



# 2021

Sagicor Group Jamaica

## Audited Financial Statements



Sagicor Group

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**Sagicor Group Jamaica Limited**

**Financial Statements  
31 December 2021**

# Sagicor Group Jamaica Limited

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31 December 2021

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## APPOINTED ACTUARY'S REPORT TO THE SHAREHOLDERS AND POLICYHOLDERS

I have valued the policy actuarial liabilities of Sagicor Life Jamaica Limited and Sagicor Life of the Cayman Islands Ltd. for the consolidated statement of financial position at 31 December 2021, and the change in the consolidated income statement for the year then ended, in accordance with accepted actuarial practice, including selection of appropriate assumptions and methods.

The valuations of the Sagicor Life Jamaica Limited and the Sagicor Life of the Cayman Islands Ltd. business were conducted using the Policy Premium Method assuming best-estimate assumptions together with margins for adverse deviations in accordance with the Actuarial Regulations, 2001. The valuation has been carried out in accordance with the International Financial Reporting Standard 4, Insurance Contracts and the results satisfy the liability adequacy tests as required by this standard. The valuation also complies with the Caribbean Actuarial Association's Practice Standards for Long-term Insurance Business (APS2) and for General Actuarial Practice (APS0).

In my opinion, the amount of the policy actuarial liabilities makes appropriate provision for all policyholder obligations and the financial statements fairly represent the results of the valuation.

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

25 FEBRUARY 2022

INSURANCE | INVESTMENTS | BANKING | REAL ESTATE | RETIREMENT

### DIRECTORS

Mr. Peter K. Melhado (Chairman) | Mr. Christopher W. Zacca, C.D., J.P. (President & CEO) | Mr. Peter Clarke | Mrs. Jacqueline Coke Lloyd J.P.  
Mr. Paul A.B. Facey | Mr. Stephen Facey, C.D. | Dr. Marjorie Fyffe Campbell | Mr. Paul Hanworth | Mr. Mahmood Khimji | Dr. Dodridge D. Miller  
Dr. Stephen McNamara, C.B.E | Dr. the Hon. R. Danny Williams O.J., C.D. | Mrs. Janice Grant Taffe (Company Secretary)



## Independent auditor's report

To the Members of Sagicor Group Jamaica Limited

### Report on the audit of the consolidated and stand-alone financial statements

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#### Our opinion

In our opinion, the consolidated financial statements and the stand-alone financial statements give a true and fair view of the consolidated financial position of Sagicor Group Jamaica Limited (the Company) and its subsidiaries (together 'the Group') and the stand-alone financial position of the Company as at 31 December 2021, and of 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 (IFRS) and with the requirements of the Jamaican Companies Act.

#### **What we have audited**

The Group's consolidated and stand-alone financial statements comprise:

- The Consolidated statement of financial position as at 31 December 2021;
- The Consolidated income statement for the year then ended;
- The Consolidated statement of comprehensive income for the year then ended;
- The Consolidated statement of changes in equity for the year then ended;
- The Consolidated statement of cash flows for the year then ended;
- The Company statement of financial position as at 31 December 2021;
- The Company statement of comprehensive income for the year then ended;
- The Company statement of changes in equity for the year then ended;
- The Company statement of cash flows for the year then ended; and
- The notes to the financial statements, which include significant accounting policies and other explanatory information.

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#### 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 Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code). We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

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### **Our audit approach**

#### ***Audit scope***

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated and stand-alone financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including, among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

#### ***How we tailored our group audit scope***

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industries in which the Group operates.

The context of our audit is set by the Group's major occurrences and business activities for 2021. It was noted that there was a slight improvement in the results of the operations and positive impacts on fair value gains on investments and recoverable amounts on certain of the Group's assets. There are no new Key Audit Matters (KAMs) this year.

We determined the scope of our audit by first considering the internal organisation of the Group and then identifying the components of the audit that have the most significant impact on the financial statements. The Group comprised 21 reporting components of which we selected 12, which represent the principal business units within the Group and are located in Jamaica, the Cayman Islands and Costa Rica. Full scope audits were performed for 9 components, while audits of one or more financial statements line items were performed for 3 components. The audit work performed covered 94% of the Group's total assets and 94% of total revenue. For one reporting component located in Jamaica we used a component auditor from a non-PwC firm, familiar with the local laws and regulations to perform this audit work. Throughout the audit we had regular meetings and correspondence with management and component auditor teams to follow up on progress of work for all components. The Group engagement team reviewed workpapers relating to the audit approach and findings of a sample of the component auditors.

The Group's businesses are organised into four primary business segments being Individual Lines, Employee Benefits, Commercial Banking, Investment Banking as well as Other. Geographically, the segments are Jamaica, Cayman Islands, United States of America and Other (Costa Rica and St. Lucia).

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#### ***Key audit matters***

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated and stand-alone financial statements of the current period. These matters were addressed in the context of our audit of the consolidated and stand-alone financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.



Key audit matter	How our audit addressed the key audit matter
<p><b><i>Actuarial methodologies and assumptions used in the valuation of life and health insurance contract liabilities and annuity insurance contracts (Group)</i></b>  <i>See notes 2 (q-r), 3 b (i) and 32 to the financial statements for disclosures of related accounting policies and balances.</i></p> <p>As at 31 December 2021, total reserves for life and health insurance and annuity contracts account for \$97.9 billion or 25% of total liabilities of the Group.</p> <p>We focused on this area as it involves significant judgement over uncertain future outcomes, mainly the ultimate total settlement value of long-term policyholder liabilities.</p> <p>Management considers the following as key inputs used to estimate life and health insurance contract liabilities:</p> <ul style="list-style-type: none"> <li>• Economic assumptions, such as investment return and associated discount rates, and</li> <li>• Operating assumptions such as mortality and persistency (including consideration of policyholder behaviour).</li> </ul> <p>Management uses qualified internal actuaries to assist in determining these assumptions and in valuing the actuarial liabilities. Management's experts did not make an explicit assumption for deaths related to COVID-19 as COVID-19 is deemed to be a shock event.</p>	<p>Our approach to addressing the matter, with the assistance of our actuarial expert, involved the following procedures, amongst others:</p> <ul style="list-style-type: none"> <li>• Updated our understanding for any changes impacting the assumptions, with a focus on mortality, contract lapses, investment return and associated discount rate, and operating expenses, all of which are based on entity experience or published industry studies.</li> <li>• Evaluated the methodologies and assumptions utilized by management's actuaries considering industry and component specific facts and circumstances.</li> <li>• Tested the policy master file for completeness and accuracy of the underlying data utilized by management as inputs to the actuarial valuation.</li> <li>• Tested a sample of contracts to assess whether contract features corresponded to the data file as part of our reliability of data tests.</li> <li>• Challenged management's assertion that COVID-19 is a shock event by examining the current mortality rate for COVID-19 and by considering perspectives on mortality improvements, based on medical advances as published.</li> </ul> <p>The results of our procedures indicated that significant estimates and assumptions used by management were not unreasonable, and that the methodologies used were actuarially established, accepted and appropriate in the circumstance and consistent with prior years.</p>



Key audit matter	How our audit addressed the key audit matter
<p><b>Valuation of claims payable and incurred but not reported (IBNR) claims for property &amp; casualty contracts (Group)</b>  <i>See notes 2 (q-r), 3 (b) (i) and 34 to the financial statements for management's disclosures of related accounting policies, judgements and estimates.</i></p> <p>As at 31 December 2021, total incurred but not reported reserves account for \$3.3 billion or 0.84% of total liabilities of the Group.</p> <p>The methodologies and assumptions utilized to develop IBNR reserves involve a significant degree of judgement.</p> <p>The liabilities are based on the best-estimate ultimate cost of all claims incurred but not settled at a given date, whether reported or not, together with the related claims handling costs. There is generally less information available in relation to these claims, which can result in variability between initial estimates and final settlement. A range of methods may be used to determine these provisions.</p> <p>We focused on this area because, underlying these methods are a number of explicit and implicit assumptions relating to the expected settlement amount and settlement patterns of claims and the values determined are subject to complex calculations.</p>	<p>Our approach to addressing the matter, with the assistance of our actuarial expert, involved the following procedures, amongst others:</p> <ul style="list-style-type: none"> <li>• We tested the completeness, accuracy and reliability of the underlying data utilized by management, and their external actuarial experts to support the actuarial valuation.</li> <li>• Tested a sample of claims payable by agreeing to supporting documents including claim adjudication results and approvals and assessors' reports.</li> <li>• Performed a methods and assumptions analysis of the actuarial valuation prepared by the Group's actuary.</li> <li>• Evaluated the assumptions used by management and assessed the methodologies used for appropriateness and consistency with established actuarial practice and methodologies used in the prior year.</li> </ul> <p>The results of our procedures indicated that significant estimates and assumptions used by management were not unreasonable, and that the methodologies used were actuarially established, accepted and appropriate in the circumstance and consistent with prior years.</p>



Key audit matter	How our audit addressed the key audit matter
<p><b>IFRS 9 'Financial Instruments' – Probabilities of Default, Forward Looking Assumptions &amp; Significant Increase in Credit Risk (Group)</b>  <i>See notes 2 (f), 3 (b) (iv), 8 and 10 to the financial statements for disclosures of related accounting policies, judgements, estimates and balances.</i></p> <p>As of 31 December 2021, loans and leases, net of provision for credit losses, totalled \$96.9 billion on the Group's consolidated statement of financial position. The Group's debt securities measured at fair value through other comprehensive income (FVTOCI) and investments measured at amortised cost, primarily consisting of debt securities, totalled \$284.7 billion. Overall, the above exposures represent 72% of total assets in aggregate. The impairment provision recorded under the IFRS 9 expected credit loss (ECL) model amounted to \$1.6 billion for loans and leases and \$0.61 billion for debt securities.</p> <p>The IFRS 9 ECL impairment model takes into account reasonable and supportable forward-looking information as well as probabilities of default (PDs).</p> <p>PDs represent the likelihood of a borrower defaulting on its obligation over the next twelve months or over the remaining lifetime of the obligation. The twelve month and the lifetime PDs are determined differently for loans and leases and debt securities.</p>	<p>Our approach to addressing the matter involved the following procedures, amongst others:</p> <ul style="list-style-type: none"> <li>• Updated our understanding of management's ECL model including any changes to source data and assumptions and tested the mathematical integrity of the model.</li> <li>• Evaluated the design and tested the operating effectiveness of the relevant controls for the forward looking information and SICR in the ECL determination by discussions with management, inspection of the evaluation, review and approval of key assumptions, judgements and forward-looking assumptions prior to them being incorporated within the ECL model.</li> <li>• Evaluated, with the assistance of our specialists, for both loans and leases and debt securities, the appropriateness of management's judgements pertaining to forward looking information, including macro-economic factors and the basis of the multiple economic scenarios used. We sensitised the various inputs and assumptions as part of our reasonableness tests.</li> <li>• Evaluated the reasonableness of management's judgements pertaining to PD, SICR and forward looking information, including macro-economic factors, impacting the weighting of the scenarios due to the impact of COVID-19.</li> </ul> <p>Loans and leases:</p> <ul style="list-style-type: none"> <li>• Tested the completeness and accuracy of the historical data used on a sample basis by agreeing the details of the customer payment profile to source documents.</li> <li>• Tested the staging of a sample of loans by reference to the number of days outstanding on the loan.</li> <li>• Tested the critical data fields used in the ECL model for the PD determination, such as default date, effective interest rate, write-off data, and loan type by tracing data back to source documents.</li> </ul>



Key audit matter	How our audit addressed the key audit matter
<p>For loans and leases, management-determined PDs are developed based on the Group's specific historical default rates for each industry classification. In performing historical analyses, management identified economic variables impacting credit risk and ECLs for each portfolio. Various scenarios were identified, and weightings assigned using macro-economic factors as well as management's experience and judgement.</p> <p>For debt securities, including sovereign and corporate investment securities, PDs are developed with reference to external data collated by Standard &amp; Poor's (S&amp;P) with specific adjustments for industry and country specific risks, where necessary.</p> <p>Management also performs scenario analyses to determine the impact of future economic conditions on PDs in the countries and industries where the Group holds debt securities. A macro-economic indicator is determined, which is statistically linked to the credit risk of the sovereign exposure and/or corporate exposure.</p> <p>We focused on this area because of the complexity of the techniques used to determine PDs and the number of significant judgements made by management regarding possible future economic scenarios.</p>	<p>Debt Securities:</p> <ul style="list-style-type: none"> <li>• Tested the reliability of source data used to determine the PD in the model by corroborating the data to external public information, where available.</li> <li>• Tested the critical data fields used in the ECL model for the PD determination, such as the credit rating and date of default if any, and type of debt security by tracing data back to source documents.</li> </ul> <p>SICR (Loans and leases and debt securities)</p> <ul style="list-style-type: none"> <li>• For debt securities only, tested, on a sample basis, the accuracy of the initial credit risk and the credit risk at the reporting date using rating agency definitions of 'investment grade' and evaluated the appropriateness of the Group stage migration applied to borrowers.</li> <li>• Performed an independent qualitative assessment for a sample of borrowers to determine whether there was any adverse public information affecting the criteria used to perform the staging.</li> </ul> <p>Changes to weighting scenarios for forward looking information:</p> <ul style="list-style-type: none"> <li>• Evaluated the reasonableness of the increase in the weighting used for the worst case scenario by agreeing the forward looking economic information to external sources published or pronounced by reputable third parties.</li> <li>• Sensitized the probability weightings used in the ECL calculation.</li> </ul> <p>The results of our procedures indicated that the assumptions used by management for determining the probabilities of default, significant increase in credit risk and forward looking information were not unreasonable.</p>



Key audit matter	How our audit addressed the key audit matter
<p><b>Goodwill impairment (Group)</b>  <i>See notes 2 (m) (i), 3 (b) (vi) and 17 to the financial statements for disclosures of related accounting policies, judgements, estimates and balances.</i></p> <p>The total carrying value of goodwill is \$3 billion or 0.6% of total assets as at 31 December 2021. The Group recorded a goodwill impairment charge of \$0.6 billion in arriving at net profit for the year ended 31 December 2021.</p> <p>Management performed goodwill impairment assessments using the Fair Value Less Costs to Sell approach (FVLCS) to derive the recoverable amount of the life insurance industry related Cash Generating Units (CGUs) and the Value-in-Use approach (VIU) to derive the recoverable amount for the non-life insurance industry related CGUs, as these are considered the higher value model in each of these components. The VIU approach is based on discounted cash flows and FVLCS is based on the capitalized earnings approach. In performing these assessments, management were assisted by valuation experts where required.</p> <p>We focused on this area as the determination of the carrying value of the goodwill requires management judgement and estimation, and the assessment remains sensitive to reasonably possible changes in key assumptions being:</p> <ul style="list-style-type: none"> <li>● earnings multiples (FVLCS method);</li> <li>● earnings growth rates (VIU method); and</li> <li>● discount rates (VIU method).</li> </ul>	<p>Our approach to addressing the matter involved the following procedures, amongst others:</p> <ul style="list-style-type: none"> <li>● Updated our understanding of management’s approaches to performing their annual impairment assessments. These were consistent with the prior year.</li> <li>● Evaluated management’s future cash flow forecasts and updated our understanding of the process by which they were developed. Compared previous forecasts to actual results to assess the performance of the business and the extent to which reliance can be placed on management’s ability to forecast. Confirmed that the forecasts used in the valuation models were consistent with the Board approved business plan, and that the key assumptions were subject to oversight from the Board of Directors.</li> <li>● Tested the assumptions (including the impact of COVID-19) and methodologies used, in particular those relating to the earnings multiple, earnings growth rate and discount rate as follows. We were assisted by our valuation experts in executing the procedures: <ul style="list-style-type: none"> <li>○ Evaluated these assumptions with reference to valuations and performance forecasts of similar companies;</li> <li>○ Determined the levels of reduction in average earnings and forecast cash flows that would be required to eliminate the existing headroom and show signs of impairment;</li> <li>○ Compared the key assumptions to externally derived data where available, including industry betas, equity and market risk premiums, risk free rates, macro-economic indicators and industry growth rates; and</li> <li>○ Applied sensitivities in evaluating the Directors’ assessment of the planned growth rate in cash flows.</li> </ul> </li> <li>● Tested the valuation model calculations for mathematical accuracy.</li> </ul> <p>Based on the work performed, management’s assumptions and recorded impairment charge were, in our view, not unreasonable.</p>



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### Other information

Management is responsible for the other information. The other information comprises the Annual Report (but does not include the consolidated and stand-alone financial statements and our auditor's report thereon), which is expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated and stand-alone financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated and stand-alone financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated and stand-alone financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read the Annual Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

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

Management is responsible for the preparation of the consolidated and stand-alone financial statements that give a true and fair view in accordance with IFRS and with the requirements of the Jamaican Companies Act, 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.

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

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

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



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

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated and stand-alone financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.



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### Report on other legal and regulatory requirements

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

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

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The engagement partner on the audit resulting in this independent auditor's report is Garfield Reece.

A handwritten signature in cursive script that reads 'PricewaterhouseCoopers'.

Chartered Accountants  
1 March 2022  
Kingston, Jamaica

# Sagicor Group Jamaica Limited

## Consolidated Statement of Financial Position

31 December 2021

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2021 \$'000	2020 \$'000
<b>ASSETS</b>			
Cash resources	6	23,383,971	21,852,129
Cash reserve at Central Bank	7	11,084,907	10,511,693
Financial investments	8	238,745,309	210,404,308
Premium due and unpaid	9	4,419,045	4,135,280
Loans and leases, after allowance for credit losses	10	96,889,917	91,161,436
Pledged assets	11	93,636,126	87,142,938
Investment properties	12	1,220,324	1,389,305
Investment in joint venture	13	1,329,797	683,234
Investment in associated company	15	-	15,844,876
Intangible assets	17	5,872,442	6,657,681
Property, plant and equipment	18	20,782,133	18,400,856
Right-of-use assets	44	2,155,117	2,488,231
Reinsurance contracts	34	3,689,080	3,400,819
Retirement benefit assets	19	472,179	1,187,248
Deferred income taxes	20	1,980,237	1,005,526
Taxation recoverable	21	4,186,609	2,438,233
Other assets	22	18,143,511	11,990,780
<b>TOTAL ASSETS</b>		<b>527,990,704</b>	<b>490,694,573</b>

The accompanying notes on pages 12 – 186 form an integral part of these financial statements.

# Sagicor Group Jamaica Limited

Consolidated Statement of Financial Position (Continued)

31 December 2021

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2021 \$'000	2020 \$'000
<b>STOCKHOLDERS' EQUITY AND LIABILITIES:</b>			
<b>Stockholders' Equity Attributable to:</b>			
<b>Stockholders' of the Company</b>			
Share capital	24	8,816,093	8,991,044
Other equity reserves	25	8,671,998	11,207,518
Capital redemption reserve		3,121,572	3,121,572
Special investment reserve		531,675	496,446
Loan loss reserve		(488,668)	(1,347,635)
Retained earnings reserve		5,327,140	4,565,904
Retained earnings		88,843,812	79,349,157
		114,823,622	106,384,006
<b>Non-Controlling Interests</b>	55	19,956,091	20,462,993
<b>Total Equity</b>		<b>134,779,713</b>	<b>126,846,999</b>
<b>Liabilities</b>			
Deposit and security liabilities	29	221,851,641	207,358,482
Loans payable	30	9,284,518	10,689,746
Deferred income taxes	20	2,169,101	2,493,349
Taxation payable		703,344	1,687,589
Retirement benefit obligations	19	5,780,581	3,706,366
Lease liabilities	44	2,521,790	2,780,860
Other liabilities	31	20,395,035	15,434,188
<b>Policyholders' Funds</b>			
Life and health insurance contracts liabilities	32	97,996,749	90,777,722
Investment contracts liabilities	33	19,356,485	17,430,421
Property and casualty insurance contracts and other policy liabilities	34	13,151,747	11,488,851
		130,504,981	119,696,994
<b>Total Liabilities</b>		<b>393,210,991</b>	<b>363,847,574</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>527,990,704</b>	<b>490,694,573</b>

Approved for issue by the Board of Directors on 25 February 2022 and signed on its behalf by:

  
Peter Melhado

Chairman

  
Christopher Zacca

Director

The accompanying notes on pages 12 – 186 form an integral part of these financial statements.

# Sagicor Group Jamaica Limited

## Consolidated Income Statement

Year ended 31 December 2021

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2021 \$'000	2020 \$'000
<b>Revenue:</b>			
Gross premium revenue	36	57,927,956	54,831,777
Insurance premium ceded to reinsurers	36	(5,143,366)	(4,452,618)
Net premium revenue	36	52,784,590	50,379,159
Interest income earned from financial assets measured at amortised cost and FVTOCI	37	23,720,382	22,749,903
Net gain on de-recognition of financial assets measured at amortised cost	37	3,292,396	1,172,382
Net gain on de-recognition of financial assets measured at FVTOCI	37	2,663,679	3,076,669
Income earned and capital net gains/(losses) from assets measured at FVTPL and other investment income	37	3,652,326	(2,022,302)
Investment income	37	33,328,783	24,976,652
Interest expense	37	(5,121,852)	(5,027,695)
Credit impairment losses	37/8	(245,288)	(1,694,349)
Net investment income	37	27,961,643	18,254,608
Hotel revenue	38	4,418,749	2,427,344
Fees and other income	39	17,395,697	13,511,711
Total revenue, net of reinsurance, interest expense and credit losses		102,560,679	84,572,822
<b>Benefits:</b>			
Insurance benefits incurred		36,429,580	34,068,218
Insurance benefits reinsured		(1,376,292)	(1,323,112)
Net insurance benefits	40	35,053,288	32,745,106
Net movement in actuarial liabilities	32(b)	4,279,198	(4,058,410)
<b>Expenses:</b>			
Administration expenses	41	24,421,497	21,794,562
Commissions and sales expenses	42	7,556,465	6,922,150
Hotel expenses	38	3,367,407	2,086,482
Depreciation and amortisation	17/18	2,719,286	2,870,006
Other taxes and levies	43(a)	830,767	746,827
		38,895,422	34,420,027
		<b>78,227,908</b>	<b>63,106,723</b>
Share of profit from joint venture	13	607,764	310,860
Impairment charge on Goodwill	17	(614,400)	(1,231,913)
Loss on disposal/dilution of interest in associate	15	(233,088)	(391,296)
Impairment loss on associate	15	-	(4,508,146)
Share of loss from associate	15	-	(5,467,297)
<b>Profit before Taxation</b>		<b>24,093,047</b>	<b>10,178,307</b>
Taxation	43(a)	(6,449,959)	(5,693,527)
<b>NET PROFIT</b>		<b>17,643,088</b>	<b>4,484,780</b>
<b>Attributable to:</b>			
Stockholders of the parent company	28/45	17,395,431	13,780,163
Non-controlling interests	55	247,657	(9,295,383)
		<b>17,643,088</b>	<b>4,484,780</b>
<b>Earnings per stock unit for profit attributable to the stockholders of the parent company during the year:</b>			
Basic and fully diluted	45	4.46	3.53

The accompanying notes on pages 12 – 186 form an integral part of these financial statements.

# Sagicor Group Jamaica Limited

## Consolidated Statement of Comprehensive Income

Year ended 31 December 2021

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2021 \$'000	2020 \$'000
<b>Net profit for the year</b>		<b>17,643,088</b>	<b>4,484,780</b>
<b>Other comprehensive income:</b>			
<b>Items that may be subsequently reclassified to profit or loss</b>			
Fair value reserve:			
Unrealised net (losses)/gains on securities designated as FVTOCI		(2,397,323)	6,367,726
Share of joint venture and associate unrealized gains/(losses) on securities designated as FVTOCI		32,733	(15,626)
		<u>(2,364,590)</u>	<u>6,352,100</u>
Currency translation -			
Currency translation of foreign subsidiaries		2,168,923	1,789,222
Currency translation of associate and joint venture		6,066	2,141,734
Retranslation of foreign operations recycled on sale/ dilution of associate		(2,534,160)	(74,042)
		<u>(359,171)</u>	<u>3,856,914</u>
Gains recycled to the income statement on sale and maturity of FVTOCI securities		(1,726,068)	(2,881,119)
Provision for expected credit losses on securities designated as FVTOCI		32,450	451,314
Expected credit losses recycled to the income statement on sale and maturity of FVTOCI securities		(539,455)	(39,103)
Change in actuarial liabilities recognised in other comprehensive income	32 (b)	121,612	(742,148)
Share of fair value losses on interest rate swap recycled on sale/dilution of associate company	15	526,436	24,237
Share of fair value losses on interest rate swap of associate company		-	(140,616)
		<u>(1,585,025)</u>	<u>(3,327,435)</u>
<b>Items that will not be subsequently reclassified to profit or loss</b>			
<b>Owner Occupied Property (OOP)</b>			
Unrealised gains/(losses) on OOP		1,745,785	(1,758,219)
Share of unrealised losses on OOP of associate and joint venture		-	(245,447)
		<u>1,745,785</u>	<u>(2,003,666)</u>
Unrealised (losses)/gains on FVTOCI equities			(21,144)
Re-measurements of retirement benefits obligations	19	(1,934,186)	73,122
Re-measurements of retirement benefits obligations of associate		-	(2,799)
Total other comprehensive income recognised directly in stockholders' equity, net of taxes		<u>(4,497,187)</u>	<u>4,927,092</u>
<b>Total Comprehensive Income</b>		<b><u>13,145,901</u></b>	<b><u>9,411,872</u></b>
<b>Attributable to:</b>			
Stockholders of the parent company		12,992,803	18,354,711
Non-controlling interests		153,098	(8,942,839)
		<u><b>13,145,901</b></u>	<u><b>9,411,872</b></u>

Items in the statement above are stated net of taxes. The income tax relating to each component of other comprehensive income is disclosed in Note 43(c).

The accompanying notes on pages 12 – 186 form an integral part of these financial statements.

