to Sagicor Life USA. New business production was light, as we timed our production later in the quarter to take advantage of a more favorable competitive and interest rate environment, which moved settlement of that business into the second quarter, so we will see significantly higher new business settle in Q2. Total net CSM was $205 million, a decrease of 4% quarter over quarter as a result of low new business CSM of $8 million from slower production in the quarter more than offset by changes in estimates that adjust CSM and amortization of CSM into profit. Net income of $4 million had a significant amount of noise, with the mismatch of asset and liability value calculations presenting themselves here, offset in part by an appreciation of 9.5 million Playa shares, which are assets backing capital in this segment. The US segment also experienced some higher than modeled surrenders related to older fixed indexed annuities sold prior to 2017. This reduced CSM and net income by a minor amount. It also returned statutory capital to our US subsidiary, and we intend to deploy that capital into more profitable new business through the balance of 2023.

In terms of other businesses, the profitability of businesses beyond our main segments were slightly behind plan in aggregate as our P&C business in the southern Caribbean shifted from a slight profit in Q1 2022 to a loss in Q1 2023 with higher claims ratios related to inflationary costs in repairs.

Now I'll provide further detail on the transition to IFRS 17. Sagicor previously implemented IFRS 9 Financial Instruments in 2018. With adoption of IFRS 17 for Q1 2023, we amended our elections under IFRS 9, the most noteworthy being the designation of some financial assets that were previously accounted for at amortized cost and fair value through other comprehensive income that supported insurance liabilities, to fair value through profit and loss. Although this has not changed the underlying economics of our business or our strategies, it has affected the presentation of our financial results to provide increased disclosures and better analyses to understand our business. Caution should be used when comparing 2023 results with the 2022 results under IFRS 17 as the 2022 results do not reflect the full optimization of our models under the new accounting standard. As we report subsequent quarters in 2023, we intend to introduce new KPI's and metrics and the reporting itself will give a good sense of earnings overall. In particular, later in the year we will publish a statistical supplement, including full sources of earnings by segment, which will provide greater visibility into the drivers of our profitability each quarter.

We remain well capitalized with $2.1 billion of total capital, which increased 1% over the prior quarter. Total capital includes the total net CSM of $690 million, as this is an important store of value and indicator of future earnings as it will amortize into net income throughout the life the insurance contracts on our books. Our MCCSR ratio increased 32 percentage points to 308%. This ratio is adjusted to accommodate IFRS 17. We intend to produce LICAT by year end 2023.

Now I'll pass it back to Andre.

Andre Mousseau — Group President & Chief Executive Officer, Sagicor Financial Company Ltd.

Thank you, Kathy. Now, a couple of minutes on our outlook. Through all this noise in Q1, we remain very positive on the prospects for our business, both near term and beyond.

First of all, the macroeconomic prospects in aggregate where we operate are as positive as they have been for a long time. The economic outlook for the Caribbean continues to improve, with significant growth in the economies in our major markets of Barbados, Jamaica, and Trinidad, driven by the return of tourist traffic and, in the case of Trinidad, continuing high global energy prices. Our markets there feel more vibrant than they have in years and there will be room for margin expansions in our group health and P&C businesses as we reprice those businesses to take into account inflation. The US market, where we continue to grow, is benefitting from a higher interest rate environment which is making our unit economics better, which are making new policies more attractive to customers, at the same time increasing our earnings on assets backing surplus.

Second, our individual businesses have strong momentum. We believe each of our segments will substantially increase their CSM in 2023 and that will allow us to grow our earnings at double-digit rates in the years to come as we build up CSM in the wake of the conversion to IFRS 17.

Third, we remain very excited about onboarding ivari, which will give us a new market for growth, increase our proportion of investment grade assets on our balance sheet, and provide significantly more segment net income to offset our third-party capital and head office costs. We continue to make good progress with the Canadian regulators and are targeting a close in the third quarter, which is now just around the corner.

