Sagicor Life of the Cayman Islands Ltd.

Financial Statements
31 December 2018

3.1 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 2018 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;

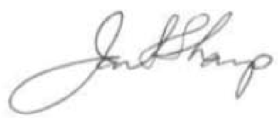
(b) the valuation of actuarial and other policy liabilities has been made in accordance with generally accepted actuarial practice;

(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.

MARCH 5, 2019

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 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 2018, 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 2018;
- 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 or 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.

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 and stand-alone 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

May 29, 2019

Sagicor Life of the Cayman Islands Ltd.

Consolidated Statement of Financial Position

31 December 2018

(expressed in United States dollars unless otherwise indicated)

	Note	2018 $	2017 $
ASSETS:			
Cash resources	4	3,924,182	1,582,810
Financial investments	5	129,144,529	133,938,992
Intangible assets	7	5,290,505	5,292,487
Property, plant and equipment	8	4,689,620	4,621,596
Reinsurance contracts	9	1,234,773	2,124,864
Other assets	10	2,124,613	2,968,678
Total Assets		146,408,222	150,529,427

The accompanying notes on pages 13 - 151 form an integral part of these financial statements.

Sagicor Life of the Cayman Islands Ltd.

Consolidated Statement of Financial Position (Continued)

31 December 2018

(expressed in United States dollars unless otherwise indicated)

	Note	2018 $	2017 $
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	(11,875,391)	(3,521,438)
Retained earnings		55,917,574	51,372,175
Total Equity		60,042,183	63,850,737
Liabilities			
Other Liabilities	13	2,365,369	2,649,466
Policyholders' Funds			
Insurance contracts liabilities	15	52,661,592	54,934,682
Investment contracts liabilities	16	25,780,876	23,224,324
Other insurance liabilities	17	5,558,202	5,870,218
		84,000,670	84,029,224
Total Liabilities		86,366,039	86,678,690
TOTAL EQUITY AND LIABILITIES		146,408,222	150,529,427

Approved for issue by the Board of Directors on 29 May 2019 and signed on its behalf by:

Richard Byles	**Chairman**	**Christopher Zacca**	**Director**

The accompanying notes on pages 13 - 151 form an integral part of these financial statements.

Sagicor Life of the Cayman Islands Ltd.

Consolidated Income Statement

Year ended 31 December 2018

(expressed in United States dollars unless otherwise indicated)

	Note	2018 $	2017 $
Revenue:			
Gross premium income	18	22,283,069	20,487,043
Insurance premium ceded to reinsurers	18	(2,013,362)	(1,256,390)
Net premium income	18	20,269,707	19,230,653
Interest income earned from financial assets measured at amortised cost and FVOCI	19	6,144,669	-
Interest income earned from financial assets measured at fair value through profit and loss	19	(707,047)	-
Net investment income	19	-	11,548,658
Interest expense		(834,454)	(1,573,474)
Fee and other income	20	437,732	456,706
Total revenue		**25,310,607**	**29,662,543**
Benefits:			
Insurance benefits incurred	21	15,066,520	12,115,802
Insurance benefits reinsured	21	(511,000)	(1,326,772)
Net insurance benefits	22	14,555,520	10,789,030
Net movement in actuarial liabilities	15(d)	950,484	8,371,691
Expenses:			
Depreciation	8	176,582	134,800
Amortisation of intangible assets	7	1,982	1,982
Administration expenses	22	3,576,288	3,977,177
Commission and sales expenses		2,962,755	3,000,457
		22,223,589	**26,275,137**
NET PROFIT		**3,087,018**	**3,387,406**

The accompanying notes on pages 13 – 151 form an integral part of these financial statements.

Sagicor Life of the Cayman Islands Ltd.
Consolidated Statement of Comprehensive Income
Year ended 31 December 2018
(expressed in United States dollars unless otherwise indicated)

	2018 $	2017 $
Net profit for the year	3,087,018	3,387,406
Other comprehensive income:		
Items that may be subsequently reclassified to profit or loss:		
Unrealised gains on available-for-sale investments	-	(2,291,583)
Realised losses reclassified and reported in profit	-	1,926,693
Impairment losses on available-for-sale investments	(248,409)	1,197,754
Net losses on investments in debt instruments measured at FVOCI	(11,430,752)	-
Net loss on financial assets measured at FVOCI reclassified to profit or loss on disposal	1,386,125	-
	(10,293,036)	832,864
Change in actuarial liabilities arising from fair value movements in available-for-sale securities	3,223,574	1,420,545
Item that may not be subsequently reclassified to profit or loss:		
Unrealised gains on owner-occupied properties	173,890	3,602
Other comprehensive income for the year	(6,895,572)	2,257,011
Total comprehensive income for the year	(3,808,554)	5,644,417

The accompanying notes on pages 13 - 151 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 2018

(expressed in United States dollars unless otherwise indicated)

	Share Capital	Investment and Fair Value Reserves	Retained Earnings	Total
	$	$	$	$
Balance as at 1 January 2017	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
Changes on initial application of IFRS 9 (see note 34)	-	(1,458,381)	1,458,381	-
Balance as at 1 January 2018	16,000,000	(4,979,819)	52,830,556	63,850,737
Profit for the year	-	-	3,087,018	3,087,018
Total comprehensive income for the year	-	(6,895,572)	-	(6,895,572)
Balance as at 31 December 2018	16,000,000	(11,875,391)	55,917,574	60,042,183

The accompanying notes on pages 13 - 151 form an integral part of these financial statements.

Sagicor Life of the Cayman Islands Ltd.

Consolidated Statement of Cash Flows

Year ended 31 December 2018

(expressed in United States dollars unless otherwise indicated)

	Note	2018 $	2017 $
Cash Flows from Operating Activities			
Net profit		3,087,018	3,387,406
Adjustments for: **Items not affecting cash and changes to policyholders' funds:**			
Adjustments for non-cash items, interest and dividends	24(a)	(1,177,006)	(6,420,717)
Changes in operating assets and liabilities	24(a)	1,447,785	(58,014,084)
Interest received		6,978,185	8,571,823
Interest paid		(834,454)	(2,474,613)
Net cash provided by /(used in) operating activities		9,501,528	(54,950,185)
Cash Flows from Investing Activities			
Net investment purchases	24(a)	(8,136,746)	36,659,438
Purchase of property, plant and equipment and intangibles	24(b)	(70,716)	(260,720)
Net cash (used in)/ provided by investing activities		(8,207,462)	36,398,718
Cash Flows from Financing Activity			
Dividend paid	24(c)	-	-
Net cash in financing activity		-	-
Net (decrease) / increase in net cash and cash equivalents		1,294,066	(18,551,467)
Cash and cash equivalents at beginning of year		8,889,906	27,441,373
CASH AND CASH EQUIVALENTS AT YEAR END	4	10,183,972	8,889,906

The accompanying notes on pages 13 – 151 form an integral part of these financial statements.

Sagicor Life of the Cayman Islands Ltd.

Company Statement of Financial Position

31 December 2018

(expressed in United States dollars unless otherwise indicated)

	Note	2018 $	2017 $
ASSETS			
Cash resources	4	3,714,481	1,424,301
Financial investments	5	128,352,698	133,161,033
Investment in subsidiary	6	300,000	300,000
Intangible assets	7	4,994,295	4,996,277
Property, plant and equipment	8	4,684,638	4,614,363
Reinsurance contracts	9	1,234,773	2,124,864
Other assets	10	2,140,535	2,994,370
Total Assets		145,421,420	149,615,208

The accompanying notes on pages 13 - 151 form an integral part of these financial statements.

Sagicor Life of the Cayman Islands Ltd.

Company Statement of Financial Position (Continued)

31 December 2018

(expressed in United States dollars unless otherwise indicated)

	Note	2018 $	2017 $
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	(11,875,391)	(3,521,438)
Retained earnings		54,947,035	50,503,420
Total Equity		59,071,644	62,981,982
Liabilities			
Other liabilities	13	2,349,106	2,604,002
Policyholders' Funds			
Insurance contracts liabilities	15	52,661,592	54,934,682
Investment contracts liabilities	16	25,780,876	23,224,324
Other insurance liabilities	17	5,558,202	5,870,218
		84,000,670	84,029,224
Total Liabilities		86,349,776	86,633,226
TOTAL EQUITY AND LIABILITIES		145,421,420	149,615,208

Approved for issue by the Board of Directors on 29 May 2019 and signed on its behalf by:

Richard Byles	**Chairman**	**Christopher Zacca**	**Director**

The accompanying notes on pages 13 - 151 form an integral part of these financial statements.

Sagicor Life of the Cayman Islands Ltd.

Company Income Statement

Year ended 31 December 2018

(expressed in United States dollars unless otherwise indicated)

	Note	2018 $	2017 $
Revenue:			
Gross premium income	18	22,283,069	20,487,043
Insurance premium ceded to reinsurers	18	(2,013,362)	(1,256,390)
Net premium income	18	20,269,707	19,230,653
Interest income earned from financial assets measured at amortised cost and FVOCI	19	6,144,668	-
Interest income earned from financial assets measured at fair value through profit and loss	19	(720,951)	-
Net investment income	19	-	11,540,645
Interest expense		(834,454)	(1,573,474)
Fee and other income	20	181,533	179,159
Total revenue		**25,040,503**	**29,376,983**
Benefits:			
Insurance benefits incurred	21	15,066,520	12,115,802
Insurance benefits reinsured	21	(511,000)	(1,326,772)
Net insurance benefits	21	14,555,520	10,789,030
Net movement in actuarial liabilities	15(d)	950,484	8,371,691
Expenses:			
Depreciation	8	174,332	133,242
Amortisation of intangible assets	7	1,982	1,982
Administration expenses	22	3,410,220	3,811,649
Commission and sales expenses		2,963,731	3,000,457
		22,055,269	**26,108,051**
NET PROFIT		**2,985,234**	**3,268,932**

The accompanying notes on pages 13 - 151 form an integral part of these financial statements.

Sagicor Life of the Cayman Islands Ltd.

Company Statement of Comprehensive Income

Year ended 31 December 2018

(expressed in United States dollars unless otherwise indicated)

	2018	2017
	$	$
Net profit for the year	2,985,234	3,268,932
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)
Realised losses reclassified and reported in profit	-	1,926,693
Impairment losses on available-for-sale investments	(248,409)	1,197,754
Net gains on investments in debt instruments measured at FVOCI	(11,430,752)	-
Net loss on financial assets measured at FVOCI reclassified to profit or loss on disposal	1,386,125	-
	(10,293,036)	832,864
Change in actuarial liabilities arising from fair value movements in available-for-sale securities	3,223,574	1,420,545
Item that may not be subsequently reclassified to profit or loss:		
Unrealised gains/(losses) on owner-occupied properties	173,890	3,602
Other comprehensive income for the year	(6,895,572)	2,257,011
Total comprehensive income for the year	(3,910,338)	5,525,943

The accompanying notes on pages 13 - 151 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 2018

(expressed in United States dollars unless otherwise indicated)

	Share Capital	Investment and Fair Value Reserves	Retained Earnings	Total
	$	$	$	$
Balance as at 1 January 2017	16,000,000	(5,778,449)	47,234,488	57,456,039
Profit for the year	-	-	3,268,932	3,268,932
Total comprehensive loss 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
Changes on initial application of IFRS 9 (see note 34)	-	(1,458,381)	1,458,381	-
Balance as at 1 January 2018	16,000,000	(4,979,819)	51,961,801	62,981,982
Profit for the year	-	-	2,985,234	2,985,234
Total comprehensive income for the year	-	(6,895,572)	-	(6,895,572)
Balance as at 31 December 2018	16,000,000	(11,875,391)	54,947,035	59,071,644

The accompanying notes on pages 13 - 151 form an integral part of these financial statements.

Sagicor Life of the Cayman Islands Ltd.

Company Statement of Cash Flows

Year ended 31 December 2018

(expressed in United States dollars unless otherwise indicated)

	Note	2018 $	2017 $
Cash Flows from Operating Activities			
Net profit		2,985,234	3,268,932
Adjustments for:			
Items not affecting cash and changes to policyholders' funds			
Adjustments for non-cash items, interest and dividends	24(a)	(1,165,847)	(6,412,212)
Changes in operating assets and liabilities	24(a)	1,487,250	(58,085,555)
Interest received		6,978,153	8,566,603
Interest paid		(834,454)	(2,474,613)
Net cash provided by /(used in) operating activities		9,450,336	(55,136,845)
Cash Flows from Investing Activities			
Net investment purchases	24(a)	(8,137,746)	37,432,553
Net purchases of property, plant and equipment and intangible	24(b)	(70,716)	(253,301)
Net cash (used in) / provided by investing activities		(8,207,462)	37,179,252
Cash Flows from Financing Activity			
Dividend paid to owners of the parent	24(c)	-	-
Net cash in financing activity		-	-
Net increase /(decrease) in net cash and cash equivalents		1,242,874	(17,957,593)
Cash and cash equivalents at beginning of year		8,731,397	26,688,990
CASH AND CASH EQUIVALENTS AT YEAR END	4	9,974,271	8,731,397

The accompanying notes on pages 13 – 151 form an integral part of these financial statements.

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 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 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.

IFRS 9, 'Financial Instruments', (effective for annual periods beginning on or after 1 January 2018). As of January 1, 2018, the Group adopted IFRS 9 - Financial Instruments ("IFRS 9"). As a result of the application of this new standard, the Group changed its accounting policies as outlined in note 2 (e) below. As permitted by the transition provisions in IFRS 9, the Group has elected not to restate comparative period results; accordingly, all comparative period information on financial instruments is prepared in accordance with the accounting policies disclosed in the notes 2 (e), 2 (f), 2 (k) and 2 (s) of the annual 2017 consolidated financial statements. Adjustments to the carrying amounts of financial assets and financial liabilities as of January 1, 2018 were recognised in equity. New or amended disclosures have been provided for the current period, where applicable, and comparative period disclosures are consistent with those made in 2017.

IFRS 15, 'Revenue from Contracts with Customers', (effective for the periods beginning on or after 1 January 2018). The Group adopted IFRS 15. This standard clarifies revenue recognition principles and provides a framework for recognising revenue and cash flows from service contracts from customers. IFRS 15 does not apply to the Group's primary activities of insurance which are governed by IFRS 4 – 'Insurance Contracts' and IFRS 9 – 'Financial Instruments'.

In accordance with the transition provisions in IFRS 15, the standard has been implemented using the modified retrospective method with no restatement of comparative information. There was no significant impact on the Group resulting from the implementation of the standard and consequently no transition adjustment has been recorded in the statement of equity.

2. Summary of Significant Accounting Policies (Continued)

a) Basis of preparation (continued)

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

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

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

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

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

2. Summary of Significant Accounting Policies (Continued)

a) Basis of preparation (continued)

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

Annual improvements 2014 – 2017, (effective for annual periods beginning on or after 1 January 2018). These amendments impact three standards as follows:

(i) IFRS 12, 'Disclosure of interest in other entities' regarding clarification of the scope of the standard. These amendments should be applied retrospectively for annual periods beginning on or after 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.There was no significant impact from the adoption of this amendment during the year.

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

IFRS 16, 'Leases', (effective for annual periods beginning on or after 1 January 2019) was issued in January 2018 and replaces IAS 17, 'Leases'. The standard introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments.

