CISION

FINAL TRANSCRIPT

Sagicor Financial Company Ltd.

Fourth Quarter & Full Year 2023 Earnings Conference Call

April 3, 2024 — 11:00 a.m. E.T.

Length: 49 minutes

CORPORATE PARTICIPANTS

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

Kathryn Jenkins
Sagicor Financial Company Ltd. — Chief Financial Officer

Anthony Chandler
Sagicor Financial Company Ltd. — Chief Financial Controller

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

CONFERENCE CALL PARTICIPANTS

Gabriel Dechaine
National Bank Financial — Analyst

Meny Grauman
Scotiabank — Analyst

Darko Mihelic
RBC Capital Markets — Analyst

PRESENTATION

Operator

Good afternoon. My name is Julie and I will be your conference operator today. At this time, I would like to welcome everyone to Sagicor Financial Company's Fourth Quarter and Full Year 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 the star followed by the 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 fourth quarter and full year 2023 results. Our documents and results are available under the Investor Relations tab on our website at sagicor.com, which includes the financial statements, the MD&A, our annual information form, along with the press release and the link to our live webcast.

This conference call is open to the financial community, investors, the media, and the public with a reminder that the Q&A period is reserved for the financial research analysts. I will 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 also like to remind the audience that the 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, which is available on SEDAR plus and on our website. A discussion of our assumptions underlying our expectations is provided in our filings and earnings release.

On October 3, 2023, as previously announced, Sagicor completed the acquisition of ivari. Sagicor's results for the three-month and full-year 2023 periods reflect contributions from ivari from the date of acquisition under the newly established Sagicor Canada reporting segment. Unless otherwise noted, all dollar amounts referenced will be in US dollars, consistent with our reporting practice.

Joining me today is our President and CEO, Andre Mousseau; our Chief Financial Officer, Kathy Jenkins; and Anthony Chandler, our 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 President and CEO, Andre Mousseau.

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

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

2023 was a monumental year for Sagicor and this release of our audited financials allows us to put a fine point on that. We had many non-strictly financial achievements, including further strengthening our management team, recapturing our investment-grade credit status, bringing on a new operating unit, and successfully transitioning to IFRS 17 across four different operating segments in twenty different countries. To all of the Sagicor team members, new and old, from the Caribbean to North America, I thank and congratulate you on your part in such a sensational year.

And our financial results reflect that. In 2023 we roughly doubled our asset base and our shareholders' equity without raising a dollar of new equity; in fact, while returning over $40 million to our shareholders in dividends and highly accretive share buybacks. We reduced our leverage as a proportion of our capital base and once again achieved investment-grade status for our credit, reflecting our improved asset mix and capital position. Most importantly, we laid the groundwork for stability and future growth, which I'll come back to towards the end of the call.

Before that, I'll hand over to our CFO, Kathy Jenkins, to walk through our results and guidance.

Kathryn Jenkins — Chief Financial Officer, Sagicor Financial Company Ltd.

Thank you, Andre, and hello, everyone.

As Andre mentioned, this has been an exceptional year with a number of significant accomplishments over the past 12 months and record results. For 2023, net income to shareholders was $532 million. This includes the $448 million gain on the acquisition of ivari as well as $15 million of related transaction costs.

Since we last met, we worked to integrate ivari into our operations and this has progressed well over the last few months. You have seen that the acquisition has led to the creation of a new business segment, Sagicor Canada, within our financial reporting and they've made a significant contribution to our strong results this quarter, both as a result of the $448 million bargain purchase gain as well as the robust results in Q4. Beyond their impact on our 2023 income statement, they contributed net CSM to shareholders of $559 million at acquisition that will be recognized into income in future years.

Besides the gain on acquisition, our fourth quarter was driven by positive results from our Sagicor Canada segment and Sagicor Jamaica, partially offset by an impairment at Sagicor Life and strengthening of actuarial reserves at Sagicor Life and Sagicor USA. Revenues of $2.5 billion in 2023 were driven by strong contributions across all segments, particularly Sagicor Canada, which accounted for almost $1 billion of the total. Strong growth in insurance revenue across segments was further bolstered by positive market experience. The continued solid growth in new business production this year positions us well for the future.