With all of these factors, we will reiterate our guidance with respect to our financials pro forma that acquisition in 2024. We anticipate having shareholders' equity of approximately $650 million to $725 million and CSM to shareholders of approximately $1.1 billion to $1.3 billion post closing the transaction. This means total shareholders' equity plus CSM to shareholders capital of approximately $1.8 billion to $2.0 billion. In 2024, in that first full year of ownership, we reiterate our expectation of a return on shareholders' equity of approximately 14% to 16%, high-single-digit CSM to shareholders growth, and double-digit net income to shareholders growth. So, just mechanically, that points you to net income guidance of a fairly wide range of $91 million to $116 million with a midpoint of $104 million for 2024. We expect to refine this guidance as the transaction closes and as the year progresses, but this gives you an order of magnitude idea of our expectations. With earnings in that range, we'll be in a very strong position with about a one-third dividend payout ratio to continue reinvesting in our business for future growth.

With that, we're ready to start Q&A. George?

George Sipsis — Executive Vice President, Corporate Development & Capital Markets, Sagicor Financial Company Ltd.

Thank you, Andre. Operator, you can now open the lines.

Q & A

Operator

Thank you. Ladies and gentlemen, we will now begin the question-and-answer session. Should you have a question, please press the star followed by the one on your touchtone phone. You will hear a threetone prompt acknowledging your request. If you would like to withdraw your question, please press star followed by two. If you are using a speakerphone, please lift the handset before pressing any keys.

Your first question comes from Meny Grauman at Scotiabank. Please go ahead.

Meny Grauman — Analyst, Scotiabank

Hi. Good afternoon. Andre, you referenced a few times the non-economic volatility impacting results and I'm wondering if there's anything that you can do to temper that volatility from an underlying perspective and then in terms of your thoughts on providing maybe adjusted numbers to kind of help us look through that volatility.

Andre Mousseau — Group President & Chief Executive Officer, Sagicor Financial Company Ltd.

Sure. So, we are going to see whether we can improve the models. We were advised by a big-four firm and worked hand-in-hand with them in formulating the models that were crafted to minimize this known volatility, but it's turned out to be a little bit more than what we had hoped. So, we think we're coming from a good principal place but, that said, we are going to work to see whether we can make model refinements and make that tighter. It's non-economic, so it should go both ways; there should be quarters in which net income would be overstated as opposed to understated, as it is in this quarter, but still, we'd like to minimize that volatility and that's going to be something we're going to be working on for the rest of the year.

We have taken a very, very blunt object at putting forward adjusted earnings in our press release with the $7 million number for the quarter. That methodology, as well as the rest of the source of earnings methodology, we intend to refine over the year. We have some working models internally but at the point where we were to get the release out, we had confidence in the aggregate numbers but we didn't want to put out granular adjustments until we were sure that everything was allocated in the right place, and so we'll be getting there later in the year.

Meny Grauman — Analyst, Scotiabank

Got it. Then just a few questions on the US business. You referenced the deferral of production and, if I heard you correctly, it sounds like the deferral is to Q2, so we'll see that come through relatively soon. I'm just wondering if you could provide a little more detail in terms of the factors that led you to defer that production. I think you referenced the investment environment and competition, but just if you could give us a little more detail in terms of what you saw in the quarter and how that's developing into the new quarter.

Andre Mousseau — Group President & Chief Executive Officer, Sagicor Financial Company Ltd.

Sure. So, we've talked about this on previous calls; we are pretty active in that market in terms of pricing that annuities business and so we're optimizing to maximize our production when the spread rate is the most favourable, and that's a function of where investment spreads are and a function of where competitive rates were. And so, we saw that in the second half of the quarter, when you took into account where we could invest, the competitive environment was better in March than it had been in the first couple of months of the quarter. Now, when a policyholder makes a submission, it can take two to five-plus weeks for that business to settle and actually come on to our books, and so we had a target in mind for first quarter production which we got from a submitted point of view, but much of it settled in the second quarter. So, I can tell you that, for the first six weeks of Q2, we had, order of magnitude, two and a half to three times the settled business as we had settle in all of Q1. So, that run rate may not continue exactly through all of Q2, but we know that Q2 already is multiples of what Q1 was, and where that'll get us is through the midpoint of the year more or less where we expected to be for year-to-date production.

Meny Grauman — Analyst, Scotiabank

Thanks. And then sticking to this, Kathy, I think you talked about higher surrenders on fixed annuities, and I assume that's related to the rate environment, so just wanted to confirm that that's really what's going on here. And then just wanted to understand the dynamics going forward, if this could be a risk going forward in this rate environment, is higher rates going to lead to further pressure from surrenders, so just wanted your comments on that.

