2019

Sagicor Life



Sagicor Life Jamaica

Audited Financial Statements



www.sagicor.com

Sagicor Life Jamaica Limited

Index

31 December 2019

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OPINION OF THE ACTUARY

Sagicor Life

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I have examined the financial condition and valued the policy benefit liabilities of Sagicor Life Jamaica Limited for its statement of financial position as at 31 December 2019 and the corresponding change in the policy liabilities in the income statement for the year then ended. I meet the appropriate qualification standards and am familiar with the valuation and solvency requirements applicable to life insurance companies in Jamaica. I have relied upon the Company's Executive Vice President Finance/CFO, Executive Vice President Individual Insurance Division, and Executive Vice President Employee Benefits Division for the substantial accuracy of the inforce records and information concerning other liabilities.

In my opinion:

(i) the methods and procedures used in the verification of the valuation data are sufficient and reliable, and fulfil acceptable standards of care;

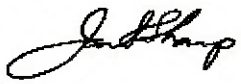
(ii) the valuation of actuarial and other policy liabilities has been made in accordance with generally accepted actuarial practice with such changes as determined and directions made by the Commission;

(iii) the methods and assumptions used to calculate the actuarial and other policy benefit liabilities are appropriate to the circumstances of the Company and of the said policies and claims;

(iv) the amount of the policy benefit liabilities represented in the statement of financial position of Sagicor Life Jamaica Limited makes proper provision for the future payments under the Company's policies and meets the requirements of the Insurance Act and other appropriate regulations of Jamaica;

(v) a proper charge on account of these liabilities has been made in the income statement;

(vi) there is sufficient capital available to meet the solvency standards as established by the Commission.



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

FEBRUARY 27, 2020

DIRECTORS | Mr. Peter Melhado (Chairman) | Mr. Christopher Zacca, C.D., J.P. (President & CEO) | Mr. Peter Clarke | Mr. Jeffrey Cobham
Mrs. Jacqueline Coke-Lloyd J.P. | Mr. Richard Downer, C.D. | Mr. Stephen Facey, C.D. | Dr. Marjorie Fyffe Campbell | Mr. Paul Hanworth
Mr. Errol McKenzie, J.P. | Dr. Dodridge Miller | Dr. The Hon. R.D. Williams O.J., C.D. | Mrs. Janice Grant Taffe (Corporate Secretary)

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Independent auditor's report

To the Members of Sagicor Life Jamaica Limited

Report on the audit of the financial statements

Our opinion

In our opinion, the financial statements give a true and fair view of the financial position of Sagicor Life Jamaica Limited (the Company) as at 31 December 2019, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and with the requirements of the Jamaican Companies Act.

What we have audited

The Company's financial statements comprise:

- the statement of financial position as at 31 December 2019;
- the income statement for the year then ended;
- the statement of comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

Basis for opinion

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

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

Independence

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

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

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

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Report on Other Legal and Regulatory Requirements

As required by the Jamaican Companies Act, we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

In our opinion, proper accounting records have been kept, so far as appears from our examination of those records, and the accompanying stand-alone financial statements are in agreement therewith and give the information required by the Jamaican Companies Act, in the manner so required.

PricewaterhouseCoopers

Chartered Accountants
17 April 2020
Kingston, Jamaica

Sagicor Life Jamaica Limited

Statement of Financial Position

31 December 2019

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2019	2018
		$'000	$'000
ASSETS:			
Cash resources	6	1,261,678	414,597
Financial investments	8	134,151,384	117,479,726
Pledged assets	9	94,857	7,507,355
Investment properties	10	750,000	553,000
Intangible assets	11	1,523,956	1,598,901
Property, plant and equipment	12	2,716,995	2,177,651
Right-of-use assets	38	1,705,353	-
Reinsurance contracts	13	434,491	408,384
Deferred income taxes	15	534,831	794,989
Investment in subsidiary	39	459,018	-
Taxation recoverable		963,360	1,592,148
Other assets	17	12,112,716	10,537,118
TOTAL ASSETS		**156,708,639**	**143,063,869**

The accompanying notes on pages 7 -143 form an integral part of these financial statements.

Sagicor Life Jamaica Limited

Statement of Financial Position
31 December 2019
(expressed in Jamaican dollars unless otherwise indicated)

	Note	2019 $'000	2018 $'000
STOCKHOLDERS' EQUITY AND LIABILITIES:			
Stockholders' Equity Attributable			
Stockholders' of the Company			
Share capital	18	7,854,938	7,854,938
Equity reserves	19	1,106,899	(223,247)
Retained earnings		36,412,724	31,614,389
Total Equity		**45,374,561**	**39,246,080**
Liabilities			
Due to banks and other financial institutions	24	1,572,414	6,324,635
Taxation payable		18,589	1,201,183
Retirement benefit obligations	14	2,085,715	2,039,590
Lease liabilities	38	1,822,866	-
Other liabilities	25	8,216,544	6,435,356
Policyholders' Funds			
Life and health Insurance contracts liabilities	26	82,834,476	74,338,899
Investment contracts liabilities	27	10,841,154	10,139,200
Other policy liabilities	28	3,942,320	3,338,926
		97,617,950	87,817,025
Total Liabilities		**111,334,078**	**103,817,789**
TOTAL EQUITY AND LIABILITIES		**156,708,639**	**143,063,869**

Approved for issue by the Board of Directors on April 16, 2020 and signed on its behalf by:

Peter Melhado — Chairman

Christopher Zacca — Director

The accompanying notes on pages 7 -143 form an integral part of these financial statements.

Sagicor Life Jamaica Limited

Income Statement

Year ended 31 December 2019

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2019 $'000	2018 $'000
Revenue:			
Gross premium revenue	30	43,417,682	37,708,894
Insurance premium ceded to reinsurers	30	(659,865)	(506,206)
Net premium revenue	30	42,757,817	37,202,688
Interest income earned from financial assets measured at amortised cost and FVTOCI	31	7,102,725	7,290,485
Net gains on de-recognition of financial assets measured at amortised cost	31	1,765,187	1,321,397
Net gain on de-recognition of financial assets measured at FVTOCI	31	73,321	88,373
Interest income earned and capital gain from assets measured at FVTPL	31	4,502,882	1,351,792
Investment income		13,444,115	10,052,047
Interest and other interest expense	31	(783,150)	(906,710)
Expected credit losses	31/ 42 (d)	(117,308)	(232,317)
Net investment income	31	12,543,657	8,913,020
Fee and other income	32	3,902,783	3,052,737
Total revenue		**59,204,257**	**49,168,445**
Benefits:			
Insurance benefits incurred		27,327,784	24,167,349
Insurance benefits reinsured		(432,851)	(563,532)
Net insurance benefits	33	26,894,933	23,603,817
Net movement in actuarial liabilities	26(d)	6,770,856	1,871,041
Expenses:			
Administration expenses	35	7,498,594	6,944,616
Commission and sales expenses	36	5,511,844	5,344,960
Depreciation – Property, plant and equipment	12	188,406	184,935
Amortisation of lease liabilities	38	379,370	-
Amortisation of intangible assets	11	113,858	152,730
Premium and other taxes	37	179,702	186,619
		13,871,774	12,813,860
		47,537,563	**38,288,718**
Profit before Taxation		11,666,694	10,879,727
Taxation	37	(2,161,474)	(2,409,706)
NET PROFIT		**9,505,220**	**8,470,021**

Sagicor Life Jamaica Limited

Statement of Comprehensive Income

Year ended 31 December 2019

(expressed in Jamaican dollars unless otherwise indicated)

	2019 $'000	2018 $'000
Net profit for the year	**9,505,220**	**8,470,021**
Other comprehensive income:		
Items that may be subsequently reclassified to profit or loss		
Fair value reserve:		
Unrealised gains/(losses) on securities designated as FVTOCI	1,633,119	(1,778,128)
Gains recycled to the income statement on sale and maturity of FVTOCI securities	192,260	163,409
Provision for expected credit losses on securities designated as FVTOCI	119,581	(33,705)
Expected credit losses recycled to the Income Statement on sale and maturity of FVTOCI securities	(247,928)	299,198
Change in actuarial liabilities recognized in OCI	(808,382)	641,721
	(744,469)	1,070,623
Items that will not be subsequently reclassified to profit or loss		
Unrealised gains on owner-occupied properties	412,571	217,374
Re-measurements of retirement benefits obligations	74,826	(47,489)
Total other income recognised directly in stockholders' equity, net of taxes	1,376,047	(537,620)
Total Comprehensive Income	**10,881,267**	**7,932,401**

Items in the statement above are stated net of taxes. The income tax relating to each component of other comprehensive income is disclosed in Note 37(c).

Sagicor Life Jamaica Limited

Statement of Changes in Equity

Year ended 31 December 2019

(expressed in Jamaican dollars unless otherwise indicated)

	Note	Share Capital	Equity Reserves (Note 19)	Retained Earnings	Grand Total
		$'000	$'000	$'000	$'000
Balance at 1 January 2018		7,854,938	507,853	27,881,956	36,244,747
Changes on initial application of IFRS 9		-	(261,969)	184,079	(77,890)
Balance as at January 1, 2018		7,854,938	245,884	28,066,035	36,166,857
Total comprehensive income for the year		-	(490,131)	8,422,532	7,932,401
Transactions with owners -					
Dividends paid to owners of the parent	23	-	-	(4,686,762)	(4,686,762)
Transfer of company shares		-	-	(166,416)	(166,416)
Total transactions with owners		-		(4,853,178)	(4,853,178)
To special investment reserve	2(o)	-	21,000	(21,000)	-
Total transfers between reserves		-	21,000	(21,000)	-
Balance at 31 December 2018		7,854,938	(223,247)	31,614,389	39,246,080
Total comprehensive income for the year		-	1,301,221	9,580,046	10,881,267
Transactions with owners -					
Dividends paid to owners of the parent	23	-	-	(4,624,115)	(4,624,115)
Transfer of company shares		-	-	(128,671)	(128,671)
Total transactions with owners		-	-	(4,752,786)	(4,752,786)
To special investment reserve	2(o)	-	28,925	(28,925)	-
Total transfers between reserves		-	28,925	(28,925)	-
Balance at 31 December 2019		7,854,938	1,106,899	36,412,724	45,374,561

The accompanying notes on pages 7 -143 form an integral part of these financial statements.

Sagicor Life Jamaica Limited

Statement of Cash Flows

Year ended 31 December 2019

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2019 $'000	2018 $'000
Cash Flows from Operating Activities			
Net profit		**9,505,220**	**8,470,021**
Adjustments for:			
Items not affecting cash and changes to policyholders' funds:			
Adjustments for non-cash items, interest and dividends	40(a)	(1,815,905)	(4,406,570)
Changes in other operating assets and liabilities	40(a)	(4,201,784)	(3,697,435)
Net investment purchases	40(a)	(1,616,273)	(2,056,640)
Interest received		7,392,247	7,090,890
Interest paid		(846,469)	(1,205,649)
Taxes paid		(3,377,788)	(1,625,161)
Net cash generated from operating activities		**5,039,248**	**2,569,456**
Cash Flows from Investing Activities			
Purchase of property, plant and equipment, net	40(b)	(332,639)	(222,179)
Purchase of investment properties	10	(10,849)	(6,349)
Purchase of intangible assets	11	(38,913)	(30,121)
Investment in subsidiary	39	(459,018)	-
Net cash used in investing activities		**(841,419)**	**(258,649)**
Cash Flows from Financing Activities			
Stock options cost above Black Scholes value		(128,671)	(166,416)
Dividends paid to stockholders	23	(4,624,115)	(4,686,762)
Finance lease repayment		(261,855)	-
Net cash used in financing activities		**(5,014,641)**	**(4,853,178)**
Effect of exchange rate on cash and cash equivalents		24,405	49,085
Decrease in cash and cash equivalents		(792,407)	(2,493,286)
Cash and cash equivalents at beginning of year		2,103,232	4,596,518
CASH AND CASH EQUIVALENTS AT END OF YEAR	7	**1,310,825**	**2,103,232**

The accompanying notes on pages 7 -143 form an integral part of these financial statements.

Sagicor Life Jamaica Limited

Notes to the Financial Statements
31 December 2019
(expressed in Jamaican dollars unless otherwise indicated)

1. Identification and Activities

(a) Sagicor Life Jamaica Limited (SLJ, the company) is incorporated and domiciled in Jamaica. Effective December 2013, SLJ became a wholly owned subsidiary of Sagicor Group Jamaica Limited (SGJ), which is incorporated and domiciled in Jamaica. The ultimate parent company is Sagicor Financial Corporation (SFC), which is incorporated and domiciled in Bermuda. SFC has an overall interest of 49.11% (2017 – 49.11%) in SGJ.

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

2. Summary of Significant Accounting Policies

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

(a) Basis of preparation

These financial statements have been prepared in accordance with and comply with International Financial Reporting Standards (IFRS) and have been prepared under the historical cost convention as modified by the revaluation of FVTOCI investment securities, investment property, certain property, plant and equipment, and financial assets and liabilities at fair value through profit or loss.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the company's accounting policies. Although these estimates are based on management's best knowledge of current events and action, actual results could differ from these estimates. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3.

Standards, interpretations and amendments to existing standards effective during the current year

Certain new standards, interpretations and amendments to existing standards have been published that became effective during the current financial year. The Company has assessed the relevance of all such new interpretations and amendments, and has adopted the following, which are relevant to its operations.

IFRS 16, 'Leases', (effective for annual periods beginning on or after 1 January 2019) was issued in January 2017 and replaces IAS 17, 'Leases'. The standard introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments.

Sagicor Life Jamaica Limited

Notes to the Financial Statements
31 December 2019
(expressed in Jamaican dollars unless otherwise indicated)

2. Summary of Significant Accounting Policies (Continued)

(a) Basis of preparation (continued)

Standards, interpretations and amendments to existing standards effective during the current year (continued)

IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently. IFRS 16 also requires enhanced disclosures to be provided by lessors and lessees that will improve information provided to users of the financial statements. The impact on the Company of implementing IFRS 16 is discussed in Note 38 to the financial statements.

Amendment to IFRS 9, 'Financial instruments', on prepayment features with negative compensation (effective for annual periods beginning on or after 1 January 2019). The Board has issued a narrow-scope amendment to IFRS 9 to enable companies to measure at amortised cost some prepayable financial assets with negative compensation. The assets affected, that include some loans and debt securities, would otherwise have been measured at fair value through profit or loss (FVTPL). Negative compensation arises where the contractual terms permit the borrower to prepay the instrument before its contractual maturity, but the prepayment amount could be less than unpaid amounts of principal and interest. However, to qualify for amortised cost measurement, the negative compensation1 must be reasonable compensation for early termination of the contract. There was no significant impact from the adoption of this amendment during the year

Amendment to IAS 28, 'Investments in associates', (effective for annual periods beginning on or after 1 January 2019). This amendment clarifies that companies account for long-term interests in an associate or joint venture to which the equity method is not applied using IFRS 9. There was no significant impact from the adoption of this amendment during the year.

IFRIC 23, 'Uncertainty over income tax treatments', (effective for annual periods beginning on or after 1 January 2019). This IFRIC clarifies how the recognition and measurement requirements of IAS 12 'Income taxes', are applied where there is uncertainty over income tax treatments. The IFRS IC had clarified previously that IAS 12, not IAS 37 'Provisions, contingent liabilities and contingent assets', applies to accounting for uncertain income tax treatments. IFRIC 23 explains how to recognise and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment. An uncertain tax treatment is any tax treatment applied by an entity where there is uncertainty over whether that treatment will be accepted by the tax authority. For example, a decision to claim a deduction for a specific expense or not to include a specific item of income in a tax return is an uncertain tax treatment if its acceptability is uncertain under tax law. IFRIC 23 applies to all aspects of income tax accounting where there is an uncertainty regarding the treatment of an item, including taxable profit or loss, the tax bases of assets and liabilities, tax losses and credits and tax rates. There was no significant impact from the adoption of this amendment during the year.

Amendment to IAS 19, 'Employee benefits ' (effective for annual periods beginning on or after 1 January 2019). This amendment requires an entity to:

- Use updated assumptions to determine current service cost and net interest for the reminder of the period after a plan amendment, curtailment or settlement; and
- Recognise in profit or loss as part of past service cost, or a gain or loss on settlement, any reduction in surplus, even if that surplus was not previously recognized because of the impact of the asset ceiling.

There was no significant impact from the adoption of this amendment during the year.

Sagicor Life Jamaica Limited

Notes to the Financial Statements
31 December 2019
(expressed in Jamaican dollars unless otherwise indicated)

2. Summary of Significant Accounting Policies (Continued)

(a) Basis of preparation (continued)

Standards, interpretations and amendments to existing standards effective during the current year (continued)

Annual improvement 2015-2017, (effective for annual periods beginning on or after 1 January 2019). These amendments include minor changes to:

- IFRS 3, 'Business Combinations', a company measures its previously held interest in a joint operation when it obtains control of the business.
- IFRS 11, 'Joint arrangements', a company does not measure its previously owed interest in a joint
- IAS 12, 'Income taxes', a company accounts for all income taxes consequences of dividend payments in the same way.
- IAS 23, 'Borrowing costs', a company treats as part of general borrowings any borrowing originally made to develop an asset when the asset is ready for its intended use or sale.

There was no significant impact from the adoption of this amendment during the year.

Standard early adopted by the Company

Amendment to IFRS 3,'Business combinations', (effective for annual periods beginning on or after 1 January 2020). This amendment revises the definition of a business. According to feedback received by the International Accounting Standard Board (IASB), application of the current guidance is commonly thought to be too complex, and it results in too many transactions qualifying as business combinations. There was no significant impact from the adoption of this amendment during the year.

Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Company

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

IFRS 17, 'Insurance contracts', (effective for annual periods beginning on or after 1 January 2023). IFRS 17 replaces IFRS 4 which currently permits a wide variety of practices in accounting for insurance contracts. IFRS 17 will fundamentally change the accounting by all entities that issue insurance contracts and investment contracts with discretionary participation features. The standard requires a current measurement model where estimates are re-measured each reporting period. Contracts are measured using the building blocks of discount probability –weighted cash flows, an explicit risk adjustment, and a contract service margin (CSM) representing the unearned profit of the contract which is recognised as revenue over the coverage period. This IFRS provides a common global insurance accounting standard leading to consistency in recognition, measurement, presentation and disclosure. The standard applies to annual periods beginning on or after 1 January 2023.

Sagicor Life Jamaica Limited

Notes to the Financial Statements
31 December 2019
(expressed in Jamaican dollars unless otherwise indicated)

2. Summary of Significant Accounting Policies (Continued)

(a) Basis of preparation (continued)

Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Company (continued)

Amendment to IFRS 3, 'Business combinations', (effective for annual periods beginning on or after 1 January 2020). This amendment revises the definition of a business. According to feedback received by the International Accounting Standard Board (IASB), application of the current guidance is commonly thought to be too complex, and it results in too many transactions qualifying as business combinations. The Company is currently assessing the impact of future adoption of the new standard on its financial statements.

Amendment to IAS 1 and IAS 8, (effective for annual periods beginning on or after 1 January 2020). These amendments to IAS 1, 'Presentation of financial statements', and IAS 8, 'Accounting policies, changes in accounting estimates and errors', and consequential amendments to other IFRSs: i) use of a consistent definition of materiality throughout IFRSs and the Conceptual Framework for Financial Reporting; ii) clarify the explanation of the definition of material; and iii) incorporate some of the guidance in IAS 1 about immaterial information. The Company is currently assessing the impact of future adoption of the new standard on its financial statements.

There are no other IFRS or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Company.

(b) Foreign currency translation

(i) Functional and presentation currency

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

The financial statements are presented in Jamaican dollars.

(ii) Transactions and balances

Foreign currency transactions or that require settlement, in a foreign currency are translated into the functional currency using the exchange rates prevailing at the dates of the transactions.

Monetary items denominated in foreign currency are translated with the closing rate as at the reporting date. Non-monetary items measured at historical cost denominated in a foreign currency are translated with the exchange rate as at the date of initial recognition; non-monetary items in a foreign currency that are measured at fair value are translated using the exchange rates at the date when the fair value was determined. These rates represent the weighted average rates at which the company trades in foreign currency.

Foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in equity as gains or losses from qualifying cash flow hedging instruments.

2. Summary of Significant Accounting Policies (Continued)

(b) Foreign currency translation (continued)

(ii) Transactions and balances (continued)

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

Changes in the fair value of monetary securities denominated in foreign currency classified as FVTOCI are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in amortised cost are recognised in profit or loss, and other changes in carrying amount are recognised in other comprehensive income.

Translation differences on non-monetary financial instruments, such as equities held at fair value through profit or loss, are reported as part of the fair value gain or loss. Translation differences on non-monetary financial instruments, such as equities classified as FVTOCI financial assets, are included in the fair value reserve in other comprehensive income.

(c) Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise:

- cash balances,
- short term deposits,
- other liquid securities with maturities of three months or less from the acquisition date,
- bank overdrafts which are repayable on demand; and
- other borrowings from financial institutions made for the purpose of meeting cash commitments and which have maturities of three months or less from origination.

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

(d) Financial assets

(i) Classification of financial assets

Equity instruments are measured at FVTPL, unless they are not held for trading purposes, in which case an irrevocable election can be made on initial recognition to measure them at FVTOCI with no subsequent reclassification to profit or loss. Financial assets are measured on initial recognition at fair value and are classified as and subsequently measured either at amortised cost, at FVTOCI or at FVTPL. Financial assets and liabilities are recognised when the Company becomes a party to the contractual provision of the instrument. Purchases and sales of financial assets are recognised on trade-date, the date on which the Company commits to purchase or sell the asset.

Classification of debt instruments

Classification and subsequent measurement of debt instruments depend on:

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

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2. Summary of Significant Accounting Policies (Continued)

(d) Financial assets (continued)

(i) Classification of financial assets (continued)
Based on these factors, the Company classifies its debt instruments into one of the following three measurement categories.

Measured at amortised cost
Debt instruments that are held to collect the contractual cash flows and that contain contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest, such as most loans and advances to banks and customers and some debt securities, are measured at amortised cost. The carrying value of these financial assets at initial recognition includes any directly attributable transactions costs.

Measured at fair value through other comprehensive income
Financial assets that are held for collection of contractual cash flows and for selling the assets, where cash flows represent solely payments of principal and interest, and that are not designated at FTVPL, are measured at fair value through other comprehensive income (FVTOCI). Movement in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses on the instruments amortised cost which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in Net Investment income. Interest income from these financial assets is included in “Interest income” using the effective interest rate method.

The use of designation removes or significantly reduces an accounting mismatch.

Measured at fair value through profit and loss
Assets that do not meet the criteria for amortised cost or FVTOCI are measured at fair value through profit or loss. Interest income on a debt investment that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recgonised in the profit or loss and presented in the profit or loss statement within “Interest income from FVTPL’ in the period in which it arises, unless it arises from debt instruments that were designated at fair value or which are not held for trading, in which case they are presented separately in “Net investment income’. Interest income from these financial assets is included in ‘Interest income’ using the effective interest rate method.

Held for trading securities are acquired principally for the purpose of selling in the short-term or if they form part of a portfolio of financial assets in which there is evidence of short-term profit taking. Derivatives are also classified as held for trading unless designated as hedges. Assets held for trading are measured at fair value through profit and loss.

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

- The past experience on how the cash flows of these assets were collected;
- How the assets performance is evaluated and reported to key management;
- How risks are assessed and managed and how managers are compensated;
- How the Company intends to generate profits from holding a portfolio of assets;

(d) Financial assets (continued)

(i) Classification of financial assets (continued)

Business model assessment (continued)

- The historical and future expectations of asset sales within a portfolio.

Solely repayments of principle and interest ("SPPI")

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

(ii) Unit linked funds fair value model

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

(iii) Embedded derivatives

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

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

IFRS 9 introduces an impairment model that requires the recognition of expected credit losses ("ECL") on financial assets measured at amortised cost and FVTOCI and off statement of financial position loan commitments and financial guarantees which were previously provided for under IAS 37 Provisions, Contingent Liabilities and Contingent Assets.

At initial recognition, allowance (or provision in the case of some loan commitments and financial guarantees) is required for ECL resulting from default events that are possible within the next 12 months (or less, where the remaining life is less than 12 months) ('12-month ECL').

In the event of a significant increase in credit risk (SICR) an allowance (or provision) is required for ECL resulting from all possible default events over the expected life of the financial instrument ('lifetime ECL'). Financial assets where 12-month ECL is recognised are considered to be 'stage 1'; financial assets which are considered to have experienced a significant increase in credit risk are in 'stage 2'; and financial assets for which there is objective evidence of impairment and are therefore considered to be in default or otherwise credit-impaired are in 'stage 3'. Purchased or originated credit-impaired financial assets ("POCI") are treated differently as set out below.

To determine whether the life-time credit risk has increased significantly since initial recognition, the Company considers reasonable and supportable information that is available including information from the past and forward-looking information. Factors such as whether payments of principal and interest are in delinquency, an adverse change in credit rating of the borrower and adverse changes in the borrower's industry and economic environment are considered in determining whether there has been a significant increase in the credit risk of the borrower.

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2. Summary of Significant Accounting Policies (Continued)

(d) Financial assets (continued)

(v) Purchased or originated credit-impaired assets

Financial assets that are purchased or originated at a deep discount that reflects the incurred credit losses are considered to be POCI. Theses financial assets are credit-impaired on initial recognition. The Company calculates the credit adjusted effective interest rate, which is calculated based on the fair value at origination of the financial asset instead of its gross carrying amount and incorporates the impact of ECLs in estimated future cash flows. This rate is used to calculate interest revenue and amortized cost. Their ECL is always measured on a lifetime basis, but they do not carry a day-1 loss.

