

SAGICOR FINANCIAL COMPANY LTD.

Condensed Consolidated Financial Statements (Unaudited)

Nine months ended September 30, 2023

SAGICOR FINANCIAL COMPANY LTD.

ACRONYMS

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
AC	Amortised Cost
CSM	Contractual Service Margin
ECL	Expected Credit Losses
FCF	Fulfilment Cash Flows
FVTOCI	Fair Value Through Other Comprehensive Income
FVTPL	Fair Value Through Profit and Loss
GMM	General Measurement Model
IAS	International Accounting Standards
IASB	International Accounting Standards Board
IFRS	International Financial Reporting Standards
LIC	Liability for Incurred Claims
LRC	Liability for Remaining Coverage
OCI	Other Comprehensive Income
PAA	Premium Allocation Approach
VFA	Variable Fee Approach

SAGICOR FINANCIAL COMPANY LTD.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As of September 30, 2023	As of December 31, 2022	As of January 1, 2022
<u>Amounts in US \$000</u>	<u>(unaudited)</u>	<u>(unaudited / restated)</u>	<u>(unaudited / restated)</u>
ASSETS			
Investment property	76,723	77,359	75,954
Property, plant and equipment	173,927	178,855	266,781
Associates and joint ventures	64,605	60,939	55,261
Intangible assets	104,761	105,313	89,101
Financial investments (note 9)	8,675,307	8,244,532	7,872,134
Financial investments repledged (note 9)	625,474	623,871	608,343
Reinsurance contract assets (note 8)	416,653	516,566	623,819
Insurance contract assets (note 8)	4,959	3,550	3,024
Income tax assets	128,579	135,942	75,291
Miscellaneous assets and receivables	276,301	226,238	204,565
Cash	388,283	368,137	359,975
Restricted cash	95,454	80,074	78,135
Total assets	11,031,026	10,621,376	10,312,383
LIABILITIES			
Insurance contract liabilities (note 8)	6,622,349	6,248,594	5,694,649
Reinsurance contract liabilities (note 8)	20,387	31,446	35,828
Investment contract liabilities (note 8.1)	465,790	472,297	468,094
Notes and loans payable (note 11)	657,059	632,535	683,388
Lease liabilities	29,794	33,294	32,836
Deposit and security liabilities	2,179,550	2,182,271	1,996,373
Other liabilities / retirement benefit liabilities	65,961	65,696	81,513
Income tax liabilities	8,840	20,238	22,688
Accounts payable and accrued liabilities	219,044	198,581	207,435
Total liabilities	10,268,774	9,884,952	9,222,804
EQUITY			
Share capital	1,418	1,426	1,431
Share premium	729,706	734,922	737,114
Reserves	(119,592)	(115,441)	(71,086)
Accumulated deficit	(169,022)	(191,216)	(3,029)
Total shareholders' equity	442,510	429,691	664,430
Non-controlling interests	319,742	306,733	425,149
Total equity	762,252	736,424	1,089,579
Total liabilities and equity	11,031,026	10,621,376	10,312,383

These consolidated financial statements have been approved for issue by the Board of Directors on November 12, 2023.



Director



Director

The accompanying notes form an integral part of these financial statements.

SAGICOR FINANCIAL COMPANY LTD.

CONDENSED CONSOLIDATED STATEMENT OF INCOME

	Nine months to September 30, 2023	Nine months to September 30, 2022	Three months to September 30, 2023	Three months to September 30, 2022
<u>Amounts in US \$000</u>	(unaudited)	(unaudited / restated)	(unaudited)	(unaudited / restated)
Insurance revenue (note 6)	513,423	450,733	181,281	152,163
Insurance service expenses (note 6)	(419,499)	(373,368)	(155,688)	(128,942)
Net expense from reinsurance contracts held (note 6)	(42,879)	(26,352)	(2,025)	(17,985)
INSURANCE SERVICE RESULT	51,045	51,013	23,568	5,236
Gain / (loss) on derecognition of amortised cost investments (note 7)	308	223	84	(1,944)
Gain / (loss) on derecognition of assets carried at FVTOCI (note 7)	2,752	4,556	1,317	(72)
Interest income earned from financial assets measured at amortised cost and FVTOCI (note 7)	163,626	124,160	54,650	45,233
Credit impairment loss (note 7)	(3,177)	(1,815)	(518)	(1,344)
Other investment income / (loss) (note 7)	254,836	(567,422)	27,235	(126,752)
NET INVESTMENT INCOME / (EXPENSES) (note 7)	418,345	(440,298)	82,768	(84,879)
Finance income / (expenses) from insurance contracts issued (note 7)	(151,798)	359,906	(15,168)	58,108
Finance income / (expenses) from reinsurance contracts held (note 7)	25,013	(30,260)	6,697	(5,185)
NET INSURANCE FINANCE INCOME / (EXPENSES) (note 7)	(126,785)	329,646	(8,471)	52,923
NET INSURANCE AND INVESTMENT RESULT	342,605	(59,639)	97,865	(26,720)
Fees and other income	90,686	111,374	27,136	35,529
Share of income of associates and joint ventures	4,513	6,946	1,383	2,808
Other operating expenses (note 10)	(218,807)	(220,827)	(70,824)	(65,920)
Other interest and finance costs	(98,504)	(72,568)	(33,783)	(25,888)
INCOME / (LOSS) BEFORE TAXES	120,493	(234,714)	21,777	(80,191)
Income taxes	(39,772)	(1,809)	(10,587)	(6,039)
NET INCOME / (LOSS) FOR THE PERIOD	80,721	(236,523)	11,190	(86,230)

The accompanying notes form an integral part of these financial statements.

SAGICOR FINANCIAL COMPANY LTD.

CONDENSED CONSOLIDATED STATEMENT OF INCOME

	Nine months to September 30, 2023	Nine months to September 30, 2022	Three months to September 30, 2023	Three months to September 30, 2022
<u>Amounts in US \$000</u>	(unaudited)	(unaudited / restated)	(unaudited)	(unaudited / restated)
NET INCOME / (LOSS) FOR THE PERIOD	80,721	(236,523)	11,190	(86,230)
Net income / (loss) is attributable to:				
Common shareholders	46,721	(236,274)	(3,527)	(74,076)
Non-controlling interests	34,000	(249)	14,717	(12,154)
	80,721	(236,523)	11,190	(86,230)
Earnings per common share (note 16):				
Basic earnings per common share	32.8 cents	(165.3) cents	(2.5) cents	(51.9) cents
Fully diluted earnings per common share	32.4 cents	(165.3) cents	(2.5) cents	(51.9) cents

The accompanying notes form an integral part of these financial statements.

SAGICOR FINANCIAL COMPANY LTD.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Nine months to September 30, 2023	Nine months to September 30, 2022	Three months to September 30, 2023	Three months to September 30, 2022
<u>Amounts in US \$000</u>	(unaudited)	(unaudited / restated)	(unaudited)	(unaudited / restated)
NET INCOME / (LOSS) FOR THE PERIOD	80,721	(236,523)	11,190	(86,230)
OTHER COMPREHENSIVE INCOME / (LOSS):				
Items net of tax that may be reclassified subsequently to income:				
Financial assets measured at FVTOCI:				
Gain / (loss) on revaluation	(251)	(92,137)	(8,110)	(26,746)
(Gain) / loss transferred to income	(3,283)	(3,792)	(1,987)	1,208
Retranslation of foreign currency operations	(13,238)	4,854	(2,959)	(5,645)
	(16,772)	(91,075)	(13,056)	(31,183)
Items net of tax that will not be reclassified subsequently to income:				
Gain arising on revaluation of owner-occupied property and owner-managed property	3,103	15,323	3,103	15,302
Gain / (loss) on defined benefit plans	685	11,313	(870)	7,061
	3,788	26,636	2,233	22,363
Other comprehensive income / (loss)	(12,984)	(64,439)	(10,823)	(8,820)
TOTAL COMPREHENSIVE INCOME / (LOSS) FOR THE PERIOD	67,737	(300,962)	367	(95,050)
Total comprehensive income / (loss) is attributable to:				
Common shareholders	38,961	(287,063)	(11,044)	(86,076)
Non-controlling interests	28,776	(13,899)	11,411	(8,974)
	67,737	(300,962)	367	(95,050)

The accompanying notes form an integral part of these financial statements.

SAGICOR FINANCIAL COMPANY LTD.
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share Capital	Share Premium	Reserves	Accumulated deficit	Total Shareholders' Equity
<u>Amounts in US \$000</u>	<u>(unaudited)</u>	<u>(unaudited)</u>	<u>(unaudited)</u>	<u>(unaudited)</u>	<u>(unaudited)</u>
Nine months to September 30, 2023					
Restated balance as at December 31, 2022	1,426	734,922	(115,441)	(191,216)	429,691
Total comprehensive income	-	-	(8,449)	47,410	38,961
Transactions with holders of equity instruments:					
Allotment of common shares	6	2,154	-	-	2,160
Repurchase of shares (note 17)	(14)	(7,189)	-	2,402	(4,801)
Movements in treasury shares	-	(181)	-	-	(181)
Changes in reserve for equity compensation benefits	-	-	123	683	806
Dividends declared	-	-	-	(24,023)	(24,023)
Disposal of interest in subsidiaries	-	-	1,516	(1,545)	(29)
Transfers and other movements	-	-	2,659	(2,733)	(74)
Balance as at September 30, 2023	1,418	729,706	(119,592)	(169,022)	442,510

The accompanying notes form an integral part of these financial statements.

SAGICOR FINANCIAL COMPANY LTD.
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Total Shareholders' Equity	Non-controlling Interests	Total Equity
<u>Amounts in US \$000</u>	(unaudited)	(unaudited)	(unaudited)
Nine months to September 30, 2023			
Restated balance as at December 31, 2022	429,691	306,733	736,424
Total comprehensive income	38,961	28,776	67,737
Transactions with holders of equity instruments:			
Allotment of common shares	2,160	-	2,160
Repurchase of shares (note 17)	(4,801)	-	(4,801)
Movements in treasury shares	(181)	-	(181)
Changes in reserve for equity compensation benefits	806	-	806
Dividends declared	(24,023)	(15,915)	(39,938)
Disposal of interest in subsidiaries	(29)	-	(29)
Transfers and other movements	(74)	148	74
Balance as at September 30, 2023	442,510	319,742	762,252

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SAGICOR FINANCIAL COMPANY LTD.
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share Capital	Share Premium	Reserves	Accumulated Deficit	Total Shareholders' Equity
<u>Amounts in US \$000</u>	(unaudited)	(unaudited)	(unaudited / restated)	(unaudited / restated)	(unaudited / restated)
Nine months to September 30, 2022					
Balance as at December 31, 2021					
as previously reported	1,431	737,114	(60,472)	455,897	1,133,970
Impact of initial application of IFRS 17	-	-	110,113	(661,226)	(551,113)
Impact of application of IFRS 9 policy choices as a result of IFRS 17 implementation	-	-	(120,727)	202,300	81,573
Restated balance as at January 1, 2022	1,431	737,114	(71,086)	(3,029)	664,430
Total comprehensive loss	-	-	(53,102)	(233,962)	(287,064)
Transactions with holders of equity instruments:					
Allotment of common shares	7	3,814	-	-	3,821
Repurchase of shares (note 17)	(11)	(5,764)	-	53	(5,722)
Movements in treasury shares	-	(5)	-	-	(5)
Changes in reserve for equity compensation benefits	-	-	(1,313)	(29)	(1,342)
Dividends declared	-	-	-	(24,113)	(24,113)
Disposal of interest in subsidiaries (note 18)	-	-	-	399	399
Transfers and other movements	-	-	255	1,235	1,490
Restated balance as at September 30, 2022	1,427	735,159	(125,246)	(259,446)	351,894

The accompanying notes form an integral part of these financial statements.

SAGICOR FINANCIAL COMPANY LTD.
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Total Shareholders' Equity	Non-controlling Interests	Total Equity
<u>Amounts in US \$000</u>	(unaudited / restated)	(unaudited / restated)	(unaudited / restated)
Nine months to September 30, 2022			
Balance as at December 31, 2021			
as previously reported	1,133,970	532,243	1,666,213
Impact of initial application of IFRS 17	(551,113)	(158,915)	(710,028)
Impact of application of IFRS 9 policy choices as a result of IFRS 17 implementation	81,573	51,821	133,394
Restated balance as at January 1, 2022	664,430	425,149	1,089,579
Total comprehensive loss	(287,064)	(13,899)	(300,963)
Transactions with holders of equity instruments:			
Allotment of common shares	3,821	-	3,821
Repurchase of shares (note 17)	(5,722)	-	(5,722)
Movements in treasury shares	(5)	-	(5)
Changes in reserve for equity compensation benefits	(1,342)	-	(1,342)
Dividends declared	(24,113)	(20,761)	(44,874)
Disposal of interest in subsidiaries (note 18)	399	(126,861)	(126,462)
Transfers and other movements	1,490	866	2,356
Restated balance as at September 30, 2022	351,894	264,494	616,388

The accompanying notes form an integral part of these financial statements.

SAGICOR FINANCIAL COMPANY LTD.
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

<u>Amounts in US \$000</u>	Nine months to September 30, 2023	Nine months to September 30, 2022
	(unaudited)	(unaudited / restated)
OPERATING ACTIVITIES		
Income / (loss) before taxes	120,493	(234,714)
Adjustments for non-cash items, interest and dividends (note 15)	(171,800)	210,681
Interest and dividends received	433,726	316,310
Interest paid	(114,982)	(61,053)
Income taxes paid	(44,211)	(37,821)
Net change in investments and operating assets (note 15)	(403,557)	(1,381,857)
Net change in operating liabilities (note 15)	267,938	928,283
Net cash flows - operating activities	87,607	(260,171)
INVESTING ACTIVITIES		
Property, plant and equipment, net (note 15)	(8,202)	(11,754)
Acquisition of subsidiaries, net of cash and cash equivalents	-	(5,237)
Dividends received from associates and joint ventures	1,278	655
Purchase of intangible assets	(981)	(4,218)
Proceeds on disposal of subsidiary, net of cash and cash equivalents (note 18)	-	11,292
Net cash flows - investing activities	(7,905)	(9,262)
FINANCING ACTIVITIES		
Repurchase of common shares	(4,802)	(5,722)
Shares (purchased from) / issued to non-controlling interests	(181)	726
Movement in treasury shares	122	(5)
Notes and loans payable, net (note 15)	13,678	(10,967)
Lease liability principal paid (note 15)	(5,911)	(6,185)
Dividends paid to common shareholders	(24,038)	(24,122)
Dividends paid to preference shareholders	(1)	-
Dividends paid to non-controlling interests	(16,750)	(13,880)
Proceeds on disposal of interest in subsidiary (note 18)	-	10,369
Net cash flows - financing activities	(37,883)	(49,786)
Effect of exchange rate changes	(3,825)	(857)
NET CHANGE IN CASH AND CASH EQUIVALENTS	37,994	(320,076)
Cash and cash equivalents, beginning of period	592,737	836,791
CASH AND CASH EQUIVALENTS, END OF PERIOD (NOTE 15)	630,731	516,715

The accompanying notes form an integral part of these financial statements.

SAGICOR FINANCIAL COMPANY LTD.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

These unaudited interim condensed consolidated financial statements ("condensed consolidated financial statements") of Sagicor Financial Company Ltd. and its subsidiaries (the "Group"), ("Sagicor") are presented in compliance with International Accounting Standard ("IAS") 34 - Interim Financial Reporting. The condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the audited 2022 annual consolidated financial statements and the accompanying notes included in pages 118 to 145 of the Annual Report for 2022.

The common shares and warrants of Sagicor are listed on the Toronto Stock Exchange and are traded under the symbols "SFC" and "SFC.WT" respectively.

2. ACCOUNTING POLICIES

These condensed consolidated financial statements have been prepared using the same accounting policies and methods used in preparation of the audited 2022 annual consolidated financial statements, except for changes introduced by the adoption of IFRS 17 - 'Insurance Contracts' ("IFRS 17"), as this standard became effective January 1, 2023. On the implementation of IFRS 17 - Insurance Contracts, the Group elected to change the classification of certain of its financial assets which are accounted for under IFRS 9 - Financial Instruments.

New IFRS and amendments to existing IFRS effective January 1, 2023, applicable to the Group

IFRS 17 - Insurance Contracts

The Group has initially applied IFRS 17, including any consequential amendments to other standards, from January 1, 2023, for the first time. The standard has brought significant changes to the accounting for insurance and reinsurance contracts. As a result, the Group has restated certain comparative amounts. With the adoption of IFRS 17, the Group has elected to designate some financial assets, which are currently held at amortised cost and fair value through OCI (FVTOCI) which support insurance liabilities, at fair value through profit and loss (FVTPL). Refer to the IFRS 9 – Financial instruments ("IFRS 9") section for further details of amendments to this standard which was previously implemented by the Group on January 1, 2018.

The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Except for the changes below, the Group has consistently applied the accounting policies as set out in Note 2 to the 2022 consolidated annual financial statements. The nature and effects of the key changes in the Group's accounting policies resulting from its adoption of IFRS 17 are summarised below.

i. Recognition, measurement and presentation of insurance contracts

IFRS 17 establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts, reinsurance contracts and investment contracts with discretionary participation features. It introduces a model that measures groups of contracts based on the Group's estimates of the present value of future cash flows that are expected to arise as the Group fulfils the contracts, an explicit risk adjustment for non-financial risk and a CSM unless the contract is onerous.

Under IFRS 17, insurance revenue in each reporting period represents the changes in the liabilities for remaining coverage that relate to services for which the Group expects to receive consideration and an allocation of premiums that relate to recovering insurance acquisition cash flows. In addition, investment components are no longer included in insurance revenue and insurance service expenses.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

2. ACCOUNTING POLICIES (continued)

New IFRS and amendments to existing IFRS effective January 1, 2023, applicable to the Group (continued)**IFRS 17 - Insurance Contracts (continued)***i. Recognition, measurement and presentation of insurance contracts (continued)*

The Group no longer applies shadow accounting to insurance-related assets and liabilities. As stated previously the Group has elected to designate some financial assets, which were previously held at amortised cost and fair value through OCI (FVTOCI) which support insurance liabilities, at fair value through profit and loss (FVTPL).

Insurance finance income and expenses are presented separately from insurance revenue and insurance service expenses in the statement of income.

PAA will mainly be applied to short duration contracts where the policy's contract boundary is one year or less. This includes contracts, such as group life and health and general insurance business. Under PAA, insurance contracts are measured based on unearned premiums and the accounting is broadly similar to the Group's historical approach under IFRS 4.

Under IFRS 17, only insurance acquisition cash flows that arise before the recognition of the related insurance contracts are recognised as separate assets and are tested for recoverability. These assets are presented in the carrying amount of the related portfolio of contracts and are derecognised once the related contracts have been recognised.

For an explanation of how the Group accounts for insurance and reinsurance contracts under IFRS 17, see Note 2.1.

ii. Changes to presentation and disclosure

For presentation in the statement of financial position, the Group aggregates insurance and reinsurance contracts issued and reinsurance contracts held, respectively and presents separately:

- Portfolios of insurance contracts issued that are assets
- Portfolios of insurance contracts issued that are liabilities
- Portfolios of reinsurance contracts issued that are liabilities
- Portfolios of reinsurance contracts held that are assets
- Portfolios of reinsurance contracts held that are liabilities

The portfolios referred to above are those established at initial recognition in accordance with the IFRS 17 requirements.

The line-item descriptions in the statement of income and other comprehensive income have been changed when compared with last year. Previously, the Group reported the following line items:

- Premium revenue
- Reinsurance premium expense
- Net premium revenue
- Policy benefits and change in actuarial liabilities
- Policy benefits and net change in actuarial liabilities reinsured
- Net policy benefits and net change in actuarial liabilities

Instead, IFRS 17 requires separate presentation of:

- Insurance revenue
- Insurance service expenses
- Finance income/ expense from insurance contracts issued
- Finance income/ expense from reinsurance contracts held
- Income or expenses from reinsurance contracts held

Income and expenses from reinsurance contracts other than insurance finance income and expenses are now presented as a single net amount in net income / (loss). Previously, amounts recovered from reinsurers and reinsurance expenses were presented separately.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

2. ACCOUNTING POLICIES (continued)

New IFRS and amendments to existing IFRS effective January 1, 2023, applicable to the Group (continued)

IFRS 17 - Insurance Contracts (continued)

ii. Changes to presentation and disclosures (continued)

The Group provides disaggregated qualitative and quantitative information about:

- Amounts recognised in its financial statements from insurance contracts
- Significant judgements, and changes in those judgements, when applying the standard

iii. Transition

The Group adopted IFRS 17 retrospectively, applying alternative transition methods where the full retrospective approach was impracticable. The Group applied the full retrospective approach or the fair value approach in IFRS 17 to identify, recognise and measure certain groups of contracts at January 1, 2022. The full retrospective approach was mostly applied to the insurance contracts in force at the transition date that were originated less than 3-5 years prior to transition. Where the full retrospective approach was determined to be impracticable, the fair value approach was applied.

The Group considers the full retrospective approach impracticable for some contracts under the following circumstances:

- The effects of retrospective application were not determinable because the information required had not been collected (or had not been collected with sufficient granularity) and was unavailable because of system migrations, data retention requirements or other reasons.
- The full retrospective approach required assumptions about what Group management's intentions would have been in previous periods or significant accounting estimates that could not be made without the use of hindsight.

The Group identified, recognised and measured each group of insurance and reinsurance contracts as if IFRS 17 had always been applied and any resulting net difference was recognised in equity.

The Group has applied the transition provisions in IFRS 17 and has not disclosed the impact of the adoption of IFRS 17 on each financial statement line item and EPS. The effects of adopting IFRS 17 on the consolidated financial statements at January 1, 2022 are presented in the statement of changes in equity.

IFRS 9 - Financial Instruments

With the adoption of IFRS 17, the Group has elected to designate some financial assets, which were previously held at amortised cost and fair value through OCI (FVTOCI) which support insurance liabilities, at fair value through profit and loss (FVTPL). IFRS 9 – Financial instruments ("IFRS 9") was previously implemented by the Group on January 1, 2018. The Group has restated prior periods to reflect changes in designation or classification of its financial assets held in respect of activities connected with contracts within the scope of IFRS 17 effective January 1, 2022. The group recognised the difference between the previous carrying amount of those financial assets and the carrying amounts of those financial assets at the transition date in retained earnings.

The principal IFRS 9 accounting policies are described in note 2.9 of the 2022 annual consolidated financial statements.

