Sagicor Life of the Cayman Islands Ltd.

Financial Statements
31 December 2017

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OPINION OF THE ACTUARY

I have examined the financial condition and valued the policy benefit liabilities of Sagicor Life of the Cayman Islands Ltd. for its statement of financial position as at 31 December 2017 and the corresponding change in the policy liabilities in the income statement for the year then ended. In my opinion:

(a) the methods and procedures used in the verification of the valuation data are sufficient and reliable, and fulfil the required standard of care;

(b) the valuation of actuarial and other policy liabilities has been made in accordance with generally accepted actuarial practice;

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

(d) the amount of the policy benefit liabilities represented in the statement of financial position of Sagicor Life of the Cayman Islands Ltd. makes proper provision for the future payments under the Company's policies;

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

(f) having regard for the results of the investigation performed the value of consolidated actuarial and other policy liabilities, when taken together with the "Total Capital Available" for purposes of the MCR, makes good and sufficient provision for all unmatured obligations under the terms of the policies in force.

JANET SHARP, FSA, MAAA, CERA
APPOINTED ACTUARY FOR SAGICOR LIFE OF THE CAYMAN ISLANDS LTD.

FEBRUARY 8, 2018

Independent Auditor's Report

To the Board of Directors of Sagicor Life of the Cayman Islands Ltd.

Our opinion

In our opinion, the consolidated financial statements and the stand-alone financial statements present fairly, in all material respects, the consolidated financial position of Sagicor Life of the Cayman Islands Ltd. (the Company) and its subsidiary (together 'the Group') and the stand-alone financial position of the Company as at 31 December 2017, and their consolidated and stand-alone financial performance and their consolidated and stand-alone cash flows for the year then ended in accordance with International Financial Reporting Standards.

What we have audited

Sagicor Life of the Cayman Islands Ltd's consolidated and stand-alone financial statements comprise:

- the consolidated and Company statement of financial position as at 31 December 2017;
- the consolidated and Company income statement for the year then ended;
- the consolidated and Company statement of comprehensive income for the year then ended;
- the consolidated and Company statement of changes in shareholder's equity for the year then ended;
- the consolidated and Company statement of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

Basis for opinion

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

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

Independence

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

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

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

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

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

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Auditor's responsibilities for the audit of the consolidated and stand-alone financial statements

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

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

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

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

Other matter

This report, including the opinion, has been prepared for and only for the Company in accordance with the terms of our engagement letter and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

PricewaterhouseCoopers

29 March 2018

Sagicor Life of the Cayman Islands Ltd.

Consolidated Statement of Financial Position

31 December 2017

(expressed in United States dollars unless otherwise indicated)

	Note	2017 $	2016 $
ASSETS:			
Cash resources	4	1,582,810	2,456,724
Financial investments	5	133,938,992	184,641,450
Intangible assets	7	5,292,487	5,294,469
Property, plant and equipment	8	4,621,596	4,492,074
Reinsurance contracts	9	2,124,864	871,562
Other assets	10	2,968,678	4,061,029
Total Assets		150,529,427	201,817,308

The accompanying notes on pages 13 - 104 form an integral part of these financial statements.

Sagicor Life of the Cayman Islands Ltd.

Consolidated Statement of Financial Position (Continued)

31 December 2017

(expressed in United States dollars unless otherwise indicated)

	Note	2017 $	2016 $
SHAREHOLDER'S EQUITY AND LIABILITIES			
Shareholder's Equity Attributable to Shareholders of the Company			
Share capital	11	16,000,000	16,000,000
Investment and fair value reserves	12	(3,521,438)	(5,778,449)
Retained earnings		51,372,175	47,984,769
Total Equity		63,850,737	58,206,320
Liabilities			
Due to banks and other financial institutions	13	-	59,441,731
Other Liabilities	14	2,649,466	1,963,509
Policyholders' Funds			
Insurance contracts liabilities	16	54,934,682	47,983,536
Investment contracts liabilities	17	23,224,324	28,264,929
Other insurance liabilities	18	5,870,218	5,957,283
		84,029,224	82,205,748
Total Liabilities		86,678,690	143,610,988
TOTAL EQUITY AND LIABILITIES		150,529,427	201,817,308

Approved for issue by the Board of Directors on March 29, 2018 and signed on its behalf by:

Richard Byles — Director

Christopher Zacca — Director

The accompanying notes on pages 13 - 104 form an integral part of these financial statements.

Sagicor Life of the Cayman Islands Ltd.

Consolidated Income Statement

Year ended 31 December 2017

(expressed in United States dollars unless otherwise indicated)

	Note	2017 $	2016 $
Revenue:			
Gross premium income	19	20,487,043	21,917,177
Insurance premium ceded to reinsurers	19	(1,256,390)	(1,349,568)
Net premium income	19	19,230,653	20,567,609
Net investment income	20	11,548,658	8,564,419
Interest expense		(1,573,474)	(2,383,815)
Revaluation loss	12	-	(531,375)
Fee and other income	21	456,706	377,486
Total revenue		**29,662,543**	**26,594,324**
Benefits:			
Insurance benefits incurred	22	12,115,802	30,075,273
Insurance benefits reinsured	22	(1,326,772)	(584,006)
Net insurance benefits	22	10,789,030	29,491,267
Net movement in actuarial liabilities	16(d)	8,371,691	(17,382,752)
Expenses:			
Depreciation	8	134,800	59,601
Amortisation of intangible assets	7	1,982	1,033
Administration expenses	23	3,977,177	3,418,037
Commission and sales expenses		3,000,457	3,087,939
		26,275,137	**18,675,125**
NET PROFIT		**3,387,406**	**7,919,199**

The accompanying notes on pages 13 – 104 form an integral part of these financial statements.

Sagicor Life of the Cayman Islands Ltd.

Consolidated Statement of Comprehensive Income
Year ended 31 December 2017
(expressed in United States dollars unless otherwise indicated)

	2017 $	2016 $
Net profit for the year	3,387,406	7,919,199
Other comprehensive income:		
Items that may be subsequently reclassified to profit or loss:		
Unrealised (losses) / gains on available-for-sale investments	(2,291,583)	9,946,149
Realised losses reclassified and reported in profit	1,926,693	1,324,230
Impairment losses on available-for-sale investments	1,197,754	3,673,170
	832,864	14,943,549
Change in actuarial liabilities arising from fair value movements in available-for-sale securities	1,420,545	(1,756,960)
Item that may not be subsequently reclassified to profit or loss:		
Unrealised gains/(losses) on owner-occupied properties	3,602	(1,108,107)
Other comprehensive income for the year	2,257,011	12,078,482
Total comprehensive income for the year	5,644,417	19,997,681

The accompanying notes on pages 13 - 104 form an integral part of these financial statements.

Sagicor Life of the Cayman Islands Ltd.

Consolidated Statement of Changes in Shareholder's Equity

Year ended 31 December 2017

(expressed in United States dollars unless otherwise indicated)

	Attributable to shareholder			
	Share Capital	Investment and Fair Value Reserves	Retained Earnings	Total
	$	$	$	$
Balance as at 1 January 2016	16,000,000	(17,856,931)	49,069,918	47,212,987
Profit for the year	-	-	7,919,199	7,919,199
Total comprehensive income for the year	-	12,078,482	-	12,078,482
	16,000,000	(5,778,449)	56,989,117	67,210,668
Transaction with owners				
Dividends paid	-	-	(9,004,348)	(9,004,348)
Balance as at 31 December 2016	16,000,000	(5,778,449)	47,984,769	58,206,320
Profit for the year	-	-	3,387,406	3,387,406
Total comprehensive income for the year	-	2,257,011	-	2,257,011
Balance as at 31 December 2017	16,000,000	(3,521,438)	51,372,175	63,850,737

The accompanying notes on pages 13 - 104 form an integral part of these financial statements.

Sagicor Life of the Cayman Islands Ltd.

Consolidated Statement of Cash Flows
Year ended 31 December 2017
(expressed in United States dollars unless otherwise indicated)

	Note	2017 $	2016 $
Cash Flows from Operating Activities			
Net profit		3,387,406	7,919,199
Adjustments for: **Items not affecting cash and changes to policyholders' funds:**			
Adjustments for non-cash items, interest and dividends	25(a)	(6,420,717)	(19,948,548)
Changes in operating assets and liabilities	25(a)	(58,014,084)	(12,312,578)
Interest received		8,571,823	11,740,643
Interest paid		(2,474,613)	(2,062,891)
Net cash used in operating activities		(54,950,185)	(14,664,175)
Cash Flows from Investing Activities			
Net investment purchases	25(b)	36,659,438	31,942,682
Purchase of property, plant and equipment and intangibles	25(b)	(260,720)	(2,230,653)
Net cash provided by investing activities		36,398,718	29,712,029
Cash Flows from Financing Activity			
Dividend paid	26(c)	-	(9,004,348)
Net cash used in financing activity		-	(9,004,348)
Net (decrease) / increase in net cash and cash equivalents		(18,551,467)	6,043,506
Cash and cash equivalents at beginning of year		27,441,373	21,397,867
CASH AND CASH EQUIVALENTS AT YEAR END	4	8,889,906	27,441,373

The accompanying notes on pages 13 – 104 form an integral part of these financial statements.

Sagicor Life of the Cayman Islands Ltd.

Company Statement of Financial Position

31 December 2017

(expressed in United States dollars unless otherwise indicated)

	Note	2017 $	2016 $
ASSETS			
Cash resources	4	1,424,301	2,337,243
Financial investments	5	133,161,033	184,008,548
Investment in subsidiary	6	300,000	300,000
Intangible assets	7	4,996,277	4,998,259
Property, plant and equipment	8	4,614,363	4,490,702
Reinsurance contracts	9	2,124,864	871,562
Other assets	10	2,994,370	4,051,108
Total Assets		149,615,208	201,057,422

The accompanying notes on pages 13 - 104 form an integral part of these financial statements.

Sagicor Life of the Cayman Islands Ltd.

Company Statement of Financial Position (Continued)

31 December 2017

(expressed in United States dollars unless otherwise indicated)

	Note	2017 $	2016 $
SHAREHOLDER'S EQUITY AND LIABILITIES			
Shareholder's Equity Attributable to			
Shareholder of the Company			
Share capital	11	16,000,000	16,000,000
Investment and fair value reserves	12	(3,521,438)	(5,778,449)
Retained earnings		50,503,420	47,234,488
Total Equity		62,981,982	57,456,039
Liabilities			
Due to banks and other financial institutions	13	-	59,441,731
Other liabilities	14	2,604,002	1,953,904
Policyholders' Funds			
Insurance contracts liabilities	16	54,934,682	47,983,536
Investment contracts liabilities	17	23,224,324	28,264,929
Other insurance liabilities	18	5,870,218	5,957,283
		84,029,224	82,205,748
Total Liabilities		86,633,226	143,601,383
TOTAL EQUITY AND LIABILITIES		149,615,208	201,057,422

Approved for issue by the Board of Directors on March 29, 2018 and signed on its behalf by:

Richard Byles — Director

Christopher Zacca — Director

Sagicor Life of the Cayman Islands Ltd.

Company Income Statement

Year ended 31 December 2017

(expressed in United States dollars unless otherwise indicated)

	Note	2017 $	2016 $
Revenue:			
Gross premium income	19	20,487,043	21,917,177
Insurance premium ceded to reinsurers	19	(1,256,390)	(1,349,568)
Net premium income	19	19,230,653	20,567,609
Net investment income	20	11,540,645	8,563,230
Interest expense		(1,573,474)	(2,383,815)
Revaluation loss	12	-	(531,375)
Fee and other income	21	179,159	101,278
Total revenue		**29,376,983**	**26,316,927**
Benefits:			
Insurance benefits incurred	22	12,115,802	30,075,273
Insurance benefits reinsured	22	(1,326,772)	(584,006)
Net insurance benefits	22	10,789,030	29,491,267
Net movement in actuarial liabilities	16(d)	8,371,691	(17,382,752)
Expenses:			
Depreciation	8	133,242	58,996
Amortisation of intangible assets	7	1,982	1,033
Administration expenses	23	3,811,649	3,235,075
Commission and sales expenses		3,000,457	3,087,939
		26,108,051	**18,491,558**
NET PROFIT		**3,268,932**	**7,825,369**

The accompanying notes on pages 13 - 104 form an integral part of these financial statements.

Sagicor Life of the Cayman Islands Ltd.

Company Statement of Comprehensive Income

Year ended 31 December 2017

(expressed in United States dollars unless otherwise indicated)

	2017	2016
	$	$
Net profit for the year	3,268,932	7,825,369
Other comprehensive income:		
Items that may be subsequently reclassified to profit or loss:		
Available-for-sale investments:		
Unrealised (losses) / gains on available-for-sale investments	(2,291,583)	9,946,149
Realised losses reclassified and reported in profit	1,926,693	1,324,230
Impairment losses on available-for-sale investments	1,197,754	3,673,170
	832,864	14,943,549
Change in actuarial liabilities arising from fair value movements in available-for-sale securities	1,420,545	(1,756,960)
Item that may not be subsequently reclassified to profit or loss:		
Unrealised gains/(losses) on owner-occupied properties	3,602	(1,108,107)
Other comprehensive income for the year	2,257,011	12,078,482
Total comprehensive income for the year	5,525,943	19,903,851

The accompanying notes on pages 13 - 104 form an integral part of these financial statements.

Sagicor Life of the Cayman Islands Ltd.

Company Statement of Changes in Shareholders' Equity

Year ended 31 December 2017

(expressed in United States dollars unless otherwise indicated)

	Share Capital	Investment and Fair Value Reserves	Retained Earnings	Total
	$	$	$	$
Balance as at 1 January 2016	16,000,000	(17,856,931)	48,413,467	46,556,536
Profit for the year	-	-	7,825,369	7,825,369
Total comprehensive loss for the year	-	12,078,482	-	12,078,482
	16,000,000	(5,778,449)	56,238,836	66,460,387
Transaction with owners				
Dividends paid	-	-	(9,004,348)	(9,004,348)
Balance as at 31 December 2016	16,000,000	(5,778,449)	47,234,488	57,456,039
Profit for the year	-	-	3,268,932	3,268,932
Total comprehensive income for the year	-	2,257,011	-	2,257,011
Balance as at 31 December 2017	16,000,000	(3,521,438)	50,503,420	62,981,982

The accompanying notes on pages 13 - 104 form an integral part of these financial statements.

Sagicor Life of the Cayman Islands Ltd.

Company Statement of Cash Flows

Year ended 31 December 2017

(expressed in United States dollars unless otherwise indicated)

	Note	2017 $	2016 $
Cash Flows from Operating Activities			
Net profit		3,268,932	7,825,369
Adjustments for:			
Items not affecting cash and changes to policyholders' funds			
Adjustments for non-cash items, interest and dividends	25(a)	(6,412,212)	(19,947,964)
Changes in operating assets and liabilities	25(a)	(58,085,555)	(12,368,512)
Interest received		8,566,603	11,739,455
Interest paid		(2,474,613)	(2,062,891)
Net cash used in operating activities		(55,136,845)	(14,814,543)
Cash Flows from Investing Activities			
Net investment purchases	25(b)	37,432,553	31,942,682
Net purchases of property, plant and equipment and intangible	25(b)	(253,301)	(2,229,983)
Net cash provided by investing activities		37,179,252	29,712,699
Cash Flows from Financing Activity			
Dividend paid to owners of the parent	26(c)	-	(9,004,348)
Net cash used in financing activity		-	(9,004,348)
Net (decrease) / increase in net cash and cash equivalents		(17,957,593)	5,893,808
Cash and cash equivalents at beginning of year		26,688,990	20,795,182
CASH AND CASH EQUIVALENTS AT YEAR END	4	8,731,397	26,688,990

The accompanying notes on pages 13 – 104 form an integral part of these financial statements.

Sagicor Life of the Cayman Islands Ltd.

Notes to the Financial Statements
31 December 2017
(expressed in United States dollars unless otherwise indicated)

1. Incorporation and Principal Activities

(a) Sagicor Life of the Cayman Islands Ltd. (the “company” or “Sagicor Life”) is incorporated and domiciled in the Cayman Islands. The company is now a wholly owned subsidiary of Sagicor Group Jamaica Limited which is incorporated and domiciled in Jamaica. The principal activity of Sagicor Group Jamaica Limited is the provision of financial services (holding company). The company’s previous immediate parent company, Sagicor St. Lucia Limited was dissolved during the year. The ultimate parent company is Sagicor Financial Corporation, which is incorporated and domiciled in Bermuda. The principal activity of the Sagicor Financial Corporation (Group) is insurance services.