(vi) Definition of default

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

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

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

(vii) Write-off

Financial assets (and the related impairment allowances) are normally written off, either partially or in full, when there is no realistic prospect of recovery. Where loans are secured, this is generally after receipt of any proceeds from the realisation of security. In circumstances where the net realisable value of any collateral has been determined and there is no reasonable expectation of further recovery, write-off may be earlier.

(vii) The general approach to recognising and measuring ECL

The measurement of ECL reflects:

- An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- The time value of money;
- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

2. Summary of Significant Accounting Policies (Continued)

(d) Financial assets (continued)

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

Measurement
Expected credit losses are calculated by multiplying three main components, being the probability of default ("PD"), loss given default ("LGD") and the exposure at default ("EAD"), discounted at the original effective interest rate. Management has calculated these inputs based on the estimated forward looking economic and historical experience of the portfolios adjusted for the current point in time. A simplified approach to calculating the ECL is applied to contract and other receivables which do not contain a significant financing component. Generally, these receivables are due within 12 months unless there are extenuating circumstances. Under this approach, an estimate is made of the life-time ECL on initial recognition. For ECL provisions modelled on a collective basis, a grouping of exposures is performed on the basis of shared risk characteristics, such that risk exposures within a group are homogeneous.

The PD, LGD and EAD models which support these determinations are reviewed periodically during the year. Therefore, the underlying models and their calibration, including how they react to forward-looking economic conditions remain subject to review and refinement. This is particularly relevant for lifetime PDs, which have not been previously used in regulatory modelling and for the incorporation of 'downside scenarios' which have not generally been subject to experience gained through stress testing. The exercise of judgement in making estimations requires the use of assumptions which are highly subjective and sensitive to the risk factors, in particular to changes in economic and credit conditions across a large number of geographical areas. Many of the factors have a high degree of interdependency and there is no single factor to which loan impairment allowances as a whole are sensitive. Therefore, sensitivities (Note 41 (d)) are considered in relation to key portfolios which are particularly sensitive to a few factors and the results should not be further extrapolated.

One key difference between Stage 1 and Stage 2 expected credit losses is the respective PD horizon. Stage 1 and Stage 2 expected credit losses also incorporate different exposure at default which is based on the amortizing schedule for non-revolving assetsStage 1 estimates will use a maximum of a 12-month PD while Stage 2 estimates will use a lifetime PD. Stage 3 estimates will continue to leverage existing processes for estimating losses on impaired loans, however, these processes will be updated to reflect the requirements of IFRS 9, including the requirement to consider multiple forward-looking scenarios. An expected credit loss estimate will be produced for each individual exposure, including amounts which are subject to a more simplified model for estimating expected credit losses. The measurement of expected credit losses for each stage and the assessment of significant increases in credit risk must consider information about past events and current conditions as well as reasonable and supportable forecasts of future events and economic conditions. The estimation and application of forward-looking information will require significant judgment.

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

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

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2. Summary of Significant Accounting Policies (Continued)

(d) Financial assets (continued)

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

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

Forward looking information
The estimation and application of forward-looking information requires significant judgment. PD, LGD and EAD inputs used to estimate Stage 1 and Stage 2 credit loss allowances are modelled based on the macroeconomic variables (or changes in macroeconomic variables) that are most closely correlated with credit losses in the relevant portfolio.

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

Scenario design, including the identification of additional downside scenarios occurs on at least an annual basis and more frequently if conditions warrant. Scenarios are probability-weighted according to our best estimate of their relative likelihood based on historical frequency and current trends and conditions. Probability weights are updated on a quarterly basis. The base scenario reflects the most likely outcome and is assigned with the highest weighting. Management believes that there is an equal probability of the upside and downside scenario happening, thus equal weighting was assigned to the two scenarios.

The weightings assigned to each economic scenario as at December 31, 2018 and December 31, 2019 were as follows:

	Base	Upside	Downside
Sagicor Life Jamaica - investments portfolios	80%	10%	10%

Refer to Note 42 for Government of Barbados exposures

Impairment on financial assets measured at amortized cost and FVTOCI, recognized impairment gains and losses are recognized in the statement of profit and loss. Unrealised gains and losses arising from changes in fair value on FVTOCI assets are measured in other comprehensive income and the loss allowance is recycled to profit and loss in the credit loss provision line. When the asset is sold, the cumulative gain or loss is reclassified to investment income and the impairment on these financial assets will be reversed to provision for credit losses in the profit and loss.

(ix) Interest income and interest earned on assets measured at fair value through profit and loss
Interest income is earned based on the interest rate before allowances. Interest earned on assets measured at fair value through profit and loss is recognised based on the effective interest rate. For assets that are credit-impaired when purchased or originated, the carrying amount after allowances for ECL is the basis for applying the interest rate.

2. Summary of Significant Accounting Policies (Continued)

(d) Financial assets (continued)

(xi) Modification of loans

The Company sometimes renegotiates or otherwise modifies the contractual cash flows of loans to customers and debt instruments. When this happens, the Company assesses whether or not the new terms are substantially different to the original terms. The Company does this by considering, among others, the following factors:

- If the borrower is in financial difficulty, whether the modification merely reduces the contractual cash flow to amounts the borrower is expected to be able to pay.
- Whether any substantial new terms are introduced, such as a profit share/equity-based return that substantially affects the risk profile of the loan.
- Significant extension of the loan term when the borrower is not in financial difficulty.
- Significant change in the interest rate.
- Change in the currency the loan is denominated in.
- Insertion of collateral, other security or credit enhancements that significantly affect the credit risk associated with the loan.

If the terms are substantially different, the Company derecognises the original financial asset and recognises a new asset at fair value and recalculates the new effective interest rate for the asset. The date of negotiation is consequently considered to the be the date of initial recognition for impairment calculation purposes and the purpose of determining if there has been a significant increase in credit risk. At this point the Company will assess if the asset is POCI.

(e) Investment in subsidiary

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

(f) Investment properties

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

Investment property is recorded initially at cost. In subsequent financial years, investment property is recorded at fair values determined by independent valuers, with the appreciation or depreciation in value being taken to investment income. Investment property includes property held under partnership and joint venture arrangements with third parties which are accounted for using the equity method.

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2. Summary of Significant Accounting Policies (Continued)

(f) Investment properties (continued)

Transfers to or from investment property are recorded when there is a change in use of the property. Transfers to owner-occupied property or to real estate developed for resale are recorded at the fair value at the date of change in use. Transfers from owner-occupied property are recorded at their fair value and any difference with carrying value at the date of change in use is dealt with in accordance with note 2 (h).

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

Rental income is recognised on an accrual's basis.

(g) Leases – Policies under IFRS 16

The company has changed its accounting policy for leases where the company is the lessee. The new policy is described in Note 38 and the impact of the change in Note 50.

Until 31 December 2018, leases of property, plant and equipment where the company, as lessee, had substantially all the risks and rewards of ownership were classified as finance leases. Finance leases were capitalised at the lease's inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, were included in other short-term and long-term payables. Each lease payment was allocated between the liability and finance cost. The finance cost was charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases was depreciated over the asset's useful life, or over the shorter of the asset's useful life and the lease term if there was no reasonable certainty that the member company would obtain ownership at the end of the lease term.

Leases in which a significant portion of the risks and rewards of ownership were not transferred to the company as lessee were classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease.

Leases – Policies under IAS 17

(i) As lessee
Leases of property, plant and equipment where the Company has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are recognised at the inception of the lease at the lower of the fair value of the leased asset or the present value of minimum lease payments. Each lease payment is allocated between the liability and interest charges so as to produce a constant rate of charge on the lease obligation. The interest element of the lease payments is charged to the income statement over the lease period.

2. Summary of Significant Accounting Policies (Continued)

(g) Leases – Policies under IAS 17 (continued)

(i) As lessee (continued)

Leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments under operating leases are charged to the income statement on a straight-line basis over the period of the lease.

When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

(ii) As lessor
When assets are leased out under a finance lease, the present value of the lease payments is recognised as a receivable. The difference between the gross receivable and the present value of the receivable is recognised as unearned finance income. Lease income is recognised over the term of the lease in a manner which reflects a constant periodic rate of return on the net investment in the lease.

Assets leased out under operating leases are included in property, plant and equipment in the statement of financial position. They are depreciated over their expected useful lives on a basis consistent with similar owned assets. Rental income is recognised on a straight-line basis over the lease term.

(h) Impairment of assets

Impairment of non-financial assets
Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

(i) Property, plant and equipment

Freehold land and buildings owned and used by the Company are treated as owner-occupied properties. These properties are stated at their fair values based on valuations by external valuers, less subsequent depreciation for buildings. All other property, plant and equipment are stated at historical cost less accumulated depreciation.

Increases in the carrying amounts arising from the revaluation of owner-occupied properties are included in the investment and fair value reserves. Decreases that offset previous increases of the same asset are charged against the investment and fair value reserves. All other reductions are taken directly to the income statement.

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2. Summary of Significant Accounting Policies (Continued)

(i) Property, plant and equipment (continued)

Depreciation is calculated on the straight-line basis at annual rates that will write off the carrying value of each asset over the period of its expected useful life. Annual depreciation rates are as follows:

Freehold buildings	2.5%
Leasehold improvements	Period of lease, not to exceed ten years
Computer equipment	20 - 50%
Furniture	10%
Other equipment	15%
Motor vehicles	20%
Leased assets	Shorter of period of lease or useful life of asset

Land is not depreciated.

Property, plant and equipment are periodically reviewed for impairment. Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount.

Gains or losses on disposal of property, plant and equipment are determined by reference to their carrying amount and are taken into account in determining operating profit. Repairs and renewals are charged to the income statement when the expenditure is incurred. On disposal of revalued assets, the revaluation amounts are transferred to retained earnings.

(j) Real estate developed for sale

Construction in progress for resale are classified as real estate held for resale and are valued at the lower of cost and net realisable value. Gains and losses realised on the sale of real estate are included in revenue at the time of sale.

(k) Intangible assets

(i) Goodwill
Goodwill represents the excess of the cost of an acquisition over the fair value of the Company's share of the net identifiable assets of the acquired subsidiary/associate at the acquisition date. Goodwill on acquisition of subsidiaries is included in intangible assets. Goodwill on acquisition of associates is included in investment in associates.

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

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

2. Summary of Significant Accounting Policies (Continued)

(k) Intangible assets (continued)

(i) Goodwill (continued)

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

(ii) Contractual customer relationships
This asset represents the present value of the benefit to the Company from customer lists, contracts, or customers' relationships that can be identified separately and measured reliably. Customer relationships include those of insurance and banking customer relationships with an estimated useful life of 10 to 20 years.

(iii) Computer software
Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their expected useful life of three years.

Costs that are directly associated with the production of identifiable and unique software products controlled by the Company, and that will probably generate benefits exceeding costs beyond one year, are recognised as intangible assets. Direct costs include the software development team's employee costs and an appropriate portion of relevant overheads. All other costs associated with developing or maintaining computer software programmes are recognised as an expense as incurred.

Intangible assets with indefinite useful lives are assessed for impairment annually, or more frequently if events changed in circumstances indicate a potential impairment.

(l) Employee benefits

The company operates various post-employment schemes, including both defined benefit and defined contribution pension plans and post-employment medical plans.

(i) Pension obligations
A defined contribution plan is a pension plan under which the company pays fixed contributions into a separate entity. The company has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. A defined benefit plan is a pension plan that is not a defined contribution plan.

Typically defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

2. Summary of Significant Accounting Policies (Continued)

(l) Employee benefits (continued)

(i) Pension obligations (continued)

The asset or liability recognised in the statement of financial position in respect of the defined benefit pension plan is the present value of the defined benefit obligation at the statement of financial position date less the fair value of plan assets, together with adjustments for past service costs. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise. Past-service costs are recognised immediately in the income statement.

For the defined contribution plan, the Company pays contributions to privately administered pension insurance plans on a contractual basis. The Company has no further payment obligations once the contributions have been paid. The contributions are charged to the income statement in the period to which they relate.

(ii) Other post-retirement obligations

The Company provides supplementary health, dental and life insurance benefits to qualifying employees upon retirement. The entitlement to these benefits is usually based on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment using the same accounting methodology as used for defined benefit pension plans. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise. These obligations are valued annually by independent qualified actuaries.

(iii) Annual leave

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the year end date.

(iv) Share-based compensation

Share options

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

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

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2. Summary of Significant Accounting Policies (Continued)

(l) Employee benefits (continued)

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

The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. At each statement of financial position date, the entity revises its estimates of the number of options that are expected to become exercisable. It recognises the impact of the revision of original estimates, if any, in the income statement, and a corresponding adjustment to cover the remaining vesting period. The proceeds received net of any directly attributable transaction costs, plus the fair value of the options are credited to share capital when the options are exercised.

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

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

(v) Productivity bonus plan
The company recognises a liability and an expense for productivity bonuses as profit-sharing, paid to non-executive administrative staff based on a formula that takes into consideration the profit attributable to the company's stockholders. The company recognises a provision where contractually obliged or where past practice has created a constructive obligation.

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

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2. Summary of Significant Accounting Policies (Continued)

(m) Pension and investment funds

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

The Company manages a number of segregated pension funds, mutual funds and unit trusts. These funds are segregated and investment returns on these accrue directly to the unit-holders. Consequently, the assets, liabilities and activity of these funds are not included in these financial statements.

(n) Share capital

Shares are classified as equity when there is no obligation to transfer cash or other assets.

(i) Share issuance cost
Incremental costs directly attributable to the issue of new shares or options are shown in stockholders' equity as a deduction from the proceeds.

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

Dividends for the year that are declared after the year end date are dealt with in the subsequent events note.

(o) Special investment reserve

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

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

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

(p) Transfers to retained earnings

Unrealised gains on quoted equities are recorded in the investment and fair value reserves under IFRS. Regulatory reserve requirements are met by transferring the following:

(i) Net unrealised gains brought forward at the beginning of each year are transferred from the investment and fair value reserves to retained earnings at 25%.

(ii) Net unrealised gains earned during the year are transferred from the investment and fair value reserves to the retained earnings at 25%.

2. Summary of Significant Accounting Policies (Continued)

(q) Financial Liabilities

(i) Classification

Financial liabilities are measured at initial recognition at fair value and are classified as and subsequently measured either at amortised cost, or at fair value through profit or loss (FVTPL). Financial liabilities are derecognised when they are extinguished (i.e. when the obligation specified in the contract is discharged, cancelled or expires).

The financial liabilities described under the unit linked fair value model (see section (a) above) are classified and measured at FVTPL as the Company is obligated to provide investment returns to the unit holder in direct proportion to the investment returns on a specific portfolio of assets, which are also carried at FVTPL. Derivative financial liabilities are carried at FVTPL. All other financial liabilities are carried at amortised cost. It is noted that the financial liabilities measured at FVTPL do not have a cumulative own credit adjustment gain or loss.

During the ordinary course of business, the Company issues investment contracts or otherwise assumes financial liabilities that expose the Company to financial risk. The recognition and measurement of the Company's principal types of financial liabilities are disclosed in 2 (s) and in the following paragraphs.

Deposit liabilities
Deposits are recognised initially at fair value and are subsequently measured at amortised cost using the effective yield method plus or minus transaction costs.

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

Obligations undertaken for the purposes of financing operations and capital support are classified as loans payable and associated cost classified as finance costs. Loan obligations undertaken for the purposes of providing funds for on-lending, leasing or portfolio investments are classified as deposit and security liabilities and the associated cost is included in interest expense.

2. Summary of Significant Accounting Policies (Continued)

(r) Insurance and investment contracts

(i) Classification

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

The Company defines insurance risk as an insured event that could cause an insurer to pay significant additional benefits in a scenario that has a discernable effect on the economics of the transaction. Insurance contracts transfer insurance risk and may also transfer financial risk. Once a contract has been classified as an insurance contract, it remains an insurance contract for its duration, even if the insurance risk reduces significantly over time. Investment contracts transfer financial risk and no significant insurance risk. Financial risk includes credit risk, liquidity risk and market risk.

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

(ii) Recognition and measurement

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

(1.1) Health insurance contracts -

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

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

Claims are recorded on settlement. Reserves are recorded as described in Note 2 (s).

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

Commissions payable is recognised on the same basis as premiums earned.

(1.2) Long-term traditional insurance contracts

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

2. Summary of Significant Accounting Policies (Continued)

(r) Insurance and investment contracts (continued)

(ii) Recognition and measurement

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

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

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

Policy benefits are recognised on the notification of death, disability or critical illness, on the termination or maturity date of the contract, on the declaration of a cash bonus or dividend or on the annuity payment date. Policy loans advanced are recorded as loans and receivables in the financial statements and are secured by the cash values of the respective policies. Policy bonuses may be “non-cash” and utilised to purchase additional amounts of insurance coverage. Accumulated cash bonuses and dividends are recorded as interest bearing policy balances.

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

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

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

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

2. Summary of Significant Accounting Policies (Continued)

(r) Insurance and investment contracts (continued)

(ii) Recognition and measurement (continued)

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

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

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

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

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

(iv) Deposit administration and other investment contracts
Deposit administration contracts are issued by an insurer to registered pension schemes for the deposit of pension plan assets with the insurer.

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

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

2. Summary of Significant Accounting Policies (Continued)

(r) Insurance and investment contracts (continued)

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

Deposit administration contributions are recorded directly as liabilities. Withdrawals are deducted directly from the liability. The interest or investment return provided is recorded as an interest expense. In addition, the Company may provide pension administration services to the pension schemes. The Company earns fee income for both pension administration and investment services.

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

(v) Reinsurance contracts held

Contracts entered into by the Company with reinsurers under which the Company is compensated for losses on one or more contracts issued by the Company and that meet the classification requirements for insurance contracts are classified as reinsurance contracts held. Contracts that do not meet these classification requirements are classified as financial assets. Insurance contracts entered into by the Company under which the contract holder is another insurer (inwards reinsurance) are included with insurance contracts.

The benefits to which the Company is entitled under its reinsurance contracts held are recognised as reinsurance assets. These assets consist of short-term balances due from reinsurers (classified within loans and receivables), as well longer-term receivables (classified as reinsurance assets) that are dependent on the expected claims and benefits arising under the related reinsured insurance contracts. Amounts recoverable from or due to reinsurers are measured consistently with the amounts associated with the reinsured insurance contracts and in accordance with the terms of each reinsurance contract. Reinsurance liabilities are primarily premiums payable for reinsurance contracts and are recognised as an expense when due.

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

Actuarial liabilities arising from reinsurance are included as an insurance contract liability.

(s) Actuarial liabilities

(1.1) Life insurance and annuity contracts

The determination of actuarial liabilities of long-term insurance contracts has been done using the Policy Premium Method (PPM) of valuation. Under this method, explicit allowance is made for all future benefits and expenses under the policies and expected earned investment income. The premiums, benefits and expenses for each policy are projected and the resultant future cash flows are discounted back to the valuation date to determine the reserves.

2. Summary of Significant Accounting Policies (Continued)

(s) Actuarial liabilities (continued)

(1.1) Life insurance and annuity contracts (continued)

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

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

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

An actuarial valuation is prepared at least annually. Changes in the policyholders' liabilities are recorded in the income statement. Maturities and annuities are accounted for when due.

Death and disability claims and surrenders are recognised in the financial statements in the year in which they have been notified.

These contracts insure events associated with human life (for example death, or survival) over a long duration. Premiums are recognised as revenue when they become payable by the contract holder. Premiums are shown before deduction of commission.

Benefits are recorded as an expense when they are incurred.

(1.2) Health insurance contracts

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

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2. Summary of Significant Accounting Policies (Continued)

(t) Revenue recognition

Revenue recognition

Revenues from service contracts with customers consist primarily of management and administration fees earned from third party investment funds, pension plans and insurance benefit plans (managed funds or administrative service only (ASO) benefit plans). These service contracts generally impose single performance obligations, each consisting of a series of similar related services to the unitholder or policyholder of each fund or plan. The Company's performance obligations within these service arrangements are generally satisfied over time as the unitholders and policyholders simultaneously receive and consume contracted benefits over time.

Revenue from service contracts with customers is recognised when (or as) the Company satisfies the performance obligation of the contract. For obligations satisfied over time, revenue is recognised monthly or over some other period. For performance obligations satisfied at a point in time, revenue is recognised at that point in time.

The various fees are billed periodically and are collected either by deduction or within a short period of time.

(i) Premium income
Gross premiums for traditional life and health insurance contracts are recognised as revenue when due. Revenue for universal life products and annuity contributions are recognised when received. When premiums are recognised, the related actuarial liabilities are computed, resulting in benefits and expenses being matched with revenue.

Where collection of premium is considered doubtful, or payment is outstanding for more than 90 days, the insurance regulations stipulate that the outstanding premium should be provided for in full. IFRS requires that when premiums become doubtful of collection, they are written down to their recoverable amounts and thereafter recognised based on the rate of interest that was used to discount the future cash flows for the purpose of measuring the recoverable amount.

(ii) Fee income
Fees consist primarily of investment management fees arising from services rendered in conjunction with the issue and management of investment contracts where the Company actively manages the consideration received from its customers to fund a return that is based on the investment profile that the customer selected on origination of the instrument. Fee income is recognised on an accrual basis. Loan origination fees for loans which are likely to be drawn down are deferred, together with related direct costs, and recognised as an adjustment to the effective yield on the loan. Fees and commissions arising from negotiating or participating in the negotiation of a transaction for a third party are recognised on completion of the underlying transaction.

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

2. Summary of Significant Accounting Policies (Continued)

(t) Revenue recognition (continued)

(ii) Fee income (continued)

- Front-end fees are charged to the client on inception. This approach is used particularly for single premium contracts. The consideration received is deferred as a liability and recognised over the life of the contract on a straight-line basis.

- Regular fees charged to the customer periodically either directly or by making a deduction from invested funds. Fees charged at the end of the period are accrued as a receivable that is offset against the financial liability when charged to the customer.

(u) Interest expense

Interest income (expense) is computed by applying the effective interest rate based to the gross carrying amount of a financial asset (liability), except for financial assets that subsequently become credit-impaired. For credit-impaired financial assets, the effective interest rate is applied to the net carrying amount of the financial asset (i.e. after deduction of the loss allowance). Interest includes coupon interest and accrued discount and premium on financial instruments.

(v) Commissions

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

(w) Taxation

Current and deferred taxes

The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the statement of financial position date. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the statement of financial position date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

2. Summary of Significant Accounting Policies (Continued)

(w) Taxation (continued)
Current and deferred taxes

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

(x) Fiduciary activities
The Company acts as trustees and in other fiduciary capacities that result in the holding or placing of assets on behalf of individuals, trusts, retirement benefit plans and other institutions. These assets and income arising thereon are excluded from these financial statements, as they are not assets of the Company.

(y) Financial instruments
Financial instruments carried on the statement of financial position include cash resources, investments, securities purchased under resale agreements, loans & leases, other assets, securities sold under repurchase agreements, due to banks and other financial institutions, customer deposits and other liabilities.

The fair values of the company's financial instruments are discussed in Note 41.

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

The majority of the offsetting applied by the Company relates to repurchase and reserve repurchase agreements.

(aa) Securities purchased under agreements to resell
Securities purchased under agreements to resell (reverse repurchase agreements) are treated as collateralised financing transactions and are recorded at the amount at which the securities were acquired or sold plus accrued interest.

The difference between sale and repurchase price is treated as interest and accrued over the life of the agreements using the effective interest method. Securities lent to counterparties are also retained in the financial statements.

2. Summary of Significant Accounting Policies (Continued)

(bb) Provision

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

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

(cc) Consolidation

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

3. Critical Accounting Estimates, and Judgements in Applying Accounting Policies

The Company makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

(a) Critical judgements in applying the Company's accounting policies

(i) Adoption of IFRS 10, 'Consolidation of financial statements'
Management assessments were done for the Sagicor Pooled Investment Fund to ensure that changes made to IFRS 10 were properly implemented in accordance with the standard. A number of significant judgements were used regarding whether or not these entities had met the requirements to be consolidated within the financial statements of the Company and are highlighted below:

- Sagicor Pooled Investment Fund
  IFRS 10 does not establish bright lines as to what level of exposure definitely result in control and the assessment should be based on the relevant facts and circumstances. In determining whether a fund manager has control over the fund they manage, therefore, involves significant judgement. Management considers that the Company does not have control of Sagicor Pooled Investment Fund. Although the Company contractual terms provide the Company with power over Sagicor Pooled Investment Fund Funds, management is of the view that the overall exposure of the Company to the variability of returns is not sufficient to conclude that the Company has control. Therefore, the Sagicor Pooled Investment Fund has not been consolidated in these financial statements.

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

(b) Key sources of estimation uncertainty

The Company makes estimates and assumptions that affect the reported assets and liabilities within the next financial year. The resulting accounting estimates will, by definition, seldom equal the related actual results. Areas of key sources of estimation uncertainty include the following:

(i) Insurance

- *The ultimate liability arising from claims made under insurance contracts*
  There are several sources of uncertainty that need to be considered in the estimate of the liability that the Company will ultimately pay for such claims.

  The determination of the liabilities under long-term insurance contracts is dependent on estimates made by the Company. Estimates are made as to the expected number of deaths for each of the years in which the Company is exposed to risk. The Company bases these estimates on standard industry mortality tables that reflect recent historical mortality experience, adjusted where appropriate to reflect the Company's own experience. For contracts that insure the risk of longevity, appropriate but not excessively prudent allowance is made for expected mortality improvements. The estimated number of deaths determines the value of the benefit payments and the value of the valuation premiums. The main source of uncertainty is that epidemics and wide-ranging lifestyle changes, such as in eating, smoking and exercise habits, could result in future mortality being significantly worse than in the past for the age groups in which the Company has significant exposure to mortality risk.