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 and the impact on the Group.

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 17, 'Insurance contracts', (effective for annual periods beginning on or after 1 January 2022). 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 2022, 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.

Amendment to IFRS 9, 'Financial instruments' (effective for annual periods beginning on or after 1 January 2019). This amendment confirms that when a financial liability measured at amortized cost is modified without this resulting in de-recognition, a gain or loss should be recognized immediately in the profit and loss. The gain or loss is calculated as the difference between the original contractual cash flows and the modified cash flows discounted at the original effective interest rate. This means that the difference cannot be spread across the remaining life of the instrument which may be changed in practice from IAS 39. The Group is currently assessing the impact of future adoption of the new standard on its financial statements.

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

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

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.

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

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

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.

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

2. Summary of Significant Accounting Po-licies (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').

(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 assets- Policies under IFRS 9

(i) Classification of financial assets

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

Classification of debt instruments

Classification and subsequent measurement of debt instruments depend on:

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

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

Measured at amortised cost

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

Measured at fair value through other comprehensive income

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

2. Summary of Significant Accounting Policies (Continued)

(e) Financial assets- Policies under IFRS 9 (continued)

(i) Classification of debt instruments (continued)

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

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

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

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

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

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

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

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

2. Summary of Significant Accounting Policies (Continued)

(e) Financial assets- Policies under IFRS 9 (continued)

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

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

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

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

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

(vi) Definition of default
The Group determines that a financial instrument is in default, credit-impaired and in stage 3 by considering relevant objective evidence, primarily whether:

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

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

2. Summary of Significant Accounting Policies (Continued)

(e) Financial assets- Policies under IFRS 9 (continued)

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

(ix) The general approach to recognising and measuring ECL
The measurement of ECL reflects:
- An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- The time value of money;
- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

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

The PD, LGD and EAD models which support these determinations are reviewed periodically during the year. Therefore, the underlying models and their calibration, including how they react to forward-looking economic conditions remain subject to review and refinement. This is particularly relevant for lifetime PDs, which have not been previously used in regulatory modelling and for the incorporation of 'downside scenarios' which have not generally been subject to experience gained through stress testing. The exercise of judgement in making estimations requires the use of assumptions which are highly subjective and sensitive to the risk factors, in particular to changes in economic and credit conditions across a large number of geographical areas. Many of the factors have a high degree of interdependency and there is no single factor to which loan impairment allowances as a whole are sensitive. Therefore, sensitivities (Note 26 (d)) are considered in relation to key portfolios which are particularly sensitive to a few factors and the results should not be further extrapolated.

2. Summary of Significant Accounting Policies (Continued)

(e) Financial assets- Policies under IFRS 9 (continued)

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

Measurement (continued)

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

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

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

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

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

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

2. Summary of Significant Accounting Policies (Continued)

(e) Financial assets- Policies under IFRS 9 (continued)

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

Measurement (continued)

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

The weightings assigned to each economic scenario as at January 1 and December 31, 2018 were as follows:

	Base	Upside	Downside
Sagicor Life of the Cayman Islands (excluding Government of Barbados)	80%	10%	10%
Refer to note 26 for Government of Barbados exposures			

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

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

2. Summary of Significant Accounting Policies (Continued)

(e) Financial assets - Policies under IAS 39

The Group classifies its financial assets into the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity financial assets, and available-for-sale financial assets. Management determines the classification of its financial assets at initial recognition.

(i) Financial asset at fair value through profit or 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. Derivatives are also categorised as held for trading unless they are designated as hedging instruments.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed and determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivable. 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) Held-to-maturity

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity. Were the Group to sell other than an insignificant amount of held-to-maturity assets, the entire category would be re-classified as available-for-sale. Held-to-maturity investments are initially recognised at fair value, which is the cash consideration including any transaction costs.

(iv) 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 available-for-sale financial assets are recognised at the trade date – the date on which the Group commits the purchase or sell the asset. Loans and receivables are recognised when cash is advanced to the borrowers.

2. Summary of Significant Accounting Policies (Continued)

(e) Financial assets- Policies under IAS 39 (continued)

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

Subsequent to initial recognition at cost, financial assets at fair value through profit or loss and available-for-sale financial assets are carried at fair value. Loans and receivables and held-to-maturity 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 amounts represents the price (or estimates thereof) 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 a non-derivative financial asset held for trading out of the held-for-trading category if the financial asset is no longer held for the purpose of selling it in the near term. Financial assets other than loans and receivables are permitted to be reclassified out of the held for trading category only in rare circumstances arising from a single event that is unusual and highly unlikely to recur in the near-term. In addition, the Group may choose to reclassify financial assets that would meet the definition of loans and receivables out of the held-for-trading or available-for-sale categories 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 loans and receivables and held-to-maturity categories 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.Intangible assets with indefinite useful lives are assessed for impairment annually, or more frequently if events changed in circumstances indicate a potential impairment.

(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.

(j) 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.

Sagicor Life of the Cayman Islands Ltd.

Notes to the Financial Statements
31 December 2018
(expressed in United States dollars unless otherwise indicated)

2. Summary of Significant Accounting Policies (Continued)

(k) Financial liabilities

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

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

(i) Re-classified balances
The Group reclassifies debt instruments when and only where its business model for managing those assets changes. The reclassification takes place from the start of the first reporting period following the change. Such changes are expected to be very infrequent and none occurred during the period. Any re-classified balances of financial investment and impairment losses relating to the adoption of IFRS 9 are detailed in notes 5, 26 and 34.

Financial liability balances which were accounted for at amortised cost under IAS 39 continue to be so accounted for under IFRS 9 and financial liability balances which were accounted for at fair value through income under IAS 39 are now accounted at FVTPL on the adoption of IFRS 9. Consequently, no financial liability balances have been restated as of January 1, 2018.

(l) Insurance and investment contracts

(i) Classification
The Group issues contracts that transfer insurance risk and/or financial risk from the policyholder.

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)

(l) 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.

Sagicor Life of the Cayman Islands Ltd.

Notes to the Financial Statements
31 December 2018
(expressed in United States dollars unless otherwise indicated)

2. Summary of Significant Accounting Policies (Continued)

(l) Insurance and investment contracts (continued)

(i) 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)

(l) 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)

(m) 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.

(n) Revenue recognition

Revenue recognition – IFRS 15

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

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

Revenue recognition – year ended 31 December 2017

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

(i) Premium income

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

Property and casualty insurance premiums are recognised on a pro-rated basis over the period of the respective policies. Unearned premiums are the proportion of net premiums written in the current year which relate to cover provided in the following year.

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

(ii) Fee income

Fees consist primarily of investment management fees arising from services rendered in conjunction with the issue and management of investment contracts where the 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.

2. Summary of Significant Accounting Policies (Continued)

(n) Revenue recognition (continued)

(ii) Fee income (continued)

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.

(o) Interest expense

Policies under IAS 39
Interest expense is recognised in the income statement on an accrual basis using the effective yield and interest yield methods where applicable Amounts paid under contracts with principally financial risk are recorded directly to the statement of financial position as an adjustment. The interest credited to these funds is recorded as an interest expense.

Policies under IFRS 9
Interest income (expense) is computed by applying the effective interest rate based to the gross carrying amount of a financial asset (liability), except for financial assets that subsequently become credit-impaired. For credit-impaired financial assets, the effective interest rate is applied to the net carrying amount of the financial asset (i.e. after deduction of the loss allowance). Interest includes coupon interest and accrued discount and premium on financial instruments.

(p) 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.

(q) 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.

2. Summary of Significant Accounting Policies (Continued)

(r) Financial instruments

Financial instruments carried on the statement of financial position include investments, securities purchased under resale agreements, cash and bank, other assets (excluding prepaid expenses) and other liabilities.

The fair values of the Group's and the company's financial instruments are discussed in Note 26.

(s) 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.

(t) 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) Insurance

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

  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 $4,647,766 (2017 - $3,915,615).

  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 $10,172,063 (2017 - $7,543,048).

  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 $4,097,980 (2017 - $3,832,775).

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

Key sources of estimation uncertainty (continued)

(ii) 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.

(iii) Impairment of financial assets- Policies under IFRS 9
In determining ECL, management is required to exercise judgement in defining what is considered a significant increase in credit risk and in making assumptions and estimates to incorporate relevant information about past events, current conditions and forecasts of economic conditions. Further information about the judgements involved is included in the earlier sections 'Measurement' and 'Forward-looking information'.

- Establishing staging for debt securities and deposits

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

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

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

Key sources of estimation uncertainty (continued)

(iii) Impairment of financial assets- Policies under IFRS 9 (continued)

- Establishing staging for debt securities and deposits (continued)

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

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

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

- Establishing staging for other assets measured at amortised cost.

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

  Qualitative test

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

  Backstop Criteria

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

- Forward looking information

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

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

Key sources of estimation uncertainty (continued)

(iii) Impairment of financial assets- Policies under IFRS 9 (continued)

Impairment of financial assets – Policies under IAS 39
An available for sale debt security, a loan or a receivable is considered impaired when management determines that it is probable that all amounts due according to the original contract terms will not be collected. This determination is made after considering the payment history of the borrower, the discounted value of collateral and guarantees, and the financial condition and financial viability of the borrower.

The determination of impairment may either be considered by individual asset or by a grouping of assets with similar relevant characteristics.

(iv) 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.

Sagicor Life of the Cayman Islands Ltd.
Notes to the Financial Statements
31 December 2018
(expressed in United States dollars unless otherwise indicated)

4. Cash and Cash Equivalents

	The Group		The Company	
	2018	**2017**	**2018**	**2017**
	$	**$**	**$**	**$**
Cash at bank	3,922,862	1,581,490	3,713,161	1,422,981
Cash in hand	1,320	1,320	1,320	1,320
Total cash resources	3,924,182	1,582,810	3,714,481	1,424,301
Securities purchased under resale agreement	1,388,266	873,145	1,388,266	873,145
United States of America Government Treasury Bills	4,846,755	5,658,644	4,846,755	5,658,644
Short term deposits (Note 5)	396,728	1,144,783	396,728	1,144,783
Cash and cash equivalents	10,555,931	9,259,382	10,346,230	9,100,873

In 2018 and 2017, the Group and Company entered into a reverse repurchase agreement collateralised by corporate bonds. These bonds are held with a fellow subsidiary, Sagicor Investments Jamaica Limited (see Note 15).

Cash at bank includes amounts held with a fellow subsidiary, Sagicor Bank 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	
	2018	**2017**	**2018**	**2017**
	$	**$**	**$**	**$**
Cash and cash equivalents	10,555,931	9,259,382	10,346,230	9,100,873
Less: pledged assets	(371,959)	(369,476)	(371,959)	(369,476)
	10,183,972	8,889,906	9,974,271	8,731,397

Short term deposits include EC$200,000 (US$74,003) (2017 – 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$297,955 (2017 – US$295,473) 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.

Sagicor Life of the Cayman Islands Ltd.

Notes to the Financial Statements
31 December 2018
(expressed in United States dollars unless otherwise indicated)

5. Financial Investments

	The Group		The Company	
	IFRS 9 basis 2018	**IAS 39 basis 2017**	**IFRS 9 basis 2018**	**IAS 39 basis 2017**
	$	**$**	**$**	**$**
Short term deposits (Note 4)	396,728	1,144,783	396,728	1,144,783
Financial assets at fair value through profit or loss-				
Foreign Governments securities	1,644,898	1,754,925	1,644,898	1,754,925
Corporate bonds	5,944,748	6,247,201	5,944,748	6,247,201
Quoted equities	15,304,017	14,299,704	15,304,017	14,299,704
Unit trust	791,880	777,959	49	-
Interest receivable	80,633	106,452	80,633	106,452
	23,766,176	23,186,241	22,974,345	22,408,282
Financial assets at FVOCI (Available-for-sale) -				
Other foreign government securities	4,099,484	8,023,508	4,099,484	8,023,508
Unit trust	-	48	-	48
Corporate bonds	92,859,909	89,101,978	92,859,909	89,101,978
Quoted equities	-	4,664,383	-	4,664,383
Interest receivable	1,599,939	1,549,497	1,599,939	1,549,497
	98,559,332	103,339,414	98,559,332	103,339,414
Investments at amortised cost (Loans and receivables) -				
Other foreign government securities	-	102,755	-	102,755
Securities purchased under resale	1,388,265	873,145	1,388,265	873,145
Mortgage loans	58,132	58,132	58,132	58,132
Policy loans	4,705,060	4,937,402	4,705,060	4,937,402
Interest receivable	270,836	297,120	270,836	297,120
	6,422,286	6,268,554	6,422,293	6,268,554
	129,144,529	133,938,992	128,352,698	133,161,033

During the year, the Group and the company recognized impairment charges totaling +$248,409 (2017 –$1,197,754) on equity and debt securities (Note 19).

5. Financial Investments (Continued)

i. Mortgage loans

Mortgage loans are secured by the first recourse to the related underlying property. Residential mortgages attract interest of 9.5% (2017 – 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 (2017 – $Nil).

ii. Policy loans

The majority of the policy loans bear interest at the annual rate of 10% (2017 – 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.

Sagicor Life of the Cayman Islands Ltd.
Notes to the Financial Statements
31 December 2018
(expressed in United States dollars unless otherwise indicated)

5. Financial Investments (Continued)

(a) Reclassification from IAS 39 to IFRS 9

The following table summarises the results of management's reclassification of financial investments from their IAS 39 categories to their IFRS 9 categories:

	The Group and The Company			
	IAS 39 classification	**Carrying value December 31, 2017 $**	**IFRS 9 classification**	**Carrying value January 1, 2018 $**
Debt securities	Available for sale	98,674,983	FVOCI	98,778,060
Debt securities	Held to Maturity	103,077	Amortised cost	-
Equity securities*	Available for sale	4,664,383	FVOCI	-
Debt securities	Fair value through income	8,108,578	FVTPL	8,108,578
Equity securities*	Fair value through income	15,077,663	FVTPL	19,742,094
Mortgage loans	Loans and receivables	58,132	Amortized cost	58,132
Policy loans	Loans and receivables	5,234, 522	Amortized cost	5,234,522
Securities purchased for resale	Loans and receivables	873,145	Amortized cost	873,145
Deposits	Loans and receivables	1,144,783	Amortized cost	1,144,783
		133,938,992		133,938,992

The Group assessed its business model for securities within the Group's portfolio and identified certain securities which are managed separately and actively traded for capital gains. These securities which were previously classified as available for sale are reclassified to FVTPL under IFRS 9.

Floating rate mortgages being held to received contractual cash flows, which were previously classified as fair value through income, are reclassified as amortised cost under IFRS 9.

*Note: equity securities include unit trusts.

Sagicor Life of the Cayman Islands Ltd.

Notes to the Financial Statements

31 December 2018

(expressed in United States dollars unless otherwise indicated)

5. Financial Investments (Continued)

(b) Reconciliation of financial investment balances from IAS 39 to IFRS 9

The following tables reconcile the carrying amounts of financial investments, from their previous measurement category in accordance with IAS 39 as of December 31, 2017 to their new measurement categories upon transition to IFRS 9 as at January 1, 2018.

