



SAGICOR FINANCIAL COMPANY LTD.

**CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND DECEMBER 31, 2020**

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December 31, 2021 and December 31, 2020

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Certain acronyms have been used throughout the financial statements and notes thereto to substitute phrases.

The more frequent acronyms and associated phrases are set out below.

| Acronym | Phrase |
|---------|---|
| AA | Appointed Actuary |
| EAD | Exposure at Default |
| ECL | Expected Credit Losses |
| FVOCI | Fair Value through Other Comprehensive Income |
| FVTPL | Fair Value through Profit and Loss |
| IAS | International Accounting Standards |
| IASB | International Accounting Standards Board |
| IFRIC | International Financial Reporting Interpretations Committee |
| IFRS | International Financial Reporting Standards |
| IFRS 9 | International Financial Reporting Standard No.9 – Financial Instruments |
| IFRS 16 | International Financial Reporting Standard No.16 – Leases |
| LGD | Loss Given Default |
| MCCSR | Minimum Continuing Capital and Surplus Requirement |
| OCI | Other Comprehensive Income |
| PD | Probability of Default |
| POCI | Purchased or Originated Credit-Impaired |
| SICR | Significant Increase in Credit Risk |
| SPPI | Solely Payments of Principal and Interest |

**SAGICOR FINANCIAL COMPANY LTD.
APPOINTED ACTUARY'S
2020 & 2021 REPORT TO THE SHAREHOLDERS AND
POLICYHOLDERS**

I have performed or reviewed the valuation of the consolidated policy liabilities of Sagicor Financial Company Ltd. (Sagicor) which includes the policy liabilities of its life insurance subsidiaries, namely

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

for the balance sheets, at 31st December 2020 and at 31st December 2021, and their change in the respective consolidated statement of operations, for the years then ended, for each organization and on a consolidated basis in accordance with accepted actuarial practice, including selection of appropriate assumptions and methods.

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

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



Sylvain Goulet, FCIA, FSA, MAAA

Affiliate Member of the Institute and Faculty of Actuaries

Member of the Caribbean Actuarial Association

Appointed Actuary for Sagicor Financial Company Ltd., and the above Life Subsidiaries A to E

11th March 2022



Independent auditor's report

To the Shareholders of Sagicor Financial Company Ltd.

Our opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Sagicor Financial Company Ltd. (the Company) and its subsidiaries (together 'the Group') as of December 31, 2021 and December 31, 2020, and their consolidated financial performance and their consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRS).

What we have audited

Sagicor Financial Company Ltd.'s consolidated financial statements comprise:

- the consolidated statements of financial position as of December 31, 2021 and December 31, 2020;
- the consolidated statements of income for the years then ended;
- the consolidated statements of comprehensive income for the years then ended;
- the consolidated statements of changes in equity for the years then ended;
- the consolidated statements of cash flows for the years then ended; and
- the notes to the consolidated 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 consolidated 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 Group 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.



Key audit matters

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

| Key audit matter | How our audit addressed the key audit matter |
|---|---|
| <p>Actuarial methodologies and assumptions used in the valuation of actuarial liabilities</p> <p><i>Refer to Note 3 Critical accounting estimates and judgements, and Note 13 Actuarial liabilities, to the consolidated financial statements.</i></p> <p>The Group's total actuarial liabilities was \$4.8 billion as of December 31, 2021 and is the most significant liability on the Group's statement of financial position.</p> <p>We focused on this area as it involves significant judgement over uncertain future outcomes, mainly the ultimate total settlement value of long-term policyholder liabilities. Economic assumptions, such as investment return, associated discount rates and borrowing rates, policy expenses, and operating assumptions such as mortality, morbidity and persistency are the key inputs used by management to estimate these long-term liabilities.</p> <p>Management uses qualified internal actuaries and an independent external actuary to assist in determining these assumptions and in valuing the actuarial liabilities.</p> <p>Based on management's continued assessment, COVID-19 did not have a significant impact on the actuarial assumptions of the Group.</p> | <p>Our approach to addressing the matter involved the following procedures, amongst others:</p> <ul style="list-style-type: none"> • updated our understanding for any changes impacting the assumptions, specifically, investment returns, associated discount rates and borrowing rates, policy expenses and operating assumptions such as mortality, morbidity and persistency, including continued consideration of the impact of COVID-19. • assessed the competence and capability of management's actuarial experts. • evaluated the methodologies and assumptions utilized by management's actuaries, considering published industry studies, market data and component specific facts and circumstances with the assistance of our actuarial experts. • tested the accuracy and completeness of the transfer of data from policy administration systems to the actuarial valuation systems. • tested a sample of contracts to assess whether contract features corresponded to the data in the actuarial valuation systems. |

| Key audit matter | How our audit addressed the key audit matter |
|--|--|
| <p><i>Expected Credit Loss (ECL) - Probabilities of Default & Forward-Looking Assumptions of financial investments</i></p> <p><i>Refer to Note 3 Critical accounting estimates and judgements and Note 40.2 Credit risk exposure, to the consolidated financial statements.</i></p> <p>The Group's total financial investments subject to credit risk was \$7.5 billion as of December 31, 2021 and the related reversal of credit impairment losses in relation to those financial investments was \$4.3 million for the year ended December 31, 2021.</p> <p>We have focused on the following areas because there are a number of significant management determined judgements within the ECL model, including the following:</p> <ul style="list-style-type: none"> • Probabilities of default (PD): These represent the likelihood of a borrower defaulting on its obligation over the next twelve months or over the remaining lifetime of the obligation. PDs are developed with reference to external data collated by international credit rating agencies, with specific adjustments for industries and country specific risks, where necessary. • Use of multiple forward looking economic scenarios. Management performed regression analysis to determine the impact of future economic conditions on probabilities of default in the countries and industries where the Group has investment securities. A macroeconomic indicator is determined, which is statistically linked to the credit risk of the sovereign exposure and/or corporate exposure. The Group has selected economic scenarios that reflect current views on the future economic impact of the COVID-19 pandemic. <p>Management engaged a credit modeller expert to assist in the more complex aspects of the design of the expected credit loss model.</p> | <p>Our approach to addressing the matter, with the assistance of our valuation experts, involved the following procedures, amongst others:</p> <ul style="list-style-type: none"> • updated our understanding of management's ECL model including any changes to source data, assumptions and tested the mathematical integrity of the model. • evaluated the design and tested the operating effectiveness of the relevant controls for the forward-looking information in the ECL determination, by inspection of the review and approval of key assumptions, judgements and forward-looking assumptions prior to being incorporated within the ECL model. • on a sample basis, tested the critical data fields used in the ECL model for the PD determination, such as the credit rating, date of default (if any), and type of debt security by tracing back to source documents including external public information where available. • evaluated the appropriateness of management's judgements pertaining to forward looking information, including macroeconomic factors, which is the basis of the multiple economic scenarios used. Sensitised the various inputs and assumptions as part of our reasonability tests. This evaluation considered the impact of COVID-19 on credit risk. |



Other information

Management is responsible for the other information. The other information comprises Management's Discussion and Analysis (but does not include the consolidated financial statements and our auditor's report thereon), which we obtained prior to the date of this auditor's report, and the Annual Report, which is expected to be made available to us after that date.

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

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

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

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

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

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

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



Auditor's responsibilities for the audit of the consolidated financial statements

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

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

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



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

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

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

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

A handwritten signature in blue ink that reads 'PricewaterhouseCoopers SRL'.

PricewaterhouseCoopers SRL
Bridgetown, Barbados
March 18, 2022

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
As of December 31, 2021 and December 31, 2020
Sagicor Financial Company Ltd.
Amounts expressed in US\$000

| | Note | 2021 | 2020 |
|--------------------------------------|------|-------------------|------------------|
| ASSETS | | | |
| Investment property | 5 | 75,954 | 78,295 |
| Property, plant and equipment | 7 | 266,781 | 266,569 |
| Associates and joint ventures | 6 | 55,261 | 165,791 |
| Intangible assets | 8 | 89,101 | 95,872 |
| Financial investments | 9 | 7,889,752 | 6,626,839 |
| Financial investments repledged | 9 | 608,343 | 611,730 |
| Reinsurance assets | 10 | 630,717 | 715,739 |
| Income tax assets | 11 | 47,161 | 26,330 |
| Miscellaneous assets and receivables | 12 | 276,752 | 239,538 |
| Cash | | 359,975 | 359,972 |
| Restricted cash | | 78,135 | 79,638 |
| Total assets | | 10,377,932 | 9,266,313 |

LIABILITIES

| | | | |
|--|----|------------------|------------------|
| Actuarial liabilities | 13 | 4,792,627 | 4,152,701 |
| Other policy liabilities | 14 | 341,441 | 292,676 |
| Investment contract liabilities | 15 | 468,094 | 437,604 |
| Total policy liabilities | | 5,602,162 | 4,882,981 |
| Notes and loans payable | 16 | 683,388 | 471,622 |
| Lease liabilities | 47 | 32,836 | 39,609 |
| Deposit and security liabilities | 17 | 1,996,373 | 1,826,759 |
| Other liabilities / retirement benefit liabilities | 18 | 81,513 | 66,542 |
| Income tax liabilities | 19 | 61,926 | 65,128 |
| Accounts payable and accrued liabilities | 20 | 253,521 | 255,462 |
| Total liabilities | | 8,711,719 | 7,608,103 |

EQUITY

| | | | |
|----------------------------|-----|------------------|------------------|
| Share capital | 21 | 1,431 | 1,463 |
| Share premium | 21 | 737,114 | 753,490 |
| Reserves | 22 | (60,472) | (14,868) |
| Retained earnings | | 455,897 | 369,695 |
| Total shareholders' equity | | 1,133,970 | 1,109,780 |
| Participating accounts | 23 | 581 | 1,607 |
| Non-controlling interests | 4.4 | 531,662 | 546,823 |
| Total equity | | 1,666,213 | 1,658,210 |

| | | | |
|-------------------------------------|--|-------------------|------------------|
| Total liabilities and equity | | 10,377,932 | 9,266,313 |
|-------------------------------------|--|-------------------|------------------|

These financial statements have been approved for issue by the Board of Directors on March 18, 2022.

.....
Director

.....
Director

CONSOLIDATED STATEMENTS OF INCOME

Year ended December 31, 2021 and December 31, 2020

Sagicor Financial Company Ltd.

Amounts expressed in US\$000

| | Note | 2021 | 2020 |
|---|------|------------------|------------------|
| REVENUE | | | |
| Premium revenue | 24 | 1,817,497 | 1,501,952 |
| Reinsurance premium expense | 24 | (104,347) | (98,525) |
| Net premium revenue | | 1,713,150 | 1,403,427 |
| Gain on derecognition of amortised cost investments | | 23,177 | 8,889 |
| Gain on derecognition of assets carried at FVOCI | | 22,778 | 20,169 |
| Interest income earned from financial assets measured at amortised cost and FVOCI | 26 | 337,414 | 314,759 |
| Other investment income | 26 | 92,383 | 16,144 |
| Credit impairment losses | | 4,328 | (23,997) |
| Fees and other revenue | 27 | 165,864 | 138,976 |
| Total revenue, net | | 2,359,094 | 1,878,367 |
| BENEFITS | | | |
| Policy benefits and change in actuarial liabilities | 25 | 1,499,804 | 1,269,184 |
| Policy benefits and change in actuarial liabilities reinsured | 25 | (11,070) | (90,418) |
| Net policy benefits and change in actuarial liabilities | | 1,488,734 | 1,178,766 |
| Interest costs | 28.1 | 42,673 | 42,893 |
| Total benefits | | 1,531,407 | 1,221,659 |
| EXPENSES | | | |
| Administrative expenses | | 349,787 | 340,567 |
| Commissions and related compensation | | 135,998 | 121,158 |
| Premium and asset taxes | | 17,524 | 14,914 |
| Finance costs | 28.2 | 45,054 | 44,885 |
| Depreciation and amortisation | | 32,701 | 39,559 |
| Total expenses | | 581,064 | 561,083 |

OTHER

| | | | |
|---|-----|----------------|-----------------|
| Gain / (loss) arising on business combinations, acquisitions and divestitures | 37 | 10,706 | (1,262) |
| Share of operating income / (loss) of associates and joint ventures | 6.1 | 7,404 | (34,957) |
| Loss on impairment of investment in associates and joint ventures | 6.1 | - | (31,804) |
| Total other income / (loss) | | 18,110 | (68,023) |
| INCOME BEFORE TAXES | | 264,733 | 27,602 |
| Income taxes | 32 | (68,257) | (42,732) |
| NET INCOME / (LOSS) FOR THE YEAR | | 196,476 | (15,130) |
| Net income / (loss) is attributable to: | | | |
| Common shareholders | | 133,179 | (3,605) |
| Participating policyholders | | (622) | 1,359 |
| Non-controlling interests | 4.1 | 63,919 | (12,884) |
| | | 196,476 | (15,130) |
| Earnings per common share: | | | |
| Basic earnings per common share | 34 | 91.9 cents | (2.4) cents |
| Fully diluted earnings per common share | | 90.7 cents | (2.4) cents |

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Year ended December 31, 2021 and December 31, 2020

Sagicor Financial Company Ltd.

Amounts expressed in US\$000

| OTHER COMPREHENSIVE INCOME | | Note | 2021 | 2020 | TOTAL COMPREHENSIVE INCOME | | 2021 | 2020 |
|---|--|------|------------------|-----------------|--|--|---------------|-----------------|
| Items net of tax that may be reclassified subsequently to income: | | 35 | | | Net income / (loss) | | 196,476 | (15,130) |
| Financial assets measured at FVOCI: | | | | | Other comprehensive loss | | (115,790) | (21,797) |
| (Losses) / gains on revaluation | | | (40,514) | 97,266 | TOTAL COMPREHENSIVE INCOME / (LOSS) FOR THE YEAR | | 80,686 | (36,927) |
| Gains transferred to income | | | (19,599) | (16,567) | Total comprehensive income / (loss) is attributable to: | | | |
| Net change in actuarial liabilities | | | 16,168 | (51,973) | Common shareholders | | 72,946 | (3,045) |
| Cash flow hedges | | | 3,448 | (753) | Participating policyholders | | (841) | 577 |
| Retranslation of foreign currency operations | | | (71,841) | (38,195) | Non-controlling interests | | 8,581 | (34,459) |
| Other reserves | | | - | (20) | | | 80,686 | (36,927) |
| | | | (112,338) | (10,242) | | | | |
| Items net of tax that will not be reclassified subsequently to income: | | 35 | | | | | | |
| Gains / (losses) on revaluation of owner-occupied and owner-managed property | | | 12,176 | (14,880) | | | | |
| Losses on equity securities designated as FVOCI | | | - | (149) | | | | |
| (Losses) / gains on defined benefit plans | | | (15,628) | 3,474 | | | | |
| | | | (3,452) | (11,555) | | | | |
| OTHER COMPREHENSIVE LOSS | | | (115,790) | (21,797) | | | | |

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
Year ended December 31, 2021 and December 31, 2020

Sagicor Financial Company Ltd.
Amounts expressed in US\$000

| | Share Capital (note 21) | Share Premium (note 21) | Reserves (note 22) | Retained Earnings | Total Shareholders' Equity | Participating Accounts (note 23) | Non-controlling Interests | Total Equity |
|---|----------------------------|----------------------------|-----------------------|----------------------|----------------------------------|--|------------------------------|------------------|
| 2021 | | | | | | | | |
| Balance, December 31, 2020 | 1,463 | 753,490 | (14,868) | 369,695 | 1,109,780 | 1,607 | 546,823 | 1,658,210 |
| Total comprehensive income | - | - | (51,300) | 124,246 | 72,946 | (841) | 8,581 | 80,686 |
| Transactions with holders of equity instruments: | | | | | | | | |
| Allotment of common shares | 8 | 4,162 | - | - | 4,170 | - | - | 4,170 |
| Repurchase of shares (note 21) | (40) | (20,539) | - | 600 | (19,979) | - | - | (19,979) |
| Movement in treasury shares | - | 1 | - | - | 1 | - | - | 1 |
| Changes in reserve for equity compensation benefits | - | - | (606) | 8 | (598) | - | 35 | (563) |
| Dividends declared (note 21) | - | - | - | (32,539) | (32,539) | - | (19,132) | (51,671) |
| Changes in ownership interest in subsidiaries | - | - | - | (2) | (2) | - | (22) | (24) |
| Disposal of interest in subsidiaries | - | - | - | (13) | (13) | - | (3,181) | (3,194) |
| Transfers and other movements | - | - | 6,302 | (6,098) | 204 | (185) | (1,442) | (1,423) |
| Balance, December 31, 2021 | 1,431 | 737,114 | (60,472) | 455,897 | 1,133,970 | 581 | 531,662 | 1,666,213 |

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
Year ended December 31, 2021 and December 31, 2020

Sagicor Financial Company Ltd.
Amounts expressed in US\$000

| | Share Capital (note 21) | Share Premium (note 21) | Reserves (note 22) | Retained Earnings | Total Shareholders' Equity | Participating Accounts (note 23) | Non-controlling Interests | Total Equity |
|---|----------------------------|----------------------------|-----------------------|----------------------|----------------------------------|--|------------------------------|------------------|
| 2020 | | | | | | | | |
| Balance, December 31, 2019 | 1,477 | 762,015 | (9,023) | 399,582 | 1,154,051 | 1,223 | 594,506 | 1,749,780 |
| Total comprehensive income | - | - | (2,779) | (266) | (3,045) | 577 | (34,459) | (36,927) |
| Transactions with holders of equity instruments: | | | | | | | | |
| Allotment of common shares | 15 | 6,848 | - | - | 6,863 | - | - | 6,863 |
| Repurchase of shares (note 21) | (29) | (15,367) | - | 2,095 | (13,301) | - | - | (13,301) |
| Movement in treasury shares | - | (6) | - | - | (6) | - | - | (6) |
| Changes in reserve for equity compensation benefits | - | - | (3,921) | 42 | (3,879) | - | 64 | (3,815) |
| Dividends declared (note 21) | - | - | - | (33,243) | (33,243) | - | (13,664) | (46,907) |
| Changes in ownership interest in subsidiaries | - | - | - | (70) | (70) | - | (251) | (321) |
| Acquisition/disposal of subsidiary and insurance business | - | - | - | - | - | - | (108) | (108) |
| Transfers and other movements | - | - | 855 | 1,555 | 2,410 | (193) | 735 | 2,952 |
| Balance, December 31, 2020 | 1,463 | 753,490 | (14,868) | 369,695 | 1,109,780 | 1,607 | 546,823 | 1,658,210 |

CONSOLIDATED STATEMENTS OF CASH FLOWS

Year ended December 31, 2021 and December 31, 2020

Sagicor Financial Company Ltd.

Amounts expressed in US\$000

| | Note | 2021 | 2020 |
|---|------|----------------|-----------------|
| OPERATING ACTIVITIES | | | |
| Income before taxes | | 264,733 | 27,602 |
| Adjustments for non-cash items, interest and dividends | 36.1 | 396,330 | 371,057 |
| Interest and dividends received | | 389,798 | 329,337 |
| Interest paid | | (90,633) | (84,672) |
| Income taxes paid | | (66,276) | (39,610) |
| Net change in investments and operating assets | 36.1 | (1,084,876) | (876,462) |
| Net change in operating liabilities | 36.1 | 315,806 | 173,640 |
| Net cash flows - operating activities | | 124,882 | (99,108) |
| INVESTING ACTIVITIES | | | |
| Property, plant and equipment, net | 36.2 | (10,638) | (14,993) |
| Associates and joint ventures | | 50,068 | (5,951) |
| Dividends received from associates and joint ventures | | 1,060 | 708 |
| Purchase of intangible assets | | (4,312) | (3,840) |
| Changes in subsidiary holdings, net of cash and cash equivalents | | (23) | (320) |
| Net cash flows - investing activities | | 36,155 | (24,396) |

| | Note | 2021 | 2020 |
|---|------|-----------------|------------------|
| FINANCING ACTIVITIES | | | |
| Repurchase of common shares | | (19,979) | (13,301) |
| Movement of treasury shares | | 1 | (6) |
| Redemption of preference shares | | - | (6) |
| Shares (purchased from) / issued to non-controlling interests | | (1,551) | 455 |
| Issuance of notes and loans payable | 36.3 | 552,304 | 68,245 |
| Repayments on notes and loans payable | 36.3 | (330,777) | (109,514) |
| Lease liability principal paid | 36.4 | (7,845) | (5,697) |
| Dividends paid to common shareholders | | (32,548) | (33,279) |
| Dividends paid to preference shareholders | | - | (1) |
| Dividends paid to non-controlling interests | | (19,132) | (5,746) |
| Net cash flows - financing activities | | 140,473 | (98,850) |
| Effects of exchange rate changes | | (11,927) | (5,782) |
| NET CHANGE IN CASH AND CASH EQUIVALENTS | | 289,583 | (228,136) |
| Cash and cash equivalents, beginning of year | | 547,208 | 775,344 |
| CASH AND CASH EQUIVALENTS, END OF YEAR | 36.5 | 836,791 | 547,208 |

1 GENERAL INFORMATION

Sagicor Financial Company Ltd. (TSX: SFC, "Sagicor" or the "Company") is a leading financial services provider in the Caribbean, with over 180 years of history. SFC's registered office is located at Clarendon House, 2 Church Street, Hamilton, HM 11, Bermuda, with its principal office located at Cecil F De Caires Building, Wildey, St. Michael, Barbados.

On November 27, 2018, Sagicor Financial Corporation Limited ("SFCL") entered into a definitive arrangement agreement as amended on January 28, 2019 with Alignvest Acquisition II Corporation ("Alignvest"), a special purpose acquisition company ("SPAC"), pursuant to which on December 5, 2019, Alignvest acquired all of the issued and outstanding shares of SFCL by way of an Ontario court approved plan of arrangement and a Bermuda court approved scheme of arrangement (the "Arrangement"). On closing, Alignvest changed its name to Sagicor Financial Company Ltd., whose operations continue as SFC, and owns 100% of the shares in the capital of SFCL.

The Company now trades on the Toronto Stock Exchange under the new symbols "SFC" and "SFC.WT". With a listing on the Toronto Stock Exchange, Sagicor Financial Corporation Limited's common shares, formerly listed on the London and Trinidad and Tobago Stock Exchanges, have ceased trading and have been delisted from the London and the Trinidad and Tobago Stock Exchanges. The former listing on the Barbados Stock Exchange has ceased trading.

1 GENERAL INFORMATION (continued)

Sagicor and its subsidiaries ("the Group") operate across the Caribbean and in the United States of America (USA). Details of Sagicor's holdings and operations are set out in note 4.

The principal activities of the Sagicor Group are as follows:

- Life and health insurance,
- Annuities and pension administration services,
- Banking and investment management services,

and its principal operating companies are as follows:

- Sagicor Life Inc (Barbados and Trinidad & Tobago),
- Sagicor Life Jamaica Limited (Jamaica),
- Sagicor Bank Jamaica Limited (Jamaica),
- Sagicor Life Insurance Company (USA).

The Group also underwrites property and casualty insurance and provides hospitality services.

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

These consolidated financial statements for the year ended December 31, 2021 have been approved by the Board of Directors on March 18, 2022. Neither the Company's owners nor others have the power to amend the financial statements after issue.

2 ACCOUNTING POLICIES

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

2.1 Basis of preparation

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

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

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

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

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

2.1 Basis of preparation (continued)

The Group has adopted the amendments to IFRS and IAS set out in the following tables.

Amendments to existing IFRS effective periods beginning on or after June 30, 2020

| Standard | Description of amendment |
|---|--|
| IFRS 16 – Leases; COVID-19 related rent concessions | As a result of the coronavirus (COVID-19) pandemic, rent concessions have been granted to lessees. Such concessions might take a variety of forms, including payment holidays and deferral of lease payments. On May 28, 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. See note 2.27 for amendment effective April 1, 2022. |
| | This standard has no material effect on the Group. |

Amendments to existing IFRS and IAS effective January 1, 2021

| Standard | Description of amendment |
|--|---|
| IFRS 17 and IFRS 4 – Insurance contracts; deferral of IFRS 9 | These amendments defer the date of application of IFRS 17 by two years to January 1, 2023 and change the fixed date of the temporary exemption in IFRS 4 from applying IFRS 9 – Financial Instruments, until January 1, 2023. |
| | The effect of these standards on the Group follows in note 2.27 in the section, "IFRS 17 – Insurance Contracts, effective January 1, 2023". |

2.1 Basis of preparation (continued)Amendments to existing IFRS and IAS effective January 1, 2021 (continued)

| Standard | Description of amendment |
|--|--|
| IFRS 7, IFRS 4 and IFRS 16 – Interest Rate Benchmark Reform, Phase 2 | The Phase 2 amendments address issues that arise from the implementation of the reforms, including the replacement of one benchmark with an alternative one. This standard has no material effect on the Group. |

IFRIC clarification on Cloud Computing – Software as a Service configuration and customisation costs

In April 2021, following its decision in March 2021, the IFRIC published its position on accounting for configuration and customisation costs in a Software as a Service (SaaS) arrangement, which was ratified by the IASB. The IASB expects entities to assess if any changes are needed and to implement any changes which are required to align with IAS 38, which requires that such costs should be expensed when the service is received.

As at December 31, 2021, the Group's treatment of these costs is in line with the IFRIC and IASB positions and therefore there is no material effect on the Group.

2.2 Basis of consolidation(a) Subsidiaries

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

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

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

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

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

2.2 Basis of consolidation (continued)

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

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

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

(b) Sale of subsidiaries

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

2.2 Basis of consolidation (continued)

(c) Associates and joint ventures

The investments in associated companies, which are not majority-owned or controlled but where significant influence exists, are included in these consolidated financial statements under the equity method of accounting. Investments in companies are accounted for as associates in instances when significant influence exists even though the shareholding may be less than 20%.

Investments in associate and joint venture companies are originally recorded at cost and include intangible assets identified on acquisition.

Accounting policies of associates and joint ventures have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group. Assets of certain associates include significant proportions of investment property and financial instruments invested in investment property which are carried at fair value in accordance with the valuation procedures outlined in note 2.5.

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

The Group recognises in other comprehensive income, its share of post-acquisition other comprehensive income. The Group recognises an impairment of its net investment in an associate or a joint venture when there is objective evidence that the carrying amount exceeds its recoverable amount. The recoverable amount is the higher of the associate's or joint venture's fair value less costs to sell and its value in use.

2.2 Basis of consolidation (continued)**(d) Pension and investment funds**

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

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

(e) Employees share ownership plan (ESOP)

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

2.3 Foreign currency translation**(a) Functional and presentational currency**

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

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

(b) Reporting units

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

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

Currencies which are pegged to the United States dollar are converted at the pegged rates. Currencies which float are converted to the United States dollar by reference to the average of buying and selling rates quoted by the respective central banks. Exchange rates of the other principal operating currencies to the United States dollar are set out in the following table.

| | 2021 closing | 2021 average | 2020 closing | 2020 average |
|--------------------------|--------------|--------------|--------------|--------------|
| Barbados dollar | 2.0000 | 2.0000 | 2.0000 | 2.0000 |
| Eastern Caribbean dollar | 2.7000 | 2.7000 | 2.7000 | 2.7000 |
| Jamaica dollar | 153.9200 | 149.7042 | 142.4534 | 141.7506 |
| Trinidad & Tobago dollar | 6.7626 | 6.7426 | 6.7612 | 6.7462 |

2.3 Foreign currency translation (continued)

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

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

(c) Transactions and balances

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

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

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

2.4 Segments

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

2.5 Investment property

Investment property consists of freehold lands and freehold properties which are held for rental income and/or capital appreciation. Investment property is recorded initially at cost. In subsequent financial years, investment property is recorded at fair values as determined by independent valuation, with the appreciation or depreciation in value being taken to investment income. Fair value represents the price (or estimates thereof) that would be agreed upon in an orderly transaction between market participants at the valuation date. Fair values are derived using the market value approach and the income capitalisation approach, which reference market-based evidence, using comparable prices adjusted for specific factors such as nature, location and condition of property.

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

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

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

Rental income is recognised in accordance with note 2.10(a).

2.6 Property, plant and equipment

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

2.6 Property, plant and equipment (continued)

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

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

The Group, as lessor, enters into operating leases with third parties to lease certain property, plant and equipment. Income from these activities is recognised in accordance with note 2.10(a) in accordance with IFRS 16 - Leases.

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

| Asset | Estimated useful life |
|--|------------------------------|
| Owner-occupied buildings | 40 to 50 years |
| Owner-managed hotel buildings | 40 to 50 years |
| Furnishings and leasehold improvements | 2 to 10 years, or lease term |
| Computer and office equipment | 1 to 10 years |
| Vehicles | 4 to 5 years |
| Right-of-use assets | 1.5 to 12 years |

Lands are not depreciated.

2.6 Property, plant and equipment (continued)

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

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

2.7 Intangible assets**(a) Goodwill**

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

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

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

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

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

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

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

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

| Class of intangible asset | Asset | Estimated useful life |
|---------------------------|------------------------|-----------------------|
| Customer-related | Customer relationships | 5 - 20 years |
| | Broker relationships | 10 years |
| | Trade names | 10 years |
| Contract-based | Licences | 15 years |
| Technology-based | Software | 2 – 5 years |

2.8 Real estate developed or held for resale

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

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

2.9 Financial investments**(a) Classification of financial assets**

The Group utilises a principles-based approach to the classification of financial assets. Debt instruments, including hybrid contracts, are measured at fair value through profit or loss ("FVTPL"), fair value through other comprehensive income ("FVOCI") or amortised cost based on the nature of the cash flows of these assets and the Group's business model. 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 FVOCI with no subsequent reclassification to profit or loss.

Financial assets are measured on initial recognition at fair value and are classified as and subsequently measured either at amortised cost, at FVOCI or at FVTPL. Financial assets are recognised when the Group becomes a party to the contractual provision of the instrument. Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset.

(b) Classification of debt instruments

Classification and subsequent measurement of debt instruments depend on:

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

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

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, such as most loans and advances to banks and customers and some debt securities, are measured at amortised cost. In addition, most financial liabilities are measured at amortised cost. The carrying value of these financial assets at initial recognition includes any directly attributable transactions costs.

2.9 Financial investments (continued)Measured at fair value through other comprehensive income (FVOCI)

Debt instruments held for a business model that is achieved by both collecting contractual cash flows and selling and that contain contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest are measured at FVOCI. These comprise primarily debt securities and money market funds.

Measured at fair value through profit and loss (FVTPL)

Debt instruments are classified in this category if they meet one or more of the criteria set out below and are so designated irrevocably at inception:

- the use of the designation removes or significantly reduces an accounting mismatch;
- when the performance of a group of financial assets is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy;
- when the debt instruments are held for trading and 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.

Business model assessment

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

- The nature of liabilities, if any, funding a portfolio of assets;
- The nature of the market of the assets in the country of origination of a portfolio of assets;
- How the Group intends to generate profits from holding a portfolio of assets;
- The historical and future expectations of asset sales within a portfolio.

2.9 Financial investments (continued)Solely payments of principal and interest ("SPPI")

Where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell, the Group assesses whether the financial instruments' cash flows represent solely payments of principal and interest. In making this assessment, the Group considers whether the contractual cash flows are consistent with a basic lending arrangement. Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related financial assets are classified and measured at FVTPL.

(c) Unit linked funds fair value model

The Group's liabilities include unit linked funds which are components of insurance contracts issued or unit linked investment contracts issued with terms that the full investment return earned on the backing assets accrue to the contract-holders. Where these liabilities are accounted for at FVTPL, the financial investments backing these liabilities are consequently classified as and measured at FVTPL. This is to eliminate any accounting mismatch.

(d) Impairment of financial assets measured at amortised cost and FVOCI

At initial recognition of a financial asset, allowance (or provision in the case of some loan commitments and financial guarantees) is required for Expected Credit Losses (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').

2.9 Financial investments (continued)

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 are recognised are defined as 'Stage 1'; financial assets which are considered to have experienced a significant increase in credit risk are in 'Stage 2'; and financial assets for which there is objective evidence of impairment are defined as being 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 lifetime credit risk has increased significantly since initial recognition, the Group considers reasonable and supportable information that is available, including information from the past and forward-looking information. Factors, such as whether payments of principal and interest are in default, an adverse change in credit rating of the borrower and adverse changes in the borrower's industry and economic environment, are considered in determining whether there has been a significant increase in the credit risk of the borrower.

(e) Purchased or originated credit-impaired assets (POCI)

Financial assets that are purchased or originated at a deep discount that reflects the incurred credit losses are considered to be POCI. These financial assets are credit-impaired on initial recognition. The Group calculates the credit-adjusted effective interest rate, which is calculated based on the fair value origination of the financial asset instead of its gross carrying amount and incorporates the impact of expected credit losses in estimated future cash flows. The ECL of these assets is always measured on a lifetime basis.

At each reporting date, the Group shall recognise in profit or loss the amount of the change in lifetime expected credit losses as an impairment gain or loss. The Group will recognise favourable changes in lifetime expected credit losses as an impairment gain, the gain occurs when the lifetime expected credit losses are less than the amount of expected credit losses that were included in the estimated cash flows on initial recognition.

2.9 Financial investments (continued)**(f) Definition of default**

The Group determines that a financial instrument is credit-impaired and in Stage 3 by considering relevant objective evidence, primarily whether:

- contractual payments of either principal or interest are past due for 90 days or more;
- there are other indications that the borrower is unlikely to pay such as that a concession has been granted to the borrower for economic or legal reasons relating to the borrower's financial condition; and
- the financial asset is otherwise considered to be in default.

If such unlikelihood to pay is not identified at an earlier stage, it is deemed to occur when an exposure is 90 days past due.

(g) 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.

(h) 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.

2.9 Financial investments (continued)

Measurement

Expected credit losses are calculated by multiplying three main components, being the probability of default ("PD"), loss given default ("LGD") and the exposure at default ("EAD"), discounted at the original effective interest rate. Management has calculated these inputs based on the 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 (i.e. Stage 3). For ECL provisions modelled on a collective basis, a grouping of exposures is performed on the basis of shared risk characteristics, such that risk exposures within a group are homogeneous.

The PD, LGD and EAD models which support these determinations are reviewed regularly in light of differences between loss estimates and actual loss experience; but given that IFRS 9 requirements have only been applied since January 1, 2018, the historical period for such review is limited. 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, and particularly to changes in economic and credit conditions across wide geographical areas. Many of the factors have a high degree of interdependency and there is no single factor to which loan impairment allowances are sensitive. Therefore, sensitivities are considered in relation to key portfolios which are particularly sensitive to a few factors and the results should not be further extrapolated.

The main difference between Stage 1 and Stage 2 expected credit losses is the respective PD horizon. 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 pre-January 1, 2018 processes for estimating losses on impaired loans; however, these processes will be updated as experience develops, including the requirement to consider multiple forward-looking scenarios. An expected credit loss estimate will be produced for each individual exposure, including amounts which are subject to a more simplified model for estimating expected credit losses.

2.9 Financial investments (continued)

The measurement of expected credit losses for each stage and the assessment of significant increases in credit risk must consider information about past events and current conditions as well as reasonable and supportable forecasts of future events and economic conditions. The estimation and application of forward-looking information will require significant judgment.

For a revolving commitment, the Group includes the current drawn balance plus any further amount that is expected to be drawn up to the current contractual limit by the time of default, should it occur.

For defaulted financial assets, based on management's assessment of the borrower, a specific provision of expected lifetime 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 will require significant judgment. PD, LGD and EAD inputs used to estimate Stage 1 and Stage 2 credit loss allowances are modelled based on the macroeconomic variables (or changes in macroeconomic variables) that are most closely correlated with credit losses in the relevant portfolio.

Each macroeconomic scenario used in the expected credit loss calculation will have forecasts of the relevant macroeconomic variables – including, but not limited to, unemployment rates and gross domestic product, for a three-year period, subsequently reverting to long-run averages. Our estimation of expected credit losses in Stage 1 and Stage 2 will be a discounted probability-weighted estimate that considers a minimum of three future macroeconomic scenarios. Our base case scenario will be based on macroeconomic forecasts where available. Upside and downside scenarios will be set relative to our base case scenario based on reasonably possible alternative macroeconomic conditions.

2.9 Financial investments (continued)

Scenario design, including the identification of additional downside scenarios will occur on at least an annual basis and more frequently if conditions warrant. Scenarios will be probability-weighted according to our best estimate of their relative likelihood based on historical frequency and current trends and conditions. Probability weights will be updated on a quarterly basis.

(i) Modification of loans

The Group sometimes renegotiates or otherwise modifies the contractual cash flows of loans to customers and debt instruments. When this happens, the Group assesses whether the new terms are substantially different from the original terms. The Group does this by considering, among others, the following factors:

- If the borrower is in financial difficulty, whether the modification merely reduces the contractual cash flow to amounts the borrower is expected to be able to pay.
- 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 in which the loan is denominated.
- Insertion of collateral, other security or credit enhancements that significantly affect the credit risk associated with the loan.

If the terms are substantially different, the Group derecognises the original financial investment and recognises a new investment at fair value and recalculates the new effective interest rate for the investment. 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.

(j) Reclassified balances

The Group reclassifies debt securities when and only where its business model for managing those investments changes. The reclassification takes place from the start of the first reporting period following the change. Such changes are expected to be very infrequent.

2.9 Financial investments (continued)**(k) Classification of equity instruments**

The Group classifies and subsequently measures all equity investments at FVTPL, except where the Group's management has elected, at initial recognition, to irrevocably designate an equity investment at FVOCI. The Group's policy is to designate equity investments as FVOCI when those investments are held for purposes other than to generate investment returns.

(l) Embedded derivatives

The Group may hold debt securities and preferred equity securities which may contain embedded derivatives. The embedded derivative of a financial investment is classified in the same manner as the host contract.

(m) Presentation in the statements of income and other comprehensive income (OCI)**Financial instruments measured at FVTPL**

Realised changes in fair value, unrealised changes in fair value, interest income and dividend income are included in other investment income.

Financial instruments at amortised cost

- Interest income is included in interest income earned from financial assets measured at amortised cost in the consolidated statement of income.
- Credit impairment losses are included in the consolidated statement of income.
- Gain or loss on derecognition of debt securities is presented in the consolidated statement of income.

Financial instruments measured at FVOCI

- Interest income is included in interest income earned from financial assets measured at FVOCI in the consolidated statement of income.
- Credit impairment losses are included in the consolidated statement of income.
- Unrealised gains and losses arising from changes in fair value are presented in OCI.
- On derecognition, the cumulative fair value gain or loss is transferred from OCI and is presented in the consolidated statement of income.

2.9 Financial investments (continued)Equity securities measured at FVOCI

- Dividend income is included in other investment income.
- Unrealised changes in fair value presented in OCI. Any impairment losses are included with fair value changes.
- On derecognition, the cumulative gain or loss in OCI remains in the fair value reserve for FVOCI assets.

2.10 Leases**(a) Leases held as lessor**

The Group holds finance leases with third parties to lease assets. Finance leases are leases in which the Group has transferred substantially the risks of ownership to the lessee. The finance lease, net of unearned finance income, is recorded as a receivable and the finance income is recognised over the term of the lease using the effective yield method. Impairment of finance lease receivables is measured in accordance with the requirements for amortised cost debt instruments.

The Group holds operating leases primarily for the rental of investment property and certain owner-occupied property. The Group recognises revenue from these activities on a straight-line basis or on another systematic basis if that basis is more representative of the pattern of use of the underlying asset.

(b) Leases held as lessee

At the inception of a rental contract for office space or a contract for the use of an asset, the Group assesses whether the contract contains a lease. A contract is, or contains, a lease if it conveys to the Group the right to control the use of the office space or asset for a time period in exchange for consideration. The Group has elected to use the exemption for lease periods with a term of 12 months or less, or those leases for which the underlying asset has a low value, in which case the lease payments are recognised in administrative expenses. Low value assets comprise IT equipment and small items of office furniture.

2.10 Leases (continued)

For a contract that contains a lease, the Group may account for the lease component separately from the non-lease component. As a practical expedient, the Group elected, by class of underlying asset, not to separate the non-lease and lease components, and instead account for the contract as a lease.

As of the date the asset is available for use by the Group (the commencement date), a right-of-use asset and a corresponding lease liability are recognised.

The cost of the right-of-use asset comprises:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- restoration costs.

The Group recognises the costs described in paragraph (d) as part of the cost of the right-of-use asset when it incurs an obligation for those costs.

Right-of-use assets are presented within property, plant and equipment and are subsequently measured at cost less depreciation. Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

At the commencement date, the Group measures the lease liability as the present value of the lease payments that are not paid at that date. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

2.10 Leases (continued)

At the commencement date, the lease payments included in the measurement of the lease liability comprise the following payments for the right to use the underlying asset during the lease term that are not paid at the commencement date:

- (a) fixed payments, less any lease incentives receivable;
- (b) amounts expected to be payable by the lessee under residual value guarantees;
- (c) payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

Extension and termination options are included in a number of property and equipment leases across the Group. These terms are used to maximise operational flexibility in terms of managing contracts. The extension and termination options need to be approved by the lessor. There are no variable lease payments and there were no residual value guarantees on leases.

Lease payments are allocated between principal and finance cost. The Group recognises interest on the lease liability in each accounting period during the lease term, which is the amount that produces a constant periodic rate of interest on the remaining balance of the lease liability.

After the commencement date, the lease liability is measured by:

- (a) increasing the carrying amount to reflect interest on the lease liability;
- (b) reducing the carrying amount to reflect the principal portion of lease payments made; and
- (c) remeasuring the carrying amount to reflect reassessment or lease modifications, or to reflect revised fixed lease payments.

Lease liabilities are included in lease liabilities in the statement of financial position. The associated interest is included in finance costs in the statement of income. Leases give rise to lease liability principal elements and interest elements in the statement of cash flows.

2.11 Financial liabilities

During the ordinary course of business, the Group issues investment contracts or otherwise assumes financial liabilities that expose the Group to financial risk.

Classification

Financial liabilities are measured at initial recognition at fair value and are classified as and subsequently measured either at amortised cost, or at fair value through profit and loss (FVTPL). Financial liabilities are recognised when the Group becomes a party to the contractual provision of the instrument.

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 (note 2.9 (c)) are classified and measured at FVTPL as the Group is obligated to provide investment returns to the unit holder in direct proportion to the investment returns on a specific portfolio of assets, which are also carried at FVTPL. Derivative financial liabilities are carried at FVTPL (note 2.12). All other financial liabilities are carried at amortised cost. It is noted that the financial liabilities measured at FVTPL do not have a cumulative own credit adjustment gain or loss.

The recognition and measurement of the Group's principal types of financial liabilities are disclosed in note 2.14(b) (vii) and in the following paragraphs.

(a) Securities sold for repurchase

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

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

2.11 Financial liabilities (continued)**(b) Deposit liabilities**

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

(c) Loans and other debt obligations

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

Obligations undertaken for the purposes of financing operations and capital support are classified as notes or loans payable. Loan obligations undertaken for the purposes of providing funds for on-lending, leasing or portfolio investments are classified as deposit and security liabilities.

