

SAGICOR FINANCIAL COMPANY LTD.

MANAGEMENT'S DISCUSSION & ANALYSIS

For the years ended December 31, 2019 and December 31, 2018

MANAGEMENT'S DISCUSSION AND ANALYSIS

Introduction and Notice

This Management's Discussion and Analysis ("MD&A") contains important information about Sagicor's business and its performance for the fourth quarter 2019 and year ended December 31, 2019 with comparative analysis for the corresponding periods in 2018. This MD&A should be read in conjunction with the Company's annual financial statements, prepared in accordance with International Financial Reporting Standards (IFRS) in effect on the date of such information.

The following discussion is based on the financial condition and results of operations of Sagicor, unless otherwise specified or indicated. Financial information is presented in millions of US dollars, unless otherwise indicated. Amounts for subtotals, totals and percentage variances included in tables in this MD&A may not sum or calculate using the numbers as they appear in the tables due to rounding.

Legal Constitution and General Information

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

On November 27, 2018, Sagicor Financial Corporation Limited entered into a definitive arrangement agreement as amended on January 28, 2019 with Alignvest Acquisition II Corporation ("Alignvest") pursuant to which on December 5, 2019, Alignvest acquired all the shares of Sagicor by way of a scheme of arrangement under the laws of Bermuda, where Sagicor is incorporated, and continued as Sagicor Financial Company Ltd.

The Company's issued common shares are listed on the Toronto Stock Exchange.

Sagicor Financial Company Ltd. and its subsidiaries ("the Group") operate across the Caribbean and in the United States of America (USA). There is a discontinued operation in the United Kingdom. Details of the Sagicor's holdings and operations are set out in notes 4 and 38 to the 2019 financial statements.

The principal activities of the Sagicor Group are as follows:

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

and its principal operating companies are as follows:

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

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

Result of Operations

An understanding of Sagicor's financial condition and the results and related risks of Sagicor's operations for the periods discussed in this MD&A requires an understanding of Sagicor's business. Accordingly, the following discussion should be read in conjunction with the discussion of these and related matters that appear elsewhere in this MD&A, including under the following headings: (i) Key Factors Affecting Results; (ii) Critical Accounting Estimates and Judgments; and (iii) Risk Management.

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Non-IFRS Financial Information

Sagicor reports its financial results and statements in accordance with IFRS. It also publishes certain financial measures that are not based on IFRS (non-IFRS). A financial measure is considered a non-IFRS measure if it is presented other than in accordance with the generally accepted accounting principles used for the Company's audited financial statements. These non-IFRS financial measures are often accompanied by and reconciled with IFRS financial measures. For certain non-IFRS financial measures, there are no directly comparable amounts under IFRS. The Company believes that these non-IFRS financial measures provide additional information to better understand the Company's financial results and assess its growth and earnings potential. Since non-IFRS financial measures do not have standardised definitions and meanings, they may differ from the non-IFRS financial measures used by other institutions and should not be viewed as an alternative to measures of financial performance determined in accordance with IFRS. The Company strongly encourages investors to review its financial statements and other publicly filed reports in their entirety and not to rely on any single financial measure.

Sagicor believes that certain non-IFRS measures described below are more reflective of its ongoing operating results and provide readers with a better understanding of management's perspective on the Company's performance. These measures enhance the comparability of the Company's financial performance from period to period, as well as measure relative contribution to shareholder value.

The following represent non-IFRS financial measures:

1. Return on Shareholders' Equity

IFRS does not prescribe the calculation of return on shareholders' equity and therefore a comparable measure under IFRS is not available. To determine this measure, reported net income/(loss) attributable to shareholders is divided by the total weighted average common shareholders' equity for the period. The quarterly return on shareholders' equity is annualised.

2. Book value per share

To determine the book value per share, shareholders' equity is divided by the number of shares outstanding at the period end, net of any treasury shares.

3. MCCSR

The MCCSR was a capital adequacy measure for life insurance companies established by the Office of the Superintendent of Financial Institutions Canada ("OSFI"). It was a measure used to monitor that insurers maintain adequate capital to meet their financial obligations with 150% being the minimum standard that was recommended by Canadian regulators when it was in effect; companies were expected to establish and meet an internal target greater than 150%. Refer to note 46.2 of the 2019 audited annual financial statements for details.

4. Debt to capital ratio

The debt to capital ratio is the ratio of notes and loans payable (refer to note 16 to the audited annual financial statements) to total capital, where capital is defined as the sum of notes and loans payable and total equity. This ratio measures the proportion of debt a company uses to finance its operations as compared with its capital.

5. Debt to equity ratio

The debt to equity ratio is the ratio of notes and loans payable (refer to note 16 to the audited annual financial statements) to total equity. This ratio measures the proportion of debt a company uses to finance its operations as compared with its equity.

6. Dividend pay-out ratio

This is the ratio of dividends paid per share to basic earnings per common share.

6. Coverage ratio

This ratio earnings for the year before interest and taxes, divided by the sum of interest and preferred share dividends. The coverage ratio is a solvency check which measures the number of times interest can be paid the earnings of the company.

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Cautionary Statement Regarding Forward-Looking Information

This MD&A includes "forward-looking information" and "forward looking statements" (collectively "**forward-looking information**") and assumptions about, among other things, Sagicor's business, operations, and financial performance and condition, approved by the board of directors of Sagicor on the date of this MD&A.

This forward-looking information and these assumptions include, but are not limited to, statements about Group's objectives and strategies to achieve those objectives, and about its beliefs, plans, expectations, anticipations, estimates, or intentions. Information included in this MD&A that is not a statement of historical fact is forward-looking information. When used in this MD&A, words such as "believes," "may," "will," "estimate," "should," "shall," "plans," "assumes," "continue," "outlook," "could," "anticipates," "intends," "expects," and words of similar import, are intended to identify statements containing forward-looking statements. These statements appear throughout this MD&A. Such forward-looking statements are based on Sagicor's estimates, assumptions, strategies and projections and subject to known and unknown risks, uncertainties and other factors, all of which are difficult to predict and many of which are beyond its control and which may cause actual results, events or developments to be significantly different from any future results, events or developments expressed or implied by such forward-looking statements.

These factors include, but are not limited to, the following: fluctuations in the fixed income markets may adversely affect Sagicor's profitability and financial condition; the success of Sagicor's operations in the United States depends on Sagicor's ability to grow its business; Sagicor's financial targets may prove materially inaccurate or incorrect; Sagicor's exposure to the credit risk of its counterparties could adversely affect its profitability; differences between actual claims experience and estimated claims at the time the product was priced may result in increased losses, and so Sagicor's policy reserves may be insufficient to cover actual policy benefits; Sagicor could be forced to sell investments at a loss to cover policyholder withdrawals; Sagicor's risk management policies and procedures could leave Sagicor exposed to unidentified or unanticipated risk, which could negatively affect Sagicor's business or result in losses; illiquidity of certain investment assets may prevent Sagicor from selling investments at fair prices in a timely manner; Sagicor's fiduciary relationship with certain counterparties could adversely affect its profitability; a prolonged labour dispute could hurt Sagicor's business; disease outbreaks may negatively impact the performance of Sagicor and its subsidiaries; a failure to successfully integrate Sagicor's acquisitions could adversely affect Sagicor's operations and profitability; a failure to successfully execute current and future strategic

acquisitions could adversely affect Sagicor's profitability; Sagicor may be required to make an offer to purchase all of the 2022 Notes and Short Term Notes, but may not be financially able to repurchase the notes; Sagicor's business is highly regulated and subject to numerous laws and regulations; litigation and regulatory proceedings outcomes could adversely affect Sagicor's business; companies in the financial services industry are sometimes the target of law enforcement investigations and the focus of increased regulatory scrutiny; there may be adverse consequences if the status of Sagicor's independent contractors is successfully challenged; failures to implement or comply with legally required anti-money laundering practices could subject Sagicor to sanctions and/or criminal and civil penalties; the amount of statutory capital that Sagicor's insurance subsidiaries have and the amount of statutory capital that they must hold to maintain their financial strength and credit ratings and meet other requirements can vary significantly from time to time and are sensitive to factors outside of Sagicor's control; a failure to maintain adequate levels of surplus capital may result in increased regulatory scrutiny or a downgrade by the private rating agencies; Sagicor's financial condition may be adversely affected by geopolitical events; Sagicor operates in a highly competitive industry; Sagicor faces significant competition mainly from national and regional insurance companies and from self-insurance, and Sagicor also faces competition from global companies – this competition could limit Sagicor's ability to gain or maintain its position in the industry and could materially adversely affect its business, financial condition and results of operations; brokers that sell Sagicor's products may sell insurance products of Sagicor's competitors and such brokers may choose not to sell Sagicor's products; computer viruses, network security breaches, disasters or other unanticipated events could affect Sagicor's data processing systems or those of its business partners and could damage Sagicor's business and adversely affect its financial condition and results of operations; a financial strength downgrade in Sagicor's A.M. Best ratings or any other negative action by a rating agency may increase policy surrenders and withdrawals, adversely affect relationships with advisors and negatively affect Sagicor's financial condition and results of operations; the unpredictable nature of the property and casualty insurance industry may cause fluctuations in Sagicor's results; Sagicor may be unable to reinsure risks on terms that are commercially reasonable or satisfactory to Sagicor, or Sagicor's reinsurers may fail to meet assumed obligations, increase rates, or be subject to adverse developments, negatively affecting Sagicor's business, financial condition and result of operations; Sagicor's business model depends on the performance of various third parties including actuarial consultants and other service providers; negative publicity in the insurance industry could adversely affect Sagicor; Sagicor depends on key personnel, and if they were to leave Sagicor, Sagicor might have an insufficient number of qualified employees; Sagicor is highly dependent upon economic, political and other conditions and developments in Barbados, Jamaica, Trinidad and Tobago, the United States and the other jurisdictions in which it operates; Sagicor's financial condition and operating results may be adversely affected by foreign exchange fluctuations; foreign exchange controls may restrict Sagicor's ability to

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receive distributions from its subsidiaries and any such distributions may be subject to foreign withholding taxes; catastrophes and weather-related events, such as hurricanes, may adversely affect Sagicor; the performance of Sagicor's group life insurance may be adversely affected by the characteristics of the employees insured or through unexpected catastrophic events such as natural disasters; Sagicor's credit ratings may be reduced, which may adversely affect Sagicor; Sagicor may be subject to Bermuda tax; Bermuda's compliance with the Organization for Economic Cooperation and Development international tax standards could subject Sagicor to additional taxes; legislation enacted in Bermuda in response to the European Union's review of harmful tax competition could adversely affect Sagicor's operations and financial condition; any additional taxes resulting from changes to tax regulations or the interpretation thereof in countries in which it does business could negatively impact Sagicor's financial condition; Sagicor Financial Company Ltd. is a holding company and is dependent upon distributions from subsidiaries to pay taxes and other expenses.

Additional information about material risk factors that could cause actual results to differ materially from expectations and about material factors or assumptions applied in making forward-looking statements may be found in this MD&A under "Risk Management", "Key Factors Affecting Results," and "Critical Accounting Estimates and Judgements" and in the "Financial Risk and Insurance Risk" notes to the consolidated financial statements. The forward-looking statements in this document are, unless otherwise indicated, stated as of the date hereof and are presented for the purpose of assisting investors and others in understanding our financial position and results of operations, our future operations, as well as our objectives and strategic priorities, and may not be appropriate for other purposes. We do not undertake to update any forward-looking statements, except as required by law.

Additional Information

All documents related to the financial results of Sagicor Financial Company Ltd are available in the Company's website at Sagicor.com, in the Investor Relations section. Additional information about Sagicor may be found on the SEDAR website at sedar.com, as well as the Company's Annual Information Form, which may be found on the Company's website or the SEDAR website.

The Management's Discussion and Analysis is dated April 23, 2020

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1. HIGHLIGHTS

The Sagicor Group Sagicor experienced a strong performance in 2019, with growth observed in all operating segments across the Group.

Creation of Sagicor Financial Company Ltd. (formerly Sagicor Financial Corporation Limited)

On November 27, 2018, Sagicor Financial Corporation Limited entered into a definitive arrangement agreement with Alignvest Acquisition II Corporation ("Alignvest") pursuant to which Alignvest will acquire all the shares of Sagicor by way of a scheme of arrangement under the laws of Bermuda, where Sagicor is incorporated.

On December 5, 2019 Sagicor and Alignvest announced they had completed the business combination involving the transfer of all issued and outstanding shares in Sagicor to Alignvest. This transaction raised over US \$450 million in new capital for the Group. As a result of the completion of the transaction, all issued and outstanding shares in the Sagicor were transferred to Alignvest, with former shareholders of Sagicor receiving cash or shares in Alignvest, which was renamed Sagicor Financial Company Ltd. and trades on the Toronto Stock Exchange under the symbol SFC. The Group incurred cash and non-cash transaction expenses of US \$43.4 million related to this exercise.

Group net income excluding Alignvest transaction expenses amounted to US \$147.5 million compared to US \$102.9 million in the prior year. Net income from continuing operations attributable to common shareholders, excluding Alignvest transaction expenses, closed the year at US \$87.4 million compared to US \$36.5 million in the prior year. Both Group net income and income attributable to Shareholders from continuing operations were affected by the Government of Barbados restructuring in 2018. Management estimates that net income attributable to shareholders from continuing operations, excluding the Government of Barbados restructuring, would have been US \$72.6 million, in the prior year.

Along with the capital raised in 2019, organic capital growth was also strong, and the group closed the year with a Minimum Continuing Capital and Surplus Requirement (MCCSR) of 253% well above the recommended minimum standard set by Canadian regulators.

About Sagicor

Established in 1840 as The Barbados Mutual Life Assurance Society, Sagicor is one of the oldest providers of insurance in the Americas. Sagicor offers a wide range of products and services including life and health insurance, annuities, pension administration, property and casualty insurance, asset management, investment and merchant banking, securities brokerage, mutual funds and real estate development, and commercial banking. Sagicor's principal markets are Barbados, Jamaica, Trinidad and Tobago, and the United States of America. Sagicor demutualised in November 2002 and listed its shares on the Barbados Stock Exchange (BSE: SFC), with subsequent listings on the Trinidad and Tobago Stock Exchange (TTSE: SFC) and the London Stock Exchange (LSE: SFI). Sagicor Financial Corporation moved its corporate domicile from Barbados to Bermuda and continued as Sagicor Financial Corporation Limited (SFCL), an exempted company, on July 20, 2016.

As a result of its completed business combination with Alignvest Acquisition II Corporation (AQY) on December 5, the new Sagicor, known as Sagicor Financial Company Ltd., now trades on the Toronto Stock Exchange under the new symbols "SFC" and "SFC.WT". With a listing on the Toronto Stock Exchange, SFCL's common shares, formerly listed on the London Stock Exchange, have ceased trading and have been delisted from the London Stock Exchange. Former listings on the Barbados and the Trinidad and Tobago Stock Exchanges have ceased trading and applications for delisting have been submitted.

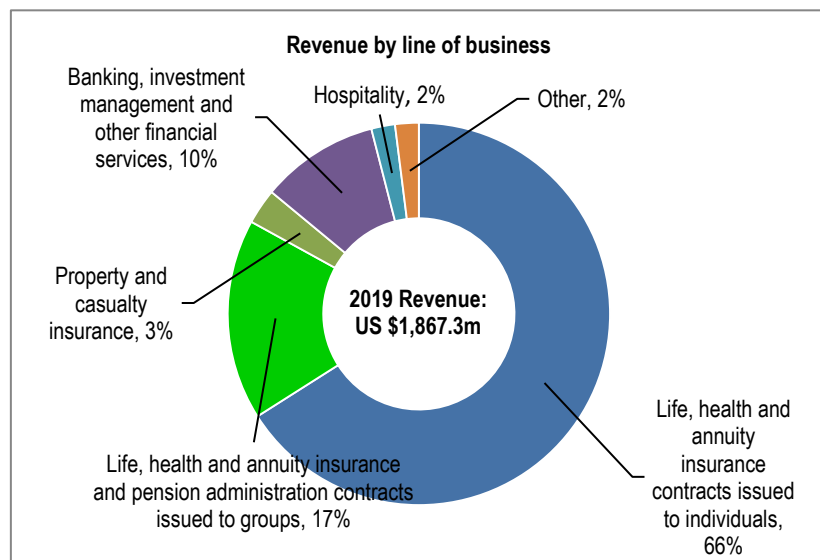
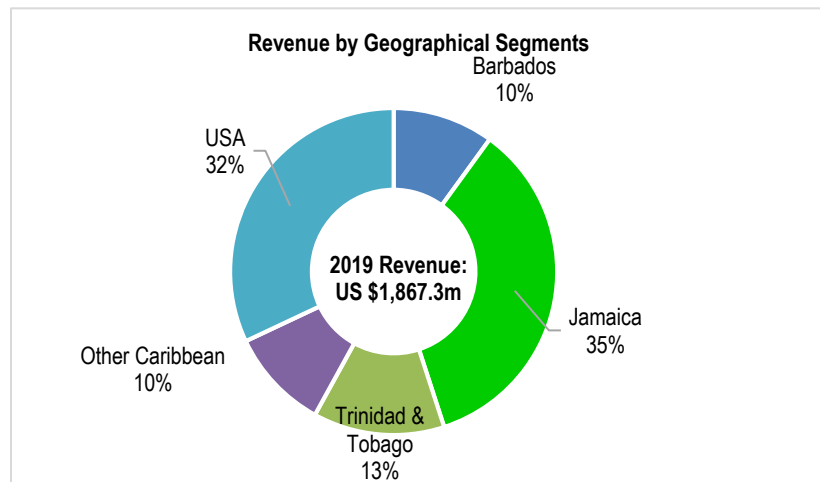
Sagicor currently operates in 22 countries and maintains a strong market position in most of the markets where it operates. Their primary business is the provision of insurance (life, annuity, health and property and casualty) and financial services, including pension management, asset management and banking.

Sagicor operates its business primarily through its three reporting operating segments, namely Sagicor Life, Sagicor Jamaica, and Sagicor Life USA.

Sagicor's objective is to be a leading insurance and financial services provider of world class products and services to better serve its customers and other stakeholders in its markets.

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Sagicor is expanding its banking and asset management business in the Caribbean, where it has strong brand recognition and market shares.



Recent Developments

Alignvest Agreement

On November 27, 2018, Sagicor Financial Corporation Limited entered into a definitive arrangement agreement with Alignvest Acquisition II Corporation (“Alignvest”) pursuant to which Alignvest will acquire all the shares of Sagicor by way of a scheme of arrangement under the laws of Bermuda, where Sagicor is incorporated.

On December 5, 2019 Sagicor and Alignvest announced they had completed the business combination involving the transfer of all issued and outstanding shares in Sagicor to Alignvest. This transaction raised over US \$450 million in new capital for the Group. As a result of the completion of the transaction, all issued and outstanding shares in the Sagicor were transferred to Alignvest, with former shareholders of Sagicor receiving cash or shares in Alignvest, which has been renamed Sagicor Financial Company Ltd. and trades on the Toronto Stock Exchange under the symbol SFC. The Group incurred cash and non-cash transaction expenses of US \$43.4 million related to this exercise.

As a result of the closing of this transaction, approximately 147.8 million common shares of Sagicor were issued and outstanding including approximately 6.44 million shares held in escrow and subject to performance measures.

Sagicor had announced its intention in November 2018 to acquire Scotia Jamaica Life Insurance Company Limited (“Scotiabank Insurance Jamaica”) and ScotiLife Trinidad and Tobago Limited (“Scotiabank Insurance Trinidad and Tobago”). On November 1, 2019, Sagicor and The Bank of Nova Scotia Jamaica Limited announced that they have mutually agreed not to proceed with the 20-year distribution agreement for insurance products and solutions in Jamaica. As a result, Sagicor will not proceed with the acquisition of Scotiabank Insurance Jamaica at this time. Sagicor, Alignvest Acquisition II Corporation and Scotiabank Trinidad and Tobago Limited remain parties to a share purchase agreement dated November 27, 2018 (the “Trinidad SPA”) pursuant to which Sagicor agreed to establish a 20-year distribution agreement for insurance products and solutions in Trinidad and Tobago, and acquire all of the issued and outstanding shares in the capital of Scotiabank Insurance Trinidad and Tobago, subject to the satisfaction of certain conditions precedent. The Scotia Trinidad Agreement expires June 30, 2020. Given current circumstances, there can be no assurance that the transaction will be completed.

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Acquisition

On September 30, 2019, the Sagicor Jamaica segment acquired 60% of the share capital of Advantage General Insurance Company Limited. Our share of net assets was US \$23.4 million and was acquired for a consideration of US \$31.2 million. Refer to note 37.1 to the Group's 2019 audited financial statements for details.

Other Events

Acquisition Agreement

October 7, 2019 – Sagicor Financial Corporation Limited announced that, on September 30, 2019, Sagicor Life Inc. ("SLI"), its wholly-owned subsidiary, entered into agreements to acquire the traditional insurance portfolios, and investment assets, primarily, sovereign debt of the Government of the Republic of Trinidad and Tobago to support the liabilities of both Colonial Life Insurance Company (Trinidad) Limited ("CLICO") and British American Insurance Company (Trinidad) Limited ("BAT"). In addition, contracts with respect to CLICO's pension fund administration, management and investment services operations (as well as supporting investment assets) will be acquired and assumed by SLI.

Approximately US \$1.2 billion of total investment assets are proposed to be acquired to fund a similar amount of actuarial liabilities.

The completion of the transaction is subject to regulatory approval.

Government of Barbados Debt

On December 11, 2019 the Government of Barbados, with the agreement of External Creditor Committee, completed the restructuring of its US dollar denominated commercial debt. In exchange for its debt, the Group has accepted two Government of Barbados securities along with a small amount of cash. The first security is repayable in 2021 while the second is an amortising bond with final maturity in 2029 and represents the majority of the exchange. Both securities carry an interest rate of 6.5%. The terms of the restructuring of US dollar denominated commercial debt are more favourable relative to the impairments previously recorded in 2018, leading to a gain in 2019 of US \$3.1 million on the exchange.

Change of Control Notice and Offer to Purchase

On December 20, 2019 the Group made an offer to purchase for cash, any and all of the outstanding US \$320.0 million aggregate principal amount of 8.875% Senior Notes due 2022. This offer was made in connection with the completed business combination by Sagicor Financial Corporation Limited with Alignvest Acquisition II Corporation, a special purpose acquisition corporation listed on the Toronto Stock Exchange, completed on December 5, 2019 (the "Transaction"). On January 27, 2020 US \$1,897,000 notes were tendered, purchased and cancelled.

Financial Summary

The summary consolidated financial data is derived from the audited annual financial statements, for each of the periods indicated on the following table.

Under the Alignvest transaction, Sagicor Financial Corporation Limited common shares not purchased for cash, were exchanged for common shares of Sagicor Financial Company Ltd on an exchange ratio of one Sagicor Financial Company Ltd. common share for 4.328 of Sagicor Financial Corporation Limited common shares ("Exchange Ratio"). This exchange ratio has been used to convert the 2018 outstanding shares to the Sagicor Financial Company Ltd equivalent. All per share ratios for 2018 have been adjusted to reflect the Exchange Ratio.

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(in US \$millions, unless	Quarterly Results			Yearly Results		
	Q4'19	Q4'18	Change	2019	2018	Change
Profitability						
Net income ^(a)	11.5	8.0	44%	44.0	36.5	21%
Net income ^{(a),(b)}	54.9	8.0	586%	87.4	36.5	139%
Earnings per share:						
Basic ^(a)	15.0¢	11.3¢	33%	57.5¢	51.7¢	11%
Basic earnings ^{(a),(b)}	71.8¢	N/A	-	114.3¢	N/A	-
Fully diluted ^(a)	14.1¢	11.1¢	37%	54.1¢	50.8¢	15%
Fully diluted ^{(a),(b)}	67.5¢	N/A	-	107.5¢	N/A	-
Return on shareholders' equity ^(a)	6.2%	5.4%	-	6.8%	6.2%	-
Return on shareholders' equity ^{(a),(b)}	30.4%	N/A	-	14.0%	N/A	-
Growth						
Revenue:						
Individual life, health	288.5	269.9	7%	1,214.8	856.4	42%
Group life, health	78.7	75.2	5%	317.9	284.3	12%
Property and casualty insurance	23.5	11.4	106%	61.9	44.2	40%
Banking and investment	54.9	51.6	6%	192.2	167.8	15%
Hospitality	46.9	8.1	479%	41.7	0.6	6,850%
Farming and unallocated revenues	(20.8)	4.5	(362%)	38.8	33.3	17%
Total revenue	471.7	420.7	14%	1,867.3	1,386.6	35%

(a) From continuing operations

(b) Excluding Alignvest transaction cost

(in US \$millions, unless	Quarterly Results			Yearly Results		
	Q4'19	Q4'18	Change	2019	2018	Change
Growth (continued)						
Net premium revenue:						
Life insurance	111.8	110.0	2%	430.6	412.0	5%
Annuity	125.5	170.8	(27%)	592.1	440.1	35%
Health insurance	45.2	45.7	(1%)	173.1	168.1	3%
Property and casualty	18.0	7.5	140%	45.7	33.9	35%
Total net premium	300.5	334.0	(10%)	1,241.5	1,054.1	18%
Assets from continuing operations	8,728.9	7,308.2	19%	8,728.9	7,308.2	19%
Total assets	8,728.9	7,325.4	19%	8,728.9	7,325.4	19%
Operating liabilities	6,461.3	5,699.7	13%	6,461.3	5,699.7	13%
Notes and loans payable	517.7	490.3	6%	517.7	490.3	6%
Book value per common share	\$7.81	\$8.50	-	\$7.81	\$8.50	-
Financial strength						
Debt to capital ratio	N/A	N/A	N/A	22.8%	30.2%	-
Dividend pay-out ratio	N/A	N/A	N/A	37.6%	41.8%	-
Dividend pay-out ratio ^(b)	N/A	N/A	N/A	18.9%	N/A	-
Dividends paid per common share	2.5¢	2.5¢	-	5.0¢	5.0¢	-
Total capital	2,266.3	1,621.7	40%	2,266.3	1,621.7	40%
Average common shares outstanding (000's)	N/A	N/A	N/A	76,452	70,680	-
Outstanding shares, at end of period (000's)	147,789	306,115	-	147,789	306,115	-
MCCSR, at end of	N/A	N/A	N/A	253%	234%	-

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Profitability

Group net income excluding Alignvest transaction expenses amounted to US \$147.5 million compared to US \$102.9 million in the prior year. Net income from continuing operations attributable to common shareholders, excluding Alignvest transaction expenses, closed the year at US \$87.4 million compared to US \$36.5 million in the prior year. Both Group net income and income attributable to Shareholders from continuing operations were affected by the Government of Barbados restructuring in 2018. Management estimates that net income attributable to shareholders from continuing operations, excluding the Government of Barbados restructuring, would have been US \$72.6 million, in the prior year.

Earnings per share (basic) before Alignvest transaction costs for the year ended December 31, 2019 and December 2018, was \$1.143 and US \$0.517, respectively.

Refer to the Profitability section of this Management's Discussion and Analysis for additional information on the Company's profitability in 2019.