Now let me provide more details on the results of each of our business segments. Sagicor Canada posted net income to shareholders of $122 million for the quarter. Solid ongoing production in universal life and excellent investment experience reflecting the decreasing risk-free rate since Q3 2023 contributed to the strong results in the quarter. Sagicor Canada has an idiosyncratic dynamic which causes its net income to be positively correlated to asset prices, that is, negatively correlated to interest rates, due to certain liabilities being held to maturity and therefore not revalued. As interest rates declined in Q4, we saw some gain from that. Sagicor Canada also has a positive exposure to equity markets and benefited from that in Q4 as well. New business CSM was $7 million in Q4 excluding the CSM acquired at acquisition.

Sagicor Life USA generated $167 million of new business production in the fourth quarter, resulting in $862 million of new business production for the year, slightly above its annual production target. You recall that we deliberately slowed production in 2023 relative to 2022 to conserve capital and liquidity ahead of closing the ivari acquisition. Net income to shareholders was $41 million for 2023, including a loss in the fourth quarter of $23 million, primarily due to actuarial assumption changes that offset actuarial refinements from earlier in 2023, and had the effect of moving some income recognized earlier out of the income statement and into CSM. As a result, CSM grew 14% quarter over quarter to $203 million.

Sagicor Life, our operating segment in the Southern Caribbean, posted net loss to shareholders in the quarter of $31 million, driven by goodwill impairments of $29 million, as mentioned previously, and a strengthening of actuarial reserves of $17 million. These offset the increased insurance revenue from the growth in the individual life and annuities lines of business. The goodwill impaired related to Sagicor's acquisition of Life of Barbados over twenty years ago and a decision was made to remove these from the balance sheet. The strengthening of actuarial reserves resulted from studies showing underperformance relative to assumptions coming out of COVID. We believe these strengthened reserves, combined with a lower equity base from eliminating goodwill, will position Sagicor Life better to deliver strong returns on equity in the future. Total net CSM decreased quarter over quarter with new business sales more than offset by amortization of CSM into profit and changes in estimates that adjusted the CSM; however, on a full-year basis, SLI's CSM increased 5% over the prior year.

Sagicor's share of Sagicor Jamaica's net income to shareholders in 2023 was $50 million, significantly higher than the prior year, driven by positive market experience and higher insurance revenues. Our share of Sagicor Jamaica's net income was $17 million in the quarter. Its life insurance subsidiary had strong performance in both long- and short-term products, largely as a result of increased premiums. This was reflected in the year-over-year increase in insurance revenue. Profits improved in the commercial banking business with greater volume on its card payments portfolios and growth in net interest income but remained muted in its investment banking business. Total net CSM grew $8 million quarter over quarter with a 16% increase in new business CSM compared to Q4 of the previous year.

Going back to the consolidated picture, as Andre mentioned, we have significantly enhanced our capital position. During Q4, Sagicor increased its shareholders' equity by 119% quarter over quarter to $971 million driven by the bargain purchase gain on the ivari acquisition. Net CSM to shareholders increased 103% quarter over quarter to $1.135 billion with the addition of ivari's net CSM to shareholders, as mentioned earlier. Our debt-to-capital ratio improved significantly quarter over quarter to 26.6%. Our life insurance businesses remain well capitalized with our consolidated MCCSR ratio at 301%. As we continue to enhance our reporting and as we committed to you when we last met, we are disclosing our consolidated total LICAT ratio for the first time this quarter, which is 136%.

Since the start of Q4, our finance team was focused on the integration of ivari into our reporting processes and systems, and providing the additional disclosure required as part of our first year-end reporting under IFRS 17. As we spoke about previously, we are committed to providing a supplemental information package in 2024 which will provide greater visibility into our financial performance each quarter. This will include a drivers-of-earnings analysis and we will adopt a final non-IFRS core earnings measure on a segment-by-segment basis. At this time, our segment quarterly core earnings analysis is still in draft form and will be disclosed publicly when we're satisfied with its analysis.