However, continuing improvements in medical care and social conditions could result in improvements in longevity in excess of those allowed for in the estimates used to determine the liability for contracts where the Company is exposed for longevity risk**.** (Note 43(ii))

(ii) Pension and post-retirement benefits

The cost of these benefits and the present value of the pension and the other post-retirement liabilities depend on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) for pension and post-retirement benefits include the expected long-term rate of return on the relevant plan assets, the discount rate and, in the case of the post-employment medical benefits, the expected rate of increase in medical costs. Any changes in these assumptions will impact the net periodic cost (income) recorded for pension and post-retirement benefits and may affect planned funding of the pension plans. The expected return on plan assets assumption is determined on a uniform basis, considering long-term historical returns, asset allocation and future estimates of long-term investments returns. The discount rate represents the interest rate that should be used to determine the present value of estimated future cash outflows required to meet the pension, life insurance and medical benefits as they fall due. The discount rate is based on yields on long term Government of Jamaica and CARICOM bonds. The expected rate of increase of medical costs is based on expected increases in utilisation and general increases in medical expenses above expected price inflation. Other key assumptions for the pension and post-retirement benefits cost and credits are based in part on current market conditions.

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

(b) Key sources of estimation uncertainty (continued)

(iii) Estimated impairment of intangible assets

Goodwill

The assessment of goodwill impairment involves the determination of the fair value of the cash-generating units to which the goodwill has been allocated. Determination of fair value involves the estimation of future net income of these business units and the expected returns to providers of capital to the business units and the Company as a whole.

Other intangible assets

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

(iv) Income taxes

Estimates are required in determining the provision for income taxes. There are some transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Company recognises liabilities for possible tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

(v) Impairment of financial assets

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

- Establishing staging for debt securities and deposits

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

(b) Key sources of estimation uncertainty (continued)

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

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

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

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

(b) Key sources of estimation uncertainty (continued)

(v) Impairment of financial assets (continued)

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

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

  Qualitative test
  Accounts that meet the portfolio's 'high risk' criteria and are subject to closer credit monitoring.

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

- Forward looking information
  When management determines the macro-economic factors that impact the portfolios of financial assets, they first determine all readily available information within the relevant market. Portfolios of financial assets are segregated based on product type, historical performance and homogenous country exposures. There is often limited timely macro-economic data for Jamaica, Cayman Islands and Costa Rica to a lesser extent. Management assesses data sources from local government, International Monetary Fund and other reliable data sources. A regression analysis is performed to determine which factors are most closely correlated with the credit losses for each portfolio. Where projections are available, these are used to look into the future up to three years and subsequently the long term average performance is then used for the remaining life of the product. These projections are re-assessed on a quarterly basis.

4. Interest in Structured Entities

A structured entity is an entity in which voting or similar rights are not the dominant factor in deciding control. Structured entities are generally created to achieve a narrow and well defined objective with restrictions around their ongoing activities. An interest in a structured entity is any form of contractual or non-contractual involvement which creates variability in returns arising from the performance of the entity for the Company. Such interests include holdings of debt or equity securities and investment management agreements. Structured entities are assessed for consolidation in accordance with the accounting policy set out in Note 3(a) (i).

Consolidated Structured Entity
The Company has no consolidated structured entity.

Unconsolidated Structured Entity
The Company established the Sagicor Pooled Investment Fund ("PIF") Limited to provide customers and pension funds with several investment opportunities.

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4. Interest in Structured Entities (Continued)

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

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

	2019 $'000	2018 $'000
Total assets of the company	179,868,210	158,043,901
Maximum exposure to loss	15,722,781	13,804,803
Total income from the Company's interests	2,093,049	1,434,398

The Company has not provided any non-contractual financial support during the period and does not anticipate providing non-contractual support to the company in the future.

5. Responsibilities of the Appointed Actuary and External Auditors

The Board of Directors pursuant to the Insurance Act appoints the Actuary whose responsibility is to carry out an annual valuation of the company's policy liabilities in accordance with accepted actuarial practice and regulatory requirements and report thereon to the policyholders and stockholders. In performing the valuation, the Actuary makes assumptions as to the future rates of interest, asset defaults, mortality, morbidity, claims experience, policy termination, inflation, reinsurance recoveries, expenses and other contingencies, taking into consideration the circumstances of the company and the insurance policies in force.

The stockholders pursuant to the Companies Act appoint the external auditors. Their responsibility is to conduct an independent and objective audit of the financial statements in accordance with International Standards on Auditing and report thereon to the stockholders. In carrying out their audit, the auditors also make use of the work of the appointed Actuary and the report on the policy liabilities.

6. Cash Resources

	2019 $'000	2018 $'000
Balances with banks payable on demand	1,261,553	414,472
Cash in hand	125	125
	1,261,678	414,597

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7. Cash and Cash Equivalent

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

	2019 $'000	2018 $'000
Cash resources	1,261,678	414,597
Short term deposits	43,305	512,453
Treasury bills	139,546	485,607
Securities purchased under resale agreements	410,052	904,307
Bank overdrafts (Note 24)	(543,756)	(213,732)
	1,310,825	2,103,232

8. Financial Investments

	2019 $'000	2018 $'000
Short term deposits	43,305	512,453
Financial assets at fair value through profit or loss (FVTPL) -		
Government of Jamaica securities	1,864,225	4,724,985
Corporate bonds	2,139,227	997,055
Quoted equity	6,574,514	3,604,889
Interest receivable	49,791	95,321
Unit trust shares	27,432,242	21,579,619
	38,059,999	31,001,869
Financial assets at fair value through Other Comprehensive Income (FVTOCI) -		
Government of Jamaica securities	1,285,118	830,918
Foreign governments securities	118,118	502,825
Corporate bonds	12,395,840	15,045,377
Interest receivable	148,620	254,541
	13,947,696	16,633,661
Investments at amortized cost, net of ECL -		
Government of Jamaica securities	66,318,408	59,834,066
Securities purchased under resale agreement	522,760	990,408
Mortgage loans	2,956,827	3,096,400
Promissory notes	10,633,611	11,243,236
Policy loans	286,866	287,306
Interest receivable	1,476,769	1,387,682
	82,195,241	76,839,098
Total Financial Investments	**134,246,241**	**124,987,081**
Less pledged assets Note 9	**(94,857)**	**(7,507,355)**
	134,151,384	**117,479,726**

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8. Financial Investments (Continued)

The table below shows the composition of FVTPL securities according to those securities that were mandatorily designated, and those that were designated by election:

	2019			2018		
	Mandatory designation	Designated by election	Total	Mandatory designation	Designated by election	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Unit trust and equities	29,602,284	4,404,472	34,006,756	21,627,933	3,556,575	25,184,508
Debt securities	4,053,243	-	4,053,243	5,817,361	-	5,817,361
	33,655,527	4,404,472	38,059,999	27,445,294	3,556,575	31,001,869

Included in quoted equities classified as FVTPL for the company are investments in Exchange Traded Funds (ETFs) totaling $671,584,000 (2018 - $340,571,316).

Included in promissory notes for the Company are loans with principal value of $1,608,168,911 $8,904,159,413, $20,000,000 and $55,000,000 (2018 - $2,045,651,349, $9,131,290,220, $20,000,000 and nil) due from the parent company (Sagicor Group Jamaica Limited (SGJ)) and related parties (Sagicor Bank Jamaica Limited (SBJ) and Bailey Williams Limited). The loans with SGJ and SBJ emanated from the Company reorganization in 2014 and 2013 attract interest rates of 3% per annum and will mature in May 2020, June 2020 and January 2020 with rolled-over options (2018 – 5% per annum and matured in May 2020, June 2020 and November 2019). The loan with Bailey Williams Limited originated from its acquisition of Bailey Williams Limited on November 30, 2019 and it attracts interest of 6% with a maturity date of Dec 19, 2021.

Included in financial investments are the following amounts which are pledged as collateral:

(a) Government of Jamaica Fixed Rate Benchmark Investment Note with a carrying value of $9,700,000 (2018 - $9,700,000) which have been pledged by the company as security for uncleared effects with the National Commercial Bank Jamaica Limited.

(b) Government of Jamaica Fixed Rate Benchmark Investment Note with a carrying value of $90,000,000 (2018 - $90,000,000) which have been pledged by the Company with the Regulator, the Financial Services Commission, pursuant to Section 8 of the Insurance Regulations, 2001.

(c) Government of Jamaica Global bonds with a carrying value of Nil (2018- US$23,094,080), a Petroleum Company of Trinidad & Tobago Limited Corporate bond with a carrying value of Nil (2018- US$212,889) International Corporate bonds with a carrying value of Nil (2018- US$31,538,926), a Peru Corporate bond with a carrying value of Nil (2018- US$519,515) and Cash totaling Nil (2018- US$3,015,307) have been pledged by the Company as security for a loan facility of Nil (2018: US$40,000,000) with Credit Suisse NY by Sagicor Life Jamaica Limited.

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9. Pledged Assets

Assets of the Company are pledged as collateral with financial institutions. Mandatory cash reserves and investment securities are also held with the Financial Services Commission.

	Asset		Related Liability	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Balance with regulators	94,857	94,694	-	-
Investment securities and loans with other financial institutions	-	7,412,661	-	5,109,187
	94,857	7,507,355	-	5,109,187

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 re-pledge the collateral.

	2019 $'000	2018 $'000
At end of year	-	7,412,661

10. Investment Properties

	2019 $'000	2018 $'000
At beginning of year	553,000	530,000
Acquired during the year	10,849	6,349
Fair value gains	186,151	16,651
At end of year	750,000	553,000

Sagicor Life Jamaica Limited

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10. Investment Properties (Continued)

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

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

	2019	2018
	$'000	$'000
Rental income	47,352	38,617
Direct operating expenses	(36,753)	(36,734)

The valuations of investment property have been classified as Level 3 of the fair value hierarchy under IFRS 13, *Fair Value Measurement*. The valuations have been performed using a sales comparison approach but, as there have been a limited number of similar sales in the local market, adjustments have been made to incorporate adjustments using judgement, regarding size, age, condition of comparable properties and the state of the local economy that are unobservable.

11. Intangible Assets

	Goodwill	Contractual Customer Relationship	Computer Software	Total
	$'000	$'000	$'000	$'000
Cost -				
At 1 January 2018	1,385,317	1,428,973	616,397	3,430,687
Additions	-	-	30,121	30,121
At 31 December 2018	1,385,317	1,428,973	646,518	3,460,808
Additions	-	-	38,913	38,913
At 31 December 2019	**1,385,317**	**1,428,973**	**685,431**	**3,499,721**
Amortisation -				
At 1 January 2018	-	1,228,769	480,408	1,709,177
Amortisation charge	-	107,424	45,306	152,730
At 31 December 2018	-	1,336,193	525,714	1,861,907
Amortisation charge	-	69,760	44,098	113,858
At 31 December 2019	**-**	**1,405,953**	**569,812**	**1,975,765**
Net Book Value -				
31 December 2018	1,385,317	92,780	120,804	1,598,901
31 December 2019	**1,385,317**	**23,020**	**115,619**	**1,523,956**

Sagicor Life Jamaica Limited

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11. Intangible Assets (Continued)

Amortisation charges of $113,858,000 (2018 - $152,730,000) have been included in expense for the company. Customer relations are amortised over 10 – 20 years and computer software are being amortised over 5 years.

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

	2019	2018
	$'000	$'000
Individual Lines Division	855,191	855,191
Employee Benefits Division	530,126	530,126
	1,385,317	1,385,317

At 31 December 2019, management tested goodwill and the unamortised balance of other purchased intangibles allocated to the Individual Lines Division, and Employee Benefits Division for impairment.

The recoverable amounts of Individual Lines Division and Employee Benefits Division are determined on the Capitalised Earnings Approach. These calculations use projected sustainable earnings based on audited earnings and financial budgets approved by management covering a three-year period and the earnings multiples stated below.

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

Key assumptions used for the impairment calculations are the earnings multiple of 10 (2018: 8.9) and 10.8 (2018: 9.7) for Individual Life Division and Employee Benefits Division respectively.

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12. Property, Plant and Equipment

	Leasehold Buildings & Improvements	Freehold Land & buildings	Furniture & Equipment	Motor Vehicles	Total
	$'000	$'000	$'000	$'000	$'000
Cost or Valuation -					
At 1 January 2018	309,785	1,379,000	1,492,237	135,081	3,316,103
Additions	30,787	-	152,074	41,468	224,329
Revaluation adjustments	-	217,250	-	-	217,250
Disposals	-	-	-	(6,685)	(6,685)
At 31 December 2018	340,572	1,596,250	1,644,311	169,864	3,750,997
Additions	127,825	4,283	180,473	30,315	342,896
Revaluation adjustments	-	391,718	-	-	391,718
Disposals	-	-	(841)	(33,029)	(33,870)
At 31 December 2019	**468,397**	**1,992,251**	**1,823,943**	**167,150**	**4,451,741**
Accumulated Depreciation -					
At 1 January 2018	217,343	-	1,127,703	62,924	1,407,970
Charge for the year	21,468	15,250	120,860	27,357	184,935
Relieved on revalued assets	-	(14,000)	-	-	(14,000)
Relieved on disposals	-	-	-	(5,559)	(5,559)
At 31 December 2018	238,811	1,250	1,248,563	84,722	1,573,346
Charge for the year	21,197	16,395	124,006	26,808	188,406
Relieved on revalued assets	-	(2,748)	-	-	(2,748)
Relieved on disposals	-	-	(528)	(23,730)	(24,258)
At 31 December 2019	**260,008**	**14,897**	**1,372,041**	**87,800**	**1,734,746**
Net Book Value -					
31 December 2018	101,761	1,595,000	395,748	85,142	2,177,651
31 December 2019	**208,389**	**1,977,354**	**451,902**	**79,350**	**2,716,995**

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12. Property, Plant and Equipment (Continued)

In accordance with the Company's policy, owner-occupied properties were independently revalued during the year by professional real estate valuators. The excess of the revalued amount of these property, plant and equipment over the carrying value on such date, amounting to $409,143,000 (2018 - $232,499,000), has been credited to investment and fair value reserves.

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

	2019	2018
	$'000	$'000
Cost	589,042	572,264
Accumulated depreciation	(52,041)	(47,859)
Net book value	537,001	524,405
Carrying value of revalued assets	1,977,354	1,595,000

13. Reinsurance Contracts

	2019	2018
	$'000	$'000
Claims recoverable from reinsurers	434,491	408,384

14. Retirement Benefits

	2019	2018
	$'000	$'000
Retirement benefit obligations -		
Pension scheme	265,209	297,518
Other post-retirement benefits	1,820,506	1,742,072
	2,085,715	2,039,590

Pension schemes comprise the following -

Retirement benefit obligations	265,209	297,518

Sagicor Life Jamaica Limited

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14. Retirement Benefits (Continued)

The Company operates a defined contribution plan for eligible sales agents and administration staff joining on or after August 1, 2009 and a defined benefit plan for eligible administrative staff before August 1, 2009. The assets are held in a trust fund and are separate and apart from the assets of the company. The defined benefits for the staff are based on service and salary, whereas the benefits for agents are based on contributions and interest. The solvency level (the ratio of assets to past service liabilities) as at the last triennial funding valuation (2019) was 106%.

The law requires each plan sponsor to be an ordinary annual contributor but does not stipulate a minimum funding rate or solvency level. In absence of guidance from the regulator, the actuaries have agreed on a minimum employer contribution rate of 0.25% of payroll per annum where plan rules do not specify a minimum.

The Trustees of the pension schemes ensure that benefits are funded, benefits are paid, and that assets are invested to maximise returns subject to acceptable investment risks while considering the liability profile.

Any plan surplus or funding deficiency for the defined benefits plans as determined by independent actuaries annually using the Projected Unit Credit Method are absorbed by the Company.

(a) Pension schemes

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

	2019	2018
	$'000	$'000
Present value of funded obligations	19,858,841	17,249,393
Fair value of plan assets	(19,593,632)	(16,951,875)
Deficit of funded plan	265,209	297,518
Liability in the statement of financial position	265,209	297,518

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14. Retirement Benefits (Continued)

(a) Pension schemes (continued)

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

	2019	2018
	$'000	$'000
Liability at beginning of year	17,249,393	15,411,973
Current service cost	392,674	370,467
Interest cost	1,184,903	1,209,178
Net expense recognised in income	1,577,577	1,579,645
Re-measurement:		
(Gains)/losses from changes in financial assumptions	(484,080)	958,432
(gains)/losses from changes in experience	1,665,303	(528,943)
Net losses recognised in other comprehensive income	1,181,223	429,489
Contributions by the members	506,151	434,442
Value of purchased annuities	425,551	496,227
Benefits paid	(1,081,054)	(1,102,383)
Net liability, end of year	19,858,841	17,249,393

Sagicor Life Jamaica Limited

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14. Retirement Benefits (Continued)

(a) Pension schemes (continued)

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

	2019	2018
	$'000	$'000
Opening balance	16,951,875	15,561,699
Contributions made by the Employer	328,335	282,946
Contributions by the members	506,151	434,442
Value of purchased annuities	425,551	496,227
Benefits paid	(1,074,138)	(1,095,708)
Interest income on plan assets	1,193,028	1,249,597
Re-measurement:		
Gains/(losses) from changes in financial assumptions	57,726	(7,027)
Gains from changes in experience	1,205,104	29,699
Net gains recognised in other comprehensive income	1,262,830	22,672
Balance, end of year	19,593,632	16,951,875

The amounts recognised in the income statements as follows:

	2019	2018
	$'000	$'000
Current service cost	392,674	370,467
Interest cost on plan obligations	1,184,903	1,209,178
Interest income on plan assets	(1,193,028)	(1,249,597)
Total, included in staff cost (Note 35)	384,549	330,048

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14. Retirement Benefits (Continued)

(a) Pension schemes (continued)

The amounts recognised in other comprehensive income statements (Note 37 (c)) as follows:

	2019	2018
	$'000	$'000
Change in financial assumptions	(541,806)	965,459
Interest income on plan assets	460,199	(558,642)
	(81,607)	406,817
Deferred tax	20,402	(101,704)
	(61,205)	305,113

The principal actuarial assumptions used were as follows:

	2019	2018
Discount rate	7.50%	7.00%
Administrative fees	0.50%	0.50%
Expected return on plan assets	7.00%	7.00%
Future salary increases	9.00%	7.00%
Future pension increases	0.50%	0.50%
Average expected remaining working lives (years)	13	13

Sagicor Life Jamaica Limited

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14. Retirement Benefits (Continued)

(a) Pension schemes (continued)

Pension plan assets are comprised as follows:

	2019 $'000	%	2018 $'000	%
Equities	7,274,850	37	5,975,930	35
Mortgages and real estate	3,170,140	16	3,375,753	20
Money market fund	97,948	-	162,086	1
Fixed income fund	1,759,864	9	1,022,628	6
Foreign currency fund	2,105,234	11	1,828,091	11
Global market fund	643,736	3	601,217	4
Diversified investment funds	(50,210)	-	(44,469)	-
Inflation-linked	489,135	2	552,981	3
	15,490,697	79	13,474,217	79
Value of purchased annuities	4,102,935	21	3,477,658	21
	19,593,632	100	16,951,875	100

Assumptions regarding future mortality are set based on actuarial advice in accordance with published statistics and experience in each territory. These assumptions translate into an average life expectancy in years for a pensioner retiring at age 65.

14. Retirement Benefits (Continued)

(b) Other post-retirement benefits

In addition to pension benefits, the Company offers retiree medical and life insurance benefits that contribute to the health care and life insurance coverage of employees and beneficiaries after retirement. The method of accounting and frequency of valuations are similar to those used for defined benefit pension schemes.

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

	2019 $'000	2018 $'000
Present value of unfunded obligations	2,027,615	1,935,632
Fair value of plan assets	(207,109)	(193,560)
Liability in the statement of financial position	1,820,506	1,742,072

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

	2019 $'000	2018 $'000
Liability at beginning of year	1,935,633	2,103,669
Current service cost	54,709	77,757
Interest cost	132,831	165,629
Net expense recognised in income	187,540	243,386
Re-measurement:		
(Gains)/losses from changes in financial assumptions	(2,402)	368,621
(Gains/) losses from changes in experience	(15,759)	(712,119)
Net (gains) recognised in other comprehensive income	(18,161)	(343,498)
Benefits paid	(77,397)	(67,924)
Liability at the end of the year	2,027,615	1,935,633

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14. Retirement Benefits (Continued)

(b) Other post-retirement benefits (continued)

The amounts recognised in the income statement are as follows:

	2019	2018
	$'000	$'000
Current service cost	54,709	77,757
Interest cost on plan obligation	132,831	165,629
Interest income on plan assets	(13,549)	(14,338)
Total, included in staff cost (Note 35)	173,991	229,048

The amounts recognised in other comprehensive income statement are as follows:

	2019	2018
	$'000	$'000
Change in financial assumptions	(2,402)	368,621
Interest income on plan assets	(15,759)	(712,119)
	(18,161)	(343,498)
Deferred tax	4,540	85,875
	(13,621)	(257,623)

The principal actuarial assumption used was as follows:

	2019	2018
Rate of medical inflation	5.00%	5.00%

14. Retirement Benefits (Continued)

(b) Other post-retirement benefits (continued)

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

	2019	2018
	$'000	$'000
Balance, as previously reported	193,560	179,222
Interest income on plan assets	13,549	14,338
Balance, end of year	207,109	193,560

(c) Plan risks

Through its defined benefit pension plans and post-employment medical plans, the company is exposed to a number of risks. The company does not use derivatives to manage its plan risks. Investments are well diversified, such that the failure of any single investment would not have a material impact on the overall level of assets. Pensions are secured through the purchase of annuities. The remaining assets are invested in segregated pooled funds. The company has not changed the processes used to manage its risks from previous periods.

The most significant of these plan risks are detailed below:

(i) Investment risk

The plan liabilities are calculated using a discount rate set with reference to Government of Jamaica bond yields. If plan assets underperform this yield, this will create a deficit.

The Company ensures that the investment positions are managed within an asset-liability matching (ALM) framework that has been developed to achieve long-term investments that are in line with the obligations under the pension scheme. Within this framework, the Company's ALM objective is to match assets to the pension obligations by investing in long-term assets with maturities that match the benefit payments as they fall due. The Company actively monitors how the duration and the expected yield of the investments are matching the expected cash outflows arising from the pension obligations.

(ii) Changes in bond yields

A decrease in Government of Jamaica bond yields will increase plan liability, although this will be partially offset by an increase in the return on plan's assets which are linked to debt investment.

(iii) Salary risk

The present value of the plan liabilities is calculated in reference to the future salaries of members. Therefore, an increase in the salary of members will increase the plan's liability.

(iv) Life expectancy

The majority of the plan's obligations are to provide benefits for the life of the member, so increases in life expectancy will result in an increase in the plan's liabilities.

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14. Retirement Benefits (Continued)

(d) Sensitivity tests

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

2019		2018	
Decrease by 1% Increase/ (Decrease) in Health & Life benefits $'000	**Increase by 1% Increase/ (Decrease) in Health & Life benefits $'000**	**Decrease by 1% Increase/ (Decrease) in Health & Life benefits $'000**	**Increase by 1% Increase/ (Decrease) in Health & Life benefits $'000**
(209,000)	257,000	(217,000)	270,000

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

2019			2018		
Decrease by 1% Increase/ (Decrease) in Pension benefits $'000	**Decrease by 1% Increase/ (Decrease) in Health & Life benefits $'000**	**Total $'000**	**Decrease by 1% Increase/ (Decrease) in Pension benefits $'000**	**Decrease by 1% Increase/ (Decrease) in Health & Life benefits $'000**	**Total $'000**
1,416,000	311,000	1,727,000	1,196,000	314,000	1,510,000

2019			2018		
Increase by 1% Increase/ (Decrease) in Pension benefits $'000	**Increase by 1% Increase/ (Decrease) in Health & Life benefits $'000**	**Total S'000**	**Increase by 1% Increase/ (Decrease) in Pension benefits $'000**	**Increase by 1% Increase/ (Decrease) in Health & Life benefits $'000**	**Total S'000**
(1,067,000)	(249,000)	(1,316,000)	(917,000)	(250,000)	(1,167,000)

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14. Retirement Benefits (Continued)

(d) Sensitivity tests (continued)

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

2019			2018		
Decrease by 1% Increase/ (Decrease) in Pension benefits $'000	**Decrease by 1% Increase/ (Decrease) in Health & Life benefits $'000**	**Total $'000**	**Decrease by 1% Increase/ (Decrease) in Pension benefits $'000**	**Decrease by 1% Increase/ (Decrease) in Health & Life benefits $'000**	**Total $'000**
(443,000)	(22,000)	(465,000)	(378,000)	(17,000)	(395,000)

2019			2018		
Increase by 1% Increase/ (Decrease) in Pension benefits $'000	**Increase by 1% Increase/ (Decrease) in Health & Life benefits $'000**	**Total $'000**	**Increase by 1% Increase/ (Decrease) in Pension benefits $'000**	**Increase by 1% Increase/ (Decrease) in Health & Life benefits $'000**	**Total $'000**
514,000	25,000	539,000	410,000	19,000	429,000

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

2019		2018	
Increase by 1% Increase/ (Decrease) in Pension benefits $'000	**Increase by 1% Increase/ (Decrease) in Health & Life benefits $'000**	**Increase by 1% Increase/ (Decrease) in Pension benefits $'000**	**Increase by 1% Increase/ (Decrease) in Health & Life benefits $'000**
(1,482,000)	1,716,000	(1,324,000)	1,514,000

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14. Retirement Benefits (Continued)

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

2019			2018		
Decrease by 1 year Increase/ (Decrease) in Pension benefits $'000	**Decrease by 1 year Increase/ (Decrease) in Health & Life benefits $'000**	**Total $'000**	**Decrease by 1 year Increase/ (Decrease) in Pension benefits $'000**	**Decrease by 1 year Increase/ (Decrease) in Health & Life benefits $'000**	**Total $'000**
(101,000)	(59,000)	(160,000)	(99,000)	(59,000)	(158,000)

2019			2018		
Increase by 1 year Increase/ (Decrease) in Pension benefits $'000	**Increase by 1 year Increase/ (Decrease) in Health & Life benefits $'000**	**Total $'000**	**Increase by 1 year Increase/ (Decrease) in Pension benefits $'000**	**Increase by 1 year Increase/ (Decrease) in Health & Life benefits $$'000**	**Total $'000**
98,000	59,000	157,000	74,000	59,000	133,000

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the pension liability recognised within the statement of financial position.