Profitability <i>(in US \$millions, unless otherwise noted)</i>	Yearly Results		
	2019	2018	Change
Net income attributable to common shareholders before Alignment transaction expenses	87.4	36.5	139%
Alignvest transaction expenses	(43.4)	-	-
Net income attributable to common shareholders	44.0	36.5	21%
Earnings per common share (EPS) – (basic) before Alignvest transaction expenses	US \$1.143	N/A	-
Earnings per common share (EPS) – (basic)	US \$0.575	US \$0.517	11%

Business Growth

Net premiums, net investment income and other revenue all showed growth at the end of 2019. Overall, the Group closed the year with revenue growth of 35% when compared to 2018. Growth in net premium revenue was driven by the life and annuity line of business which showed growth in all operating segments, with our USA segment demonstrating significant growth.

Net investment income also experienced growth and benefited from capital gains on our international portfolio. Growth in banking and investment management fees in our Jamaica segment, were significant contributors to the overall growth in our other revenue.

In 2018, the Group recorded US \$95.5 million in credit impairment losses mainly associated with the Government of Barbados debt (GoB) restructuring. There were no significant credit impairment losses in 2019.

The following table summarizes the revenue growth by operating segment.

Total Revenue by Business Segment <i>(in US \$millions, unless otherwise)</i>	Quarterly Results			Yearly Results		
	Q4 2019	Q4 2018	Change	2019	2018	Change
Growth						
Sagicor Life	162.2	112.1	45%	533.3	340.1	57%
Sagicor Jamaica	194.3	157.9	23%	735.3	585.9	26%
Sagicor Life USA	102.9	142.4	(28%)	561.5	420.7	33%
Head office, Other and adjustments	12.3	8.3	48%	37.2	39.9	(7%)
Total revenue	471.7	420.7	12%	1,867.3	1,386.6	35%

Refer to the sections that follow for more information the business growth.

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Financial Strength

The consolidated Minimum Continuing Capital and Surplus Requirement (MCCSR - a Canadian risk-based assessment measure), for the life insurers of the Sagicor Group as of December 31, 2019 has been estimated at 253% (2018 - 234%), exceeding the minimum standard recommended by the Canadian regulators for companies of 150%.

The debt to capital ratio was 22.8% at December 31, 2019 compared 30.2% at December 31, 2018, while the coverage ratio excluding the Alignvest transaction expenses was 5.7 times at the end of December 2019, compared to 5.0 times for the same period in 2018. The significant change in the debt to capital ratio was the result of the impact of the Alignvest transaction in 2019 which raised additional capital.

As of December 31, 2019, capital resources exceeded US \$2,266.3 million compared to the US \$1,621.7 million reported at the end of December 2018 again driven by the Alignvest transaction.

For detailed comments on financial strength, refer to the Financial Position section of the Management's Discussion and Analysis.

Dividends

On February 3, 2020, the Board of Directors declared a dividend of US \$0.05625 per share, on issued and outstanding common shares held by registered holders on record at the close of business on February 10, 2020.

The dividends declared and paid in respect of Sagicor common shares in respect of 2019 totalled US \$15.3 million and represented US \$0.05 per common share.

Quality of Investments

As of December 31, 2019, Sagicor held US \$6,685.6 million (2018 – US \$5,347.7 million) of diversified financial assets and net investment income of US \$419.8 million (2018 - US \$293.8 million). The net investment return was 7.2% (2018 – 6.1%). Since becoming a public company in 2002, Sagicor has had positive and stable investment portfolio performance. As at December

31, 2019, Sagicor held US \$5,064.9 million in debts securities (76% of the total financial investments on hand).

<i>Investment Income Summary</i>	Yearly Results		
	2019	2018	Change
<i>(in US \$millions, unless otherwise)</i>			
Interest income (AC)	175.5	177.5	(1%)
Interest income (FVOCI)	132.5	113.5	17%
Income from FVTPL investments	112.8	4.5	2,407%
Other income measured on IFRS 9	0.3	0.8	(63%)
Other income	7.6	5.9	29%
Investment expenses	(8.9)	(8.4)	6%
	419.8	293.8	43%

Litigation or Other Matters

The Group is subject to various claims, disputes and legal proceedings, as part of the normal course of business. Provision is made for such matters when, in the opinion of management and its professional advisors, it is probable that a payment will be made by the Group, and the amount can be reasonably estimated.

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

Significant matters are outlined below:

- (i) Suit has been filed by a customer against one of the Group's, subsidiaries for breach of contract, and breach of trust in the amount of US \$8.9 million being loss allegedly suffered as a result of what the claimants say is the unlawful withholding of insurance proceeds by the subsidiary. No provision was made in these financial statements for this claim as the outcome of this matter cannot be properly assessed until it has been heard.

MANAGEMENT'S DISCUSSION AND ANALYSIS

(ii) Suit has been filed by an independent contractor against one of the Group's subsidiaries for breach of contract arising from alleged contractual agreement. The Claimant alleges that the company failed to pursue initiatives contemplated by the contract with a third party and that by not doing so, it caused the Claimant company significant losses which they have estimated at over US \$300,000,000. No provision was made in these financial statements for this claim as the claim has been stayed to accommodate arbitration as required under the Agreement between the parties coupled with the assessment by the Group of a probable favourable outcome.

Board of Directors

As of December 23, 2019, the directors of the Company were as follows:

1. Timothy Hodgson, Chairman (new)
2. Archibald Campbell (new)
3. Keith Duncan (new)
4. Stephen Facey (new)
5. Mahmood Khimji (new)
6. Douglas Fridrik (Rik) Parkhill (new)
7. Reza Satchu (new)
8. Aviva Shneider (new)
9. Stephen McNamara
10. Sir Hilary Beckles
11. Peter Clarke
12. Monish Dutt
13. Dodridge Miller
14. John Shettle Jr

Changes to Accounting Policies in 2019 and Future Changes in Accounting

As disclosed in the Company's annual financial statements for the year ended December 31, 2019, as of January 1, 2019, the Sagicor Group adopted IFRS 16. The Group has not restated comparatives for the 2018 reporting period, as permitted under the specific transitional

provisions in the standard. Reclassifications and adjustments arising from the new leasing rules are therefore recognised on January 1, 2019 (see note 49).

This standard removes the current distinction between operating and finance leases and requires recognition of an asset (the right to use the leased item) and a financial liability to pay rentals for virtually all lease contracts. An optional exemption exists for short-term and low-value leases. For further details on the impacts of the application of IFRS 16, including the description of accounting policies, refer to notes 2.10 and 49 of the annual financial statements. Refer to note 2.26 of the annual financial statements for details on future accounting developments and reporting changes.

Amendments to existing IFRS and IAS effective January 1, 2019

The Group has adopted the following amendments to IFRS and IAS:

- IFRS 9 - Financial Instruments
- IFRIC 23 – Uncertainty over Income Tax Treatments
- IAS 28 – Investments in Associates and Joint Ventures
- IAS 19 – Employee Benefits
- Annual Improvements

None of these amendments had a material effect on the Group's financial statements. Refer to note 2.1 of the annual financial statements for further details on amendments to existing IFRS and IAS effective January 1, 2019.

Outlook for 2020

The Group's outlook for 2020 is uncertain. While the Group exceeded its operating targets in 2019 and is robustly capitalized following its transaction with Alignvest, we believe the macroeconomic environment will be materially affected in all of the jurisdictions in which we operate by the COVID-19 pandemic and related economic contraction. We therefore will not set out specific guidance for financial targets for the year. Refer to the Subsequent Events section for more details on the potential impact of the COVID-19 pandemic.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Economic Environment

Global economic activity for 2019 was estimated at 2.9%, the weakest growth rate since the global financial crisis a decade ago. Rising trade barriers and associated uncertainty weighed on business sentiment and activity globally. In the USA, GDP growth of 2.3% was estimated for 2019. The U.S labor market remained strong and economic activity has risen at a moderate rate. The unemployment rate stood at 3.6% in December 2019 down from December 2018 where it stood at 3.9%. The US Federal Reserve (Fed) in July 2019 decided to lower interest rates, this was the first rate cut since December 2008. This change in direction of interest rates was described by the Fed as a "mid-course correction" and was the result of trade policy uncertainties. Interest rates were cut three times during the year from a range of 2.25% - 2.50% as at December 2018 to a range of 1.50% - 1.75% as at December 2019. Oil prices remained subdued during 2019 with WTI oil prices closing at US \$61.06 per barrel.

Europe and Japan experienced growth estimated at 1.4% and 1.0%, respectively, as their respective Central Banks generally continued accommodative fiscal and monetary policies throughout 2019. The Bank of England maintained its short-term interest rate at 0.75% while Japan's short-term rates remained unchanged at - 0.1% during 2019.

2019 was an exceptional year for the global equity markets. In the US market, the S&P 500 index was up 31.49% for the year which was its best year since 2013. The NASDAQ Composite and Dow Jones Industrial Average Index were up 36.7% and 25.3%, respectively. The MSCI Emerging Market Index was up 18.42% for the year. However, treasury yields continued to decline with the 10-year treasury yield starting 2019 at 2.69% and ended the year at 1.92%.

Growth in the Eastern Caribbean was expected to improve during 2019 as a result of increased activity in the tourism and construction sectors. Dominica and Anguilla continued their post-hurricane rebuilding and recovery drive which resulted in accelerated construction activity and some spill-off activity in the tourism sector. This activity placed their growth trajectory on an upward path. In 2018 Dominica's real GDP growth was 4% and it was expected that there will be a further growth of approximately 9% in 2019. Anguilla's real GDP was expected to grow by 8.8% in 2019 compared to 10.8% in 2018. However, growth in Barbados remained flat and Jamaica's growth began to slow down during the third quarter of 2019. Inflation remained suppressed for the Eastern Caribbean territories although there were marginal increases in five countries.

In Barbados, real economic activity is estimated to have declined during 2019 by 0.1%. However, the international reserves increased by BDS\$481 million which is equivalent to 18 weeks of import cover. This increase in international reserves reflected borrowings from the international financial institutions, the on-going suspension of commercial external debt payments and an active foreign exchange market that allowed commercial banks to sell foreign exchange to the Central Bank. During the year there was an improvement in the debt-to-GDP ratio which now stands at 119.5%. The lowering of the debt-to-GDP ratio can be attributed to the completion of the external debt restructuring in December 2019.

During December 2019, Barbados' Long-term Foreign Currency credit rating was upgraded to B- from Selective Default (SD) by Standard and Poor's. This six-notch upward movement on the rating scale is a significant step in restoring investor confidence and lowering the cost of funds for the private and public sector over the medium-term. There was no change in the average unemployment rate which stood at 10.1% at the end of December 2019, compared to 2018. However, inflation trended upwards to 4.1% this was primarily as a result of the impact of persistent drought conditions on non-sugar agriculture, the influx of sargassum seaweed on fish catches and policy measure implementation at some state-owned enterprises.

As Trinidad and Tobago's energy sector recovers, it is estimated that the economy expanded by 1.8% in 2019, compared to revised annual GDP growth rate of -0.2% in 2018. As at September 30th, 2019, headline and core inflation were subdued at 1.1% and 1.0%, respectively. The Central Bank of Trinidad and Tobago kept the repo rate steady at 5% for the year 2019. At the end of October 2019, gross official reserves were approximately US \$7,110.0 million, equivalent to 7.9 months of prospective imports of goods and services which was US \$465.0 million lower than the value recorded at the end of 2018. There was a significant improvement in the domestic stock market for the financial year ending September 2019 where the major Composite Price Index increased by 14.9% and the total stock market capitalization was up 14.8%.

In the quarter ended September 2019, the Jamaica economy grew by 0.6% compared to 1.3% in the second quarter of 2019. On September 27, 2019, Standard and Poor's rating agency upgraded the Government of Jamaica's long-term ratings to B+ from B and affirmed the short-term debt at B, as well as, affirmed a stable outlook. Similarly, Moody's upgraded the Government of Jamaica's long-term issuer and senior unsecured rating from B3 to B2. The key drivers for these upgrades were Jamaica's commitment to structural reform, fiscal consolidation and its improving debt structure. The Bank of Jamaica continued along the path of monetary

MANAGEMENT'S DISCUSSION AND ANALYSIS

easing and reduced its policy interest rate from 1.75% to a historic low of 0.50% during the year 2019. Inflation of 6.2% was recorded in 2019 which falls marginally above the Bank of Jamaica's target of between 4% to 6%. The labour market continued to improve as the unemployment rate declined to 7.2% as at October 2019, compared to 8.7% in 2018. Similar to the international equity markets, the Jamaica Stock Exchange exhibited extraordinary returns and was up 34.26% for 2019. However, the fixed income market yields trended downwards as the GOJ 180-day Treasury Bill declined to 1.75% at the end of September 2019 from 2.07% at the end of 2018.

PROFITABILITY

Highlights

Net income before the Alignvest transaction, attributable to common shareholders for the year ended December 31, 2019 totalled US \$87.4 million, compared to the US \$36.5 million reported in 2018, an increase of US \$50.9 million. Return on equity for the 2019 year-end was 14.0%, before the Alignvest transaction, compared to 6.2% in 2018, and reflected higher profitability. The Earnings per Share (EPS - basic) moved similarly, closing at US \$1.143 (before Alignvest transaction expenses) in 2019. In 2018, Earnings per share was US \$0.517. The difference in Earnings per share reflects the change in capital structure implemented in 2019 and strong operating results.

<i>Net income attributable to Common shareholders from continuing operations</i>	Yearly Results		
	2019	2018	Change
<i>(in US \$millions, unless otherwise noted)</i>			
Sagicor Life	60.9	39.6	54%
Sagicor Jamaica	61.4	55.7	10%
Sagicor Life USA	35.4	18.3	93%
Head office, Other and adjustments	(70.3)	(77.1)	9%
Net income before Alignvest transaction costs	87.4	36.5	139%
Alignvest transaction costs	(43.4)	-	-
Net income	44.0	36.5	21%
Earnings per common share (EPS):			
Basic	57.5¢	51.7¢	11%
Basic – excluding Alignvest transaction costs	114.3¢	N/A	-
Diluted	54.1¢	50.8¢	15%
Diluted – excluding Alignvest transaction costs	107.5¢	N/A	-
Return on common shareholders' equity (ROE)	6.8%	6.2%	-
Return on common shareholders' equity (ROE)– excluding Alignvest transaction costs	14.0%	N/A	-

MANAGEMENT'S DISCUSSION AND ANALYSIS

Group net income for the year

The table below summarises Sagicor's net income for the years ended December 31, 2019 and 2018.

<i>(in millions of US \$)</i>	Year ended December 31		
	2019	2018	Change
Group net income			
Group net income before Alignvest transaction costs	147.5	102.9	43%
Alignvest transaction costs	(43.4)	-	-
Total	104.1	102.9	1%
Net income/(loss) is attributable to Common shareholders:			
From continuing operations before Alignvest transaction costs	87.4	36.5	139%
Alignvest transaction costs	(43.4)	-	-
From total continuing operations	44.0	36.5	21%
From discontinued operation	0.5	7.1	(93%)
	44.5	43.6	2%
Participating policyholders	(1.9)	7.2	(126%)
Non-controlling interest	61.5	52.1	18%
Group net income	104.1	102.9	1%

Group net income excluding Alignvest transaction expenses amounted to US \$147.5 million compared to US \$102.9 million in the prior year.

Net income from continuing operations attributable to common shareholders, excluding Alignvest transaction expenses, closed the year at US \$87.4 million compared to US \$36.5 million in the prior year. Both Group net income and income attributable to Shareholders from continuing operations were affected by the Government of Barbados restructuring in 2018.

During 2018, the Group increased its provisions on the Government of Barbados (GoB) debt for which the net impact on the Group's net income was US \$39.2 million (shareholder net income – US \$36.1 million). The Group also benefited from certain one-time positive earnings releases that did not recur in 2019 some relating to the impact of the Group's adoption of IFRS 9 in 2018.

Net income from discontinued operation totalled US \$0.5 million for the year, compared to income of US \$7.1 million for the same period in 2018. On February 12, 2019, The Group completed a review of the consideration related to the price adjustments to December 31, 2018 and entered into a Deed of Release to close this exposure. The final settlement amount was received on February 26, 2019.

Group net income from continuing operations

The table below summarises Sagicor's net income from continuing operations for the years ended December 31, 2019 and 2018.

Group net income from continuing operations <i>(in millions of US \$)</i>	2019	2018	Change
	Revenue	1,867.3	1,386.6
Benefits	(1,116.5)	(765.3)	(46%)
Expenses	(547.1)	(495.2)	(10%)
Other	3.0	20.4	(85%)
Income taxes	(59.7)	(50.7)	(18%)
Group net income from continuing operations before transactions expenses	147.0	95.8	53%
Alignvest transaction cost	(43.4)	-	-
Group net income from continuing operations	103.6	95.8	8%

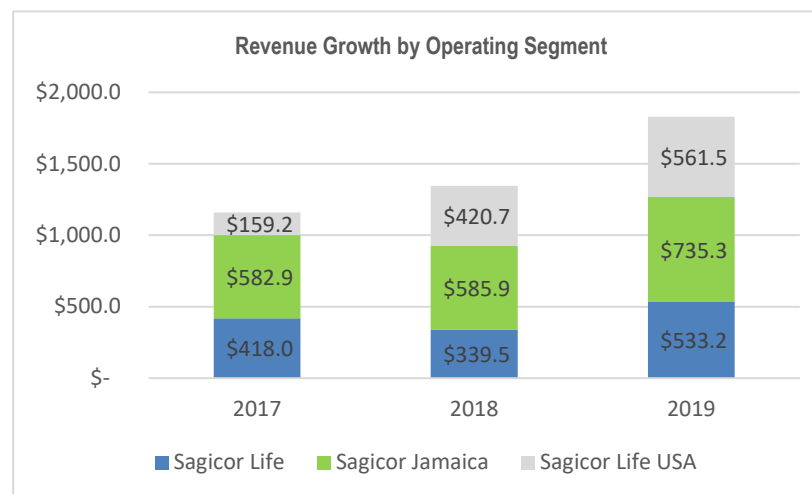
MANAGEMENT'S DISCUSSION AND ANALYSIS

Revenue

The following table summarises the main items of Sagicor's revenue for the periods ended December 31, 2019 and 2018.

<i>(in millions of US \$)</i>	Year ended December 31		
	2019	2018	Change
Revenue			
Net insurance premiums:			
Life and annuity	1,022.7	852.1	20%
Health	173.1	168.1	3%
Property and casualty	45.7	33.9	35%
	1,241.5	1,054.1	18%
Net investment income	419.8	293.8	43%
Gain on derecognition of amortised cost investments	12.9	10.4	24%
Gain reclassified to income from accumulated OCI	30.0	9.3	223%
Credit impairment losses	(4.9)	(95.5)	95%
Fees and other revenue	168.0	114.5	47%
Total	1,867.3	1,386.6	35%
Total Revenue by Operating Segment			
Sagicor Life	533.2	339.5	57%
Sagicor Jamaica	735.3	586.0	26%
Sagicor Life USA	561.5	420.7	34%
Head office, Other and Adjustments	37.3	40.4	(8%)
	1,867.3	1,386.6	35%

Revenue from continuing operations reached US \$1,867.3 million for the year ended December 31, 2019, an increase of US \$480.7 million (35%) from US \$1,386.6 million reported for the same period in 2018. The 2018 financial year included US \$95.5 million in credit impairment losses, as the Group impaired the Government of Barbados debt securities.



Net insurance premium revenue represented 66% (2018 – 76%) of total revenue, and closed the year at US \$1,241.5 million, US \$187.4 million (18%) above the US \$1,054.1 million reported for the same period in 2018. Increased premium revenue was driven primarily by the Sagicor Life and Sagicor Life USA business segments which experienced significant premium growth in life and annuity business during the year.

Net premium revenue from health insurance business totalled US \$173.1 million in 2019, a moderate increase from US \$168.1 million in 2018. Net premium revenue from property and casualty insurance totalled US \$45.7 million in 2019, a 35% increase from US \$33.9 million in 2018, and includes net premiums for the fourth quarter related to the general insurance business - Advantage General Insurance Company Limited, acquired on September 30, 2019, in our Jamaica segment.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Net investment income reached US \$419.8 million in 2019 compared to US \$293.8 million in 2018, an increase of US \$126.0 million. The increase in investment income was due in part to an increase in marked to market gains experienced on indexed options and equities, along with significant growth in investment assets in our Sagicor Life USA segment. Our Jamaica segment also experienced growth in investment income related to underlying growth in its investment portfolio, and gains arising from improvements in the Jamaica stock market, as the index grew by 34% year on year.

The interest yields and returns achieved on financial investments are disclosed in the following table.

	Year ended December 31	
	2019	2018
Interest yields		
Debt securities	5.1%	5.8%
Mortgage loans	6.0%	6.0%
Policy loans	7.3%	7.2%
Finance loans and leases	11.6%	11.4%
Securities purchased for resale	6.2%	7.5%
Deposits	1.6%	2.9%

The Group generated Fees and other revenues of US \$168.0 million for the year ended December 31, 2019, compared to US \$114.5 million for the same period in 2018, an increase of US \$53.5 million. Fees and other revenues for the current year from our Jamaica segment now include US \$39.7 million in hotel revenues associated with the consolidation of the Sagicor X Fund, compared to revenue of US \$9.7 million (for October to December 2018) in the prior year. The Sagicor X Fund was deemed to be a subsidiary from October 1, 2018.

Benefits

Benefits totalled US \$1,116.5 million in 2019, a 46% increase from US \$765.3 million reported in 2018. The growth in benefits (which include actuarial provisions for future benefits) reflects

and is consistent with our premium revenue growth in our operating segments. You will recall that there was significant growth in premiums in the Sagicor Life USA segment.

The following table summarises the benefits provided by Sagicor to holders of insurance contracts, investment contracts and deposit and security liability contracts for the years ended December 31, 2019 and 2018.

	Year ended December 31		
	2019	2018	Change
<i>(in millions of US \$)</i>			
Benefits			
Net insurance benefits:			
Life and annuity	900.0	571.0	58%
Health	135.3	122.8	10%
Property and casualty	27.0	19.0	42%
	1,062.3	712.8	49%
Interest cost	54.2	52.5	3%
Total	1,116.5	765.3	46%

Life and annuity benefits totalled US \$900.0 million for the year ended December 31, 2019, of which US \$414.6 million related to current benefits and US \$485.4 million related to future benefits. The amounts for the corresponding period in 2018 were a total of US \$571.0 million, of which US \$392.7 million related to current benefits and US \$178.3 million related to future benefits. The change in provision for future benefits from 2018 to 2019 represented an increase of US \$307.1 million and was driven primarily by the strong growth in new business in our Sagicor Life USA segment. In 2018, benefits were impacted by one-time actuarial adjustments related to the Group's initial adoption of IFRS 9 and the impairment of the Government of Barbados debt.

Total health insurance benefits were US \$135.3 million representing an overall claim to premium ratio of 78.2%. In 2018 the Group experienced health insurance benefits of US \$122.8 million and an overall claim to premium ratio of 73.0%.

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Property and casualty claims amounted to US \$27.0 million in 2019, a US \$8.0 million increase over US \$19.0 million incurred in 2018. During the quarter, the newly acquired subsidiary Advantage General Insurance, acquired on October 1, 2019 in our Jamaica segment, contributed additional benefits during the fourth quarter.

Interest expense totalled US \$54.2 million for the twelve-month period ended December 31, 2019, a marginal increase from US \$52.5 million reported for the same period in 2018.

The following table summarises the interest returns to holders of insurance contracts, investment contracts and deposit and security liability contracts.

	Year ended December 31	
	2019	2018
Interest yields		
Investment contracts	2.6%	4.8%
Other funding instruments	2.3%	2.3%
Customer deposits	1.3%	1.6%
Securities sold for repurchase	3.0%	3.4%

Expenses and taxes

Expenses and taxes totalled US \$650.2 million for 2019, up from US \$545.8 million for 2018. The table below summarises Sagicor's expenses and taxes from continuing operations for the years ended December 31, 2019 and 2018.

<i>(in millions of US \$)</i>	Year ended December 31		
	2019	2018	Change
Expenses and taxes			
Administrative expenses	333.3	303.1	(10%)
Commissions and related compensation	120.1	117.3	(2%)
Finance costs, depreciation and amortisation	79.1	60.8	(30%)
Premium, asset and income taxes	74.3	64.6	(15%)
Total	606.8	545.8	(11%)
Alignvest transaction costs	43.4	-	-
Total expenses and taxes	650.2	545.8	19%

Total expenses and taxes totalled US \$606.8 million before the Alignvest transaction expense for the year under review, compared to US \$545.8 million for the same period in 2018, an increase of US \$61.0 million (11%).

Administration expenses totalled US \$333.3 million for the year 2019 compared to US \$303.1 million for the same period in 2018, an increase of US \$30.2 million. For the 2019 financial year our Jamaica segment now includes US \$31.2 million of hotel expenses associated with the consolidation of the Sagicor X Funds, representing twelve months of expenses. 2018 included three months of expenses (US \$6.9 million) reflecting the fact that the XFund in Jamaica was deemed to be a subsidiary from Oct 1, 2018. The Sagicor Life USA segment also incurred higher costs mainly related to increased interest expense on deposit and security liabilities.

Commissions and related compensation grew by 2% to US \$120.1 million and this increase was related to new business growth.

Sagicor is subject to a variety of direct taxes, with premium and income taxes comprising the main types of tax. Taxes are incurred in the jurisdiction in which the income is generated. Premium tax is customarily a percentage of gross premium revenue, while income tax is usually either a percentage of investment income or a percentage of profits. Sagicor is also subject to an asset tax in Jamaica and Barbados. In Jamaica, the asset tax is levied on insurance,

MANAGEMENT'S DISCUSSION AND ANALYSIS

securities dealers and deposit taking institutions at a percentage of adjusted assets held at the end of the year. In Barbados, the asset tax is levied on insurance, deposit taking institutions and credit unions at a percentage of adjusted assets held at the end of the period.

Premium, asset and income taxes were US \$74.3 million compared to US \$64.6 million in the prior year, an increase of US \$9.7 million. Of the total taxes, income taxes were US \$59.7 million, compared to US \$50.7 million in 2018, an increase of US \$9.0 million, and was largely related to our Jamaica and USA segments, where we continue to experience business growth.

Discontinued operation

Sagikor's discontinued operation comprised the Sagikor at Lloyd's business, which consisted primarily of property and casualty insurance business written through Lloyd's of London Syndicate 1206. The Lloyd's of London franchise enabled the syndicate to write international business outside of the United Kingdom.

In December 2012, Sagikor made the decision to dispose of the Sagikor Europe Limited ("SEL") segment, which owns the Sagikor at Lloyd's operations. The disposal of this segment occurred on December 23, 2013. In accordance with IFRS, the results of SEL have been separated from Sagikor's continuing operations and presented as a discontinued operation.

The following tables summarise Sagikor's discontinued operation for the years ended December 31, 2019 and 2018.

(in millions of US \$)

	Year ended December 31		
	2019	2018	Change
Net income - discontinued operation			
Currency translation gain realised on sale	0.5	(0.7)	171%
Movement in price adjustment	-	7.8	(100%)
Total	0.5	7.1	(94%)

(in millions of US \$)

Financial position - discontinued operation

	Year ended December 31		
	2019	2018	Change
Assets	-	17.2	(100%)
Net assets	-	17.2	(100%)

On February 12, 2019, Sagikor Financial Corporation Limited completed a review of the consideration related to the price adjustments to December 31, 2018 and entered into a Deed of Release with AmTrust to close this exposure. The final settlement amount of £13.5 million was received on February 26, 2019. The Group has no further exposure to this business.