(b) The company is licensed as a Class “A” insurer to carry on life insurance business in the Cayman Islands. The company is required to conduct its business in accordance with the Cayman Islands Insurance Law (Revised) and such regulations as the Cayman Islands Monetary Authority may, from time to time, mandate. The company is also licensed to operate in the Turks and Caicos Islands and Antigua in accordance with their laws and regulations.

The main activities of the company include the provision of ordinary life, creditor life and group life insurance and group pension administration. The registered office of the company is located at 1 Regis Place, Fort and Mary Streets, George Town, Cayman Islands.

(c) The company’s subsidiary, which together with the company is referred to as “the Group”, are as follows:

Subsidiary:	**Principal Activities**	**Incorporated In**	**Ownership Interest**
Sagicor Insurance Managers Ltd.	Captive management services	Grand Cayman	100%

2. Summary of Significant Accounting Policies

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

(a) Basis of preparation

These financial statements have been prepared in accordance with and comply with International Financial Reporting Standards (“IFRS”) and interpretations issued by the IFRS Interpretations Committee (‘IFRS IC”) applicable for companies reporting under IFRS and have been prepared under the historical cost convention as modified by the revaluation of property, plant and equipment, available-for-sale investment securities and financial assets at fair value through profit and loss.

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

The amounts included in the financial statements are presented using the United States dollar as it best reflects the economic substance of the underlying transactions and circumstances relevant to the Group.

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

Amendments to IAS 7, Statement of cash flows on disclosure initiative (effective for annual periods beginning on or after 1 January 2017). These amendments to IAS 7 introduce an additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financing activities. The amendment is part of the IASB’s Disclosure Initiative, which continues to explore how financial statement disclosure can be improved. This has resulted in additional disclosures in the financial statements, see Note 25(d).

Amendments to IAS 12, ‘Income Taxes, (effective for annual periods beginning on or after 1 January 2017). In January 2017, the International Accounting Standard Board (IASB) published amendments to IAS 12 clarifying specifically how to account for deferred tax assets related to debt instruments measured at fair value as well as clarifying the guidance for deferred tax assets in general by adding examples and elaborating on some of the requirements in more detail. The amendments do not change the underlying principles for the recognition of deferred tax assets. There was no impact from the adoption of this amendment during the year, as the Group is not subject to tax. .

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

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

2. Summary of Significant Accounting Policies (Continued)

(a) Basis of preparation (continued)

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

Amendment to IAS 40, Investment property relating to transfers of investment property, (effective for annual periods beginning on or after 1 January 2018). These amendments clarify that to transfer to, or from, investment properties there must be change in use. To conclude if a property has changed use, there should be an assessment of whether the property meets the definition. The Group don’t expect that this amendment to have a significant impact on its operations.

Amendments to IFRS 2, Share based payments (effective for annual periods beginning on or after 1 January 2018). This amendment clarifies the measurement basis for cash-settled, share-based payments and the accounting for modifications that change an award from cash-settled to equity-settled. It also introduces an exception to the principle in IFRS 2 that will require an award to be treaded as if it was wholly equity-settled, where an employer is obliged to withhold an amount for the employee’s tax obligation associated with a share based payments and pay that amount to the tax authority. The Group is currently assessing the impact of future adoption of the new standard on its financial statements.

IFRS 4, Insurance contracts’ regarding the implementation of IFRS 9, Financial Instruments. (effective for annual periods beginning on or after 1 January 2018). These amendments introduce two approaches; an overlay approach and a deferral approach. The amended standard will give all companies that issue insurance contracts the option to recognise in other comprehensive income, rather that profit or loss, the volatility that could arise when IFRS 9 is applied before the new insurance contracts standard (IFRS 17) becomes effective and give companies whose activities are predominantly connected with insurance an optional temporary exemption from applying IFRS 9 until 2021. The entities that defer the application of IFRS 9 will continue to apply the existing financial instruments standard – IAS 39. The Group is currently assessing the impact of future adoption of the new standard on its financial statements

IFRS 9, 'Financial Instruments', (effective for annual periods beginning on or after 1 January 2018). IFRS 9 is the comprehensive standard to replace IAS 39 ‘Financial Instruments: Recognition and Measurement”. IFRS 9 addresses the classification, measurement and recognition of financial assets and financial liabilities.

IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortized cost, fair value through other comprehensive income (“FVOCI”) and fair value through profit and loss (“FVPL”). The basis of classification depends on the entity’s business model and the contractual cash flow characteristics of the financial asset.

Classification for debt instruments is driven by the entity’s business model for managing the financial assets and whether the contractual cash flows represent solely payments of principal and interest (“SPPI”). If a debt instrument is held to collect, it may be carried at amortised cost if it also meets the SPPI requirement. Debt instruments that meet the SPPI requirement that are held in a portfolio where an entity both holds to collect assets’ cash flows and sells assets may be classified as FVOCI. Financial assets that do not contain cash flows that are SPPI must be measured at FVPL (for example, derivatives). Embedded derivatives are no longer separated from financial assets but will be included in assessing the SPPI condition.

2. Summary of Significant Accounting Policies (Continued)

(a) Basis of preparation (continued)

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

IFRS 9, 'Financial Instruments' (continued)

Investments in equity instruments are always measured at fair value. However, management can make an irrevocable election to present changes in fair value in other comprehensive income, provided the instrument is not held for trading. If the equity instrument is held for trading, changes in fair value are presented in profit or loss.

Management is in the process of assessing how the Group's business model will impact the classification and measurement of financial assets in scope of IFRS 9. An Implementation Committee with representation from all affected function areas and headed by the Chief Financial Officer of Sagicor Group Jamaica Limited was created to oversee the implementation project. The project involves three phases:

(i) Phase 1: Key decisions; this includes identification of key decisions, deciding on the measurement and classification for all products, determining stage migration and cure rate thresholds;

(ii) Phase 2: Assessing availability of data, defining and determining detailed modelling methodology across different businesses based on available data, resources and infrastructure, defining and developing methodology to estimate unadjusted expected credit losses ("ECL") and defining methodology to incorporate forward looking information;

(iii) Phase 3: Implementation; this includes finalising the forward-looking scenarios and determining the weight for each scenario and estimating ECL with forward looking information.

Currently management has completed Phase 1 and key decisions around classification and measurement of financial assets are currently being reviewed by management. Phase 2 has also been started and data gaps are being addressed and management is working on the ECL methodology.

Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. The key change is that an entity will be required to present the effects of changes in own credit risk of financial liabilities designated at fair value through profit or loss in other comprehensive income. The new standard is not expected to impact the Group's consolidated financial liabilities in this regard as there are no financial liabilities which are currently designated at fair value through profit or loss.

2. Summary of Significant Accounting Policies (Continued)

(a) Basis of preparation (continued)

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

IFRS 9, 'Financial Instruments' (continued)

IFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the ‘hedged ratio’ to be the same as the one management actually use for risk management purposes. Contemporaneous documentation is still required but is different to that currently prepared under IAS 39. The new standard relating to hedge accounting is not expected to impact the Group’s consolidated financial statements, as the Group does not use hedge accounting.

The impairment requirements apply to financial assets measured at amortised cost and FVOCI, and lease receivables and certain loan commitments and financial guarantee contracts. At initial recognition, an allowance is required for expected credit losses (‘ECL’) resulting from default events that are possible within the next 12 months (’12-month ECL’). IFRS 9 considers the calculation of ECL by multiplying the Probability of default (PD), Loss Given Default (LGD) and Exposure at Default (EAD). In the event of a significant increase in credit risk, allowance is required for ECL resulting from all possible default events over the expected life of the financial instrument (‘lifetime ECL’). Financial assets where 12-month ECL is recognised are considered to be ‘stage 1’; financial assets which are considered to have experienced a significant increase in credit risk are in ‘stage 2’; and financial assets for which there is objective evidence of impairment so are considered to be in default or otherwise credit impaired are in ‘stage 3’. The assessment of whether credit risk has increased significantly since initial recognition is performed on an ongoing basis by considering the change in the risk of default occurring over the remaining life of the financial instrument, rather than by considering an increase in ECL. The assessment of credit risk and the estimation of ECL are required to be unbiased and probability-weighted, and should incorporate all available information which is relevant to the assessment including information about past events, current conditions and reasonable and supportable forward looking information specific to the counterparty as well as forecasts of economic conditions at the reporting date.

In addition, the estimation of ECL should take into account the time value of money. As a result, the recognition and measurement of impairment is intended to be more forward-looking than under IAS 39. It will also tend to result in an increase in the total level of impairment allowances, since all financial assets will be assessed for at least 12-month ECL and the population of financial assets to which lifetime ECL applies is likely to be larger than the population for which there is objective evidence of impairment in accordance with IAS 39. The Group is in the process of assessing the full impact of the impairment requirements of IFRS 9. The initial financial impact estimate of transitioning to the new impairment methodology reduces the Equity of the Group by less than 1%.

2. Summary of Significant Accounting Policies (Continued)

(a) Basis of preparation (continued)

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

IFRS 9, 'Financial Instruments' (continued)

Assessment of Significant Increase in Credit Risk

The assessment of a significant increase in credit risk is done on a relative basis. To assess whether the credit risk on a financial asset has increased significantly since origination, the Group compares the risk of default occurring over the expected life of the financial asset at the reporting date to be the corresponding risk of default at origination, using key risk indicators that are used in the Group's existing risk management processes. At each reporting date, the assessment of a change in credit risk will be individually assessed for those considered individually significant and at the segment level for retail exposures. This assessment is symmetrical in nature, allowing credit risk of financial assets to move back to Stage 1 if the increase in credit risk since origination has reduced and is no longer deemed to be significant.

Macroeconomic Factors, Forward Looking Information (FLI) and Multiple Scenarios

IFRS 9 requires an unbiased and probability weighted estimate of credit losses by evaluating a range of possible outcomes that incorporates forecasts of future economic conditions.

Macroeconomic factors and FLI are required to be incorporated in the measurement of ECL, as well as the determination of whether there has been a significant increase in credit risk since origination. Measurement of ECLs at each reporting period should reflect reasonable and supportable and supportable information at the reporting date about past events, current conditions and forecasts of future economic conditions. The Group will use three scenarios that will be probability weighted to determine ECL.

Expected Life

When measuring ECL, the Group must consider the maximum contractual period over which the Group is exposed to credit risk. All contractual terms should be considered when determining the expected life, including prepayment options and extension and rollover options.

The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Group's disclosures about its financial instruments particularly in the year of the adoption of the new standard.

2. Summary of Significant Accounting Policies (Continued)

(a) Basis of preparation (continued)

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

IFRS 15, 'Revenue from Contracts with Customers', (effective for the periods beginning on or after 1 January 2018). The new standard introduces the core principle that revenue must be recognised when the goods or services are transferred to the customer, at the transaction price. Any bundled goods or services that are distinct must be separately recognised, and any discounts or rebates on the contract price must generally be allocated to the separate elements. When the consideration varies for any reason, minimum amounts must be recognised if they are not at significant risk of reversal. Costs incurred to secure contracts with customers have to be capitalised and amortised over the period when the benefits of the contract are consumed. The Group is currently assessing the impact of future adoption of the new standard on its financial statements.

The amendments comprise clarifications of the guidance on identifying performance obligations, accounting for licenses of intellectual property and the principal versus agent assessment. The Group does not expect any significant impact on its financial statements arising from the future adoption of the amendments.

IFRS 16, 'Leases', (effective for annual periods beginning on or after 1 January 2019) was issued in January 2017 and replaces IAS 17, 'Leases'. A company can choose to apply IFRS 16 before the effective date but only if it also applies IFRS 15, 'Revenue from Contracts with Customers'. The standard introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments.

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

IFRS 17, 'Insurance contracts', (effective for annual periods beginning on or after 1 January 2021). IFRS 17 replaces IFRS 4 which currently permits a wide variety of practices in accounting for insurance contracts. IFRS 17 will fundamentally change the accounting by all entities that issue insurance contracts and investment contracts with discretionary participation features. The standard requires a current measurement model where estimates are re-measured each reporting period. Contracts are measured using the building blocks of discount probability –weighted cash flows, an explicit risk adjustment, and a contract service margin (CSM) representing the unearned profit of the contract which is recognised as revenue over the coverage period. This IFRS provides a common global insurance accounting standard leading to consistency in recognition, measurement, presentation and disclosure. The standard applies to annual periods beginning on or after 1 January 2021, however earlier application is permitted if IFRS 15, 'Revenue from Contracts with Customers', and IFRS 9, 'Financial Instruments', are also applied. The Group is currently assessing the impact of future adoption of the new standard on its financial statements.

2. Summary of Significant Accounting Policies (Continued)

(a) Basis of preparation (continued)

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

Annual improvements 2014 – 2016, (effective for annual periods beginning on or after 1 January 2018). These amendments impact three standards as follows:

(i) IFRS 1, 'First-time adoption of IFRS' regarding the deletion of short-term exemptions for first-time adopters regarding IFRS 7, IAS 19 and IFRS 10, effective 1 January 2018.

(ii) IAS 28 'Investments in associates and joint ventures' regarding measuring an associate or joint venture at fair value effective 1 January 2018. These amendments clarify that companies account for long term interests in associate or joint venture to which the equity method is not applied using IFRS 9.

IFRIC 22, 'Foreign currency transactions and advance consideration', (effective for annual periods beginning on or after 1 January 2018). This IFRIC address foreign currency transactions or parts of transactions where there is consideration that is denominated or priced in a foreign currency. The interpretation provides guidance for when a single payment / receipt is made as well as for situations where multiple payment / receipts are made. The Group is considering the implications of the standard, the impact on the company and the timing of its adoption.

IFRIC 23, 'Uncertainty over income tax treatments' This IFRIC clarifies how the recognition and measurement requirements of IAS 12 'Income taxes', are applied where there is uncertainty over income tax treatments.The IFRS IC had clarified previously that IAS 12, not IAS 37 'Provisions, contingent liabilities and contingent assets', applies to accounting for uncertain income tax treatments. IFRIC 23 explains how to recognise and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment. An uncertain tax treatment is any tax treatment applied by an entity where there is uncertainty over whether that treatment will be accepted by the tax authority. For example, a decision to claim a deduction for a specific expense or not to include a specific item of income in a tax return is an uncertain tax treatment if its acceptability is uncertain under tax law. IFRIC 23 applies to all aspects of income tax accounting where there is an uncertainty regarding the treatment of an item, including taxable profit or loss, the tax bases of assets and liabilities, tax losses and credits and tax rates. The Group does not expect that this amendment to have a significant impact on its operations.

Annual Improvements to IFRS Standards 2015–2017 Cycle – Amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23, (effective for annual periods beginning on or after 1 January 2019). These amendments include minor changes to:

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

2. Summary of Significant Accounting Policies (Continued)

(b) Basis of consolidation

Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

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

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

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the income statement.

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

When the Group ceases to have control, any retained interest in the entity is remeasured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

2. Summary of Significant Accounting Policies (Continued)

(c) Foreign currency translation

(i) Functional and presentation currency
Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates (‘the functional currency’).

The consolidated financial statements are presented in United States dollars, which is the Group’s functional and presentation currency.

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

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

Foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

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

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

Translation differences on non-monetary financial instruments are reported as part of the fair value gain or loss. Translation differences on non-monetary financial instruments, such as equities classified as available-for-sale financial assets, are included in the fair value reserve in other comprehensive income.

2. Summary of Significant Accounting Policies (Continued)

(d) Cash and cash equivalents

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

- cash balances,
- short term deposits with original maturities of three months or less from date of deposit,
- other liquid securities with original maturities of three months or less from the acquisition date.

Cash equivalents are subject to an insignificant risk of change in value. Cash and cash equivalents exclude balances held to meet statutory requirements. Cash and cash equivalents are initially measured at fair value and then subsequently remeasured at amortised cost. The carrying value is deemed to approximate fair value.

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

(e) Financial investments

The Group classifies its investments into the following categories: financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial assets. Management determines the classification of its investments at initial recognition and re-evaluates this at every reporting date.

(i) Financial asset at fair value through profit and loss

This category has two sub-categories: financial assets held for trading and those designated at fair value through profit or loss at inception.

A financial asset is classified as held for trading if it is acquired or incurred principally for the purpose of selling or repurchasing in the near term or if it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit taking.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market other than those that the Group intends to sell in the short term. Loans and receivables are initially recognised at fair value, which is the cash consideration to originate or purchase the loan including any transaction costs.

(iii) Available-for-sale financial assets

Available-for-sale investments are non-derivative financial assets intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices. Available-for-sale investments are initially recognised at fair value, which is the cash consideration including any transaction costs.