(d) Fair value

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

(e) Presentation in the statement of income

For notes and loans payable measured at amortised cost, the associated interest is included in finance costs.

For deposit and security liabilities measured at amortised cost, the associated interest expense is included within interest costs.

For financial liabilities measured at FVTPL, the associated interest and fair value changes are included within interest costs.

2.12 Derivative financial instruments and hedging activities

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

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

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

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

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

2.13 Offsetting financial instruments

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

2.14 Policy contracts**(a) Classification**

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

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

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

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

2.14 Policy contracts (continued)

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

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

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

Residual gains in the participating accounts constitute discretionary participation features which the Group classifies as equity (see also note 2.21).

(b) Recognition and measurement**(i) Property and casualty insurance contracts**

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

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

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

2.14 Policy contracts (continued)

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

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

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

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

(ii) Health insurance contracts

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

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

2.14 Policy contracts (continued)

Claims are recorded on settlement. Reserves are recorded as described in note 2.15.

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

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

(iii) Long-term traditional insurance contracts

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

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

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 2.15.

2.14 Policy contracts (continued)

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

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

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

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

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

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 2.15.

2.14 Policy contracts (continued)

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

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

(v) Reinsurance contracts assumed

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

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

(vi) Reinsurance contracts held

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

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

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

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

2.14 Policy contracts (continued)*(vii) Deposit administration and other investment contracts*

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

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

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

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

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

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

(c) Embedded derivatives

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

The Group does not separately measure embedded derivatives that are closely related to the host insurance contract or that meet the definition of an insurance contract. Options to surrender an insurance contract for a fixed amount are also not measured separately. In these cases, the entire contract liability is measured as set out in note 2.15.

2.14 Policy contracts (continued)*(d) Liability adequacy tests*

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

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

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

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.

2.15 Actuarial liabilities (continued)

Net insurance contract liabilities represent the amount which, together with estimated future premiums and net investment income, will be sufficient to pay projected future benefits, policyholder dividends and refunds, taxes (other than income taxes) and expenses on policies in-force net of reinsurance premiums and recoveries.

The determination of net insurance liabilities is based on an explicit projection of cash flows using current assumptions plus a margin for adverse deviation for each material cash flow item. Investment returns are projected using the current asset portfolios and projected reinvestment yields. The period used for the projection of cash flows is the policy lifetime for most individual insurance contracts.

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

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

2.15 Actuarial liabilities (continued)

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

(b) Health insurance contracts

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

2.16 Presentation of current and non-current assets and liabilities

In note 40.5, the maturity profiles of financial and insurance assets and liabilities are identified. For other assets and liabilities, balances presented in notes 5 to 8, 10 to 12, 14, 18, 19 and 33 are non-current unless otherwise stated in those notes.

2.17 Employee benefits**(a) Pension benefits**

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

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

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

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

Where a minimum funding requirement exists, the Group assesses the obligation, to determine whether the additional contributions would affect the measurement of the defined benefit asset or liability.

(b) Other retirement benefits

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

2.17 Employee benefits (continued)**(c) Profit-sharing and bonus plans**

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

(d) Equity compensation benefits

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

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

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

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

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

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

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

2.17 Employee benefits (continued)

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

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

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

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

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

(e) Termination benefits

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

2.18 Taxes*(a) Premium taxes*

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

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

Premium tax is recognised gross in the statement of income.

(b) Asset tax

The Group is subject to an asset tax in Jamaica and Barbados. In Jamaica, the asset tax is levied on insurance, securities dealers and deposit-taking institutions, and is 0.25% of adjusted assets held at the end of the year. In Barbados, the asset tax is levied on insurance, deposit-taking institutions and credit unions and is 0.35% of adjusted assets held at the end of a period. Taxes are accrued monthly.

(c) Income taxes

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

2.18 Taxes (continued)

| Income tax rates | Life insurance and non-registered annuities | Registered annuities | Other lines of business |
|--------------------------|---|-------------------------|-----------------------------------|
| Barbados | 2% of profit before tax | 2% of profit before tax | 2% of profit before tax |
| Jamaica | 25% of profit before tax | Nil | 25% - 33.33% of profit before tax |
| Trinidad and Tobago | 15% (deductions granted only in respect of expenses pertaining to long-term business investment income) | Nil | 30% of net income |
| United States of America | 21% of net income | Nil | Nil |

(i) Current income taxes

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

(ii) Deferred income taxes

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

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

2.19 Other liabilities / Retirement benefit liabilities

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

2.20 Common shares

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

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

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

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

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

2.21 Participating accounts (continued)

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

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

(b) "Open" participating account

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

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

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

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

2.21 Participating accounts (continued)**(c) Financial statement presentation**

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

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

2.22 Statutory reserves

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

2.23 Premium / (discount) paid on repurchase of shares

The premium / (discount) paid on repurchase of shares is recorded directly in retained earnings.

2.24 Interest income and interest expense

Interest income (expense) is computed by applying the effective interest rate to the gross carrying amount of a financial asset (liability), except for financial assets that are purchased, originated or 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. Dividend income is recorded when declared.

2.25 Fees and other revenue

The Group earns fee income from:

- the management and administration of third-party investment funds, pension plans and insurance benefit plans (managed funds or administrative service only (ASO) benefit plans);
- hotel revenue from room services, and food and beverage sales;
- certain of its insurance and investment contracts;
- the provision of corporate finance, stockbroking, trust and related services.

Other revenue includes:

- commission income on insurance contracts;
- hotel revenue from other services and sale of goods;
- rental income from owner-occupied property;
- foreign exchange gains / (losses).

Service contract revenue

Revenues from service contracts include management and administrative fees and hotel revenue from guest reservations. These service contracts generally impose single-performance obligations, each consisting of a series of similar related services to the customer. The Group's performance obligations within these service arrangements are generally satisfied over time as the customers simultaneously receive and consume contracted benefits.

Revenue from service contracts with customers is recognised when or as the Group satisfies the performance obligation. For obligations satisfied over time, revenue is recognised monthly or over the applicable period. For performance obligations satisfied at a point in time, service contract revenue is recognised at that point in time.

2.26 Cash flows

The following classifications apply to the cash flow statement.

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

Cash and cash equivalents comprise:

- cash balances,
- call deposits,
- money market funds,
- other liquid balances with maturities of three months or less from the acquisition date,
- less bank overdrafts which are repayable on demand.

Cash equivalents are subject to an insignificant risk of change in value and exclude restricted cash.

2.27 Future accounting developments and reporting changes

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

Amendment to IFRS 16 – Leases; COVID-19 related rent concessions, effective April 1, 2021**Subject / Comments**

In March 2021, the IASB issued this amendment which extends, by one year, the May 2020 amendment that provides lessees with an exemption from assessing whether a COVID-19-related rent concession is a lease modification. See note 2.1.

This standard will have no material effect on the Group.

Amendments to IAS 1 – Liabilities as current or non-current, now effective January 1, 2024 (originally effective January 1, 2022)**Subject / Comments**

In January 2020, the IASB made amendments to IAS 1 'Presentation of financial statements' to clarify the criteria for classifying a liability as non-current. These are to be applied retroactively.

The impact of this standard on the Group is currently being analysed.

Amendments to IFRS 3 – Business combinations, effective January 1, 2022**Subject / Comments**

These amendments update a reference in IFRS 3 to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations.

This standard will have no material effect on the Group.

2.27 Future accounting developments and reporting changes (continued)**Amendments to IAS 16 – Property, plant and equipment, effective January 1, 2022****Subject / Comments**

These amendments 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 recognise such sales proceeds and related cost in profit or loss.

This standard will have no material effect on the Group.

Amendments to IAS 37 – Provisions, contingent liabilities and contingent assets, effective January 1, 2022**Subject / Comments**

These amendments specify which costs a company includes when assessing whether a contract will be loss-making.

This standard will have no material effect on the Group.

Amendments to IAS 12 – Deferred tax related to assets and liabilities arising from a single transaction, effective January 1, 2023**Subject / Comments**

In May 2021, these amendments were issued to clarify how companies account for deferred tax on transactions such as leases and decommissioning obligations.

This standard will have no material effect on the Group.

2.27 Future accounting developments and reporting changes (continued)

Amendments to IAS 8 – Definition of accounting estimates, effective January 1, 2023**Subject / Comments**

In February 2021, this amendment was issued to assist entities in distinguishing between accounting policies and accounting estimates.

This standard will have no material effect on the Group.

Amendments to IAS 1 and IFRS Practice Statement 2 – Disclosure of accounting policies, effective January 1, 2023**Subject / Comments**

In February 2021, this amendment was issued to assist preparers of financial statements in making decisions related to which accounting policies to disclose in financial statements.

This standard will have no material effect on the Group.

IFRS 17 – Insurance Contracts, effective January 1, 2023**Subject / Comments**

IFRS 17 was issued in May 2017 as replacement for IFRS 4 - Insurance Contracts. A further exposure draft (ED) was issued in June 2019 and final amendments were published in June 2020. The amendments aim to help companies implement the standard and to make explanation of financial performance easier. The standard requires a current measurement model where estimates are re-measured each reporting period.

2.27 Future accounting developments and reporting changes (continued)

IFRS 17 – Insurance Contracts, effective January 1, 2023 (continued)**Subject / Comments**

Contracts are measured using the building blocks of:

- discounted probability-weighted cash flows,
- an explicit risk adjustment, and
- a contractual service margin (“CSM”) representing the unearned profit of the contract which is recognised as revenue over the coverage period.

It allows a choice between recognising changes in discount rates either in the income statement or directly in other comprehensive income. The choice is likely to reflect how insurers account for their financial assets under IFRS 9.

An optional, simplified premium allocation approach is permitted for the liability for the remaining coverage for short duration contracts which are often written by non-life insurers.

There is a modification of the general measurement model called the ‘variable fee approach’ for certain contracts written by life insurers where policyholders share in the returns from underlying items. When applying the variable fee approach, the entity’s share of the fair value changes of the underlying items is included in the contractual service margin.

The new rules will affect the financial statements and key performance indicators of all entities that issue insurance contracts or investment contracts with discretionary participation features.

Sagicor has established a group-wide project for the implementation of this standard and has allocated substantial resources to this exercise. Project activities involve the establishment of various technical and oversight teams, and the evaluation and assessment of the Group’s business. The Group is carrying out internal training programmes, workshops and assessments of all areas affected by the standard as it works towards implementation. Project work is ongoing in all areas.

2.27 Future accounting developments and reporting changes (continued)

Amendments to IAS 1 and IFRS Practice Statement 2 – Disclosure of accounting policies, effective January 1, 2023**Subject / Comments**

In February 2021, the IASB issued amendments to IAS 1 and IFRS Practice Statement 2 that are intended to help preparers with the decision of which accounting policies to disclose in the financial statements.

This standard will have no material effect on the Group.

| Annual Improvements to Standards | Description of amendment |
|---|---|
| IFRS 1 - First-time Adoption of International Financial Reporting Standards | To simplify the application of IFRS 1 by a subsidiary that becomes a first-time adopter of IFRSs after its parent company has already adopted them. The amendment relates to the measurement of cumulative translation differences. |
| IFRS 9 - Financial Instruments | To clarify the fees a company includes in assessing the terms of a new or modified financial liability to determine whether to derecognise a financial liability. |
| Illustrative Examples accompanying IFRS 16 Leases | To remove the potential for confusion regarding lease incentives by amending an Illustrative Example accompanying IFRS 16. |
| IAS 41 - Agriculture | To align the fair value measurement in IAS 41 with those in other IFRSs. |
| The annual improvements are effective January 1, 2022 and have not yet been applied. None of these amendments will have a material effect on the Group. | |

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

3.1 Impairment of financial assets

In determining ECL (defined in note 2.9(d)), management is required to exercise judgement in defining what is considered a significant increase in credit risk and in making assumptions and estimates to incorporate relevant information about past events, current conditions and forecasts of economic conditions. Further information about the judgements involved is included in note 2.9 under sections 'Measurement' and 'Forward-looking information'.

(a) Establishing staging for debt securities and deposits

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

3.1 Impairment of financial assets (continued)

The scale is set out in the following table:

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

The Group uses its internal credit rating model to determine in which of the three stages an asset is to be categorised for the purposes of ECL.

Once the asset has experienced a significant increase in credit risk, the investment will move from Stage 1 to Stage 2. Sagikor has assumed that the credit risk of a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial asset that is investment grade or has a Sagikor risk rating of 1-3 is considered low credit risk.

3.1 Impairment of financial assets (continued)

Stage 1 investments are rated (i) investment grade, or (ii) below investment grade at origination 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 at origination and have been downgraded more than 2 notches since origination. Stage 3 investments are assets in default.

- (b) Establishing staging for other assets measured at amortised cost, finance lease receivables, loan commitments and financial guarantee contracts

Exposures are considered to have resulted in a significant increase in credit risk and are moved to stage 2 when:

Qualitative test

- accounts that meet the portfolio's 'high risk' criteria and are subject to closer credit monitoring.

Backstop criteria

- accounts that are 30 calendar days or more past due. The 30 days past due criteria is a backstop rather than a primary driver of moving exposures into stage 2.

- (c) 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 Barbados, Eastern Caribbean, Trinidad and Jamaica. Management assesses data sources from local government, International Monetary Fund (IMF) and other reputable 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 expected performance is then used for the remaining life of the product. These projections are re-assessed on a quarterly basis.

3.2 Fair value of securities not quoted in an active market

The fair value of securities not quoted in an active market may be determined using reputable pricing sources (such as pricing agencies), indicative prices from bond/debt market makers or other valuation techniques. Broker quotes as obtained from the pricing sources may be indicative and not executable or binding. The Group exercises judgement on the quality of pricing sources used. Where no market data is available, the Group may value positions using its own models, which are usually based on valuation methods and techniques generally recognised as standard within the industry. The inputs into these models are primarily discounted cash flows.

The models used to determine fair values are periodically reviewed by experienced personnel. The models used for debt securities are based on net present value of estimated future cash flows, adjusted as appropriate for liquidity, and credit and market risk factors.

3.3 Recognition and measurement of intangible assets

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

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

3.4 Impairment of intangible assets

(a) Goodwill

The assessment of goodwill impairment involves the determination of the value of the cash-generating business units to which the goodwill has been allocated. Determination of the value involves the estimation of future cash flows or of income after tax of these business units and the expected returns to providers of capital to the business units and/or to the Group as a whole. For the Sagikor Life reporting segment, the Group uses the value in use methodology for testing goodwill impairment. For the Sagikor Jamaica operating segment, the Group uses the fair value less cost to sell methodology, and for Sagikor General Insurance Inc, the value in use methodology.

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

(b) Other intangible assets

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

3.5 Valuation of actuarial liabilities

(a) Canadian Actuarial Standards

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

3.5 Valuation of actuarial liabilities (continued)

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

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

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

Further details of the inputs used are set out in note 42.

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

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

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

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

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

3.6 Investment in associate

As at October 1, 2018, Sagikor Group Jamaica (SGJ) had a shareholding in Playa of 15%, which increased to 16% on June 15, 2020 (see note 37.1). From an accounting perspective, IAS 28 (Investments in Associate and Joint Ventures) paragraph 5, 6 and 8 guidance was considered as follows:

Where an entity holds 20% or more of the voting power (directly or through subsidiaries) in an investee, it will be presumed the investor has significant influence unless it can be clearly demonstrated that this is not the case. If the holding is less than 20%, the entity will be presumed not to have significant influence unless such influence can be clearly demonstrated. A substantial or majority ownership by another investor does not necessarily preclude an entity from having significant influence.

The existence of significant influence by an entity is usually evidenced in one or more of the following ways:

- representation on the board of directors or equivalent governing body of the investee;
- participation in the policy-making process, including participation in decisions about dividends or other distributions;
- material transactions between the entity and the investee;
- interchange of managerial personnel; or
- provision of essential technical information.

In assessing whether potential voting rights contribute to significant influence, the entity examines all facts and circumstances (including the terms of exercise of the potential voting rights and any other contractual arrangements whether considered individually or in combination) that affect potential rights, except the intentions of management and the financial ability to exercise or convert those potential rights.

Management had previously concluded, given its participation in the policy-making decisions, significant involvement in, and influence over strategic financial and operational decision-making of Playa, that it had significant influence over Playa and as such was of the view that SGJ's strategic investment in Playa should be treated as an investment in associate in accordance with IAS 28, even though Sagikor owned less than 20% of Playa's shares.

During the year, SGJ sold a portion of its investment as part of Playa's secondary public offering and transferred the remaining shares to SFCL (see note 37.1). This resulted in the investment being designated as a FVTPL investment. Management had concluded that the investment in Playa did not meet the definition of held for sale as at December 31, 2020.

4 SEGMENTS

The management structure of the Group consists of the parent company Board of Directors, the Group Chief Executive Officer (CEO), subsidiary company Boards of Directors and subsidiary company CEOs. For the parent company and principal subsidiaries, there are executive management committees made up of senior management who advise the respective CEOs. The principal subsidiaries have a full management governance structure, a consequence of them being regulated insurance and financial services entities, and of the range and diversity of their products and services.

The Group CEO serves as Board Chairman or as a Board Member of the principal subsidiaries and is the Group's Chief Operating decision-maker. Through subsidiary company reporting, the Group CEO obtains details of Group performance and of resource allocation needs. Summarisation of planning and results and prioritisation of resource allocation is done at the parent company level where strategic decisions are taken.

In accordance with the relevant financial reporting standard, the Group has determined that there are three principal subsidiary Groups which represent the reportable operating segments of Sagikor. These segments and other Group companies are set out in the following sections.

(a) Sagikor Life

This group comprises Sagikor Life Inc, its branches and associates, and certain of its subsidiaries in Barbados, Trinidad & Tobago, Eastern Caribbean, Dutch Caribbean, Bahamas and Central America.

The companies comprising this segment are set out in the following table.

4 SEGMENTS (continued)

| Sagikor Life Segment Companies | Principal Activities | Country of Incorporation | Effective Shareholders' Interest |
|--|--|---------------------------------|---|
| Sagikor Life Inc | Life and health insurance, annuities and pension administration services | Barbados | 100% |
| Sagikor Life (Eastern Caribbean) Inc. ⁽¹⁾ | Life and health insurance, annuities and pension administration services | St. Lucia | 100% |
| Sagikor Life Aruba NV | Life and health insurance, annuities and pension administration services | Aruba | 100% |
| Capital Life Insurance Company Bahamas Limited | Life insurance | The Bahamas | 100% |
| Sagikor Panamá, SA | Life and health insurance | Panamá | 100% |
| Nationwide Insurance Company Limited | Life insurance | Trinidad & Tobago | 100% |
| Sagikor International Management Services Inc | Investment management | USA | 100% |
| ⁽¹⁾ Sagikor Life (Eastern Caribbean) Inc. became a subsidiary of Sagikor Life Inc on December 31, 2021 when ownership was transferred from Sagikor Financial Corporation Limited. | | | |
| Associates | | | |
| FamGuard Corporation Limited | Investment holding company | The Bahamas | 20% |
| Principal operating company: Family Guardian Insurance Company Limited | Life and health insurance and annuities | The Bahamas | 20% |
| RGM Limited | Property ownership and management | Trinidad & Tobago | 33% |
| Primo Holding Limited | Property investment | Barbados | 38% |

4 SEGMENTS (continued)

(b) Sagikor Jamaica

This segment comprises the Sagikor Jamaica Group of companies, which conduct life, health, annuity, property and casualty insurance business, pension administration services, banking and financial services, hospitality and real estate investment services in Jamaica, Cayman Islands, Costa Rica and USA. The companies comprising this segment are as follows:

| Sagikor Jamaica Segment Companies | Principal Activities | Country of Incorporation | Effective Shareholders' Interest |
|--|---|--------------------------|----------------------------------|
| Sagikor Group Jamaica Limited | Group holding company | Jamaica | 49.11% |
| Sagikor Life Jamaica Limited | Life and health insurance and annuities | Jamaica | 49.11% |
| Sagikor Cayman Limited | Holding company | The Cayman Islands | 49.11% |
| Sagikor Life of the Cayman Islands Ltd. | Life insurance | The Cayman Islands | 49.11% |
| Sagikor Investments Cayman Ltd. | Investment services | The Cayman Islands | 49.11% |
| Sagikor Pooled Investment Funds Limited | Pension fund management | Jamaica | 49.11% |
| Employee Benefits Administrator Limited | Pension administration services | Jamaica | 49.11% |
| Sagikor Re Insurance Limited | Property and casualty insurance | The Cayman Islands | 49.11% |
| Sagikor Insurance Brokers Limited | Insurance brokerage | Jamaica | 49.11% |
| Sagikor International Administrators Limited | Group insurance administration | Jamaica | 49.11% |

4 SEGMENTS (continued)

| Sagikor Jamaica Segment Companies (continued) | Principal Activities | Country of Incorporation | Effective Shareholders' Interest |
|---|--|--------------------------|----------------------------------|
| Sagikor Insurance Managers Limited | Captive insurance management services | The Cayman Islands | 49.11% |
| Sagikor Property Services Limited | Property management | Jamaica | 49.11% |
| Sagikor Investments Jamaica Limited | Investment banking | Jamaica | 49.11% |
| Sagikor Bank Jamaica Limited | Commercial banking | Jamaica | 49.11% |
| LOJ Holdings Limited | Insurance holding company | Jamaica | 100% |
| Sagikor Securities Jamaica Limited ⁽¹⁾ | Securities trading | Jamaica | 49.11% |
| Travel Cash Jamaica Limited | Microfinance | Jamaica | 25.05% |
| Sagikor Real Estate X-Fund Limited | Investment in real estate activities | St. Lucia | 14.39% |
| X Fund Properties Limited | Hospitality and real estate investment | Jamaica | 14.39% |
| X Fund Properties LLC | Hospitality | USA | 14.39% |
| Jamziv MoBay Jamaica Portfolio Limited | Holding company | Jamaica | 8.75% |
| Phoenix Equity Holdings Limited | Holding company | Barbados | 49.11% |
| Advantage General Insurance Co. Limited | Property and casualty insurance | Jamaica | 29.47% |
| Bailey Williams Limited | Real estate development | Jamaica | 34.38% |
| Joint venture | | | |
| Sagikor Costa Rica, S.A. | Life insurance | Costa Rica | 24.56% |

⁽¹⁾ On May 1, 2021, Sagikor Securities Jamaica Limited, a wholly-owned subsidiary of Sagikor Group Jamaica Limited, was wound up.

4 SEGMENTS (continued)

(b) Sagikor Jamaica (continued)

Control of Sagikor Group Jamaica Limited is established through the following:

- The Group's effective shareholder's interest gives it the power to appoint the directors of the company and thereby direct relevant activities.
- The Group is exposed to the variable returns from its effective shareholder's interest.
- The Group has the ability to use the power to affect the amount of investor's returns.

(c) Sagikor Life USA

This segment comprises Sagikor's life insurance operations in the USA and comprises the following:

| Sagikor Life USA Segment Companies | Principal Activities | Country of Incorporation | Effective Shareholders' Interest |
|------------------------------------|------------------------------|--------------------------|----------------------------------|
| Sagikor Life Insurance Company | Life insurance and annuities | USA - Texas | 100% |
| Sagikor USA Inc | Insurance holding company | USA - Delaware | 100% |
| Sage Distribution, LLC | Life insurance and annuities | USA - Delaware | 100% |
| Sage Partners, LLC | Life insurance and annuities | USA - Delaware | 100% |
| Sagikor Financial Partners, LLC | Life insurance and annuities | USA - Delaware | 51% |

4 SEGMENTS (continued)

(d) Head office function and other operating companies

| Head office and other Group Companies | Principal Activities | Country of Incorporation | Effective Shareholders' Interest |
|--|--|--------------------------|----------------------------------|
| Sagikor Financial Company Ltd. | Group parent company | Bermuda | 100% |
| Sagikor Financial Corporation Limited | Holding company | Bermuda | 100% |
| Sagikor General Insurance Inc | Property and casualty insurance | Barbados | 99.30% |
| Sagikor Finance Inc | Loan and lease financing, and deposit-taking | St. Lucia | 70% |
| Sagikor Investments Trinidad & Tobago Limited | Investment management | Trinidad & Tobago | 100% |
| Sagikor Asset Management Inc. | Investment management | Barbados | 100% |
| Sagikor Asset Management (Eastern Caribbean) Limited | Investment management | Barbados | 100% |
| Sagikor Special Opportunity Funds ⁽¹⁾ | Investment management | Barbados | 100% |
| Sagikor Bank (Barbados) Limited ⁽²⁾ | Commercial banking | Barbados | 100% |
| Barbados Farms Limited | Farming and real estate development | Barbados | 77% |
| Sagikor Funds Incorporated | Mutual fund holding company | Barbados | 100% |
| Sagikor Finance Limited | Group financing vehicle | The Cayman Islands | 100% |
| Sagikor Finance (2015) Limited | Group financing vehicle | The Cayman Islands | 100% |

⁽¹⁾ Sagikor Special Opportunity Funds was formed during 2020 but is not yet operational.

⁽²⁾ In April 2021, Sagikor Bank (Barbados) Limited was incorporated and was made a wholly-owned subsidiary of Sagikor Financial Company Ltd. in November 2021.

4 SEGMENTS (continued)(d) Head office function and other operating companies

| Head office and other Group Companies | Principal Activities | Country of Incorporation | Effective Shareholders' Interest |
|--|----------------------|--------------------------|----------------------------------|
| Sagikor Reinsurance Bermuda Limited ⁽¹⁾ | Reinsurance | Bermuda | 100% |
| 1222948 B.C. Ltd. | Corporate management | Canada | 100% |
| The Estates Group Holdings Limited | Holding company | Barbados | 100% |
| The Estates (Senior Care Services) Limited | Retirement Community | Barbados | 100% |
| The Estates (Senior Care Properties) Limited | Retirement Community | Barbados | 100% |
| The Estates (Residential Properties) Limited | Retirement Community | Barbados | 100% |
| The Estates (Management Services) Limited | Retirement Community | Barbados | 100% |

- ⁽¹⁾ Sagikor Reinsurance Bermuda Limited ("SRBL") became a subsidiary of Sagikor Financial Corporation Limited on October 4, 2017 and a subsidiary of the Group on October 4, 2017. In 2020, SRBL executed a reinsurance arrangement with Sagikor Life Insurance Company ("SLIC") through a segregated account of SRBL (see note 38 (c)).

4.1 Statement of income by segment

| 2021 | Sagikor Life | Sagikor Jamaica | Sagikor Life USA | Head office and other | Adjustments | Total |
|---|----------------|-----------------|------------------|-----------------------|-----------------|------------------|
| Net premium revenue | 370,537 | 352,592 | 953,306 | 36,715 | - | 1,713,150 |
| Gain / (loss) on derecognition of amortised cost investments | 1,443 | 21,992 | 3 | (261) | - | 23,177 |
| Gain on derecognition of assets carried at FVOCI | 2,966 | 17,793 | 1,345 | 674 | - | 22,778 |
| Interest income earned from financial assets measured at amortised cost and FVOCI | 82,532 | 157,655 | 88,662 | 8,565 | - | 337,414 |
| Other investment income | 11,220 | 24,398 | 28,870 | 27,995 | (100) | 92,383 |
| Credit impairment losses | 1,469 | (1,639) | 4,027 | 471 | - | 4,328 |
| Fees and other revenue | 9,378 | 145,719 | (8,521) | 19,856 | (568) | 165,864 |
| Inter-segment revenue | 25,142 | - | - | 34,332 | (59,474) | - |
| Total revenue, net | 504,687 | 718,510 | 1,067,692 | 128,347 | (60,142) | 2,359,094 |
| Net policy benefits | 270,049 | 234,150 | 190,036 | 13,584 | - | 707,819 |
| Net change in actuarial liabilities | 43,560 | 25,345 | 712,010 | - | - | 780,915 |
| Interest costs | 13,792 | 28,008 | (1,577) | 2,450 | - | 42,673 |
| Administrative expenses | 70,058 | 183,884 | 43,782 | 51,457 | 606 | 349,787 |
| Commissions and premium and asset taxes | 46,815 | 56,026 | 40,679 | 10,002 | - | 153,522 |
| Finance costs | 75 | 5,154 | 353 | 39,472 | - | 45,054 |
| Depreciation and amortisation | 7,330 | 18,155 | 4,704 | 2,512 | - | 32,701 |
| Inter-segment expenses | 5,396 | 1,998 | 5091 | 24,093 | (36,578) | - |
| Total benefits and expenses | 457,075 | 552,720 | 995,078 | 143,570 | (35,972) | 2,112,471 |
| (Loss) / gain arising on business combinations, acquisitions and divestitures | - | (1,557) | - | 12,263 | - | 10,706 |
| Share of operating income / (loss) of associates and joint ventures | 3,344 | 4,060 | - | - | - | 7,404 |
| Segment income / (loss) before taxes | 50,956 | 168,293 | 72,614 | (2,960) | (24,170) | 264,733 |
| Income taxes | (7,720) | (43,727) | (15,018) | (1,764) | (28) | (68,257) |
| Segment net income / (loss) | 43,236 | 124,566 | 57,596 | (4,724) | (24,198) | 196,476 |
| Net income / (loss) attributable to non-controlling interests | - | 64,202 | - | (283) | - | 63,919 |
| Total comprehensive income / (loss) attributable to shareholders | 38,359 | 16,940 | 50,340 | (8,906) | (23,787) | 72,946 |

4.1 Statement of income by segment

| 2020 | Sagikor Life | Sagikor Jamaica | Sagikor Life USA | Head office and other | Adjustments | Total |
|---|----------------|-----------------|------------------|-----------------------|-----------------|------------------|
| Net premium revenue | 414,240 | 355,406 | 597,068 | 36,713 | - | 1,403,427 |
| Gain / (loss) on derecognition of amortised cost investments | 623 | 8,271 | (5) | - | - | 8,889 |
| Gain / (loss) on derecognition of assets carried at FVOCI | 2,847 | 21,704 | (4,204) | (178) | - | 20,169 |
| Interest income earned from financial assets measured at amortised cost and FVOCI | 74,828 | 160,472 | 74,820 | 4,639 | - | 314,759 |
| Other investment income | 4,148 | (14,266) | 18,903 | 7,469 | (110) | 16,144 |
| Credit impairment losses | (7,450) | (12,083) | (4,002) | (462) | - | (23,997) |
| Fees and other revenue | 11,374 | 112,446 | (3,639) | 19,344 | (549) | 138,976 |
| Inter-segment revenue | 22,713 | - | - | 7,668 | (30,381) | - |
| Total revenue, net | 523,323 | 631,950 | 678,941 | 75,193 | (31,040) | 1,878,367 |
| Net policy benefits | 220,707 | 231,006 | 177,244 | 15,643 | - | 644,600 |
| Net change in actuarial liabilities | 97,026 | (26,298) | 463,438 | - | - | 534,166 |
| Interest costs | 12,663 | 27,239 | 2,463 | 528 | - | 42,893 |
| Administrative expenses | 80,732 | 166,594 | 33,981 | 57,634 | 1,626 | 340,567 |
| Commissions and premium and asset taxes | 44,843 | 54,100 | 27,617 | 9,512 | - | 136,072 |
| Finance costs | 70 | 7,886 | 322 | 36,607 | - | 44,885 |
| Depreciation and amortisation | 8,945 | 20,249 | 4,247 | 6,118 | - | 39,559 |
| Inter-segment expenses | 4,118 | 2,072 | 4,271 | 21,822 | (32,283) | - |
| Total benefits and expenses | 469,104 | 482,848 | 713,583 | 147,864 | (30,657) | 1,782,742 |
| Loss arising on business combinations, acquisitions and divestitures | - | (1,262) | - | - | - | (1,262) |
| Loss on impairment of associates and joint ventures | - | (31,804) | - | - | - | (31,804) |
| Share of operating income / (loss) of associates and joint ventures | 3,250 | (38,207) | - | - | - | (34,957) |
| Segment income / (loss) before taxes | 57,469 | 77,829 | (34,642) | (72,671) | (383) | 27,602 |
| Income taxes | (8,386) | (40,034) | 7,517 | (1,426) | (403) | (42,732) |
| Segment net income / (loss) | 49,083 | 37,795 | (27,125) | (74,097) | (786) | (15,130) |
| Net loss attributable to non-controlling interests | - | (12,726) | - | (158) | - | (12,884) |
| Total comprehensive income / (loss) attributable to shareholders | 56,749 | 41,327 | (25,664) | (74,337) | (1,120) | (3,045) |

4.2 Variations in segment income

Variations in segment income may arise from non-recurring or other significant factors. The most common factors contributing to variations in segment income are as follows:

(i) Credit impairment losses - financial investments

The determination of ECL involves judgement in establishing various assumptions based on economic conditions and historical trends. Changes in assumptions will impact the ECL allowances recorded in the income statement.

Significant changes in borrowers classified as Stage 3 will be triggered by changes affecting individual borrowers or groups of borrowers, leading to significant variations in losses recorded in the income statement.

(ii) Fair value gains / (losses) of financial investments

Significant gains and losses may be triggered by changes in market prices of assets carried at fair value.

For FVOCI investments, management may be able to time the disposal of such investments and consequently, impact the quantum of the realised gain or loss recognised in the statement of income.

For FVTPL investments, management may also be able to time the disposal of such investments. However, since the majority of these assets fund unit linked liabilities, the impact to Group net income is mitigated by any increased return due to the holders of the unit linked liabilities.

4.2 Variations in segment income (continued)

(iii) Gains on acquisitions and divestitures

On acquisition of a business or portfolio, if the fair value of the net assets acquired exceeds the total consideration transferred, the difference is recognised directly in the statement of income. Similarly, on sale if the consideration received exceeds the carrying value of the business or portfolio a gain is recognised in the statement of income. As acquisitions and disposals occur infrequently and with no consistent trend, the gain or loss recorded in the income statement may vary significantly from year to year.

(iv) Foreign exchange gains and losses

Movements in foreign exchange rates may generate significant exchange gains or losses when the foreign currency denominated monetary assets and liabilities are retranslated to the relevant functional currency at the date of the financial statements.

(v) Movements in actuarial liabilities arising from changes in assumptions

The change in actuarial liabilities for the year includes the effects arising from changes in assumptions. The principal assumptions in computing the actuarial liabilities on life and annuity contracts relate to mortality and morbidity, lapse, investment yields, asset default and operating expenses and taxes. As the process of changes in assumptions is applied to all affected insurance contracts, changes in assumptions may have a significant effect in the period in which they are recorded.

(vi) Impairment of investments in associates and joint ventures

Losses on impairment of investments in associates and joint ventures may result when impairment assessments indicate that impairment of investments in associates and joint ventures has occurred. An impairment assessment is performed when an investment's value, based on quoted market prices, is lower than its carrying value recorded by the Group, or when conditions impacting the associate or joint venture suggest that the Group's investment in associate or joint venture may be impaired.

4.2 Variations in segment income (continued)

The table below summarises by segment the individual line items within income which are impacted by the foregoing factors.

| Variations in income by segment | 2021 | | | | | 2020 | | | | |
|--|------------------|-----------------|------------------|-----------------------|--------|------------------|-----------------|------------------|-----------------------|----------|
| | Sagikor Life Inc | Sagikor Jamaica | Sagikor Life USA | Head Office and Other | Total | Sagikor Life Inc | Sagikor Jamaica | Sagikor Life USA | Head Office and Other | Total |
| Credit impairment losses | 1,469 | (1,639) | 4,027 | 471 | 4,328 | (7,450) | (12,083) | (4,002) | (462) | (23,997) |
| Gain / (loss) on derecognition of assets carried at FVOCI | 2,966 | 17,793 | 1,345 | 674 | 22,778 | 2,847 | 21,704 | (4,204) | (178) | 20,169 |
| Foreign exchange gains / (losses) | (1,172) | 7,508 | - | 3,052 | 9,388 | (410) | 1,296 | - | 3,192 | 4,078 |
| Gains / (losses) on acquisitions / divestitures | - | (1,557) | - | 12,263 | 10,706 | - | (2,761) | - | 1,499 | (1,262) |
| Loss on impairment of investment in associates and joint ventures | - | - | - | - | - | - | (31,804) | - | - | (31,804) |
| Decrease / (increase) in actuarial liabilities from changes in assumptions | 30,811 | 23,949 | 24,395 | - | 79,155 | 30,133 | 43,807 | (83,858) | - | (9,918) |

4.3 Other comprehensive income

Variations in other comprehensive income may arise also from non-recurring or other significant factors. The most common are as follows:

(i) Unrealised investment gains and losses

Fair value investment gains and losses are recognised on the revaluation of debt and equity securities classified as FVOCI. Therefore, significant gains and losses may be triggered by changes in market prices.

(ii) Changes in actuarial liabilities

Changes in unrealised investment gains identified in (i) above may also generate significant, but off-setting, changes in actuarial liabilities as a result of the use of asset liability matching in the liability estimation process.

The table below summarises by segment the individual line items within other comprehensive income which are impacted by the foregoing factors.

4.3 Other comprehensive income (continued)*(iii) Foreign exchange gains and losses*

Movements in foreign exchange rates may generate significant exchange gains or losses on the retranslation of the financial statements of foreign currency reporting units.

(iv) Defined benefit plans' gains and losses

Experience adjustments and changes in actuarial assumptions gives rise to gains or losses on defined benefit plans.

| | Variations in other comprehensive income by segment | | | | | |
|--|---|-----------------|------------------|-------------|-------------|----------|
| | Sagicor Life | Sagicor Jamaica | Sagicor Life USA | Head office | Adjustments | Total |
| 2021 | | | | | | |
| Unrealised investment losses | (6,927) | (15,497) | (16,166) | (1,924) | - | (40,514) |
| Changes in actuarial liabilities | 4,586 | 814 | 10,768 | - | - | 16,168 |
| Retranslation of foreign currency operations | 37 | (71,399) | - | (84) | (395) | (71,841) |
| Losses on defined benefit plans | (1,266) | (12,920) | - | (1,442) | - | (15,628) |
| 2020 | | | | | | |
| Unrealised investment gains | 5,536 | 44,399 | 46,841 | 490 | - | 97,266 |
| Changes in actuarial liabilities | 2,421 | (5,236) | (49,158) | - | - | (51,973) |
| Retranslation of foreign currency operations | (235) | (37,703) | - | (57) | (200) | (38,195) |
| Gains / (losses) on defined benefit plans | 3,204 | 516 | - | (246) | - | 3,474 |

4.4 Statement of financial position by segment

| | Sagcor Life | Sagcor Jamaica | Sagcor Life USA | Head office and other | Adjustments | Total |
|--|-------------|----------------|-----------------|-----------------------|-------------|------------|
| 2021 | | | | | | |
| Financial investments | 1,623,497 | 2,776,290 | 3,569,298 | 529,010 | - | 8,498,095 |
| Other external assets | 348,825 | 654,237 | 664,938 | 211,837 | - | 1,879,837 |
| Inter-segment assets | 416,768 | 12,147 | 50,081 | 193,378 | (672,374) | - |
| Total assets | 2,389,090 | 3,442,674 | 4,284,317 | 934,225 | (672,374) | 10,377,932 |
| Policy liabilities | 1,560,576 | 830,180 | 3,137,460 | 73,946 | - | 5,602,162 |
| Other external liabilities | 84,616 | 1,695,864 | 532,595 | 796,482 | - | 3,109,557 |
| Inter-segment liabilities | 115,834 | 1,832 | 168,163 | 386,545 | (672,374) | - |
| Total liabilities | 1,761,026 | 2,527,876 | 3,838,218 | 1,256,973 | (672,374) | 8,711,719 |
| Net assets | 628,064 | 914,798 | 446,099 | (322,748) | - | 1,666,213 |
| Net assets attributable to non-controlling interests | - | 518,569 | - | 13,093 | - | 531,662 |
| 2020 | | | | | | |
| Financial investments | 1,551,028 | 2,714,543 | 2,556,319 | 416,679 | - | 7,238,569 |
| Other external assets | 337,603 | 730,018 | 767,817 | 192,306 | - | 2,027,744 |
| Inter-segment assets | 390,589 | 10,572 | 58,950 | 185,232 | (645,343) | - |
| Total assets | 2,279,220 | 3,455,133 | 3,383,086 | 794,217 | (645,343) | 9,266,313 |
| Policy liabilities | 1,477,944 | 824,538 | 2,507,838 | 72,661 | - | 4,882,981 |
| Other external liabilities | 82,757 | 1,690,379 | 452,582 | 499,404 | - | 2,725,122 |
| Inter-segment liabilities | 126,407 | 12,943 | 152,797 | 353,196 | (645,343) | - |
| Total liabilities | 1,687,108 | 2,527,860 | 3,113,217 | 925,261 | (645,343) | 7,608,103 |
| Net assets | 592,112 | 927,273 | 269,869 | (131,044) | - | 1,658,210 |
| Net assets attributable to non-controlling interests | - | 530,284 | - | 16,539 | - | 546,823 |

4.5 Segment cash flows**(a) Additions to non-current assets by segment**

Segment operations include certain non-current assets comprising investment property, property, plant and equipment, investment in associated companies and joint ventures, and intangible assets. Additions to these categories for the year are as follows:

| | 2021 | 2020 |
|-----------------------|--------|--------|
| Sagicor Life | 7,713 | 8,139 |
| Sagicor Jamaica | 9,324 | 16,933 |
| Sagicor Life USA | 1,719 | 14,829 |
| Head office and other | 861 | 2,792 |
| | 19,617 | 42,693 |

(b) Summarised cash flows of the Sagicor Jamaica segment

Set out below are the summarised cash flows of the Sagicor Jamaica segment which has material non-controlling interests.

| | 2021 | 2020 |
|--|----------|----------|
| Net cash flows: | | |
| Operating activities | 54,057 | 184,274 |
| Investing activities | 84,946 | (8,552) |
| Financing activities | (52,201) | (39,223) |
| Effects of exchange rate changes | (11,108) | (4,930) |
| Net change in cash and cash equivalents for the year | 75,694 | 131,569 |
| Cash and cash equivalents, beginning of year | 261,391 | 129,822 |
| Cash and cash equivalents, end of year | 337,085 | 261,391 |

4.6 Products and services

Total external revenues relating to the Group's products and services are summarised as follows:

| | 2021 | 2020 |
|--|-----------|-----------|
| Life, health and annuity insurance contracts issued to individuals | 1,687,410 | 1,270,678 |
| Life, health and annuity insurance and pension administration contracts issued to groups | 306,762 | 304,785 |
| Property and casualty insurance | 79,336 | 82,276 |
| Banking, investment management and other financial services | 189,137 | 171,192 |
| Hospitality services | 37,149 | 14,251 |
| Unallocated revenues | 59,300 | 35,185 |
| | 2,359,094 | 1,878,367 |

4.7 Geographical areas

The Group operates in certain geographical areas which are determined by the location of the subsidiary or branch initiating the business. Group operations in geographical areas include certain non-current assets comprising investment property, property, plant and equipment, associates and joint ventures, and intangible assets. Total external revenues and non-current assets by geographical area are summarised below.

| | External revenue | | Non-current assets | |
|-------------------|------------------|-----------|--------------------|---------|
| | 2021 | 2020 | 2021 | 2020 |
| Barbados | 211,355 | 185,631 | 172,063 | 171,889 |
| Jamaica | 648,637 | 576,118 | 99,412 | 111,902 |
| Trinidad & Tobago | 226,334 | 255,861 | 66,909 | 66,999 |
| Other Caribbean | 175,658 | 164,800 | 32,519 | 28,476 |
| USA | 1,097,110 | 695,957 | 116,194 | 227,261 |
| | 2,359,094 | 1,878,367 | 487,097 | 606,527 |

4.8 Revenues from fees recognised

The following table discloses revenue from fees recognised by reportable segment.

| Year ended December 31, 2021 | Fees recognised | | |
|------------------------------|-------------------------|----------------|---------|
| | - at a point in time | - over time | Total |
| Sagicor Life | - | 8,396 | 8,396 |
| Sagicor Jamaica | 45,786 | 64,219 | 110,005 |
| Sagicor USA | 138 | - | 138 |
| Head office and other | - | 3,062 | 3,062 |
| | 45,924 | 75,677 | 121,601 |

| Year ended December 31, 2020 | Fees recognised | | |
|------------------------------|-------------------------|----------------|---------|
| | - at a point in time | - over time | Total |
| Sagicor Life | - | 8,159 | 8,159 |
| Sagicor Jamaica | 40,680 | 50,086 | 90,766 |
| Sagicor USA | 148 | - | 148 |
| Head office and other | - | 2,976 | 2,976 |
| | 40,828 | 61,221 | 102,049 |

5 INVESTMENT PROPERTY

The movement in investment property for the year is as follows:

| | 2021 | 2020 |
|--|---------|----------|
| Balance, beginning of year | 78,295 | 95,577 |
| Additions at cost | 1,290 | 266 |
| Disposals | (2,873) | (15,256) |
| Fair value changes recorded in net investment income | (60) | (598) |
| Effects of exchange rate changes | (698) | (1,694) |
| Balance, end of year | 75,954 | 78,295 |

Investment property includes \$8,532 (2020 - \$8,646) which represents the Group's proportionate interest in joint operations summarised in the following table.

| Country | Description of property | Percentage ownership recognised |
|-------------------|---------------------------|---------------------------------------|
| Barbados | Freehold lands | 50% |
| | Freehold office buildings | 33% |
| Trinidad & Tobago | Freehold office building | 60% |

Pension Funds managed by the Group own the remaining 50% interest in freehold lands in Barbados, and a 33% interest in a freehold office building in Barbados.