The Company ensures that the investment positions are managed within an asset-liability matching (ALM) framework that has been developed to achieve long-term investments that are in line with the obligations under the pension scheme. Within this framework, the Company's ALM objective is to match assets to the pension obligations by investing in long-term fixed interest securities with maturities that match the benefit payments as they fall due. The Company actively monitors how the duration and the expected yield of the investments are matching the expected cash outflows arising from the pension obligations. The Company has not changed the processes used to manage its risks from previous periods. The Company does not use derivatives to manage its risk. Investments are well diversified, such that the failure of any single investment would not have a material impact on the overall level of assets. A large portion of assets in 2019 consists of bonds and equities.

The weighted average duration of the defined benefit obligation ranges from 31 years (2018 – 31 years) to 41 years (2018 – 41 years).

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15. Deferred Income Taxes

Deferred income taxes are calculated in full on all temporary differences under the liability method using a principal rate of: 25% (2018 - 25%) for the company.

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

	2019	2018
	$'000	$'000
Deferred income tax assets, net	(534,831)	(794,989)

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

	$'000	$'000
Deferred income tax assets	(834,425)	(1,065,404)
Deferred income tax liabilities	299,594	270,415
	(534,831)	(794,989)

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

	2019	2018
	$'000	$'000
Deferred tax assets to be recovered after more than 12 months	(796,926)	(1,065,404)
Deferred tax liabilities to be recovered after more than 12 months	121,253	114,879

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

	2019	2018
	$'000	$'000
Balance as at 1 January	(794,989)	(431,361)
Tax charged/(credited) to the income statement (Note 37(a))	145,982	(138,535)
Tax charged/(credited) to components in other comprehensive income (Note 37(c))	114,176	(217,251)
Tax credited to components in other comprehensive income (Note 37(c)) on adoption of IFRS 9	-	(7,842)
Balance as at 31 December	(534,831)	(794,989)

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15. Deferred Income Taxes (Continued)

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

	Property, plant and equipment	Fair value gains	Unrealised foreign exchange	Post-employment benefits	Other	Total
	$'000	$'000	$'000	$'000	$'000	$'000
At 1 January 2018	154,197	151,171	(347,799)	(443,683)	54,753	(431,361)
(Credited)/charged to income statement	(54,443)	-	(88,921)	(50,385)	55,214	(138,535)
(Credited)/ charged to other comprehensive income	15,125	(209,232)	-	(15,830)	(7,314)	(217,251)
Credited to other comprehensive income on adoption of IFRS	-	-	-	-	(7,842)	(7,842)
At 31 December 2018	114,879	(58,061)	(436,720)	(509,898)	94,811	(794,989)
(Credited)/charged to income statement	9,806	-	194,564	(36,468)	(21,920)	145,982
(Credited)/charged to other comprehensive income	(3,428)	95,553	-	24,942	(2,891)	114,176
At 31 December 2019	121,257	37,492	(242,156)	(521,424)	70,000	(534,831)

	2019 $'000	2018 $'000
Deferred income tax assets -		
Investment securities - FVTOCI	-	(58,061)
Unrealised foreign exchange	(242,156)	(436,720)
Pensions and other post-retirement benefits	(521,424)	(509,898)
Impairment on bonds	(5,377)	(6,237)
Other	(65,468)	(54,488)
	(834,425)	(1,065,404)
Deferred income tax liabilities -		
Property, plant and equipment	121,257	114,879
Interest receivable	140,845	155,536
Investment securities - FVTOCI	37,492	-
	299,594	270,415
	(534,831)	(794,989)

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16. Related Party Balances and Transactions

Parties are considered to be related if one party has the ability to control or exercise significant influence over the other party, in making financial or operational decisions.

Related companies include its subsidiary, the ultimate parent company, parent company and fellow subsidiaries. Related parties include directors, key management and companies for which the Company and its parent company provide management services. Pan-Jamaican Investment Trust Limited is a related party by virtue of being a shareholder with significant influence over the parent company. Related parties also include the PIF and the Segregated Funds managed by the Group.

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

	2019 $'000	2018 $'000
Due from related companies -		
Ultimate parent company	684,221	596,730
Parent company	4,116,435	3,501,020
Fellow subsidiaries	217,089	136,346
Other managed funds	17,868	47,696
	5,035,613	4,281,792

	2019 $'000	2018 $'000
Due from related parties (Financial Investments)-		
Parent Company	10,679,971	11,356,812
Fellow subsidiaries	619,419	1,006,656
Other managed funds	27,432,242	24,330,406
	38,731,632	36,693,874

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16. Related Party Balances and Transactions (Continued)

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

	2019 $'000	2018 $'000
Due to related companies -		
Parent company	670,783	445,545
Other related companies	35,747	64,834
Other managed funds	144,903	120,155
	851,433	630,534

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

	2019 $'000	2018 $'000
Ultimate parent company -		
Investment income	323,160	440,045
Parent company -		
Shared services fees	170,082	148,130
Fellow subsidiaries -		
Investment income	57,086	39,732
Administration fee income	39,413	37,012
Management fee income	918,603	823,677
Shared services fees	109,605	95,907

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16. Related Party Balances and Transactions (Continued)

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

	2019 $'000	2018 $'000
Sagicor Pooled Investment Funds -		
Lease rental expense	376,893	358,075
Management fee income	1,398,519	1,157,207
Administration fee income	66,806	61,248
Other related parties -		
Sagicor Sigma Global Funds administration fee income	`1,332,140	1,072,717
Self-Directed Funds management fee income	230,963	177,914
Key management compensation -		
Salaries and other short term benefits	437,115	350,929
Share based payments	95,138	160,229
Contributions to pensions and insurance schemes	25,307	25,343
	557,560	536,501
Directors' emoluments -		
Fees	29,957	32,648
Other expenses	4,486	3,478
Management remuneration (included above)	176,549	111,386
	210,992	147,512

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17. Other Assets

	2019 $'000	2018 $'000
Due from sales representatives	1,166,591	935,020
Real estate developed for resale – (i)		
Opening balance	987,343	823,739
Cost of sales	(112,194)	-
Additions during the year	609,460	163,604
	1,484,609	987,343
Premiums due and unpaid	3,497,960	3,314,163
Due from related parties (Note 16 (a))	5,035,613	4,281,792
Service contract assets		
Due from Government Employees Administrative Scheme Only Fund and Government Pensioners Administrative Scheme Only Fund and Other ASO	118,717	158,586
Prepayments	711,520	610,888
Other receivables	146,157	483,944
	12,161,167	10,771,736
Provision against doubtful receivables	(48,451)	(234,618)
	12,112,716	10,537,118

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

18. Share Capital

	2019 $'000	2018 $'000
Authorised:		
13,598,340,000 (2018 – 13,598,340,000) Ordinary shares		
Issued and fully paid:		
3,760,991,782 (2018 – 3,760,991,782) Ordinary shares at no par	7,854,938	7,854,938

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19. Equity Reserves

		Investment and Fair Value Reserves				Other Reserves		
	Note	Fair value through OCI reserve	Actuarial Liabilities	Owner occupied properties fair value reserve	Fair value reserves (FVTOCI)	Capital redemption reserve	Special investment reserve	Total
Balance at 31 December 2017		(541,686)	(9,726)	784,137	-	2,675	272,453	507,853
Changes on initial application of IFRS 9		541,686	-	-	(803,655)	-	-	(261,969)
Balance at 1 January 2018		-	(9,726)	784,137	(803,655)	2,675	272,453	245,884
Net gains recycled to revenue on disposal and maturity of FVTOCI securities		-	-	-	462,607	-	-	462,607
Net unrealized gains on FVTOCI securities		-	-	-	(2,028,379)	-	-	(2,028,379)
Net unrealized losses on revaluation of owner occupied properties		-	-	232,499	-	-	-	232,499
Deferred tax on unrealized capital gains		-	-	(15,125)	216,546	-	-	201,421
Shadow accounting		-	641,721	-	-	-	-	641,721
Total comprehensive income for the year		-	641,721	217,374	(1,349,226)	-	-	(490,131)
Transfers between reserves -								
To special investment reserve	2(o)	-	-	-	-		21,000	21,000
Total transfers between reserves		-					21,000	21,000
Balance at 31 December 2018		-	631,995	1,001,511	(2,152,881)	2,675	293,453	(223,247)
Net gains recycled to revenue on disposal and maturity of FVTOCI securities			-	-	440,188	-	-	440,188
Net unrealized gains on FVTOCI securities			-	-	1,349,505	-	-	1,349,505
Net unrealized losses on revaluation of owner occupied properties			-	409,143	-	-	-	409,143
Deferred tax on unrealized capital gains			-	3,428	(92,661)	-	-	(89,233)
Shadow accounting			(808,382)	-	-	-	-	(808,382)
Total comprehensive income for the year			(808,382)	412,571	1,697,032	-	-	1,301,221
Transfers between reserves -								
To special investment reserve	2(o)		-	-		-	28,925	28,925
Total transfers between reserves			-	-	-	-	28,925	28,925
Balance at 31 December 2019			(176,387)	1,414,082	(455,849)	2,675	322,378	1,106,899

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20. Stock Options

Long-term Incentive plan

The Company offers a Long Term Incentive (LTI) plan to senior executives. Under the LTI plan, executives are entitled but not obliged to purchase the Sagicor Group Jamaica Limited stock at a pre-specified price at some future date. The options are granted each year on the date of the Board of Directors Human Resources Committee meeting following the performance year at which the stock option awards are approved. Stock options vest in 4 equal installments beginning the first December 31 following the grant date and for the next three December 31st dates thereafter (25% per year). Options are not exercisable after the expiration of 7 years from the date of grant. The number of stock options in each stock option award is calculated based on the LTI opportunity via stock options (percentage of applicable salary) divided by the Black-Scholes value of a stock option of Sagicor Group Jamaica Limited stock on 31 March of the measurement year. The exercise price of the options is the closing bid price on 31 March of the measurement year.

Details of the combined share options outstanding are as follows:

	2019		2018	
	Options (thousands)	**Weighted Average exercise price in $ per share**	**Options (thousands)**	**Weighted Average exercise price in $ per share**
At beginning of year	9,885	16.45	16,471	11.03
Granted - 2018	-	-	2,082	34.10
- 2019	2,432	36.45	-	-
Expired	(385)	24.33	(1,429)	15.28
Exercised	(4,982)	11.71	(7,239)	9.45
At end of year	6,950	26.40	9,885	16.45
Exercisable at the end of the period	3,902	20.37	6,298	12.63

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20. Stock Options (Continued)

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

Expiry Date	2019 '000	Exercise Price	2018 '000	Exercise Price
March 2019	-	-	185	7.52
March 2020	68	10.75	315	10.75
March 2021	129	7.11	1,043	7.11
March 2022	185	9.50	1,728	9.50
March 2023	1,648	10.49	3,195	10.49
March 2024	1,006	23.65	1,553	23.65
March 2025	1,587	34.10	1,866	34.10
March 2026	2,327	36.45	-	-
	6,950	26.40	9,885	16.45

For options outstanding at the end of the year, exercise prices range from $7.11 to $36.45 (2018 - $7.11 to $34.10). The remaining contractual terms range from 3 months to 7 years (2018 – 3 months to 7 years).

The weighted average share price for options exercised during the year was $38.62 (2018 - $35.21) and the cost of these options was $513,000 (2018 - $2,030,000).

The stock options balance at the year-end represents the accumulated fair value of services provided by employees in consideration for shares, as measured by reference to the fair value of the shares. The fair value of the options granted during the year as determined using the Black-Scholes valuation model was $24,610,000. The significant inputs into the model were share price of $39.99, dividend yield of 3.33%, standard deviation of the expected share price returns of 27%, and annual risk free interest rate of 4.60%. The expected volatility is based on statistical analysis of month-end share prices over the preceding seven years.

The Company recognized cumulative expenses of $22,357,000 in the Stock Option (2018 - $20,544,000) and share options expense of $17,042,000 (2018 - $15,482,000) in the income statement.

In 2019, the Sagicor Group Jamaica Board HR & Compensation Committee approved the amendment to the termination rules in the Sagicor Group Jamaica LTI Plan to conform with those in the SFC Plan. This amendment relates to the Accelerated Vesting under certain circumstances.

The Company also has in place a share purchase plan which enables its administrative and sales staff to purchase a pool of Sagicor Group Jamaica Limited shares at a predetermined discount rate of the closing bid price on December 31 each year. During 2019, the Staff Share Purchase Plan Trust purchased 4,200,000 (2018 – Nil) shares over the Stock Exchange for a total value of $267,158,000 (2018 - Nil). At the point at which the shares are transferred to staff, the Subsidiary Companies recognize their share of the cost of those shares in the income statement.

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21. Investment and Fair Value Reserve

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

	2019	2018
	$000	$000
Unrealised gains on owner-occupied properties	1,414,082	1,001,511
Unrealised gains on FVTOCI securities	(455,849)	(2,152,881)
Actuarial Liabilities	(176,387)	631,995
	781,846	(519,375)

22. Other Reserves

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

23. Dividends Declared

	2019	2018
	$'000	$'000
First interim dividend – 82 cents per share (2018 – 69 cents per share)	3,085,452	2,577,719
Second interim dividend – 41 cents per share (2018 – 56 cents per share)	1,538,663	2,109,043
	4,624,115	4,686,762

24. Due to Banks and Other Financial Institutions

	Interest Rate %	Maturity Period	2019 $'000	2018 $'000
Long term loans:				
National Housing Trust	various	various	1,028,658	1,001,716
Short term loans:				
Credit Suisse NY	various	2019	-	5,109,187
Bank overdraft:				
Sagicor Bank Jamaica Limited			543,756	213,732
			1,572,414	6,324,635

24. Due to Banks and Other Financial Institutions (Continued)

a) National Housing Trust (NHT)
This is a third party financing agreement between the company and the National Housing Trust and attracts interest rates ranging from 0.759% to 7%.

b) Bank Overdrafts
The bank overdraft balance represents book overdraft at year end. The actual balances at bank were positive at year end.

c) Credit Suisse NY
This represented loan facilities received from Credit Suisse NY in the amounts of US$40,000,000 by Sagicor Life Jamaica Limited. The loan attracted interest of 2.0% plus 6 months USD Libor-BBA. The loan facility matured (and was settled) on May 2, 2019 and was secured by Government of Jamaica Global bonds totalling US$23,094,080; a Petroleum Company of Trinidad and Tobago bond totalling US$212,889; International Corporate bonds totalling US$31,538,926; a Peru Corporate bond totalling US$519,515 and cash totalling US$3,015,307.

25. Other Liabilities

	2019	2018
	$'000	$'000
Accounts payable and accruals	1,001,775	574,083
Accrued vacation	151,882	110,438
Dividends payable	74,486	74,771
Due to related parties (Note 16)	851,433	630,534
Due to brokers and agents	885,086	893,178
Bonus payable	459,248	284,329
Premiums not applied	3,761,671	2,691,330
Reinsurance payable	332,078	206,040
Service contract payable:		
Due to Government Employees Administrative Scheme Only Fund and Government Pensioners Administrative Scheme Only Fund	-	159,794
Mortgage principal and real estate payables	110,147	330,003
Statutory payables	426,256	369,645
Miscellaneous	162,482	111,211
	8,216,544	6,435,356

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26. Life and Health Insurance Contract Liabilities

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

	2019	2018
	$'000	$'000
Group annuities	47,682,100	44,105,256
Group insurance	4,131,757	4,006,228
Individual insurance	31,020,619	26,227,415
Total	82,834,476	74,338,899

(b) Movements in insurance liabilities:

	2019			
	Group Annuities	Individual Insurance	Group Insurance	Total
	$'000	$'000	$'000	$'000
Balance at the beginning of the year	44,105,256	26,227,415	4,006,228	74,338,899
Normal changes in policyholders' liabilities recorded in the income statement (Note 26(d))	1,911,080	4,793,204	66,572	6,770,856
Changes in policyholders' liabilities recoded in other comprehensive income (shadow accounting)	808,382	-	-	808,382
Changes as a result of revaluation	857,382	-	58,957	916,339
Balance at end of year	47,682,100	31,020,619	4,131,757	82,834,476

	2018			
	Group Annuities	Individual Insurance	Group Insurance	Total
	$'000	$'000	$'000	$'000
Balance at the beginning of the year	42,623,166	25,020,640	4,899,088	72,542,894
Normal changes in policyholders' liabilities recorded in the income statement (Note 26(d))	1,601,717	1,206,775	(937,451)	1,871,041
Changes in policyholders' liabilities recoded in other comprehensive income (shadow accounting))	(641,721)	-	-	(641,721)
Changes as a result of revaluation	522,094	-	44,591	566,685
Balance at end of year	44,105,256	26,227,415	4,006,228	74,338,899

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26. Life and Health Insurance Contract Liabilities (Continued)

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

	2019				
	Insurance	Annuities and Deposit Administration Funds	Other Liabilities	Capital and Surplus	Total
	$'000	$'000	$'000	$'000	$'000
Equities and Unit Trusts	29,602,284	-	-	4,404,472	34,006,756
Investment properties	-	-	-	750,000	750,000
Fixed income securities	27,765,772	55,182,101	-	14,046,463	96,994,336
Mortgages	-	1,051,338	-	1,907,189	2,958,527
Other assets	843,954	-	(3,111,371)	24,266,437	21,999,020
	58,212,010	56,233,439	(3,111,371)	45,374,561	156,708,639

	2018				
	Insurance	Annuities and Deposit Administration Funds	Other Liabilities	Capital and Surplus	Total
	$'000	$'000	$'000	$'000	$'000
Equities and Unit Trusts	18,914,478	-	-	3,556,574	22,471,052
Investment properties	-	-	-	553,000	553,000
Fixed income securities	29,340,046	52,063,492	-	15,013,307	96,416,845
Mortgages	-	618,557	-	2,480,413	3,098,970
Other assets	3,311,740	-	(430,525)	17,642,787	20,524,002
	51,566,264	52,682,049	(430,525)	39,246,081	143,063,869

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26. Life and Health Insurance Contract Liabilities (Continued)

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

	2019			
	Group Annuities	**Individual Insurance**	**Group Insurance**	**Total**
	$'000	**$'000**	**$'000**	**$'000**
Change in assumed investment yields and inflation rate	239,375	291,651	(18,212)	512,814
Change due to the issuance of new policies and the decrements on in-force policies	3,345,838	7,871,061	282,386	11,499,285
Change due to other actuarial assumptions	(1,674,133)	(3,369,508)	(197,602)	(5,241,243)
	1,911,080	4,793,204	66,572	6,770,856
Changes in actuarial liabilities recorded in OCI	808,382	-	-	808,382

	2018			
	Group Annuities	**Individual Insurance**	**Group Insurance**	**Total**
	$'000	**$'000**	**$'000**	**$'000**
Change in assumed investment yields and inflation rate	287,383	9,482	(22,287)	274,578
Change due to the issuance of new policies and the decrements on in-force policies	1,466,910	5,331,638	(540,836)	6,257,712
Change due to other actuarial assumptions	(152,576)	(4,134,345)	(374,328)	(4,661,249)
	1,601,717	1,206,775	(937,451)	1,871,041
Changes in actuarial liabilities recorded in OCI	(641,721)	-	-	(641,721)

26. Life and Health Insurance Contract Liabilities (Continued)

(e) Policy assumptions

At each date for valuation of actuarial liabilities, the Appointed Actuary reviews the assumptions made at the last valuation date. The Appointed Actuary tests the validity of each assumption by reference to current data, the Company's experience and where appropriate, changes the assumptions for the current valuation.

Insurance and investment contract liabilities have two major assumptions, best estimate assumptions and provisions for adverse deviation assumptions.

A similar process of review and assessment is conducted in the determination of margins for adverse deviations.

Life Insurance and Annuity Contracts

(i) Best estimate assumptions
Assumptions cover the lifetime of the policies and are made for many variables including mortality, morbidity, investment yields, rates of policy termination (lapses a persistency), operating expenses and certain taxes.

(ii) Mortality and morbidity
The assumptions are based on past company and industry experience. For individual life policies the Company bases its assumption on the Canadian Institute of Actuaries 97-04 male and female aggregate mortality tables which are 21 year select and ultimate mortality tables. For accidental death and dismemberment benefits the Company bases its assumptions on the 1959 Accidental Death Benefit table for rider benefits and the Canadian Population Accident 1990-1992 sex distinct table for coupon products. Critical illness incidence rates are based on British population sex-distinct incidence rates developed by the Institute of Actuaries. Group annuitant mortality is based on the Society of Actuaries 1994 Group Annuitant male and female basic mortality tables with projection scale AA for improvements in mortality. Individual Annuitant mortality is based on the Society of Actuaries 2012 Individual Annuitant male and female Period mortality tables with projection scale G2 beyond 2012 for improvements in mortality.

(iii) Investment yields
The Company broadly matches assets and liabilities by line of business. The projected cash flows from these assets are combined with future reinvestment rates derived from the current economic outlook and the Company's investment policy to determine expected rates of return on these assets for all future years. The gross long term ultimate reinvestment rate (after 20 years) is based on expectations of risk-free government bond yields. The gross rate is adjusted to take into account investment expenses and asset default. Assumptions considering inflation are that real returns after 30 years will be between 2.0% (2018: 2.0%) and 3.6% (2018: 3.6%).

(iv) Lapses and persistency
Lapses relate to termination of policies due to non-payment of premiums. Surrender and withdrawals relate to voluntary termination of policies by policyholders. Policy termination assumptions are based on the Company's own experience and vary by type of product. Lapse rates in the first year of a policy range between 4% (2018: 4%) and 24% (2018: 24%) of insurance amounts issued. Lapse rates after 20 policy years are assumed to be between 0% (2018:0%) and 9.5% (2018: 9.5%) of insurance amounts in force. Partial withdrawal rates average about 12.4% (2018: 12.4%) of fund values available from policies in force.

26. Life and Health Insurance Contract Liabilities (Continued)

(e) Policy assumptions (continued)

Life Insurance and Annuity Contracts (continued)

(v) Policy expenses

Policy maintenance expenses are derived from the Company's own internal cost studies projected into the future with an allowance for inflation. All expenses, including overhead, are functionally allocated by line of business, between the administration of the business and the acquisition of the business. All expenses related to the administration of the business are used to determine the policy maintenance unit costs. No expenses related to the acquisition of the business are included in the unit expense assumption used in the valuation of the actuarial liabilities. Interest sensitive and Universal life policies are assumed to be twice as costly to administer as traditional life policies. The inflation assumption is kept consistent with the investment assumption. The initial inflation rate is based on average calendar year inflation over the last 3 years and declines over the life of the policies such that real returns after 30 years are between 2.0% (2018: 2.0%) and 3.6% (2018: 3.6%).

(vi) Provision for adverse deviation assumptions

To recognise the uncertainty in establishing best estimate assumptions, to allow for possible deterioration in experience and to provide greater comfort that the reserves are adequate to pay future benefits, the Appointed Actuary is required to include a margin for adverse deviation in each assumption. The impact of these margins is to increase reserves and so decrease the income that would be recognised on inception of the policy. The Canadian Institute of Actuaries standards indicate that margins are to be between 5% and 20% of the best estimate assumptions or between 2% and 8% of annuitant mortality best estimate assumptions. The Company uses margins for each assumption at the mid to conservative end of the range, taking into account the risk profiles of the business.

(vii) Changes in assumptions

Every financial year, the expectations of the Company with respect to the best estimate assumptions and the margins for adverse deviation described above are reviewed. All assumptions are updated as appropriate to reflect the circumstances of the Company.

Health Insurance Contracts

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

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27. Investment Contract Liabilities

	2019 $'000	2018 $'000
Amortised cost -		
Amounts on deposit	9,470,007	8,516,771
Deposit administration fund	1,233,298	1,502,632
Other investment contracts	137,849	119,797
	10,841,154	10,139,200

The maturity value of these financial liabilities is determined by the fair value of the linked assets, at maturity date. There will be no difference between the carrying amount and the maturity amount at the maturity date.

The fair value of financial liabilities at amortised cost is based on a discounted cash flow valuation technique. This discount rate is determined by current market assessment of the time value of money and risk specific to the liability.

Amounts on deposit comprise of Guaranteed Investor liabilities amounting to $6,458,297 (2018 - $5,726,531) and other policyholders' savings plans of $3,011,710 (2018 - $2,790,240).