Purchases and sales of financial assets held as available-for-sale are recognised at the trade date – the date on which the Group commits to purchase or sell the asset. Loans are recognised when cash is advanced to the borrowers.

2. Summary of Significant Accounting Policies (Continued)

(e) Financial investments (continued)

(iii) Available-for-sale financial assets (continued)

Subsequent to initial recognition, available-for-sale financial assets are carried at fair value. Loans and receivables financial assets are carried at amortised cost using the effective interest method. Gains and losses arising from changes in the fair value of available-for-sale financial assets are recognised directly in consolidated statement of comprehensive income, until the financial asset is derecognised or impaired. At this time, the cumulative gain or loss previously recognised in the consolidated statement of comprehensive income is recognised in profit or loss. However, interest calculated using the effective interest method and foreign currency gains and losses on monetary assets classified as available-for-sale are recognised in the income statement. Dividends on available-for-sale equity instruments are recognised in the income statement when the Group's right to receive payment is established.

The fair values represent estimates of the consideration that would be agreed upon between knowledgeable, willing parties who are under no compulsion to act and is best evidence by a quoted market value, if one exists. The estimate fair values of the financial assets are based on quoted bid prices of securities as at December 31 where available.

Financial assets are derecognised when the right to received cash flows from the financial assets have expired or where the Group has transferred substantially all risks and rewards of ownership. Financial liabilities are derecognised when they are extinguished, that is, when the obligation is discharged, cancelled or expires.

The Group may choose to reclassify financial assets that would meet the definition of loans and receivables out of the available-for-sale category if the Group has the intention and ability to hold these financial assets for the foreseeable future or until maturity at the date of reclassification. Reclassifications are made at fair value as of the reclassification date. Fair value becomes the new cost or amortised cost as applicable, and no reversals of fair value gains or losses recorded before reclassification date are subsequently made. Effective interest rates for financial assets reclassified to the loans and receivables category are determined at the reclassification date. Further increases in estimates of cash flows adjust effective interest rates prospectively.

2. Summary of Significant Accounting Policies (Continued)

(f) Impairment of assets

(i) Assets carried at amortised cost

The Group assesses at each year end date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. The criteria that the Group uses to determine that there is objective evidence of an impairment loss include:

- significant financial difficulty of the obligor;
- default or delinquency in interest or principal payments;
- having to grant the borrower a concession that would not otherwise be considered due to the borrower's financial difficulty;
- the probability that the borrower will enter bankruptcy or other financial reorganisation; or
- observable data indicating that there is a measurable decrease in the estimated future cash flows from the loan portfolio since the initial recognition of the loans, although the decrease cannot yet be identified with the individual loan in the portfolio, including:
  i. adverse changes in the payment status of borrowers in the portfolio; and
  ii. national or local economic conditions that correlate with defaults on the loan portfolio.

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If the company determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the income statement. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

The calculation of the present value of the estimated future cash flows of a collateralised financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

For the purposes of a collective evaluation of impairment, financial assets are grouped on the basis of similar credit risk characteristics (i.e., on the basis of the Group's grading process that considers asset type, industry, geographical location, collateral type, past-due status and other relevant factors). Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated.

2. Summary of Significant Accounting Policies (Continued)

(f) Impairment of assets (continued)

(i) Assets carried at amortised cost (continued)

Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of the contractual cash flows of the assets in the Group and historical loss experience for assets with credit risk characteristics similar to those in the Group. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not currently exist.

Estimates of changes in future cash flows for groups of assets should reflect and be directionally consistent with changes in related observable data from period to period (for example, changes in unemployment rates, property prices, payment status, or other factors indicative of changes in the probability of losses in the Group and their magnitude). The methodology and assumptions used for estimating future cash flows are reviewed regularly by the Group to reduce any differences between loss estimates and actual loss experience.

When a loan is uncollectible, it is written off against the related provision for loan impairment. Such loans are written off after all the necessary procedures have been completed and the amount of the loss has been determined.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the previously recognised impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognised in the income statement in impairment charge for credit losses.

(ii) Assets classified as available-for-sale

The Group assesses at each statement of financial position date whether there is objective evidence that a financial asset or a group of financial assets is impaired.

In the case of equity investments classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the assets are impaired. In this context, management considers a 40% decline in fair value below cost to be significant and a decline that has persisted for more than twelve months to be prolonged. For an available for sale security other than an equity security, determination of which asset is impaired includes consideration of the volatility of the fair value, and the financial condition and financial viability of the issuer.

If any such evidence of impairment exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from shareholders' equity and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through the income statement.

2. Summary of Significant Accounting Policies (Continued)

(f) Impairment of assets (continued)

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

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

(h) Property, plant and equipment
Property, plant and equipment are stated at historical cost less accumulated depreciation.

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

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

Freehold building	2 ½%
Leasehold Improvement	10%
Computer equipment	20% - 33⅓%
Furniture and fixtures	10%
Other equipment	15%
Motor vehicles	20% - 25%

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

Work-in-progress and freehold land are not depreciated.

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

2. Summary of Significant Accounting Policies (Continued)

(i) Intangible assets

(i) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the acquisition date. Goodwill on acquisition of subsidiaries is included in intangible assets. Goodwill arising on the acquisition of subsidiaries and insurance portfolios is calculated as the amount by which the consideration paid and other related expenses exceed the fair value of the net identifiable assets acquired.

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

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

(ii) Computer software

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their expected useful life. Costs that are directly associated with the production of identifiable and unique software products controlled by the Group, and that will probably generate benefits exceeding costs beyond one year, are recognised as intangible assets. Direct costs include the software development team's employee costs and an appropriate portion of relevant overheads. All other costs associated with developing or maintaining computer software programmes are recognised as an expense as incurred.

(iii) Value of business acquired

On acquisition of a portfolio of contracts, either directly from another insurer or through the acquisition of a subsidiary undertaking, the Group recognises an intangible asset representing the value of business acquired (VOBA). VOBA represents the present value of future profits embedded in acquired insurance contracts and investment contracts. The Group amortises VOBA over the effective life of the acquired contracts on the same basis as deferred acquisition costs.

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

(h) Employee benefits

The company maintains a pension plan for its eligible employees and agents. The pension plan is a defined contribution plan. Once the contributions have been paid the company has no further legal or constructive obligations. The assets, which are held in trust, are carried at market values.

(i) Financial liabilities

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

2. Summary of Significant Accounting Policies (Continued)

(i) Financial liabilities (continued)

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

(j) Insurance and investment contracts

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

(i) Classification

The Group issues contracts that transfer insurance risk or financial risk or both.

Insurance contracts are those contracts that transfer significant insurance risk. Such contracts may also transfer financial risk. The Group defines insurance risk as significant if an insured event could cause an insurer to pay significant additional benefits in a scenario that has a discernible effect on the economics of the transactions.

Investment contracts are those contracts that transfer financial risk with no significant insurance risk as defined above.

(ii) Recognition and measurement

(1.1) Short-term insurance contracts

These contracts relate to short-duration life and health insurance contracts.

Short duration life and health insurance contracts protect the Group's customers from the consequences of events (such as sickness, death and disability) that would affect the ability of the customer or his/her dependents to maintain their current level of income. Guaranteed benefits paid on occurrence of the specified insurance event are either fixed or linked to the extent of economic loss suffered by the policyholder. There are no maturity or surrender benefits.

2. Summary of Significant Accounting Policies (Continued)

(j) Insurance and investment contracts (continued)

(ii) Recognition and measurement (continued)

(1.2) Long-term traditional insurance contracts

These contracts are traditional participating and non-participating policies. The Group's participating policies do not have a discretionary participation feature (1.3) as the amount of additional benefits is not paid at the discretion of the Group.

The policy reserves have been calculated using the Policy Premium Method (PPM) of valuation. Under this method, explicit allowance is made for all future benefits and expenses under the policies and expected earned investment income. The premiums, benefits and expenses for each policy are projected and the resultant future cash flows are discounted back to the valuation date to determine the reserves.

The process of calculating policy reserves necessarily involves the use of estimates concerning such factors as mortality and morbidity rates, persistency rates, future investment yields and future expense levels. Consequently, these liabilities include reasonable provisions for adverse deviations from the estimates.

An actuarial valuation is prepared at least annually. Changes in the policyholders' liabilities are recorded in the income statement.

Maturities and annuities are accounted for when due.

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

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

Benefits are recorded as an expense when they are incurred.

(1.3) Long-term insurance contracts without fixed terms and without discretionary participation features (DPF) -

A DPF is a contractual right to receive, as a supplement to the guaranteed benefit, additional benefits:

- That are likely to be a significant portion of the total contractual benefits;
- Whose amount or timing is contractually at the discretion of the issuer; and
- That are contractually based on:
  - The performance of a specified pool of contracts or specified type of contract; and
  - Realised and/or unrealised investment returns on a specified pool of assets held by the issuer; or
  - The profit or loss of the company, fund or other entity that issues the contract.

2. Summary of Significant Accounting Policies (Continued)

(j) Insurance and investment contracts (continued)

(ii) Recognition and measurement (continued)

(1.3) Long-term insurance contracts without fixed terms and without discretionary participation features (DPF) (continued)

These contracts include interest-sensitive and unit-linked universal life type policies which are classified as insurance liabilities.

A unit-linked insurance contract is an insurance contract with an embedded derivative linking payments on the contract to units of an internal investment fund set up by the Group with the consideration received from the contract holders. This embedded derivative meets the definition of an insurance contract and is not therefore accounted for separately from the host insurance contract. The liability for such contracts is adjusted for all changes in the fair value of the underlying assets.

Revenue consists of fees deducted for mortality, policy administration and surrender charges. Interest or changes in the unit prices credited to the account balances and excess benefit claims in excess of the account balances incurred during the period are charged as expenses in the income statement.

(1.4) Investment contracts without discretionary participatory feature (DPF) -
The Group issues investment contracts without fixed terms and DPFs because these contracts do not satisfy the requirements that the amount or timing of additional benefits is contractually at the discretion of the Group.

Investment contracts without fixed terms are financial liabilities whose fair value is dependent on the fair value of underlying financial assets and are designated at inception at fair value through the income statement.

Valuation techniques are used to establish the fair value at inception and each reporting date.

The Group's main valuation techniques incorporate all factors that market participants would consider and are based on observable market data. The fair value of a unit-linked financial liability is determined using the current unit values that reflect the fair values of the financial assets contained within the Group's unitised investments funds linked to the financial liability, multiplied by the number of units attributed to the contract holder at the year end date.

2. Summary of Significant Accounting Policies (Continued)

(j) Insurance and investment contracts (continued)

(ii) Recognition and measurement (continued)

(1.4) Investment contracts without discretionary participatory feature (DPF) (continued) -

If the investment contract is subject to a put or surrender option, the fair value of the financial liability is never less than the amount payable on surrender, discounted for the required notice period, where applicable.

(iii) Amounts on deposit and deposit administration funds
These funds are managed by the company but are not legally separated from the general operations. The assets and liabilities of these funds are included in these financial statements. The Group earns administration and investment fees on the management of these funds.

(vi) Receivables and payables related to insurance contracts and investment contracts.
Receivables and payables are recognised when due. These include amounts due to and from agents, brokers and insurance contract holders.

If there is objective evidence that the insurance receivable is impaired, the Group reduces the carrying amount of the insurance receivable accordingly and recognises that impairment loss in the income statement. The Group gathers the objective evidence that the insurance receivable is impaired using the same process adopted for loans and receivables. The impairment loss is also calculated under the same method used for other financial assets.

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

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

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

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

2. Summary of Significant Accounting Policies (Continued)

(k) Provisions

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

(l) Revenue recognition

(i) Premium income

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

When premiums become doubtful of collection, they are written down to their recoverable amounts and thereafter recognised based on the rate of interest that was used to discount the future cash flows for the purpose of measuring the recoverable amount.

The Group earns commission based on reinsurance premiums ceded as determined in the contract with the reinsurer. Commissions relating to reinsurance contracts are also treated on a pro-rata basis, and unearned portions at the financial period end are similarly carried forward on the statement of financial position.

(ii) Fee income

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

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

- Front-end fees are charged to the client on inception. This approach is used particularly for single premium contracts. The consideration received is deferred as a liability and recognised over the life of the contract on a straight-line basis.
- Regular fees are charged to the customer periodically either directly or by making a deduction from invested funds. Fees charged at the end of the period are accrued as a receivable that is offset against the financial liability when charged to the customer.
- Captive management fees are recognised as earned on a pro-rata basis over the period for which the services are provided.

(iii) Interest income

Interest income is recognised in the income statement for all interest bearing instruments on an accrual basis using the effective yield method based on the actual purchase price. Interest income includes coupons earned on fixed income investments and accrued discount or premium on treasury bills and other discounted instruments. When loans become doubtful of collection, they are written down to their recoverable amounts and interest income is thereafter recognised based on the effective yield method that was used to discount the future cash flows for the purpose of measuring the recoverable amount.

2. Summary of Significant Accounting Policies (Continued)

(m) Interest expense

Interest expense is recognised in the income statement on an accrual basis using the effective yield method.

Amounts paid under contracts with principally financial risk are recorded directly to the statement of financial position as an adjustment to policyholders' funds on deposit. The interest credited to these funds is recorded as an interest expense.

(n) Commissions

The Group pays policy acquisition commissions to intermediaries based on premiums written as determined in the contract with the insured. Commissions relating to insurance contracts are also treated on a pro-rata basis, and unamortised portions at the financial period end are similarly carried forward on the consolidated statement of financial position.

(o) Claims

Claims payable represent the gross cost of all claims notified but not settled on the year end date. Reinsurance recoverable on these claims is shown as a receivable from the reinsurer.

(p) Financial instruments

Financial instruments carried on the statement of financial position include investment securities, securities purchased under resale agreements, due to banks and other financial institutions, cash and bank, other assets (excluding prepaid expenses) and other liabilities. The fair values of the financial instruments are discussed in Note 26.

(q) Offsetting of financial instruments

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

(r) Dividend distribution

Dividend distribution to the company's shareholders is recognised as a liability in the group's financial statements in the period in which the dividends are approved by the company's shareholders.

3. Critical Accounting Estimates and Judgements in Applying Accounting Policies

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

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

(i) The ultimate liability arising from claims made under insurance contracts.
There are several sources of uncertainty that need to be considered in the estimate of the liability that the company will ultimately pay such claims.

(ii) Estimate of future payments and premiums arising from long-term insurance contracts.

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

Were the numbers of death in future years to increase per year by 3% for five years from management's estimate, the liability would increase by $3,915,615 (2016 - $3,669,740).

For contracts without fixed terms, it is assumed that the Group will be able to increase mortality risk charges in future years in line with emerging mortality experience.

Estimates are also made as to future investment income arising from the assets backing long-term insurance contracts. These estimates are based on current market returns, as well as expectations about future economic and financial developments. Were the average future investment returns to decrease by -0.5% for ten years from management's estimates, the insurance liability would increase by $7,543,048 (2016 - $8,629,327).

For long term insurance contracts, estimates of future deaths, voluntary terminations, investment returns and administration expenses are made and form the assumptions used for calculating the liabilities during the life of the contract. A margin for adverse deviation is added to these assumptions.

Were the actual lapse experience to increase by 2% or 0.5% of expected lapse experience the liability would increase by $3,832,775 (2016 - $4,709,228).

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

Key sources of estimation uncertainty (continued)

(iii) Estimated impairment of intangible assets
Goodwill
The assessment of goodwill impairment involves the determination of the fair value of the cash-generating units to which the goodwill has been allocated. Determination of fair value involves the estimation of future net income of these business units and the expected returns to providers of capital to the business units and or the Group as a whole.

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

(iv) Impairment of financial investments
The Group determines that available-for-sale equity financial assets are impaired when there has been a significant or prolonged decline in the fair value below its cost. This determination of what is significant or prolonged requires judgment. In making this judgment, the Group evaluates among other factors, the normal volatility in share price, the financial health of the investee, industry and sector performance, changes in technology, and operational and financing cash flow. Impairment may be appropriate when there is evidence of deterioration in the financial health of the investee, industry and sector performance, changes in technology, and financing and operational cash flows.

Available-for-sale debt securities and loans and receivables are considered impaired when there is objective evidence of impairment as a result of a loss event that has an impact on the estimated future cash flows of the financial assets that can be reliably estimated. Refer to Note 27(d) for further details on impairment of financial assets.

(v) Impairment of non- financial assets
Owner occupied property is carried in the statement of financial position at estimated market value. The group used independent qualified property appraisers to value its owner occupied properties annually, generally using the direct capitalization approach. This approach takes into consideration various assumptions and factors including; the level of current and future occupancy, rent rates, a discount rate, and the current condition of the property. A change in any of these assumptions and factors could have a significant impact on the valuation of owner occupied property.