Amendment to existing IAS, effective immediately

IAS 12 - International tax reform – pillar two model rules

In May 2023, the IASB issued this amendment which gives entities temporary relief from accounting for deferred taxes arising from the Organisation for Economic Co-operation and Development's (OECD's) international tax reform.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

2. ACCOUNTING POLICIES (continued)

Amendment to existing IAS, effective immediately (continued)**IAS 12 - International tax reform – pillar two model rules (continued)**

The amendment represents an exception to the requirements in IAS 12 whereby an entity does not disclose information about deferred tax assets and liabilities related to the OECD pillar two income taxes.

The Group has applied this exception.

2.1 Insurance Operations**Summary of material accounting policies for insurance contracts****(a) Summary of measurement approaches**

The Group uses different measurement approaches, depending on the portfolio of contract issued, as follows:

Contracts Issued	Product Classification	Measurement Model
Traditional Life contracts	Insurance contracts	GMM
Universal Life contracts	Insurance contracts without direct participation features	GMM
Universal Life contract with direct participation features	Insurance contracts with direct participation features	VFA
Living Benefits	Insurance contracts	GMM / PAA
Participating life contracts	Insurance contracts without direct participation features	GMM
Single premium health and creditor life	Insurance contracts	GMM
Single premium group creditor	Insurance contracts	GMM
Group Life & Health	Insurance contracts	PAA for policies issued with coverage one year or less
Accumulation annuities, Payout annuities, Endowment without direct participation features	Insurance contracts	GMM
Variable endowments with direct participation features	Insurance contracts with direct participation features	VFA
General Insurance – Accident, Liability, Marine, Property, Motor	Insurance contracts	PAA for policies issued with coverage one year or less

For underlying direct insurance contracts measured under GMM or VFA, the corresponding reinsurance contract portfolios are measured using GMM. For underlying direct insurance contracts measured under PAA, the corresponding reinsurance contract portfolios are measured using PAA.

(b) Definition and classification

The Group issues insurance contracts that transfer significant insurance 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. In making this assessment, all substantive rights and obligations, including those arising from law or regulation, are considered on a contract-by-contract basis. The Group uses judgement to assess whether a contract transfers insurance risk and whether the accepted insurance risk is significant. 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.

Contracts that have a legal form of insurance but do not transfer significant insurance risk and expose the Group to financial risk are classified as investment contracts and are not treated as insurance contracts.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

2. ACCOUNTING POLICIES (continued)

2.1 Insurance Operations (continued)

(b) Definition and classification (continued)

Certain life policies issued by the Group contain direct participation features such as universal life contracts with direct participation features and variable endowments with direct participation features which entitle the policyholder to receive additional payments, supplementary to the main insurance benefit. Policy bonuses and policy dividends, together with residual gains in the participating accounts constitute direct participation features. The Group accounts for these contracts under IFRS 17.

An insurance contract with direct participation features is defined by the Group as one which, at inception, meets the following criteria:

- the contractual terms specify that the policyholder participates in a share of a clearly identified pool of underlying items;
- the Group expects to pay to the policyholder an amount equal to a substantial share of the fair value returns on the underlying items; and
- the Group expects a substantial proportion of any change in the amounts to be paid to the policyholder to vary with the change in fair value of the underlying items.

These criteria are assessed at the individual contract level based on the Group's expectations at the contract's inception, and they are not reassessed in subsequent periods, unless the contract is modified. The variability in the cash flows is assessed over the expected duration of a contract. The duration of a contract considers all cash flows within the boundary (see note 2.1 (d)).

IFRS 17 defines investment components as the amounts that an insurance contract requires an insurer to repay to a policyholder in all circumstances, regardless of whether an insured event has occurred. Investment components which are highly interrelated with the insurance contract of which they form a part are considered non-distinct and are not separately accounted for. However, receipts and payments of the investment components are excluded from insurance revenue and insurance service expenses. Investment components in some Universal Life and Indexed Deferred Annuities comprise policyholder account values less applicable surrender fees. The Group uses judgement to assess whether the amounts expected to be paid to the policyholder constitute a substantial share of the fair value returns on the underlying items.

Insurance contracts with direct participation features are viewed as creating an obligation to pay policyholders an amount that is equal to the fair value of the underlying items, less a variable fee for service. The variable fee comprises the amount of the Group's share of the fair value of the underlying items, which is based on a fixed percentage of investment management fees (withdrawn annually from policyholder account values based on the fair value of underlying assets and specified in the contracts with policyholders), less the FCF that do not vary based on the returns on underlying items. The measurement approach for insurance contracts with direct participation features is referred to as the VFA. The VFA modifies the accounting model in IFRS 17 to reflect that the consideration that an entity receives for the contracts is a variable fee.

All other insurance contracts originated by the Group are without direct participation features.

In the normal course of business, the Group uses reinsurance to mitigate its risk exposures. A reinsurance contract transfers significant risk if it transfers substantially all the insurance risk resulting from the insured portion of the underlying insurance contracts, even if it does not expose the reinsurer to the possibility of a significant loss.

All references to insurance contracts in these condensed consolidated financial statements apply to insurance and reinsurance contracts issued or acquired and reinsurance contracts held unless specifically stated otherwise.

(c) Unit of account

The Group manages insurance contracts issued by product lines within an operating segment, where each product line includes contracts that are subject to similar risks. All insurance contracts within a product line represent a portfolio of contracts.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

2. ACCOUNTING POLICIES (continued)

2.1 Insurance Operations (continued)

(c) Unit of account (continued)

Each portfolio is further disaggregated into groups of contracts that are issued within a calendar year (annual cohorts) and are:

1. contracts that are onerous at initial recognition;
2. contracts that at initial recognition have no significant possibility of becoming onerous subsequently; or
3. a group of remaining contracts.

These groups represent the level of aggregation at which insurance contracts are initially recognised and measured. Such groups are not subsequently reconsidered.

For each portfolio of contracts, the Group determines the appropriate level at which reasonable and supportable information is available, to assess whether these contracts are onerous at initial recognition and whether non-onerous contracts have a significant possibility of becoming onerous. Expected profitability is determined at the contract level, unless the Group has reasonable and supportable information to assess profitability at a higher level. The Group uses significant judgement to determine at what level of granularity the Group has reasonable and supportable information that is sufficient to conclude that all contracts within a set are sufficiently homogeneous and will be allocated to the same group without performing an individual contract assessment.

For contracts measured under the GMA and VFA models, the Group develops rates or prices for the range of insurance contracts that may be issued under a given product form. Rates would typically be intended to result in similar levels of profitability across all insurance contracts issued.

Generally, for contracts measured using the PAA, the Group assumes that no such contracts are onerous at initial recognition, unless facts and circumstances indicate otherwise. If facts and circumstances indicate that some contracts are onerous, an additional assessment is performed to distinguish onerous contracts from non-onerous ones. For non-onerous contracts, the Group assesses the likelihood of changes in the applicable facts and circumstances in the subsequent periods in determining whether contracts have a significant possibility of becoming onerous.

Similar to the treatment of the direct (underlying) contracts, the Group divides reinsurance contracts held into contracts with similar insurance risk. The risks for reinsurance contracts in the life business are mortality, morbidity, hybrid and longevity risks which correspond to portfolios of direct contracts. The hybrid risk for reinsurance contracts refers to treaties that cover both mortality and lapse benefits and therefore have more than one type of risk. The Group manages all reinsurance treaties on the same basis as it does for line of business reporting described above for direct contracts. Applying the grouping requirements to reinsurance contracts held, the Group's policy is to aggregate reinsurance contracts held concluded within a calendar year (annual cohorts) into groups limited to reinsurance contracts arising from a single treaty. IFRS 17 requires that reinsurance contracts be placed in groups of:

1. contracts for which there is a net gain at initial recognition, if any;
2. contracts for which, at initial recognition, there is no significant possibility of a net gain arising subsequently; and
3. remaining contracts in the portfolio, if any

Transition approaches that were applied by the Group on adoption of IFRS 17 with respect to contracts aggregation requirements are included in note 3.1.7.

Before the Group accounts for an insurance contract based on the guidance in IFRS 17, it analyses whether the contract contains components that should be separated. IFRS 17 distinguishes three categories of components that have to be accounted for separately:

1. cash flows relating to embedded derivatives that are required to be separated;
2. cash flows relating to distinct investment components; and
3. promises to transfer distinct goods or distinct services other than insurance contract services.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

2. ACCOUNTING POLICIES (continued)

2.1 Insurance Operations (continued)

(c) Unit of account (continued)

The Group applies IFRS 17 to all remaining components of the contract. The Group does not have any contracts that require further separation of insurance contracts.

Groups of insurance contracts issued are initially recognised from the earliest of the following:

1. the beginning of the coverage period;
2. the date when the first payment from the policyholder is due or actually received, if there is no due date; and
3. when the Group determines that a group of contracts becomes onerous.

Insurance contracts acquired in a business combination within the scope of IFRS 3 or a portfolio transfer are accounted for as if they were entered into at the date of acquisition or transfer. This treatment is applicable on a going forward basis and not retrospectively.

Groups of reinsurance contracts are recognised at the earlier of:

1. The beginning of the coverage period; and
2. The date at which an onerous group of underlying contracts was recognised if it entered into the reinsurance before that date.

For proportionate contracts, recognition is delayed until the date when the underlying insurance contract is initially recognised, if that date is after the beginning of the coverage period of the group of reinsurance contracts held. Most life reinsurance treaties are proportionate and are entered into on or before the underlying contracts are recognised.

Only contracts that individually meet the recognition criteria by the end of the reporting period are included in the groups. When contracts meet the recognition criteria in the groups after the reporting date, they are added to the groups in the reporting period in which they meet the recognition criteria, subject to the annual cohorts' restriction. Composition of the groups is not reassessed in subsequent periods.

Insurance and reinsurance contracts are derecognised when they are:

1. extinguished (that is, when the obligation specified in the insurance contract expires or is discharged or cancelled); or
2. the contract is modified, and additional criteria discussed below are met.

When an insurance contract is modified by the Group as a result of an agreement with the counterparties or due to a change in regulations, the Group treats changes in cash flows caused by the modification as changes in estimates of the FCF, unless the conditions for the derecognition of the original contract are met. The Group derecognises the original contract and recognises the modified contract as a new contract if any of the following conditions are present:

- a) if the modified terms had been included at contract inception and the Group would have concluded that the modified contract:
 - i. is not within the scope of IFRS 17;
 - ii. results in different separable components;
 - iii. results in a different contract boundary; or
 - iv. belongs to a different group of contracts.
- b) the original contract represents an insurance contract with direct participation features, but the modified contract no longer meets that definition.
- c) the original contract was accounted for under the PAA, but the modification means that the contract no longer meets the eligibility criteria for that approach.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

2. ACCOUNTING POLICIES (continued)**2.1 Insurance Operations (continued)****(c) Unit of account (continued)**

When a new contract is required to be recognised as a result of modification and it is within the scope of IFRS 17, the new contract is recognised from the date of modification and is assessed for, amongst other things, contract classification, including the VFA eligibility, component separation requirements and contract aggregation requirements.

When an insurance contract not accounted for under the PAA is derecognised from within a group of insurance contracts, the Group:

- a) adjusts the FCF to eliminate the present value of future cash flows and risk adjustment for non-financial risk relating to the rights and obligations removed from the group;
- b) adjusts the CSM (unless the decrease in the FCF is allocated to the loss component of the LRC of the group) in the following manner, depending on the reason for the derecognition:
 - i. if the contract is extinguished, in the same amount as the adjustment to the FCF relating to future service;
 - ii. if the contract is transferred to a third party, in the amount of the FCF adjustment in (a) less the premium charged by the third party; or
 - iii. if the original contract is modified resulting in its derecognition, in the amount of the FCF adjustment for the premium that the Group would have charged if it had entered into a contract with equivalent terms as the new contract at the date of the contract modification, less any additional premium charged for the modification; when recognising the new contract in this case, the Group assumes such a hypothetical premium as actually received; and
- c) adjusts the number of coverage units for the expected remaining insurance contract services, to reflect the number of coverage units removed.

When an insurance contract accounted for under the PAA is derecognised, adjustments to remove related rights and obligations to account for the effect of the derecognition result in the following amounts being charged immediately to net income / (loss):

- a) if the contract is extinguished, any net difference between the derecognised part of the LRC of the original contract and any other cash flows arising from extinguishment;
- b) if the contract is transferred to the third party, any net difference between the derecognised part of the LRC of the original contract and the premium charged by the third party; or
- c) if the original contract is modified resulting in its derecognition, any net difference between the derecognised part of the LRC and the hypothetical premium that the entity would have charged if it had entered into a contract with equivalent terms as the new contract at the date of the contract modification, less any additional premium charged for the modification.

(d) Measurement**Fulfilment cash flows within contract boundary**

The FCF are the current estimates of the future cash flows within the contract boundary of a group of contracts that the Group expects to collect from premiums and pay out for claims, benefits and expenses, adjusted to reflect the timing and the uncertainty of those amounts.

The estimates of future cash flows:

- a) represent a probability-weighted mean of the full range of possible outcomes;
- b) are determined from the perspective of the Group, provided that the estimates are consistent with observable market prices for market variables; and
- c) reflect conditions existing at the measurement date.

An explicit risk adjustment for non-financial risk is estimated separately from the other estimates. For contracts measured under the PAA, unless the contracts are onerous, the explicit risk adjustment for non-financial risk is only estimated for the measurement of the LIC.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

2. ACCOUNTING POLICIES (continued)**2.1 Insurance Operations (continued)****(d) Measurement (continued)****Fulfilment cash flows within contract boundary (continued)**

The estimates of future cash flows are adjusted using the current discount rates to reflect the time value of money and the financial risks related to those cash flows, to the extent not included in the estimates of cash flows. The discount rates reflect the characteristics of the cash flows arising from the groups of insurance contracts, including timing, currency and liquidity of cash flows. The determination of the discount rate that reflects the characteristics of the cash flows and liquidity characteristics of the insurance contracts requires significant judgement and estimation. Refer to note 3.1.3.

Risk of the Group's non-performance is not included in the measurement of groups of insurance contracts issued. In the measurement of reinsurance contracts held, the probability-weighted estimates of the present value of future cash flows reflect the potential credit losses and other disputes of the reinsurer to reflect the non-performance risk of the reinsurer.

The Group estimates certain FCF at the portfolio level or higher and then allocates such estimates to groups of contracts.

The Group uses consistent assumptions to measure the estimates of the present value of future cash flows for the group of reinsurance contracts held and such estimates for the groups of underlying insurance contracts.

Contract boundary

The Group uses the concept of contract boundary to determine what cash flows should be considered in the measurement of groups of insurance contracts.

Cash flows are within the boundary of an insurance contract if they arise from the rights and obligations that exist during the period in which the policyholder is obligated to pay premiums, or the Group has a substantive obligation to provide the policyholder with insurance contract services. A substantive obligation ends when:

- a) the Group has the practical ability to reprice the risks of the particular policyholder or change the level of benefits so that the price fully reflects those risks; or
- b) both of the following criteria are satisfied:
 - the Group has the practical ability to reprice the contract or a portfolio of contracts so that the price fully reflects the reassessed risk of that portfolio; and
 - the pricing of premiums up to the date when risks are reassessed does not reflect the risks related to periods beyond the reassessment date.

With the exception of contracts that change character, referred to in the discussion below, the Group does not have any contracts where it has the right to reassess the risk or to terminate unilaterally at an individual contract level. For certain universal life and health insurance contracts, the Group has the right to reset premiums to reflect expected experience for the product. However, the Group does not have the right to reprice at the portfolio level as, within a portfolio, it aggregates contracts with the right to reprice, with contracts for which it does not have the right to reprice.

Riders, representing add-on provisions to a basic insurance policy that provide additional benefits to the policyholder at additional cost, that are issued together with the main insurance contracts form part of a single insurance contract with all of the cash flows within its boundary. Some insurance contracts issued by the Group provide policyholders with an option to alter the nature of the contract by exchanging one contract for another, for example, a term life contract being exchanged for a permanent contract or a deferred annuity contract being exchanged for a payout annuity. The Group assesses its practical ability to reprice such insurance contracts in their entirety to determine if the related cash flows are within or outside the insurance contract boundary.

Cash flows outside the insurance contracts boundary relate to future insurance contracts and are recognised when those contracts meet the recognition criteria.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

2. ACCOUNTING POLICIES (continued)

2.1 Insurance Operations (continued)

(d) Measurement (continued)

Contract boundary (continued)

For groups of reinsurance contracts held, cash flows are within the contract boundary if they arise from substantive rights and obligations of the Group that exist during the reporting period in which the Group is compelled to pay amounts to the reinsurer or in which the Group has a substantive right to receive insurance contract services from the reinsurer.

The contract boundary for the Group's life proportional treaties aligns with the notice period where the treaty provides for termination resulting in a series of reinsurance contracts related to that treaty all with the contract boundary equal to the notice period. Any direct contract written and ceded during the period covered by the contract boundary becomes an underlying contract for the reinsurance contract. Cash flows falling within the contract boundary will be determined in relation to the cash flows arising from the direct (underlying) contracts. Since most treaties cover the direct contracts, as long as the direct contracts are in force, the associated cash flows will be projected for the life of the direct contracts.

The excess of loss reinsurance contracts held provide coverage for claims incurred during an accident year. Thus, all cash flows arising from claims incurred and expected to be incurred in the accident year are included in the measurement of the reinsurance contracts held.

Cash flows that are not directly attributable to a portfolio of insurance contracts, such as some product development and training costs, are recognised in other operating expenses as incurred.

Insurance acquisition costs

The Group defines acquisition cash flows as cash flows that arise from costs of selling, underwriting and starting a group of insurance contracts (issued or expected to be issued) and that are directly attributable to the portfolio of insurance contracts to which the group belongs.

Insurance acquisition cash flows are allocated to groups of insurance contracts on a systematic and rational basis. Insurance acquisition cash flows that are directly attributable to a group of insurance contracts are allocated:

- a) to that group; and
- b) to groups that will include insurance contracts that are expected to arise from renewals of the insurance contracts in that group.

Insurance acquisition cash flows not directly attributable to a group of contracts but directly attributable to a portfolio of contracts are allocated to groups of contracts in the portfolio.

Insurance acquisition cash flows arising before the recognition of the related group of contracts are recognised as an asset. Insurance acquisition cash flows arise when they are paid or when a liability is required to be recognised under a standard other than IFRS 17. Such an asset is recognised for each group of contracts to which the insurance acquisition cash flows are allocated. The asset is derecognised, fully or partially, when the insurance acquisition cash flows are included in the measurement of the group of contracts.

Insurance acquisition cash flows assets not yet allocated to a group are assessed for recoverability if facts and circumstances indicate that the assets might be impaired. Impairment losses reduce the carrying amount of these assets and are recognised in insurance service expenses. Previously recognised impairment losses are reversed to the extent that the impairment conditions no longer exist or have improved.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

2. ACCOUNTING POLICIES (continued)

2.1 Insurance Operations (continued)

(d) Measurement (continued)

Insurance acquisition costs (continued)

The recoverability assessment is performed in two steps, as follows:

1. an impairment loss is recognised to the extent that the carrying amount of each asset for insurance acquisition cash flows exceeds the expected net cash inflow as determined by the FCF as at initial recognition for the related group of insurance contracts;
2. in addition, when insurance acquisition cash flows directly attributable to a group of contracts are allocated to groups that include expected contract renewals, such insurance acquisition cash flows should not exceed the expected net cash inflow from the expected renewals as determined by the FCF as at initial recognition for the expected renewals; an impairment loss is recognised for the excess to the extent not recognised in step (1) above.

Risk adjustment for non-financial risk

The risk adjustment for non-financial risk is applied to the present value of the estimated future cash flows, and it reflects the compensation that the Group requires for bearing the uncertainty about the amount and timing of the cash flows from non-financial risk as the Group fulfils insurance contracts.

For reinsurance contracts held, the risk adjustment for non-financial risk represents the amount of risk being transferred by the Group to the reinsurer.

Methods and assumptions used to determine the risk adjustment for non-financial risk are discussed in note 3.1.4

(e) Initial measurement – Groups of contracts not measured under the PAA

Contractual service margin

The CSM is a component of the carrying amount of the asset or liability for a group of insurance contracts issued representing the unearned profit that the Group will recognise as it provides insurance contract services in the future.

At initial recognition, the CSM is an amount that results in no income or expenses (unless a group of contracts is onerous or insurance revenue and insurance service expenses are recognised) and arises from:

- a) the initial recognition of the FCF;
- b) cash flows arising from the contracts in the group at that date; and
- c) the derecognition of any insurance acquisition cash flows asset.

When the above calculation results in a net outflow, the group of insurance contracts issued is onerous. A loss from onerous insurance contracts is recognised in net income / (loss) immediately, with no CSM recognised on the statement of financial position on initial recognition, and a loss component is established in the amount of loss recognised (refer to the “Onerous contracts – Loss component” section in (f) Subsequent measurement – Groups of contracts not measured under the PAA).

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

2. ACCOUNTING POLICIES (continued)**2.1 Insurance Operations (continued)****(e) Initial measurement – Groups of contracts not measured under the PAA (continued)****Contractual service margin (continued)**

For groups of reinsurance contracts held, any net gain or net cost at initial recognition is recognised as the CSM unless the net cost of purchasing reinsurance relates to past events, in which case the Group recognises the net cost immediately in net income / (loss). For reinsurance contracts held, the CSM represents a deferred gain or loss that the Group will recognise as a reinsurance expense as it receives insurance contract services from the reinsurer in the future and is calculated as the sum of:

- a) the initial recognition of the FCF; and
- b) cash flows arising from the contracts in the group at that date;
- c) any income recognised in net income / (loss) when the entity recognises a loss on initial recognition of an onerous group of underlying insurance contracts or on addition of onerous underlying insurance contracts to that group.

A loss-recovery component is established or adjusted within the remaining coverage for reinsurance contracts held for the amount of income recognised in (c) above. This amount is calculated by multiplying the loss recognised on underlying insurance contracts by the percentage of claims on underlying insurance contracts that the Group expects to recover from the reinsurance contracts held that are entered into before or at the same time as the loss is recognised on the underlying insurance contracts.

When underlying insurance contracts are included in the same group with insurance contracts issued that are not reinsured, the Group applies a systematic and rational method of allocation to determine the portion of losses that relates to underlying insurance contracts.

For insurance contracts acquired in a portfolio transfer or a business combination within the scope of IFRS 3, at initial recognition, the CSM is an amount that results in no income or expenses arising from:

- a) the initial recognition of the FCF; and
- b) cash flows arising from the contracts in the group at that date, including the fair value of the groups of contracts acquired as at the acquisition date as a proxy of the premiums received.