6 ASSOCIATES AND JOINT VENTURES**6.1 Interests in Associates and Joint Ventures**

| Name of Entity | Country of Incorporation | % interest recognised | | Nature of relationship | Measurement Method | Carrying Amount | |
|--|--------------------------|-----------------------|------|------------------------|--------------------|-----------------|---------|
| | | 2021 | 2020 | | | 2021 | 2020 |
| RGM Limited | Trinidad & Tobago | 33% | 33% | Associate | Equity Method | 26,854 | 26,092 |
| FamGuard Corporation Limited ⁽¹⁾ | Bahamas | 20% | 20% | Associate | Equity Method | 19,462 | 17,837 |
| Primo Holding Limited | Barbados | 38% | 38% | Associate | Equity Method | 305 | 312 |
| Sagicor Costa Rica SCR, S.A. | Costa Rica | 50% | 50% | Joint Venture | Equity Method | 8,640 | 4,795 |
| Playa Hotels and Resorts N.V. ⁽²⁾ | United States | - | 16% | Associate | Equity Method | - | 116,755 |
| | | | | | | 55,261 | 165,791 |

⁽¹⁾ FamGuard Corporation Limited is listed on the Bahamas International Securities Exchange. The proportionate share of market value calculated on the basis of the year-end closing rate of \$10.01 per share was \$20,020 (2020 – \$16,800).

⁽²⁾ During the year, SGJ disposed of its interest in Playa. As a result, the Group's remaining investment in Playa has been designated as a FVTPL investment at year end. See note 37.1.

6.1 Interests in Associates and Joint Ventures (continued)

The reconciliation of carrying amounts for the year of the investment in associates and joint ventures is as follows:

| | RGM Limited | | FamGuard Corporation Limited | | Primo Holding Limited | | Sagikor Costa Rica SCR, S.A. | | Playa Hotels and Resort N.V. | |
|---|-------------|--------|------------------------------|--------|-----------------------|------|------------------------------|-------|------------------------------|----------|
| | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 |
| Investment, beginning of year | 26,092 | 25,315 | 17,837 | 16,703 | 312 | 318 | 4,795 | 3,293 | 116,755 | 184,929 |
| Additions | - | - | - | - | - | - | - | - | - | 5,951 |
| Negative goodwill arising on acquisition | - | - | - | - | - | - | - | - | - | 1,499 |
| Dividends received | (300) | (148) | (760) | (560) | - | - | - | - | - | - |
| Share of income / (loss) | 1,378 | 1,441 | 1,973 | 1,815 | (7) | (6) | 4,060 | 2,193 | - | (40,400) |
| Loss on impairment of investment in associates and joint ventures | - | - | - | - | - | - | - | - | - | (31,804) |
| Share of amortisation or impairment of intangible assets which were identified on acquisition | - | - | (10) | (10) | - | - | - | - | - | - |
| Share of income taxes | (301) | (515) | - | - | - | - | - | - | - | - |
| Share of OCI | - | - | 422 | (111) | - | - | 259 | (453) | - | (2,840) |
| Disposal / redesignation of interest | - | - | - | - | - | - | - | - | (111,372) | (3,112) |
| Effects of exchange rate changes | (15) | (1) | - | - | - | - | (474) | (238) | (5,383) | 2,532 |
| Investment, end of year | 26,854 | 26,092 | 19,462 | 17,837 | 305 | 312 | 8,640 | 4,795 | - | 116,755 |

6.1 Interests in Associates and Joint Ventures (continued)

The reconciliation of the share of net assets based on the summarised financial information to carrying amounts of the investment in associates and joint ventures is as follows:

| | RGM Limited | | FamGuard Corporation Limited | | Primo Holding Limited | | Sagikor Costa Rica SCR, S.A. | | Playa Hotels and Resort N.V. | |
|---|-------------|--------|------------------------------|---------|-----------------------|------|------------------------------|-------|------------------------------|----------|
| | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 | 2021 ⁽¹⁾ | 2020 |
| Net Assets | 80,581 | 78,276 | 97,168 | 93,992 | 804 | 823 | 17,279 | 9,591 | n/a | 560,864 |
| % Interest | 33% | 33% | 20% | 20% | 38% | 38% | 50% | 50% | n/a | 16% |
| Share of net assets | 26,854 | 26,092 | 19,434 | 18,799 | 305 | 312 | 8,640 | 4,795 | n/a | 89,664 |
| Goodwill arising from investment in associate | - | - | 28 | 38 | - | - | - | - | - | 47,511 |
| Goodwill arising from associate's investment | - | - | - | - | - | - | - | - | - | (12,402) |
| Movement in treasury shares | - | - | - | - | - | - | - | - | - | (4,976) |
| Fair value adjustment on consolidation | - | - | - | - | - | - | - | - | - | (3,042) |
| Preference shares | - | - | - | (1,000) | - | - | - | - | - | - |
| Investment, end of year | 26,854 | 26,092 | 19,462 | 17,837 | 305 | 312 | 8,640 | 4,795 | - | 116,755 |

⁽¹⁾ The interest in Playa has been designated as a FVTPL investment as at December 31, 2021 (see note 37.1).

6.2 Impairment

Interest in FamGuard Corporation Limited.

In 2020, an impairment assessment of FamGuard Corporation Limited ("FamGuard") was performed at the end of the year as its value based on quoted market prices was lower than its carrying value recorded by the Group.

In conducting the impairment assessment, management determined a recoverable value for FamGuard, using the value in use method. To determine the value in use, management used an actuarial embedded value technique which incorporated appropriate discount rates and solvency capital requirements to determine the present value of future distributable profits. Management's value in use calculations did not identify any impairment.

As at December 31, 2021, the value based on quoted market prices exceeded the carrying value.

Interest in Playa Hotels and Resorts N.V.

Following the emergence of COVID-19 coronavirus, which was declared a global pandemic by the World Health organisation on March 11, 2020, the Group considered that travel restrictions, the impact on tour and holiday bookings and cancellations have resulted in a downturn in revenues and profits which negatively impacted the carrying value of this asset for the year ended December 31, 2020.

In assessing the carrying value of this investment, a recoverable value was determined using the value-in-use method which is a discounted cash flow technique that utilises a significant amount of judgement in estimating key variables such as earnings before interest, taxes, depreciation and amortisation (EBITDA), terminal growth rates and a discount factor. Value-in-use calculations are very sensitive to changes in these estimates. In arriving at its estimates for EBITDA, management also considered the impact of the uncertainty surrounding the COVID-19 coronavirus and its impact on the tourism sector going forward. As a result of this exercise, the investment was written down by US\$31.8 million as at December 31, 2020.

As a result of the disposal of SGJ's interest in Playa during the year, the Group's remaining investment in Playa has been reflected as a FVTPL investment (see note 37.1).

6.3 Commitments and contingent liabilities

Other commitments at the year-end if called are \$163 (2020 – \$304) and contingent liabilities exist of \$50 (2020 – \$50).

6.4 Summarised Financial Information

Summarised financial information from the financial statements of associates and joint ventures is set out in the three tables which follow.

| | RGM Limited | | FamGuard Corporation Limited | | Primo Holding Limited | | Sagikor Costa Rica SCR, S.A. | | Playa Hotels and Resorts N.V. | |
|-------------------------------|-------------|---------|------------------------------|---------|-----------------------|-------|------------------------------|--------|-------------------------------|-----------|
| | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 | 2021 ⁽¹⁾ | 2020 |
| ASSETS | | | | | | | | | | |
| Property, plant and equipment | 897 | 751 | 36,912 | 36,911 | - | - | 313 | 452 | n/a | 1,722,434 |
| Financial investments | - | - | 310,083 | 288,970 | - | - | 23,158 | 14,987 | n/a | - |
| Cash resources | 7,883 | 6,132 | 13,142 | 18,832 | - | - | 1,158 | 3,979 | n/a | 171,957 |
| Other investments and assets | 120,710 | 122,309 | 15,139 | 15,531 | 1,000 | 1,000 | 14,803 | 12,352 | n/a | 221,872 |
| Total assets | 129,490 | 129,192 | 375,276 | 360,244 | 1,000 | 1,000 | 39,432 | 31,770 | n/a | 2,116,263 |
| LIABILITIES | | | | | | | | | | |
| Policy liabilities | - | - | 267,366 | 254,553 | - | - | 11,590 | 9,249 | n/a | - |
| Notes and loans payable | - | - | - | - | - | - | 4,096 | 5,800 | n/a | 1,244,728 |
| Other liabilities | 48,909 | 50,916 | 10,742 | 11,699 | 196 | 177 | 6,467 | 7,130 | n/a | 310,671 |
| Total liabilities | 48,909 | 50,916 | 278,108 | 266,252 | 196 | 177 | 22,153 | 22,179 | n/a | 1,555,399 |
| Net assets | 80,581 | 78,276 | 97,168 | 93,992 | 804 | 823 | 17,279 | 9,591 | n/a | 560,864 |

⁽¹⁾ The interest in Playa has been designated as a FVTPL investment as at December 31, 2021 (see note 37.1).

6.4 Summarised Financial Information (continued)

| | RGM Limited | | FamGuard Corporation Limited | | Primo Holding Limited | | Sagikor Costa Rica SCR, S.A. | | Playa Hotels and Resorts N.V. | |
|---|-------------|---------|------------------------------|---------|-----------------------|-------|------------------------------|--------|-------------------------------|-----------|
| | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 | 2021 ⁽¹⁾ | 2020 |
| WORKING CAPITAL | | | | | | | | | | |
| Current assets | 12,922 | 10,651 | 27,662 | 33,814 | - | - | 23,272 | 22,539 | n/a | 254,265 |
| Current liabilities | 4,227 | 5,351 | 10,085 | 11,286 | 44 | 44 | 18,499 | 17,084 | n/a | 246,835 |
| Net current assets / (liabilities) | 8,695 | 5,300 | 17,577 | 22,528 | (44) | (44) | 4,773 | 5,455 | n/a | 7,430 |
| Cash and cash equivalents included in current assets | 7,883 | 6,132 | 13,142 | 18,832 | - | - | 1,158 | 3,979 | n/a | 146,151 |
| Current financial liabilities (excluding trade and other payables and provisions) included in current liabilities | 882 | 2,415 | 656 | 549 | - | - | 6,909 | 1,908 | n/a | 111,604 |
| NON-CURRENT ASSETS / LIABILITIES | | | | | | | | | | |
| Non-current assets | 116,568 | 118,541 | 347,614 | 326,430 | 1,000 | 1,000 | 16,160 | 9,231 | n/a | 1,861,998 |
| Non-current liabilities | 44,682 | 45,565 | 268,023 | 254,966 | 152 | 133 | 3,654 | 5,095 | n/a | 1,308,564 |
| Non-current financial liabilities (excluding trade and other payables and provisions) included in non-current liabilities | 44,682 | 45,565 | 267,366 | 254,553 | - | - | 3,654 | 5,093 | n/a | 1,179,222 |

⁽¹⁾ The interest in Playa has been designated as a FVTPL investment as at December 31, 2021 (see note 37.1).

6.4 Summarised Financial Information (continued)

| | RGM Limited | | FamGuard Corporation Limited | | Primo Holding Limited | | Sagicor Costa Rica SCR, S.A. | | Playa Hotels and Resort N.V. | |
|---------------------------------|-------------|---------|------------------------------|---------|-----------------------|------|------------------------------|---------|------------------------------|-----------|
| | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 | 2021 ⁽¹⁾ | 2020 |
| REVENUE | | | | | | | | | | |
| Net premium revenue | - | - | 101,274 | 99,506 | - | - | 33,621 | 22,567 | n/a | - |
| Hotel revenue | - | - | - | - | - | - | - | - | n/a | 346,499 |
| Net investment and other income | 25,022 | 25,607 | 35,357 | 26,353 | - | - | 3,263 | 1,956 | n/a | - |
| Total revenue | 25,022 | 25,607 | 136,631 | 125,859 | - | - | 36,884 | 24,523 | n/a | 346,499 |
| | | | | | - | - | | | | |
| BENEFITS AND EXPENSES | | | | | | | | | | |
| Benefits | - | - | 84,843 | 76,586 | - | - | 2,943 | 5,229 | n/a | - |
| Hotel expenses | - | - | - | - | - | - | - | - | n/a | 509,896 |
| Finance costs | 3,677 | 3,808 | - | - | - | - | 339 | 396 | n/a | 81,625 |
| Depreciation and amortisation | 242 | 233 | 3,827 | 2,269 | - | - | - | 133 | n/a | 92 |
| Other expenses | 17,294 | 17,276 | 37,947 | 36,296 | 19 | 16 | 21,961 | 12,957 | n/a | 261 |
| Total benefits and expenses | 21,213 | 21,317 | 126,617 | 115,151 | 19 | 16 | 25,243 | 18,715 | n/a | 591,874 |
| | | | | | | | | | | |
| INCOME BEFORE TAXES | 3,809 | 4,290 | 10,014 | 10,708 | (19) | (16) | 11,641 | 5,808 | n/a | (245,375) |
| Income taxes | (901) | (1,544) | - | - | - | - | (3,522) | (1,424) | n/a | 627 |
| NET INCOME FOR THE YEAR | 2,908 | 2,746 | 10,014 | 10,708 | (19) | (16) | 8,119 | 4,384 | n/a | (244,748) |
| | | | | | | | | | | |
| Other comprehensive income | - | - | 678 | (1,102) | - | - | (579) | (1,410) | n/a | (6,321) |
| Total comprehensive income | 2,908 | 2,746 | 10,692 | 9,606 | (19) | (16) | 7,540 | 2,974 | n/a | (251,069) |
| | | | | | | | | | | |
| Interest income | - | - | 15,902 | 13,475 | - | - | 1,088 | 713 | n/a | - |
| Interest expense | 3,808 | 3,808 | - | - | - | - | 339 | - | n/a | - |

⁽¹⁾ The interest in Playa has been designated as a FVTPL investment as at December 31, 2021 (see note 37.1).

7 PROPERTY, PLANT AND EQUIPMENT

| | 2021 | | | | | 2020 | | | | |
|--|---------------------------|----------------------------------|--|---------------------|-----------|---------------------------|--------------------------------|--|---------------------|-----------|
| | Owner-occupied properties | Owner - managed hotel properties | Office furnishings, equipment & vehicles | Right-of-use assets | Total | Owner-occupied properties | Owner-managed hotel properties | Office furnishings, equipment & vehicles | Right-of-use assets | Total |
| Net book value, beginning of year | 108,738 | 76,024 | 50,856 | 30,951 | 266,569 | 110,172 | 96,608 | 53,721 | 29,369 | 289,870 |
| Additions at cost | 69 | 160 | 10,690 | 3,096 | 14,015 | 270 | 176 | 17,984 | 14,206 | 32,636 |
| Transfer to intangible assets (note 8) | - | - | (1,820) | - | (1,820) | - | - | (3,388) | - | (3,388) |
| Other transfers | 1,325 | - | (1,313) | (12) | - | - | - | - | (81) | (81) |
| Disposals and divestures | (46) | (84) | (326) | (666) | (1,122) | - | - | (1,907) | (4,879) | (6,786) |
| Fair value changes recorded in OCI | 1,463 | 13,579 | - | - | 15,042 | 1,818 | (18,963) | - | - | (17,145) |
| Depreciation charge | (1,595) | (2,136) | (13,366) | (5,655) | (22,752) | (2,206) | (2,386) | (14,379) | (6,150) | (25,121) |
| Effects of exchange rate changes | (1,474) | 692 | (1,131) | (1,238) | (3,151) | (1,316) | 589 | (1,175) | (1,514) | (3,416) |
| Net book value, end of year | 108,480 | 88,235 | 43,590 | 26,476 | 266,781 | 108,738 | 76,024 | 50,856 | 30,951 | 266,569 |
| Represented by: | | | | | | | | | | |
| Cost or valuation | 111,412 | 95,807 | 164,905 | 42,976 | 415,100 | 111,073 | 85,957 | 161,705 | 42,582 | 401,317 |
| Accumulated depreciation | (2,932) | (7,572) | (121,315) | (16,500) | (148,319) | (2,335) | (9,933) | (110,849) | (11,631) | (134,748) |
| | 108,480 | 88,235 | 43,590 | 26,476 | 266,781 | 108,738 | 76,024 | 50,856 | 30,951 | 266,569 |

Owner-occupied properties consist mainly of commercial offices but include lands of \$35,049 (2020 – \$35,245) utilised largely in farming operations.

Owner-occupied properties, equipment & vehicles include operating leases held as lessor.

8 INTANGIBLE ASSETS**8.1 Analysis of intangible assets and changes for the year**

| | 2021 | | | | | 2020 | | | | |
|---|----------|---------------------------------------|-------------|----------|-----------|----------|---------------------------------------|----------------|----------|----------|
| | Goodwill | Customer & broker relationships | Trade names | Software | Total | Goodwill | Customer & broker relationships | Trade names | Software | Total |
| Net book value, beginning of year | 58,387 | 13,172 | 2,970 | 21,343 | 95,872 | 63,325 | 16,331 | 3,320 | 23,888 | 106,864 |
| Additions at cost | - | - | - | 4,312 | 4,312 | - | - | - | 3,840 | 3,840 |
| Transfer from property, plant and equipment (note 7) | - | - | - | 1,820 | 1,820 | - | - | - | 3,388 | 3,388 |
| Identified on acquisition: | | | | | | | | | | |
| Advantage General Insurance Company Ltd | - | - | - | - | - | 163 | - | - | - | 163 |
| Subsidiary acquisitions and disposals | - | - | - | - | - | - | - | - | (2) | (2) |
| Amortisation/impairment charges | - | (1,869) | (113) | (7,957) | (9,939) | (3,000) | (2,118) | (119) | (9,191) | (14,428) |
| Effects of exchange rate changes | (1,391) | (871) | (219) | (483) | (2,964) | (2,101) | (1,041) | (231) | (580) | (3,953) |
| Net book value, end of year | 56,996 | 10,432 | 2,638 | 19,035 | 89,101 | 58,387 | 13,172 | 2,970 | 21,343 | 95,872 |
| Represented by: | | | | | | | | | | |
| Cost or valuation | 59,996 | 34,256 | 6,045 | 93,155 | 193,452 | 61,387 | 36,874 | 6,532 | 89,320 | 194,113 |
| Accumulated depreciation and impairments | (3,000) | (23,824) | (3,407) | (74,120) | (104,351) | (3,000) | (23,702) | (3,562) | (67,977) | (98,241) |
| | 56,996 | 10,432 | 2,638 | 19,035 | 89,101 | 58,387 | 13,172 | 2,970 | 21,343 | 95,872 |

8.2 Impairment of intangible assets

Goodwill arises from past acquisitions and is allocated to cash-generating units (CGUs). Goodwill is tested annually for impairment. The recoverable amount of a CGU is determined as the higher of its value in use or its fair value less costs to sell.

For those CGU's where the fair value less costs of disposal methodology is used, financial projections are used as inputs to determine maintainable earnings over time to which is applied an appropriate earnings' multiple. For those CGU's where the value in use methodology is used, cash flows are extracted from financial projections to which are applied appropriate discount factors and residual growth rates, or alternatively, the cash flows from the financial projections are extended to 50 years using an actuarial appraisal value technique which incorporates appropriate discount rates and solvency capital requirements. As disclosed in note 2.7(a), goodwill is allocated to the Group's reportable operating segments.

The Group obtains independent professional advice in order to select the relevant discount factors, residual growth rates and earnings multiples.

The carrying values of goodwill and the impairment test factors used are considered in the following sections.

(a) Sagikor Life operating segment

| | 2021 | 2020 |
|----------------------------|--------|--------|
| Carrying value of goodwill | 26,552 | 26,554 |

8.2 Impairment of intangible assets (continued)*(i) Years ended December 31, 2021 & 2020*

An actuarial appraisal value technique was adopted to test goodwill impairment. The principal assumptions included the following:

- Discount rates of 10% (2020, 10%) for individual life and annuity in force business;
- New individual life and annuity business was included for the seven-year period 2022 to 2028, (seven year period 2021 to 2027);
- Annual growth rate for new individual life and annuity business were -27% to 4.0% for 2022 and 5.0% to 21.0 % from 2023 to 2028 (2020 - 8.0% to 51.0% for the year 2021 and 4.0% to 10.0 % from 2022 to 2027);
- Discount rates of 14% (2020, 14%) for new individual life and annuity business;
- Required Minimum Continuing Capital and Surplus Ratio (MCCSR) of 175% (2020 – 175%).

Sensitivity

The excess of the appraisal value over carrying value of the operating segment was also tested by varying the discount rates and capital ratios. The results are set out in the following tables.

| Sagikor Life Inc Segment | | | MCCSR target ratio | | |
|--------------------------|---------|--------------|--------------------|----------|----------|
| | | | Low | Mid | High |
| Discount rate | Inforce | New business | 150% | 175% | 200% |
| Low | 8% | 12% | 260,937 | 253,310 | 245,497 |
| Mid | 10% | 14% | 78,941 | 66,492 | 53,745 |
| High | 12% | 16% | (56,793) | (72,410) | (88,365) |

8.2 Impairment of intangible assets (continued)*(b) Sagikor Jamaica operating segment*

| | 2021 | 2020 |
|----------------------------|--------|--------|
| Carrying value of goodwill | 27,763 | 29,152 |

The fair value less costs of disposal methodology was adopted to test goodwill impairment in both years. The after-tax multiple used for the segment 11.0 (2020 – 11.0) was derived from a pre-tax factor of 8.0 (2020 – 8.1) using an iterative method.

Sensitivity

The possible impairment of goodwill is sensitive to changes in earnings multiples and after-tax earnings. This is illustrated in the following table.

| | 2021 test | | |
|---|------------|------------|------------|
| | Scenario 1 | Scenario 2 | Scenario 3 |
| After-tax earnings multiples | 11.0 | 9.4 | 6.6 |
| Reduction in forecast earnings | n/a | 10% | 10% |
| Excess of recoverable amount (of 49.11% interest) | 170,960 | 72,727 | n/a |
| Impairment (of 49.11% interest) | Nil | Nil | (60,451) |

8.2 Impairment of intangible assets (continued)*(c) Sagikor General Insurance Inc*

| | 2021 | 2020 |
|----------------------------|-------|-------|
| Carrying value of goodwill | 2,681 | 2,681 |

The value in use methodology has been used to test goodwill impairment in both years. The pre-tax discount factor was 17.5% (2020 – 18.9%) which was derived from an after-tax factor of 14.0% (2020 – 15.0%) using an iterative method. The residual growth rate was 2.0% (2020 – 2.0%).

During 2020, goodwill of US\$3.0 million was impaired relating to Sagikor General Insurance Inc. This amount is included within Depreciation and amortisation in the consolidated statement of income.

Sensitivity

The possible impairment of goodwill is sensitive to changes in the after-tax discount factor and residual growth rate. This is illustrated in the following table.

| | 2021 test | | |
|------------------------------|------------|------------|------------|
| | Scenario 1 | Scenario 2 | Scenario 3 |
| After-tax discount factor | 14.0 | 13.5 | 15.5 |
| Residual growth rate | 2.0 | 2.0 | 1.0 |
| Excess of recoverable amount | 1,522 | 2,972 | Nil |
| Impairment | Nil | Nil | (1,578) |

9 FINANCIAL INVESTMENTS

9.1 Analysis of financial investments

| | 2021 | | 2020 | |
|--|------------------|------------------|------------------|------------------|
| | Carrying value | Fair value | Carrying value | Fair value |
| Investments at FVOCI: | | | | |
| Debt securities and money market funds | 4,481,319 | 4,481,319 | 3,611,917 | 3,611,917 |
| Equity securities | 520 | 520 | 1,054 | 1,054 |
| | 4,481,839 | 4,481,839 | 3,612,971 | 3,612,971 |
| Investments at FVTPL: | | | | |
| Debt securities | 283,534 | 283,534 | 348,874 | 348,874 |
| Equity securities | 889,619 | 889,619 | 659,519 | 659,519 |
| Derivative financial instruments | 26,246 | 26,246 | 37,188 | 37,188 |
| Mortgage loans | 24,375 | 24,375 | 26,065 | 26,065 |
| | 1,223,774 | 1,223,774 | 1,071,646 | 1,071,646 |
| Investments at amortised cost: | | | | |
| Debt securities (note 40.5 (d)) | 1,399,703 | 1,556,181 | 1,269,486 | 1,490,099 |
| Mortgage loans | 425,548 | 421,650 | 393,214 | 390,938 |
| Policy loans | 153,839 | 177,483 | 151,038 | 177,813 |
| Finance loans | 533,460 | 536,741 | 555,384 | 560,543 |
| Securities purchased for resale | 68,007 | 68,007 | 57,110 | 57,110 |
| Deposits | 211,925 | 211,925 | 127,720 | 127,720 |
| | 2,792,482 | 2,971,987 | 2,553,952 | 2,804,223 |
| Total financial investments | 8,498,095 | 8,677,600 | 7,238,569 | 7,488,840 |

9.1 Analysis of financial investments (continued)

| Non-derivative investments at FVTPL | FVTPL mandatory designation | FVTPL designation by election | Total |
|-------------------------------------|-----------------------------------|-------------------------------------|-----------|
| | | | |
| 2021 | | | |
| Equity securities | 721,559 | 168,060 | 889,619 |
| Debt securities | 145,042 | 138,492 | 283,534 |
| Mortgage loans | 23 | 24,352 | 24,375 |
| | 866,624 | 330,904 | 1,197,528 |
| 2020 | | | |
| Equity securities | 580,919 | 78,600 | 659,519 |
| Debt securities | 201,797 | 147,077 | 348,874 |
| Mortgage loans | 34 | 26,031 | 26,065 |
| | 782,750 | 251,708 | 1,034,458 |

| | 2021 | 2020 |
|--|-----------|-----------|
| Debt securities: | | |
| Government and government-guaranteed debt securities | 2,219,016 | 2,084,812 |
| Collateralised mortgage obligations | 692,581 | 545,411 |
| Corporate debt securities | 2,859,523 | 2,433,389 |
| Money market funds and other securities | 393,436 | 166,665 |
| | 6,164,556 | 5,230,277 |
| Included in financial investments are: | | |
| Exchange-traded funds included in equity securities | 446,294 | 301,732 |
| Debt securities issued by associates | 22,941 | 24,135 |
| Mutual funds managed by the Group | 152,816 | 175,704 |

9.2 Financial investments repledged

Debt securities are pledged as collateral under repurchase agreements with customers and other financial institutions and for security relating to overdraft and other facilities with other financial institutions. Of the assets pledged as security, the following represents the total for those assets pledged for which the transferee has the right by contract or custom to sell or repledge the collateral.

| | 2021 | 2020 |
|---------------------------------|---------|---------|
| Financial investments repledged | 608,343 | 611,730 |

Statement of financial position presentation

| | | |
|---------------------------------|-----------|-----------|
| Financial investments | 7,889,752 | 6,626,839 |
| Financial investments repledged | 608,343 | 611,730 |
| | 8,498,095 | 7,238,569 |

Analysis of financial investments repledged

| | 2021 | 2020 |
|--|----------------|----------------|
| | Pledged value | Pledged value |
| Investments at FVOCI: | | |
| Debt securities and money market funds | 604,581 | 610,684 |
| Investments at FVTPL: | | |
| Debt securities | 760 | - |
| Investments at amortised cost : | | |
| Debt securities | 585 | 632 |
| Securities purchased for resale | 37 | 37 |
| Deposits | 2,380 | 377 |
| | 3,002 | 1,046 |
| Financial investments repledged | 608,343 | 611,730 |

9.3 Collateral assets

Debt and equity securities include \$9,543 (2020 - \$2,806) as collateral for loans payable and other funding instruments.

Collateral for the obligation to the Federal Home Loan Bank of Dallas (FHLB) which is included in other funding instruments (note 17), consists of an equity holding in the FHLB with a market value of \$12,156 (2020 - \$17,261), and mortgages and mortgage backed securities having a total market value of \$474,381 (2020 - \$365,714).

9.4 Financial investments held under the unit linked fair value model

Financial investments include the following amounts for which the full income and capital returns accrue to the holders of unit linked insurance and investment contracts. These investments are measured at FVTPL and amortised cost for mortgages.

| | 2021 | 2020 |
|-------------------|---------|---------|
| Debt securities | 176,067 | 157,187 |
| Equity securities | 200,849 | 186,069 |
| Mortgage loans | 50,778 | 53,417 |
| | 427,694 | 396,673 |

10 REINSURANCE ASSETS

| | 2021 | 2020 |
|---|----------------|----------------|
| Reinsurers' share of: | | |
| Actuarial liabilities (note 13.1) | 545,196 | 639,797 |
| Policy benefits payable (note 14.2) | 39,894 | 34,708 |
| Provision for unearned premiums (note 14.3) (i) | 28,632 | 26,860 |
| Other items | 16,995 | 14,374 |
| | <u>630,717</u> | <u>715,739</u> |

(i) Amount is expected to be realised within one year.

11 INCOME TAX ASSETS

| | 2021 | 2020 |
|--|---------------|---------------|
| Deferred income tax assets (note 33) | 12,982 | 7,050 |
| Income and withholding taxes recoverable | 34,179 | 19,280 |
| | <u>47,161</u> | <u>26,330</u> |

Income and withholding taxes recoverable are expected to be recovered within one year of the financial statements' date.

12 MISCELLANEOUS ASSETS AND RECEIVABLES

| | 2021 | 2020 |
|--|----------------|----------------|
| Net defined benefit assets (note 31) | 23,738 | 16,728 |
| Real estate developed or held for resale | 81,198 | 46,456 |
| Prepaid and deferred expenses (i) | 37,411 | 37,055 |
| Premiums receivable | 59,168 | 59,780 |
| Legal claim (note 20) | 1,180 | 1,126 |
| Finance leases | 880 | 822 |
| Other assets and accounts receivable | 73,177 | 77,571 |
| | <u>276,752</u> | <u>239,538</u> |
| Amounts due from managed funds included in receivables | 5,402 | 2,938 |
| Amounts expected to be realised within one year included in real estate developed or held for resale | 44,367 | 21,502 |

(i) Amounts are expected to be realised within one year.

13 ACTUARIAL LIABILITIES**13.1 Analysis of actuarial liabilities**

| | Gross liability | | Reinsurers' share | |
|--|-----------------|-----------|-------------------|---------|
| | 2021 | 2020 | 2021 | 2020 |
| Contracts issued to individuals: | | | | |
| Life insurance - participating policies | 187,862 | 192,866 | 56 | 76 |
| Life insurance and annuity - non-participating policies | 3,770,866 | 3,160,834 | 532,183 | 626,361 |
| Health insurance | 11,947 | 8,741 | 125 | 192 |
| Unit linked funds | 272,307 | 253,229 | - | - |
| Reinsurance contracts held | 43,948 | 40,767 | - | - |
| | 4,286,930 | 3,656,437 | 532,364 | 626,629 |
| Contracts issued to groups: | | | | |
| Life insurance | 27,311 | 27,541 | 74 | 104 |
| Annuities | 442,815 | 436,590 | 12,610 | 12,900 |
| Health insurance | 35,571 | 32,133 | 148 | 164 |
| | 505,697 | 496,264 | 12,832 | 13,168 |
| Total actuarial liabilities | 4,792,627 | 4,152,701 | 545,196 | 639,797 |

The following notes are in respect of the foregoing table:

- Life insurance includes coverage for disability and critical illness.
- Actuarial liabilities include \$72,877 (2020 - \$80,331) in assumed reinsurance.
- The liability for reinsurance contracts held occurs because the reinsurance premium costs exceed the mortality costs assumed in determining the gross liability of a policy contract.

13.2 Movement in actuarial liabilities

| | Gross liability | | Reinsurers' share | |
|---|-----------------|-----------|-------------------|----------|
| | 2021 | 2020 | 2021 | 2020 |
| Balance, beginning of year | 4,152,701 | 3,604,653 | 639,797 | 661,811 |
| Changes in actuarial liabilities: | | | | |
| Recorded in income (note 25) | 686,329 | 512,140 | (94,586) | (22,026) |
| Recorded in OCI | (19,030) | 65,039 | - | - |
| Other movements | (53) | (1,057) | (6) | 5 |
| Effect of exchange rate changes | (27,320) | (28,074) | (9) | 7 |
| Balance, end of year | 4,792,627 | 4,152,701 | 545,196 | 639,797 |
| Analysis of changes in actuarial liabilities | | | | |
| Arising from increments and decrements of inforce policies and from the issuance of new policies | 750,742 | 589,905 | (96,016) | (23,881) |
| Arising from changes in assumptions for mortality, lapse, expenses, partial withdrawal, universal life premium persistency and indexation, critical illness plan benefit modelling, investment yields and asset default | (79,155) | 9,918 | 1,986 | 187 |
| Other changes: | | | | |
| Actuarial modelling, refinements and improvements | (5,593) | 5,221 | (556) | 1,664 |
| Changes in margins for adverse deviations | (19,056) | - | - | - |
| Arising from fair value changes of Segregated Funds | 32,311 | (15,471) | - | - |
| Other items | (11,950) | (12,394) | - | 4 |
| Total | 667,299 | 577,179 | (94,586) | (22,026) |

13.3 Assumptions – life insurance and annuity contracts**(a) Process used to set actuarial assumptions and margins for adverse deviations**

At each date for valuation of actuarial liabilities, the Appointed Actuary (AA) of each insurer reviews the assumptions made at the last valuation date. The AA reviews the validity of each assumption by referencing current data, and where appropriate, changes the assumptions for the current valuation. A similar process of review and assessment is conducted in the determination of margins for adverse deviations.

Any changes in actuarial standards and practice are also incorporated in the current valuation.

(b) Assumptions for mortality and morbidity

Mortality rates are related to the incidence of death in the insured population. Morbidity rates are related to the incidence of sickness and disability in the insured population.

Annually, insurers update studies of recent mortality experience. The resulting experience is compared to external mortality studies including tables from the Canadian Institute of Actuaries. Appropriate modification factors are selected and applied to underwritten and non-underwritten business respectively. Annuitant mortality is determined by reference to CIA tables or to other established scales.

Assumptions for morbidity are determined after reflecting insurer and industry experience.

(c) Assumptions for lapse

Policyholders may allow their policies to lapse prior to the maturity date either by choosing not to pay premiums or by surrendering their policy for its cash value. Lapse studies are updated annually by insurers to determine the persistency of the most recent period. Assumptions for lapse experience are generally based on moving averages.

13.3 Assumptions – life insurance and annuity contracts (continued)**(d) Assumptions for investment yields**

Returns on existing variable rate securities, shares, investment property and policy loans are linked to the current economic scenario. Yields on reinvested assets are also tied to the current economic scenario. Returns are however assumed to decrease over time, and it is assumed that at the end of twenty years from the valuation date, all investments, except policy loans, are reinvested in long-term, default-free government bonds.

The ultimate rate of return is the assumed rate that will ultimately be earned on long-term government bonds. It is established for each geographic area and is summarised in the following table.

| Ultimate rate of return | 2021 | 2020 |
|-------------------------|---------------|---------------|
| Barbados | 7.50% | 7.50% |
| Jamaica | 5.50% | 5.50% |
| Trinidad & Tobago | 5.00% | 5.00% |
| Other Caribbean | 4.50% - 7.50% | 4.50% - 7.50% |
| USA | 0.80% - 3.35% | 0.80% - 3.55% |

(e) Assumptions for operating expenses and taxes

Policy acquisition and policy maintenance expense costs for the long-term business of each insurer are measured and monitored using internal expense studies. Policy maintenance expense costs are reflected in the actuarial valuation after adjusting for expected inflation. Costs are updated annually and are applied on a per policy basis.

Taxes reflect assumptions for future premium taxes and income taxes levied directly on investment income. For income taxes levied on net income, actuarial liabilities are adjusted for policy-related recognised deferred tax assets and liabilities.

13.3 Assumptions – life insurance and annuity contracts (continued)**(f) Asset defaults**

The AA of each insurer includes a provision for asset default in the modelling of the cash flows. The provision is based on industry and Group experience and includes specific margins, where appropriate, for assets backing the actuarial liabilities, e.g. for investment property, equity securities, debt securities, mortgage loans and deposits.

(g) Margins for adverse deviations

Margins for adverse deviations are determined for the assumptions in the actuarial valuations. The application of these margins result in provisions for adverse deviations being included in the actuarial liabilities as set out in the following table.

| Provisions for adverse deviations | 2021 | 2020 |
|-------------------------------------|----------------|----------------|
| Mortality and morbidity | 110,436 | 97,305 |
| Lapse | 102,739 | 90,733 |
| Investment yields and asset default | 66,061 | 69,887 |
| Operating expenses and taxes | 9,804 | 10,495 |
| Other | 16,409 | 14,949 |
| | <u>305,449</u> | <u>283,369</u> |

13.4 Assumptions – health insurance contracts

The outstanding liabilities for health insurance claims incurred but not yet reported and for claims reported but not yet paid are determined by statistical methods using expected loss ratios which have been derived from recent historical data. No significant claim settlements are anticipated after one year from the date of the financial statements.

14 OTHER POLICY LIABILITIES**14.1 Analysis of other policy liabilities**

| | 2021 | 2020 |
|--|---------|---------|
| Dividends on deposit and other policy balances | 60,609 | 60,236 |
| Policy benefits payable | 220,177 | 174,375 |
| Provision for unearned premiums | 60,655 | 58,065 |
| | 341,441 | 292,676 |

14.2 Policy benefits payable

| | Gross liability | | Reinsurers' share | |
|---|-----------------|---------|-------------------|--------|
| | 2021 | 2020 | 2021 | 2020 |
| Analysis of policy benefits payable: | | | | |
| Life insurance and annuity benefits | 158,380 | 111,231 | 24,291 | 17,415 |
| Health claims | 3,643 | 4,260 | 3,282 | 6,251 |
| Property and casualty claims | 58,154 | 58,884 | 12,321 | 11,042 |
| | 220,177 | 174,375 | 39,894 | 34,708 |

14.2 Policy benefits payable (continued)

| | Gross liability | | Reinsurers' share | |
|---|-----------------|-----------|-------------------|-----------|
| | 2021 | 2020 | 2021 | 2020 |
| Movement for the year: | | | | |
| Balance, beginning of year | 174,375 | 166,350 | 34,708 | 28,700 |
| Subsidiary and insurance portfolio acquisitions | - | (1,771) | - | - |
| Policy benefits incurred | 824,753 | 761,510 | 119,291 | 118,824 |
| Policy benefits paid | (774,991) | (748,079) | (113,373) | (112,420) |
| Effect of exchange rate changes | (3,960) | (3,635) | (732) | (396) |
| Balance, end of year | 220,177 | 174,375 | 39,894 | 34,708 |

14.3 Provision for unearned premiums

| | Gross liability | | Reinsurers' share | |
|-----------------------------------|-----------------|--------|-------------------|--------|
| | 2021 | 2020 | 2021 | 2020 |
| Analysis of the provision: | | | | |
| Property and casualty insurance | 58,435 | 56,119 | 28,632 | 26,860 |
| Health insurance | 2,220 | 1,946 | - | - |
| | 60,655 | 58,065 | 28,632 | 26,860 |

The provision for unearned premiums is expected to mature within a year of the financial statements' date.