(expressed in United States dollars unless otherwise indicated)

4. Cash and Cash Equivalents

	The Group		The Company	
	2017	**2016**	**2017**	**2016**
	$	**$**	**$**	**$**
Cash at bank	1,581,490	2,456,054	1,422,981	2,336,573
Cash in hand	1,320	670	1,320	670
Total cash resources	1,582,810	2,456,724	1,424,301	2,337,243
Securities purchased under resale agreement	873,145	-	873,145	-
United States of America Government Treasury Bills	5,658,644	10,999,780	5,658,644	10,999,780
Short term deposits (Note 5)	1,144,783	14,352,295	1,144,783	13,719,393
Cash and cash equivalents	9,259,382	27,808,799	9,100,873	27,056,416

In 2017, the Group and Company entered into a reverse repurchase agreement collateralised by a corporate bonds. These bonds are held with a fellow subsidiary, Sagicor Investments Jamaica Limited (see Note 15).

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

	The Group		The Company	
	2017	**2016**	**2017**	**2016**
	$	**$**	**$**	**$**
Cash and cash equivalents	9,259,382	27,808,799	9,100,873	27,056,416
Less: pledged assets	(369,476)	(367,426)	(369,476)	(367,426)
	8,889,906	27,441,373	8,731,397	26,688,990

Short term deposits include EC$200,000 (US$74,003) (2016 – EC$200,000 (US$74,003)) which have been pledged to the Government of Antigua, pursuant to Section 6(A) of the said country's Insurance Act, 1967. Short term deposits also include US$295,473 (2016 – US$293,423) which have been pledged to Turks and Caicos Islands Financial Services Commission, pursuant to Section 43(g) of the Financial Services Commission Ordinance of the said country.

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5. Financial Investments

	The Group		The Company	
	2017	2016	2017	2016
	$	$	$	$
Short term deposits (Note 4)	1,144,783	14,352,295	1,144,783	13,719,393
Financial assets at fair value through profit or loss-				
Government of Jamaica securities	-	34,185	-	34,185
Foreign Governments securities	1,754,925	11,187,684	1,754,925	11,187,684
Corporate bonds	6,247,201	3,745,484	6,247,201	3,745,484
Quoted equities	14,299,704	3,992,628	14,299,704	3,992,628
Unit trust	777,959	-	-	-
Interest receivable	106,452	95,235	106,452	95,235
	23,186,241	19,055,216	22,408,282	19,055,216
Available-for-sale -				
Other foreign government securities	8,023,508	6,570,601	8,023,508	6,570,601
Unit trust	48	-	48	-
Corporate bonds	89,101,978	126,523,552	89,101,978	126,523,552
Quoted equities	4,664,383	10,338,258	4,664,383	10,338,258
Interest receivable	1,549,497	2,238,687	1,549,497	2,238,687
	103,339,414	145,671,098	103,339,414	145,671,098
Loans and receivables -				
Other foreign government securities	102,755	103,350	102,755	103,350
Securities purchased under resale	873,145	-	873,145	-
Mortgage loans	58,132	66,781	58,132	66,781
Policy loans	4,937,402	5,104,631	4,937,402	5,104,631
Interest receivable	297,120	288,079	297,120	288,079
	6,268,554	5,562,841	6,268,554	5,562,841
	133,938,992	184,641,450	133,161,033	184,008,548

During the year, the Group and the company recognized impairment charges totaling $1,197,754 (2016 –$3,673,170) on equity and debt securities (Note 20).

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5. Financial Investments (Continued)

(a) Mortgage loans
Mortgage loans are secured by the first recourse to the related underlying property. Residential mortgages attract interest of 9.5% (2016 – 9% and 9.5%) per annum. Principal and interest are received monthly. The maximum term granted for residential mortgages is 20 years and the loan to value ratios is limited to 75%. Mortgages are stated net of a provision for asset defaults on principal of $Nil (2016 – $Nil).

(b) Policy loans
The majority of the policy loans bear interest at the annual rate of 10% (2016 – 10%). The loans are secured by the cash surrender values of the policies on which the loans are made. Interest is accrued on a monthly basis and the loans are generally due on termination of the policy.

(c) The Group had International Corporate bonds with carrying value of US$21,699,420 and a Petroleum Company Trinidad and Tobago Corporate bond with carrying value of US$3,133,740, pledged as security with Morgan Stanley Smith Barney to secure a loan facility in 2016 (See Note 13).

(d) The Group had International Corporate bonds with carrying value of US$62,204,388, a Government of Trinidad and Tobago bond with carrying value of US$1,076,760, a Petroleum Company Trinidad and Tobago Corporate bond with carrying value of US$729,102 and Government of Bahamas bonds with carrying value of US$3,547,611 pledged as security with Goldman Sachs International to secure a loan facility in 2016 (see Note 13).

Reclassification of Financial investments
In the financial year ended 31 December 2008, the Group and the company reclassified certain investments from the available-for-sale category into the loans and receivables category in accordance with the amendment to IAS 39.

The carrying values and fair values of the reclassified securities at year end were as follows:

	The Group and The Company			
	Carrying Value 2017 $	Fair Value 2017 $	Carrying Value 2016 $	Fair Value 2016 $
Other foreign government securities	102,755	86,910	103,350	94,749

(expressed in United States dollars unless otherwise indicated)

5. Financial Investments (Continued)

Reclassification of Financial investments (continued)

	The Group & The Company	
	2017	**2016**
	$	**$**
Cumulative net fair value (loss)/gain at beginning of year	(3,679)	456
Net fair value gains for the year	(7,246)	(3,810)
Disposals	-	(325)
Cumulative net fair value loss at year end	(10,925)	(3,679)

There was no reclassification of financial assets during the years ended 31 December 2017 and 2016.

The following are included in the income statement for investments reclassified in 2008:

	The Group & The Company	
	2017	**2016**
	$	**$**
Interest income	7,250	25,325

6. Investment in Subsidiary

	The Company	
	2017	**2016**
	$	**$**
Sagicor Insurance Managers Ltd.	300,000	300,000

Sagicor Life of the Cayman Islands Ltd.

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7. Intangible Assets

	The Group		
	Goodwill	**Computer Software**	**Total**
	$	**$**	**$**
Cost -			
At 1 January 2016	5,285,181	15,018	5,300,199
Addition	-	8,816	8,816
At 31 December 2016	5,285,181	23,834	5,309,015
At 31 December 2017	5,285,181	23,834	5,309,015
Amortisation -			
At 1 January 2016	-	13,513	13,513
Amortised during the year	-	1,033	1,033
At 31 December 2016	-	14,546	14,546
Amortised during the year	-	1,982	1,982
At 31 December 2017	-	16,528	16,528
Net Book Value -			
31 December 2016	5,285,181	9,288	5,294,469
31 December 2017	5,285,181	7,306	5,292,487

(expressed in United States dollars unless otherwise indicated)

7. Intangible Assets (Continued)

	The Company		
	Goodwill	**Computer Software**	**Total**
	$	**$**	**$**
Cost -			
At 1 January 2016 and 31 December 2016	4,988,971	23,834	5,012,805
At 31 December 2017	4,988,971	23,834	5,012,805
Amortisation -			
At 1 January 2016	-	13,513	13,513
Amortised during the year	-	1,033	1,033
At 31 December 2016	-	14,546	14,546
Amortised during the year	-	1,982	1,982
At 31 December 2017	-	16,528	16,528
Net Book Value -			
At 31 December 2016	4,988,971	9,288	4,998,259
At 31 December 2017	4,988,971	7,306	4,996,277

Amortisation charges of $1,982 (2016 - $1,033) have been included in the income statement for the Group and company. Computer software are being amortised over 5 – 7 years, which is estimated to be their useful lives.

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8. Property, Plant and Equipment

	The Group				
	Freehold Land & Building $	Leasehold Improvements $	Furniture & Equipment $	Work-in-progress $	Total $
Cost -					
At 1 January 2016	-	385,114	489,770	3,782,120	4,657,004
Additions	-	-	4,475	2,217,362	2,221,837
Impairment charge	-	-	-	(1,639,482)	(1,639,482)
At 31 December 2016	-	385,114	494,245	4,360,000	5,239,359
Additions	176,139	12,376	72,205	-	260,720
Transfers	4,239,520	-	120,480	(4,360,000)	-
At 31 December 2017	4,415,659	397,490	686,930	-	5,500,079
Accumulated Depreciation:-					
At 1 January 2016	-	246,084	441,600	-	687,684
Charge for the year	-	39,656	19,945	-	59,601
At 31 December 2016	-	285,740	461,545	-	747,285
Charge for the year	59,261	40,076	35,463	-	134,800
Revaluation adjustment (Note 12)	(3,602)	-	-	-	(3,602)
At 31 December 2017	55,659	325,816	497,008	-	878,483
Net Book Value -					
31 December 2016	-	99,374	32,700	4,360,000	4,492,074
31 December 2017	4,360,000	71,674	189,922	-	4,621,596

Sagicor Life of the Cayman Islands Ltd.

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8. Property, Plant and Equipment (Continued)

	The Company				
	Freehold Land & Building $	Leasehold Improvements $	Furniture & Equipment $	Work-in-Progress $	Total $
Cost -					
At 1 January 2016	-	385,114	487,066	3,782,120	4,654,300
Additions	-	-	3,805	2,217,362	2,221,167
Impairment charge	-	-	-	(1,639,482)	(1,639,482)
At 31 December 2016	-	385,114	490,871	4,360,000	5,235,985
Additions	176,139	12,376	64,786	-	253,301
Transfers	4,239,520	-	120,480	(4,360,000)	-
At 31 December 2017	4,415,659	397,490	676,137	-	5,489,286
Accumulated Depreciation:-					
At 1 January 2016	-	246,084	440,203	-	686,287
Charge for the year	-	39,656	19,340	-	58,996
At 31 December 2016	-	285,740	459,543	-	745,283
Charge for the year	59,261	40,075	33,906	-	133,242
Revaluation adjustment (Note 12)	(3,602)	-	-	-	(3,602)
At 31 December 2017	55,659	325,815	493,449	-	874,923
Net Book Value -					
31 December 2016	-	99,374	31,328	4,360,000	4,490,702
31 December 2017	4,360,000	71,675	182,688	-	4,614,363

Sagicor Life of the Cayman Islands Ltd.

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9. Reinsurance Contracts

	The Group and The Company	
	2017	2016
	$	$
Claims recoverable from reinsurers	2,124,864	871,562

10. Other Assets

	The Group		The Company	
	2017	2016	2017	2016
	$	$	$	$
Due from agents	390,033	566,276	390,033	566,276
Premiums due and unpaid	1,101,053	1,058,262	1,101,053	1,058,262
Due from other related parties (Note 15)	1,080,667	1,889,891	1,106,359	1,893,218
Deposits and prepaid expenses	301,685	241,727	301,685	241,727
Funds in transit	-	931,959	-	931,959
Other receivables	765,906	43,580	765,906	30,332
	3,639,344	4,731,695	3,665,036	4,721,774
Provision against doubtful receivables (related party)	(670,666)	(670,666)	(670,666)	(670,666)
	2,968,678	4,061,029	2,994,370	4,051,108

11. Share Capital

	2017	2016
	$	$
Authorised -		
25,000,000 ordinary shares of $1 each	25,000,000	25,000,000
Issued and fully paid -		
16,000,000 ordinary shares of $1 each	16,000,000	16,000,000

(expressed in United States dollars unless otherwise indicated)

12. Investment and Fair Value Reserves

This represents the unrealised surplus or deficit on the re-measurement of available-for-sale securities and owner occupied property.

	The Group and The Company	
	2017	**2016**
	$	**$**
Available for sale fair value reserves	(3,188,625)	(4,021,489)
Owner occupied properties fair value reserves	3,602	-
Actuarial liabilities	(336,415)	(1,756,960)
	(3,521,438)	(5,778,449)

During the year, the property carried as Property, Plant and Equipment, was revalued with a resulting revaluation gain of $3,602 (Note 8). In 2016, a similar revaluation resulted in revaluation loss which exceeded previous gains that were reflected as part of the Group's Investment and Fair Value Reserves. The excess of $531,375 was taken to the income statement.

13. Due to Banks and Other Financial Institutions

	The Group and The Company			
	Currency	**%**	**2017**	**2016**
			$	**$**
Short Term Loans:				
(i) Morgan Stanley Smith Barney – due on demand	US$	1.36 – 1.54	-	13,814,899
(ii) Goldman Sachs International	US$	Varied	-	45,626,832
			-	59,441,731

Short term loans:

i. Morgan Stanley Smith Barney
This loan was repaid in 2017 in accordance with a request by the regulator, Cayman Islands Monetary Authority (CIMA) and represented amounts due to the broker for securities purchased under margin loan facilities. In 2016, the facilities attracted interest rates ranging from 1.36% to 1.54%. These loans were repayable on demand and secured by International Corporate bonds totaling US$21,699,420 and a Petroleum Company Trinidad and Tobago bond totaling US$3,133,740.

ii. Goldman Sachs International
This loan was repaid in 2017 in accordance with a request by the regulator, CIMA. The facilities attracted interest at an interest rate of 3 months USD LIBOR plus 1.95% per annum and was secured by International Corporate bonds totalling US$62,204,388, a Government of Trinidad and Tobago bond totalling US$1,076,760, a Petroleum Company Trinidad and Tobago Corporate bond totalling US$729,102 and Government of Bahamas bonds totalling US$3,547,611.

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14. Other Liabilities

	The Group		The Company	
	2017	2016	2017	2016
	$	$	$	$
Accounts payable and accruals	872,287	1,042,003	831,700	1,032,957
Due to related parties (Note 15)	95,574	14,570	90,697	14,011
Premiums not applied	1,511,829	724,221	1,511,829	724,221
Reinsurance premium payable	169,776	182,715	169,776	182,715
	2,649,466	1,963,509	2,604,002	1,953,904

15. Related Party Balances and Transactions

Related companies include the parent company, the ultimate parent company, other related companies and fellow subsidiaries and key management. Key management are employed and paid by the immediate parent company, Sagicor Group Jamaica Limited and these remunerations are disclosed in the immediate parent's financial statement.

Related parties include the segregated funds managed by the Group.