(f) Subsequent measurement – Groups of contracts not measured under the PAA

The carrying amount at the end of each reporting period of a group of insurance contracts issued is the sum of:

- a) the LRC, comprising:
 - the FCF related to future service allocated to the group at that date; and
 - the CSM of the group at that date; and
- b) the LIC, comprising the FCF related to past service allocated to the group at the reporting date.

The carrying amount at the end of each reporting period of a group of reinsurance contracts held is the sum of:

- a) the asset for remaining coverage, comprising:
 - the FCF related to future service allocated to the group at that date; and
 - the CSM of the group at that date; and
- b) the asset for the incurred claims, comprising the FCF related to past service allocated to the group at the reporting date.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

2. ACCOUNTING POLICIES (continued)

2.1 Insurance Operations (continued)

(f) Subsequent measurement – Groups of contracts not measured under the PAA (continued)

Changes in fulfilment cash flows

The FCF are updated by the Group for current assumptions at the end of every reporting period, using the current estimates of the amount, timing and uncertainty of future cash flows and of discount rates.

The way in which the changes in estimates of the FCF are treated depends on which estimate is being updated:

- a) changes that relate to current or past service are recognised in net income / (loss); and
- b) changes that relate to future service are recognised by adjusting the CSM or the loss component within the LRC as per the policy below.

For insurance contracts under the GMM, the following adjustments relate to future service and thus adjust the CSM:

- a) experience adjustments – arising from premiums received in the period that relate to future service and related cash flows such as insurance acquisition cash flows and premium-based taxes;
- b) changes in estimates of the present value of future cash flows in the LRC, except differences between any investment component expected to become payable in the period and the actual investment component that becomes payable in the period, determined by comparing (i) the actual investment component that becomes payable in a period with (ii) the payment in the period that was expected at the start of the period plus any insurance finance income or expenses related to that expected payment before it becomes payable; and
- c) changes in the risk adjustment for non-financial risk that relate to future service.

Adjustments (a), (b) and (c) above are measured using discount rates determined on initial recognition (the locked-in discount rates).

For insurance contracts under the GMM, the following adjustments do not adjust the CSM:

- a) changes in the FCF for the effect of the time value of money and the effect of financial risk and changes thereof;
- b) changes in the FCF relating to the LIC;
- c) experience adjustments – arising from premiums received in the period that do not relate to future service and related cash flows, such as insurance acquisition cash flows and premium-based taxes; and
- d) experience adjustments relating to insurance service expenses (excluding insurance acquisition cash flows).

For insurance contracts under the VFA, the following adjustments relate to future service and thus adjust the CSM:

- a) changes in the amount of the Group's share of the fair value of the underlying items; and
- b) changes in the FCF that do not vary based on the returns of underlying items:
 - i. changes in the effect of the time value of money and financial risks including the effect of financial guarantees;
 - ii. experience adjustments arising from premiums received in the period that relate to future service and related cash flows, such as insurance acquisition cash flows and premium-based taxes;
 - iii. changes in estimates of the present value of future cash flows in the LRC, except differences between any investment component expected to become payable in the period and the actual investment component that becomes payable in the period, determined by comparing (i) the actual investment component that becomes payable in a period with (ii) the payment in the period that was expected at the start of the period plus any insurance finance income or expenses related to that expected payment before it becomes payable;
 - iv. differences between loans to a policyholder expected to become repayable in the period and the actual loan to a policyholder that becomes repayable in the period; and
 - v. changes in the risk adjustment for non-financial risk that relate to future service.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

2. ACCOUNTING POLICIES (continued)

2.1 Insurance Operations (continued)

(f) Subsequent measurement – Groups of contracts not measured under the PAA (continued)

Changes in fulfilment cash flows (continued)

Adjustments (ii)-(v) are measured using the current discount rates.

For insurance contracts under the VFA, the following adjustments do not adjust the CSM:

- a) changes in the obligation to pay the policyholder the amount equal to the fair value of the underlying items;
- b) changes in the FCF that do not vary based on the returns of underlying items:
 - i. changes in the FCF relating to the LIC; and
 - ii. experience adjustments arising from premiums received in the period that do not relate to future service and related cash flows, such as insurance acquisition cash flows and premium-based taxes; and
 - iii. experience adjustments relating to insurance service expenses (excluding insurance acquisition cash flows).

Changes to the contractual service margin

For insurance contracts issued, at the end of each reporting period the carrying amount of the CSM is adjusted by the Group to reflect the effect of the following changes:

- a) The effect of any new contracts added to the group.
- b) For contracts measured under the GMM, interest accreted on the carrying amount of the CSM.
- c) Changes in the FCF relating to future service are recognised by adjusting the CSM. Changes in the FCF are recognised in the CSM to the extent that the CSM is available. When an increase in the FCF exceeds the carrying amount of the CSM, the CSM is reduced to zero, the excess is recognised in insurance service expenses and a loss component is recognised within the LRC. When the CSM is zero, changes in the FCF adjust the loss component within the LRC with correspondence to insurance service expenses. The excess of any decrease in the FCF over the loss component reduces the loss component to zero and reinstates the CSM.
- d) The amount recognised as insurance revenue for insurance contract services provided during the period, determined after all other adjustments above.

The Group prepares consolidated financial statements on a quarterly basis. The Group has elected to treat every quarter as a discrete interim reporting period, and estimates made by the Group in previous interim financial statements are not changed when applying IFRS 17 in subsequent interim periods or in the annual financial statements.

The Group does not publish interim financial statements for the last quarter in the year. If an estimate reported in the previous quarter changes significantly in the fourth quarter, the nature and amount of such changes are disclosed in the annual statements.

For reinsurance contracts held, at the end of each reporting period, the carrying amount of the CSM is adjusted by the Group to reflect the effect of the following changes:

- a) The effect of any new contracts added to the group.
- b) Interest accreted on the carrying amount of the CSM.
- c) Income recognised in the statement of income when the entity recognises a loss on initial recognition of an onerous group of underlying insurance contracts or on addition of onerous underlying insurance contracts to that group. A loss-recovery component is established or adjusted within the remaining coverage for reinsurance contracts held for the amount of income recognised.
- d) Reversals of a loss-recovery component other than changes in the FCF of reinsurance contracts held.
- e) Changes in the FCF, to the extent that the change relates to future service, unless the change results from a change in FCF allocated to a group of underlying insurance contracts that does not adjust the CSM for the group of underlying insurance contracts.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

2. ACCOUNTING POLICIES (continued)

2.1 Insurance Operations (continued)

(f) Subsequent measurement – Groups of contracts not measured under the PAA (continued)

Changes to the contractual service margin (continued)

- f) The amount recognised in net income / (loss) for insurance contract services received during the period, determined after all other adjustments above.

Income referred to in (c) above is calculated by multiplying the loss recognised on underlying insurance contracts by the percentage of claims on underlying insurance contracts that the Group expects to recover from the reinsurance contract held that is entered into before or at the same time as the loss is recognised on the underlying insurance contracts.

Interest accretion on the CSM

Under the GMM, interest is accreted on the CSM using an average discount rate determined at initial recognition that is applied to nominal cash flows that do not vary based on the returns of underlying items. The discount rate used for accretion of interest on the CSM is determined using the top-down approach. The locked-in discount rate for a group is determined as the average of the discount rates applied at the beginning and ending of each period.

Adjusting the CSM for changes in the FCF relating to future service

Under the GMM, the CSM is adjusted for changes in the FCF, measured applying the discount rates as specified in the “Changes in fulfilment cash flows” section earlier.

Release of the CSM to net income / (loss)

The amount of the CSM recognised in net income / (loss) for insurance contract services in the period is determined by the allocation of the CSM remaining at the end of the reporting period over the current and remaining expected coverage period of the group of insurance contracts based on coverage units.

The coverage period is defined as a period during which the entity provides insurance contract services. Insurance contract services include coverage for an insured event (insurance coverage), the generation of an investment return for the policyholder, if applicable (investment-return service) for the contracts under the GMM, and the management of underlying items on behalf of the policyholder (investment-related service) for the contracts under the VFA. The period of investment-return service or investment-related service ends at or before the date when all amounts due to current policyholders relating to those services have been paid. Investment-return services are provided only when an investment component exists in insurance contracts or the policyholder has a right to withdraw an amount, and the Group expects these amounts to include an investment return that is achieved by the Group by performing investment activities to generate that investment return.

The total number of coverage units in a group is the quantity of service provided by the contracts in the group over the expected coverage period. The coverage units are determined at each reporting period-end prospectively by considering:

- a) the quantity of benefits provided by contracts in the group;
- b) the expected coverage period of contracts in the group; and
- c) the likelihood of insured events occurring, only to the extent that they affect the expected coverage period of contracts in the group.

The Group uses the amount that it expects the policyholder to be able to validly claim in each period if an insured event occurs as the basis for the quantity of benefits with respect to insurance coverage. For investment-return and investment-related services, policyholders’ account values are used to determine the quantity of benefits provided.

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NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

2. ACCOUNTING POLICIES (continued)

2.1 Insurance Operations (continued)

(f) Subsequent measurement – Groups of contracts not measured under the PAA (continued)

Changes to the contractual service margin (continued)

Release of the CSM to net income / (loss) (continued)

The Group determines coverage units as follows:

Product	Coverage Units
Traditional Life contracts	Sum insured
Universal Life contracts	Sum insured
Universal Life contract with direct participation features	Sum insured plus fund value
Living Benefits	Sum insured
Participating life contracts	Sum insured plus dividend value
Single premium health and creditor life	Sum insured
Single premium group creditor	Sum insured / maximum benefit
Accumulation annuities, Payout annuities, Endowment without direct participation features	Greater of maturity benefit or sum insured and Payout for Payout annuities
Variable endowments with direct participation features	Sum insured plus fund value

The Group reflects the time value of money in the allocation of the CSM to coverage units, using discount rates determined at initial recognition that are applied to nominal cash flows that do not vary based on the returns of underlying items, except for contracts measured under the VFA which use the current discount rate.

For reinsurance contracts held, the CSM is released to net income / (loss) as insurance contract services are received from the reinsurer in the period.

The coverage period for these reinsurance contracts is determined based on the coverage period of all underlying contracts for which cash flows are included in the reinsurance contract boundary. Refer to the “Contract boundary” section in note 2.1 (d) above.

Onerous contracts – Loss component

When negative adjustments to the CSM exceed the amount of the CSM, the group of contracts becomes onerous and the Group recognises the excess in insurance service expenses, and it records the excess as a loss component of the LRC.

When a loss component exists, the Group allocates the following between the loss component and the remaining component of the LRC for the respective group of contracts, based on the ratio of the loss component to the FCF relating to the expected future cash outflows:

- a) expected incurred claims and other liability and other directly attributable expenses for the period;
- b) changes in the risk adjustment for non-financial risk for the risk expired; and
- c) finance income / (expenses) from insurance contracts issued.

The amounts of loss component allocation in (a) and (b) above reduce the respective components of insurance revenue and are reflected in insurance service expenses.

Decreases in the FCF relating to the future in subsequent periods reduce the remaining loss component and reinstate the CSM after the loss component is reduced to zero. Subsequent increases in FCF are allocated in relation to the entity's share of the fair value of the underlying items. Increases in the FCF relating to the future in subsequent periods increase the loss component.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

2. ACCOUNTING POLICIES (continued)**2.1 Insurance Operations (continued)****(f) Subsequent measurement – Groups of contracts not measured under the PAA (continued)****Changes to the contractual service margin (continued)***Onerous contracts – Loss component (continued)*

When the Group recognises a loss on initial recognition of an onerous group of underlying insurance contracts or on addition of onerous underlying insurance contracts to that group, a loss-recovery component is established or adjusted within the asset for remaining coverage for reinsurance contracts held. The loss-recovery component results in an amount immediately recognised within the statement of income within the net income / (expense) from reinsurance contracts held.

Subsequently, the loss-recovery component is adjusted to reflect changes in the loss component of an onerous group of underlying insurance contracts. The loss-recovery component is further adjusted, if required, to ensure that it does not exceed the portion of the carrying amount of the loss component of the onerous group of underlying insurance contracts that the Group expects to recover from the group of reinsurance contracts held.

(g) Initial and subsequent measurement – Groups of contracts measured under the PAA

The Group has determined that all contracts within the General Insurance and the Group Life and Health lines of business (with the exception of the Single premium group creditor products) have a coverage period of one year or less and are therefore automatically eligible for PAA. The Group does not have contracts that have a coverage period of more than one year that are measured under PAA.

For insurance contracts issued, insurance acquisition cash flows allocated to a group are deferred and recognised over the coverage period of contracts in a group.

For reinsurance contracts held, on initial recognition, the Group measures the remaining coverage at the amount of ceding premiums paid.

The carrying amount of a group of insurance contracts issued at the end of each reporting period is the sum of:

- a) the LRC; and
- b) the LIC, comprising the FCF related to past service allocated to the group at the reporting date.

The carrying amount of a group of reinsurance contracts held at the end of each reporting period is the sum of:

- a) the asset for remaining coverage; and
- b) the asset for incurred claims, comprising the FCF related to past service allocated to the group at the reporting date.

For non-onerous insurance contracts issued, at each of the subsequent reporting dates, the LRC is:

- a) increased for premiums received in the period;
- b) decreased for insurance acquisition cash flows paid in the period;
- c) decreased for the amounts of expected premium receipts recognised as insurance revenue for the services provided in the period; and
- d) increased for the amortisation of insurance acquisition cash flows in the period recognised as insurance service expenses.

For reinsurance contracts held, at each of the subsequent reporting dates, the remaining coverage is:

- a) increased for ceding premiums paid in the period;
- b) decreased for the expected amounts of ceding premiums recognised as reinsurance expenses for the services received in the period.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

2. ACCOUNTING POLICIES (continued)

2.1 Insurance Operations (continued)

(g) Initial and subsequent measurement – Groups of contracts measured under the PAA (continued)

The Group does not adjust the LRC for insurance contracts issued and the remaining coverage for reinsurance contracts held for the effect of the time value of money, because insurance premiums are due within the coverage period of contracts, which is one year or less.

The Group adjusts the remaining coverage for reinsurance contracts held for the effect of the risk of reinsurer's non-performance. The Group will reflect non-performance of reinsurers where it holds a net asset for the reinsurance treaty or where the reinsurance treaty does not provide the right of offset.

There are no investment components within insurance contracts issued and reinsurance contracts held that are measured under the PAA.

For contracts measured under the PAA and GMM, the LIC is measured similarly. Future cash flows are adjusted for the time value of money.

If facts and circumstances indicate that a group of insurance contracts measured under the PAA is onerous on initial recognition or becomes onerous subsequently, the Group increases the carrying amount of the LRC to the amounts of the FCF determined using a methodology similar to the GMM with the amount of such an increase recognised in insurance service expenses, and a loss component is established for the amount of the loss recognised. Subsequently, the loss component is remeasured at each reporting date as the difference between the amounts of the FCF determined using a methodology similar to the GMM relating to the future service and the carrying amount of the LRC without the loss component.

When a loss is recognised on initial recognition of an onerous group of underlying insurance contracts or on addition of onerous underlying insurance contracts to that group, the carrying amount of the asset for remaining coverage for reinsurance contracts held measured under the PAA is increased by the amount of income recognised in net income / (loss) and a loss-recovery component is established or adjusted for the amount of income recognised. The referred income is calculated by multiplying the loss recognised on underlying insurance contracts by the percentage of claims on underlying insurance contracts that the Group expects to recover from the reinsurance contract held that are entered into before or at the same time as the loss is recognised on the underlying insurance contracts.

(h) Amounts recognised in the statement of income within the insurance service result

Insurance revenue

As the Group provides insurance contract services under the group of insurance contracts, it reduces the LRC and recognises insurance revenue. The amount of insurance revenue recognised in the reporting period depicts the transfer of promised services at an amount that reflects the portion of consideration that the Group expects to be entitled to in exchange for those services.

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NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

2. ACCOUNTING POLICIES (continued)

2.1 Insurance Operations (continued)

(h) Amounts recognised in the statement of income within the insurance service result (continued)

Insurance revenue (continued)

For contracts not measured under the PAA, insurance revenue comprises the following:

- Amounts relating to the changes in the LRC:
 - a) claims and other directly attributable expenses incurred in the period measured at the amounts expected at the beginning of the period, excluding:
 - i. amounts allocated to the loss component;
 - ii. repayments of investment components and policyholder rights to withdraw an amount;
 - iii. insurance acquisition expenses; and
 - iv. amounts related to the risk adjustment for non-financial risk (see (b));
 - b) changes in the risk adjustment for non-financial risk, excluding:
 - i. changes included in insurance finance income / (expenses);
 - ii. changes that relate to future coverage (which adjust the CSM); and
 - iii. amounts allocated to the loss component; and
 - c) amounts of the CSM recognised for the services provided in the period.

In-period cash flow variances would go through CSM if they are investment component, premium-related or policy loan cash flow variances.

Insurance acquisition cash flows recovery is determined by allocating the portion of premiums related to the recovery of those cash flows based on the applicable coverage units of each group.

For groups of insurance contracts measured under the PAA, the Group recognises insurance revenue based on the passage of time over the coverage period of a group of contracts.

Insurance service expenses

Insurance service expenses include the following:

- a) incurred claims and benefits, excluding investment component and policy loans, reduced by loss component allocations;
- b) insurance acquisition cash flows amortisation;
- c) changes that relate to past service – changes in the FCF relating to the LIC; and
- d) changes that relate to future service – changes in the FCF that result in onerous contract losses or reversals of those losses; and
- e) insurance acquisition cash flows assets impairment net of reversals.

For contracts not measured under the PAA, amortisation of insurance acquisition cash flows is reflected in insurance service expenses in the same amount as insurance acquisition cash flows recovery reflected within insurance revenue, as described above.

For contracts measured under the PAA, amortisation of insurance acquisition cash flows is based on the passage of time.

Other expenses not meeting the above categories are included in other operating expenses in the consolidated statement of income.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

2. ACCOUNTING POLICIES (continued)

2.1 Insurance Operations (continued)

(h) Amounts recognised in the statement of income within the insurance service result (continued)

Net income / (expenses) from reinsurance contracts held

The Group presents financial performance of groups of reinsurance contracts held on a net basis in net income (expenses) from reinsurance contracts held, comprising the following amounts:

- a) reinsurance expenses;
- b) incurred claims recovery, excluding investment components reduced by loss-recovery component allocations;
- c) changes that relate to past service – changes in the FCF relating to incurred claims recovery;
- d) effect of changes in the risk of reinsurers' non-performance; and
- e) amounts relating to accounting for onerous groups of underlying insurance contracts issued:
 - i. income on initial recognition of onerous underlying contracts;
 - ii. reinsurance contracts held under the GMM: reversals of a loss-recovery component other than changes in the FCF of reinsurance contracts held; and
 - iii. reinsurance contracts held under the GMM: changes in the FCF of reinsurance contracts held from onerous underlying contracts.

Reinsurance expenses (ceding premiums) are recognised similarly to insurance revenue. The amount of reinsurance expenses recognised in the reporting period depicts the transfer of received insurance contract services at an amount that reflects the portion of ceding premiums that the Group expects to pay in exchange for those services.

For groups of reinsurance contracts held measured under the PAA, the Group recognises reinsurance expenses based on the passage of time over the coverage period of a group of contracts.

For contracts measured under the GMM, reinsurance expenses comprise the following amounts relating to the changes in the remaining coverage:

- a) claims and other directly attributable expenses recovery in the period, measured at the amounts expected to be incurred at the beginning of the period, excluding:
 - i. amounts allocated to the loss-recovery component;
 - ii. amounts related to the risk adjustment for non-financial risk (see (b));
- b) changes in the risk adjustment for non-financial risk, excluding:
 - i. changes included in finance income / (expenses) from reinsurance contracts held;
 - ii. changes that relate to future coverage (which adjust the CSM); and
 - iii. amounts allocated to the loss-recovery component;
- c) amounts of the CSM recognised for the services received in the period; and
- d) experience adjustments – arising from premiums paid in the period other than those that relate to future service.

Ceding commissions that are not contingent on claims of the underlying contracts issued reduce ceding premiums and are accounted for as part ceding premiums (reinsurance expenses). Ceding commissions that are contingent on claims of the underlying contracts issued reduce incurred claims recovery.

Premium Taxes

Premium taxes (i.e. transaction-based taxes) are cash flows within the boundary of an insurance contract and relate directly to the fulfilment of the insurance contract.

SAGICOR FINANCIAL COMPANY LTD.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

2. ACCOUNTING POLICIES (continued)

2.1 Insurance Operations (continued)

(i) Amounts recognised in the statement of income within net insurance finance income / expenses (continued)

Insurance finance income or expenses (continued)

Insurance finance income or expenses comprise the change in the carrying amount of the group of insurance and reinsurance contracts arising from:

- a) the effect of the time value of money and changes in the time value of money; and
- b) the effect of financial risk and changes in financial risk.

For contracts measured under the GMM, the main amounts within insurance finance income or expenses are:

- a) interest accreted on the FCF and the CSM; and
- b) the effect of changes in interest rates and other financial assumptions.

For contracts measured under the VFA, insurance finance income or expenses include changes in the value of underlying items (excluding additions and withdrawals).

For contracts measured under the PAA, the main amounts within insurance finance income or expenses are:

- a) interest accreted on the LIC; and
- b) the effect of changes in interest rates and other financial assumptions.

The Group disaggregates changes in the risk adjustment for non-financial risk between insurance service result and insurance finance income or expenses.

The Group includes all insurance finance income or expenses for the period in net income / (loss) (that is, the profit or loss option (the PL option) is applied).

The groups of insurance contracts, including the CSM, that generate cash flows in a foreign currency are treated as monetary items. Applying IAS 21 at the end of the reporting period, the carrying amount of the group of insurance contracts, including the CSM, is translated into the functional currency at the closing rate. The Group has chosen to present the resulting foreign exchange differences within the line item 'other income'.

2.2 Exchange rates

The following exchange rates were applied for the conversion of amounts to US dollars.

	Closing rates as of September 30, 2023	Closing rates as of December 31, 2022	Average rates for the nine months to September 30, 2023	Average rates for the three months to September 30, 2023	Average rates for the nine months to September 30, 2022	Average rates for the three months to September 30, 2022
Barbados dollar	2.0000	2.0000	2.0000	2.0000	2.0000	2.0000
Eastern Caribbean dollar	2.7000	2.7000	2.7000	2.7000	2.7000	2.7000
Jamaica dollar	154.7720	151.0082	153.0910	154.2356	153.3932	151.4900
Trinidad & Tobago dollar	6.7486	6.7414	6.7396	6.7354	6.7436	6.7406

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS**3.1. Insurance and reinsurance contracts**

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below. The Group based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Group. Such changes are reflected in the assumptions when they occur. The Group disaggregates information to disclose insurance contracts issued and reinsurance contracts issued separately. This disaggregation has been determined based on how the group is managed.