Movement of the Deposit Administration Funds:

	2019 $'000	2018 $'000
Balance at the beginning of the year	1,502,632	2,964,796
Deposits received	197,430	102,487
Interest credited	75,083	98,551
Service charges	(21,748)	(24,485)
Withdrawals	(520,099)	(1,638,717)
Balance at the end of the year	1,233,298	1,502,632

These represent funds managed on behalf of pension plans administered by the company. Interest credited to the funds is paid at a fixed annual rate of return, with the rate being revised on an annual basis. At the end of the year, there were 130 (2018 - 130) clients invested in these funds. The average interest rate paid by the company during the year was 5.35% (2018 – 5.35%).

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28. Other Policy Liabilities

	2019	2018
	$'000	$'000
Insurance benefits payable	3,488,045	2,917,153
Policy dividends and other funds on deposit	454,275	421,773
	3,942,320	3,338,926

29. Segregated Fund Benefits

Benefits from unit linked policy contracts without fixed terms for the Company amounting to $6,793,411 (2018 - $5,920,170) are accrued to the account of the policyholders. All these contracts are designated at fair value through profit or loss.

30. Premium Income

(a) Gross premiums by line of business:

	2019	2018
	$'000	$'000
Group insurance -		
Group creditor life	812,771	759,917
Group health	11,204,820	11,174,379
Group life	2,364,290	2,080,664
	14,381,881	14,014,960
Individual insurance -		
Individual life -		
Insurance premiums	13,871,605	12,649,512
Segregated fund contributions	9,546,366	8,261,596
Individual health	554,953	559,490
Individual annuities	-	34,496
	23,972,924	21,505,094
Bulk annuities	1,524,540	-
Annuities	3,538,337	2,188,840
	43,417,682	37,708,894

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30. Premium Income (Continued)

(b) Reinsurance premiums by line of business:

	2019 $'000	2018 $'000
Group insurance -		
Group health	473,965	321,427
Group life	35,912	36,203
	509,877	357,630
Individual life	149,988	148,576
	659,865	506,206
Net premiums	42,757,817	37,202,688

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31. Net Investment Income

	2019 Amortized cost assets $'000	2019 FVTOCI assets $'000	2019 Total $'000
Interest income -			
Debt securities	5,749,125	1,055,829	6,804,954
Mortgage loans	241,817	-	241,817
Policy loans	34,609	-	34,609
Securities purchased for re-sale	40,157	-	40,157
Deposits	(18,812)	-	(18,812)
	6,046,896	1,055,829	7,102,725
Net gains on de-recognition of financial assets measured at FVTOCI			73,321
Net gains on de-recognition of financial assets measured at amortized cost			1,765,187
			8,941,233
Interest income from FVTPL investments			255,467
Dividend income			63,839
Unrealized gains on financial assets measured at FVTPL			3,060,181
Net gains on de-recognition of financial assets measured at FVTPL			927,869
Appreciation on investment properties			186,151
Net Rental income			9,375
			4,502,882
Total Investment Income			13,444,115
Interest expense -			
Investment contracts and other policy liabilities			(670,219)
Lease liabilities			(112,931)
			(783,150)
Expected credit losses			(117,308)
Net investment income			12,543,657

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31. Net Investment Income (Continued)

	2018 Amortized cost assets $'000	2018 FVTOCI assets $'000	2018 Total $'000
Interest income -			
Debt securities	5,440,551	1,428,447	6,868,998
Mortgage loans	262,658	-	262,658
Policy loans	35,679	-	35,679
Securities purchased for re-sale	26,429	-	26,429
Deposits	96,721	-	96,721
	5,862,038	1,428,447	7,290,485
Net gain on de-recognition of financial assets measured at FVTOCI			88,373
Net gain/(loss) on derecognition of financial assets measured at amortized cost			1,321,397
			8,700,255
Interest income from FVTPL investments			295,902
Dividend income			26,059
Unrealized gains on financial assets measured at FVTPL			1,136,253
Net gain on de-recognition of financial assets measured at FVTPL			(127,020)
Appreciation on investment properties			16,651
Net Rental income			3,947
			1,351,792
Total Investment Income			10,052,047
Interest expense -			
Investment contracts and other policy liabilities			(572,790)
Other Direct investment expenses			(333,920)
			(906,710)
Expected credit losses			(232,317)
Net investment income			8,913,020

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32. Fee and Other Income

	2019 $'000	2018 $'000
Administration fees	1,398,946	1,133,965
Management fees	1,629,482	1,335,121
	3,028,428	2,469,086
Other:		
Surrender charges	303,540	273,745
Foreign exchange losses	(130,558)	(262,708)
Other operating income	701,373	572,614
	3,902,783	3,052,737

33. Insurance Benefits and Claims

	Year ended 31 December 2019			2018
	Gross incurred $'000	Reinsured $'000	Net $'000	Net Claims $'000
Death and disability	3,532,296	(31,050)	3,501,246	3,298,809
Maturities	86,295	-	86,295	46,982
Surrenders and withdrawals	618,034	-	618,034	611,110
Segregated funds withdrawals	6,793,411	-	6,793,411	5,920,170
Annuities and pensions	5,469,957	-	5,469,957	4,309,157
Policy dividends and bonuses	49,068	-	49,068	55,840
Health insurance	10,079,992	(401,801)	9,678,191	8,681,610
Other	698,731	-	698,731	680,139
	27,327,784	(432,851)	26,894,933	23,603,817

34. Finance Costs

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

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35. Administration Expenses

	2019	2018
	$'000	$'000
Auditors' remuneration -		
Current year	46,637	41,232
Office accommodation	294,250	593,833
Communication and technology	485,214	389,071
Advertising and branding	266,470	230,375
Sales convention and incentives	282,710	269,215
Postage, printing and office supplies	130,916	130,994
Policy stamp duties and reimbursements	61,973	67,958
Regulators fees	241,677	215,181
Directors cost	34,442	36,130
Legal & professional fees	90,374	82,859
Services outsourced	905,959	787,085
Other expenses	540,289	523,266
Staff cost (a)	4,117,683	3,577,417
	7,498,594	6,944,616

(a) Staff costs

	2019	2018
	$'000	$'000
Salaries	2,696,070	2,241,880
Payroll taxes	363,684	338,933
Pension costs (Note 14)	384,549	330,048
Other post-retirement benefits (Note 14)	173,991	229,048
Share based compensation	270,395	151,937
Restructuring costs	17,495	95,144
Other	211,499	190,427
	4,117,683	3,577,417

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36. Commission and Sales Expense

Amount represents agents' commission and bonuses.

37. Taxation

(a) Tax is computed as follows:

	2019 $'000	2018 $'000
Current year taxation -		
Corporation tax @ 25% (2018-25%)	2,015,492	2,548,241
Deferred income tax (Note 16) -		
Deferred tax charge/ (credit) relating to the origination and reversal of temporary differences	145,982	(138,535)
Taxation	2,161,474	2,409,706
Asset tax @ 0.25%	179,210	181,835
Withholding tax	492	4,784
Other taxes	179,702	186,619

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

	2019 $'000	2018 $'000
Profit before taxation	11,666,694	10,879,727
Tax at 25%	2,916,674	2,719,932
Adjusted for:		
Investment income not subject to income tax	(2,705,972)	(2,049,698)
Asset tax not deductible for tax purposes	27,079	29,786
Expenses not deductible for tax purposes	2,012,681	1,760,297
Prior year over provision	-	(3,386)
Net effect of other charges and allowances	(88,988)	(47,225)
Taxation expense	2,161,474	2,409,706

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37. Taxation (Continued)

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

	2019			2018		
	Before tax $'000	**Tax (charge)/ credit $'000**	**After tax $'000**	**Before tax $'000**	**Tax (charge)/ credit $'000**	**After tax $'000**
Fair value (losses)/gains on FVTOCI securities	1,920,932	(95,553)	1,825,375	(1,823,951)	209,232	(1,614,719)
Re-measurement of post-employment benefits	99,768	(24,942)	74,826	(63,319)	15,830	(47,489)
Impairment charges	(131,238)	2,891	(128,347)	258,179	7,314	265,493
Unrealised gains/(losses) on owner-occupied properties	409,143	3,428	412,571	232,499	(15,125)	217,374
Change in actuarial reserve	(808,382)	-	(808,382)	641,721	-	641,721
Other comprehensive income	1,490,223	(114,176)	1,376,047	(754,871)	217,251	(537,620)
Deferred income taxes (Note 15)		(114,176)			217,251	

38. Leases

(a) Amounts recognised in the statement of financial position

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

	2019 $'000
Right-of-use assets	
Buildings	1,646,801
Land	58,552
	1,705,353
Lease liabilities	
Current	368,630
Non-current	1,454,236
	1,822,866

In the previous year, the company only disclosed its operating lease commitments in relation to leases that were classified as 'operating leases' under IAS 17 Leases. Please refer to Note 50.

Additions to the right-of-use assets during the 2019 financial year were $97,534,500.

(b) Amounts recognized in the income statement

The income statement shows the following amounts relating to leases:

	2019 $'000
Depreciation charge of right-of-use assets	
Buildings	379,270
Land	100
	379,370

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38. Leases (Continued)

	2019
	$'000
Interest expense (included in Interest and other interest expense)	112,931
Expense relating to short-term leases (included in administration expenses)	-

The total cash outflow for leases in 2019 was $374,786,469.

(c) The company's leasing activities and how these are accounted for.

The company leases various offices spaces. Rental contracts are typically made for fixed periods of 6 months to 8 years but may have extension options as described in (v) below.

Contracts may contain both lease and non-lease components. The company allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. However, for leases of real estate for which the Company is a lessee, it has elected not to separate lease and non-lease components and instead accounts for these as a single lease component.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

Until the 2018 financial year, leases of property, plant and equipment were classified as operating leases. From 1 January 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Company.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

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

38. Leases (Continued)

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

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

To determine the incremental borrowing rate, the Company:

(i) where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received
(ii) uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by Sagicor Life Jamaica Limited, which does not have recent third party financing, and
(iii) makes adjustments specific to the lease, e.g. term, country, currency and security.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

(i) the amount of the initial measurement of lease liability
(ii) any lease payments made at or before the commencement date less any lease incentives received
(iii) any initial direct costs, and
(iv) restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the company is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life. While the Company revalues its land and buildings that are presented within property, plant and equipment, it has chosen not to do so for the right-of-use buildings held by the company.

Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT equipment and small items of office furniture.

38. Leases (Continued)

(d) Extension and termination options

Extension and termination options are included in a number of property and equipment leases across the Company. These are used to maximise operational flexibility in terms of managing the assets used in the Company's operations. The majority of extension and termination options held are exercisable only by the Company and not by the respective lessor.

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated.

The lease term is reassessed if an option is actually exercised (or not exercised) or the Company becomes obliged to exercise (or not exercise) it. The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances occurs, which affects this assessment, and that is within the control of the lessee. During the current financial year, the financial effect of revising lease terms to reflect the effect of exercising extension and termination options was an increase in recognised lease liabilities and right-of-use assets of $1,428,583,946.

39. Investment in Subsidiary

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

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40. Cash Flows

(a) Operating activities

	Note	2019 $'000	2018 $'000
Adjustments for non-cash items, interest and dividends:			
Depreciation and amortization	11 &12	681,633	337,665
Interest and dividend income	31	(7,422,031)	(7,612,446)
Interest expense and other finance costs	31	783,150	907,700
Income tax expense	37	2,161,474	2,409,706
Asset and Other tax expense	37	179,702	186,619
Gain on disposal of investment securities/investment properties		(2,518,454)	(988,492)
Fair value gains on trading securities	31	(3,060,181)	(1,136,253)
Impairment charge on investments, loans and other assets		(247,923)	(299,198)
Expected credit loss	31/42 (d)	117,308	232,317
Share based compensation		-	13,202
Gains on revaluation of investment properties	10	(186,151)	(16,651)
Gains on disposal of property, plant and equipment		(645)	(1,025)
Loss on revaluation of property, plant and equipment		14,677	1,249
Decrease/(Increase) in policyholders' funds		1,234,725	(346,345)
Net movement in actuarial liabilities		6,770,856	1,871,041
Retirement benefit obligations		145,891	201,551
Effect of exchange gains on foreign currency balances		(469,936)	(167,210)
		(1,815,905)	(4,406,570)

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40. Cash Flows (Continued)

(a) Operating activities(continued)

	Note	2019	2018
		$'000	$'000
Changes in other operating assets and liabilities:			
Stock options and grants		-	(11,172)
Reinsurance contracts		(26,107)	(369,737)
Due to related parties		(498,780)	298,599
Due to bank and other financial institutions		(5,018,926)	(4,720,228)
Other assets		(218,260)	(280,375)
Other liabilities		1,560,289	1,385,478
		(4,201,784)	(3,697,435)
Net investment purchases:			
Proceeds on sale of investment securities		71,133,728	24,360,120
Purchase of investment securities		(72,750,001)	(26,416,760)
		(1,616,273)	(2,056,640)
Investing Activities			
(b) Property, plant and equipment, net			
Purchase of property, plant and equipment	12	(342,896)	(224,329)
Proceeds from sale of property, plant and equipment		10,257	2,150
		(332,639)	(222,179)

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40. Cash Flows (Continued)

(c) Net debt reconciliation

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

	2019 $'000	2018 $'000
At January 1,2019	6,324,635	11,211,185
Interest Payable	(36,991)	(28,165)
Bank Overdraft classified as cash and cash equivalent	(213,732)	(304,372)
	6,073,912	10,878,647
Drawdown, net of repayments (a)	(5,018,926)	(4,720,228)
Non-Cash Movements:		
Foreign Exchange Impact	(26,328)	(84,507)
Bank Overdraft classified as cash and cash equivalent	543,756	213,732
Interest payable	-	36,991
At December 31,2019	1,572,414	6,324,635

	Cash	Liquid Investments (i)	Borrowings due within 1 year	Borrowings due after 1 year	Total
	$'000	$'000	$'000	$'000	$'000
Cash and cash equivalents	1,286,083	592,903	(543,756)	(1,028,658)	306,572
Foreign exchange adjustments	(24,405)	-	-	-	(24,405)
Net debt as at 31 December 2019	1,261,678	592,903	(543,756)	(1,028,658)	282,167
Cash and cash equivalents	463,682	1,902,367	(277,155)	(5,946,836)	(3,857,942)
Foreign exchange adjustments	(49,085)	-	-	(100,644)	(149,729)
Net debt as at 31 December 2018	414,497	1,902,367	(277,155)	(6,047,480)	(4,007,671)

(i)Liquid investments comprise current investments that are traded in an active market, being the company's financial assets held at fair value through profit or loss.

41. Fair Values of Financial Instruments

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. Market price is used to determine fair value where an active market exists as it is the best evidence of the fair value of a financial instrument. However, market prices are not available for a significant number of the financial assets and liabilities held and issued by the company. Therefore, for financial instruments where no market price is available, the fair values presented have been estimated using present value or other estimation and valuation techniques based on market conditions existing at statement of financial position dates.

The values derived from applying these techniques are significantly affected by the underlying assumptions used concerning both the amounts and timing of future cash flows and the discount rates. The following methods and assumptions have been used:

(i) Investment securities at fair value through profit or loss are measured at fair value by reference to quoted prices when available. If quoted market prices are not available, then fair values are estimated on the basis of pricing models, or discounted cash flows. Fair value is equal to the carrying amount of these items.

(ii) Investment securities classified as FVTOCI are measured at fair value by reference to quoted market prices or dealer quotes when available (level 1). If quoted market prices are not available, then fair values are based on pricing models or other recognised valuation techniques. Investments in unit trusts are based on prices quoted by the fund managers (level 2).

(iv) The fair value of variable rate financial instruments is assumed to approximate their carrying amounts.

(v) Loans are net of provision for impairment. The estimated fair value of loans represents the discounted amount of estimated future cash flows expected to be received (level 3). Expected cash flows are discounted at current market rates to determine fair value; and

Differences between the fair values and the carrying values are accounted for in determining the amount of policyholders' liabilities that must be set aside each year.

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41. Fair Values of Financial Instruments (Continued)

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

	Carrying Value 2019 $000	Fair Value 2019 $000	Carrying Value 2018 $000	Fair Value 2018 $000
Financial Assets				
Financial investments – Investments at amortized cost (loans and receivables)	82,195,242	105,603,275	76,839,098	72,819,920
Financial Liabilities				
Due to banks and other financial institutions	1,572,414	1,527,414	6,324,635	6,324,635

The following table provides an analysis of financial instruments that are measured in the statement of financial position at fair value at 31 December 2019, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

(i) Level 1 – unadjusted quoted prices in active markets for identical instruments

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange or other independent source, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The company considers that market transactions should occur with sufficient frequency that is appropriate for the particular market, when measured over a continuous period preceding the date of the financial statements. If there is no data available to substantiate the frequency of market transactions of a financial instrument, then the instrument is not classified as Level 1.

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

A financial instrument is classified as Level 2 if:

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

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

41. Fair Values of Financial Instruments (Continued)

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

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

Certain of the Company's liabilities are unit linked, i.e. derive their value from a pool of assets which are carried at fair value. The Company assigns a fair value hierarchy of Level 2 to the contract liability if the liability represents the unadjusted fair value of the underlying pool of assets.

(iii) Level 3 – inputs for the instrument that are not based on observable market data

A financial instrument is classified as Level 3 if:

- The fair value is derived from quoted prices of similar instruments that are observable and which would be classified as Level 2; or
- The fair value is derived from inputs that are not based on observable market data.

Level 3 FVTOCI securities include corporate and government agency debt instruments. The fair values of these instruments have been derived from December 31 market yields of government instruments of similar durations in the country of issue of the instruments.

Level 3 assets designated as FVTPL include debt securities and equities for which the full income return, and capital returns accrue to holders of unit linked liabilities. These assets are valued with inputs other than observable market data.

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

	2019			
	Level 1	**Level 2**	**Level 3**	**Total**
	$'000	**$'000**	**$'000**	**$'000**
Financial Assets				
Financial investments	14,221,322	37,786,373	-	52,007,695
Non-Financial Assets				
Property, plant & equipment	-	-	1,977,354	1,977,354
Investment property	-	-	750,000	750,000
	14,221,322	37,786,373	2,727,354	54,735,049

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41. Fair Values of Financial Instruments (Continued)

	2018			
	Level 1	**Level 2**	**Level 3**	**Total**
	$'000	**$'000**	**$'000**	**$'000**
Financial Assets				
Financial investments	18,922,883	28,712,647	-	47,635,530
Non-Financial Assets				
Property, plant & equipment	-	-	1,595,000	1,595,000
Investment property	-	-	553,000	553,000
	18,922,883	28,712,647	2,148,000	49,783,530

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

Description	**Fair value at**		**Unobservable inputs**	**Range of unobservable inputs**		**Relationship of unobservable inputs to fair value**
	2019	**2018**		**2019**	**2018**	
	$'000	**$'000**		**$'000**	**$'000**	
Investment properties	750,000	553,000	Comparable Sale	10%	10%	Increased in comparable sale prices will have direct correlation to the fair value.
Property, plant & equipment	1,977,354	1,595,000	Comparable Sale	10%	10%	Increased in comparable sale prices will have a direct correlation to fair value.
	2,727,354	2,148,000				

Reconciliation of level 3 items –

	2019	**2018**
	$'000	**$'000**
Balance at beginning of year	2,148,000	1,909,000
Total gains – OCI	391,718	217,250
Total gains – income statement	172,504	15,401
Purchases	15,132	6,349
Balance at end of year	2,727,354	2,148,000

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

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42. Insurance and Financial Risk Management

The Company's activities expose it to a variety of financial risks and those activities necessitate the analysis, evaluation, control and/or acceptance of some degree of risk or combination of risks. Taking various types of risk is core to the financial services business and operational risks are an inevitable consequence of being in business. The Company's aim is therefore to achieve an appropriate balance between risk and return and minimise potential adverse effects on the Company's financial performance.

The Company has a risk management framework with clear terms of reference. This is supplemented with a clear organizational structure with documented delegated authorities and responsibilities from the Board of Directors to Executive Management committees and senior managers. Policy frameworks which set out the risk profiles for the Company's risk management, control and business conduct standards for the Company's operations have been put in place. Each policy has a member of Executive Management charged with overseeing compliance with that policy.

The Board of Directors is ultimately responsible for the establishment and oversight of the risk management framework. The Board of Directors has established committees/departments/structures for managing and monitoring risks, as follows:

(i) Board Audit Committee
The Board Audit Committee comprises independent directors. The Committee:

- Oversees how management monitors internal controls, compliance with the Company's risk management policies and adequacy of the risk management framework to risks faced by the Company;
- Reviews the Company's annual and quarterly financial statements, related policies and assumptions and any accompanying reports or statements; and
- Reviews the internal audit function as well as the external auditor's independence, objectivity and effectiveness.

The Board Audit Committee is assisted in its oversight role by the Internal Audit Department. The Internal Audit Department undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Board Audit Committee.

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

- Oversees the Company's financial risk management framework.
- Approves the investment policies within which the Company's investment portfolios are managed;
- Reviews the performance of the Company's investment portfolios;
- Ensures adherence to prudent standards in making investment and lending decisions and in managing investments and loans; and
- Approves new investment projects over certain thresholds.

42. Insurance and Financial Risk Management (Continued)

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

- Monitors the profile of the Company's assets and liabilities;
- Plans, directs and monitors various financial risks including, interest rate risk, equity risk, liquidity risk, currency risk and country risk;
- Provides guidance to the Investment Managers with regards to the appropriateness of investments assigned or purchased to support the liabilities of the various lines of business; and
- Monitors market interest rates and establishes the credited rate for various investment contracts.

(iv) Anti-Money Laundering (AML)
The Company has assigned responsibility for AML and anti-fraud to a designated department. The responsibilities of this department include:

- Maintaining and communicating the AML and Anti-fraud policies and procedures;
- Interrogating financial transactions to identify suspicious and threshold reportable items;
- Coordinating information received from operating departments on reportable items;
- Ensuring that adequate anti-fraud controls are in place; and
- Filing required reports with Management, Board of Directors and Regulatory bodies.

(v) Regulatory Compliance
The Board has assigned responsibility for monitoring regulatory compliance to a designated department. This department maintains a catalogue of all required regulatory filings and follows-up the respective departments to ensure timely submissions. The Department files the required performance reports with management and the Board of Directors.

(vi) Enterprise Risk Management
The Company utilises an Enterprise Risk Management (ERM) framework, including policies and procedures designed to identify, measure and control risk in all business activities. The policies and procedures are reviewed periodically by senior managers and the Board of Directors.

The framework provides for quarterly evaluation of risks by senior management, with reporting to the Board Audit Committee. The risk exposures are prioritised each year and the top twenty (20) risks reported on.

The most important types of risk facing the Company are insurance risk, reinsurance risk, credit risk, liquidity risk, market risk and other operational risk. Market risk includes currency risk, interest rate and other price risk.

42. Insurance and Financial Risk Management (Continued)

(a) Insurance risk

The Company issues both short term and long term contracts that transfer insurance risk or financial risk or both.

The risk under any one insurance contract is the possibility that the insured event occurs and the uncertainty of the amount of the resulting claim. By the very nature of an insurance contract, this risk is random and therefore unpredictable.

For a portfolio of insurance contracts where the theory of probability is applied to pricing and provisioning, the principal risk that the Company faces under its insurance contracts is that the actual claims and benefit payments exceed the carrying amount of the insurance liabilities. This could occur because the frequency or severity of claims and benefits are greater than estimated. Insurance events are random and the actual number and amount of claims and benefits will vary from year to year from the estimate established using statistical techniques.

Experience shows that the larger the portfolio of similar insurance contracts, the smaller the relative variability about the expected outcome will be. In addition, a more diversified portfolio is less likely to be affected across the board by a change in any subset of the portfolio. The Company has developed its insurance underwriting strategy to diversify the type of insurance risks accepted and within each of these categories to achieve a sufficiently large population of risks to reduce the variability of the expected outcome.

Long term insurance contracts

Long-term contracts are typically for a minimum period of 5 years and a maximum period which is determined by the remaining life of the insured. In addition to the estimated benefits which may be payable under the contract, the insurer has to assess the cash flows which may be attributable to the contract. The process of underwriting may also be undertaken and may include specific medical tests and other enquiries which affect the insurer's assessment of the risk. The insurer assesses the likely benefits and cash flows both in establishing the amount of premium payable under the contract and in estimating the statement of financial position liability arising from the contract.

For long-term contracts in-force, the Company has adopted a policy of investing in assets with cash flow characteristics that closely match the cash flow characteristics of its policy liabilities. The primary purpose of this matching is to ensure that cash flows from these assets are synchronised with the timing and the amounts of payments that must be paid to policyholders.

(i) Frequency and severity of claims

For contracts where death is the insured risk the most significant factors that could increase the overall frequency and severity of claims are epidemics and wide-ranging lifestyle changes, such as in eating, smoking and exercise habits resulting in earlier or more claims than expected. For contracts where survival is the insured risk, the most significant improvement in medical science and social conditions that would increase longevity.

At present, these risks do not vary significantly in relation to the location of the risk insured by the Company. However, undue concentration by amounts could have an impact on the severity of benefit payments on a portfolio basis.

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42. Insurance and Financial Risk Management (Continued)

(a) Insurance risk (continued)

Long term insurance contracts (continued)

(i) Frequency and severity of claims (continued)
For contracts with fixed and guaranteed benefits and fixed return premiums, there are no mitigating terms and conditions that reduce the insurance risk accepted.