14.3 Provision for unearned premiums (continued)

| | Gross liability | | Reinsurers' share | |
|---------------------------------|-----------------|-----------|-------------------|----------|
| | 2021 | 2020 | 2021 | 2020 |
| Movement for the year: | | | | |
| Balance, beginning of year | 58,065 | 59,092 | 26,860 | 24,828 |
| Premiums written | 131,705 | 128,027 | 70,952 | 65,917 |
| Premium revenue | (127,671) | (127,661) | (68,327) | (63,210) |
| Effect of exchange rate changes | (1,444) | (1,393) | (853) | (675) |
| Balance, end of year | 60,655 | 58,065 | 28,632 | 26,860 |

15 INVESTMENT CONTRACT LIABILITIES

| | 2021 | | 2020 | |
|--|----------------|------------|----------------|------------|
| | Carrying value | Fair value | Carrying Value | Fair value |
| Liabilities at amortised cost: | | | | |
| Deposit administration liabilities | 117,287 | 117,287 | 117,046 | 117,046 |
| Other investment contracts | 191,304 | 190,031 | 166,116 | 169,002 |
| | 308,591 | 307,318 | 283,162 | 286,048 |
| Liabilities at FVTPL: | | | | |
| Unit linked deposit administration liabilities | 159,503 | 159,503 | 154,442 | 154,442 |
| | 468,094 | 466,821 | 437,604 | 440,490 |

16 NOTES AND LOANS PAYABLE

The following table presents the carrying values and estimated fair values of notes and loans payable.

| Amounts in US\$000 | 2021 | | 2020 | |
|--|----------------|------------|----------------|------------|
| | Carrying value | Fair value | Carrying value | Fair Value |
| Liabilities at amortised cost: | | | | |
| 8.875% senior notes due 2022 (a) | - | - | 315,938 | 324,704 |
| 5.30% senior notes due 2028 (b) | 532,162 | 570,306 | - | - |
| 5.50% unsecured bond due 2022 (c) | 32,079 | 32,362 | 31,957 | 32,790 |
| 6.25% unsecured bond due 2022 (c) & (d) | 25,130 | 28,667 | 27,000 | 28,530 |
| 6.75% notes due 2024 (e) | 14,284 | 14,956 | 15,434 | 16,275 |
| Bank loans and other funding instruments (f) | 33,696 | 33,696 | 21,686 | 21,686 |
| Mortgage loans (g) | 46,037 | 48,950 | 59,607 | 60,767 |
| | 683,388 | 728,937 | 471,622 | 484,752 |

(a) Senior Notes Due 2022

In May 2021, the Group made a cash tender offer for the senior unsecured notes (the "Notes") and cash tenders totalling US\$130 million were accepted. On August 11, 2021, the Company redeemed all of the remaining US\$188 million principal amount of the 2022 notes at an aggregate redemption price of US\$188 million, pursuant to the following terms of the note indenture governing the 2022 Notes:

Optional Redemption with an Applicable Premium - At any time on or after August 11, 2019, the Group may redeem the Notes in whole or in part at specified redemption prices, plus accrued and unpaid interest, if any, on the Notes redeemed, to the applicable date of redemption.

16 NOTES AND LOANS PAYABLE (continued)

(b) Senior notes due 2028

On May 13, 2021, Sagikor Financial Company Ltd. issued US\$400 million of senior notes due 2028 (the "New Notes"). The Company used partial proceeds of the transaction to repurchase the US\$318 million principal amount of the 8.875% Notes due 2022 which were issued by its subsidiary, Sagikor Finance 2015 Limited (see (a) above). The New Notes are due May 13, 2028 and bear interest at an annual rate of 5.30%.

On December 15, 2021, the Group issued an additional US\$150 million principal amount of the New Notes. These New Notes are also due May 13, 2028 and bear interest at an annual rate of 5.30%.

The Group had, in total, US\$550 million principal amount of the New Notes outstanding at the year end.

Pursuant to the terms of the New Notes, the Group may redeem the New Notes under the scenario as summarised below:

Optional Redemption with an Applicable Premium - At any time on or after May 13, 2024, the Group may redeem the New Notes in whole or in part at specified redemption prices, plus accrued and unpaid interest, if any, on the New Notes redeemed, to the applicable date of redemption.

The Group has estimated the fair value of the optional redemption embedded derivative at US\$11.3 million as at December 31, 2021.

(c) On September 18 and 26, 2019, Sagikor Financial Corporation Limited issued US\$30.6 million and US\$3.4 million notes respectively, carrying an annual rate of 5.10%. The notes matured October 26, 2020.

Also on September 26, 2019, Sagikor Financial Corporation Limited issued a Jamaican dollar bond in the amount of J\$5,731,140,000 carrying an annual interest rate of 5.95% per annum. The bond matured October 26, 2020.

16 NOTES AND LOANS PAYABLE (continued)

On October 27, 2020, Sagikor Financial Corporation Limited refinanced the above facilities with the issue of a bond in two Tranches, Tranche A up to J\$5,737,140,000 and Tranche B up to US\$31,807,000, carrying annual interest rates of 6.25% and 5.50% respectively. Interest is payable quarterly commencing January 27, 2021. The Tranches mature on April 26, 2022, with an option for further extension.

(d) At December 31, 2021, Sagikor Investments Jamaica Limited held an investment of US\$12.5 million in Tranche A.

(e) On August 16, 2019, Sagikor Investments Jamaica Limited issued J\$4.4 billion notes in two Tranches, Tranche A J\$2.22 billion and Tranche B J\$2.18 billion, carrying annual rates of 5.00% and 6.75% respectively. Tranche A matured on September 16, 2020 and Tranche B has a maturity date of August 16, 2024.

(f) Bank loans and other funding instruments include the following:

(i) On May 24, 2019, Sagikor General Insurance Inc entered into a US\$12 million loan agreement. The interest rate is 3.50% per annum and the loan matures on July 31, 2024.

(ii) On October 1, 2020, The Estates (Residential Properties) Limited issued cumulative preference shares in the amount of US\$9 million. Dividends accrue at a rate of 6.75% per annum and are payable semi-annually. The preference shares are redeemable on September 30, 2027.

(iii) On May 3, 2021, The Estates (Residential Properties) Limited entered into a US\$17 million construction loan agreement with First Caribbean International Bank (Barbados) Limited. The interest rate is 3.50% per annum and the loan is repayable 2 years from the date of issuance, maturing on June 11, 2023. The facility is available in multiple drawdowns over this period.

16 NOTES AND LOANS PAYABLE (continued)

(g) Mortgage Loans

| | Issuer / mortgagor | 2021 | 2020 |
|---------------------------------------|------------------------------------|--------|--------|
| 4.90% USD mortgage notes due 2025 | X Fund Properties LLC | 45,137 | 45,822 |
| 4.75% USD mortgage notes due 2021 | Sagikor X-Fund Real Estate Limited | - | 2,188 |
| 9.00% JMD mortgage notes due 2048 | X Fund Properties Limited | - | 3,356 |
| 8.00% JMD mortgage notes due 2021 | X Fund Properties Limited | - | 3,134 |
| 10.00% JMD mortgage notes due 2026 | X Fund Properties Limited | - | 3,220 |
| 3.26% / 3.61% mortgage notes due 2026 | X Fund Properties Limited | - | 934 |
| Development loan ⁽¹⁾ | X Fund Properties Limited | 900 | 953 |
| | | 46,037 | 59,607 |

⁽¹⁾ This note is interest-free with annual forgiveness of debt over ten years, if certain conditions are met.

X Fund Properties LLC

The 4.90% USD mortgage note is secured by the investment in hotel property. Interest on the mortgage note is paid monthly through to maturity, upon which the outstanding principal is due and payable. The Group may prepay the mortgage note prior to the maturity date only in conjunction with the sale of a property or as a result of casualty or condemnation. The note is payable on October 6, 2025 and attracts a fixed rate interest of 4.90%.

Sagikor X-Fund Real Estate Limited

This mortgage note was issued in three tranches (A,B,C). Tranches A and B have previously matured while Tranche C matured on May 16, 2021.

16 NOTES AND LOANS PAYABLE (continued)

X Fund Properties Limited

The 8.00% JMD mortgage note matured on February 28, 2021.

During the quarter ended December 31, 2021, the mortgage notes due 2026 and 2048 were settled.

| Movement for the year to December 31, | 2021 | 2020 |
|--|-----------|-----------|
| Balance, beginning of year | 471,622 | 517,732 |
| Valuation of call option embedded derivative | (5,390) | (3,082) |
| Additions: | | |
| Gross principal | 563,408 | 68,660 |
| less Expenses | (11,104) | (415) |
| | 552,304 | 68,245 |
| Repayments: | | |
| Principal | (330,777) | (109,514) |
| Interest | (43,768) | (37,414) |
| | (374,545) | (146,928) |
| Amortisation during the year | 5,685 | 3,588 |
| Accrued Interest | 37,201 | 38,838 |
| Effects of exchange rate changes | (3,489) | (6,771) |
| Balance, end of the year | 683,388 | 471,622 |

17 DEPOSIT AND SECURITY LIABILITIES

| | 2021 | | 2020 | |
|--|----------------|------------|----------------|------------|
| | Carrying value | Fair value | Carrying value | Fair value |
| Liabilities at amortised cost: | | | | |
| Other funding instruments | 511,453 | 511,598 | 388,523 | 387,206 |
| Customer deposits | 881,434 | 883,673 | 861,652 | 867,317 |
| Securities sold for repurchase | 598,272 | 598,272 | 575,604 | 575,604 |
| Bank overdrafts | 761 | 761 | 980 | 980 |
| | 1,991,920 | 1,994,304 | 1,826,759 | 1,831,107 |
| Liabilities at FVTPL: | | | | |
| Structured products | 4,344 | 4,344 | - | - |
| Derivative financial instruments (note 40.9) | 109 | 109 | - | - |
| | 4,453 | 4,453 | - | - |
| | 1,996,373 | 1,998,757 | 1,826,759 | 1,831,107 |

Other funding instruments consist of loans from banks and other financial institutions and include balances of \$449,781 (2020 - \$348,559) due to the Federal Home Loan Bank of Dallas (FHLB). The Group participates in the FHLB programme in which funds received from the Bank are invested in mortgages and mortgage-backed securities.

Structured products are offered by a banking subsidiary. A structured product is a pre-packaged investment strategy created to meet specific needs that cannot be met from the standardised financial instruments available in the market. Structured products can be used as an alternative to a direct investment, as part of the asset allocation process to reduce risk exposure of a portfolio, or to capitalise on current market trends.

Collateral for other funding instruments and securities sold under agreements to resell is set out in note 9.2.

18 OTHER LIABILITIES / RETIREMENT BENEFIT LIABILITIES

| | 2021 | 2020 |
|---|--------|--------|
| Net defined benefit liabilities (note 31) | 81,256 | 66,342 |
| Other provisions | 257 | 200 |
| | 81,513 | 66,542 |

19 INCOME TAX LIABILITIES

| | 2021 | 2020 |
|---|--------|--------|
| Deferred income tax liabilities (note 33) | 51,707 | 48,873 |
| Income taxes payable | 10,219 | 16,255 |
| | 61,926 | 65,128 |

Income taxes payable are expected to be settled within a year of the financial statements' date.

20 ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

| | 2021 | 2020 |
|--|---------|---------|
| Suspense and other amounts due | 50,333 | 44,078 |
| Amounts due to reinsurers | 21,943 | 28,461 |
| Legal claim (i) | 1,180 | 1,126 |
| Other accounts payable and accrued liabilities | 180,065 | 181,797 |
| | 253,521 | 255,462 |

- (i) On March 17, 2014, the Supreme Court of Jamaica granted judgement in favour of a claimant in a case brought against Sagicor Bank Jamaica Limited ("the Bank"), (formerly RBC Royal Bank Jamaica Limited). This claim pre-dated the acquisition of the Bank by Sagicor Group Jamaica Limited, and pre-dated the acquisition of control of the Bank by RBTT from Finsac Limited ("Finsac") in 2001.

By virtue of the Share Sale Agreement between Finsac, RBTT Financial Holdings Limited and RBTT International Limited, Finsac agreed to fully indemnify RBTT International Limited against any loss the bank may suffer in this matter. As the current owner of Sagicor Bank Jamaica Limited, Sagicor Group is the current beneficiary of the Indemnity. The Indemnity from Finsac is further supported by a Government of Jamaica Guarantee on a full indemnity basis.

Sagicor appealed the Supreme Court decision and judgment was delivered on July 31, 2018, which ruled that the award previously made to the Claimant be reduced with costs to the Claimant, subject to an accounting exercise to determine the apportionment of costs between the parties. This reduced award took into account lower interest rates, applying simple interest rather than compounding interest. The issue of costs remains to be determined by the courts following a subsequent application to amend the judgment which was delivered in January 2019. The amount previously awarded to the Claimant has been recorded as payable to the claimant, plus accrued interest, and a corresponding receivable from Finsac/Government of Jamaica has been recorded (note 12).

20 ACCOUNTS PAYABLE AND ACCRUED LIABILITIES (continued)

- (i) On July 1, 2019, the Claimant filed an application for conditional leave to appeal to the Privy Council on the issue of costs, with final leave being granted on October 26, 2020.

The reproduced record of appeal for the Privy Council was finalised on June 3, 2021 and our external counsel is awaiting a Statement of Facts and Issues to be agreed. The Privy Counsel has set the appeal matter for hearing in May 2022.

21 COMMON SHARES

The authorised share capital of the Company is US\$200,000,000 divided into 10,000,000,000 common shares of US\$0.01 each and 10,000,000,000 preference shares of US\$0.01 each.

The common shares issued are as follows:

| | 2021 | | | | 2020 | | | |
|---|-----------------|---------------|----------------|----------------|-----------------|---------------|----------------|----------------|
| | Number in 000's | Share capital | Share premium | Total | Number in 000's | Share capital | Share premium | Total |
| Issued and fully paid: | | | | | | | | |
| Balance, beginning of year | 146,381 | 1,464 | 753,771 | 755,235 | 147,839 | 1,478 | 762,290 | 763,768 |
| Repurchase of shares (note 21.1) | (3,988) | (40) | (20,539) | (20,579) | (2,974) | (29) | (15,367) | (15,396) |
| | 142,393 | 1,424 | 733,232 | 734,656 | 144,865 | 1,449 | 746,923 | 748,372 |
| Allotments arising from: | | | | | | | | |
| Common shares | 791 | 8 | 4,162 | 4,170 | 1,516 | 15 | 6,848 | 6,863 |
| Balance, end of year | 143,184 | 1,432 | 737,394 | 738,826 | 146,381 | 1,464 | 753,771 | 755,235 |
| Treasury shares: | | | | | | | | |
| Shares held for LTI and ESOP, end of year (note 30.1) | (50) | (1) | (275) | (276) | (50) | (1) | (275) | (276) |
| Shares repurchased but not cancelled | (1) | - | (5) | (5) | (1) | - | (6) | (6) |
| Total | 143,133 | 1,431 | 737,114 | 738,545 | 146,330 | 1,463 | 753,490 | 754,953 |

21.1 Share buyback programme

In 2020, the board of directors of SFC authorised a share buyback programme that allows the Company to repurchase its common shares (the "NCIB Shares"). The Toronto Stock Exchange (the "TSX") accepted the Company's notice of intention to make a normal course issuer bid ("NCIB") through which the Company may purchase the NCIB Shares during the 12-month period commencing June 22, 2020 and ending June 21, 2021. The Company was initially authorised to repurchase up to 3,000,000 of its common shares under the programme, however, the NCIB was subsequently amended to increase the number of shares that may be repurchased to 8,000,000 common shares. Under the NCIB, purchases may be made on the open market through the facilities of the TSX and/or alternative Canadian trading systems at the market price at the time of acquisition, as well as by other means as may be permitted by TSX rules and applicable securities laws.

21 COMMON SHARES (continued)**21.1 Share buyback programme (continued)**

During the year, the Company repurchased 3,988,221 (2020 – 2,942,500) shares, at a total cost of US\$20.0 million (2020 – US\$13.1 million), which were subsequently cancelled. Share capital and share premium in equity have been reduced by the cost of the shares repurchased and commission paid on the transactions. The premium or discount arising on the repurchase of shares has been recorded directly in retained earnings.

The cost of shares totalling US\$0.005 million (2020 – US\$0.006 million), which were repurchased at the year end date but not cancelled, has been reflected in treasury shares.

21.2 Common share dividends

Common share dividends declared and paid are set out in the following table.

| 2021 | | 2020 | |
|--|--------------|--------------|-------|
| Per share | Total | Per share | Total |
| Dividends declared and paid during the year: | | | |
| Three-month period ended: | | | |
| – March 31 | 5.625¢ 8,234 | 5.625¢ 8,353 | |
| – June 30 | 5.625¢ 8,192 | 5.625¢ 8,387 | |
| – September 30 | 5.625¢ 8,061 | 5.625¢ 8,262 | |
| – December 31 | 5.625¢ 8,052 | 5.625¢ 8,241 | |
| Total | 32,539 | 33,243 | |

22 RESERVES

| | Fair value reserves | | | | Currency translation reserves | Warrant reserve ⁽¹⁾ | Other reserves | Total reserves |
|--|---|--------------|-----------------------|------------------|-------------------------------|--------------------------------|----------------|----------------|
| | Owner-occupied and owner-managed property | FVOCI assets | Actuarial liabilities | Cash flow hedges | | | | |
| 2021 | | | | | | | | |
| Balance, December 31, 2020 | 22,889 | 162,691 | (128,584) | (274) | (143,939) | 20,062 | 52,287 | (14,868) |
| Total comprehensive income | 2,528 | (42,952) | 14,200 | 239 | (25,315) | - | - | (51,300) |
| Transactions with holders of equity instruments: | | | | | | | | |
| Allocated to reserve for equity compensation benefits | - | - | - | - | - | - | 5,295 | 5,295 |
| Eliminated from reserve for equity compensation benefits | - | - | - | - | - | - | (5,901) | (5,901) |
| Transfers to retained earnings and other movements | 52 | - | - | - | - | - | 6,250 | 6,302 |
| Balance, December 31, 2021 | 25,469 | 119,739 | (114,384) | (35) | (169,254) | 20,062 | 57,931 | (60,472) |

⁽¹⁾ The Group has 34,774,993 (2020 - 34,774,993) warrants outstanding which have an exercise price of CDN \$11.50 per share. These warrants expire on December 5, 2024. The warrants are listed on the Toronto Stock Exchange.

22 RESERVES (continued)

| | Fair value reserves | | | | | | | Total reserves |
|--|---|--------------|-----------------------|------------------|-------------------------------|-----------------|----------------|----------------|
| | Owner-occupied and owner-managed property | FVOCI assets | Actuarial liabilities | Cash flow hedges | Currency translation reserves | Warrant reserve | Other reserves | |
| 2020 | | | | | | | | |
| Balance, December 31, 2019 | 25,151 | 94,270 | (78,707) | (270) | (124,421) | 20,062 | 54,892 | (9,023) |
| Total comprehensive income | (1,753) | 68,375 | (49,877) | (4) | (19,518) | - | (2) | (2,779) |
| Transactions with holders of equity instruments: | | | | | | | | |
| Allocated to reserve for equity compensation benefits | - | - | - | - | - | - | 6,978 | 6,978 |
| Eliminated from reserve for equity compensation benefits | - | - | - | - | - | - | (10,899) | (10,899) |
| Transfers to retained earnings and other movements | (509) | 46 | - | - | - | - | 1,318 | 855 |
| Balance, December 31, 2020 | 22,889 | 162,691 | (128,584) | (274) | (143,939) | 20,062 | 52,287 | (14,868) |

23 PARTICIPATING ACCOUNTS

The movements in the participating accounts during the year and the amounts in the financial statements relating to participating accounts were as follows:

| | Closed participating account | | Open participating account | |
|--|------------------------------|--------|----------------------------|---------|
| | 2021 | 2020 | 2021 | 2020 |
| Movement for the year: | | | | |
| Balance, beginning of year | 289 | 902 | 1,318 | 321 |
| Total comprehensive income / (loss) | 112 | (613) | (953) | 1,190 |
| Return of transfer to support profit distribution, to shareholders | - | - | (185) | (193) |
| Balance, end of year | 401 | 289 | 180 | 1,318 |
| Financial statement amounts: | | | | |
| Assets | 61,829 | 63,075 | 149,880 | 152,294 |
| Liabilities | 61,428 | 62,786 | 149,700 | 150,976 |
| Revenues | 5,513 | 4,589 | 16,254 | 16,023 |
| Benefits | 5,228 | 4,599 | 15,776 | 12,999 |
| Expenses | 320 | 264 | 988 | 1,178 |
| Income taxes | 34 | 54 | 43 | 159 |

24 PREMIUM REVENUE

| | Gross premium | | Ceded to reinsurers | |
|---------------------------------|---------------|-----------|---------------------|--------|
| | 2021 | 2020 | 2021 | 2020 |
| Life insurance | 505,442 | 470,363 | 29,229 | 30,094 |
| Annuity | 1,024,821 | 736,620 | 460 | 132 |
| Health insurance | 168,460 | 176,622 | 6,331 | 5,089 |
| Property and casualty insurance | 118,774 | 118,347 | 68,327 | 63,210 |
| | 1,817,497 | 1,501,952 | 104,347 | 98,525 |

25 POLICY BENEFITS AND CHANGE IN ACTUARIAL LIABILITIES

| | Gross benefit | | Ceded to reinsurers | |
|---|---------------|-----------|---------------------|----------|
| | 2021 | 2020 | 2021 | 2020 |
| Life insurance benefits | 293,642 | 263,130 | 22,759 | 24,440 |
| Annuity benefits | 345,480 | 324,994 | 70,052 | 77,391 |
| Health insurance claims | 139,730 | 133,185 | 2,856 | 3,115 |
| Property and casualty claims | 34,623 | 35,735 | 9,989 | 7,498 |
| Total policy benefits | 813,475 | 757,044 | 105,656 | 112,444 |
| Change in actuarial liabilities (note 13.2) | 686,329 | 512,140 | (94,586) | (22,026) |
| Total policy benefits and change in actuarial liabilities | 1,499,804 | 1,269,184 | 11,070 | 90,418 |

26 NET INVESTMENT INCOME

| | 2021 | 2020 |
|--|----------------|----------------|
| Investment income | | |
| Interest income (amortised cost assets): | | |
| Debt securities | 94,190 | 83,907 |
| Mortgage loans | 24,609 | 21,052 |
| Policy loans | 10,699 | 10,881 |
| Finance loans | 53,626 | 61,171 |
| Securities purchased for resale | 940 | 804 |
| Deposits, cash and other items | 1,171 | 951 |
| | 185,235 | 178,766 |
| Interest income (FVOCI assets): | | |
| Debt securities and money market funds | 152,179 | 135,993 |
| Interest income earned from financial assets measured at amortised cost and FVOCI | 337,414 | 314,759 |

26 NET INVESTMENT INCOME (continued)

| | 2021 | 2020 |
|--|----------------|----------------|
| Interest income earned from financial assets measured at amortised cost and FVOCI | 337,414 | 314,759 |
| Fair value changes, dividend income and interest income (FVTPL assets): | | |
| Debt securities | 11,135 | 16,636 |
| Equity securities ⁽¹⁾ | 54,760 | (9,229) |
| Mortgage loans | 1,340 | 553 |
| Derivative financial instruments | 25,311 | 10,759 |
| Other items | 1 | 2 |
| | 92,547 | 18,721 |
| Investment income: | | |
| Other income on financial investments | 482 | 477 |
| Investment property – rental income | 4,186 | 5,406 |
| Investment property – realised gains / (losses) | 87 | (2,987) |
| Investment property – unrealised losses | (588) | (598) |
| Other investment income | 260 | 1,724 |
| | 4,427 | 4,022 |
| Investment expenses: | | |
| Direct operating expenses of investment property that generated rental income | 2,155 | 4,060 |
| Other direct investment expenses | 2,436 | 2,539 |
| | 4,591 | 6,599 |
| Other investment income | 92,383 | 16,144 |
| Net investment income | 429,797 | 330,903 |

⁽¹⁾ Included in fair value changes on equity securities is a gain of \$21,601 relating to the FVTPL investment in Playa post acquisition (see note 37.1).

27 FEES AND OTHER REVENUE

| | Fees Recognised | | Other Revenue | Total |
|--|--------------------|---------------|---------------|----------------|
| | at a point in time | over time | | |
| 2021 | | | | |
| Service contract revenue | 29,832 | 45,442 | - | 75,274 |
| Fee income – assets under administration | - | 3,068 | - | 3,068 |
| Commission income on reinsurance contracts | - | - | 13,506 | 13,506 |
| Other fees and commission income | 11,038 | 5,165 | 11,523 | 27,726 |
| Finance lease income | - | - | 87 | 87 |
| Foreign exchange gains | - | - | 9,388 | 9,388 |
| Hotel revenue | 4,916 | 21,338 | 3,263 | 29,517 |
| Other operating and miscellaneous income | 138 | 664 | 6,496 | 7,298 |
| | <u>45,924</u> | <u>75,677</u> | <u>44,263</u> | <u>165,864</u> |
| 2020 | | | | |
| Service contract revenue | 26,008 | 43,889 | - | 69,897 |
| Fee income – assets under administration | - | 2,976 | - | 2,976 |
| Commission income on reinsurance contracts | - | 4 | 15,647 | 15,651 |
| Other fees and commission income | 11,585 | 2,188 | 10,792 | 24,565 |
| Finance lease income | - | - | 75 | 75 |
| Foreign exchange losses | - | - | 4,078 | 4,078 |
| Hotel revenue | 3,076 | 12,164 | 1,885 | 17,125 |
| Other operating and miscellaneous income | 159 | - | 4,450 | 4,609 |
| | <u>40,828</u> | <u>61,221</u> | <u>36,927</u> | <u>138,976</u> |

28 INTEREST AND FINANCE COSTS**28.1 Interest costs**

| | 2021 | 2020 |
|---|--------|--------|
| Interest expense (amortised cost liabilities): | | |
| Investment contracts | 5,909 | 8,464 |
| Other funding instruments | 3,787 | 3,511 |
| Customer deposits | 8,399 | 9,767 |
| Securities sold for repurchase | 13,899 | 12,449 |
| Insurance contracts and other items | 1,718 | 1,604 |
| | 33,712 | 35,795 |
| Fair value changes and interest expense (FVTPL liabilities) | 8,961 | 7,098 |
| Total interest costs | 42,673 | 42,893 |

28.2 Finance costs

| | 2021 | 2020 |
|--|--------|--------|
| 8.875% senior notes due 2022 | 19,933 | 30,740 |
| 5.30% senior notes due 2028 | 14,463 | - |
| 5.50% unsecured bond due 2022 | 1,876 | 333 |
| 6.25% unsecured bond due 2022 | 1,746 | 311 |
| 5.10% unsecured bond due 2020 | - | 1,744 |
| 5.95% unsecured bond due 2020 | - | 2,385 |
| 5.00% notes due 2020 | - | 556 |
| 6.75% notes due 2024 | 983 | 1,041 |
| Mortgage Loans | 3,744 | 5,020 |
| Lease liabilities ⁽¹⁾ | 1,787 | 2,184 |
| Bank loans & other funding instruments | 522 | 571 |
| | 45,054 | 44,885 |

⁽¹⁾ Interest expense arising from lease liabilities recognised in conformity with IFRS 16.

29 EMPLOYEE COSTS

Included in administrative expenses, commissions and related compensation are the following:

| | 2021 | 2020 |
|--|---------|---------|
| Administrative and hotel staff salaries, directors' fees and short-term benefits | 135,840 | 145,860 |
| Social security and defined contribution retirement costs | 11,939 | 11,852 |
| Equity-settled compensation benefits (note 30.1 to 30.2) | 7,487 | 9,375 |
| Cash-settled compensation benefits | (124) | - |
| Defined benefit expense (note 31 (b)) | 7,616 | 12,491 |
| | 162,758 | 179,578 |

30 EQUITY COMPENSATION BENEFITS**30.1 Sagikor Financial Company Ltd.**

Effective December 31, 2005, SFCL introduced the LTI plan and the ESOP. A total of 26,555,274 common shares of SFCL (or 10% of shares then in issue) has been set aside for the purposes of the long-term incentive (LTI) plan and the Employee Share Ownership Plan (ESOP).

In 2017, the shareholders of SFCL approved the increase in the number of SFCL's shares reserved for the LTI and ESOP from 26,555,274 common shares to 40,400,000 common shares.

On December 5, 2019, concurrent with the closing of the transaction between Alignvest Acquisition II Corporation ("Alignvest") and Sagikor Financial Corporation Limited ("SFCL"), restricted share grants, share options and ESOP awards were exchanged for grants, options and awards in SFC using an exchange ratio of one Sagikor share for 4.328 of SFCL common shares for SFCL common shares not purchased for cash. 3,680,687 restricted share grants were exchanged for 850,276 restricted share grants and 2,297,517 ESOP awards were exchanged for 526,831 ESOP awards in SFC (the "Replacement Grants"). 20,250,604 options were exchanged for 4,678,152 options to purchase common shares of Sagikor Financial Company Ltd. (the "Replacement Options"). The Replacement Options provide an optionee the ability to purchase common shares of Sagikor Financial Company Ltd. at a price per share linked to the award year (as adjusted by the exchange ratio), and the terms and conditions of the Replacement Options have remained the same as the initial terms and conditions. The terms of the Replacement Grants remain unchanged. Since these modifications did not increase the total fair value of the Replacement Options or the Replacement Grants, the Group continues to account for the cost of compensation services received as consideration for the equity instruments granted as if the replacement had not occurred.

The fair value of stock options granted is estimated at the date of grant using the Black-Scholes option pricing model as disclosed in section (b) below.

30.1 Sagikor Financial Company Ltd. (continued)**(a) LTI plan (2005) – restricted share grants**

Restricted share grants have been granted to designated key management of the Group. Share grants may vest over a four-year period beginning at the grant date. The vesting of share grants is conditional upon the relative profitability of the Group as compared to a number of peer companies. Relative profitability is measured with reference to the financial year preceding the vesting date.

The movement in restricted share grants during the year is as follows:

| | 2021 | | 2020 | |
|----------------------------|-----------------------------|------------------------------|-----------------------------|------------------------------|
| | Number of grants '000 | Weighted average price | Number of grants '000 | Weighted average price |
| Balance, beginning of year | 701 | US\$5.02 | 856 | US\$4.50 |
| Grants issued | 517 | US\$4.66 | 779 | US\$4.74 |
| Grants vested | (285) | US\$4.83 | (910) | US\$4.94 |
| Grants lapsed/forfeited | (141) | US\$5.12 | (24) | US\$4.98 |
| Balance, end of year | 792 | US\$4.83 | 701 | US\$5.02 |

30.1 Sagikor Financial Company Ltd. (continued)

(a) LTI plan (2005) – restricted share grants (continued)

Grants issued may be satisfied out of new shares issued by Sagikor Financial Company Ltd. or by shares acquired in the market. No shares were utilised during the year. Shares acquired in the market were as follows:

| | 2021 | | 2020 | |
|--|--------------------|-------|--------------------|-------|
| | Number in 000's | \$000 | Number in 000's | \$000 |
| Balance, beginning of year and end of year | 40 | 206 | 40 | 206 |

(b) LTI plan – share options

No share options have been granted to designated key management of the Group during the year. Options were granted at the fair market price of SFCL shares prevailing one year before the option is granted. Options vest over four years, 25% each on the first four anniversaries of the grant date. Options are exercisable up to 10 years from the grant date.

30.1 Sagikor Financial Company Ltd. (continued)

(b) LTI plan – share options (continued)

The movement in share options for the year and details of the share options and assumptions used in determining their pricing are as follows:

| | 2021 | | 2020 | |
|-------------------------------------|------------------------------|--|------------------------------|--|
| | Number of options '000 | Weighted average exercise price | Number of options '000 | Weighted average exercise price |
| Balance, beginning of year | 2,021 | US\$4.61 | 4,673 | US\$4.85 |
| Options exercised | (656) | US\$4.53 | (2,615) | US\$5.09 |
| Options lapsed/forfeited | - | - | (37) | US\$4.72 |
| Balance, end of year | 1,365 | US\$4.65 | 2,021 | US\$4.61 |
| Exercisable at the end of the year | 813 | US\$4.57 | 931 | US\$4.46 |
| Share price at grant date | US\$3.72 - 10.82 | | US\$3.72 - 10.82 | |
| Fair value of options at grant date | US\$0.67 – 2.99 | | US\$0.67 – 2.99 | |
| Expected volatility | 18.3% - 35.8% | | 18.3% - 35.8% | |
| Expected life | 7.0 years | | 7.0 years | |
| Expected dividend yield | 2.6% - 4.7% | | 2.6% - 4.7% | |
| Risk-free interest rate | 4.5% - 6.8% | | 4.5% - 6.8% | |

The expected volatility of options is based on statistical analysis of monthly share prices over the 7 years prior to grant date.

30.1 Sagikor Financial Company Ltd. (continued)**(c) LTI plan (2019) – restricted share grants**

On December 5, 2019, also concurrent with the closing of the transaction between Alignvest Acquisition II Corporation and Sagikor Financial Corporation Limited, the Company introduced a replacement award for years 2020, 2021 and 2022 under a Sagikor Financial Company Ltd. equity-based plan, in lieu of the foregoing award of restricted share units of the LTI plan introduced for certain executives in December 31, 2005.

Under the plan, certain executives are awarded a number of restrictive share units of Sagikor Financial Company Ltd. which will vest in accordance with the conditions noted below:

- (a) Subject to the executives' continued employment on the first, second and third anniversary dates of the vesting commencement date;
- (b) Subject to the Company achieving its return on equity target for the relevant year, as laid out in the Company's strategic plan or executive award agreement approved by the Company.
- (c) Subject to the shares of the Company trading above Canadian \$12.00 per share for 20 out of any 30-day consecutive trading days prior to December 31, 2024.

The movement in these restricted share grants during the year is as follows:

| | 2021 | | 2020 | |
|----------------------------|-----------------------|------------------------|-----------------------|------------------------|
| | Number of grants '000 | Weighted average price | Number of grants '000 | Weighted average price |
| Balance, beginning of year | 195 | US\$5.92 | - | - |
| Grants issued | 412 | US\$4.75 | 545 | US\$5.92 |
| Grants vested | (201) | US\$4.86 | (350) | US\$5.92 |
| Balance, end of year | 406 | US\$5.25 | 195 | US\$5.92 |

30.1 Sagikor Financial Company Ltd. (continued)**(d) ESOP**

From 2006, SFCL approved awards under the ESOP in respect of permanent administrative employees and sales agents of SFCL and certain subsidiaries. The ESOP is administered by the Company and the amount awarded is used to acquire Sagikor Financial Company Ltd. shares. Shares vest over a four-year period in equal tranches, and are issued as they vest. No shares were utilised during the year. Shares acquired by the Company were as follows:

| | 2021 | | 2020 | |
|--|-----------------|-------|-----------------|-------|
| | Number in 000's | \$000 | Number in 000's | \$000 |
| Balance, beginning of year and end of year | 10 | 70 | 10 | 70 |

30.2 Sagikor Group Jamaica Limited**(a) Long-term incentive plan**

Sagikor Group Jamaica Limited offers stock grants and stock options to senior executives as part of its long-term incentive plan. The group has set aside 150,000,000 of its authorised but un-issued shares at no par value for the stock grants and stock options.

In January 2007, the group introduced a new long-term incentive (LTI) plan which replaced the previous Stock Option plan. Under the LTI plan, executives are entitled but not obliged to purchase the group stock at a pre-specified price at some future date. The options are granted each year on the date of the Board of Directors Human Resources Committee meeting following the performance year at which the stock option awards are approved. Stock options vest in 4 equal instalments beginning the first December 31 following the grant date and for the next three December 31 dates thereafter (25% per year).

30.2 Sagikor Group Jamaica Limited (continued)

(a) Long-term incentive plan (continued)

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 Sagikor Group Jamaica Limited stock on March 31 of the measurement year. The exercise price of the options is the closing bid price on March 31 of the measurement year.

Details of the share options outstanding are set out in the following table. J\$ represents Jamaica dollars.

| | 2021 | | 2020 | |
|------------------------------------|------------------------|---------------------------------|------------------------|---------------------------------|
| | Number of options '000 | Weighted average exercise price | Number of options '000 | Weighted average exercise price |
| Balance, beginning of year | 11,034 | J\$29.58 | 9,600 | J\$23.44 |
| Options granted | 2,224 | J\$52.40 | 3,430 | J\$39.99 |
| Options exercised | (3,005) | J\$32.58 | (1,689) | J\$13.97 |
| Options lapsed/forfeited | - | - | (307) | J\$37.08 |
| Balance, end of year | 10,253 | J\$33.73 | 11,034 | J\$29.58 |
| Exercisable at the end of the year | 6,575 | J\$31.28 | 6,636 | J\$25.79 |

Further details of share options and the assumptions used in determining their pricing are as follows:

| | 2021 | 2020 |
|--|-----------------|-----------------|
| Fair value of options outstanding | J\$58,349,000 | J\$47,995,000 |
| Share price at grant date | J\$9.50 - 52.40 | J\$7.11 - 39.99 |
| Exercise price | J\$9.50 - 52.40 | J\$7.11 - 39.99 |
| Standard deviation of expected share price returns | 30.0% | 31.0% |
| Remaining contractual term | 0.25 – 7 years | 0.25 – 7 years |
| Risk-free interest rate | 4.16% | 4.43% |

The expected volatility is based on statistical analysis of daily share prices over seven years.

30.2 Sagikor Group Jamaica Limited (continued)

(b) Employee share purchase plan

Sagikor Group Jamaica Limited has in place a share purchase plan which enables its administrative and sales staff to purchase shares at a discount. The proceeds from shares issued under this plan totalled Nil (2020 – \$688).

31 EMPLOYEE RETIREMENT BENEFITS

The Group maintains a number of defined contribution and defined benefit retirement benefit plans for eligible sales agents and administrative employees. The plans for sales agents and some administrative employees provide defined contribution benefits. The plans for administrative employees in Barbados, Jamaica, Trinidad, Eastern Caribbean and certain other Caribbean countries provide defined benefits based on final salary and number of years active service. Also, in these countries, retired employees may be eligible for medical and life insurance benefits which are partially or wholly funded by the Group. The principal defined benefit retirement plans are as follows:

| Funded Plans | Unfunded Plans |
|---|---|
| Sagikor Life Barbados & Eastern Caribbean Pension | Sagikor Life Trinidad Pension |
| Sagikor Life Jamaica Pension | Sagikor Life (Heritage Life of Barbados - Barbados & Eastern Caribbean) Pension |
| Sagikor Investments Jamaica Pension | Group medical and life plans |

The above plans also incorporate employees of the Company and other subsidiaries, whose attributable obligations and attributable assets are separately identified for solvency, contribution rate and reporting purposes.

The assets of the Sagikor Life Trinidad and Sagikor Life (Heritage Life of Barbados) pension plans are held under deposit administration contracts with Sagikor Life Inc and because these assets form part of the Group's assets, these plans are presented as unfunded in accordance with IAS 19 (revised).

The above pension plans are registered with the relevant regulatory authorities in the Caribbean and are governed by Trust Deeds which conform with the relevant laws. The plans are managed by the Group under the direction of appointed Trustees.

31 EMPLOYEE RETIREMENT BENEFITS (continued)

The group medical and life obligations arise from employee benefit insurance plans where benefits are extended to retirees.

All disclosures in sections 31 (a) to (f) of this note relate only to defined benefit plans.

(a) Amounts recognised in the statement of financial position

| | 2021 | 2020 |
|--|-----------|-----------|
| Present value of funded pension obligations | 317,044 | 290,443 |
| Fair value of retirement plan assets | (322,094) | (306,255) |
| | (5,050) | (15,812) |
| Present value of unfunded pension obligations | 30,995 | 39,258 |
| Present value of unfunded medical and life benefits | 31,573 | 26,168 |
| Net liability | 57,518 | 49,614 |
| Represented by: | | |
| Amounts held on deposit by the Group as deposit administration contracts | 27,530 | 25,335 |
| Other recognised liabilities | 53,726 | 41,007 |
| Total recognised liabilities (note 18) | 81,256 | 66,342 |
| Recognised assets (note 12) | (23,738) | (16,728) |
| Net liability | 57,518 | 49,614 |

Pension plans have purchased annuities from insurers in the Group to pay benefits to plan retirees. These obligations which amount to \$44,613 (2020 - \$37,962) are included in actuarial liabilities in the statement of financial position and are included as retirement plan assets in this note.

31 EMPLOYEE RETIREMENT BENEFITS (continued)

(b) Movements in balances

| | 2021 | | | | 2020 | | | |
|--|------------------------------|---------------------------|---------------------------|-----------------|------------------------------|---------------------------|---------------------------|----------------|
| | Medical and life benefits | Retirement obligations | Retirement plan assets | Total | Medical and life benefits | Retirement obligations | Retirement plan assets | Total |
| Net liability / (asset), beginning of year | 26,168 | 329,701 | (306,255) | 49,614 | 23,215 | 353,924 | (326,582) | 50,557 |
| Current service cost | 664 | 6,234 | 8 | 6,906 | (177) | 7,553 | 9 | 7,385 |
| Interest expense / (income) | 2,190 | 22,933 | (24,460) | 663 | 1,530 | 21,730 | (22,654) | 606 |
| Past service cost and gains / losses on settlements | - | 47 | - | 47 | 84 | 4,416 | - | 4,500 |
| Net expense recognised in income | 2,854 | 29,214 | (24,452) | 7,616 | 1,437 | 33,699 | (22,645) | 12,491 |
| (Gains) / losses from changes in assumptions | 4,225 | 10,445 | (935) | 13,735 | (3,948) | (15,755) | 2,185 | (17,518) |
| (Gains) / losses from changes in experience | 1,346 | 4,288 | 1,015 | 6,649 | 8,057 | (26,112) | 28,402 | 10,347 |
| Return on plan assets excluding interest income | - | - | (879) | (879) | - | - | 2,629 | 2,629 |
| Change in asset ceiling excluding interest expense / (income) | - | 212 | 821 | 1,033 | - | - | 767 | 767 |
| Net (gains) / losses recognised in other comprehensive income | 5,571 | 14,945 | 22 | 20,538 | 4,109 | (41,867) | 33,983 | (3,775) |
| Contributions made by the Group | - | 3 | (9,416) | (9,413) | - | - | (9,951) | (9,951) |
| Contributions made by employees and retirees | - | 7,265 | (7,231) | 34 | - | 7,443 | (7,443) | - |
| Benefits paid | (874) | (19,807) | 18,487 | (2,194) | (954) | (18,638) | 18,638 | (954) |
| Other items | - | 908 | (7,762) | (6,854) | - | 9,711 | (7,160) | 2,551 |
| Effect of exchange rate movements | (2,146) | (14,190) | 14,513 | (1,823) | (1,639) | (14,571) | 14,905 | (1,305) |
| Other movements | (3,020) | (25,821) | 8,591 | (20,250) | (2,593) | (16,055) | 8,989 | (9,659) |
| Net liability / (asset), end of year | 31,573 | 348,039 | (322,094) | 57,518 | 26,168 | 329,701 | (306,255) | 49,614 |

31 EMPLOYEE RETIREMENT BENEFITS (continued)(c) Retirement plan assets

| | 2021 | 2020 |
|--|-----------|-----------|
| Equity unit linked pension funds under Group management: | | |
| Sagikor Equity Fund (Barbados) | (45,676) | (39,719) |
| Sagikor Bonds Fund (Barbados) | (21,344) | (21,398) |
| Sagikor Eastern Caribbean Fund (St. Lucia) | (9,702) | (8,929) |
| Sagikor Pooled Investment Funds (Jamaica): | | |
| Equity Funds | (56,463) | (61,267) |
| Mortgage & Real Estate Fund | (29,862) | (26,616) |
| Fixed Income Fund | (21,144) | (17,454) |
| Foreign Currency Funds | (25,486) | (26,008) |
| Money Market Fund | (1,594) | (1,336) |
| Other Funds | (14,100) | (10,912) |
| | (225,371) | (213,639) |
| Other assets | (96,723) | (92,616) |
| Total plan assets | (322,094) | (306,255) |

The equity unit linked pension funds are funds domiciled in Barbados and Jamaica. Annual reports of these funds are available to the public.