Shareholder returns

Sagikor's net income and comprehensive income are allocated to the equity owners of Sagikor's respective Group companies in accordance with their results. As some Group companies have minority shareholders, particularly in the Sagikor Jamaica operating segment, the net income is allocated accordingly between holders of Sagikor common shares and the minority interest shareholders. There is also an allocation to Sagikor Life Inc.'s policyholders who hold participating policies, an arrangement which was established at the demutualization of the Barbados Mutual Life Assurance Society (now Sagikor Life), and of its amalgamation with Life of Barbados Limited.

For the 2019 financial year, US \$87.4 million of net income, from continuing operations and before the Alignvest transaction expenses, was allocated to the holders of Sagikor common shares, which corresponded to earnings per share for continuing operations of US \$1.143. The comparative amounts for the 2018 fiscal year were US \$36.5 million of net income from continuing operations allocated to the holders of common shares, which corresponded to earnings per share for continuing operations of US \$0.517. The respective annual returns on average shareholders' equity were 14.0% for 2019 and 6.2% for 2018 (before the Alignvest transaction expenses).

The dividends declared and paid in respect of Sagikor common shares in respect of 2019 totalled US \$15.3 million and represented US \$0.05 per common share. Dividends of US \$0.05

MANAGEMENT'S DISCUSSION AND ANALYSIS

per share were declared and paid in 2018. The table below summarises Sagicor's profitability, dividends and returns in respect of common shareholders for the years ended December 31, 2019 and 2018.

Common shareholder returns	Year ended December 31	
	2019	2018
Net income ^(a) attributable to common shareholders	\$44.0m	\$36.5m
Net income ^{(a) (b)} attributable to common shareholders	\$87.4m	\$36.5m
Basic earnings ^(a) per share	57.5¢	51.7¢
Basic earnings ^{(a) (b)} per share	114.3¢	N/A
Fully diluted earnings ^(a) per share	54.1¢	50.8¢
Fully diluted earnings ^{(a) (b)} per share	107.5¢	N/A
Return ^(a) on shareholders' equity	6.8%	6.2%
Return ^{(a) (b)} on shareholders' equity	14.0%	N/A
Dividend pay-out ratio	37.6%	41.8%
Dividend pay-out ratio ^(b)	18.9%	N/A
Dividends paid	\$15.3m	\$15.3m
Dividends paid per common share	5.0 ¢	5.0¢

^(a) From continuing operations. ^(b) Before Alignvest transaction expenses

Comprehensive income

The table below summarises Sagicor's total comprehensive income for the years ended December 31, 2019 and 2018.

	Year ended December 31		
	2019	2018	Change
<i>(in millions of US \$)</i>			
Other comprehensive income:			
Items net of tax that may be reclassified			
Fair value assets measured at fair value			
Gains/(losses) on revaluation	168.7	(82.9)	304%
Gains transferred to income	(20.4)	(1.8)	(1,033%)
Net change in actuarial liabilities	(95.0)	41.6	328%
Retranslation of foreign currency operations	(16.6)	(25.2)	33%
Other items	(3.2)	-	-
	33.5	(68.3)	149%
Items net of tax that will not be			
Gains arising on revaluation of ownership occupied property	(1.0)	6.9	(115%)
Net gains on equity securities designated at fair value through other comprehensive	-	0.1	(100%)
Gains/(losses) on defined benefits plans	11.2	(2.7)	515%
	10.2	4.3	137%
Other Comprehensive Income from	43.7	(64.0)	168%

MANAGEMENT'S DISCUSSION AND ANALYSIS

<i>(in millions of US \$)</i>	Year ended December 31		
	2019	2018	Change
Total comprehensive income			
Group net income before Alignvest transaction costs	147.5	102.9	43%
Other comprehensive income	43.7	(64.0)	168%
Total comprehensive income for the year, before Alignvest transaction costs	191.2	38.9	392%
Alignvest transaction costs	(43.4)	-	-
Total comprehensive income for the year	147.8	38.9	280%
Total comprehensive income attributable			
Common shareholders:			
From continuing operations before Alignvest transaction expenses	124.1	3.0	4,037%
Alignvest transaction costs	(43.4)	-	-
From continuing operations	80.7	3.0	2,590%
From discontinued operation	0.5	7.1	(93%)
	81.2	10.1	704%
Participating policyholders	(2.7)	6.4	(142%)
Non-controlling interests	69.3	22.4	209%
	147.8	38.9	280%

Items recorded within other comprehensive income arise from gains and losses on employee defined benefit pension plans, from fair value changes of certain asset classes and from the related movements in actuarial liabilities, and from the retranslation of foreign currency operations.

Other comprehensive income for year ended December 31, 2019 totalled US \$43.7 million, a significant increase from the loss of US \$64.0 million reported in 2018.

During the year, the Group reported net gains on financial assets totalling US \$168.7 million resulting from marked-to-market gains financial assets in our international portfolio. This was offset by a net change in actuarial liabilities reserve of US \$95.0 million. Other comprehensive income for the period also included a loss of US \$16.6 million on the Retranslation of foreign currency operations and largely related to the impact of the depreciation of the Jamaican dollar when compared to the United States dollar.

Overall total comprehensive income for the year ended December 31, 2019 totalled US \$147.8 million and included the impact of the Alignvest transaction expenses of US \$43.4 million. Total Comprehensive Income allocated to shareholders from continuing operations was US \$80.7 million. Absent the Alignvest transaction expenses of US \$43.4 million total Comprehensive Income allocated to shareholders from continuing operations would have been income of US \$124.1 million. Total Comprehensive Income of US \$3.0 million was reported for the same period in 2018.

Statement of financial position

The table below summarises Sagicor's consolidated statement of financial position as at December 31, 2019 and 2018, respectively.

MANAGEMENT'S DISCUSSION AND ANALYSIS

<i>(in millions of US \$)</i>	December 31		
	2019	2018	Change
Sagicor Group			
Financial investments	6,685.6	5,347.7	25%
Other assets	2,043.3	1,960.5	4%
Assets of discontinued operation	-	17.2	(100%)
Total assets	8,728.9	7,325.4	19%
Policy liabilities	4,316.0	3,662.4	18%
Other operating liabilities	2,145.4	2,037.2	5%
Borrowings	517.7	490.3	6%
Total liabilities	6,979.1	6,189.9	13%
Shareholders' equity	1,154.1	600.9	92%
Participating accounts	1.2	4.1	(71%)
Non-controlling interests	594.5	530.5	12%
Total equity	1,749.8	1,135.5	54%
Total liabilities and equity	8,728.9	7,325.4	19%

Fourth Quarter 2019 Profitability

Group net income for the three-month period ended December 31, 2019

The table below summarises Sagicor's net income for the three-month periods ended December 31, 2019 and 2018.

<i>(in millions of US \$)</i>	Quarter ended December 31		
	Q4 2019	Q4 2018	Change
Group net income			
From continuing operations before Alignvest transaction costs	67.9	40.0	70%
Alignvest transaction costs	(43.4)	-	-
From continuing operations	24.5	40.0	(39%)
From discontinued operation	-	3.9	(100%)
Total	24.5	43.9	(44%)
Net income/(loss) is attributable to Common shareholders:			
From continuing operations	54.8	8.0	585%
Alignvest transaction costs	(43.4)	-	-
	11.4	8.0	43%
From discontinued operation	-	3.9	(100%)
	11.4	11.9	(4%)
Participating policyholders	(1.1)	14.9	(107%)
Non-controlling interest	14.2	17.1	(17%)
Group net income	24.5	43.9	(44%)

Group net income before the Alignvest expenses, from continuing operations, for the three-month period to December 31, 2019 was US \$67.9 million compared to net income of US \$40.0

MANAGEMENT'S DISCUSSION AND ANALYSIS

million for the same period in 2018; an increase of US \$27.9 million (70%). The group experienced a strong performance across all operating segments during the fourth quarter. Net income attributable to shareholders for continuing operations for Q4 2019 was US \$54.8 million before Alignvest transactions costs, significantly above the US \$8.0 million net income reported for the same period in 2018.

Net income from discontinued operation was nil during the fourth quarter, compared to net income of US \$3.9 million, for the same period in 2018. On February 12, 2019, Sagicor Financial Corporation Limited completed a review of the consideration, related to the price adjustments to December 31, 2018, and entered into a Deed of Release with AmTrust to close this exposure. The final settlement amount of £13.5 million was received on February 26, 2019.

Group net income from continuing operations

The table below summarises Sagicor's net income from continuing operations for the three-month periods ended December 31, 2019 and 2018.

(in millions of US \$)

Group net income from continuing operations	Quarter ended December 31		
	Q4 2019	Q4 2018	Change
Revenue	471.7	420.7	12%
Benefits	(228.5)	(228.0)	-
Expenses	(147.9)	(148.2)	-
Other	(5.4)	13.6	(140%)
Income taxes	(22.0)	(18.1)	(22%)
Group net income from continuing operations before Alignvest transaction	67.9	40.0	70%
Alignvest transaction costs	(43.4)	-	-
	24.5	40.0	(39%)

Overall, Group net income before Alignvest transaction expenses, closed at US \$67.9 million for the quarter compared to net income of US \$40.0 million for the same period ended December 31, 2018; an increase of US \$27.9 million or 70%.

Revenue

The following table summarises the main items of Sagicor's revenue for the three-month periods ended December 31, 2019 and 2018.

(in millions of US \$)	Quarter ended December 31		
	2019	2018	Change
Revenue			
Net insurance premiums:			
Life and annuity	237.3	280.8	(16%)
Health	45.2	45.7	(1%)
Property and casualty	18.0	7.5	140%
	300.5	334.0	(10%)
Gain on derecognition of amortised cost investments	10.0	7.7	30%
Gain reclassified to income from accumulated OCI	19.5	-	-
Interest income earned from financial assets measured at amortised cost and FVOCI	79.9	75.6	(6%)
Other investment income	27.8	(27.6)	201%
Credit impairment (losses)/gains	(10.4)	0.5	(2,180%)
Fees and other revenue	44.3	30.5	45%
Total	471.7	420.7	12%

MANAGEMENT'S DISCUSSION AND ANALYSIS

<i>(in millions of US \$)</i>	Quarter ended December 31		
	2019	2018	Change
Total Revenue attributable to Operating segments:			
Sagicor Life	162.2	112.1	45%
Sagicor Jamaica	194.3	157.9	23%
Sagicor Life USA	102.9	142.4	(28%)
Head office and Other	12.3	8.3	48%
Total	471.7	420.7	12%

Revenue from continuing operations reached US \$471.7 million for the three-month period ended December 31, 2019, an increase of US \$51.0 million (12%) from US \$420.7 million reported for the same period in 2018.

Net Life and annuity insurance premiums closed the period at US \$237.3 million, a US \$43.5 million (16%) decrease from US \$280.8 million reported for the same period in 2018 and was driven primarily by the USA segment which experienced lower premium growth (US \$80.1 million) in life and annuity business, as the segment scaled back new business production in the quarter in response to relative net interest margins.

Net premium revenue from health insurance totalled US \$45.2 million in 2019 and was slightly below the US \$45.7 million reported for the three-month period ended December 31, 2018. Net premium revenue from property and casualty insurance totalled US \$18.0 million in 2019, closing US \$10.5 million above the US \$7.5 million reported for the same period in 2018, as the group benefited from premiums from the recently acquired 60% share of Advantage General Insurance company Limited, in our Jamaica segment

Net investment income was US \$107.7 million in 2019 compared to US \$48.0 million in 2018, an increase of US \$59.7 million and was primarily due an increase in marked to market changes on indexed options in our USA segment, commensurate with the investment market gains year to date in the US. In our Jamaica segment, the group benefited from underlying growth in our investment portfolio along with gains arising from the strong performance of the Jamaica stock market.

The Group generated Fees and other revenue of US \$44.3 million for the three-month period ended December 31, 2019, compared to US \$30.5 million for the same period in 2018, an increase of US \$13.8 million. This was largely driven by the Jamaica segment which experienced growth in the payments business.

Benefits

The table below summarises benefits provided by Sagicor to holders of insurance contracts, investment contracts and deposit and security liability contracts for the three-month periods ended December 31, 2019 and 2018.

<i>(in millions of US \$)</i>	Quarter ended December 31		
	2019	2018	Change
Benefits			
Net insurance benefits:			
Life and annuity	174.0	179.0	(3%)
Health	33.4	28.2	18%
Property and casualty	8.4	5.8	45%
	215.8	213.0	1%
Interest cost	12.7	15.0	(15%)
Total	228.5	228.0	-

Life and annuity benefits totalled US \$174.0 million for the three-month period ended December 31, 2019, of which US \$108.0 million related to current benefits and US \$66.0 million related to future benefits. Benefits for the corresponding period in 2018 were a total of US \$179.0 million, of which US \$102.2 million related to current benefits and US \$76.8 million related to future benefits. The change to future benefits from 2018 to 2019 represented a decrease of US \$10.8 million and occurred mainly as a result of lower growth in new business in the fourth quarter when compared to 2018 in USA segment.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Total health insurance benefits were US \$33.4 million representing an overall claim to premium ratio of 75.7%. Total health insurance benefits in 2018 amounts were US \$28.2 million and an overall claim to premium ratio of 85.9%.

Property and casualty claims amounted to US \$8.4 million in 2019, a US \$2.6 million increase from US \$5.8 million in 2018. Property and casualty benefits now include claims on the Advantage General Insurance acquired on October 1, 2019.

Interest expense incurred was US \$12.7 million for the three-month period ended December 31, 2019, a 15 % decrease from US \$15.0 million reported for the three-month period in 2018.

Expenses and taxes

The table below summarises Sagicor's expenses and taxes from continuing operations for the three-month periods ended December 31, 2019 and 2018.

<i>(in millions of US \$)</i>	Quarter ended December 31		
	2019	2018	Change
Expenses and taxes			
Administrative expenses	91.1	90.5	1%
Commissions and related compensation	32.4	37.9	(15%)
Finance costs, depreciation and	22.0	17.5	26%
Premium, asset and income taxes	24.3	20.4	19%
Total expenses before Alignvest transaction	169.8	166.3	2%
Alignvest transaction costs	43.4	-	-
Total expenses	213.2	166.3	28%

Total expenses and taxes before Alignvest transaction expenses totalled US \$169.8 million for the three-month period ended December 31, 2019 compared to US \$166.3 million for the same period in 2018, an increase of US \$3.5 million (2%).

Administration expenses was US \$91.1 million before the Alignvest transaction expenses for the three-month period ended December 31, 2019, compared to US \$90.5 million for the same period 2018, a slight increase of US \$0.6 million.

Commissions and related compensation declined by US \$5.5 million to close at US \$32.4 million for the three-month period ended December 31, 2019, trending in line with the decline in net premium revenue earned for the period under review.

Premium, asset and income taxes were US \$24.3 million for the three-month period ended December 31, 2019 compared to US \$20.4 million for the same period in 2018, an increase of US \$3.9 million. Of the total taxes, income taxes were US \$22.0 million, with increases being recorded across all segments.

Comprehensive income

The table below summarises Sagicor's total comprehensive income for the three-month periods ended December 31, 2019 and 2018.

MANAGEMENT'S DISCUSSION AND ANALYSIS

<i>(in millions of US \$)</i>	Quarter ended December 31		
	2019	2018	Change
Other comprehensive income:			
Items net of tax that may be reclassified			
Fair value assets measured at fair value through other comprehensive income:	17.7	(25.2)	170%
Losses on revaluation	(13.7)	(1.0)	(1,270%)
(Gains)/losses transferred to income	-	-	-
Net change in actuarial liabilities	(10.7)	14.3	(175%)
Retranslation of foreign currency	4.6	9.8	(53%)
Other items	(3.2)	-	-
	(5.3)	(2.1)	(152%)
Items net of tax that will not be reclassified subsequently to income:			
Gains arising on revaluation of ownership occupied property	1.5	6.1	(75%)
Net gains on equity securities designated at fair value through other comprehensive	-	0.2	(100%)
Gains/(losses) on defined benefits plans	11.2	(2.7)	515%
	12.7	3.6	253%
Other Comprehensive Income from	7.4	1.5	393%

Other comprehensive income for the three-month period ended December 31, 2019 was US \$7.4 million, an increase from the US \$1.5 million reported for the same period in 2018. During the quarter, the Group reported net gains on financial assets totalling US \$17.7 million resulting from marked to market gains on financial assets in our international portfolio. This was offset by a net change in actuarial liabilities reserve of US \$10.7 million. Retranslation of foreign currency operations generated gains of US \$4.6 million for the quarter and largely related to

the impact of the depreciation of the Jamaican dollar when compared to the United States dollar.

<i>(in millions of US \$)</i>	Quarter ended December 31		
	2019	2018	Change
Total comprehensive income			
Group net income	67.9	44.0	54%
Other comprehensive income	7.4	1.5	347%
Total comprehensive income for the year	75.3	45.5	65%
Alignvest transaction costs	(43.4)	-	-
	31.9	45.5	(30%)
Total comprehensive income			
Common shareholders:			
From continuing operations before Alignvest transaction costs	61.6	13.0	374%
Alignvest transaction costs	(43.4)	-	-
	18.2	13.0	40%
From discontinued operation	-	3.9	(100%)
	18.2	16.9	8%
Participating policyholders	(2.1)	14.7	(114%)
Non-controlling interests	15.8	14.0	13%
	31.9	45.5	(30%)

Overall, total comprehensive income for the three-month period ended December 31, 2019 totalled US \$31.9 million and included Alignvest transaction expenses of US \$43.4 million. Overall, total Comprehensive income before the Alignvest transaction expenses was US \$75.3 million.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Quarterly Financial Disclosures

The following table provides a summary of Sagicor's results from continuing operations for the eight most recently completed quarters. A more complete discussion of our historical quarterly results can be found in our interim and annual MD&A for the relevant periods.

<i>(in US \$millions, unless</i>	Q4 2019	Q3 2019	Q2 2019	Q1 2019	Q4 2018	Q3 2018	Q2 2018	Q1 2018
Net premium revenue	300.5	263.3	312.7	365.0	334.0	310.0	222.7	187.3
Net investment and other income	171.2	148.2	155.7	150.7	86.6	84.1	61.1	100.7
Total revenue	471.7	411.5	468.4	515.8	420.6	394.1	283.8	288.0
Benefits and expenses	(376.4)	(379.3)	(429.3)	(478.7)	(376.2)	(356.9)	(279.2)	(248.2)
Other	(5.4)	-	0.6	7.7	13.6	(2.1)	1.8	7.1
Income before tax	89.9	32.2	39.7	44.8	58.0	35.1	6.4	46.9
Income tax	(22.0)	(11.1)	(14.2)	(12.4)	(18.1)	(15.4)	(8.8)	(8.4)
Net income before Alignvest transaction costs	67.9	21.1	25.5	32.4	39.9	19.7	(2.4)	38.5
Alignvest transaction costs	(43.4)	-	-	-	-	-	-	-
Net income	24.5	21.1	25.5	32.4	39.9	19.7	(2.4)	38.5
Income attributable to shareholders before Alignvest transaction	54.9	6.3	11.1	15.1	8.0	7.0	2.0	19.5
Income attributable to shareholders	11.5	6.3	11.1	15.1	8.0	7.0	2.0	19.5

MANAGEMENT'S DISCUSSION AND ANALYSIS

Quarterly Financial Disclosures, continued

<i>(in US \$millions, unless otherwise noted)</i>	Q4 2019	Q3 2019	Q2 2019	Q1 2019	Q4 2018	Q3 2018	Q2 2018	Q1 2018
Basic EPS before Alignvest transaction costs	71.8¢	8.9¢	15.7¢	21.3¢	11.3 ¢	9.9 ¢	2.9¢	27.5¢
Basic EPS	15.0¢	8.9¢	15.7¢	21.3¢	11.3 ¢	9.9 ¢	2.9¢	27.5¢
Diluted EPS before Alignvest transaction costs	67.5¢	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Diluted EPS	14.1¢	8.6¢	15.3¢	21.0¢	11.1 ¢	9.7¢	2.8¢	27.0¢
Annualised return on shareholders' equity before Alignvest transaction costs	30.4%	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Annualised return on shareholders' equity	6.2%	3.8%	6.9%	9.9%	5.4%	4.7%	1.3%	12.7%
Dividends paid per share	2.5 ¢	-	2.5 ¢	-	2.5 ¢	-	2.5 ¢	-
Total assets ^(a)	8,728.9	8,056.4	7,861.7	7,639.8	7,308.2	6,821.4	6,942.9	6,895.9
Total equity attributable to shareholders ^(a)	1,154.1	660.4	658.6	640.4	600.9	598.1	596.7	622.9
Income before Alignvest transaction costs, attributable to shareholders by operating segment:								
Sagcor Life	29.4	10.5	9.8	11.2	5.5	1.1	5.2	27.8
Sagcor Jamaica	18.2	18.4	14.3	10.4	20.9	12.6	11.7	10.6
Sagcor Life USA	16.5	6.0	6.0	6.9	6.6	12.1	2.8	(3.2)
Head office, other & inter-segment eliminations	(9.2)	(28.6)	(19.0)	(13.4)	(25.0)	(18.8)	(17.7)	(15.7)
Total	54.9	6.3	11.1	15.1	8.0	7.0	2.0	19.5

Under the Alignvest transaction, Sagcor Financial Corporation Limited common shares not purchased for cash, were exchanged for common shares of Sagcor Financial Company Ltd on an exchange ratio of one Sagcor Financial Company Ltd. common share for 4.328 of Sagcor Financial Corporation Limited common shares ("Exchange Ratio"). This exchange ratio has been used to convert the 2018 outstanding shares to the Sagcor Financial Company Ltd equivalent. The earnings per share ratio for 2018 has been adjusted to reflect the Exchange Ratio.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Quarterly Financial Disclosures (continued)

Third Quarter 2019

Results for third quarter of 2019 reflected moderate aggregate growth in our core operating segments, offset somewhat with the effect of Hurricane Dorian.

Net income from continuing operations attributable to shareholders was US \$6.3 million for the three-month period ended September 30, 2019, (three-month period end September 30, 2018 – US \$7.0 million), a decrease of US \$0.7 million. During Q3 2019, Sagicor took a provision of US \$2.5 million, representing our maximum potential impact from Hurricane Dorian. During Q3 2018, the Group increased its provisions on the Government of Barbados (GoB) debt. The net impact on the net income was US \$16.4 million. Net income in 2018, also benefitted from certain one-time positive earnings releases that did not recur in 2019.

Second Quarter 2019

Net income from continuing operations attributable to shareholders was US \$11.1 million for the three-month period ended June 30, 2019, (three-month period end June 30, 2018 – US \$2.0 million), an increase of US \$9.1 million. The Group benefitted from net premium growth in our USA segment. Benefits and expenses also grew over the prior year's levels driven by business growth. In the June quarter of 2018 the Group also experienced the net impact of increased provisions for expected credit impairment losses on the Government of Barbados debt (US \$19.8 million).

First Quarter 2019

Net income from continuing operations attributable to shareholders was \$15.1 million for the three months ended March 31, 2019, (first quarter March 2018 – US \$19.5 million). While the Group benefitted from net premium growth through our USA segment, benefits and expenses also grew over the prior year-to-date levels and was consistent with premium growth due to the provisions for future benefits on new business. During the first quarter of 2019, the Group also benefitted from increased investment income due to marked to market changes on equities and

indexed options in our Jamaica and USA segments. During the first quarter of 2018 the results included a one-time gain of US \$5.3 million on the acquisition of the British American insurance portfolio.

Fourth Quarter 2018

Net income from continuing operations attributable to shareholders was US \$8.0 million for the three months ended December 31, 2018, compared to US \$15.7 million for the three-month period ended December 31, 2017. The Group was impacted by lower realised gains on the sale of securities and lower interest rates in our Jamaica Segment in 2018. In addition, in 2017, the Group recognised a tax benefits in our Sagicor USA segment, arising from the 2017 US Federal tax law changes.

Third Quarter 2018

Net income from continuing operations attributable to shareholders was US \$7.0 million in the three-month period ended September 30, 2018, compared to a profit of US \$28.6 million for the same period in 2017. The Group benefitted from increased new annuity business growth in our USA segment. The Group was also impacted by lower realised gains on the sale of securities and lower interest rates in our Jamaica Segment.

In addition, on September 7, 2018 the Government of Barbados entered into a staff-level agreement with the International Monetary Fund (IMF) to provide financial and technical assistance. As part of the programme, the Government of Barbados launched a debt exchange offer for Government of Barbados Domestic Barbados-dollar debt holders on September 7, 2018 and announced on October 15, 2018 that its debt exchange offer received unanimous support from the domestic creditors. A restructuring plan had not been announced for external US dollar denominated debt. The Sagicor Group held approximately US \$337 million in Government of Barbados debt, of which US \$278 million was domestic Barbados-dollar debt. The net impact of credit events on Government of Barbados debt to shareholders for Q3 2018 was US \$16.4 million. The year to date impact to shareholders was US \$36.1 million, at the end of the period.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Second Quarter 2018

Net income from continuing operations attributable to shareholders was US \$2.0 million in the second quarter of 2018, compared to US \$5.6 million for the same period in 2017. The Group reported revenue growth which was mainly due to growth in premiums in the USA segment. Benefits also increased, driven largely by growth in new business.

First Quarter 2018

Net income from continuing operations, attributable to shareholders, was US \$19.5 million in the first quarter of 2018 (first quarter March 2017 – US \$12.4 million). The Group benefited from net premium growth and lower net benefits when compared to the same period in 2017, however net investment income fell short of that reported for the same period in 2017. The 2018 first quarter results also included a one-time gain of US \$5.3 million on the acquisition of the British American insurance portfolio from the Government of Barbados.

Key Factors Affecting Results

A variety of factors affect Sagicor's results, including:

- (i) sales of core products and services;
- (ii) life insurance and annuity policy lapse experience;
- (iii) insurance claims experience;
- (iv) investment yields;
- (v) asset default;
- (vi) country inflation and taxes;
- (vii) Sagicor's expansion into new geographic markets (in the United States) and product markets (in Jamaica) through portfolio and / or company acquisitions; and
- (viii) the continuing availability of appropriately priced reinsurance treaties for life, health and property and casualty insurance.

Sales of core products and services

Growth in sales enables Sagicor to allocate its fixed operating expenses over larger revenues and subsequently increases its profitability. The impact is very significant for the Sagicor Life and Sagicor Jamaica operating segments which sell significant amounts of periodic premium

life insurance and annuity policies. The pricing of such products is either fixed at the issue of each policy or may limit the extent of cost recovery over the duration of the policy which can extend over decades. Growth in sales enables Sagicor to contain the growth in unit policy operating expenses.

Lapse experience

With respect to periodic premium life insurance and annuity policies, lapse experience is a factor of profitability. Many of these policies have up-front commission, policy issue and medical underwriting costs which are only recovered in full if the policy is premium paying for the initial years of its duration. If the policy lapses during the initial years, Sagicor will not fully recover its up-front costs and incur a loss on that policy.

For the same reasons that the quantum of sales of insurance policies is an important factor in maintaining insurance policy unit costs of administration, the rates of lapse or termination of inforce policies impacts the policy unit costs incurred. The lower the lapse or termination rate, the more policies are inforce, enabling Sagicor to contain growth in unit policy administrative costs.