The table below presents the Company's concentration of insured benefits across five bands of insured benefits per individual life assured. The benefit insured figures are shown gross and net of the reinsurance contracts described below in Note 42(b). At year-end, none of these insurance contracts had triggered a recovery under the reinsurance held by the Company. As was the case in the previous year, the risk is concentrated at the higher value bands. (These tables do not include annuity contracts, for which a separate analysis is reported in following pages).

Individual Life Benefits Assured per Life ($'000)

	Total Benefits Insured			
2019	Before Reinsurance $'000	%	After Reinsurance $'000	%
0 – 200	7,157,661	1%	7,146,038	1%
200 – 400	11,391,666	1%	11,390,809	1%
400 – 800	73,281,236	6%	73,132,261	6%
800 – 1000	106,116,527	8%	105,076,461	8%
More than 1,000	1,070,516,090	84%	1,054,188,142	84%
Total	1,268,463,180	100%	1,250,933,711	100%

Individual Life Benefits Assured per Life ($'000)

	Total Benefits Insured			
2018	Before Reinsurance $'000	%	After Reinsurance $'000	%
0 – 200	7,304,706	1%	7,291,434	1%
200 – 400	11,581,615	1%	11,580,727	1%
400 – 800	69,622,712	6%	69,467,280	6%
800 – 1000	101,745,794	9%	100,646,449	9%
More than 1,000	941,305,458	83%	926,760,532	83%
Total	1,131,560,285	100%	1,115,746,422	100%

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42. Insurance and Financial Risk Management (Continued)

(a) Insurance risk (continued)

Long term insurance contracts (continued)

(i) Frequency and severity of claims (continued)
The table below represents the Company's concentration of insured benefits across five bands of insured benefits per group individual life assured. The benefit insured figured are shown gross and net of reinsurance.

Group Life Benefits
Assured per Life ($'000)

	Total Benefits Insured			
2019	Before Reinsurance $'000	%	After Reinsurance $'000	%
0 – 200	477	0%	477	0%
200 – 400	2,540	0%	2,540	0%
400 – 800	19,166	0%	19,166	0%
800 - 1,000	26,862	0%	26,862	0%
More than 1,000	931,961,910	100%	918,356,938	100%
	932,010,955	100%	918,405,983	100%

Assured per Life ($'000)

	Total Benefits Insured			
2018	Before Reinsurance $'000	%	After Reinsurance $'000	%
0 – 200	570	0%	570	0%
200 – 400	2,800	0%	2,800	0%
400 – 800	17,240	0%	17,240	0%
800 - 1,000	27,032	0%	27,032	0%
More than 1,000	847,548,735	100%	837,805,258	100%
	847,596,377	100%	837,852,900	100%

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42. Insurance and Financial Risk Management (Continued)

(a) Insurance risk (continued)

Long term insurance contracts (continued)

(i) Frequency and severity of claims (continued)
The following tables for the Company's annuity insurance contracts illustrate the concentration of risk based on five bands that Company these contracts in relation to the amount payable per annum as if the annuity was in payment at the year end. The greatest risk concentration remains at the highest band, which is consistent with the prior year. The Company does not hold any reinsurance contracts against the liabilities carried for these contracts.

Annuity Payable per annum per annuitant ($'000)

	Total Benefits Insured	
2019	**$'000**	**%**
0 – 20	7,416	0%
20 – 40	14,662	0%
40 – 80	57,746	1%
80 – 100	42,070	1%
More than 100	4,235,147	97%
Total	4,357,041	100%

Annuity Payable per annum per annuitant ($'000)

	Total Benefits Insured	
2018	**$'000**	**%**
0 – 20	7,904	0%
20 – 40	15,138	0%
40 – 80	61,593	2%
80 – 100	40,956	1%
More than 100	3,868,476	97%
Total	3,994,067	100%

For interest-sensitive and unit-linked contracts the Company charges for mortality risks on a monthly basis for all insurance contracts and has the right to alter these charges based on mortality experience and hence to minimise its exposure to mortality risk. Delays in implementing increases in charges, and market or regulatory restraints over the extent of any increases may reduce this mitigating effect.

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

42. Insurance and Financial Risk Management (Continued)

(a) Insurance risk (continued)

Long term insurance contracts (continued)

(i) Frequency and severity of claims (continued)
The underwriting strategy is intended to ensure that the risks underwritten are well diversified in terms of type of risk and the level of insured benefits. The Company reinsures the excess of the insured benefit for new business for standard risks under an excess of loss reinsurance arrangement. Medically impaired lives are reinsured at a higher level. The Company does not place any reinsurance for contracts that insure survival risk. Insurance risk for contracts is also affected by the policyholders' rights to pay reduced or no future premiums, to terminate the contract completely, or to exercise a guaranteed annuity option. As a result, the amount of insurance risk is also subject to the policyholders' behaviour. On the assumption that the policyholders will make decisions rationally, overall risk can be assumed to be aggravated by such behaviour.

The Company has factored the impact of policyholders' behaviour into the assumptions used to measure these liabilities.

(ii) Sources of uncertainty in the estimation of future benefit payments and premium payments
Uncertainty in the estimation of future benefit payments and premium receipts for long term insurance contracts arises from the unpredictability of long term changes in overall levels of mortality and the variability in the policyholder behaviour.

The Company uses appropriate base tables of standard mortality according to the type of contract being written. An investigation as to the actual experience of the Company is carried out, and statistical methods are used to adjust the crude mortality rates to produce a best estimate of expected mortality for the future. The best estimate of future mortality is based on standard industry tables adjusted for the Company's overall experience. For contracts that insure survival, an adjustment is made for future mortality improvements based on the mortality investigations performed by independent actuarial bodies. The Company maintains voluntary termination statistics to investigate the deviation of actual termination experience against assumptions. Statistical methods are used to determine appropriate termination rates to be used for the best estimate assumption.

(iii) Process used in deriving assumptions
The assumptions for short term life contracts and the process used in deriving these assumptions have remained substantially unchanged since the previous year.

For long-term insurance contracts, at the reporting date, the Company determines current best estimate assumptions in relation to future deaths, voluntary terminations, investment returns and administration expenses. The best estimate assumptions are determined based on experience studies and the current circumstances of the business. A margin for adverse deviation based on expected deterioration or mis-estimation of the mean, is added to the best estimate assumptions to derive the valuation assumptions which are used for calculating the liabilities arising under the insurance contracts.

See Note 26(e) for detail policy assumptions.

42. Insurance and Financial Risk Management (Continued)

(a) Insurance risk (continued)

Short-duration life and health insurance contracts
Short-term contracts are typically for one year's coverage, with an option to renew under terms that may be amended by the insurer. In determining the premium payable under the contract, the insurer considers the nature and amount of the risk assumed, and recent experience and industry statistics of the benefits payable. This is the process of underwriting, which establishes appropriate pricing guidelines, and may include specific tests and enquiries which determine the insurer's assessment of the risk. Insurers may also establish deductibles to limit amounts of potential losses incurred.

Policy benefits payable under short-term contracts are generally triggered by an insurable event, i.e. a medical expense or a death claim. Settlement of these benefits is expected generally within one year. However, some benefits are settled over a longer duration.

The principal risks arising from short-term insurance contracts are premium risk, claims risk and reinsurance risk (See Note 42(b)).

Premium risk is the risk that the premium rate has been set too low for the risk being assumed.

Claims risk is the risk that:
- the number of claims may exceed expectations
- the severity of claims incurred may exceed expectations
- the claim amount may develop during the interval between occurrence and settlement.

For the Company's life and health insurance contracts, significant risk exposures arise from mortality and morbidity experience.

(i) Frequency and severity of claims
These contracts are mainly issued to employers to insure their commitments to their employees in terms of their employee benefit plans. This risk is affected by the nature of the industry in which the employer operates. The risk of death and disability will vary by industry. Undue concentration of risk by industry will therefore increase the risk of a change in the underlying average mortality or morbidity of employees in a given industry, with significant effects on the overall insurance risk.

Insurance risk under disability contracts is also dependent on economic conditions in the industry. The Company attempts to manage this risk through its underwriting, claims handling and reinsurance policy. Excess of loss reinsurance contracts have been purchased by the Company to limit the maximum loss on any one life and health claims, see Note 42(b) for retention limits.

(ii) Sources of uncertainty in the estimation of future claim payments
There is no need to estimate mortality rates or morbidity rates for future years because these contracts have short duration.

(iii) Process used in deriving assumptions
The assumptions for short-duration life contracts and the process used in deriving these assumptions have remained substantially unchanged since the previous year.

See Note 26(e) for detail policy assumptions.

42. Insurance and Financial Risk Management (Continued)

(a) Insurance risk (continued)

Short-duration life and health insurance contracts (continued)

The process to derive the assumptions for short-duration life contracts is similar to long-term insurance contracts. However, the short-term nature of the mortality risk underwritten makes the Company's estimate of the liability covering death benefit payments less uncertain than in the case of long-term contracts.

(b) Reinsurance risk

To limit its exposure of potential loss on an insurance policy, the insurer may cede certain levels of risk to a reinsurer. The Company selects reinsurers which have established capability to meet their contractual obligations and which generally have high credit ratings. The credit ratings of reinsurers are monitored.

For other insurance risks, insurers limit their exposure by event or per person by excess of loss or quota share treaties.

Retention limits represent the level of risk retained by the insurer. The Board of Directors approved policy retention limits. Coverage in excess of these limits is ceded to reinsurers up to the treaty limit. The retention programs used by the Company are summarised below:

Type of insurance contract-2019	**Retention by insurers**
Health insurance contracts with groups	Retention per individual to a maximum J$2,000,000.
Life insurance contracts with individuals	Retention per individual to a maximum of J$35,000,000 and US$500,000.
Life insurance contracts with groups	Retention per individual to a maximum of J$35,000,000 and US$100,000.

Type of insurance contract-2018	**Retention by insurers**
Health insurance contracts with groups	Retention per individual to a maximum J$1,500,000.
Life insurance contracts with individuals	Retention per individual to a maximum of J$35,000,000 and US$500,000.

(c) Cash flow and fair value interest rate risk

Cash flow risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. The Company takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. Interest margins may increase as a result of such changes but may reduce or create losses in the event that unexpected movements arise. Interest rate changes may also result in losses if asset and liability cash flows are not closely matched with respect to timing and amount. The Asset and Liability Committee sets limits on the level of mismatch of interest rate repricing that may be undertaken, which is monitored at least quarterly.

The return on investments may be variable, fixed for a term or fixed to maturity. On reinvestment of a matured investment, the returns available on the new investment may be significantly different from the returns formerly achieved. This is known as reinvestment risk.

42. Insurance and Financial Risk Management (Continued)

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

The Company monitors interest rate risk by calculating the mean duration of the investment portfolio and the liabilities issued. The mean duration is an indicator of the sensitivity of the assets and liabilities to change in current interest rates. The mean duration of the liabilities is determined by means of projecting expected cash flows from the contracts using best estimate assumptions (Note 26(e) for further details).

The Company is exposed to various risks associated with the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows.

(i) Long term traditional insurance contracts and some investment contracts
Insurance and investment contracts with guaranteed and fixed terms have benefit payments that are fixed and guaranteed at the inception of the contract. The financial components of these benefits may include a guaranteed fixed interest rate and hence the Company's primary financial risk on these contracts is the risk that interest income and capital redemptions from the financial assets backing the liabilities is insufficient to fund the guaranteed benefits payable.

(ii) Long term insurance contracts and investment contracts without fixed terms
For unit-linked contracts the Company matches all the assets on which the unit prices are based with assets in the portfolio. There is no price, currency, credit, or interest rate risk for these contracts.

The Company's primary exposure to financial risk for these contracts is the risk of volatility in asset management fees due to the impact of interest rate and market price movements on the fair value of the assets held in the linked funds, on which investment management fees are based.

A decrease of 10% in the value of the assets would reduce the asset management fees to $284,447,000 (2018 - $238,788,000) per annum.

Unit-linked and interest-sensitive universal life type contracts have embedded surrender options. These embedded derivatives vary in response to the change in a financial variable (such as equity prices and interest rates). At year end, all embedded derivatives within insurance liabilities were closely related to the host contract and did not require separation.

(iii) Short term contracts
For short term insurance contracts, the Company has matched the insurance liabilities with a portfolio of debt securities. The financial assets in this portfolio are characterised by interest rate risk.

Short term liabilities are not directly sensitive to the level of market interest rates, as they are undiscounted and contractually non-interest bearing.

The following tables summarise carrying amounts of statement of financial position assets, liabilities and equity in order to arrive at the Company's interest rate gap based on earlier of contractual repricing or maturity dates.

The disclosures provided in this note are based on the Company's investment portfolio as at 31 December 2019 and 2018.

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42. Insurance and Financial Risk Management (Continued)

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

	2019						
	Immediately Rate Sensitive	Within 3 months	3-12 months	1-5 years	Over 5 years	Non-Interest bearing	Total
Assets	**$000**	**$000**	**$000**	**$000**	**$000**	**$000**	**$000**
Cash resources	1,261,554	-				124	1,261,678
Financial investments & pledged assets	-	8,388,717	10,744,484	1,321,308	78,109,797	35,681,935	134,246,241
Reinsurance contracts	-	-	-	-	-	434,491	434,491
Other assets	-	-	-	-	-	9,913,052	9,913,052
Non-financial assets:							
Investment in Subsidiary	-	-	-	-	-	459,018	459,018
Investment properties	-	-	-	-	-	750,000	750,000
Intangible assets	-	-	-	-	-	1,523,956	1,523,956
Right of use assets	-	-	-	-	-	1,705,353	1,705,353
Property, plant and equipment	-	-	-	-	-	2,716,995	2,716,995
Taxation recoverable	-	-	-	-	-	963,360	963,360
Deferred income Taxes	-	-	-	-	-	534,831	534,831
Other assets	-	-	-	-	-	2,199,664	2,199,664
Total assets	1,261,554	8,388,717	10,744,484	1,321,308	78,109,797	56,882,779	156,708,639
Liabilities							
Due to bank and other financial institutions	-	562,633	47,025	240,119	722,637	-	1,572,414
Other liabilities	-	-	-	-	-	8,216,544	8,216,544
Lease liabilities	24,749	49,901	238,459	1,468,081	41,676	-	1,822,866
Insurance contracts liabilities	-	1,139,274	3,413,392	21,832,872	54,188,171	2,260,767	82,834,476
Investment contracts liabilities	-	7,260,460	144,418	3,436,276	-	-	10,841,154
Other policy liabilities	-	454,275	-	-	-	3,488,045	3,942,320
Non-financial liabilities:							
Taxation payable	-	-	-	-	-	18,589	18,589
Retirement benefit obligations	-	-	-	-	-	2,085,715	2,085,715
Total liabilities	24,749	9,466,543	3,843,294	26,977,348	54,952,484	16,069,660	111,334,078
On statement of financial position interest sensitivity gap	1,236,805	(1,077,826)	6,901,190	(25,656,040)	23,157,313	40,813,119	45,374,561
Cumulative interest sensitivity gap	1,236,805	158,979	7,060,169	(18,595,871)	4,561,442	45,374,561	

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42. Insurance and Financial Risk Management (Continued)

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

	2018						
	Immediately Rate Sensitive	Within 3 months	3-12 months	1-5 years	Over 5 years	Non-Interest bearing	Total
Assets	**$000**	**$000**	**$000**	**$000**	**$000**	**$000**	**$000**
Cash resources	414,473	-	-	-	-	124	414,597
Financial investments & pledged assets	-	10,431,442	3,478,407	11,345,167	72,809,878	26,922,187	124,987,081
Reinsurance contracts	-	-	-	-	-	408,384	408,384
Other assets	-	-	-	-	-	8,939,499	8,939,499
Non-financial assets:							
Investment properties	-	-	-	-	-	553,000	553,000
Intangible assets	-	-	-	-	-	1,598,901	1,598,901
Property, plant and equipment	-	-	-	-	-	2,177,651	2,177,651
Taxation recoverable	-	-	-	-	-	1,592,148	1,592,148
Deferred income taxes	-	-	-	-	-	794,989	794,989
Other assets	-	-	-	-	-	1,597,619	1,597,619
Total assets	414,473	10,431,442	3,478,407	11,345,167	72,809,878	44,584,502	143,063,869
Liabilities							
Due to banks and other financial institutions	-	232,540	5,153,802	228,602	709,691	-	6,324,635
Other liabilities	-	-	-	-	-	6,435,356	6,435,356
Insurance contracts liabilities	-	830,412	2,503,945	15,263,938	52,514,347	3,226,257	74,338,899
Investment contracts liabilities	-	5,346,260	1,855,826	2,937,114	-	-	10,139,200
Other policy liabilities	-	421,773	-	-	-	2,917,153	3,338,926
Non-financial liabilities:	-	-	-	-	-		
Taxation payable	-	-	-	-	-	1,201,183	1,201,183
Retirement benefit obligations	-	-	-	-	-	2,039,590	2,039,590
Total liabilities	-	6,830,985	9,513,573	18,429,654	53,224,038	15,819,539	103,817,789
On statement of financial position interest sensitivity gap	414,473	3,600,457	(6,035,166)	(7,084,487)	19,585,840	28,764,963	39,246,080
Cumulative interest sensitivity gap	414,473	4,014,930	(2,020,236)	(9,104,723)	10,481,117	39,246,080	

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42. Insurance and Financial Risk Management (Continued)

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

The table summarises the average effective yields by the earlier of the contractual repricing or maturity dates:

	2019					
	Immediately rate sensitive	**Within 3 months**	**3 to 12 months**	**1 to 5 Years**	**Over 5 Years**	**Weighted Average**
	%	**%**	**%**	**%**	**%**	**%**
Investments (1)	-	2.15	5.44	8.11	8.59	7.61
Mortgages (2)		8.31	8.31	8.31	8.31	8.31
Policy loans		-	-	-	13.95	13.95
Investment contracts		5.35	5.35	5.35	5.35	5.35
Bank overdraft	-	21.25	-	-	-	-
Amounts due to banks and other financial institutions		3.5	3.5	7.00	7.00	5.25

	2018					
	Immediately rate sensitive	**Within 3 months**	**3 to 12 months**	**1 to 5 Years**	**Over 5 Years**	**Weighted Average**
	%	**%**	**%**	**%**	**%**	**%**
Investments (1)	-	3.00	4.90	5.56	7.41	5.13
Mortgages (2)		8.33	8.33	8.33	8.33	8.33
Policy loans					11.72	11.72
Investment contracts		5.35	5.35	5.35	5.35	5.35
Bank overdraft		21.25				
Amounts due to banks and other financial institutions		3.50	5,76	7.00	7.00	5.82

(1) Yields are based on book values and contractual interest adjusted for amortization of premiums and discounts.

(2) Yields are based on book values, net of allowances for impairment and contractual interest rates.

42. Insurance and Financial Risk Management (Continued)

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

Sensitivity

Sensitivity to interest rate risk is considered by operating subsidiaries. The effects of changes in interest rates of assets backing actuarial liabilities are disclosed in Note 43.

The effects of changes in interest rates of assets backing other policy liabilities, deposit and security liabilities and equity are considered below.

(d) Credit risk

Credit risk exposure- financial investments subject to impairment

The following tables contain analyses of the credit risk exposure of financial investments for which an ECL allowance is recognized. The Company categorises its financial assets into investment grade, non-investment grade, watch, default and unrated.

The maximum exposure to credit risk for financial assets carried at fair value represents their amortised cost, as this is the maximum amount of credit loss the Company will suffer in the event of a total default of the counterparty. For financial assets carried at FVTOCI and FVTPL, the amounts shown in the tables will therefore not necessarily reconcile to the financial statements, as the carrying amounts have been adjusted for fair value movements, for which there is market risk.

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

	2019 $'000	2018 $'000
Maximum exposure at amortised costs:		
Securities purchased for resale	523,877	991,296
Policy Loan	293,428	291,954
Deposits	43,305	512,453

Provision for credit losses in the Company's financial statements as follow:

	2019 $'000	2018 $'000
Expected credit losses:		
Investments	117,308	232,317
Total per income statement	117,308	232,317

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42. Insurance and Financial Risk Management (Continued)

(d) Credit risk (continued)

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

2019

Debt securities – amortised cost	ECL Staging: Stage 1 12-month ECL	Stage 2 life-time ECL	Stage 3 life-time ECL	Purchased credit-impaired	Total
	$000	$000	$000	$000	$000
Credit grade:					
Investment	10,700,251	-	-	-	10,700,251
Non-investment	67,760,447	-	-	-	67,760,447
Gross carrying amount	78,460,698	-	-	-	78,460,698
Loss allowance	(53,494)	-	-	-	(53,494)
Carrying amount	78,407,204	-	-	-	78,407,204

2018

Debt securities – amortised cost	ECL Staging: Stage 1 12-month ECL	Stage 2 life-time ECL	Stage 3 life-time ECL	Purchased credit-impaired	Total
	$000	$000	$000	$000	$000
Credit grade:					
Investment	11,427,087	-	-	-	11,427,087
Non-investment	61,072,812	-	-	-	61,072,812
Gross carrying amount	72,499,899	-	-	-	72,499,899
Loss allowance	(52,061)	-	-	-	(52,061)
Carrying amount	72,447,838	-	-	-	72,447,838

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42. Insurance and Financial Risk Management (Continued)

(d) Credit risk (continued)

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

	2019				
	ECL Staging				
Mortgage loans – amortised cost	**Stage 1 12-month ECL**	**Stage 2 life-time ECL**	**Stage 3 life-time ECL**	**Purchased credit-impaired**	**Total**
	$000	**$000**	**$000**	**$000**	**$000**
Credit grade:					
Non-investment	2,324,043	266,232	-	-	2,590,275
Default	-	-	385,332	-	385,332
Gross carrying amount	2,324,043	266,232	385,332	-	2,975,607
Loss allowance	(1,470)	(230)	(3,846)		(5,546)
Carrying amount	2,322,573	266,002	381,487	-	2,970,061

	2018				
	ECL Staging				
Mortgage loans – amortised cost	**Stage 1 12-month ECL**	**Stage 2 life-time ECL**	**Stage 3 life-time ECL**	**Purchased credit-impaired**	**Total**
	$000	**$000**	**$000**	**$000**	**$000**
Credit grade:					
Non-investment	2,481,473	279,831	-	-	2,761,304
Default			355,702	-	355,702
Gross carrying amount	2,481,473	279,831	355,702	-	3,117,006
Loss allowance	(851)	(1,719)	(6,270)		(8,840)
Carrying amount	2,480,622	278,112	349,432	-	3,108,166

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42. Insurance and Financial Risk Management (Continued)

(d) Credit risk (continued)

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

2019

Debt securities – FVTOCI	ECL Staging: Stage 1 12-month ECL	Stage 2 life-time ECL	Stage 3 life-time ECL	Purchased credit-impaired	Total
	$000	$000	$000	$000	$000
Credit grade:					
Investment	7,917,228	-	-	-	7,917,228
Non-investment	5,255,161	909,331	-	27,395	6,191,887
Maximum credit exposure	13,172,389	909,331	-	27,395	14,109,115
Loss allowance	(56,762)	(168,988)	-	-	(225,750)
Maximum credit exposure, net of ECL	13,115,627	740,343	-	27,395	13,883,365

2018

Debt securities – FVTOCI	ECL Staging: Stage 1 12-month ECL	Stage 2 life-time ECL	Stage 3 life-time ECL	Purchased credit-impaired	Total
	$000	$000	$000	$000	$000
Credit grade:					
Investment	13,929,865	-	-	-	13,929,865
Non-investment	2,886,792	1,777,506	33,148	-	4,697,446
Maximum credit exposure	18,816,657	1,777,506	33,148	-	18,627,311
Loss allowance	(28,764)	(316,373)	(11,933)	-	(357,070)
Maximum credit exposure, net of ECL	16,787,893	1,461,133	21,215	-	18,270,241

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42. Insurance and Financial Risk Management (Continued)

(d) Credit risk (continued)

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

For financial investments measured at FVTPL under the unit-linked funds fair value model, the unit holders bear the credit risk and the Company has no direct credit exposure. Maximum exposure to credit risk - Financial instruments not subject to impairment

	Maximum exposure to credit risk	
	2019	**2018**
	$'000	**$'000**
Financial assets designated at fair value		
Debt securities	4,053,243	5,817,360

Loss allowances

The allowance for ECL is recognised in each reporting period and is impacted by a variety of factors, as described below:

- Transfers between stages due to financial instruments experiencing significant increases (or decreases) of credit risk or becoming credit-impaired during the period;
- Additional allowances for new financial instruments recognised during the period, as well as releases for financial instruments de-recognised in the period;
- Impact on the measurement of ECL due to inputs used in the calculation including the effect of 'step-up' (or 'step down') between 12-month and life-time ECL;
- Impacts on the measurement of ECL due to changes made to models and assumptions; and
- Foreign exchange retranslations for assets denominated in foreign currencies and other movements;

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42. Insurance and Financial Risk Management (Continued)

(d) Credit risk (continued)

Loss allowances

The following tables contain an analysis of the credit risk exposure of financial investments for which an ECL allowance is recognised. The gross carrying amount of financial assets below represents the Company's maximum exposure to credit risk on these assets.