I would now like to comment on the update to our previous guidance on key measures. We expect core net income to shareholders for 2024 to be between $90 million to $105 million. That is composed of the following operating ranges: Sagicor Canada, $70 million to $80 million; Sagicor USA, $40 million to $50 million; Sagicor Jamaica, $40 million to $50 million; Sagicor Life, $25 million to $30 million; and head office costs of approximately $95 million. New business CSM for shareholders is expected to be between $180 million and $200 million. Our 2025 target for core net income growth is 10% plus growth beyond 2024 levels, and thereafter we project a target core return on shareholders' equity over the medium term of 13%-plus. Now, obviously, actual net income is expected to vary, especially with the accounting volatility we are observing under IFRS 17, but we see this guidance as consistent with the core underlying profitability of our business.

With that, I will hand you back to Andre.

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

Thank you very much, Kathy.

So, Kathy did just provide an outline of our financial guidance. Underpinning those targets is a robust strategic plan with a laser focus on expanding risk-adjusted returns on equity. This plan includes allocating resources and capital to growing our highest marginal return on equity businesses, a focus on cost savings and synergies between our operating segments, and the continued optimization of our capital structure to take advantage of our improved credit ratings.

With the acquisition of ivari, we now have access to two large, growing North American markets and our participation in those markets collectively represents over 70% of our balance sheet. In Canada, we believe we have several potential levers of growth through expanding products and distribution. We continue to believe the US, and our US segment, represents an excellent avenue for growth and we intend to increase our production in 2024 significantly beyond our levels in 2023, and that this growth in 2024 will lead to earnings growth in 2025 and beyond. This growth is driving high marginal returns on equity and our total return on equity will continue to expand as we get more scale in our US platform. In the Caribbean, we're focused on capitalizing on our existing strong presence and working to modernize those operations with technology.

Collectively, these initiatives can significantly expand our return on equity, allowing us to fuel growth while at the same time continuing to return capital to our shareholders. To that end, we're pleased to have announced an increase in our dividend to US$0.06 a quarter or an annualized US$0.24 per year as well as dividend payout guidance that would suggest we may further increase our dividend going forward as our return on equity expands. We continue to be active in repurchasing our shares given our strong capital position. At our current levels, a discount of approximately 20% to 25% of our book value and over a 60% discount to our book value plus our embedded future profit as measured through net CSM to shareholders, we continue to see buybacks as a compelling use of our shareholders' capital.

With that, I will hand it back to George to wrap up and we can start the Q&A.

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

Great. Thanks, Andre. Operator, please go ahead and open up the lines for Q&A.

Q & A

Operator

Thank you. Ladies and gentlemen, should you have a question, please press the star followed by the one. If you would like to withdraw your question, please press star followed by the two. Again, to ask a question, press star one. One moment please for your first question.

Your first question comes from Gabriel Dechaine from National Bank. Please go ahead.

Gabriel Dechaine — Analyst, National Bank Financial

Good morning. Just a few questions here. You disclosed the LICAT ratio, 136%, but I'm probably missing it somewhere, is there any way you can quantify an excess capital position above 115 or 120?

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

The best way to connect the dots would be to go through operating segment by operating segment and we have some disclosure around the capital levels of our Canadian, US, and Jamaican subsidiaries. That's where most of the excess capital now lies. We have a significant amount of access to liquidity at the holding company, but as you get into excess capital it would be measured in the hundreds of millions of dollars, and you could probably connect the dots looking at whatever you chose to be the appropriate LICAT ratio in Canada and in Jamaica where a significant amount of that excess capital is.

Gabriel Dechaine — Analyst, National Bank Financial

Yeah, and is the excess capital in Jamaica something that's easy to remit?

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

Well, it can be done. There's been a history of dividend payouts out of the life company into the financial holding company, and the financial holding company has stated guidance of approximately a 40% dividend payout ratio. Other than a brief hiccup during COVID, Jamaica has a long history of paying dividends. I think our preference for the time being is to allow the Jamaican business to retain a significant amount of that capital and be able to fuel its growth.