Insurance claims experience

Across all lines of insurance, claims experience is a factor in profitability. In establishing rates of premium, Sagicor provides for appropriate levels of claims experience, be it rates of mortality for life insurance, rates of longevity for annuities, rates of morbidity for disability and health insurance, or rates of contingent losses for property and casualty insurance. Claims rates incurred in excess of pricing have adverse consequences for profitability, and conversely, claims rates incurred at levels below pricing impact profitability positively.

Investment yields

Across applicable lines of insurance and across financial contracts issued by Sagicor, investment yield is important to the profitability of the Group. Higher investment yields enable Sagicor to achieve higher interest margins (defined as the difference between interest earned and payable) on applicable insurance contracts and financial contracts. With lower investment

MANAGEMENT'S DISCUSSION AND ANALYSIS

yields, the interest margins are generally lower and may be eliminated if Sagicor is not able to earn a guaranteed rate of interest which is payable under the insurance or financial contract.

For long-term life insurance and annuity contracts, the Appointed Actuaries within the Group determine each segment's actuarial liabilities at December 31 after factoring in rates of investment return on re-invested assets. These rates, including the ultimate rates of return, affect the quantum of actuarial liability determined, with higher re-investment rates resulting in a lower actuarial liability, and with lower re-investment rates resulting in a higher actuarial liability.

Asset default

The recognition of an un-anticipated default from an invested asset, may have immediate negative consequences for profitability. Sagicor maintains certain invested assets for which the full return (of capital and of interest) is borne by insurance and /or financial contract-holders. In such instances, Sagicor is generally not exposed to asset default risk. However, for other invested assets, for which Sagicor is exposed to default risk, the default risk may be entirely borne by Sagicor's shareholders, or the risk is shared by Sagicor's shareholders and insurance and /or financial contract-holders. In such instances, the impact on profitability will be negative.

For long-term life insurance and annuity contracts, the Appointed Actuaries within the Group determine each segment's actuarial liabilities at December 31 after factoring in the expected rates of asset default. Should asset default rates over time be lower than expected, profitability is impacted positively. Conversely, if asset default rates over time are higher than expected, profitability is impacted negatively.

Country inflation and taxes

As with other key factors affecting profitability, changes in the level of country inflation and taxes impact the operating costs of the Sagicor Group, immediately and in the longer term.

Actuaries within the Group determine each segment's actuarial liabilities as of December 31 after factoring in expected levels of operating expenses. Higher inflation and taxation levels result in adverse consequences for profitability and lower inflation and taxation levels result in positive consequences for profitability.

Sensitivity arising from the valuation of actuarial liabilities

The estimation of actuarial liabilities is sensitive to the assumptions made. Changes in those assumptions could have a significant effect on the valuation results which are discussed below.

The valuation of actuarial liabilities of life insurance and annuity contracts is sensitive to:

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

Under Canadian accepted actuarial standards, the AA is required to test the actuarial liability under economic scenarios. The scenarios developed and tested by insurers were as follows:

MANAGEMENT'S DISCUSSION AND ANALYSIS

Sensitivity	Scenario		
	Sagicor Life Inc segment	Sagicor Jamaica Segment	Sagicor USA segment
Worsening rate of lapse	Lapse rates were either doubled or halved, and the more adverse result was selected.		Lapse rates were increased or reduced by 30%, and the more adverse result was selected.
High interest rate	Assumed increases in the investment portfolio yield rates of 0.25% per year for 5 years, with the rates remaining constant thereafter.	Assumed increases in the investment portfolio yield rates of 0.5% for 10 years.	A 1% increase was applied to the investment portfolio rate.
Sensitivity	Scenario		
	Sagicor Life Inc segment	Sagicor Jamaica Segment	Sagicor USA segment
Low interest rate	Assumed decreases in investment portfolio yield rates of 0.25% per year for 5 years, with the rates remaining constant thereafter.	Assumed decreases in investment portfolio yield rates of 0.5% per year for 10 years.	A 1% decrease was applied to the investment portfolio rate.

Worsening mortality and morbidity	Mortality and morbidity rates for insurance and critical illness products were increased by 3% of the base rate per year for 5 years. For annuity products, the mortality rates were decreased by 3% of the base rate for 5 years.	For life insurance and deferred annuity products, the base assumed rates were increased annually by 3% cumulatively over the next 5 years. For pay-out annuity products only, the mortality rates were decreased by 3% cumulatively over the next 5 years.
Higher expenses	Policy unit maintenance expense rates were increased by 5% per year for 5 years above those reflected in the base scenario.	

To illustrate the potential impact of some of the foregoing key factors, the following table presents the estimated sensitivity using the economic scenarios outlined above, relating to (i) worsening rate of lapse, (ii) higher interest rate (on invested assets), (iii) lower interest rate (on invested assets), (iv) worsening rate of mortality and morbidity, and (v) higher operating expenses, to the net actuarial liabilities of each of operating segments of the Group, as of December 31, 2019 and 2018.

MANAGEMENT'S DISCUSSION AND ANALYSIS

<i>(in US \$millions)</i>	2019	2018
Sagicor Life Segment		
Base net actuarial liability	1,038.7	926.1
Scenario	Increase (decrease) in actuarial liability	
Worsening rate of lapse	177.6	156.2
Higher interest rate	(97.6)	(97.6)
Lower interest rate	163.3	170.0
Worsening mortality / morbidity	42.6	39.7
Higher expenses	20.4	20.6
Sagicor Jamaica Segment		
Base net actuarial liability	360.0	345.2
Scenario	Increase (decrease) in actuarial liability	
Worsening rate of lapse	78.5	66.6
High interest rate	(116.6)	(115.8)
Low interest rate	97.1	110.2
Worsening mortality / morbidity	56.9	48.3
Higher expenses	20.9	16.6

<i>(in US \$millions)</i>	2019	2018
Sagicor Life USA Segment		
Base net actuarial liability	1,212.2	816.8
Scenario	Increase (decrease) in actuarial liability	
Worsening rate of lapse	18.4	12.1
High interest rate	(72.2)	(49.7)
Low interest rate	83.1	57.5
Worsening mortality / morbidity	17.0	16.0
Higher expenses	2.9	3.0

Expansion into new markets and company acquisitions

While Sagicor has endured for 178 years, its product offerings and geographic markets have evolved. Markets often have different preferences for certain products and any successful venture into new markets need to adapt to market tastes. Sagicor only ventures into new markets or offers new products after extensive research and appraisal.

Company acquisitions has been a strategy employed by the Sagicor Group over the last twenty years. As a result of these acquisitions, Sagicor's assets include goodwill and other intangibles acquired on company acquisitions. The goodwill carried by operating segments as of December 31, 2019 and 2018 respectively, is summarised in the following table.

<i>(in US \$millions)</i>	2019	2018
Goodwill		
Sagicor Life segment	26.6	26.5
Sagicor Jamaica segment	31.0	24.2
Sagicor General Insurance	5.7	5.7
Total goodwill	63.3	56.4

Goodwill is subject to an annual impairment test, whereby the carrying value of the business unit including the associated goodwill is compared to the fair value of the business. As long as

MANAGEMENT'S DISCUSSION AND ANALYSIS

the fair value of the business exceeds the carrying value of the business and its associated goodwill, the goodwill is un-impaired. If it is not, the goodwill is impaired to the extent of the excess of the carrying value plus goodwill over its fair value, and the resulting impairment charge is recorded in the income statement.

In this test, fair value is defined as the higher of 'value in use' and 'fair value less costs to sell'. The computation of fair value includes the use of management prepared income and cash flow forecasts, and independently determined market discount and residual growth rates. For some life insurance elements of the carrying value, the Group uses an actuarially determined 'embedded value' to determine fair value, as this is an appropriate methodology to determine fair value of long-term insurance business.

As income and cash flow forecasts and market discount and residual factors vary from year to year, there is the possibility of a significant impairment charge. For the years ended December 31, 2019 and 2018 respectively, there was no goodwill impairment charge recorded in the income statement.

Reinsurance treaties

In order to offer useful insurance coverages to potential customers, the Group holds reinsurance coverages that allow potential policy benefits to exceed amounts which are prudent for Sagikor to undertake the claims risk. Reinsured amounts may be on a per policy basis, (i.e. in excess of a pre-determined insured amount) or may be based on the aggregation of the

insured's coverages (i.e. the insured has several policies and the amount reinsured is the aggregate exceeding a pre-determined amount).

The tables below illustrate the gross and net (of reinsurance) total life insurance coverages and annuity liabilities for individual and group policies as of December 31, 2019 and 2018, respectively.

<i>(in US \$millions)</i>	2019	2018
Total life insurance coverage		
Individual contracts - gross	33,486.9	31,820.2
Individual contracts - net	27,482.8	25,655.5
Group contracts – gross	12,350.6	11,667.0
Group contracts - net	11,853.5	11,240.1

<i>(in US \$millions)</i>	2019	2018
Total actuarial liability for annuity contracts		
Individual contracts - gross	2,016.2	1,542.9
Individual contracts - net	1,335.0	862.0
Group contracts – gross	428.1	414.3
Group contracts - net	414.2	399.4

MANAGEMENT'S DISCUSSION AND ANALYSIS

3. ANALYSIS BY BUSINESS SEGMENT

Sagicor operates its business primarily through three reporting operating segments. These segments are: Sagicor Life, Sagicor Jamaica and Sagicor Life USA. A summary analysis of revenue and net income by operating segment are presented on a three-month quarterly basis and on a yearly basis for 2019 and 2018, as follows:

<i>(in millions of US \$)</i>	Fourth Quarter (three-month period) – December 2019					Total
	Sagicor Life	Sagicor Jamaica	Sagicor Life USA	Head office & other	Adjustments	
Revenue						
Net premium revenue	126.0	93.7	70.9	9.9	-	300.5
Net gain/(losses) on derecognition of financial assets measured at amortised cost	0.5	10.3	-	(0.8)	-	10.0
Gains reclassified to income from accumulated OCI	2.9	15.1	1.5	-	-	19.5
Interest income	15.5	38.8	15.8	0.6	-	70.7
Other investment income	7.7	10.7	16.2	2.8	(0.3)	37.1
Credit impairment losses	(0.4)	(9.5)	(0.5)	-	-	(10.4)
Fees and other revenues	4.9	35.1	(0.9)	5.8	(0.6)	44.3
Inter-segment revenues	5.1	-	-	18.5	(23.6)	-
Segment revenue	162.2	194.2	103.0	36.8	(24.5)	471.7
Benefits and expenses	(131.2)	(139.8)	(81.7)	(48.0)	24.3	(376.4)
Inter-segment expenses	(1.4)	(0.9)	(0.4)	(5.0)	7.7	-
Gain arising on business combinations, acquisitions and divestitures	0.1	-	-	-	-	0.1
Gain/(Loss) arising on acquisition of insurance business	-	-	-	-	-	-
Share of operating income of associates and joint ventures	0.3	(5.7)	-	-	-	(5.4)
Segment income before tax	30.0	47.8	20.9	(16.2)	7.5	90.0
Income taxes	(1.8)	(15.5)	(4.4)	(0.5)	0.2	(22.0)
Segment net income/(loss) from continuing before Alignvest transaction costs	28.2	32.3	16.5	(16.7)	7.7	68.0
Alignvest transaction costs	-	-	-	(43.4)	-	(43.4)
Segment net income/(loss) from continuing operations	28.2	32.3	16.5	(60.1)	7.7	24.6
Net income attributable to shareholders	29.4	18.2	16.5	(34.1)	(18.5)	11.5
Net income attributable to shareholders before Alignvest transaction costs	29.4	18.2	16.5	9.3	(18.5)	54.9

MANAGEMENT'S DISCUSSION AND ANALYSIS

Fourth Quarter (three-month period) – December 2018

(in millions of US \$)

	Sagikor Life	Sagikor Jamaica	Sagikor Life USA	Head office & other	Adjustments	Total
Revenue						
Net premium revenue	89.7	85.3	151.5	7.5	-	334.0
Net gain/(losses) on derecognition of financial assets measured at amortised cost	(0.3)	7.5	-	0.4	-	7.6
Gains reclassified to income from accumulated OCI	0.5	8.4	0.8	-	(0.4)	9.3
Interest income	20.2	38.5	15.8	1.1	-	75.6
Other investment income	(3.2)	(9.3)	(24.5)	(0.4)	0.6	(36.8)
Credit impairment losses	0.4	0.5	(0.6)	0.2	-	0.5
Fees and other revenues	1.0	27.0	(0.4)	3.6	(0.7)	30.6
Inter-segment revenues	4.4	-	-	55.1	(59.5)	(0.0)
Segment revenue	112.7	157.9	142.5	67.5	(60.0)	420.7
Benefits and expenses	(90.1)	(117.7)	(133.9)	(60.9)	26.5	(376.0)
Inter-segment expenses	(1.0)	(0.8)	(0.2)	(4.2)	6.2	-
Gain arising on business combinations, acquisitions and divestitures	-	11.8	-	-	-	11.8
Gain/(Loss) arising on acquisition of insurance business	1.1	-	-	-	-	1.1
Share of operating income of associates and joint ventures	0.1	0.5	-	-	-	0.6
Segment income before tax	22.8	51.8	8.4	2.5	(27.2)	58.2
Income taxes	(2.0)	(11.9)	(1.8)	(2.4)	(0.1)	(18.2)
Segment net income/(loss) from continuing operations before Alignvest transaction costs	20.8	39.9	6.6	0.1	(27.3)	40.0
Alignvest transaction costs	-	-	-	-	-	-
Segment net income/(loss) from continuing operations	20.8	39.9	6.6	0.1	(27.3)	40.0
Net income attributable to shareholders	5.5	20.9	6.6	27.2	(52.2)	8.0
Net income attributable to shareholders before Alignvest transaction costs	5.5	20.9	6.6	27.2	(52.2)	8.0

MANAGEMENT'S DISCUSSION AND ANALYSIS

Change December 2019 Quarter vs December 2018 Quarter (%)

	Sagicor Life	Sagicor Jamaica	Sagicor Life USA	Head office & other	Adjustments	Total
Revenue						
Net premium revenue	40%	10%	(53%)	32%	-	(10%)
Net gain/(losses) on derecognition of financial assets measured at amortised cost	267%	37%	-	(300%)	-	32%
Gains reclassified to income from accumulated OCI	480%	80%	88%	-	(100%)	110%
Interest income	(23%)	1%	0%	(45%)	-	(6%)
Other investment income	341%	215%	166%	800%	(150%)	201%
Credit impairment losses	(200%)	(2,000%)	17%	(100%)	-	(2,180%)
Fees and other revenues	390%	30%	(125%)	61%	14%	45%
Inter-segment revenues	16%	-	-	(66%)	60%	-
Segment revenue	44%	23%	(28%)	(45%)	(59%)	12%
Benefits and expenses	(46%)	(19%)	39%	21%	(8%)	0%
Inter-segment expenses	(40%)	(13%)	(100%)	(19%)	24%	-
Gain arising on business combinations, acquisitions and divestitures	-	(100%)	-	-	-	(99%)
Gain/(Loss) arising on acquisition of insurance business	(100%)	-	-	-	-	(100%)
Share of operating income of associates and joint ventures	200%	(1,240%)	-	-	-	(1,000%)
Segment income before tax	32%	(8%)	149%	(748%)	128%	55%
Income taxes	10%	(30%)	(144%)	79%	300%	(21%)
Segment net income/(loss) from continuing operations before Alignvest transaction costs	36%	(19%)	150%	(16,800%)	128%	70%
Alignvest transaction costs	-	-	-	-	-	-
Segment net income/(loss) from continuing operations	36%	(19%)	150%	(60,200%)	128%	(39%)
Net income attributable to shareholders	435%	(13%)	150%	(225%)	65%	44%
Net income attributable to shareholders before Alignvest transaction costs	435%	(13%)	150%	(66%)	65%	586%

MANAGEMENT'S DISCUSSION AND ANALYSIS

<i>(in millions of US \$)</i>	Year ended December 31, 2019					
	Sagikor Life	Sagikor Jamaica	Sagikor Life USA	Head office & other	Adjustments	Total
Revenue						
Net premium revenue	409.2	350.1	444.7	37.5	-	1,241.5
Net gain/(losses) on derecognition of financial assets measured at amortised cost	0.5	13.3	-	(0.9)	-	12.9
Gains reclassified to income from accumulated OCI	6.2	21.3	2.5	-	-	30.0
Interest income	74.2	160.3	70.2	3.3	-	308.0
Other investment income	10.8	52.1	46.9	2.6	(0.6)	111.8
Credit impairment losses	1.4	(6.1)	(0.4)	0.2	-	(4.9)
Fees and other revenues	11.0	144.3	(2.4)	17.2	(2.1)	168.0
Inter-segment revenues	20.0	-	-	41.7	(61.7)	-
Segment revenue	533.3	735.3	561.5	101.6	(64.4)	1,867.3
Benefits and expenses	(465.1)	(568.2)	(515.4)	(107.0)	(7.9)	(1,663.6)
Inter-segment expenses	(5.0)	(2.5)	(1.3)	(19.3)	28.1	-
Gain arising on business combinations, acquisitions and divestitures	(0.4)	-	-	-	-	(0.4)
Gain/(Loss) arising on acquisition of insurance business	-	-	-	-	-	-
Share of operating income of associates and joint ventures	4.0	(0.6)	-	-	-	3.4
Segment income before tax	66.8	164.0	44.8	24.7	(44.2)	206.7
Income taxes	(7.9)	(40.4)	(9.4)	(2.2)	0.2	(59.7)
Segment net income/(loss) from continuing operations before Alignvest transaction costs	58.9	123.6	35.4	(26.9)	(44.0)	147.0
Alignvest transaction costs	-	-	-	(43.4)	-	(43.4)
Segment net income/(loss) from continuing operations	58.9	123.6	35.4	(70.3)	(44.0)	103.6
Net income attributable to shareholders	60.9	61.4	35.4	(69.6)	(44.1)	44.0
Net income attributable to shareholders before Alignvest transaction costs	60.9	61.4	35.4	(26.2)	(44.1)	87.4

MANAGEMENT'S DISCUSSION AND ANALYSIS

<i>(in millions of US \$)</i>	Year ended December 31, 2018					
	Sagcor Life	Sagcor Jamaica	Sagcor Life USA	Head office & other	Adjustments	Total
Revenue						
Net premium revenue	320.5	309.7	390.0	33.9	-	1,054.1
Net gain/(losses) on derecognition of financial assets measured at amortised cost	(0.3)	10.3	-	0.4	-	10.4
Gains reclassified to income from accumulated OCI	0.5	8.3	0.8	-	(0.3)	9.3
Interest income	74.1	155.9	54.2	6.7	-	290.9
Other investment income	3.4	13.8	(14.8)	0.6	(0.1)	2.9
Credit impairment losses	(82.3)	(10.2)	(0.6)	(2.4)	-	(95.5)
Fees and other revenues	8.5	98.1	(8.9)	17.4	(0.6)	114.5
Inter-segment revenues	15.7	-	-	94.1	(109.8)	-
Segment revenue	340.1	585.9	420.7	150.7	(110.8)	1,386.6
Benefits and expenses	(290.0)	(451.0)	(396.9)	(120.6)	(1.8)	(1,260.4)
Inter-segment expenses	(2.9)	(2.2)	(0.7)	(15.1)	20.9	-
Gain arising on business combinations, acquisitions and divestitures	0.5	11.8	-	(0.5)	-	11.8
Gain/(Loss) arising on acquisition of insurance business	6.4	-	-	-	-	6.4
Share of operating income of associates and joint ventures	2.6	(0.5)	-	-	-	2.1
Segment income before tax	56.7	144.0	23.1	14.5	(91.9)	146.5
Income taxes	(9.6)	(33.2)	(4.8)	(3.2)	0.1	(50.7)
Segment net income/(loss) from continuing operations before Alignvest transaction costs	47.1	110.8	18.3	11.3	(91.8)	95.8
Alignvest transaction costs	-	-	-	-	-	-
Segment net income/(loss) from continuing operations	47.1	110.8	18.3	11.3	(91.8)	95.8
Net income attributable to shareholders before Alignvest transaction	39.6	55.7	18.3	14.3	(91.4)	36.5
Net income attributable to shareholders	39.6	55.7	18.3	14.3	(91.4)	36.5

MANAGEMENT'S DISCUSSION AND ANALYSIS

	Change December 31, 2019 vs December 31, 2018 (%)					
	Sagikor Life	Sagikor Jamaica	Sagikor Life USA	Head office & other	Adjustments	Total
Revenue						
Net premium revenue	27%	13%	14%	11%	-	18%
Net gain/(losses) on derecognition of financial assets measured at amortised cost	267%	29%	-	(300%)	-	25%
Gains reclassified to income from accumulated OCI	1,140%	157%	213%	-	(100%)	219%
Interest income	0%	3%	27%	(51%)	-	5%
Other investment income	218%	278%	397%	317%	500%	6,106%
Credit impairment losses	102%	40%	33%	108%	-	95%
Fees and other revenues	29%	47%	73%	(2%)	(250%)	47%
Inter-segment revenues	27%	-	-	(56%)	44%	-
Segment revenue	57%	25%	33%	(33%)	42%	35%
Benefits and expenses	(60%)	(26%)	(30%)	11%	(316%)	(32%)
Inter-segment expenses	(72%)	(14%)	(86%)	(28%)	34%	-
Gain arising on business combinations, acquisitions and divestitures	(180%)	(100%)	-	100%	-	(103%)
Gain/(Loss) arising on acquisition of insurance business	(100%)	-	-	-	-	(100%)
Share of operating income of associates and joint ventures	54%	(20%)	-	-	-	62%
Segment income before tax	18%	14%	94%	70%	52%	41%
Income taxes	18%	(22%)	(96%)	31%	100%	(18%)
Segment net income/(loss) from continuing operations before Alignvest transaction costs	25%	12%	93%	(338%)	52%	54%
Alignvest transaction costs	-	-	-	-	-	-
Segment net income/(loss) from continuing operations	25%	12%	93%	(722%)	52%	8%
Net income attributable to shareholders	54%	10%	93%	(587%)	52%	21%
Net income attributable to shareholders before Alignvest transaction costs	54%	10%	93%	(283%)	52%	139%

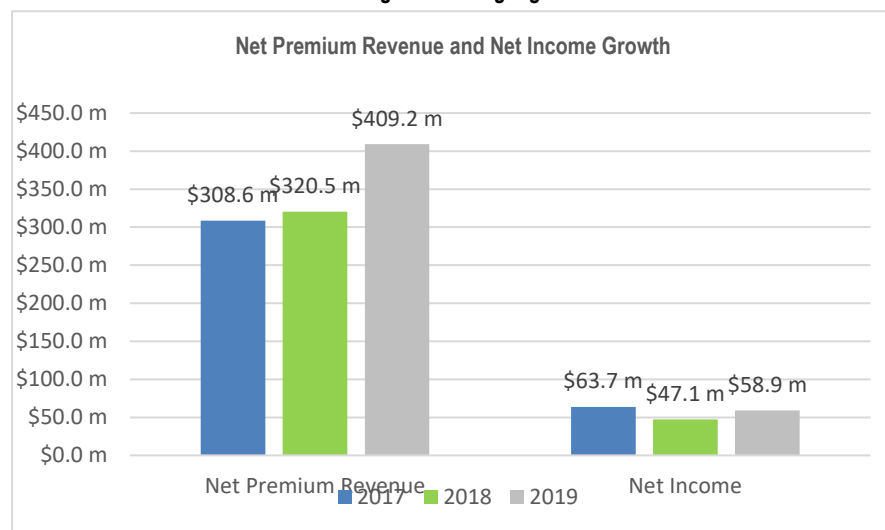
MANAGEMENT'S DISCUSSION AND ANALYSIS

The performance of these reporting segments in 2019 compared to 2018 is discussed in the following sections.

Sagicor Life segment

The Sagicor Life segment conducts life, health insurance, property & casualty insurance, pensions, annuities, and asset management service in Barbados, Trinidad and Tobago, Eastern Caribbean, Dutch Caribbean, Bahamas and Central America. Sagicor Life has a diversified customer base providing financial solutions to both individuals and corporations through mainly a captive distribution network, and local brokers. Sagicor Life's strong corporate image, people, financial strength, and diverse insurance solutions has contributed to Sagicor Life's lead position in the insurance market in the Caribbean. Sagicor Life has an "A-stable" rating from A.M. Best.

Sagicor Life Highlights



	Return on Total Equity			Return on Investments		
	2019	2018	2017	2019	2018	2017
Sagicor Life	12.2%	9.5%	12.7%	6.1%	5.7%	6.5%

The following table summarises the results of the Sagicor Life segment for the years ended December 31, 2019 and 2018.

	Quarterly Results			Year ended December 31		
	Q4 2019	Q4 2018	Change	2019	2018	Change
<i>(in millions of US \$)</i>						
Sagicor Life segment						
Net premium revenue	126.0	89.7	40%	409.2	320.5	27%
Gains/(losses) on derecognition of financial assets measured at AC.	0.5	(0.3)	267%	0.5	(0.3)	267%
Gains/(losses) on derecognition of financial assets measured at FVOCI	2.9	0.5	480%	6.2	0.5	1,140%
Interest income	15.5	20.2	(23%)	74.2	74.1	-
Other investment income	7.7	(3.2)	341%	10.8	3.4	218%
Credit impairment (losses) /gains	(0.4)	0.4	(200%)	1.4	(82.3)	102%
Fees and other revenue	4.9	1.0	390%	11.0	8.5	29%
Inter-segment revenues	5.1	4.4	16%	20.0	15.7	27%
Total revenue carried forward	162.2	112.7	44%	533.3	340.1	57%

MANAGEMENT'S DISCUSSION AND ANALYSIS

	Quarterly Results			Year ended December 31		
	Q4 2019	Q4 2018	Change	2019	2018	Change
<i>(in millions of US \$)</i>						
Total revenue brought forward	162.2	112.7	44%	533.3	340.1	57%
Benefits	(94.6)	(54.1)	(75%)	(331.4)	(166.9)	(99%)
Expenses and taxes	(34.5)	(34.0)	(1%)	(126.3)	(116.3)	(9%)
Depreciation and amortisation	(2.1)	(2.0)	(5%)	(7.4)	(6.8)	(9%)
Inter-segment expenses	(1.4)	(1.0)	(40%)	(5.0)	(2.9)	(72%)
Other	0.4	1.2	(67%)	3.6	9.5	(62%)
Segment income before taxes	30.0	22.8	32%	66.8	56.7	18%
Income taxes	(1.8)	(2.0)	10%	(7.9)	(9.6)	18%
Net segment income from continuing operations	28.2	20.8	36%	58.9	47.1	25%
Income attributable to shareholders	29.4	5.5	435%	60.9	39.6	54%

Fourth quarter (three-month period) results of the Sagicor Life Segment analysis

Q4 2019 results for the Sagicor Life reflected robust organic growth, with net income showing an improved performance over the corresponding period in the prior year.

The net income attributable to shareholders was US \$29.4 million for the three-month period, \$23.9 million higher than the US \$5.5 million recorded for the same period in 2018.

Net income attributable shareholders in the fourth quarter of 2019 benefited from a significant growth in new business particularly in annuity business, gains on the derecognition of, and revaluation of financial assets, along with better asset liability matching.