	ECL staging				
	Stage 1	Stage 2	Stage 3	Purchased	
	12-month ECL	Lifetime ECL	Lifetime ECL	credit-impaired	Total
DEBT SECURITIES - FVTOCI	**$000**	**$000**	**$000**	**$000**	**$000**
Loss Allowance as at January 01, 2018	**58,965**	**339,125**	**290,253**	**-**	**688,343**
Transfers:					
Transfer from Stage 1 to Stage 2	(217)	217	-	-	**-**
Transfer from Stage 1 to Stage 3	(1,278)	-	1,278	-	**-**
New financial assets originated or purchased	6,494	13,970	-	-	**20,464**
Financial assets fully derecognised during the period	(28,218)	(132,888)	(290,253)	-	**(451,359)**
Changes to inputs used in ECL calculation	(7,258)	91,800	10,655	-	**95,197**
Foreign exchange adjustment	276	4,149	-	-	**4,425**
Loss Allowance as at December 31, 2018	**28,764**	**316,373**	**11,933**	**-**	**357,070**
Transfers:					
Transfer from Stage 1 to Stage 2	(77)	77	-	-	**-**
Transfer from Stage 2 to Stage 3	285	(285)	-	-	**-**
New financial assets originated or purchased	41,091	-	-	-	**41,091**
Financial assets fully derecognised during the period	(11,690)	(227,454)	(11,933)	-	**(251,077)**
Changes to inputs used in ECL calculation	(1,670)	77,211	-	-	**75,541**
Foreign exchange adjustment	59	3,066	-	-	**3125**
Loss Allowance as at December 31, 2019	**56,762**	**168,988**	**-**	**-**	**225,750**

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42. Insurance and Financial Risk Management (Continued)

(d) Credit risk (continued)

Loss allowances (continued)

	ECL staging				
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Purchased credit-impaired	Total
DEBT SECURITIES – AMORTISED COST	**$000**	**$000**	**$000**	**$000**	**$000**
Loss Allowance as at January 01, 2018	**79,639**	**-**	**-**	**-**	**79,639**
New financial assets originated or purchased	12,857	-	-	-	**12,857**
Financial assets fully derecognised during the period	(4,028)	-	-	-	**(4,028)**
Changes to inputs used in ECL calculation	(37,091)	-	-	-	**(37,091)**
Foreign exchange adjustment	684	-	-	-	**684**
Loss Allowance as at December 31, 2018	**52,061**	**-**	**-**	**-**	**52,061**
New financial assets originated or purchased	13,845	-	-	-	**13,845**
Financial assets fully derecognised during the period	(8,614)	-	-	-	**(8,614)**
Changes to inputs used in ECL calculation	(4,462)	-	-	-	**(4,462)**
Foreign exchange adjustment	664	-	-	-	**664**
Loss Allowance as at December 31, 2019	**53,494**	**-**	**-**	**-**	**53,494**

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42. Insurance and Financial Risk Management (Continued)

(d) Credit risk (continued)

Loss allowances (continued)

	ECL staging				
	Stage 1	Stage 2	Stage 3	Purchased	
	12-month ECL	Lifetime ECL	Lifetime ECL	credit-impaired	Total
MORTGAGE LOANS – AMORTISED COST	**$000**	**$000**	**$000**	**$000**	**$000**
Loss Allowance as at January 01, 2018	**849**	**7**	**398**	**-**	**1,254**
Transfers:					
Transfer from Stage 1 to Stage 2	(63)	63	-	-	**-**
Transfer from Stage 1 to Stage 3	(1)	-	1	-	**-**
Transfer from Stage 2 to Stage 1	1	(1)	-	-	**-**
Transfer from Stage 2 to Stage 3	-	(3)	3	-	**-**
Transfer from Stage 3 to Stage 2	-	225	(225)	-	**-**
Transfer from Stage 3 to Stage 1	258	-	(258)	-	**-**
New financial assets originated or purchased	88	-	-	-	**88**
Financial assets fully erecognized during the period	(20)	-	-	-	**(20)**
Changes to inputs used in ECL calculation	(261)	1,428	6,351	-	**7,518**
Loss Allowance as at December 31, 2018	**851**	**1,719**	**6,270**	**-**	**8,840**
Transfers:					
Transfer from Stage 1 to Stage 2	(11)	11	-	-	**-**
Transfer from Stage 1 to Stage 3	(11)		11	-	**-**
Transfer from Stage 2 to Stage 1	1,055	(1,055)	-	-	**-**
Transfer from Stage 2 to Stage 3	-	(538)	538	-	**-**
Transfer from Stage 3 to Stage 2	-	114	(114)	-	**--**
Transfer from Stage 3 to Stage 1	941	-	(941)	-	**-**
New financial assets originated or purchased	160	-	-	-	**160**
Financial assets fully erecognized during the period	(10)	(24)	(318)	-	**(352)**
Changes to inputs used in ECL calculation	(1,505)	3	(1,600)	-	**(3,102)**
Loss Allowance as at December 31, 2019	**1,470**	**230**	**3,846**	**-**	**5,546**

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42. Insurance and Financial Risk Management (Continued)

(d) Credit risk (continued)
Loss allowances (continued)

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

At December 31, 2019

Economic variable assumptions for exposure corporate securities

		2020	2021	2022
S&P 500 Financial Index EPS	Base	38	41	41
	Upside	54	59	59
	Downside	25	27	27
World GDP growth rate	Base	3.4%	3.6%	3.6%
	Upside	5%	5.3%	5.3%
	Downside	2.5%	2.7%	2.7%
WTI Oil Prices/10	Base	$5.62	$5.32	$5.19
	Upside	$9.47	$9.47	$9.47
	Downside	$3.45	$3.27	$3.19

Economic state assumptions for exposure in sovereign securities

		2020	2021	2022
Jamaica	Base	Positive	Stable	Stable
	Upside	Positive	Positive	Stable
	Downside	Stable	Stable	Negative

Sagicor's lending operations in Jamaica have limited readily available information regarding economic forecasts. Management has examined the information within the market and selected economic drivers that have the best correlation to the portfolio's performance. Economic state is assigned to reflect the driver's impact on ECL.

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

Sagicor Life Jamaica Limited

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(d) Credit risk (continued)

Loss allowances (continued)

At December 31, 2018

Economic variable assumptions for exposure corporate securities

		2019	2020	2021
Unemployment rate (USA)	Base	4.2%	4.3%	4.4%
	Upside	4.0%	4.2%	4.3%
	Downside	4.4%	4.7%	4.8%
World GDP growth rate	Base	3.7%	3.7%	3.6%
	Upside	5.4%	5.4%	5.4%
	Downside	2.76%	2.76%	2.68%
WTI Oil Prices/10	Base	$4.80	$5.05	$5.15
	Upside	$9.48	$9.48	$9.48
	Downside	$2.95	$3.1	$3.16

Economic state assumptions for exposure in sovereign securities

		2019	2020	2021
Jamaica	Base	Positive	Stable	Stable
	Upside	Positive	Positive	Positive
	Downside	Stable	Negative	Negative

Sagicor's lending operations in Jamaica have limited readily available information regarding economic forecasts. Management has examined the information within the market and selected economic drivers that have the best correlation to the portfolio's performance. Economic state is assigned to reflect the driver's impact on ECL.

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

The economic states assigned above are translated into numerical figures.

Sagicor Life Jamaica Limited

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42. Insurance and Financial Risk Management (Continued)

(d) Credit risk (continued)

Loss allowances (continued)

At December 31, 2019

SICR and IAS 1 critical estimated disclosure

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

* See note 3 (b) for full criteria for staging. The staging for lending products is primarily based on days past due with 30-day used as backstop, thus sensitivity analysis is not performed.

			ECL impact of	
Loss Given Default	**Actual value applied**	**Change in value**	**Increase in value**	**Decrease in value**
Investments - Corporate Debts	52%	(- /+ 5) %	21,808	(21,808)
Investments - Sovereign Debts (excluding Government of Barbados and Government of Jamaica)	35%	(- /+ 5) %	-	-
Investments - Sovereign Debts (Government of Barbados)	36%	(- /+ 5) %	-	-
Investments - Sovereign Debts (Government of Jamaica)	15%	(- /+ 5) %	17,479	(17,479)

			ECL impact of	
Weighting for downside scenario	**Actual value applied**	**Change in value**	**Increase in value**	**Decrease in value**
Investments - excluding Government of Barbados	10% (80% for base scenario and 10% for upside scenario)	(- /+ 5) % - keep the weighting for base scenario and adjust the weighting for upside scenario accordingly	5,879	(5,879)
Lending products	10% (80% for base scenario and 10% for upside scenario)	(- /+ 5) % - keep the weighting for base scenario and adjust the weighting for upside scenario accordingly	25	(21)

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42. Insurance and Financial Risk Management (Continued)

(d) Credit risk (continued)

Loss allowances (continued)

At December 31, 2018

SICR and IAS 1 critical estimated disclosure

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

* See note 3(b) for full criteria for staging. The staging for lending products is primarily based on days past due with 30-day used as backstop, thus sensitivity analysis is not performed.

			ECL impact of	
Loss Given Default	**Actual value applied**	**Change in value**	**Increase in value**	**Decrease in value**
Investments - Corporate Debts	52%	(- /+ 5) %	33,231	(33,231)
Investments - Sovereign Debts (excluding Government of Barbados and Government of Jamaica)	35%	(- /+ 5) %	34	(34)
Investments - Sovereign Debts (Government of Barbados)	36%	(- /+ 5) %	1,657	(1,657)
Investments - Sovereign Debts (Government of Jamaica)	15%	(- /+ 5) %	17,097	(17,097)

			ECL impact of	
Weighting for downside scenario	**Actual value applied**	**Change in value**	**Increase in value**	**Decrease in value**
Investments - excluding Government of Barbados	10% (80% for base scenario and 10% for upside scenario)	(- /+ 5) % - keep the weighting for base scenario and adjust the weighting for upside scenario accordingly	7,406	(7,406)
Lending products	10% (80% for base scenario and 10% for upside scenario)	(- /+ 5) % - keep the weighting for base scenario and adjust the weighting for upside scenario accordingly	80	(80)

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42. Insurance and Financial Risk Management (Continued)

(d) Credit risk (continued)

IFRS 9 carrying values
The following tables explain the changes in the carrying value between the beginning and the end of the period due to these factors. The gross carrying amounts of investments below represent the Company's maximum exposure to credit risk on these assets.

	ECL staging				
DEBT SECURITIES – FVTOCI	**Stage 1 12-month ECL** $000	**Stage 2 Lifetime ECL** $000	**Stage 3 Lifetime ECL** $000	**Purchased credit-impaired** $000	**Total** $000
Gross carrying amount as at January 01, 2018	**18,343,954**	**2,584,202**	**290,280**	**-**	**21,218,436**
Transfers:					
Transfer from Stage 1 to Stage 2	(353,527)	353,527	-	-	**-**
Transfer from Stage 1 to Stage 3	(29,972)	-	29,972	-	**-**
New financial assets originated or purchased	5,982,448	140,515	-	-	**6,122,963**
Financial assets fully derecognised during the period	(6,219,044)	(1,310,412)	(290,280)	-	**(7,819,736)**
Changes in principle and interest	(1,119,983)	(15,953)	3,176	-	**(1,132,760)**
Foreign exchange adjustment	212,781	25,627	-	-	**238,408**
Gross carrying amount as at December 31, 2018	**16,816,657**	**1,777,506**	**33,148**	**-**	**18,627,311**
Transfers:					
Transfer from Stage 1 to Stage 2	(264,280)	264,280	-	-	**-**
Transfer from Stage 2 to Stage 1	35,494	(35,494)	-	-	**-**
New financial assets originated or purchased	9,843,391	-	-	27,395	**9,870,786**
Financial assets fully derecognised during the period	(13,730,730)	(1,238,425)	(33,148)	-	**(14,573,303)**
Changes in principle and interest	(10,370)	122,878	-	-	**112,508**
Foreign exchange adjustment	53,227	18,586	-	-	**71,813**
Gross carrying amount as at December 31, 2019	**13,172,389**	**909,331**	**-**	**27,395**	**14,109,115**

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42. Insurance and Financial Risk Management (Continued)

(d) Credit risk (continued)

	ECL staging				
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Purchased credit-impaired	Total
DEBT SECURITIES - AMORTISED COST	**$000**	**$000**	**$000**	**$000**	**$000**
Gross carrying amount as at January 01, 2018	**65,855,730**	**-**	**-**	**-**	**65,855,730**
New financial assets originated or purchased	24,890,185	-	-	-	**24,890,185**
Financial assets fully derecognised during the period	(13,599,340)	-	-	-	**(13,599,340)**
Changes in principal and interest	(5,117,092)	-	-	-	**(5,117,092)**
Foreign exchange adjustment	470,416	-	-	-	**470,416**
Gross carrying amount as at December 31, 2018	**72,499,899**	**-**	**-**	**-**	**72,499,899**
New financial assets originated or purchased	17,765,915	-	-	-	**17,765,915**
Financial assets fully derecognised during the period	(12,556,956)	-	-	-	**(12,556,956)**
Changes in principal and interest	(56,964)	-	-	-	**(56,964)**
Foreign exchange adjustment	808,804	-	-	-	**808,804**
Gross carrying amount as at December 31, 2019	**78,460,698**	**-**	**-**	**-**	**78,460,698**

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42. Insurance and Financial Risk Management (Continued)

(d) Credit risk (continued)

IFRS 9 carrying values (continued)

	ECL staging				
MORTGAGE LOANS - AMORTISED COST	**Stage 1 12-month ECL** $000	**Stage 2 Lifetime ECL** $000	**Stage 3 Lifetime ECL** $000	**Purchased credit-impaired** $000	**Total** $000
Gross carrying amount as at January 01, 2018	**2,295,829**	**224,778**	**300,691**	**-**	**2,821,298**
Transfers:					
Transfer from Stage 1 to Stage 2	(182,441)	182,441	-	-	**-**
Transfer from Stage 1 to Stage 3	(3,291)	-	3,291	-	**-**
Transfer from Stage 2 to Stage 1	29,278	(29,278)	-	-	**-**
Transfer from Stage 2 to Stage 3	-	(97,632)	97,632	-	**-**
Transfer from Stage 3 to Stage 2	-	14,312	(14,312)	-	**-**
Transfer from Stage 3 to Stage 1	12,458	-	(12,458)	-	**-**
New financial assets originated or purchased	234,613	-	-	-	**234,613**
Financial assets fully derecognised during the period	(57,502)	(3,292)	(11,478)	-	**(72,272)**
Changes in principal and interest	152,529	(11,497)	(7,664)	-	**133,368**
Gross carrying amount as at December 31, 2018	**2,481,473**	**279,832**	**355,702**	**-**	**3,117,007**
Transfers:					
Transfer from Stage 1 to Stage 2	(32,180)	32,180	-	-	**-**
Transfer from Stage 1 to Stage 3	(33,323)	-	33,323	-	**-**
Transfer from Stage 2 to Stage 1	171,728	(171,728)	-	-	**-**
Transfer from Stage 2 to Stage 3	-	(87,643)	87,643	-	**-**
Transfer from Stage 3 to Stage 2	-	6,458	(6,458)	-	**--**
Transfer from Stage 3 to Stage 1	53,407	-	(53,407)	-	**-**
New financial assets originated or purchased	253,457	12,103	-	-	**265,560**
Financial assets fully derecognised during the period	(28,024)	(3,832)	(18,095)	-	**(49,951)**
Changes in principal and interest	(542,495)	198,864	(13,378)	-	**(357,009)**
Gross carrying amount as at December 31, 2019	**2,324,043**	**266,234**	**385,330**	**-**	**2,975,607**

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42. Insurance and Financial Risk Management (Continued)

(d) Credit risk (continued)

IFRS 9 carrying values (continued)

	ECL staging				
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Purchased credit-impaired	Total
POLICY LOANS - AMORTISED COST	**$000**	**$000**	**$000**	**$000**	**$000**
Gross carrying amount as at January 01, 2018	**288,274**	**-**	**-**	**-**	**288,274**
Changes in principal and interest	3,680	-	-	-	**3,680**
Gross carrying amount as at December 31, 2018	**291,954**	**-**	**-**	**-**	**291,954**
Changes in principal and interest	1,474	-	-	-	**1,474**
Foreign exchange adjustment	-	-	-	-	**-**
Gross carrying amount as at December 31, 2019	**293,428**	**-**	**-**	**-**	**293,428**

	ECL staging				
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Purchased credit-impaired	Total
SECURITIES PURCHASED FOR RESALE - AMORTISED COST	**$000**	**$000**	**$000**	**$000**	**$000**
Gross carrying amount as at January 01, 2018	**650,538**	**-**	**-**	**-**	**650,538**
Net new financial assets originated or purchased	340,698	-	-	-	**340,698**
Foreign exchange adjustment	60	-	-	-	**60**
Gross carrying amount as at December 31, 2018	**991,296**	**-**	**-**	**-**	**991,296**
Net new financial assets originated or purchased	(467,611)	-	-	-	**(467,611)**
Foreign exchange adjustment	192	-	-	-	**192**
Gross carrying amount as at December 31, 2019	**523,877**	**-**	**-**	**-**	**523,877**

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42. Insurance and Financial Risk Management (Continued)

(d) Credit risk (continued)

IFRS 9 carrying values (continued)

	ECL staging				
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Purchased credit-impaired	Total
DEPOSITS - AMORTISED COST	**$000**	**$000**	**$000**	**$000**	**$000**
Gross carrying amount as at January 01, 2018	**3,588,924**	**-**	**-**	**-**	**3,588,924**
Changes in principal and interest	(3,085,565)	-	-	-	**(3,085,565)**
Foreign exchange adjustment	9,094	-	-	-	**9,094**
Gross carrying amount as at December 31, 2018	**512,453**	**-**	**-**	**-**	**512,453**
Changes in principal and interest	(464,326)	-	-	-	**(464,326)**
Foreign exchange adjustment	(4,822)	-	-	-	**(4,822)**
Gross carrying amount as at December 31, 2019	**43,305**	**-**	**-**	**-**	**43,305**

Debt Securities in default

During the month of June 2018, the Government of Barbados (GOB) suspended all payments to creditors of its external commercial debt which is denominated primarily in US dollars. Interest payments due on June 5, 2018 and June 15, 2018 were not made. Principal payments on matured domestic debt which is denominated in Barbados dollars were suspended and debt holders were required to roll-over principal balances.

The announcement of the suspended payments was evidence that the financial assets were credit-impaired and consequently, in June 2018 Sagicor re-classified its GOB debt security holdings to Stage 3 with a probability of default of 100%. Some GOB debt instruments were purchased more recently and therefore there were instruments that had not yet experienced a significant increase in credit risk relative to the initial credit risk and moved from Stage 1 to Stage 3 upon the announcement.

On September 7, 2018 the GOB announced its debt restructuring program which is being done in conjunction with the economic recovery plan and an IMF programme. The IMF programme will allow Barbados to reduce its current debt service cost substantially and it is expected that the manageability of the restructured cash flows will improve the credit quality of the instrument offered in the debt exchange.

As at September 30, 2018 the negotiations of the new bond were materially completed and on October 3, 2018 the Company signed an agreement with the Government of Barbados which outlined the terms of the debt exchange. In exchange for its debt the Company has accepted the following securities:

Series C
A 15-year amortising bond with interest rates ranging from 1.0% for the first 3 years to 3.75% for years 5 through to maturity. Interest on these bonds is to be paid quarterly with the first payment due on December 31, 2018. The principal will be repaid in four equal quarterly instalments commencing one year prior to maturity.

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42. Insurance and Financial Risk Management (Continued)

(d) Credit risk (continued)
Debt Securities in default (continued)

Series D

A 35-year amortising bond with interest rates ranging from 1.5% for the first 5 years to 7.5% for years 16 through to maturity. Interest on these bonds is paid quarterly with the first payment due on November 30, 2018. The principal will be repaid in three equal instalments commencing one year prior to maturity with the final payment on August 31, 2053.

Series G

A 50-year amortising bond which includes a 15-year grace period on principal payments. The interest rates on the bond range from 4% per annum for the first 15 years to 8% for years 26 through 50 with interest capitalisation of 100% for the first five years.

External Debt

The restructuring of the external debt is yet to be finalised.

Given this agreement and the short timeframe required for the restructuring to close subsequent to September 30, 2018 the Group applied a significant weighting to the probability of the current instruments being exchanged for the new instruments in determining the expected credit loss. The Group has also considered other scenarios, these however are considered unlikely and have not had a significant impact on the expected credit loss computed as at September 30, 2018. As the new instruments had not been issued, the determination of the expected fair value was based on models and an internally developed yield curve

Th restructuring of the external debt in 2019.

On November 22, 2019 the GoB made an Exchange Offer to Bondholders of GOBD 7.25% Notes due 2021. The Company exchanged its holdings of GOBG 2021 with outstanding principal and interest of US$277,187.50. The final exchange offer resulted in the Company receiving US$193,700 GOBG2029 6.5% and US$11,800 GOGB2021 6.5% and cash of US$1,798.25. After the restructuring, a 27% Haircut was recorded.

The exposure to GOB Bonds was:

	GOB Exposure $000	GOB Loss Allowances $000
Balance as of December 31, 2019	27,395	1,379

	GOB Exposure $000	GOB Loss Allowances $000
Balance as of December 31, 2018	33,148	11,933

42. Insurance and Financial Risk Management (Continued)

(e) Liquidity risk

Liquidity risk is the risk that the Company is unable to meet its payment obligations associated with its financial liabilities when they fall due and to replace funds when they are withdrawn. The consequence may be the failure to meet obligations to repay depositors and fulfill commitments to lend.

The Company is exposed to daily calls on their available cash resources from overnight placement of funds, maturing placement of funds, loan draw-downs and guarantees. The Company does not maintain cash resources to meet all of these needs as experience shows that a minimum level of investment of maturing funds can be predicted with a high level of certainty. The Board sets limits on the minimum proportion of maturing funds available to meet such calls and on the minimum level of inter-bank and other borrowing facilities that should be in place to cover withdrawals at unexpected levels of demand.

Liquidity risk management process

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

(i) Monitoring future cash flows and liquidity on a daily basis. This incorporates an assessment of expected cash flows and the availability of high grade collateral which could be used to secure funding if required;

(ii) Maintaining a portfolio of highly marketable and diverse assets that can easily be liquidated as protection against any unforeseen interruption to cash flow;

(iii) Maintaining committed lines of credit and optimising cash returns on investments;

(iv) Monitoring statement of financial position liquidity ratios against internal and regulatory requirements. The most important of these is to maintain limits on the ratio of net liquid assets to customer liabilities; and managing the concentration and profile of debt maturities.

Monitoring and reporting take the form of cash flow measurement and projections for the next day, week and month, respectively, as these are key periods for liquidity management. The starting point for those projections is an analysis of the contractual maturity of the financial liabilities and the expected collection date of the financial assets.

The matching and controlled mismatching of the maturities and interest rates of assets and liabilities is fundamental to the management of the Company. It is unusual for companies ever to be completely matched since business transacted is often of uncertain term and of different types. An unmatched position potentially enhances profitability but can also increase the risk of loss.

The maturities of assets and liabilities and the ability to replace, at an acceptable cost, interest-bearing liabilities as they mature, are important factors in assessing the liquidity of the Company and its exposure to changes in interest rates and exchange rates.

Certain investment portfolios within the Company contain securities which can only be disposed of over a period of time. In such instances, the Company generally maintains higher levels of short term instruments to compensate for the relative illiquidity of the aforementioned securities.
The disclosures provided in this note are based on the Company's investment portfolio as at 31 December 2019 and 2018.

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42. Insurance and Financial Risk Management (Continued)

(e) Liquidity risk (continued)

The tables below present the undiscounted cash flows payable (both interest and principal cash flows) of the Company's financial and non-financial liabilities based on contractual repayment obligations. The Company expects that many policyholders/customers will not request repayment on the earliest date the Company could be required to pay. The expected maturity dates of financial assets and liabilities are based on estimates made by management as determined by retention history.