Contracts not measured under PAA**3.1.1 Areas of Judgement**

Areas of judgement which broadly impact the Group's reporting include definition and classification of insurance contracts, the unit of account identified in which insurance contracts are assessed, and the level of aggregation applied for measurement and reporting purposes. Specific areas of judgement and estimates impacting contracts not measured under PAA are described in subsequent notes.

Definition and classification

- Whether contracts are within the scope of IFRS 17 and, for contracts determined to be within the scope of IFRS 17, what measurement model is applicable. The Group is required to determine the classification of contracts issued in Participating product lines as insurance or investment contracts.
- Whether a contract issued accepts significant insurance risk and, similarly, whether a reinsurance contract held transfers significant insurance risk. The Group issues investment contracts with discretionary participation features. In assessing whether these are within the scope of IFRS 17, the Group assesses if the discretionary amount is a significant amount of the total benefits.
- Whether contracts that are determined to be within the scope of IFRS 17 meet the definition of an insurance contract with direct participation features, particularly:
 - whether the pool of underlying items is clearly identified;
 - whether amounts that an entity expects to pay to the policyholders constitute a substantial share of the fair value returns on the underlying items; and
 - whether the Group expects the proportion of any change in the amounts to be paid to the policyholders that vary with the change in fair value of the underlying items to be substantial.

Unit of account

The Group is required to make judgements involved in combination of insurance contracts and separation of distinct components:

- Combination of insurance contracts - whether the contracts with the same or related counterparty achieve or are designed to achieve, an overall commercial effect and require combination.
- Separation – whether components in insurance contracts are distinct (that is, they meet the separation criteria).
- Separation of contracts with multiple insurance coverage – whether there are facts and circumstances where the legal form of an insurance contract does not reflect the substance and separation is required.

Insurance contracts aggregation

The Group is required to make judgements involved in the identification of portfolios of contracts (that is, having similar risks and being managed together). This includes the aggregation of insurance contracts issued on initial recognition into groups of onerous contracts, groups of contracts with no significant possibility of becoming onerous, and groups of other contracts, and a similar grouping assessment for reinsurance contracts held.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

Contracts not measured under PAA (continued)

3.1.1 Areas of Judgement (continued)

Insurance contracts aggregation (continued)

Areas of judgements include:

- The determination of contract sets within portfolios and whether the Group has reasonable and supportable information to conclude that all contracts within a set would fall into the same group; and
- Judgements might be applied on initial recognition to distinguish between non-onerous contracts (those having no significant possibility of becoming onerous) and other contracts.

For contracts not measured under the PAA, the assessment of the likelihood of adverse changes in assumptions that might result in contracts becoming onerous is an area of judgement.

3.1.2. The methods used to measure insurance contracts

The Group primarily uses deterministic projections to estimate the present value of future cash flows.

The following assumptions are used when estimating future cash flows:

- Mortality and morbidity rates (life insurance and reinsurance business)

Assumptions are based on standard industry and national tables, (tables from the Canadian Institute of Actuaries) according to the type of contract written and the territory in which the insured person resides. They reflect recent historical experience and are adjusted when appropriate to reflect the Group's own experiences. An appropriate, but not excessive, allowance is made for expected future improvements. Assumptions are differentiated by policyholder gender, underwriting class and contract type.

An increase in expected mortality and morbidity rates will increase the expected claim cost which will reduce future expected profits of the Group.

- Longevity

Assumptions are based on standard industry and national tables, adjusted when appropriate to reflect the Group's own risk experience. An appropriate, but not excessive, allowance is made for expected future improvements. Assumptions are differentiated by a number of factors including (but not limited to) policyholder gender, underwriting class and contract type. An increase in expected longevity will lead to an increase in expected cost of annuity payments which will reduce future expected profits of the Group.

- Expenses

Operating expenses assumptions reflect the projected costs of maintaining and servicing in-force policies and associated overhead expenses. The current level of expenses is taken as an appropriate expense base, adjusted for expected expense inflation if appropriate. Inflation is considered a non-financial assumption and is derived from the long run expense increases based on the Group's experience and management's expectation of the related expense control measures.

The cash flows within the contract boundary include an allocation of fixed and variable overheads directly attributable to fulfilling insurance contracts. Such overheads are allocated to groups of contracts using methods that are systematic and rational. The overheads are also consistently applied to all costs that have similar characteristics. An increase in the expected level of expenses will reduce future expected profits of the Group.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

Contracts not measured under PAA (continued)

3.1.2 The methods used to measure insurance contracts (continued)

- Lapse and surrender rates

Lapses relate to the termination of policies due to non-payment of premiums. Surrenders relate to the voluntary termination of policies by policyholders. Policy termination assumptions are determined using statistical measures based on the Group's experience and vary by product type, policy duration and sales trends.

An increase in lapse rates early in the life of the policy would tend to reduce profits of the Group.

3.1.3. Discount rates

Life insurance contract liabilities are calculated by discounting expected future cash flows. Discount rates are composed of an observable component, an assumed ultimate discount rate and interpolation between the two.

During the observable period, a top-down approach was used, where the discount rate is determined as the yield implicit in the fair value of a reference portfolio adjusted for differences between the reference portfolio of assets and respective liability cash flows. Reference portfolios were selected to reflect the currency of the liabilities, the Group's investment strategies and the characteristics of the liabilities and are comprised of a mix of sovereign and corporate bonds available on the markets. The yield from the reference portfolio is adjusted to remove both expected and unexpected credit risk and, where applicable, other asset characteristics that are not related to the insurance contract liabilities. These adjustments are estimated using information from observed historical levels of default for bonds included in the reference portfolio.

Where cash flows vary with an underlying item, cash flows are projected assuming returns on the underlying item that are consistent with the discount rate.

3.1.4. Risk adjustment for non-financial risk

The risk adjustment for non-financial risk represents the compensation that the Group requires for bearing the uncertainty about the amount and timing of the cash flows of groups of insurance contracts and covers non-financial risk. The risk adjustment reflects an amount that an insurer would rationally pay to remove the uncertainty that future cash flows will exceed the best estimate amount. For reinsurance contracts held, the risk adjustment for non-financial risk represents the amount of risk being transferred by the Group to the reinsurer.

The Group has estimated the risk adjustment using a margin approach, calibrated to the cost of capital and target confidence levels. The margin approach involves applying shocks to the insurance assumptions used to project expected cash flows so as to produce an increase in the FCF. Shocks are selected using the projected cost of insurance risk capital such that the resulting risk adjustment falls within the Group's target confidence level range.

The risk adjustment for insurance and reinsurance contracts corresponds to a confidence level between 80% to 85% (2022 - between 80% to 85%).

3.1.5. Amortisation of the Contractual Service Margin

The CSM is a component of the asset or liability for the group of insurance contracts that represents the unearned profit the Group will recognise as it provides services in the future. An amount of the CSM for a group of insurance contracts is recognised in net income / (loss) as insurance revenue in each period to reflect the insurance contract services provided under the group of insurance contracts in that period. The amount is determined by:

- Identifying the coverage units in the group;
- Allocating the CSM at the end of the period (before recognising any amounts in net income / (loss) to reflect the insurance contract services provided in the period) equally to each coverage unit provided in the current period and expected to be provided in the future;

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

Contracts not measured under PAA (continued)

3.1.5. Amortisation of the Contractual Service Margin (continued)

- Recognising in net income / (loss) the amount allocated to coverage units provided in the period.

The number of coverage units in a group is the quantity of insurance contract services provided by the contracts in the group, determined by considering the quantity of the benefits provided and the expected coverage period. For groups of insurance contracts, the quantity of benefits is the contractually agreed sum insured, maturity benefit or payout over the period of the contracts.

The total coverage units of each group of insurance contracts are reassessed at the end of each reporting period to adjust for the reduction of remaining coverage for claims paid, expectations of lapses and cancellation of contracts in the period. They are then allocated based on probability-weighted average duration of each coverage unit provided in the current period and expected to be provided in the future.

For reinsurance contracts issued, the number of coverage units in a group reflects the expected pattern of underwriting of the underlying contracts because the level of service provided depends on the number of underlying contracts in force. The quantity of benefit is the maximum potential loss. The remaining coverage units are reassessed at the end of each reporting period to reflect the expected pattern of service and the expectations of lapses and cancellations of contracts. The remaining coverage is allocated based on probability-weighted average duration of each coverage unit provided in the current period and expected to be provided in the future.

For reinsurance contracts held, the CSM amortisation is similar to the reinsurance contracts issued and reflects the expected pattern of underwriting of the underlying contracts because the level of service provided depends on the number of underlying contracts in-force.

3.1.6. Assets for insurance acquisition cash flows

The Group applies judgement in determining the inputs used in the methodology to systematically and rationally allocate insurance acquisition cash flows to groups of insurance contracts. This includes judgements about whether insurance contracts are expected to arise from renewals of existing insurance contracts and, where applicable, the amount to be allocated to groups including future renewals and the volume of expected renewals from new contracts issued in the period. Insurance acquisition cash flows assets not yet allocated to a group are assessed for recoverability if facts and circumstances indicate that the assets might be impaired. Impairment losses reduce the carrying amount of these assets and are recognised in insurance service expenses. Previously recognised impairment losses are reversed to the extent that the impairment conditions no longer exist or have improved.

3.1.7. Determination of IFRS 17 transition amount

The Group has adopted IFRS 17 retrospectively, applying alternative transition methods where the full retrospective approach was impracticable. The full retrospective approach was mostly applied to insurance contracts in force at the transition date that were originated less than 3-5 years prior to transition. The fair value approach was applied in circumstances where the full retrospective approach was impracticable. The transition approach was determined at the level of group of insurance contracts and affected the approach to calculating the CSM on initial adoption of IFRS 17 as follows:

- Full retrospective approach

The CSM at initial recognition is based on initial assumption when groups of contracts were recognised and rolled forward to the date of transition as if IFRS 17 has always been applied.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

Contracts not measured under PAA (continued)

3.1.7. Determination of IFRS 17 transition amount (continued)

- Fair value approach

The CSM (or the loss component) is determined as the difference between the fair value of the group of insurance contracts and the fulfilment cash flows measured at the transition date.

For all contracts measured under the fair value approach, the Group used reasonable and supportable information available at 1 January 2022 to determine:

- how to identify groups of contracts;
- whether a contract meets the definition of a direct participating contract; and
- how to identify discretionary cash flows for contracts without direct participation features.

A group of contracts for fair value measurement includes contracts from multiple cohorts and years into a single unit for accounting purposes. For these groups, the discount rates on initial recognition were determined at 1 January 2022 instead of at the date of initial recognition.

In determining the fair value, the Group has applied the requirements of IFRS 13, *Fair Value Measurement*. An embedded value approach was used to determine the fair value of groups of insurance contracts for the purposes of applying the fair value approach. The embedded value is defined to be (a) the fulfilment cash flows plus (b) the cost of capital required to support the insurance contracts less (c) the value of the profits expected to emerge as the obligation is satisfied. The fair value for reinsurance contracts held was determined under the presumption that the market participant is the same market participant that would purchase the underlying direct contracts.

For groups of reinsurance contracts covering onerous underlying contracts, the loss-recovery component within the asset for remaining coverage was determined at the transition date by multiplying the loss component of the liability for remaining coverage for the underlying insurance contracts at that date and the percentage of claims for the underlying insurance contracts the Group expects to recover from the reinsurance contracts held.

Contracts measured under PAA

3.2 Areas of Judgement

Areas of judgement which broadly impact the Group's reporting include definition and classification of insurance contracts, the unit of account identified in which insurance contracts are assessed, and the level of aggregation applied for measurement and reporting purposes. Specific areas of judgement and estimates impacting contracts measured under PAA are described in subsequent notes.

For insurance contracts with a coverage period of more than one year and for which the entity applies the PAA, the eligibility assessment might involve significant judgement. All contracts measured by the Group under the PAA have a coverage period of one year or less. Thus, no assessment for the PAA is separately required and no judgement was involved. For contracts measured under the PAA, the assessment of the likelihood of adverse changes in applicable facts and circumstances is an area of judgement.

For insurance contracts issued measured under the PAA, management judgement might be required to assess whether facts and circumstances indicate that a group of contracts has become onerous. Further, judgement is required to assess whether facts and circumstances indicate that any changes in the onerous group's profitability and whether any loss component remeasurement is required.

The determination of whether laws or regulations constrain the Group's practical ability to set a different price or level of benefits for policyholders with different risk profiles, so that the Group might include such contracts in the same group, disregarding the aggregation requirements, is an area of judgement.

All contracts measured by the Group were determined to be non-onerous on initial recognition.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)**Contracts measured under PAA (continued)****3.3. Insurance and reinsurance contracts**

The Group applies the PAA to simplify the measurement of insurance contracts in its general insurance and group life and health insurance portfolios. When measuring liabilities for remaining coverage, the PAA is broadly similar to the Group's previous accounting treatment under IFRS 4. However, when measuring liabilities for incurred claims, the Group has elected not to discount the cash flows within the LIC for certain groups of contracts where the cash flows are expected to be paid within a year of the date on which the claim is incurred. For all groups of contracts, the Group includes an explicit risk adjustment for non-financial risk.

3.3.1 Liability for incurred claims

The ultimate cost of outstanding claims is estimated by using a range of standard actuarial claims projection techniques, such as Chain Ladder and Bornheutter-Ferguson methods.

The main assumption underlying these techniques is that a Group's past claims development experience can be used to project future claims development and hence ultimate claims costs. These methods extrapolate the development of paid and incurred losses, average costs per claim (including claims handling costs), and claim counts based on the observed development of earlier years and expected loss ratios. Historical claims development is mainly analysed by accident years, but can also be further analysed by geographical area, as well as by significant business lines and claim types. Large claims are usually separately addressed, either by being reserved at the face value of loss adjuster estimates or separately projected in order to reflect their future development. In most cases, no explicit assumptions are made regarding future rates of claims inflation or loss ratios. Instead, the assumptions used are those implicit in the historical claims development data on which the projections are based. Additional qualitative judgement is used to assess the extent to which past trends may not apply in future, (e.g., to reflect one-off occurrences, changes in external or market factors such as public attitudes to claiming, economic conditions, levels of claims inflation, judicial decisions and legislation, as well as internal factors such as portfolio mix, policy features and claims handling procedures) in order to arrive at the estimated ultimate cost of claims that present the probability-weighted expected value outcome from the range of possible outcomes, taking account of all the uncertainties involved.

Estimates of salvage recoveries and subrogation reimbursements are considered as an allowance in the measurement of ultimate claims costs.

Other key circumstances affecting the reliability of assumptions include variation in interest rates, delays in settlement and changes in foreign currency exchange rates.

3.3.2 Risk adjustment for non-financial risk

The risk adjustment for non-financial risk is the compensation that the Group requires for bearing the uncertainty about the amount and timing of the cash flows of groups of insurance contracts. The risk adjustment reflects an amount that an insurer would rationally require to remove the uncertainty that future cash flows will exceed the expected value amount.

The Group has estimated the risk adjustment by using the margin approach. Risk adjustment percentages were determined according to a confidence level range of 70% to 75%.

3.3.3 Assets for insurance acquisition cash flows

The Group applies judgement in determining the inputs used in the methodology to systematically and rationally allocate insurance acquisition cash flows to groups of insurance contracts. This includes judgements about the amounts allocated to insurance contracts expected to arise from renewals of existing insurance contracts in a group and the volume of expected renewals from new contracts issued in the period.

At the end of each reporting period, the Group revisits the assumptions made to allocate insurance acquisition cash flows to groups and where necessary revises the amounts of assets for insurance acquisition cash flows accordingly.

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NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

4. FEES AND OTHER INCOME

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)
- the provision of corporate finance, stockbroking, trust and related services.

Other income includes:

- 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.

5. SEGMENTS

The Group conducts its business through three reportable operating segments, as follows:

- a) **Sagicor Life:** Engages in life, health, annuity, property and casualty insurance business, and pension administration services in Barbados, Eastern Caribbean, Dutch Caribbean, Bahamas, Belize, Panamá and Trinidad & Tobago and, through a segregated account, transfers insurance risks associated with certain life and annuity products relating to Trinidad & Tobago business to Sagicor Reinsurance Bermuda Ltd.
- b) **Sagicor Jamaica:** Engages in life, health, annuity, property and casualty insurance business, pension administration services, banking and financial services, and real estate investment services in Jamaica, Cayman Islands, Costa Rica and USA.
- c) **Sagicor Life USA:** Engages in life insurance and annuity business in certain states of the USA and, through a segregated account, transfers insurance risks associated with certain life and annuity products, and financial instruments supporting those liabilities, to Sagicor Reinsurance Bermuda Ltd.

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5. SEGMENTS (continued)

Segmented financial information is set out in the sections 5.1 and 5.2. During the year, management made certain reorganisational changes to its subsidiary, Sagicor General, resulting in the subsidiary now being reported as part of the Sagicor Life segment. All related comparative period information has been amended accordingly to reflect this change. Sagicor General was previously reported as part of Head Office and Other.

5.1 Statement of income by reportable operating segment

<u>Amounts in US \$000</u>	Sagicor Life	Sagicor Jamaica	Sagicor Life USA	Head office and other	Adjust- ments	Total
Nine months to September 30, 2023						
Insurance revenue	223,243	224,593	65,587	-	-	513,423
Insurance service expenses	(179,006)	(174,553)	(65,940)	-	-	(419,499)
Net expenses from reinsurance contracts held	(20,377)	(16,644)	(5,858)	-	-	(42,879)
Inter-segment insurance service result	(515)	-	774	-	(259)	-
Insurance service result	23,345	33,396	(5,437)	-	(259)	51,045
Gain / (loss) on derecognition of amortised cost investments	-	308	-	-	-	308
Gain / (loss) on derecognition of assets carried at FVTOCI	524	2,262	(137)	103	-	2,752
Interest income earned from financial assets measured at amortised cost and FVTOCI	13,137	109,385	35,940	5,164	-	163,626
Credit impairment recovery / (loss)	897	(3,509)	(374)	(191)	-	(3,177)
Other investment income / (loss)	65,165	32,808	158,439	(1,576)	-	254,836
Inter-segment investment income / (expenses)	15,843	1,806	-	26,730	(44,379)	-
Net investment income / (expenses)	95,566	143,060	193,868	30,230	(44,379)	418,345
Finance income / (expenses) from insurance contracts issued	(70,222)	(1,136)	(80,440)	-	-	(151,798)
Finance income / (expenses) from reinsurance contracts held	3,863	1,024	20,126	-	-	25,013
Inter-segment net insurance finance income / (expenses)	(1,171)	-	1,167	-	4	-
Net insurance finance income / (expenses)	(67,530)	(112)	(59,147)	-	4	(126,785)
Net insurance and investment result	51,381	176,344	129,284	30,230	(44,634)	342,605
Inter-segment other income / (expenses)	(416)	(1,280)	(9,483)	(15,430)	26,609	-
Fees and other income	7,304	81,971	82	1,310	19	90,686
Share of income of associates and joint ventures	3,976	537	-	-	-	4,513
Other operating expenses	(27,865)	(129,855)	(23,916)	(34,620)	(2,551)	(218,807)
Other interest and finance costs	(11,067)	(42,080)	(16,926)	(28,431)	-	(98,504)
Segment income / (loss) before taxes	23,313	85,637	79,041	(46,941)	(20,557)	120,493
Income taxes	(5,907)	(18,866)	(14,985)	(14)	-	(39,772)
Segment net income / (loss) for the period	17,406	66,771	64,056	(46,955)	(20,557)	80,721
Net income / (loss) attributable to shareholders	17,397	32,291	64,056	(46,466)	(20,557)	46,721
Net income / (loss) attributable to non-controlling interests	9	34,480	-	(489)	-	34,000
Total comprehensive income / (loss) attributable to shareholders	16,386	27,844	61,263	(45,913)	(20,619)	38,961

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NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

5. SEGMENTS (continued)

5.1 Statement of income by reportable operating segment (continued)

<u>Amounts in US \$000</u>	Sagicor Life	Sagicor Jamaica	Sagicor Life USA	Head office and other	Adjust- ments	Total
Nine months to September 30, 2022						
Insurance revenue	213,777	189,356	47,600	-	-	450,733
Insurance service expenses	(165,844)	(159,881)	(47,643)	-	-	(373,368)
Net expenses from reinsurance contracts held	(19,969)	(12,611)	6,228	-	-	(26,352)
Inter-segment insurance service result	(584)	-	2,032	-	(1,448)	-
Insurance service result	27,380	16,864	8,217	-	(1,448)	51,013
Gain / (loss) on derecognition of amortised cost investments	600	(274)	(54)	(49)	-	223
Gain / (loss) on derecognition of assets carried at FVTOCI	195	2,674	1,687	-	-	4,556
Interest income earned from financial assets measured at amortised cost and FVTOCI	14,136	88,006	16,994	5,024	-	124,160
Credit impairment recovery / (loss)	1,050	(2,342)	(419)	(104)	-	(1,815)
Other investment income / (loss)	28,858	(108,536)	(465,256)	(22,488)	-	(567,422)
Inter-segment investment income / (expenses)	17,299	-	-	20,854	(38,153)	-
Net investment income / (expenses)	62,138	(20,472)	(447,048)	3,237	(38,153)	(440,298)
Finance income / (expenses) from insurance contracts issued	(58,055)	80,016	337,945	-	-	359,906
Finance income / (expenses) from reinsurance contracts held	(1,662)	555	(29,153)	-	-	(30,260)
Inter-segment net insurance finance income / (expenses)	1,941	-	(1,960)	-	19	-
Net insurance finance income / (expenses)	(57,776)	80,571	306,832	-	19	329,646
Net insurance and investment result	31,742	76,963	(131,999)	3,237	(39,582)	(59,639)
Inter-segment other income / (expenses)	(481)	(941)	(7,678)	(16,712)	25,812	-
Fees and other income	2,808	105,077	95	2,724	670	111,374
Share of income of associates and joint ventures	2,983	3,963	-	-	-	6,946
Other operating expenses	(25,744)	(137,587)	(21,836)	(35,596)	(64)	(220,827)
Other interest and finance costs	(9,759)	(28,871)	(5,660)	(28,278)	-	(72,568)
Segment income / (loss) before taxes	1,549	18,604	(167,078)	(74,625)	(13,164)	(234,714)
Income taxes	(11,272)	(20,212)	29,700	(25)	-	(1,809)
Segment net income / (loss) for the period	(9,723)	(1,608)	(137,378)	(74,650)	(13,164)	(236,523)
Net income / (loss) attributable to shareholders	(9,751)	(1,709)	(137,378)	(74,272)	(13,164)	(236,274)
Net income / (loss) attributable to non-controlling interests	28	101	-	(378)	-	(249)
Total comprehensive income / (loss) attributable to shareholders	(26,055)	(23,856)	(149,231)	(74,762)	(13,159)	(287,063)