The Sagicor Life segment generated revenue totalling US \$162.2 million for the three-month period ended December 31, 2019, a US \$49.5 million (44%) increase from US \$112.7 million reported for the same period in 2018. Net premium revenue increased to US \$126.0 million for the three-month period ended December 31, 2019 compared to US \$89.7 million for the same period in 2018 with premium growth seen particularly in single premium business.

Net investment income including interest income, gains on derecognition of financial assets and other investment income totalled US \$26.6 million for the three-month period ended December 31, 2019, US \$9.9 million above the US \$16.7 million reported for the same period in 2018 with gains on the derecognition of and revaluation of financial assets contributing to this increase.

Fees and other revenues also increased by US \$4.9 million when compared to the prior year. The prior year included exchange losses on the translation, largely related to the depreciation of the Trinidad dollar when compared to the United States dollar.

Benefits incurred for the Sagicor Life segment totalled US \$94.6 million for the three-month period ended December 31, 2019 compared to benefits of US \$54.1 million reported for the same period in 2018. The increase in benefits incurred was mainly due to net changes in actuarial liabilities which totalled US \$34.5 million for the three-month period for 2019, compared to a reduction of US \$10.0 million in the prior year. This represents an increase of US \$44.5 million. The increase in actuarial liabilities was partially due to the higher provisions for future benefits for new business.

Total expenses and taxes for the Sagicor Life segment totalled US \$34.5 million for the three-month period ended December 31, 2019, slightly above the US \$34.0 million reported for the same period in 2018. Administrative expenses closed US \$1.2 million lower in 2019, when compared to the December 31, 2018 three-month period. Commissions and premium taxes increased by US \$1.8 million and was driven by the new business growth.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Year-to-date (twelve-month period) results of the Sagicor Life Segment analysis

The Sagicor Life segment reported strong results for the year ended December 31, 2019, largely fuelled by organic growth. The net income attributable to shareholders was US \$60.9 million for the year and was 54% higher than the US \$39.6 million for the same period in 2018. The result for 2018 was affected by the impairment of Government of Barbados debt.

The Sagicor Life segment generated revenue of US \$533.3 million for the year ended December 31, 2019, compared to revenue of US \$340.1 million reported for the same period in 2018 and represented a 57% or US \$193.2 million increase when compared to the same period in 2018. Net premium revenue which represented 77% of total revenue, grew by 28% (US \$88.7 million) to US \$409.2 million up from US \$320.5 million reported in 2018. The segment benefitted from higher new business in both insurance and annuities. In 2018, the segment reported gross credit impairment losses amounting to US \$82.3 million, as the segment impaired its Government of Barbados debt securities. The segment experienced a credit impairment gain of US \$1.4 million in 2019.

Net investment income including, interest income gains on derecognition of financial assets and other investment income totalled US \$91.7 million for the year ended December 31, 2019, US \$14.0 million above the US \$77.7 million reported for the same period in 2018 with gains on the derecognition of and revaluation of financial assets contributing to this increase.

Fees and other revenues also increased by US \$2.5 million when compared to the prior year. The prior year included exchange losses on the translation, largely related to the depreciation of the Trinidad dollar when compared to the United States dollar

Benefits incurred for the Sagicor Life segment totalled US \$331.4 million for the year ended December 31, 2019, compared to US \$166.9 million reported for the same period in 2018 an increase of 99% (US \$164.5 million). The increase in benefits incurred was mainly due to net changes in actuarial liabilities which totalled US \$94.1 million in 2019 compared to a release of US \$62.1 million in the prior year, an increase of US \$156.2 million. The increase in actuarial liabilities was due to higher new annuity business. In addition, during the same period in 2018, benefits were impacted by one-time actuarial adjustments related to the segment's initial adoption of IFRS 9 as well as refinements to the actuarial interest rate assumptions.

Total expenses and taxes for the Sagicor Life segment totalled US \$126.3 million for the year under review, a US \$10.0 million increase from US \$116.3 million reported for the same period in 2018. Commissions and premium taxes closed the year at US \$48.3 million compared to US \$43.1 million for the year under review. The increase in expenses and taxes was largely due to new business growth.

In 2018, this segment also benefited from gains associated with the acquisition of an insurance portfolio amounting to US \$6.9 million.

The following table summarises the financial position of the Sagicor Life segment as of December 31, 2019 and 2018.

Statement of Financial Position

(in millions of US \$)

Sagicor Life segment

Financial investments

Other assets

Inter-segment assets

Total assets

Policy liabilities

Other liabilities

Inter-segment liabilities

Total liabilities

Net assets

December 31

	2019	2018	Change
Financial investments	1,438.6	1,418.0	2%
Other assets	341.4	324.4	5%
Inter-segment assets	335.8	266.1	26%
Total assets	2,115.8	2,008.5	5%
Policy liabilities	1,379.8	1,235.4	12%
Other liabilities	77.3	160.8	(52%)
Inter-segment liabilities	120.0	124.2	(3%)
Total liabilities	1,577.1	1,520.4	4%
Net assets	538.7	488.1	10%

Financial investments totalled US \$1,438.6 million (2018 - US \$1,418.0 million) and comprised 68% (2018 - 71%) of the segment's total assets, and policy liabilities totalled US \$1,379.8 million (2018 - US \$1,235.4 million) and comprised 87% (2018 - 81%) of the segment's total liabilities at the end of 2018. Overall, net assets increased by 10% mainly due to strong operating results net of dividend distributions and unrealised gain on defined benefit plans.

MANAGEMENT'S DISCUSSION AND ANALYSIS

New initiatives and developments

October 7, 2019 – Sagicor Financial Corporation Limited announced that, on September 30, 2019, Sagicor Life Inc. (“SLI”), its wholly-owned subsidiary, entered into agreements to acquire the traditional insurance portfolios, and investment assets, primarily, sovereign debt of the Government of the Republic of Trinidad and Tobago to support the liabilities of both Colonial Life Insurance Company (Trinidad) Limited (“CLICO”) and British American Insurance Company (Trinidad) Limited (“BAT”). In addition, contracts with respect to CLICO’s pension fund administration, management and investment services operations (as well as supporting investment assets) will be acquired and assumed by SLI.

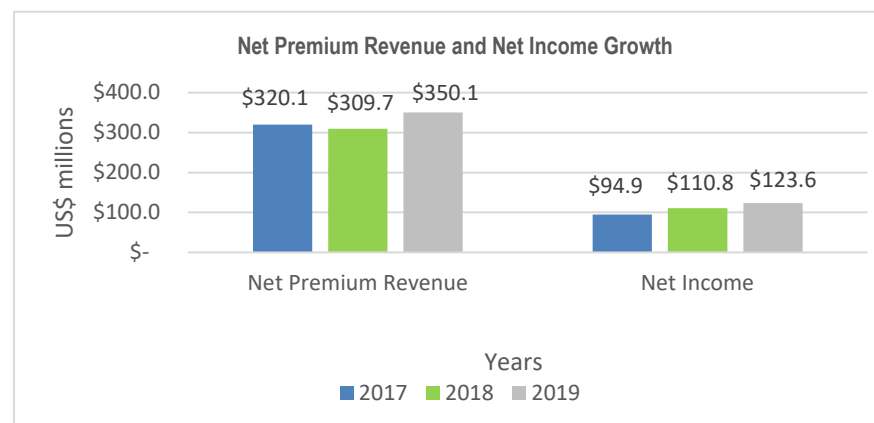
Approximately US \$1.2 billion of total investment assets are proposed to be acquired to fund a similar amount of actuarial liabilities.

The completion of the transaction is subject to regulatory approval.

Sagicor Jamaica segment

The Sagicor Jamaica segment offers life, health, annuity, property and casualty insurance, pension administration services, commercial banking, investment banking, hospitality and real estate investment services in the markets of Jamaica, Cayman Islands and Costa Rica. Sagicor Jamaica’s strong brand, together with its wide range of products and highly skilled work force, has allowed it to maintain a leading position in all market segments in which it operates. Its commercial banking services are offered through a network of sixteen (16) branches. Sagicor Life Jamaica Limited, a life insurance subsidiary within the Sagicor Jamaica segment, currently holds a financial strength rating of B++ stable and an issuer credit rating of bbb+ stable, with A.M. Best.

Sagicor Jamaica Highlights



	Return on Total Equity			Return on Investments		
	2019	2018	2017	2019	2018	2017
Sagicor Jamaica segment	15.1%	17.4%	20.6%	8.8%	8.0%	9.6%

The Sagicor Jamaica Group performed well in 2019, producing profits attributable to shareholders of US \$61.4 million compared to US \$55.7 million in the prior year, a 10 % improvement over prior year.

The Sagicor Jamaica segment saw significant growth during the year. In addition to strong organic growth across major business lines, the Group expanded their investment in Property and Casualty Insurance with the acquisition of a 60% interest in Advantage General Insurance Company Limited (AGI). In addition, the 2019 results also include activities for a full year relating to the Sagicor X-Fund Group (X-Fund) of which the group was deemed to have effective control from the 4th quarter of 2018. The Group also acquired TravelCash Jamaica Limited (“TravelCash”) effective December 1, 2018.

MANAGEMENT'S DISCUSSION AND ANALYSIS

<i>(in millions of US \$)</i>	Quarterly Results			Year ended December 31		
	Q4 2019	Q4 2018	Change	2019	2018	Change
Sagicor Jamaica						
Net premium revenue	93.7	85.3	10%	350.1	309.7	13%
Gains/(losses) on derecognition of financial assets measured at AC.	10.3	7.5	37%	13.3	10.3	29%
Gains/(losses) on derecognition of financial assets measured at FVOCI	15.1	8.4	80%	21.3	8.3	157%
Interest income	38.8	38.5	1%	160.3	155.9	3%
Other investment income	10.7	(9.3)	215%	52.1	13.8	278%
Credit impairment (losses)/gains	(9.5)	0.5	(2,000%)	(6.1)	(10.2)	40%
Fees and other revenue	35.1	27.0	30%	144.3	98.1	47%
Total revenue carried forward	194.2	157.9	23%	735.3	585.9	25%

<i>(in millions of US \$)</i>	Quarterly Results			Year ended December 31		
	Q4 2019	Q4 2018	Change	2019	2018	Change
Total revenue brought forward	194.2	157.9	23%	735.3	585.9	25%
Benefits	(65.1)	(54.1)	(20%)	(308.9)	(245.9)	(26%)
Expenses and taxes	(69.2)	(59.7)	(16%)	(238.9)	(193.8)	(23%)
Depreciation and amortisation	(5.5)	(3.9)	(41%)	(20.4)	(11.3)	(81%)
Inter-segment expenses	(0.9)	(0.8)	(13%)	(2.5)	(2.2)	(14%)
Other	(5.7)	12.3	(146.3%)	(0.6)	11.3	(105%)
Segment income before taxes	47.8	51.8	(8%)	164.0	144.0	14%
Income taxes	(15.5)	(11.9)	(30%)	(40.4)	(33.2)	(22%)
Net segment income from continuing operations	32.3	39.9	(19%)	123.6	110.8	12%
Income attributable to shareholders ^(a)	18.2	20.9	(13%)	61.4	55.7	10%

MANAGEMENT'S DISCUSSION AND ANALYSIS

Fourth quarter (three-month period) results of the Sagicor Jamaica Segment analysis

Net income for the Sagicor Jamaica segment for the three-month period ended December 31, 2019 was US \$32.3 million compared to US \$39.9 million in the prior year. This segment benefited from growth in its insurance portfolios including a recently acquired property & casualty business, fee-based income and other revenue from the banking business.

This segment generated revenue of US \$194.2 million for the three-month compared to US \$157.9 million for the same period in the prior year. This represented an increase of US \$36.3 or 23%. Premium income totalled US \$93.7 million compared to US \$85.3 million in 2018 an increase of US \$8.4 million.

Interest income was US \$40.9 million compared to US \$39.3 million in the prior period as interest rates declined. Other investment income was US \$8.6 million compared to a loss of US \$1.7 million for the same period in 2018, as the segment benefitted from gains arising from appreciations in the Jamaica capital market. In 2018, this segment recorded credit impairment losses which did not repeat at the same level in 2019.

Fees and other revenue were US \$35.1 million compared to US \$27.0 million in 2018 an increase of US \$8.1 million or 30%. During the period under review, the segment benefited from growing fee-based revenue in the banking lines.

Benefits totalled US \$65.1 million compared to US \$54.1 million reported for the same period in 2018 an increase of US \$11.0 million. Benefits were impacted by business growth and lower interest rates. Net policy benefits totalled US \$58.3 million for the three-month period, compared to the US \$50.1 million reported in 2018. Net change in actuarial liabilities was US \$0.1 million compared to a release of US \$4.4 million reported in 2018.

Expenses and taxes incurred amounted to US \$69.2 million for the three-month period compared to US \$59.7 million for the same period in 2018, an increase of US \$9.5 million over the prior year-to-date levels, driven in part by increased earnings from the acquisitions of Q4 2018 and Q4 2019.

Earnings from Other sources was a loss of US \$5.7 million for the fourth quarter of 2019, compared to income of US \$12.8 million for the same period in 2018. During Q4, 2019, the segment incurred losses

from its associated company Playa, totalling US \$5.9 million. In 2018, the segment benefited from gains totalling US \$12.3 million associated with the acquisition of the XFund.

Year-to-date (twelve-month period) results of the Sagicor Jamaica Segment analysis

Net segment income for the year closed at US \$123.6 million, compared to US \$110.7 million in the prior year. This represents an increase of US \$12.9 or 12%. As indicated before, the Sagicor Jamaica segment saw significant growth during the year. In addition to strong organic growth across major business lines, the Group expanded their investment in Property and Casualty Insurance with the acquisition of a 60% interest in Advantage General Insurance Company Limited (AGI). The 2019 results also include activities for a full year relating to the Sagicor X-Fund Group (X-Fund) of which the group was deemed to have effective control from the 4th quarter of 2018. The Group also acquired TravelCash Jamaica Limited ("TravelCash") effective December 1, 2018.

The Jamaica segment generated revenue of US \$735.3 million in 2019 compared to revenue of US \$585.9 million in the prior year, an increase of US \$149.4 million. Premium income totalled US \$350.1 million for the year, compared to US \$309.7 million in 2018, an increase of US \$40.4 million, with growth in the life insurance and annuity business, in particular.

Despite the downward trend in interest rates in Jamaica, interest income closed the year slightly above that reported for 2018. Interest income was US \$160.3 million for the year, compared to US \$155.9 million in the prior year, an increase of US \$4.4 million.

Other investment income in Jamaica was US \$52.1 million, compared to US \$13.8 million in the prior year, an increase of US \$38.3 million. This segment benefited from underlying growth in its investment portfolio along with gains arising from appreciations in the Jamaica capital market. The JSE Index moved from 379,790.86 points on December 31, 2018 to 509,916.44 points at December 31, 2019, an increase of 34%.

Fees and other revenue were US \$144.3 million compared to US \$98.1 million, an increase by US \$46.2 million or 47%. Fees and other revenue now include hotel revenues of US \$39.7 million for 2019, associated with the consolidation of the Sagicor XFund. The Group was deemed to have effective control of the Sagicor X Fund effective October 1, 2018; hence 2018's results included only

MANAGEMENT'S DISCUSSION AND ANALYSIS

three months of income amounting to US \$9.7 million. In addition, the segment benefited from the expansion of the fee-based services in the banking business, recording growth of US \$11.3 million (20%) over the prior year to close at US \$ 69.1 million.

Benefits totalled US \$308.9 million and was higher than the prior year amount of US \$245.9 million, by US \$63.0 million, reflecting business growth. Net policy benefits totalled US \$219.1 million for the year compared to US \$198.2 million reported in 2018 and represented an increase of US \$20.9 million. Net change in actuarial liabilities totalled US \$59.3 million compared to US \$13.9 million reported in 2018 an increase of US \$45.4 million. In 2019 the increase in actuarial liabilities was driven by inforce portfolio growth and lower yields. In addition, in 2018 the net change in actuarial liabilities included actuarial releases from experience gains which were not repeated at the same level in 2019.

Expenses and taxes incurred totalled US \$238.9 million in 2019 compared to US \$193.8 million in 2018, an increase of US \$45.1 million over the prior year. Our Jamaica segment now includes hotel expenses totalling US \$32.4 million associated with the consolidation of the Sagicor X Fund, representing a full year's expenses. As previously indicated, the 2018 results included only three months of expenses totalling US \$6.9 million. 2019 also reflects twelve months expenses for Travel Cash Jamaica Limited when only one month was carried in 2018. Further, there are three months of cost in 2019 for Advantage General Insurance Company Limited which was acquired (60%) on September 30, 2019 Expenses associated with banking and investment management business, also increased by US \$3.9 million over the prior year's levels, as the business continues to expand.

On September 30, 2019, the Jamaica segment acquired 60% of the share capital of Advantage General Insurance Company Limited. Consequently, the segment benefited from net premium growth during the last quarter of 2019 and well as an increase in benefits and administrative expenses associated with this portfolio. Overall the Property & Casualty business contributed approximately US \$1.1 million to segment's net income. The fair value of net assets acquired was US \$39.0 million equivalent, of which our share was US \$23.4 million.

The following table summarises the financial position of the Sagicor Jamaica segment as of December 31, 2019 and 2018.

Statement of Financial Position <i>(in millions of US \$)</i>	December 31		
	2019	2018	Change
Sagicor Jamaica segment			
Financial investments	2,670.3	2,344.1	14%
Other assets	795.8	745.3	7%
Inter-segment assets	15.9	15.0	6%
Total assets	3,482.0	3,104.4	12%
Policy liabilities	865.9	753.8	15%
Other liabilities	1,673.1	1,526.2	10%
Inter-segment liabilities	6.1	5.6	9%
Total liabilities	2,545.1	2,285.6	11%
Net assets	936.9	818.8	14%

Financial investments totalled US \$2,670.3 million (2018 – US \$2,344.1 million) and comprised 77% (2018 - 76%) of the segment's total assets. Total assets closed at US \$3,482.0 million, an increase of 12% (US \$377.6 million), due to normal business growth coupled with the acquisition of AGI at September 30, 2019. Assets acquired totalled US \$ 105.4 million. Policy liabilities totalled US \$865.9 million (2018 – US \$753.8 million) and other liabilities totalled US \$1,673.1 (2018 – US \$1,526.2 million), representing 34% (2018 - 33.0%) and 66% (2018 - 67%) of the segment's total liabilities at the end of 2019, respectively.

Overall net assets grew by 14% from US \$818.8 million in 2018 to US \$936.9 million at the end of 2019, driven by a strong financial performance net of dividends distributed along with unrealised gains on financial assets classified as FVOCI and currency translation gains

MANAGEMENT'S DISCUSSION AND ANALYSIS

New initiatives and developments

On 30 September 2019, the Sagicor Jamaica segment acquired 60% of the share capital of Advantage General Insurance Company Limited. Our share net assets of US \$23.4 million were acquired for a consideration of US \$31.2 million. Refer to note 37.1 to the SFCL's 2019 audited financial statements for details.

The acquired business contributed revenues of US \$11.0 million and net profits attributable to Group net income of \$0.7 million for the year ended 31 December 2019. Had the company been acquired at the beginning of the year, it would have contributed revenues of approximately US \$44.0 million and net profits of approximately US \$5.4 million to the Group for the year ended 31 December 2019.

Sagicor Life USA segment

Sagicor USA, Inc. and its operating entity, Sagicor Life Insurance Company, (collectively, Sagicor USA) operate in 45 states and the District of Columbia. Sagicor USA is focused on providing life and annuity products to middle market America through independent producers and direct-to-consumer platforms (SagicorNOW.com and PeaceAssured.com). Middle market America has been defined broadly as individuals and families with household incomes of \$40,000 to \$100,000 or retirees or near-retirees with retirement portfolios of \$100,000 to \$1,000,000.

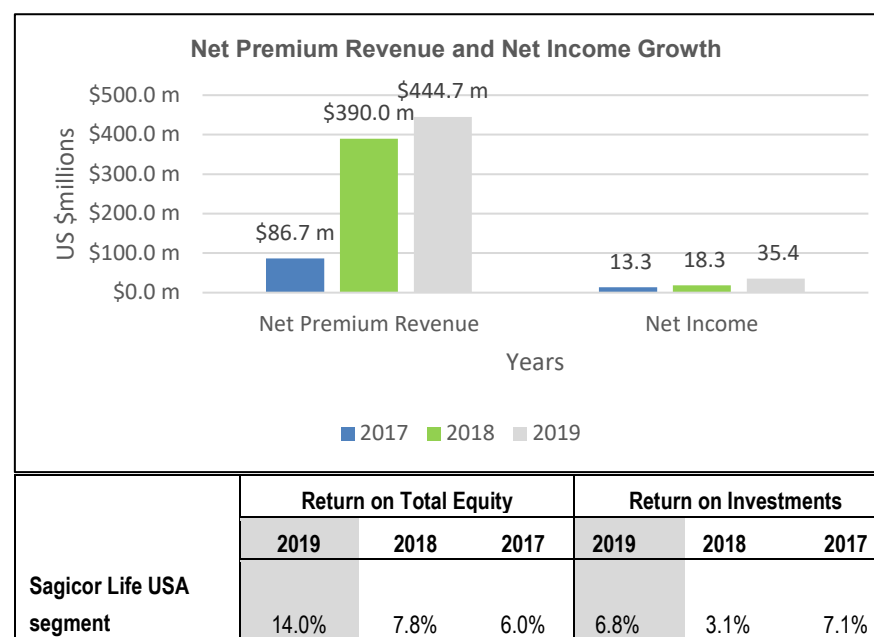
Sagicor USA's products can be broadly placed in three categories:

- Periodic premium – This would include products such as several variations of term insurance, non-participating whole life, indexed universal life and no-lapse universal life. All of these products usually allow the owner to pay premiums on a monthly, quarterly, or annual basis.
- Single premium life – This category includes two products developed to support an older demographic who are looking principally to provide a larger legacy upon their death, while having access to funds to assist if they need critical care. We offer a standard interest crediting whole life product as well as an indexed universal life product.
- Annuities – Currently all of Sagicor USA's annuity offerings are single premium products including such products as multi-year guaranteed, fixed interest crediting, indexed crediting as well as

immediate annuities. Most of the products are focused on helping the customer accumulate assets with little to no market risk to their initial premium.

Sagicor USA worked with approximately 5,570 independent agents in 2018 and 6,750 independent agents in 2019 across the United States.

Sagicor Life USA Highlights



MANAGEMENT'S DISCUSSION AND ANALYSIS

The following table summarises the results of the Sagicor Life USA segment for the years ended December 31, 2019 and 2018.

<i>(in millions of US \$)</i>	Quarterly Results			Year ended December 31		
	Q4 2019	Q4 2018	Change	2019	2018	Change
Sagicor Life USA segment						
Net premium revenue	70.9	151.5	(53%)	444.7	390.0	14%
Gains/(losses) on derecognition of financial assets measured at FVOCI	1.5	0.8	88%	2.5	0.8	213%
Interest income	15.8	15.8	-	70.2	55.2	27%
Other investment income	16.2	(24.5)	166%	46.9	(15.8)	397%
Credit impairment losses	(0.5)	(0.6)	17%	(0.4)	(0.6)	33%
Fees and other revenue	(0.9)	(0.4)	(125%)	(2.4)	(8.9)	73%
Total revenue	103.0	142.6	(28%)	561.5	420.7	33%
Benefits	(64.5)	(113.8)	43%	(448.3)	(331.8)	(35%)
Expenses and taxes	(15.9)	(19.2)	18%	(62.4)	(62.2)	-
Depreciation and amortisation	(1.3)	(0.9)	(44%)	(4.7)	(3.0)	(57%)
Inter-segment expenses	(0.4)	(0.2)	(100%)	(1.3)	(0.6)	117%
Segment income/(loss)	20.9	8.4	149%	44.8	23.1	94%
Income taxes	(4.4)	(1.8)	(144%)	(9.4)	(4.8)	(96%)
Net segment income from continuing operations	16.5	6.6	150%	35.4	18.3	93%
Income attributable to shareholders	16.5	6.6	150%	35.4	18.3	93%

Fourth quarter (three-month period) results of the Sagicor Life USA Segment analysis

Sagicor Life USA performed well with net income improving over the same period in the prior year. Net income for the Sagicor Life USA segment totalled US \$16.5 million and represented a 150% increase from the US \$6.6 million reported for the same period in 2018.

The latter half of 2019 was impacted by falling crediting rates on Sagicor USA's principal annuity products as the United States Federal Reserve lowered the key lending rate three times during the year and corporate bond yields saw precipitous declines. The US annuity industry saw the consumer take a pause to evaluate the market. Instead of reducing the margins that we would be willing to accept, Sagicor USA chose to reduce crediting rates throughout the latter half of 2019 to maintain margins.

The Sagicor Life USA segment generated revenue of US \$103.0 million for the three-month period ended December 31, 2019, compared US \$142.6 million reported for the same period in 2018 representing a 28% (US \$39.6 million) decrease. While the lower crediting rates did slow the amount of new annuity premiums submitted in the 4th quarter, Sagicor USA saw the value of its investment portfolio, including the derivatives, increase in value during the 4th quarter, in comparison to a decline in market value of those assets during the same quarter of 2018.

Benefits, including specifically the net change in actuarial liabilities, were significantly down in 2019 as compared to the same period in 2018. This decrease was due to the lower annuity premium written in the 4th quarter of 2019 as well as lower actuarial provisions needed to support the current in force business due to improved market values.

Total expenses and taxes decreased by 18% due to the lower commission levels related to lower new business compared to the same period in the prior year.

Overall, net income was positively impacted by the significant improvement in the net investment income results, the lower actuarial provisions and the overall 18% drop in expenses.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Year-to-date (twelve-month period) results of the Sagicor Life USA Segment analysis

The net segment income for the Sagicor Life USA segment closed at US \$35.4 million for the year ended December 31, 2019, a US \$17.1 million increase from US \$18.3 million reported for the same period in 2018.

Revenue for the Sagicor Life USA segment closed the period at US \$561.5 million in 2019 compared to US \$420.7 million an increase of 33%. This increase was driven by a 14% increase in net premiums as Sagicor USA discontinued the third-party reinsurance on annuities during the 1st quarter of 2018 and sales of new annuity products introduced into the market in 2018 remained strong in 2019. Investment income closed the period at US \$119.6 million compared to US \$40.2 million in the prior year. This represented an increase of 197% and was driven by a reversal of the 2018 marked-to-market losses in the investment portfolio as well as growth in the overall size of the portfolio due to new business growth. The derivatives portfolio and a portion of the investment portfolio supports the liabilities associated with the indexed business written by the company and so related movements can be found in the net changes in actuarial liabilities impacting total benefits.

Benefits including change in actuarial reserves was US \$448.3 million compared to US \$331.8 million an increase of US \$116.5 million or 35%. The net change in actuarial liabilities was US \$ 325.9 million compared to US \$222.5 million and was driven by the 14% increase in premiums (majority were annuities) and the previously discussed increase due to the market movement of the indices associated with the indexed products and the supporting derivatives.

Total expenses and taxes of US \$62.4 million compared to US \$62.1 million in the prior year.