Gabriel Dechaine — Analyst, National Bank Financial

Okay. I just want to move over to the fixed income sales in the US. There were some fluctuations in 2023, so $450 million or so in sales in Q2 and the other couple of quarters were around $170 million, and now you're talking about, well, you've got the excess capital, I guess your appetite is higher. Can you give us any goalposts to assess you by for sales performance next year?

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

With respect to the volatility in 2023, that was intentional. I think Kathy mentioned we had set a target of about $800 million and the goal with that was to grow the balance sheet without consuming any more capital as we waited to see how everything settled from the acquisition. We ended up in a bit of a better capital position than we thought even with exceeding our production by about 7% or 8%.

I think you'll see that, when we come through with Q1, we're roughly on track to 2023's average production, but we'd like to get that beyond $1 billion subject to making sure that we have an appropriate capital and liquidity position. We could do approximately $800 million or so of production again without requiring any capital to go into the US. We believe we have the ability to significantly accelerate it and get it back to where it was, say, in 2022. We just want to make sure that we have the appropriate capital and liquidity position to do that, and part of that revolves around exactly when and how well we can refinance the term debt that we took on at the same time as the ivari acquisition. We'd be looking to complete that refinancing at some point over the next number of months from here, but by the end of Q3, before deciding on a final target.

Gabriel Dechaine — Analyst, National Bank Financial

Got it. And I'd like to wrap up on the actuarial assumption changes. Firstly, the quantum. Is it somewhere around $10 million, $12 million in the Caribbean and then about $10 million in the US? But in the US, it looks like there's a few other items associated with that, allocation of expenses associated of $6 million, then another $18 million of finance expenses associated with this thing. Just want to fine-tune those numbers a little bit. More importantly, I want to dive into some of the factors that were driving these assumption changes.

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

I think Kathy can comment on some of the specifics. One thing I would say overall is that, for the moving parts as we fine-tune IFRS 17 over the various quarters, there was noise in some of the various quarters that, if they had all been done together, would have offset. So, I think Q4 of the US really makes the most sense when looked at in context with the rest of the year. If you see what happened in Q4, in particular, there was some movement of net income back into the CSM where CSM had been moved into net income a bit earlier in the year.

But Kathy, if you'd like, you can fill in anything you're comfortable with on quantum.

Kathryn Jenkins — Chief Financial Officer, Sagicor Financial Company Ltd.

Yes. In terms of the allocation, you saw that approximately $20 million went back up into CSM, and some of that came from actuarial adjustments as we're continuing to evaluate IFRS 17 and accounting for things on a go-forward basis. Those things go into income, so we will eventually see these make their way through. As we were saying before, you will recall in Q2 we had about a $53 million positive impact from the actuarial changes, so this offset the other way. So, it's best to look at this all together in terms of how these have come together to get to the $41 million we made for the year in the US.

Gabriel Dechaine — Analyst, National Bank Financial

Okay, but what are the assumption changes though? Lapse? Something else?

Kathryn Jenkins — Chief Financial Officer, Sagicor Financial Company Ltd.

They're more in terms of certain assumptions around our crediting rates. Part of what you'll see in there is the addition of the renewal commissions. The renewal business is much more profitable than writing new business, so certain things such as crediting rates impacted our go-forward estimates.

Gabriel Dechaine — Analyst, National Bank Financial

So, you're assuming higher crediting rates on the fixed annuity block on renewal?

Kathryn Jenkins — Chief Financial Officer, Sagicor Financial Company Ltd.

Yes.

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

Yeah, in a nutshell.

Gabriel Dechaine — Analyst, National Bank Financial

Okay. And then in the Caribbean?

Kathryn Jenkins — Chief Financial Officer, Sagicor Financial Company Ltd.

In the Caribbean, as we came out of COVID, there was a certain amount of volatility, and we saw experience losses over the last few quarters, so we examined expense experience and I believe there were some lapse assumptions.

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

I think there was some lapse and there was a little bit of bad morbidity on some annuities where we have longevity risk. So, it was a mix and a cleanup of a number of assumptions.

Gabriel Dechaine — Analyst, National Bank Financial

Okay. All right, I'll pause it there. Have a good one.