SAGICOR FINANCIAL COMPANY LTD.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

5. SEGMENTS (continued)

5.1 Statement of income by reportable operating segment (continued)

<u>Amounts in US \$000</u>	Sagicor Life	Sagicor Jamaica	Sagicor Life USA	Head office and other	Adjust- ments	Total
Three months to September 30, 2023						
Insurance revenue	76,519	79,666	25,096	-	-	181,281
Insurance service expenses	(62,082)	(54,978)	(38,628)	-	-	(155,688)
Net expenses from reinsurance contracts held	(9,236)	(6,600)	13,811	-	-	(2,025)
Inter-segment insurance service result	36	-	879	-	(915)	-
Insurance service result	5,237	18,088	1,158	-	(915)	23,568
Gain / (loss) on derecognition of amortised cost investments	-	84	-	-	-	84
Gain / (loss) on derecognition of assets carried at FVTOCI	4	1,472	(173)	14	-	1,317
Interest income earned from financial assets measured at amortised cost and FVTOCI	3,658	36,582	12,502	1,908	-	54,650
Credit impairment recovery / (loss)	134	(479)	(136)	(37)	-	(518)
Other investment income / (loss)	21,200	(4,317)	15,344	(4,992)	-	27,235
Inter-segment investment income / (expenses)	5,336	1,503	-	21,570	(28,409)	-
Net investment income / (expenses)	30,332	34,845	27,537	18,463	(28,409)	82,768
Finance income / (expenses) from insurance contracts issued	(18,382)	13,226	(10,012)	-	-	(15,168)
Finance income / (expenses) from reinsurance contracts held	(600)	1,063	6,234	-	-	6,697
Inter-segment net insurance finance income / (expenses)	(415)	-	414	-	1	-
Net insurance finance income / (expenses)	(19,397)	14,289	(3,364)	-	1	(8,471)
Net insurance and investment result	16,172	67,222	25,331	18,463	(29,323)	97,865
Inter-segment other income / (expenses)	(104)	(540)	(3,222)	(5,211)	9,077	-
Fees and other income	2,093	23,544	27	654	818	27,136
Share of income of associates and joint ventures	863	520	-	-	-	1,383
Other operating expenses	(9,280)	(42,423)	(7,651)	(11,289)	(181)	(70,824)
Other interest and finance costs	(3,764)	(13,213)	(7,176)	(9,630)	-	(33,783)
Segment income / (loss) before taxes	5,980	35,110	7,309	(7,013)	(19,609)	21,777
Income taxes	(2,322)	(6,008)	(2,250)	(7)	-	(10,587)
Segment net income / (loss) for the period	3,658	29,102	5,059	(7,020)	(19,609)	11,190
Net income / (loss) attributable to shareholders	3,658	14,172	5,059	(6,807)	(19,609)	(3,527)
Net income / (loss) attributable to non-controlling interests	-	14,930	-	(213)	-	14,717
Total comprehensive income / (loss) attributable to shareholders	935	10,568	3,591	(6,503)	(19,635)	(11,044)

SAGICOR FINANCIAL COMPANY LTD.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

5. SEGMENTS (continued)

5.1 Statement of income by reportable operating segment (continued)

<u>Amounts in US \$000</u>	Sagicor Life	Sagicor Jamaica	Sagicor Life USA	Head office and other	Adjust- ments	Total
Three months to September 30, 2022						
Insurance revenue	71,503	65,018	15,642	-	-	152,163
Insurance service expenses	(58,256)	(53,875)	(16,811)	-	-	(128,942)
Net expenses from reinsurance contracts held	(10,121)	(5,467)	(2,397)	-	-	(17,985)
Inter-segment insurance service result	(186)	-	1,189	-	(1,003)	-
Insurance service result	2,940	5,676	(2,377)	-	(1,003)	5,236
Gain / (loss) on derecognition of amortised cost investments	1	(1,854)	(54)	(37)	-	(1,944)
Gain / (loss) on derecognition of assets carried at FVTOCI	(15)	1,050	(1,107)	-	-	(72)
Interest income earned from financial assets measured at amortised cost and FVTOCI	4,256	30,880	8,788	1,309	-	45,233
Credit impairment recovery / (loss)	15	(1,129)	(227)	(3)	-	(1,344)
Other investment income / (loss)	14,239	(24,087)	(115,813)	(1,091)	-	(126,752)
Inter-segment investment income / (expenses)	5,028	-	-	2,706	(7,734)	-
Net investment income / (expenses)	23,524	4,860	(108,413)	2,884	(7,734)	(84,879)
Finance income / (expenses) from insurance contracts issued	(21,437)	(13,468)	93,013	-	-	58,108
Finance income / (expenses) from reinsurance contracts held	(113)	205	(5,277)	-	-	(5,185)
Inter-segment net insurance finance income / (expenses)	386	-	(392)	-	6	-
Net insurance finance income / (expenses)	(21,164)	(13,263)	87,344	-	6	52,923
Net insurance and investment result	5,300	(2,727)	(23,446)	2,884	(8,731)	(26,720)
Inter-segment other income / (expenses)	(122)	(338)	(2,705)	(4,862)	8,027	-
Fees and other income	654	33,321	29	1,292	233	35,529
Share of income of associates and joint ventures	1,072	1,736	-	-	-	2,808
Other operating expenses	(8,694)	(40,782)	(2,852)	(14,515)	923	(65,920)
Other interest and finance costs	(3,056)	(10,821)	(2,677)	(9,334)	-	(25,888)
Segment income / (loss) before taxes	(4,846)	(19,611)	(31,651)	(24,535)	452	(80,191)
Income taxes	(6,090)	(4,984)	5,075	(40)	-	(6,039)
Segment net income / (loss) for the period	(10,936)	(24,595)	(26,576)	(24,575)	452	(86,230)
Net income / (loss) attributable to shareholders	(10,936)	(12,513)	(26,576)	(24,503)	452	(74,076)
Net income / (loss) attributable to non-controlling interests	-	(12,082)	-	(72)	-	(12,154)
Total comprehensive income / (loss) attributable to shareholders	(13,150)	(17,466)	(31,672)	(24,273)	485	(86,076)

SAGICOR FINANCIAL COMPANY LTD.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

5. SEGMENTS (continued)

5.2 Statement of financial position by reportable operating segment

<u>Amounts in US \$000</u>	Sagicor Life	Sagicor Jamaica	Sagicor Life USA	Head office and other	Adjustments	Total
As of September 30, 2023						
Financial investments	1,668,434	2,912,885	4,543,905	175,557	-	9,300,781
Reinsurance contract assets	28,025	14,180	374,448	-	-	416,653
Insurance contract assets	4,959	-	-	-	-	4,959
Other external assets	358,904	550,199	194,914	204,616	-	1,308,633
Inter-segment assets	504,843	45,037	24,379	145,285	(719,544)	-
Total assets	2,565,165	3,522,301	5,137,646	525,458	(719,544)	11,031,026
Insurance contract liabilities	1,478,704	906,988	4,236,657	-	-	6,622,349
Reinsurance contract liabilities	20,387	-	-	-	-	20,387
Investment contract liabilities	268,317	133,590	63,883	-	-	465,790
Other external liabilities	101,752	1,855,154	403,455	799,887	-	3,160,248
Inter-segment liabilities	128,387	9,118	170,859	411,180	(719,544)	-
Total liabilities	1,997,547	2,904,850	4,874,854	1,211,067	(719,544)	10,268,774
Net assets	567,618	617,451	262,792	(685,609)	-	762,252
Net assets attributable to non-controlling interests	229	307,351	-	12,162	-	319,742

<u>Amounts in US \$000</u>	Sagicor Life	Sagicor Jamaica	Sagicor Life USA	Head office and other	Adjustments	Total
As of December 31, 2022						
Financial investments	1,613,202	2,855,058	4,200,923	199,220	-	8,868,403
Reinsurance contract assets	23,762	10,937	481,867	-	-	516,566
Insurance contract assets	3,550	-	-	-	-	3,550
Other external assets	391,488	549,551	128,391	163,427	-	1,232,857
Inter-segment assets	455,115	26,100	33,582	181,837	(696,634)	-
Total assets	2,487,117	3,441,646	4,844,763	544,484	(696,634)	10,621,376
Insurance contract liabilities	1,417,886	900,311	3,930,397	-	-	6,248,594
Reinsurance contract liabilities	31,446	-	-	-	-	31,446
Investment contract liabilities	272,267	133,531	66,499	-	-	472,297
Other external liabilities	94,208	1,801,681	469,431	767,295	-	3,132,615
Inter-segment liabilities	116,608	2,316	177,517	400,193	(696,634)	-
Total liabilities	1,932,415	2,837,839	4,643,844	1,167,488	(696,634)	9,884,952
Net assets	554,702	603,807	200,919	(623,004)	-	736,424
Net assets attributable to non-controlling interests	221	293,883	-	12,629	-	306,733

SAGICOR FINANCIAL COMPANY LTD.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

6. INSURANCE REVENUE AND SERVICE EXPENSES

(a) Insurance service result

An analysis of insurance revenue, insurance service expenses and net expenses from reinsurance contracts held is included below.

	Nine months to September 30, 2023	Nine months to September 30, 2022	Three months to September 30, 2023	Three months to September 30, 2022
<u>Amounts in US \$000</u>				
Insurance revenue				
Contracts not measured under the PAA				
Amounts relating to the changes in the LRC:				
Expected incurred claims and other directly attributable expenses after loss component allocation	118,039	108,838	43,204	31,750
Change in the risk adjustment for non-financial risk for the risk expired after loss component allocation	21,338	19,078	7,465	6,539
CSM recognised in net income / (loss) for the services provided	73,473	56,553	25,155	20,126
Insurance acquisition cash flows recovery	16,389	5,422	6,369	2,776
Insurance revenue for contracts not measured under the PAA	229,239	189,891	82,193	61,191
Insurance revenue from contracts measured under the PAA	284,184	260,842	99,088	90,972
Total insurance revenue	513,423	450,733	181,281	152,163
Insurance service expenses				
Incurred claims and other directly attributable expenses	(327,047)	(306,113)	(116,976)	(107,119)
Losses on onerous contracts and reversal of those losses	(35,782)	(24,046)	(19,293)	(6,951)
Insurance acquisition cash flows amortisation	(56,670)	(43,209)	(19,419)	(14,942)
Insurance acquisition cash flows impairment	-	-	-	70
Total insurance service expenses	(419,499)	(373,368)	(155,688)	(128,942)

SAGICOR FINANCIAL COMPANY LTD.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

6. INSURANCE REVENUE AND SERVICE EXPENSES (continued)

(a) Insurance service result

	Nine months to September 30, 2023	Nine months to September 30, 2022	Three months to September 30, 2023	Three months to September 30, 2022
<u>Amounts in US \$000</u>				
Net income / (expenses) from reinsurance contracts held				
Reinsurance expenses – contracts not measured under the PAA				
Amounts relating to the changes in the remaining coverage:				
Expected claims and other directly attributable expenses recovery	(8,308)	69	956	(1,390)
Change in the risk adjustment recognised for the risk expired	(2,579)	(1,648)	(776)	(603)
CSM recognised in net income / (loss) for the services received	(3,735)	(33)	(2,516)	(1,191)
Reinsurance expenses – contracts not measured under the PAA	(14,622)	(1,612)	(2,336)	(3,184)
Reinsurance expenses – contracts measured under the PAA	(57,768)	(49,604)	(21,529)	(18,479)
Other incurred directly attributable expenses	(205)	9,632	4,428	2,609
Claims recovered	22,272	14,868	11,986	918
Changes in fulfilment cash flows which relate to onerous underlying contracts	7,444	364	5,426	151
Total net income / (expenses) from reinsurance contracts held	(42,879)	(26,352)	(2,025)	(17,985)
Total insurance service result	51,045	51,013	23,568	5,236

SAGICOR FINANCIAL COMPANY LTD.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

6. INSURANCE REVENUE AND SERVICE EXPENSES (continued)

(b) Amounts determined on transition to IFRS 17

For insurance contracts not measured under the PAA, an analysis of the related CSM by transition method is included below.

Amounts in US \$000

INSURANCE CONTRACTS ISSUED

CSM, end of period

New contracts and contracts measured under the full retrospective approach at transition	554,420	542,912
Contracts measured under the fair value approach at transition	161,776	140,963
	716,196	683,875

REINSURANCE CONTRACTS HELD

CSM, end of period

New contracts and contracts measured under the full retrospective approach at transition	21,473	2,168
Contracts measured under the fair value approach at transition	(3,873)	24,209
	17,600	26,377

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NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

6. INSURANCE REVENUE AND SERVICE EXPENSES (continued)

(c) Expected recognition of the contractual service margin

The following tables summarise the expected recognition of the contractual service margin based on the estimate of the CSM using discounted coverage units to allocate the CSM to each year.

	September 30, 2023	September 30, 2022
<u>Amounts in US \$000</u>		
INSURANCE CONTRACTS ISSUED		
Contracts not measured under the PAA		
Number of years until expected to be recognised		
1	52,565	59,582
2	56,876	55,008
3	54,213	51,740
4	50,142	48,452
5	46,041	44,192
6-10	187,638	177,832
>10	268,721	247,069
Total	716,196	683,875

SAGICOR FINANCIAL COMPANY LTD.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

6. INSURANCE REVENUE AND SERVICE EXPENSES (continued)

(c) Expected recognition of the contractual service margin (continued)

	September 30, 2023	September 30, 2022
<u>Amounts in US \$000</u>		
REINSURANCE CONTRACTS HELD		
Contracts not measured under the PAA		
Number of years until expected to be recognised		
1	3,199	5,846
2	1,612	3,534
3	3,515	2,417
4	4,498	1,809
5	400	3,107
6-10	392	5,202
>10	3,984	4,462
Total	17,600	26,377

SAGICOR FINANCIAL COMPANY LTD.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

7. INVESTMENT INCOME AND INSURANCE FINANCE EXPENSES

An analysis of net investment income and net insurance finance expenses is presented in the following tables:

Amounts in US \$000

**NET INVESTMENT INCOME / (EXPENSES) –
UNDERLYING ASSETS**

	Nine months to September 30, 2023	Nine months to September 30, 2022	Three months to September 30, 2023	Three months to September 30, 2022
Gain / (loss) on derecognition of amortised cost investments	(6)	600	(6)	(1,173)
Gain / (loss) on derecognition of assets carried at FVTOCI	58	(390)	28	(45)
Interest income earned from financial assets measured at amortised cost and FVTOCI	13,165	13,413	5,194	6,360
Net gain / (loss) on FVTPL investments	218,884	(456,943)	31,040	(104,680)
Net credit impairment recovery / (loss)	361	184	251	295
Net investment income / (expenses) – underlying assets	232,462	(443,136)	36,507	(99,243)

**NET INVESTMENT INCOME / (EXPENSES) –
OTHER INVESTMENTS**

Gain / (loss) on derecognition of amortised cost investments	314	(377)	90	(771)
Gain / (loss) on derecognition of assets carried at FVTOCI	2,694	4,946	1,289	(27)
Interest income earned from financial assets measured at amortised cost and FVTOCI	150,461	110,747	49,456	38,873
Net gain / (loss) on FVTPL investments	31,487	(115,121)	(6,065)	(25,519)
Net credit impairment recovery / (loss)	(3,538)	(1,999)	(769)	(1,639)
Net investment income – other investments	181,418	(1,804)	44,001	10,917

NET INVESTMENT INCOME / (EXPENSES) – OTHER

Investment property – rental income	1,361	1,717	313	439
Investment property – realised gains	-	-	-	(22)
Investment property – unrealised gains	1,163	269	1,163	283
Other investment income	1,941	2,656	784	2,747
NET INVESTMENT INCOME – OTHER	4,465	4,642	2,260	3,447
TOTAL NET INVESTMENT INCOME / (EXPENSES)	418,345	(440,298)	82,768	(84,879)

SAGICOR FINANCIAL COMPANY LTD.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

7. INVESTMENT INCOME AND INSURANCE FINANCE EXPENSES (continued)

	Nine months to September 30, 2023	Nine months to September 30, 2022	Three months to September 30, 2023	Three months to September 30, 2022
<u>Amounts in US \$000</u>				
FINANCE INCOME / (EXPENSES) FROM INSURANCE CONTRACTS ISSUED				
Changes in fair value of underlying assets of contracts measured under the VFA	1,771	11,463	2,991	(1,834)
Interest accreted	(196,624)	(130,460)	(70,184)	(50,726)
Effect of changes in interest rates and other financial assumptions	43,055	478,903	52,025	110,668
Finance income / (expenses) from insurance contracts issued	(151,798)	359,906	(15,168)	58,108
FINANCE INCOME / (EXPENSES) FROM REINSURANCE CONTRACTS HELD				
Interest accreted	14,327	16,111	4,590	5,995
Effect of changes in interest rates and other financial assumptions	10,686	(46,371)	2,050	(11,180)
Effect of changes in FCF at current rates when CSM is unlocked at locked-in rates	-	-	57	-
Finance income / (expenses) from reinsurance contracts held	25,013	(30,260)	6,697	(5,185)
NET INSURANCE FINANCE INCOME / (EXPENSES)	(126,785)	329,646	(8,471)	52,923

SAGICOR FINANCIAL COMPANY LTD.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

7. INVESTMENT INCOME AND INSURANCE FINANCE EXPENSES (continued)

Amounts in US \$000

SUMMARY OF THE AMOUNTS RECOGNISED IN THE STATEMENT OF INCOME

	Nine months to September 30, 2023	Nine months to September 30, 2022	Three months to September 30, 2023	Three months to September 30, 2022
Net investment income / (expenses) – underlying assets	232,462	(443,136)	36,507	(99,243)
Net investment income / (expenses) – other investments	181,418	(1,804)	44,001	10,917
Net investment income / (expenses) – other	4,465	4,642	2,260	3,447
Net insurance finance income / (expenses)	(126,785)	329,646	(8,471)	52,923
	291,560	(110,652)	74,297	(31,956)

SAGICOR FINANCIAL COMPANY LTD.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

8. CONTRACT ASSETS AND LIABILITIES

The table below presents a summary of contract assets and liabilities held by the Group.

	As of September 30, 2023	As of December 31, 2022	As of September 30, 2022
<u>Amounts in US \$000</u>			
Insurance contract assets	4,959	3,550	2,421
Insurance contract liabilities	(6,622,349)	(6,248,594)	(6,190,856)
Reinsurance contract assets	416,653	516,566	540,902
Reinsurance contract liabilities	(20,387)	(31,446)	(32,581)
Investment contract liabilities	(465,790)	(472,297)	(473,291)

SAGICOR FINANCIAL COMPANY LTD.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

8 CONTRACT ASSETS AND LIABILITIES (continued)

The following table presents insurance contract and reinsurance contract assets and liabilities by contract type and summarises those contracts which are measured under the premium allocation approach (PAA) and those which are not measured under the PAA.

	As of September 30, 2023	As of September 30, 2022
<u>Amounts in US \$000</u>		
Insurance contracts issued (includes direct participation contracts)		
Contracts measured under PAA - net (asset) / liability, end of period	140,372	132,782
Contracts not measured under PAA (GMM/ VFA) - net (asset) / liability, end of period	6,477,018	6,055,653
Total - Net (asset) / liability, end of period	6,617,390	6,188,435
 Reinsurance contracts held		
Contracts measured under PAA - net asset / (liability), end of period	31,929	30,090
Contracts not measured under PAA (GMM/ VFA) - net asset / (liability), end of period	364,337	478,231
Total - Net asset / (liability), end of period	396,266	508,321

SAGICOR FINANCIAL COMPANY LTD.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

8. CONTRACT ASSETS AND LIABILITIES (continued)

The following tables explain the components of insurance contract and reinsurance contract assets and liabilities, in addition to changes in these balances for the period.

i. a) Reconciliation of the liability for remaining coverage and the liability for incurred claims components

Nine months to September 30, 2023						
Amounts in US \$000	LRC		LIC		Insurance acquisition cash flows asset	Total
	Excluding loss component	Loss component	Present value of future cash flows	Risk adjustment for non-financial risk		
Insurance contracts issued						
Contracts measured under PAA						
Insurance contract liabilities, beginning of period	27,520	-	101,466	4,313	-	133,299
Insurance contract assets, beginning of period	(10)	-	6	-	-	(4)
Net balance – (asset) / liability, beginning of period	27,510	-	101,472	4,313	-	133,295
Insurance revenue	(284,184)	-	-	-	-	(284,184)
Insurance service expenses						
Incurred claims and other directly attributable expenses	-	-	195,806	(174)	-	195,632
Changes that relate to past service – adjustments to the LIC	-	-	-	-	-	-
Losses on onerous contracts and reversal of those losses	-	-	-	-	-	-
Impairment losses recognised during the period	-	-	-	-	-	-
Reversal of impairment losses recognised in prior periods	-	-	-	-	-	-
Insurance acquisition cash flows amortisation	40,281	-	-	-	-	40,281
Total insurance service expenses	40,281	-	195,806	(174)	-	235,913
Total amounts recognised in the insurance services result	(243,903)	-	195,806	(174)	-	(48,271)
Finance income / (expenses) from insurance contracts issued	-	-	-	-	-	-
Effect of exchange rate changes	(322)	-	(1,163)	(47)	-	(1,532)
Total amounts recognised in total comprehensive income	(244,225)	-	194,643	(221)	-	(49,803)
Investment components	-	-	-	-	-	-
Other changes	(1)	-	(3)	(1)	-	(5)

SAGICOR FINANCIAL COMPANY LTD.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

8. CONTRACT ASSETS AND LIABILITIES (continued)

i. a) Reconciliation of the liability for remaining coverage and the liability for incurred claims components

Nine months to September 30, 2023						
Amounts in US \$000	LRC		LIC		Insurance acquisition cash flows asset	Total
	Excluding loss component	Loss component	Present value of future cash flows	Risk adjustment for non-financial risk		
Insurance contracts issued						
Contracts measured under PAA						
Cash flows						
Premiums received	287,625	-	-	-	-	287,625
Claims and other directly attributable expenses paid	-	-	(189,407)	-	-	(189,407)
Insurance acquisition cash flows	(41,353)	-	-	-	-	(41,353)
Total cash flows	246,272	-	(189,407)	-	-	56,865
Allocation from assets for insurance acquisition cash flows to groups of insurance contracts	-	-	-	-	-	-
Other movements	8	-	12	-	-	20
Net balance – (asset) / liability, end of period	29,564	-	106,717	4,091	-	140,372
Insurance contract liabilities, end of period	31,353	-	106,297	4,071	-	141,721
Insurance contract assets, end of period	(1,789)	-	420	20	-	(1,349)
Net balance – (asset) / liability, end of period	29,564	-	106,717	4,091	-	140,372