**Sagicor Group Jamaica Limited**  
**Consolidated Statement of Changes in Equity**  
**Year ended 31 December 2021**  
(expressed in Jamaican dollars unless otherwise indicated)

Note	Share Capital	Equity Reserves (Note 25)	Capital Redemption Reserve	Special Investment Reserve	Loan Loss Reserve	Retained Earnings Reserve	Retained Earnings	Equity Owners' Total	Non-controlling Interests Total	Grand Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Balance as at January 1, 2021</b>	<b>8,991,044</b>	<b>11,207,518</b>	<b>3,121,572</b>	<b>496,446</b>	<b>(1,347,635)</b>	<b>4,565,904</b>	<b>79,349,157</b>	<b>106,384,006</b>	<b>20,462,993</b>	<b>126,846,999</b>
Profit for the year	-	-	-	-	-	-	17,395,431	17,395,431	247,657	17,643,088
Other comprehensive income, net of taxation	-	(2,518,114)	-	-	-	-	(1,884,514)	(4,402,628)	(94,559)	(4,497,187)
Total comprehensive income for the year	-	(2,518,114)	-	-	-	-	15,510,917	12,992,803	153,098	13,145,901
Transactions with owners -										
Employee stock option plan										
- value of services provided	25	31,122	-	-	-	-	-	31,122	-	31,122
- options exercised/expired	25	(20,768)	-	-	-	-	-	(20,768)	-	(20,768)
Dividends	27	-	-	-	-	-	(4,331,349)	(4,331,349)	(660,000)	(4,991,349)
Treasury shares	26	(174,951)	-	-	-	-	(57,241)	(232,192)	-	(232,192)
Total transactions with owners		10,354	-	-	-	-	(4,388,590)	(4,553,187)	(660,000)	(5,213,187)
Transfers between reserves -										
To special investment reserve	2(o)	-	-	35,229	-	-	(35,229)	-	-	-
To retained earnings	2(o)	(27,760)	-	-	-	-	27,760	-	-	-
From loan loss reserves		-	-	-	858,967	-	(858,967)	-	-	-
To retained earnings reserves		-	-	-	-	761,236	(761,236)	-	-	-
Total transfers between reserves		(27,760)	-	35,229	858,967	761,236	(1,627,672)	-	-	-
<b>Balance at December 31, 2021</b>	<b>8,816,093</b>	<b>8,671,998</b>	<b>3,121,572</b>	<b>531,675</b>	<b>(488,668)</b>	<b>5,327,140</b>	<b>88,843,812</b>	<b>114,823,622</b>	<b>19,956,091</b>	<b>134,779,713</b>

The accompanying notes on pages 12 – 186 form an integral part of these financial statements

# Sagicor Group Jamaica Limited

## Consolidated Statement of Changes in Equity

Year ended 31 December 2021

(expressed in Jamaican dollars unless otherwise indicated)

Note	Share Capital	Equity Reserves (Note 25)	Capital Redemption Reserve	Special Investment Reserve	Loan Loss Reserve	Retained Earnings Reserve	Retained Earnings	Equity Owners' Total	Non-controlling Interests Total	Grand Total	
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	
Balance as at January 1, 2020	8,848,274	6,886,530	3,121,572	463,413	(850,784)	3,949,667	68,832,882	91,251,554	29,672,714	120,924,268	
Profit for the year	-	-	-	-	-	-	13,780,163	13,780,163	(9,295,383)	4,484,780	
Other comprehensive income, net of taxation	-	4,462,563	-	-	-	-	111,985	4,574,548	352,544	4,927,092	
Total comprehensive income for the year	-	4,462,563	-	-	-	-	13,892,148	18,354,711	(8,942,839)	9,411,872	
Transactions with owners -											
Employee stock option plan											
- value of services provided	25	26,015	-	-	-	-	-	26,015	-	26,015	
- options exercised/expired	25	(8,210)	-	-	-	-	-	(8,210)	-	(8,210)	
Dividends	27	-	-	-	-	-	(3,304,558)	(3,304,558)	(251,549)	(3,556,107)	
Treasury shares	26	142,770	-	-	-	-	(78,276)	64,494	-	64,494	
Acquisition of Advantage General Insurance		-	-	-	-	-	-	-	(15,333)	(15,333)	
Total transactions with owners		142,770	17,805	-	-	-	(3,382,834)	(3,222,259)	(266,882)	(3,489,141)	
Transfers between reserves -											
To special investment reserve	2(o)	-	-	33,033	-	-	(33,033)	-	-	-	
To retained earnings	2(o)	-	(159,380)	-	-	-	159,380	-	-	-	
From loan loss reserves		-	-	-	(496,851)	-	496,851	-	-	-	
To retained earnings reserves		-	-	-	-	616,237	(616,237)	-	-	-	
Total transfers between reserves		-	(159,380)	33,033	(496,851)	616,237	6,961	-	-	-	
Balance at December 31, 2020		8,991,044	11,207,518	3,121,572	496,446	(1,347,635)	4,565,904	79,349,157	106,384,006	20,462,993	126,846,999

The accompanying notes on pages 12 – 186 form an integral part of these financial statement

# Sagicor Group Jamaica Limited

## Consolidated Statement of Cash Flows

Year ended 31 December 2021

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2021 \$'000	2020 \$'000
<b>Net profit</b>		<b>17,643,088</b>	<b>4,484,780</b>
Adjustments for:			
<b>Items not affecting cash and changes to policyholders' funds:</b>			
Adjustments to reconcile net profit to net cash provided by operating activities	46a	(27,358,676)	(12,941,826)
Interest and dividends received		25,639,706	24,863,848
Interest paid		(5,016,176)	(5,097,414)
Income and asset taxes paid		(7,875,003)	(5,128,554)
Net cash generated from operating activities		<b>3,032,939</b>	<b>6,180,834</b>
<b>Cash Flows from Investing Activities</b>			
Proceeds from disposal of associated company	15	13,604,064	-
Proceeds from disposal of Investment Property, net	12	193,381	1,641,079
Acquisition of Property, plant and equipment	46c	(496,745)	(1,041,576)
Proceeds from disposal of property, plant and equipment		-	137,542
Purchase of intangible assets, net	17	(390,564)	(308,160)
Net cash generated from investing activities		<b>12,910,136</b>	<b>428,885</b>
<b>Cash Flows from Financing Activities</b>			
Deposits and securities liabilities excluding structured products	46b	4,866,676	18,298,952
Loan payable		(2,065,939)	(4,340,055)
Finance lease repayment		(525,324)	(469,842)
(Purchase)/disposal of treasury shares, net		(232,192)	64,494
Dividend paid to minority interests		(660,000)	(251,549)
Dividends paid to stockholders	27	(4,331,349)	(562,930)
Net cash (used in) generated from financing activities		<b>(2,948,128)</b>	<b>12,739,070</b>
Effect of exchange rate on cash and cash equivalents		1,653,173	681,659
Increase in cash and cash equivalents		14,648,120	20,030,448
Cash and cash equivalents at beginning of year		37,235,976	<b>17,205,528</b>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	6	<b>51,884,096</b>	<b>37,235,976</b>

The accompanying notes on pages 12 – 186 form an integral part of these financial statements

# Sagicor Group Jamaica Limited

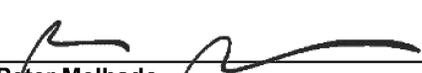
## Statement of Financial Position

31 December 2021

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2021 \$'000	2020 \$'000
<b>ASSETS:</b>			
Cash resources	6	431,177	233,623
Financial investments	8	902,992	676,120
Pledged assets	11	439,997	557,800
Investment in subsidiaries	16	71,860,326	72,444,299
Investment in joint venture	13	414,267	414,267
Intangible assets	17	143,383	228,453
Property, plant and equipment	18	95,304	144,289
Deferred income taxes	20	225,674	222,825
Taxation recoverable	21	58,329	51,539
Other assets	22	929,810	819,030
<b>TOTAL ASSETS</b>		<b>75,501,259</b>	<b>75,792,245</b>
<b>STOCKHOLDERS' EQUITY AND LIABILITIES:</b>			
<b>Stockholders' Equity Attributable to</b>			
<b>Stockholders' of the Company</b>			
Share capital	24	8,816,093	8,991,044
Equity reserves		28,413,677	28,300,910
Retained earnings		21,849,241	19,037,318
		59,079,011	56,329,272
<b>Liabilities:</b>			
Promissory notes	29	12,003,246	15,685,639
Other liabilities	31	4,419,002	3,777,334
<b>Total Liabilities</b>		<b>16,422,248</b>	<b>19,462,973</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>75,501,259</b>	<b>75,792,245</b>

Approved for issue by the Board of Directors on 25 February 2022 and signed on its behalf by:

 <hr/> Peter Melhado	Chairman	 <hr/> Christopher Zacca	Director
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The accompanying notes on pages 12 – 186 form an integral part of these financial statements

# Sagicor Group Jamaica Limited

## Company Statement of Comprehensive Income

Year ended 31 December 2021

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2021 \$'000	2020 \$'000
<b>Revenue:</b>			
Investment income	37	8,309,377	1,878,236
Interest and net investment expense	37	<u>(309,709)</u>	<u>(345,008)</u>
Net Investment Income	37	7,999,668	1,533,228
Management fees	39	43,215	226,275
Other income	39	<u>54,983</u>	<u>37,909</u>
Total revenue, net of interest and other investment expense		<b>8,097,866</b>	<b>1,797,412</b>
<b>Expenses:</b>			
Administration expenses	41	813,138	620,940
Depreciation	18	57,272	89,094
Amortisation of intangible assets	17	85,070	250,420
		<b>955,480</b>	<b>960,454</b>
<b>Profit before Taxation:</b>		7,142,386	836,958
Taxation	43(a)	<u>886</u>	<u>73,193</u>
<b>NET PROFIT</b>		<b>7,143,272</b>	<b>910,151</b>
<b>Other Comprehensive Income, net of taxes:</b>			
Unrealised gains on FVTOCI		<u>(5,872)</u>	<u>92</u>
<b>Total Comprehensive Income</b>		<b>7,137,400</b>	<b>910,243</b>

The accompanying notes on pages 12 – 186 form an integral part of these financial statements

# Sagicor Group Jamaica Limited

## Company Statement of Changes in Equity

Year ended 31 December 2021

(expressed in Jamaican dollars unless otherwise indicated)

	Note	Share Capital	Equity Reserves (Note 25)	Retained Earnings	Grand Total
		\$'000	\$'000	\$'000	\$'000
<b>Balance at 31 December 2019</b>		8,848,274	28,283,013	21,431,725	58,563,012
Profit for the year		-	-	910,151	910,151
Other comprehensive income, net of taxation		-	92	-	92
Total comprehensive income for the year		-	92	910,151	910,243
Dividends paid to owners of parent	27	-	-	(3,304,558)	(3,304,558)
Transfer of treasury shares	26	397,682	-	-	397,682
Purchase of treasury shares	26	(254,912)	-	-	(254,912)
Employee stock options		-	17,805	-	17,805
		142,770	17,805	(3,304,558)	(3,143,983)
<b>Balance at 31 December 2020</b>		8,991,044	28,300,910	19,037,318	56,329,272
Profit for the year		-	-	7,143,272	7,143,272
Other comprehensive income, net of taxation		-	(5,872)	-	(5,872)
Total comprehensive income for the year		-	(5,872)	7,143,272	7,137,400
Dividends paid to owners of parent	27	-	-	(4,331,349)	(4,331,349)
Transfer of treasury shares	26	208,827	-	-	208,827
Transfer to retained earnings			108,285		108,285
Purchase of treasury shares	26	(383,778)	-	-	(383,778)
Employee stock options	26	-	10,354	-	10,354
		(174,951)	112,767	2,811,923	2,749,739
<b>Balance at 31 December 2021</b>		<b>8,816,093</b>	<b>28,413,677</b>	<b>21,849,241</b>	<b>59,079,011</b>

The accompanying notes on pages 12 – 186 form an integral part of these financial statements

# Sagicor Group Jamaica Limited

## Company Statement of Cash Flows

Year ended 31 December 2021

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2021 \$'000	2020 \$'000
<b>Net profit</b>		<b>7,143,272</b>	<b>910,151</b>
Adjustments for:			
<b>Items not affecting cash and changes to policyholders' funds:</b>			
Adjustments to reconcile net profit to net cash provided by operating activities	46	(7,702,417)	(1,859,273)
Interest and dividend received		8,305,015	1,872,489
Interest paid		(297,306)	(28,378)
Net cash generated from operating activities		<u><b>7,448,564</b></u>	<u><b>894,989</b></u>
<b>Cash Flows from Investing Activities</b>			
Acquisition of property, plant and equipment	18	(8,375)	(22,434)
Cash received on reorganisation		14,370	-
Purchase of intangible assets	18	-	(24,989)
Net cash generated from/(used in) investing activities		<u><b>5,995</b></u>	<u><b>(47,423)</b></u>
<b>Cash Flows from Financing Activities</b>			
Securities liabilities		(3,023,377)	-
(Purchase)/disposal of treasury shares		(174,951)	142,767
Dividends paid to stockholders	32	(4,331,349)	(562,930)
Net cash used in financing activities		<u><b>(7,529,677)</b></u>	<u><b>(420,163)</b></u>
Effect of exchange rate on cash and cash equivalents		-	6,459
(decrease)/Increase in cash and cash equivalents		(75,118)	433,862
Cash and cash equivalents at beginning of year		<u><b>849,257</b></u>	<u><b>415,395</b></u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b>6</b>	<u><b>774,139</b></u>	<u><b>849,257</b></u>

The accompanying notes on pages 12 – 186 form an integral part of these financial statements

# Sagicor Group Jamaica Limited

## Notes to the Financial Statements

31 December 2021

(expressed in Jamaican dollars unless otherwise indicated)

### 1. Identification and Principal Activities

- (a) Sagicor Group Jamaica Limited (SGJ, the company) is incorporated and domiciled in Jamaica and is listed on the Jamaica Stock Exchange. It is 32.45% (2020 – 32.45%) owned by LOJ Holdings Limited (LOJH) which is also incorporated and domiciled in Jamaica and 16.66% owned by Sagicor Life Inc. (SLI) which is domiciled in Barbados. Both LOJH and SLI are wholly owned by Sagicor Financial Company Limited (Sagicor), the ultimate parent company, which is incorporated and domiciled in Bermuda. Sagicor has an overall interest of 49.11% (2020 – 49.11%) in the company. The other significant shareholder in SGJ is PanJam Investment Limited with a 30.21% (2020 – 30.22%) holding.

The registered office of the company is located at 28 - 48 Barbados Avenue, Kingston 5, Jamaica.

- (b) The company, its subsidiaries, joint venture and associate all have co-terminous year ends. The company's subsidiaries, joint venture and associate, which together with the company are referred to as "the Group", are as follows:

Subsidiaries, Joint Venture and Associate	Principal Activities	Incorporated In	Holdings
• Sagicor Life Jamaica Limited	Life insurance, health insurance annuities, retirement products, pension administration and investment services	Jamaica	100%
• Bailey Williams Limited	Real estate development	Jamaica	70%
• Sagicor Investments Jamaica Limited	Investment banking	Jamaica	100%
• Phoenix Equity Holdings Limited	Holding Company	Barbados	100%
• Advantage General Insurance Company Limited	General insurance	Jamaica	60%
• Sagicor Bank Jamaica Limited	Commercial banking	Jamaica	100%
• Grupo Sagicor G.S., G.A. and subsidiary	Group insurance and general insurance	Costa Rica	50%
• Sagicor Re Insurance Ltd.	Property and casualty insurance (captive)	Grand Cayman	100%
• Employee Benefits Administrator Limited	Pension administration services	Jamaica	100%
• Sagicor Property Services Limited	Property management, real estate sales and rentals	Jamaica	100%
• Sagicor Pooled Investment Funds Limited	Pension fund management	Jamaica	100%
• Sagicor Insurance Brokers Limited	Insurance brokerage	Jamaica	100%
• Sagicor International Administrators Limited	Group insurance administration	Jamaica	100%
• Sagicor Real Estate X Fund Limited (i)	Real estate investment	St. Lucia	29.31%
• X Fund Properties Limited	Hospitality and real estate investment	Jamaica	100%
• X Fund Properties LLC	Hospitality	USA	100%
• Jamziv MoBay Jamaica Portfolio Limited (JAMZIV)	Holding Company	Jamaica	60.81%
• Travel Cash Jamaica Limited	Microfinance	Jamaica	51%
• Sagicor Cayman Limited	Holding Company	Grand Cayman	100%
• Sagicor Investments (Cayman) Ltd.	Investment banking	Grand Cayman	100%
• Sagicor Life of the Cayman Islands Ltd.	Life insurance	Grand Cayman	100%
• Sagicor Insurance Managers Limited	Captives management	Grand Cayman	100%

- (i) Sagicor Real Estate X Fund Limited owns 51.86% of Jamziv Montego Bay Portfolio Jamaica Limited, (Jamziv Jamaica Limited) and X Fund Properties Limited owns 8.95%. Together Sagicor X Fund Group owns 60.81% of Jamziv Jamaica Limited, which in turn held 14.87% of Playa which was subsequently fully disposed of in January 2021.

- (ii) Sagicor Securities Jamaica Limited, a wholly owned subsidiary of Sagicor Group Jamaica Limited was wound up on May 1, 2021. Refer to note 16.

All other shareholdings remained the same as prior year.

# Sagicor Group Jamaica Limited

## Notes to the Financial Statements

31 December 2021

(expressed in Jamaican dollars unless otherwise indicated)

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### 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 to companies reporting under IFRS and have been prepared under the historical cost convention as modified by the revaluation of fair value through other comprehensive income (FVTOCI) 'securities, derivatives, investment property, certain property, plant and equipment, defined benefit pension plans where plan assets are measured at fair value and financial assets and liabilities at fair value through profit or loss (FVTPL).

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 action, 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.

#### ***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.

***Amendment to IFRS 16, 'Leases' – Covid-19 related rent concessions***, (effective for annual periods beginning on or after 1 June 2020). As a result of the coronavirus (COVID-19) pandemic, rent concessions have been granted to lessees. Such concessions might take a variety of forms, including payment holidays and deferral of lease payments. On 28 May 2020, the IASB published an amendment to IFRS 16 that provides an optional practical expedient for lessees from assessing whether a rent concession related to COVID-19 is a lease modification. Lessees can elect to account for such rent concessions in the same way as they would if they were not lease modifications. In many cases, this will result in accounting for the concession as variable lease payments in the period(s) in which the event or condition that triggers the reduced payment occurs. There was no impact to the Group on adoption of this amendment.

# Sagicor Group Jamaica Limited

## Notes to the Financial Statements

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(expressed in Jamaican dollars unless otherwise indicated)

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### 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***

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

IFRS 17 requires a number of key changes compared with current accounting policies for insurance. Under IFRS 17 the estimated future profit will be included in the measurement of the insurance contract liability as the contractual service margin ('CSM') and this will be gradually recognised in revenue as services are provided over the duration of the insurance contract. Directly attributable costs will be incorporated in the CSM and, as recognised, will be presented as a deduction to reported revenue. This will result in a reduction in reported operating expenses. While the profit over the life of an individual contract will be largely unchanged, its emergence will be later under IFRS 17. IFRS 17 requires the increased use of current market values in the measurement of insurance assets and liabilities. Additionally, the treatment of the CSM liability will reduce both tangible and overall equity, however the Group expects that the CSM will be considered as equity for the purposes of measuring regulatory solvency.

The Group is in the process of implementing IFRS 17, and industry practice and interpretation of the standard continue to develop. Additionally, the impact on the forecast future returns of the Group's insurance business is dependent on the growth, duration and composition of the insurance contract portfolio. Therefore, the likely financial impact of this implementation remains uncertain.

***Amendments to IAS 1, Presentation of financial statements on classification of liabilities***, (effective for annual periods beginning on or after 1 January 2022). These narrow-scope amendments to IAS 1, 'Presentation of financial statements', clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date (for example, the receipt of a waiver or a breach of covenant). The amendment also clarifies what IAS 1 means when it refers to the 'settlement' of a liability. The Group is currently assessing the impact of future adoption of the new standard on its financial statements.

***A number of narrow-scope amendments to IFRS 3, IAS 16, IAS 17 and some annual improvements on IFRS 1, IFRS 9, IAS 41 and IFRS 16***, (effective for annual periods beginning on or after 1 January 2022). Amendments to IFRS 3, 'Business combinations' update a reference in IFRS 3 to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations. Amendments to IAS 16, 'Property, plant and equipment' prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognise such sales proceeds and related cost in the income statement. Amendments to IAS 37, 'Provisions, contingent liabilities and contingent assets' specify which costs a company includes when assessing whether a contract will be loss-making. Annual improvements make minor amendments to IFRS 1, 'First-time Adoption of IFRS', IFRS 9, 'Financial instruments', IAS 41, 'Agriculture' and the Illustrative Examples accompanying IFRS 16, 'Leases'. The Group is currently assessing the impact of future adoption of the new standard on its financial statements.

# Sagicor Group Jamaica Limited

Notes to the Financial Statements

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(expressed in Jamaican dollars unless otherwise indicated)

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## 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)*

***Narrow scope amendments to IAS 1, Practice statement 2 and IAS 8, (effective for annual periods beginning on or after 1 January 2023)***. The amendments aim to improve accounting policy disclosures and to help users of the financial statements to distinguish between changes in accounting estimates and changes in accounting policies. There will be no impact to the Group on adoption of this amendment.

***Amendment to IAS 12 – Deferred tax related to assets and liabilities arising from a single transaction, (effective for annual periods beginning on or after 1 January 2023)***. These amendments require companies to recognise deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences. The Group is currently assessing the impact of future adoption of the amendment on its financial statements.

***Amendment to IFRS 16, 'Leases' – COVID-19 related rent concessions Extension of the practical expedient, (effective for annual periods beginning on or after 1 April 2021)***. On 31 March 2021, the IASB published an additional amendment to extend the date of the practical expedient from 30 June 2021 to 30 June 2022. Lessees can elect to account for such rent concessions in the same way as they would if they were not lease modifications. In many cases, this will result in accounting for the concession as variable lease payments in the period(s) in which the event or condition that triggers the reduced payment occurs. There will be no impact to the Company on adoption of this amendment.

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.

# Sagicor Group Jamaica Limited

## Notes to the Financial Statements

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(expressed in Jamaican dollars unless otherwise indicated)

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### 2. Summary of Significant Accounting Policies (Continued)

#### (b) Basis of consolidation

##### Subsidiaries

Subsidiaries are entities over which the Group has control. The Group has control over an entity when the Group is exposed to the variable returns from its ownership interest in the entity and when the Group can affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group, and subsidiaries are de-consolidated from the date on which 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 is 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 non-controlling interest. Acquisition-related costs are expensed as incurred.

The excess of the cost of the acquisition, the non-controlling interest recognised and the fair value of any previously held equity interest in the acquiree, over the fair value of the net identifiable assets acquired is recorded as goodwill. If there is no excess and there is a shortfall, the Group reassesses the net identifiable assets acquired. If after reassessment, a shortfall remains, the acquisition is deemed to be a bargain purchase and the shortfall is recognised in income as a gain on acquisition (negative goodwill). Any non-controlling interest balances represent the equity in a subsidiary not attributable to the Group's interests.

On an acquisition by acquisition basis, the Group recognises at the date of acquisition the components of any non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's net identifiable assets. The latter option is only available if the non-controlling interest component is entitled to a proportionate share of net identifiable assets of the acquiree in the event of liquidation.

Non-controlling interest balances are increased/decreased by the non-controlling interest's proportionate share of changes in equity after the date of acquisition. Investments in subsidiaries are stated in the company's financial statements at cost less impairment.

#### (i) Change in ownership interests in subsidiaries without change in control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions that is, as transactions with owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

#### (ii) Associates and Joint Ventures

The investments in associated companies where significant influence exists, are included in these consolidated financial statements under the equity method of accounting. Investments in associated companies and joint ventures are originally recorded at cost and include intangible assets identified on acquisition. The Group recognises in income its share of associate and joint venture companies' post acquisition income and its share of the amortisation and impairment of intangible assets which were identified on acquisition. Unrealised gains or losses on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. The Group recognises in other comprehensive income, its share of post acquisition other comprehensive income.

# Sagicor Group Jamaica Limited

## Notes to the Financial Statements

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(expressed in Jamaican dollars unless otherwise indicated)

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### 2. Summary of Significant Accounting Policies (Continued)

#### (b) Basis of consolidation (continued)

##### (iii) Pension and investment funds

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

The Group also manages a number of segregated pension funds, mutual funds and unit trusts. These funds are segregated and investment returns on these accrue directly to the unit-holders. The assets, liabilities and activity of these funds are not included in these consolidated financial statements unless the Group is acting as principal and has significant exposure to variable returns.

##### (iv) Employees share ownership plans (ESOP)

The Group operates two ESOP Trusts which acquire SGJ shares on the open market. The Trusts hold the shares on behalf of employees. Until transfer to employees, shares held by the Trusts are accounted for as treasury shares. All dividends received by the Trusts are applied towards the future purchase of Sagicor Group Jamaica Limited shares.

#### (c) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker is the Group's President and CEO.

#### (d) Foreign currency translation

##### (i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). These financial statements are presented in Jamaican dollars, which is the company's functional currency.

##### (ii) Transactions and balances

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

Monetary items denominated in foreign currency are translated with the closing rate as at the reporting date. Non-monetary items measured at historical cost denominated in a foreign currency are translated with the exchange rate as at the date of initial recognition; non-monetary financial instruments 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 of monetary assets and liabilities denominated in foreign currencies at year-end exchange rates, are recognised in the income statement, except when deferred in equity as gains or losses from qualifying cash flow hedging instruments and when part of shadow accounting. Foreign exchange gains and losses on other comprehensive income items are presented in other comprehensive income within the corresponding item.

Changes in the fair value of monetary securities denominated in foreign currency classified as FVTOCI are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in amortised cost are recognised in the income statement, and other changes in the carrying amount are recognised in other comprehensive income. Translation differences on non-monetary financial instruments, such as equities held at FVTPL, are reported as part of the fair value gain or loss. Translation differences on non-monetary financial instruments, such as equities classified as FVTOCI financial assets, are included in the fair value reserve in other comprehensive income.

# Sagicor Group Jamaica Limited

## Notes to the Financial Statements

31 December 2021

(expressed in Jamaican dollars unless otherwise indicated)

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### 2. Summary of Significant Accounting Policies (Continued)

#### (d) Foreign currency translation (continued)

##### (iii) Group companies

The results and financial position of all the Group entities that have a functional currency different from the presentation currency of the Group are translated into the presentation currency as follows:

- Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position; income and expenses for each income statement are translated at average exchange rates; and
- All resulting exchange differences are recognised as a separate component of stockholders' equity in the currency translation reserve.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations is taken to stockholders' equity. When a foreign operation is sold, such exchange differences are recognised in the income statement as part of the gain or loss on sale. Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

#### (e) Cash and cash equivalents

For the purposes of the statement of cash flow, cash and cash equivalents comprise balances with less than 90 days maturity from the date of acquisition including cash and balances at Central Banks (excluding statutory reserves), bank balances, investment securities, reverse repurchase agreements and bank overdrafts.

#### (f) Financial assets

##### (i) Classification of financial assets

Equity instruments are measured at FVTPL, unless they are not held for trading purposes, in which case an irrevocable election can be made on initial recognition to measure them at FVTOCI with no subsequent reclassification to profit or loss. Financial assets are measured on initial recognition at fair value and are classified as and subsequently measured either at amortised cost, at FVTOCI or at FVTPL. Financial assets and liabilities are recognised when the 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.

# Sagicor Group Jamaica Limited

## Notes to the Financial Statements

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(expressed in Jamaican dollars unless otherwise indicated)

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### 2. Summary of Significant Accounting Policies (Continued)

#### (f) Financial assets (continued)

##### (i) Classification of financial assets (continued)

###### *Classification of debt instruments (continued)*

###### *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 (SPPI), 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. Interest income from these financial assets is included in "Interest income" using the effective interest rate method.