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

	The Group		The Company	
	2017	2016	2017	2016
	$	$	$	$
Securities purchased under resale agreement-				
Sagicor Investments Jamaica Limited	873,549	-	873,349	-
Short term deposits -				
Sagicor Investments Jamaica Limited.	-	2,787,261	-	2,787,261
Cash Resources-				
Sagicor Bank Jamaica Limited.	250,295	165,262	250,295	165,262
Due from related parties -				
Ultimate parent company	90,587	-	90,587	-
Other related companies	990,080	1,889,273	990,080	1,888,923
Other managed funds	-	618	-	618
Fellow subsidiary	-	-	25,692	3,677
	1,080,667	1,889,891	1,106,369	1,893,218
Due to related parties -				
Ultimate parent company	-	11,332	-	11,332
Other related companies	95,574	3,238	90,697	2,679
	95,574	14,570	90,697	14,011

(expressed in United States dollars unless otherwise indicated)

15. Related Party Balances and Transactions (Continued)

(b) The income statement includes the following transactions with related parties and companies:

	The Group and The Company	
	2017	**2016**
	$	**$**
Parent and related companies -		
Interest income	102,711	172,946
Commission expense	(511,302)	(548,490)
Corporate services	(474,490)	(462,528)
Management fees	(362,018)	(355,061)
Segregated funds -		
Management fees earned	426,047	742,226

16. Insurance Contracts Liabilities

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

	The Group and The Company	
	2017	**2016**
	$	**$**
Individual annuities	14,234,753	12,619,518
Group insurance	426,471	376,750
Individual insurance	40,273,458	34,987,268
	54,934,682	47,983,536

(b) Movement in insurance liabilities:

	The Group and The Company			
	2017			
	Individual Annuities	**Individual Insurance**	**Group Insurance**	**Total**
	$	**$**	**$**	**$**
Balance at the beginning of the year	12,619,518	34,987,268	376,750	47,983,536
Changes in actuarial liabilities recorded to income statement (Note 16(d))	3,207,775	5,114,195	49,721	8,371,691
Changes in actuarial liabilities recorded in other comprehensive income	(1,592,540)	171,995	-	(1,420,545)
Balance at end of year	14,234,753	40,273,458	426,471	54,934,682

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16. Insurance Contracts Liabilities (Continued)

(b) Movement in insurance liabilities:

	The Group and The Company			
	2016			
	Individual Annuities	Individual Insurance	Group Insurance	Total
	$	$	$	$
Balance at the beginning of the year	11,953,236	51,366,590	289,502	63,609,328
Changes in actuarial liabilities recorded to income statement (Note 16(d))	573,458	(18,043,458)	87,248	(17,382,752)
Changes in actuarial liabilities recorded in other comprehensive income	92,824	1,664,136	-	1,756,960
Balance at end of year	12,619,518	34,987,268	376,750	47,983,536

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

	The Group				
	2017				
	Insurance	Annuities	Other Liabilities	Capital and Surplus	Total
	$	$	$	$	$
Quoted and mutual fund equities	14,299,704	-	-	5,442,390	19,742,094
Fixed income securities	47,438,870	14,371,889	1,088,828	46,301,777	109,201,364
Mortgages	-	-	-	58,132	58,132
Other assets	5,377,022	-	4,102,377	12,048,438	21,527,837
	67,115,596	14,371,889	5,191,205	63,850,737	150,529,427

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16. Insurance Contracts Liabilities (Continued)

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

The Group

2016

	Insurance	Annuities	Other Liabilities	Capital and Surplus	Total
	$	$	$	$	$
Quoted and mutual fund equities	19,055,216	-	-	10,338,259	29,393,475
Fixed income securities	43,638,458	12,748,939	59,367,594	33,400,913	149,155,904
Mortgages	-	-	-	66,781	66,781
Other assets	5,113,133	-	3,687,648	14,400,367	23,201,148
	67,806,807	12,748,939	63,055,242	58,206,320	201,817,308

The Company

2017

	Insurance	Annuities	Other Liabilities	Capital and Surplus	Total
	$	$	$	$	$
Quoted equities	14,299,704	-	-	5,442,390	19,742,094
Fixed income securities	46,660,911	14,371,889	1,088,828	46,301,777	108,423,405
Mortgages	-	-	-	58,132	58,132
Other assets	5,377,022	-	4,834,872	11,179,683	21,391,577
	66,337,637	14,371,889	5,923,700	62,981,982	149,615,208

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16. Insurance Contracts Liabilities (Continued)

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

	The Company				
	2016				
	Insurance	Annuities	Other Liabilities	Capital and Surplus	Total
	$	$	$	$	$
Quoted equities	19,055,216	-	-	10,338,259	29,393,475
Fixed income securities	43,638,458	12,748,939	59,367,594	33,400,913	149,155,904
Mortgages	-	-	-	66,781	66,781
Other assets	5,113,133	-	3,678,043	13,650,086	22,441,262
	67,806,807	12,748,939	63,045,637	57,456,039	201,057,422

These allocations are done by management using asset liability management practices based on management's judgement of the required duration of the assets backing the liabilities. The assets are not legally segregated or restricted to the individual liabilities.

(expressed in United States dollars unless otherwise indicated)

16. Insurance Contracts Liabilities (Continued)

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

	The Group and The Company			
	2017			
	Annuities	Individual Insurance	Group Insurance	Total
	$	$	$	$
Change in assumed investment yields and inflation rate	1,201,292	1,732,976	-	2,934,268
Change due to the issuance of new policies and decrements on in-force policies	418,172	4,682,661	49,721	5,150,554
Change due to other actuarial assumptions	1,588,311	(1,301,442)	-	286,869
Change in actuarial liabilities recorded in income statement	3,207,775	5,114,195	49,721	8,371,691
Change in actuarial liabilities recorded in other comprehensive income	(1,592,540)	171,995	-	(1,420,545)

	The Group and The Company			
	2016			
	Annuities	Individual Insurance	Group Insurance	Total
	$	$	$	$
Change in assumed investment yields and inflation rate	(1,702,841)	(97,418)	-	(1,800,259)
Change due to the issuance of new policies and decrements on in-force policies	2,370,238	(16,987,771)	87,248	(14,530,285)
Change due to other actuarial assumptions	(93,939)	(958,269)	-	(1,052,208)
Change in actuarial liabilities recorded in income statement	573,458	(18,043,458)	87,248	(17,382,752)
Change in actuarial liabilities recorded in other comprehensive income	92,824	1,664,136	-	1,756,960

16. Insurance Contracts Liabilities (Continued)

(e) Policy assumptions

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

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

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

Life Insurance and Annuity Contracts:

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

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

(iii) Investment yields
The Group broadly matches assets and liabilities by line of business. The projected cash flows from these assets are combined with future reinvestment rates derived from the current economic outlook and the Group's investment policy to determine expected rates of return on these assets for all future years. The gross long term ultimate reinvestment rate (after 20 years) is based on expectations of risk-free government bond yields. The gross rate is adjusted to take into account investment expenses, investment income taxes and asset default. Assumptions taking into account inflation are that real returns after 30 years will be between 2% and 3%.

16. Insurance Contracts Liabilities (Continued)

(e) Policy assumptions (continued)

Life Insurance and Annuity Contracts (continued):

(iv) Lapses and persistency
Lapses relate to termination of policies due to non-payment of premiums. Surrender and withdrawals relate to voluntary termination of policies by policyholders. Policy termination assumptions are based on the Group's own experience and vary by type of product. Lapse rates in the first year of a policy range between 8% and 45% of insurance amounts issued. Lapse rates after 20 policy years are assumed to be between 0% and 8% of insurance amounts in force. Partial withdrawal rates average about 12% of fund values available from policies in force.

(v) Policy expenses
Policy maintenance expenses are derived from the Group's own internal cost studies projected into the future with an allowance for inflation. All expenses, including overhead, are functionally allocated by line of business, between the administration of the business and the acquisition of the business. All expenses related to the administration of the business are used to determine the policy maintenance unit costs. No expenses related to the acquisition of the business are included in the unit expense assumption used in the valuation of the actuarial liabilities. Interest sensitive and Universal life policies are assumed to be twice as costly to administer as traditional life policies. The inflation assumption is kept consistent with the investment assumption. The initial inflation rate is based on expected inflation on internal company expenses and declines over the life of the policies such that real returns after 30 years are between 2% and 3%.

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

(vii) Asset default
The Appointed Actuary includes a provision for asset default in the modeling of the cash flows. The provision is based on industry and the Group's experience and includes a specific margin for equity securities and combined margin for debt securities, mortgage loans and deposits.

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

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16. Insurance Contracts Liabilities (Continued)

(e) Policy assumptions (continued)

Life Insurance and Annuity Contracts (continued):

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

17. Investment Contract Liabilities

	The Group and The Company	
	2017	**2016**
	$	**$**
Amortised cost -		
Amounts on deposit	20,418,513	25,844,132
Deposit administration fund	137,136	129,421
Other investment contracts	2,668,675	2,291,376
	23,224,324	28,264,929

All financial liabilities at fair value through profit or loss are designated by the Group to be in this measurement category. The maturity value of these financial liabilities is determined by the fair value of the linked assets at maturity date. There will be no difference between the carrying amount and the maturity amount at the maturity date.

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

Movement of the Deposit Administration Fund:

	The Group and The Company	
	2017	**2016**
	$	**$**
At the beginning of year	129,421	122,363
Interest earned	7,715	7,058
At the end of year	137,136	129,421

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18. Other Insurance Liabilities

	The Group and The Company	
	2017	**2016**
	$	**$**
Insurance benefits payable	2,542,422	2,342,557
Policy dividends and other funds on deposit	3,327,796	3,614,726
	5,870,218	5,957,283

19. Net Premium Income

	The Group and The Company	
	2017	**2016**
	$	**$**
Gross premiums by line of business:		
Group life	755,523	647,749
Individual life		
Premium	14,415,236	13,843,745
Segregated fund contribution	4,516,746	4,322,160
Annuities	799,538	3,103,523
	20,487,043	21,917,177
Reinsurance premiums by line of business:		
Group life	195,026	153,454
Individual life	1,061,364	1,196,114
	1,256,390	1,349,568
Net premiums	19,230,653	20,567,609

(expressed in United States dollars unless otherwise indicated)

20. Net Investment Income

	The Group		The Company	
	2017	2016	2017	2016
Interest income* -	$	$	$	$
Short term deposits	393,443	238,722	388,223	237,533
Financial assets at fair value through profit or loss	300,339	921,748	300,339	921,748
Available-for-sale	6,404,521	8,833,205	6,404,521	8,833,205
Loans and receivables	372,858	311,910	372,858	311,910
Dividends – ordinary shares	75,603	143,021	75,603	143,021
Net realised gains on sale of investment securities – available-for-sale	3,084,681	2,208,089	3,084,681	2,208,089
Net realised gains / (losses) on sale of investment securities – fair value through profit or loss	1,938,035	(616,946)	1,935,242	(616,946)
Other investment income, net	176,932	197,840	176,932	197,840
	12,746,412	12,237,589	12,738,399	12,236,400
Impairment charge on investment securities	(1,197,754)	(3,673,170)	(1,197,754)	(3,673,170)
	11,548,658	8,564,419	11,540,645	8,563,230

*Interest income is shown net of amortisation on debt securities of $299,875 (2016: $712,350).

Included in impairment charge for the year is an amount of $1,197,754 (2016 - $214,797) recorded in respect of the impairment of investments in an Exchange Traded Fund (ETF). The cost of these investments before impairment was $6,587,387 (2016 - $4,504,791).

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21. Fee and other Income

	The Group		The Company	
	2017	**2016**	**2017**	**2016**
	$	**$**	**$**	**$**
Reinsurance commissions	52,194	87,110	52,194	87,110
Fee income	277,533	276,200	-	-
Other income	126,979	14,176	126,965	14,168
	456,706	377,486	179,159	101,278

22. Net Insurance Benefits

	The Group and The Company			
	Year ended 31 December 2017			**2016**
	Gross Insured	**Reinsured**	**Net Claims**	**Net Claims**
	$	**$**	**$**	**$**
Death and disability	3,425,846	(1,326,772)	2,099,074	2,833,275
Maturities	161,665	-	161,665	61,913
Surrenders and withdrawals	1,845,464	-	1,845,464	1,057,017
Segregated fund withdrawals	4,431,500	-	4,431,500	23,268,019
Annuities payments	1,215,986	-	1,215,986	1,084,997
Policy dividends and bonuses	419,925	-	419,925	432,196
Other benefits	615,416	-	615,416	753,850
	12,115,802	(1,326,772)	10,789,030	29,491,267

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23. Administration Expenses

	The Group		The Company	
	2017	**2016**	**2017**	**2016**
	$	**$**	**$**	**$**
Audit fees	484,973	247,158	470,000	231,400
Administration fees	836,509	817,589	836,509	817,589
Information technology	294,408	11,690	294,408	11,690
Office accommodation	234,932	323,437	234,049	295,955
Policy contract stamp duties	119,029	154,049	119,029	154,049
Printing ,Postage and courier costs	50,465	37,989	50,465	37,989
Directors costs	14,072	7,815	14,072	7,815
Regulatory fees	193,602	117,437	173,968	95,778
Public relations and advertising	99,822	50,838	99,822	50,838
Salaries, pension contribution and staff benefits	759,188	743,114	662,282	686,577
Sales convention and incentives	57,648	40,366	33,821	40,366
Legal and professional fees	66,792	7,721	66,792	2,721
Other expenses	765,737	858,834	756,432	802,308
	3,977,177	3,418,037	3,811,649	3,235,075

24. Taxation

There is presently no taxation imposed on income or premiums by the Government of the Cayman Islands. The Group intends to conduct its activities so as not to be subject to taxation in any other jurisdiction. As a result of the above matters, no tax liability or expense has been recorded in these financial statements.

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25. Cash Flows

(a) Operating activities

	The Group		The Company	
	2017	**2016**	**2017**	**2016**
Adjustments for non-cash items, interest and dividends:	**$**	**$**	**$**	**$**
Depreciation and amortisation of intangible assets	136,782	60,634	135,224	60,029
Interest and dividend income	(7,546,764)	(10,674,886)	(7,541,544)	(10,673,697)
Interest expense	1,573,474	2,383,815	1,573,474	2,383,815
Net realised gains on sale of investment securities	(3,084,681)	(1,981,809)	(3,084,681)	(1,981,809)
Fair value gains on trading securities	(1,938,035)	616,946	(1,935,242)	616,946
Impairment charge on investments	1,197,754	3,673,170	1,197,754	3,673,170
Impairment charge on property, plant and equipment	-	531,375	-	531,375
(Decrease)/Increase in policy holders funds	(5,127,670)	2,825,159	(5,127,670)	2,825,159
Net movement in actuarial reserves (Note 16(b))	8,371,691	(17,382,752)	8,371,691	(17,382,752)
Effect of exchange gain on foreign assets	(3,268)	(200)	(1,218)	(200)
	(6,420,717)	(19,948,548)	(6,412,212)	(19,947,964)
Changes in other operating assets and liabilities:				
Due from/to related parties	890,228	4,184,627	863,546	3,510,075
Reinsurance contracts	(1,253,302)	356,515	(1,253,302)	356,515
Due to banks and other financial institutions	(58,540,592)	(15,817,364)	(58,540,592)	(15,817,364)
Other assets	284,629	(1,639,272)	271,381	(1,024,374)
Other liabilities	604,953	602,916	573,412	606,636
	(58,014,084)	(12,312,578)	(58,085,555)	(12,368,512)

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25. Cash Flows (Continued)

(a) Investing activities

	The Group		The Company	
	2017	2016	2017	2016
	$	$	$	$
Net investment sales:				
Proceeds on sale of investment securities	208,152,102	163,223,519	208,152,102	163,223,519
Purchase of investment securities	(171,492,664)	(131,280,617)	(170,719,549)	(131,280,617)
	36,659,438	31,942,902	37,432,553	31,942,902

(b) Investing activities

	The Group 2017	The Group 2016	The Company 2017	The Company 2016
Purchase of property, plant and equipment (Note 8)	(260,720)	(2,221,837)	(253,301)	(2,221,167)
Purchase of intangibles (Note 7)	-	(8,816)	-	(8,816)
	(260,720)	(2,230,653)	(253,301)	(2,229,983)

(c) Financing activity

	The Group 2017	The Group 2016	The Company 2017	The Company 2016
Dividends paid (Note 32)	-	(9,004,348)	-	(9,004,348)

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25. Cash Flows (Continued)

(d) Net debt reconciliation

This section sets out an analysis of net debt and the movements in net debt for each of the periods presented:

	The Group	The Company	The Group	The Company
	2017	2017	2016	2016
	$	$	$	$
Cash resources	1,582,140	1,424,301	2,456,724	2,337,243
Liquid Investments	7,307,766	7,307,096	24,984,649	24,351,747
Cash and cash equivalents	8,889,906	8,731,397	27,441,373	26,688,990
Borrowings – repayable within one year (including overdraft)	-	-	(59,441,731)	(59,441,731)
Net debt	8,889,906	8,731,397	(32,000,358)	(32,752,741)
Cash and liquid investments	8,889,906	8,731,397	27,441,373	26,688,990
Gross debt – variable interest rates	-	-	(59,441,731)	(59,441,731)
Net debt	8,889,906	8,731,397	(32,000,358)	(32,752,741)

	The Group			
	Cash/bank overdraft	Liquid Investments (i)	Borrowings due within 1 year	Total
	$	$	$	$
Net debt as at 1 January 2016	2,288,763	19,476,204	(74,938,171)	(54,173,204)
Cash flows	167,961	5,508,445	15,496,440	21,172,846
Net debt as at 31 December 2016	2,456,724	24,984,649	(59,441,731)	(32,000,358)
Cash flows	(874,584)	(17,676,883)	59,441,731	40,890,264
Net debt as at 31 December 2017	1,582,140	7,307,766	-	8,889,906

	The Company			
	Cash/bank overdraft	Liquid Investments (i)	Borrowings due within 1 year	Total
	$	$	$	$
Net debt as at 1 January 2016	2,238,373	18,923,909	(74,938,171)	(53,775,889)
Cash flows	98,870	5,427,838	15,496,440	21,023,148
Net debt as at 31 December 2016	2,337,243	24,351,747	(59,441,731)	(32,752,741)
Cash flows	(912,942)	(17,044,651)	59,441,731	41,484,138
Net debt as at 31 December 2017	1,424,301	7,307,096	-	8,731,397

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

26. Fair Values of Financial Instruments

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

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

(a) Financial investments classified as available-for-sale are measured at fair value by reference to quoted market prices when available. If quoted market prices are not available, then fair values are estimated on the basis of pricing models or other recognised valuation techniques;

(b) The fair value of liquid assets and other assets including reinsurance contracts maturing within one year is assumed to approximate their carrying amount. This assumption is applied to liquid assets and the short-term elements of all other financial assets (unsettled trades, due from related party and premium due and unapplied) and financial liabilities (financial liabilities including reinsurance contracts, unsettled trades, premium not applied and due to related party);

(c) The fair value of variable rate financial instruments is assumed to approximate their carrying amounts as the rates are adjusted to take into account market changes in interest rates; and

(d) The fair value of fixed rate loans is estimated by comparing market interest rates when the loans were granted with current market rates offered on similar loans. Changes in the credit quality of loans within the portfolio are not taken into account in determining gross fair values as the impact of credit risk is recognised separately by deducting the amount of the provisions for credit losses from both book and fair values.