Operator

Your next question comes from Meny Grauman from Scotiabank. Please go ahead.

Meny Grauman — Analyst, Scotiabank

Hi. Thanks for taking the call. Just following up on Gabe and wanted to get a little bit more understanding of what drove the goodwill impairment at Sagicor Life this past quarter.

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

It was very old goodwill related to the consolidation from twenty or so years ago. It had been something that we had struggled with over the last couple of audits and we decided that this was the appropriate time to take it down, and that eliminates goodwill from Sagicor Life entirely. I said it a little bit in our prepared remarks; we're focused on return on equity at each of our segments and as we were looking at Sagicor Life and getting its return on equity back up, we decided that, analytically, writing off the goodwill made sense and so we chose to do so.

Meny Grauman — Analyst, Scotiabank

Got it. And I guess that's a good segue into the next question. It was really about ROE. You're guiding to about 10% in 2024 and then you're talking about a medium-term target of 13% plus. I'm just curious, how do you get to 13%? I think you touched on it a little bit in your prepared remarks, but if you could just kind of sketch out the path to go from 10% to 13% here. Obviously, earnings are growing, but just wanted to understand if there's anything that you would highlight there that's worth noting.

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

I think we would see, compared to our 2024 guidance, over the next couple of years, disproportionate growth in the US as we put some more capital behind that business and grow it to scale. We think that the marginal return on equity on new capital is quite high in that business and so, you could see that business growing quite significantly relative to our guidance.

We think that there continues to be room for better than market organic growth in ivari. That business, that we acquired from a financial sponsor, was very well run, but we see multiple opportunities to grow that business, and so we would have higher than market growth aspirations for ivari. So, you could see the growth in those North American segments just on top-line growth, or gross margin growth, getting you more than halfway towards that 13%-plus return on equity.

We also have a number of initiatives in each of our operating subsidiaries to improve the use of technology to better serve our clients and ultimately get to a better cost structure. We have projects to have our two Caribbean subsidiaries and our North American subsidiaries working closer together, again for possible cost savings.

The last piece of the puzzle to get to that 13% over a couple of year period would be a step change in our cost of debt financing. I think the pricing on the $320 million term loan that we took in connection to the ivari transaction was reflective of a moment in time when we were not an investment-grade issuer. We went into that in Q3 2022 in a very rocky financing market. Now that we're at investment grade and we believe we can refinance that, just mechanically that would be a measurable bump in ROE as well.

Meny Grauman — Analyst, Scotiabank

Got it. That's very helpful. And just two follow-ups in terms of what you just referenced. You highlighted marginal ROE in the US. Would you be able to quantify that? That's the first one.

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

Depending on how you look at it, and whether you include the effects of reinsurance and moving to Bermuda, we see the marginal dollars as being high teens or better. The unit economics of the annuities business, if you can invest the assets well, is very attractive, and this is why you've seen so many big, smart private pools of capital going and snapping up the engines to participate in this market. We think we do it very well ourselves and see very high marginal returns on the capital that we put in.

Meny Grauman — Analyst, Scotiabank

Got it. And then the final follow-up question, just in terms of Canada, you highlighted opportunities in terms of expanding products and distribution. Just thought I'd get a little bit more colour from you in terms of what products and what distribution channels. Where do you see the opportunity there in Canada?

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

Today, ivari is particularly strong with the universal life product. We think that there could be room to be more competitive from a term product as well. ivari has continued to offer a term, as it has since the beginning of time back to the Transamerica days, but just from a pricing point of view it's been a little bit less competitive than others, so I think we have room to take a longer-term view and get back some of the market share that had dwindled away over time. Similarly, from a channel point of view, in the independent broker channel, I think there's room on the shelf for another participant in some of the places where, over time, ivari had deemphasized it, and so we'll be working with the team on that as well.

Meny Grauman — Analyst, Scotiabank

Thanks so much.

Operator

Your next question comes from Darko Mihelic from RBC. Please go ahead.