	The Group			
	IAS 39 carrying amount December 31, 2017 $	**Reclassifications**	**Re-measurements**	**IFRS 9 carrying amount January 1, 2018 $**
FINANCIAL INVESTMENTS AT AMORTISED COST:				
Debt securities				
Opening balance under IAS 39	103,077	-	-	103,077
Reclassify to FVOCI (IFRS 9)	-	(103,077)		(103,077)
Re-measurement: ECL allowance	-	-	-	-
Closing balance under IFRS 9	103,077	(103,077)	-	-
LOANS AT AMORTISED COST:				
Opening balance under IAS 39 and Closing balance under IFRS 9	58,132	-	-	58,132
POLICY LOANS AT AMORTISED COST:				
Opening balance under IAS 39 and Closing balance under IFRS 9	5,234, 522	-	-	5,234,522

Sagicor Life of the Cayman Islands Ltd.

Notes to the Financial Statements
31 December 2018
(expressed in United States dollars unless otherwise indicated)

5. Financial Investments (Continued)

(b) Reconciliation of financial investment balances from IAS 39 to IFRS 9 (continued)

	The Group			
	IAS 39 carrying amount December 31, 2017 $	**Reclassifications**	**Re-measurements**	**IFRS 9 carrying amount January 1, 2018 $**
Securities purchased for resale				
Opening balance under IAS 39 and Closing balance under IFRS 9	873, 145	-	-	873,145
Deposits				
Opening balance under IAS 39 and Closing balance under IFRS 9	1,144,783	-	-	1,144,783
Total financial investments at amortised cost	7,413,659	(103,077)	-	7,310,582

	The Group			
	IAS 39 carrying amount December 31, 2017 $	**Reclass-ifications**	**Remeasure-ments**	**IFRS 9 carrying amount January 1, 2018 $**
MISCELLANEOUS ASSETS AND RECEIVABLES				
Cash resources				
Opening balance under IAS 39 and Closing balance under IFRS 9	1,582,810	-	-	1,582,810
Total Miscellaneous assets and receivables	1,582,810	-	-	1,582,810

Sagicor Life of the Cayman Islands Ltd.

Notes to the Financial Statements
31 December 2018
(expressed in United States dollars unless otherwise indicated)

5. Financial Investments (Continued)

(b) Reconciliation of financial investment balances from IAS 39 to IFRS 9 (continued)

	The Group			
	IAS 39 carrying amount December 31, 2017 $	**Reclass-ifications**	**Remeasure -ments**	**IFRS 9 carrying amount January 1, 2018 $**
FINANCIAL INVESTMENTS AT FVOCI:				
Debt securities				
Opening balance: Available for sale under IAS 39	98,674,983	-	-	98,674,983
Addition: From Amortised Cost (IFRS 9)	-	103,077	-	103,077
Closing balance under IFRS 9	98,674,983	103,077	-	98,778,060
Equity securities				
Opening balance: Available for sale under IAS 39	4,664,383	-	-	4,664,383
Subtraction: To FVTPL (IFRS 9)	-	(4,664,383)	-	(4,664,383)
Closing balance under IFRS 9	4,664,383	(4,664,-383)	-	-
Total financial investments measured at FVOCI	103,339,366	(4,561,-306)	-	98,778,060

Sagicor Life of the Cayman Islands Ltd.

Notes to the Financial Statements

31 December 2018

(expressed in United States dollars unless otherwise indicated)

5. Financial Investments (Continued)

(b) Reconciliation of financial investment balances from IAS 39 to IFRS 9 (continued)

	The Group			
	IAS 39 carrying amount December 31, 2017 $	**Reclass- ifications**	**Remeasure -ments**	**IFRS 9 carrying amount January 1, 2018 $**
FINANCIAL INVESTMENTS AT FVTPL:				
Debt securities				
Opening balance under IAS 39 and Closing balance under IFRS 9	8,108,578	-	-	8,108,578
Equity securities				
Opening balance under IAS 39	15,077,663	-	-	15,077,663
Addition: From available for sale (IAS 39)	-	4,664,383	-	4,664,383
Closing balance under IFRS 9	15,077,663	4,664,383	-	19,742,046
Total financial investments measured at FVTPL	23,186,241	4,664,383	-	27,850,624

Sagicor Life of the Cayman Islands Ltd.

Notes to the Financial Statements
31 December 2018
(expressed in United States dollars unless otherwise indicated)

5. Financial Investments (Continued)

(b) Reconciliation of financial investment balances from IAS 39 to IFRS 9 (continued)

	The Company			
	IAS 39 carrying amount December 31, 2017 $	**Reclassifications**	**Remeasure-ments**	**IFRS 9 carrying amount January 1, 2018 $**
FINANCIAL INVESTMENTS AT AMORTISED COST:				
Debt securities				
Opening balance under IAS 39	103,077	-	-	103,077
Valuation re-measurement	-	(103,077)		(103,077)
Re-measurement: ECL allowance	-	-	-	-
Closing balance under IFRS 9	103,077	(103,077)	-	-
LOANS AT AMORTISED COST:				
Opening balance under IAS 39 and Closing balance under IFRS 9	58,132	-	-	58,132
POLICY LOANS AT AMORTISED COST:				
Opening balance under IAS 39 and Closing balance under IFRS 9	5,234, 522	-	-	5,234,522

Sagicor Life of the Cayman Islands Ltd.
Notes to the Financial Statements
31 December 2018
(expressed in United States dollars unless otherwise indicated)

5. Financial Investments (Continued)

(b) Reconciliation of financial investment balances from IAS 39 to IFRS 9 (continued)

	The Company			
	IAS 39 carrying amount December 31, 2017 $	**Reclass-ifications**	**Remeasur e-ments**	**IFRS 9 carrying amount January 1, 2018 $**
Securities purchased for resale				
Opening balance under IAS 39 and Closing balance under IFRS 9	873, 145	-	-	873,145
Deposits				
Opening balance under IAS 39 and Closing balance under IFRS 9	1,144,783	-	-	1,144,783
Total financial investments at amortised cost	7,413,659	(103,077)	-	7,310,582

	The Company			
	IAS 39 carrying amount December 31, 2017 $	**Reclass-ifications**	**Remeasure-ments**	**IFRS 9 carrying amount January 1, 2018 $**
MISCELLANEOUS ASSETS AND RECEIVABLES				
Cash resources				
Opening balance under IAS 39 and Closing balance under IFRS 9	1,424,301	-	-	1,424,301
Total Miscellaneous assets and receivables	1,424,301	-	-	1,424,301

(expressed in United States dollars unless otherwise indicated)

5. Financial Investments (Continued)

(b) Reconciliation of financial investment balances from IAS 39 to IFRS 9 (continued)

	The Company			
	IAS 39 carrying amount December 31, 2017 $	**Reclass-ifications**	**Remeasure -ments**	**IFRS 9 carrying amount January 1, 2018 $**
FINANCIAL INVESTMENTS AT FVOCI:				
Debt securities				
Opening balance: Available for sale under IAS 39	98,674,983	-	-	98,674,983
Add: From amortised costs (IFRS 9)	-	103,077	-	103,077
Closing balance under IFRS 9	98,674,983	103,077	-	98,778,060
Equity securities				
Opening balance: Available for sale under IAS 39	4,664, 383	-	-	4,664,383
Subtraction: To FVTPL (IFRS 9)	-	(4,664,383)	-	(4,664,383)
Closing balance under IFRS 9	4,664,383	(4,664,383)	-	-
Total financial investments measured at FVOCI	103,339,366	(4,561,306)	-	98,778,060

Sagicor Life of the Cayman Islands Ltd.

Notes to the Financial Statements
31 December 2018
(expressed in United States dollars unless otherwise indicated)

5. Financial Investments (Continued)

(b) Reconciliation of financial investment balances from IAS 39 to IFRS 9 (continued)

	The Company			
	IAS 39 carrying amount December 31, 2017 $	**Reclass-ifications**	**Remeasure-ments**	**IFRS 9 carrying amount January 1, 2018 $**
FINANCIAL INVESTMENTS AT FVTPL:				
Debt securities				
Opening balance under IAS 39 and Closing balance under IFRS 9	8,108,578	-	-	8,108,578
Equity securities				
Opening balance under IAS 39	14,299,704	-	-	14,299,704
Addition: From available for sale (IAS 39)	-	4,664, 383	-	4,664,383
Closing balance under IFRS 9	14,299,704	4,664,383	-	18,964,087
Total financial investments measured at FVTPL	22,408,282	4,664,383	-	27,072,665

Sagicor Life of the Cayman Islands Ltd.
Notes to the Financial Statements
31 December 2018
(expressed in United States dollars unless otherwise indicated)

6. Investment in Subsidiary

	The Company	
	2018	**2017**
	$	**$**
Sagicor Insurance Managers Ltd.	300,000	300,000

7. Intangible Assets

	The Group		
	Goodwill	**Computer Software**	**Total**
	$	**$**	**$**
Cost -			
At 1 January 2017	5,285,181	23,834	5,309,015
Addition	-	-	-
At 31 December 2017	5,285,181	23,834	5,309,015
At 31 December 2018	5,285,181	23,834	5,309,015
Amortisation -			
At 1 January 2017	-	14,546	14,546
Amortised during the year	-	1,982	1,982
At 31 December 2017	-	16,528	16,528
Amortised during the year	-	1,982	1,982
At 31 December 2018	-	18,510	18,510
Net Book Value -			
31 December 2017	5,285,181	7,306	5,292,487
31 December 2018	5,285,181	5,324	5,290,505

Sagicor Life of the Cayman Islands Ltd.
Notes to the Financial Statements
31 December 2018
(expressed in United States dollars unless otherwise indicated)

7. Intangible Assets (Continued)

	The Company		
	Goodwill	**Computer Software**	**Total**
	$	**$**	**$**
Cost -			
At 1 January 2017 and 31 December 2017	4,988,971	23,834	5,012,805
At 31 December 2018	4,988,971	23,834	5,012,805
Amortisation -			
At 1 January 2017	-	14,546	14,546
Amortised during the year	-	1,982	1,982
At 31 December 2017	-	16,528	16,528
Amortised during the year	-	1,982	1,982
At 31 December 2018	-	18,510	18,510
Net Book Value -			
At 31 December 2017	4,988,971	7,306	4,996,277
At 31 December 2018	4,988,971	5,324	4,994,295

Amortisation charges of $1,982 (2017 - $1,982) 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.

Sagicor Life of the Cayman Islands Ltd.

Notes to the Financial Statements

31 December 2018

(expressed in United States dollars unless otherwise indicated)

8. Property, Plant and Equipment

	The Group				
	Freehold Land & Building $	**Leasehold Improvements** $	**Furniture & Equipment** $	**Work-in-progress** $	**Total** $
Cost -					
At 1 January 2017	-	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
Additions	85,000	60,408	10,307	-	155,715
At 31 December 2018	4,500,659	457,898	697,237	-	5,655,794
Accumulated Depreciation:-					
At 1 January 2017	-	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
Charge for the year	88,891	46,431	41,260	-	176,582
Revaluation adjustment (Note 12)	(88,891)	-	-	-	(88,891)
At 31 December 2018	55,659	372,247	538,268	-	966,174
Net Book Value -					
31 December 2017	4,360,000	71,674	189,922	-	4,621,596
31 December 2018	4,445,000	85,651	158,969	-	4,689,620

Sagicor Life of the Cayman Islands Ltd.

Notes to the Financial Statements
31 December 2018
(expressed in United States dollars unless otherwise indicated)

8. Property, Plant and Equipment (Continued)

	The Company				
	Freehold Land & Building $	Leasehold Improvements $	Furniture & Equipment $	Work-in-Progress $	Total $
Cost -					
At 1 January 2017	-	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
Additions	85,000	60,408	10,308	-	155,716
At 31 December 2018	4,500,659	457,898	686,445	-	5,645,002
Accumulated Depreciation:-					
At 1 January 2017	-	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
Charge for the year	88,891	46,431	39,010	-	174,332
Revaluation adjustment (Note 12)	(88,891)	-	-	-	(88,891)
At 31 December 2018	55,659	372,246	532,459	-	960,364
Net Book Value -					
31 December 2017	4,360,000	71,675	182,688	-	4,614,363
31 December 2018	4,445,000	85,652	153,986		4,684,638

Sagicor Life of the Cayman Islands Ltd.

Notes to the Financial Statements
31 December 2018
(expressed in United States dollars unless otherwise indicated)

9. Reinsurance Contracts

	The Group and The Company	
	2018	2017
	$	$
Claims recoverable from reinsurers	1,234,773	2,124,864

10. Other Assets

	The Group		The Company	
	2018	2017	2018	2017
	$	$	$	$
Due from agents	297,795	390,033	297,795	390,033
Premiums due and unpaid	995,020	1,101,053	995,020	1,101,053
Due from other related parties (Note 14)	1,116,877	1,080,667	1,146,132	1,106,359
Deposits and prepaid expenses	303,516	301,685	303,516	301,685
Other receivables	82,071	765,906	68,738	765,906
	2,795,279	3,639,344	2,811,201	3,665,036
Provision against doubtful receivables (related party)	(670,666)	(670,666)	(670,666)	(670,666)
	2,124,613	2,968,678	2,140,535	2,994,370

11. Share Capital

	2018	2017
	$	$
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	
	2018	2017
	$	$
FVOCI (Available for sale fair value reserves)	(14,940,046)	(3,188,625)
Owner occupied properties fair value reserves	177,493	3,602
Actuarial liabilities	2,887,162	(336,415)
	(11,875,391)	(3,521,438)

During the year, the property carried as Property, Plant and Equipment, was revalued with a resulting revaluation gain of $173,891 (Note 8). In 2017, a similar revaluation resulted in revaluation gain which exceeded previous gains that were reflected as part of the Group's Investment and Fair Value Reserves. The excess of $3,602 was taken to the income statement.

13. Other Liabilities

	The Group		The Company	
	2018	2017	2018	2017
	$	$	$	$
Accounts payable and accruals	842,775	872,287	828,495	831,700
Due to related parties (Note 14)	14,864	95,574	12,881	90,697
Premiums not applied	930,094	1,511,829	930,094	1,511,829
Reinsurance premium payable	577,636	169,776	577,636	169,776
	2,365,369	2,649,466	2,349,106	2,604,002

Sagicor Life of the Cayman Islands Ltd.

Notes to the Financial Statements
31 December 2018
(expressed in United States dollars unless otherwise indicated)

14. 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	
	2018	**2017**	**2018**	**2017**
	$	**$**	**$**	**$**
Securities purchased under resale agreement-				
Sagicor Investments Jamaica Limited	1,388,391	873,549	1,388,391	873,349
Cash Resources-				
Sagicor Bank Jamaica Limited.	838,728	250,295	838,728	250,295
Due from related parties -				
Ultimate parent company	114,093	90,587	114,093	90,587
Other related companies	1,002,784	990,080	1,002,784	990,080
Fellow subsidiary	-	-	29,255	25,692
	1,116,877	1,080,667	1,146,132	1,106,369
Due to related parties -				
Other related companies	14,864	95,574	12,881	90,697
	14,864	95,574	12,881	90,697

Sagicor Life of the Cayman Islands Ltd.
Notes to the Financial Statements
31 December 2018
(expressed in United States dollars unless otherwise indicated)

14. Related Party Balances and Transactions (Continued)

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

	The Group and The Company	
	2018	**2017**
	$	**$**
Parent and related companies -		
Interest income	76,193	102,711
Commission expense	(602,644)	(511,302)
Corporate services	(483,982)	(474,490)
Management fees	(287,177)	(362,018)
Segregated funds -		
Management fees earned	453,324	426,047

15. Insurance Contracts Liabilities

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

	The Group and The Company	
	2018	**2017**
	$	**$**
Individual annuities	14,198,400	14,234,753
Group insurance	418,236	426,471
Individual insurance	38,044,956	40,273,458
	52,661,592	54,934,682

(b) Movement in insurance liabilities:

	The Group and the Company			
	2018			
	Individual Annuities	**Individual Insurance**	**Group Insurance**	**Total**
	$	**$**	**$**	**$**
Balance at the beginning of the year	14,234,753	40,273,458	426,471	54,934,682
Changes in actuarial liabilities recorded to income statement (Note 15(d))	2,221,467	(1,262,748)	(8,235)	950,484
Changes in actuarial liabilities recorded in other comprehensive income	(2,257,820)	(965,754)	-	(3,223,574)
Balance at end of year	14,198,400	38,044,956	418,236	52,661,592

Sagicor Life of the Cayman Islands Ltd.