###### *Measured at FVTOCI*

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

###### *Measured at FVTPL*

Assets that do not meet the criteria for amortised cost or FVTOCI are measured at FVTPL. 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 and presented in the profit or loss within "Income earned and capital gains from assets measured at FVTPL and other investment income" in the period earned. 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 FVTPL.

###### *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 asset's 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; and
- The historical and future expectations of asset sales within a portfolio.

###### *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 are SPPI. 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.

# Sagicor Group Jamaica Limited

## Notes to the Financial Statements

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(expressed in Jamaican dollars unless otherwise indicated)

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### 2. Summary of Significant Accounting Policies (Continued)

#### (f) Financial assets (continued)

##### (i) 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 eliminates any accounting mismatch. The time to maturity of the short term deposits and securities purchased under resale agreements result in the carrying amount approximating to fair value.

##### (ii) Embedded derivatives

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are SPPI.

##### (iii) Impairment of financial assets measured at amortised cost and FVTOCI

IFRS 9 requires the recognition of expected credit losses ("ECL") on financial assets measured at amortised cost and FVTOCI and off-statement of financial position loan commitments and financial guarantees.

At initial recognition, an 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 SICR 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 the 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.

##### (iv) 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. These 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 at origination of the financial asset instead of its gross carrying amount and incorporates the impact of ECLs in estimated future cash flows. This rate is used to calculate interest revenue and amortised cost. Their ECL is always measured on a lifetime basis, but they do not carry a day-1 loss.

##### (v) 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.

# Sagicor Group Jamaica Limited

## Notes to the Financial Statements

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(expressed in Jamaican dollars unless otherwise indicated)

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### 2. Summary of Significant Accounting Policies (Continued)

#### (f) Financial assets (continued)

##### (vi) Write-off

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

##### (vii) The general approach to recognising and measuring ECL

The measurement of ECL reflects:

- An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- The time value of money; and
- 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*

ECLs 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. The Group 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, provisioning is done based on groupings of exposures 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 are considered in relation to key portfolios which are particularly sensitive to a few factors and the results should not be further extrapolated.

One key difference between Stage 1 and Stage 2 ECL is the respective PD horizon. Stage 1 and Stage 2 ECLs also incorporate different exposures 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 exposures, however, these processes have been updated to reflect the requirements of IFRS 9, including the requirement to consider multiple forward-looking scenarios. An ECL estimate will be produced for each individual exposure, including amounts which are subject to a more simplified model for estimating ECL. The measurement of ECLs for each stage and the assessment of SICR 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.

# Sagicor Group Jamaica Limited

## Notes to the Financial Statements

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(expressed in Jamaican dollars unless otherwise indicated)

### 2. Summary of Significant Accounting Policies (Continued)

#### (f) Financial assets (continued)

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

Measurement (continued)

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

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

The weightings assigned to each economic scenario were as follows:

	Base	Upside	Downside
<b>December 31, 2020:</b>			
Sagicor Group Jamaica - Investments portfolios	80%	10%	10%
Sagicor Group Jamaica – Other lending portfolios	75%	10%	15%
Sagicor Group Jamaica – Tourism & Entertainment lending portfolios	65%	10%	25%
<b>December 31, 2021:</b>			
Sagicor Group Jamaica - investments portfolios	80%	10%	10%
Sagicor Group Jamaica – Other lending portfolios	75%	10%	15%
Sagicor Group Jamaica – Tourism & Entertainment lending portfolios	65%	10%	25%

Impairment on financial assets measured at amortised cost and FVTOCI are recognised in profit or loss. For FVTOCI debt instruments, an amount equal to the impairment recognised in profit or loss, is also recognised in OCI. Unrealised gains and losses arising from changes in fair value on FVTOCI assets are recognized in OCI. When a FVTOCI debt instrument is sold, the cumulative gain or loss and the cumulative provision for ECL previously recognised in OCI are reclassified to profit or loss as part of net gain on de-recognition of financial assets measured at FVTOCI.

# Sagicor Group Jamaica Limited

## Notes to the Financial Statements

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(expressed in Jamaican dollars unless otherwise indicated)

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### 2. Summary of Significant Accounting Policies (Continued)

#### (f) Financial assets(continued)

(viii) Interest income and interest earned on assets measured at FVTPL

Interest income is earned based on the interest rate before allowances. Interest earned on assets measured at FVTPL 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.

(ix) Modification of loans

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

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

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

#### (g) Investment properties

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

Investment property is recorded initially at cost. In subsequent financial years, investment property is recorded at fair values determined by independent valuers, with the appreciation or depreciation in value being taken to investment income. Transfers to or from investment property are recorded when there is a change in use of the property. Transfers to owner-occupied property or to real estate developed for resale are recorded at the fair value at the date of change in use. Transfers from owner-occupied property are recorded at their fair value at the date of change in use.

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

# Sagicor Group Jamaica Limited

## Notes to the Financial Statements

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### 2. Summary of Significant Accounting Policies (Continued)

#### (h) Leases

##### (i) The Group's leasing activities and how these are accounted for

The Group leases various offices. Rental contracts are typically made for fixed periods of 6 months to 8 years but may have extension options as described below.

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

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

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

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

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

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

To determine the incremental borrowing rate, the Group:

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

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

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

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

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

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

# Sagicor Group Jamaica Limited

## Notes to the Financial Statements

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### 2. Summary of Significant Accounting Policies (Continued)

#### (h) Leases (continued)

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). For leases of land and buildings, management has included various extension options in the lease liability, as relocating from existing locations would be onerous.

The lease term is reassessed if an option is actually exercised (or not exercised) or the Group becomes obliged to exercise (or not exercise) it. The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances occurs, which affects this assessment, and that is within the control of the lessee.

#### (i) Acceptances, guarantees, indemnities, letter of credit and undertakings

Financial guarantee contracts are contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due, in accordance with the terms of a debt instrument. Such financial guarantees are given to banks, financial institutions and others on behalf of customers to secure loans, overdrafts and other banking facilities.

Financial guarantee contracts are initially measured at fair value and subsequently measured at the higher of:

- (i) The amount of the loss allowance; and
- (ii) The premium received on initial recognition less income recognised in accordance with the principles of IFRS 15

Loan commitments provided by the Group are measured as the amount of the loss allowance. The Group has not provided any commitment to provide loans at a below-market interest rate, or that can be settled net in cash or by delivering or issuing another financial instrument.

For loan commitments and financial guarantee contracts, the loss allowance is recognised as a provision. However, for contract that include both a loan and an undrawn commitment and the Group cannot separately identify the expected credit losses on the undrawn commitment component from those on the loan component, the ECLs on the undrawn commitment are recognised together with the loss allowance for the loan. To the extent that the combined ECLs exceed the gross carrying amount of the loan, the ECLs are recognised as a provision.

#### (j) Provision for credit losses determined under the Bank of Jamaica regulatory requirements

The effect of the provision for credit losses determined under the Bank of Jamaica regulatory requirements is to preserve capital. No amounts are booked to the income statement in respect of regulatory provisions. Provisions calculated based on regulatory requirements that exceed the amounts required under IFRS are transferred from retained earnings to a non-distributable loan loss reserve in stockholders' equity.

The provision for credit losses determined under the Bank of Jamaica regulatory requirements comprises a "specific provision", a "special provision" and a "general provision". The specific and special provisions are determined based on each specific loan for which problems have been identified. The general provision is considered to be prudential in nature and is established to absorb portfolio losses.

# Sagicor Group Jamaica Limited

## Notes to the Financial Statements

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### 2. Summary of Significant Accounting Policies (Continued)

**(j) Provision for credit losses determined under the Bank of Jamaica regulatory requirements (continued)**

The specific provision is established for the estimated net loss for all non-performing loans and performing loans that meet specified criteria. Loans are considered to be non-performing where a principal or interest payment is contractually 90 days or more in arrears. At the time of classification as non-performing, any interest that is contractually due but in arrears is reversed from the income statement and interest is thereafter recognised in the income statement on the cash basis only. The estimated net loss is defined as the net exposure remaining after deducting the estimated net realisable value of the collateral (as defined by and determined by the regulations) from the outstanding principal balance of the loan. The regulations quantify the specific provision at ranges from 20% to 100% of the estimated net loss of each non-performing loan depending on the length of time the loan has been in arrears. In addition, where a non-performing loan is fully secured but the collateral is unrealised for a period of 12 months, a provision of 50% of the amounts outstanding should be made. Where the collateral is unrealised for a further 6 months (with limited exceptions which allow for up to a further 15 months) a full provision is made. The regulations further require that the specific provision for each loan should not be less than 1% of the amounts outstanding.

In respect of loans that are considered sub-standard for reasons other than being non-performing, a special provision is established for the greater of 1% of the amounts outstanding or 20% of the estimated net loss. A general provision is established for all loans (other than loans for which specific and special provisions were established) at 1% of the amounts outstanding.

**(k) Property, plant and equipment**

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

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

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

Freehold buildings		2.5%
Leasehold improvements	Period of lease, not to exceed ten years	
Computer equipment		20 - 33 $\frac{1}{3}$ %
Furniture		10%
Other equipment		15- 50%
Motor vehicles		20%
Land is not depreciated		

# Sagicor Group Jamaica Limited

## Notes to the Financial Statements

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### 2. Summary of Significant Accounting Policies (Continued)

**(k) Property, plant and equipment (continued)**

Property, plant and equipment are periodically reviewed for impairment. Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount. Gains or losses on disposal of property, plant and equipment are determined by reference to their carrying amount and are taken into account in determining operating profit. Repairs and renewals are charged to the profit or loss when the expenditure is incurred. On disposal of revalued assets, the revaluation amounts are transferred to retained earnings.

**(l) Real estate developed for sale**

Construction in progress for resale is classified as real estate held for resale and are accounted for in accordance with IAS 2, Inventory. They are valued at the lower of cost and net realisable value. Gains and losses realised on the sale of real estate are included in revenue at the time of sale.

**(m) Intangible assets**

**(i) Goodwill**

Goodwill arises on the acquisition of subsidiaries or associates and represents 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. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured at fair value is less than the fair value of the net assets of the subsidiary acquired, as, in the case of a bargain purchase, the difference is recognised as negative goodwill directly in the income statement.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the Cash Generating Units (CGUs), or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of the CGU containing the goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

**(ii) Contractual customer relationships**

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

**(iii) Trademarks and licences**

Trademarks and licences are shown at historical cost. They have a definite useful life and are carried at cost less accumulated amortisation and impairment. Amortisation is calculated using the straight-line method to allocate the cost of trademarks and licences over their estimated useful life.

**(iv) 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 of three years.

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.

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).

# Sagicor Group Jamaica Limited

## Notes to the Financial Statements

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### 2. Summary of Significant Accounting Policies (Continued)

#### (n) Employee benefits

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

##### (i) Pension obligations

A defined contribution plan is a pension plan under which the group pays fixed contributions into a separate entity. The Group pays contributions to privately administered pension plans on a contractual basis. The group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. The contributions are charged to the income statement in the period to which they relate.

A defined benefit plan is a pension plan that is not a defined contribution plan. Typically, defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

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

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to OCI in the period in which they arise.

Past-service costs are recognised immediately in the income statement.

##### (ii) Other post-retirement benefit obligations

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

##### (iii) Annual leave

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

# Sagicor Group Jamaica Limited

## Notes to the Financial Statements

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### 2. Summary of Significant Accounting Policies (Continued)

#### (n) Employee benefits (continued)

##### (iv) Share-based compensation

The Group operates equity-settled, share-based compensation plans namely; Long-term Incentive Plan (LTI) and Staff Share Purchase Plan (SSPP).

##### Share options

Senior Executives of the Group participate in a Long-term Incentive Plan (LTI) for Share Options. Shares are purchased on the market and held in trust by the LTI Trust until they are transferred to Executives. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. At each statement of financial position date, the Group revises its estimates of the number of options that are expected to become exercisable. It recognises the impact of the revision of original estimates, if any, in the income statement, and a corresponding adjustment to equity reserve for share based compensation over the remaining vesting period. Proceeds received net of any directly attributable transaction costs are paid to the trust on transfer of share options being exercised. Any cost to the Group beyond the exercise price of the options is reported in equity as provided for under IFRS 2.

##### Share grants

Senior Executives of the Group participate in a Long-term Incentive Plan for stock grants. Grants earned have a vesting period of four years after which they will expire. The market value of the shares issued at grant date is recognised as an expense in the measurement year to which the grants relate.

##### Share purchase plan

Non – Executive employees of the Group are eligible to purchase shares in the Sagicor Group Jamaica Limited at a discount under a share purchase plan.

##### (v) Bonus Plans

##### Annual Incentives Plan for Bonus

Senior Executives of the Group participate in an Annual Incentive plan for bonus which is paid on company and individual performance against a balanced score card.

##### Productivity bonus

The Group recognises a liability and an expense for productivity bonuses as profit-sharing, paid to Non- Executive administrative staff based on a formula that takes into consideration the net profit for the period. The Group recognises a provision where contractually obliged or where past practice has created a constructive obligation.

##### (vi) Termination benefits

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

# Sagicor Group Jamaica Limited

## Notes to the Financial Statements

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### 2. Summary of Significant Accounting Policies (Continued)

#### (o) Share capital, reserves and transfers

##### Share Capital

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

- (i) Share issuance cost  
Incremental costs directly attributable to the issue of new shares or options are shown in stockholders' equity as a deduction from the proceeds.
- (ii) Mandatorily redeemable preference shares are classified as liabilities.
- (iii) Dividends on ordinary shares are recognised in stockholders' equity in the period in which they are approved by the company's Board of Directors.

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

#### (iv) Treasury Stock

Sagicor Group Jamaica Limited shares held by Group member companies or the Long-term Incentive Trust (LTI) and Staff Share Purchase Trust (SSPP) are carried as treasury stock on consolidation and reported in stockholders' equity.

#### (v) Reserve and transfers

##### Special investment reserve

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

- Net unrealised gains brought forward at the beginning of each year are transferred to the special Investment reserve from retained earnings at 10%.
- Net unrealised gains earned during the year are transferred from retained earnings to the special investment reserve at 10%.

##### Transfers to retained earnings

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

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

# Sagicor Group Jamaica Limited

## Notes to the Financial Statements

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### 2. Summary of Significant Accounting Policies (Continued)

#### (p) Financial liabilities

##### (i) Classification

Financial liabilities are measured at initial recognition at fair value and are classified as and subsequently measured either at amortised cost, or at 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 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. Financial liabilities measured at FVTPL do not have a cumulative own credit adjustment gain or loss.

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

##### *Deposit liabilities*

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

##### *Loans and other debt obligations*

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

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

Preference shares, which are mandatorily redeemable on a specific date, are classified as liabilities. The dividends on these preference shares are recognised in the income statement as interest expense.

##### *Structured products*

Structured products are recognised initially at the nominal amount when funds are received. Derivatives are separately accounted for at FVTPL. The non-derivative elements are stated at amortised cost using the effective interest method.

# Sagicor Group Jamaica Limited

## Notes to the Financial Statements

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### 2. Summary of Significant Accounting Policies (Continued)

#### (q) Insurance and investment contracts

##### (i) Classification (continued)

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

The Group defines insurance risk as an insured event that could cause an insurer to pay significant additional benefits in a scenario that has a discernible effect on the economics of the transaction.

Insurance contracts transfer insurance risk and may also transfer financial risk. Once a contract has been classified as an insurance contract, it remains an insurance contract for its duration, even if the insurance risk reduces significantly over time. Investment contracts transfer financial risk and no significant insurance risk. Financial risk includes credit risk, liquidity risk and market risk.

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

##### (ii) Recognition and measurement

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

##### (1.1) Property and casualty insurance contracts

Property and casualty insurance contracts are generally one-year renewable contracts issued by the insurer covering insurance risks over property, accident and liability. Property insurance contracts provide coverage for the risk of property damage or of loss of property. Commercial property, homeowners' property and certain marine property are common types of risks covered. For commercial policyholders insurance may include coverage for loss of earnings arising from the inability to use property which has been damaged or lost. Casualty insurance contracts provide coverage for the risk of causing physical harm or financial loss to third parties. Personal accident, employers' liability, public liability, product liability and professional indemnity are common types of casualty insurance.

Written premiums are recognised when due. Premium revenue is recognised as earned on a pro-rated basis over the term of the respective policy coverage. If alternative insurance risk exposure patterns have been established over the term of the policy coverage, then premium revenue is recognised in accordance with the risk exposure. The provision for unearned premiums represents the portion of premiums written relating to the unexpired terms of coverage.

Claims and loss adjustment expenses are recorded as incurred. Claim reserves are established for both reported and un-reported claims. Claim reserves represent estimates of future payments of claims and related expenses less anticipated recoveries with respect to insured events that have occurred up to the date of the financial statements.

An insurer may obtain reinsurance coverage for its property and casualty insurance risks. The reinsurance ceded premium is expensed on a pro-rata basis over the term of the respective policy coverage or of the reinsurance contract as appropriate. Reinsurance claim recoveries are established at the time of the recording of the claim liability and are computed on a basis which is consistent with the computation of the claim liability. Profit sharing commission due to the Group is accrued as commission income when there is reasonable certainty of earned profit.

Commissions are recognised on the same basis as premiums earned. At the date of the financial statements, commissions attributable to unearned premiums are recorded as deferred policy acquisition costs. Profit sharing commission payable to reinsurers by the Group arises from contracts between an insurer and a broker; it is accrued on an aggregate basis and it is adjusted to actual in respect of each individual contract when due.

# Sagicor Group Jamaica Limited

## Notes to the Financial Statements

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### 2. Summary of Significant Accounting Policies (Continued)

#### (q) Insurance and investment contracts (continued)

##### (ii) Recognition and measurement (continued)

###### (1.2) Health insurance contracts -

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

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

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

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

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

###### (1.3) 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 as the amount of additional benefits is not paid at the discretion of the Group.

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

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

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

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

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

# Sagicor Group Jamaica Limited

## Notes to the Financial Statements

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### 2. Summary of Significant Accounting Policies (Continued)

#### (q) Insurance and investment contracts (continued)

##### (ii) Recognition and measurement (continued)

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

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

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

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

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

Commissions are generally recognised only on settlement of premiums.

##### (iii) Liability adequacy test

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

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

Deposit administration contracts are issued by an insurer to registered pension schemes for the deposit of pension plan assets with the insurer.

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

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

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

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

# Sagicor Group Jamaica Limited

## Notes to the Financial Statements

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(expressed in Jamaican dollars unless otherwise indicated)

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### 2. Summary of Significant Accounting Policies (Continued)

#### (q) Insurance and investment contracts (continued)

##### (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 as 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.

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

#### (r) Actuarial liabilities

##### (1.1) Life insurance and annuity contracts

The determination of actuarial liabilities of long-term insurance contracts has been done using the Policy Premium Method (PPM) of valuation. Under this method, explicit allowance is made for all future benefits and expenses under the policies and expected earned investment income. The premiums, benefits and expenses for each policy are projected and the resultant future cash flows are discounted back to the valuation date to determine the reserves. The actuarial liabilities of health insurance policies and annual renewable group mortgage policies are estimated, in respect of claims that have been incurred but not yet reported or settled.

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

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

# Sagicor Group Jamaica Limited

## Notes to the Financial Statements

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(expressed in Jamaican dollars unless otherwise indicated)

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### 2. Summary of Significant Accounting Policies (Continued)

#### (r) Actuarial liabilities (continued)

The Group segments assets to support liabilities by major product segment and geographic market and establishes investment strategies for each liability segment. Projected net cash flows from these assets and the policy liabilities being supported by these assets are combined with projected cash flows from future asset purchases to determine expected rates of return on these assets for future years. Investment strategies are based on the target investment policies for each segment and the reinvestment returns are derived from current and projected market rates for fixed income investments. Investment return assumptions for each asset class make provision for expected future asset credit losses, expected investment management expenses and a margin for adverse deviation.

Under this methodology, assets of each insurer are selected to back its actuarial liabilities. Changes in the carrying value of these assets may generate corresponding changes in the carrying amount of the associated actuarial liabilities. Some of these assets may be designated as FVTOCI for which unrealised gains or losses in fair value are recorded in OCI. The fair value reserve for actuarial liabilities has been established in the equity reserves for the accumulation of changes in actuarial liabilities which are recorded in OCI and which arise from recognised unrealised gains or losses in fair value of securities backing liabilities. This approach is called "Shadow Accounting".

Certain life insurance policies issued by the insurer contain unit policy side funds. The investment returns on these unitised funds accrue directly to the policies with the insurer assuming no credit risk. Investments held in these side funds are accounted for as financial assets at FVTPL and unit values of each fund are determined by dividing the value of the assets in the fund at the date of the financial statements by the number of units in the fund. The resulting liability is included in actuarial liabilities.

#### (1.1) Life insurance and annuity contracts

An actuarial valuation is prepared annually. Except as described above, 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.

Premiums are recognised as revenue when they become payable by the contract holder. Premiums are shown before deduction of commission.

Benefits are recorded as an expense when they are incurred.

#### (1.2) Health insurance contracts

The actuarial liabilities of health insurance policies and renewable term group mortgage policies are estimated in respect of claims that have been incurred but not yet reported or settled.

#### (1.3) Property and casualty insurance contracts

The Group is required to actuarially value its insurance reserves annually. Consequently, provision for claims incurred but not reported (IBNR) as well as the provision for adverse deviations have been independently actuarially determined. The remaining components of the reserves, as below, are determined by management, but are also reviewed by the actuary in determining the overall adequacy of the provision for the Group's insurance liabilities.

##### (i) Provision for unearned premium

The provision for unearned premium represents that proportion of premiums written in respect of risks to be borne subsequent to the year end, under contracts entered into on or before the date of the statement of financial position.

##### (ii) Unearned commission

The unearned commission represents the actual commission income on premium ceded on proportional reinsurance contracts relating to the unexpired period of risk carried. The income is deferred as unearned commission reserves and amortised over the period in which the commissions are expected to be earned. These reserves are calculated on the 24<sup>th</sup> basis.

# Sagicor Group Jamaica Limited

## Notes to the Financial Statements

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(expressed in Jamaican dollars unless otherwise indicated)

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### 2. Summary of Significant Accounting Policies (Continued)

#### (r) Actuarial liabilities (continued)

##### (1.3) Property and casualty insurance contracts (continued)

##### (iii) *Claims outstanding*

A provision is made to cover the estimated cost of settling claims arising out of events which occurred by the year end and IBNR, less amounts already paid in respect of those claims. This provision is estimated by management (insurance case reserves) and the appointed actuary (IBNR) on the basis of claims admitted and intimated.

##### (iv) *Claims incurred but not reported*

The reserve for IBNR claims has been calculated by an independent actuary using the Paid Loss Development method, the Incurred Loss Development method, the Bornhuetter-Ferguson Paid Loss method, the Bornhuetter-Ferguson Incurred Loss method, the Expected Loss Ratio method and the Claim Count method.

##### (v) *Provision for adverse deviations*

This provision reflects considerations relating to the company's claims practices, the underlying data, and the nature of the lines of business and seeks to provide for any unforeseen adverse development in claims liabilities.

##### (vi) *Liability adequacy test*

At the end of each reporting period, liability adequacy tests are performed to ensure the adequacy of the policy liabilities, net of related deferred policy acquisition costs. In performing these tests, current best estimates of future contractual cashflows are compared to the carrying amount of policy liabilities and any deficiency is immediately recognised in profit or loss as unexpired risk provision.

#### (s) 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.

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

# Sagicor Group Jamaica Limited

## Notes to the Financial Statements

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(expressed in Jamaican dollars unless otherwise indicated)

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### 2. Summary of Significant Accounting Policies (Continued)

#### (t) Revenue recognition

Revenues from service contracts with customers consist primarily of management and administration fees earned from third party investment funds, pension plans and insurance benefit plans (managed funds or administrative service only (ASO) benefit plans). These service contracts generally impose single performance obligations, each consisting of a series of similar related services to the unitholder or policyholder of each fund or plan. The 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.

The Group also earns revenues for the provision of corporate finance, stockbroking, trust and related services to various customers.

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.

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.

Commission payable on premium income and commissions receivable on reinsurance of risks are charged and credit to profit or loss, respectively, over the life of the policies.

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

#### (ii) Fee income

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

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

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

# Sagicor Group Jamaica Limited

## Notes to the Financial Statements

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(expressed in Jamaican dollars unless otherwise indicated)

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### 2. Summary of Significant Accounting Policies (Continued)

#### (t) Revenue recognition (continued)

##### (iii) Interest income

Jamaican banking regulations stipulate that, where collection of interest income is considered doubtful or payment is outstanding for 90 days or more, interest should be taken into account on the cash basis. See 2 (f) for policies with respect to impairment for loan receivable. The difference between the regulatory and IFRS bases of interest recognition was assessed to be immaterial.

##### (iv) Hotel revenue - Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown net of General Consumption Tax or applicable sales tax, returns, rebates and discounts and after eliminating sales within the Group.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the Group's activities as described below. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

- Sales of services

Sale of services generated from hotel and other operations are recognised in the accounting period in which the services are rendered, by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided.

- Sale of goods

Sale of goods, mainly from gift shops is recognised when products are sold to customers. Sales are usually in cash or by credit card.

##### (v) Land development and resale

The Group develops and sells residential properties. Revenue is recognised when control over the property has been transferred to the purchaser. An enforceable right to payment does not arise until legal title has passed to the purchaser. Therefore, revenue is recognised at a point in time when the legal title has passed to the purchaser.

The revenue is measured at the transaction price agreed under the contract. In most cases, the consideration is due when legal title has been transferred. While deferred payment terms may be agreed in rare circumstances, the deferral never exceeds 12 months. The transaction price is therefore not adjusted for the effects of a significant financing component.

#### (u) Interest and commission expense

##### (i) Interest expense

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

##### (ii) Commission expense

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

# Sagicor Group Jamaica Limited

## Notes to the Financial Statements

31 December 2021

(expressed in Jamaican dollars unless otherwise indicated)

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### 2. Summary of Significant Accounting Policies (Continued)

#### (v) Taxation

##### (i) Current and deferred taxes

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

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

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

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

#### (w) Fiduciary activities

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

#### (x) Financial instruments

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

The fair values of the Group's and the company's financial instruments are disclosed in the notes to the financial statements.

Financial assets and liabilities are offset and the net amount is reported in the statement of financial position when there is a legally enforceable right to offset and there is an intention to settle on a net basis or to realize the asset and settle the liability simultaneously.

#### (y) 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 realise assets and settle the liability simultaneously. The legal right to set off the recognized amounts must be enforceable in both the normal course of business, and 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 statement, unless specifically prohibited by an applicable accounting standard.