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

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26. Fair Values of Financial Instruments (Continued)

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

	The Group and The Company			
	Carrying Value	Fair Value	Carrying Value	Fair Value
	2017	2017	2016	2016
	$	$	$	$
Financial Assets				
Financial investments – loans and receivables	6,268,554	6,252,710	5,562,841	5,540,240
Financial Liabilities				
Due to banks and other financial institutions	-	-	59,441,731	59,441,731

Loans and receivables and amounts due to banks and other financial institutions are deemed to be Level 2.

The following table provides an analysis of financial instruments that are measured in the statement of financial position at fair value at 31 December 2017, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

(i) Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities. The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the group is the current bid price. These instruments are included in Level 1. Instruments included in Level 1 comprise primarily corporate bonds, equity investments and other securities classified as financial assets at fair value through profit or loss and available for sale.;

(ii) Level 2 fair value measurements are those derived from inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices). The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.; and

(iii) Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3.

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26. Fair Values of Financial Instruments (Continued)

	The Group			
	2017			
	Level 1	Level 2	Level 3	Total
	$	$	$	$
Financial Asset -				
Financial investments	28,799,284	97,735,371	-	126,534,655

	The Company			
	2017			
	Level 1	Level 2	Level 3	Total
	$	$	$	$
Financial Asset -				
Financial investments	28,790,284	96,957,412	-	125,747,696

	The Group and The Company			
	2016			
	Level 1	Level 2	Level 3	Total
	$	$	$	$
Financial Asset -				
Financial investments	32,196,597	132,529,717	-	164,726,314

There were no transfers between Level 1 and 2 in the year.

27. Insurance and Financial Risk Management

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

The Group's intermediate parent company, Sagicor Group Jamaica Limited, has established a group risk management framework with clear terms of reference from its Board of Directors, its committees and the associated Executive Management Committees. This is supplemented with a clear organisational structure with documented delegated authorities and responsibilities from the Board of Directors to Executive Management committees and senior managers. Policy frameworks which set out the risk profiles for the Group's risk management, control and business conduct standards for the Group's operations have been put in place. Each policy has a member of Executive Management charged with overseeing compliance with that policy.

The company's Board of Directors is ultimately responsible for the establishment and oversight of the risk management framework. Sagicor Group Jamaica Limited's Board of Directors has established committees/departments/structures for managing and monitoring risks including those of the company, as follows:

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

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

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

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

- Approves the investment policies within which the Group's investment portfolios are managed;
- Reviews the performance of the Group's investment portfolios;
- Ensures adherence to prudent standards in making investment and lending decisions and in managing investments and loans; and
- Approves new investment projects over certain thresholds, ensuring the required rates of returns are considered.

27. Insurance and Financial Risk Management (Continued)

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

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

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

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

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

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

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

Boards of subsidiary companies and management teams carry similar operating structures where applicable.

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

27. Insurance and Financial Risk Management (Continued)

(a) Insurance risk

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

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

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

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

Long term insurance contracts

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

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

(i) Frequency and severity of claims

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

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

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27. Insurance and Financial Risk Management (Continued)

(a) Insurance risk (continued)

Long-term insurance contracts (continued)

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

The table below presents the Group's and company's concentration of insured benefits across five bands of insured benefits per individual life assured. The benefit insured figures are shown gross and net of the reinsurance contracts described below in Note 27(b). As was the case in the previous year, the risk is concentrated at the lower value bands. (These tables do not include annuity contracts, for which a separate analysis is reported in the following pages).

	The Group and The Company			
Individual Life Benefits Assured per Life	**Total Benefits Insured**			
2017	**Before Reinsurance**	**%**	**After Reinsurance**	**%**
$'000	**$**		**$**	
0 - 200	915,052,246	40	848,984,086	42
200 - 400	784,142,019	34	737,061,651	37
400 - 800	406,443,901	18	338,192,539	17
800 - 1000	70,271,102	3	34,745,047	2
More than 1,000	127,851,486	5	40,385,910	2
Total	2,303,760,754	100	1,999,369,233	100

Individual Life Benefits Assured per Life	**Total Benefits Insured**			
2016	**Before Reinsurance**	**%**	**After Reinsurance**	**%**
$'000	**$**		**$**	
0 - 200	946,060,558	41	869,235,834	44
200 - 400	768,946,303	33	694,133,100	35
400 - 800	405,012,230	18	321,876,204	17
800 - 1000	73,165,713	3	34,660,315	2
More than 1,000	118,267,926	5	36,568,255	2
Total	2,311,452,730	100	1,956,473,708	100

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27. Insurance and Financial Risk Management (Continued)

(a) Insurance risk (continued)

Long term insurance contracts (continued)

(i) Frequency and severity of claims (continued)
The table below represents the Group's and the company's concentration of insured benefits across five bands of insured benefits per group individual life assured. The benefit insured figures are shown gross and net of reinsurance. As was the case in the previous year, the risk is concentrated at the lower value bands.

	The Group and The Company			
Group Life Benefits Assured per Life	Total Benefits Insured			
2017	**Before Reinsurance**	**%**	**After Reinsurance**	**%**
$'000	**$**		**$**	
0 - 200	238,784,176	90	162,237,399	93
200 - 400	19,544,465	7	9,183,254	5
400 - 800	4,139,971	2	2,567,852	2
800 - 1,000	-	-	-	-
More than 1,000	4,000,139	1	152,101	-
	266,468,751	100	174,140,606	100

Group Life Benefits Assured per Life	Total Benefits Insured			
2016	**Before Reinsurance**	**%**	**After Reinsurance**	**%**
$'000	**$**		**$**	
0 - 200	235,550,132	88	163,298,594	92
200 - 400	24,525,440	9	12,334,055	7
400 - 800	3,918,808	2	33,282	-
800 - 1,000	-	-	-	-
More than 1,000	3,877,680	1	2,635,124	1
	267,872,060	100	178,301,055	100

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27. Insurance and Financial Risk Management (Continued)

(a) Insurance risk (continued)

Long term contracts (continued)

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

	The Group and The Company	
Annuity Payable per annum per annuitant	**Total Benefits Insured**	
2017	**$**	**%**
$'000		
0 – 20	574,719	46
20 – 40	541,239	43
40 – 80	134,995	11
80 – 100	-	-
More than 100	-	-
Total	1,250,953	100

Annuity Payable per annum per annuitant	**Total Benefits Insured**	
2016	**$**	**%**
$'000		
0 – 20	522,680	44
20 – 40	541,239	45
40 – 80	134,995	11
80 – 100	-	-
More than 100	-	-
Total	1,198,914	100

27. Insurance and Financial Risk Management (Continued)

(a) Insurance risk (continued)

Long-term insurance contracts (continued)

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

The Group manages these risks through its underwriting strategy and reinsurance arrangements. The underwriting strategy is intended to ensure that the risks underwritten are well diversified in terms of type of risk and the level of insured benefits. The Group reinsures the excess of the insured benefit for new business for standard risks under an excess of loss reinsurance arrangement. Medical impaired lives are reinsured at lower levels. The Group does not place any reinsurance for contracts that insure survival risk. Insurance risk for contracts is also affected by the policyholders' rights to pay reduced or no future premiums, to terminate the contract completely, or to exercise a guaranteed annuity option. As a result, the amount of insurance risk is also subject to the policyholders' behaviour. On the assumption that the policyholders will make decisions rationally, overall risk can be assumed to be aggravated by such behaviour. The Group has factored the impact of policyholders' behaviour into the assumptions used to measure these liabilities.

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

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

27. Insurance and Financial Risk Management (Continued)

(a) Insurance risk (continued)

Long-term insurance contracts (continued)

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

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

See Note 16(e) for detailed policy assumptions.

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

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

The principal risks arising from short-term insurance contracts are premium risk, claims risk and reinsurance risk (See Note 27(b)).

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

Claims risk is the risk that:

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

27. Insurance and Financial Risk Management (Continued)

(a) Insurance risk (continued)

Short-duration life and health insurance contracts (continued)
For the Group's life and health insurance contracts, significant risk exposures arise from mortality and morbidity experience.

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

The Group attempts to manage this risk through its underwriting, claims handling and reinsurance policy. Excess of loss reinsurance contracts have been purchased by the Group to limit the maximum loss on any one life and health claim, see Note 27(b) for retention limits.

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

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

See Note 16(e) for detailed policy assumptions.

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

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27. Insurance and Financial Risk Management (Continued)

(b) Reinsurance risk

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

For insurance risks, the Group limits its exposure by event or per person by excess of loss or quota share treaties.

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

Type of insurance contract	Retention by insurers
Life insurance contracts with individuals	Retention per individual to a maximum of US$500,000 (2016 – US$500,000)
Life insurance contracts with groups	Retention per individual to a maximum of US$100,000 (2016 – US$100,000)
Group Accident & Disability contracts	Retention per individual to a maximum of US$50,000 (2016 – US$50,000)

(c) Cash flow and fair value interest rate risk

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

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

The Group monitors interest rate risk by calculating the mean duration of the investment portfolio and the liabilities issued. The mean duration is an indicator of the sensitivity of the assets and liabilities to change in current interest rates. The mean duration of the liabilities is determined by means of projecting expected cash flows from the contracts using best estimate assumptions (See Note 16(e) for further details).

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

27. Insurance and Financial Risk Management (Continued)

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

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

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

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

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

(iii) Short-term contracts
For short term insurance contracts, the Group predominantly funds its net insurance liabilities (net of reinsurance recoveries) through its cash and cash equivalents and in the normal course of its operations.

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

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

The disclosures provided in this note are based on the Group and company's investment portfolio as at 31 December 2017 and 2016.

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27. Insurance and Financial Risk Management (Continued)

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

	The Group						
	2017						
	Immediately Rate sensitive	Within 3 Months	3 to 12 Months	1 to 5 Years	Over 5 Years	Non-interest bearing	Total
	$	$	$	$	$	$	$
Assets							
Financial assets:							
Cash resources	1,581,490	-	-	-	-	1,320	1,582,810
Financial investments	-	8,184,084	9,659,332	5,388,389	89,015,216	21,691,971	133,938,992
Reinsurance contracts	-	-	-	-	-	2,124,864	2,124,864
Other assets	-	-	-	-	-	2,968,678	2,968,678
Non-financial assets:							
Property, plant & equipment	-	-	-	-	-	4,621,596	4,621,596
Intangible assets	-	-	-	-	-	5,292,487	5,292,487
Total assets	1,581,490	8,184,084	9,659,332	5,388,389	89,015,216	36,700,916	150,529,427
Liabilities							
Financial liabilities:							
Other liabilities	-	-	-	-	-	2,649,466	2,649,466
Insurance contracts liabilities	-	364,292	2,189,205	4,349,379	47,605,335	426,471	54,934,682
Investment contracts liabilities	-	7,518,779	12,380,668	3,324,877	-	-	23,224,324
Other insurance liabilities	-	3,327,796	-	-	-	2,542,422	5,870,218
Total liabilities	-	11,210,867	14,569,873	7,674,256	47,605,335	5,618,359	86,678,690
On statement of financial position interest sensitivity gap	1,581,490	(3,026,783)	(4,910,541)	(2,285,867)	41,409,881	31,082,557	63,850,737
Cumulative interest sensitivity gap	1,581,490	(1,445,293)	(6,355,834)	(8,641,701)	32,768,180	63,850,737	

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27. Insurance and Financial Risk Management (Continued)

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

	The Group						
	2016						
	Immediately Rate sensitive	Within 3 Months	3 to 12 Months	1 to 5 Years	Over 5 Years	Non-interest bearing	Total
	$	$	$	$	$	$	$
Assets							
Financial assets:							
Cash resources	2,456,054	-	-	-	-	670	2,456,724
Financial investments	-	25,925,817	2,177,602	13,681,016	125,904,128	16,952,887	184,641,450
Reinsurance contracts	-	-	-	-	-	871,562	871,562
Other assets	-	-	-	-	-	3,923,404	3,923,404
Non-financial assets:							
Other assets	-	-	-	-	-	137,625	137,625
Property, plant & equipment	-	-	-	-	-	4,492,074	4,492,074
Intangible assets	-	-	-	-	-	5,294,469	5,294,469
Total assets	2,456,054	25,925,817	2,177,602	13,681,016	125,904,128	31,672,691	201,817,308
Liabilities							
Financial liabilities:							
Due to banks and other financial institutions	-	59,197,152	-	-	-	244,579	59,441,731
Other liabilities	-	-	-	-	-	1,963,509	1,963,509
Insurance contracts liabilities	-	344,035	787,732	960,262	45,514,757	376,750	47,983,536
Investment contracts liabilities	-	58,733	21,607,207	6,598,989	-	-	28,264,929
Other insurance liabilities	-	3,614,726	-	-	-	2,342,557	5,957,283
Total liabilities	-	63,214,646	22,394,939	7,559,251	45,514,757	4,927,395	143,610,988
On statement of financial position interest sensitivity gap	2,456,054	(37,288,829)	(20,217,337)	6,121,765	80,389,371	26,745,296	58,206,320
Cumulative interest sensitivity gap	2,456,054	(34,832,775)	(55,050,112)	(48,928,347)	31,461,024	58,206,320	

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27. Insurance and Financial Risk Management (Continued)

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

	The Company						
	2017						
	Immediately Rate sensitive	Within 3 Months	3 to 12 Months	1 to 5 Years	Over 5 Years	Non-interest bearing	Total
	$	$	$	$	$	$	$
Assets							
Financial assets:							
Cash resources	1,422,981	-	-	-	-	1,320	1,424,301
Financial investments	-	8,184,084	9,659,332	5,388,389	89,015,216	20,914,012	133,161,033
Reinsurance contracts	-	-	-	-	-	2,124,864	2,124,864
Other assets	-	-	-	-	-	2,994,370	2,994,370
Non-financial assets:							
Investment in subsidiary	-	-	-	-	-	300,000	300,000
Other assets							
Property, plant & equipment	-	-	-	-	-	4,614,363	4,614,363
Intangible assets	-	-	-	-	-	4,996,277	4,996,277
Total assets	1,422,981	8,184,084	9,659,332	5,388,389	89,015,216	35,945,206	149,615,208
Liabilities							
Financial liabilities:							
Other liabilities	-	-	-	-	-	2,604,002	2,604,002
Insurance contracts liabilities	-	364,292	2,189,205	4,349,379	47,605,335	426,471	54,934,682
Investment contracts liabilities	-	7,518,779	12,380,668	3,324,877	-	-	23,224,324
Other insurance liabilities	-	3,327,796	-	-	-	2,542,422	5,870,218
Total liabilities	-	11,210,867	14,569,873	7,674,256	47,605,335	5,572,895	86,633,226
On statement of financial position interest sensitivity gap	1,422,961	(3,026,783)	(4,910,541)	(2,285,867)	41,409,881	30,372,311	62,981,982
Cumulative interest sensitivity gap	1,422,961	(1,603,802)	(6,514,343)	(8,800,210)	32,609,671	62,981,982	

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27. Insurance and Financial Risk Management (Continued)

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

	The Company						
	2016						
	Immediately Rate sensitive	Within 3 Months	3 to 12 Months	1 to 5 Years	Over 5 Years	Non-interest bearing	Total
	$	$	$	$	$	$	$
Assets							
Financial assets:							
Cash resources	2,336,573	-	-	-	-	670	2,337,243
Financial investments	-	25,292,914	2,177,602	13,681,016	125,904,128	16,952,888	184,008,548
Reinsurance contracts	-	-	-	-	-	871,562	871,562
Other assets	-	-	-	-	-	3,913,483	3,913,483
Non-financial assets:							
Investment in subsidiary	-	-	-	-	-	300,000	300,000
Other assets	-	-	-	-	-	137,625	137,625
Property, plant & equipment	-	-	-	-	-	4,490,702	4,490,702
Intangible assets	-	-	-	-	-	4,998,259	4,998,259
Total assets	2,336,573	25,292,914	2,177,602	13,681,016	125,904,128	31,665,189	201,057,422
Liabilities							
Financial liabilities:							
Due to banks and other financial institutions	-	59,197,152	-	-	-	244,579	59,441,731
Other liabilities	-	-	-	-	-	1,953,904	1,953,904
Insurance contracts liabilities	-	344,035	787,732	960,262	45,514,757	376,750	47,983,536
Investment contracts liabilities	-	58,733	21,607,207	6,598,989	-	-	28,264,929
Other insurance liabilities	-	3,614,726	-	-	-	2,342,557	5,957,283
Total liabilities	-	63,214,646	22,394,939	7,559,251	45,514,757	4,917,790	143,601,383
On statement of financial position interest sensitivity gap	2,336,573	(37,921,732)	(20,217,337)	6,121,765	80,389,371	26,747,399	57,456,039
Cumulative interest sensitivity gap	2,336,573	(35,585,159)	(55,802,496)	(49,680,731)	30,708,640	57,456,039	

27. Insurance and Financial Risk Management (Continued)

(d) Credit risk

The Group takes on exposure to credit risk, which is the risk that its customers, clients or counterparties will cause a financial loss for the Group by failing to discharge their contractual obligations. Credit exposures arise principally in lending and investment activities. There is also credit risk in off-statement of financial position financial instruments. The Group structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to a single counterparty or groups of related counterparties and to geographical and industry segments.