Notes to the Financial Statements
31 December 2018
(expressed in United States dollars unless otherwise indicated)

15. Insurance Contracts Liabilities (Continued)

(b) Movement in insurance liabilities (continued):

	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 15(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

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

	The Group				
	2018				
	Insurance	Annuities	Other Liabilities	Capital and Surplus	Total
	$	$	$	$	$
Quoted and mutual fund equities	12,218,356	-	-	3,085,661	15,304,017
Fixed income securities	50,070,624	14,344,063	488,771	43,111,315	108,014,773
Mortgages	-	-	-	58,132	58,132
Other assets	5,048,130	-	4,196,095	13,787,075	23,031,300
	67,337,110	14,344,063	4,684,866	60,042, 183	146,408,222

Sagicor Life of the Cayman Islands Ltd.
Notes to the Financial Statements
31 December 2018
(expressed in United States dollars unless otherwise indicated)

15. Insurance Contracts Liabilities (Continued)

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

	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

	The Company				
	2018				
	Insurance	Annuities	Other Liabilities	Capital and Surplus	Total
	$	$	$	$	$
Quoted equities	12,218,356	-	-	3,085,661	15,304,017
Fixed income securities	50,070,624	14,344,063	488,771	43,111,315	108,014,773
Mortgages	-	-	-	58,132	58,132
Other assets	5,048,130	-	4,179,832	12,816,536	22,044,498
	67,337,110	14,344,063	4,668,603	59,071,644	145,421,420

Sagicor Life of the Cayman Islands Ltd.
Notes to the Financial Statements
31 December 2018
(expressed in United States dollars unless otherwise indicated)

15. Insurance Contracts Liabilities (Continued)

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

	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

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)

15. Insurance Contracts Liabilitiges (Continued)

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

	The Group and The Company			
	2018			
	Annuities	Individual Insurance	Group Insurance	Total
	$	$	$	$
Change in assumed investment yields and inflation rate	(249,767)	(2,375,570)	-	(2,625,337)
Change due to the issuance of new policies and decrements on in-force policies	223,892	(14,232)	(8,235)	201,425
Change due to other actuarial assumptions	2,247,342	1,127,054	-	3,374,396
Change in actuarial liabilities recorded in income statement	2,221,467	(1,262,748)	(8,235)	950,484
Change in actuarial liabilities recorded in other comprehensive income	(2,257,820)	(965,754)	-	(3,223,574)

	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	92,824	1,664,136	-	1,756,960

15. 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 1% and 3% (2017: 2% and 3%).

15. 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 6% and 25% (2017: 8% and 45%) of insurance amounts issued. Lapse rates after 20 policy years are assumed to be between 0% and 9.5% (2017: 0% and 8%) of insurance amounts in force. Partial withdrawal rates average about 13.4% (2017: 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 1% and 3% (2017: 5% and 20%).

(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.

(expressed in United States dollars unless otherwise indicated)

15. 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.

16. Investment Contract Liabilities

	The Group and The Company	
	2018	**2017**
	$	**$**
Amortised cost -		
Amounts on deposit	22,309,716	20,418,513
Deposit administration fund	145,663	137,136
Other investment contracts	3,325,497	2,668,675
	25,780,876	23,224,324

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	
	2018	**2017**
	$	**$**
At the beginning of year	137,136	129,421
Interest earned	8,527	7,715
At the end of year	145,663	137,136

(expressed in United States dollars unless otherwise indicated)

17. Other Insurance Liabilities

	The Group and The Company	
	2018	**2017**
	$	**$**
Insurance benefits payable	2,320,176	2,542,422
Policy dividends and other funds on deposit	3,238,026	3,327,796
	5,558,202	5,870,218

18. Net Premium Income

	The Group and The Company	
	2018	**2017**
	$	**$**
Gross premiums by line of business:		
Group life	614,414	755,523
Individual life		
Premium	14,241,641	14,415,236
Segregated fund contribution	5,962,409	4,516,746
Annuities	1,464,605	799,538
	22,283,069	20,487,043
Reinsurance premiums by line of business:		
Group life	172,147	195,026
Individual life	1,841,215	1,061,364
	2,013,362	1,256,390
Net premiums	20,269,707	19,230,653

Sagicor Life of the Cayman Islands Ltd.

Notes to the Financial Statements
31 December 2018
(expressed in United States dollars unless otherwise indicated)

19. Net Investment Income

	The Group		
		2018	2018
Income from financial investments measured on an IFRS 9 basis	**Amortized cost assets**	**FVOCI assets**	**Total**
	$	**$**	**$**
Interest income -			
Debt securities	17,714	5,776,727	5,794,441
Policy loans	425,076	-	425,076
Securities purchased under resale	42,871	-	42,871
Deposits	11,348	-	11,348
	497,009	5,776,727	6,273,736
Net investment gains/(losses)			(377,476)
Provision for credit loss (IFRS 9)			248,409
			6,144,669
Interest income from FVTPL investments			368,080
Total interest income (IAS 39 basis)			-
Dividend income			204,341
Net investment gains			(1,330,236)
Other investment income, net			50,766
			(707,049)
Allowances for impairment losses (IAS 39)			-
Net investment income			5,437,622

(expressed in United States dollars unless otherwise indicated)

19. Net Investment Income (continued)

	The Company		
		2018	2018
Income from financial investments measured on an IFRS 9 basis	**Amortized cost assets**	**FVOCI assets**	**Total**
	$	**$**	**$**
Interest income -			
Debt securities	17,714	5,776,727	5,794,441
Policy loans	425,076	-	425,076
Securities purchased under resale	42,871	-	42,871
Deposits	11,348	-	11,348
	497,009	5,776,727	6,273,736
Net investment gains/(losses)			(377,476)
Provision for credit loss (IFRS 9)			248,409
			6,144,669
Interest income from FVTPL investments			368,080
Total interest income (IAS 39 basis)			-
Dividend income			204,341
Net investment gains/(loss)			(1,344,107)
Other investment income, net			50,734
			(720,951)
Allowances for impairment losses (IAS 39)			-
Net investment income			5,423,717

Sagicor Life of the Cayman Islands Ltd.

Notes to the Financial Statements
31 December 2018
(expressed in United States dollars unless otherwise indicated)

19. Net Investment Income (continued)

Income from financial investments measured on an IAS 39 basis	**The Group**	**The Company**
	2017	**2017**
	$'000	**$'000**
Interest income -		
Short term deposits	393,443	388,223
Financial assets at fair value through profit or loss	300,339	300,339
Available-for-sale	6,404,521	6,404,521
Loans and receivables	372,858	372,858
Dividends- ordinary shares	75,603	75,603
Net realised gains on sale of investment securities – available-for-sale	3,084,681	3,084,681
Net realised gains / (losses) on sale of investment securities – fair value through profit or loss	1,938,035	1,935,242
Other investment income, net	176,932	176,932
	12,746,412	12,738,399
Impairment charge on investment securities	(1,197,754)	(1,197,754)
Net investment income	11,548,658	11,540,645

Sagicor Life of the Cayman Islands Ltd.

Notes to the Financial Statements
31 December 2018
(expressed in United States dollars unless otherwise indicated)

20. Fee and other Income

	The Group		The Company	
	2018	2017	2018	2017
	$	$	$	$
Reinsurance commissions	76,519	52,194	76,519	52,194
Fee income	256,199	277,533	-	-
Other income	105,014	126,979	105,014	126,965
	437,732	456,706	181,533	179,159

21. Net Insurance Benefits

	The Group and The Company			
	Year ended 31 December 2018			2017
	Gross Insured	Reinsured	Net Claims	Net Claims
	$	$	$	$
Death and disability	3,684,139	(511,000)	3,173,139	2,099,074
Maturities	216,012	-	216,012	161,665
Surrenders and withdrawals	1,601,087	-	1,601,087	1,845,464
Segregated fund withdrawals	6,867,229	-	6,867,229	4,431,500
Annuities payments	1,273,344	-	1,273,344	1,215,986
Policy dividends and bonuses	397,771	-	397,771	419,925
Other benefits	1,026,938	-	1,026,938	615,416
	15,066,520	(511,000)	14,555,520	10,789,030

Sagicor Life of the Cayman Islands Ltd.

Notes to the Financial Statements
31 December 2018
(expressed in United States dollars unless otherwise indicated)

22. Administration Expenses

	The Group		The Company	
	2018	**2017**	**2018**	**2017**
	$	**$**	**$**	**$**
Audit fees	375,888	484,973	361,986	470,000
Administration fees	771,159	836,509	771,159	836,509
Information technology	24,062	294,408	24,062	294,408
Office accommodation	192,458	234,932	192,458	234,049
Policy contract stamp duties	145,125	119,029	145,125	119,029
Printing, Postage and courier costs	30,018	50,465	30,018	50,465
Directors costs	11,417	14,072	11,417	14,072
Regulatory fees	131,764	193,602	113,105	173,968
Public relations and advertising	35,694	99,822	35,694	99,822
Salaries, pension contribution and staff benefits	784,201	759,188	679,594	662,282
Sales convention and incentives	48,915	57,648	31,102	33,821
Legal and professional fees	68,206	66,792	68,206	66,792
Other expenses	957,381	765,737	946,294	756,432
	3,576,288	3,977,177	3,410,220	3,811,649

23. 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.

(expressed in United States dollars unless otherwise indicated)

24. Cash Flows

(a) Operating activities

	The Group		The Company	
	2018	2017	2018	2017
Adjustments for non-cash items, interest and dividends:	$	$	$	$
Depreciation and amortisation of intangible assets	178,564	136,782	176,314	135,224
Interest and dividend income	(6,846,189)	(7,546,764)	(6,846,157)	(7,541,544)
Interest expense	834,454	1,573,474	834,454	1,573,474
Net realised gains on sale of investment securities	(3,377,285)	(3,084,681)	(3,377,285)	(3,084,681)
Fair value gains on trading securities	5,084,997	(1,938,035)	5,098,868	(1,935,242)
Impairment charge on investments	(248,409)	1,197,754	(248,409)	1,197,754
(Decrease)/Increase in policy holders' funds	2,244,536	(5,127,670)	2,244,536	(5,127,670)
Net movement in actuarial reserves (Note 15(b))	950,484	8,371,691	950,484	8,371,691
Effect of exchange gain on foreign assets	1,842	(3,268)	1,348	(1,218)
	(1,177,006)	(6,420,717)	(1,165,847)	(6,412,212)

	The Group 2018	The Group 2017	The Company 2018	The Company 2017
Changes in other operating assets and liabilities:				
Due from/to related parties	(116,921)	890,228	(117,591)	863,546
Reinsurance contracts	890,091	(1,253,302)	890,091	(1,253,302)
Due to banks and other financial institutions	-	(58,540,592)	-	(58,540,592)
Other assets	878,002	284,629	891,830	271,381
Other liabilities	(203,387)	604,953	(177,080)	573,412
	1,447,785	(58,014,084)	1,487,250	(58,085,555)

Sagicor Life of the Cayman Islands Ltd.

Notes to the Financial Statements
31 December 2018
(expressed in United States dollars unless otherwise indicated)

24. Cash Flows (Continued)

(a) Investing activities

	The Group		The Company	
	2018	**2017**	**2018**	**2017**
	$	**$**	**$**	**$**
Net investment sales:				
Proceeds on sale of investment securities	59,069,315	208,152,102	59,069,315	208,152,102
Purchase of investment securities	(67,206,061)	(171,492,664)	(67,206,061)	(170,719,549)
	(8,136,746)	36,659,438	(8,136,746)	37,432,553

(b) Investing activities

Purchase of property, plant and equipment (Note 8)	(70,716)	(260,720)	(70,716)	(253,301)

(c) Financing activity

	-	-	-	-

Sagicor Life of the Cayman Islands Ltd.

Notes to the Financial Statements
31 December 2018
(expressed in United States dollars unless otherwise indicated)

24. 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
	2018	2018	2017	2017
	$	$	$	$
Cash resources	3,924,182	3,714,481	1,582,140	1,424,301
Liquid Investments	6,259,791	6,259,790	7,307,766	7,307,096
Cash and cash equivalents	10,183,973	9,974,271	8,889,906	8,731,397
Net debt	10,183,973	9,974,271	8,889,906	8,731,397
Cash and liquid investments	10,183,973	9,974,271	8,889,906	8,731,397
Net debt	10,183,973	9,974,271	8,889,906	8,731,397

	The Group			
	Cash/bank overdraft	Liquid Investments (i)	Borrowings due within 1 year	Total
	$	$	$	$
Net debt as at 1 January 2017	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
Cash flows	2,342,042	(1,047,975)	-	1,294,067
Net debt as at 31 December 2018	3,924,182	6,259,791	-	10,183,973

	The Company			
	Cash/bank overdraft	Liquid Investments (i)	Borrowings due within 1 year	Total
	$	$	$	$
Net debt as at 1 January 2017	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
Cash flows	2,290,180	(1,047,306)	-	1,242,874
Net debt as at 31 December 2018	3,714,481	6,259,790	-	9,974,271

(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.

25. 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) Investment securities classified as FVOCI (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

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.

(expressed in United States dollars unless otherwise indicated)

25. 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 2018 $	Fair Value 2018 $	Carrying Value 2017 $	Fair Value 2017 $
Financial Assets				
Investments at amortised cost (loans and receivables)	6,422,287	6,422,287	6,268,554	6,252,710

The following table provides an analysis of financial instruments that are measured in the statement of financial position at fair value at 31 December 2018, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

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

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

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

A financial instrument is classified as Level 2 if:

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

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

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

25. Fair Values of Financial Instruments (Continued)

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

A financial instrument is classified as Level 3 if:

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

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

Sagicor Life of the Cayman Islands Ltd.
Notes to the Financial Statements
31 December 2018
(expressed in United States dollars unless otherwise indicated)

25. Fair Values of Financial Instruments (Continued)

	The Group 2018			
	Level 1	**Level 2**	**Level 3**	**Total**
	$	**$**	**$**	**$**
Financial Assets -				
Financial investments	21,110,798	108,033,731	-	129,144,529
Financial Liabilities -				
Insurance contracts liabilities	-	-	52,661,592	52,661,592

	The Company 2018			
	Level 1	**Level 2**	**Level 3**	**Total**
	$	**$**	**$**	**$**
Financial Assets -				
Financial investments	21,110,798	107,241,900	-	128,352,698
Financial Liabilities -				
Insurance contracts liabilities	-	-	52,661,592	52,661,592

	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

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

Sagicor Life of the Cayman Islands Ltd.