	Within 3 months	3-12 months	1-5 years	Over 5 years	No specific maturity	Total
	$000	$000	$000	$000	$000	$000
Undiscounted Financial Liabilities - 31 December 2019						
Due to banks and other financial liabilities	580,235	90,877	464,029	1,396,497	-	2,531,638
Other liabilities	7,053,062	467,825	24,873	-	670,783	8,216,543
Lease Liabilities	95,008	285,023	1,667,568	392,500	-	2,440,099
Insurance contracts liabilities	1,139,274	3,413,392	21,832,871	56,448,939	-	82,834,476
Investment contracts liabilities	7,260,460	144,418	3,521,849	-	-	10,926,727
Other policy liabilities	454,275	3,488,045	-	-	-	3,942,320
Total undiscounted liabilities	16,582,314	7,889,580	27,511,190	58,237,936	670,783	110,891,803

	Within 3 months	3-12 months	1-5 years	Over 5 years	No specific maturity	Total
	$000	$000	$000	$000	$000	$000
Undiscounted Financial Liabilities - 31 December 2018						
Deposit and security liability	36,625	250,448	162,061	5,550,960	1,371,478	7,371,572
Other liabilities	5,517,409	396,502	75,900	-	445,545	6,435,356
Insurance contracts liabilities	830,412	2,503,945	15,263,938	55,740,603	-	74,338,898
Investment contracts liabilities	5,346,260	1,855,826	3,012,992	-	-	10,215,078
Other policy liabilities	421,773	2,917,153	-	-	-	3,338,926
Total undiscounted liabilities	12,152,479	7,923,874	18,514,891	61,291,563	1,817,023	101,699,830

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42. Insurance and Financial Risk Management (Continued)

(e) Liquidity risk (continued)

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

	2019					
	Within 3 months	3-12 months	1-5 years	Over 5 years	No Specific Maturity	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Assets:						
Cash resources	1,261,678	-	-	-	-	1,261,678
Financial investments & pledged assets	1,975,487	11,115,685	1,863,460	85,284,853	34,006,756	134,246,241
Reinsurance contracts	-	434,491	-	-	-	434,491
Other assets	3,789,894	1,308,315	-	-	4,814,844	9,913,053
Non-financial assets:						
Investment in subsidiaries	-	-	-	-	459,018	459,018
Investment properties	-	-	-	-	750,000	750,000
Intangible assets	-	-	-	-	1,523,956	1,523,956
Right of use	-	-	-	-	1,705,353	1,705,353
Property, plant and equipment	-	-	-	-	2,716,995	2,716,995
Deferred income taxes	-	(102,875)	116,277	521,429	-	534,831
Taxation recoverable	963,360	-	-	-	-	963,360
Other assets	216,155	674,512	943,308	202,938	162,750	2,199,663
Total assets	8,206,574	13,430,128	2,923,045	86,009,220	46,139,672	156,708,639
Liabilities						
Due to banks and other financial institutions	562,632	47,026	240,119	722,637	-	1,572,414
Other liabilities	7,053,063	467,825	24,873	-	670,783	8,216,544
Lease liabilities	74,650	238,459	1,468,081	41,676	-	1,822,866
Insurance contracts liabilities	1,139,275	3,413,392	21,832,871	56,448,938	-	82,834,476
Investment contracts liabilities	7,260,460	144,418	3,436,276	-	-	10,841,154
Other policy liabilities	454,275	3,488,045	-	-	-	3,942,320
Non-financial liabilities:						
Taxation payable	18,589	-	-	-	-	18,589
Retirement benefit obligations	-	-	-	2,085,715	-	2,085,715
Total liabilities	16,562,944	7,799,165	27,002,220	59,298,966	670,783	111,334,078
On statement of financial position interest sensitivity gap	(8,356,370)	5,630,963	(24,079,175)	26,710,254	45,468,889	45,374,561
Cumulative interest sensitivity gap	(8,356,370)	(2,725,407)	(26,804,582)	(94,328)	45,374,561	

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42. Insurance and Financial Risk Management (Continued)

(e) Liquidity risk (continued)

	2018					
	Within 3 months	3-12 months	1-5 years	Over 5 years	Non-Interest bearing	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Assets:						
Cash resources	414,597	-	-	-	-	414,597
Financial investments & pledged assets	4,021,125	2,321,453	10,894,204	82,565,834	25,184,465	124,987,081
Reinsurance contracts	-	408,384	-	-	-	408,384
Other assets	4,075,275	979,082	-	-	3,885,142	8,939,499
Non-financial assets:						
Investment properties	-	-	-	-	553,000	553,000
Intangible assets	-	-	-	-	1,598,901	1,598,901
Property, plant and equipment	-	-	-	-	2,177,651	2,177,651
Deferred income taxes	-	(127,926)	413,018	509,897	-	794,989
Taxation recoverable	1,592,148	-	-	-	-	1,592,148
Retirement Benefit assets	-	-	-	-	-	-
Other assets	161,818	235,850	886,118	-	313,833	1,597,619
Total assets	10,264,963	3,816,843	12,193,340	83,075,731	33,712,992	143,063,869
Liabilities						
Deposit and security liabilities	232,540	44,615	5,337,789	709,691	-	6,324,635
Other liabilities	5,517,409	396,502	75,900	-	445,545	6,435,356
Insurance contracts liabilities	830,412	2,503,945	15,263,938	55,740,603	-	74,338,899
Investment contracts liabilities	5,346,260	1,855,826	2,937,116	-	-	10,139,201
Other policy liabilities	421,773	2,917,153	-	-	-	3,338,926
Non-financial liabilities:						
Taxation payable	1,201,183	-	-	-	-	1,201,183
Retirement benefit obligations	-	-	-	2,039,590	-	2,039,590
Total liabilities	13,549,577	7,718,041	23,614,742	58,489,884	445,545	103,817,789
On statement of financial position interest sensitivity gap	(3,284,615)	(3,901,198)	(11,421,402)	24,585,847	33,267,447	39,246,080
Cumulative interest sensitivity gap	(3,284,615)	(7,185,812)	(18,607,214)	5,978,633	39,246,080	

Assets available to meet all of the liabilities and to cover outstanding loan commitments include cash, central bank balances, items in the course of collection, investment securities and other eligible bills, loans and advances to banks, and loans and advances to customers. In the normal course of business, a proportion of customer loans contractually repayable within one year will be extended. In addition, debt securities and treasury and other bills have been pledged to secure liabilities. The Company is also able to meet unexpected net cash outflows by selling securities and accessing additional funding sources from other financing institutions.

42. Insurance and Financial Risk Management (Continued)

(f) Market risk

The Company takes on exposure to market risk, which is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk mainly arise from changes in foreign currency exchange rates and interest rates. Market risk is monitored by the Investment department which carries out extensive research and monitors the price movement of financial assets on the local and international markets. Market risk exposures are measured using sensitivity analysis.

(i) Price risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market price, other than those arising from currency or interest rate risk, whether those changes are caused by factors specific to the instrument or affecting all similar instruments in the market.

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

The Company's investments in equity securities are publicly traded on the Jamaica Stock Exchange (JSE) and the National Association of Securities Dealers Automated Quotation System (NASDAQ). The Company's sensitivity to equity securities price risk is disclosed in Note 43(iii).

(ii) Currency risk

Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Foreign exchange risk occurs when the Company takes an open position in a currency. To control this exchange risk the Asset and Liability Committee (ALCO) has approved limits for net open position in each currency for both intra-day and overnight position. This limit may vary from time to time as determined by ALCO.

The Company also has transactional currency exposure. Such exposure arises from having financial assets in currencies other than those in which financial liabilities are expected to settle. The Company ensures that its net exposure is kept to an acceptable level by buying or selling foreign assets to address short term imbalances.

Concentrations of currency risk

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

The following tables summarise the exposure of the Company to foreign currency exchange rate risk. Included in the tables are the Company's assets and liabilities at carrying amounts categorized by currency.

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42. Insurance and Financial Risk Management (Continued)

(f) Market risk (continued)

Currency risk (continued)

Concentrations of currency risk (continued)

	2019			
	Jamaican $	**US$**	**Other**	**Total**
	$'000	**$'000**	**$'000**	**$'000**
Financial assets				
Cash resources	1,256,645	5,033	-	1,261,678
Financial investments and pledged assets	94,870,866	39,370,519	4,856	134,246,241
Reinsurance contracts	434,491	-	-	434,491
Other assets	9,913,052	-	-	9,913,052
Non-financial assets:				
Investment in subsidiary company	459,018	-	-	459,018
Investment properties	750,000	-	-	750,000
Intangible assets	1,523,956	-	-	1,523,956
Right of use assets	1,705,353	-	-	1,705,353
Property, plant and equipment	2,716,995	-	-	2,716,995
Deferred income taxes	534,831	-	-	534,831
Taxation recoverable	963,360	-	-	963,360
Other assets	2,199,664	-	-	2,199,664
Total assets	117,328,231	39,375,552	4,856	156,708,639
Financial liabilities				
Due to banks and financial institutions	1,554,649	17,765	-	1,572,414
Other liabilities	8,216,130	414	-	8,216,544
Lease Obligations	1,822,866	-	-	1,822,866
Insurance contracts liabilities	55,759,674	27,074,802	-	82,834,476
Investment contracts liabilities	8,729,635	2,111,519	-	10,841,154
Other policy liabilities	3,914,654	27,666	-	3,942,320
Non-financial liabilities:				
Taxation payable	18,589	-	-	18,589
Retirement benefit obligations	2,085,715	-	-	2,085,715
Total liabilities	82,101,912	29,232,166	-	111,334,078
Net on statement of financial position	35,226,319	10,143,386	4,856	45,374,561

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42. Insurance and Financial Risk Management (Continued)

(f) Market risk (continued)

Currency risk (continued)

Concentrations of currency risk (continued)

	2018			
	Jamaican $	**US$**	**Other**	**Total**
	$'000	**$'000**	**$'000**	**$'000**
Financial assets				
Cash resources	394,049	20,548	-	414,597
Financial investments and pledged assets	79,280,981	45,701,406	4,694	124,987,081
Reinsurance contracts	408,384	-	-	408,384
Other assets	8,939,499	-	-	8,939,499
Non-financial assets:				
Investment properties	553,000	-	-	553,000
Intangible assets	1,598,901	-	-	1,598,901
Property, plant and equipment	2,177,651	-	-	2,177,651
Deferred income taxes	794,989	-	-	794,989
Taxation recoverable	1,592,148	-	-	1,592,148
Other assets	1,597,619	-	-	1,597,619
Total assets	97,337,221	45,721,954	4,694	143,063,869
Financial liabilities				
Due to banks and other financial institutions	1,215,448	5,109,187	-	6,324,635
Other liabilities	6,434,895	461	-	6,435,356
Insurance contracts liabilities	47,867,468	26,471,431	-	74,338,899
Investment contracts liabilities	8,104,528	2,034,672	-	10,139,200
Other policy liabilities	3,321,549	17,377	-	3,338,926
Non-financial liabilities:				
Taxation payable	1,201,183	-	-	1,201,183
Retirement benefit obligations	2,039,590	-	-	2,039,590
Total liabilities	70,184,661	33,633,128	-	103,817,789
Net on statement of financial position	27,152,560	12,088,826	4,694	39,246,080

43. Sensitivity Analysis

Actuarial liabilities for the Company comprise 84.86% (2018 – 84.65%) of total Policyholders' Funds. The determination of actuarial liabilities is sensitive to a number of assumptions, and changes in those assumptions could have a significant effect on the valuation results. These factors are discussed in detail in Note 27(e).

(i) Sensitivity arising from the valuation of life insurance and annuity contracts

In summary, the valuation of actuarial liabilities of life insurance and annuity contracts is sensitive to:

- the economic scenario,
- the investments allocated to back the liabilities,
- the underlying assumptions used, and
- the margins for adverse deviations.

The Appointed Actuary tests the actuarial liabilities under several economic scenarios. These tests have been done and the liabilities have been derived from the scenarios which produce the worst results.

The assumption for future investment yields has a significant impact on actuarial liabilities.

The other assumptions to which the actuarial liabilities of the Company are most sensitive, are in descending order of impact:

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

(ii) Dynamic capital adequacy testing (DCAT)

DCAT is a technique used to assess the adequacy of an insurer's future financial condition in the light of different future economic and policy experience scenarios. DCAT assesses the impact over the next 5 years on the insurer's financial position and financial condition under specific scenarios.

The financial position of an insurer is reflected by the amounts of assets, liabilities and equity in the statement of financial position at a given date.

The financial condition of an insurer at a particular date is its prospective ability at that date to meet its future obligations, especially obligations to policyholders, those to whom it owes benefits and to its shareholders.

The purpose of the DCAT is:

- to develop an understanding of the sensitivity of the total equity of the insurer and future financial condition to changes in various experience factors and management policies;
- to alert management and the Board to material, plausible and imminent threats to the insurer's solvency; and
- to describe possible courses of action to address these threats.

A DCAT analysis has been completed for Sagicor Life Jamaica Limited.

43. Sensitivity Analysis (Continued)

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

The results are as follows:

(i) Worsening rate of lapse. The scenario was tested in either of the following ways:

For business which produces higher valuation reserves with an increase in lapse rates, the scenario lapse rates were doubled. For business which produces higher valuation reserves with a decrease in lapse rates, the scenario lapse rates were halved.

Overall, this scenario produces adverse results in 2019 and for the next five years.

(ii) High interest rate. An assumed increase in portfolio rate of 0.5% per year for 10 years. Overall, this scenario produces favourable results in 2019 and for the next five years.

(iii) Low interest rate. An assumed decrease in portfolio rate of 0.5% for 10 years was tested in this scenario. Overall, this scenario produces adverse results in 2019 and for the next five years.

(iv) Worsening mortality and morbidity. To test this scenario, mortality and morbidity rates were increased for life insurance, health and critical illness products and decreased for annuity products. For life insurance, health and critical illness products, rates were increased by 3% of the base rate per year for 5 years. For annuity products, rates were decreased by 3% of the base rate for 5 years. Overall, this scenario produces adverse results in 2019 and for the next five years.

(v) Higher expenses. Higher unit maintenance expenses were tested by setting the unit expense rate for each projection year 5% greater than the unit expense rate assumed in the base scenario. Overall, this scenario produces adverse results in 2019 and for the next five years.

(vi) Level new business. New business planned for 2019 was maintained for the 5 year period. Overall, this scenario has no effect on the liabilities in 2019 but produces favourable results for the next five years.

(vii) Double new business. New business planned for the 5 year period was projected to grow at twice the rate of growth anticipated in the base scenario. Overall, this scenario has no effect on the 2019 liabilities, but will produce net lower liabilities over the next five years.

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43. Sensitivity Analysis (Continued)

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

The DCAT conducted has not tested any correlation that may exist between assumptions. The use of differing sensitivity rates by insurers reflects differences in the insurers' environment.

The following table represents the estimated sensitivity of each of the above scenarios to net actuarial liabilities totalling $$82,834,476,000 for the Company at the year-end date.

Variable	Change in Variable	2019 Change in Liability $'000	2018 Change in Liability $'000
Worsening of mortality/morbidity	+3% for 5 yrs.	4,837,357	4,382,266
Improvement in annuitant mortality	-3% for 5 yrs.	1,255,197	1,143,224
Lowering of investment return	-0.5% for 10 yrs.	12,114,205	12,755,418
Worsening of base renewal expense and inflation rate	+5% for 5 yrs.	2,088,680	2,076,902
Worsening of lapse rate	x2 or x0.5	9,245,771	7,970,487
High Interest	+0.5% for 10 yrs.	(14,084,366)	(13,607,240)

(iii) Sensitivity arising from a decline in equity prices

The Company is sensitive to fair value risk on its financial assets at fair value through profit or loss and available for sale equity securities. The effects of an increase by 10% and a decrease by 10% in equity prices at the year end date are set out below.

	Carrying Value $'000	Effect of 10% change at 31 December 2019 $'000
Financial assets at fair value through profit or loss and equity securities:		
Listed on Jamaica Stock Exchange	5,703,258	570,326
Listed on US stock exchanges	705,540	70,554
Other	27,597,958	2,759,796
	34,006,756	3,400,675

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43. Sensitivity Analysis (Continued)

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

	Carrying Value $'000	Effect of 10% change at 31 December 2018 $'000
Financial assets at fair value through profit or loss and equity securities:		
Listed on Jamaica Stock Exchange	4,385,937	438,594
Listed on US stock exchanges	340,571	34,057
Other	20,458,000	2,045,800
	25,184,508	2,518,451

(iv) Sensitivity arising from currency risk

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

The effect of a further 5% (2018 – 5%) depreciation and a 5% (2018 – 15%) appreciation in the Jamaican dollar (JMD) relative to the United States dollar (USD) at the year end date is considered in the following tables.

	2019			2018		
	Balances Denominated in other than JMD $'000	Effect of a 5% depreciation at 31 December 2019 $'000	Effect of a 15% appreciation at 31 December 2019 $'000	Balances Denominated in other than JMD $'000	Effect of a 5% depreciation at 31 December 2018 $'000	Effect of a 15% appreciation at 31 December 2018 $'000
Statement of financial position:						
Assets	39,380,408	41,349,428	33,473,347	45,726,647	48,012,980	38,867,650
Liabilities	29,232,166	30,693,774	24,847,341	33,633,128	35,314,784	28,588,159
Net position	10,148,242	10,655,654	8,626,006	12,093,519	12,698,196	10,279,491
Income statement:						
Net income	-	507,412	(1,522,236)	-	604,677	(1,814,028)
Equity	-	-	-	-	-	-

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43. Sensitivity Analysis (Continued)

(v) Interest rate sensitivity

The following tables indicate the sensitivity to a reasonable possible change in interest rates, with all other variables held constant, on the income statements and stockholders' equity.

The sensitivity of the profit or loss is the effect of the assumed changes in interest rates on net income based on the floating rate of financial assets and financial liabilities. The sensitivity of stockholders' equity is calculated by revaluing fixed rate FVTOCI financial assets for the effects of the assumed changes in interest rates. The correlation of a number of variables will have an impact on market risk. It should be noted that movements in these variables are non-linear and are assessed individually.

	Effect on Net Profit after tax 2019 $'000	Effect on Equity 2019 $'000	Effect on Net Profit after tax 2018 $'000	Effect on Equity 2018 $'000
Change in percentage				
J$ -1%, US$ -.5% (2018-J$ -1%, US$ -0.5%)	(5,430,034)	439,140	(5,815,276)	654,781
J$ +1%, US$ +.5% (2018-J$ +1%, US$ +0.5%)	4,296,721	(395,124)	4,637,313	(598,494)

44. Capital Management

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

(i) To comply with capital requirements established by insurance and other financial intermediary regulatory authorities;

(ii) To comply with internationally recognised capital requirements for insurance, where local regulations do not meet these international standards;

(iii) To safeguard its ability to meet future obligations to policyholders, depositors, note-holders and stockholders;

(iv) To provide adequate returns to stockholders by pricing insurance, investment and other contracts commensurately with the level of risk; and

(v) To maintain a strong capital base which are sufficient for the future development of the Company's operations.

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44. Capital Management (Continued)

The principal capital resources of the Company comprise its stockholders' equity. A summary of these resources at the year end is as follows:

	2019	2018
	$'000	$'000
Stockholders' equity	45,374,561	39,246,080
Total statement of financial position capital resources	45,374,561	39,246,080

The Company deploys its capital resources to activities carried out through various lines of business. The capital is deployed in such a manner as to ensure that each line of business generates the desired return on capital employed, that the operating companies have adequate and sufficient capital resources to carry out their activities and to meet regulatory requirements.

Required capital adequacy information is filed with the regulators in the countries in which the Company operates, Jamaica monthly.

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

Capital adequacy is managed at the operating Company level. It is calculated monthly by the Appointed Actuary and reviewed by Executive Management and the Board of Directors. In addition, the Company seeks to maintain internal capital adequacy at levels higher than the regulatory requirements. To assist in evaluating the current business and strategy opportunities, a risk-based capital approach is one of the core measures of financial performance. The risk-based assessment measure which has been adopted is the Minimum Continuing Surplus and Capital Requirement (MCCSR) standard as per the Insurance Regulations, 2001. The minimum standard required Insurance Regulations 2001 at the year-end date is an MCCSR of 150%. The MCCSR for the Sagicor Life Jamaica Limited as at 31 December 2019 and 2018 is set out below.

	2019	2018
Sagicor Life Jamaica Limited	178.6%	183.8%

During 2019 and 2018, the Company complied with all of the externally imposed capital requirements to which it is subject.

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45. Fiduciary Risk

The Company provides administration, investment management or advisory services to third parties which involve making allocation and purchase and sale decisions in relation to a wide range of financial instruments. These assets are not included in these financial statements and include the following:

(a) Sagicor Pooled Investment Funds Limited administers assets of the Pooled Pension Investment Funds which are held in trust, on behalf of pension funds. At 30 September 2019, the audited assets totaled $191,678,790 (2018-$156,771,327). At 31 December 2019, the unaudited assets totaled $193,507,431 (2018-$170,685,477).

(b) The Company also administers a number of self-directed pension funds on behalf of clients. At 31 December 2019, the unaudited assets of these funds totaled $54,029,242 (2018 - $48,315,596).

46. Commitments

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

	Contractual cash flows within 1 year $'000	Contractual Cash flows 1-5 years $'000	Contractual Cash flows after 5 years $'000	Current year Total $'000
At 31 December 2019				
Loan commitments	215,456	-	-	215,456
Capital commitments	466,198	-	-	466,198
	681,654	-	-	681,654
At 31 December 2018				
Loan commitments	112,080	-	-	112,080
Capital commitments	496,261	-	-	496,261
Operating lease commitments	294,380	160,805	-	455,185
	902,721	160,805	-	1,063,526

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46. Contingent Liabilities

Legal proceedings
The Company is subject to various claims, disputes and legal proceedings, as part of the normal course of business. Provision is made for such matters when, in the opinion of management and its professional advisors, it is probable that a payment will be made by the Company, and the amount can be reasonably estimated.
In respect of claims asserted against the Company which, according to the principles outlined above, have not been provided for, management is of the opinion that such claims are either without merit, can be successfully defended or will result in exposure to the Company which is immaterial to both the financial position and results of operations.

47. Offsetting Financial Assets and Financial Liabilities

(a) Financial assets

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

	2019						
					Related amounts not set off in the statement of financial position		
	Gross amounts of financial assets $'000	Gross amounts set off on the statement of financial position $'000	Net amounts of financial assets presented on the statement of financial position $'000	Impact of master Netting Agreements $'000	Cash collateral $'000	Financial instruments collateral $'000	Net Amount $'000
ASSETS							
Cash resources	1,261,678	-	1,261,678	-	-	-	1,261,678
Financial investments	134,246,241	-	134,246,241			(94,856)	134,151,385
Other assets	9,913,053	-	9,913,053	-	-	-	9,913,053
	145,420,972	-	145,420,972	-	-	(94,856)	145,325,116

	2018						
ASSETS							
Cash resources	414,597	-	414,597	-	-	-	414,597
Financial investments	124,987,081	-	124,987,081	-	-	(7,507,355)	117,479,726
Other assets	8,939,499	-	8,939,499	-	-	-	8,939,499
	134,341,177	-	134,341,177	-	-	(7,507,355)	126,833,822

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47. Offsetting Financial Assets and Financial Liabilities (Continued)

(b) Financial liabilities

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

	2019						
					Related amounts not set off in the statement of financial position		
	Gross amounts of financial assets $'000	Gross amounts set off on the statement of financial position $'000	Net amounts of financial assets presented on the statement of financial position $'000	Impact of master Netting Agreements $'000	Cash collateral $'000	Financial instruments collateral $'000	Net Amount $'000
LIABILITIES							
Due to banks and other financial liabilities	1,572,414	-	1,572,414	-	-	-	1,572,414
Other liabilities	8,216,544	-	8,216,544	-	-	-	8,216,544
	9,788,958	-	9,788,958	-	-	-	9,788,958

	2018						
LIABILITIES							
Securities liabilities	6,324,635	-	6,324,635	-	-	(5,109,187)	1,215,448
Other liabilities	6,435,356	-	6,435,356	-	-	-	6,435,356
	12,759,991	-	12,759,991	-	-	(5,109,187)	7,650,804

48. Breach of Insurance Regulations

As at December 31, 2019, the Company was in breach of the following regulations of The Insurance Act, 2001, The Insurance Regulations, 2001:

(i) Regulation 42, which requires that investments placed with any one single counterparty should not exceed 5% of the Company's total assets.
(ii) Regulation 82, which requires balances due from related party companies not exceeding 5% of the Company total assets.

Management is in discussions with the Regulator, Financial Services Commission, in relation to the above-mentioned breaches.

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49. Changes in Accounting Policies

This note explains the impact of the adoption of IFRS 16 Leases on the Company's financial statements.

As indicated in Note 2, the Company has adopted IFRS 16 Leases retrospectively from 1 January 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transition provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening statement of financial position on 1 January 2019. The new accounting policies are disclosed in Note 38.

On adoption of IFRS 16, the Company recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 6.5%

(a) Practical expedients applied

In applying IFRS 16 for the first time, the Company has used the following practical expedients permitted by the standard:

(i) applying a single discount rate to a portfolio of leases with reasonably similar characteristics;

(ii) relying on previous assessments on whether leases are onerous as an alternative to performing an impairment review – there were no onerous contracts as at 1 January 2019;
(iii) accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases;
(iv) excluding initial direct costs for the measurement of the right-of-use asset at the date of initial application, and;
(v) using hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Company has also elected not to reassess whether a contract is or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Company relied on its assessment made applying IAS 17 and Interpretation 4 Determining whether an Arrangement contains a Lease.

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49. Changes in Accounting Policies (Continued)

(b) Measurement of lease liabilities

	2019 $'000
Operating lease commitments disclosed as at 31 December 2018	455,185
Adjustment to the Undiscounted Cashflow Amount based on Exercising Leases Renewal option	558,605
Discounted using the lessee's incremental borrowing rate of at the date of initial application	1,428,584
Lease liability recognised as at 1 January 2019	**1,987,189**

Of which are:

Current lease liabilities	262,250
Non-current lease liabilities	1,724,939

(c) Measurement of right-of-use assets

The associated right-of-use assets for property leases were measured on a retrospective basis as if the new rules had always been applied. Other right-of use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position as at 31 December 2018.

(d) Adjustments recognized in the statement of financial position on 1 January 2019

The change in accounting policy affected the following items in the statement of financial position on 1 January 2019:

(i) right-of-use assets – increase by $1,987,189,000

(ii) lease liabilities – increase by $1,987,189,000

(e) The Income statement impact

For the year 2019 increased charges of $492,301 was recorded in the income statement.

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50. Subsequent Events

Subsequent to the end of the financial year, the World Health Organization (WHO) has declared the Coronavirus to be a global pandemic. The pandemic has resulted in a significant downturn in commercial activity as there is currently no cure, and the means most recommended to manage contagion is social distancing. Schools have therefore been temporarily closed, entertainment and sporting events which typically generate huge revenues and profits have been either cancelled or suspended, global travel restrictions have been implemented, all of which will have negative global economic consequences.

The Company is exposed to the potential economic effects of the Coronavirus through its Insurance operations – The potential impact on factors such as morbidity and mortality in its assessment of insurance reserves. Unsuccessful attempts at managing contagion could lead to increases in death benefits from the individual life portfolio, as well as increased health claims from the health insurance portfolio. Economic downturns could also negatively impact the generation of new business, as well as persistency of existing business. There has not been a sufficient passage of time for management to quantify the impact of the foregoing on its financial results at the time of reporting.

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