31 EMPLOYEE RETIREMENT BENEFITS (continued)

(d) Significant actuarial assumptions

The significant actuarial assumptions for the principal geographic areas were as follows:

| Pension plans | 2021 | | |
|--|--|---|---|
| | Barbados & Eastern Caribbean | Jamaica | Trinidad |
| Discount rate - local currency benefits | 7.75% | 8.00% | 5.50% |
| Discount rate - US\$ indexed benefits | n/a | 6.00% | n/a |
| Expected return on plan assets | 7.75% | 8.00% | 5.50% |
| Future promotional salary increases | 0.00% | 8.00% | 0.00% |
| Future inflationary salary increases | 2.00% | 5.00% | 2.00% |
| Future pension increases | 2.00% | 1.00% | 0.00% |
| Future increases in National Insurance Scheme Ceilings | 3.50% | n/a | 4.00% |
| Mortality table | UP94 with projection scale AA | American 1994 Group Annuitant Mortality (GAM 94) table with 5 years mortality improvement | UP94 with projection scale AA |
| Termination of active members | 3% - 18.4% up to age 30, reducing to 1% - 7.2% at age 50, 0% at age 51 | 2% - 5.8% up to age 30, to 3.8% - 5.8% at age 50, 2.7% - 3.8% at age 51 | 3% up to age 30, reducing to 1% at age 50, 0% at age 51 |
| Early retirement | 100% at the earliest possible age to receive unreduced benefits | n/a | 100% at the earliest possible age to receive unreduced benefits |

31 EMPLOYEE RETIREMENT BENEFITS (continued)

| Pension plans | 2020 | | |
|--|--|--|---|
| | Barbados & Eastern Caribbean | Jamaica | Trinidad |
| Discount rate - local currency benefits | 7.75% | 9.00% | 5.50% |
| Discount rate - US\$ indexed benefits | n/a | 5.00% | n/a |
| Expected return on plan assets | 7.75% | 9.00% | 5.50% |
| Future promotional salary increases | 0.00% | 9.00% | 0.00% |
| Future inflationary salary increases | 2.00% | 9.00% | 2.00% |
| Future pension increases | 2.00% | 0.50% | 0.00% |
| Future increases in National Insurance Scheme Ceilings | 3.50% | n/a | 4.00% |
| Mortality table | UP94 with projection scale AA | American 1994 Group Annuitant Mortality (GAM 94) table with 5-year improvement | UP94 with projection scale AA |
| Termination of active members | 3% - 18.4% up to age 30, reducing to 1% - 7.2% at age 50, 0% at age 51 | 2% - 5.8% up to age 30, to 3.8% - 5.8% at age 50, 2.7% - 3.8% at age 51 | 3% up to age 30, reducing to 1% at age 50, 0% at age 51 |
| Early retirement | 100% at the earliest possible age to receive unreduced benefits | n/a | 100% at the earliest possible age to receive unreduced benefits |

31 EMPLOYEE RETIREMENT BENEFITS (continued)

| | 2021 | | 2020 | |
|------------------------------------|----------|---------|----------|---------|
| Group medical and life plans | Barbados | Jamaica | Barbados | Jamaica |
| Long-term increase in health costs | 4.25% | 7.50% | 4.25% | 7.00% |

(e) Sensitivity of actuarial assumptions

The sensitivity of the pension retirement benefit obligations to individual changes in actuarial assumptions is summarised below:

| | December 31, 2021 | | |
|--|--|---------|----------|
| | Barbados & Eastern Caribbean | Jamaica | Trinidad |
| Base pension obligation | 102,997 | 196,324 | 17,723 |
| Change in absolute assumption | Increase / (decrease) in pension obligations | | |
| Decrease discount rate by 1.0% | 8,694 | 10,989 | 1,659 |
| Increase discount rate by 1.0% | (7,262) | (8,421) | (1,219) |
| Decrease salary growth rate by 0.5% | (698) | (1,283) | (230) |
| Increase salary growth rate by 0.5% | 426 | 1,385 | 254 |
| Increase average life expectancy by 1 year | 2,209 | 789 | 166 |
| Decrease average life expectancy by 1 year | (4,103) | (814) | (213) |

31 EMPLOYEE RETIREMENT BENEFITS (continued)

(e) Sensitivity of actuarial assumptions (continued)

| | December 31, 2020 | | |
|--|--|---------|----------|
| | Barbados & Eastern Caribbean | Jamaica | Trinidad |
| Base pension obligation | 96,217 | 178,979 | 15,247 |
| Change in absolute assumption | Increase / (decrease) in pension obligations | | |
| Decrease discount rate by 1.0% | 8,211 | 9,311 | 1,226 |
| Increase discount rate by 1.0% | (6,713) | (7,175) | (870) |
| Decrease salary growth rate by 0.5% | (515) | (1,423) | (194) |
| Increase salary growth rate by 0.5% | 608 | 1,636 | 179 |
| Increase average life expectancy by 1 year | 2,405 | 635 | 390 |
| Decrease average life expectancy by 1 year | (3,171) | (649) | (190) |

31 EMPLOYEE RETIREMENT BENEFITS (continued)

(e) Sensitivity of actuarial assumptions (continued)

The sensitivity of the medical and life benefits obligations to individual changes in actuarial assumptions is summarised below:

| | December 31, 2021 |
|--|---|
| | Jamaica |
| Base medical and life obligation | 31,423 |
| Change in absolute assumption | Increase / (decrease) in medical and life obligations |
| Decrease discount rate by 1.0% | 4,946 |
| Increase discount rate by 1.0% | (3,873) |
| Decrease salary growth rate by 0.5% | (62) |
| Increase salary growth rate by 0.5% | 80 |
| Increase average life expectancy by 1 year | 919 |
| Decrease average life expectancy by 1 year | (912) |

31 EMPLOYEE RETIREMENT BENEFITS (continued)

(e) Sensitivity of actuarial assumptions (continued)

The sensitivity of the medical and life benefits obligations to individual changes in actuarial assumptions is summarised below:

| | December 31, 2020 |
|--|---|
| | Jamaica |
| Base medical and life obligation | 26,018 |
| Change in absolute assumption | Increase / (decrease) in medical and life obligations |
| Decrease discount rate by 1.0% | 4,631 |
| Increase discount rate by 1.0% | (3,664) |
| Decrease salary growth rate by 0.5% | (85) |
| Increase salary growth rate by 0.5% | 103 |
| Increase average life expectancy by 1 year | 823 |
| Decrease average life expectancy by 1 year | (823) |

(f) Amount, timing and uncertainty of future cash flows

In addition to the annual actuarial valuations prepared for the purpose of annual financial statement reporting, full actuarial valuations of pension plans are conducted every 3 years. These full valuations contain recommendations for Group and employee contribution levels which are implemented by the Group.

For the 2022 financial year, the total Group contributions to its defined benefits pension plans are estimated to be \$12,947.

32 INCOME TAXES

Group companies are taxed according to the taxation rules of the countries where the operations are carried out. The principal rates of taxation are summarised in note 2.18(c). The income tax expense is set out in the following table.

| | 2021 | 2020 |
|---|--------|----------|
| Current tax: | | |
| Current tax on profits for the year | 53,826 | 51,549 |
| Adjustments to current tax of prior periods | 491 | 1,007 |
| Total current tax expense | 54,317 | 52,556 |
| Deferred tax: | | |
| Decrease / (increase) in deferred tax assets (note 33) | 516 | (1,884) |
| Increase / (decrease) in deferred tax liabilities (note 33) | 13,123 | (8,455) |
| Total deferred tax expense | 13,639 | (10,339) |
| Share of tax of associated companies | 301 | 515 |
| Total tax expense | 68,257 | 42,732 |

32 INCOME TAXES (continued)

Income tax on the total income subject to taxation differs from the theoretical amount that would arise as follows:

| | 2021 | 2020 |
|--|---------|---------|
| Income before income tax expense | 264,733 | 27,602 |
| Taxation at the applicable rates on income subject to tax | 61,293 | 22,185 |
| Adjustments to current tax for items not subject to or allowed for tax | (6,465) | 11,995 |
| Other current tax adjustments | (309) | (1,179) |
| Adjustments for current tax of prior periods | 213 | 1,578 |
| Movement in unrecognised deferred tax assets | 2,907 | 3,957 |
| Deferred tax relating to the origination of temporary differences | (8) | (22) |
| Deferred tax relating to changes in tax rates or new taxes | 1,311 | 862 |
| Deferred tax that arises from the write-down of a tax asset | 4,680 | - |
| Tax on distribution of profits from policyholder funds | - | 12 |
| Other taxes | 4,635 | 3,344 |
| | 68,257 | 42,732 |

In addition to the above, the income tax on items in other comprehensive income is set out in note 35.

33 DEFERRED INCOME TAXES

The analysis and movement for the year of deferred tax asset balances are set out in the following table.

| | Defined benefit liabilities | Unrealised losses on financial investments | Unused tax losses | Other items | Total |
|---|-----------------------------------|---|----------------------|-------------|---------|
| 2021 | | | | | |
| Balance, beginning of year | 4,910 | (2,730) | 78 | 4,792 | 7,050 |
| (Charged)/credited to: | | | | | |
| Income | 79 | 521 | - | (1,116) | (516) |
| Other comprehensive income | 4,533 | 2,636 | - | (17) | 7,152 |
| Effect of exchange rate changes | (502) | 118 | - | (320) | (704) |
| Balance, end of year | 9,020 | 545 | 78 | 3,339 | 12,982 |
| Balance to be recovered within one year | | | | | 974 |
| 2020 | | | | | |
| Balance, beginning of year | 5,213 | (1,587) | 695 | 2,173 | 6,494 |
| (Charged)/credited to: | | | | | |
| Income | 353 | (822) | (581) | 2,934 | 1,884 |
| Other comprehensive income | (284) | (443) | - | (150) | (877) |
| Effect of exchange rate changes | (372) | 122 | (36) | (165) | (451) |
| Balance, end of year | 4,910 | (2,730) | 78 | 4,792 | 7,050 |
| Balance to be recovered within one year | | | | | (1,618) |

33 DEFERRED INCOME TAXES (continued)

Unrecognised tax losses and potential deferred income tax assets are as follows:

| | 2021 | 2020 |
|---|---------|---------|
| Expiry period for unrecognised tax losses: | | |
| 2021 | - | 19,882 |
| 2022 | 71,162 | 71,162 |
| 2023 | 87,170 | 87,255 |
| 2024 | 55,909 | 55,900 |
| 2025 | 63,764 | 63,723 |
| 2026 | 59,835 | 59,167 |
| 2027 | 66,019 | 63,620 |
| 2028 | 63,647 | - |
| | 467,506 | 420,709 |
| Potential deferred income tax assets | 12,814 | 10,546 |

33 DEFERRED INCOME TAXES (continued)

The analysis and movement for the year of deferred tax liability balances are set out in the following table.

| | Accelerated tax depreciation | Policy liabilities taxable in the future | Defined benefit assets | Accrued interest | Unrealised gains on financial investments | Off-settable tax assets relating to unused tax losses and other items | Other Items | Total |
|---------------------------------------|------------------------------|--|------------------------|------------------|---|---|-------------|---------|
| 2021 | | | | | | | | |
| Balance, beginning of year | 3,908 | 20,139 | 154 | 1,353 | 49,364 | (23,483) | (2,562) | 48,873 |
| Charged/(credited) to: | | | | | | | | |
| Income | 3,570 | 17,009 | 216 | (119) | 503 | (8,503) | 447 | 13,123 |
| Other comprehensive income | 2,828 | 2,863 | (387) | 8 | (13,917) | - | (34) | (8,639) |
| Directly to equity | - | - | - | (973) | - | - | - | (973) |
| Effect of exchange rate changes | 264 | - | (11) | 35 | (965) | - | - | (677) |
| Balance, end of year | 10,570 | 40,011 | (28) | 304 | 34,985 | (31,986) | (2,149) | 51,707 |
| Balance to be settled within one year | | | | | | | | 7,424 |
| 2020 | | | | | | | | |
| Balance, beginning of year | 3,721 | 39,282 | (17) | 1,501 | 27,243 | (22,134) | 1,602 | 51,198 |
| Charged/(credited) to: | | | | | | | | |
| Income | 2,150 | (6,076) | 167 | (131) | 1,345 | (1,349) | (4,561) | (8,455) |
| Other comprehensive income | (4,271) | (13,067) | 20 | - | 21,314 | - | 225 | 4,221 |
| Amounts assumed on acquisition | 2,041 | - | - | - | - | - | - | 2,041 |
| Effect of exchange rate changes | 267 | - | (16) | (17) | (538) | - | 172 | (132) |
| Balance, end of year | 3,908 | 20,139 | 154 | 1,353 | 49,364 | (23,483) | (2,562) | 48,873 |
| Balance to be settled within one year | | | | | | | | 6,338 |

34 EARNINGS PER COMMON SHARE

The computation of diluted earnings per common share recognises the dilutive impact of LTI share grants and share options (note 30.1), ESOP shares grants (note 30.1) and share warrants. In computing diluted earnings per share, the weighted average number of common shares is adjusted by the dilutive impacts of the afore-mentioned share grants, share warrants and options.

| | 2021 | 2020 |
|---|--------------|---------------|
| Income / (loss) attributable to common shareholders | 133,179 | (3,605) |
| Weighted average number of shares in issue (in thousands) | 144,892 | 147,830 |
| LTI restricted share grants and share options (in thousands) | 1,418 | 1,570 |
| ESOP shares (in thousands) | 457 | 545 |
| Adjusted weighted average number of shares in issue (in thousands) | 146,767 | 149,945 |
| Basic earnings per common share | 91.9¢ | (2.4)¢ |
| Fully diluted earnings per common share | 90.7¢ | (2.4)¢ |

For the year ended December 31, 2021, certain instruments which are considered to be antidilutive have been excluded from the computation of fully diluted earnings per share. This treatment is in accordance with IAS 33 – Earnings Per Share, which indicates that such instruments are antidilutive only when the exercise price is exceeded by the market price of common shares.

Basic earnings per share and fully diluted earnings per share computed on the loss for the prior year are equal, as the LTI restricted share grants and share options, ESOP share grants and share warrants, are considered to be antidilutive and have been excluded from the computation of fully diluted earnings per share.

35 OTHER COMPREHENSIVE INCOME (OCI)

| Analysis of OCI: | 2021 | | | | | 2020 | | | | |
|--|----------------------------------|--------------|-----------------------------|---------------------------|---------------------|----------------------------------|--------------|-----------------------------|---------------------------|---------------------|
| | After tax OCI is attributable to | | | | Total after tax OCI | After tax OCI is attributable to | | | | Total after tax OCI |
| | OCI tax impact | Shareholders | Participating policyholders | Non-controlling interests | | OCI tax impact | Shareholders | Participating policyholders | Non-controlling interests | |
| Items that may be reclassified subsequently to income: | | | | | | | | | | |
| FVOCI assets: | | | | | | | | | | |
| Gains / (losses) arising on revaluation | 16,258 | (30,750) | (1,987) | (7,777) | (40,514) | (21,036) | 76,003 | (1,398) | 22,661 | 97,266 |
| (Gains) / losses transferred to income | 352 | (12,202) | 222 | (7,619) | (19,599) | (982) | (7,555) | 15 | (9,027) | (16,567) |
| Net change in actuarial liabilities | (2,862) | 14,200 | 1,554 | 414 | 16,168 | 13,066 | (49,877) | 569 | (2,665) | (51,973) |
| Cash flow hedges | - | 239 | - | 3,209 | 3,448 | - | (4) | - | (749) | (753) |
| Retranslation of foreign currency operations | - | (25,315) | (8) | (46,518) | (71,841) | - | (19,518) | 32 | (18,709) | (38,195) |
| Other | - | - | - | - | - | - | (2) | - | (18) | (20) |
| | 13,748 | (53,828) | (219) | (58,291) | (112,338) | (8,952) | (953) | (782) | (8,507) | (10,242) |
| Items that will not be reclassified subsequently to income: | | | | | | | | | | |
| Gains / (losses) arising on revaluation of owner-occupied and owner-managed property | (2,867) | 2,528 | - | 9,648 | 12,176 | 4,155 | (1,753) | - | (13,127) | (14,880) |
| Gains / (losses) on equity securities designated as FVOCI | - | - | - | - | - | - | (73) | - | (76) | (149) |
| Defined benefit plan gains / (losses) | 4,910 | (8,933) | - | (6,695) | (15,628) | (301) | 3,339 | - | 135 | 3,474 |
| | 2,043 | (6,405) | - | 2,953 | (3,452) | 3,854 | 1,513 | - | (13,068) | (11,555) |
| Total OCI movements | 15,791 | (60,233) | (219) | (55,338) | (115,790) | (5,098) | 560 | (782) | (21,575) | (21,797) |
| Allocated to equity reserves | | (51,300) | | | | | (2,779) | | | |
| Allocated to retained earnings | | (8,933) | | | | | 3,339 | | | |
| | | (60,233) | | | | | 560 | | | |

36 CASH FLOWS**36.1 Operating activities**

| | 2021 | 2020 |
|---|-------------|-----------|
| Adjustments for non-cash items, interest and dividends: | | |
| Income from financial investments | (476,658) | (364,788) |
| (Gain) / loss arising on business combinations, acquisitions and divestitures | (10,706) | 1,262 |
| Loss on impairment of investment in associates and joint ventures | - | 31,804 |
| Net increase in actuarial liabilities | 780,915 | 534,166 |
| Interest costs and finance costs | 87,727 | 87,778 |
| Credit impairment losses | (4,328) | 23,997 |
| Depreciation and amortisation | 32,701 | 39,559 |
| Increase / (decrease) in provision for unearned premiums | 1,401 | (2,326) |
| Other items | (14,722) | 19,605 |
| | 396,330 | 371,057 |
| Net change in investments and operating assets: | | |
| Investment property | 2,035 | 12,003 |
| Debt securities | (815,270) | (482,157) |
| Equity securities | (145,667) | (331,990) |
| Mortgage loans | (39,774) | (35,181) |
| Policy loans | (3,323) | 715 |
| Finance loans | (8,446) | 6,592 |
| Securities purchased for resale | (16,839) | (5,203) |
| Deposits | (23,136) | 3,060 |
| Other assets and receivables | (34,456) | (44,301) |
| | (1,084,876) | (876,462) |

36.1 Operating activities (continued)

The gross changes in investment property, debt securities and equity securities are as follows:

| | 2021 | 2020 |
|---|-------------|-------------|
| Investment property: | | |
| Purchases | (1,290) | (266) |
| Disposal proceeds | 3,325 | 12,269 |
| | 2,035 | 12,003 |
| Debt securities: | | |
| Purchases | (3,334,714) | (2,336,535) |
| Disposal proceeds | 2,519,444 | 1,854,378 |
| | (815,270) | (482,157) |
| Equity securities: | | |
| Purchases | (521,504) | (442,491) |
| Disposal proceeds | 375,837 | 110,501 |
| | (145,667) | (331,990) |
| Net change in operating liabilities: | | |
| Insurance liabilities | 49,508 | 18,520 |
| Investment contract liabilities | 36,196 | 16,784 |
| Other funding instruments | 128,512 | (36,236) |
| Deposits | 58,858 | 79,425 |
| Securities sold for repurchase | 32,896 | 69,972 |
| Other liabilities and payables | 9,836 | 25,175 |
| | 315,806 | 173,640 |

36.2 Investing activities

| | 2021 | 2020 |
|---------------------------------------|-----------------|-----------------|
| Property, plant and equipment: | | |
| Purchases | (10,919) | (18,430) |
| Disposal proceeds | 281 | 3,437 |
| | <u>(10,638)</u> | <u>(14,993)</u> |

36.3 Financing activities

| | 2021 | 2020 |
|---------------------------------|----------------|-----------------|
| Notes and loans payable: | | |
| Proceeds | 552,304 | 68,245 |
| Repayments | (330,777) | (109,514) |
| | <u>221,527</u> | <u>(41,269)</u> |

36.4 Lease liability payments

| | 2021 | 2020 |
|----------------|----------------|----------------|
| Principal paid | (7,845) | (5,697) |
| Interest paid | (1,785) | (2,124) |
| | <u>(9,630)</u> | <u>(7,821)</u> |

36.5 Cash and cash equivalents

| | 2021 | 2020 |
|---|----------------|----------------|
| Cash | 359,975 | 359,972 |
| Call deposits and other liquid balances | 477,577 | 188,216 |
| Bank overdrafts | (761) | (980) |
| | <u>836,791</u> | <u>547,208</u> |

37 CHANGES IN SUBSIDIARY AND ASSOCIATE HOLDINGS**37.1 Playa Hotels & Resorts N.V.**Changes in shareholding in 2020

On June 12, 2020, in addition to entering into certain financing transactions to support its ongoing operations, Playa Hotels & Resorts N.V. ("Playa") sold 4,878,049 ordinary shares at a price of \$20 million which resulted in a 0.6% dilution of Sagicor Group Jamaica Limited's ("SGJ's") 15.4% shareholding, and ultimately the Sagicor Group's ownership interest of 15.4%, in Playa.

On June 15, 2020, Sagicor Financial Corporation Limited ("SFCL"), the intermediate parent company of SGJ, acquired a further 1,500,000 shares of Playa by a series of purchases, at a weighted average price of \$3.9676 per share, for a total of \$5,966.4 including commissions paid. This represented an increase of 1.1% in the Group's shareholding, bringing the Group's total shareholding in Playa to 15.9%.

The transactions gave rise to a net loss of \$2,753 on dilution of the shareholding (deemed disposal), and negative goodwill of \$1,499 on the acquisition of additional shares, as follows:

(i) Deemed disposal of 0.6% holding in associate:

The Group's share of the carrying value of the investment in Playa on its statement of financial position as at June 30, 2020 was compared to its share of the proceeds of \$20 million received by Playa and adjusted for recycling of net unrealised foreign exchange gains and unrealised interest rate swap losses in OCI to income.

| | |
|--|---------|
| Group's share of proceeds received by Playa on issuance of shares | 2,963 |
| Share of carrying value of investment in Playa as an associate on the statement of financial position of SGJ as at June 30, 2020 | (6,075) |
| | (3,112) |
| Net unrealised gains recycled to income | 359 |
| Loss on deemed disposal of 0.6% holding in associate | (2,753) |

37.1 Playa Hotels & Resorts N.V. (continued)

(ii) Acquisition of 1.1% holding in associate:

The Group compared its share of the net identifiable assets and liabilities of Playa, at fair value, to the purchase price paid. The resulting negative goodwill was recorded in these financial statements.

| | |
|--|---------|
| Share of net assets acquired | 7,465 |
| Purchase consideration | (5,966) |
| Negative goodwill arising on acquisition | 1,499 |

Negative goodwill arose as Playa's shares were trading below the company's book value per share in response to depressed share prices which occurred as the hotel industry had been severely impacted by the effects of COVID-19 coronavirus on tour and hotel bookings, given widespread travel restrictions and cancellations.

Changes in shareholding in 2021

During the three-month period ended March 31, 2021, certain transactions took place which resulted in a reduction in the Group's interest in Playa and the investment being designated as a FVTPL investment.

On January 15, 2021, Playa issued 25,000,000 new ordinary shares for \$125 million in an underwritten public offering. Concurrent to this transaction, SGJ disposed of its shareholding of 20,000,000 ordinary shares of Playa for net cash consideration of \$96 million. In a public offering held by the SGJ Group, 11,499,000 shares of Playa were sold by SGJ at a price of \$5.00 per share net of commission expenses associated with the public offering. In addition, SFCL, the intermediate parent company of SGJ, acquired 8,501,000 of Playa's shares from SGJ at a price which was equal to the price offered through the public offering, net of commission expenses.

As a result of these transactions, the Group's shareholding in Playa was reduced from 16% to 6%, which represented a 5% increase in SFCL's direct shareholding, based on the total of 10,001,000 shares now held by SFCL in Playa.

37 CHANGES IN SUBSIDIARY AND ASSOCIATE HOLDINGS (continued)**37.1 Playa Hotels & Resorts N.V. (continued)**

The transactions gave rise to a net loss of \$1.584 million on the disposal of 20,000,000 shares by SGJ and a gain by SFCL of \$12.263 million on remeasuring the investment in Playa to FVTPL as at March 31, 2021, as follows:

i. Disposal of holding by SGJ:

SGJ's share of the carrying value of the investment in Playa on its statement of financial position as at January 15, 2021 was compared to the proceeds of \$96 million by SGJ and adjusted for recycling of net unrealised foreign exchange gains and unrealised interest rate swap losses in OCI to income.

| | |
|---|-----------------|
| Net proceeds received by SGJ on sale of Playa shares | 96,000 |
| Share of carrying value of investment in Playa as an associate on the statement of financial position of SGJ as at January 15, 2021 | (111,813) |
| | <u>(15,813)</u> |
| Net unrealised foreign exchange gains recycled to income | 17,807 |
| Net unrealised interest rate swap losses recycled to income | <u>(3,578)</u> |
| Loss on disposal of holding in Playa | <u>(1,584)</u> |

37.1 Playa Hotels & Resorts N.V. (continued)**ii. Gain recognised on acquisition of shares in Playa by SFCL (FVTPL basis):**

SFCL purchased 8,501,000 shares from SGJ for consideration of \$40.8 million. These shares were measured at FVTPL as at January 15, 2021, along with 1,500,000 shares held by SFCL in Playa which previously formed part of the Group's interest in Playa as an associate.

As at January 15, 2021

| | |
|--|---------------|
| Fair value gain recognised on 8,501,000 shares purchased | 9,138 |
| Fair value gain recognised on original holding of 1,500,000 shares | <u>3,125</u> |
| Total fair value gain recognised on holding in Playa | <u>12,263</u> |

Subsequent to the transactions outlined above, SFCL has purchased an additional 744,251 shares in Playa. At December 31, 2021, the total interest in Playa amounts to 10,745,251 shares which represents a 7% shareholding in Playa.

Post acquisition, a fair value gain of \$21,601 was recognised for the period to December 31, 2021 on the Group's FVTPL investment in Playa (see note 26).

37.2 Mutual Financial Services Inc

During the three-month period ended June 30, 2021, The Mutual Financial Services Inc (MFS) was dissolved and its net assets of \$11.7 million, representing the carrying value at dissolution, were distributed to its shareholders. No gain or loss was recognised on dissolution. MFS was a subsidiary of Sagikor Life Inc. in which the effective shareholder's interest was 73%. Its principal activity was that of a financial services holding company.

38 CONTINGENT LIABILITIES AND COMMITMENTS

Guarantee and financial facilities at the date of the financial statements for which no provision has been made in these financial statements include the following:

| | 2021 | 2020 |
|--|--------|--------|
| Customer guarantees and letters of credit ⁽¹⁾ | 33,104 | 35,155 |

⁽¹⁾ There are equal and offsetting claims against customers in the event of a call on the above commitments for customer guarantees and letters of credit.

(a) Legal proceedings

The Group 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 Group, and the amount can be reasonably estimated.

In respect of claims asserted against the Group which, according to the principles outlined above, have not been provided for, management is of the opinion that such claims are either without merit, can be successfully defended, cannot be reasonably estimated or will result in exposure to the Group which is immaterial to both the financial position and results of operations.

38 CONTINGENT LIABILITIES AND COMMITMENTS (continued)

Significant matters are outlined below:

- (i) Suit has been filed by a customer against one of the Group's subsidiaries for breach of contract, and breach of trust in the amount of US\$8,928 being loss allegedly suffered as a result of what the claimants say is the unlawful withholding of insurance proceeds by the subsidiary. No provision was made in these financial statements for this claim as the outcome of this matter cannot be properly assessed until it has been heard.
- (ii) Suit has been filed by an independent contractor against one of the Group's subsidiaries for breach of contract arising from alleged contractual agreement. The Claimant alleges that the company failed to pursue initiatives contemplated by the contract with a third party and that by not doing so, it caused the Claimant company significant losses which they have estimated at over US\$300,000. No provision was made in these financial statements for this claim as the claim has been stayed to accommodate arbitration as required under the Agreement between the parties coupled with the assessment by the Group of a probable favourable outcome.

(b) Tax assessments

The Group is also subject to tax assessments during the normal course of business. Adequate provision has been made for all assessments received to date and for tax liabilities accruing in accordance with management's understanding of tax regulations. Potential tax assessments may be received by the Group which are in addition to accrued tax liabilities. No provisions have been made in these financial statements for such potential tax assessments.

(c) Commitment

Effective June 25, 2020, the Group entered into a letter of credit arrangement with a facility up to the amount of US\$40 million, whereby an irrevocable standby letter of credit was issued on behalf of Sagikor Reinsurance Bermuda Ltd (SRBL) in favour of Sagikor Life Insurance Company (SLIC), USA, in support of a coinsurance agreement between the two parties (note 4(d)). The letter of credit facility is guaranteed by Sagikor Financial Corporation Limited and SRBL. It was originally due to expire on June 26, 2021 and is deemed to be automatically extended for one-year periods, subject to notice of the intention to terminate the facility being given sixty days prior to an expiration date. The facility has been automatically extended and remains in place at year end.

38 CONTINGENT LIABILITIES AND COMMITMENTS (continued)**(c) Commitment (continued)**

The Group is required to comply with the following covenant in respect of the facility:

| COVENANT | DESCRIPTION |
|---|---|
| Cash Collateralisation Event | The Group must maintain an aggregate MCCR of at least 175% at the end of any fiscal quarter. |
| (Under this requirement, the Group must fully collateralise the facility if the noted conditions are breached.) | The Group must maintain a Fixed Charge Coverage Ratio, at the end of any fiscal quarter, of an excess of 2.00 to 1.00. The ratio of Consolidated Total Indebtedness to Consolidated Total Capitalisation, at the end of any fiscal quarter, must not exceed 0.35 to 1.00. The credit rating of the Group must not fall below a specific predetermined level. The aggregate amount of unrestricted cash and cash equivalents held with the Bank, at any time, should not be less than US\$25 million. |
| Event of Default | Upon an Event of Default, the Bank may declare the Obligations due and payable. |

39 FAIR VALUE OF PROPERTY

Investment property, owner-occupied property and owner-managed hotel property are carried at fair value as determined by independent valuations using internationally recognised valuation techniques. Direct sales comparisons, when such data is available, and income capitalisation methods, when appropriate, are included in the assessment of fair values. The highest and best use of a property may also be considered in determining its fair value.

Some tracts of land are currently used for farming operations or are undeveloped or are leased to third parties. In determining the fair value of all lands, their potential for development within a reasonable period is assessed, and if such potential exists, the fair value reflects that potential. These lands are mostly in Barbados and the Group has adopted a policy of orderly development and transformation to realise their full potential over time.

39 FAIR VALUE OF PROPERTY (continued)

The fair value hierarchy has been applied to the valuations of the Group's property. The different levels of the hierarchy are as follows:

- Level 1 - fair value is determined by quoted unadjusted prices in active markets for identical assets;
- Level 2 - fair value is determined by inputs other than quoted prices in active markets that are observable for the asset either directly or indirectly;
- Level 3 - fair value is determined from inputs that are not based on observable market data.

The results of applying the fair value hierarchy to the Group's property are as follows:

| | Level 1 | Level 2 | Level 3 | Total |
|--------------------------------|---------|---------|---------|---------|
| 2021 | | | | |
| Investment property | - | - | 75,954 | 75,954 |
| Owner-occupied properties | - | - | 108,480 | 108,480 |
| Owner-managed hotel properties | - | - | 88,235 | 88,235 |
| | - | - | 272,669 | 272,669 |
| 2020 | | | | |
| Investment property | - | - | 78,295 | 78,295 |
| Owner-occupied properties | - | - | 108,738 | 108,738 |
| Owner-managed hotel properties | - | - | 76,024 | 76,024 |
| | - | - | 263,057 | 263,057 |

For Level 3 investment property, reasonable changes in fair value would affect net income. For Level 3 owner-occupied properties and owner-managed hotel properties, reasonable changes in fair value would affect other comprehensive income. The movements for the year in investment property, owner-occupied properties and owner-managed hotel properties are set out in notes 5 and 7.

39 FAIR VALUE OF PROPERTY (continued)

The following table shows the sensitivity of fair value measurements to changes in unobservable inputs for Level 3 investment property, owner-occupied properties and owner-managed hotel properties:

| Amounts in US \$000 | Fair value | | Unobservable inputs | Range of unobservable inputs | | Relationship of unobservable inputs to fair value |
|--------------------------------|----------------|----------------|---------------------|------------------------------|------|---|
| | 2021 | 2020 | | 2021 | 2020 | |
| Investment property | 75,954 | 78,293 | Comparable sales | 5% | 5% | (1) |
| Owner-occupied properties | 108,480 | 108,737 | Comparable sales | 5% | 5% | (1) |
| Owner-managed hotel properties | 88,235 | 76,024 | Comparable sales | 5% | 5% | (1) |
| Total properties | 272,669 | 263,054 | | | | |

(1) Increases or decreases in comparable sale prices will have a direct correlation to fair value.

40 FINANCIAL RISK

The Group's activities of issuing insurance contracts, of accepting funds from depositors, of investing insurance premium and deposit receipts in a variety of financial and other assets, banking and dealing in securities, exposes the Group to various insurance and financial risks. Financial risks include credit default, liquidity and market risks. Market risks arise from changes in interest rates, equity prices, currency exchange rates or other market factors. The principal insurance risks are identified in notes 41 and 42.

The overriding objective of the Group's risk management framework is to enhance its capital base through competitive earnings growth and to protect capital against inherent business risks. This means that the Group accepts certain levels of risk in order to generate returns, and the Group manages the levels of risk assumed through enterprise-wide risk management policies and procedures. Identified risks are assessed as to their potential financial impact and as to their likelihood of occurrence.

40.1 Credit risk

Credit risk is the exposure that the counterparty to a financial instrument is unable to meet an obligation, thereby causing a financial loss to the Group. Credit risks are associated primarily with financial investments and reinsurance assets.

Credit risk from financial investments is minimised through:

- holding a diversified portfolio of investments;
- purchasing quality securities;
- advancing loans only after careful assessment of the borrower and obtaining collateral;
- placing deposits with financial institutions with a strong capital base;
- placing limits on the amount of exposure in relation to any one borrower;
- obtaining collateral and guarantees from borrowers.

Investment portfolio assets are mostly unsecured except for securities purchased under agreement to resell, for which title to the securities is transferred to the Group for the duration of each agreement.

40.1 Credit risk (continued)

For mortgage loans, the collateral is real estate property, and the approved loan limit is 75% to 95% of collateral value. For finance loans, the collateral often comprises a vehicle or other form of security and the approved loan limit is 50% to 100% of the collateral value.

The Group may foreclose on overdue mortgage loans and finance loans by repossessing the pledged asset. The Group will seek to dispose of the pledged asset by sale. In some instances, the Group may provide re-financing to a new purchaser on customary terms.

Policy loans are advanced on the security of the underlying insurance policy cash values. Cash loans are advanced to a maximum of 80% to 100% of the cash surrender value. Automatic premium loans may be advanced to the extent of available cash surrender value.

Renegotiated assets

The Group may renegotiate the terms of any financial investment to facilitate borrowers in financial difficulty. Arrangements to waive, adjust or postpone scheduled amounts due may be entered into. The Group classifies these amounts as past due, unless the original agreement is formally revised, modified or substituted.

Rating of financial assets

The Group's credit rating model (note 3.1) applies a rating scale to three categories of exposures:

- Investment portfolios, comprising debt securities and money market funds, deposits, securities purchased for resale, and cash;
- Lending portfolios, comprising mortgage, policy and finance loans;
- Reinsurance exposures, comprising reinsurance assets for life, annuity and health insurance (see note 42.3) or realistic disaster scenarios for property and casualty insurance (see note 41.3).

For lending portfolios, the three default ratings of 8, 9 and 10 are utilised, while for investment portfolios and reinsurance assets, one default rating of 8 is utilised.

In sections 40.2, 40.3 and 40.4, we set out for the Group its credit risk exposures and credit impairments.

40.2 Credit risk exposure

The total credit risk exposures of the Group by operating segment is as follows:

| | 2021 | | | | | 2020 | | | | |
|--|------------------|------------------|------------------|---------------------|------------------|------------------|------------------|------------------|---------------------|------------------|
| | Sagicor Life | Sagicor Jamaica | Sagicor USA | Head office & other | Total | Sagicor Life | Sagicor Jamaica | Sagicor USA | Head office & other | Total |
| Investment portfolios | 1,229,813 | 1,886,801 | 2,986,536 | 244,425 | 6,347,575 | 1,165,431 | 1,776,123 | 2,148,295 | 129,754 | 5,219,603 |
| Lending portfolios | 369,499 | 646,816 | 121,741 | 14,076 | 1,152,132 | 365,869 | 660,707 | 99,761 | 15,933 | 1,142,270 |
| Cash | 96,266 | 223,939 | 60,649 | 57,256 | 438,110 | 94,111 | 227,188 | 59,245 | 59,066 | 439,610 |
| Reinsurance assets | 4,968 | 10,514 | 579,702 | 6,901 | 602,085 | 5,547 | 12,052 | 665,221 | 6,059 | 688,879 |
| Receivables | 28,954 | 82,842 | 5,286 | 16,443 | 133,525 | 34,759 | 63,261 | 23,312 | 17,145 | 138,477 |
| Total financial statement exposures | 1,729,500 | 2,850,912 | 3,753,914 | 339,101 | 8,673,427 | 1,665,717 | 2,739,331 | 2,995,834 | 227,957 | 7,628,839 |
| Lending commitments | 17,790 | 49,225 | - | 213 | 67,228 | 21,897 | 42,875 | - | - | 64,772 |
| Customer guarantees and letters of credit | - | 33,104 | - | - | 33,104 | - | 35,155 | - | - | 35,155 |
| Total off financial statement exposures | 17,790 | 82,329 | - | 213 | 100,332 | 21,897 | 78,030 | - | - | 99,927 |
| Total | 1,747,290 | 2,933,241 | 3,753,914 | 339,314 | 8,773,759 | 1,687,614 | 2,817,361 | 2,995,834 | 227,957 | 7,728,766 |

40.2 Credit risk exposure (continued)

The principal individual credit exposures of the Group are as follows:

| | Sagicor Risk Rating | 2021 | 2020 |
|---|------------------------------------|-------------|-------------|
| Gov't of Jamaica debt securities | 5 | 1,119,830 | 1,152,509 |
| Gov't of Trinidad & Tobago debt securities | 3 | 563,774 | 383,122 |
| Gov't of Barbados debt securities | 5 | 276,958 | 259,461 |
| Federal National Mortgage Association (USA) debt securities | 1 | 211,637 | 170,406 |
| Guggenheim Partners reinsurance asset (note 40.4 (a)) | 2 | 362,984 | 438,900 |
| Heritage Life Insurance reinsurance asset (note 40.4 (b)) | 3 | 125,996 | 142,979 |

40.2 Credit risk exposure (continued)

For assets measured at FVOCI or amortised cost, credit risk exposure is the gross carrying amount. For assets measured at FVTPL, the Group's credit risk exposure is the carrying amount. The components of investment and lending portfolios by accounting classification are summarised below.

| | 2021 | 2020 |
|---|------------------|------------------|
| Investment portfolios: | | |
| Debt securities and money market funds at FVOCI | 4,378,422 | 3,408,773 |
| Debt securities at amortised cost | 1,402,469 | 1,275,567 |
| Securities purchased for resale | 68,007 | 57,110 |
| Deposits at amortised cost | 215,143 | 129,279 |
| Debt securities at FVTPL | 283,534 | 348,874 |
| | <u>6,347,575</u> | <u>5,219,603</u> |
| Lending portfolios: | | |
| Mortgage loans at amortised cost | 430,427 | 396,822 |
| Finance loans at amortised cost | 543,034 | 568,047 |
| Policy loans at amortised cost | 154,296 | 151,336 |
| Mortgage loans at FVTPL | 24,375 | 26,065 |
| | <u>1,152,132</u> | <u>1,142,270</u> |

40.2 Credit risk exposure (continued)Credit risk exposure – financial investments subject to impairment

Financial assets carried at amortised cost or FVOCI are subject to credit impairment losses which are recognised in the statement of income. The following tables analyse the credit risk exposure of financial investments as at December 31 for which an ECL allowance is recognised.

| | Debt securities and money market funds – FVOCI | | | | | Debt securities and money market funds – FVOCI | | | | |
|-----------------------|--|----------------------------|----------------------------|--------|-----------|--|----------------------------|----------------------------|--------|-----------|
| | 2021 | | | | | 2020 | | | | |
| | ECL Staging | | | POCI | Total | ECL Staging | | | POCI | Total |
| | Stage 1 12-month ECL | Stage 2 lifetime ECL | Stage 3 lifetime ECL | | | Stage 1 12-month ECL | Stage 2 lifetime ECL | Stage 3 lifetime ECL | | |
| December 31: | | | | | | | | | | |
| Credit grade: | | | | | | | | | | |
| Investment | 3,411,602 | 6,233 | - | - | 3,417,835 | 2,433,495 | 9,882 | - | - | 2,443,377 |
| Non-investment | 849,095 | 83,183 | - | 28,205 | 960,483 | 774,601 | 154,191 | 4,071 | 28,572 | 961,435 |
| Watch | - | - | - | - | - | - | - | - | 45 | 45 |
| Default | - | - | - | - | - | - | - | 3,841 | - | 3,841 |
| Unrated | 104 | - | - | - | 104 | 75 | - | - | - | 75 |
| Gross carrying amount | 4,260,801 | 89,416 | - | 28,205 | 4,378,422 | 3,208,171 | 164,073 | 7,912 | 28,617 | 3,408,773 |
| Loss allowance | (2,471) | (4,320) | - | - | (6,791) | (2,572) | (8,465) | (6,176) | - | (17,213) |
| Carrying amount | 4,258,330 | 85,096 | - | 28,205 | 4,371,631 | 3,205,599 | 155,608 | 1,736 | 28,617 | 3,391,560 |

40.2 Credit risk exposure – financial investments subject to impairment (continued)

| | Debt securities – amortised cost | | | | | Debt securities – amortised cost | | | | |
|-----------------------|----------------------------------|----------------------------|----------------------------|---------|-----------|----------------------------------|----------------------------|----------------------------|---------|-----------|
| | 2021 | | | | | 2020 | | | | |
| | ECL Staging | | | POCI | Total | ECL Staging | | | POCI | Total |
| | Stage 1 12-month ECL | Stage 2 lifetime ECL | Stage 3 lifetime ECL | | | Stage 1 12-month ECL | Stage 2 lifetime ECL | Stage 3 lifetime ECL | | |
| December 31: | | | | | | | | | | |
| Credit grade: | | | | | | | | | | |
| Investment | 428,766 | - | - | - | 428,766 | 346,233 | - | - | - | 346,233 |
| Non-investment | 759,565 | 22,597 | 10 | 185,165 | 967,337 | 717,611 | 5,269 | - | 172,192 | 895,072 |
| Watch | 1,654 | 45 | - | 4,081 | 5,780 | 1,700 | 23,071 | 2,592 | 4,972 | 32,335 |
| Default | - | - | - | - | - | - | - | 1,334 | - | 1,334 |
| Unrated | 575 | - | - | 11 | 586 | 575 | - | - | 18 | 593 |
| Gross carrying amount | 1,190,560 | 22,642 | 10 | 189,257 | 1,402,469 | 1,066,119 | 28,340 | 3,926 | 177,182 | 1,275,567 |
| Loss allowance | (2,068) | (211) | - | (487) | (2,766) | (2,378) | (1,887) | (1,402) | (414) | (6,081) |
| Carrying amount | 1,188,492 | 22,431 | 10 | 188,770 | 1,399,703 | 1,063,741 | 26,453 | 2,524 | 176,768 | 1,269,486 |