Notes to the Financial Statements
31 December 2018
(expressed in United States dollars unless otherwise indicated)

25. Fair Values of Financial Instruments (Continued)

Financial instruments carried at amortised cost

The carrying values of the Group's non-traded financial assets and financial liabilities carried at amortised cost approximate their fair value in notes 9, 10, and 13. The fair value hierarchy of other financial instruments carried at amortised cost as of December 31, 2018 is set out in the following tables

	2018			
	Level 1	**Level 2**	**Level 3**	**Total**
	$	**$**	**$**	**$**
Securities purchased for resale			1,388,265	1,388,265
Mortgage loans			58,132	58,132
Policy loans			4,705,060	4,705,060
Investment contracts:			20,418,513	20,418,513
Amounts on deposit			137,136	137,136
Deposit administration fund			2,668,675	2,668,675
Other investment contracts			23,224,324	23,224,324
			27,929,384	27,929,384

26. 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. 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:

- Oversees the Group's financial risk management framework.
- 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.

26. 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.

26. 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.

26. 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 26(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			
2018	Before Reinsurance	%	After Reinsurance	%
$'000	**$**		**$**	
0 - 200	909,963,705	39	845,043,760	41
200 - 400	804,892,789	34	757,606,185	37
400 - 800	443,281,557	19	360,106,111	18
800 - 1000	66,480,749	3	33,608,100	2
More than 1,000	133,237,604	5	45,375,036	2
Total	2,357,856,404	100	2,041,739,192	100

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

Sagicor Life of the Cayman Islands Ltd.

Notes to the Financial Statements

31 December 2018

(expressed in United States dollars unless otherwise indicated)

26. 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**			
	Before	**%**	**After**	**%**
2018	**Reinsurance**		**Reinsurance**	
$'000	**$**		**$**	
0 - 200	232,655,030	84	157,754,138	86
200 - 400	31,053,453	11	18,252,109	10
400 - 800	7,096,899	3	4,492,874	2
800 - 1,000	-	-	-	-
More than 1,000	7,038,901	2	3,164,232	2
	277,844,283	100	183,663,353	100

Group Life Benefits Assured per Life	**Total Benefits Insured**			
	Before	**%**	**After**	**%**
2017	**Reinsurance**		**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

Sagicor Life of the Cayman Islands Ltd.

Notes to the Financial Statements

31 December 2018

(expressed in United States dollars unless otherwise indicated)

26. Insurance and Financial Risk Management (Continued)

(a) Insurance risk (continued)

Long term insurance contracts (continued)

(i) Frequency and severity of claims (continued)
The following tables for the 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**	
2018	**$**	**%**
$'000		
0 – 20	594,936	46
20 – 40	552,316	43
40 – 80	134,995	11
80 – 100	-	
More than 100	-	
Total	1,282,247	100

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

26. 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 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.

26. 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 15(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 26(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.

26. 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.

Insurance risk under disability contracts is also dependent on economic conditions in the industry. 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 26(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 15(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.

(expressed in United States dollars unless otherwise indicated)

26. 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 (2017 – US$500,000)
Life insurance contracts with groups	Retention per individual to a maximum of US$100,000 (2017 – US$100,000)
Group Accident & Disability contracts	Retention per individual to a maximum of US$50,000 (2017 – 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 15(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.

26. 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 2018 and 2017.

Sagicor Life of the Cayman Islands Ltd.

Notes to the Financial Statements

31 December 2018

(expressed in United States dollars unless otherwise indicated)

26. Insurance and Financial Risk Management (Continued)

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

	The Group						
	2018						
	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	3,922,862	-	-	-	-	1,320	3,924,182
Financial investments	-	7,559,723	6,734,955	4,418,452	92,384,007	18,047,392	129,144,529
Reinsurance contracts	-	-	-	-	-	1,234,773	1,234,773
Other assets	-	-	-	-	-	1,949,911	1,949,911
Non-financial assets:							
Other assets	-	-	-	-	-	174,702	174,702
Property, plant & equipment	-	-	-	-	-	4,689,620	4,689,620
Intangible assets	-	-	-	-	-	5,290,505	5,290,505
Total assets	3,922,862	7,559,723	6,734,955	4,418,452	92,384,007	31,388,223	146,408,222
Liabilities							
Financial liabilities:							
Other liabilities	-	-	-	-	-	2,365,369	2,365,369
Insurance contracts liabilities	-	323,086	1,097,222	8,509,753	42,313,295	418,236	52,661,592
Investment contracts liabilities	-	8,246,942	14,181,972	3,351,962	-	-	25,780,876
Other insurance liabilities	-	3,238,022	-	-	-	2,320,180	5,558,202
Total liabilities	-	11,808,050	15,279,194	11,861,715	42,313,295	5,103,785	86,366,039
On statement of financial position interest sensitivity gap	3,922,862	(4,248,327)	(8,544,239)	(7,443,263)	50,070,712	26,284,438	60,042,183
Cumulative interest sensitivity gap	3,922,862	(325,465)	(8,869,704)	(16,312,967)	33,757,745	60,042,183	

(expressed in United States dollars unless otherwise indicated)

26. 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	

Sagicor Life of the Cayman Islands Ltd.

Notes to the Financial Statements
31 December 2018
(expressed in United States dollars unless otherwise indicated)

26. Insurance and Financial Risk Management (Continued)

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

	The Company						
	2018						
	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	3,713,161	-	-	-	-	1,320	3,714,481
Financial investments	-	7,559,723	6,734,955	4,418,452	92,384,007	17,255,561	128,352,698
Reinsurance contracts	-	-	-	-	-	1,234,773	1,234,773
Other assets	-	-	-	-	-	1,965,833	1,965,833
Non-financial assets:							
Investment in subsidiary	-	-	-	-	-	300,000	300,000
Other assets	-	-	-	-	-	174,702	174,702
Property, plant & equipment	-	-	-	-	-	4,684,638	4,684,638
Intangible assets	-	-	-	-	-	4,994,295	4,994,295
Total assets	3,713,161	7,559,723	6,734,955	4,418,452	92,384,007	30,611,122	145,421,420
Liabilities							
Financial liabilities:							
Other liabilities	-	-	-	-	-	2,349,106	2,349,106
Insurance contracts liabilities	-	323,086	1,097,222	8,509,753	42,313,295	418,236	52,661,592
Investment contracts liabilities	-	8,246,942	14,181,972	3,351,962	-	-	25,780,876
Other insurance liabilities	-	3,238,022	-	-	-	2,320,180	5,558,202
Total liabilities	-	11,808,050	15,279,194	11,861,715	42,313,295	5,087,522	86,349,776
On statement of financial position interest sensitivity gap	3,713,161	(4,248,327)	(8,544,239)	(7,443,263)	50,070,712	25,523,600	59,071,644
Cumulative interest sensitivity gap	3,713,161	(535,166)	(9,079,405)	(16,522,668)	33,548,044	59,071,644	

Sagicor Life of the Cayman Islands Ltd.

Notes to the Financial Statements

31 December 2018

(expressed in United States dollars unless otherwise indicated)

26. 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	1,422,981	(3,026,783)	(4,910,541)	(2,285,867)	41,409,881	30,372,311	62,981,982
Cumulative interest sensitivity gap	1,422,981	(1,603,802)	(6,514,343)	(8,800,210)	32,609,671	62,981,982	

Sagicor Life of the Cayman Islands Ltd.

Notes to the Financial Statements
31 December 2018
(expressed in United States dollars unless otherwise indicated)

26. Insurance and Financial Risk Management (Continued)

(d) Credit risk

Credit risk exposure- financial investments subject to impairment

The following tables contain analyses of the credit risk exposure of financial investments for which an ECL allowance is recognized. The gross carrying amounts of investments below represent the Group's maximum exposure to credit risk on these assets.

The Group

Debt securities – amortised cost	ECL Staging Stage 1 12-month ECL	Stage 2 life-time ECL	Stage 3 life-time ECL	Purchased credit-impaired	Total	December 31, 2017 Total
	$000	$000	$000	$000	$000	$000
Credit grade:						
Investment	-	-	-	-	-	-
Non-investment	-	-	-	-	-	103
Watch	-	-	-	-	-	-
Default	-	-	-	-	-	-
Unrated	-	-	-	-	-	-
Gross carrying amount	-	-	-	-	-	103
Loss allowance	-	-	-	-	-	-
Carrying amount	-	-	-	-	-	103

The Company

Debt securities – amortised cost	ECL Staging Stage 1 12-month ECL	Stage 2 life-time ECL	Stage 3 life-time ECL	Purchased credit-impaired	Total	December 31, 2017 Total
	$000	$000	$000	$000	$000	$000
Credit grade:						
Investment	-	-	-	-	-	-
Non-investment	-	-	-	-	-	103
Watch	-	-	-	-	-	-
Default	-	-	-	-	-	-
Unrated	-	-	-	-	-	-
Gross carrying amount	-	-	-	-	-	103
Loss allowance	-	-	-	-	-	-
Carrying amount	-	-	-	-	-	103

Sagicor Life of the Cayman Islands Ltd.
Notes to the Financial Statements
31 December 2018
(expressed in United States dollars unless otherwise indicated)

26. Insurance and Financial Risk Management (Continued)

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

The Group

Mortgage loans – amortised cost	ECL Staging Stage 1 12-month ECL	Stage 2 life-time ECL	Stage 3 life-time ECL	Purchased credit-impaired	Total	December 31, 2017 Total
	$000	$000	$000	$000	$000	$000
Credit grade:						
Investment	-	-	-	-	-	-
Non-investment	58	-	-	-	58	58
Watch	-	-	-	-	-	-
Default	-	-	-	-	-	-
Gross carrying amount	58	-	-	-	58	58
Loss allowance						
Carrying amount	58	-	-	-	58	58

The Company

Mortgage loans – amortised cost	ECL Staging Stage 1 12-month ECL	Stage 2 life-time ECL	Stage 3 life-time ECL	Purchased credit-impaired	Total	December 31, 2017 Total
	$000	$000	$000	$000	$000	$000
Credit grade:						
Investment	-	-	-	-	-	-
Non-investment	58	-	-	-	58	58
Watch	-	-	-	-	-	-
Default	-	-	-	-	-	-
Gross carrying amount	58	-	-	-	58	58
Loss allowance						
Carrying amount	58	-	-	-	58	58

Sagicor Life of the Cayman Islands Ltd.
Notes to the Financial Statements
31 December 2018
(expressed in United States dollars unless otherwise indicated)

26. Insurance and Financial Risk Management (Continued)

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

The Group

Securities purchased for resale – amortised cost	ECL Staging Stage 1 12-month ECL	Stage 2 life-time ECL	Stage 3 life-time ECL	Purchased credit-impaired	Total	December 31, 2017 Total
	$000	$000	$000	$000	$000	$000
Credit grade:						
Non-investment	1,388	-	-	-	1,388	873
Gross carrying amount	1,388	-	-	-	1,388	873
Loss allowance	-	-	-	-	-	-
Carrying amount	1,388	-	-	-	1,388	873

The Company

Securities purchased for resale – amortised cost	ECL Staging Stage 1 12-month ECL	Stage 2 life-time ECL	Stage 3 life-time ECL	Purchased credit-impaired	Total	December 31, 2017 Total
	$000	$000	$000	$000	$000	$000
Credit grade:						
Non-investment	1,388	-	-	-	1,388	873
Gross carrying amount	1,388	-	-	-	1,388	873
Loss allowance	-	-	-	-	-	-
Carrying amount	1,388	-	-	-	1,388	873

Sagicor Life of the Cayman Islands Ltd.

Notes to the Financial Statements
31 December 2018
(expressed in United States dollars unless otherwise indicated)

26. Insurance and Financial Risk Management (Continued)

(d) Credit risk (continued)

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

The Group

Policy loans – amortised cost	ECL Staging Stage 1 12-month ECL	Stage 2 life-time ECL	Stage 3 life-time ECL	Purchased credit-impaired	Total	December 31, 2017 Total
	$000	$000	$000	$000	$000	$000
Credit grade:						
Investment	-	-	-	-	-	-
Unrated	4,976	-	-	-	4,976	5,234
Gross carrying amount	4,976	-	-	-	4,976	5,234
Loss allowance	-	-	-	-	-	-
Carrying amount	4,976	-	-	-	4,976	5,234

The Company

Policy loans – amortised cost	ECL Staging Stage 1 12-month ECL	Stage 2 life-time ECL	Stage 3 life-time ECL	Purchased credit-impaired	Total	December 31, 2017 Total
	$000	$000	$000	$000	$000	$000
Credit grade:						
Investment	-	-	-	-	-	-
Unrated	4,976	-	-	-	4,976	5,234
Gross carrying amount	4,976	-	-	-	4,976	5,234
Loss allowance	-	-	-	-	-	-
Carrying amount	4,976	-	-	-	4,976	5,234

Sagicor Life of the Cayman Islands Ltd.
Notes to the Financial Statements
31 December 2018
(expressed in United States dollars unless otherwise indicated)

26. Insurance and Financial Risk Management (Continued)

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

The Group

Deposits – amortised cost	ECL Staging Stage 1 12-month ECL	Stage 2 life-time ECL	Stage 3 life-time ECL	Purchased credit-impaired	Total	December 31, 2017 Total
	$000	$000	$000	$000	$000	$000
Credit grade:						
Investment	-	-	-	-	-	-
Non-investment	397	-	-	-	397	1,145
Watch	-	-	-	-	-	-
Unrated	-	-	-	-	-	-
Gross carrying amount	397	-	-	-	397	1,145
Loss allowance	-	-	-	-	-	-
Carrying amount	397	-	-	-	397	1,145

The Company

Deposits – amortised cost	ECL Staging Stage 1 12-month ECL	Stage 2 life-time ECL	Stage 3 life-time ECL	Purchased credit-impaired	Total	December 31, 2017 Total
	$000	$000	$000	$000	$000	$000
Credit grade:						
Investment	-	-	-	-	-	-
Non-investment	397	-	-	-	397	1,145
Watch	-	-	-	-	-	-
Unrated	-	-	-	-	-	-
Gross carrying amount	397	-	-	-	397	1,145
Loss allowance	-	-	-	-	-	-
Carrying amount	397	-	-	-	397	1,145

Sagicor Life of the Cayman Islands Ltd.