Darko Mihelic — Analyst, RBC Capital Markets

Hi. Thank you. I have a number of little questions and then some bigger questions for you. Starting with some of the small questions that come to mind, the first one is I think the BMA updated their economic capital framework and I think that's for March 31. Does that impact you at all in your capabilities? Does that impact you at all with respect to excess capital and to our ability to give back excess capital to shareholders?

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

I think, if you look at where the guidelines are now, the primary effect of Bermuda would be a little bit more in terms of friction costs. It's becoming more expensive to do business there, so embedded in our SG&A is the cost of doing business there going up. We don't see it, based on our asset position, as materially changing its use within the group at this point.

Darko Mihelic — Analyst, RBC Capital Markets

Okay. Great. Thank you. The next question is similar to that, which is the minimum tax. Have you done any analysis on that with respect to your Company? Does it apply?

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

We've done a little bit of analysis and now we are doing more analysis on it. Again, the so what here is going to be friction costs, so we are going to spend several hundreds of thousands of dollars dotting our I's and crossing our T's on this over the coming quarters. Just as a blanket statement, Sagicor is not very aggressive with respect to tax. It's ironic in a sense, because when you're based in the islands, sometimes people jump to the assumption that you are. But we're a big income taxpayer in all of our jurisdictions; even our US cell in Bermuda that services our US business is a US taxpayer. So, we don't see anything material coming out of that for us.

Darko Mihelic — Analyst, RBC Capital Markets

Okay. Good. That's helpful. Thank you. Now to the more important questions, frankly. My question is first with respect to the CSM and your vision for $180 million to $200 million of CSM growth. Is it fair to say that it's proportionate to the current size? So, for example, I think on a net basis Canada is like $560-ish of the $1.2 billion. Is it fair to say that there'll be a significant chunk, or should I really weight it more towards some of the smaller sort of CSM? I'm just trying to get an understanding of where your expectations are by business segment for CSM growth.

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

Okay. So, Kathy, you can take that and maybe clarify new business CSM versus net versus net growth of CSM.

Kathryn Jenkins — Chief Financial Officer, Sagicor Financial Company Ltd.

Okay. The new business CSM is basically excluding our reinsurance. Andre, do you want to give the split in terms of how we're seeing the growth? Because it is primarily weighted into the US and Canada, though we are seeing some growth in our Caribbean ventures as well, albeit not at the same rate.

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

Right. I want to be just precise about whether the new business CSM includes amortization of the current book and so what is current, what is total CSM growth going to be.

Darko Mihelic — Analyst, RBC Capital Markets

I understood the $180 million to $200 million to sort of be a gross addition to CSM. Then you can amortize off CSM and then you'd have net CSM. And so, I'm thinking about the gross $180 million to $200 million. Which segments are the major contributors to that?

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

Kathy, I think we can put proportional guidance around that. If we don't have it proportional right in front of us, that's something that we could follow up on in our next earnings call certainly.

Darko Mihelic — Analyst, RBC Capital Markets

That's fair if you don't have it today. I'm envisioning that it's possible, for example, you're adding some CSM but after you amortize in your net CSM will actually be down year over year. I can envision, for example, USA growing its net CSM year over year whereas Canada may actually be in runoff. Am I correct in at least thinking about it that in that way?

Kathryn Jenkins — Chief Financial Officer, Sagicor Financial Company Ltd.

Okay. So, we're seeing across the board that the net CSM is growing in all of our regions. In terms of the growth, and we can come back with more precise percentages, but we're seeing probably the largest growth in the USA, but we're showing growth in ivari as well.

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

I think that we would expect to see it disproportionately large in the US off of its current base. But ivari has grown its CSM and maintained it over the last number of years and, as I talked about a few minutes ago, it's our intention to push forward and allow them to grow a little bit more. So, I would certainly not say it's in runoff. Wilton itself, the previous owner, was a natural runoff owner of businesses, but they did allow the new business machine to keep operating, it was just relatively constrained. If you look at the LICAT number for ivari, it's got lots and lots of excess capital right now, so we certainly have the ability to grow that if we're successful pushing it into the market.