40.2 Credit risk exposure – financial investments subject to impairment (continued)

| | Mortgage loans – amortised cost | | | | | Mortgage loans – amortised cost | | | | |
|-----------------------|---------------------------------|----------------------------|----------------------------|------|---------|---------------------------------|----------------------------|----------------------------|------|---------|
| | 2021 | | | | | 2020 | | | | |
| | ECL Staging | | | POCI | Total | ECL Staging | | | POCI | Total |
| | Stage 1 12-month ECL | Stage 2 lifetime ECL | Stage 3 lifetime ECL | | | Stage 1 12-month ECL | Stage 2 lifetime ECL | Stage 3 lifetime ECL | | |
| December 31: | | | | | | | | | | |
| Credit grade: | | | | | | | | | | |
| Investment | 209,752 | 33,523 | 82 | - | 243,357 | 189,346 | 30,349 | 2,436 | - | 222,131 |
| Non-investment | 121,007 | 27,161 | - | - | 148,168 | 116,728 | 9,543 | 15,052 | - | 141,323 |
| Watch | - | 1,108 | 27,460 | - | 28,568 | 41 | 2,929 | 17,007 | - | 19,977 |
| Default | - | - | 10,334 | - | 10,334 | - | - | 13,391 | - | 13,391 |
| Gross carrying amount | 330,759 | 61,792 | 37,876 | - | 430,427 | 306,115 | 42,821 | 47,886 | - | 396,822 |
| Loss allowance | (1,018) | (641) | (3,220) | - | (4,879) | (1,261) | (556) | (1,791) | - | (3,608) |
| Carrying amount | 329,741 | 61,151 | 34,656 | - | 425,548 | 304,854 | 42,265 | 46,095 | - | 393,214 |

40.2 Credit risk exposure – financial investments subject to impairment (continued)

| | Policy loans – amortised cost | | | | | Policy loans – amortised cost | | | | |
|-----------------------|-------------------------------|----------------------------|----------------------------|------|---------|-------------------------------|----------------------------|----------------------------|------|---------|
| | 2021 | | | | | 2020 | | | | |
| | ECL Staging | | | POCI | Total | ECL Staging | | | POCI | Total |
| | Stage 1 12-month ECL | Stage 2 lifetime ECL | Stage 3 lifetime ECL | | | Stage 1 12-month ECL | Stage 2 lifetime ECL | Stage 3 lifetime ECL | | |
| December 31: | | | | | | | | | | |
| Credit grade: | | | | | | | | | | |
| Investment | 147,295 | - | - | - | 147,295 | 144,287 | - | - | - | 144,287 |
| Non-investment | 7,001 | - | - | - | 7,001 | 7,049 | - | - | - | 7,049 |
| Gross carrying amount | 154,296 | - | - | - | 154,296 | 151,336 | - | - | - | 151,336 |
| Loss allowance | (457) | - | - | - | (457) | (298) | - | - | - | (298) |
| Carrying amount | 153,839 | - | - | - | 153,839 | 151,038 | - | - | - | 151,038 |

40.2 Credit risk exposure – financial investments subject to impairment (continued)

| | Finance loans – amortised cost | | | | | Finance loans – amortised cost | | | | |
|-----------------------|--------------------------------|----------------------------|----------------------------|------|---------|--------------------------------|----------------------------|----------------------------|------|----------|
| | 2021 | | | | | 2020 | | | | |
| | ECL Staging | | | POCI | Total | ECL Staging | | | POCI | Total |
| | Stage 1 12-month ECL | Stage 2 lifetime ECL | Stage 3 lifetime ECL | | | Stage 1 12-month ECL | Stage 2 lifetime ECL | Stage 3 lifetime ECL | | |
| December 31: | | | | | | | | | | |
| Credit grade: | | | | | | | | | | |
| Investment | - | - | - | - | - | 258 | - | - | - | 258 |
| Non-investment | 508,966 | 18,729 | - | - | 527,695 | 523,336 | 26,388 | - | - | 549,724 |
| Watch | - | 3,811 | - | - | 3,811 | - | 7,099 | - | - | 7,099 |
| Default | - | - | 11,528 | - | 11,528 | - | - | 10,966 | - | 10,966 |
| Gross carrying amount | 508,966 | 22,540 | 11,528 | - | 543,034 | 523,594 | 33,487 | 10,966 | - | 568,047 |
| Loss allowance | (4,228) | (452) | (4,894) | - | (9,574) | (5,208) | (903) | (6,552) | - | (12,663) |
| Carrying amount | 504,738 | 22,088 | 6,634 | - | 533,460 | 518,386 | 32,584 | 4,414 | - | 555,384 |

40.2 Credit risk exposure – financial investments subject to impairment (continued)

| | Securities purchased for resale – amortised cost | | | | | Securities purchased for resale – amortised cost | | | | |
|-----------------------|--|----------------------------|----------------------------|------|--------|--|----------------------------|----------------------------|------|--------|
| | 2021 | | | | | 2020 | | | | |
| | ECL Staging | | | POCI | Total | ECL Staging | | | POCI | Total |
| | Stage 1 12-month ECL | Stage 2 lifetime ECL | Stage 3 lifetime ECL | | | Stage 1 12-month ECL | Stage 2 lifetime ECL | Stage 3 lifetime ECL | | |
| December 31: | | | | | | | | | | |
| Credit grade: | | | | | | | | | | |
| Non-investment | 68,007 | - | - | - | 68,007 | 57,110 | - | - | - | 57,110 |
| Gross carrying amount | 68,007 | - | - | - | 68,007 | 57,110 | - | - | - | 57,110 |
| Loss allowance | - | - | - | - | - | - | - | - | - | - |
| Carrying amount | 68,007 | - | - | - | 68,007 | 57,110 | - | - | - | 57,110 |

40.2 Credit risk exposure – financial investments subject to impairment (continued)

| | Deposits – amortised cost | | | | | Deposits – amortised cost | | | | |
|-----------------------|----------------------------|----------------------------|----------------------------|------|---------|----------------------------|----------------------------|----------------------------|------|---------|
| | 2021 | | | | | 2020 | | | | |
| | ECL Staging | | | POCI | Total | ECL Staging | | | POCI | Total |
| | Stage 1 12-month ECL | Stage 2 lifetime ECL | Stage 3 lifetime ECL | | | Stage 1 12-month ECL | Stage 2 lifetime ECL | Stage 3 lifetime ECL | | |
| December 31: | | | | | | | | | | |
| Credit grade: | | | | | | | | | | |
| Investment | 97,104 | - | - | - | 97,104 | 35,702 | - | - | - | 35,702 |
| Non-investment | 116,547 | 252 | - | - | 116,799 | 81,217 | 249 | - | - | 81,466 |
| Watch | 429 | 371 | - | - | 800 | 428 | 11,246 | - | - | 11,674 |
| Unrated | 440 | - | - | - | 440 | 437 | - | - | - | 437 |
| Gross carrying amount | 214,520 | 623 | - | - | 215,143 | 117,784 | 11,495 | - | - | 129,279 |
| Loss allowance | (3,147) | (71) | - | - | (3,218) | (288) | (1,271) | - | - | (1,559) |
| Carrying amount | 211,373 | 552 | - | - | 211,925 | 117,496 | 10,224 | - | - | 127,720 |

40.3 Credit impairment losses – financial investments subject to impairment

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 derecognised 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.

40.3 Credit impairment losses – financial investments subject to impairment (continued)

LOSS ALLOWANCES

| | Debt securities and money market funds – FVOCI | | | | | Debt securities and money market funds – FVOCI | | | | |
|--|--|----------------------------|----------------------------|------|----------|--|----------------------------|----------------------------|------|---------|
| | 2021 | | | | | 2020 | | | | |
| | ECL Staging | | | POCI | Total | ECL Staging | | | POCI | Total |
| | Stage 1 12-month ECL | Stage 2 lifetime ECL | Stage 3 lifetime ECL | | | Stage 1 12-month ECL | Stage 2 lifetime ECL | Stage 3 lifetime ECL | | |
| Loss allowance, beginning of year | 2,572 | 8,465 | 6,176 | - | 17,213 | 2,484 | 5,733 | - | - | 8,217 |
| Transfers: | | | | | | | | | | |
| Stage 1 to Stage 2 | (746) | 746 | - | - | - | (1,002) | 1,002 | - | - | - |
| Stage 2 to Stage 3 | - | - | - | - | - | - | (1,525) | 1,525 | - | - |
| Securities originated or purchased | 1,645 | - | - | - | 1,645 | 1,981 | - | - | - | 1,981 |
| Securities fully derecognised | (739) | (5,865) | (6,038) | - | (12,642) | (577) | (2,614) | - | - | (3,191) |
| Changes in ECL inputs, models and / or assumptions | (195) | 1,034 | - | - | 839 | (227) | 5,871 | 4,665 | - | 10,309 |
| Effect of exchange rate changes | (66) | (60) | (138) | - | (264) | (87) | (2) | (14) | - | (103) |
| Loss allowance, end of year | 2,471 | 4,320 | - | - | 6,791 | 2,572 | 8,465 | 6,176 | - | 17,213 |
| Credit impairment loss reduction / (loss) recorded in income | | | | | 2,173 | | | | | (9,367) |

40.3 Credit impairment losses – financial investments subject to impairment (continued)

LOSS ALLOWANCES

| | Debt securities – amortised cost | | | | | Debt securities – amortised cost | | | | |
|--|----------------------------------|----------------------------|----------------------------|------|---------|----------------------------------|----------------------------|----------------------------|------|---------|
| | 2021 | | | | | 2020 | | | | |
| | ECL Staging | | | POCI | Total | ECL Staging | | | POCI | Total |
| | Stage 1 12-month ECL | Stage 2 lifetime ECL | Stage 3 lifetime ECL | | | Stage 1 12-month ECL | Stage 2 lifetime ECL | Stage 3 lifetime ECL | | |
| Loss allowance, beginning of year | 2,378 | 1,887 | 1,402 | 414 | 6,081 | 1,378 | 759 | - | 371 | 2,508 |
| Transfers: | | | | | | | | | | |
| Stage 1 to Stage 2 | (1) | 1 | - | - | - | (326) | 326 | - | - | - |
| Stage 2 to Stage 1 | 99 | (99) | - | - | - | - | - | - | - | - |
| Stage 2 to Stage 3 | - | - | - | - | - | - | (663) | 663 | - | - |
| Securities originated or purchased | 239 | - | - | - | 239 | 621 | - | - | 1 | 622 |
| Securities fully derecognised | (221) | (204) | (925) | - | (1,350) | (229) | (2) | - | (3) | (234) |
| Changes in ECL inputs, models and / or assumptions | (381) | (1,374) | (477) | 73 | (2,159) | 948 | 1,466 | 739 | 45 | 3,198 |
| Effect of exchange rate changes | (45) | - | - | - | (45) | (14) | 1 | - | - | (13) |
| Loss allowance, end of year | 2,068 | 211 | - | 487 | 2,766 | 2,378 | 1,887 | 1,402 | 414 | 6,081 |
| Credit impairment loss reduction / (loss) recorded in income | | | | | 3,191 | | | | | (3,585) |

40.3 Credit impairment losses – financial investments subject to impairment (continued)

LOSS ALLOWANCES

| | Mortgage loans – amortised cost | | | | | Mortgage loans – amortised cost | | | | |
|--|---------------------------------|----------------------------|----------------------------|------|-------|---------------------------------|----------------------------|----------------------------|------|---------|
| | 2021 | | | | | 2020 | | | | |
| | ECL Staging | | | POCI | Total | ECL Staging | | | POCI | Total |
| | Stage 1 12-month ECL | Stage 2 lifetime ECL | Stage 3 lifetime ECL | | | Stage 1 12-month ECL | Stage 2 lifetime ECL | Stage 3 lifetime ECL | | |
| Loss allowance, beginning of year | 1,261 | 556 | 1,791 | - | 3,608 | 611 | 339 | 942 | - | 1,892 |
| Transfers: | | | | | | | | | | |
| Stage 1 to Stage 2 | (100) | 100 | - | - | - | (104) | 104 | - | - | - |
| Stage 1 to Stage 3 | (7) | - | 7 | - | - | (103) | - | 103 | - | - |
| Stage 2 to Stage 1 | 289 | (289) | - | - | - | 83 | (83) | - | - | - |
| Stage 2 to Stage 3 | - | (36) | 36 | - | - | - | (135) | 135 | - | - |
| Stage 3 to Stage 2 | - | 67 | (67) | - | - | - | 1,019 | (1,019) | - | - |
| Stage 3 to Stage 1 | 242 | - | (242) | - | - | 123 | - | (123) | - | - |
| Loans originated or purchased | 260 | - | - | - | 260 | 514 | - | - | - | 514 |
| Loans fully derecognised | (58) | (36) | (657) | - | (751) | (23) | (9) | (236) | - | (268) |
| Changes in ECL inputs, models and / or assumptions | (860) | 289 | 2,417 | - | 1,846 | 165 | (658) | 1,988 | - | 1,495 |
| Effect of exchange rate changes | (9) | (10) | (65) | - | (84) | (5) | (21) | 1 | - | (25) |
| Loss allowance, end of year | 1,018 | 641 | 3,220 | - | 4,879 | 1,261 | 556 | 1,791 | - | 3,608 |
| Credit impairment loss reduction / (loss) recorded in income | | | | | 163 | | | | | (1,785) |

40.3 Credit impairment losses – financial investments subject to impairment (continued)

LOSS ALLOWANCES

| | Policy loans – amortised cost | | | | | Policy loans – amortised cost | | | | |
|--|-------------------------------|----------------------------|----------------------------|------|-------|-------------------------------|----------------------------|----------------------------|------|-------|
| | 2021 | | | | | 2020 | | | | |
| | ECL Staging | | | POCI | Total | ECL Staging | | | POCI | Total |
| | Stage 1 12-month ECL | Stage 2 lifetime ECL | Stage 3 lifetime ECL | | | Stage 1 12-month ECL | Stage 2 lifetime ECL | Stage 3 lifetime ECL | | |
| Loss allowance, beginning of year | 298 | - | - | - | 298 | 197 | - | - | - | 197 |
| Changes in ECL inputs, models and / or assumptions | 164 | - | - | - | 164 | 105 | - | - | - | 105 |
| Effect of exchange rate changes | (5) | - | - | - | (5) | (4) | - | - | - | (4) |
| Loss allowance, end of year | 457 | - | - | - | 457 | 298 | - | - | - | 298 |
| Credit impairment loss recorded in income | | | | | - | | | | | (116) |

40.3 Credit impairment losses – financial investments subject to impairment (continued)

LOSS ALLOWANCES

| | Finance loans – amortised cost | | | | | Finance loans – amortised cost | | | | |
|--|--------------------------------|----------------------------|----------------------------|------|---------|--------------------------------|----------------------------|----------------------------|------|---------|
| | 2021 | | | | | 2020 | | | | |
| | ECL Staging | | | POCI | Total | ECL Staging | | | POCI | Total |
| | Stage 1 12-month ECL | Stage 2 lifetime ECL | Stage 3 lifetime ECL | | | Stage 1 12-month ECL | Stage 2 lifetime ECL | Stage 3 lifetime ECL | | |
| Loss allowance, beginning of year | 5,208 | 903 | 6,552 | - | 12,663 | 3,757 | 729 | 5,754 | - | 10,240 |
| Transfers: | | | | | | | | | | |
| Stage 1 to Stage 2 | (85) | 85 | - | - | - | (379) | 379 | - | - | - |
| Stage 1 to Stage 3 | (142) | - | 142 | - | - | (722) | - | 722 | - | - |
| Stage 2 to Stage 1 | 95 | (95) | - | - | - | 147 | (147) | - | - | - |
| Stage 2 to Stage 3 | - | (115) | 115 | - | - | - | (103) | 103 | - | - |
| Stage 3 to Stage 1 | 388 | - | (388) | - | - | 45 | - | (45) | - | - |
| Loans originated or purchased | 1,009 | - | - | - | 1,009 | 1,818 | - | - | - | 1,818 |
| Loans fully derecognised | (715) | (169) | (2,888) | - | (3,772) | (640) | (217) | (1,761) | - | (2,618) |
| Write-offs | - | (1) | - | - | (1) | - | - | - | - | - |
| Changes in ECL inputs, models and / or assumptions | (1,213) | (134) | 1,705 | - | 358 | 1,380 | 283 | 2,013 | - | 3,676 |
| Effect of exchange rate changes | (317) | (22) | (344) | - | (683) | (198) | (21) | (234) | - | (453) |
| Loss allowance, end of year | 4,228 | 452 | 4,894 | - | 9,574 | 5,208 | 903 | 6,552 | - | 12,663 |
| Credit impairment loss reduction / (loss) recorded in income | | | | | 476 | | | | | (7,896) |

40.3 Credit impairment losses – financial investments subject to impairment (continued)

LOSS ALLOWANCES

| | Deposits – amortised cost | | | | | Deposits – amortised cost | | | | |
|--|----------------------------|----------------------------|----------------------------|------|---------|----------------------------|----------------------------|----------------------------|------|---------|
| | 2021 | | | | | 2020 | | | | |
| | ECL Staging | | | POCI | Total | ECL Staging | | | POCI | Total |
| | Stage 1 12-month ECL | Stage 2 lifetime ECL | Stage 3 lifetime ECL | | | Stage 1 12-month ECL | Stage 2 lifetime ECL | Stage 3 lifetime ECL | | |
| Loss allowance, beginning of year | 288 | 1,271 | - | - | 1,559 | 261 | 51 | - | - | 312 |
| Transfers: | | | | | | | | | | |
| Stage 1 to Stage 2 | - | - | - | - | - | (103) | 103 | - | - | - |
| Deposits originated or purchased | 3,102 | - | - | - | 3,102 | 265 | - | - | - | 265 |
| Deposits fully derecognised | (1,129) | (1,347) | - | - | (2,476) | (140) | - | - | - | (140) |
| Changes in ECL inputs, models and / or assumptions | 886 | 147 | - | - | 1,033 | 5 | 1,117 | - | - | 1,122 |
| Loss allowance, end of year | 3,147 | 71 | - | - | 3,218 | 288 | 1,271 | - | - | 1,559 |
| Credit impairment loss recorded in income | | | | | (1,675) | | | | | (1,248) |

40.3 Credit impairment losses – financial investments subject to impairment (continued)**(a) Economic variable assumptions**

The macroeconomic indicators for all sectors were maintained and continue to produce regressions which reasonably explain the relationship between the respective default rates and the macroeconomic variables.

The GBP USD and NZD USD currency pairs continue to enhance the explanation of the default rates in the respective sectors. This is considered critical given that currency risk and sovereign risk vary between currency pairs. Currency shocks can have adverse implications on companies leading to their inability to meet debt service obligations.

In addition to the currency pairs, it is noted that market indices such as the S&P 500 Financial Index and the Dow Jones Industrial Average Index have demonstrated a stronger correlation to the performance of Sagcor's investments in the financial and industrial sectors.

In summary, the variables utilised have maintained the model's robustness in promoting a reliable and supportable fit between the default rate and the macroeconomic variables.

40.3 Credit impairment losses – financial investments subject to impairment (continued)**(a) Economic variable assumptions (continued)**

Sagcor has selected seven economic factors which provide the overall macroeconomic environment in considering forward-looking information for base, upside and downside forecasts. These are as follows:

| | As of December 31, 2021 | | | As of December 31, 2020 | | |
|---|-------------------------|------------|------------|-------------------------|------------|------------|
| | 2022 | 2023 | 2024 | 2021 | 2022 | 2023 |
| GDP Growth (USA) | | | | | | |
| Base | 3.5% | 2.6% | 1.9% | 2.0% | 3.7% | 2.8% |
| Upside | 5.0% | 3.0% | 1.0% | 4.5% | 3.3% | 2.4% |
| Downside | 1.1% | 1.6% | 1.8% | -0.2% | 1.5% | 1.5% |
| World GDP | | | | | | |
| Base | 4.9% | 3.6% | 3.4% | 5.2% | 4.2% | 3.8% |
| Upside | 7.4% | 5.4% | 5.1% | 7.8% | 6.3% | 5.7% |
| Downside | 2.6% | 2.6% | 2.4% | 2.6% | 2.6% | 2.6% |
| WTI Oil Prices/10 | | | | | | |
| Base | \$7.36 | \$6.79 | \$6.40 | \$4.82 | \$4.67 | \$4.58 |
| Upside | \$9.39 | \$9.39 | \$9.39 | \$9.39 | \$9.39 | \$9.39 |
| Downside | \$3.09 | \$2.85 | \$2.69 | \$2.02 | \$1.96 | \$1.92 |
| DOW Jones Industrial Average Index EPS | | | | | | |
| Base | \$1,940.94 | \$2,132.89 | \$2,132.89 | \$1,505.82 | \$1,739.89 | \$1,739.89 |
| Upside | \$2,883.51 | \$3,168.68 | \$3,168.68 | \$2,237.09 | \$2,584.83 | \$2,584.83 |
| Downside | \$1,138.04 | \$1,250.58 | \$1,250.58 | \$882.91 | \$1,020.16 | \$1,020.16 |

40.3 Credit impairment losses – financial investments subject to impairment (continued)

(a) Economic variable assumptions (continued)

| | As of December 31, 2021 | | | As of December 31, 2020 | | |
|--|-------------------------|---------|---------|-------------------------|---------|---------|
| | 2022 | 2023 | 2024 | 2021 | 2022 | 2023 |
| S&P 500 Financial Index - EPS | | | | | | |
| Base | \$43.93 | \$48.98 | \$48.98 | \$33.11 | \$38.95 | \$38.95 |
| Upside | \$66.29 | \$73.91 | \$73.91 | \$49.96 | \$58.77 | \$58.77 |
| Downside | \$28.80 | \$32.11 | \$32.11 | \$21.71 | \$25.54 | \$25.54 |
| GBP/USD | | | | | | |
| Base | \$1.35 | \$1.35 | \$1.35 | \$1.37 | \$1.37 | \$1.38 |
| Upside | \$1.46 | \$1.52 | \$1.57 | \$1.49 | \$1.55 | \$1.61 |
| Downside | \$1.24 | \$1.18 | \$1.14 | \$1.25 | \$1.20 | \$1.15 |
| NZD/USD | | | | | | |
| Base | \$0.68 | \$0.67 | \$0.66 | \$0.72 | \$0.72 | \$0.72 |
| Upside | \$0.74 | \$0.77 | \$0.78 | \$0.79 | \$0.83 | \$0.85 |
| Downside | \$0.61 | \$0.57 | \$0.53 | \$0.64 | \$0.61 | \$0.58 |

40.3 Credit impairment losses – financial investments subject to impairment (continued)

(a) Economic variable assumptions (continued)

Sagcor's lending operations in Barbados, Trinidad, and 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.

| As of December 31, 2021 | | |
|-------------------------|---------------------------------------|----------------|
| Barbados | Expected state for the next 12 months | Scenario |
| Unemployment rate | Base | Negative |
| | Upside | Stable |
| | Downside | Super Negative |
| GDP growth | Base | Negative |
| | Upside | Stable |
| | Downside | Super Negative |
| Trinidad & Tobago | Expected state for the next 12 months | Scenario |
| Unemployment rate | Base | Negative |
| | Upside | Stable |
| | Downside | Super Negative |
| GDP growth | Base | Negative |
| | Upside | Stable |
| | Downside | Super Negative |
| Jamaica | Expected state for the next 12 months | Scenario |
| Interest rate | Base | Stable |
| | Upside | Positive |
| | Downside | Stable |
| Unemployment rate | Base | Stable |
| | Upside | Stable |
| | Downside | Negative |

40.3 Credit impairment losses – financial investments subject to impairment (continued)**(a) Economic variable assumptions (continued)**

| As of December 31, 2020 | | |
|-------------------------|---------------------------------------|----------------|
| Barbados | Expected state for the next 12 months | Scenario |
| Unemployment rate | Base | Negative |
| | Upside | Stable |
| | Downside | Super Negative |
| GDP growth | Base | Negative |
| | Upside | Stable |
| | Downside | Super Negative |
| Trinidad & Tobago | Expected state for the next 12 months | Scenario |
| Unemployment rate | Base | Negative |
| | Upside | Stable |
| | Downside | Super Negative |
| GDP growth | Base | Negative |
| | Upside | Stable |
| | Downside | Super Negative |
| Jamaica | Expected state for the next 12 months | Scenario |
| Interest rate | Base | Stable |
| | Upside | Positive |
| | Downside | Stable |
| Unemployment rate | Base | Negative |
| | Upside | Stable |
| | Downside | Super Negative |

40.3 Credit impairment losses – financial investments subject to impairment (continued)**(b) Significant increase in credit risk (SICR)**

The ECL impact of a SICR for debt securities has been estimated as follows:

| SICR criteria (see note 3.1) | Actual threshold applied | Change in threshold | ECL impact of change in threshold | |
|---------------------------------|--|--|--------------------------------------|-------|
| | | | 2021 | 2020 |
| Investments | 2-notch downgrade since origination | 1-notch downgrade since origination | 2,916 | 4,988 |

The staging for lending products is based primarily on days past due with 30-day used as backstop, thus sensitivity analysis is not performed.

(c) Loss given default (LGD)

From the inception of IFRS 9, the Group has used the LGD for sovereigns as provided by Moody's. The LGD in Moody's current report represents the losses derived using the average trading prices method for USD denominated external debt. Due to the limited trading activity and the small percentage of USD denominated sovereign debt in our portfolio, we do not believe it is appropriate to use the average trading price method. An analysis of this calculation shows that this LGD includes losses for places such as Greece, Russia and African countries and does not truly reflect a Caribbean experience.

Sagicor Life Inc's sovereign exposure is primarily spread across the Caribbean region where bond markets are very thinly traded. For this reason, an internal valuation method is used to produce reasonable fixed income prices. This methodology is essentially a discounted cash flow exercise and these valuations form part of our requisite disclosures for financial reporting purposes.

40.3 Credit impairment losses – financial investments subject to impairment (continued)**(c) Loss given default (LGD) (continued)**

Using Moody's NPV method results in a loss given default (LGD) of approximately 35% regardless of the inclusion of members CARICOM solely or all global defaults. Furthermore, Barbados, the most recent defaulted bond issuer in the Caribbean suffered a maximum loss of approximately 36% on the restructured domestic debt which is in line with the LGD using the NPV method.

In light of the above, we adopted the NPV method for determining the LGD for Caribbean Sovereigns and reduced the LGD to 35% as derived from the calculation.

The ECL impact of changes in LGD rates is summarised as follows:

| Debt securities | 2021 | | | |
|---|--------------|----------------|-------------------|-------------------|
| | LGD | | ECL impact of | |
| | Rate applied | Change in rate | increase in value | decrease in value |
| Corporate | 53% | (- /+ 5) % | 646 | (646) |
| Sovereign, excluding Barbados and Jamaica | 35% | (- /+ 5) % | 367 | (367) |
| Sovereign - Barbados - BAICO bonds | 17% | (- /+ 5) % | 48 | (48) |
| Sovereign - Jamaica | 15% | (- /+ 5) % | 578 | (578) |

40.3 Credit impairment losses – financial investments subject to impairment (continued)**(c) Loss given default (LGD) (continued)**

The ECL impact of changes in LGD rates is summarised as follows:

| Debt securities | 2020 | | | |
|---|--------------|----------------|-------------------|-------------------|
| | LGD | | ECL impact of | |
| | Rate applied | Change in rate | increase in value | decrease in value |
| Corporate | 53% | (- /+ 5) % | 1,198 | (1,198) |
| Sovereign, excluding Barbados and Jamaica | 35% | (- /+ 5) % | 509 | (509) |
| Sovereign - Barbados - BAICO bonds | 17% | (- /+ 5) % | 50 | (50) |
| Sovereign - Jamaica | 15% | (- /+ 5) % | 650 | (650) |

40.3 Credit impairment losses – financial investments subject to impairment (continued)**(d) Scenario design**

The weightings assigned to each economic scenario as at December 31, 2021 are set out in the following table. These weightings are unchanged from the prior year.

| | Base | Upside | Downside |
|----------------------------|------|--------|----------|
| Sagicor Life portfolios | 80% | 10% | 10% |
| Sagicor Jamaica portfolios | 80% | 10% | 10% |
| Sagicor Life USA | 80% | 10% | 10% |

The results of varying the upside and downside scenarios are as follows:

| | Base – 80% Upside – 5% Downside – 15% | | Base – 80% Upside – 15% Downside – 5% | |
|------------------|---|------|---|-------|
| | Increase in ECL | | Decrease in ECL | |
| | 2021 | 2020 | 2021 | 2020 |
| Debt securities | 422 | 628 | (422) | (628) |
| Lending products | 192 | 253 | (158) | (208) |

40.4 Gross Carrying Values – financial investments subject to impairment

The following tables explain the movement in the gross carrying amounts of investments and in the ECL classifications for the year. Gross carrying amounts represent the maximum exposure to credit risk.

| | Debt securities and money market funds – FVOCI | | | | | Debt securities and money market funds – FVOCI | | | | |
|--|--|----------------------------|----------------------------|--------|-----------|--|----------------------------|----------------------------|---------|-------------|
| | 2021 | | | | | 2020 | | | | |
| | ECL Staging | | | POCI | Total | ECL Staging | | | POCI | Total |
| | Stage 1 12-month ECL | Stage 2 lifetime ECL | Stage 3 lifetime ECL | | | Stage 1 12-month ECL | Stage 2 lifetime ECL | Stage 3 lifetime ECL | | |
| Gross carrying amount, beginning of year | 3,208,171 | 164,073 | 7,912 | 28,617 | 3,408,773 | 3,458,152 | 70,695 | - | 30,144 | 3,558,991 |
| Transfers: | | | | | | | | | | |
| Stage 1 to Stage 2 | (15,431) | 15,431 | - | - | - | (120,488) | 120,488 | - | - | - |
| Stage 1 to Stage 3 | - | - | - | - | - | (164) | - | 164 | - | - |
| Stage 2 to Stage 1 | 122 | (122) | - | - | - | - | - | - | - | - |
| Stage 2 to Stage 3 | - | - | - | - | - | - | (7,014) | 7,014 | - | - |
| Securities originated or purchased | 2,074,726 | - | - | - | 2,074,726 | 1,347,322 | - | - | 45 | 1,347,367 |
| Securities fully derecognised | (846,271) | (85,217) | (7,714) | (440) | (939,642) | (1,310,349) | (18,052) | - | (72) | (1,328,473) |
| Changes in principal and interest | (115,382) | (4,176) | - | 36 | (119,522) | (113,924) | (4,120) | 755 | (1,503) | (118,792) |
| Effect of exchange rate changes | (45,134) | (573) | (198) | (8) | (45,913) | (52,378) | 2,076 | (21) | 3 | (50,320) |
| Gross carrying amount, end of year | 4,260,801 | 89,416 | - | 28,205 | 4,378,422 | 3,208,171 | 164,073 | 7,912 | 28,617 | 3,408,773 |

40.4 Gross Carrying Values – financial investments subject to impairment (continued)

| | Debt securities – amortised cost | | | | | Debt securities – amortised cost | | | | |
|--|----------------------------------|----------------------------|----------------------------|---------|-----------|----------------------------------|----------------------------|----------------------------|---------|-----------|
| | 2021 | | | | | 2020 | | | | |
| | ECL Staging | | | POCI | Total | ECL Staging | | | POCI | Total |
| | Stage 1 12-month ECL | Stage 2 lifetime ECL | Stage 3 lifetime ECL | | | Stage 1 12-month ECL | Stage 2 lifetime ECL | Stage 3 lifetime ECL | | |
| Gross carrying amount, beginning of year | 1,066,119 | 28,340 | 3,926 | 177,182 | 1,275,567 | 988,324 | 4,555 | - | 158,368 | 1,151,247 |
| Transfers: | | | | | | | | | | |
| Stage 1 to Stage 2 | (3,248) | 3,248 | - | - | - | (24,570) | 24,570 | - | - | - |
| Stage 2 to Stage 1 | 1,000 | (1,000) | - | - | - | - | - | - | - | - |
| Stage 2 to Stage 3 | - | - | - | - | - | - | (3,874) | 3,874 | - | - |
| Securities originated or purchased | 318,513 | - | - | 32 | 318,545 | 309,544 | - | - | 271 | 309,815 |
| Securities fully derecognised | (158,269) | (112) | (2,582) | (9) | (160,972) | (178,539) | - | - | (66) | (178,605) |
| Changes in principal and interest | (6,524) | (7,834) | (1,334) | 12,052 | (3,640) | (6,468) | 3,089 | 52 | 18,609 | 15,282 |
| Effect of exchange rate changes | (27,031) | - | - | - | (27,031) | (22,172) | - | - | - | (22,172) |
| Gross carrying amount, end of year | 1,190,560 | 22,642 | 10 | 189,257 | 1,402,469 | 1,066,119 | 28,340 | 3,926 | 177,182 | 1,275,567 |

40.4 Gross Carrying Values – financial investments subject to impairment (continued)

| | Mortgage loans – amortised cost | | | | | Mortgage loans – amortised cost | | | | |
|--|---------------------------------|----------------------------|----------------------------|------|----------|---------------------------------|----------------------------|----------------------------|------|----------|
| | 2021 | | | | | 2020 | | | | |
| | ECL Staging | | | POCI | Total | ECL Staging | | | POCI | Total |
| | Stage 1 12-month ECL | Stage 2 lifetime ECL | Stage 3 lifetime ECL | | | Stage 1 12-month ECL | Stage 2 lifetime ECL | Stage 3 lifetime ECL | | |
| Gross carrying amount, beginning of year | 306,115 | 42,821 | 47,886 | - | 396,822 | 300,647 | 38,766 | 25,026 | - | 364,439 |
| Transfers: | | | | | | | | | | |
| Stage 1 to Stage 2 | (45,713) | 45,713 | - | - | - | (35,869) | 35,869 | - | - | - |
| Stage 1 to Stage 3 | (1,982) | - | 1,982 | - | - | (11,294) | - | 11,294 | - | - |
| Stage 2 to Stage 1 | 24,316 | (24,316) | - | - | - | 14,771 | (14,771) | - | - | - |
| Stage 2 to Stage 3 | - | (2,140) | 2,140 | - | - | - | (16,969) | 16,969 | - | - |
| Stage 3 to Stage 2 | - | 5,962 | (5,962) | - | - | - | 1,518 | (1,518) | - | - |
| Stage 3 to Stage 1 | 2,793 | - | (2,793) | - | - | 2,410 | - | (2,410) | - | - |
| Loans originated or purchased | 82,002 | - | - | - | 82,002 | 75,363 | - | - | - | 75,363 |
| Loans fully derecognised | (18,910) | (4,863) | (4,211) | - | (27,984) | (23,769) | (1,345) | (1,605) | - | (26,719) |
| Changes in principal and interest | (11,160) | (997) | (737) | - | (12,894) | (11,205) | 181 | 309 | - | (10,715) |
| Effect of exchange rate changes | (6,702) | (388) | (429) | - | (7,519) | (4,939) | (428) | (179) | - | (5,546) |
| Gross carrying amount, end of year | 330,759 | 61,792 | 37,876 | - | 430,427 | 306,115 | 42,821 | 47,886 | - | 396,822 |

40.4 Gross Carrying Values – financial investments subject to impairment (continued)

| | Finance loans – amortised cost | | | | | Finance loans – amortised cost | | | | |
|--|--------------------------------|----------------------------|----------------------------|------|-----------|--------------------------------|----------------------------|----------------------------|------|-----------|
| | 2021 | | | | | 2020 | | | | |
| | ECL Staging | | | POCI | Total | ECL Staging | | | POCI | Total |
| | Stage 1 12-month ECL | Stage 2 lifetime ECL | Stage 3 lifetime ECL | | | Stage 1 12-month ECL | Stage 2 lifetime ECL | Stage 3 lifetime ECL | | |
| Gross carrying amount, beginning of year | 523,594 | 33,487 | 10,966 | - | 568,047 | 579,856 | 12,975 | 12,716 | - | 605,547 |
| Transfers: | | | | | | | | | | |
| Stage 1 to Stage 2 | (5,705) | 5,705 | - | - | - | (30,723) | 30,723 | - | - | - |
| Stage 1 to Stage 3 | (3,994) | - | 3,994 | - | - | (5,050) | - | 5,050 | - | - |
| Stage 2 to Stage 1 | 4,053 | (4,053) | - | - | - | 2,372 | (2,372) | - | - | - |
| Stage 2 to Stage 3 | - | (4,098) | 4,098 | - | - | - | (1,743) | 1,743 | - | - |
| Stage 3 to Stage 1 | 652 | - | (652) | - | - | 93 | - | (93) | - | - |
| Loans originated or purchased | 152,133 | - | - | - | 152,133 | 130,947 | - | - | - | 130,947 |
| Loans fully derecognised | (90,846) | (6,409) | (5,007) | - | (102,262) | (97,688) | (4,778) | (3,844) | - | (106,310) |
| Write-offs | (2) | (11) | - | - | (13) | (11) | (10) | - | - | (21) |
| Changes in principal and interest | (40,617) | (1,470) | (1,287) | - | (43,374) | (25,278) | (1,453) | (4,018) | - | (30,749) |
| Effect of exchange rate changes | (30,302) | (611) | (584) | - | (31,497) | (30,924) | 145 | (588) | - | (31,367) |
| Gross carrying amount, end of year | 508,966 | 22,540 | 11,528 | - | 543,034 | 523,594 | 33,487 | 10,966 | - | 568,047 |

40.4 Gross Carrying Values – financial investments subject to impairment (continued)

| | Securities purchased for resale – amortised cost | | | | | Securities purchased for resale – amortised cost | | | | |
|--|--|----------------------------|----------------------------|------|----------|--|----------------------------|----------------------------|------|-------------|
| | 2021 | | | | | 2020 | | | | |
| | ECL Staging | | | POCI | Total | ECL Staging | | | POCI | Total |
| | Stage 1 12-month ECL | Stage 2 lifetime ECL | Stage 3 lifetime ECL | | | Stage 1 12-month ECL | Stage 2 lifetime ECL | Stage 3 lifetime ECL | | |
| Gross carrying amount, beginning of year | 57,110 | - | - | - | 57,110 | 10,904 | - | - | - | 10,904 |
| Securities originated or purchased | 69,923 | - | - | - | 69,923 | 1,283,926 | - | - | - | 1,283,926 |
| Securities fully derecognised | (54,343) | - | - | - | (54,343) | (1,237,810) | - | - | - | (1,237,810) |
| Changes in principal and interest | - | - | - | - | - | 837 | - | - | - | 837 |
| Effect of exchange rate changes | (4,683) | - | - | - | (4,683) | (747) | - | - | - | (747) |
| Gross carrying amount, end of year | 68,007 | - | - | - | 68,007 | 57,110 | - | - | - | 57,110 |

40.4 Gross Carrying Values – financial investments subject to impairment (continued)

| | Deposits – amortised cost | | | | | Deposits – amortised cost | | | | |
|--|----------------------------|----------------------------|----------------------------|------|-----------|----------------------------|----------------------------|----------------------------|------|-----------|
| | 2021 | | | | | 2020 | | | | |
| | ECL Staging | | | POCI | Total | ECL Staging | | | POCI | Total |
| | Stage 1 12-month ECL | Stage 2 lifetime ECL | Stage 3 lifetime ECL | | | Stage 1 12-month ECL | Stage 2 lifetime ECL | Stage 3 lifetime ECL | | |
| Gross carrying amount, beginning of year | 117,784 | 11,495 | - | - | 129,279 | 62,493 | 617 | - | - | 63,110 |
| Transfers: | | | | | | | | | | |
| Stage 1 to Stage 2 | (251) | 251 | - | - | - | (7,471) | 7,471 | - | - | - |
| Deposits originated or purchased | 200,825 | - | - | - | 200,825 | 192,962 | - | - | - | 192,962 |
| Deposits fully derecognised | (98,377) | (11,216) | - | - | (109,593) | (143,456) | (245) | - | - | (143,701) |
| Changes in principal and interest | (523) | 93 | - | - | (430) | 13,393 | 3,652 | - | - | 17,045 |
| Effect of exchange rate changes | (4,938) | - | - | - | (4,938) | (137) | - | - | - | (137) |
| Gross carrying amount, end of year | 214,520 | 623 | - | - | 215,143 | 117,784 | 11,495 | - | - | 129,279 |

40.4 Gross Carrying Values – financial investments subject to impairment (continued)

| | Policy loans – amortised cost | | | | | Policy loans – amortised cost | | | | |
|--|-------------------------------|----------------------------|----------------------------|------|---------|-------------------------------|----------------------------|----------------------------|------|---------|
| | 2021 | | | | | 2020 | | | | |
| | ECL Staging | | | POCI | Total | ECL Staging | | | POCI | Total |
| | Stage 1 12-month ECL | Stage 2 lifetime ECL | Stage 3 lifetime ECL | | | Stage 1 12-month ECL | Stage 2 lifetime ECL | Stage 3 lifetime ECL | | |
| Gross carrying amount, beginning of year | 151,336 | - | - | - | 151,336 | 151,730 | - | - | - | 151,730 |
| Policy loans originated or purchased | 4,129 | - | - | - | 4,129 | 4,464 | - | - | - | 4,464 |
| Policy loans fully derecognised | (2,578) | - | - | - | (2,578) | (4,580) | - | - | - | (4,580) |
| Changes in principal and interest | 1,534 | - | - | - | 1,534 | (216) | - | - | - | (216) |
| Effect of exchange rate changes | (125) | - | - | - | (125) | (62) | - | - | - | (62) |
| Gross carrying amount, end of year | 154,296 | - | - | - | 154,296 | 151,336 | - | - | - | 151,336 |

40.4 Gross Carrying Values – financial investments subject to impairment (continued)**(a) Reinsurance asset – Guggenheim Partners**

The reinsurance asset held in the name of Guggenheim Partners is secured by assets held in a trust. The excess of the fair value of the trust assets over the reinsurance asset is as follows:

| | 2021 | 2020 |
|-------------------------------------|-----------|-----------|
| Fair value of trust assets | 448,506 | 472,395 |
| Carrying value of reinsurance asset | (362,984) | (438,900) |
| | 85,522 | 33,495 |

(b) Reinsurance asset – Heritage Life Insurance Company

The reinsurance asset held in the name of Heritage Life Insurance Company is secured by assets held in a trust. The excess of the fair value of the trust assets over the reinsurance asset is as follows:

| | 2021 | 2020 |
|-------------------------------------|-----------|-----------|
| Fair value of trust assets | 162,074 | 170,191 |
| Carrying value of reinsurance asset | (125,996) | (142,979) |
| | 36,078 | 27,212 |

40.5 Liquidity risk

Liquidity risk is the exposure that the Group may encounter difficulty in meeting obligations associated with financial or insurance liabilities that are settled by cash or by another financial asset. Liquidity risk also arises when excess funds accumulate resulting in the loss of opportunity to increase investment returns.