Notes to the Financial Statements
31 December 2018
(expressed in United States dollars unless otherwise indicated)

26. Insurance and Financial Risk Management (Continued)

(d) Credit risk (continued)

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

The Group

Debt securities – FVOCI	ECL Staging Stage 1 12-month ECL	Stage 2 life-time ECL	Stage 3 life-time ECL	Purchased credit-impaired	Total	December 31, 2017 Total
	$000	$000	$000	$000	$000	$000
Credit grade:						
Investment	92,447	-	-	-	92,447	78,112
Non-investment	5,996	12,077	110	-	18,183	22,582
Watch	-	-	-	-	-	-
Default	-	-	-	-	-	-
Unrated	-	-	-	-	-	-
Gross carrying amount	98,443	12,077	110	-	110,630	100,694
Loss allowance	(140)	(1,115)	(39)	-	(1,294)	-
Carrying amount	98,303	10,962	71	-	109,336	100,694

The Company

Debt securities – FVOCI	ECL Staging Stage 1 12-month ECL	Stage 2 life-time ECL	Stage 3 life-time ECL	Purchased credit-impaired	Total	December 31, 2017 Total
	$000	$000	$000	$000	$000	$000
Credit grade:						
Investment	92,447	-	-	-	92,447	78,112
Non-investment	5,996	12,077	110	-	18,183	22,582
Watch	-	-	-	-	-	-
Default	-	-	-	-	-	-
Unrated	-	-	-	-	-	-
Gross carrying amount	98,443	12,077	110	-	110,630	100,694
Loss allowance	(140)	(1,115)	(39)	-	(1,294)	-
Carrying amount	98,303	10,962	71	-	109,336	100,694

Sagicor Life of the Cayman Islands Ltd.

Notes to the Financial Statements
31 December 2018
(expressed in United States dollars unless otherwise indicated)

26. Insurance and Financial Risk Management (Continued)

(d) Credit risk (continued)

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

For financial investments measured at FVTPL under the unit-linked funds fair value model, the unit holders bear the credit risk and the Group has no direct credit exposure.

Maximum exposure to credit risk - Financial instruments not subject to impairment

	The Group and The Company Maximum exposure to credit risk
	$000
Financial assets designated at fair value	
Debt securities	7,670,279
Derivative financial instruments	-
Mortgage loans	-

Loss allowances

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

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

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

Sagicor Life of the Cayman Islands Ltd.

Notes to the Financial Statements
31 December 2018
(expressed in United States dollars unless otherwise indicated)

26. Insurance and Financial Risk Management (Continued)

(d) Credit risk (continued)

Loss allowances (continued)

	The Group				
	ECL staging				
	Stage 1	Stage 2	Stage 3	Purchased	
	12-month ECL	Lifetime ECL	Lifetime ECL	credit-impaired	Total
DEBT SECURITIES - FVOCI	**$000**	**$000**	**$000**	**$000**	**$000**
Loss Allowance as at January 01, 2018	**183**	**1,361**	**-**	**-**	**1,544**
Transfers:					
Transfer from Stage 1 to Stage 2	(6)	6	-	-	**-**
Transfer from Stage 1 to Stage 3	-	-	-	-	-
Transfer from Stage 2 to Stage 3	-	(8)	8	-	**-**
New financial assets originated or purchased	18	-	-	-	**18**
Financial assets fully derecognised during the period	(69)	(581)	-	-	**(650)**
Changes in models/assumptions used in ECL calculation	-	-	-	-	**-**
Changes to inputs used in ECL calculation	14	337	31	-	**382**
Foreign exchange adjustment	-	-	-	-	**-**
Loss Allowance as at December 31, 2018	**140**	**1,115**	**39**	**-**	**1,294**

	The Company				
	ECL staging				
	Stage 1	Stage 2	Stage 3	Purchased	
	12-month ECL	Lifetime ECL	Lifetime ECL	credit-impaired	Total
DEBT SECURITIES - FVOCI	**$000**	**$000**	**$000**	**$000**	**$000**
Loss Allowance as at January 01, 2018	**183**	**1,361**	**-**	**-**	**1,544**
Transfers:					
Transfer from Stage 1 to Stage 2	(6)	6	-	-	**-**
Transfer from Stage 1 to Stage 3	-	-	-	-	-
Transfer from Stage 2 to Stage 3	-	(8)	8	-	**-**
New financial assets originated or purchased	18	-	-	-	**18**
Financial assets fully derecognised during the period	(69)	(581)	-	-	**(650)**
Changes in models/assumptions used in ECL calculation	-	-	-	-	**-**
Changes to inputs used in ECL calculation	14	337	31	-	**382**
Foreign exchange adjustment	-	-	-	-	**-**
Loss Allowance as at December 31, 2018	**140**	**1,115**	**39**	**-**	**1,294**

Sagicor Life of the Cayman Islands Ltd.
Notes to the Financial Statements
31 December 2018
(expressed in United States dollars unless otherwise indicated)

26. Insurance and Financial Risk Management (Continued)

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

	The Group				
	ECL staging				
	Stage 1	Stage 2	Stage 3	Purchased	
	12-month ECL	Lifetime ECL	Lifetime ECL	credit-impaired	Total
DEBT SECURITIES – AMORTISED COST	**$000**	**$000**	**$000**	**$000**	**$000**
Loss Allowance as at January 01, 2018	-	-	-	-	-
Transfers:					
Transfer from Stage 1 to Stage 3	-	-	-	-	-
Transfer from Stage 2 to Stage 3	-	-	-	-	-
New financial assets originated or purchased	-	-	-	-	-
Financial assets fully derecognised during the period	-	-	-	-	-
Changes in models/assumptions used in ECL calculation	-	-	-	-	-
Changes to inputs used in ECL calculation	-	-	-	-	-
Foreign exchange adjustment	-	-	-	-	-
Loss Allowance as at December 31, 2018	-	-	-	-	-

	The Company				
	ECL staging				
	Stage 1	Stage 2	Stage 3	Purchased	
	12-month ECL	Lifetime ECL	Lifetime ECL	credit-impaired	Total
DEBT SECURITIES – AMORTISED COST	**$000**	**$000**	**$000**	**$000**	**$000**
Loss Allowance as at January 01, 2018	-	-	-	-	-
Transfers:					
Transfer from Stage 1 to Stage 3	-	-	-	-	-
Transfer from Stage 2 to Stage 3	-	-	-	-	-
New financial assets originated or purchased	-	-	-	-	-
Financial assets fully derecognised during the period	-	-	-	-	-
Changes in models/assumptions used in ECL calculation	-	-	-	-	-
Changes to inputs used in ECL calculation	-	-	-	-	-
Foreign exchange adjustment	-	-	-	-	-
Loss Allowance as at December 31, 2018	-	-	-	-	-

Sagicor Life of the Cayman Islands Ltd.

Notes to the Financial Statements
31 December 2018
(expressed in United States dollars unless otherwise indicated)

26. Insurance and Financial Risk Management (Continued)

(d) Credit risk (continued)

Loss allowances (continued)

	The Group				
	ECL staging				
	Stage 1	Stage 2	Stage 3	Purchased	
	12-month ECL	Lifetime ECL	Lifetime ECL	credit-impaired	Total
MORTGAGE LOANS – AMORTISED COST	**$000**	**$000**	**$000**	**$000**	**$000**
Loss Allowance as at January 01, 2018	-	-	-	-	-
Transfers:					
Transfer from Stage 1 to Stage 2	-	-	-	-	-
Transfer from Stage 1 to Stage 3	-	-	-	-	-
Transfer from Stage 2 to Stage 1	-	-	-	-	-
Transfer from Stage 2 to Stage 3	-	-	-	-	-
Transfer from Stage 3 to Stage 2	-	-	-	-	-
Transfer from Stage 3 to Stage 1	-	-	-	-	-
New financial assets originated or purchased	-	-	-	-	-
Financial assets fully derecognised during the period	-	-	-	-	-
Changes to inputs used in ECL calculation	-	-	-	-	-
Foreign exchange adjustments	-	-	-	-	-
Loss Allowance as at December 31, 2018	-	-	-	-	-

Sagicor Life of the Cayman Islands Ltd.

Notes to the Financial Statements
31 December 2018
(expressed in United States dollars unless otherwise indicated)

26. Insurance and Financial Risk Management (Continued)

(d) Credit risk (continued)

Loss allowances (continued)

	The Company				
	ECL staging				
	Stage 1	Stage 2	Stage 3	Purchased	
	12-month ECL	Lifetime ECL	Lifetime ECL	credit-impaired	Total
MORTGAGE LOANS – AMORTISED COST	**$000**	**$000**	**$000**	**$000**	**$000**
Loss Allowance as at January 01, 2018	-	-	-	-	-
Transfers:					
Transfer from Stage 1 to Stage 2	-	-	-	-	-
Transfer from Stage 1 to Stage 3	-	-	-	-	-
Transfer from Stage 2 to Stage 1	-	-	-	-	-
Transfer from Stage 2 to Stage 3	-	-	-	-	-
Transfer from Stage 3 to Stage 2	-	-	-	-	-
Transfer from Stage 3 to Stage 1	-	-	-	-	-
New financial assets originated or purchased	-	-	-	-	-
Financial assets fully derecognised during the period	-	-	-	-	-
Changes to inputs used in ECL calculation	-	-	-	-	-
Foreign exchange adjustments	-	-	-	-	-
Loss Allowance as at December 31, 2018	-	-	-	-	-

	The Group				
	ECL staging				
	Stage 1	Stage 2	Stage 3	Purchased	
	12-month ECL	Lifetime ECL	Lifetime ECL	credit-impaired	Total
POLICY LOANS - AMORTISED COST	**$000**	**$000**	**$000**	**$000**	**$000**
Gross carrying amount as at January 01, 2018	-	-	-	-	-
Transfers:					
New financial assets originated or purchased	-	-	-	-	-
Financial assets fully derecognised during the period	-	-	-	-	-
Changes in principle and interest	-	-	-	-	-
Foreign exchange adjustment	-	-	-	-	-
Gross carrying amount as at December 31, 2018	-	-	-	-	-

Sagicor Life of the Cayman Islands Ltd.

Notes to the Financial Statements

31 December 2018

(expressed in United States dollars unless otherwise indicated)

26. Insurance and Financial Risk Management (Continued)

(d) Credit risk (continued)

Loss allowances (continued)

	The Company				
	ECL staging				
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Purchased credit-impaired	Total
POLICY LOANS - AMORTISED COST	**$000**	**$000**	**$000**	**$000**	**$000**
Gross carrying amount as at January 01, 2018	-	-	-	-	-
Transfers:					
New financial assets originated or purchased	-	-	-	-	-
Financial assets fully derecognised during the period	-	-	-	-	-
Changes in principle and interest	-	-	-	-	-
Foreign exchange adjustment	-	-	-	-	-
Gross carrying amount as at December 31, 2018	-	-	-	-	-

	The Group				
	ECL staging				
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Purchased credit-impaired	Total
DEPOSITS - AMORTISED COST	**$000**	**$000**	**$000**	**$000**	**$000**
Loss Allowance as at January 01, 2018	-	-	-	-	-
New financial assets originated or purchased	-	-	-	-	-
Financial assets fully derecognised during the period	-	-	-	-	-
Changes to inputs used in ECL calculation	-	-	-	-	-
Foreign exchange adjustment	-	-	-	-	-
Loss Allowance as at December 31, 2018	-	-	-	-	-

Sagicor Life of the Cayman Islands Ltd.

Notes to the Financial Statements
31 December 2018
(expressed in United States dollars unless otherwise indicated)

26. Insurance and Financial Risk Management (Continued)

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

	The Company				
	ECL staging				
	Stage 1	Stage 2	Stage 3	Purchased	
	12-month ECL	Lifetime ECL	Lifetime ECL	credit-impaired	Total
DEPOSITS - AMORTISED COST	**$000**	**$000**	**$000**	**$000**	**$000**
Loss Allowance as at January 01, 2018	-	-	-	-	-
					-
New financial assets originated or purchased	-	-	-	-	-
Financial assets fully derecognised during the period	-	-	-	-	-
Changes to inputs used in ECL calculation	-	-	-	-	-
Foreign exchange adjustment	-	-	-	-	-
Loss Allowance as at December 31, 2018	-	-	-	-	-

Under IAS 39 there was a collective provision for financial assets recognised of Nil. Upon adoption of IFRS 9 as at January 1, 2018, an expected credit loss on assets in stage 1 and stage 2 replaced the IAS 39 collective provision.

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

At January 1, 2018

Economic variable assumptions

		2018	2019	2020
Unemployment rate	Base	4.15%	4.13%	4.50%
(USA)	Upside	4.23%	4.03%	4.15%
	Downside	4.55%	4.78%	5.00%
World GDP	Base	3.70%	3.70%	3.70%
	Upside	5.55%	5.55%	5.58%
	Downside	2.75%	2.75%	2.77%
WTI Oil Prices/10	Base	$5.94	$5.59	$5.34
	Upside	$9.52	$9.52	$9.52
	Downside	$1.96	$1.96	$1.96

Sagicor Life of the Cayman Islands Ltd.
Notes to the Financial Statements
31 December 2018
(expressed in United States dollars unless otherwise indicated)

26. Insurance and Financial Risk Management (Continued)

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

At December 31, 2018

Economic variable assumptions

		2018	2019	2020
Unemployment rate	Base	4.2%	4.3%	4.4%
(USA)	Upside	4%	4.2%	4.3%
	Downside	4.4%	4.7%	4.8%
World GDP	Base	3.7%	3.7%	3.6%
	Upside	5.4%	5.4%	5.4%
	Downside	2.76%	2.76%	2.68%
WTI Oil Prices/10	Base	$ 4.80	$5.05	$5.15
	Upside	$9.48	$9.48	$9.48
	Downside	$2.95	$3.10	$3.16

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

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

Sagicor Life of the Cayman Islands Ltd.

Notes to the Financial Statements
31 December 2018
(expressed in United States dollars unless otherwise indicated)

26. Insurance and Financial Risk Management (Continued)

(d) Credit risk (continued)

Loss allowances (continued)

SICR and IAS 1 critical estimated disclosure

SICR criteria *	Actual threshold applied	Change in threshold	ECL impact of Change in threshold
Investments	2-notch downgrade since origination	1-notch downgrade since origination	853,000

* See note 3.1 for full criteria for staging. The staging for lending products are primarily based on days past due with 30-day used as backstop, thus sensitivity analysis is not performed.

Loss Given Default	Actual value applied	Change in value	ECL impact of Increase in value	ECL impact of Decrease in value
Investments - Corporate Debts	52%	(- /+ 5) %	119,000	(119,000)
Investments - Sovereign Debts (excluding Government of Barbados and Government of Jamaica)	35%	(- /+ 5) %	2,000	(2,000)
Investments - Sovereign Debts (Government of Barbados)	36%	(- /+ 5) %	5,000	(5,000)
Investments - Sovereign Debts (Government of Jamaica)	15%	(- /+ 5) %	-	-

Weighting for downside scenario	Actual value applied	Change in value	ECL impact of Increase in value	ECL impact of Decrease in value
Investments - excluding Government of Barbados	10% (80% for base scenario and 10% for upside scenario)	(- /+ 5) % - keep the weighting for base scenario and adjust the weighting for upside scenario accordingly	15,000	(15,000)
Lending products	10% (80% for base scenario and 10% for upside scenario)	(- /+ 5) % - keep the weighting for base scenario and adjust the weighting for upside scenario accordingly	-	-

Sagicor Life of the Cayman Islands Ltd.