SAGICOR FINANCIAL COMPANY LTD.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

8. CONTRACT ASSETS AND LIABILITIES (continued)

i. a) Reconciliation of the liability for remaining coverage and the liability for incurred claims components

Nine months to September 30, 2022						
Amounts in US \$000	LRC		LIC		Insurance acquisition cash flows asset	Total
Insurance contracts issued Contracts measured under PAA	Excluding loss component	Loss component	Present value of future cash flows	Risk adjustment for non-financial risk		
Insurance contract liabilities, beginning of period	23,065	-	100,031	4,244	-	127,340
Insurance contract assets, beginning of period	-	-	-	-	-	-
Net balance – (asset) / liability, beginning of period	23,065	-	100,031	4,244	-	127,340
Insurance revenue	(260,842)	-	-	-	-	(260,842)
Insurance service expenses						
Incurred claims and other directly attributable expenses	-	-	188,675	(139)	-	188,536
Changes that relate to past service – adjustments to the LIC	-	-	-	-	-	-
Losses on onerous contracts and reversal of those losses	-	-	-	-	-	-
Impairment losses recognised during the period	-	-	-	-	-	-
Reversal of impairment losses recognised in prior periods	-	-	-	-	-	-
Insurance acquisition cash flows amortisation	37,787	-	-	-	-	37,787
Total insurance service expenses	37,787	-	188,675	(139)	-	226,323
Total amounts recognised in the insurance services result	(223,055)	-	188,675	(139)	-	(34,519)
Finance income / (expenses) from insurance contracts issued	-	-	-	-	-	-
Effect of exchange rate changes	(41)	-	635	28	-	622
Total amounts recognised in total comprehensive income	(223,096)	-	189,310	(111)	-	(33,897)
Investment components	-	-	-	-	-	-
Other changes	-	-	-	-	-	-

SAGICOR FINANCIAL COMPANY LTD.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

8. CONTRACT ASSETS AND LIABILITIES (continued)

i. a) Reconciliation of the liability for remaining coverage and the liability for incurred claims components

	Nine months to September 30, 2022					
Amounts in US \$000	LRC		LIC		Insurance acquisition cash flows asset	Total
Insurance contracts issued Contracts measured under PAA	Excluding loss component	Loss component	Present value of future cash flows	Risk adjustment for non-financial risk		
Cash flows						
Premiums received	269,985	-	(1,400)	-	-	268,585
Claims and other directly attributable expenses paid	-	-	(188,883)	-	-	(188,883)
Insurance acquisition cash flows	(39,899)	-	(464)	-	-	(40,363)
Total cash flows	230,086	-	(190,747)	-	-	39,339
Allocation from assets for insurance acquisition cash flows to groups of insurance contracts	-	-	-	-	-	-
Other movements	-	-	-	-	-	-
Net balance – (asset) / liability, end of period	30,055	-	98,594	4,133	-	132,782
Insurance contract liabilities, end of period	31,216	-	98,230	4,116	-	133,562
Insurance contract assets, end of period	(1,161)	-	364	17	-	(780)
Net balance – (asset) / liability, end of period	30,055	-	98,594	4,133	-	132,782

SAGICOR FINANCIAL COMPANY LTD.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

8. CONTRACT ASSETS AND LIABILITIES (continued)

i. a) Reconciliation of the liability for remaining coverage and the liability for incurred claims components

Nine months to September 30, 2023

Amounts in US \$000

Insurance contracts issued
Contracts not measured under PAA

	LRC		LIC	Insurance acquisition cash flows asset	Total
	Excluding loss component	Loss component			
Insurance contract liabilities, beginning of period	5,711,360	203,209	200,726	-	6,115,295
Insurance contract assets, beginning of period	(5,119)	514	1,059	-	(3,546)
Net balance – (asset) / liability, beginning of period	5,706,241	203,723	201,785	-	6,111,749
Insurance revenue	(229,239)	-	-	-	(229,239)
Insurance service expenses					
Incurred claims and other directly attributable expenses	-	(6,154)	137,569	-	131,415
Changes that relate to past service – adjustments to the LIC	-	-	-	-	-
Losses on onerous contracts and reversal of those losses	-	35,782	-	-	35,782
Impairment losses recognised during the period	-	-	-	-	-
Reversal of impairment losses recognised in prior periods	-	-	-	-	-
Insurance acquisition cash flows amortisation	16,389	-	-	-	16,389
Total insurance service expenses	16,389	29,628	137,569	-	183,586
Total amounts recognised in the insurance services result	(212,850)	29,628	137,569	-	(45,653)
Finance income / (expenses) from insurance contracts issued	145,211	5,744	843	-	151,798
Effect of exchange rate changes	(10,665)	53	(412)	-	(11,024)
Total amounts recognised in total comprehensive income	(78,304)	35,425	138,000	-	95,121
Investment components	(552,652)	-	552,652	-	-
Other changes	(31)	-	31	-	-

SAGICOR FINANCIAL COMPANY LTD.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

8. CONTRACT ASSETS AND LIABILITIES (continued)

i. a) Reconciliation of the liability for remaining coverage and the liability for incurred claims components

Nine months to September 30, 2023					
Amounts in US \$000	LRC		LIC	Insurance acquisition cash flows asset	Total
	Excluding loss component	Loss component			
Insurance contracts issued					
Contracts not measured under PAA					
Cash flows					
Premiums received	1,051,371	-	-	-	1,051,371
Claims and other directly attributable expenses paid	-	-	(700,841)	-	(700,841)
Insurance acquisition cash flows	(80,382)	-	-	-	(80,382)
Total cash flows	970,989	-	(700,841)	-	270,148
Allocation from assets for insurance acquisition cash flows to groups of insurance contracts	-	-	-	-	-
Other movements	-	-	-	-	-
Net balance – (asset) / liability, end of period	6,046,243	239,148	191,627	-	6,477,018
Insurance contract liabilities, end of period	6,052,849	238,730	189,049	-	6,480,628
Insurance contract assets, end of period	(6,606)	418	2,578	-	(3,610)
Net balance – (asset) / liability, end of period	6,046,243	239,148	191,627	-	6,477,018

SAGICOR FINANCIAL COMPANY LTD.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

8. CONTRACT ASSETS AND LIABILITIES (continued)

i. a) Reconciliation of the liability for remaining coverage and the liability for incurred claims components

Amounts in US \$000	Nine months to September 30, 2022				
	LRC		LIC	Insurance acquisition cash flows asset	Total
	Excluding loss component	Loss component			
Insurance contracts issued					
Contracts not measured under PAA					
Insurance contract liabilities, beginning of period	5,192,027	181,265	194,017	-	5,567,309
Insurance contract assets, beginning of period	(3,910)	886	-	-	(3,024)
Net balance – (asset) / liability, beginning of period	5,188,117	182,151	194,017	-	5,564,285
Insurance revenue	(189,891)	-	-	-	(189,891)
Insurance service expenses					
Incurred claims and other directly attributable expenses	-	(6,428)	124,005	-	117,577
Changes that relate to past service – adjustments to the LIC	-	-	-	-	-
Losses on onerous contracts and reversal of those losses	-	24,046	-	-	24,046
Impairment losses recognised during the period	-	-	-	-	-
Reversal of impairment losses recognised in prior periods	-	-	-	-	-
Insurance acquisition cash flows amortisation	5,422	-	-	-	5,422
Total insurance service expenses	5,422	17,618	124,005	-	147,045
Total amounts recognised in the insurance services result	(184,469)	17,618	124,005	-	(42,846)
Finance income / (expenses) from insurance contracts issued	(360,783)	7	870	-	(359,906)
Effect of exchange rate changes	6,129	316	340	-	6,785
Total amounts recognised in total comprehensive income	(539,123)	17,941	125,215	-	(395,967)
Investment components	(368,489)	-	(368,489)	-	-
Other changes	-	-	-	-	-

SAGICOR FINANCIAL COMPANY LTD.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

8. CONTRACT ASSETS AND LIABILITIES (continued)

i. a) Reconciliation of the liability for remaining coverage and the liability for incurred claims components

Amounts in US \$000

Insurance contracts issued
Contracts not measured under PAA

Cash flows

Premiums received

Claims and other directly attributable expenses paid

Insurance acquisition cash flows

Total cash flows

Allocation from assets for insurance acquisition cash flows to
groups of insurance contracts

Other movements

Net balance – (asset) / liability, end of period

Insurance contract liabilities, end of period

Insurance contract assets, end of period

Net balance – (asset) / liability, end of period

Nine months to September 30, 2022					
LRC		LIC	Insurance acquisition cash flows asset	Total	
Excluding loss component	Loss component				
1,473,386	-	-	-	1,473,386	Premiums received
-	-	(496,793)	-	(496,793)	Claims and other directly attributable expenses paid
(89,258)	-	-	-	(89,258)	Insurance acquisition cash flows
1,384,128	-	(496,793)	-	887,335	
-	-	-	-	-	Allocation from assets for insurance acquisition cash flows to groups of insurance contracts
-	-	-	-	-	Other movements
5,664,633	200,092	190,928	-	6,055,653	Net balance – (asset) / liability, end of period
5,667,657	199,869	189,768	-	6,057,294	Insurance contract liabilities, end of period
(3,024)	223	1,160	-	(1,641)	Insurance contract assets, end of period
5,664,633	200,092	190,928	-	6,055,653	Net balance – (asset) / liability, end of period

SAGICOR FINANCIAL COMPANY LTD.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

8. CONTRACT ASSETS AND LIABILITIES (continued)

i. b) Reconciliation of the measurement components of insurance contract balances

Amounts in US \$000

	Nine months to September 30, 2023					Nine months to September 30, 2022				
	Present value of future cash flows	Risk adjustment for non-financial risk	CSM	Insurance acquisition cash flows asset	Total	Present value of future cash flows	Risk adjustment for non-financial risk	CSM	Insurance acquisition cash flows asset	Total
Insurance contracts issued										
Contracts not measured under PAA										
Insurance contract liabilities, beginning of period	5,113,089	298,751	703,455	-	6,115,295	4,683,941	294,085	589,283	-	5,567,309
Insurance contract assets, beginning of period	(19,747)	6,200	10,001	-	(3,546)	(12,665)	3,631	6,010	-	(3,024)
Net balance – (asset) / liability, beginning of period	5,093,342	304,951	713,456	-	6,111,749	4,671,276	297,716	595,293	-	5,564,285
Changes that relate to current service										
CSM recognised in net income / (loss) for the services provided	-	-	(73,473)	-	(73,473)	-	-	(56,553)	-	(56,553)
Change in the risk adjustment for non-financial risk for risk expired	-	(21,338)	-	-	(21,338)	-	(19,078)	-	-	(19,078)
Experience adjustments	13,376	-	-	-	13,376	8,743	-	-	-	8,743
	13,376	(21,338)	(73,473)	-	(81,435)	8,743	(19,078)	(56,553)	-	(66,888)
Changes that relate to future service										
Changes in estimate that adjust the CSM	31,850	11,932	(43,785)	-	(3)	21,796	(1,033)	(20,765)	-	(2)
Changes in estimates that result in onerous contract losses or reversal of losses	32,555	(1,563)	-	-	30,992	18,071	(870)	-	-	17,201
Contracts initially recognised in the period	(114,278)	16,788	102,283	-	4,793	(159,984)	19,564	147,263	-	6,843
	(49,873)	27,157	58,498	-	35,782	(120,117)	17,661	126,498	-	24,042
Changes that relate to past service										
Changes that relate to past service – adjustments to the LIC	-	-	-	-	-	-	-	-	-	-
Impairment losses recognised during the period	-	-	-	-	-	-	-	-	-	-
Reversal of impairment losses recognised in prior periods	-	-	-	-	-	-	-	-	-	-
Total amounts recognised in the insurance service result	(36,497)	5,819	(14,975)	-	(45,653)	(111,374)	(1,417)	69,945	-	(42,846)
Finance income / (expenses) from insurance contracts issued	130,265	(1,467)	23,000	-	151,798	(374,476)	(1,579)	16,149	-	(359,906)
Effect of exchange rate changes	(4,565)	(1,172)	(5,287)	-	(11,024)	3,660	637	2,488	-	6,785
Total amounts recognised in total comprehensive income	89,203	3,180	2,738	-	95,121	(482,190)	(2,359)	88,582	-	(395,967)
Investment components	-	-	-	-	-	-	-	-	-	-
Other changes	-	-	-	-	-	-	-	-	-	-

SAGICOR FINANCIAL COMPANY LTD.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

8. CONTRACT ASSETS AND LIABILITIES (continued)

i. b) Reconciliation of the measurement components of insurance contract

Amounts in US \$000

	Nine months to September 30, 2023					Nine months to September 30, 2022				
Insurance contracts issued Contracts not measured under PAA	Present value of future cash flows	Risk adjustment for non- financial risk	CSM	Insurance acquisition cash flows asset	Total	Present value of future cash flows	Risk adjustment for non- financial risk	CSM	Insurance acquisition cash flows asset	Total
Cash flows										
Premiums received	1,051,371	-	-	-	1,051,371	1,473,386	-	-	-	1,473,386
Claims and other directly attributable expenses paid	(700,840)	-	-	-	(700,840)	(496,794)	-	-	-	(496,794)
Insurance acquisition cash flows	(80,385)	-	-	-	(80,385)	(89,257)	-	-	-	(89,257)
Total cash flows	270,146	-	-	-	270,146	887,335	-	-	-	887,335
Allocation from assets for insurance acquisition cash flows to groups of insurance contracts	-	-	-	-	-	-	-	-	-	-
Other movements	-	-	2	-	2	-	-	-	-	-
Net balance – (asset) / liability, end of period	5,452,691	308,131	716,196	-	6,477,018	5,076,421	295,357	683,875	-	6,055,653
Insurance contract liabilities, end of period	5,463,020	305,105	712,503	-	6,480,628	5,086,127	292,444	678,723	-	6,057,294
Insurance contract assets, end of period	(10,329)	3,026	3,693	-	(3,610)	(9,706)	2,913	5,152	-	(1,641)
Net balance – (asset) / liability, end of period	5,452,691	308,131	716,196	-	6,477,018	5,076,421	295,357	683,875	-	6,055,653

SAGICOR FINANCIAL COMPANY LTD.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

8. CONTRACT ASSETS AND LIABILITIES (continued)

i. c) Impact of contracts recognised in the period

Amounts in US \$000	Nine months to September 30, 2023					Nine months to September 30, 2022				
	Contracts issued		Contracts acquired		Total	Contracts issued		Contracts acquired		Total
	Non-onerous	Onerous	Non-onerous	Onerous		Non-onerous	Onerous	Non-onerous	Onerous	
Insurance contracts issued										
Estimates of present value of future cash outflows										
Insurance acquisition cash flows	(64,986)	(5,829)	-	-	(70,815)	(70,721)	(7,101)	-	-	(77,822)
Claims and other directly attributable expenses	(752,436)	(17,195)	-	-	(769,631)	(1,103,602)	(29,850)	-	-	(1,133,452)
Estimates of present value of future cash outflows	(817,422)	(23,024)	-	-	(840,446)	(1,174,323)	(36,951)	-	-	(1,211,274)
Estimates of present value of future cash inflows	935,094	19,329	-	-	954,423	1,339,376	32,135	-	-	1,371,511
Risk adjustment for non-financial risk	(15,656)	(1,079)	-	-	(16,735)	(17,566)	(2,042)	-	-	(19,608)
CSM	(102,015)	-	-	-	(102,015)	(147,488)	-	-	-	(147,488)
Increase / (decrease) in insurance contract liabilities from contracts recognised in the period	1	(4,774)	-	-	(4,773)	(1)	(6,858)	-	-	(6,859)

SAGICOR FINANCIAL COMPANY LTD.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

8. CONTRACT ASSETS AND LIABILITIES (continued)

i. d) Amounts determined on transition to IFRS 17 – The CSM by transition method

	Nine months to September 30, 2023			Nine months to September 30, 2022		
<u>Amounts in US \$000</u>	New contracts and contracts measured under the full retrospective approach at transition	Contracts measured under the fair value approach at transition	Total	New contracts and contracts measured under the full retrospective approach at transition	Contracts measured under the fair value approach at transition	Total
Insurance contracts issued						
CSM, beginning of period	567,867	145,589	713,456	452,920	142,373	595,293
Changes that relate to current service						
CSM recognised in net income / (loss) for the services provided	(58,298)	(15,175)	(73,473)	(43,656)	(12,897)	(56,553)
Changes that relate to future service						
Changes in estimates that adjust the CSM	(72,262)	28,477	(43,785)	(29,227)	8,462	(20,765)
Contracts initially recognised in the period	102,192	91	102,283	147,183	80	147,263
	(28,368)	13,393	(14,975)	74,300	(4,355)	69,945
Finance income / (expenses) from insurance contracts issued	18,926	4,076	23,002	13,255	2,894	16,149
Effect of exchange rate changes	(4,005)	(1,282)	(5,287)	2,437	51	2,488
Total amounts recognised in total comprehensive income	(13,447)	16,187	2,740	89,992	(1,410)	88,582
CSM, end of period	554,420	161,776	716,196	542,912	140,963	683,875

SAGICOR FINANCIAL COMPANY LTD.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

8. CONTRACT ASSETS AND LIABILITIES (continued)

ii. a) Reconciliation of the remaining coverage and the incurred claims components

Amounts in US \$000	Nine months to September 30, 2023					Nine months to September 30, 2022				
	Remaining coverage		Incurred claims		Total	Remaining coverage		Incurred claims		Total
	Excluding loss recovery component	Loss recovery Component	Present value of future cash flows	Risk adjustment for non-financial risk		Excluding loss recovery component	Loss recovery Component	Present value of future cash flows	Risk adjustment for non-financial risk	
Reinsurance contracts held										
Contracts measured under the PAA										
Reinsurance contract liabilities, beginning of period	(1,326)	-	120	-	(1,206)	(2,776)	-	2,062	19	(695)
Reinsurance contract assets, beginning of period	10,073	-	16,619	748	27,440	6,261	-	13,325	709	20,295
Net balance – asset / (liability), beginning of period	8,747	-	16,739	748	26,234	3,485	-	15,387	728	19,600
Net income / (expenses) from reinsurance contracts held										
Reinsurance expenses	(57,768)	-	-	-	(57,768)	(49,604)	-	-	-	(49,604)
Other incurred directly attributable expenses	(3,771)	-	12,278	(2)	8,505	(2,434)	-	12,020	46	9,632
Claims recovered	-	-	10,582	(10)	10,572	-	-	8,284	(1)	8,283
Changes that relate to past service – adjustments to incurred claims	-	-	-	-	-	-	-	-	-	-
Loss – recovery of onerous underlying contracts and adjustments	-	-	-	-	-	-	-	-	-	-
Effect of changes in the risk of reinsurers non-performance	-	-	-	-	-	-	-	-	-	-
Net income / (expenses) from reinsurance contracts held	(61,539)	-	22,860	(12)	(38,691)	(52,038)	-	20,304	45	(31,689)
Finance income / (expenses) from reinsurance contracts held	-	-	-	-	-	-	-	-	-	-
Effect of exchange rate changes	(107)	-	(162)	(19)	(288)	50	-	62	4	116
Total amounts recognised in total comprehensive income	(61,646)	-	22,698	(31)	(38,979)	(51,988)	-	20,366	49	(31,573)
Investment components	-	-	-	-	-	-	-	-	-	-
Other changes	-	-	4	12	16	-	-	-	-	-

SAGICOR FINANCIAL COMPANY LTD.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

8. CONTRACT ASSETS AND LIABILITIES (continued)

ii. a) Reconciliation of the remaining coverage and the incurred claims components

Amounts in US \$000	Nine months to September 30, 2023					Nine months to September 30, 2022				
	Remaining coverage		Incurred claims			Remaining coverage		Incurred claims		
	Excluding loss recovery component	Loss recovery Component	Present value of future cash flows	Risk adjustment for non-financial risk	Total	Excluding loss recovery component	Loss recovery Component	Present value of future cash flows	Risk adjustment for non-financial risk	Total
Reinsurance contracts held										
Contracts measured under the PAA										
Cash flows										
Premiums paid net of ceding commissions and other directly attributable expenses paid	62,753	-	(14,175)	-	48,578	62,892	-	(1,463)	-	61,429
Recoveries from reinsurance	-	-	(3,920)	-	(3,920)	-	-	(19,366)	-	(19,366)
Total cash flows	62,753	-	(18,095)	-	44,658	62,892	-	(20,829)	-	42,063
Net balance – asset / (liability), end of period	9,854	-	21,346	729	31,929	14,389	-	14,924	777	30,090
Reinsurance contract liabilities, end of period	(810)	-	118	-	(692)	(1,281)	-	144	1	(1,136)
Reinsurance contract assets, end of period	10,664	-	21,228	729	32,621	15,670	-	14,780	776	31,226
Net balance – asset / (liability), end of period	9,854	-	21,346	729	31,929	14,389	-	14,924	777	30,090

SAGICOR FINANCIAL COMPANY LTD.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

8. CONTRACT ASSETS AND LIABILITIES (continued)

ii. a) Reconciliation of the remaining coverage and the incurred claims components

Amounts in US \$000

Reinsurance contracts held
Contracts not measured under the PAA

	Nine months to September 30, 2023			Nine months to September 30, 2022			
	Remaining coverage	Incurred claims	Total	Remaining coverage	Incurred claims	Total	
	Excluding loss recovery component	Loss recovery Component		Excluding loss recovery component	Loss recovery Component		
Reinsurance contract liabilities, beginning of period	(29,784)	68	(524)	(39,375)	(247)	4,489	(35,133)
Reinsurance contract assets, beginning of period	425,562	7,964	55,600	555,458	11,882	36,184	603,524
Net balance – asset / (liability), beginning of period	395,778	8,032	55,076	516,083	11,635	40,673	568,391
Net income / (expenses) from reinsurance contracts held							
Reinsurance expenses	(14,622)	-	-	(1,612)	-	-	(1,612)
Other incurred directly attributable expenses	(18)	-	(8,692)	-	-	-	-
Claims recovered	-	(908)	12,608	(7)	(2,680)	9,272	6,585
Changes that relate to past service – adjustments to incurred claims	-	-	-	-	-	-	-
Changes in fulfilment cash flows which relate to onerous underlying contracts	-	7,444	-	-	364	-	364
Effect of changes in the risk of reinsurers non-performance	-	-	-	-	-	-	-
Net income / (expenses) from reinsurance contracts held	(14,640)	6,536	3,916	(1,619)	(2,316)	9,272	5,337
Finance income / (expenses) from reinsurance contracts held	24,820	193	-	(30,577)	316	1	(30,260)
Effect of exchange rate changes	20	22	(40)	(103)	(5)	14	(94)
Total amounts recognised in total comprehensive income	10,200	6,751	3,876	(32,299)	(2,005)	9,287	(25,017)
Investment components	(124,058)	-	124,058	(78,643)	-	78,643	-
Other changes	-	-	-	-	-	-	-