Andre Mousseau — Group President & Chief Executive Officer, Sagicor Financial Company Ltd.

So, this was in a cohort of old business which were fixed-indexed annuities written prior to 2018 and so they'd been on the books for a while. They're out of the period where there are surrender charges on them, which is why you're seeing a little bit of eating into the margins. And these old indexed policies have a bit of the double whammy where there's a higher interest rate environment but they're also not getting very good equity participation either and so often you see policyholder behaviour on this sort of product kind of driven by the rear-view mirror. So, we could see a little bit of that continued later in the year. I wouldn't say it was accelerating at all, but it may be that we have a little bit more of this experience.

The way we're managing our US business, and Kathy referred to this, is really on a capital allocation basis and so, as we get these policies back a little bit earlier than we thought, we'll have more capital in that business to go and redeploy. So, all things being equal, we'll turn up the production a little bit more.

I think it's important to state though that this is on the older business and that we've seen our recent vintage MYGA business, which is where the majority of our production has been for the last three years and where we have the benefit of surrender charge protection, that has really hung right in there and we don't see any alarm bells on that at all.

Meny Grauman — Analyst, Scotiabank

Okay. And then just finally for me, just in terms of an IFRS 17-related question related to the US. You continue to talk about investment portfolio optimization in the US and just wondering how IFRS 17 impacts that, if at all. Does that change anything in terms of this project to optimize the investment portfolio?

Andre Mousseau — Group President & Chief Executive Officer, Sagicor Financial Company Ltd.

The short answer is not really. We're managing our US business on an economic basis and so, when we're thinking of optimizing the portfolio, we're thinking of risk adjusted and capital adjusted internal rates of return. And so, we kind of see the quarterly emergence of net income as a bit noisy, obviously, but if we can increase the risk-adjusted spreads that we're getting on our business in a capital efficient manner it will make its way through net income eventually. But we're not managing for quarter to quarter to try and match that net income volatility through the investment book, because you'd always be chasing yourself. We're thinking in terms of long-term return on capital.

Meny Grauman — Analyst, Scotiabank

Understood. That's it for me. Thank you.

Operator

Ladies and gentlemen, as a reminder, should you have any questions, please press star one. Next question is from Darko Mihelic at RBC Capital Markets. Please go ahead.

Darko Mihelic — Analyst, RBC Capital Markets

Hi. Thank you. Just before I get to my questions, I kind of felt that the answer on the fixed index annuities is a little bit shy of what I was hoping to hear. So maybe, Andre, if you just revisit that for a moment, you suggested that you could see maybe a little bit more later in the year. Is that because the portfolio has shrunk to nothing or is there some other reason that makes you confident that you won't get more surrenders going forward? Because, as I see it, every year that goes by people will fall into the category where they can surrender without any charges and so this is still a risk going forward. Or is it that the fixed annuities block is now so small that it doesn't matter?

Andre Mousseau — Group President & Chief Executive Officer, Sagicor Financial Company Ltd.

It's not so small that it doesn't matter. This is a book of older policies and so we have our actuarial tables which would tell us, here's the rate at which we would expect the size of that portfolio to decay.

And so what we're talking about in this instance is where we modelled to have some surrenders in the quarter and the surrenders were slightly faster than what we had modelled. So the book of business is still relevant. It's been on the books for some time and we've taken profit out of it. But, if there continued to be surrenders that were faster than what we would model then, because it's so old, some of it goes straight into net income and some of it presents itself as a reduction in CSM.

Darko Mihelic — Analyst, RBC Capital Markets

Okay. So, what is it then that makes you think that the behaviour will change?

Andre Mousseau — Group President & Chief Executive Officer, Sagicor Financial Company Ltd.

I think that the environment seems to have stabilized and we're not seeing, at this point, an acceleration in the behaviour.

Darko Mihelic — Analyst, RBC Capital Markets

Okay. Is there something that's being done, for example, like are these people being advised by brokers or anything like that? So, in other words, are they getting advice to surrender is what I'm asking.

Andre Mousseau — Group President & Chief Executive Officer, Sagicor Financial Company Ltd.

Usually the buyers of these products will be working with advisors. We don't see necessarily that a surrender comes through an advisor or whether someone does it of their own accord. But very often the original advisor who was involved in a sale will be involved in replacing something in a policyholder's portfolio. And so, as we're working with our channel, it's about continuing to stay in front of the advisors, and if they make the choice to trade out of something where they can get a higher guaranteed rate, for example, that we're in front of them and they choose something else from us.