# Sagicor Group Jamaica Limited

## Notes to the Financial Statements

31 December 2021

(expressed in Jamaican dollars unless otherwise indicated)

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### 2. Summary of Significant Accounting Policies (Continued)

#### (z) Securities purchased/sold under agreements to resell/repurchase

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

Securities sold subject to repurchase agreements ('repos') are reclassified in the financial statements as pledged assets when the transferee has the right by contract or custom to sell or re-pledge the collateral; the counterparty liability is included in amounts due to other banks, deposits from banks, other deposits or deposits due to customers, as appropriate. Securities purchased under agreements to resell ('reverse repos') are recorded as loans and advances to other banks or customers, as appropriate. The difference between sale and repurchase price is treated as interest and accrued over the life of the agreements using the effective interest method. Securities lent to counterparties are also retained in the financial statements.

#### Derivative financial instruments and hedging activities

Derivatives are financial instruments that derive their value from the price of underlying items such as equities, bonds, interest rates, foreign exchange, credit spreads, commodities or other indices. Derivatives enable users to increase, reduce or alter exposure to credit or market risk. The Group transacts derivatives for three primary purposes: to create risk management solutions for customers, for proprietary trading purposes, and to manage its own exposure to credit and market risk.

Derivative financial instruments are initially recognised at fair value on the date a derivative contract is entered into, and subsequently are re-measured at their fair value at each statement of financial position. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates its interest rate swap as a cash flow hedge. Fair values are obtained from quoted market prices, discounted cash flow models and option pricing models as appropriate.

The Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as risk management objectives and strategy for undertaking various hedging transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

For cash flow hedges, gains and losses relating to the effective portion of changes in the fair value of derivatives are initially recognised in stockholders' equity, in the fair value reserve, and are transferred to the income statement when the forecast cash flows affect the profit or loss. The gain or loss relating to the ineffective portion is recognised immediately in the income statement.

Amounts accumulated in stockholders' equity are recycled to the income statement in the periods when the hedged item affects profit or loss. They are recorded in the revenue or expense lines in which associated with the related hedged item is reported.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in stockholders' equity at that time remains in stockholders' equity and is recognised when the forecast transaction is ultimately recognised in the profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in stockholders' equity is immediately transferred to the income statement within net trading income'

# Sagicor Group Jamaica Limited

## Notes to the Financial Statements

31 December 2021

(expressed in Jamaican dollars unless otherwise indicated)

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### 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.

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

##### (i) Consolidation of related entities

Management assessments were done for Sagicor Real Estate X Fund Limited, Sagicor Pooled Investment Fund and Sagicor Sigma Global Funds to ensure proper application of IFRS 10. A number of significant judgements were used regarding whether or not these entities had met the requirements to be consolidated within the financial statements of the Group and are highlighted below:

- Sagicor Pooled Investment Funds, Sagicor Real Estate X Fund Limited and Sigma Funds  
Sagicor Pooled Investment Funds and Sigma Funds are Pooled Investment Funds and Unit Trusts managed by the Group, but which have independent trustees. Determining whether the Group has control over the Pooled Investment Funds and the Unit Trusts requires judgement. This would include a consideration of the trustees' rights to remove the investment manager and an assessment of the exposure to variability arising from the aggregate economic interests of the Group in the Unit Trusts.

Under IFRS 10, the single party substantive removal rights may in isolation be sufficient to conclude that the fund manager is an agent. However, the language in the Trust Deed is not specific on causes for which the manager can be removed. "Good and sufficient reason" envisaged by the Trust Deed may include negligence, poor financial performance and other reasons. However, the Deed also provides for the right for the manager to appeal. This appeal right and the requirement that the removal of the manager must be withheld by the independent party may limit the Trustee's freedom of removing the manager without good grounds for this. Under these circumstances, drawing a conclusion whether the removal rights of the Trustee are substantive rights requires significant judgement. Management considers that the Group does not have control of The Pooled Investment Fund and The Sagicor Sigma Funds. Although there are contractual terms which provide the Group with influence over The Pooled Investment Fund and The Sagicor Sigma Funds, the overall exposure of the Group to the variability of returns of Sagicor Sigma Funds is not sufficient to conclude that the Group has control. Therefore, the Sagicor Sigma Funds have not been consolidated in these financial statements. For Sagicor Real Estate X Funds Limited, the major consideration influencing the control and consolidation determinations is the Group's majority composition of the Board of Directors of Sagicor Real Estate X Funds Limited.

# Sagicor Group Jamaica Limited

## Notes to the Financial Statements

31 December 2021

(expressed in Jamaican dollars unless otherwise indicated)

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

#### (b) 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 Group will ultimately pay for 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 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.

Sensitivity analyses for key estimates used in determining the actuarial liabilities are included in Note 49.

For the property and casualty insurance business, outstanding claims comprise estimates of the amount of reported losses and loss expenses and a provision for losses IBNR based on the historical experience of the Group and industry data. These claims are analysed separately between those arising from damage to insured property and consequential losses. Claims arising from damage to insured property can be estimated with greater reliability, and the Group's estimation processes reflect all the factors that influence the amount and timing of cash flows from these contracts. The shorter settlement period for these claims allow the Group to achieve a higher degree of certainty about the estimated cost of claims, and relatively little IBNR is held at year-end. However, the longer time needed to assess the emergence of claims arising from consequential losses makes the estimation process more uncertain for these claims. Significant delays may occur in the notification of claims and a substantial measure of experience and judgment is involved in assessing outstanding liabilities, the ultimate cost of which cannot be known with certainty as at the reporting date. The reserve for claims outstanding is determined on the basis of information currently available; however, it is inherent in the nature of the business written that the ultimate liabilities may vary as a result of subsequent developments.

# Sagicor Group Jamaica Limited

## Notes to the Financial Statements

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(expressed in Jamaican dollars unless otherwise indicated)

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

#### (b) Key sources of estimation uncertainty (continued)

##### (ii) Pension and post-retirement benefits

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

##### (iii) Income taxes

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

##### (iv) Impairment of financial assets

In determining ECL, management is required to exercise judgement in defining what is considered a SICR 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:

Category		Sagicor Risk Rating	Classification	S&P	Moody's	Fitch	AM Best
Non-defaul t	Investment grade	1	Minimal risk	AAA, AA	Aaa, Aa	AAA, AA	aaa, aa
		2	Low risk	A	A	A	a
		3	Moderate risk	BBB	Baa	BBB	bbb
	Non-investment grade	4	Acceptable risk	BB	Ba	BB	bb
		5	Average risk	B	B	B	b
	Watch	6	Higher risk	CCC, CC	Caa, Ca	CCC, CC	ccc, cc
		7	Special mention	C	C	C	c
Default		8	Substandard			DDD	
		9	Doubtful	D	C	DD	d
		10	Loss			D	

# Sagicor Group Jamaica Limited

## Notes to the Financial Statements

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(expressed in Jamaican dollars unless otherwise indicated)

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

#### (b) Key sources of estimation uncertainty (continued)

##### (iv) Impairment of financial assets (continued)

- Establishing staging for debt securities and deposits.  
The Group uses its internal credit rating model to determine in which of the three stages an asset is to be categorised for the purposes of ECL. Once the asset has experienced a SICR the investment will move from Stage 1 to Stage 2. Sagicor has assumed that the credit risk of a financial instrument 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, lease receivables, loan commitments and financial guarantee contracts.

Exposures are considered to have resulted in a SICR and are moved to stage 2 when:

##### Qualitative test

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

##### Backstop Criteria

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

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

##### (v) Fair value of securities not quoted in an active market

The Group owns a 4.5% shareholding in Cornerstone Financial Holding Limited (CFHL), a company registered in Barbados. There was a rights issue done by Cornerstone United Holdings Limited (CUHL), a company registered in Jamaica, in which the company did not participate. Subsequent to the CUHL rights issue, CFHL issued shares to those shareholders who participated in the CUHL rights issue thus diluting the company's shareholding to 3.46%. CFHL has had a second rights issue further diluting the company's shareholding to 2.77%. The company is contesting the rights issues in CFHL on the basis of their legality and has therefore valued its shareholding at 4.5% in these financial statements as at December 31, 2021. Should the courts rule against the company then the value of its holding will need to be written down by US\$4.88 million. See also Note 53.

# Sagicor Group Jamaica Limited

## Notes to the Financial Statements

31 December 2021

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

#### (b) Key sources of estimation uncertainty (continued)

##### (vi) Estimated impairment of intangible assets

###### Goodwill

The assessment of goodwill impairment involves the determination of the recoverable amount of the cash-generating units to which the goodwill has been allocated. Determination of the recoverable amount involves the estimation of future net income of these business units and the expected returns to providers of capital to the business units and the Group as a whole. Determinations of recoverable amounts can be sensitive to certain key inputs such as earnings forecasts, discount rates and terminal value growth rates. Amounts actually recovered from CGUs through either sale or use may differ from the amounts estimated.

###### Other intangible assets

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

##### (vii) Purchase Price Allocation of a business combination

In a business combination, the acquirer must allocate the cost of the business combination at the acquisition date by recognising the acquiree's identifiable assets, liabilities and contingent liabilities at fair value at that date. The allocation is based upon certain valuations and other studies performed with the assistance of external valuation specialists. Due to the underlying assumptions made in the valuation process, the determination of those fair values requires estimations of the effects of uncertain future events at the acquisition date and the carrying amounts of some assets, such as intangible assets, acquired through a business combination could therefore differ significantly in the future.

##### (viii) Novel coronavirus (COVID-19)

COVID 19 continues to cause major disruptions in economies within which the Group operates. Two years on from the initial outbreak, the virus remains prevalent across the world, with various mutations extending the uncertainties surrounding economic recoveries. Continued travel restrictions and strict lockdown measures have prolonged the downturn in demand for tourism, entertainment and related services. However, the introduction and administration of vaccines, have aided recovery efforts in some economies. In the prior year, the Group made significant adjustments to the ECLs to recognize the increased credit risk associated with the economic fallout on borrowing and investment portfolios, some of which have been reversed in the current year to reflect a slight uptick in economic activities.

### 4. Responsibilities of the Appointed Actuary and External Auditors

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

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

# Sagicor Group Jamaica Limited

## Notes to the Financial Statements

31 December 2021

(expressed in Jamaican dollars unless otherwise indicated)

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### 5. Segmental Financial Information

Management has determined the operating segments based on the reports reviewed by the Group President and CEO that are used to make strategic decisions. The Group President and CEO is considered to be the Chief Operating Decision Maker (CODM).

The Group is managed on a matrix basis, reflecting both line of business and geography. Accordingly, segment information is presented in two formats. The Group is organised into four primary business segments and another which captures all other business activities:

- (a) Individual Lines - Provides life insurance, health and annuity products to individuals.
- (b) Employee Benefits – Provides group life and creditor life, personal accident, group health, group annuities, pension funds investment and administration services and the administration of trust accounts.
- (c) Commercial Banking – Comprises of personal banking, retail mortgages, small business (SME's) banking, treasury management and corporate banking.
- (d) Investment Banking – Comprises of wealth management products and services offered to retail and institutional clients; including unit trusts, mutual funds, brokerage, asset management and corporate trust.
- (e) Other – Comprises property management, captives management, property and casualty insurance, hospitality services, real estate investment and stockholders' funds.

Segment assets and liabilities comprise operating assets and liabilities, being the majority of the statement of financial position, but exclude items such as taxation, retirement benefit assets and obligations.

The Group measures the performance of its operating segments through a measure of segment profit or loss which is profit before taxation.

Segment liabilities that are reviewed by the CODM include policyholders' funds and interest-bearing liabilities.

Costs incurred by the support units of the Group are allocated to the business segments based on certain criteria determined by management. These criteria include staff complement, square footage and time spent providing the service to the business segment. The expenses that are allocated are mainly staff costs, depreciation and amortisation and other operating expenses and are treated as direct allocated costs.

Transactions between the operating segments are on normal commercial terms and conditions. There has been no change in the basis of the pricing of transactions over the prior year.

Eliminations comprise inter-company and inter-segment transactions.

No revenue from transactions with a single external customer or counterparty amounted to 10% or more of the Group's total revenue in 2021 or 2020.

# Sagicor Group Jamaica Limited

## Notes to the Financial Statements

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(expressed in Jamaican dollars unless otherwise indicated)

### 5. Segmental Financial Information (Continued)

	The Group						Group
	2021						
	Individual Lines \$'000	Employee Benefits \$'000	Commercial Banking \$'000	Investment Banking \$'000	Other \$'000	Eliminations \$'000	
External revenues	37,359,587	29,709,853	15,523,596	7,379,857	12,587,786	-	102,560,679
Revenue from other segments	19,623	-	35,924	(44,272)	629,844	(641,119)	-
Total revenue	37,379,210	29,709,853	15,559,520	7,335,585	13,217,630	(641,119)	102,560,679
Benefits and expenses	(24,898,663)	(22,721,910)	(9,529,138)	(2,230,157)	(11,398,817)	380,028	(70,398,657)
Change in actuarial liabilities	(570,651)	(3,783,394)	-	-	-	74,847	(4,279,198)
Depreciation and amortisation	(210,808)	(161,169)	(679,156)	(130,494)	(1,537,659)	-	(2,719,286)
Asset tax and other taxes	(105,518)	(35,634)	(363,645)	(231,484)	(94,486)	-	(830,767)
Total benefits and expenses	(25,785,640)	(26,702,107)	(10,571,939)	(2,592,135)	(13,030,962)	454,875	(78,227,908)
Share of profit from joint venture	-	607,764	-	-	-	-	607,764
Losses on disposal of associate	-	-	-	-	(233,088)	-	(233,088)
Goodwill impairment	-	-	-	-	(614,400)	-	(614,400)
Profit before taxation	11,593,570	3,615,510	4,987,581	4,743,450	(660,820)	(186,244)	24,093,047
Taxation	(2,641,512)	51,711	(1,719,914)	(1,402,284)	(737,960)	-	(6,449,959)
Net profit	8,952,058	3,667,221	3,267,667	3,341,166	(1,398,780)	(186,244)	17,643,088
Segment assets -							
Intangible assets	1,643,141	591,161	1,304,455	669,239	1,664,446	-	5,872,442
Other assets	74,142,601	84,974,612	173,716,507	125,394,021	75,976,578	(15,868,270)	518,336,049
	75,785,742	85,565,773	175,020,962	126,063,260	77,641,024	(15,868,270)	524,208,491
Unallocated assets -							
Investments in joint venture (Note 13)							1,329,797
Deferred income taxes (Note 20)							1,980,237
Retirement benefits asset (Note 19)							472,179
Total assets							527,990,704
Segment liabilities	60,516,060	72,157,243	148,980,811	100,825,423	43,533,671	(40,751,899)	385,261,309
Unallocated liabilities -							
Deferred income taxes (Note 20)							2,169,101
Retirement benefit obligations (Note 19)							5,780,581
Total liabilities							393,210,991
Other segment items:							
Capital expenditure: Computer software (Note 17)							390,564
Property, plant and equipment (Note 18)							509,467



# Sagicor Group Jamaica Limited

Notes to the Financial Statements

31 December 2021

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## 5. Segmental Financial Information (Continued)

	The Group						
	2021						
	Individual Lines	Employee Benefits	Commercial Banking	Investment Banking	Other	Eliminations	Group
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Revenue from contracts with customers:							
Products transferred at a point in time	-	-	5,536,737	296,846	1,020,608	-	6,854,191
Products and services transferred over time	142,706	1,297,758	355,019	2,207,061	5,611,150	-	9,613,694
Total included in fees and other revenue	142,706	1,297,758	5,891,756	2,503,907	6,631,758	-	16,467,885

	The Group						
	2020						
	Individual Lines	Employee Benefits	Commercial Banking	Investment Banking	Other	Eliminations	Group
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Revenue from contracts with customers:							
Products transferred at a point in time	-	-	4,668,025	479,591	618,662	-	5,766,278
Products and services transferred over time	76,180	1,260,103	379,514	1,425,493	3,958,314	-	7,099,604
Total included in fees and other revenue	76,180	1,260,103	5,047,539	1,905,084	4,576,976	-	12,865,882

The Group's geographic information:

	Jamaica	Cayman Islands	United States of America	Other	Total
	2021				
	\$'000	\$'000	\$'000	\$'000	\$'000
Revenue	92,662,161	5,479,772	4,418,746	-	102,560,679
Total assets	474,449,190	35,140,731	18,400,783	-	527,990,704
2020					
	\$'000	\$'000	\$'000	\$'000	\$'000
Revenue	76,853,461	5,292,017	2,427,344	-	84,572,822
Total assets	426,116,915	30,181,605	33,712,820	683,233	490,694,573

Geographically, the segments are Jamaica, Cayman Islands, United States of America and Other (Costa Rica and St. Lucia).

Segment assets consist of investments that match insurance and banking liabilities, intangible assets and other operating assets such as receivables and cash. They exclude deferred income taxes, retirement benefit assets investments in joint ventures and investment in associates.

Segment liabilities comprise insurance liabilities, financial liabilities arising mainly from investment contracts and borrowing arrangements. They exclude items taxation, and retirement benefit liabilities.

# Sagicor Group Jamaica Limited

## Notes to the Financial Statements

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### 6. Cash Resources

	The Group		The Company	
	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
Balances with banks payable on demand	18,729,652	18,267,971	431,177	233,623
Cash in hand	4,654,319	3,584,158	-	-
Balances as per statement of financial position	23,383,971	21,852,129	431,177	233,623
Restricted cash	(941,626)	(832,930)	-	-
Short term deposits	16,993,393	4,186,193	-	-
Securities purchased under resale agreement	6,928,063	7,490,326	342,962	615,634
USA Government Treasury Bills and BOJ CD's	5,520,295	4,603,143	-	-
Bank overdrafts (Note 29)	-	(62,885)	-	-
Balances as per statement of cash flows	51,884,096	37,235,976	774,139	849,257

Cash and cash equivalents represent deposits and investment securities with original maturities of less than 90 days.

### 7. Cash Reserves at Central Bank

Minimum cash reserve and liquid asset ratios in respect of deposit liabilities are required to be maintained by Sagicor Bank Jamaica Limited with the Bank of Jamaica. Cash reserves are not available for investment, lending or other use by the Bank.

Bank of Jamaica has reduced the cash reserve requirements of deposit-taking institutions (DTIs) by two percentage points, effective 15 May 2020. The foreign currency cash reserve requirement has been reduced to thirteen per cent (13%) while the domestic currency cash reserve requirement has been reduced to five per cent (5%). The reduction in the domestic currency cash reserve requirement completes the series of reductions that the Bank initiated in 2019 to take it to the statutory minimum of five per cent (5%) of prescribed liabilities. Liquid asset requirements will also fall as a consequence of the reduction in the cash reserve requirement. The foreign currency liquid asset requirement will fall to twenty-seven per cent (27%) while the reduction in the domestic currency cash reserve requirement will cause the overall domestic currency liquid asset requirement to fall to nineteen per cent (19%). No interest is paid on cash reserves.

# Sagicor Group Jamaica Limited

## Notes to the Financial Statements

31 December 2021

(expressed in Jamaican dollars unless otherwise indicated)

### 8. Financial Investments

	The Group		The Company	
	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
<b>Financial assets at FVTPL -</b>				
Debt Securities				
Sovereign bonds	3,270,805	3,709,253	-	-
Corporate bonds	5,965,293	3,424,543	-	-
	9,236,098	7,133,796		
Equities				
Quoted and unquoted equities	14,278,885	9,323,646	-	-
Unit trusts	24,098,411	25,452,023	-	-
	38,377,296	34,775,669	-	-
Derivative	16,733	-	-	-
Total FVTPL	47,630,127	41,909,465	-	-
<b>Financial assets at FVTOCI -</b>				
Debt Securities				
Sovereign bonds	103,289,227	98,112,147	-	-
Corporate bonds	62,466,624	64,216,292	-	8,983
	165,755,851	162,328,439	-	8,983
Equities				
Quoted and unquoted equities	79,950	150,067	-	-
Total FVTOCI	165,835,801	162,478,506	-	8,983
<b>Investments at amortised cost, net of ECL-</b>				
Debt Securities:				
Sovereign bonds	75,858,109	71,996,551	554,348	51,532
Corporate bonds	12,510,025	7,248,081	-	-
Securities purchased under resale agreement	10,467,668	8,135,411	342,962	615,658
Policy loans	1,007,286	961,642	-	-
Short term deposits	19,072,419	4,817,590	445,679	557,747
<b>Total investments at amortised cost, net of ECL</b>	118,915,507	93,159,275	1,342,989	1,224,937
<b>Less Pledged assets (Note 11)</b>	(93,636,126)	(87,142,938)	(439,997)	(557,800)
<b>Total Financial Investments</b>	238,745,309	210,404,308	902,992	676,120

Current portion of Financial Instruments disclosed under Note 48 (d).

# Sagicor Group Jamaica Limited

Notes to the Financial Statements

**31 December 2021**

(expressed in Jamaican dollars unless otherwise indicated)

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## 8. Financial Investments (Continued)

### Derivatives

Derivatives are carried at fair value and carried in the statement of financial position as separate assets and liabilities. Asset values represent the cost to the Group of replacing all transactions with a fair value in the Group's favour assuming that all relevant counterparties default at the same time and that transactions can be replaced instantaneously. Liability values represent the cost to the Group counterparties of replacing all their transactions with the Group with a fair value in their favour if the Group was to default. Derivative assets and liabilities on different transactions are only set off if the transactions are with the same counterparty, a legal right of set-off exists and the cash flows are intended to be settled on a net basis. The fair values are set disclosed in the table above.

This derivative is an Equity Indexed Options. Equity Indexed Options give the holder the ability to participate in the upward movement of an equity index while protecting from downward risk and form part of certain structured product contracts with customers (Note 29). The Group is exposed to credit risk on purchased options only, and only to the extent of the carrying amount, which is their fair value.

# Sagicor Group Jamaica Limited

## Notes to the Financial Statements

31 December 2021

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### 8. Financial Investments (Continued)

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

	2021			2020		
	Mandatory designation \$'000	Designated by election \$'000	Total \$'000	Mandatory designation \$'000	Designated by election \$'000	Total \$'000
Unit trust and equities	30,930,383	7,446,913	38,377,296	26,538,129	8,237,540	34,775,669
Derivatives	-	16,733	16,733	-	-	-
Debt securities	8,554,670	681,428	9,236,098	6,683,729	450,067	7,133,796
	<u>39,485,053</u>	<u>8,145,074</u>	<u>47,630,127</u>	<u>33,221,858</u>	<u>8,687,607</u>	<u>41,909,465</u>

### Concentration of debt instruments

The group also manages its exposure to credit risk by analysing the financial investments by whether corporate or sovereign, and the location and sector of the issuer.

The table below is a summary of financial instruments by location, sovereign and corporate.

	The Group	
	2021 \$'000	2020 \$'000
<b>Debt securities</b>		
Sovereign debt instruments		
Jamaica	172,364,192	164,178,841
Trinidad & Tobago	2,756,325	2,710,811
Barbados	168,117	197,071
USA	4,464,961	4,135,839
Canada	305,294	271,894
Eastern Caribbean	-	10,220
Other	2,359,252	2,313,275
Corporate debt instruments		
Jamaica	33,575,814	27,167,068
Trinidad & Tobago	3,166,288	3,351,665
USA	29,873,069	32,319,657
Canada	984,000	875,079
Other	13,342,771	11,175,447
	<u>263,360,083</u>	<u>248,706,867</u>

# Sagicor Group Jamaica Limited

## Notes to the Financial Statements

31 December 2021

(expressed in Jamaican dollars unless otherwise indicated)

### 8. Financial Investments (Continued)

Concentration of debt instruments (continued)

	<u>The Company</u>	
	<u>2021</u>	<u>2020</u>
<b>Debt securities</b>	<b>\$'000</b>	<b>\$'000</b>
Corporate debt instruments		
USA	-	8,983
	<u>-</u>	<u>8,983</u>

The table below is a summary sector concentration of corporate instruments.

	<u>The Group</u>	
	<u>2021</u>	<u>2020</u>
	<b>\$'000</b>	<b>\$'000</b>
Corporate debt instruments		
Communication Services	4,321,592	4,166,379
Consumer Discretionary	6,669,654	6,249,603
Consumer Staples	3,849,729	5,201,073
Energy	11,598,797	15,379,426
Financials	27,204,450	21,537,305
Health Care	5,017,460	3,811,651
Industrials	4,146,706	5,707,949
Information Technology	7,824,528	6,487,569
Materials	3,687,946	3,845,364
Real Estate	735,886	714,969
Tourism	236,598	219,612
Utilities	5,648,596	1,568,016
	<u>80,941,942</u>	<u>74,888,916</u>

#### Credit risk exposure- financial investments subject to impairment

COVID 19 has caused a contraction in all the economies in which the Group operates. The spread of the virus and travel restrictions have had a significant effect on the demand for tourism, entertainment and related services. As a result, Sagicor offered extensions of moratoriums, payment deferrals and other accommodative activities to several clients on a case by case basis in 2020; this against the background that several clients across various sectors experienced significant declines in earnings. In prior year, the Group also made significant adjustments to our ECLs to recognize the increased credit risk associated with the economic fallout on our borrowing and investment portfolios, some of which have been reversed in the current year to reflect a slight uptick in economic activities.

**Provision for credit losses** recognised in the Group's and the Company's income statement are as follow:

	<u>The Group</u>	
	<u>2021</u>	<u>2020</u>
	<b>\$'000</b>	<b>\$'000</b>
Loans and Leases (Note 10)	(86,825)	1,078,488
Investments	332,113	615,861
Total per income statement	<u>245,288</u>	<u>1,694,349</u>

# Sagicor Group Jamaica Limited

## Notes to the Financial Statements

31 December 2021

(expressed in Jamaican dollars unless otherwise indicated)

### 8. Financial Investments (Continued)

	The Company	
	2021 \$'000	2020 \$'000
Investments	-	41
Total per income statement	-	41

The Group categorises its financial assets into investment grade, non-investment grade, watch, default and unrated. The maximum exposure to credit risk for financial assets carried at fair value represents their amortised cost, as this is the maximum amount of credit loss the Group and Company will suffer in the event of a total default of the counterparty. For financial assets carried at FVTOCI, the amounts shown in the tables will therefore not necessarily reconcile to the financial statements, as the carrying amounts have been adjusted for fair value movements.

The following tables contain analyses of the credit risk exposure of financial investments for which an ECL allowance is recognised.