Notes to the Financial Statements
31 December 2018
(expressed in United States dollars unless otherwise indicated)

26. Insurance and Financial Risk Management (Continued)

(d) Credit risk (continued)

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

	The Group				
	ECL staging				
	Stage 1 12-month ECL	**Stage 2** Lifetime ECL	**Stage 3** Lifetime ECL	**Purchased** credit-impaired	**Total**
DEBT SECURITIES - FVOCI	**$000**	**$000**	**$000**	**$000**	**$000**
Gross carrying amount as at January 01, 2018	**86,374**	**14,422**	**-**	**-**	**100,796**
Transfers:					
Transfer from Stage 1 to Stage 2	(7,332)	7,332	-	-	**-**
Transfer from Stage 1 to Stage 3	-	-	-	-	**-**
Transfer from Stage 2 to Stage 3	-	(103)	103	-	**-**
New financial assets originated or purchased	42,397	-	-	-	**42,397**
Financial assets fully derecognised during the period	(16,610)	(5,653)	-	-	**(22,263)**
Changes in principle and interest	(6,386)	(3,921)	7	-	**(10,300)**
Foreign exchange adjustment	-	-	-	-	**-**
Gross carrying amount as at December 31, 2018	**98,443**	**12,077**	**110**	**-**	**110,630**

	The Company				
	ECL staging				
	Stage 1 12-month ECL	**Stage 2** Lifetime ECL	**Stage 3** Lifetime ECL	**Purchased** credit-impaired	**Total**
DEBT SECURITIES - FVOCI	**$000**	**$000**	**$000**	**$000**	**$000**
Gross carrying amount as at January 01, 2018	**86,374**	**14,422**	**-**	**-**	**100,796**
Transfers:					
Transfer from Stage 1 to Stage 2	(7,332)	7,332	-	-	**-**
Transfer from Stage 1 to Stage 3	-	-	-	-	**-**
Transfer from Stage 2 to Stage 3	-	(103)	103	-	**-**
New financial assets originated or purchased	42,397	-	-	-	**42,397**
Financial assets fully derecognised during the period	(16,610)	(5,653)	-	-	**(22,263)**
Changes in principle and interest	(6,386)	(3,921)	7	-	**(10,300)**
Foreign exchange adjustment	-	-	-	-	**-**
Gross carrying amount as at December 31, 2018	**98,443**	**12,077**	**110**	**-**	**110,630**

Sagicor Life of the Cayman Islands Ltd.

Notes to the Financial Statements

31 December 2018

(expressed in United States dollars unless otherwise indicated)

26. Insurance and Financial Risk Management (Continued)

(d) Credit risk (continued)

IFRS 9 carrying values (continued)

	The Group				
	ECL staging				
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Purchased credit-impaired	Total
DEBT SECURITIES - AMORTISED COST	**$000**	**$000**	**$000**	**$000**	**$000**
Gross carrying amount as at January 01, 2018	-	-	-	-	-
Transfers:					
Transfer from Stage 1 to Stage 3	-	-	-	-	-
Transfer from Stage 2 to Stage 3	-	-	-	-	-
New financial assets originated or purchased	-	-	-	-	-
Financial assets fully derecognised during the period	-	-	-	-	-
Changes in principal and interest	-	-	-	-	-
Foreign exchange adjustment	-	-	-	-	-
Gross carrying amount as at December 31, 2018	-	-	-	-	-

	The Company				
	ECL staging				
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Purchased credit-impaired	Total
DEBT SECURITIES - AMORTISED COST	**$000**	**$000**	**$000**	**$000**	**$000**
Gross carrying amount as at January 01, 2018	-	-	-	-	-
Transfers:					
Transfer from Stage 1 to Stage 3	-	-	-	-	-
Transfer from Stage 2 to Stage 3	-	-	-	-	-
New financial assets originated or purchased	-	-	-	-	-
Financial assets fully derecognised during the period	-	-	-	-	-
Changes in principal and interest	-	-	-	-	-
Foreign exchange adjustment	-	-	-	-	-
Gross carrying amount as at December 31, 2018	-	-	-	-	-

Sagicor Life of the Cayman Islands Ltd.

Notes to the Financial Statements

31 December 2018

(expressed in United States dollars unless otherwise indicated)

26. Insurance and Financial Risk Management (Continued)

(d) Credit risk (continued)

IFRS 9 carrying values (continued)

	The Group				
	ECL staging				
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Purchased credit-impaired	Total
MORTGAGE LOANS - AMORTISED COST	**$000**	**$000**	**$000**	**$000**	**$000**
Gross carrying amount as at January 01, 2018	**58**	**-**	**-**	**-**	**58**
Transfers:					
Transfer from Stage 1 to Stage 2	-	-	-	-	-
Transfer from Stage 1 to Stage 3	-	-	-	-	-
Transfer from Stage 2 to Stage 1	-	-	-	-	-
Transfer from Stage 2 to Stage 3	-	-	-	-	-
Transfer from Stage 3 to Stage 2	-	-	-	-	-
Transfer from Stage 3 to Stage 1	-	-	-	-	-
New financial assets originated or purchased	-	-	-	-	-
Financial assets fully derecognised during the period	-	-	-	-	-
Write-offs	-	-	-	-	-
Changes in principal and interest	-	-	-	-	-2
Foreign exchange adjustment	-	-	-	-	-
Gross carrying amount as at December 31, 2018	**58**	**-**	**-**	**-**	**58**

Sagicor Life of the Cayman Islands Ltd.

Notes to the Financial Statements
31 December 2018
(expressed in United States dollars unless otherwise indicated)

26. Insurance and Financial Risk Management (Continued)

(d) Credit risk (continued)

IFRS 9 carrying values (continued)

	The Company				
	ECL staging				
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Purchased credit-impaired	Total
MORTGAGE LOANS - AMORTISED COST	**$000**	**$000**	**$000**	**$000**	**$000**
Gross carrying amount as at January 01, 2018	**58**	**-**	**-**	**-**	**58**
Transfers:					
Transfer from Stage 1 to Stage 2	-	-	-	-	-
Transfer from Stage 1 to Stage 3	-	-	-	-	-
Transfer from Stage 2 to Stage 1	-	-	-	-	-
Transfer from Stage 2 to Stage 3	-	-	-	-	-
Transfer from Stage 3 to Stage 2	-	-	-	-	-
Transfer from Stage 3 to Stage 1	-	-	-	-	-
New financial assets originated or purchased	-	-	-	-	-
Financial assets fully derecognised during the period	-	-	-	-	-
Write-offs	-	-	-	-	-
Changes in principal and interest	-	-	-	-	-
Foreign exchange adjustment	-	-	-	-	-
Gross carrying amount as at December 31, 2018	**58**	**-**	**-**	**-**	**58**

	The Group				
	ECL staging				
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Purchased credit-impaired	Total
POLICY LOANS - AMORTISED COST	**$000**	**$000**	**$000**	**$000**	**$000**
Gross carrying amount as at January 01, 2018	**5,234**	**-**	**-**	**-**	**5,234**
Transfers:					
New financial assets originated or purchased	-	-	-	-	-
Financial assets fully derecognised during the period	-	-	-	-	-
Changes in principal and interest	(258)	-	-	-	(258)
Foreign exchange adjustment	-	-	-	-	-
Gross carrying amount as at December 31, 2018	**4,976**	**-**	**-**	**-**	**4,976**

Sagicor Life of the Cayman Islands Ltd.

Notes to the Financial Statements
31 December 2018
(expressed in United States dollars unless otherwise indicated)

26. Insurance and Financial Risk Management (Continued)

(d) Credit risk (continued)

IFRS 9 carrying values (continued)

	The Company				
	ECL staging				
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Purchased credit-impaired	Total
POLICY LOANS - AMORTISED COST	**$000**	**$000**	**$000**	**$000**	**$000**
Gross carrying amount as at January 01, 2018	**5,234**	**-**	**-**	**-**	**5,234**
Transfers:					
New financial assets originated or purchased	-	-	-	-	-
Financial assets fully derecognised during the period	-	-	-	-	-
Changes in principal and interest	(258)	-	-	-	(258)
Foreign exchange adjustment	-	-	-	-	-
Gross carrying amount as at December 31, 2018	**4,976**	**-**	**-**	**-**	**4,976**

	The Group				
	ECL staging				
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Purchased credit-impaired	Total
SECURITIES PURCHASED FOR RESALE - AMORTISED COST	**$000**	**$000**	**$000**	**$000**	**$000**
Gross carrying amount as at January 01, 2018	**873**	**-**	**-**	**-**	**873**
Net new financial assets originated or purchased	515	-	-	-	**515**
Foreign exchange adjustment	-	-	-	-	-
Gross carrying amount as at December 31, 2018	**1,388**	**-**	**-**	**-**	**1,388**

26. Insurance and Financial Risk Management (Continued)

(d) Credit risk (continued)

IFRS 9 carrying values (continued)

	The Company				
	ECL staging				
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Purchased credit-impaired	Total
SECURITIES PURCHASED FOR RESALE - AMORTISED COST	**$000**	**$000**	**$000**	**$000**	**$000**
Gross carrying amount as at January 01, 2018	**873**	**-**	**-**	**-**	**873**
Net new financial assets originated or purchased	515	-	-	-	**515**
Foreign exchange adjustment	-	-	-	-	-
Gross carrying amount as at December 31, 2018	**1,388**	**-**	**-**	**-**	**1,388**

	The Group				
	ECL staging				
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Purchased credit-impaired	Total
DEPOSITS - AMORTISED COST	**$000**	**$000**	**$000**	**$000**	**$000**
Gross carrying amount as at January 01, 2018	**1,145**	**-**	**-**	**-**	**1,145**
New financial assets originated or purchased	-	-	-	-	-
Financial assets fully derecognised during the period	-	-	-	-	-
Changes in principal and interest	**(748)**	**-**	**-**	**-**	**(748)**
Foreign exchange adjustment	-	-	-	-	-
Gross carrying amount as at December 31, 2018	**397**	**-**	**-**	**-**	**397**

26. Insurance and Financial Risk Management (Continued)

(d) Credit risk (continued)

IFRS 9 carrying values (continued)

	The Company				
	ECL staging				
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Purchased credit-impaired	Total
DEPOSITS - AMORTISED COST	**$000**	**$000**	**$000**	**$000**	**$000**
Gross carrying amount as at January 01, 2018	**1,145**	**-**	**-**	**-**	**1,145**
New financial assets originated or purchased	-	-	-	-	-
Financial assets fully derecognised during the period	-	-	-	-	-
Changes in principal and interest	(748)	-	-	-	(748)
Foreign exchange adjustment	-	-	-	-	-
Gross carrying amount as at December 31, 2018	**397**	**-**	**-**	**-**	**397**

Debt securities in default

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

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

On September 7, 2018 the GOB announced its debt restructuring program which is being done in conjunction with the economic recovery plan and an IMF programme.

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

Series C

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

26. Insurance and Financial Risk Management (Continued)

(d) Credit risk (continued)

Debt Securities in default (continued)

Series D

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

Series G

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

External Debt

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

Given this agreement and the short timeframe required for the restructuring to close subsequent to September 30, 2018 the Group applied a significant weighting to the probability of the current instruments being exchanged for the new instruments in determining the expected credit loss. The Group has also considered other scenarios, these however are considered unlikely and have not had a significant impact on the expected credit loss computed as at September 30, 2018. As the new instruments have not been issued, the determination of the expected fair value is based on models and an internally developed yield curve. As a result, the actual fair value that the Group will record on exchange may be different to the expected credit loss recorded at December 31.

Accordingly, an expected credit loss has been recognized in the consolidated income statement as follows:

	GOB Exposure	GOB Loss Allowances
	$000	$000
Balance as of December 31, 2018	110	39

(expressed in United States dollars unless otherwise indicated)

26. Insurance and Financial Risk Management (Continued)

(d) Credit risk (continued)

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, 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	**2017**
	$	**$**
Credit risk exposures relating to on statement of financial position assets are as follows:		
Financial institutions (excluding cash on hand)	2,726,273	2,567,764
Investment securities*	113,052,115	113,052,115
Reinsurance contracts	2,124,864	2,124,864
Other assets	2,799,561	2,825,253
	120,702,813	120,569,996

*excludes quoted and mutual fund equities**.**

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.

(expressed in United States dollars unless otherwise indicated)

26. Insurance and Financial Risk Management (Continued)

(d) Credit risk (continued)

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	**2017**
	$	**$**
Government of Jamaica securities	-	-
Other foreign government securities	9,881,188	9,881,188
Corporate bonds	95,349,179	95,349,179
Financial institutions	3,599,418	3,440,909
Mortgage loans	58,132	58,132
Policy loans	4,937,402	4,937,402
Other Assets	2,799,561	2,825,253
Reinsurance contracts	2,124,864	2,124,864
	118,749,744	118,616,927
Interest receivable	1,953,069	1,953,069
	120,702,813	120,569,996

Sagicor Life of the Cayman Islands Ltd.

Notes to the Financial Statements
31 December 2018
(expressed in United States dollars unless otherwise indicated)

26. 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	**2017**
	$	**$**
Debt securities:		
Government of Jamaica debt securities denominated in USD -		
Rated B by Standard & Poors	-	-
Jefferies Group bonds-		
Rated BBB- by Standards & Poors	5,324,784	5,324,784
AXA SA bonds-		
Rated BBB+ by Standards & Poors	-	-
Alcoa Inc bonds		
Rated BBB- by Standards & Poors	-	-
Petrobras International bonds -		
Rated B+ by Standard & Poors	-	-
Century Link Inc. bonds-		
Rated BB by Standard & Poors	-	-
Kinross Gold bonds-		
Rated BB+ by Standard & Poors	-	-
Southern Copper Corporation bonds -		
Rated BBB by Standard & Poors	-	-
Vale Overseas bonds -		
Rated BBB- by Standard & Poors	-	-
Odebrecht Finance bonds -		
Not Rated by Standard & Poors	-	-
Petroleum Company of Trinidad and Tobago Limited bonds -		
Rated BB by Standard & Poors	2,675,068	2,675,068
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

(expressed in United States dollars unless otherwise indicated)

26. 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	2017
	$	$
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	128,553
Sagicor Bank Jamaica Limited	250,295	250,295
Cayman National Bank	536,567	378,058
Reinsurance Assets:		
Swiss Re - rated A+ (superior) by A.M Best	1,963,351	1,963,351
Munich Re rated A+ (superior) by A.M. Best	161,512	161,512

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
	$
Financial investments:	
Less than one year	58,132

(expressed in United States dollars unless otherwise indicated)

26. Insurance and Financial Risk Management (Continued)

(d) Credit risk (continued)

Credit exposure (continued)

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
	$
Other assets	670,666
Financial investments	1,197,754
	1,868,420

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

Neither past due nor impaired

	The Group	The Company
	2017	**2017**
	$	**$**
Cash resources	1,581,490	1,422,981
Financial investments	114,138,766	114,138,766
Reinsurance contracts	2,124,864	2,124,864
Other assets	2,799,561	2,825,253
	120,644,681	120,511,864

26. 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 2018 and 2017.

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.