Key areas where the Group is exposed to credit risk are:

(i) Reinsurers' share of insurance liabilities – see Note 27(b) for details of reinsurance risk.
(ii) Amounts due from reinsurers in respect of claims already paid.
(iii) Mortgages, policy loans, fixed income securities and cash and cash equivalents.
(iv) Premiums due and other receivables.

Credit review process

The Group has established a credit quality review process involving regular analysis of the ability of borrowers and other counterparties to meet interest and capital repayment obligations.

Investments and cash

Credit risk from financial investments is minimised through holding a diversified portfolio of investments, purchasing securities and advancing loans only after careful assessment of the borrower, obtaining collateral before advancing loans, and placing deposits with financial institutions with a strong capital base. There is a credit policy in place to minimise the Group's exposure to credit risk. Limits may be placed on the amount of risk accepted in relation to one borrower. At the year end date the only significant concentration of credit risk related to the Group's investments are disclosed in Note 27 (d).

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the consolidated statement of financial position without taking into account any collateral or any credit enhancements.

Collateral and other credit enhancements

The amount and type of collateral required depends on an assessment of the credit risk of the counterparty. Guidelines are implemented regarding the acceptability of different types of collateral.

The main types of collateral obtained are as follows:

Mortgages – mortgages over residential properties.

Management monitors the market value of collateral, requests additional collateral in accordance with the underlying agreement, and monitors the market value of collateral held.

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27. Insurance and Financial Risk Management (Continued)

(d) Credit risk (continued)

Impairment

The main considerations for the loan impairment assessment include whether any payments of principal or interest are overdue by more than 90 days or there are any known difficulties in the cash flows of counterparties, credit rating downgrades or infringement of the original terms of the contract.

The Group's internal rating systems focus more on credit-quality mapping from the inception of lending activities. In contrast, impairment provisions are recognised for financial reporting purposes only for losses that have been incurred at the year-end date based on objective evidence of impairment.

The internal rating tool assists management to determine whether objective evidence of impairment exists under IAS 39, based on the following criteria set out by the Group:

- Delinquency in contractual payments of principal or interest;
- Cash flow difficulties experienced by the borrower;
- Breach of loan covenants or conditions;
- Initiation of bankruptcy proceedings;
- Deterioration of the borrower's competitive position; and
- Deterioration in the value of collateral.

Maximum exposure to credit risk before collateral held or other credit enhancements

The following table represents a worst case scenario of credit risk exposure to the Group and company at 31 December 2017 and 2016, without taking account of any collateral held or other credit enhancements. For on-statement of financial position assets, the exposures set out above are based on net carrying amounts as reported in the statement of financial position.

	Maximum exposure			
	The Group		The Company	
	2017	2016	2017	2016
	$	$	$	$
Credit risk exposures relating to on statement of financial position assets are as follows:				
Financial institutions (excluding cash on hand)	2,726,273	16,808,349	2,567,764	16,055,966
Investment securities*	113,052,115	155,958,269	113,052,115	155,958,269
Reinsurance contracts	2,124,864	871,562	2,124,864	871,562
Other assets	2,799,561	3,923,404	2,825,253	3,913,483
	120,702,813	177,561,584	120,569,996	176,799,280

*excludes quoted and mutual fund equities.

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27. Insurance and Financial Risk Management (Continued)

(d) Credit risk (continued)

Repossessed collateral

The Group and the company can obtain assets by taking possession of collateral held as security. Repossessed properties are sold as soon as practicable with the proceeds used to reduce the outstanding indebtedness. In general, the Group and the company do not occupy repossessed properties for business use.

The Group and the company have no repossessed collateral at 31 December 2017 and 2016.

Credit exposure

Investments and cash

The following table summarises the credit exposure of the Group and company to businesses and government by sectors in respect of investments, cash and other financial assets:

	The Group		The Company	
	2017	**2016**	**2017**	**2016**
	$	**$**	**$**	**$**
Government of Jamaica securities	-	34,185	-	34,185
Other foreign government securities	9,881,188	17,861,635	9,881,188	17,861,635
Corporate bonds	95,349,179	130,269,036	95,349,179	130,269,036
Financial institutions	3,599,418	16,808,349	3,440,909	16,055,966
Mortgage loans	58,132	66,781	58,132	66,781
Policy loans	4,937,402	5,104,631	4,937,402	5,104,631
Other Assets	2,799,561	3,923,404	2,825,253	3,913,483
Reinsurance contracts	2,124,864	871,562	2,124,864	871,562
	118,749,744	174,939,583	118,616,927	174,177,279
Interest receivable	1,953,069	2,622,001	1,953,069	2,622,001
	120,702,813	177,561,584	120,569,996	176,799,280

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27. Insurance and Financial Risk Management (Continued)

(d) Credit risk (continued)

Credit exposure (continued)

The Group's exposures to individual counterparty credit risks exceeding 2.5% of exposures by major classes are set out below:

	The Group		The Company	
	2017	**2016**	**2017**	**2016**
	$	**$**	**$**	**$**
Debt securities:				
Government of Jamaica debt securities denominated in USD -				
Rated B by Standard & Poors	-	35,278	-	35,278
Jefferies Group bonds-				
Rated BBB- by Standards & Poors	5,324,784	6,247,654	5,324,784	6,247,654
AXA SA bonds-				
Rated BBB+ by Standards & Poors	-	3,989,768	-	3,989,768
Alcoa Inc bonds				
Rated BBB- by Standards & Poors	-	6,472,623	-	6,472,623
Petrobras International bonds -				
Rated B+ by Standard & Poors	-	8,235,663	-	8,235,663
Century Link Inc. bonds-				
Rated BB by Standard & Poors	-	4,492,339	-	4,492,339
Kinross Gold bonds-				
Rated BB+ by Standard & Poors	-	5,788,653	-	5,788,653
Southern Copper Corporation bonds -				
Rated BBB by Standard & Poors	-	4,335,890	-	4,335,890
Vale Overseas bonds -				
Rated BBB- by Standard & Poors	-	9,391,233	-	9,391,233
Odebrecht Finance bonds -				
Not Rated by Standard & Poors	-	6,401,555	-	6,401,555
Petroleum Company of Trinidad and Tobago Limited bonds -				
Rated BB by Standard & Poors	2,675,068	7,762,630	2,675,068	7,762,630
ALFA SAB bonds –				
Rated BBB- by Standard & Poors	6,584,840	-	6,584,840	-
Dell Computer Corp. Debentures –				
Rated BBB- by Standard & Poors	7,929,900	-	7,929,900	-
Highmark Inc. bonds -				
Rated A- by Standard & Poors	2,597,504	-	2,597,504	-
Hewlett Packard Enterprise Co. bonds –				
Rated BBB by Standard & Poors	8,589,564	-	8,589,564	-
MBIA Inc. Debentures –				
Rated Ba1u by Standard & Poors	2,822,957	-	2,822,957	-
Mexico City Airport Trust –				
Rated BBB+ by Standard & Poors	5,995,301	-	5,995,301	-
QVC Inc Bond –				
Rated BBB+ by Standard & Poors	3,246,814	-	3,246,814	-
Domtar Corp bond –				
Rated BBB+ by Standard & Poors	3,477,723	-	3,477,723	-
Western Union Co. bond –				
Rated BBB+ by Standard & Poors	4,114,980	-	4,114,980	-
Xerox Corporation bond –				
Rated BBB+ by Standard & Poors	4,296,240	-	4,296,240	-

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27. Insurance and Financial Risk Management (Continued)

(d) Credit risk (continued)

Credit exposure (continued)
The Group's exposures to individual counterparty credit risks exceeding 2.5% of exposures by major classes are set out below:

	The Group		The Company	
	2017	**2016**	**2017**	**2016**
	$	**$**	**$**	**$**
Debt securities:				
Commonwealth of Bahamas bond – Rated BB+ by Standard & Poors	3,570,460	-	3,570,460	-
United States Treasury Bills – Rated AAA by Standard & Poors	5,658,655	-	5,658,655	-
Securities purchased under resale agreement:				
Sagicor Investments Jamaica Ltd.	873,549	-	87,359	-
Deposits and cash:				
Bank of Nova Scotia Jamaica Limited	128,553	433,235	128,553	433,235
Sagicor Bank Jamaica Limited	250,295	165,262	250,295	165,262
Cayman National Bank	536,567	1,369,756	378,058	1,250,275
Reinsurance Assets:				
Swiss Re - rated A+ (superior) by A.M Best	1,963,351	800,048	1,963,351	800,048
Munich Re rated A+ (superior) by A.M. Best	161,512	71,513	161,512	71,513

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27. Insurance and Financial Risk Management (Continued)

(d) Credit risk (continued)

Credit exposure (continued)

Exposure to credit risk is also managed in part by obtaining collateral and guarantees for mortgage loans. For mortgage loans, the collateral is real estate property, and the approved loan is usually no more that 75% of collateral value.

Past due but not impaired financial investments

Debt securities are assessed for impairment when amounts are past due, when the borrower is experiencing cash flow difficulties, or when the borrower's credit rating has been downgraded. Mortgages less than 90 days past due are not assessed for impairment unless other information is available to indicate the contrary.

Past due but not impaired

	The Group and The Company	
	2017	**2016**
	$	**$**
Financial investments:		
Less than one year	58,132	58,715

The amounts above are considered to be fully recoverable by management, given the strong financial conditions of the counterparty. No other past due but not impaired balances noted for any other financial assets.

Individually impaired

	The Group and The Company	
	2017	**2016**
	$	**$**
Other assets	670,666	670,666
Financial investments	1,197,754	3,673,170
	1,868,420	4,343,836

There are no financial assets other than those listed above that were individually impaired.

Neither past due nor impaired

	The Group		The Company	
	2017	**2016**	**2017**	**2016**
	$	**$**	**$**	**$**
Cash resources	1,581,490	2,456,054	1,422,981	2,336,573
Financial investments	114,138,766	170,251,849	114,138,766	169,618,947
Reinsurance contracts	2,124,864	871,562	2,124,864	871,562
Other assets	2,799,561	3,923,404	2,825,253	3,913,483
	120,644,681	177,502,869	120,511,864	176,740,565

27. Insurance and Financial Risk Management (Continued)

(e) Liquidity risk

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

Liquidity risk management process

The Group's liquidity management process, as carried out within the Group and monitored by the Sagicor Group Jamaica Limited's Treasury Department, includes:

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

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

(iii) Maintaining committed lines of credit;

(iv) Optimising cash returns on investment;

(v) Monitoring liquidity ratios against internal and regulatory requirements. The most important of these is to maintain limits on the ratio of net liquid assets to customer liabilities; and

(vi) Managing the concentration and profile of debt maturities.

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

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

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

Certain investment portfolios within the Group contain securities which can only be disposed of over a period of time. In such instances, the Group generally maintains higher levels of short term instruments to compensate for the relative illiquidity of the aforementioned securities.

The disclosures provided in this note are based on the Group's and company's investment portfolio as at 31 December 2017 and 2016.

Financial liabilities cash flows

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

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27. Insurance and Financial Risk Management (Continued)

(e) Liquidity risk (continued)

	The Group					
	Within 3 Months	**3 to 12 Months**	**1 to 5 Years**	**Over 5 Years**	**No specific maturity**	**Total**
	$	**$**	**$**	**$**	**$**	**$**
Undiscounted Financial Liabilities - 31 December 2017						
Other liabilities	2,446,209	203,257	-	-	-	2,649,466
Insurance contracts liabilities	364,292	2,189,205	4,349,379	48,031,806	-	54,934,682
Investment contracts liabilities	7,507,229	12,380,668	3,336,427	-	-	23,224,324
Other insurance liabilities	3,327,796	2,542,422	-	-	-	5,870,218
Total undiscounted financial liabilities	13,645,526	17,315,552	7,685,806	48,031,806	-	86,678,690

	The Group					
	Within 3 Months	**3 to 12 Months**	**1 to 5 Years**	**Over 5 Years**	**No specific maturity**	**Total**
	$	**$**	**$**	**$**	**$**	**$**
Undiscounted Financial Liabilities - 31 December 2016						
Due to banks and other financial institutions	59,973,275	-	-	-	-	59,973,275
Other liabilities	1,675,389	264,006	12,782	-	11,332	1,963,509
Insurance contracts liabilities	344,035	787,732	960,262	45,891,507	-	47,983,536
Investment contracts liabilities	58,733	21,607,207	6,613,780	-	-	28,279,720
Other insurance liabilities	3,614,726	2,342,557	-	-	-	5,957,283
Total undiscounted financial liabilities	65,666,158	25,001,502	7,586,824	45,891,507	11,332	144,157,323

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27. Insurance and Financial Risk Management (Continued)

(e) Liquidity risk (continued)

	The Company					
	Within 3 Months	3 to 12 Months	1 to 5 Years	Over 5 Years	No specific maturity	Total
	$	$	$	$	$	$
Undiscounted Financial Liabilities - 31 December 2017						
Other liabilities	2,400,745	203,257	-	-	-	2,604,002
Insurance contracts liabilities	364,292	2,189,205	4,349,379	48,031,806	-	54,934,682
Investment contracts liabilities	7,507,229	12,380,668	3,336,427	-	-	23,224,324
Other insurance liabilities	3,327,796	2,542,422	-	-	-	5,870,218
Total undiscounted financial liabilities	13,600,062	17,315,552	7,685,806	48,031,806	-	86,633,226

	The Company					
	Within 3 Months	3 to 12 Months	1 to 5 Years	Over 5 Years	No specific maturity	Total
	$	$	$	$	$	$
Undiscounted Financial Liabilities - 31 December 2016						
Due to banks and other financial institutions	59,973,275	-	-	-	-	59,973,275
Other liabilities	1,665,784	264,006	12,782	-	11,332	1,953,904
Insurance contracts liabilities	344,035	787,732	960,262	45,891,507	-	47,983,536
Investment contracts liabilities	58,733	21,607,207	6,613,780	-	-	28,279,720
Other insurance liabilities	3,614,726	2,342,557	-	-	-	5,957,283
Total undiscounted financial liabilities	65,656,553	25,001,502	7,586,824	45,891,507	11,332	144,147,718

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27. Insurance and Financial Risk Management (Continued)

(e) Liquidity risk (continued)

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

	The Group					
	2017					
	Within 3 Months	**3 to 12 Months**	**1 to 5 Years**	**Over 5 Years**	**No specific maturity**	**Total**
	$	**$**	**$**	**$**	**$**	**$**
Total assets	12,487,724	2,986,342	5,826,264	104,274,872	24,954,225	150,529,427
Total liabilities	13,645,526	17,315,552	7,685,806	48,031,806	-	86,678,690
On statement of financial position liability sensitivity gap	(1,157,802)	(14,329,210)	(1,859,542)	56,243,066	24,954,225	63,850,737
Cumulative liability sensitivity gap	(1,157,802)	(15,487,012)	(17,346,554)	38,896,512	63,850,737	
	2016					
Total assets	32,601,874	2,214,844	14,157,693	133,547,283	19,295,614	201,817,308
Total liabilities	65,134,614	25,001,502	7,572,033	45,891,507	11,332	143,610,988
On statement of financial position liability sensitivity gap	(32,532,740)	(22,786,658)	6,585,660	87,655,776	19,284,282	58,206,320
Cumulative liability sensitivity gap	(32,532,740)	(55,319,398)	(48,733,738)	38,922,038	58,206,320	

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27. Insurance and Financial Risk Management (Continued)

(e) Liquidity risk (continued)

	The Company					
	2017					
	Within 3 Months	**3 to 12 Months**	**1 to 5 Years**	**Over 5 Years**	**No specific maturity**	**Total**
	$	**$**	**$**	**$**	**$**	**$**
Total assets	11,576,948	2,986,342	5,826,264	103,978,662	25,246,992	149,615,208
Total liabilities	13,600,062	17,315,552	7,685,806	48,031,806	-	86,633,226
On statement of financial position liability sensitivity gap	(2,023,114)	(14,329,210)	(1,859,542)	55,946,856	25,246,992	62,981,982
Cumulative liability sensitivity gap	(2,023,114)	(16,352,324)	(18,211,866)	37,734,990	62,981,982	
	2016					
Total assets	31,839,569	2,214,844	14,157,693	133,251,073	19,594,243	201,057,422
Total liabilities	65,125,009	25,001,502	7,572,033	45,891,507	11,332	143,601,383
On statement of financial position liability sensitivity gap	(33,285,440)	(22,786,658)	6,585,660	87,359,566	19,582,911	57,456,039
Cumulative liability sensitivity gap	(33,285,440)	(56,072,098)	(49,486,438)	37,873,128	57,456,039	

27. Insurance and Financial Risk Management (Continued)

(e) Liquidity risk (continued)

Assets available to meet all of the liabilities and to cover outstanding loan commitments include cash, items in the course of collection, investment securities and other eligible bills. The Group is also able to meet unexpected net cash outflows by selling securities and accessing additional funding sources from other financing institutions.