The Group-2021					
ECL Staging					
FINANCIAL INVESTMENTS-AMORTISED COST	Stage 1 12-month ECL	Stage 2 life-time ECL	Stage 3 life-time ECL	Purchased credit-impaired	Total
	\$000	\$000	\$000	\$000	\$000
Credit grade:					
Investment	7,340,753	-	-	-	7,340,753
Non-investment	111,791,693	-	-	-	111,791,693
Gross carrying amount	119,132,446	-	-	-	119,132,446
Loss allowance	(216,939)	-	-	-	(216,939)
Carrying amount	118,915,507	-	-	-	118,915,507

The Group-2020					
ECL Staging					
FINANCIAL INVESTMENTS-AMORTISED COST	Stage 1 12-month ECL	Stage 2 life-time ECL	Stage 3 life-time ECL	Purchased credit-impaired	Total
	\$000	\$000	\$000	\$000	\$000
Credit grade:					
Investment	4,798,533	-	-	-	4,798,533
Non-investment	88,564,612	-	-	-	88,564,612
Gross carrying amount	93,363,145	-	-	-	93,363,145
Loss allowance	(203,870)	-	-	-	(203,870)
Carrying amount	93,159,275	-	-	-	93,159,275

# Sagicor Group Jamaica Limited

Notes to the Financial Statements

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## 8. Financial Investments (Continued)

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

The Group-2021					
FINANCIAL INVESTMENTS at FVTOCI	ECL Staging			Purchased credit-impaired	Total
	Stage 1 12-month ECL	Stage 2 life-time ECL	Stage 3 life-time ECL		
	\$000	\$000	\$000	\$000	\$000
Credit grade:					
Investment	51,470,062	-	-	-	51,470,062
Non-investment	110,673,487	2,738,789	-	168,278	113,580,554
Maximum credit exposure	162,143,549	2,738,789	-	168,278	165,050,616
Loss allowance	(233,483)	(163,620)	-	-	(397,103)
Maximum credit exposure less ECLs	161,910,066	2,575,169	-	168,278	164,653,513
The Group-2020					
FINANCIAL INVESTMENTS at FVTOCI	ECL Staging			Purchased credit-impaired	Total
	Stage 1 12-month ECL	Stage 2 life-time ECL	Stage 3 life-time ECL		
	\$000	\$000	\$000	\$000	\$000
Credit grade:					
Investment	48,613,868	-	-	-	48,613,868
Non-investment	102,115,786	3,940,744	579,880	194,871	106,831,281
Maximum credit exposure	150,729,654	3,940,744	579,880	194,871	155,445,149
Loss allowance	(242,181)	(251,590)	(405,916)	-	(899,687)
Maximum credit exposure less ECLs	150,487,473	3,689,154	173,964	194,871	154,545,462

# Sagicor Group Jamaica Limited

Notes to the Financial Statements

31 December 2021

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## 8. Financial Investments (Continued)

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

FINANCIAL INVESTMENTS -AMORTISED COST	The Company-2021				
	ECL Staging			Purchased credit- impaired	Total
	Stage 1 12-month ECL	Stage 2 life-time ECL	Stage 3 life-time ECL		
	\$000	\$000	\$000	\$000	\$000
Credit grade:					
Non-investment	1,343,939	-	-	-	1,343,939
Gross carrying amount	1,343,939	-	-	-	1,343,939
Loss allowance	(950)	-	-	-	(950)
Carrying amount	1,342,989	-	-	-	1,342,989
FINANCIAL INVESTMENTS -AMORTISED COST	The Company-2020				
	ECL Staging			Purchased credit- impaired	Total
	Stage 1 12-month ECL	Stage 2 life-time ECL	Stage 3 life-time ECL		
	\$000	\$000	\$000	\$000	\$000
Credit grade:					
Non-investment	1,225,033	-	-	-	1,225,033
Gross carrying amount	1,225,033	-	-	-	1,225,033
Loss allowance	(96)	-	-	-	(96)
Carrying amount	1,224,937	-	-	-	1,224,937

# Sagicor Group Jamaica Limited

## Notes to the Financial Statements

31 December 2021

(expressed in Jamaican dollars unless otherwise indicated)

### 8. Financial Investments (Continued)

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

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

For financial investments measured at FVTPL which are related to the unit-linked funds insurance and investment contracts, the unit holders bear the credit risk and the Group has no direct credit exposure.

	The Group	
	Maximum exposure to credit risk	
	2021	2020
	\$000	\$000
Financial assets designated at fair value		
Debt securities	8,554,670	6,683,730
Equity securities	30,930,383	26,538,128

#### Loss allowances

The allowance for ECL is rerecognized 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 recognized 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 movement of ECL allowance.

	The Group-2021				
	ECL staging				
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Purchased credit- impaired	Total
	\$000	\$000	\$000	\$000	\$000
<b>FINANCIAL INVESTMENTS – AMORTISED COST</b>					
Loss Allowance as at January 01, 2021	203,870	-	-	-	203,870
New financial assets originated or purchased	18,096	-	-	-	18,096
Financial assets fully recognized during the period	(22,883)	-	-	-	(22,883)
Changes to inputs used in ECL calculation	8,707	-	-	-	8,707
Foreign exchange adjustment	9,149	-	-	-	9,149
Loss Allowance as at December 31, 2021	216,939	-	-	-	216,939

# Sagicor Group Jamaica Limited

## Notes to the Financial Statements

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### 8. Financial Investments (Continued)

Loss allowances (continued)

	The Group-2020				
	ECL staging				
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Purchased credit- impaired	Total
	\$000	\$000	\$000	\$000	\$000
<b>FINANCIAL INVESTMENTS – AMORTISED COST</b>					
Loss Allowance as at January 01, 2020	121,509	-	-	-	121,509
New financial assets originated or purchased	24,715	-	-	-	24,715
Financial assets fully recognized during the period	(3,597)	-	-	-	(3,597)
Changes to inputs used in ECL calculation	57,859	-	-	-	57,859
Foreign exchange adjustment	3,384	-	-	-	3,384
<b>Loss Allowance as at December 31, 2020</b>	<b>203,870</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>203,870</b>
	The Group-2021				
	ECL staging				
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Purchased credit- impaired	Total
	\$000	\$000	\$000	\$000	\$000
<b>DEBT SECURITIES – FVTOCI</b>					
Loss Allowance as at January 01, 2021	242,181	251,590	405,916	-	899,687
Transfers:					
Transfer from Stage 1 to Stage 2	(44)	44	-	-	-
Transfer from Stage 2 to Stage 1	3	(3)	-	-	-
New financial assets originated or purchased	52,426	-	-	-	52,426
Financial assets fully recognized during the period	(47,991)	(145,975)	(405,916)	-	(599,882)
Changes to inputs used in ECL calculation	(21,693)	49,777	-	-	28,084
Foreign exchange adjustment	8,601	8,187	-	-	16,788
<b>Loss Allowance as at December 31, 2021</b>	<b>233,483</b>	<b>163,620</b>	<b>-</b>	<b>-</b>	<b>397,103</b>

# Sagicor Group Jamaica Limited

## Notes to the Financial Statements

31 December 2021

(expressed in Jamaican dollars unless otherwise indicated)

### 8. Financial Investments (Continued)

Loss allowances (continued)

	The Group-2020				
	ECL staging				
	Stage 1 12-month ECL \$000	Stage 2 Lifetime ECL \$000	Stage 3 Lifetime ECL \$000	Purchased credit- impaired \$000	Total \$000
<b>DEBT SECURITIES – FVTOCI</b>					
<b>Loss Allowance as at January 01, 2020</b>	235,182	236,161	-	-	471,343
Transfers:					
Transfer from Stage 1 to Stage 2	(944)	944	-	-	-
Transfer from Stage 2 to Stage 3	-	(137,736)	137,736	-	-
New financial assets originated or purchased	114,764	41,471	-	-	156,235
Financial assets fully recognized during the period	(63,645)	(19,747)	-	-	(83,392)
Changes to inputs used in ECL calculation	(48,368)	113,121	268,180	-	332,933
Foreign exchange adjustment	5,192	17,376	-	-	22,568
<b>Loss Allowance as at December 31, 2020</b>	242,181	251,590	405,916	-	899,687

# Sagicor Group Jamaica Limited

## Notes to the Financial Statements

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### 8. Financial Investments (Continued)

Loss allowances (continued)

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

#### Economic variable assumptions for exposure in corporate securities

<b>Outlook for the next three (3) years from December 2021:</b>		<b>2022</b>	<b>2023</b>	<b>2024</b>
S&P 500 Financial Index EPS	Base	44	49	49
	Upside	66	74	74
	Downside	29	32	32
World GDP growth rate	Base	4.9%	3.6%	3.4%
	Upside	7.4%	5.4%	5.1%
	Downside	2.6%	2.6%	2.4%
WTI Oil Prices/10	Base	7.36	6.79	6.40
	Upside	9.39	9.39	9.39
	Downside	3.09	2.85	2.69
<b>Outlook for the next three (3) years from December 2020:</b>		<b>2021</b>	<b>2022</b>	<b>2023</b>
S&P 500 Financial Index EPS	Base	33	39	39
	Upside	50	59	59
	Downside	22	26	26
World GDP growth rate	Base	5.2%	4.2%	3.8%
	Upside	7.8%	6.3%	5.7%
	Downside	2.6%	2.6%	2.6%
WTI Oil Prices/10	Base	4.82	4.67	4.67
	Upside	9.39	9.39	9.39
	Downside	2.02	1.96	1.96

# Sagicor Group Jamaica Limited

## Notes to the Financial Statements

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### 8. Financial Investments (Continued)

Loss allowances (continued)

<b>Outlook for the next three (3) years from December 2021:</b>				
		<b>2022</b>	<b>2023</b>	<b>2024</b>
Jamaica	Base	Negative	Stable	Stable
	Upside	Stable	Stable	Stable
	Downside	Negative	Stable	Stable

<b>Outlook for the next three (3) years from December 2020:</b>				
		<b>2021</b>	<b>2022</b>	<b>2023</b>
Jamaica	Base	Negative	Stable	Stable
	Upside	Stable	Stable	Stable
	Downside	Negative	Stable	Stable

### Sensitivity analysis at December 2021

The tables below show the sensitivity of the ECL to its various components.

<b>SICR criteria *</b>	<b>Actual threshold applied</b>	<b>Change in threshold</b>	<b>ECL impact of</b>	
			<b>Change in threshold</b>	
Investments	2-notch downgrade since origination	1-notch downgrade since origination	45,580	

\* See note 2 (f) (vii) for full criteria for staging. The staging for lending products is primarily based on days past due with 30-day used as backstop, thus sensitivity analysis is not performed.

<b>Loss Given Default</b>	<b>Actual value applied</b>	<b>Change in value</b>	<b>ECL impact of</b>	
			<b>Increase in value</b>	<b>Decrease in value</b>
Investments – Corporate Debts	52%	(- / + 5) %	21,965	(21,965)
Investments – Sovereign Debts (excluding Government of Barbados and Government of Jamaica)	35%	(- / + 5) %	6,266	(6,266)
Investments – Sovereign Debts (Government of Jamaica)	15%	(- / + 5) %	89,019	(89,019)

<b>Weighting for downside scenario</b>	<b>Actual value applied</b>	<b>Change in value</b>	<b>ECL impact of</b>	
			<b>Increase in value</b>	<b>Decrease in value</b>
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	19,634	(19,634)

# Sagicor Group Jamaica Limited

## Notes to the Financial Statements

31 December 2021

(expressed in Jamaican dollars unless otherwise indicated)

### 8. Financial Investments (Continued)

Loss allowances (continued)

#### Sensitivity analysis at December 2020

The tables below show the sensitivity of the ECL to its various components.

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	-	

\* See note 2 (f) (vii) 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	Decrease in value
Investments – Corporate Debts	52%	(- /+ 5) %	33,669	(33,669)
Investments – Sovereign Debts (excluding Government of Barbados and Government of Jamaica)	35%	(- /+ 5) %	3,205	(3,205)
Investments – Sovereign Debts (Government of Jamaica)	15%	(- /+ 5) %	92,582	(92,582)

Weighting for downside scenario	Actual value applied	Change in value	ECL impact of	
			Increase in value	Decrease in value
Investments – excluding Government of Barbados	10% (80% for base scenario and 10% for upside scenario)	(- /+ 5) % - keep the weighting for base scenario and adjust the weighting for upside scenario accordingly	24,626	(24,626)

# Sagicor Group Jamaica Limited

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## 8. Financial Investments (Continued)

### IFRS 9 maximum exposure to credit risk

The following tables explain the changes in the maximum credit exposure the beginning and the end of the period due to these factors. For instruments at amortised cost, the gross carrying amount equals the maximum exposure.

	The Group-2021				Total
	ECL staging				
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Purchased credit- impaired	
<b>FINANCIAL INVESTMENTS – AMORTISED COST</b>	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>
<b>Maximum exposure to credit risk as at January 01, 2021</b>	93,363,145	-	-	-	93,363,145
New financial assets originated or purchased	48,410,470	-	-	-	48,410,470
Financial assets fully recognized during the period	(24,990,072)	-	-	-	(24,990,072)
Changes in principal and interest	(168,032)	-	-	-	(168,032)
Foreign exchange adjustment	2,516,935	-	-	-	2,516,935
<b>Maximum exposure to credit risk as at December 31, 2021</b>	119,132,446	-	-	-	119,132,446

# Sagicor Group Jamaica Limited

## Notes to the Financial Statements

31 December 2021

(expressed in Jamaican dollars unless otherwise indicated)

### 8. Financial Investments (Continued)

IFRS 9 maximum exposure to credit risk (continued)

	The Group-2020				
	ECL staging				
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Purchased credit- impaired	Total
	\$000	\$000	\$000	\$000	\$000
<b>FINANCIAL INVESTMENTS- AMORTISED COST</b>					
<b>Maximum exposure to credit risk as at January 01, 2020</b>	78,722,065	-	-	-	78,722,065
New financial assets originated or purchased	205,849,281	-	-	-	205,849,281
Financial assets fully recognized during the period	(193,931,071)	-	-	-	(193,931,071)
Changes in principal and interest	67,892	-	-	-	67,892
Foreign exchange adjustment	2,654,978	-	-	-	2,654,978
<b>Maximum exposure to credit risk as at December 31, 2020</b>	93,363,145	-	-	-	93,363,145
	The Group-2021				
	ECL staging				
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Purchased credit- impaired	Total
	\$000	\$000	\$000	\$000	\$000
<b>DEBT SECURITIES – FVTOCI</b>					
<b>Maximum credit exposure as at January 01, 2021</b>	150,729,654	3,940,744	579,880	194,871	155,445,149
Transfers:					
Transfer from Stage 1 to Stage 2	(158,042)	158,042	-	-	-
Transfer from Stage 2 to Stage 1	77	(77)	-	-	-
New financial assets originated or purchased	43,757,094	-	-	-	43,757,094
Financial assets fully recognized during the period	(39,059,095)	(1,570,232)	(579,880)	(39,943)	(41,249,150)
Changes in principal and interest	1,625,153	20,358	-	-	1,645,511
Foreign exchange adjustment	5,248,708	189,954	-	13,350	5,452,012
<b>Maximum credit exposure as at December 31, 2021</b>	162,143,549	2,738,789	-	168,278	165,050,616

# Sagicor Group Jamaica Limited

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31 December 2021

(expressed in Jamaican dollars unless otherwise indicated)

### 8. Financial Investments (Continued)

IFRS 9 maximum exposure to credit risk (continued)

	The Group-2020				
	ECL staging				
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Purchased credit- impaired	Total
	\$000	\$000	\$000	\$000	\$000
<b>DEBT SECURITIES – FVTOCI</b>					
<b>Maximum credit exposure as at January 01, 2020</b>	138,918,903	2,561,421	-	190,525	141,670,849
Transfers:					
Transfer from Stage 1 to Stage 2	(1,489,490)	1,489,490	-	-	-
Transfer from Stage 2 to Stage 1	-	(548,204)	548,204	-	-
New financial assets originated or purchased	76,767,143	534,040	-	-	77,301,183
Financial assets fully recognized during the period	(66,188,376)	(217,576)	-	(10,136)	(66,416,088)
Changes in principle and interest	(533,030)	(66,613)	31,676	-	(567,967)
Foreign exchange adjustment	3,254,504	188,186	-	14,482	3,457,172
<b>Maximum credit exposure as at December 31, 2020</b>	150,729,654	3,940,744	579,880	194,871	155,445,149
	The Company-2021				
	ECL staging				
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Purchased credit- impaired	Total
	\$000	\$000	\$000	\$000	\$000
<b>FINANCIAL INVESTMENTS – Amortised Cost</b>					
<b>Maximum exposure to credit risk as at January 01, 2021</b>	1,225,033	-	-	-	1,225,033
New financial assets originated or purchased	1,260,686	-	-	-	1,260,686
Financial assets fully recognized during the period	(1,171,472)	-	-	-	(1,171,472)
Changes in principal and interest	5,270	-	-	-	5,270
Foreign exchange adjustment	24,422	-	-	-	24,422
<b>Maximum exposure to credit risk as at December 31, 2021</b>	1,343,939	-	-	-	1,343,939

# Sagicor Group Jamaica Limited

## Notes to the Financial Statements

31 December 2021

(expressed in Jamaican dollars unless otherwise indicated)

### 8. Financial Investments (Continued)

IFRS 9 maximum exposure to credit risk (continued)

	The Company-2020				Total
	ECL staging				
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Purchased credit- impaired	
\$000	\$000	\$000	\$000	\$000	
<b>FINANCIAL INVESTMENTS – AMORTISED COST</b>					
<b>Maximum exposure to credit risk as at January 01, 2020</b>	577,908	-	-	-	577,908
New financial assets originated or purchased	612,616	-	-	-	612,616
Financial assets fully recognized during the period	-	-	-	-	-
Changes in principal and interest	34,509	-	-	-	34,509
Foreign exchange adjustment					
<b>Maximum exposure to credit risk as at December 31, 2020</b>	1,225,033	-	-	-	1,225,033

### 9. Premiums Due and Unpaid

	2021 \$'000	2020 \$'000
Gross Premiums	9,454,372	8,322,054
Provisions	(5,035,327)	(4,186,774)
Net Premiums	4,419,045	4,135,280

Current portion of Premiums Due and Unpaid disclosed under Note 48 (d).

Movement in the provision for premiums due and unpaid is as follows:

	Group insurance \$'000	Individual insurance \$'000	General Insurance \$'000	Total \$'000
Provision as at 1 January 2020	(529,588)	(3,034,025)	(40,128)	(3,603,741)
Net recoveries / write-offs during the period	209,456	(792,489)	-	(583,033)
Provision as at 31 December 2020	(320,132)	(3,826,514)	(40,128)	(4,186,774)
Net write-offs/recoveries during the period	(50,876)	(797,677)	-	(848,553)
Provision as at 31 December 2021	(371,008)	(4,624,191)	(40,128)	(5,035,327)

# Sagicor Group Jamaica Limited

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### 9. Premiums Due and Unpaid (Continued)

Credit risk is managed based on the line of business. Generally, where collection of premiums is considered doubtful, or payment is outstanding for more than 90 days, the insurance regulations stipulate that the outstanding premium should be provided for in full.

Premiums written for individual insurance policies are required to be settled based on modal frequency (monthly, quarterly, semi-annually, or annually). When policies where payments made by means other than salary deduction are outstanding for more than 90 days, the amounts outstanding are provided for in full. When policies where payments made by salary deduction are outstanding for more than 90 but less than 120 days, the outstanding amounts are partially provided for. The remaining policies where payments are outstanding for more than 120 days are provided for in full.

Premiums written for group insurance policies are required to be settled on a monthly basis. Policies where payment is outstanding for more than 90 days are provided for in full. A separate assessment is done on a case-by-case basis for the recoverability of the amounts outstanding for less than 90 days that are not provided for, to determine if a provision is necessary based on any identified significant increases in credit risk of the policyholder.

Premiums written for group annuities are due immediately upon the inception of the contract. Amounts due and unpaid normally exist as at the year end due to the timing of the receipt of the consideration. These amounts due and unpaid are considered to be subject to a low amount of credit risk and therefore any identified provision is immaterial.

### 10. Loans and Leases, after Allowance for Credit Losses

	<b>The Group</b>	
	<b>2021</b>	<b>2020</b>
	<b>\$'000</b>	<b>\$'000</b>
Gross loans and advances	97,235,104	92,001,621
Less: Allowance for credit losses	<u>(1,589,777)</u>	<u>(1,959,551)</u>
	95,645,327	90,042,070
Loan interest receivable	<u>845,191</u>	<u>797,356</u>
	96,490,518	90,839,426
Lease receivables, net of allowance for credit losses	<u>399,399</u>	<u>322,010</u>
	<u>96,889,917</u>	<u>91,161,436</u>

Current portion of Loans and Leases, after Allowance for Credit Losses disclosed under Note 48 (d).

# Sagicor Group Jamaica Limited

Notes to the Financial Statements

31 December 2021

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## 10. Loans and Leases, after Allowance for Credit Losses (Continued)

The provision for credit losses determined under Central Bank regulatory requirements was as follows:

	<b>The Group</b>	
	<b>2021</b>	<b>2020</b>
	<b>\$'000</b>	<b>\$'000</b>
Specific provision	1,486,783	1,125,070
General provision	973,837	912,309
	<u>2,460,620</u>	<u>2,037,379</u>
Excess of regulatory provision over IFRS provision recognized in the Bank reflected in non-distributable loan loss reserve (Note 2(j))	(858,967)	496,857
	<u>(858,967)</u>	<u>496,857</u>
Lease receivables:		
	<b>The Group</b>	
	<b>2021</b>	<b>2020</b>
	<b>\$'000</b>	<b>\$'000</b>
Gross investment in finance leases -		
Not later than one year	149,348	103,998
Later than one year and not later than five years	285,681	248,044
	<u>435,029</u>	<u>352,042</u>
Less: Unearned income	(35,412)	(29,793)
Net investment in finance leases	<u>399,617</u>	<u>322,249</u>
Net investment in finance leases -		
Not later than one year	130,181	88,619
Later than one year and not later than five years	269,436	233,630
	<u>399,617</u>	<u>322,249</u>
Less: Provision for credit losses	(218)	(239)
	<u>399,399</u>	<u>322,010</u>

# Sagicor Group Jamaica Limited

Notes to the Financial Statements

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## 10. Loans and Leases, after Allowance for Credit Losses (Continued)

### Credit risk exposure- loans and leases subject to impairment

The following tables contain analyses of the credit risk exposure of financial investments for which an ECL allowance is recognised.

Loans and leases – amortised cost	The Group-2021				Total
	ECL Staging			Purchased credit-impaired	
	Stage 1 12-month ECL	Stage 2 life-time ECL	Stage 3 life-time ECL		
	\$'000	\$'000	\$'000	\$'000	\$'000
Credit grade:					
Non-investment	92,423,463	3,681,462	-	-	96,104,925
Default	-	-	2,374,986	-	2,374,986
Gross carrying amount	92,423,463	3,681,462	2,374,986	-	98,479,911
Loss allowance	(657,292)	(73,380)	(859,322)	-	(1,589,994)
Carrying amount	91,766,171	3,608,082	1,515,664	-	96,889,917

Loans and leases – amortised cost	The Group-2020				Total
	ECL Staging			Purchased credit-impaired	
	Stage 1 12-month ECL	Stage 2 life-time ECL	Stage 3 life-time ECL		
	\$000	\$000	\$000	\$000	\$000
Credit grade:					
Non-investment	86,842,916	4,469,247	-	-	91,312,163
Default	-	-	1,809,063	-	1,809,063
Gross carrying amount	86,842,916	4,469,247	1,809,063	-	93,121,226
Loss allowance	(766,997)	(130,045)	(1,062,748)	-	(1,959,790)
Carrying amount	86,075,919	4,339,202	746,315	-	91,161,436

Mortgage loans are collateralised by the underlying residential and commercial properties. The values ascribed to these properties have been considered in arriving at the LGDs for each mortgage loan. The total value of the collateral as at year end with respect to mortgage loans that were credit-impaired at the reporting date (stage 3) was \$599,600,000 (2020: \$1,308,100,000).

# Sagicor Group Jamaica Limited

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### 10. Loans and Leases, after Allowance for Credit Losses (Continued)

#### 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 ECL allowances recognized during the period.

	The Group-2021				Total
	ECL staging				
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Purchased credit- impaired	
<b>LOANS AND LEASES - AMORTISED COST</b>	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>
<b>Loss Allowance as at January 01, 2021</b>	766,997	130,045	1,062,748	-	1,959,790
Transfers:					
Transfer from Stage 1 to Stage 2	(4,436)	4,436	-	-	-
Transfer from Stage 1 to Stage 3	(4,594)	-	4,594	-	-
Transfer from Stage 2 to Stage 1	17,457	(17,457)	-	-	-
Transfer from Stage 2 to Stage 3	-	(18,639)	18,639	-	-
Transfer from Stage 3 to Stage 1	60,318	-	(60,318)	-	-
New financial assets originated or purchased	126,537	2,070	16,844	-	145,451
Financial assets fully derecognised during the period	(107,229)	(17,585)	(514,760)	-	(639,574)
Changes to inputs used in ECL calculation	(205,313)	(12,991)	314,863	-	96,559
Foreign exchange adjustment	7,555	3,501	16,712	-	27,768
<b>Loss Allowance as at December 31, 2021</b>	<b>657,292</b>	<b>73,380</b>	<b>859,322</b>	<b>-</b>	<b>1,589,994</b>

# Sagicor Group Jamaica Limited

## Notes to the Financial Statements

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### 10. Loans and Leases, after Allowance for Credit Losses (Continued)

Loss allowances (continued)

	The Group-2020				Total
	ECL staging				
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Purchased credit- impaired	
<b>LOANS AND LEASES - AMORTISED COST</b>	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>
Loss Allowance as at January 01, 2020	494,372	99,018	840,695	-	1,434,085
Transfers:					
Transfer from Stage 1 to Stage 2	(17,706)	17,706	-	-	-
Transfer from Stage 1 to Stage 3	(3,523)	-	3,523	-	-
Transfer from Stage 2 to Stage 1	21,720	(21,720)	-	-	-
Transfer from Stage 2 to Stage 3	-	(16,735)	16,735	-	-
Transfer from Stage 3 to Stage 2	-	126	(126)	-	-
Transfer from Stage 3 to Stage 1	6,863	-	(6,863)	-	-
New financial assets originated or purchased	143,827	19,416	105,971	-	269,214
Financial assets fully derecognised during the period	(88,749)	(29,717)	(293,441)	-	(411,907)
Changes to inputs used in ECL calculation	200,536	57,802	366,319	-	624,657
Foreign exchange adjustment	9,657	4,149	29,935	-	43,741
<b>Loss Allowance as at December 31, 2020</b>	<b>766,997</b>	<b>130,045</b>	<b>1,062,748</b>	<b>-</b>	<b>1,959,790</b>

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

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.

#### At December 31, 2020

##### Outlook for lending at December 2020

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

# Sagicor Group Jamaica Limited

Notes to the Financial Statements

31 December 2021

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## 10. Loans and Leases, after Allowance for Credit Losses (Continued)

Loss allowances (continued)

At December 31, 2021

### Outlook for lending at December 2021

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

The economic states assigned above are translated into numerical figures.

### Sensitivity analysis at December 2021

The tables below show the sensitivity of the ECL to its various components.