The Sagicor Life USA segment had net assets of US \$295.6 million in 2019 compared to US \$246.5 million in 2018, an increase of 20%

Statement of Financial Position

(in millions of US \$)

Sagicor Life USA segment

Financial investments

Year ended December 31

	2019	2018	Change
Financial investments	2,040.8	1,499.9	36%
Other assets	735.7	789.3	(7%)
Inter-segment assets	65.2	3.9	1,572%
Total assets	2,841.7	2,293.1	24%
Policy liabilities	1,997.4	1,602.6	25%
Other liabilities	437.9	374.0	17%
Inter-segment liabilities	110.8	70.1	58%
Total liabilities	2,546.1	2,046.6	24%
Net assets	295.6	246.5	20%

Financial investments totalled US \$2,040.8 million and comprised 72% of the segment's total assets, and policy liabilities totalled US \$1,997.4 million and comprised 79% of the segment's total liabilities at the end of 2018.

Financial investments totalled US \$1,499.9 million and comprised 65% of the segment's total assets, and policy liabilities totalled US \$1,602.6 million and comprised 78% of the segment's total liabilities at the end of 2018.

Overall, Sagicor USA experienced a 24% increase in its total assets due to its strong premium levels in 2019 and the positive market movements of its investment portfolio.

Shareholders' equity grew 20% due to the strong financial results, the reversal of the unrealized losses in the portfolio at the end of 2018 and strong unrealized gains in 2019.

MANAGEMENT'S DISCUSSION AND ANALYSIS

4. FINANCIAL POSITION

Capitalisation and Solvency

Capitalisation

The Group's objectives when managing capital, which is a broader concept than equity in the statement of financial position, are:

- To comply with capital requirements established by insurance, banking and other financial intermediary regulatory authorities;
- To comply with internationally recognised capital requirements for insurance, where local regulations do not meet these international standards;
- To safeguard its ability as a going concern to continue to provide benefits and returns to policyholders, depositors, note-holders and shareholders;
- To provide adequate returns to shareholders;
- To maintain a strong capital base to support the future development of Group operations.

Capital resources

The principal capital resources of the Group are as follows:

	2019	2018	2017 Restated	2016 Restated	2015
\$'000s					
Shareholders' equity	1,154,051	600,869	624,592	537,080	506,046
Non-controlling interest	594,506	530,514	311,766	261,144	231,735
Notes and loans payable	517,732	490,275	413,805	395,213	475,517
Total financial statement	2,266,289	1,621,658	1,350,163	1,193,437	1,213,298

The Group deploys its capital resources through its operating activities. These operating activities are carried out by subsidiary companies which are either insurance entities or provide other financial services. The capital is deployed in such a manner as to ensure that subsidiaries have adequate and sufficient capital resources to carry out their activities and to meet regulatory requirements.

At December 31, 2019, the Company's capital closed US \$2,266.3 million, an increase of US \$644.6 million over the December 31, 2018 position. The significant increase resulted from the fact that on December 5, 2019 Sagicor and Alignvest announced they had completed the business combination involving the transfer of all issued and outstanding shares in Sagicor to Alignvest. This transaction raised over US \$450 million in new capital for the Group. As a result of the completion of the transaction, all issued and outstanding shares in the Sagicor have been transferred to Alignvest, with former shareholders of Sagicor receiving cash or shares in Alignvest, which has been renamed Sagicor Financial Company Ltd. and trades on the Toronto Stock Exchange under the symbol SFC. The Group also experienced organic increases in capital due to operating income and investment gains.

Financial Leverage and Coverage Ratio

As of December 31, 2019, Sagicor had a debt to equity ratio of 29.6%, compared to 43.2% as of December 31, 2018, respectively. To determine the debt to equity ratio, loans and notes payable, as presented note 16 to the annual financial statements, is divided by total equity.

The Debt to Capital ratio was 22.8%, at December 31, 2019, compared to 30.2% as of December 31, 2018. To determine the debt to capital ratio, notes and loans payable as presented in note 16 to the financial statements, is divided by total capital, where capital is the summation of total equity (as presented in the statement of Financial Position in the annual financial statements) and notes and loans payable, as at the reporting date.

Both the debt to equity ratio and the debt to capital ratio experienced improvements due to the new capital raised in 2019 from the Alignvest transaction.

As at December 31, 2019, the coverage ratio excluding the Alignvest transaction expenses was 5.7 times, compared to 5.0 times at December 31, 2018. The coverage ratio represents the Group's earnings for the year before interest and income taxes, divided by its interest and dividend expenses.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Debt Ratios and Coverage Ratio

	2019	2018	2017	2016	2015
Debt ratios					
Notes and Loans Payable/capital	22.8%	30.2%	30.6%	33.1%	39.1%
Notes and Loans Payable/equity	29.6%	43.2%	44.2%	49.4%	64.3%
Coverage ratio (times)	5.7 ^(a)	5.0	4.6	4.9	4.3

^(a) Excludes the Alignvest transaction expenses

Capital adequacy

Capital adequacy is managed at the operating company level. It is calculated by the company's Appointed Actuary and reviewed by executive management, the audit committee and the board of directors of the company. In addition, the Group seeks to maintain internal capital adequacy at levels higher than the regulatory or internationally recognised requirements.

To assist in evaluating the current business and strategy opportunities, a risk-based capital approach is a core measure of financial performance. The risk-based assessment measure which has been adopted is the Canadian MCCSR standard. The minimum standard recommended by the Canadian regulators for companies is an MCCSR of 150.0%. A number of jurisdictions in the Caribbean region have no internationally recognised capital adequacy requirements, and in accordance with its objectives for managing capital, Sagicor has adopted the Canadian MCCSR standard. Jamaica and the United States have recognised capital adequacy standards.

Sagicor's consolidated MCCSR as of December 31, 2019 has been estimated at 253%, compared to 234% at December 31, 2018, respectively. This is the principal standard of capital adequacy used to assess Sagicor's overall strength. However, because of the variations in capital adequacy standards across jurisdictions, the consolidated result should be regarded as applicable to the life insurers of the Sagicor Group as a whole and not necessarily applicable to each individual segment, insurance subsidiary or insurance subsidiary branch.

Sagicor Life Jamaica Limited

Sagicor Life Jamaica is governed by the Jamaican MCCSR regime (based on Canadian standards in effect in 2001), which requires an insurer to maintain a minimum ratio of 150%. For the year ended December 31, 2018, this ratio was 184%. At December 31, 2019, the ratio was 179%.

Sagicor Life Insurance Company (USA)

A risk-based capital (RBC) formula and model have been adopted by the National Association of Insurance Commissioners (NAIC) of the United States. RBC is designed to assess minimum capital requirements and raise the level of protection that statutory surplus provides for policyholder obligations. The RBC formula for life insurance companies measures four major areas of risk: (i) underwriting, which encompasses the risk of adverse loss developments and property and casualty insurance product mix; (ii) declines in asset values arising from credit risk; (iii) declines in asset values arising from investment risks, including concentrations; and (iv) off-balance sheet risk arising from adverse experience from non-controlled assets such as reinsurance guarantees for affiliates or other contingent liabilities and reserve and premium growth. If an insurer's statutory surplus is lower than required by the RBC calculation, it will be subject to varying degrees of regulatory action, depending on the level of capital inadequacy.

The RBC methodology provides for four levels of regulatory action. The extent of regulatory intervention and action increases as the ratio of surplus to RBC falls. The least severe regulatory action is the "Company Action Level" (as defined by the NAIC) which requires an insurer to submit a plan of corrective actions to the regulator if surplus falls below 200% of the RBC amount.

Sagicor Life USA looks to maintain at least 300% of the risk-based capital amount and has maintained these ratios as of December 31, 2018 and December 31, 2017, respectively.

Sagicor Investments Jamaica Limited and Sagicor Bank Jamaica Limited

The capital adequacy and the use of regulatory capital are monitored monthly by management employing techniques based on the guidelines developed by the Financial Services Commission (FSC), the Bank of Jamaica (BOJ), Basel II and the Risk Management and Compliance Unit. The required information is filed with the respective regulatory authorities at stipulated intervals. The Bank

MANAGEMENT'S DISCUSSION AND ANALYSIS

of Jamaica and the FSC require each regulated entity to hold the minimum level of regulatory capital, and to maintain a minimum ratio of total regulatory capital to the risk-weighted assets.

The risk-weighted assets are measured by means of a hierarchy of five risk weights classified according to the nature of each asset and counterparty, taking into account, any eligible collateral or guarantees. A similar treatment is adopted for off financial statements exposure, with some adjustments to reflect the more contingent nature of the potential losses.

The following table summarises the capital adequacy ratios. During 2019 and 2018, all applicable externally imposed capital requirements were complied with.

	2019	2018
Sagicor Investments		
Actual capital base to risk weighted assets	20%	14%
Required capital base to risk weighted assets	10%	10%
Sagicor Bank		
Actual capital base to risk weighted assets	14%	15%
Required capital base to risk weighted assets	10%	10%

Notes and Loans Payable

As of December 31, 2019, Sagicor had US \$517.7 million in notes and loans payable compared to US \$490.3 million as of December 31, 2018.

Summary details of carrying values and fair values of notes and loans payable as of December 31, 2019 and 2018, respectively are set out in the following tables.

(in millions of US \$)

Notes and loans payable

8.875% senior notes due 2022 ^{vii}	318.2	330.2
8.25% convertible redeemable preference shares due 2020 ⁱ	-	-
4.85% notes due 2019 ^{iv}	-	-
5.10% unsecured bond due 2020 ⁱⁱ	33.7	34.3
5.95% unsecured bond due 2020 ⁱⁱⁱ	42.9	44.8
5.00% notes due 2020 ^v	16.9	17.3
6.75 notes due 2024 ^v	16.6	15.8
Mortgage loans ^{viii}	75.0	77.0
Bank loans & other funding instruments ^{vi}	14.4	14.4
Total	517.7	533.8

December 31, 2019

	Carrying value	Fair value
8.875% senior notes due 2022 ^{vii}	318.2	330.2
8.25% convertible redeemable preference shares due 2020 ⁱ	-	-
4.85% notes due 2019 ^{iv}	-	-
5.10% unsecured bond due 2020 ⁱⁱ	33.7	34.3
5.95% unsecured bond due 2020 ⁱⁱⁱ	42.9	44.8
5.00% notes due 2020 ^v	16.9	17.3
6.75 notes due 2024 ^v	16.6	15.8
Mortgage loans ^{viii}	75.0	77.0
Bank loans & other funding instruments ^{vi}	14.4	14.4
Total	517.7	533.8

(in millions of US \$)

Notes and loans payable

8.875% senior notes due 2022 ^{vii}	318.9	334.6
8.25% convertible redeemable preference shares due 2020 ⁱ	11.1	11.1
4.85% notes due 2019 ^{iv}	75.0	74.1
Mortgage loans ^{viii}	77.0	77.0
Bank loans & other funding instruments ^{vi}	8.3	8.3
Total	490.3	505.1

December 31, 2018

	Carrying value	Fair value
8.875% senior notes due 2022 ^{vii}	318.9	334.6
8.25% convertible redeemable preference shares due 2020 ⁱ	11.1	11.1
4.85% notes due 2019 ^{iv}	75.0	74.1
Mortgage loans ^{viii}	77.0	77.0
Bank loans & other funding instruments ^{vi}	8.3	8.3
Total	490.3	505.1

MANAGEMENT'S DISCUSSION AND ANALYSIS

- i. On March 2, 2017, Sagicor Bank Jamaica Limited issued Cumulative redeemable preference shares with a tenor of three (3) years at 8.25% interest per annum. These were redeemed June 3, 2019.
- ii. On September 18 and 26, 2019, Sagicor Financial Corporation Limited issued US \$30.6 million and US \$3.4 million notes respectively, carrying an annual rate of 5.10% with a maturity date of October 26, 2020.
- iii. On September 26, 2019, Sagicor Financial Corporation Limited issued Jamaican \$ notes in the amount of J\$5,731,140,000.00 carrying an annual interest rate of 5.95% per annum with a maturity date of October 26, 2020.
- iv. On August 12, 2019, Sagicor Financial Corporation Limited entered into a US \$76.0 million bridging loan carrying an annual interest rate of 5.1% per annum, this loan was repaid from the proceeds of the notes in (ii) and (iii) above. Also, on August 12, 2019, Sagicor Financial Corporation Limited used the bridging loan to repay the US \$75 million 4.85% notes which were due to mature on August 14, 2019.
- v. On August 16, 2019, Sagicor Investments Jamaica Limited issued J\$4.4 billion in two Tranches, Tranche A J\$2.22 billion and Tranche B J\$2.18 billion, carrying an annual rate of 5.00% and 6.75% with a maturity date of September 16, 2020 and August 16, 2024 respectively.
- vi. On May 24, 2019 Sagicor General Insurance Inc entered into a US \$12 million loan agreement. The interest rate is 3.50% per annum and matures on July 31, 2024.
- vii. Valuation of Call Option Embedded Derivative

As at December 31, 2019 the company had US \$320 million principal amount of senior unsecured notes (the "Notes"). The Notes are due August 11, 2022 and bear interest at an annual rate of 8.875%. Pursuant to the terms of the Notes, the Group may redeem the Notes under various scenarios as summarized below and described in more detail herein:

Optional Redemption with an Applicable Premium (equal to a percentage of the principal amount based on redemption date) - At any time prior to August 11, 2019, the Group may redeem the Notes in whole or in part, at a redemption price equal to 100% of the principal amount of such Notes redeemed plus, the greater of

- (i) 1% of the principal amount of the Notes to be redeemed; and,
- (ii) the Applicable Premium, plus in each case accrued and unpaid interest, if any, to the applicable date of redemption, to but excluding the date of redemption (the "Redemption Date");

Optional Redemption with Proceeds of Equity Offerings - At any time prior to August 11, 2018, the Group may redeem the Notes with the net cash proceeds received by the Group from any Equity Offering at a redemption price equal to 108.875% of the aggregate principal amount thereof, plus accrued and unpaid interest, if any, to the Redemption Date, in an aggregate principal amount for all such redemptions not to exceed 35% of the original aggregate principal amount of the Notes (including Additional Notes); and,

Optional Redemption without an Applicable Premium - At any time on or after August 11, 2019, the Group may redeem the Notes in whole or in part at specified redemption prices, plus accrued and unpaid interest, if any, on the Notes redeemed, to the applicable date of redemption.

The Group has estimated the fair value of this embedded derivative at US \$2.8 million as at December 31, 2019.

Mortgage loans

Sagicor Group Jamaica was deemed to have effective control of Sagicor X Fund Group from October 1, 2018 based on its shareholding and influence and from that date has accounted for Sagicor X Fund as a subsidiary as required by IFRS 10. These amounts represent mortgage loans acquired on that date. Refer to note 16 to the 2019 financial statements for details.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Outstanding Common Shares

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

The number of issued and outstanding common shares at December 31, 2019 was 147,789,000.

Common Shares

(In millions)	2019	2018	2017	2016	2015
Number of common shares outstanding	147.8	306.6	306.6	304.5	302.2

On December 5, 2019 Sagicor and Alignvest completed the business combination involving the transfer of all issued and outstanding shares in Sagicor to Alignvest. This transaction raised over US \$450 million in new capital for the Group. As a result of the completion of the transaction, all issued and outstanding shares in the Sagicor have been transferred to Alignvest, with former shareholders of Sagicor receiving cash or shares in Alignvest, which has been renamed Sagicor Financial Company Ltd. The following table shows the movement in outstanding common shares for 2019.

	Number of shares in millions
Issued and fully paid:	
Balance, beginning of year	306.6
Exchange of shares and repurchase of shares	(238.6)
New shares issued	79.8
Allotments arising from LTI	-
Balance, end of year	147.8

Securities convertible, exercisable or exchangeable into common shares

- The number of issued and outstanding options at December 31, 2019 was 4,673.
- The number of issued and outstanding warrants at December 31, 2019 was 34,774,993.

Share Price and Market Capitalization

The Company's share price closed the 2019 yearend at US \$7.50, with market capitalisation exceeding US \$1,108.5 million.

Share Price and Market Capitalisation

	2019	2018	2017	2016	2015
Share price	\$7.50	\$0.980	\$1.020	\$1.005	\$0.895
Market capitalisation	\$1,108.5	\$467.5m	\$321.9m	\$306.0m	\$272.5m

Book Value per Common Shares

	2019	2018	2017 Restated	2016 Restated	2015
Book value per common shares	\$ 7.81	\$8.50	\$2.04	\$1.77	\$1.66

Under the Alignvest transaction, Sagicor Financial Corporation Limited common shares not purchased for cash, were exchanged for common shares of Sagicor Financial Company Ltd on an exchange ratio of one Sagicor Financial Company Ltd. common share for 4.328 of Sagicor Financial Corporation Limited common shares ("Exchange Ratio"). This exchange ratio has been used to convert the 2018 outstanding shares to the Sagicor Financial Company Ltd equivalent. The book value per share for 2018 has been adjusted to reflect the Exchange Ratio.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Dividends

In total, the Group paid out US \$15.3 million in dividends to common shareholders in 2019, closing the year with a dividend pay-out ratio of 37.6% before Alignvest transaction expenses.

Dividends

	2019	2018	2017	2016	2015
Dividends declared and paid during the year, per common share	5.0 ¢	5.0 ¢	5.0 ¢	4.5 ¢	4.0 ¢
Dividend pay-out ratio before Alignvest transaction costs	37.6%	41.8%	42.0%	23.1%	22.0%
Dividend pay-out ratio	18.9%	41.8%	42.0%	23.1%	22.0%

On February 3, 2020, the Board of Directors declared a dividend of US \$0.05625 per share, on issued and outstanding common shares held by registered holders on record at the close of business on February 10, 2020.

Under the Alignvest transaction, Sagicor Financial Corporation Limited common shares not purchased for cash, were exchanged for common shares of Sagicor Financial Company Ltd on an exchange ratio of one Sagicor Financial Company Ltd. common share for 4.328 of Sagicor Financial Corporation Limited common shares ("Exchange Ratio"). This exchange ratio has been used to convert the 2018 outstanding shares to the Sagicor Financial Company Ltd equivalent. The dividend pay-out ratio for 2018 has been adjusted to reflect the Exchange Ratio.

Liquidity and Capital Resources

The following discussion is qualified by reference to the consolidated statement of cash flows and note 36 of the annual financial statements.

Liquidity sources immediately available to the Sagicor Group include: (i) existing cash and cash equivalents; (ii) the Group's portfolio of highly rated, highly liquid investments; (iii) cash flow from operating activities which include net premiums receipts, fee income and investment income; and (iv) borrowing facilities. These funds are used primarily to pay current benefits and operating expenses, service the Group's long-term debt, purchase investments to support future benefits and maturing obligations, and for distribution of dividends. Sagicor expects to have sufficient liquidity to fund its operations and to meet its current business plans. However, should the need arise, additional liquidity sources include further bank loans and new issuances of debt or shares in the private or public markets.

Cash flow

The following table summarise the Group's cash flows for the years ended December 31, 2019 and 2018, respectively.

(in US \$millions)	Q4 '19	Q4 '18	Change	2019	2018	Change
Net cash flows from						
Operating activities	26.0	(40.2)	165%	41.5	46.3	(10%)
Investing activities	(5.5)	19.0	129%	(44.4)	(8.0)	(455%)
Financing activities	438.6	(29.3)	1,597%	443.9	(51.3)	965%
Effect of exchange rate	2.5	4.8	(48%)	(4.9)	(3.7)	(32%)
	461.6	(45.6)	1,112%	436.1	(16.7)	2,711%
Net change in cash and cash equivalents - discontinued operation	-	-		17.8	-	
Cash and cash						
Beginning of year	313.9	367.1	(15%)	321.6	338.3	(5%)
End of year	775.5	321.6	141%	775.5	321.6	141%

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Fourth quarter (three-month period) - Cash flows analysis

For the three-month period ended December 31, 2019, Sagicor's net cash inflows associated with operating activities was US \$26.0 million compared to outflows of US \$40.2 million for the same period in 2018. This increase of US \$66.2 million, or 165%, was primarily due to increased operating cash inflows generated in the Company's Jamaica and USA segments. Our Jamaica segment benefitted from increased inflows from customer deposits as the banking business continues to expand. In addition, lower spends on the purchase of securities in both our Jamaica and USA segments, contributed to the overall increase operating cash inflows.

Sagicor's net cash used in investing activities was US \$5.5 million compared to inflows of US \$19.0 million for the same period ended December 31, 2018, a decrease of US \$24.5 million. During the three-month period, our Jamaica Segment increased its capital expenditure on property, plant and equipment (US \$9.1 million). In addition, in 2018, our Jamaica segment benefitted from net cash inflows associated with the "Acquisition" of its subsidiary, Sagicor X Funds in October 2018.

Sagicor's net cash inflows from financing activities was US \$438.6 million during the 4th quarter of 2019, compared to outflows of US \$29.3 million for the same period in 2018, an increase of US \$509.0 million. On December 5, 2019 Sagicor and Alignvest completed the business combination involving the transfer of all issued and outstanding shares in Sagicor to Alignvest. This transaction raised over US \$450 million in new capital for the Group, thereby contributing to the significant increase cash inflows from financing activities. In November 2018, the Sagicor Life segment increased its interest in Sagicor General Inc for a cash payment of US \$12.6 million.

For the 2019 period under review, the effect of exchange rate changes was a gain of US \$2.5 million compared to a gain of US \$4.8 million in the same period in 2018.

Year-to-date (twelve-month period)- cash flows analysis

For the year ended December 31, 2019, Sagicor's net cash from operating activities was US \$41.5 million compared to US \$46.3 million for the same period in 2018.

Sagicor's net cash used in investing activities was US \$44.4 million compared to US \$8.0 million for 2018, an increase of US \$36.4 million. During the year, our Jamaica Segment acquired a subsidiary company (US \$31.5) million, while during the same period in 2018, the Group recorded net outflows associated with the disposal a subsidiary (US \$14.5 million).

Sagicor's net cash inflows from financing activities was US \$443.9 million for 2019, compared to outflows of US \$51.3 million for the prior year, an increase of US \$495.2 million. The increase in cash flows was related to the Alignvest transaction which raised capital of over US \$450 million.

For the year ended December 31, 2019, net inflows from other notes and loans payable totalled US \$31.7 million compared to net outflows of US \$6.1 million in 2018. On June 3, 2019, our Jamaica segment early redeemed the outstanding 8.25% Cumulative Preference Shares Class B nominal value of US \$10.8 million together with final dividend of US \$0.2 million. On August 16, 2019, Sagicor Investments Jamaica Limited issued J\$4.4 billion (US \$32.7 million equivalent) in two Tranches, Tranche A J\$2.22 billion and Tranche B J\$2.18 billion, carrying an annual rate of 5.00% and 6.75% with a maturity date of September 16, 2020 and August 16, 2024, respectively.

In 2019, the effect of exchange rate changes was a loss of US \$4.9 million compared to a loss of US \$3.7 million in the same period in 2018.

In February 2019, the Group received cash flows of US \$17.8 million from the close out of discontinued operations.

Ratings

Sagicor Financial Corporation Limited, its principal operating subsidiaries, and its debt financing vehicle, have been rated by the rating agencies AM Best, Standards and Poor's, or Fitch. The ratings as of the date of issue of the 2019 financial statements are as follows.

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	<u>AM Best Rating ^(a)</u>
Sagicor Life Inc	
Financial Strength	A - Stable
Issuer Credit Rating	a- Stable
Sagicor Life Jamaica Limited	
Financial Strength	B++ Stable
Issuer Credit Rating	bbb+ Stable
Sagicor Life Insurance Company (USA)	
Financial Strength	A- Stable
Issuer Credit Rating	a- Stable
Sagicor Financial Corporation Limited	
Issuer Credit Rating	bbb- Stable
Sagicor Finance (2015) Limited	
Senior Unsecured	bbb Stable
Sagicor General Insurance Inc	
Financial Strength	A- Stable
Issuer Credit Rating	a- Stable

(a) Updated September 20, 2019.

	<u>S&P Rating ^(b)</u>	<u>Fitch Rating ^(c)</u>
Sagicor Financial Corporation		
Issuer Credit Rating	BB (Positive)	
Long-term Issuer Default Rating		BB (Stable)
Sagicor Finance (2015) Limited		
Senior Unsecured	BB (Positive)	BB- (Stable)

(b) Updated November 15, 2019

(c) Updated March 17, 2020.

Critical Accounting Estimates and Judgments

Certain accounting estimates and judgements are recognised as critical because they require us to make particularly subjective or complex judgments about matters that are inherently uncertain and significantly different amounts could be reported under different conditions or using different assumptions.

These accounting estimates and judgements are discussed in the sections below. The notes to the annual financial statements outline the relevant accounting policies or give specific relevant disclosure to the matters identified in these sections. These notes are also referred to below.

1. Impairment of financial assets – IFRS 9
(note 2.9 of the financial statements)

In determining ECL (Expected Credit Losses), 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.

a) *Establishing staging for debt securities and deposits*

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

The scale is set out in the following table:

MANAGEMENT'S DISCUSSION AND ANALYSIS

Category	SRR ^(a)	Classifi-cation	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, C	CCC, CC	ccc,
		7	Special mention	C	C	C	c
Default	8	Substandard			DDD		
	9	Doubtful	D	C	DD	d	
	10	Loss			D		

^(a) Sagikor Risk Rating

The Group 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. Sagikor 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 Sagikor risk rating of 1-3 is considered low credit risk.

Stage 1 investments are rated (i) investment grade, or (ii) below investment grade at origination and have not been downgraded more than 2 notches since origination. Stage 2 investments are assets which (i) have been downgraded from investment grade to below investment grade, or (ii) are rated below investment grade at origination and have been downgraded more than 2 notches since origination. Stage 3 investments are assets in default.

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

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

Qualitative test

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

Backstop Criteria

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

c) *Forward looking information*

When management determines the macro-economic factors that impact the portfolios of financial assets, they first determine all readily available information within the relevant market. Portfolios of financial assets are segregated based on product type, historical performance and homogenous country exposures. There is often limited timely macro-economic data for Barbados, Eastern Caribbean, Trinidad and Jamaica. Management assesses data sources from local government, International Monetary Fund 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 expected performance is then used for the remaining life of the product. These projections are re-assessed on a quarterly basis.

d) *Impairment of Government of Barbados debt securities*

As further disclosed in note 41.3 (f) of the 2018 financial statements, the Group participated in a debt exchange following the implementation of a debt restructuring programme by the Government of

MANAGEMENT'S DISCUSSION AND ANALYSIS

Barbados. The replacement debt securities are classified as purchased or originated credit-impaired assets (POCI) and have been valued using an internally generated yield curve derived from the Central Bank of Barbados base-line yield curve to which management has applied a risk premium.

2. Fair value of securities not quoted in an active market (note 41.8 of the financial statements)

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

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

3. Recognition and measurement of intangible assets (note 2.7 of the financial statements)

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

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

4. Impairment of intangible assets (note 2.7 of the financial statements)

a) *Goodwill*

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

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

b) *Other intangible assets*

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

5. Valuation of actuarial liabilities (note 2.15 of the financial statements)

a) *Canadian Actuarial Standards*

The objective of the valuation of policy liabilities is to determine the amount of the insurer's assets that, in the opinion of the Appointed Actuary (AA) and taking into account the other pertinent items in the financial statements, will be sufficient without being excessive to provide for the policy liabilities over

MANAGEMENT'S DISCUSSION AND ANALYSIS

their respective terms. The amounts set aside for future benefits are dependent on the timing of future asset and liability cash flows.