With respect to the US, it's our intention to put a bit more capital in so that we can continue to grow that disproportionately. I think if you look back at the comments from Kathy, from Jamaica and Sagicor Life, they've been net CSM positive this year as well and we would expect that and certainly target that to continue to grow.

Darko Mihelic — Analyst, RBC Capital Markets

Okay. Thank you. I appreciate these are difficult without giving us the full DOE and so on. So, all good. And maybe I can just focus my last set of questions here on the guidance per segment, which is very helpful, by the way. Thank you for that. But I just wanted to zero in a little bit just so I understand it a little bit better. So, for example, your expectation would be looking at somewhere in the range of $70 million to $80 million in Canada. So, the first question around that is, is that some sort of a core number that doesn't really have any kind of a view on interest rates? Because, as you mentioned earlier in your commentary, there's an idiosyncratic sort of behaviour there with investment results and interest rate changes. So, can I assume that the $70 million to $80 million is some sort of a core number where the investment result is some sort of a longer-term expected result?

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

Yes. Within that, it's a longer-term expected result on the fixed income side and a long-term expected single-digit appreciation on the equity side.

Darko Mihelic — Analyst, RBC Capital Markets

Okay. But would it still be fair to say that the vast majority of the $70 million to $80 million would be an investment result and a much smaller component of it being the insurance result?

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

This is still where we're pushing around geography from a core earnings point of view, because trying to get each of our subsidiaries to sync up, you know, what's insurance, what's investment, what's return on surplus, and tying it all together is where we're still finalizing it.

Darko Mihelic — Analyst, RBC Capital Markets

Okay. Fair enough. And then just my last question for you, Andre, is the head office, you know, somewhere in the range of $95 million in terms of losses. Is that a number that as, we go to 2025 and beyond, should shrink? And I ask that because, in most of the other companies that I cover, head office costs are proportionately much lower. And I'm just wondering if this is a year where you've got a lot of cost because you just brought in ivari, you're working on a lot of things, including maybe some holdovers.

I would imagine that that should be lower, but over to you if you have any sort of longer-term thoughts on that.

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

Sure. I'd agree with the observation. The head office in our reporting is an amalgam of a number of different things and the first important distinction is SG&A versus financing costs. So out of that, $25 million would be SG&A. And so that's more comparable to head office costs and others.

I think your commentary with respect to proportionality, I suspect should still be valid, which is a function of how many jurisdictions that we operate in, the costs proportionate to the size of our business of things like audit and rating agency fees, et cetera. But the $25 million includes some hangover costs with respect to consulting costs around IFRS 17 and systems improvements. So that $25 million, it would be our goal to keep flat at worst over the next number of years. As we get more operating segment earnings, we would expect to get operating leverage out of that.

The remainder of the costs are the financing costs, about $10 million mechanically or what we call internal financing costs, which is $20 million or so of interest that the top company owes SLI netted against $10 million or so of interest that our US business pays up to the top company. The remaining $60 million is the net external financing costs. That's the interest on our top company debt net of expected investment income at the holding company, that being earnings on excess cash and some expected investment income for the proportion of the Playa shares that we continue to own at the top company. So, as I talked about in one of the earlier questions on the return on equity walk, we would have a medium-term goal to refinance the external debt to a lower number and reduce that by $5 million or $10 million over time.

Darko Mihelic — Analyst, RBC Capital Markets

Right. And I guess you're paying it down as you go anyway, right? There are principal payments included?

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

Yes, the ivari term debt amortizes, so it would go down naturally, and we're getting negative carry on investing our TopCo cash at 5%-something versus about double that for that term loan. But I think we'd prefer to replace that with less expensive, more permanent capital.

Darko Mihelic — Analyst, RBC Capital Markets

I see. Okay. All right, that's the extent of my questions. Thank you very much.

Operator

There are no further questions at this time. I will turn the call back over to George Sipsis for closing remarks.

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 reminder that a replay of this call will be available for one month on our website and a transcript will be posted as soon as available. If you have any additional questions, please do not hesitate to reach out to any one of us. With that, thanks again for your participation and interest today. Have a great day, everyone.

Operator

This concludes your conference call for today. You may now disconnect your lines. Thank you.