Weighting for downside scenario	Actual value applied	Change in value	ECL impact of	
			Increase in value	Decrease in value
Lending products	Entertainment and tourism industry: 25% (65% for base scenario and 10% for upside scenario)  Other industries: 15% (75% for base scenario and 10% for upside scenario)	( - /+ 5 ) % - keep the weighting for base scenario and adjust the weighting for upside scenario accordingly	14,917	(9,581)

### Sensitivity analysis at December 2020.

Weighting for downside scenario	Actual value applied	Change in value	ECL impact of	
			Increase in value	Decrease in value
Lending products	10% (75% for base scenario and 15% for upside scenario)	- /+ 5) % - keep the weighting for base scenario and adjust the weighting for upside scenario accordingly	24,170	(17,756)

# Sagicor Group Jamaica Limited

## Notes to the Financial Statements

31 December 2021

(expressed in Jamaican dollars unless otherwise indicated)

### 10. Loans and Leases, after Allowance for Credit Losses (Continued)

#### IFRS 9 Maximum exposure to credit risk

The following tables explain the changes in the maximum credit exposure the beginning and the end of the period due to these factors. For instruments at amortised cost, the gross carrying amount equals the maximum exposure.

	The Group 2021				
	ECL staging				Total
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Purchased credit- impaired	
	\$000	\$000	\$000	\$000	\$000
<b>LOANS AND LEASES - AMORTISED COST</b>					
<b>Maximum exposure to credit risk as at January 01, 2021</b>	86,842,916	4,469,247	1,809,063	-	93,121,226
Transfers:					
Transfer from Stage 1 to Stage 2	(864,755)	864,755	-	-	-
Transfer from Stage 1 to Stage 3	(662,329)	-	662,329	-	-
Transfer from Stage 2 to Stage 1	568,279	(568,279)	-	-	-
Transfer from Stage 2 to Stage 3	-	(642,595)	642,595	-	-
Transfer from Stage 3 to Stage 2	-	70,852	(70,852)	-	-
Transfer from Stage 3 to Stage 1	150,008	-	(150,008)	-	-
New financial assets originated or purchased	26,286,851	118,170	75,451	-	26,480,472
Financial assets fully derecognised during the period	(14,198,066)	(608,452)	(1,063,976)	-	(15,870,494)
Changes in principal and interest	(7,079,246)	(201,088)	431,108	-	(6,849,226)
Foreign exchange adjustment	1,379,805	178,852	39,276	-	1,597,933
<b>Maximum exposure to credit as at December 31, 2021</b>	<b>92,423,463</b>	<b>3,681,462</b>	<b>2,374,986</b>	<b>-</b>	<b>98,479,911</b>

# Sagicor Group Jamaica Limited

## Notes to the Financial Statements

31 December 2021

(expressed in Jamaican dollars unless otherwise indicated)

### 10. Loans and Leases, after Allowance for Credit Losses (Continued)

IFRS 9 Maximum exposure to credit risk (continued)

	The Group 2020				
	ECL staging				
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Purchased credit- impaired	Total
	\$000	\$000	\$000	\$000	\$000
<b>LOANS AND LEASES - AMORTISED COST</b>					
<b>Maximum exposure to credit as at January 01, 2020</b>	84,843,448	2,321,309	2,236,208	-	89,400,965
Transfers:					
Transfer from Stage 1 to Stage 2	(3,138,324)	3,138,324	-	-	-
Transfer from Stage 1 to Stage 3	(632,781)	-	632,781	-	-
Transfer from Stage 2 to Stage 1	550,009	(550,009)	-	-	-
Transfer from Stage 2 to Stage 3	-	(580,709)	580,709	-	-
Transfer from Stage 3 to Stage 2	-	12,668	(12,668)	-	-
Transfer from Stage 3 to Stage 1	727,689	-	(727,689)	-	-
New financial assets originated or purchased	21,146,248	673,609	181,498	-	22,001,355
Financial assets fully derecognised during the period	(14,171,675)	(476,023)	(644,040)	-	(15,291,738)
Changes in principal and interest	(3,629,701)	(201,428)	(492,770)	-	(4,323,899)
Foreign exchange adjustment	1,148,003	131,506	55,034	-	1,334,543
<b>Maximum exposure to credit as at December 31, 2020</b>	<b>86,842,916</b>	<b>4,469,247</b>	<b>1,809,063</b>	<b>-</b>	<b>93,121,226</b>

# Sagicor Group Jamaica Limited

## Notes to the Financial Statements

31 December 2021

(expressed in Jamaican dollars unless otherwise indicated)

### 10. Loans and Leases, after Allowance for Credit Losses (Continued)

#### Concentration of loans and leases

Credit risk is an important risk for the Group's business; management therefore carefully monitors its exposure to credit risk in its lending activities. The group structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to a single counterparty or groups of related counterparties and to geographical and industry segments.

	The Group	
	2021	2020
Loans and leases	\$'000	\$'000
Industry segments		
Agriculture, fishing and mining	1,815,035	1,742,517
Construction and real estate	12,578,664	11,049,865
Distribution	11,083,218	9,738,747
Manufacturing	3,702,898	3,945,372
Personal	40,662,088	37,429,201
Professional and other services	11,239,613	12,698,931
Tourism and entertainment	7,033,605	6,532,153
Transportation, storage and communication	1,218,376	1,445,364
Other	8,301,223	7,741,720
	97,634,720	92,323,870
Less: Provision for credit losses	(1,589,994)	(1,959,790)
	96,044,726	90,364,080
Interest receivable	845,191	797,356
	96,889,917	91,161,436

### 11. Pledged Assets

Assets of the Group are pledged as collateral under repurchase agreements with customers and financial institutions. Mandatory cash reserves and investment securities are also held with the regulators, the Bank of Jamaica and the Financial Services Commission.

	The Group		The Company	
	2021	2020	2021	2020
	\$'000	\$'000	\$'000	\$'000
Investment securities pledged as collateral:				
With regulators	199,168	193,990	-	-
Under repurchase agreements (Note 29)	91,968,151	86,549,253	-	-
With bank and other financial institutions	1,468,807	399,695	439,997	557,800
	93,636,126	87,142,938	439,997	557,800

# Sagicor Group Jamaica Limited

## Notes to the Financial Statements

31 December 2021

(expressed in Jamaican dollars unless otherwise indicated)

### 12. Investment Properties

	<u>The Group</u>	
	<b>2021</b>	<b>2020</b>
	<b>\$'000</b>	<b>\$'000</b>
At beginning of year	1,389,305	3,355,590
Additions during the year (i)	193,019	37,629
Disposal during the year (ii)	(430,000)	(2,087,593)
Fair value gains	68,000	83,679
At end of year	<u>1,220,324</u>	<u>1,389,305</u>

The investment properties as at 31 December 2021 were valued at current market value by Allison Pitter & Company and NIA Jamaica Langford & Brown, qualified property appraisers and valuers.

- (i) Additions during the year related to works done at property located at Up Park Camp. Additions for prior year, relate to Anchovy Estate and 85 Hope Road (Sagicor Life Jamaica Limited).
- (ii) Disposals during the year related to Market Place, Montego Bay by Advantage General Insurance Limited. In 2020, the Group sold Jewel Grand Montego Bay Resort and Spa (X Fund), 7, 8 & 11 West Street, 153 & 157 Water Lane and 2 Pechon Street, Kingston (Advantage General Insurance Limited).
- (iii) Rental income and repairs and maintenance expenditure in relation to investment properties are disclosed in Note 37.
- (iv) During the year, some of the properties were tenanted and generated rental income. Operating expenses related to the properties which were not tenanted amounted to \$NIL.

The valuations of investment property have been classified as Level 3 of the fair value hierarchy under IFRS 13, 'Fair Value Measurement' in note 47.

### 13. Investment in Joint Venture

This relates to the group's investment in Sagicor Costa Rica

	<u>The Group</u>		<u>The Company</u>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Balance at 1 January	683,234	436,493	414,267	414,267
Share of after tax earnings	607,764	310,860	-	-
Share of movement in other comprehensive income, net of taxation	38,799	(64,119)	-	-
Balance at 31 December	<u>1,329,797</u>	<u>683,234</u>	<u>414,267</u>	<u>414,267</u>

# Sagicor Group Jamaica Limited

## Notes to the Financial Statements

31 December 2021

(expressed in Jamaican dollars unless otherwise indicated)

### 13. Investment in Joint Venture (Continued)

The joint venture has share capital consisting solely of common and nominative shares, which is held directly by the Group.

Sagicor Costa Rica, S.A. is a private company and there is no quoted market price available for its shares.

There are no contingent liabilities relating to the Group's interest in the joint venture.

#### *Summarised Financial Information of Joint Venture*

Set out below are the summarised financial information for Grupo Sagicor GS, G.A. and subsidiary, which is accounted for using the equity method.

#### *Summarised Statement of Financial Position*

	<b>The Group</b>	
	<b>2021</b>	<b>2020</b>
	<b>\$'000</b>	<b>\$'000</b>
Current assets		
Cash and cash equivalents	178,263	566,831
Other current assets	3,403,701	2,643,881
	<u>3,581,964</u>	<u>3,210,712</u>
Non-current assets		
Investments	2,300,597	1,116,211
Other non-current asset	186,712	198,725
	<u>2,487,309</u>	<u>1,314,936</u>
Total Assets	<u>6,069,273</u>	<u>4,525,648</u>
Current liabilities		
Provision for unearned premiums	1,783,867	1,317,451
Other liabilities	1,063,453	1,116,211
	<u>2,847,320</u>	<u>2,433,662</u>
Non Current liabilities		
Notes and loans payable	527,459	701,480
Other liabilities	34,900	24,039
	<u>562,359</u>	<u>725,519</u>
Total Liabilities	<u>3,409,679</u>	<u>3,159,181</u>
Net Assets	<u>2,659,594</u>	<u>1,366,467</u>

# Sagicor Group Jamaica Limited

## Notes to the Financial Statements

31 December 2021

(expressed in Jamaican dollars unless otherwise indicated)

### 13. Investment in Joint Venture (Continued)

*Summarised Financial Information of Joint Venture (Continued)*

*Summarised statement of comprehensive income*

	<b>The Group</b>	
	<b>2021</b>	<b>2020</b>
	<b>\$'000</b>	<b>\$'000</b>
Revenue:		
Net premium revenue	5,033,236	3,198,871
Net investment and other income	488,375	277,272
Total revenue, net	<u>5,521,611</u>	<u>3,476,143</u>
Benefits and expenses:		
Benefits	440,519	741,134
Operating expenses	3,287,664	1,855,429
Interest expense	50,740	56,043
Total benefits and expenses	<u>3,778,923</u>	<u>2,652,606</u>
Net profit before taxation	1,742,688	823,537
Taxation	(527,159)	(201,817)
Net profit after tax for the period	1,215,529	621,720
Other comprehensive income	(86,608)	(199,843)
Total comprehensive income	<u>1,128,921</u>	<u>421,877</u>

#### Reconciliation of summarized financial information

Opening net assets at 1 January	1,366,468	872,985
Net profit) after tax for the period	1,215,529	621,720
Other comprehensive income	(86,608)	(199,843)
Currency translation	164,205	71,605
Closing net assets	<u>2,659,594</u>	<u>1,366,467</u>

# Sagicor Group Jamaica Limited

## Notes to the Financial Statements

31 December 2021

(expressed in Jamaican dollars unless otherwise indicated)

### 14. Interest in Structured Entities

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

#### **Consolidated Structured Entity**

The Group has no consolidated structured entity.

#### **Unconsolidated Structured Entity**

The Group established Sagicor Pooled Investment Fund Limited (PIF), Sagicor Sigma Global Unit Trust (twenty-one portfolios), and the Sagicor Select Funds Limited (two portfolios) to provide customers and pension funds with several investment opportunities.

#### (i) PIF

PIF is a custodian trustee for the assets of the Pooled Pension Investment Funds which are held in trust on behalf of pension funds. The trust has a separate Board of Directors. The administration of the assets in trust is done by one of the Group's subsidiaries, Employee Benefits Administrator Limited. The investment manager of these Funds is also one of the Group's subsidiaries, Sagicor Life Jamaica Limited. Both the administration of the assets and the provision of investment management services entitled the Group to receive management fees based on the assets under management. See critical accounting estimates Note 3 (a) (i) for further details.

The table below shows the total assets of PIF, the Group's exposure in and income arising from involvement with PIF as well as the maximum exposure to loss. The maximum exposure to loss from the Group's interests represents the maximum loss that the Group could incur as a result of its involvement with the PIF regardless of the probability of the loss being incurred. The income from the Group's interest includes recurring and non-recurring fees and any mark-to-market gains/losses on a net basis. The Group's exposure to loss arises from the Group's defined benefit pension scheme's investment in units in PIF. The income earned from the Group's interests represents the income earned by the Group's defined benefit pension scheme's investment in units in PIF. Management fees are earned by the Group from its administration and investment management activities.

	<b>The Group</b>	
	<b>2021</b>	<b>2020</b>
	<b>\$'000</b>	<b>\$'000</b>
Total assets of PIF	178,323,806	176,933,611
Maximum exposure to loss	22,797,182	19,977,463
Total income/(loss) from the Group's interests	2,022,687	(1,912,550)
Management Fees earned	<u>1,959,065</u>	<u>1,890,080</u>

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

#### (ii) Sagicor Sigma Global Unit Trust

The Group established the Sagicor Sigma Global Unit Trust to provide customers with investment opportunities. The Unit Trust comprises twenty-one portfolios. See Note 3 (a) (i) for further details.

# Sagicor Group Jamaica Limited

## Notes to the Financial Statements

31 December 2021

(expressed in Jamaican dollars unless otherwise indicated)

### 14. Interest in Structured Entities (Continued)

#### (ii) Sagicor Sigma Global Unit Trust (continued)

The Unit Trust has an independent trustee. One of the Group's subsidiaries, Sagicor Investments Jamaica Limited is the investment manager of the Unit Trust and is entitled to receive management fees based on the assets under management. The Group also holds units in the Unit Trust.

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

	<b>The Group</b>	
	<b>2021</b>	<b>2020</b>
	<b>\$'000</b>	<b>\$'000</b>
Total assets of the Unit Trust	133,391,341	141,595,194
The Group's interest – Carrying value of units held (included in fair value through profit and Loss – Note 8)	23,601,075	25,098,938
Maximum exposure to loss	(23,601,075)	(25,098,938)
Liability to the Unit Trust in relation to repurchase obligations (included in repurchase obligations on the consolidated statement of financial position)	26,182,798	20,045,556
Liability to the Unit Trust in relation to the purchase of shares in Advantage General Insurance Company Limited	3,355,102	3,671,203
Liability to the Unit Trust in relation to Real Estate Developed for Resale	1,666,029	275,000
Total income from the Group's interests	<u>2,805,974</u>	<u>2,859,795</u>

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

#### (iii) Sagicor Select Funds

Sagicor Select Funds consists of two publicly traded companies listed on Jamaica Stock exchange. They are the Financial Select Fund and the Manufacturing and Distribution Select Fund. The objective of these funds is to provide a low cost and effective means of investing in a diverse pool of companies listed on the stock market.

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

	<b>2021</b>	<b>2020</b>
	<b>\$'000</b>	<b>\$'000</b>
Total assets of Funds	8,185,651	7,610,408
The Group's interest – Carrying value of equities held (included in fair value through profit and Loss – Note 8)	148,737	161,809
Maximum exposure to loss	(148,737)	(161,809)
Liability in relation to repurchase obligations (included in repurchase obligations on the consolidated statement of financial position)	62,864	114,503
Total income from the Group's interests	<u>24,814</u>	<u>31,045</u>

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

# Sagicor Group Jamaica Limited

## Notes to the Financial Statements

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### 15. Investment in Associated Company

Sagicor Group owned 0% (2020 – 14.87%) of the 134,496,340 shares outstanding by Playa through its subsidiary company, Jamziv (owned by Sagicor Real Estate X Fund Limited). On January 15, 2021, the Group completely disposed of the 14.87% equity interest in Playa. Based on Sagicor Group's level of investment in, and participation in the decision and policy-making at Playa, Sagicor Real Estate X Fund Group accounted for its investment in Playa as an associated company from the date of acquisition as required by IAS 28 up to point of disposal. There were no contingent liabilities relating to the Group's interest in the associated company.

(a) *The investment in associated company is represented as follows:*

	<b>The Group</b>	
	<b>2021</b>	<b>2020</b>
	<b>\$'000</b>	<b>\$'000</b>
Investment, beginning of year	15,844,876	24,509,615
Disposal/dilution of interest	(15,844,876)	(441,101)
Impairment of associate	-	(4,508,146)
Share of :		
Net loss after tax for the period	-	(5,467,297)
Other comprehensive loss	-	(389,931)
Effects of exchange rate changes	-	2,141,736
Investment, end of year	<u>-</u>	<u>15,844,876</u>

Jamziv's interest at December 31, 2020 in Playa decreased by 0.62% to 14.87% from 15.49% at December 31, 2019. In June 2020, Playa issued additional shares which resulted in an effective dilution in the Group's interest. In January 2021, the Group disposed of its holdings in Playa.

The following table shows the breakout of the amounts recorded in the income statement in relation to the current year disposal and prior year's dilution.

	<b>2021</b>	<b>2020</b>
	<b>\$'000</b>	<b>\$'000</b>
Group's share of proceeds of sale and new shares issued	13,604,064	419,931
Carrying value of the investment in associate deemed to be disposed of	<u>(15,844,876)</u>	<u>(861,032)</u>
Loss on sale/ dilution of investment in associate	(2,240,812)	(441,101)
Items recorded in other comprehensive income recycled upon dilution of investment in associate:		
Interest rate swap	(526,436)	(24,237)
Foreign currency translation adjustments	<u>2,534,160</u>	<u>74,042</u>
Total loss on disposal /dilution of investment in associate recorded in income statement	<u>(233,088)</u>	<u>(391,296)</u>

Transfers between reserves and retained earnings in Note 25 include \$2,709,000 transferred on dilution of associate and \$27,761,000 transferred on sale of the associate.

During 2020, due to the negative impacts of COVID-19 on projected EBITDA of Playa's hotel operations, the Group recorded an impairment loss in profit or loss, from the resulting decline in Playa's value-in-use. The key assumptions used in the determination of the value in use computation were the EBITDA cash flow forecasts, the discount rate used to discount the cash flows (10.5%) and the revenue growth rate (2.0%). The value-in-use is very sensitive to changes in the key assumptions used.

# Sagicor Group Jamaica Limited

## Notes to the Financial Statements

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### 15. Investment in Associated Company (Continued)

(b) *Summarised Financial Information of Associated Company*

- (i) Set out below is the summarised financial information for, Playa Hotels & Resorts N.V., which is accounted for using the equity method as at December 31, 2020.

*Summary Statement of Financial Position*

		<u>The Group</u>
		<u>2020</u>
		<u>\$'000</u>
Current assets:	Cash resources	24,495,846
	Other current assets	11,725,086
		<u>36,220,932</u>
Non-current assets:	Property, Plant and equipment, net	245,366,509
	Other non-current assets	19,881,321
		<u>265,247,830</u>
Total Assets		<u>301,468,762</u>
Current liabilities:	Loan Payable	12,859,158
	Other current liabilities	22,303,283
		<u>35,162,441</u>
Non-current liabilities:	Loans payable	164,456,512
	Other non-current liabilities	21,952,828
		<u>221,571,781</u>
Total Liabilities		<u>221,571,781</u>
Net Assets		<u>79,896,981</u>

*Summarised statement of comprehensive income for year 2020*

		<u>The Group</u>
		<u>2020</u>
		<u>\$'000</u>
Revenue:	Hotel revenue	49,116,438
Expenses:	Hotel expenses	(72,278,092)
	Other net operating expenses	(50,066)
	Interest expense	(11,570,345)
	Total expenses	<u>(83,898,503)</u>
	Net loss before taxation	(34,782,065)
	Taxation	88,837
	Net loss after tax for the period	(34,693,228)
	Other comprehensive income	(895,930)
	Total comprehensive income	<u>(35,589,158)</u>

Reconciliation of the Group's 0% (2020:14.87% interest)

Share of net assets	11,880,681
Deemed goodwill and other adjustments	3,964,195
Carrying value	<u>15,844,876</u>

# Sagicor Group Jamaica Limited

Notes to the Financial Statements

**31 December 2021**

(expressed in Jamaican dollars unless otherwise indicated)

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## **15. Investment in Associated Company (Continued)**

- (c) The carrying values of investment in associated company, Playa Hotels & Resorts N.V. and the values indicated by prices quoted on the National Association of Securities Dealers Automated Quotation ("NASDAQ Indicative Value"). The carrying value and NASDAQ indicative value are \$15,844,876,000 and \$16,863,371,000 respectively at December 2020.

## **16. Investment in Subsidiaries**

### **Sagicor Securities Jamaica Limited**

On May 1, 2021 Sagicor Securities Jamaica Limited, a wholly owned subsidiary of Sagicor Group Jamaica Limited, was effectively wound up and struck of the Companies Office Register. The Company as at that date no longer forms part of the Group's organizational structure.

# Sagicor Group Jamaica Limited

## Notes to the Financial Statements

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### 17. Intangible Assets

	The Group				
	Goodwill	Contractual Customer Relationship	Trade Names	Computer Software	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Cost -</b>					
At 1 January 2020	4,722,348	5,442,499	930,433	3,732,650	14,827,930
Additions	-	-	-	308,160	308,160
Impairment charge	(1,231,913)	-	-	-	(1,231,913)
Arising on acquisition (i)	23,000	-	-	-	23,000
Translation adjustment	55,660	-	-	274	55,934
At 31 December 2020	3,569,095	5,442,499	930,433	4,041,084	13,983,111
Additions	-	-	-	390,564	390,564
Impairment charge	(614,400)	-	-	-	(614,400)
Translation adjustment	63,285	-	-	-	63,285
At 31 December 2021	3,017,980	5,442,499	930,433	4,431,648	13,822,560
<b>Amortisation -</b>					
At 1 January 2020	-	3,446,360	490,308	2,615,269	6,551,937
Amortisation charge	-	267,608	396	505,344	773,348
Translation adjustment	-	-	-	145	145
At 31 December 2020	-	3,713,968	490,704	3,120,758	7,325,430
Amortisation charge	-	228,135	16,848	379,793	624,776
Translation adjustment	-	3	-	(91)	(88)
At 31 December 2021	-	3,942,106	507,552	3,500,460	7,950,118
<b>Net Book Value -</b>					
31 December 2020	3,569,095	1,728,531	439,729	920,326	6,657,681
31 December 2021	3,017,980	1,500,393	422,881	931,188	5,872,442

	The Company
	Computer Software
	\$'000
<b>Cost -</b>	
At 1 January 2020	1,772,649
Additions	24,989
At 31 December 2020	1,797,638
Additions	-
<b>At 31 December 2021</b>	<b>1,797,638</b>
<b>Amortisation -</b>	
At 1 January 2020	1,318,765
Amortisation charge	250,420
At 31 December 2020	1,569,185
Amortisation charge	85,070
<b>At 31 December 2021</b>	<b>1,654,255</b>
<b>Net Book Value -</b>	
31 December 2020	228,453
<b>31 December 2021</b>	<b>143,383</b>

- i) This represents an adjustment for the finalised fair value statement of financial position for Advantage General Insurance Limited, which was acquired in 2019. These adjustments were immaterial and were recorded in the 2020 financial period.

# Sagicor Group Jamaica Limited

## Notes to the Financial Statements

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(expressed in Jamaican dollars unless otherwise indicated)

### 17. Intangible Assets (Continued)

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

	<b>The Group</b>	
	<b>2021</b>	<b>2020</b>
	<b>\$000</b>	<b>\$000</b>
Sagicor Life Jamaica Individual Lines Division	855,191	855,191
Sagicor Life Jamaica Employee Benefits Division	530,127	530,126
Sagicor Life of the Cayman Islands Individual Lines Division	767,881	706,982
Sagicor Investments Jamaica Limited	186,066	186,066
Sagicor Insurance Managers Limited	-	42,015
Travel Cash Jamaica Limited	119,994	189,994
Advantage General Insurance Company	558,721	1,058,721
	<u>3,017,980</u>	<u>3,569,095</u>

(i) At 31 December 2021, management tested goodwill and the unamortised balance of other purchased intangibles allocated to all the CGUs as listed in the table above.

(ii) Fair values less costs to sell is used to determine the recoverable amounts of:

Sagicor Life Jamaica Individual Lines Division

Sagicor Life Jamaica Employee Benefits Division

Sagicor Life of the Cayman Islands Individual Lines Division

Management has determined the recoverable amount of the life insurance CGUs of the group by assessing the fair value less cost of sell (FVLCS) of the underlying assets. The recoverable amounts are considered to be level 3 in the fair value hierarchy due to the unobservable inputs used in the valuation. No impairment was identified.

Management's approach and the key assumptions used to determine the CGU's FVLCS were as follows:

	<b>The Group</b>							
	<b>2021</b>				<b>2020</b>			
	<b>Earnings Multiple</b>	<b>Cost to sell</b>	<b>Post-tax discount rate</b>	<b>Long term Growth Rate</b>	<b>Earnings Multiple</b>	<b>Cost to sell</b>	<b>Post-tax discount rate</b>	<b>Long term Growth Rate</b>
Sagicor Life Jamaica Individual Lines Division	9.7	0.5%	14.29%	4.5%	10.3	0.5%	14.21%	5%
Sagicor Life Jamaica Employee Benefits Division	10.7	0.5%	13.87%	5%	10.8	0.5%	13.79%	5%
Sagicor Life of the Cayman Islands Individual Lines Division	8.5	0.5%	13.28%	2%	8.5	0.5%	13.28%	2%

# Sagicor Group Jamaica Limited

## Notes to the Financial Statements

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### 17. Intangible Assets (Continued)

The inputs are determined as follows:

- Earnings multiple represents the inverse of the capitalisation rate that is, 1 divided by post-tax discount rate less long-term growth rate.
- Cost to sell is estimated cost, based on management's experience of the typical incident costs associated with a sale of business such as legal and professional fees as well as statutory charges, to dispose of CGU as a going-concern
- Post-tax discount rate reflects specific risks related to the business, industry and country of operation.
- Long-term growth rate (%) is based on historical/projected financial performance of each CGU, nominal GDP growth rates and factors specific to the industry each CGU operates in.

(ii) Value in use calculations are used to determine the recoverable amount of the non-life CGUs:

Sagicor Investments Jamaica Limited  
 Sagicor Insurance Managers Limited  
 Travel Cash Jamaica Limited  
 Advantage General Insurance Company  
 Sagicor Real Estate X - Fund Limited

These calculations use cash flow projections based on financial budgets approved by management covering a three-year period. Cash flows beyond the three-year period are extrapolated using the estimated growth rates stated below. The growth rate does not exceed the long-term average growth rate for the business in which the CGU operates.

During the 2020, COVID-19 impacted the cash flow projections of the Sagicor Real Estate X - Fund Limited Group, which has operations in the hospitality sector, therefore reducing its value in use and necessitating an impairment loss on goodwill, as shown in the movement schedule and the statement of comprehensive income. Sagicor Real Estate X-Fund Limited is included in the Group's "Other" segment in Note 5. The recoverable amount of the goodwill was determined to be nil.