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

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

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

b) Best estimate reserve assumptions & provisions for adverse deviations

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

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

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

The principal assumptions and margins used in the determination of actuarial liabilities are summarised sub-sections c) to i) which follow. However, the liability resulting from the application of these

assumptions can never be definitive as to the ultimate timing or the amount of benefits payable and is therefore subject to future re-assessment.

c) Process used to set actuarial assumptions and margins for adverse deviations

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

d) Assumptions for mortality and morbidity

Mortality rates are related to the incidence of death in the insured population. Morbidity rates are related to the incidence of sickness and disability in the insured population. Annually, insurers update studies of recent mortality experience. The resulting experience is compared to external mortality studies including tables from the Canadian Institute of Actuaries (CIA). Appropriate modification factors are selected and applied to underwritten and non-underwritten business respectively. Annuitant mortality is determined by reference to CIA tables or to other established scales.

Assumptions for morbidity are determined after taking into account insurer and industry experience.

e) Assumptions for lapse

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

f) Assumptions for investment yields

Returns on existing variable rate securities, shares, investment property and policy loans are linked to the current economic scenario. Yields on reinvested assets are also tied to the current economic scenario. Returns are, however, assumed to decrease and it is assumed that at the end of twenty years

MANAGEMENT'S DISCUSSION AND ANALYSIS

from the valuation date, all investments, except policy loans, are reinvested in long-term, default free government bonds.

g) Assumptions for operating expenses and taxes

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

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

h) Asset default

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

i) Margins for adverse deviations

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

<i>(in US \$millions)</i>	December 31	
	2019	2018
Provisions for adverse deviations		
Mortality and morbidity	95.2	103.6
Lapse	76.4	78.5
Investment yield and asset default	66.0	62.4
Operating expenses and taxes	10.0	11.0
Other	13.9	11.1
Total	261.5	266.6

6. Investment in associate

As at July 1, 2018 Sagicor Jamaica Group has a shareholding in Playa of 15%. From an accounting perspective, IAS 28 (Investments in Associate and Joint Ventures) paragraph 5, 6 and 8 guidance was considered as follows:

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

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

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

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In assessing whether potential voting rights contribute to significant influence, the entity examines all facts and circumstances (including the terms of exercise of the potential voting rights and any other contractual arrangements whether considered individually or in combination) that affect potential rights, except the intentions of management and the financial ability to exercise or convert those potential rights. Management has two representatives out of twelve on the Board who are also members of two strategic Board committees.

Management has concluded, given its participation in the policy-making decisions, significant involvement in, and influence over decision making of Playa, this allows them to clearly demonstrate influence over Playa's financial and operating results even though Sagicor owns less than 20% of Playa's shares - rebuttable presumption.

Management has concluded after taking the above into consideration that it has significant influence over Playa through its holding and as such is of the view that its strategic investment in Playa should be treated as an investment in associate in accordance with IAS 28.

7. Fair value of shares issued to Alignvest Acquisition II Corporation shareholders, contingent shares and warrants issued.

Management determined the fair value of the common shares issued to the SPAC shareholders. We considered various valuation methodologies including observing the quoted un-adjusted price of SFCL prior to the transaction being announced; the stated transaction price; the quoted price of both the SPAC and SFCL prior to the transaction closing; the price of the shares post closing of the transaction; the prices at which various major investors invested in the SPAC; and the fairness opinion to the board of directors given by an independent expert. Given the wide dispersion of values, we have chosen to utilize the value that, in our judgement, reflects the price at which valuation was most heavily negotiated for a significant investment, that being the private placement by investors which enabled Alignvest Acquisition II Corporation to satisfy its condition precedent to deliver its minimum cash proceeds to the transaction and effectively unlocked the transaction. Such estimates and assumptions are inherently uncertain. Changes in these assumptions affect the fair value estimates of shares.

The fair value of contingent shares issued were determined using market-based valuation techniques. Assumptions are made and estimates are used in applying the valuation techniques. These estimates include share price, future volatility of the share price and the rate of forfeiture. Such estimates and

assumptions are inherently uncertain. Changes in these assumptions affect the fair value of contingent shares.

As discussed in note 1, a listing expense arises to reflect the difference between the estimated fair value of the SFC common shares, escrow shares and warrants deemed to have been issued to the shareholders of Alignvest less the fair value of the net assets acquired from Alignvest. A change in fair value of shares issued has a direct impact on the listing expense as outlined below:

Sensitivity – Listing expense

	Revised Listing expense expense / (income) 2019
Per Note 1 of the 2019 Financial Statements	18,777
Scenario	
10% reduction in fair value (\$6.19) of share	(28,584)
10% increase in fair value (\$6.19) of share	66,139
20% increase in fair value of (\$6.19) share	113,502

5. FINANCIAL INVESTMENTS

Each principal operating entity within the group has an investment policy that provides a framework of maximizing investment yield subject to the management of the ALM risks described above and the investment regulations of each country.

As of December 31, 2019, Sagicor had US \$6.7 billion of diversified financial assets and net investment income of US \$419.8 million, a net investment return of 7.2%. Since becoming a public company in 2002, Sagicor has had positive and stable investment portfolio performance.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Carrying Values

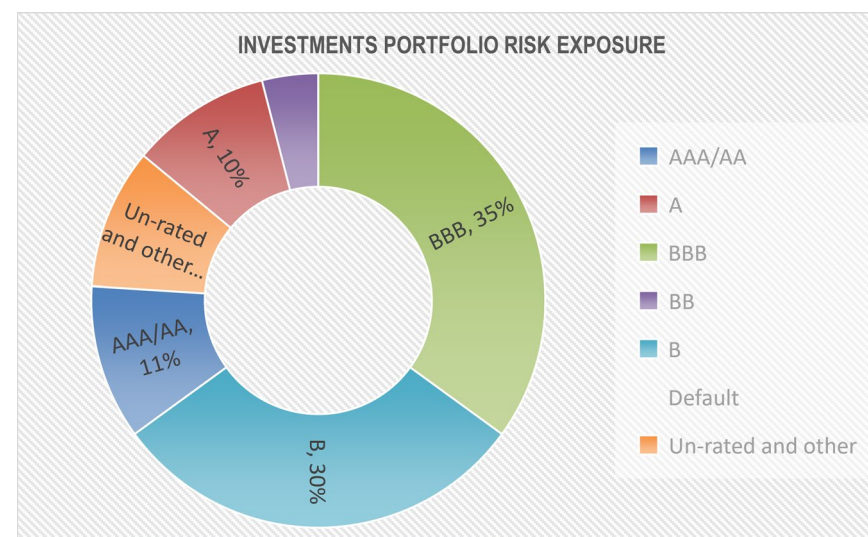
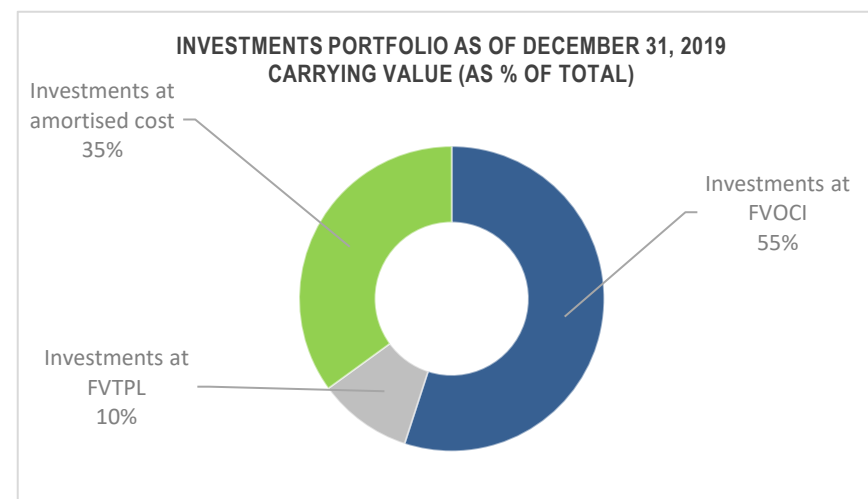
The first table below shows the carrying value of Sagicor's investment portfolio for the years ended December 31, 2019 and 2018. The second table below shows Sagicor's net investment return for the years ended December 31, 2019 and 2018.

Analysis of Financial Investments

(in millions of US \$, except percentages)

	2019		2018	
	Carrying value	% of Total	Carrying value	% of Total
Investments at FVOCI:				
Debt securities and money market funds	3,673.4	55%	2,633.6	49%
Equity securities	1.3	-	0.3	-
	3,674.7	55%	2,633.9	49%
Investments at FVTPL:				
Debt securities	243.1	4%	198.8	4%
Equity securities	370.2	5%	267.2	5%
Derivative financial instruments	36.9	1%	7.7	-
Mortgage loans	28.9	1%	30.1	-
	679.1	11%	503.8	9%
Investments at amortised cost:				
Debt securities	1,148.7	17%	1,097.2	21%
Mortgage loans	362.5	5%	337.0	6%
Policy loans	151.5	2%	147.0	3%
Finance loans	595.3	9%	514.5	10%
Securities purchased for re-sale	10.9	-	7.2	-
Deposits	62.8	1%	107.1	2%
	2,331.7	34.9%	2,210.0	42%
Total financial investments	6,685.5	100%	5,347.7	100%

The pie charts below represent a breakdown of the carrying value and risk exposure of Sagicor's consolidated investments portfolio as of December 31, 2019.



MANAGEMENT'S DISCUSSION AND ANALYSIS

NET INVESTMENT INCOME

<i>(in millions of US \$)</i>	2019	2018
Income from financial investments		
Interest income:		
Debt securities	81.7	84.5
Mortgage loans	20.5	20.8
Policy loans	10.5	10.0
Finance loans and finance leases	60.9	58.3
Securities purchased for resale	0.5	0.8
Deposits, cash and other items	1.4	3.1
	175.5	177.5
Interest Income (FVOCI):		
Debt securities and money market funds	132.5	113.5
FVTPL investments:		
Fair value changes and interest income from debt securities	25.3	(0.9)
Fair value changes and dividend income from equity securities	49.3	15.8
Derivative financial instruments	35.7	(11.4)
Fair value changes and interest income from mortgage securities	2.5	0.9
	112.8	4.4
Other income measured on an IFRS 9 basis	0.3	0.8
Income from financial instruments	421.1	296.2

NET INVESTMENT INCOME (Continued)

<i>(in millions of US \$)</i>	2019	2018
Income from financial investments	421.1	296.2
Investment income		
Investment property income and fair value gains / (losses)	7.9	5.5
Other investment income	(0.3)	0.5
	428.7	302.1
Investment expenses:		
Direct operating expenses of investment property	6.3	6.0
Other direct investment expenses	2.6	2.3
	8.9	8.3
Net investment income	419.8	293.8

MANAGEMENT'S DISCUSSION AND ANALYSIS

RISK MANAGEMENT

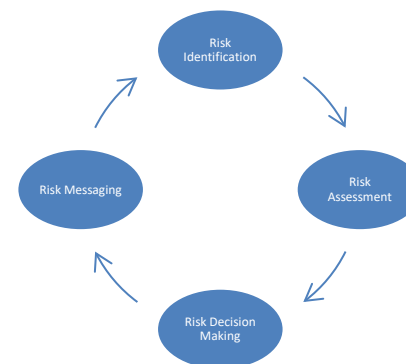
Sagicor is in the business of taking risks and must manage those risks effectively to generate profitable growth, safeguard its reputation and protect its solvency. In its management of risks, the Group seeks to optimize the relationship between risk and reward across the entire enterprise and to limit possible losses resulting from its risk exposure.

Enterprise Risk Management (ERM) at Sagicor has been ongoing for many years, having appointed its first Chief Risk Officer in 2005. For about a decade, a standardized risk taxonomy and dictionary has been utilized across the Group and group-wide exposures to key financial risks (credit, interest rate, liquidity and currency risks) have been aggregated and reported to the Board. Further, each of the Group's major operating segments has implemented ERM appropriate to the nature, scale and complexity of their operations. Sagicor continues to evolve its ERM especially as it relates to strategic and operational risks.

The Group defines risk is an event that causes a deviation from its strategic plan. Risk is also viewed holistically recognizing that one risk event may cause downside deviations in several business segments but also simultaneously causes upside deviations in one or more other business segments or may also be highly correlated with a second risk event. Lastly, the Group considers risks defined by source (e.g., data breach) as opposed to intermediate (e.g., reputation damage) or ultimate (e.g., lower earnings) outcomes. This not only provides the necessary specific context for risk assessment but also facilitates complete assessment of any and all downstream outcomes resulting from the risk.

ERM Process

Sagicor's ERM process is depicted graphically below:



Identified risks are categorized as illustrated in the table below and further classified as key risks or non-key risks.

<i>FINANCIAL</i>	<i>INSURANCE</i>	<i>OPERATIONAL</i>	<i>STRATEGIC</i>
MARKET	PRICING	HUMAN RESOURCES	STRATEGY
CREDIT	UNDERWRITING	TECHNOLOGY	EXECUTION
LIQUIDITY	RESERVING	LITIGATION	COMPETITOR
ECONOMIC		COMPLIANCE	LEGISLATIVE/ REGULATORY SUPPLIER
		FRAUD	GOVERNANCE
		DISASTERS	EXTERNAL RELATIONS
		PROCESSES	STRATEGIC RELATIONSHIPS
			INTERNATIONAL

MANAGEMENT'S DISCUSSION AND ANALYSIS

Non-key risks are monitored for any changes in likelihood and/or severity and, if warranted, elevated to key risk status.

Risk are assessed both qualitatively and quantitatively. Certain key financial risk exposures (credit, interest rate, currency and liquidity) are quantified quarterly and communicated to the Board. Credit risk exposures are tracked for each of the investment portfolio, the lending portfolio and the reinsurance portfolio. Credit concentration risk is also tracked by the ultimate parent of each counterparty. Liquidity risk exposures are tracked by both asset-liability maturity profile and 24-month cashflow projections. Interest rate risk exposures are tracked using asset and liability durations for each major yield curve exposure. Currency risk exposures are tracked by stress testing net currency positions for major currency exposure.

Risk information is regularly communicated to external stakeholders including regulators, rating agencies, and the public. The Group files an Own Risk Solvency Assessment (ORSA) Summary Report with the Texas Department of Insurance. It also meets regularly with rating agencies (S&P, Fitch and A.M. Best) providing them with a description of our ERM framework and key risk exposures. Sagicor also provides extensive risk disclosures in its Notes to the Financial Statements.

Roles and Responsibilities

Responsibility for ERM permeates the organization. Business and functional units are responsible for monitoring and managing risks within their respective areas. The Group's Corporate ERM teams' responsibilities include but are not limited to the key ERM tools and techniques, oversight over all key ERM activities, ensuring consistent ERM definitions, concepts, and terminology, acting as a central clearing house for coordinating ERM information, monitoring individual and enterprise risk exposures, and providing key ERM information to the Board Investment and Risk Committees (both Group and subsidiary level). The Board Investment and Risk Committees oversee key risks and exposures and approve key ERM decisions and policies. Internal audit provides independent verification of policies and procedures.

1. Credit risk

The Group takes on exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Credit risks are primarily associated with financial investments and

reinsurance contracts held. Credit risk is the possibility that counterparties may not be able to meet payment obligations when they become due. As premiums, deposits and other receivables are received, these funds are invested to pay for future policyholder and other obligations.

The Group in most, but not all, instances bears the risk for investment performance, i.e. return of principal and interest. Any credit defaults or other reductions in the value of debt securities, loans, deposits and receivables could have a material adverse effect on Sagicor's business, results of operations and financial condition.

The investment committees of Group operating companies establish policies to manage credit risk. Specific limits are set for concentration by asset class and issuer, in addition to minimum standards for asset quality. Further, Sagicor deals only with highly rated reinsurers in to contain counterparty risk. The Group minimises credit risk from financial investments through holding a diversified portfolio of investments, purchasing securities and advancing loans only after careful assessment of borrowers, and placing deposits with financial institutions that have a strong capital base. Sagicor's policy is to not invest more than 10% of the debt of a single borrower, unless security is held for the debt.

However, many jurisdictions mandate that the operating companies invest a portion of the assets supporting the policy liabilities in government instruments such as treasury bills and bonds.

The Group has significant concentrations of credit risk with respect to its holding of bonds and treasury bills issued by the governments of Jamaica, Barbados and Trinidad and Tobago. In the United States, Sagicor has significant exposure to United States Government issued and/or government-backed investments (including state and local governments) and Guggenheim Partners reinsurance assets.

In Sagicor Jamaica's banking business, the Group is exposed to credit risk in both its securities and lending activities. In connection with securities activities, Sagicor Investments trades on a "delivery versus payment" policy where Government of Jamaica securities are accepted on a mark-to-market basis with its counterparties. Exposure limits are also established and monitored. In its lending activities, Sagicor Bank seeks to adequately collateralise its loans, particularly where they exceed certain thresholds. Loan applicants undergo a thorough screening and credit analysis process.

The following tables summarise credit exposure of the Group's financial investments as of December 31, 2019. It shows the gross carrying value, the accumulated loss allowance and the net carrying value,

MANAGEMENT'S DISCUSSION AND ANALYSIS

analysed by expected credit loss (ECL) staging (see critical accounting estimates and judgements – 1. impairment of financial assets).

Credit exposure – December 31, 2019					
(in US \$millions)	ECL Staging			POCI ^(c)	Total
	Stage 1	Stage 2	Stage 3		
FVOCI ^(b) debt securities:					
Gross value	3,458.2	70.7	-	30.1	3,559.0
Loss allowance	(2.5)	(5.7)	-	-	(8.2)
Net value	3,455.7	65.0	-	30.1	3,550.8
Debt securities ^(a)					
Gross value	988.3	4.6	-	158.4	1,151.3
Loss allowance	(1.4)	(0.8)	-	(0.4)	(2.6)
Net value	986.9	3.8	-	158.0	1,148.7
Policy loans(a)					
Gross value	151.7	-	-	-	151.7
Loss allowance	(0.2)	-	-	-	(0.2)
Net value	151.5	-	-	-	151.5

Credit exposure – December 31, 2019					
(in US \$millions)	ECL Staging			POCI ^(c)	Total
	Stage 1	Stage 2	Stage 3		
Mortgage loans ^(a)					
Gross value	300.6	38.8	25.0	-	364.4
Loss allowance	(0.6)	(0.3)	(0.9)	-	(1.8)
Net value	300.0	38.5	24.1	-	362.6
Finance loans ^(a)					
Gross value	579.9	13.0	12.7	-	605.6
Loss allowance	(3.8)	(0.7)	(5.8)	-	(10.3)
Net value	576.1	12.3	6.9	-	595.3
Securities					
Gross value	10.9	-	-	-	10.9
Loss allowance	-	-	-	-	-
Net value	10.9	-	-	-	10.9
Deposits ^(a)					
Gross value	62.5	0.6	-	-	63.1
Loss allowance	(0.3)	(0.1)	-	-	(0.4)
Net value	62.2	0.5	-	-	62.7

^(a) Financial investments carried at amortised cost.

^(b) FVOCI – fair value through other comprehensive income classification.

^(c) POCI - purchased or originated credit impaired.

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2. Foreign exchange risk

The Group is exposed to foreign exchange risk as a result of fluctuations in exchange rates since Sagicor's financial assets and liabilities are denominated in a number of different currencies. In order to manage the risk associated with movements in currency exchange rates, Sagicor seeks to maintain investments and cash in each operating currency sufficient to match liabilities denominated in the same currency. Sagicor also invests limited amounts in United States dollar assets, which are held to pay liabilities in operating currencies. Management believes that this strategy adequately meets Sagicor's asset and liability management goals with respect to currencies and in the long-term is likely to either maintain capital value or provide satisfactory returns.

The Sagicor Group operates and issues contracts in the currencies prevailing in the countries where it conducts business. Most of these currencies are pegged to the US dollar and their rates of conversion to the US dollar have been stable for many years. However, there are exceptions. The exchange rates to the US dollar of the currencies which float against the US dollar, and which are significant to Sagicor's operations, are summarised in the following table for the periods indicated.

Currency exchange rate of US \$1.00:	2019 closing rate	2018 closing rate
Barbados dollar	2.0000	2.0000
Eastern Caribbean dollar	2.7000	2.7000
Jamaica dollar	132.5324	127.3996
Trinidad & Tobago dollar	6.7624	6.7804

Currency exchange rate of US \$1.00:	2019 average rate	2018 average rate
Barbados dollar	2.0000	2.0000
Eastern Caribbean dollar	2.7000	2.7000
Jamaica dollar	132.8772	128.5468
Trinidad & Tobago dollar	6.7510	6.7460

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following tables shows the Group's significant foreign exchange exposure as of December 31, 2019 and 2018 by presenting assets and liabilities by the currency in which they are denominated for its continuing operations.

December 31, 2019	US \$million equivalents of balances denominated in						
<i>(in US \$millions)</i>	Barbados \$	Jamaica \$	Trinidad \$	Eastern Caribbean \$	US \$	Other Currencies	Total
ASSETS							
Financial investments ⁽¹⁾	341.2	1,344.1	474.2	150.1	3,879.2	125.4	6,314.2
Reinsurance assets	6.7	3.8	4.8	2.1	681.6	0.4	699.4
Receivables ⁽¹⁾	22.8	69.4	10.3	15.7	14.8	5.0	138.0
Cash resources	21.2	91.6	26.5	9.7	165.4	47.2	361.6
Total monetary assets	391.9	1,508.9	515.8	177.6	4,741.0	178.0	7,513.2
Other assets ⁽²⁾	199.2	477.8	90.8	20.8	425.8	1.3	1,215.7
Total assets of continuing operations	591.1	1,986.7	606.6	198.4	5,166.8	179.3	8,728.9
LIABILITIES							
Actuarial liabilities	438.5	411.4	366.1	79.4	2,194.6	114.6	3,604.7
Other insurance liabilities ⁽¹⁾	80.6	55.8	32.8	12.2	31.7	14.7	227.9
Investment contracts	31.6	81.8	182.9	53.4	65.3	9.3	424.3
Notes and loans payable	14.4	104.4	-	-	398.9	-	517.7
Lease liabilities	2.8	23.3	2.3	0.1	6.4	0.8	35.7
Deposit and security liabilities	1.3	684.2	1.1	15.3	1,033.1	17.6	1,752.7
Provisions	11.9	25.2	12.9	0.0	2.3	7.4	59.8
Accounts payable and accruals	40.7	116.9	18.1	1.9	57.4	5.4	240.3
Total monetary liabilities	621.8	1,503.0	616.3	162.4	3,789.8	169.9	6,863.1
Other liabilities ⁽²⁾	18.7	32.5	15.2	5.1	42.2	2.2	116.0
Total liabilities of continuing operations	640.5	1,535.5	631.5	167.4	3,832.0	172.1	6,979.1
Net position	(49.4)	451.2	(24.9)	31.0	1,334.8	7.2	1,749.8

⁽¹⁾ Monetary balances only

MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2018

US \$million equivalents of balances denominated in

<i>(in US \$millions)</i>	Barbados \$	Jamaica \$	Trinidad \$	Eastern Caribbean \$	US \$	Other Currencies	Total
ASSETS							
Financial investments ⁽¹⁾	335.1	1,017.5	424.5	145.7	3,026.1	131.2	5,080.1
Reinsurance assets	6.6	3.2	6.1	4.1	679.1	0.7	699.8
Receivables ⁽¹⁾	12.1	50.2	8.9	9.0	14.8	4.7	99.7
Cash resources	9.1	84.5	51.3	10.0	159.6	44.2	358.7
Total monetary assets	362.9	1,155.4	490.8	168.8	3,879.6	180.8	6,238.3
Other assets ⁽²⁾	194.2	360.4	76.1	21.0	419.5	(1.5)	1,069.7
Total assets of continuing operations	557.1	1,515.8	566.9	189.8	4,299.1	179.3	7,308.0
LIABILITIES							
Actuarial liabilities	393.7	362.2	318.8	59.3	1,791.9	98.6	3,024.5
Other insurance liabilities ⁽¹⁾	78.0	26.1	33.3	12.5	40.3	13.0	203.2
Investment contracts	32.9	63.6	162.3	48.7	75.6	7.3	390.4
Notes and loans payable	2.7	42.8	-	-	444.7	-	490.2
Deposit and security liabilities	2.2	560.5	1.2	15.1	1,078.4	16.6	1,674.0
Provisions	29.3	24.1	12.4	(0.6)	2.2	6.8	74.2
Accounts payable and accruals	40.7	92.2	20.5	27.2	55.8	4.3	240.7
Total monetary liabilities	579.5	1,171.5	548.5	162.2	3,488.9	146.6	6,097.2
Other liabilities ⁽²⁾	17.7	17.3	23.0	4.3	28.0	2.3	92.6
Total liabilities of continuing operations	597.2	1,188.8	571.5	166.5	3,516.9	148.9	6,189.8
Net position	(40.1)	327.0	(4.6)	23.3	782.2	30.4	1,118.2

⁽¹⁾ Monetary balances only

MANAGEMENT'S DISCUSSION AND ANALYSIS

3. Interest rate risk

Sagicor is exposed to interest rate risk, which arises when the returns earned from invested assets decrease.

The return on investments may be variable, fixed for a term or fixed to maturity. Upon reinvestment of a matured investment, the returns available on new investments may be significantly different from the returns formerly achieved. Sagicor guarantees minimum returns on the cash values of certain types of policies, for example universal life and annuity contracts, and decreased investment returns may be insufficient to pay these guaranteed returns.

Sagicor is thereby exposed to the effects of fluctuations in the prevailing levels of market interest rates on Sagicor's financial position and cash flows. Interest margins may increase or decrease as a result of such changes. Interest rate changes may also result in losses if asset and liability cash flows are not closely matched with respect to timing and amount.

Movements in short-term and long-term interest rates affect the level and timing of recognition of gains and losses on securities Sagicor holds, and cause changes in realised and unrealised gains and losses. Generally, Sagicor's investment income will be reduced during sustained periods of lower interest rates as higher yielding fixed income securities are called, mature, or are sold and the proceeds reinvested at lower rates. During periods of rising interest rates, the market value of Sagicor's existing fixed income securities will generally decrease and Sagicor's realised gains on fixed income securities will likely be reduced. Realised losses will be incurred following significant increases in interest rates only if the securities are sold; otherwise the losses will be unrealised as assets are fairly matched to similar duration liabilities and may be held to maturity. Conversely, declining interest rates result in unrealised gains in the value of fixed income securities Sagicor continues to hold, as well as realised gains to the extent the relevant securities are sold.

Sagicor's primary interest rate exposures relate to Sagicor's long term insurance and annuities liabilities as well as funds on deposit. Sagicor may incur a loss on certain contracts where the investment return does not exceed the interest credited to the policyholder.

The tables following summarise the exposures to interest rates on the Group's monetary insurance and financial liabilities (excluding actuarial liabilities), for the years ended December 31, 2019 and 2018. They set out liabilities at carrying amounts, categorised by the earlier of contractual re-pricing or maturity dates. Insurance liabilities are categorised by their expected maturities.