Asset liability matching is a tool used by the Group to mitigate liquidity risks, particularly in operations with significant maturing short-term liabilities. For long-term insurance contracts, the Group has adopted a policy of investing in assets with cash flow characteristics that closely match the cash flow characteristics of its policy liabilities. The primary purpose of this matching is to ensure that cash flows from these assets are synchronised with the timing and the amounts of payments that must be paid to policyholders.

Group companies monitor cash inflows and outflows in each operating currency. Through experience and monitoring, the Group is able to maintain sufficient liquid resources to meet current obligations.

(a) Insurance liabilities

The Group's monetary insurance liabilities mature in periods which are summarised in the following table. Amounts are stated at their carrying values recognised in the financial statements and are analysed by their expected due periods, which have been estimated by actuarial or other statistical methods.

| | Expected discounted cash flows | | |
|--------------------------|--------------------------------|-----------------------------|------------------------------|
| | Maturing within 1 year | Maturing 1 to 5 years | Maturing after 5 years |
| 2021 | | | |
| Actuarial liabilities | 297,945 | 1,657,453 | 2,837,229 |
| Other policy liabilities | 167,398 | 29,577 | 83,811 |
| Total | 465,343 | 1,687,030 | 2,921,040 |
| 2020 | | | |
| Actuarial liabilities | 323,144 | 1,251,502 | 2,578,055 |
| Other policy liabilities | 149,355 | 18,067 | 67,189 |
| Total | 472,499 | 1,269,569 | 2,645,244 |

40.5 Liquidity risk (continued)**(b) Financial liabilities and commitments**

Contractual cash flow obligations of the Group in respect of its financial liabilities and commitments are summarised in the following table. Amounts are analysed by their earliest contractual maturity dates and consist of the contractual un-discounted cash flows. Where the interest rate of an instrument for a future period has not been determined as of the date of the financial statements, it is assumed that the interest rate then prevailing continues until final maturity.

| | 2021 - Contractual un-discounted cash flows | | | | 2020 - Contractual un-discounted cash flows | | | |
|--|---|----------------|----------------|------------------|---|----------------|---------------|------------------|
| | On demand or within 1 year | 1 to 5 years | After 5 years | Total | On demand or within 1 year | 1 to 5 years | After 5 years | Total |
| Financial liabilities: | | | | | | | | |
| Investment contract liabilities | 388,066 | 73,301 | 23,086 | 484,453 | 372,337 | 56,534 | 21,091 | 449,962 |
| Notes and loans payable | 123,488 | 192,299 | 603,637 | 919,424 | 23,543 | 480,314 | 11,123 | 514,980 |
| Lease liabilities | 9,230 | 18,068 | 20,745 | 48,043 | 9,462 | 24,827 | 22,300 | 56,589 |
| Deposit and security liabilities: | | | | | | | | |
| Other funding instruments | 463,010 | 49,041 | 6,133 | 518,184 | 355,050 | 38,831 | 24,347 | 418,228 |
| Customer deposits | 872,459 | 17,206 | - | 889,665 | 852,836 | 17,106 | 6 | 869,948 |
| Structured products | - | 4,424 | - | 4,424 | - | - | - | - |
| Securities sold for repurchase | 601,779 | - | - | 601,779 | 577,998 | - | - | 577,998 |
| Derivative financial instruments | - | 109 | - | 109 | - | - | - | - |
| Bank overdrafts | 761 | - | - | 761 | 980 | - | - | 980 |
| Accounts payable and accrued liabilities | 246,450 | 1,184 | 340 | 247,974 | 248,212 | 1,852 | 385 | 250,449 |
| Total financial liabilities | 2,705,243 | 355,632 | 653,941 | 3,714,816 | 2,440,418 | 619,464 | 79,252 | 3,139,134 |
| Off financial statement commitments: | | | | | | | | |
| Loan commitments | 61,867 | 4,372 | 989 | 67,228 | 63,831 | 313 | 628 | 64,772 |
| Non-cancellable lease and rental payments | 316 | - | - | 316 | 434 | - | - | 434 |
| Customer guarantees and letters of credit | 17,802 | 6,621 | 8,682 | 33,105 | 20,095 | 5,417 | 9,643 | 35,155 |
| Investments and investment management fees | 17,430 | - | - | 17,430 | 32,526 | 2,322 | - | 34,848 |
| Capital commitments | - | - | - | - | 15,304 | - | - | 15,304 |
| Total off financial statement commitments | 97,415 | 10,993 | 9,671 | 118,079 | 132,190 | 8,052 | 10,271 | 150,513 |
| Total | 2,802,658 | 366,625 | 663,612 | 3,832,895 | 2,572,608 | 627,516 | 89,523 | 3,289,647 |

40.5 Liquidity risk (continued)

(c) Financial and insurance assets

The contractual maturity periods of monetary financial assets and the expected maturity periods of monetary insurance assets are summarised in the following table. Amounts are stated at their carrying values recognised in the financial statements. For this disclosure, monetary insurance assets comprise policy loans and reinsurance assets.

| | 2021 – Contractual or expected discounted cash flows | | | | 2020 – Contractual or expected discounted cash flows | | | |
|--|--|-----------------------------|------------------------------|-----------|--|-----------------------------|------------------------------|-----------|
| | Maturing within 1 year | Maturing 1 to 5 years | Maturing after 5 years | Total | Maturing within 1 year | Maturing 1 to 5 years | Maturing after 5 years | Total |
| Debt securities and money market funds | 1,078,154 | 1,284,945 | 3,801,457 | 6,164,556 | 699,719 | 944,657 | 3,585,901 | 5,230,277 |
| Mortgage loans | 29,123 | 88,261 | 332,539 | 449,923 | 24,138 | 72,260 | 322,881 | 419,279 |
| Policy loans | 4,336 | 11,469 | 138,034 | 153,839 | 4,589 | 13,756 | 132,693 | 151,038 |
| Finance loans | 161,429 | 220,258 | 151,773 | 533,460 | 160,965 | 207,243 | 187,176 | 555,384 |
| Securities purchased for resale | 68,007 | - | - | 68,007 | 57,110 | - | - | 57,110 |
| Deposits | 211,737 | 188 | - | 211,925 | 127,559 | 161 | - | 127,720 |
| Derivative financial instruments | 26,137 | 109 | - | 26,246 | 37,188 | - | - | 37,188 |
| Reinsurance assets: share of actuarial liabilities | 43,790 | 274,416 | 226,990 | 545,196 | 67,237 | 291,116 | 281,444 | 639,797 |
| Reinsurance assets: other | 54,122 | 2,112 | 655 | 56,889 | 48,893 | - | 189 | 49,082 |
| Premiums receivable | 59,168 | - | - | 59,168 | 59,780 | - | - | 59,780 |
| Other assets and accounts receivable | 73,352 | 1,940 | 336 | 75,628 | 76,876 | 2,044 | 522 | 79,442 |
| Cash resources | 438,110 | - | - | 438,110 | 439,610 | - | - | 439,610 |
| Total | 2,247,465 | 1,883,698 | 4,651,784 | 8,782,947 | 1,803,664 | 1,531,237 | 4,510,806 | 7,845,707 |

40.5 Liquidity risk (continued)**(d) Sale and purchase of held-to-collect debt securities**

In September 2020, given its continued focus on mitigating liquidity risks by improving its asset liability matching, the Group made a decision to purchase long-term bonds issued by the Government of Trinidad & Tobago (GOTT) in the amount of US\$164 million. The transaction was facilitated and financed by the sale of several shorter-term bonds totalling US\$129 million which had been included in the “held to collect” category in accordance with this IFRS 9 classification, based on the business model for managing these instruments and their contractual cash flow characteristics. Given the purpose of the transaction, which was not profit-oriented and which yielded an immaterial gain of US\$0.3 million, the new instruments acquired have been classified as “held to collect” under the business model, which remains unchanged, and given the contractual terms governing their cash flows.

40.6 Interest rate risk

The Group is exposed to interest rate risks. Cash flow interest rate risk is the risk that future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the fair value of a financial instrument will fluctuate because of changes in market interest rates. The occurrence of an adverse change in interest rates on invested assets may result in financial loss to the Group in fulfilling the contractual returns on insurance and financial liabilities.

The return on investments may be variable, fixed for a term or fixed to maturity. On reinvestment of a matured investment, the returns available on the new investment may be significantly different from the returns formerly achieved. This is known as reinvestment risk.

Guaranteed minimum returns exist within cash values of long-term traditional insurance contracts, long-term universal life insurance contracts, annuity options, deposit administration liabilities and policy funds on deposit. Where the returns credited exceed the guaranteed minima, the insurer usually has the option to adjust the return from period to period. For other financial liabilities, returns are usually contractual and may only be adjusted on contract renewal or contract re-pricing.

40.6 Interest rate risk (continued)

The Group is therefore exposed to the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. Interest margins may increase or decrease as a result of such changes. Interest rate changes may also result in losses if asset and liability cash flows are not closely matched with respect to timing and amount.

The Group is exposed to risk under embedded derivatives contained in a host insurance contract. These risks include exposures to investment returns which may produce losses to the insurer arising from the following contract features:

- minimum annuity rates which are guaranteed to be applied at some future date;
- minimum guaranteed death benefits which are applicable when the performance of an interest-bearing or unit linked fund falls below expectations;
- minimum guaranteed returns in respect of cash values and universal life investment accounts.

The Group manages its interest rate risk by various measures including, where feasible, the selection of assets which best match the maturity of liabilities; the offering of investment contracts which match the maturity profile of assets; the re-pricing of interest rates on loans receivable; policy contracts and financial liabilities in response to market changes. In certain Caribbean markets, where availability of suitable investments is often a challenge, the Group holds many of its fixed-rate debt securities to maturity and therefore mitigates the transient interest rate changes in these markets.

40.6 Interest rate risk (continued)

The table following summarises the exposures to interest rates on the Group's monetary insurance and financial liabilities (excluding actuarial liabilities which are disclosed in note 42). It includes liabilities at carrying amounts, categorised by the earlier of contractual re-pricing or maturity dates. Insurance liabilities are categorised by their expected maturities.

| | 2021 | | | | | 2020 | | | | |
|--|------------------------------|-----------------------------|------------------------------|-------------------------------|-----------|------------------------------|-----------------------------|------------------------------|-------------------------------|-----------|
| | Exposure within 1 year | Exposure 1 to 5 years | Exposure after 5 years | Not exposed to interest | Total | Exposure within 1 year | Exposure 1 to 5 years | Exposure after 5 years | Not exposed to interest | Total |
| Other policy liabilities | 8,975 | 5,348 | 54,476 | 211,987 | 280,786 | 13,676 | 4,103 | 66,466 | 150,366 | 234,611 |
| Investment contract liabilities | 378,616 | 59,395 | 29,969 | 114 | 468,094 | 366,918 | 46,710 | 23,894 | 82 | 437,604 |
| Notes and loans payable | 73,137 | 66,704 | 541,770 | 1,777 | 683,388 | 15,343 | 445,706 | 9,859 | 714 | 471,622 |
| Lease liabilities | 7,964 | 14,758 | 9,422 | 692 | 32,836 | 7,691 | 20,547 | 10,251 | 1,120 | 39,609 |
| Deposit and security liabilities: | | | | | | | | | | |
| Other funding instruments | 463,457 | 44,507 | 3,241 | 248 | 511,453 | 352,306 | 20,285 | 15,721 | 211 | 388,523 |
| Customer deposits | 864,140 | 15,022 | - | 2,272 | 881,434 | 845,326 | 14,934 | 5 | 1,387 | 861,652 |
| Structured products | - | 4,344 | - | - | 4,344 | - | - | - | - | - |
| Securities sold for repurchase | 596,444 | - | - | 1,828 | 598,272 | 573,540 | - | - | 2,064 | 575,604 |
| Derivative financial instruments | - | 109 | - | - | 109 | - | - | - | - | - |
| Bank overdrafts | 589 | - | - | 172 | 761 | 969 | - | - | 11 | 980 |
| Accounts payable and accrued liabilities | 2,801 | - | - | 245,173 | 247,974 | 826 | 1,127 | - | 248,497 | 250,450 |
| Total | 2,396,123 | 210,187 | 638,878 | 464,263 | 3,709,451 | 2,176,595 | 553,412 | 126,196 | 404,452 | 3,260,655 |

40.6 Interest rate risk (continued)

The table following summarises the exposures to interest rate and reinvestment risks of the Group's monetary insurance and financial assets. Assets are stated at carrying amounts, categorised by the earlier of contractual re-pricing or maturity dates. Reinsurance assets and policy loans are categorised by their expected maturities.

| | 2021 | | | | | 2020 | | | | |
|--|------------------------------|-----------------------------|------------------------------|----------------------------|-----------|------------------------------|-----------------------------|------------------------------|-------------------------------|-----------|
| | Exposure within 1 year | Exposure 1 to 5 years | Exposure after 5 years | Not exposed to interest | Total | Exposure within 1 year | Exposure 1 to 5 years | Exposure after 5 years | Not exposed to interest | Total |
| Debt securities and money market funds | 1,032,045 | 1,268,583 | 3,744,902 | 119,026 | 6,164,556 | 787,764 | 889,132 | 3,472,756 | 80,625 | 5,230,277 |
| Equity securities | - | - | - | 890,139 | 890,139 | - | - | - | 660,573 | 660,573 |
| Mortgage loans | 128,119 | 76,937 | 241,312 | 3,555 | 449,923 | 93,733 | 65,789 | 256,392 | 3,365 | 419,279 |
| Policy loans | 9,867 | 11,239 | 128,325 | 4,408 | 153,839 | 3,925 | 13,380 | 127,849 | 5,884 | 151,038 |
| Finance loans | 511,848 | 13,863 | 3,478 | 4,271 | 533,460 | 528,923 | 15,279 | 6,192 | 4,990 | 555,384 |
| Securities purchased for resale | 67,714 | - | - | 293 | 68,007 | 57,011 | - | - | 99 | 57,110 |
| Deposits | 210,457 | 871 | - | 597 | 211,925 | 125,411 | 2,092 | - | 217 | 127,720 |
| Derivative financial instruments | - | 109 | - | 26,137 | 26,246 | - | - | - | 37,188 | 37,188 |
| Reinsurance assets: other | - | - | 157 | 56,732 | 56,889 | - | - | 189 | 48,893 | 49,082 |
| Premiums receivable | 35 | - | - | 59,133 | 59,168 | - | - | - | 59,780 | 59,780 |
| Other assets and accounts receivable | 1,685 | 1,897 | - | 72,046 | 75,628 | 896 | 1,127 | - | 77,419 | 79,442 |
| Cash resources | 77,134 | - | - | 360,976 | 438,110 | 84,246 | - | - | 355,364 | 439,610 |
| Total | 2,038,904 | 1,373,499 | 4,118,174 | 1,597,313 | 9,127,890 | 1,681,909 | 986,799 | 3,863,378 | 1,334,397 | 7,866,483 |

40.6 Interest rate risk (continued)

The table below summarises the average interest yields on certain financial investments and financial liabilities held during the year.

| | 2021 | 2020 |
|---|-------|-------|
| Financial investments carried at FVOCI and amortised cost: | | |
| Debt securities and money market funds | 4.8% | 4.6% |
| Mortgage loans | 6.1% | 5.8% |
| Policy loans | 7.3% | 7.5% |
| Finance loans | 10.4% | 11.2% |
| Securities purchased for resale | 1.5% | 2.4% |
| Deposits | 0.7% | 1.0% |
| Financial liabilities carried at amortised cost: | | |
| Investment contract liabilities | 1.9% | 2.8% |
| Notes and loans payable | 7.3% | 8.3% |
| Other funding instruments | 0.8% | 0.9% |
| Deposits | 1.0% | 1.2% |
| Securities sold for repurchase | 2.4% | 2.3% |

a) Sensitivity

Sensitivity to interest rate risk is considered by operating subsidiaries. The effects of changes in interest rates of assets backing actuarial liabilities are disclosed in note 42.4. The Group's property and casualty operations are not exposed to a significant degree of interest rate risk, since the majority of their interest-bearing instruments have short-term maturities. The sensitivity of the Group's principal operating subsidiaries engaged in banking, investment management and other financial services are considered in the following paragraphs.

40.6 Interest rate risk (continued)*Sagicor Investments Jamaica Limited and Sagicor Bank Jamaica Limited*

The following table indicates the sensitivity to a reasonable possible change in interest rates, with all other variables held constant, on net income and total comprehensive income (TCI) of the above companies which operate in Jamaica.

The sensitivity of income is the effect of the assumed changes in interest rates on income based on floating-rate debt securities and financial liabilities. The sensitivity of TCI is calculated by revaluing fixed rate financial assets carried at FVOCI for the effects of the assumed changes in interest rates. The correlation of a number of variables will have an impact on market risk. It should be noted that movements in these variables are non-linear and are assessed individually.

| 2021 | | | | 2020 | | | |
|-------------------------|--------|----------------------|---------------|-------------------------|--------|----------------------|---------------|
| Change in interest rate | | Effect on net income | Effect on TCI | Change in interest rate | | Effect on net income | Effect on TCI |
| JMD | USD | | | JMD | USD | | |
| - 1% | - 0.5% | 3,757 | 25,266 | - 1% | - 0.5% | 3,454 | 48,538 |
| +1% | + 0.5% | (3,757) | (38,247) | +1% | + 0.5% | (3,454) | (42,924) |

40.7 Foreign exchange risk

The Group is exposed to foreign exchange risk as a result of fluctuations in exchange rates as its financial assets and liabilities are denominated in different currencies.

In order to manage the risk associated with movements in currency exchange rates, the Group seeks to maintain investments and cash in each operating currency, which are sufficient to match liabilities denominated in the same currency. Exceptions are made to invest amounts in United States dollar assets which are held to back liabilities in Caribbean currencies. Management considers that these assets diversify the range of investments available in the Caribbean, and in the long-term are likely to either maintain capital value and/or provide satisfactory returns.

Assets and liabilities by currency are summarised in the following tables.

40.7 Foreign exchange risk (continued)

2021

| 2021 | US\$000 equivalents of balances denominated in | | | | | | |
|---|--|------------|-------------|----------------------|-----------|------------------|------------|
| | Barbados \$ | Jamaica \$ | Trinidad \$ | Eastern Caribbean \$ | US \$ | Other Currencies | Total |
| ASSETS | | | | | | | |
| Financial investments ⁽¹⁾ | 382,211 | 1,377,150 | 710,279 | 159,381 | 4,861,981 | 116,954 | 7,607,956 |
| Reinsurance assets ⁽¹⁾ | 1,768 | 8,641 | 544 | 1,531 | 589,012 | 589 | 602,085 |
| Receivables ⁽¹⁾ | 16,092 | 76,590 | 12,217 | 11,122 | 15,197 | 4,458 | 135,676 |
| Cash resources | 18,652 | 68,222 | 20,995 | 8,001 | 249,153 | 73,087 | 438,110 |
| Total monetary assets | 418,723 | 1,530,603 | 744,035 | 180,035 | 5,715,343 | 195,088 | 8,783,827 |
| Other assets ⁽²⁾ | 233,388 | 422,713 | 91,598 | 18,795 | 828,210 | (599) | 1,594,105 |
| Total assets | 652,111 | 1,953,316 | 835,633 | 198,830 | 6,543,553 | 194,489 | 10,377,932 |
| LIABILITIES | | | | | | | |
| Actuarial liabilities | 464,510 | 343,510 | 489,830 | 96,013 | 3,284,791 | 113,973 | 4,792,627 |
| Other policy liabilities ⁽¹⁾ | 95,896 | 56,141 | 36,331 | 17,708 | 59,496 | 15,214 | 280,786 |
| Investment contracts | 28,273 | 77,133 | 180,214 | 58,885 | 113,664 | 9,925 | 468,094 |
| Notes and loans payable | 33,696 | 38,605 | - | - | 611,087 | - | 683,388 |
| Lease liabilities | 483 | 16,384 | 256 | 28 | 15,004 | 681 | 32,836 |
| Deposit and security liabilities | 25 | 679,605 | 83,861 | 13,197 | 1,202,664 | 17,021 | 1,996,373 |
| Provisions | 17,393 | 37,556 | 15,367 | 168 | 633 | 10,396 | 81,513 |
| Accounts payable and accruals | 38,269 | 109,290 | 18,574 | 11,128 | 65,124 | 5,589 | 247,974 |
| Total monetary liabilities | 678,545 | 1,358,224 | 824,433 | 197,127 | 5,352,463 | 172,799 | 8,583,591 |
| Other liabilities ⁽²⁾ | 20,314 | 39,824 | 15,317 | 5,454 | 45,224 | 1,995 | 128,128 |
| Total liabilities | 698,859 | 1,398,048 | 839,750 | 202,581 | 5,397,687 | 174,794 | 8,711,719 |
| Net position | (46,748) | 555,268 | (4,117) | (3,751) | 1,145,866 | 19,695 | 1,666,213 |

⁽¹⁾ Monetary balances only⁽²⁾ Non-monetary balances, income tax balances and retirement plan assets

40.7 Foreign exchange risk (continued)

2020

| 2020 | US\$000 equivalents of balances denominated in | | | | | | Total |
|--|--|------------|-------------|----------------------|-----------|------------------|-----------|
| | Barbados \$ | Jamaica \$ | Trinidad \$ | Eastern Caribbean \$ | US \$ | Other Currencies | |
| ASSETS | | | | | | | |
| Financial investments ⁽¹⁾ | 362,242 | 1,296,881 | 575,067 | 164,029 | 4,065,554 | 114,223 | 6,577,996 |
| Reinsurance assets ⁽¹⁾ | 1,805 | 10,129 | 1,206 | 1,218 | 673,676 | 845 | 688,879 |
| Receivables ⁽¹⁾ | 21,195 | 57,964 | 12,654 | 13,213 | 31,103 | 3,915 | 140,044 |
| Cash resources | 29,335 | 98,249 | 42,160 | 15,489 | 203,805 | 50,572 | 439,610 |
| Total monetary assets | 414,577 | 1,463,223 | 631,087 | 193,949 | 4,974,138 | 169,555 | 7,846,529 |
| Other assets ⁽²⁾ | 202,633 | 416,232 | 87,267 | 19,912 | 692,692 | 1,048 | 1,419,784 |
| Total assets | 617,210 | 1,879,455 | 718,354 | 213,861 | 5,666,830 | 170,603 | 9,266,313 |
| LIABILITIES | | | | | | | |
| Actuarial liabilities | 441,850 | 330,888 | 456,668 | 82,634 | 2,713,759 | 126,902 | 4,152,701 |
| Other policy liabilities ⁽¹⁾ | 81,774 | 54,671 | 32,132 | 11,893 | 40,128 | 14,013 | 234,611 |
| Investment contracts | 30,571 | 74,781 | 175,492 | 55,993 | 91,151 | 9,616 | 437,604 |
| Notes and loans payable | 21,686 | 51,948 | - | - | 397,988 | - | 471,622 |
| Lease liabilities | 439 | 19,520 | 427 | 4 | 18,452 | 767 | 39,609 |
| Deposit and security liabilities | 25 | 694,015 | 19,273 | 15,184 | 1,080,462 | 17,800 | 1,826,759 |
| Other liabilities / Retirement benefit liabilities | 16,011 | 26,019 | 13,065 | (57) | 576 | 10,928 | 66,542 |
| Accounts payable and accruals | 45,469 | 88,415 | 19,072 | 4,426 | 87,339 | 5,729 | 250,450 |
| Total monetary liabilities | 637,825 | 1,340,257 | 716,129 | 170,077 | 4,429,855 | 185,755 | 7,479,898 |
| Other liabilities ⁽²⁾ | 20,207 | 50,635 | 14,165 | 4,959 | 35,901 | 2,338 | 128,205 |
| Total liabilities | 658,032 | 1,390,892 | 730,294 | 175,036 | 4,465,756 | 188,093 | 7,608,103 |
| Net position | (40,822) | 488,563 | (11,940) | 38,825 | 1,201,074 | (17,490) | 1,658,210 |

⁽¹⁾ Monetary balances only⁽²⁾ Non-monetary balances, income tax balances and retirement plan assets

40.7 Foreign exchange risk (continued)**(a) Sensitivity**

The Group is exposed to currency risk in its operating currencies for which values have noticeably fluctuated against the United States dollar (USD).

The exposure to currency risk may result in three types of risk, namely:

- Currency risk relating to the future cash flows of monetary balances

This occurs when a monetary balance is denominated in a currency other than the functional currency of the reporting unit to which it belongs. In this instance, a change in currency exchange rates results in the monetary balances being retranslated at the date of the financial statements, and the exchange gain or loss is taken to income (note 27).

- Currency risk of reported results of foreign operations

This occurs when a reporting unit's functional currency depreciates or appreciates in value when retranslated to the USD, which is the Group's presentational currency. In this instance, the conversion of the reporting unit's results at a different rate of exchange results in either less or more income being consolidated in the Group's income statement.

- Currency risk of the Group's investment in foreign operations

This occurs when a reporting unit's functional currency depreciates or appreciates in value when retranslated to the USD, which is the Group's presentational currency. In this instance, the conversion of the reporting unit's assets and liabilities at a different rate of exchange results in a currency loss or gain which is recorded in the currency translation reserve (note 22). If the reporting unit is disposed of, either wholly or in part, then the corresponding accumulated loss or gain in the currency translation reserve would be transferred to income or retained earnings.

The operating currency for which value noticeably fluctuates against the USD is the Jamaica dollar (JMD). The theoretical impact of JMD currency risk on reported results, and of the Group's investment in foreign operations, is considered in the following section.

40.7 Foreign exchange risk (continued)JMD currency risk

The effect of a 10% depreciation in the JMD relative to the USD arising from JMD reporting units as of December 31, 2021 and for the year then ended are considered in the following table.

| | Amounts denominated in | | Total amounts | Effect of a 10% depreciation |
|--|------------------------|-----------|------------------|---------------------------------|
| | JMD | USD | | |
| Financial position: | | | | |
| Assets | 1,792,625 | 1,113,817 | 2,906,442 | (179,262) |
| Liabilities | 1,215,019 | 968,789 | 2,183,808 | (121,502) |
| Net position | 577,606 | 145,028 | 722,634 | (57,760) |
| Represented by: | | | | |
| Currency risk of the Group's investment in foreign operations | | | | (57,760) |
| Income statement: | | | | |
| Revenue | 543,052 | 106,507 | 649,559 | (39,394) |
| Benefits | (254,688) | (3,302) | (257,990) | 25,469 |
| Expenses | (220,235) | (16,231) | (236,466) | 22,024 |
| Income taxes | (39,819) | - | (39,819) | 3,982 |
| Net income | 28,310 | 86,974 | 115,284 | 12,081 |
| Represented by: | | | | |
| Currency risk relating to the future cash flows of monetary balances | | | | 14,911 |
| Currency risk of reported results of foreign operations | | | | (2,830) |
| | | | | 12,081 |

A 10% appreciation in the JMD relative to the USD would have equal and opposite effects to those disclosed above.

40.8 Fair value of financial instruments

The fair value of financial instruments is measured according to a fair value hierarchy which reflects the significance of market inputs in the valuation. This hierarchy is described and discussed in sections (i) to (iii) below.

(i) Level 1 – unadjusted quoted prices in active markets for identical instruments

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange or other independent source, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The Group considers that market transactions should occur with sufficient frequency that is appropriate for the particular market, when measured over a continuous period preceding the date of the financial statements. If there is no data available to substantiate the frequency of market transactions of a financial instrument, then the instrument is not classified as Level 1.

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

A financial instrument is classified as Level 2 if:

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

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

40.8 Fair value of financial instruments (continued)

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

(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 mortgage loans, debt securities and equities for which the full income 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.

40.8 Fair value of financial instruments (continued)

(a) Financial instruments carried at fair value

| | 2021 | | | | 2020 | | | |
|--|---------|-----------|---------|-----------|---------|-----------|---------|-----------|
| | Level 1 | Level 2 | Level 3 | Total | Level 1 | Level 2 | Level 3 | Total |
| FVOCI investments: | | | | | | | | |
| Debt securities and money market funds | 541,529 | 3,840,556 | 99,234 | 4,481,319 | 428,362 | 3,183,555 | - | 3,611,917 |
| Equity securities | 481 | - | 39 | 520 | 498 | 513 | 43 | 1,054 |
| | 542,010 | 3,840,556 | 99,273 | 4,481,839 | 428,860 | 3,184,068 | 43 | 3,612,971 |
| FVTPL investments: | | | | | | | | |
| Debt securities | 26,622 | 137,824 | 119,088 | 283,534 | 21,160 | 194,394 | 133,320 | 348,874 |
| Equity securities | 361,675 | 508,615 | 19,329 | 889,619 | 347,056 | 286,545 | 25,918 | 659,519 |
| Derivative financial instruments | - | 109 | 26,137 | 26,246 | - | - | 37,188 | 37,188 |
| Mortgage loans | - | - | 24,375 | 24,375 | - | - | 26,065 | 26,065 |
| | 388,297 | 646,548 | 188,929 | 1,223,774 | 368,216 | 480,939 | 222,491 | 1,071,646 |
| Total assets | 930,307 | 4,487,104 | 288,202 | 5,705,613 | 797,076 | 3,665,007 | 222,534 | 4,684,617 |
| Total assets by percentage | 16% | 79% | 5% | 100% | 17% | 78% | 5% | 100% |
| FVTPL investment contracts: | | | | | | | | |
| Unit linked deposit administration liabilities | - | - | 159,503 | 159,503 | - | - | 154,442 | 154,442 |
| FVTPL deposit and security liabilities: | | | | | | | | |
| Structured products | - | - | 4,344 | 4,344 | - | - | - | - |
| Derivative financial instruments | - | - | 109 | 109 | - | - | - | - |
| | - | - | 4,453 | 4,453 | - | - | - | - |
| Total liabilities | - | - | 163,956 | 163,956 | - | - | 154,442 | 154,442 |
| Total liabilities by percentage | - | - | 100% | 100% | - | - | 100% | 100% |

40.8 Fair value of financial instruments (continued)

The following table shows the sensitivity of fair value measurements to changes in unobservable inputs for Level 3 financial instruments:

| Amounts in US \$000 | Fair value | | Unobservable inputs | Range of unobservable inputs | | Relationship of unobservable inputs to fair value |
|--|----------------|----------------|---------------------------|------------------------------|------|---|
| | 2021 | 2020 | | 2021 | 2020 | |
| FVOCI investments: | | | | | | |
| Debt securities | 99,234 | - | Adjustments to yields | 10% | 10% | (1) |
| Equity securities | 39 | 43 | Adjustments to net assets | 10% | 10% | (2) |
| | 99,273 | 43 | | | | |
| FVTPL investments: | | | | | | |
| Debt securities | 119,088 | 133,320 | Adjustments to yields | 10% | 10% | (1) |
| Equity securities | 19,329 | 25,918 | Adjustments to net assets | 10% | 10% | (2) |
| Derivative financial instruments | 26,137 | 37,188 | Adjustments to yields | 10% | 10% | (1) |
| Mortgage loans | 24,375 | 26,065 | Adjustments to yields | 10% | 10% | (1) |
| | 188,929 | 222,491 | | | | |
| Total assets | 288,202 | 222,534 | | | | |
| Unit linked deposit administration liabilities | 159,503 | 154,442 | Adjustments to yields | 10% | 10% | (1) |
| Structured products | 4,344 | - | Adjustments to yields | 10% | 10% | (1) |
| Derivative financial instruments | 109 | - | Adjustments to yields | 10% | 10% | (1) |
| Total liabilities | 163,956 | 154,442 | | | | |

(1) Adjustments to yields will have a direct correlation to the fair value.

(2) Increases or decreases in adjusted net assets of the underlying entities will have a direct correlation to the fair value.

40.8 Fair value of financial instruments (continued)

For Level 3 instruments, reasonable changes in inputs which could be applied to the valuation of FVOCI investments would affect other comprehensive income. Reasonable changes in inputs which could be applied to the valuations of investments designated as FVTPL are largely offset in income, since the changes in fair value are borne by contract holders. Changes in the valuations of structured products reflect changes in the underlying securities and are borne by the contract holders. The following table presents the movements in Level 3 instruments for the year.

| Level 3 Financial Instruments | 2021 | | | | 2020 | 2021 | | | | | 2020 |
|--|-------------------|-------------------|----------------------------------|--------------|--------------|----------------------------|---------------------------|----------------------------------|-------------------|-------------------|------|
| | FVOCI investments | FVTPL investments | Derivative financial instruments | Total assets | Total assets | FVTPL investment contracts | FVTPL structured products | Derivative financial instruments | Total liabilities | Total liabilities | |
| Balance, beginning of year | 43 | 185,303 | 37,188 | 222,534 | 209,311 | 154,442 | - | - | 154,442 | 169,141 | |
| Additions | 133,651 | 26,564 | 19,868 | 180,083 | 73,530 | - | - | - | - | - | |
| Issues | - | - | - | - | - | 22,467 | 4,466 | 112 | 27,045 | 19,792 | |
| Settlements | - | - | - | - | - | (17,329) | - | - | (17,329) | (33,155) | |
| Fair value gains / (losses) recorded in net investment income | (2,140) | (708) | 19,921 | 17,073 | 6,471 | - | - | - | - | - | |
| Fair value gains / (losses) recorded in interest expense | - | - | - | - | - | 162 | - | - | 162 | (1,371) | |
| Disposals and divestitures | (31,983) | (46,858) | (50,840) | (129,681) | (55,981) | - | - | - | - | - | |
| Transfers (out of) Level 3 classification | - | (399) | - | (399) | (11,019) | - | - | - | - | - | |
| Transfers to instruments carried at amortised cost | - | (369) | - | (369) | - | - | - | - | - | - | |
| Effect of exchange rate changes | (298) | (741) | - | (1,039) | 222 | (239) | (122) | (3) | (364) | 35 | |
| Balance, end of year | 99,273 | 162,792 | 26,137 | 288,202 | 222,534 | 159,503 | 4,344 | 109 | 163,956 | 154,442 | |
| Fair value changes recorded in investment income for instruments held at end of year | - | 1,316 | 6,670 | 7,986 | 13,520 | | - | - | - | - | |
| Fair value changes recorded in interest expense for instruments held at end of year | - | - | - | - | - | 162 | - | - | 162 | (1,527) | |

40.8 Fair value of financial instruments (continued)

(b) Financial instruments carried at amortised cost

The carrying values of the Group's non-traded financial assets and financial liabilities carried at amortised cost approximate their fair value in notes 10, 12, and 20. The fair value hierarchy of other financial instruments carried at amortised cost is set out in the following tables.

As of December 31, 2021

| Financial assets at amortised cost | Level 1 | Level 2 | Level 3 | Total |
|--|---------|-----------|-----------|-----------|
| Debt securities | - | 683,951 | 872,230 | 1,556,181 |
| Mortgage loans | - | - | 421,650 | 421,650 |
| Policy loans | - | - | 177,483 | 177,483 |
| Finance loans | - | - | 536,741 | 536,741 |
| Securities purchased for resale | - | - | 68,007 | 68,007 |
| | - | 683,951 | 2,076,111 | 2,760,062 |
| Financial liabilities at amortised cost | Level 1 | Level 2 | Level 3 | Total |
| Investment contracts: | | | | |
| Deposit administration liabilities | - | - | 117,287 | 117,287 |
| Other investment contracts | - | - | 190,031 | 190,031 |
| | - | - | 307,318 | 307,318 |
| | - | 634,213 | 94,724 | 728,937 |
| Notes and loans payables | | | | |
| Deposit and security liabilities: | | | | |
| Other funding instruments | - | 449,781 | 61,817 | 511,598 |
| Customer deposits | - | 3,041 | 880,632 | 883,673 |
| Securities sold for repurchase | - | 89,339 | 508,933 | 598,272 |
| | - | 542,161 | 1,451,382 | 1,993,543 |
| | - | 1,176,374 | 1,853,424 | 3,029,798 |

40.8 Fair value of financial instruments (continued)

(b) Financial instruments carried at amortised cost (continued)**As of December 31, 2020**

| Financial assets at amortised cost | Level 1 | Level 2 | Level 3 | Total |
|--|---------|---------|-----------|-----------|
| Debt securities | - | 736,175 | 753,924 | 1,490,099 |
| Mortgage loans | - | - | 390,938 | 390,938 |
| Policy loans | - | - | 177,813 | 177,813 |
| Finance loans | - | - | 560,543 | 560,543 |
| Securities purchased for resale | - | - | 57,110 | 57,110 |
| | - | 736,175 | 1,940,328 | 2,676,503 |
| Financial liabilities at amortised cost | Level 1 | Level 2 | Level 3 | Total |
| Investment contracts: | | | | |
| Deposit administration liabilities | - | - | 117,046 | 117,046 |
| Other investment contracts | - | - | 169,002 | 169,002 |
| | - | - | 286,048 | 286,048 |
| | - | 395,833 | 83,006 | 478,839 |
| Notes and loans payable | | | | |
| Deposit and security liabilities: | | | | |
| Other funding instruments | - | 348,559 | 38,647 | 387,206 |
| Customer deposits | - | 1,233 | 866,084 | 867,317 |
| Securities sold for repurchase | - | 18,226 | 557,378 | 575,604 |
| | - | 368,018 | 1,462,109 | 1,830,127 |
| | - | 763,851 | 1,831,163 | 2,595,014 |

(c) Equity price risk

The Group is exposed to equity price risk arising from changes in the market values of its equity securities. The Group mitigates this risk by establishing overall limits of equity holdings for each investment portfolio and by maintaining diversified holdings within each portfolio of equity securities.

40.8 Fair value of financial instruments (continued)Sensitivity

The sensitivity to fair value changes in equity securities arises from those instruments which are not held under the unit linked model. The table below sets out the source markets of such equity securities and the effects of an across the board 20% change in equity prices on income before tax (IBT) as at December 31, 2020.

| | Carrying value | Effect of 20% change on IBT |
|---|----------------|-----------------------------------|
| Listed on Caribbean stock exchanges and markets | 25,587 | 5,117 |
| Listed on US stock exchanges and markets | 620,825 | 124,165 |
| Listed on other exchanges and markets | 42,358 | 8,472 |
| | 688,770 | 137,754 |

40.9 Derivative financial instruments and hedging activities

The Group's derivative activities give rise to open positions in portfolios of derivatives. These positions are managed to ensure that they remain within acceptable risk levels, with matching deals being utilised to achieve this, where necessary.

Derivatives are carried at fair value and presented in the financial statements as separate assets and liabilities. Asset values represent the cost to the Group of replacing all transactions with a fair value in the Group's favour, assuming that all relevant counterparties default at the same time and that transactions can be replaced instantaneously. Liability values represent the cost to the Group of replacing all their transactions with the Group with a fair value in their favour if the Group were to default. Derivative assets and liabilities on different transactions are only set off if the transactions are with the same counterparty, a legal right of set-off exists, and the cash flows are intended to be settled on a net basis.

40.9 Derivative financial instruments and hedging activities (continued)

The contract or notional amounts of derivatives and their fair values are set out in the table which follows.

| | Contract / notional amount | Fair value | |
|-------------------------------|----------------------------------|------------|-------------|
| | | Assets | Liabilities |
| 2021 | | | |
| Derivatives held for trading: | | | |
| Equity indexed options | 725,555 | 26,246 | 109 |
| 2020 | | | |
| Derivatives held for trading: | | | |
| Equity indexed options | 756,586 | 37,188 | |

(i) Equity indexed options

The Group has purchased equity indexed options in respect of structured products and in respect of life and annuity insurance contracts.

For certain structured product contracts with customers (note 17), equity indexed options give the holder the ability to participate in the upward movement of an equity index while being protected from downward risk.

For certain universal life and annuity insurance contracts, an insurer has purchased custom call options that are selected to materially replicate the policy benefits that are associated with the equity indexed components within the policy contract. These options are appropriate to reduce or minimise the risk of movements in specific equity markets. Both the asset and the associated actuarial liability are valued at fair market value on a consistent basis, with the change in values being reflected in the income statement. The valuations combine external valuations with internal calculations.

40.10 Offsetting Financial Assets and Liabilities

The Group is eligible to present certain financial assets and financial liabilities on a net basis in the statement of financial position pursuant to criteria described in note 2.13. The following table provides information on (i) the impact of offsetting in the consolidated statement of financial position; (ii) the financial impact of netting for instruments which are subject to enforceable master-netting arrangements or similar agreements, and (iii) cash and financial instrument collateral which can be potentially offset.

| | Gross amounts | Gross amounts set off in the statement of financial position | Net amounts as presented in the statement of financial position | Impact of master netting arrangements | Impact of offsetting financial instrument collateral | Net amount |
|---|------------------|--|---|---------------------------------------|--|------------------|
| 2021 | | | | | | |
| ASSETS | | | | | | |
| Non-derivative financial investments | 8,471,849 | - | 8,471,849 | (513,277) | (486,537) | 7,472,035 |
| Derivative financial instruments | 26,246 | - | 26,246 | - | (109) | 26,137 |
| | <u>8,498,095</u> | <u>-</u> | <u>8,498,095</u> | <u>(513,277)</u> | <u>(486,646)</u> | <u>7,498,172</u> |
| LIABILITIES | | | | | | |
| Non-derivative deposit and security liabilities | 1,996,264 | - | 1,996,264 | (513,277) | (449,781) | 1,033,206 |
| Derivative financial instruments | 109 | - | 109 | - | (109) | - |
| | <u>1,996,373</u> | <u>-</u> | <u>1,996,373</u> | <u>(513,277)</u> | <u>(449,890)</u> | <u>1,033,206</u> |
| 2020 | | | | | | |
| ASSETS | | | | | | |
| Non-derivative financial investments | 7,201,381 | - | 7,201,381 | (557,378) | (384,337) | 6,259,666 |
| Derivative financial instruments | 37,188 | - | 37,188 | - | - | 37,188 |
| | <u>7,238,569</u> | <u>-</u> | <u>7,238,569</u> | <u>(557,378)</u> | <u>(384,337)</u> | <u>6,296,854</u> |
| LIABILITIES | | | | | | |
| Non-derivative deposit and security liabilities | 1,826,759 | - | 1,826,759 | (557,378) | (348,559) | 920,822 |

41 INSURANCE RISK – PROPERTY & CASUALTY CONTRACTS

Property and casualty insurers in the Group are exposed to insurance risks such as underwriting, claims and availability of reinsurance, and to credit risk in respect of reinsurance counterparties.