In 2021, the Group recorded impairment charges on the following CGUs:

	<b>2021</b> <b>\$'000</b>
Travel Cash	70,000
Advantage General Insurance Company Limited	500,000
Sagicor Insurance Managers Ltd. <sup>1</sup>	44,400
	<u>614,400</u>

1. This a foreign subsidiary and the goodwill is impacted by movement in the exchange rate.

# Sagicor Group Jamaica Limited

Notes to the Financial Statements

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## 17. Intangible Assets (Continued)

Key assumptions used for the impairment calculations are as follows:

	2021		2020	
	Earnings Growth Rate	Discount Rate	Earnings Growth Rate	Discount Rate
Sagicor Bank Jamaica Limited	5.50%	15.07%	5.50%	14.58%
Sagicor Investments Jamaica Limited	5.00%	12.82%	5.00%	12.64%
Sagicor Insurance Managers Ltd.	1.50%	12.27%	2.00%	12.00%
Travel Cash	6.00%	14.72%	6.00%	15.19%
Advantage General Insurance Company Limited	4.50%	14.04%	4.50%	14.53%

# Sagicor Group Jamaica Limited

## Notes to the Financial Statements

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### 18. Property, Plant and Equipment

	The Group				
	Leasehold Buildings & Improvements	Freehold Land & Buildings	Furniture & Equipment	Motor Vehicles	Total
Cost or Valuation -	\$'000	\$'000	\$'000	\$'000	\$'000
At 1 January 2020	1,348,775	16,414,184	7,084,464	279,549	25,126,972
Additions	225,775	24,864	745,291	45,646	1,041,576
Reclassification	-	-	23,353	737	24,090
Revaluation adjustments	-	(2,374,475)	-	-	(2,374,475)
Disposals	-	-	(241,398)	(22,918)	(264,316)
Translation adjustment	4,915	1,182,919	(319,996)	-	867,838
<b>At 31 December 2020</b>	<b>1,579,465</b>	<b>15,247,492</b>	<b>7,291,714</b>	<b>303,014</b>	<b>24,421,685</b>
Additions	55,673	24,012	402,471	27,311	509,467
Reclassification	-	-	-	-	-
Revaluation adjustments	-	2,149,765	-	-	2,149,765
Disposals	-	(19,512)	(5,516)	-	(25,028)
Translation adjustment	5,699	1,162,549	239,398	(17,376)	1,390,270
<b>At 31 December 2021</b>	<b>1,640,837</b>	<b>18,564,306</b>	<b>7,928,067</b>	<b>312,949</b>	<b>28,446,159</b>
<b>Accumulated Depreciation -</b>					
At 1 January 2020	715,697	447,498	3,695,665	134,281	4,993,141
Charges for the year	114,891	378,428	962,723	49,104	1,505,146
Relieved on revalued assets	-	(27,319)	-	-	(27,319)
Relieved on disposals	-	-	(106,515)	(13,412)	(119,927)
Translation adjustment	4,170	105,363	(440,440)	695	(330,212)
<b>At 31 December 2020</b>	<b>834,758</b>	<b>903,970</b>	<b>4,111,433</b>	<b>170,668</b>	<b>6,020,829</b>
Charges for the year	124,776	362,380	958,490	49,499	1,495,145
Relieved on revalued assets	-	(25,117)	-	-	(25,117)
Relieved on disposals	-	(160)	(314)	(12,894)	(13,368)
Translation adjustment	5,023	76,153	105,361	-	186,537
<b>At 31 December 2021</b>	<b>964,557</b>	<b>1,317,226</b>	<b>5,174,970</b>	<b>207,273</b>	<b>7,664,026</b>
<b>Net Book Value -</b>					
31 December 2020	744,707	14,343,522	3,180,281	132,346	18,400,856
<b>31 December 2021</b>	<b>676,280</b>	<b>17,247,080</b>	<b>2,753,097</b>	<b>105,676</b>	<b>20,782,133</b>

The valuations of Freehold Land and Building have been classified as Level 3 of the fair value hierarchy under IFRS 13, 'Fair Value Measurement'

# Sagicor Group Jamaica Limited

## Notes to the Financial Statements

31 December 2021

(expressed in Jamaican dollars unless otherwise indicated)

### 18. Property, Plant and Equipment (Continued)

	The Company			
	Leasehold Improvement	Furniture & Equipment	Motor Vehicle	Total
Cost or Valuation -	\$'000	\$'000	\$'000	\$'000
At 1 January 2020	33,646	483,949	21,840	539,435
Additions	-	8,434	14,000	22,434
Disposal	-	-	-	-
At 31 December 2020	33,646	492,383	35,840	561,869
Additions	-	8,375	-	8,375
Disposal	-	(176)	-	(176)
At 31 December 2021	33,646	500,582	35,840	570,068
<b>Accumulated Depreciation -</b>				
At 1 January 2020	7,103	319,927	1,456	328,486
Charges for the year	3,365	80,894	4,835	89,094
Disposal	-	-	-	-
At 31 December 2020	10,468	400,821	6,291	417,580
Charges for the year	3,365	46,739	7,168	57,272
Disposal	-	(88)	-	(88)
At 31 December 2021	13,833	447,472	13,459	474,764
<b>Net Book Value -</b>				
31 December 2020	23,178	91,562	29,549	144,289
31 December 2021	<b>19,813</b>	<b>53,110</b>	<b>22,381</b>	<b>95,304</b>

In accordance with the Group's policy, owner-occupied properties included in Freehold Land and Buildings were independently revalued during the year by professional real estate valuers. The excess of revalued amount over the carrying value of these property, plant and equipment, amounting to \$2,174,882,000 (2020 - \$2,347,156,000), has been credited/(charged) to investment and fair value reserves. If revalued assets of the Group were stated on a historical cost basis, the amounts would be as follows:

	The Group	
	2021	2020
	\$'000	\$'000
Cost	13,375,439	12,388,360
Accumulated depreciation	(1,844,823)	(1,437,132)
Net book value	11,530,616	10,951,228
Carrying value of revalued assets	<b>17,247,080</b>	<b>14,343,522</b>

# Sagicor Group Jamaica Limited

## Notes to the Financial Statements

31 December 2021

(expressed in Jamaican dollars unless otherwise indicated)

### 19. Retirement Benefits

	The Group	
	2021 \$'000	2020 \$'000
<b>Retirement benefit assets -</b>		
Pension scheme	472,179	1,187,248
<b>Retirement benefit obligations -</b>		
Pension scheme	943,916	-
Other post-retirement benefits	4,836,665	3,706,366
	<u>5,780,581</u>	<u>3,706,366</u>
Pension schemes comprised the following –		
	2021	2020
	\$'000	\$'000
Retirement benefit assets	471,737	(1,187,248)
Retirement benefit obligations	-	-
	<u>471,737</u>	<u>(1,187,248)</u>

The Group operates the following pension plans:

- (i) Sagicor Life Jamaica Limited operates a hybrid pension plan for its permanent staff. The plan has two sections – a Defined Contribution (DC) section and a Defined Benefit (DB) section, which is funded. The DB section is closed to new members and includes administrative staff joining the company before August 1, 2009, while the DC section includes eligible sales agents and administrative staff joining Sagicor Life Jamaica Limited on or after August 1, 2009. The assets of the plan are held independently of the company's assets in separate trustee administered funds. The benefits for the DB section are based on service and salary, whereas the DC section benefits are based on contributions made by the members and the company, with interest. The solvency level (the ratio of assets to past service liabilities) as at the last triennial funding valuation (2018) was 115%.
- (ii) Sagicor Life of the Cayman Islands Ltd. participates in the Cayman Islands Chamber of Commerce Pension Plan. This plan is a money purchase contributory plan covering all the employees in the Cayman Islands. Contributions are vested immediately. The company contributes at a fixed rate of 7% of pensionable earnings.
- (iii) Sagicor Investments Jamaica Limited and Sagicor Bank Jamaica Limited jointly operate an open DC pension plan and a closed DB pension plan covering its permanent employees. The assets of these funded plans are held independently of the companies' assets in separate trustee administered funds. The solvency level (the ratio of assets to past service liabilities) as at the last triennial funding valuation (2019) was 170% and 114% for the DB and DC plan, respectively.
- (iv) Sagicor Bank Jamaica Limited has a closed DC plan covering all permanent employees (formerly employed to RBC Jamaica Limited) who are not covered under the DC and DB plans it jointly operates with Sagicor Investments Jamaica Limited. The assets of this funded plan are held independently of the company's assets in separate trustee administered funds. The solvency level (the ratio of assets to past service liabilities) as at the last triennial funding valuation (2019) was 110%.

# Sagicor Group Jamaica Limited

## Notes to the Financial Statements

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### 19. Retirement Benefits (Continued)

- (v) Advantage General Insurance Company Limited sponsors a DB scheme, which is open to all employees who have satisfied certain minimum service requirements. The scheme is funded by employee and employer contributions at varying rates. Retirement and other benefits are based on average salary for the last three years of pensionable service.

The law requires each plan sponsor to be an ordinary annual contributor but does not stipulate a minimum funding rate or solvency level. In absence of guidance from the regulator, the actuaries have agreed on a minimum employer contribution rate of 0.25% of payroll per annum where plan rules do not specify a minimum. The Trustees of the pension schemes ensure benefits are funded, benefits are paid, assets invested to maximise returns subject to acceptable investment risks while considering the liability profile. Any plan surplus or funding deficiency for the defined benefits plans as determined by independent actuaries annually using the Projected Unit Credit Method are recognised fully as a charge to shareholders' equity.

#### (a) Pension schemes

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

	<b>The Group</b>	
	<b>2021</b>	<b>2020</b>
	<b>\$'000</b>	<b>\$'000</b>
Present value of funded obligations	30,218,160	25,496,152
Fair value of plan assets	(29,746,423)	(26,683,400)
Deficit/(surplus) of funded plan	471,737	(1,187,248)
Liability/(asset) in the balance sheet	<u>471,737</u>	<u>(1,187,248)</u>

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

	<b>The Group</b>	
	<b>2021</b>	<b>2020</b>
	<b>\$'000</b>	<b>\$'000</b>
Liability at start of year	25,496,152	27,891,510
Current service cost	652,714	717,219
Interest cost	2,257,020	2,063,294
Net expense recognised in income	2,909,734	2,780,513
Re-measurements:		
Losses/(Gains) from changes in financial assumptions	1,438,508	(2,208,027)
Losses/(Gains) from changes in experience	398,060	(2,734,428)
Net losses/(gains) recognised in other comprehensive income	1,836,568	(4,942,455)
Contributions by the members	830,403	781,259
Value of purchased annuities	1,178,376	946,456
Benefits paid	(2,033,073)	(1,961,131)
Net Liability, end of year	<u>30,218,160</u>	<u>25,496,152</u>

# Sagicor Group Jamaica Limited

Notes to the Financial Statements

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## 19. Retirement Benefits (Continued)

### (a) Pension schemes (continued)

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

	<b>The Group</b>	
	<b>2021</b>	<b>2020</b>
	<b>\$'000</b>	<b>\$'000</b>
Balance at start of year	26,683,400	28,487,084
Contributions made by the employer	658,132	531,725
Contributions by the members	830,403	781,259
Value of purchased annuities	1,178,376	946,456
Benefits paid	(2,033,073)	(1,961,131)
Interest income on plan assets	2,429,414	2,141,841
Re-measurement:		
Gains /(Losses)/from changes in financial assumptions	139,961	(309,753)
Losses from changes in experience	(140,190)	(3,934,081)
Net losses recognised in other comprehensive income	(229)	(4,243,834)
Balance, end of year	<u>29,746,423</u>	<u>26,683,400</u>

The amounts recognised in the income statement as follows:

	<b>The Group</b>	
	<b>2021</b>	<b>2020</b>
	<b>\$'000</b>	<b>\$'000</b>
Current service cost	652,714	717,219
Interest cost on plan obligation	2,257,020	2,063,294
Interest income on plan assets	(2,429,414)	(2,141,841)
Total, included in staff cost (Note 41 (a))	<u>480,320</u>	<u>638,672</u>

# Sagicor Group Jamaica Limited

## Notes to the Financial Statements

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### 19. Retirement Benefits (Continued)

(a) Pension schemes (continued)

The amounts recognised in other comprehensive income is as follows:

	<u>The Group</u>	
	<b>2021</b>	<b>2020</b>
	<b>\$'000</b>	<b>\$'000</b>
Change in financial assumptions	1,298,547	(1,898,274)
Experience adjustments	538,250	1,199,653
	1,836,797	(698,621)
Deferred tax	(497,880)	178,140
	<u>1,338,917</u>	<u>(520,481)</u>

The principal actuarial assumptions used were as follows:

	<u>The Group</u>	
	<b>2021</b>	<b>2020</b>
Discount rate - J\$ benefits	8.00%	9.00%
Discount rate - US\$ Indexed benefits	5.50%	5.00%
Inflation	5.00%	6.00%
Expected return on plan assets	8.00%	9.00%
Future salary increases	8.00%	9.00%
Future pension increases	0.50%	0.50%
Minimum Funding Rate (MFR) as a % of payroll	0.25%	0.25%
Average expected remaining working lives (years)	<u>13</u>	<u>13</u>

The weighted average duration of the defined benefit obligation ranges from 31 years (2020 – 31 years) to 41 years (2020 – 41 years).

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

# Sagicor Group Jamaica Limited

## Notes to the Financial Statements

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### 19. Retirement Benefits (Continued)

(a) Pension schemes (continued)

Pension plan assets are comprised as follows:

	The Group			
	2021	%	2020	%
	\$'000		\$'000	
Equities	8,690,687	29	8,727,652	33
GOJ Bonds	2,721	-	283,476	1
Corporate Bonds	88,912	-	265,225	1
Repurchase Agreements	-	-	214,650	1
Real Estate	46,338	-	56,924	-
Mortgages and real estate fund	4,550,022	15	3,791,521	14
Money market fund	245,259	1	190,351	1
Fixed income fund	3,254,390	11	2,486,402	9
Foreign currency fund	3,922,707	13	3,704,870	14
Global market fund	1,072,557	5	827,494	3
Diversified investment fund	129,917	-	104,688	-
Inflation-linked (CPI) fund	876,099	3	622,289	2
	22,879,609	77	21,275,542	79
Value of purchased annuities	6,866,814	23	5,407,858	21
	29,746,423	100	26,683,400	100

The sensitivity of the defined benefit pension obligation to changes in the principal assumptions is as follows:

			The Group	
			Increase/(decrease) in defined benefit obligation	
Change in Assumption		Increase in Assumption	Decrease in Assumption	
			2021	2021
			\$'000	\$'000
Discount rate	1%	(1,296,046)	1,691,430	
Future salary increases	0.5%	(197,364)	213,199	
Future pension increases	1%	2,140,527	(2,135,548)	
Life expectancy	1 year	121,396	(125,318)	

			The Group	
			Increase/(decrease) in defined benefit obligation	
Change in Assumption		Increase in Assumption	Decrease in Assumption	
			2020	2020
			\$'000	\$'000
Discount rate	1%	(1,022,000)	1,326,326	
Future salary increases	1%	466,149	(405,484)	
Future pension increases	1%	2,025,130	(1,803,046)	
Life expectancy	1 year	90,368	(92,438)	

# Sagicor Group Jamaica Limited

## Notes to the Financial Statements

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### 19. Retirement Benefits (Continued)

#### (a) Pension schemes (continued)

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

#### (b) Other retirement benefits

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

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

	<u>The Group</u>	
	<b>2021</b>	<b>2020</b>
	<b>\$'000</b>	<b>\$'000</b>
Present value of unfunded obligations	5,079,345	3,929,008
Fair value of plan assets	<u>(242,680)</u>	<u>(222,642)</u>
Liability in the statement of financial position	<u><u>4,836,665</u></u>	<u><u>3,706,366</u></u>

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

	<u>The Group</u>	
	<b>2021</b>	<b>2020</b>
	<b>\$'000</b>	<b>\$'000</b>
Liability at beginning of year	3,929,008	3,283,879
Current service cost	99,390	(34,502)
Interest cost	<u>347,853</u>	<u>232,369</u>
Net expense recognised in profit or loss	447,243	197,867
Re-measurement:		
Losses/(gains) from changes in financial assumptions	632,332	(559,568)
Losses from changes in experience	<u>201,526</u>	<u>1,142,075</u>
Net losses recognised in other comprehensive income	833,858	582,507
Benefits paid	<u>(130,764)</u>	<u>(135,245)</u>
Net Liability, end of year	<u><u>5,079,345</u></u>	<u><u>3,929,008</u></u>

The principal actuarial assumption used was as follows:

	<u>The Group</u>	
	<b>2021</b>	<b>2020</b>
Rate of medical inflation	<u>8%</u>	<u>7%</u>

# Sagicor Group Jamaica Limited

## Notes to the Financial Statements

31 December 2021

(expressed in Jamaican dollars unless otherwise indicated)

### 19. Retirement Benefits (Continued)

(b) Other retirement benefits (continued)

The amounts recognised in the income statements are as follows:

	<b>The Group</b>	
	<b>2021</b>	<b>2020</b>
	<b>\$'000</b>	<b>\$'000</b>
Current service cost	99,390	(34,502)
Interest cost	347,853	232,369
Interest income on plan assets	(20,038)	(15,533)
Total, included in staff cost (Note 41(a))	<u>427,205</u>	<u>182,334</u>

The amounts recognised in other comprehensive income is as follows:

	<b>The Group</b>	
	<b>2021</b>	<b>2020</b>
	<b>\$'000</b>	<b>\$'000</b>
Change in financial assumptions	632,332	(559,568)
Experience adjustments	<u>201,526</u>	<u>1,142,075</u>
	833,858	582,507
Deferred tax	<u>(238,589)</u>	<u>(135,148)</u>
	<u>595,269</u>	<u>447,359</u>

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

	<b>The Group</b>	
	<b>2021</b>	<b>2020</b>
	<b>\$'000</b>	<b>\$'000</b>
Balance	222,642	207,109
Interest income on plan assets	<u>20,038</u>	<u>15,533</u>
Balance, end of year	<u>242,680</u>	<u>222,642</u>

# Sagicor Group Jamaica Limited

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(expressed in Jamaican dollars unless otherwise indicated)

## 19. Retirement Benefits (Continued)

### (b) Other retirement benefits (continued)

The sensitivity of the other retirement benefits obligation to changes in the principal assumptions is as follows:

	Change in Assumption	The Group Increase/(decrease) in other retirement benefits obligation	
		Increase in Assumption	Decrease in Assumption
		2021 \$'000	2021 \$'000
Discount rate	1%	(596,031)	761,242
Medical cost inflation	1%	783,011	(589,539)
Future salary increases	1%	106,525	(52,718)
Life expectancy	1 year	141,396	(140,318)

	Change in Assumption	The Group Increase/(decrease) in other retirement benefits obligation	
		Increase in Assumption	Decrease in Assumption
		2020 \$'000	2020 \$'000
Discount rate	1%	(521,913)	659,613
Medical cost inflation	1%	602,913	(483,614)
Future salary increases	1%	29,331	(24,280)
Life expectancy	1 year	117,175	(117,183)

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

# Sagicor Group Jamaica Limited

## Notes to the Financial Statements

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(expressed in Jamaican dollars unless otherwise indicated)

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### 19. Retirement Benefits (Continued)

(c) Plan risks

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

The most significant of these plan risks are detailed below:

(i) Investment risk

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

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

(ii) Changes in bond yields

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

(iii) Salary risk

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

(iv) Life expectancy

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

# Sagicor Group Jamaica Limited

## Notes to the Financial Statements

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(expressed in Jamaican dollars unless otherwise indicated)

### 20. Deferred Income Taxes

Deferred income taxes are calculated in full on all temporary differences under the liability method using a principal rate of:

- 25% for the company (Sagicor Group Jamaica Limited), Sagicor Life Jamaica Limited and Sagicor Property Services Limited
- 33 $\frac{1}{3}$ % for Sagicor Investments Jamaica Limited, Sagicor Bank Jamaica Limited, Employee Benefits Administrator Limited, Sagicor Insurance Brokers Limited, Sagicor Insurance Administrators Limited Sagicor Securities Jamaica Limited and Advantage General Insurance Company Limited;
- 1% for the subsidiaries incorporated in St. Lucia; and
- 5.5% for the subsidiaries incorporate in Barbados.

The subsidiaries incorporated in Grand Cayman operate under a zero-tax regime.

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

	The Group		The Company	
	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
Deferred income tax assets, net	(1,980,237)	(1,005,526)	(225,674)	(222,825)
Deferred income tax assets, liability	2,169,101	2,493,349	-	-

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

	The Group			
	Deferred tax assets		Deferred tax liabilities	
	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
Deferred tax assets/liabilities to be recovered after more than 12 months	(170,714)	(1,234,728)	(132,034)	2,468,615

	The Company	
	2021 \$'000	2020 \$'000
Deferred tax assets to be recovered after more than 12 months	224,357	(225,746)
Deferred tax liabilities to be settled after more than 12 months	-	2,421

# Sagicor Group Jamaica Limited

## Notes to the Financial Statements

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(expressed in Jamaican dollars unless otherwise indicated)

### 20. Deferred Income Taxes (Continued)

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

	<b>The Group</b>			
	<b>Net deferred tax assets</b>		<b>Net deferred tax liabilities</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Deferred income tax assets -				
Property, plant and equipment	(305,211)	(248,298)	-	-
Investment securities - FVTOCI	(82,267)		-	
Tax losses unused	(96)	(96)	(476,182)	(386,406)
Unrealised foreign exchange losses	(299,862)	(278,461)	(24,832)	(5,972)
Impairment losses on loans & investment securities (IFRS 9)	-	(123,581)	(89,551)	-
Pensions and other post-retirement benefits	(1,401,821)	(722,279)	(40,697)	-
Other	(35,358)	(23,007)	-	(3,851)
	<u>(2,124,615)</u>	<u>(1,395,722)</u>	<u>(631,262)</u>	<u>(396,229)</u>
Deferred income tax liabilities -				
Property, plant and equipment	-	-	1,577,923	509,621
Fair value gains (FVTPL and FVTOCI)	-	390,196	1,020,198	2,325,739
Pensions and other post-retirement benefits	-	-	-	54,218
Impairment losses on loans	144,378	-	-	-
Other	-	-	202,242	-
	<u>144,378</u>	<u>390,196</u>	<u>2,800,363</u>	<u>2,889,578</u>
Net deferred taxation (asset)/liability	<u>(1,980,237)</u>	<u>(1,005,526)</u>	<u>2,169,101</u>	<u>2,493,349</u>
	<b>The Company</b>			
	<b>2021</b>	<b>2020</b>		
	<b>\$'000</b>	<b>\$'000</b>		
Deferred income tax (assets)/liabilities-				
Property, plant and equipment	(224,357)	(225,746)		
Impairment losses on loans & investment securities (IFRS 9)	(25)	(18)		
Investment securities at FVTOCI	-	1,960		
Unrealised foreign exchange gains	-	461		
Interest receivable	(1,292)	518		
Net deferred tax asset	<u>(225,674)</u>	<u>(222,825)</u>		

# Sagicor Group Jamaica Limited

## Notes to the Financial Statements

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(expressed in Jamaican dollars unless otherwise indicated)

### 20. Deferred Income Taxes (Continued)

The movement in net deferred tax assets is as follows:

	The Group							
	Property, plant and equipment \$'000	Fair value gains \$'000	Unused tax losses \$'000	Unrealised foreign exchange gains \$'000	Loan & investment securities loss provision \$'000	Post- employment benefits \$'000	Other \$'000	Total \$'000
At 1 January 2020	(157,236)	220,278	(74,214)	(210,050)	44,931	(706,708)	34,368	(848,631)
(Credited)/charged to income statement	(107,530)	116,417	74,118	(68,411)	(173,312)	(55,796)	(57,375)	(271,889)
(Credited)/charged to other comprehensive income	16,468	53,501	-	-	4,800	40,225	-	114,994
At 31 December 2020	(248,298)	390,196	(96)	(278,461)	(123,581)	(722,279)	(23,007)	(1,005,526)
(Credited)/charged to income statement	(62,709)	(77,890)	-	(21,401)	271,291	(932)	(12,351)	96,008
(Credited)/charged to other comprehensive income	5,796	(394,573)	-	-	(3,332)	(678,610)	-	(1,070,719)
At 31 December 2021	(305,211)	(82,267)	(96)	(299,862)	144,378	(1,401,821)	(35,358)	(1,980,237)

# Sagicor Group Jamaica Limited

## Notes to the Financial Statements

31 December 2021

(expressed in Jamaican dollars unless otherwise indicated)

### 20. Deferred Income Taxes (Continued)

The movement in net deferred tax liabilities is as follows:

	Property, plant and equipment	Fair value gains	Unused tax losses	Unrealised foreign exchange gains	Loan & investment securities	Pension and other post- retirement benefits	Other	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
At 31 December 2019	452,699	936,139	160,798	5,901	-	27,869	22,286	1,605,692
On acquisition of subsidiary (i) (Credited)/charged to income statement (Note 43 (a))	289,332	-	-	-	-	-	-	289,332
Credited to other comprehensive income (Note 43 (c))	301,256	196,756	(577,921)	(11,873)	-	23,582	(60,378)	(128,578)
Credited directly to equity	(605,411)	1,192,844	-	-	-	2,767	31,853	622,053
	71,745	-	30,717	-	-	-	2,388	104,850
At 31 December 2020	509,621	2,325,739	(386,406)	(5,972)	-	54,218	(3,851)	2,493,349
(Credited)/charged to income statement (Note 43 (a))	536,283	77,053	(58,004)	(18,860)	(84,811)	(37,056)	206,463	621,068
Credited to other comprehensive income (Note 43 (c))	423,301	(1,382,594)	-	-	(4,741)	(57,859)	-	(1,021,893)
Credited directly to equity	108,718	-	(31,772)	-	1	-	(370)	76,577
At 31 December 2021	1,577,923	1,020,198	(476,182)	(24,832)	(89,551)	(40,697)	202,242	2,169,101

- (i) In 2020, the fair valued Balance Sheet for Advantage General Insurance Limited at the date of acquisition was based on additional information received after year-end. These adjustments were immaterial.

	The Company	
	2021	2020
	\$'000	\$'000
As at 1 January	(222,825)	(149,667)
Credited to the income statement	(886)	(73,193)
Tax charged to components in other comprehensive income	(1,963)	35
As at 31 December	(225,674)	(222,825)

# Sagicor Group Jamaica Limited

## Notes to the Financial Statements

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### 21. Taxation Recoverable

Taxes are withheld at 25% from interest payments on Government of Jamaica securities and other local bonds. The Group makes monthly filings to the Tax Administration of Jamaica (TAJ) for recovery. Amounts approved by TAJ are refunded as cash or off-set against liabilities. The amounts are expected to be recovered within one year of the financial statements date.