<i>(in US \$millions)</i>	Interest exposure – December 31, 2019				Total
	Less than 1 year	1 to 5 years	After 5 years	Not exposed to interest	
Other insurance	8.1	3.9	49.3	166.6	227.9
Investment contract	346.2	60.4	17.7	0.1	424.4
Notes and loans	419.6	27.1	71.5	(0.4)	517.8
Lease liabilities	6.5	19.0	4.2	5.9	35.6
Other funding	395.4	9.8	12.6	0.2	418.0
Customer deposits	804.9	0.2	-	3.0	808.1
Structured products	6.8	-	-	-	6.8
Securities sold for	511.3	-	-	1.5	512.8
Derivative liabilities	-	-	-	0.3	0.3
Bank overdrafts	6.6	-	-	-	6.6
Accounts payable	1.1	1.1	-	238.2	240.4
Total	2,506.5	121.5	155.3	415.4	3,198.7

MANAGEMENT'S DISCUSSION AND ANALYSIS

<i>(in US \$millions)</i>	Interest exposure – December 31, 2018				
	Less than 1 year	1 to 5 years	After 5 years	Not exposed to interest	Total
Other insurance	9.3	4.0	50.9	138.8	203.0
Investment	333.0	44.3	13.1	-	390.4
Notes and loans	96.0	338.2	56.1	(0.1)	490.2
Other funding	439.7	10.9	10.4	0.6	461.6
Customer	691.3	27.5	-	2.8	721.6
Structured	48.0	16.7	-	-	64.7
Securities sold for	422.8	-	-	1.0	423.8
Derivative	0.2	0.1	-	-	0.3
Bank overdrafts	2.2	-	-	-	2.2
Accounts payable	0.3	1.0	-	239.4	240.7
Total	2,042.8	442.7	130.5	382.5	2,998.5

<i>(in US \$millions)</i>	Interest exposure – December 31, 2019				
	Less than 1 year	1 to 5 years	After 5 years	Not exposed To interest	Total
Debt securities	1,308.2	727.1	2,969.8	60.2	5,065.3
Equity securities	-	-	-	371.5	371.5
Mortgage loans	77.7	30.3	281.2	2.3	391.5
Policy loans	4.4	14.1	131.8	1.2	151.5
Finance loans	572.4	15.6	5.7	1.6	595.3
Securities purchased for re-sale	10.9	-	-	-	10.9
Deposits	57.9	2.7	1.8	0.3	62.7
Derivative assets	0.3	-	-	36.6	36.9
Reinsurance assets: other	0.2	-	0.2	37.3	37.7
Premiums receivable	0.1	-	-	57.5	57.6
Other assets and receivables	2.8	1.2	-	74.5	78.5
Cash resources	220.5	-	-	141.0	361.5
Total	2,255.4	791.0	3,390.5	784.0	7,220.9

The tables following summarise the exposures to interest rate and reinvestment risks of the Group's monetary insurance and financial assets, for the years ended December 31, 2019 and 2018. Assets are stated at carrying amounts, categorised by the earlier of contractual re-pricing or maturity dates. Reinsurance assets and policy loans are categorised by their expected maturities.

MANAGEMENT'S DISCUSSION AND ANALYSIS

<i>(in US \$millions)</i>	Interest exposure – December 31, 2018				Total
	Less than 1 year	1 to 5 years	After 5 years	Not exposed To interest	
Debt securities	621.3	632.0	2,618.9	57.3	3,929.5
Equity securities	-	-	-	267.5	267.5
Mortgage loans	57.6	39.7	267.7	2.2	367.2
Policy loans	3.7	13.5	125.3	4.5	147.0
Finance loans	489.9	17.0	5.4	2.1	514.4
Securities purchased for re-sale	7.2	-	-	-	7.2
Deposits	104.7	1.1	1.0	0.3	107.1
Derivative assets	-	-	-	7.7	7.7
Reinsurance assets: other	-	-	0.2	46.0	46.2
Premiums receivable	-	-	-	51.6	51.6
Other assets and receivables	2.2	1.1	-	44.9	48.2
Cash resources	152.7	-	-	206.0	358.7
Total	1,439.3	704.4	3,018.5	690.1	5,852.3

4. Liquidity risk

Liquidity risk is inherent in much of the Group's business. Liquidity risk is risk stemming from a lack of marketability in Sagicor's assets. Some liabilities may be surrendered at the call of the contract-holder, while some assets have low liquidity such as mortgage loans and real estate. In order to manage liquidity risks, the Group seeks to maintain levels of cash and short-term deposits in each of its operating currencies that can meet expected short-term obligations.

The Group is exposed to daily demands on its available cash resources for payment of policy benefits and withdrawals, operating expenses and taxes, loan drawdowns, repayment of borrowings, maturing deposit liabilities and other security obligations. The Group maintains cash resources to meet what it predicts it will have to pay as policy benefits. Demands on its cash resources may exceed the Group's projections.

The Group diversifies its liability portfolio by limiting concentrations of liabilities in each market segment. Where practical, given the Group's operating environment, Sagicor seeks to match maturities of assets and liabilities while maintaining a portfolio of short-term, highly liquid securities to meet funding gaps. The Group monitors its daily, weekly and monthly liquidity risk and manages its maturing asset and liability portfolios.

The Group purchases custom options (hedges) that are selected to materially replicate the policy benefits that are associated with the equity indexed components of certain of its products. These options are appropriate to reduce or minimise the risk of movements in the equity market (market risk). The hedging transactions are accounted for as call options and are originally valued at the premium paid, with the statement carrying value being adjusted to fair value. To minimise potential counterparty risk from the purchase of these customised contracts from broker dealers, the Group only transacts with banks and brokers carrying an unsecured debt rating of at least A or P-1 by either Standard and Poor's or Moody's.

The Group's monetary insurance liabilities mature in periods which are summarised in the following tables for the years ended December 31, 2019 and 2018. Amounts are stated at their carrying values recognised in the financial statements and are analysed by their expected due periods, which have been estimated by actuarial or other statistical methods.

MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2019	Expected discounted cash flows			
<i>(in US \$millions)</i>	Maturing	Maturing	Maturing	Total
Actuarial liabilities	260.0	1,004.3	2,340.3	3,604.6
Other insurance liabilities	127.1	30.5	70.3	227.9
Total	387.1	1,034.8	2,410.6	3,832.5

December 31, 2018	Expected discounted cash flows			
<i>(in US \$millions)</i>	Maturing	Maturing	Maturing	Total
Actuarial liabilities	201.4	769.8	2,053.3	3,024.5
Other insurance liabilities	107.0	44.2	51.9	203.1
Total	308.4	814.0	2,105.2	3,227.6

Contractual cash flow obligations of the Group in respect of its financial liabilities and commitments are summarised in the following table. Amounts are analysed by their earliest contractual maturity dates and consist of the contractual un-discounted cash flows. Where the interest rate of an instrument for a future period has not been determined as of the date of the financial statements, it is assumed that the interest rate then prevailing continues until final maturity.

December 31, 2019	Contractual un-discounted cash flows			
<i>(in US \$millions)</i>	On demand or within 1 year	1 to 5 years	After 5 years	Total
Financial liabilities:				
Investment contracts	347.9	66.5	22.2	436.6
Notes / loans payable	445.9	45.3	68.3	559.5
Lease liabilities	8.3	25.6	13.2	47.1
Other funding instruments	397.1	14.1	19.9	431.1
Customer deposits	815.4	0.3	-	815.7
Structured products	6.8	-	-	6.8
Securities sold for re-purchase	514.6	-	-	514.6
Derivative liabilities	0.3	-	-	0.3
Bank overdrafts	6.6	-	-	6.6
Accounts payable &	238.6	1.3	0.4	240.3
Total liabilities	2,781.5	153.1	124.0	3,058.6
Off balance sheet				
Loan commitments	66.6	11.0	1.1	78.7
Non-cancellable lease and rental payments	0.5	-	-	0.5
Customer guarantees and letters of credit	14.4	9.0	11.4	34.8
Investments and investment management fees	14.3	4.8	-	19.1
Capital commitments	17.9	-	-	17.9
Total commitments	113.7	24.8	12.5	151.0
Total	2,895.2	177.9	136.5	3,209.6

MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2018	Contractual un-discounted cash flows			
<i>(in US \$millions)</i>	On demand or within 1 year	1 to 5 years	After 5 years	Total
Financial liabilities:				
Investment contracts	334.5	48.9	15.6	399.0
Notes / loans payable	114.7	445.2	67.1	627.0
Other funding instruments	402.6	55.5	17.7	475.8
Customer deposits	695.3	30.0	-	725.3
Structured products	48.6	17.1	-	65.7
Securities sold for re-purchase	424.7	-	-	424.7
Derivative liabilities	0.2	0.1	-	0.3
Bank overdrafts	2.2	-	-	2.2
Accounts payable & accrued liabilities	237.6	1.9	1.3	240.8
Total liabilities	2,260.4	598.7	101.7	2,960.8
Off balance sheet commitments:				
Loan commitments	42.6	11.6	8.3	62.5
Non-cancellable operating lease and rental payments	4.7	5.7	-	10.4
Customer guarantees and letters of credit	20.6	1.1	13.6	35.3
Capital commitments	19.4	-	-	19.4
Total commitments	87.3	18.4	21.9	127.6
Total	2,347.7	617.1	123.6	3,088.4

The contractual maturity periods of monetary financial assets and the expected maturity periods of monetary insurance assets are summarised in the following tables for the years ended December 31, 2019 and 2018. Amounts are stated at their carrying values recognised in the financial statements. For this table, monetary insurance assets comprise policy loans and reinsurance assets.

December 31, 2019	Contractual discounted or expected cash flows			
<i>(in US \$millions)</i>	Maturing within 1 year	Maturing 1 to 5 Years	Maturing after 5 years	Total
Financial assets:				
Debt securities	1,166.9	774.1	3,124.2	5,065.2
Mortgage loans	21.2	39.0	331.4	391.6
Policy loans	5.3	14.3	131.9	151.5
Finance loans and finance leases	184.4	286.6	124.3	595.3
Securities purchased for	10.9	-	-	10.9
Deposits	58.3	2.7	1.8	62.8
Derivative assets	36.9	-	-	36.9
Reinsurance assets: share	70.6	279.5	311.7	661.8
Reinsurance assets: other	37.4	-	0.2	37.6
Premiums receivable	57.6	-	-	57.6
Other assets and	75.9	2.1	0.5	78.5
Cash resources	361.5	-	-	361.5
Total	2,086.9	1,398.3	4,026.0	7,511.2

MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2018	Contractual discounted or expected cash flows			
<i>(in US \$millions)</i>	Maturing within 1 year	Maturing 1 to 5 Years	Maturing after 5 years	Total
Financial assets:				
Debt securities	563.2	652.9	2,713.3	3,929.4
Mortgage loans	22.5	41.3	303.4	367.2
Policy loans	4.6	13.8	128.7	147.1
Finance loans and finance	193.3	243.4	77.9	514.6
Securities purchased for	7.2	-	-	7.2
Deposits	105.1	1.0	1.0	107.1
Derivative assets	7.6	0.1	-	7.7
Reinsurance assets: share	75.3	260.1	318.3	653.7
Reinsurance assets: other	46.0	-	0.2	46.2
Premiums receivable	51.6	-	-	51.6
Other assets and	47.3	-	0.6	47.9
Cash resources	358.7	-	-	358.7
Total	1,482.4	1,212.6	3,543.4	6,238.4

5. Insurance product design and pricing risk

Product design and pricing risk arises from poorly designed or inadequately priced contracts and can lead to both financial loss and reputational damage to the Group. In the discussion below, the term insurer refers to the Group subsidiary issuing insurance contracts.

Risks are priced to achieve an adequate return on capital on the insurer's business. In determining the pricing of an insurance contract, the insurer considers the nature and amount of the risk assumed, and recent experience and industry statistics of the benefits payable. Pricing inadequacy may arise either from the use of inadequate experience and statistical data in deriving pricing factors, from insurance market softening conditions, or from future changes in the economic environment.

The underwriting process has established pricing guidelines; and may include specific enquiries which determine the insurer's assessment of the risk. Insurers may also establish deductibles and coverage limits for property, casualty and health risks which will limit the potential claims incurred. The pricing of a contract therefore consists of establishing appropriate premium rates, deductibles and coverage limits. For long-term insurance contracts, Sagicor assesses the future cash flows attributable to the contract.

Sagicor carries significant underwriting risks concentrated in certain countries within the Caribbean, namely Antigua, Barbados, Cayman Islands, Curacao, Jamaica, St. Lucia and Trinidad and Tobago. In these countries, Sagicor insures a substantial proportion of the insured population (life, annuity, health).

6. Insurance claims risk

a) *Life, annuity and health contracts*

The principal claims risks for these contracts are mortality, longevity and morbidity risk. For long-term contracts, principal risks affecting claims and benefits also include lapse, expense and investment risk.

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

Policy benefits payable under long-term contracts may be triggered by an insurable event (such as a death, disability or critical illness claim) a specified time (such as for an annuity settlement or a policy maturity) or on the exercise of a surrender or withdrawal request by the policyholder. While settlement of these benefits is therefore expected over the remaining lives of the insureds and annuitants, Sagicor remains subject to uncertainty related to the timing of future benefit cash outflows.

For long-term insurance contracts, significant risks arise from mortality and morbidity experience. Worsening mortality and morbidity will increase the incidence of death and disability claims. Improving mortality (i.e. longevity) will lengthen the pay-out period of annuities.

MANAGEMENT'S DISCUSSION AND ANALYSIS

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 a short period.

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

b) Property and casualty contracts

Claims payable under property and casualty contracts are triggered by an insurable event and may be categorised as:

- attritional losses, which are expected to be of reasonable frequency and are less than established threshold amounts;
- large losses, which are expected to be relatively infrequent and are greater than established threshold amounts;
- catastrophic losses, which are an aggregation of losses arising from one incident or proximate cause, affecting one or more classes of insurance. These losses are infrequent and are generally very substantial.

The insurer records claims based on submissions made by claimants. The insurer may also obtain additional information from loss adjustors, medical reports and other specialist sources. The initial claim recorded may only be an estimate, which is refined over time until final settlement occurs. In addition, from the pricing methodology used for risks, it is assumed that at any date, there are claims incurred but not reported (IBNR).

Claims risk is the risk that incurred claims may exceed expected losses. Claims risk may arise from

- invalid or fraudulent claim submissions;
- the frequency of incurred claims;
- the severity of incurred claims;
- the development of incurred claims.

Claims risk may be concentrated in geographic locations, altering the risk profile of the insurer. The most significant exposure for this type of risk arises where a single event could result in very many claims. Concentration of risk is mitigated through risk selection, line sizes, event limits, quota share reinsurance and excess of loss reinsurance. The Group takes reinsurance cover to mitigate the geographic concentrations of its property risks.

7. Reinsurance risk

To limit Sagicor's loss exposure on insurance policies, Sagicor may cede some risk to reinsurers that have well-established capability to meet their contractual obligations and that generally have high credit ratings, which ratings Sagicor monitors, or Sagicor requires that a trust account be maintained as collateral for the obligations.

Under reinsurance contracts, the Group retains some part of the risk (amounts below the "retention limit") and coverage in excess of these limits is ceded to reinsurers. The retention programs used are summarised in notes 42.3 and 43.3 of the annual financial statements. Sagicor also maintains catastrophic reinsurance coverage whereby reinsurance coverage is obtained for multiple claims arising from one event or occurring within a specified time period.

8. Fiduciary risk

Sagicor provides investment management, insurance and pension administration, and corporate trust services to corporate customers. Investment management services requires the Group to make allocation, purchase and sale decisions in relation to a wide range of investments on behalf of these corporate customers. These services may expose Sagicor to claims for maladministration or underperformance of these investments. As of December 31, 2019, the Group administered US \$3,427.7 million in assets on behalf of these corporate customers.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Additional Financial Disclosures

1. Derivative Financial Instruments

The Group's derivative activities give rise to open positions in portfolios of derivatives. These positions are managed to seek to ensure that they remain within acceptable risk levels, with matching deals being utilised to achieve this where necessary. When entering into derivative transactions, the Group employs its credit risk management procedures to assess and approve potential credit exposures.

Derivatives are carried at fair value and presented in the financial statements as separate assets and liabilities. Asset values represent the cost to the Group of replacing all transactions with a fair value in the Group's favour assuming that all relevant counterparties default at the same time, and that transactions can be replaced instantaneously. Liability values represent the cost to the Group counterparties of replacing all their transactions with the Group with a fair value in their favour if the Group were to default. The contract or notional amounts of derivatives and their fair values are set out in the following table.

<i>(in US \$millions)</i>	Contract / notional	Fair Value	
		Asset	Liability
December 31, 2019:			
Equity indexed options	807.0	36.9	0.3
December 31, 2018:			
Equity indexed options	768.3	7.7	0.2

The Group has purchased equity indexed options in respect of structured products and in respect of life and annuity insurance contracts.

For certain structured product contracts with customers (note 17 to the annual financial statements), equity indexed options give the holder the ability to participate in the upward movement of an equity index while being protected from downward risk. The Group is exposed to credit risk on purchased options only, and only to the extent of the carrying amount, which is their fair value.

For certain universal life and annuity insurance contracts, a Group subsidiary has purchased custom call options that are selected to materially replicate the policy benefits that are associated with the equity indexed components within the policy contract. These options are appropriate to reduce or minimise the risk of movements in specific equity markets. Credit risk that the insurer has regarding the options is mitigated by ensuring that the counterparty is sufficiently capitalized. Both the asset and the associated actuarial liability are valued at fair market value on a consistent basis, with the change in values being reflected in the income statement. The valuations combine external valuations with internal calculations.

2. Related Party Transactions

Note 47 of the annual financial statements provide additional information on related party transactions.

3. Breach of Insurance Regulations – Related Party Balances

As at December 31, 2019, one of the Group's subsidiaries, Sagicor Life Jamaica Limited exceeded the regulated 5% maximum of related party balances to total assets of the company. Management is in discussions with the Regulator, Financial Services Commission, in relation to this matter. The regulator has not imposed any penalty.

4. Alignvest Acquisition

On December 5, 2019, the Company completed its proposed transaction between Alignvest Acquisition II Corporation ("Alignvest") and Sagicor Financial Corporation Limited ("SFCL") pursuant to which, among other things, Alignvest acquired all of the issued and outstanding shares of SFCL by way of an Ontario court approved plan of arrangement and a Bermuda court approved scheme of arrangement (the "Arrangement"). On closing, Alignvest changed its name to Sagicor Financial Company Ltd. ("Sagicor") and owns 100% of the shares in the capital of SFCL.

MANAGEMENT'S DISCUSSION AND ANALYSIS

As part of this transaction, subject to certain limitations, each of SFCL's eligible previous shareholders (excluding the Company's management team and continuing directors, all of whom elected to roll 100% of their equity into this transaction) had the option of tendering up to 10,000 shares for \$1.75 of cash, up to a total cash share purchase of \$205,000 less certain other amounts, as per the Arrangement. SFCL common shares not purchased for cash were exchanged for common shares of Sagicor on an exchange ratio of one Sagicor common share for 4.328 of SFCL common shares ("Exchange Ratio").

On closing of the transaction, 11,548,327 common shares of SFCL were tendered for purchase by the previous shareholders of SFCL. Sagicor purchased 11,548,327 common shares of SFCL for total cash consideration of \$20,046 and the remaining 295,007,317 common shares of SFCL were exchanged for 67,992,191 common shares of Sagicor in accordance with the Arrangement. All share and per share amounts for all periods presented in these financial statements have been adjusted retrospectively to reflect the Exchange Ratio.

On closing, the common shares and warrants of Sagicor were listed on the Toronto Stock Exchange and are traded under the symbols "SFC" and "SFC.WT", respectively. With a listing on the Toronto Stock Exchange, SFCL's common shares, formerly listed on the Barbados Stock Exchange, the Trinidad and Tobago Stock Exchange and the London Stock Exchange, have ceased trading and are being delisted from these exchanges.

While Alignvest is the legal acquirer of SFCL, SFCL has been identified as the acquirer for accounting purposes. As Alignvest does not meet the definition of a business as defined in *IFRS 3 - Business Combinations* ("IFRS 3"), the acquisition is not within the scope of IFRS 3 and is accounted for as a share-based payment transaction in accordance with IFRS 2 – *Share-based Payments* ("IFRS 2"). The consolidated financial statements represent the continuance of SFCL and reflects the identifiable assets acquired and the liabilities assumed of Alignvest at fair value. Under IFRS 2, the transaction was measured at fair value of the common shares, escrowed shares and warrants deemed to have been issued by SFCL in order for the ownership interest in the combined entity to be the same as if the transaction had taken the legal form of SFCL acquiring 100% of Alignvest. Any difference in the fair value of the common shares, escrowed shares and warrants deemed to have been issued by SFCL and the fair value of Alignvest's identifiable net assets acquired and liabilities assumed represents a listing expense.

As a result of this reverse asset acquisition, listing expense and transaction related expenses of US \$43.4 million has been recorded to reflect the difference between the estimated fair value of the SFCL common shares, escrowed shares and warrants deemed issued to the shareholders of Alignvest less

the net fair value of the assets of Alignvest acquired and common shares repurchased. Transaction related expenses of \$24,619 were expensed as incurred. Transaction related expenses were comprised of professional fees of \$6,279, cash bonus and other contact benefits paid to executives of \$2,736, common shares issued to executives of \$5,994, arranger's fee of \$8,585 and other costs of \$1,025. Details of the listing expense and transaction related expenses are shown at note 1 to the Sagicor Financial Company Ltd.'s 2019 audited financial statements.

The fair value of the consideration transferred to acquire Alignvest under reverse takeover accounting was \$493,683 calculated as 72,433,368 common shares at \$6.19 per common share, 6,444,877 escrowed common shares with fair value of \$3.93 per escrowed common share and 34,774,993 warrants with fair value of \$0.58 per warrant. The fair value per common share is based on the fair value of SFCL common shares.

The fair value of escrowed common shares was determined using probability weighted model with a market price per common share of \$6.19 resulting in total fair value of \$25,328.

The fair value of warrants was determined based on the market closing price of \$0.58 per warrant.

As a result of the closing of this transaction, 147,938,907 common shares of Sagicor were issued and outstanding immediately after the closing.

MANAGEMENT'S DISCUSSION AND ANALYSIS

5. Subsequent events

Subsequent to the end of the financial year, the World Health Organization declared COVID-19 a world health pandemic. This pandemic has affected many countries and all levels of society and has affected our economic environment in significant ways.

As the COVID-19 situation evolves, many of the markets in which Sagicor operates have implemented public health safety protocols. Most Caribbean countries have largely shut down air and sea traffic. Similar procedures have also been applied in the United States, Canada and elsewhere.

The COVID-19 pandemic has caused significant economic and financial turmoil both in the U.S. and around the world and has fuelled concerns that it will lead to a global recession. These conditions are expected to continue and worsen in the near term.

We believe that the pandemic will have a significant impact on our business, results of operations, financial condition and liquidity. The extent of these impacts will depend on future developments which cannot be accurately predicted at this time, as new information is emerging each day.

Increased economic uncertainty and increased unemployment resulting from the economic impacts of the spread of COVID-19 may also result in policyholders seeking sources of liquidity and withdrawing from insurance policy arrangements at rates greater than we previously expected. Accordingly, policyholder lapse and surrender rates could exceed our expectations, which could lead to an adverse effect on our business, financial condition, results of operations, liquidity and cash flows. The economic environment could also have an adverse effect on our sales of new policies.

Our investment portfolio and our investments matching our pension liabilities may be adversely affected as a result of market developments from the COVID-19 pandemic and uncertainty regarding its outcome. Changes in interest rates, reduced liquidity or a continued slowdown in global economic conditions may also adversely affect the values and cash flows of these investments. Investments in mortgages and finance loans could be negatively affected by delays or failures of borrowers to make payments of principal and interest when due. Equity investments have declined substantially in value. The Group has an investment in Playa Hotels and Resorts; travel restrictions, the impact on tour and holiday bookings and cancellations, may result in a downturn in revenues and profits which could result in a write-down of this asset.

The Group will continue to monitor the impact of COVID-19.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Historical Financial Disclosures

The following table provides a summary of Sagicor's results from continuing operations for the five most recently completed years.

<i>In US \$millions, unless otherwise noted</i>	2019	2018 Restated	2017 Restated	2016	2015
Net premium revenue	1,241.5	1,054.1	745.6	664.0	673.9
Net investment and other income	625.8	332.5	463.2	464.7	424.9
Total revenue	1,867.3	1,386.6	1,208.8	1,128.7	1,098.8
Benefits and expenses	(1,663.6)	(1,260.4)	(1,095.8)	(984.5)	(980.6)
Other	3.0	20.3	12.1	5.4	5.4
Income before tax	206.7	146.5	125.1	149.6	123.6
Income tax	(59.7)	(50.7)	(19.3)	(41.7)	(25.1)
Net income before Alignvest transaction expenses	153.9	95.8	105.8	107.9	98.5
Alignvest transaction expenses	(43.4)	-	-	-	-
Net income	103.6	95.8	105.8	107.9	98.5
Net income attributable to common shareholders	44.0	36.5	62.3	60.3	56.3
Basic EPS before Alignvest transaction expenses	114.3¢	N/A	N/A	N/A	N/A
Basic EPS ^(a)	57.5¢	51.7¢	20.5 ¢	19.5¢	18.2¢
Diluted EPS before Alignvest transaction expenses	107.5¢	N/A	N/A	N/A	N/A
Diluted EPS ^(a)	54.1¢	50.8¢	20.0 ¢	18.7¢	17.3¢
Annualised return on common shareholders' equity before Alignvest transaction expenses	14.0%	N/A	N/A	N/A	N/A
Annualised return on common shareholders' equity	6.8%	6.2%	11.3%	12.3%	11.7%
Dividends paid per common share	5.0 ¢	5.0 ¢	5.0 ¢	4.5 ¢	4.0 ¢
Total assets	8,728.9	7,308.2	6,804.5	6,531.9	6,399.9
Total equity attributable to common shareholders	1,154.1	600.9	624.6	536.1	506.0

(a) – Earnings per share ratios for 2015 to 2017 have not been restated for the conversion to the current capital structure

MANAGEMENT'S DISCUSSION AND ANALYSIS

Historical Financial Disclosures, continued

<i>In US \$millions, unless otherwise noted</i>	2019	2018 Restated	2017 Restated	2016	2015
Net income attributable to common shareholders by operating segment:					
Sagikor Life	60.9	39.6	64.7	64.8	69.5
Sagikor Jamaica	61.4	55.7	46.6	44.3	39.3
Sagikor Life USA	35.4	18.3	13.3	10.5	6.6
Head office, other & inter-segment eliminations	(113.7)	(77.1)	(62.3)	(59.3)	(59.1)
Net income attributable to common shareholders	44.0	36.5	62.3	60.3	56.3
Net income attributable to common shareholders before Alignment transaction expenses	87.4	36.5	62.3	60.3	56.3

MANAGEMENT'S DISCUSSION AND ANALYSIS

As discussed in the "Introduction", the information above, in respect of the years 2016, 2015 and 2014, has not been restated to include certain prior year adjustments applied retrospectively to January 1, 2017. Management does not believe these adjustments are material to impact the ability of the users of the financial information, to assess the performance and/or the financial position of the Group. Further, as allowed, on adoption of IFRS 9 – Financial Instruments and IFRS 15 – Revenue from Contracts with Customers, on January 1, 2018, comparative figures in prior years, have not been adjusted. On January 1, 2019, the Group adopted IFRS 16 – Leases using the modified retrospective method with no restatement of comparative information as allowed by the standard.