Darko Mihelic — Analyst, RBC Capital Markets

Okay. And when did you stop selling the fixed indexed annuities?

Andre Mousseau — Group President & Chief Executive Officer, Sagicor Financial Company Ltd.

We still sell them. We still do sell them, but they've been greatly deemphasized over the last couple of years. And so this was a majority of our book going back to 2017 and before that and it's been in the last five years that we've pushed more towards the MYGA products, which are more simple, low commission, easier to administer.

Darko Mihelic — Analyst, RBC Capital Markets

Okay. Thank you for that. I just wanted to further my understanding of that. And just a couple of other questions as well. One is just for an overall understanding of the result. Kathy had mentioned that assets moved and liabilities moved more and, thus, it created a bit of a mismatch and the noise, the accounting noise we'll call it. Was that, I mean, I guess just fundamentally, so I can understand that a little bit better, what was the surprise? Was it that the assets couldn't match the movement in liabilities or was it simply that the liabilities reference curve moved as aggressively as it did?

Andre Mousseau — Group President & Chief Executive Officer, Sagicor Financial Company Ltd.

It's an interesting way to look at it. I mean, the asset prices are observable, so the surprise, therefore, by definition, came through the calculation of the liabilities. The assets performed well in Q1. The asset classes we're in generally were good and traded up and we had no observable credit events. So I guess, by definition, it's in the liabilities side, and so the surprise would be that the discount rate went down so much that the value of the liabilities increased more than the assets went up.

Darko Mihelic — Analyst, RBC Capital Markets

Interesting. Okay. So then, now I wanted to ask you, just to help me better understand, and maybe we can use the USA segment as a way to sort of template or book or sort of walk me through what, you know, how the result came to be, because there are some things that look a little peculiar to me when I look through it. And again, you call this the source of earnings. I think the other lifecos are now calling it drivers of earnings. Without seeing one, I want to sort of somehow reconcile what I'm seeing here between the contractual service margin and the insurance result. So, for example, in the US business, what we see is we see the CSM that was recognized in profit or loss for the period, again using the US as an example, of $9.4 million, but when I turn and then I scroll up and I look at the insurance service result, it's a very big negative. And presumably on top of the CSM there would have been a risk adjustment and a few other things moving around. So maybe you can just walk me through or just conceptually how we can recognize some contractual service margin, some risk adjustment, and then end up with a fairly large negative insurance service result.

Kathy Jenkins — Group Chief Financial Officer, Sagicor Financial Company Ltd.

So you'll see there's a certain amount coming from negative expense in reinsurance contracts, so you see that in the results. So, part of that is you'll have seen that our reinsurance contract assets went down, so changes in discount rate, so we saw a negative coming through there.

The other thing we saw was we saw a significant reduction in some of our reinsurance recoveries. And so the other side of that is in the investment income, so we had options related to recoveries to policyholders. So, while we saw a reduction in the insurance service results through that line, the net expenses from reinsurance contracts, there's an offsetting increase in the investment income. So you'll see that there's some noise between our insurance service results and our investment income results, to a certain extent.

Darko Mihelic — Analyst, RBC Capital Markets

Okay. I may follow up with you on that a little bit later, but just to be clear, so I guess where I'm coming from is, if I know there's $9.5 million of contractual service margin, is there any significant risk adjustment coming through as well?

Kathy Jenkins — Group Chief Financial Officer, Sagicor Financial Company Ltd.

There is a risk adjustment of around $6 million, overall, not just for the US.

So, for the US, about another $1 million.

Darko Mihelic — Analyst, RBC Capital Markets

Oh, okay. So it's relatively small relative to the contractual service margin.

Kathy Jenkins — Group Chief Financial Officer, Sagicor Financial Company Ltd.

Yes.

Darko Mihelic — Analyst, RBC Capital Markets

Okay. So I can now reconcile $10.4 million in the insurance result, and so would the CSM and the RA be net of the $18.8 million that we see on that in terms of insurance service expenses? I just want to make sure that I understand that if it's net of that, then I will key in on the reinsurance expense. But before I get there, I just want to understand if the $21.2 million and the $18.8 million are like a net of the CSM and the risk adjustment.