(f) Market risk

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

The Group previously used margin accounts to borrow funds for investing purposes (Note 13). The use of leverage significantly amplified the effect of market fluctuations.

Currency risk

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

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

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

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

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27. Insurance and Financial Risk Management (Continued)

(f) Market risk (continued)

Currency risk (continued)

	The Group			
	2017			
	United States $	Cayman Islands $	Other $	Total $
Assets				
Financial Assets:				
Cash resources	1,265,721	287,956	29,133	1,582,810
Financial investments	129,251,465	4,502,444	185,083	133,938,992
Reinsurance contracts	2,124,864	-	-	2,124,864
Other assets	2,052,922	744,688	1,951	2,799,561
Non-financial assets:				
Other assets	169,117	-	-	169,117
Property, plant and equipment	4,621,596	-	-	4,621,596
Intangible assets	5,292,487	-	-	5,292,487
Total assets	**144,778,172**	**5,535,088**	**216,167**	**150,529,427**
Liabilities				
Financial liabilities				
Other liabilities	2,380,124	263,981	5,361	2,649,466
Insurance contracts liabilities	31,083,158	22,629,789	1,221,735	54,934,682
Investment contracts liabilities	22,641,484	520,983	61,856	23,224,323
Other insurance liabilities	1,659,583	4,167,753	42,883	5,870,219
Total liabilities	**57,764,349**	**27,582,506**	**1,331,835**	**86,678,690**
Net exposure	**87,013,823**	**(22,047,418)**	**(1,115,668)**	**63,850,737**

	2016			
Assets	195,469,590	6,137,423	210,295	201,817,308
Liabilities	118,055,052	24,330,000	1,225,936	143,610,988
Net exposure	77,414,538	(18,192,577)	(1,015,641)	58,206,320

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27. Insurance and Financial Risk Management (Continued)

(f) Market risk (continued)

Currency risk (continued)

	The Company			
	2017			
	United States	Cayman Islands	Other	Total
	$	$	$	$
Assets				
Financial assets:				
Cash resources	1,107,213	287,956	29,132	1,424,301
Financial investments	128,473,506	4,502,444	185,083	133,161,033
Reinsurance contracts	2,124,864	-	-	2,124,864
Other assets	2,078,614	744,688	1,951	2,825,253
Non-financial assets:				
Investment in subsidiary	300,000	-	-	300,000
Other assets	169,117	-	-	169,117
Property, plant and equipment	4,614,363	-	-	4,614,363
Intangible assets	4,996,277	-	-	4,996,277
Total assets	**143,863,954**	**5,535,088**	**216,166**	**149,615,208**
Liabilities				
Financial liabilities				
Other liabilities	2,315,514	284,807	3,681	2,604,002
Insurance contracts liabilities	31,083,158	22,629,789	1,221,735	54,934,682
Investment contracts liabilities	22,641,484	520,983	61,857	23,224,324
Other insurance liabilities	1,659,583	4,167,753	42,882	5,870,218
Total liabilities	**57,699,739**	**27,603,332**	**1,330,155**	**86,633,226**
Net exposure	**86,164,214**	**(22,068,244)**	**(1,113,988)**	**62,981,982**

	2016			
Assets	194,709,704	6,137,423	210,295	201,057,422
Liabilities	118,045,447	24,330,000	1,225,936	143,601,383
Net exposure	76,664,257	(18,192,577)	(1,015,641)	57,456,039

28. Sensitivity Analysis

Actuarial liabilities comprise 65.38% (2016 – 58.37%) of total Policyholders' Funds. The determination of actuarial liabilities is sensitive to a number of assumptions, and changes in those assumptions could have a significant effect on the valuation results. These factors are discussed in detail in Note 16(e).

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

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

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

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

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

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

- Lapse rates
- Mortality and morbidity
- Operating expenses

(ii) Dynamic capital adequacy testing (DCAT)

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

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

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

The purpose of the DCAT is:

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

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28. Sensitivity Analysis (Continued)

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

A full DCAT report has been completed for the Company.

The results are as follows:

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

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

Overall, this scenario produces adverse results in 2017 and for the next five years.

(ii) High interest rate. An assumed increase in portfolio rate of 0.5% per year for 10 years. Overall, this scenario produces favourable results in 2017 and for the next five years.

(iii) Low interest rate. An assumed decrease in portfolio rate of 0.5% for 10 years was tested in this scenario. Overall, this scenario produces adverse results in 2017 and for the next five years.

(iv) Worsening mortality and morbidity. To test this scenario, mortality and morbidity rates were increased for insurance and critical illness products and decreased for annuity products. For insurance and critical illness products, rates were increased by 3% of the base rate per year for 5 years. For annuity products, rates were decreased by 3% of the base rate for 5 years. Overall, this scenario produces adverse results in 2017 and for the next five years.

(v) Higher expenses. Higher unit maintenance expenses were tested by setting the unit expense rate for each projection year 5% greater than the unit expense rate assumed in the base scenario. Overall, this scenario produces adverse results in 2017 and for the next five years.

(vi) Level new business. New business planned for 2017 was maintained for the 5 year period. Overall, this scenario has no effect on the liabilities in 2017 but produces unfavourable results for the next five years.

(vii) Double new business. New business planned for the 5 year period was projected to grow at twice the rate of growth anticipated in the base scenario. Overall, this scenario has no effect on the 2017 liabilities, but will produce favourable results over the next five years.

(expressed in United States dollars unless otherwise indicated)

28. Sensitivity Analysis (Continued)

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

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

The following table represents the estimated sensitivity of each of the above scenarios to net actuarial liabilities totalling $54,934,682 (2016: $47,983,536) at year end date.

		The Group and The Company	
Variable	Change in Variable	2017 Change in Liability/ Equity $	2016 Change in Liability/ Equity $
Worsening of mortality/morbidity	+3% for 5 yrs	3,915,615	3,669,740
Improvement in annuitant mortality	-3% for 5 yrs	271,649	216,867
Lowering of investment return	-0.5% for 10 yrs	7,543,048	8,629,327
Worsening of base renewal expense inflation rate	+5% for 5 yrs	234,394	251,575
Worsening of lapse rate	x2 or x0.5	3,832,775	4,709,228
Rising of investment return	+0.5% for 10 yrs	(9,616,067)	(8,040,404)

(iii) Sensitivity arising from a decline in equity and unit trust prices

The Group is sensitive to fair value risk on its securities. The theoretical effects of an increase by 20% and decrease by 20% in equity prices at the year end date are set out below.

	The Group and The Company			
	Carrying value $	Effect of 20% change at 31 December 2017 $	Carrying value $	Effect of 20% change at 31 December 2016 $
Unit Trust	778,007	155,601	-	-
Equity securities:				
Listed on US stock exchanges	18,455,121	3,691,024	13,833,636	2,766,686
Listed on Cayman and other stock exchanges	508,966	101,793	497,250	99,450
	18,964,087	3,792,817	14,330,886	2,866,136

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28. Sensitivity Analysis (Continued)

(iv) Sensitivity arising from currency risk

The Group and company are most sensitive to currency risk in its operating currencies which float with the United States dollar. The Cayman Islands dollar is pegged to the United States dollar and as such there is no currency sensitivity on balances denominated in CI$. Balances not denominated in USD and CI$ are predominately denominated in JMD.

The effect or a further 5% depreciation and a 15% appreciation in the United States dollar (USD) relative to the Jamaican dollar (JMD) at the year end date are considered in the following table.

	The Group and The Company					
	2017			2016		
	Balances Denominated in other than USD and CI	Effect of a 5% depreciation at 31 December 2017	Effect of a 15% appreciation at 31 December 2017	Balances Denominated in other than USD and CI	Effect of a 5% depreciation at 31 December 2016	Effect of a 15% appreciation at 31 December 2016
	$	$	$	$	$	$
Statement of financial position:						
Assets	216,167	(226,975)	183,742	210,295	(220,810)	178,751
Liabilities	(1,331,835)	1,398,427	(1,132,060)	(1,225,936)	1,287,233	(1,042,046)
Net position	(1,115,668)	1,171,452	(948,318)	(1,015,641)	1,066,423	(863,295)
Income statement:						
Net income	-	(55,784)	167,350	-	(50,782)	152,346

(expressed in United States dollars unless otherwise indicated)

29. Capital Management

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

- To comply with internationally recognised capital requirements for insurance, and to meet local regulations imposed by the Cayman Islands Insurance Laws.
- To safeguard its ability to meet future obligations to policyholders, depositors, note-holders and shareholders;
- To provide adequate returns to shareholders by pricing insurance, investment and other contracts commensurately with the level of risk; and
- To maintain a strong capital base, which is sufficient for the future development of the Group's operations.

The principal capital resources of the Group comprise its shareholders' equity, its non-controlling interest equity, and its debt financing. A summary of these resources at the year end is as follows:

	2017	2016
	$	$
Shareholders' equity	63,850,737	58,206,320
Loans payable	-	59,441,731
Total capital resources	63,850,737	117,648,051

The Group deploys its capital resources to activities carried out through various lines of business. The capital is deployed in such a manner as to ensure that each line of business generates the desired return on capital employed and that the company has adequate and sufficient capital resources to carry out its activities.

Sagicor Life of the Cayman Islands Ltd.
During 2014, the Cayman Islands Insurance (Capital and Solvency) (Class A Insurers) Regulations became effective. The minimum capital requirement for a local Class A insurer was established as the greater of US$300,000, or the square root of the sum of the square of five risk components – assets, policy liabilities, subsidiaries, catastrophe exposure and foreign exchange. Additionally, the prescribed capital for a local Class A insurer must be at least 125% of the minimum capital requirement. As at the year-end date, the prescribed capital requirement was US$16,216,000 (2016 - $31,618,000) and available capital when expressed as a percentage of prescribed capital, was 363.0% (2016 – 168.3%).

The Minimum Continuing Capital and Surplus Requirement (MCCSR) for Sagicor Life of the Cayman Islands Ltd., based on the Canadian Regulatory Standards is set out below.

	2017	2016
Sagicor Life of the Cayman Islands Ltd.	236.04%	233.70%

30. Pension Scheme

The company participates in the Cayman Islands Chamber of Commerce Pension Plan. The plan is a money purchase contributory plan covering all the employees of the company in the Cayman Islands. The benefits are vested immediately.

The company contributes at a fixed rate of 7% of pensionable earnings and employees contribute at a rate of 5% of regular salary.

The employer's contribution for the year totaled $24,076 (2016 - $27,252) for the company.

31. Commitments and Contingent Liabilities

(a) Commitments
There were no commitments for the current or prior year with respect of lease contracts and capital commitments.

(b) Regulatory Finding
The Company has not made any filings with the Regulators in Antigua as management deemed the level of business in the said territory to be insignificant. Also refer to Note 34 with respect to regulatory findings in the Cayman Islands.

32. Dividends Declared and Paid

Dividends totaling $NIL was declared and paid during the year (2016 - $9,004,348).

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33. Offsetting Financial Assets and Financial Liabilities

(a) Financial assets

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

	The Group						
	2017						
				Related amounts not set off in the statement of financial position			
	Gross amounts of financial assets	Gross amounts set off on the balance sheet	Net amounts of financial assets presented on the balance sheet	Impact of master Netting Agreements	Cash collateral	Financial instruments collateral	Net Amount
	$	$	$	$	$	$	$
ASSETS							
Cash resources	1,582,810	-	1,582,810	-	-	-	1,582,810
Financial investments	133,938,992	-	133,938,992	-	-	-	133,938,992
Other assets	2,799,561	-	2,799,561	-	-	-	2,799,561
	138,321,363	-	138,321,363	-	-	-	138,321,363
	2016						
ASSETS							
Cash resources	2,456,724	-	2,456,724	-	-	-	2,456,724
Financial investments	184,641,450	-	184,641,450	-	-	(92,391,021)	92,250,429
Other assets	3,923,404	-	3,923,404	-	-	-	3,923,404
	191,021,578	-	191,021,578	-	-	(92,391,021)	98,630,557

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33. Offsetting Financial Assets and Financial Liabilities (Continued)

(a) Financial assets (continued)

	The Company						
	2017						
				Related amounts not set off in the statement of financial position			
	Gross amounts of financial assets	Gross amounts set off on the balance sheet	Net amounts of financial assets presented on the balance sheet	Impact of master Netting Agreements	Cash collateral	Financial instruments collateral	Net Amount
	$	$	$	$	$	$	$
ASSETS							
Cash resources	1,424,301	-	1,424,301	-	-	-	1,424,301
Financial investments	133,161,033	-	133,161,033	-	-	-	133,161,033
Other assets	2,825,253	-	2,825,253	-	-	-	2,825,253
	137,410,587	-	137,410,587	-	-	-	137,410,587
	2016						
ASSETS							
Cash resources	2,337,243	-	2,337,243	-	-	-	2,337,243
Financial investments	184,008,548	-	184,008,548	-	-	(92,391,021)	91,617,527
Other assets	3,913,483	-	3,913,483	-	-	-	3,913,483
	190,259,274	-	190,259,274	-	-	(92,391,021)	97,868,253

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33. Offsetting Financial Assets and Financial Liabilities (Continued)

(b) Financial liabilities

There were no financial liabilities subject to offsetting as at 31 December 2017.

The following financial liabilities were subjected to offsetting, enforceable master netting arrangements and similar agreements at 31 December 2016.

The Group

2016

	Gross amounts of financial assets	Gross amounts set off on the balance sheet	Net amounts of financial assets presented on the balance sheet	Impact of master Netting Agreements	Related amounts not set off in the statement of financial position: Cash collateral	Related amounts not set off in the statement of financial position: Financial instruments collateral	Net Amount
	$	$	$	$	$	$	$
LIABILITIES							
Due to banks and other financial institutions	59,441,731	-	59,441,731	-	-	(59,441,731)	-
	59,441,731	-	59,441,731	-	-	(59,441,731)	

The Company

2016

	Gross amounts of financial assets	Gross amounts set off on the balance sheet	Net amounts of financial assets presented on the balance sheet	Impact of master Netting Agreements	Related amounts not set off in the statement of financial position: Cash collateral	Related amounts not set off in the statement of financial position: Financial instruments collateral	Net Amount
	$	$	$	$	$	$	$
LIABILITIES							
Due to banks and other financial institutions	59,441,731	-	59,441,731	-	-	(59,441,731)	-
	59,441,731	-	59,441,731	-	-	(59,441,731)	-

34. Cease and Desist Order

During 2017, the Cayman Islands Monetary Authority “the Authority” conducted an on-site inspection of Sagicor Life of the Cayman Islands Ltd., following which the Authority requested certain requirements to be met, including:

- Computer system changes,
- Enhanced communications to policyholders,
- An interim review to be done by the Group’s Internal Audit Department, and
- The appointment of an independent reviewer.

The Authority has instructed that until the above requirements are fulfilled, the company should stop further sale of certain products. The interim review by the Group’s Internal Audit Department was conducted and the report submitted to the Authority for review. The independent review is currently being done. The company has been working closely with the Authority to clear the list of all requirements and anticipates all requirements to be cleared and verified in 2018 and the Cease and Desist Order to be lifted.