SAGICOR FINANCIAL COMPANY LTD.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

8. CONTRACT ASSETS AND LIABILITIES (continued)

ii. a) Reconciliation of the remaining coverage and the incurred claims components

Amounts in US \$000

**Reinsurance contracts held
Contracts not measured under the PAA**

Nine months to September 30, 2023				Nine months to September 30, 2022			
Remaining coverage		Incurred claims	Total	Remaining coverage		Incurred claims	Total
Excluding loss recovery component	Loss recovery Component			Excluding loss recovery component	Loss recovery Component		
21,981	(696)	-	21,285	17,823	-	-	17,823
-	-	(136,661)	(136,661)	-	(932)	(82,034)	(82,966)
21,981	(696)	(136,661)	(115,376)	17,823	(932)	(82,034)	(65,143)
303,901	14,087	46,349	364,337	422,964	8,698	46,569	478,231
(19,910)	60	155	(19,695)	(32,055)	58	552	(31,445)
323,811	14,027	46,194	384,032	455,019	8,640	46,017	509,676
303,901	14,087	46,349	364,337	422,964	8,698	46,569	478,231

Cash flows

Premiums paid net of ceding commissions and other directly attributable expenses paid

Recoveries from reinsurance

Total cash flows

Net balance – asset / (liability), end of period

Reinsurance contract liabilities, end of period

Reinsurance contract assets, end of period

Net balance – asset / (liability), end of period

SAGICOR FINANCIAL COMPANY LTD.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

8. CONTRACT ASSETS AND LIABILITIES (continued)

ii. b) Reconciliation of the measurement components of reinsurance contract balances

<u>Amounts in US \$000</u>	Nine months to September 30, 2023				Nine months to September 30, 2022			
	Present value of future cash flows	Risk adjustment for non-financial risk	CSM	Total	Present value of future cash flows	Risk adjustment for non-financial risk	CSM	Total
Reinsurance contracts held								
Contracts not measured under the PAA								
Reinsurance contract liabilities, beginning of period	(42,801)	4,548	8,013	(30,240)	(47,935)	6,651	6,151	(35,133)
Reinsurance contract assets, beginning of period	433,571	24,743	30,812	489,126	568,846	25,308	9,370	603,524
Net balance – asset / (liability), beginning of period	390,770	29,291	38,825	458,886	520,911	31,959	15,521	568,391
Changes that relate to current service								
CSM recognised in net income / (loss) for the services received	-	-	(3,735)	(3,735)	-	-	(33)	(33)
Change in the risk adjustment for non-financial risk for risk expired	-	(2,579)	-	(2,579)	(128)	(1,520)	-	(1,648)
Experience adjustments	(5,320)	-	-	(5,320)	6,646	-	-	6,646
	(5,320)	(2,579)	(3,735)	(11,634)	6,518	(1,520)	(33)	4,965
Changes that relate to future service								
Changes in estimate that adjust the CSM	18,571	(5,072)	(13,497)	2	(13,443)	98	13,345	-
Changes in fulfilment cash flows which relate to onerous underlying contracts	10,703	2,746	(305)	13,144	3,927	66	(115)	3,878
Contracts initially recognised in the period	(1,875)	311	1,590	26	(1,035)	236	809	10
Changes in the contractual service margin due to recognition of a loss-recovery component from onerous underlying contracts	-	-	(5,305)	(5,305)	-	-	(3,308)	(3,308)
Changes in the contractual service margin due to reversal of a loss-recovery component from onerous underlying contracts	-	-	(421)	(421)	-	-	(209)	(209)
	27,399	(2,015)	(17,938)	7,446	(10,551)	400	10,522	371
Changes that relate to past service								
Changes that relate to past service – adjustments to the incurred claims	-	-	-	-	-	-	-	-
Effect of changes in the risk of reinsurers non-performance	-	-	-	-	-	1	-	1
	-	-	-	-	-	1	-	1

SAGICOR FINANCIAL COMPANY LTD.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

8. CONTRACT ASSETS AND LIABILITIES (continued)

ii. b) Reconciliation of the measurement components of reinsurance contract balances

Amounts in US \$000	Nine months to September 30, 2023				Nine months to September 30, 2022			
	Present value of future cash flows	Risk adjustment for non-financial risk	CSM	Total	Present value of future cash flows	Risk adjustment for non-financial risk	CSM	Total
Reinsurance contracts held								
Contracts not measured under the PAA								
Net income / (expenses) from reinsurance contracts held	22,079	(4,594)	(21,673)	(4,188)	(4,033)	(1,119)	10,489	5,337
Finance income / (expenses) from reinsurance contracts held	28,148	(3,533)	398	25,013	(28,096)	(2,515)	351	(30,260)
Effect of exchange rate changes	(106)	58	50	2	(157)	47	16	(94)
Total amounts recognised in total comprehensive income	50,121	(8,069)	(21,225)	20,827	(32,286)	(3,587)	10,856	(25,017)
Other changes	-	-	-	-	-	-	-	-
Cash flows								
Premiums paid net of ceding commissions and other directly attributable expenses paid	21,285	-	-	21,285	17,823	-	-	17,823
Recoveries from reinsurance	(136,661)	-	-	(136,661)	(82,966)	-	-	(82,966)
Total cash flows	(115,376)	-	-	(115,376)	(65,143)	-	-	(65,143)
Net balance – asset / (liability), end of period	325,515	21,222	17,600	364,337	423,482	28,372	26,377	478,231
Reinsurance contract liabilities, end of period	(19,876)	1,853	(1,672)	(19,695)	(45,912)	5,038	9,429	(31,445)
Reinsurance contract assets, end of period	345,391	19,369	19,272	384,032	469,394	23,334	16,948	509,676
Net balance – asset / (liability), end of period	325,515	21,222	17,600	364,337	423,482	28,372	26,377	478,231

SAGICOR FINANCIAL COMPANY LTD.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

8. CONTRACT ASSETS AND LIABILITIES (continued)

ii. c) Impact of contracts recognised in the period

	Nine months to September 30, 2023					Nine months to September 30, 2022				
	Contracts held		Contracts acquired		Total	Contracts held		Contracts acquired		Total
	Contracts not in a net gain	Contracts in a net gain	Contracts not in a net gain	Contracts in a net gain		Contracts not in a net gain	Contracts in a net gain	Contracts not in a net gain	Contracts in a net gain	
<u>Amounts in US \$000</u>										
Reinsurance contracts held										
Estimates of present value of future cash inflows	1,134	(1,256)	-	-	(122)	646	(1,388)	-	-	(742)
Estimates of present value of future cash outflows	(1,213)	(535)	-	-	(1,748)	(741)	674	-	-	(67)
Risk adjustment for non-financial risk	187	124	-	-	311	92	52	-	-	144
CSM	(82)	1,669	-	-	1,587	12	661	-	-	673
Increase / (decrease) in reinsurance contract liabilities from contracts recognised in the period	26	2	-	-	28	9	(1)	-	-	8

SAGICOR FINANCIAL COMPANY LTD.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

8. CONTRACT ASSETS AND LIABILITIES (continued)

ii. d) Amounts determined on transition to IFRS 17 – The CSM by transition method

	Nine months to September 30, 2023			Nine months to September 30, 2022		
<u>Amounts in US \$000</u>	New contracts and contracts measured under the full retrospective approach at transition	Contracts measured under the fair value approach at transition	Total	New contracts and contracts measured under the full retrospective approach at transition	Contracts measured under the fair value approach at transition	Total
Reinsurance contracts held						
CSM, beginning of period	18,687	20,138	38,825	(3)	15,524	15,521
Changes that relate to current service						
CSM recognised in net income / (loss) for the services received	(4,093)	358	(3,735)	(79)	46	(33)
Changes that relate to future service						
Changes in estimates that adjust the CSM	4,198	(17,695)	(13,497)	2,866	10,479	13,345
Contracts initially recognised in the period	1,590	-	1,590	598	211	809
Loss-recovery component recognised on onerous underlying contracts	1,260	(6,565)	(5,305)	(1,197)	(2,111)	(3,308)
Reversal of loss-recovery component from onerous underlying contracts	(48)	(678)	(726)	(56)	(268)	(324)
	2,907	(24,580)	(21,673)	2,132	8,357	10,489
Finance income / (expenses) from reinsurance contracts held	78	320	398	19	332	351
Effect of exchange rate changes	(199)	249	50	20	(4)	16
Total amounts recognised in total comprehensive income	2,786	(24,011)	(21,225)	2,171	8,685	10,856
CSM, end of period	21,473	(3,873)	17,600	2,168	24,209	26,377

SAGICOR FINANCIAL COMPANY LTD.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

8. CONTRACT ASSETS AND LIABILITIES (continued)

8.1. INVESTMENT CONTRACT LIABILITIES

Amounts in US \$000

Movement for the period:

Balance, beginning of period

472,297

468,094

Contributions received

33,037

34,443

Benefits paid

(52,377)

(40,382)

Investment return from underlying assets

17,172

10,227

Asset management fees charged

(1,055)

(695)

Effect of exchange rate changes

(3,284)

1,604

Balance, end of period

465,790

473,291

SAGICOR FINANCIAL COMPANY LTD.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

9. FINANCIAL INVESTMENTS

Analysis of financial investments

Amounts in US \$000

	September 30, 2023		December 31, 2022 (restated)	
	Carrying value	Fair value	Carrying value	Fair value
Financial assets at FVTOCI				
Debt securities	1,434,217	1,434,217	1,540,438	1,540,438
Equity securities	525	525	371	371
	1,434,742	1,434,742	1,540,809	1,540,809
Financial assets at FVTPL				
Money market funds	41,120	41,120	59,491	59,491
Debt securities	5,275,591	5,275,591	4,901,205	4,901,205
Equity securities ⁽¹⁾	708,546	708,546	765,628	765,628
Derivative financial instruments	13,671	13,671	10,350	10,350
Mortgage loans	21,971	21,971	23,406	23,406
	6,060,899	6,060,899	5,760,080	5,760,080
Financial assets at amortised cost				
Debt securities	136,009	135,645	170,256	170,296
Mortgage loans	723,429	706,012	593,630	587,637
Finance loans	665,032	640,341	654,863	636,793
Securities purchased for resale	17,911	17,911	32,335	32,335
Deposits	262,759	262,759	116,430	116,430
	1,805,140	1,762,668	1,567,514	1,543,491
Total financial investments	9,300,781	9,258,309	8,868,403	8,844,380

⁽¹⁾ Included in equity securities are exchange-traded funds of \$280,533 as at September 30, 2023 (\$306,304 as at December 31, 2022).

SAGICOR FINANCIAL COMPANY LTD.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

9. FINANCIAL INVESTMENTS (continued)

As at January 1, 2022, certain assets under IFRS 9 were redesignated as FVTPL on implementation of IFRS 17 to effectively reduce the possibility of an accounting mismatch.

<u>Amounts in US \$000</u>	December 31, 2021	Amount reclassified as FVTPL	Amount remeasured as FVTPL	January 1, 2022 (restated)
	Carrying value			Carrying value
Financial assets at FVTOCI				
Money market funds	263,978	(263,978)	-	-
Debt securities	4,217,341	(2,652,026)	-	1,565,315
Equity securities	520	-	-	520
	4,481,839	(2,916,004)	-	1,565,835
Financial assets at FVTPL				
Money market funds	-	263,978	-	263,978
Debt securities	283,534	3,835,806	136,221	4,255,561
Equity securities	889,619	-	-	889,619
Derivative financial instruments	26,246	-	-	26,246
Mortgage loans	24,375	-	-	24,375
	1,223,774	4,099,784	136,221	5,459,779
Financial assets at amortised cost				
Debt securities	1,399,703	(1,183,780)	-	215,923
Mortgage loans	425,548	-	-	425,548
Finance loans	533,460	-	-	533,460
Securities purchased for resale	68,007	-	-	68,007
Deposits	211,925	-	-	211,925
	2,638,643	(1,183,780)	-	1,454,863
Total financial investments excluding policy loans	8,344,256	-	136,221	8,480,477
Policy loans previously reported	153,839	-	-	n/a
Total financial investments	8,498,095	-	136,221	8,480,477

SAGICOR FINANCIAL COMPANY LTD.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

9. FINANCIAL INVESTMENTS (continued)

Analysis of financial investments (continued)

Non-derivative investments at FVTPL	FVTPL mandatory designation	FVTPL designation by election	Total
<u>Amounts in US \$000</u>			
September 30, 2023			
Money market funds	26,757	14,363	41,120
Debt securities	4,078,411	1,197,180	5,275,591
Equity securities	600,631	107,915	708,546
Mortgage loans	-	21,971	21,971
	<u>4,705,799</u>	<u>1,341,429</u>	<u>6,047,228</u>
 December 31, 2022 (restated)			
Money market funds	38,409	21,082	59,491
Debt securities	3,754,882	1,146,323	4,901,205
Equity securities	663,116	102,512	765,628
Mortgage loans	11	23,395	23,406
	<u>4,456,418</u>	<u>1,293,312</u>	<u>5,749,730</u>

Financial assets 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.

<u>Amounts in US \$000</u>	September 30, 2023	December 31, 2022 (restated)
Statement of financial position presentation		
Financial investments	8,675,307	8,244,532
Financial investments repledged	625,474	623,871
	<u>9,300,781</u>	<u>8,868,403</u>

SAGICOR FINANCIAL COMPANY LTD.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

10. OTHER OPERATING EXPENSES

Included in other operating expenses are the following:

	Nine months to September 30, 2023	Nine months to September 30, 2022	Three months to September 30, 2023	Three months to September 30, 2022
Administrative expenses	194,497	193,008	64,826	59,775
Commissions and related compensation	1,832	1,816	170	578
Asset taxes	7,916	7,668	718	698
Depreciation and amortisation	14,562	18,335	5,110	4,869
	218,807	220,827	70,824	65,920

SAGICOR FINANCIAL COMPANY LTD.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

11. NOTES AND LOANS PAYABLE

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

<u>Amounts in US \$000</u>	September 30, 2023	December 31, 2022
	Carrying value	Carrying value
5.30% senior notes due 2028	546,948	535,421
6.50% unsecured bond due 2023 (a)	-	19,963
5.75% unsecured bond due 2023 (a)	-	26,613
10.50% unsecured bond due 2024 (b)	29,171	-
7.50% unsecured bond due 2024 (b)	21,032	-
6.75% notes due 2024	14,205	14,559
Bank loans and other funding instruments	45,703	35,979
	657,059	632,535

(a) On May 26, 2023, these facilities carrying annual interest rates of 6.50% and 5.75%, and with original issue date of September 16, 2019, were refinanced and extended per (b) below. At December 31, 2022, Sagicor Investments Jamaica Limited held an investment of US\$12.8 million in Tranche A.

(b) The newly extended facilities remain in two Tranches, with Tranche A up to J\$4,490,000 from previous limit of J\$4,895,140,000 and Tranche B up to US\$20,973,000 from previous limit of US\$26,400,000, carrying updated annual interest rates of 10.50% and 7.50% respectively. Interest is payable quarterly and commenced on May 26, 2023. The Tranches mature on June 26, 2024.

Movement for the period:	Nine months to September 30, 2023	Twelve months to December 31, 2022
<u>Amounts in US \$000</u>		
Balance, beginning of period	632,535	683,388
Valuation of call option embedded derivative	3,140	1,925
Additions:		
Gross principal	61,162	62,138
Less: Expenses	(290)	(404)
	60,872	61,734
Repayments:		
Principal	(47,194)	(71,748)
Interest	(19,043)	(35,149)
	(66,237)	(106,897)
Derecognised on disposal of subsidiary, X-Fund Limited (note 18)	-	(44,655)
Amortisation during the period	1,317	1,838
Accrued interest	26,171	35,155
Effects of exchange rate changes	(739)	47
Balance, end of the period	657,059	632,535

SAGICOR FINANCIAL COMPANY LTD.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

12. FAIR VALUE DISCLOSURES OF ASSETS AND LIABILITIES CARRIED AT FAIR VALUE

12.1 Property

Investment property and owner-occupied 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.

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.

Applying the fair value hierarchy to the Group's property, results in a classification of Level 3 to all properties as set out below:

<u>Amounts in US \$000</u>	As of September 30, 2023	As of December 31, 2022
	Level 3	Level 3
Investment property	76,723	77,359
Owner-occupied properties	110,242	108,197
Total properties	186,965	185,556

For Level 3 investment property, reasonable changes in fair value would affect net income. For Level 3 owner-occupied properties reasonable changes in fair value would affect other comprehensive income.

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NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

12. FAIR VALUE DISCLOSURES OF ASSETS AND LIABILITIES CARRIED AT FAIR VALUE (continued)

12.1 Property (continued)

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

	Fair value		Unobservable inputs	Range of unobservable inputs		Relationship of unobservable inputs to fair value
<u>Amounts in US \$000</u>	September 30, 2023	December 31, 2022		September 30, 2023	December 31, 2022	
Investment property	76,723	77,359	Comparable sales	5%	5%	(1)
Owner-occupied properties	110,242	108,197	Comparable sales	5%	5%	(1)
Total properties	186,965	185,556				

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

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

12. FAIR VALUE DISCLOSURES OF ASSETS AND LIABILITIES CARRIED AT FAIR VALUE (continued)

12.1 Financial instruments carried at fair value

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.

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 at FVTPL include mortgage loans, debt securities and equities for which the full income return and capital returns accrue to holders of unit linked policy and deposit administration contracts. These assets are valued with inputs other than observable market data.

The techniques and methods described in the preceding section (ii) for non-traded financial assets and liabilities may also be used in determining the fair value of Level 3 instruments.

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NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

12. FAIR VALUE DISCLOSURES OF ASSETS AND LIABILITIES CARRIED AT FAIR VALUE (continued)

12.2 Financial instruments carried at fair value (continued)

The results of applying the fair value hierarchy to the Group's financial instruments are set out in the tables below:

As of September 30, 2023

Amounts in US \$000

	Level 1	Level 2	Level 3	Total
FVTOCI investments:				
Debt securities	221,512	1,135,688	77,017	1,434,217
Equity securities	336	-	189	525
	221,848	1,135,688	77,206	1,434,742
FVTPL investments:				
Money market funds	32,070	9,050	-	41,120
Debt securities	131,485	4,104,270	1,039,836	5,275,591
Equity securities	140,712	535,032	32,802	708,546
Derivative financial instruments	-	-	13,671	13,671
Mortgage loans	-	-	21,971	21,971
	304,267	4,648,352	1,108,280	6,060,899
Total assets	526,115	5,784,040	1,185,486	7,495,641
Total assets by percentage	7%	77%	16%	100%
FVTPL investment contracts:				
Unit linked deposit administration liabilities	-	-	161,452	161,452
Total liabilities	-	-	161,452	161,452
Total liabilities by percentage	-	-	100%	100%

SAGICOR FINANCIAL COMPANY LTD.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

12. FAIR VALUE DISCLOSURES OF ASSETS AND LIABILITIES CARRIED AT FAIR VALUE (continued)

12.2 Financial instruments carried at fair value (continued)

As of December 31, 2022
(restated)

Amounts in US \$000

	Level 1	Level 2	Level 3	Total
FVTOCI investments:				
Debt securities	236,835	1,218,896	84,707	1,540,438
Equity securities	331	-	40	371
	237,166	1,218,896	84,747	1,540,809
FVTPL investments:				
Money market funds	38,864	20,627	-	59,491
Debt securities	129,311	3,809,879	962,015	4,901,205
Equity securities	177,118	554,592	33,918	765,628
Derivative financial instruments	-	16	10,334	10,350
Mortgage loans	-	-	23,406	23,406
	345,293	4,385,114	1,029,673	5,760,080
Total assets	582,459	5,604,010	1,114,420	7,300,889
Total assets by percentage	8%	77%	15%	100%
FVTPL investment contracts:				
Unit linked deposit administration liabilities	-	-	159,681	159,681
FVTPL deposit and security liabilities:				
Structured products	-	-	4,346	4,346
Derivative financial instruments	-	-	16	16
	-	-	4,362	4,362
Total liabilities	-	-	164,043	164,043
Total liabilities by percentage	-	-	100%	100%

SAGICOR FINANCIAL COMPANY LTD.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

12. FAIR VALUE DISCLOSURES OF ASSETS AND LIABILITIES CARRIED AT FAIR VALUE (continued)

12.2 Financial instruments carried at fair value (continued)

The following table shows the sensitivity of fair value measurements to changes in unobservable inputs for Level 3 financial instruments:

	Fair value		Unobservable inputs	Range of unobservable inputs		Relationship of unobservable inputs to fair value
	September 30, 2023	December 31, 2022 (restated)		September 30, 2023	December 31, 2022 (restated)	
FVTOCI Investments						
Debt securities	77,017	84,707	Adjustments to yields	10%	10%	(1)
Equity securities	189	40	Adjustments to net assets	10%	10%	(2)
	<u>77,206</u>	<u>84,747</u>				
FVTPL Investments						
Debt securities	1,039,836	962,015	Adjustments to yields	10%	10%	(1)
Equity securities	32,802	33,918	Adjustments to net assets	10%	10%	(2)
Derivative financial instruments	13,671	10,334	Adjustments to yields	10%	10%	(1)
Mortgage loans	21,971	23,406	Adjustments to yields	10%	10%	(1)
	<u>1,108,280</u>	<u>1,029,673</u>				
Total assets	<u>1,185,486</u>	<u>1,114,420</u>				
 Unit linked deposit administration liabilities	 161,452	 159,681	 Adjustments to yields	 10%	 10%	 (1)
Structured products	-	4,346	Adjustments to yields	10%	10%	(1)
Derivative financial instruments	-	16	Adjustments to yields	10%	10%	(1)
Total liabilities	<u>161,452</u>	<u>164,043</u>				

(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.