Kathy Jenkins — Group Chief Financial Officer, Sagicor Financial Company Ltd.

I believe so.

Darko Mihelic — Analyst, RBC Capital Markets

That's what I figure. So, we're getting relatively technical here for a call.

Andre Mousseau — Group President & Chief Executive Officer, Sagicor Financial Company Ltd.

We can proceed here and we can also sit down offline at some point and work our way through it. Very big picture, it's our sense that our insurance service result is understated and that the investment earnings are overstated. And so there are some instances where what we think of economically are related to the policies and the policyholder behaviour, which should be combined in the insurance service. Where we're making the money is ending up as investment income and that where we're passing it back to the policyholder ends up as a negative insurance service result. And so this is one of the things that we've been working on over the past couple of weeks with the auditors and we think it's a bit of an unintended consequence of how they're allocating these different lines in the ledger, but it makes, in this quarter at least, it has made the insurance service line understated and overstated our investment earnings.

Darko Mihelic — Analyst, RBC Capital Markets

Okay. I think I follow that logic, yes. And then just one last question, just a refresher back here on the CSM. The change in estimate that adjusted the contractual service margin was related to those surrenders and I just wanted to better understand, so that was the big proportion of the drop and what I want to understand a little bit better is the improvement or the sales, which is the 8.2, which is significantly lower than last year, which was 22.9. Do you look at those two as sort of a net thing?Like what I want to better understand is, obviously you want to grow the contractual service margin, and clearly it's a function of production, but I'm just curious on, if your view is that there won't be any more surrenders later on, that changes to adjust the CSM essentially should be more like a zero and we should more or less see contracts recognized in the year pop right back up to like, I don't know, I don't know if I want to say the same last year, 2022, maybe things are different, and that I should think of them on a net basis or not at all.

Andre Mousseau — Group President & Chief Executive Officer, Sagicor Financial Company Ltd.

So the CSM amortization we would expect to be constant. If you go back to my answer to Meny's question, already through the third quarter or through the six weeks of the second quarter we've seen significantly more than double the production. And so, all things being equal, that would be proportional on the impact of new insurance business and so in Q2 and in the rest of the year we would expect for the US to have the net of those two numbers be significantly positive and that gets us back to our, you know, mimicking the growth in the US business, the growth in the assets under management.

Darko Mihelic — Analyst, RBC Capital Markets

Okay. Just so you recognize the source of my question, it's because last year and this year, both years you have negatively adjusted the CSM, and so essentially what I'm driving at is, it got a little bit worse and the other, obviously, you sold less in the quarter. So what I'm looking for is that, the adjustment to the CSM starts to really decline significantly while you have an increase in production. That, to me, sounds like what I'm hearing. I'm paraphrasing what you said. Is my understanding correct there?

Andre Mousseau — Group President & Chief Executive Officer, Sagicor Financial Company Ltd.

I would say the insurance experience gains and losses we would think should tend to zero over time, otherwise we should go in and change our assumptions.

Darko Mihelic — Analyst, RBC Capital Markets

Okay, great. And just these reinsurance contracts that are causing this, at some point I'd like to follow up with you a little bit on that. It's probably better to do that offline.

Andre Mousseau — Group President & Chief Executive Officer, Sagicor Financial Company Ltd.

Yeah. And again, this is accounting and allocation between lines.

Darko Mihelic — Analyst, RBC Capital Markets

Fair enough. Thank you very much.

Operator

Thank you. There are no further questions. I will now turn the call back over to George Sipsis for closing comments.

George Sipsis — Executive Vice President, Corporate Development & Capital Markets, Sagicor Financial Company Ltd.

Thank you, operator, and thank you, everyone, for joining the call today. A replay of this call will be available for one month on our website and a transcript will be posted as soon as possible. If you have additional questions, please do not hesitate to reach out to any one of us.

As a closing note, as mentioned in our earnings release, Sagicor's Annual and Special Meeting of Shareholders will be a hybrid meeting via live webcast and in person in Barbados on Friday, June 16th. Further details are available on our website at www.sagicor.com under the Investor Relations tab. With that, thanks again for your participation and interest today. Have a great day.

Operator

Ladies and gentlemen, this concludes your conference call for today. We thank you for participating and we ask that you please disconnect your lines.