(expressed in United States dollars unless otherwise indicated)

26. 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 2018						
Due to banks and other financial institutions	-	-	-	-	-	-
Other liabilities	2,321,809	28,560	15,000	-	-	2,365,369
Insurance contracts liabilities	323,086	1,097,222	8,509,753	42,731,531	-	52,661,592
Investment contracts liabilities	8,246,946	14,181,972	3,351,958	-	-	25,780,876
Other insurance liabilities	3,238,022	2,320,180	-	-	-	5,558,202
Total undiscounted financial liabilities	14,129,863	17,627,934	11,876,711	42,731,531	-	86,366,039

	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						
Due to banks and other financial institutions	-	-	-	-	-	-
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

Sagicor Life of the Cayman Islands Ltd.
Notes to the Financial Statements
31 December 2018
(expressed in United States dollars unless otherwise indicated)

26. 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 2018						
Other liabilities	2,305,546	28,560	15,000	-	-	2,349,106
Insurance contracts liabilities	323,086	1,097,222	8,509,753	42,731,531	-	52,661,592
Investment contracts liabilities	8,246,946	14,181,972	3,351,958	-	-	25,780,876
Other insurance liabilities	3,238,022	2,320,180	-	-	-	5,558,202
Total undiscounted financial liabilities	14,113,600	17,627,934	11,876,711	42,731,531	-	86,349,776

	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

Sagicor Life of the Cayman Islands Ltd.
Notes to the Financial Statements
31 December 2018
(expressed in United States dollars unless otherwise indicated)

26. 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					
	2018					
	Within 3 Months	**3 to 12 Months**	**1 to 5 Years**	**Over 5 Years**	**No specific maturity**	**Total**
	$	**$**	**$**	**$**	**$**	**$**
Total assets	14,034,237	1,597,671	4,951,275	99,507,012	26,318,027	146,408,222
Total liabilities	14,129,863	17,627,934	11,876,711	42,731,531	-	86,366,039
On statement of financial position liability sensitivity gap	(95,626)	(16,030,263)	(6,925,436)	56,775,481	26,318,027	60,042,183
Cumulative liability sensitivity gap	(95,626)	(16,125,889)	(23,051,325)	33,274,156	60,042,183	
	2017					
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	

Sagicor Life of the Cayman Islands Ltd.

Notes to the Financial Statements

31 December 2018

(expressed in United States dollars unless otherwise indicated)

26. Insurance and Financial Risk Management (Continued)

(e) Liquidity risk (continued)

	The Company					
	2018					
	Within 3 Months	**3 to 12 Months**	**1 to 5 Years**	**Over 5 Years**	**No specific maturity**	**Total**
	$	**$**	**$**	**$**	**$**	**$**
Total assets	13,840,458	1,597,671	4,951,275	99,507,012	25,525,004	145,421,420
Total liabilities	14,113,600	17,627,934	11,876,711	42,731,531	-	86,349,776
On statement of financial position liability sensitivity gap	(273,142)	(16,030,263)	(6,925,436)	56,775,481	25,525,004	59,071,644
Cumulative liability sensitivity gap	(273,142)	(16,303,405)	(23,228,841)	33,546,640	59,071,644	
	2017					
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	

26. 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.

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.

Sagicor Life of the Cayman Islands Ltd.

Notes to the Financial Statements
31 December 2018
(expressed in United States dollars unless otherwise indicated)

26. Insurance and Financial Risk Management (Continued)

(f) Market risk (continued)

Currency risk (continued)

	The Group			
	2018			
	United States	Cayman Islands	Other	Total
	$	$	$	$
Assets				
Financial Assets:				
Cash resources	1,864,449	2,025,309	34,424	3,924,182
Financial investments	124,702,980	4,288,025	153,524	129,144,529
Reinsurance contracts	1,234,773	-	-	1,234,773
Other assets	1,314,323	634,771	817	1,949,911
Non-financial assets:				
Other assets	174,702	-	-	174,702
Property, plant and equipment	4,689,620	-	-	4,689,620
Intangible assets	5,290,505	-	-	5,290,505
Total assets	**139,271,352**	**6,948,105**	**188,765**	**146,408,222**
Liabilities				
Financial liabilities				
Other liabilities	2,181,861	179,756	3,752	2,365,369
Insurance contracts liabilities	27,554,001	24,131,530	976,061	52,661,592
Investment contracts liabilities	25,177,725	539,587	63,564	25,780,876
Other insurance liabilities	329,836	5,144,397	83,969	5,558,202
Total liabilities	**55,243,423**	**29,995,270**	**1,127,346**	**86,366,039**
Net exposure	**84,027,929**	**(23,047,165)**	**(938,581)**	**60,042,183**

Sagicor Life of the Cayman Islands Ltd.

Notes to the Financial Statements
31 December 2018
(expressed in United States dollars unless otherwise indicated)

26. 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

Sagicor Life of the Cayman Islands Ltd.

Notes to the Financial Statements

31 December 2018

(expressed in United States dollars unless otherwise indicated)

26. Insurance and Financial Risk Management (Continued)

(f) Market risk (continued)

Currency risk (continued)

	The Company			
	2018			
	United States $	Cayman Islands $	Other $	Total $
Assets				
Financial assets:				
Cash resources	1,654,748	2,025,309	34,424	3,714,481
Financial investments	123,911,149	4,288,025	153,524	128,352,698
Reinsurance contracts	1,234,773	-	-	1,234,773
Other assets	1,330,245	634,770	818	1,965,833
Non-financial assets:				
Investment in subsidiary	300,000	-	-	300,000
Other assets	174,702	-	-	174,702
Property, plant and equipment	4,684,638	-	-	4,684,638
Intangible assets	4,994,295	-	-	4,994,295
Total assets	**138,284,550**	**6,948,104**	**188,766**	**145,421,420**
Liabilities				
Financial liabilities				
Other liabilities	2,165,599	179,756	3,751	2,349,106
Insurance contracts liabilities	27,554,001	24,131,530	976,061	52,661,592
Investment contracts liabilities	25,177,725	539,586	63,565	25,780,876
Other insurance liabilities	329,836	5,144,397	83,969	5,558,202
Total liabilities	**55,227,161**	**29,995,269**	**1,127,346**	**86,349,776**
Net exposure	**83,057,389**	**(23,047,165)**	**(938,580)**	**59,071,644**

Sagicor Life of the Cayman Islands Ltd.

Notes to the Financial Statements

31 December 2018

(expressed in United States dollars unless otherwise indicated)

26. 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

27. Sensitivity Analysis

Actuarial liabilities comprise 62.69% (2017 – 65.38%) 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 15(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.

27. 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 2018 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 2018 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 2018 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 2018 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 2018 and for the next five years.

(vi) Level new business. New business planned for 2018 was maintained for the 5 year period. Overall, this scenario has no effect on the liabilities in 2018 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 2018 liabilities, but will produce favourable results over the next five years.

(expressed in United States dollars unless otherwise indicated)

27. 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 $52,661,592 (2017: $54,934,682) at year end date.

		The Group and The Company	
Variable	Change in Variable	2018 Change in Liability/ Equity	2017 Change in Liability/ Equity
		$	$
Worsening of mortality/morbidity	+3% for 5 yrs	4,647,766	3,915,615
Improvement in annuitant mortality	-3% for 5 yrs	270,146	271,649
Lowering of investment return	-0.5% for 10 yrs	10,172,063	7,543,048
Worsening of base renewal expense inflation rate	+5% for 5 yrs	267,282	234,394
Worsening of lapse rate	x2 or x0.5	4,097,980	3,832,775
Rising of investment return	+0.5% for 10 yrs	(9,007,426)	(9,616,067)

(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 2018	Carrying value	Effect of 20% change at 31 December 2017
	$	$	$	$
Unit Trust	791,880	158,376	778,007	155,601
Equity securities:				
Listed on US stock exchanges	14,815,226	2,963,045	18,455,121	3,691,024
Listed on Cayman and other stock exchanges	488,791	97,758	508,966	101,793
	15,304,017	3,060,803	18,964,087	3,792,817

Sagicor Life of the Cayman Islands Ltd.

Notes to the Financial Statements
31 December 2018
(expressed in United States dollars unless otherwise indicated)

27. 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					
	2018			2017		
	Balances Denominated in other than USD and CI	Effect of a 5% depreciation at 31 December 2018	Effect of a 15% appreciation at 31 December 2018	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
	$	$	$	$	$	$
Statement of financial position:						
Assets	188,765	(198,203)	160,450	216,167	(226,975)	183,742
Liabilities	(1,127,346)	1,183,713	(958,244)	(1,331,835)	1,398,427	(1,132,060)
Net position	(938,581)	985,510	(797,794)	(1,115,668)	1,171,452	(948,318)
Income statement:	-	-	-	-	-	-
Net income	-	(46,929)	140,787	-	(55,784)	167,350

(expressed in United States dollars unless otherwise indicated)

28. 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 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:

	2018	**2017**
	$	**$**
Shareholders' equity	60,042,183	63,850,737
Total capital resources	60,042,183	63,850,737

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$13,801,000 (2017 - $16,216,000) and available capital when expressed as a percentage of prescribed capital, was 398.9% (2017 – 363.0%).

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.

	2018	**2017**
Sagicor Life of the Cayman Islands Ltd.	278.26%	236.04%

29. 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 $30,645 (2017 - $24,076) for the company.

30. 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 33 with respect to regulatory findings in the Cayman Islands.

31. Dividends Declared and Paid

Dividends totaling $Nil was declared and paid during the year (2017 - $ NIL).

Sagicor Life of the Cayman Islands Ltd.

Notes to the Financial Statements

31 December 2018

(expressed in United States dollars unless otherwise indicated)

32. 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						
	2018						
				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	3,924,182	-	3,924,182	-	-	-	3,924,182
Financial investments	129,144,529	-	129,144,529	-	-	-	129,144,529
Other assets	1,949,911	-	1,949,911	-	-	-	1,949,911
	135,018,622	-	135,018,622	-	-	-	135,018,622
	2017						
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

Sagicor Life of the Cayman Islands Ltd.

Notes to the Financial Statements
31 December 2018
(expressed in United States dollars unless otherwise indicated)

32. Offsetting Financial Assets and Financial Liabilities (Continued)

(a) Financial assets (continued)

	The Company						
	2018						
				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	3,714,481	-	3,714,481	-	-	-	3,714,481
Financial investments	128,352,698	-	128,352,698	-	-	-	128,352,698
Other assets	1,965,833	-	1,965,833	-	-	-	1,965,833
	134,033,012	-	134,033,012	-	-	-	134,033,012
	2017						
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

Sagicor Life of the Cayman Islands Ltd.
Notes to the Financial Statements
31 December 2018
(expressed in United States dollars unless otherwise indicated)

32. Offsetting Financial Assets and Financial Liabilities (Continued)

(b) Financial liabilities

There were no financial liabilities subject to offsetting as at 31 December 2018.

The following financial liabilities were subjected to offsetting, enforceable master netting arrangements and similar agreements at 31 December 2017.

	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**
	$	**$**	**$**	**$**	**$**	**$**	**$**
LIABILITIES							
Due to banks and other financial institutions	-	-	-	-	-	-	-
	-	-	-	-	-	-	-

	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**
	$	**$**	**$**	**$**	**$**	**$**	**$**
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)	

33. 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, which were cleared and verified in 2018 and the Cease and Desist Order lifted.

34. Changes in accounting policies

The changes in accounting policies outlined in note 2 (a) which have resulted in changes in accounting policies and adjustments to the amounts previously recognised in the financial statements summarised in the following tables.

Consolidated Statement of Financial Position

	December 31, 2017 as originally presented	Transition adjustment- IFRS 9	As at January 1, 2018
	$'000	$'000	$'000
ASSETS			
Cash resources	1,582,810	-	1,582,810
Financial investments	133,938,992	-	133,938,992
Intangible assets	5,292,487	-	5,292,487
Property, plant and equipment	4,621,596	-	4,621,596
Reinsurance contracts	2,124,864	-	2,124,864
Other assets	2,968,678	-	2,968,678
Total Assets	**150,529,427**	-	**150,529,427**

34. Changes in accounting policies (continued)

Consolidated Statement of Financial Position (continued)

	December 31, 2017 as originally presented	Transition adjustment- IFRS 9	As at January 1, 2018
	$'000	$'000	$'000
SHAREHOLDER'S EQUITY AND LIABILITIES			
Shareholder's Equity Attributable to			
Shareholders of the Company			
Share capital	16,000,000	-	16,000,000
Investment and fair value reserves	(3,521,438)	(1,458,381)	(4,979,819)
Retained earnings	51,372,175	1,458,381	52,830,556
Total Equity	63,850,737	-	63,850,737
Liabilities			
Other Liabilities	2,649,466	-	2,649,466
Policyholders' Funds			
Insurance contracts liabilities	54,934,682	-	54,934,682
Investment contracts liabilities	23,224,324	-	23,224,324
Other insurance liabilities	5,870,218	-	5,870,218
	84,029,224	-	84,029,224
Total Liabilities	86,678,690	-	86,678,690
TOTAL EQUITY AND LIABILITIES	150,529,427	-	150,529,427

Sagicor Life of the Cayman Islands Ltd.

Notes to the Financial Statements
31 December 2018
(expressed in United States dollars unless otherwise indicated)

34. Changes in accounting policies (continued)

Consolidated Statement of Financial Position (continued)

	Retained earnings $'000
Balance as of December 31, 2017	51,372,175
Transition adjustments on adoption of IFRS 9:	
Reclassify investments from available-for-sale to FVTPL	920,266
Increase in provision for debt investments at amortised cost	-
Increase in provision for debt investments at FVOCI	538,115
Total transition adjustments	1,458,381
Balance as of January 1, 2018	52,830,556

Company Statement of Financial Position

	December 31, 2017 as originally presented $'000	Transition adjustment- IFRS 9 $'000	As at January 1, 2018 $'000
ASSETS:			
Cash resources	1,424,301	-	1,424,301
Financial investments	133,161,033	-	133,161,033
Investment in subsidiary	300,000	-	300,000
Intangible assets	4,996,277	-	4,996,277
Property, plant and equipment	4,614,363	-	4,614,363
Reinsurance contracts	2,124,864	-	2,124,864
Other assets	2,994,370	-	2,994,370
TOTAL ASSETS	149,615,208	-	149,615,208

Sagicor Life of the Cayman Islands Ltd.

Notes to the Financial Statements
31 December 2018
(expressed in United States dollars unless otherwise indicated)

34. Changes in accounting policies (continued)

Company Statement of Financial Position (continued)

	December 31, 2017 as originally presented	Transition adjustment-IFRS 9	As at January 1, 2018
	$'000	$'000	$'000
SHAREHOLDER'S EQUITY AND LIABILITIES			
Shareholder's Equity Attributable to			
Shareholders of the Company			
Share capital	16,000,000	-	16,000,000
Investment and fair value reserves	(3,521,438)	(1,458,381)	(4,979,819)
Retained earnings	50,503,420	1,458,381	51,961,801
Total Equity	62,981,982	-	62,981,982
Liabilities			
Other Liabilities	2,604,002	-	2,604,002
Policyholders' Funds			
Insurance contracts liabilities	54,934,682	-	54,934,682
Investment contracts liabilities	23,224,324	-	23,224,324
Other insurance liabilities	5,870,218	-	5,870,218
	84,029,224	-	84,029,224
Total Liabilities	86,633,226	-	86,633,226
TOTAL EQUITY AND LIABILITIES	149,615,208	-	149,615,208

Sagicor Life of the Cayman Islands Ltd.
Notes to the Financial Statements
31 December 2018
(expressed in United States dollars unless otherwise indicated)

34. Changes in accounting policies (continued)

Company Statement of Financial Position (continued)

	Retained earnings $'000
Balance as of December 31, 2017	50,503,420
Transition adjustments on adoption of IFRS 9:	
Reclassify investments from available-for-sale to FVTPL	920,266
Increase in provision for debt investments at amortised cost	-
Increase in provision for debt investments at FVOCI	538,115
Total transition adjustments	1,458,381
Balance as of January 1, 2018	51,961,801