SAGICOR FINANCIAL COMPANY LTD.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

12. FAIR VALUE DISCLOSURES OF ASSETS AND LIABILITIES CARRIED AT FAIR VALUE (continued)

12.2 Financial instruments carried at fair value (continued)

Movements in Level 3 Instruments

The following tables present movements in Level 3 instruments for the period:

	Nine months to September 30, 2023			Twelve months to December 31, 2022 (restated)	
<u>Amounts in US \$000</u>	FVTOCI investments	FVTPL investments	Derivative financial instruments	Total assets	Total assets
Balance, beginning of period	84,747	1,019,339	10,334	1,114,420	1,043,832
Additions	3,255	183,894	10,790	197,939	162,979
Transfers into Level 3 classification	-	-	-	-	-
Fair value changes recorded in net investment income	-	9,406	6,543	15,949	(39,644)
Fair value gains (losses) recorded in interest expense	-	-	-	-	-
Fair value changes recorded in other comprehensive income	1,530	-	-	1,530	(239)
Disposals and divestitures	(12,259)	(117,430)	(13,996)	(143,685)	(53,804)
Transfers (out of) Level 3 classification	-	-	-	-	-
Transfers to instruments carried at amortised cost	-	-	-	-	(414)
Movements arising from business acquisitions and divestitures	-	-	-	-	-
Effect of exchange rate changes	(67)	(600)	-	(667)	1,710
Balance, end of period	77,206	1,094,609	13,671	1,185,486	1,114,420
Fair value changes recorded in investment income for instruments held at the end of the period	-	9,450	881	10,331	(21,484)

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NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

12. FAIR VALUE DISCLOSURES OF ASSETS AND LIABILITIES CARRIED AT FAIR VALUE (continued)

12.2 Financial instruments carried at fair value (continued)

	Nine months to September 30, 2023			Twelve months to December 31, 2022 (restated)	
<u>Amounts in US \$000</u>	Policy liabilities - Unit linked deposit administration	Structured products	Derivative financial instruments	Total liabilities	Total liabilities
Balance, beginning of period	159,681	4,346	16	164,043	163,956
Gains (losses) recorded in net investment income	-	-	(16)	(16)	-
Gains (losses) recorded in interest expense	396	(13)	-	383	(753)
Issues	16,415	-	-	16,415	21,675
Settlements	(10,474)	(4,388)	-	(14,862)	(20,279)
Transfers from (to) instruments carried at amortised cost	(4,412)	-	-	(4,412)	-
Effect of exchange rate changes	(154)	55	-	(99)	(556)
Balance, end of period	161,452	-	-	161,452	164,043
Fair value changes recorded in investment income for instruments held at end of period	-	-	-	-	-
Fair value changes recorded in interest expense for instruments held at end of period	396	-	-	396	(579)

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NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

13. CREDIT RISK

13.1 Credit risk exposure – financial investments subject to impairment

Financial assets carried at amortised cost or FVTOCI 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 for which an ECL allowance is recognised. The gross carrying amounts of investments below represent the Group's maximum exposure to credit risk on these assets.

	September 30, 2023				December 31, 2022 (restated)	
<u>Amounts in US \$000</u>	ECL Staging					
Financial Assets – FVTOCI	Stage 1 12-month ECL	Stage 2 life-time ECL	Stage 3 life-time ECL	Purchased credit- impaired	Total	Total
Credit grade:						
Investment	791,550	-	-	-	791,550	825,452
Non-investment	713,727	18,605	-	10,152	742,484	805,687
Gross carrying amount	1,505,277	18,605	-	10,152	1,534,034	1,631,139
Loss allowance	(637)	(630)	-	-	(1,267)	(2,073)
Carrying amount	1,504,640	17,975	-	10,152	1,532,767	1,629,066
					September 30, 2023	September 30, 2022 (restated)
Credit impairment (loss) / recovery recorded in income					876	160

	September 30, 2023				December 31, 2022 (restated)	
<u>Amounts in US \$000</u>	ECL Staging					
Financial Assets – amortised cost	Stage 1 12-month ECL	Stage 2 life-time ECL	Stage 3 life-time ECL	Purchased credit- impaired	Total	Total
Credit grade:						
Investment	630,527	9,119	2,229	-	641,875	576,298
Non-investment	1,064,009	49,247	1,492	9,972	1,124,720	968,458
Watch	26,655	370	11,505	153	38,683	21,464
Default	-	-	20,359	-	20,359	21,293
Unrated	1,108	-	-	4	1,112	1,110
Gross carrying amount	1,722,299	58,736	35,585	10,129	1,826,749	1,588,623
Loss allowance	(11,311)	(1,586)	(7,759)	(953)	(21,609)	(21,109)
Carrying amount	1,710,988	57,150	27,826	9,176	1,805,140	1,567,514
					September 30, 2023	September 30, 2022 (restated)
Credit impairment (loss) / recovery recorded in income					(4,053)	(1,975)

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

14. INSURANCE RISK

14.1 Contracts not measured under PAA

The Group offers traditional life, universal life, living benefits and various annuity contracts, as well as life reinsurance contracts.

The main risks that the Group is exposed to are, as follows:

- Mortality risk – risk of loss arising due to the incidence of policyholder death being different than expected
- Morbidity risk – risk of loss arising due to policyholder health experience being different than expected
- Longevity risk – risk of loss arising due to the annuitant living longer than expected
- Expense risk – risk of loss arising from expense experience being different than expected
- Policyholder decision risk – risk of loss arising due to policyholder experiences (lapses and surrenders) being different than expected

The objective of the Group is to ensure that sufficient reserves are available to cover the liabilities associated with the insurance and reinsurance contracts that it issues. The risk exposure is mitigated by diversification across the portfolios of insurance contracts. The variability of risks is also improved by careful selection and implementation of underwriting strategy guidelines, as well as the use of outwards reinsurance arrangements.

The Group purchases reinsurance as part of its risk mitigation programme. Reinsurance held (outward reinsurance) is placed on a proportional basis. The majority of proportional reinsurance is quota-share reinsurance which is taken out to reduce the overall exposure of the Company to certain classes of business.

Amounts recoverable from reinsurers are estimated in a manner consistent with the underlying insurance contract liabilities and in accordance with the reinsurance contracts. Although the Group has reinsurance arrangements, it is not relieved of its direct obligations to its policyholders and thus a credit exposure exists with respect to ceded insurance, to the extent that any reinsurer is unable to meet its obligations assumed under such reinsurance agreements. The Group's placement of reinsurance is diversified such that it is neither dependent on a single reinsurer nor are the operations of the Group substantially dependent upon any single reinsurance contract.

For the life insurance and life reinsurance contracts for which death or disability is the insured risk, the significant factors that could increase the overall frequency of claims are epidemics, widespread changes in lifestyle and natural disasters, resulting in earlier or more claims than expected.

For immediate annuity contracts, the most significant factor that could increase the amount and frequency of claims is continued improvement in medical science and social conditions that would increase longevity.

The Group reinsures its immediate annuity contracts on a quota-share basis to mitigate its risk.

The nature of the Group's exposure to insurance risks and its objectives, policies and processes used to manage and measure the risks have not changed from the previous period.

SAGICOR FINANCIAL COMPANY LTD.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

14. INSURANCE RISK (continued)

14.1 Contracts not measured under PAA (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 June 30, gross and net of reinsurance, are summarised by geographic area below.

Total insurance coverage		September 30, 2023		December 31, 2022 (restated)	
		Individual contracts	Group contracts	Individual contracts	Group contracts
Barbados	Gross	4,762,155	1,422,947	4,745,105	1,462,441
	Net	4,500,714	1,373,100	4,483,403	1,414,579
Jamaica	Gross	11,958,291	8,405,500	11,522,909	7,918,551
	Net	11,742,298	8,295,042	11,321,438	7,813,234
Trinidad & Tobago	Gross	4,688,052	2,321,416	4,221,795	2,537,139
	Net	4,255,392	2,157,455	3,663,506	2,348,381
Other Caribbean	Gross	9,882,213	2,259,506	9,586,894	1,954,839
	Net	8,847,275	2,083,428	8,563,827	1,786,635
USA	Gross	8,728,189	22,606	9,087,465	23,544
	Net	4,741,742	22,496	4,894,022	23,434
Total	Gross	40,018,900	14,431,975	39,164,168	13,896,514
	Net	34,087,421	13,931,521	32,926,196	13,386,263

Total liability under annuity contracts provide a good measure of longevity risk exposure.

Total liability under annuity contracts		September 30, 2023		December 31, 2022 (restated)	
		Individual contracts	Group contracts	Individual contracts	Group contracts
Barbados	Gross	293,896	54,226	285,896	54,883
	Net	293,896	54,226	285,896	54,883
Jamaica	Gross	514	480,615	534	484,626
	Net	514	480,615	534	484,626
Trinidad & Tobago	Gross	513,113	-	517,601	-
	Net	513,113	-	517,601	-
Other Caribbean	Gross	103,273	-	87,804	-
	Net	103,273	-	87,804	-
USA	Gross	3,745,225	15,773	3,587,517	16,925
	Net	3,422,832	4,803	3,011,628	5,168
Total	Gross	4,656,021	550,614	4,479,352	556,434
	Net	4,333,628	539,644	3,903,463	544,677

SAGICOR FINANCIAL COMPANY LTD.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

14. INSURANCE RISK (continued)

14.1 Contracts not measured under PAA (continued)

Sensitivities

The Group's contractual service margin and financial results can be impacted by possible movements in key assumptions, such as the discount rate, timing of cash flows, and rates of lapse and mortality. The correlation of assumptions will have a significant effect in determining the ultimate impacts. Sensitivity information will also vary according to the current economic assumptions.

The Group's financial results will be affected by changes in the rates of mortality, morbidity, lapse, other policyholder behavior and expenses (insurance risks). The nature of those impacts and the extent to which they impact current period earnings depends on the change, the extent to which it relates to past, current or future periods and, where applicable, the extent to which the change impacts onerous or non-onerous groups of contracts.

Changes in the rates of current or future insurance risk that relate to the LIC relate to past service and will impact earnings in the period that those changes are realized. Changes in the rates of insurance risk experienced in the current period that related to the LRC and will also impact earnings in the period that those changes are realized.

Changes in the rates of insurance risk expected in the future, and changes in the rates of insurance risk experienced in the current period, in relation to the LRC will affect expected cash flows. To the extent that the changes relate to onerous groups of contracts, or the CSM on non-onerous groups is insufficient to offset any adverse impact of the changes, the impact of the changes will be recognised in earnings in the period realized. Where the changes impact non-onerous groups of contracts, the impact of changes in the LRC will be offset by changes in the CSM with a corresponding change in the CSM release that will be expected in future periods.

Where the insurance contracts are reinsured, the impacts of changes on direct contracts will be offset to the extent of the reinsurance.

SAGICOR FINANCIAL COMPANY LTD.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

14. INSURANCE RISK (continued)

14.2 Contracts measured under PAA

Sagicor 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.

For non-life insurance contracts, risks arise from loss events such as accidents, fires, floods, tropical storms, hurricanes and other extreme weather events. Risk can also arise from inflation on expenses and claims. As a result, there is a risk that our actual loss experiences will emerge differently than estimated when the product was designed and priced or repriced and may require us to revise estimated potential loss exposures and the related loss reserves.

The objective of the Group is to ensure that sufficient reserves are available to cover the liabilities associated with these insurance and reinsurance contracts that it issues. The risk exposure is mitigated by diversification across the portfolios of insurance contracts. The variability of risks is also improved by careful selection and implementation of underwriting strategy guidelines, as well as the use of reinsurance held arrangements. Furthermore, strict claim review policies to assess all new and ongoing claims, regular detailed review of claims handling procedures and frequent investigation of possible fraudulent claims are established to reduce the risk exposure of the Group. The Group further enforces a policy of actively managing and promptly settling claims, in order to reduce its exposure to unpredictable future developments that can negatively impact the business. Inflation risk is mitigated by taking expected inflation into account when estimating insurance contract liabilities and pricing appropriately.

Amounts recoverable from reinsurers are estimated in a manner consistent with underlying insurance contract liabilities and in accordance with the reinsurance contracts. Although the Group has reinsurance arrangements, it is not relieved of its direct obligations to its policyholders and thus a credit exposure exists with respect to reinsurance held, to the extent that any reinsurer is unable to meet its obligations. The Group's placement of reinsurance is diversified such that it is neither dependent on a single reinsurer nor are the operations of the Group substantially dependent upon any single reinsurance contract.

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 following table shows the concentration of gross and net insurance contract liabilities by type of contract at June 30.

Total insurance coverage		September 30, 2023	December 31, 2022 (restated)
Property	Gross	12,256,556	15,384,265
	Net	2,287,982	2,485,113
Motor	Gross	1,119,534	1,060,874
	Net	815,299	778,587
Accident and liability	Gross	3,898,340	3,783,648
	Net	3,180,988	3,062,562
Total	Gross	17,274,430	20,228,787
	Net	6,284,269	6,326,262

The Group offers Group Life and Group Health insurance contracts, where the period of coverage is one year or less. These contracts are measured under PAA. The Group is exposed to mortality and morbidity risk together with the risk of inflation on expenses and claims.

Sensitivities

The liability for incurred claims is sensitive to the key assumptions. Changes in the weighted average term to settlement, expected loss and inflation rate can impact the overall performance of the Group. The correlation of assumptions will have a significant effect in determining the ultimate impacts.

SAGICOR FINANCIAL COMPANY LTD.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

15. CASH FLOWS

Amounts in US \$000

Adjustments for non-cash items, interest and dividends:

	September 30, 2023	September 30, 2022 (restated)
(Income) / loss from financial investments	(417,184)	439,567
Gain arising on business combinations, acquisitions and divestures	-	(1,683)
Interest costs and finance costs	225,289	(257,078)
Credit impairment loss	3,177	1,815
Depreciation and amortisation	18,598	23,707
Other items	(1,680)	4,353
	<hr/> (171,800) <hr/>	<hr/> 210,681 <hr/>

Net change in investments and operating assets:

Investment property	1,519	(829)
Debt securities	(293,909)	(1,204,505)
Equity securities	51,928	(15,873)
Mortgage loans	(130,523)	(101,744)
Finance loans	(29,713)	(78,055)
Securities purchased for resale	1,275	2,764
Deposits	(71,641)	(2,209)
Reinsurance contract assets	120,835	58,458
Insurance contract assets	(1,406)	604
Other assets and receivables	(51,922)	(40,468)
	<hr/> (403,557) <hr/>	<hr/> (1,381,857) <hr/>

SAGICOR FINANCIAL COMPANY LTD.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

15. CASH FLOWS (continued)

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

<u>Amounts in US \$000</u>	September 30, 2023	September 30, 2022 (restated)
Investment property:		
Purchases	(98)	(1,309)
Disposal proceeds	1,617	480
	<u>1,519</u>	<u>(829)</u>
Debt securities:		
Purchases	(1,618,923)	(1,976,206)
Disposal proceeds	1,325,014	771,701
	<u>(293,909)</u>	<u>(1,204,505)</u>
Equity securities:		
Purchases	(48,914)	(223,515)
Disposal proceeds	100,842	207,642
	<u>51,928</u>	<u>(15,873)</u>
Net change in operating liabilities:		
Insurance contract liabilities	234,623	848,734
Reinsurance contract liabilities	(7,222)	(4,518)
Investment contract liabilities	(7,008)	4,288
Other funding instruments	(64,013)	5,986
Deposits	84,888	43,770
Securities sold for repurchase	11,192	24,207
Other liabilities and payables	15,478	5,816
	<u>267,938</u>	<u>928,283</u>

SAGICOR FINANCIAL COMPANY LTD.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

15. CASH FLOWS (continued)

Amounts in US \$000

Investing activities

Property, plant and equipment:

Purchases	(8,802)	(11,827)
Disposal proceeds	600	73
	(8,202)	(11,754)

Financing activities

Notes and loans payable:

Proceeds	60,872	60,369
Repayments	(47,194)	(71,336)
	13,678	(10,967)

Lease liability payments

Principal paid	(5,911)	(6,185)
Interest paid	(952)	(1,160)
	(6,863)	(7,345)

Cash and cash equivalents

Cash	388,283	336,946
Call deposits and other liquid balances	244,662	181,688
Bank overdrafts	(2,214)	(1,919)
	630,731	516,715

SAGICOR FINANCIAL COMPANY LTD.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

16. EARNINGS PER COMMON SHARE

For the nine-month period ended September 30, 2023, 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.

17. REPURCHASE OF SHARES

During the nine-month period ended September 30, 2023, the Company repurchased 1,397,868 shares at a total cost of US\$4.8 million (1,119,176 shares at a total cost of US\$5.7 million for the nine-month period ended September 30, 2022), 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 on the repurchase of shares has been recorded directly in retained earnings.

The cost of shares totalling US\$0.19 million, which were repurchased at the period end date but not cancelled, (US\$0.01 million as at September 30, 2022), has been reflected in treasury shares.

18. ACQUISITION / DISPOSAL OF INTERESTS IN SUBSIDIARIES

ivari

On August 24, 2022, Sagicor entered into a definitive agreement to indirectly acquire ivari, a leading middle-market individual life insurer in Canada and a subsidiary of Wilton Re Ltd., subject to various customary conditions. Note 22 provides an update on the transaction.

The transaction has been financed by new debt in the form of a five-year senior secured loan facility with a syndicate of international and Canadian banks. Certain terms, conditions and covenants came into effect on draw-down.

As at September 2023, fees totalling US\$19 million have been incurred in relation to the financing commitment entered into for the acquisition of ivari.

Alliance Financial Services Limited

On February 9, 2022, Sagicor announced that Sagicor Group Jamaica Limited (“SGJ”) had entered a definitive agreement for the purchase of 100% of the shares of Alliance Financial Services Limited (“AFSL”). The arrangement was subject to due diligence and regulatory approval and SGJ applied for relevant licences from the Bank of Jamaica.

Effective April 1, 2022, the purchase of 100% of the shares of AFSL by SGJ was finalised. On April 4, 2022, following the successful completion of due diligence procedures and receipt of regulatory approval, AFSL resumed its operations.

AFSL is a provider of cambio and remittance services in Jamaica. The acquisition represented a move into a new business segment and afforded the Sagicor Jamaica Group the opportunity to expand its product offerings to its customers. The purchase consideration included an initial cash consideration of US\$16.8 million with provision for contingent cash consideration up to a total consideration of US\$22.6 million, based on specified performance criteria.

SAGICOR FINANCIAL COMPANY LTD.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

18. ACQUISITION / DISPOSAL OF INTERESTS IN SUBSIDIARIES(continued)

Alliance Investment Management Limited

On April 25, 2022, SGJ announced that its subsidiary, Sagicor Investments Jamaica Limited (SIJL), entered into a definitive agreement for the purchase of the securities dealer book of business of Alliance Investment Management Limited (AIML).

In August 2022, SGJ further announced that the purchase of the securities dealer book of business of AIML had been completed, following the completion of due diligence procedures and having met all regulatory requirements. The purchase of the portfolio expands SIJL's business and provides an opportunity to serve a wider client base.

The purchase price for the portfolio was US\$0.1 million and the carrying value of net assets assumed in the transaction was US\$0.1 million.

Sagicor Real Estate X-Fund Limited

On March 24, 2022, SGJ sold 191,913,423 shares of Sagicor Real Estate X-Fund Limited ("X-Fund Limited") to related parties, Sagicor Sigma Global Unit Trust and Sagicor Pooled Investment Fund Limited, at market value. Net proceeds were US\$10.3 million, resulting in a gain of US\$0.8 million as at March 31, 2022.

During the quarter ended September 30, 2022, SGJ sold the remaining 281,500,577 shares of X-Fund Limited to Sagicor Sigma Global Unit Trust and Sagicor Pooled Investment Fund Limited, at market value, for net proceeds of US\$25.0 million, representing a gain of US\$1.7 million.

Jamziv MoBay Jamaica Portfolio Limited

On June 13, 2022, a resolution was passed for the wind-up of Jamziv MoBay Jamaica Portfolio Limited ("Jamziv"), a subsidiary of Sagicor Real Estate X-Fund Limited in the Sagicor Jamaica Group. This resulted in the cancellation of a promissory note of US\$37.4 million, issued by holders of the non-controlling interest in Jamziv, and the removal of the non-controlling interest from the statement of financial position.

19. DISPOSAL OF INSURANCE OPERATIONS

Curacao and St. Maarten

On October 5, 2022, the Group entered into an agreement for the sale of its operations in Curacao and St. Maarten. The sale is subject to receipt of regulatory approval. The effective date of disposal shall be the last business day of the month in which all regulatory approvals are obtained. The agreement may be terminated by either party if regulatory approval is not received.

The purchaser is expected to assume the insurance and other liabilities of the Group's operations in Curacao and St. Maarten as at the effective date, in exchange for assets which shall exceed the value of the liabilities transferred by US\$3.038 million.

Panama

On May 30, 2023, the Group entered into an agreement for the sale of its wholly owned subsidiary, Sagicor Panama S.A., to Sagicor - Capital & Advice Spain S.L, a subsidiary of Sagicor Costa Rica, in which the Group holds a 24.56% ownership interest. The sale is subject to receipt of regulatory approval. The effective date of the disposal shall be ten calendar days after the receipt of regulatory approval. The agreed purchase price shall be the book value of the company as at the effective date of approval.

SAGICOR FINANCIAL COMPANY LTD.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

20. CREDIT FACILITY

On August 2, 2023, Sagicor Financial Company Ltd. entered into a credit agreement for the establishment of a senior unsecured revolving credit facility in an aggregate principal amount of up to US\$125 million.

21. DIVIDEND

On August 10, 2023, the Board of Directors of Sagicor Financial Company Ltd. approved and declared a quarterly dividend of US\$0.05625 per share, on the issued and outstanding shares held by the shareholders of record at the close of business on August 23, 2023. This dividend was paid on September 13, 2023.

22. SUBSEQUENT EVENTS

- i. On October 3, 2023, Sagicor acquired 100% ownership of Proj Fox Acquisition Inc. which holds ivari, a Canada life insurer, for cash consideration of US\$271 million. ivari is a leading individual life insurer in Canada which provides individual life and critical illness insurance solutions for the Canadian middle-market. The acquisition aligns with Sagicor business strategy of growing in individual life insurance and diversifying geographical presence exhibiting an attractive growth and profitability profile. See Note 18.

The assessment of the purchase price allocation and the accounting for the acquisition has not yet been finalised due to the timing of the transaction. The acquisition is expected to result in a bargain purchase gain which will be determined as the difference between fair value of the net identifiable assets acquired and the purchase price paid.

- ii. On November 9, 2023, the Board of Directors of Sagicor Financial Company Ltd. approved and declared a quarterly dividend of US\$0.05625 per common share payable on December 13, 2023, to the shareholders of record at the close of business on November 22, 2023.