Sagikor General Insurance and Advantage General Insurance are the principal insurers within the Group's operations that issue property and casualty insurance contracts. They operate mainly in Barbados, Trinidad and Tobago and Jamaica.

The principal insurance risks affecting property and casualty contracts are disclosed in the following sections.

41.1 Underwriting risk

Risks are priced to achieve an adequate return on capital on the insurer's business. This return is expressed as a premium target return. Budgeted expenses and reinsurance costs are included in the pricing process. Various pricing methodologies, including benchmark exposure rates and historic experience are used and are generally applied by class of insurance. All methods produce a technical price, which is compared against the market to establish a price margin.

Annually, the overall risk appetite is reviewed and approved. The risk appetite is defined as the maximum loss the insurer is willing to incur from a single event or proximate cause. Risks are only underwritten if they fall within the risk appetite. Individual risks are assessed for their contribution to aggregate exposures by nature of risk, by geography, by correlation with other risks, before acceptance. Underwriting a risk may include specific tests and enquiries which determine the insurer's assessment of the risk. Insurers may also establish deductibles, exclusions, and coverage limits which will limit the potential losses incurred.

Inaccurate pricing or inappropriate underwriting of insurance contracts, which may arise from poor pricing or lack of underwriting control, can lead to either financial loss or reputational damage to the insurer.

41.2 Claims risk

Incurred claims are triggered by an event and may be categorised as:

- attritional losses, which are expected to be of reasonable frequency and are less than established threshold amounts;
- large losses, which are expected to be relatively infrequent and are greater than established threshold amounts;
- catastrophic losses, which are an aggregation of losses arising from one incident or proximate cause, affecting one or more classes of insurance. These losses are infrequent and are generally very substantial.

The insurer records claims based on submissions made by claimants. The insurer may also obtain additional information from loss adjusters, medical reports and other specialist sources. The initial claim recorded may only be an estimate, which is refined over time until final settlement occurs. In addition, from the pricing methodology used for risks, it is assumed that at any date, there are claims incurred but not reported (IBNR).

Claims risk is the risk that incurred claims may exceed expected losses. Claims risk may arise from:

- invalid or fraudulent claim submissions;
- the frequency of incurred claims;
- the severity of incurred claims;
- the development of incurred claims.

Claims risk may be concentrated in geographic locations, altering the risk profile of the insurer. The most significant exposure for this type of risk arises where a single event could result in very many claims. Concentration of risk is mitigated through risk selection, line sizes, event limits, quota share reinsurance and excess of loss reinsurance.

Total insurance coverage on insurance policies provides a quantitative measure of absolute risk. However, claims arising in any one year are a very small proportion in relation to the total insurance coverage provided. The total amounts insured by the Group at December 31, gross and net of reinsurance, are summarised by class of insurance.

41.2 Claims risk (continued)

| Total insurance coverage | | 2021 | 2020 |
|--------------------------|-------|------------|------------|
| Property | Gross | 10,917,431 | 10,355,536 |
| | Net | 2,070,601 | 1,829,004 |
| Motor | Gross | 1,001,136 | 980,814 |
| | Net | 621,479 | 739,197 |
| Accident and liability | Gross | 5,154,388 | 3,444,904 |
| | Net | 4,672,333 | 3,168,727 |
| Total | Gross | 17,072,955 | 14,781,254 |
| | Net | 7,364,413 | 5,736,928 |

Each insurer assesses its exposures by modelling realistic disaster scenarios of potential catastrophic events. Claims arising from windstorms, earthquakes and floods, and events triggering multi-coverage corporate liability claims, are potential sources of catastrophic losses arising from insurance risks. Realistic disaster scenarios modelled for 2021 are presented below and result in estimated gross and net losses.

Sagicor General Insurance (SGI)

| | Gross loss | Net loss |
|--|------------|----------|
| A Barbados and St. Lucia windstorm having a 200-year return period | 300,540 | 5,000 |

Advantage General Insurance Co. Limited (AGI)
 (subsidiary of Sagicor Group Jamaica Ltd)

| | Gross loss | Net loss |
|---|------------|----------|
| A Jamaican windstorm having a 250-year return period for properties | 86,029 | 500 |

The occurrence of one or more catastrophic events in any year may have a material impact on the reported net income of the Group.

41.2 Claims risk (continued)**Development claim liabilities**

In addition to sensitivity analysis, the development of insurance liabilities provides a measure of SGI's and AGI's ability to estimate the ultimate value of claims. The table below illustrates how SGI's and AGI's estimate of the ultimate claims liability for accident years 2015 - 2021 has changed at successive year ends, up to 2021. Updated unpaid claims and adjustment expenses (ULAE) and IBNR estimates in each successive year, as well as amounts paid to date, are used to derive the revised amounts for the ultimate claims liability for each accident year used in the development calculations. The most recent estimate is then reconciled to the liability recognised in the statement of financial position.

| Gross | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | Total |
|--|-------------|-------------|-------------|-------------|-------------|-------------|-------------|--------------|
| Estimate of ultimate claims incurred: | | | | | | | | |
| At the end of financial reporting year | 39,397 | 35,872 | 51,330 | 42,579 | 39,481 | 30,968 | 32,581 | |
| One year later | 37,983 | 40,084 | 57,277 | 43,927 | 38,312 | 29,171 | | |
| Two years later | 39,160 | 39,133 | 58,528 | 44,022 | 37,753 | | | |
| Three years later | 37,208 | 39,792 | 58,929 | 44,420 | | | | |
| Four years later | 37,016 | 39,764 | 59,748 | | | | | |
| Five years later | 37,435 | 40,160 | | | | | | |
| Six years later | 37,574 | | | | | | | |
| Current estimate of cumulative claims | 37,574 | 40,160 | 59,748 | 44,420 | 37,753 | 29,171 | 32,581 | 281,407 |
| Cumulative payments to date | (35,410) | (37,280) | (55,327) | (38,224) | (30,254) | (22,343) | (14,478) | (233,316) |
| Liability recognised | 2,164 | 2,880 | 4,421 | 6,196 | 7,499 | 6,828 | 18,103 | 48,091 |
| Liability in respect of prior years and ULAE | | | | | | | | 10,063 |
| Total liability (note 14.2) | | | | | | | | 58,154 |

41.2 Claims risk (continued)**Development claim liabilities (continued)**

The reinsurers' share of the amounts is set out below in the following table.

| Reinsurance | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | Total |
|---|-------------|-------------|-------------|-------------|-------------|-------------|-------------|--------------|
| Estimate of reinsurance recoveries: | | | | | | | | |
| At the end of financial reporting year | 12,836 | 13,118 | 10,789 | 4,101 | 2,296 | 6,918 | 10,737 | |
| One year later | 12,061 | 13,258 | 14,803 | 4,455 | 2,961 | 7,120 | | |
| Two years later | 12,309 | 12,439 | 14,997 | 4,312 | 2,944 | | | |
| Three years later | 11,578 | 12,446 | 14,931 | 4,253 | | | | |
| Four years later | 11,281 | 12,153 | 14,910 | | | | | |
| Five years later | 11,048 | 12,125 | | | | | | |
| Six years later | 10,917 | | | | | | | |
| Current estimate of reinsurance recoveries | 10,917 | 12,125 | 14,910 | 4,253 | 2,944 | 7,120 | 10,737 | 63,006 |
| Cumulative reinsurance receipts to date | (10,139) | (11,359) | (14,032) | (4,215) | (2,589) | (5,717) | (4,536) | (52,587) |
| Recoverable recognised | 778 | 766 | 878 | 38 | 355 | 1,403 | 6,201 | 10,419 |
| Recoverable in respect of prior years | | | | | | | | 1,902 |
| Total recoverable from reinsurers (note 14.2) | | | | | | | | 12,321 |

41.3 Reinsurance risk

To limit the potential loss for single-policy claims and for aggregations of catastrophe claims, the insurer may cede certain levels of risk to a reinsurer. Reinsurance however does not discharge the insurer's liability. Reinsurance risk is the risk that reinsurance is not available to mitigate the potential loss on an insurance policy. The risk may arise from:

- the credit risk of holding a recovery from a reinsurer;
- the unavailability of reinsurance cover in the market at adequate levels or prices;
- the failure of a reinsurance layer upon the occurrence of a catastrophic event.

The Group selects reinsurers which have well-established capability to meet their contractual obligations and which generally have a Sagcor credit risk rating of 1 or 2. Insurers also place reinsurance coverage with various reinsurers to limit their exposure to any one reinsurer.

The reinsurance programmes are negotiated annually with reinsurers for coverage generally over a 12-month period. It is done by class of insurance, though for some classes there is aggregation of classes and/or subdivision of classes by the location of risk.

For its property risks, insurers use quota share and excess of loss catastrophe reinsurance treaties to obtain reinsurance cover. Catastrophe reinsurance is obtained for multiple claims arising from one event or occurring within a specified time period. However, treaty limits may apply and may expose the insurer to further claim exposure. Under some treaties, when treaty limits are reached, the insurer may be required to pay an additional premium to reinstate the reinsurance coverage. Excess of loss catastrophe reinsurance treaties typically cover up to four separate catastrophic events per year.

For other insurance risks, insurers limit their exposure, by event or per person, by excess of loss or quota share treaties.

41.3 Reinsurance risk (continued)

Retention limits represent the level of risk retained by the insurer. Coverage in excess of these limits is ceded to reinsurers up to the treaty limit. Claim amounts in excess of reinsurance treaty limits revert to the insurer. Principal features of retention programmes used by Sagcor General and Advantage General for their property insurance class are summarised in the following table.

| Type of risk | Retention by Sagcor General Insurance - currency amounts in thousands |
|--------------|---|
| Property | <ul style="list-style-type: none"> • maximum retention of \$4,500 for a single event; • maximum retention of \$5,000 for a catastrophic event; • quota share retention to maximum of 20% in respect of treaty limits; • quota share retention is further reduced to a maximum of \$375 per event. |

| Type of risk | Retention by Advantage General Insurance Co. Limited - currency amounts in thousands |
|--------------|---|
| Property | <ul style="list-style-type: none"> • maximum quota share treaty retention of \$700 for a single event; • maximum excess of loss retention of \$500 for a catastrophic event; • quota share retention to maximum of 10% in respect of treaty limits. • quota share retention is further reduced to a maximum of \$500 per event. |

The effects of reinsurance ceded are disclosed in notes 14, 24 and 25 and information on reinsurance balances is included in notes 10, 20 and 40.

41.3 Reinsurance risk (continued)

In order to assess the potential reinsurance recoveries on the occurrence of a catastrophic insurance event, the Sagicor credit risk ratings of the reinsurance recoverable are assessed using the following realistic disaster scenario:

- Hurricane with a 200-year return period affecting Barbados and St. Lucia and an earthquake with a 250-year return period affecting Trinidad within a 24-hour period.
- Hurricane and earthquakes with a 250-year return period affecting Jamaica.

The reinsurance recoveries derived from the foregoing are assigned internal credit ratings as follows:

| Risk Rating | Classification | Exposure \$000 | Exposure % |
|-------------|-----------------|-------------------|---------------|
| 1 | Minimal risk | 455,804 | 56% |
| 2 | Low risk | 337,858 | 42% |
| 3 | Moderate risk | 13,559 | 2% |
| 4 | Acceptable risk | - | - |
| 5 | Average risk | - | - |
| 6 | Higher risk | - | - |
| 7 | Special mention | - | - |
| 8 | Substandard | - | - |
| TOTAL | | 807,221 | 100% |

42 INSURANCE RISK – LIFE, ANNUITY & HEALTH CONTRACTS

Insurers are exposed to insurance risks such as product design and pricing, mortality and morbidity, lapse, expense, reinsurance, and actuarial liability estimation in respect of life, annuity and health contracts. Disclosure of these risks is set out in the following sections.

42.1 Contracts without investment returns

These contracts are principally term life, critical illness and health insurance. Individual term life and critical illness products are generally long-term contracts while group term life and health insurance products are generally one-year renewable. The principal insurance risks associated with these contracts are product design and pricing, and mortality and morbidity.

42.1 Contracts without investment returns (continued)**(a) Product design and pricing risk**

Product design and pricing risk arises from poorly designed or inadequately priced contracts and can lead to both financial loss and reputational damage to the insurer.

Risks are priced to achieve an adequate return on capital on the insurer's business. In determining the pricing of an insurance contract, the insurer considers the nature and amount of the risk assumed, and recent experience and industry statistics of the benefits payable. Pricing inadequacy may arise either from the use of inadequate experience and statistical data in deriving pricing factors or from market-softening conditions.

The underwriting process has established pricing guidelines and may include specific medical tests and enquiries which determine the insurer's assessment of the risk. Insurers may also establish deductibles and coverage limits for health risks which will limit the potential claims incurred. Term life and critical illness risks have limitations of insured amounts. The pricing of a contract therefore consists of establishing appropriate premium rates, deductibles and coverage limits.

(b) Mortality and morbidity risk

Mortality risk is the risk that worsening mortality rates will result in an increase of death claims. Morbidity is the incidence of disease or illness and the associated risk is that of increased disability and medical claims. Insurance claims are triggered by the occurrence of a medical claim, the diagnosis of a critical illness or by death of the person insured.

For contracts providing death benefits, higher mortality rates would result in an increase in death claims. The Group annually reviews its mortality experience and compares it to industry mortality tables. This review may result in future adjustments to the pricing or re-pricing of these contracts.

Critical illness claims arise from the diagnosis of a specific illness incurred by the policy beneficiary. The Group annually reviews its critical illness claims experience and compares it to industry statistics. This review may result in future adjustments to the pricing or re-pricing of these contracts.

The concentration risks of term life and critical illness contracts are included in the related disclosure on other long-term contracts in note 42.2(b).

42.1 Contracts without investment returns (continued)

The cost of health-related claims depends on the incidence of beneficiaries becoming ill, the duration of their illness, and the cost of providing medical services. An increase in any of these three factors will result in increased health insurance claims. In such circumstances, the insurer may adjust the pricing or re-pricing of these contracts.

For health insurance contracts, the concentration of insurance risk is illustrated by the distribution of premium revenue by the location of the insured persons.

| 2021 Premium revenue by location of insureds | Gross | Ceded | Net |
|--|---------|-------|---------|
| Barbados | 28,861 | 1,124 | 27,737 |
| Jamaica | 80,519 | 3,919 | 76,600 |
| Trinidad & Tobago | 33,284 | 277 | 33,007 |
| Other Caribbean | 25,773 | 1,065 | 24,708 |
| USA | 23 | (54) | 77 |
| Total | 168,460 | 6,331 | 162,129 |

(c) Sensitivity of incurred claims

The sensitivity of term life and critical illness claims is included in the related disclosure on other long-term contracts in note 42.4. The impact on gross claims of increasing the total liability by 5% for un-reinsured health insurance claims is illustrated in the following table.

| | 2021 | | 2020 | |
|---------------------|-----------|--------------------------|-----------|--------------------------|
| | Liability | 5% increase in liability | Liability | 5% increase in liability |
| Actuarial liability | 47,518 | 2,376 | 40,874 | 2,044 |
| Claims payable | 3,643 | 182 | 4,260 | 213 |
| | 51,161 | 2,558 | 45,134 | 2,257 |

42.2 Contracts with investment returns

Life and annuity insurance contracts with investment returns generally have durations of 5 or more years. The contract terms provide for the policyholder to pay either a single premium at contract inception, or periodic premiums over the duration of the contract. From the premium received, acquisition expenses and maintenance expenses are financed. Investment returns are credited to the policy and are available to fund surrender, withdrawal and maturity policy benefits. The principal risks associated with these policies are in respect of product design and pricing, mortality and longevity, lapse, expense and investment.

(a) Product design and pricing risk

Product design and pricing risk arises from poorly designed or inadequately priced contracts and can lead to both financial loss and reputational damage to the insurer.

Risks are priced to achieve an adequate return on capital on the insurer's business as a whole. In determining the pricing of a contract, the insurer considers the age of the policyholder and/or beneficiary, the expenses and taxes associated with the contract, the prospective investment returns to be credited to the contract, and the guaranteed values within the contract. Pricing inadequacy may arise either from the use of inadequate experience and statistical data in deriving pricing factors or from future changes in the economic environment.

(b) Mortality and longevity risk

Mortality risk is the risk that worsening mortality rates will result in an increase of death claims. Longevity risk is the risk that improving mortality rates will lengthen the pay-out period of annuities.

For contracts providing death benefits, higher mortality rates will result in an increase in death claims over time. For contracts providing the pay-out of annuities, improving mortality rates will lead to increased annuity benefits over time. Insurers annually review their mortality experience and compare it to industry mortality tables. This review may result in future adjustments to the pricing or re-pricing of these contracts.

42.2 Contracts with investment returns (continued)

Mortality risk may be concentrated in geographic locations, affecting the risk profile of the insurer. The most significant exposure for this type of risk arises where a single event or pandemic could result in very many claims.

Total insurance coverage on insurance policies provides a quantitative measure of absolute mortality risk. However, claims arising in any one year are a very small proportion in relation to the total insurance coverage provided. The total amounts insured by the Group in respect of both contracts with or without investment returns at December 31, gross and net of reinsurance, are summarised by geographic area below.

| Total insurance coverage | | 2021 | | 2020 | |
|--------------------------|-------|----------------------|-----------------|----------------------|-----------------|
| | | Individual contracts | Group contracts | Individual contracts | Group contracts |
| Barbados | Gross | 4,648,872 | 1,492,087 | 4,541,510 | 1,348,210 |
| | Net | 4,397,910 | 1,445,067 | 4,273,518 | 1,299,099 |
| Jamaica | Gross | 10,338,560 | 6,805,238 | 9,972,092 | 7,014,650 |
| | Net | 10,169,074 | 6,728,977 | 9,820,069 | 6,912,347 |
| Trinidad & Tobago | Gross | 4,123,290 | 3,147,989 | 3,936,798 | 2,593,200 |
| | Net | 3,558,350 | 2,965,298 | 3,358,690 | 2,424,954 |
| Other Caribbean | Gross | 9,123,216 | 1,954,772 | 8,752,868 | 1,554,039 |
| | Net | 8,157,957 | 1,786,043 | 7,801,984 | 1,371,882 |
| USA | Gross | 9,353,863 | 28,610 | 8,507,242 | 32,723 |
| | Net | 4,639,727 | 27,172 | 3,728,123 | 29,497 |
| Total | Gross | 37,587,801 | 13,428,696 | 35,710,510 | 12,542,822 |
| | Net | 30,923,018 | 12,952,557 | 28,982,384 | 12,037,779 |

42.2 Contracts with investment returns (continued)

Total liability under annuity contracts provide a good measure of longevity risk exposure.

| Total liability under annuity contracts | | 2021 | | 2020 | |
|---|-------|----------------------|-----------------|----------------------|-----------------|
| | | Individual contracts | Group contracts | Individual contracts | Group contracts |
| Barbados | Gross | 137,493 | 53,959 | 132,153 | 51,697 |
| | Net | 137,493 | 53,959 | 132,153 | 51,697 |
| Jamaica | Gross | 789 | 370,795 | 808 | 366,268 |
| | Net | 789 | 370,795 | 808 | 366,268 |
| Trinidad & Tobago | Gross | 259,594 | - | 234,514 | - |
| | Net | 259,594 | - | 234,514 | - |
| Other Caribbean | Gross | 64,975 | 87 | 60,885 | 84 |
| | Net | 64,975 | 87 | 60,885 | 84 |
| USA | Gross | 2,713,923 | 17,974 | 2,133,520 | 18,541 |
| | Net | 2,156,830 | 5,364 | 1,480,655 | 5,641 |
| Total | Gross | 3,176,774 | 442,815 | 2,561,880 | 436,590 |
| | Net | 2,619,681 | 430,205 | 1,909,015 | 423,690 |

42.2 Contracts with investment returns (continued)**(c) Lapse risk**

Lapse risk is that, on average, policyholders will terminate their policies ahead of the insurer's expectation. Early lapse may result in the following:

- Acquisition costs are not recovered from the policyholder;
- In order to settle benefits, investments are liquidated prematurely resulting in a loss to the insurer;
- Maintenance expenses are allocated to the remaining policies, resulting in an increase in expense risk.

(d) Expense risk

The Group monitors policy acquisition and policy maintenance expenses. Expenses are managed through policy design, fees charged and expense control. However, there are a significant number of inforce contracts for which insurers have limited or no ability to re-price for increases in expenses caused by inflation or other factors. Therefore, growth in maintenance expenses is funded either by increasing the volume of inforce policies or by productivity gains. Failure to achieve these goals will require increases in actuarial liabilities held.

(e) Investment risk

A substantial proportion of the Group's financial investments support insurer obligations under life and annuity contracts with investment returns. The financial risks outlined in note 40 pertaining to credit, liquidity, interest rate, foreign exchange and equity price are considered integral investment risks associated with these insurance contracts.

Asset defaults, mismatches in asset and liability cash flows, interest rate and equity price volatility generally have the effect of increasing investment risk and consequential increases in actuarial liabilities held.

42.3 Reinsurance risk

To limit its exposure of potential loss on an insurance policy, the insurer may cede certain levels of risk to a reinsurer. The Group selects reinsurers which have well-established capability to meet their contractual obligations and for new business a Sagikor credit risk rating of 1 or 2 is usually selected. Reinsurance ceded does not discharge the insurer's liability and failure by a reinsurer to honour its commitments could result in losses to the Group.

Insurers have limited their exposure per person by excess of loss or quota share treaties. Retention limits represent the level of risk retained by the insurer. Coverage in excess of these limits is ceded to reinsurers up to the treaty limit. The principal features of retention programs used by insurers are summarised in the following table.

| Type of insurance contract | Retention by insurers - currency amounts in thousands |
|---|--|
| Health insurance contracts with individuals | Retention per individual to a maximum of \$88 |
| Health insurance contracts with groups | Retention per individual to a maximum of \$150 |
| Life insurance contracts with individuals | Retention per individual life to a maximum of \$500 |
| Life insurance contracts with groups | Retention per individual life to a maximum of \$250 |

42.4 Sensitivity arising from the valuation of actuarial liabilities

The estimation of actuarial liabilities is sensitive to the assumptions made. Changes in those assumptions could have a significant effect on the valuation results which are discussed below.

The valuation of actuarial liabilities of life insurance and annuity contracts is sensitive to:

- the economic scenario used,
- the investments allocated to back the liabilities,
- the underlying assumptions used (note 13.3 (b) to (f)), and
- the margins for adverse deviations (note 13.3 (g)).

42.4 Sensitivity arising from the valuation of actuarial liabilities (continued)

Under Canadian accepted actuarial standards, the AA is required to test the actuarial liability under economic scenarios. The scenarios developed and tested by insurers were as follows:

| Sensitivity | Scenario | | |
|-----------------------------------|--|--|--|
| | Sagicor Life Inc segment | Sagicor Jamaica Segment | Sagicor USA segment |
| Worsening rate of lapse | Lapse rates were either doubled or halved, and the more adverse result was selected. | | Lapse rates were increased or reduced by 30%, and the more adverse result was selected. |
| High interest rate | Assumed increases in the investment portfolio yield rates of 0.25% per year for 5 years, with the rates remaining constant thereafter. | Assumed increases in the investment portfolio yield rates of 0.5% for 10 years. | A 1% increase was applied to the investment portfolio rate. |
| Low interest rate | Assumed decreases in investment portfolio yield rates of 0.25% per year for 5 years, with the rates remaining constant thereafter. | Assumed decreases in investment portfolio yield rates of 0.5% per year for 10 years. | A 1% decrease was applied to the investment portfolio rate. |
| Worsening mortality and morbidity | Mortality and morbidity rates for insurance and critical illness products were increased by 3% of the base rate per year for 5 years. For annuity products, the mortality rates were decreased by 3% of the base rate for 5 years. | | For life insurance and deferred annuity products, the base assumed rates were increased annually by 3% cumulatively over the next 5 years. For pay-out annuity products only, the mortality rates were decreased by 3% cumulatively over the next 5 years. |
| Higher expenses | Policy unit maintenance expense rates were increased by 5% per year for 5 years above those reflected in the base scenario. | | |

42.4 Sensitivity arising from the valuation of actuarial liabilities (continued)

The following table represents the estimated sensitivity of each of the above scenarios to net actuarial liabilities for insurers by segment. Correlations that may exist between scenario assumptions were not explicitly taken into account.

| | Sagicor Life Inc segment | | Sagicor Jamaica segment | | Sagicor Life USA segment | |
|---------------------------------|---------------------------|-----------|---------------------------|-----------|---------------------------|-----------|
| | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 |
| Base net actuarial liability | 1,180,848 | 1,136,488 | 316,371 | 345,376 | 2,428,407 | 1,734,757 |
| Scenario | Increase in net liability | | Increase in net liability | | Increase in net liability | |
| Worsening rate of lapse | 183,388 | 202,878 | 9,789 | 87,972 | 33,432 | 25,481 |
| High interest rate | (110,776) | (94,942) | (48,388) | (112,512) | (137,412) | (99,495) |
| Low interest rate | 174,538 | 199,405 | 61,034 | 83,857 | 168,188 | 123,193 |
| Worsening mortality / morbidity | 49,452 | 69,512 | 49,187 | 48,908 | 25,183 | 16,304 |
| Higher expenses | 19,730 | 39,156 | 8,841 | 17,066 | 2,113 | 2,630 |

42.5 Financial condition testing (FCT)

Financial condition testing (FCT) is a technique used by the Group to assess the adequacy of the insurer's financial condition by stress-testing the future solvency of the company under different future adverse economic and experience scenarios. The FCT assesses the impact over the next 5 years on the insurer's financial condition under specific scenarios. The period of 5 years and the specific scenarios have been selected by the Appointed Actuary as per the FCT guidance from the Canadian Institute of Actuaries.

The financial position of an insurer is reflected by the amounts of assets, liabilities and equity in the financial statements at a given date, such as at the end of its most recent fiscal year. The financial position therefore relies on the valuation assumptions used for establishing the actuarial liabilities being adequate to measure future adverse deviations in experience. The financial position does not offer any indication of an insurer's ability to execute its business plan.

The financial condition of an insurer at a particular date is its prospective ability at that date to meet its future obligations, especially obligations to policyholders, those to whom it owes benefits and to its shareholders. The financial condition analysis examines both an insurer's ability to execute its business plan and to absorb adverse experience beyond that provided for when its actuarial liabilities are established. The analysis projects the expected future financial position under these scenarios over the FCT period.

The purpose of the FCT is:

- to develop an understanding of the sensitivity of the total equity of the insurer and future financial condition to changes in various experience factors and management policies;
- to alert management to material, plausible and imminent threats to the insurer's solvency; and
- to describe possible courses of action to address these threats.

An FCT is conducted periodically by some insurers within the Group.

43 FIDUCIARY RISK

The Group provides investment management and pension administration services to investment and pension funds which involve the Group making allocation, purchase and sale decisions in relation to a wide range of investments. These services give rise to fiduciary risk that may expose the Group to claims for mal-administration or under-performance of these funds.

In the ordinary course of business, the Group manages assets of pension funds, mutual funds and unit trusts which are held in a fiduciary capacity and are not included in the Group's financial statements. The investments and cash under administration are summarised in the following table.

| | 2021 | 2020 |
|--|-----------|-----------|
| Pension and insurance fund assets | 2,230,082 | 2,145,393 |
| Mutual fund, unit trust and other investment fund assets | 1,233,956 | 1,375,284 |
| | 3,464,038 | 3,520,677 |

44 STATUTORY RESTRICTIONS ON ASSETS

Insurers are registered to conduct insurance business under legislation in place in each relevant jurisdiction. This legislation may prescribe requirements with respect to deposits, investment of funds and solvency for the protection of policyholders. In general, these requirements do not restrict the ability of the insurer to trade investments. Banking subsidiaries may also be required to hold deposits with Central Banks which regulate the conduct of banking operations.

To satisfy the above requirements, invested assets and cash totalling \$1,634,248 (2020 - \$1,521,634) have been deposited with regulators or are held in trust to the order of regulators.

In some countries where the Group operates, there are exchange controls or other restrictions on the remittance of funds out of those countries.

45 CAPITAL MANAGEMENT

The Group's objectives when managing capital, which is a broader concept than equity in the statement of financial position, are:

- To comply with capital requirements established by insurance, banking and other financial intermediary regulatory authorities;
- To comply with internationally recognised capital requirements for insurance, where local regulations do not meet these international standards;
- To safeguard its ability as a going concern to continue to provide benefits and returns to policyholders, depositors, note-holders and shareholders;
- To provide adequate returns to shareholders;
- To maintain a strong capital base to support the future development of Group operations.

45.1 Capital resources

The principal capital resources of the Group are as follows:

| | 2021 | 2020 |
|---|-----------|-----------|
| Shareholders' equity | 1,133,970 | 1,109,780 |
| Non-controlling interests' equity | 531,662 | 546,823 |
| Notes and loans payable (debt) | 683,388 | 471,622 |
| Total financial statement capital resources | 2,349,020 | 2,128,225 |

The Group deploys its capital resources through its operating activities. These operating activities are carried out by subsidiary companies which are either insurance entities or provide other financial services. The capital is deployed in such a manner as to ensure that subsidiaries have adequate and sufficient capital resources to carry out their activities and to meet regulatory requirements.

45.2 Capital adequacy

The capital adequacy of the principal operating subsidiaries is discussed in this section.

(a) Life insurers

Capital adequacy is managed at the operating company level. It is calculated by the Appointed Actuary and reviewed by executive management, the audit committee and the board of directors. In addition, certain subsidiaries of the Group seek to maintain internal capital adequacy at levels higher than the regulatory or internationally recognised requirements.

To assist in evaluating the current business and strategy opportunities, a risk-based capital approach is a core measure of financial performance. The risk-based assessment measure which has been adopted is the Canadian Minimum Continuing Capital and Surplus Requirement (MCCSR) standard. The minimum standard recommended by the Canadian regulators for companies is an MCCSR of 150%. A number of jurisdictions in the Caribbean region have no internationally recognised capital adequacy requirements, and in accordance with its objectives for managing capital, the Group has adopted the Canadian MCCSR standard. Jamaica and the USA have recognised capital adequacy standards.

The consolidated MCCSR for the life insurers of the Sagicor Group as of December 31 has been estimated as 268.6% (2020 – 252.2%). This is the principal standard of capital adequacy used to assess the overall strength of the life insurers of the Sagicor Group. However, because of the variations in capital adequacy standards across jurisdictions, the consolidated result should be regarded as applicable to the life insurers of the Group and not necessarily applicable to each individual segment, insurance subsidiary or insurance subsidiary branch.

The Group complies with all regulatory capital requirements.

45.2 Capital adequacy (continued)**(i) Sagikor Life Jamaica**

Sagikor Life Jamaica is governed by the Jamaican MCCR regime which requires an insurer to maintain a minimum ratio of 150%. For the years ended December 31, 2021 and 2020, this ratio was 162.0% and 183.1% respectively.

(ii) Sagikor Life Insurance Company (USA)

A risk-based capital (RBC) formula and model have been adopted by the National Association of Insurance Commissioners (NAIC) of the United States. RBC is designed to assess minimum capital requirements and raise the level of protection that statutory surplus provides for policyholder obligations. The RBC formula for life insurance companies measures four major areas of risk: (i) underwriting, which encompasses the risk of adverse loss developments and property and casualty insurance product mix; (ii) declines in asset values arising from credit risk; (iii) declines in asset values arising from investment risks, including concentrations; and (iv) off-balance sheet risk arising from adverse experience from non-controlled assets such as reinsurance guarantees for affiliates or other contingent liabilities and reserve and premium growth. If an insurer's statutory surplus is lower than required by the RBC calculation, it will be subject to varying degrees of regulatory action, depending on the level of capital inadequacy.

The RBC methodology provides for four levels of regulatory action. The extent of regulatory intervention and action increases as the ratio of surplus to RBC falls. The least severe regulatory action is the "Company Action Level" (as defined by the NAIC) which requires an insurer to submit a plan of corrective actions to the regulator if surplus falls below 200% of the RBC amount.

Sagikor Life Insurance Company looks to maintain a surplus of at least 300% of the RBC amount, and the company has maintained these ratios as of December 31, 2021 and 2020 respectively.

45.2 Capital adequacy (continued)**(b) Sagikor Investments Jamaica Limited and Sagikor Bank Jamaica Limited**

Capital adequacy and the use of regulatory capital are monitored monthly by management employing techniques based on the guidelines developed by the Financial Services Commission (FSC), the Bank of Jamaica (BOJ), Basel II and the Risk Management and Compliance Unit. The required information is filed with the respective Regulatory Authorities at stipulated intervals. The BOJ and the FSC require each regulated entity to hold the minimum level of regulatory capital, and to maintain a minimum ratio of total regulatory capital to the risk-weighted assets.

The risk-weighted assets are measured by means of a hierarchy of five risk weights classified according to the nature of each asset and counterparty, taking into account any eligible collateral or guarantees. A similar treatment is adopted for off financial statements exposure, with some adjustments to reflect the more contingent nature of the potential losses.

The table below summarises the capital adequacy ratios. During 2021 and 2020, all applicable externally imposed capital requirements were complied with.

| | Sagikor Investments Jamaica | | Sagikor Bank Jamaica | |
|---|-----------------------------|------|----------------------|------|
| | 2021 | 2020 | 2021 | 2020 |
| Actual capital base to risk-weighted assets | 18% | 15% | 14% | 14% |
| Required capital base to risk-weighted assets | 10% | 10% | 10% | 10% |

45.3 Financial covenants**(a) 5.30% Senior Notes due 2028**

Under the indenture entered into by the Group on the issue of new senior notes on May 31, 2021 and December 15, 2021, the Group has to comply with a number of covenants as follows:

| COVENANT | DESCRIPTION |
|--|--|
| Limitation of indebtedness | Under this covenant, the Group is restricted to incremental borrowing up to a prescribed level. The Group must maintain a debt to capitalisation ratio equal to or less than 35% in order to incur additional debt. |
| Limitation on restricted payments covenant | This covenant limits cash outflows, dividends, acquisition and investments by the Group. The Group must maintain a debt to capitalisation ratio equal to or less than 35% and an MCCR capital ratio in excess of 175%. |
| Limitation on restricted distributions from subsidiaries | This covenant limits the subsidiaries from creating encumbrances or restrictions on their ability to make distributions to the Parent. |
| Limitation on sale of assets of subsidiary stock | This covenant restricts the Group from selling material subsidiary assets without using the proceeds to either reinvest in the business or offer to buy back bondholders. |
| Limitation on affiliate transactions | This covenant restricts affiliate transactions of the Group. |
| Change in control | This covenant allows investors to put their bonds back to the Group at a certain value when a specified event has changed ownership/control of the Group. |
| Limitation on liens | This covenant restricts the Group's ability to secure future debt with the Group's assets. |
| Optional Redemption | The notes are redeemable at the Group's option after May 13, 2024 at specified redemption rates. |

At December 31, 2021, the Group was in compliance with the specified covenants.

45.3 Financial covenants (continued)**(b) Unsecured bond, 5.50% and 6.25% tranches due 2022**

Under a trust deed dated September 16, 2019 entered into by the Group on the issue of these securities, the Group has to comply with a number of covenants as follows:

| COVENANT | DESCRIPTION |
|---|--|
| Change in control | Under a change in control, each holder has the right to require the issuer to purchase all or any part of the bonds. |
| Limitation on indebtedness | SFCL will not create, or permit to subsist, any security interest on any of its present or future assets without the prior consent in writing of the Trustee. |
| Limitation on indebtedness | SFCL will not seek to incur any additional indebtedness where the incurrence of additional indebtedness will give rise to any breach of the Financial Covenants, except with the prior written consent of the Trustee. |
| | <u>Financial Covenants</u> SFCL will maintain the following ratios: <div style="margin-left: 40px;"> (i) Minimum Interest Services Coverage Ratio of 1.5. (ii) Maximum Debt to Equity Ratio of 75% </div> |
| Restrictions on dividends | Except with the prior written consent of the Trustee, SFCL will not pay any dividends while SFCL is in breach of any of the financial covenants. |
| Restrictions on dealing with affiliates | The covenant restricts affiliate transactions of the Group. |

At December 31, 2021, the Group was in compliance with the specified covenants.

45.3 Financial covenants (continued)(c) Sagicor General Insurance Inc 3.50% loan agreement

| COVENANT | DESCRIPTION |
|--------------------------------|--|
| Debt service coverage ratio | The guarantor subsidiary, Sagicor Life Inc, must maintain a minimum debt service coverage ratio of 1.5 to 1.0. |
| Effective net worth | The subsidiary net worth must not fall below US\$15.0 million. |
| Total funded debt to net worth | The total funded debt to net worth ratio of the subsidiary must not exceed 1.0 to 1.0. |

At December 31, 2021, the Group was in compliance with the specified covenants.

(d) 4.90% USD mortgage notes due 2025

| COVENANT | DESCRIPTION |
|-----------------------------|---|
| Debt service coverage ratio | <p>The mortgage note contains a minimum debt service coverage ratio of 1.25 and, upon failing to meet the debt service coverage ratio, substantially all the cash flows from the hotel must be directed to accounts controlled by the lender.</p> <p>As at December 31, 2021, the subsidiary was in compliance with the specified covenant.</p> |

46 RELATED PARTY TRANSACTIONS

Other than as disclosed in notes 5, 9, 12, 16, 27, 30, 31 and 43, there are no material related party transactions except as disclosed below.

Key management transactions and balances

Key management comprises directors and senior management of the Company and of Group subsidiaries. Key management includes those persons at or above the level of Vice President or its equivalent. Compensation of and loans to these individuals are summarised in the following tables.

| | 2021 | 2020 |
|---|--------|--------|
| Compensation: | | |
| Salaries, directors' fees and other short-term benefits | 25,030 | 31,325 |
| Equity-settled compensation benefits | 5,650 | 7,067 |
| Pension and other retirement benefits | 1,333 | 1,369 |
| | 32,013 | 39,761 |

| | Mortgage loans | Other loans | Total loans |
|---|----------------|-------------|-------------|
| Balance, beginning of year | 3,394 | 680 | 4,074 |
| Advances | 514 | 291 | 805 |
| Repayments | (641) | (132) | (773) |
| Effects of exchange rate changes | (37) | (42) | (79) |
| Balance, end of year | 3,230 | 797 | 4,027 |
| Interest rates prevailing during the year | 3.5% - 29.3% | 0% - 38.0% | |

46 RELATED PARTY TRANSACTIONS (continued)Investment advisory and management advisory agreement.

On April 10, 2019, Sagikor Financial Corporation Limited (Sagikor) entered into an Investment Advisory and Management Agreement with Alignvest Management Corporation (Alignvest) for the provision of investment advisory services and/or discretionary investment management services in respect of Sagikor's and its subsidiaries' assets. Under this agreement, Alignvest was appointed to provide specified advisory services and has a right of first offer to provide other investment advisory services or investment management services to Sagikor and its subsidiaries where Sagikor wishes to externalise these services, provided that Alignvest or its affiliates have clearly defined and relevant core competencies. Any such services would be provided by Alignvest or its affiliates on arm's length commercial terms. As consideration for services rendered and performed under the agreement, Alignvest or its applicable affiliates will receive a fee equal to \$2.5 million, reduced annually for any fees paid to Alignvest or its affiliates with respect to investment management services or other services provided. The Agreement commenced on December 5, 2019, when Sagikor completed its proposed transaction between Alignvest Acquisition II Corporation and will continue for an initial term of three years unless terminated for cause. On December 5, 2019, Alignvest gave notice that it had assigned certain rights and obligations under the agreement to High Vest Partners Inc, a joint venture between Alignvest and KGT Investments, LLC.

Sagikor Real Estate X-Fund Group – disposal of investment property.

On September 22, 2020, Sagikor Real Estate X-Fund Group sold an investment property, Jewel Grande Montego Bay Resort and Spa, to Sagikor Pooled Investment Funds Limited, a fund managed by Sagikor Life Jamaica Limited. The terms of sale were established by independent valuation of the property and the transaction resulted in a loss to the Group of US\$2.9 million.

47 LEASE LIABILITIES

The lease liabilities recognised are as follows:

| | December 31, 2021 | December 31, 2020 |
|-------------------------------|-------------------|-------------------|
| Current lease liabilities | 8,262 | 8,556 |
| Non-current lease liabilities | 24,574 | 31,053 |
| | 32,836 | 39,609 |

The lease liabilities relate to the following right-of-use assets:

| | December 31, 2021 | December 31, 2020 |
|--|-------------------|-------------------|
| Land & buildings | 25,933 | 30,424 |
| Office furnishing, equipment & vehicles | 543 | 527 |
| Total right-of-use assets⁽¹⁾ | 26,476 | 30,951 |

⁽¹⁾ Included in property, plant and equipment

48 IMPACT OF COVID-19 CORONAVIRUS

On March 11, 2020, the World Health Organisation declared the emergence of COVID-19 coronavirus, a global pandemic. This pandemic has affected many countries and all levels of society and has affected our economic environment in significant ways. The COVID-19 situation continues to evolve and many of the markets in which Sagikor operates have implemented public health safety protocols. At various stages during the pandemic, most Caribbean countries have shut down air and sea traffic. Similar procedures have also been applied in the United States, Canada and elsewhere. The COVID-19 pandemic has caused significant economic and financial turmoil and uncertainty, both in the U.S. and around the world, and has fuelled concerns that have led to a global recession.

Two years 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 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.

COVID-19 continues to cause major disruptions in economies within which the Sagikor Group operates. In response to the changing, uncertain economic environment, the Sagikor Group has performed reviews and updated its assumptions, including those related to asset impairment, where necessary. Changes in the economic outlook data have been reported in note 40.3 on credit risk and impairment. As part of this process, goodwill was reviewed and stress testing was performed on assessment assumptions. During the period ended March 31, 2021, there was a disposal of Playa shares and the investment has been designated as a FVTPL investment (see note 37.1). Management has also considered the potential impact of the pandemic on actuarial reserves but has concluded that it has not had a significant impact on actuarial assumptions and the valuation of actuarial liabilities of the Group.

The Group continues to monitor the health crisis and the economic impact on its investments, actuarial reserves, customer and trading partners, and the effect on the industries in which it operates. While global vaccination programmes should allow the world, and more particularly the markets in which the Group operates, to gradually return to normal, this will take time. As a result, the pandemic may continue to negatively impact levels of new business and the level of policyholder lapses and surrenders, as well as loan and credit card delinquencies.

49 SUBSEQUENT EVENTS

- i. On February 9, 2022, Sagicor announced that Sagicor Group Jamaica Limited (SGJ) entered a definitive agreement for the purchase of 100% of the shares of Alliance Financial Services Limited. The arrangement is subject to due diligence and regulatory approval and SGJ is in the process of applying for relevant licences from the Bank of Jamaica.
- ii. On March 18, 2022, the Board of Directors of Sagicor Financial Company Ltd. approved and declared a quarterly dividend of US \$0.05625 per common share payable on April 25, 2022 to the shareholders of record at the close of business on April 4, 2022.