### 22. Other Assets

	The Group		The Company	
	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
Due from sales representatives	2,263,676	1,850,916	-	-
Real estate developed for resale (i)	6,639,840	3,962,266	-	-
Due from related parties (Note 23)	806,823	601,600	6	24,690
Service contract assets:				
Due from Government Employees & Other - Administrative Scheme Only Fund and Government Pensioners Administrative Scheme Only Fund	172,705	170,869	-	-
Prepayments and deferred commission	3,127,866	3,077,131	783,125	696,322
Customer settlements accounts/unsettled trades	2,342,437	579,410	-	-
Legal claim (Note 52)	181,648	160,442	-	-
Other receivables	2,656,967	1,745,242	146,679	98,018
	18,191,962	12,147,876	929,810	819,030
Provision against doubtful receivables and impairment charge	(48,451)	(157,096)	-	-
	18,143,511	11,990,780	929,810	819,030

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

Current portion of Other Assets disclosed under Note 48 (d).

# Sagicor Group Jamaica Limited

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### 23. Related Party Balances and Transactions

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

Related companies include the ultimate parent company, the parent company, fellow subsidiaries and the Group's joint venture and associated company. Related parties also include directors, key management and companies for which the Group and its parent company provide management services (the Pooled Investment Funds, the Sagicor Sigma Funds and the Sagicor Select Funds). PanJam Investment Limited is a related party by virtue of being a shareholder with significant influence over the parent company.

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

	The Group		The Company	
	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
Due from related companies -				
Ultimate parent company	62,290	88,846	-	-
Subsidiaries	-	-	-	24,685
Other related companies	386,605	389,027	6	5
Other managed funds	357,928	123,727	-	-
	<u>806,823</u>	<u>601,600</u>	<u>6</u>	<u>24,690</u>
Due to related companies -				
Ultimate parent company	156,647	87,971	-	-
Subsidiaries – other liabilities	-	-	4,213,123	3,586,021
Managed funds	75,696	51,844	-	-
	<u>232,343</u>	<u>139,815</u>	<u>4,213,123</u>	<u>3,586,021</u>
Financial investments-				
Short term deposits	-	-	133,024	130,839
Securities purchased under resale agreements with SIJL	-	-	342,962	615,658
Bonds issued by Ultimate parent company	1,945,687	2,013,065	-	-
Bonds issued by PanJam Investment Limited	529,742	534,609	-	-
Sagicor Select Funds Units	148,737	161,809	-	-
Sigma Units	23,601,075	25,098,938	-	-
	<u>26,225,241</u>	<u>27,808,421</u>	<u>475,986</u>	<u>746,497</u>
Deposit and Security Liabilities-				
Promissory loans:				
Ultimate Parent company	-	1,632,480	-	1,632,480
Subsidiaries	-	-	12,003,246	12,927,887
BW Shareholders	23,500	23,500	-	-
SGJ Shareholders -Note 29(iv)	-	1,125,272	-	1,125,272
Other managed funds	2,466,029	4,406,319	-	-
Repurchase agreements with managed funds	24,921,029	16,997,695	-	-
Customer Deposit with ultimate parent Company	117,152	106,971	-	-
	<u>27,527,710</u>	<u>24,292,237</u>	<u>12,003,246</u>	<u>15,685,639</u>

# Sagicor Group Jamaica Limited

## Notes to the Financial Statements

31 December 2021

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### 23. Related Party Balances and Transactions (Continued)

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

	The Group		The Company	
	2021	2020	2021	2020
	\$'000	\$'000	\$'000	\$'000
PanJam Investment Limited -				
Securities sold under agreement to repurchase	272,941	199,490	-	-
Customer deposits	437,643	143,539	-	-
	<u>710,584</u>	<u>343,029</u>	<u>-</u>	<u>-</u>

(b) The balances below resulted from transactions with related parties and companies as follows:

	The Group		The Company	
	2021	2020	2021	2020
	\$'000	\$'000	\$'000	\$'000
Directors, key management and other related parties-				
Securities sold under agreements to repurchase	(102,960)	(93,511)	-	-
Customer deposits	(5,749,870)	(9,338,584)	-	-
Loans	1,825,578	1,452,089	-	-
	<u>1,825,578</u>	<u>1,452,089</u>	<u>-</u>	<u>-</u>

(c) The statement of comprehensive income includes the following transactions with related parties and companies. Income earned from the PIF, attributed to the Group's pension schemes, as well as income earned from the Sagicor Sigma Global Unit Trust and the Sagicor Select Funds are disclosed in Note 14.

	The Group		The Company	
	2021	2020	2021	2020
	\$'000	\$'000	\$'000	\$'000
Ultimate parent company				
Interest income	119,068	115,302	-	-
Interest expense	38,383	44,504	37,104	-
Shared service fees	221,639	266,125	-	-
Jewel Grande Montego Bay- Gain / (loss) on sale	-	(388,449)	-	-
Sagicor Pooled Investment Funds -				
Interest expense	52,780	57,106	-	-
Lease rental expense	437,625	501,398	-	-
Management fee income	1,959,065	1,890,080	-	-
Pension Schemes -				
Management Fees – Self Directed Funds	284,426	248,461	-	-
Management Fees – DA	13,033	14,097	-	-
PanJam Investment Limited				
Interest expense	25,576	6,457	22,810	5,871
Interest Income	10,184	34,372	-	-
Directors and key management personnel -				
Interest expense	1,422	5,310	-	-
Interest income	8,353	13,992	-	-
	<u>8,353</u>	<u>13,992</u>	<u>-</u>	<u>-</u>

# Sagicor Group Jamaica Limited

## Notes to the Financial Statements

31 December 2021

(expressed in Jamaican dollars unless otherwise indicated)

### 23. Related Party Balances and Transactions (Continued)

- (c) The statement of comprehensive income includes the following transactions with related parties and companies. Income earned from the PIF, attributed to the Group's pension schemes, as well as income earned from the Sagicor Sigma Global Unit Trust and the Sagicor Select Funds are disclosed in Note 14 (continued).

	The Group		The Company	
	2021	2020	2021	2020
	\$'000	\$'000	\$'000	\$'000
Parent Company transactions with subsidiaries -				
Management fees Income	-	-	43,215	226,275
Management fees expense	-	-	(55,859)	(52,200)
Interest expense	-	-	(247,035)	(345,008)
Dividend income	-	-	8,272,192	1,846,125
Interest Income	-	-	10,795	3,099
Transactions with Select and Sigma Fund				
Service fee income	2,830,788	2,866,532	-	-
Interest expense	(108,881)	(340,003)	-	-
Lease expense	(2,036)	-	-	-
Capital appreciation	337,300	270,322	-	-
Key management compensation -				
Salaries and other short-term benefits	755,771	611,279	-	-
Share based payments	198,326	168,376	-	-
Contributions to pensions and insurance schemes	37,900	27,970	-	-
Directors' emoluments -				
Fees	116,818	134,177	34,700	35,090
Other expenses	1,879	2,816	-	743
Management remuneration (included in key management compensation)	291,962	224,644	-	-
	<u>410,659</u>	<u>361,637</u>	<u>34,700</u>	<u>35,833</u>

### 24. Share Capital

	The Group and The Company	
	2021	2020
	\$'000	\$'000
Authorised:		
13,598,340,000 (2020 – 13,598,340,000)		
Ordinary shares		
Issued and fully paid:		
3,905,634,916 ordinary stock units at no par	8,991,044	9,161,065
Treasury shares (Note 26)	(174,951)	(170,021)
	<u>8,816,093</u>	<u>8,991,044</u>

# Sagicor Group Jamaica Limited

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## 25. Equity Reserves

	Stock Options Reserve	Investment & Fair Value Reserves	Currency Translation Reserve	The Group Equity Owners' Total
	\$'000	\$'000	\$'000	\$'000
<b>Balance at 31 December 2020</b>	<b>47,999</b>	<b>4,483,477</b>	<b>6,676,042</b>	<b>11,207,518</b>
Net gains recycled to revenue on disposal and maturity of FVTOCI securities	-	(1,716,784)	-	(1,716,784)
Net unrealised gains on FVTOCI securities	-	(4,130,930)	-	(4,130,930)
Net unrealised losses on revaluation of owner-occupied properties	-	742,370	-	742,370
Retirement Benefit Obligation	-	-	-	-
Net gains on Interest Rate Swap	-	93,832	-	93,832
Deferred tax on unrealised capital gains and impairment	-	1,627,226	-	1,627,226
Provision for expected credit losses -IFRS 9 on FVTOCI securities	-	4,730	-	4,730
Expected credit losses recycled to the Income Statement on sale and maturity of FVTOCI securities	-	(518,297)	-	(518,297)
Shadow accounting	-	121,611	-	121,611
Currency translation	-	-	1,258,128	1,258,128
Total comprehensive income for the year	-	(3,776,242)	1,258,128	(2,518,114)
Transactions with owners -				
Employee share option scheme -value of services provided	31,122	-	-	31,122
- employee stock grants and options exercised / expired	(20,768)	-	-	(20,768)
Total transactions with owners	10,354	-	-	10,354
Transfers between reserves -				
To retained earnings	-	(27,760)	-	(27,760)
Total transfers between reserves	-	(27,760)	-	(27,760)
<b>Balance at 31 December 2021</b>	<b>58,353</b>	<b>679,475</b>	<b>7,934,170</b>	<b>8,671,998</b>

# Sagicor Group Jamaica Limited

## Notes to the Financial Statements

31 December 2021

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### 25. Equity Reserves (Continued)

	The Group			Equity Owners' Total
	Stock Options Reserve	Investment & Fair Value Reserves	Currency Translation Reserve	
	\$'000	\$'000	\$'000	\$'000
<b>Balance at 31 December 2019</b>	<b>30,194</b>	<b>1,841,292</b>	<b>5,015,044</b>	<b>6,886,530</b>
Net gains recycled to revenue on disposal and maturity of FVTOCI securities	-	(2,830,158)	-	(2,830,158)
Net unrealised gains on FVTOCI securities	-	7,558,797	-	7,558,797
Net unrealised losses on revaluation of owner- occupied properties	-	(498,781)	-	(498,781)
Retirement Benefit Obligation	-	(499)	-	(499)
Net gains on Interest Rate Swap	-	(20,744)	-	(20,744)
Deferred tax on unrealised capital gains and impairment	-	(1,113,705)	-	(1,113,705)
Provision for expected credit losses - IFRS 9 on FVTOCI securities	-	487,906	-	487,906
Expected credit losses recycled to the Income Statement on sale and maturity of FVTOCI securities	-	(39,103)	-	(39,103)
Shadow accounting	-	(742,148)	-	(742,148)
Currency translation	-	-	1,660,998	1,660,998
Total comprehensive income for the year	-	<b>2,801,565</b>	<b>1,660,998</b>	<b>4,462,563</b>
Transactions with owners -				-
Employee share option scheme -value of services provided	26,015	-	-	26,015
- employee stock grants and options exercised / expired	(8,210)	-	-	(8,210)
Total transactions with owners	17,805	-	-	17,805
Transfers between reserves -				-
To retained earnings	-	(159,380)	-	(159,380)
Total transfers between reserves	-	(159,380)	-	(159,380)
<b>Balance at 31 December 2020</b>	<b>47,999</b>	<b>4,483,477</b>	<b>6,676,042</b>	<b>11,207,518</b>

# Sagicor Group Jamaica Limited

## Notes to the Financial Statements

31 December 2021

(expressed in Jamaican dollars unless otherwise indicated)

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### 25. Equity Reserves (Continued)

- (a) Investment and fair value reserves include the following:
  - (i) Owner Occupied Properties and Fair value Reserves (FVTOCI) - This represents the unrealised surplus or deficit on the re-measurement of securities classified as FVTOCI and the revaluation of property, plant and equipment.
  - (ii) Currency Translation Reserve –This represents the unrealised foreign exchange gains and losses on the translation of subsidiaries, associate and joint venture with functional currencies other than the Jamaican dollar.
- (b) Special Investment Reserve - This represents a non-distributable reserve under the provisions of the Insurance Regulations, 2001.
- (c) Loan Loss Reserve - This is a non-distributable reserve representing the excess of the allowance for impairment losses determined using the Bank of Jamaica's regulatory requirements over the amount determined under IFRS.
- (d) Retained earnings reserve - Section 2 of the Banking Act of 1992 permits the transfer of any portion of the Bank's net profit to a retained earnings reserve. This reserve constitutes a part of the capital base for the purpose of determining the maximum level of deposit liabilities and lending to customers. Transfers to the retained earnings reserve are made at the discretion of the subsidiary's Board of Directors. Such transfers must be notified to the Bank of Jamaica.

Reserve fund (included as a part of retained earnings reserve) - This fund is maintained in accordance with the Banking Act 1992 which requires that a minimum of 15% of the net profit of the banking subsidiary as defined by the Act be transferred annually to the reserve fund until the amount of the fund is 50% of the paid-up share capital of the subsidiary, and thereafter 10% of the net profit until the amount of the fund is equal to the paid-up capital of the subsidiary.

- (e) The provision of section 62 (1) (d) of The Companies Act 2004, requires the transfer from retained earnings to the capital redemption reserve fund a sum equal to the amount of the redeemable preference shares redeemed otherwise than out of the proceed of a fresh issue.

# Sagicor Group Jamaica Limited

## Notes to the Financial Statements

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(expressed in Jamaican dollars unless otherwise indicated)

### 26. Stock Options and Grants

#### Long-term Incentive plan

The Group offers stock grants and stock options to senior executives as part of its long-term incentive plan. The Group has set aside 150,000,000 of its authorised but un-issued shares at no par value for the stock grants and stock options.

In January 2007, the Group introduced a new Long-Term Incentive (LTI) plan which replaced the previous Stock Option plan. Under the LTI plan, executives are entitled but not obliged to purchase the Group stock at a pre-specified price at some future date. The options are granted each year on the date of the Board of Directors Human Resources Committee meeting following the performance year at which the stock option awards are approved. Stock options vest in 4 equal installments beginning the first December 31 following the grant date and for the next three December 31st dates thereafter (25% per year). Options are not exercisable after the expiration of 7 years from the date of grant. The number of stock options in each stock option award is calculated based on the LTI opportunity via stock options (percentage of applicable salary) divided by the Black-Scholes value of a stock option of Sagicor Group Jamaica Limited stock on 31 March of the measurement year. The exercise price of the options is the closing bid price on 31 March of the measurement year.

Details of the combined share options outstanding are as follows:

	<b>Sagicor Group Jamaica Limited</b>			
	<b>2021</b>		<b>2020</b>	
	<b>Options (thousands)</b>	<b>Weighted Average exercise price in \$ per share</b>	<b>Options (thousands)</b>	<b>Weighted Average exercise price in \$ per share</b>
At beginning of year	11,033	29.65	9,600	23.44
Measurement year – 2019 awarded 2020	2,224	52.40	3,429	39.99
Measurement year – 2020 awarded 2021	-		-	-
Expired			(1,689)	13.97
Exercised	(3,005)	32.58	(307)	37.08
At end of year	<u>10,252</u>	<u>33.73</u>	<u>11,033</u>	<u>29.65</u>
Exercisable at the end of the period	<u>6,575</u>	<u>31.28</u>	<u>6,636</u>	<u>25.79</u>

# Sagicor Group Jamaica Limited

## Notes to the Financial Statements

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(expressed in Jamaican dollars unless otherwise indicated)

### 26. Stock Options and Grants (Continued)

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

Expiry Date	2021		2020	
	Exercise Price	No. of Outstanding Options 000's	Exercise Price	No. of Outstanding Options 000's
March 2021	-	-	7.11	275
March 2022	9.50	298	9.50	431
March 2023	10.49	1,115	10.49	1,443
March 2024	23.65	613	23.65	1,058
March 2025	34.10	1,187	34.10	1,777
March 2026	36.45	2,149	36.45	2,790
March 2027	39.99	2,666	39.99	3,259
March 2028	52.40	2,224	-	-
	<u>36.19</u>	<u>10,252</u>	<u>30.71</u>	<u>11,033</u>

For options outstanding at the end of the year, exercise prices range from \$9.50 to \$52.40 (2020 - \$7.11 to \$39.99). The remaining contractual terms range from 3 months to 7 years (2020 – 3 months to 7 years).

The weighted average share price for options exercised during the year was \$51.39 (2020 - \$58.72) and the Group's share of the cost of these options was \$7,596,000 (2020 - \$2,968,000).

The stock options reserve balance at the year-end represents the accumulated fair value of services provided by employees in consideration for shares, as measured by reference to the fair value of the shares. The fair value of the options granted during the year as determined using the Black-Scholes valuation model was \$37,557,305. The significant inputs into the model were:

	2021	2020
Share Price	\$51.88	\$47.95
Dividend Yield	2.04%	2.19%
Standard Deviation	29%	31%
Risk Free ratio	4.16%	4.43%
Expected Volatility period	7 Years	7 Years

The Sagicor Group Jamaica Limited recognised cumulative expenses of \$58,349,000 in the Stock Option Reserves (2020 – \$26,015,000) and share options expense of \$23,552,000 (2020 - \$27,714,000) in the income statement.

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

The Group also has in place a share purchase plan which enables its administrative and sales staff to purchase a pool of Sagicor Group Jamaica Limited shares at a predetermined discount rate of the closing bid price on December 31 each year. During 2021, the Staff Share Purchase Plan Trust purchased NIL (5,000,000:2020) shares. The Group recognizes an expense in respect of Staff Share Purchase Plan shares at the point at which the shares are transferred to staff, when the Subsidiary Companies recognize their share of the cost of those shares in the income statement.

The Sagicor Group Jamaica Limited has not been issuing new shares to fulfill its obligations under these plans but instead the LTI and the Staff Share Purchase Plan Trust bought SGJ's shares on the open market. The total number of treasury shares held by the Group at year end was 6,454,495 (2020 - 3,312,941) at a cost of \$344,972,000 (2020 - \$170,021,000).

# Sagicor Group Jamaica Limited

## Notes to the Financial Statements

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(expressed in Jamaican dollars unless otherwise indicated)

### 27. Dividends

	<u>The Group and Company</u>	
	<u>2021</u>	<u>2020</u>
	<u>\$'000</u>	<u>\$'000</u>
First interim dividend – 61 cents per share (2020 – 40 cents per share)	2,391,811	1,562,240
Second interim dividend – 50 cents per share (2020 – 45 cents per share)	<u>1,939,538</u>	<u>1,742,318</u>
	<u>4,331,349</u>	<u>3,304,558</u>

Dividends represented a dividend per stock unit of \$1.11 (2020 \$0.85). There were no dividends declared subsequent to the year end. In April 2020, the Bank of Jamaica (BoJ) announced a pre-emptive monetary policy strategy aimed at preserving liquidity and granting certain levels of regulatory relief. As part of this strategy, the BoJ requested that Financial Holding Companies suspend the payment of dividends to shareholders, subsequently excluding shareholders holding less than 1% of the ordinary shares of the Company. During prior year, the Group issued \$2,741,628,000 of Promissory Notes (Note 29) as consideration for dividends payable to shareholders holding over 1% of the ordinary shares of the Company. These notes were repaid in May and June 2021.

### 28. Net Profit

	<u>2021</u>	<u>2020</u>
	<u>\$'000</u>	<u>\$'000</u>
(i) Net profit attributable to stockholders of Sagicor Group Jamaica Limited, dealt with in the financial statements of:		
The company	7,143,272	910,151
Less dividends from subsidiaries	(8,272,192)	(1,846,125)
The subsidiaries, associate and joint venture	<u>18,524,351</u>	<u>14,716,137</u>
	<u>17,395,431</u>	<u>13,780,163</u>

### 29. Deposit and Security Liabilities

	<u>The Group</u>		<u>The Company</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
Securities sold under repurchase agreements	78,334,999	79,400,370	-	-
Shareholders loan – Bailey Williams Limited	23,500	23,500	-	-
Due to banks and other financial institutions (i)	7,803,208	3,871,821	-	-
Customer deposits and other accounts	133,338,645	120,569,698	-	-
Promissory notes (ii)	1,666,029	3,493,093	12,003,246	15,685,639
Derivative (Note 8)	16,733	-	-	-
Structured Product (iii)	668,527	-	-	-
	<u>221,851,641</u>	<u>207,358,482</u>	<u>12,003,246</u>	<u>15,685,639</u>

Current portion of Deposit and Security Liabilities disclosed under Note 48 (d).

# Sagicor Group Jamaica Limited

## Notes to the Financial Statements

31 December 2021

(expressed in Jamaican dollars unless otherwise indicated)

### 29. Deposit and Security Liabilities (Continued)

	Interest Rate (%)	Maturity Year	The Group		The Company	
			2021	2020	2021	2020
			\$'000	\$'000	\$'000	\$'000
<b>(l) Due to banks and other financial institutions:</b>						
Development Bank of Jamaica Limited (a)	various	various	1,446,444	1,792,425	-	-
National Housing Trust (NHT) (b)	various	various	172,611	2,016,511	-	-
International Financial Corporation (IFC) (c)	3.4	2023	6,184,153	-	-	-
Bank overdraft:						
Other	-	-	-	62,885	-	-
			<u>7,803,208</u>	<u>3,871,821</u>	<u>-</u>	<u>-</u>

(a) Development Bank of Jamaica Limited (DBJ)

The agreement allows DBJ, at its absolute discretion, to approve J\$ financing to Sagicor Bank Jamaica Limited (SBJ) for on-lending to customers for developmental projects which meet the criteria of DBJ and on such terms and conditions as DBJ may stipulate.

Funds disbursed to SBJ bear interest at DBJ's lending rate prevailing at the date of approval of each disbursement unless otherwise carried by DBJ and are extended to the client at a maximum spread as stipulated by DBJ.

(b) National Housing Trust (NHT)

This is a third-party financing agreement between Sagicor Life Jamaica Limited, Sagicor Bank Jamaica Limited and the National Housing Trust and attracts interest at rates ranging from 0% to 2%. During the year, the Group early settled its obligation to NHT and recorded gains of \$584,530,000.

(c) International Financial Corporation (IFC)

This is a loan agreement between Sagicor Bank Jamaica and International Financial Corporation (IFC) which attracts interest at 3.4%.

(d) Bank Overdrafts

The bank overdraft balances represent book overdrafts at year end.

The Group has not had any defaults of principal, interest or other breaches with respect to its liabilities during the year.

# Sagicor Group Jamaica Limited

## Notes to the Financial Statements

31 December 2021

(expressed in Jamaican dollars unless otherwise indicated)

### 29. Deposit and Security Liabilities (Continued)

(ii) *Promissory notes*

	The Group		The Company	
	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
Sagicor Life Jamaica Limited (i)	-	-	10,661,622	10,943,851
Sagicor Securities Jamaica Limited	-	-	-	668,378
(ii) Sagicor Investment Jamaica Limited (iii)	-	-	1,341,624	1,315,658
Ultimate parent (iv)	-	1,632,480	-	1,632,480
Shareholders (iv)	-	1,125,272	-	1,125,272
Other managed funds (v)	1,666,029	735,341	-	-
	<u>1,666,029</u>	<u>3,493,093</u>	<u>12,003,246</u>	<u>15,685,639</u>

Items (i) to (iii) represent promissory notes that have been issued by the Sagicor Group Jamaica Limited with respect to the corporate reorganisation of the Group.

- (i) These promissory notes are due by Sagicor Group Jamaica Limited to a subsidiary, Sagicor Life Jamaica Limited, as consideration for the value of Sagicor Investment Jamaica Limited, Sagicor Life of the Cayman Island, Sagicor Re Insurance Limited and other small subsidiaries whose ownership was transferred from the previous parent company, Sagicor Life Jamaica Limited to the holding company, Sagicor Group Jamaica Limited. The promissory notes are unsecured and attract interest at 2% per annum, maturing in January 2024.
- (ii) This promissory note is due by Sagicor Group Jamaica Limited to a subsidiary, Sagicor Securities Jamaica Limited, whose ownership was transferred from Sagicor Bank Jamaica Limited to Sagicor Group Jamaica Limited. The promissory note issued is unsecured and attracts interest at 1% per annum. The note was cancelled in May 2021 when the company was effectively wound up.
- (iii) This promissory note was issued by Sagicor Group Jamaica Limited to Sagicor Investment Jamaica Limited as consideration for the value of Sagicor Bank Jamaica Limited whose ownership was transferred from Sagicor Investment Jamaica Limited to Sagicor Group Jamaica Limited. The promissory note is unsecured with interest at 2% per annum and matures in November 2023.
- (iv) These promissory notes were issued by Sagicor Group Jamaica Limited to shareholders holding more than 1% of the Company as consideration for dividends prohibited from payment by order by the Bank of Jamaica. The promissory notes are unsecured with interest at 5% per annum. These notes were settled in May and June 2021.
- (v) This represents funding provided by managed funds to cover the costs associated with development project. The loan is secured by development land situated at 27 Brunswick Avenue, Spanish, attracts interest at 6.5% per annum and matures in September 2022. Prior year includes an unsecured loan facility with interest at 7.5% per annum. This loan was repaid in 2021.

# Sagicor Group Jamaica Limited

## Notes to the Financial Statements

31 December 2021

(expressed in Jamaican dollars unless otherwise indicated)

### 29. Deposit and Security Liabilities (Continued)

(iii) Structured Product

Principal Protected Notes

Principal protected notes comprise a fixed income element with or without an interest guarantee (included above) and an equity indexed option element disclosed in Note 8. These notes entitle the holders to participate in any positive returns on the equity indexed options and they also include a principal protection feature. If the return on the index is negative, the holder will obtain the principal invested for notes with no interest guarantee and principal invested plus interest for notes with an interest guarantee. The maturity dates of these notes is June 2023.

### 30. Loans Payable

	The Group		The Company	
	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
(a) Mortgage Note	6,947,445	6,527,465	-	-
(b) Tranche C loan	-	311,682	-	-
(c) Other Secured Note	-	1,516,199	-	-
(d) Key Money	138,528	135,855	-	-
(e) Jamaica Central Securities Depository	2,198,545	2,198,545	-	-
<b>Total loans payable</b>	<b>9,284,518</b>	<b>10,689,746</b>	<b>-</b>	<b>-</b>

Current portion of Loans Payable disclosed under Note 48 (d).

(a) *Mortgage Note (US Dollars)*

The mortgage note was issued by Wells Fargo to subsidiary, X Fund Property LLC. The loan amount of US\$48,736,586 is recorded at fair value at acquisition and is secured by the investment in hotel property. Interest on the note is paid monthly through to maturity at which time the outstanding principal is due and payable. The subsidiary may prepay the note prior to the maturity date only in conjunction with the sale of a property or as a result of casualty or condemnation. The note is payable on October 6, 2025 and attracts a fixed rate interest of 4.9%.

The mortgage note contains a debt service coverage ratio covenant and, upon failing to meet the debt service coverage ratio, substantially all the cash flows from the hotel must be directed to accounts controlled by the lender. As at December 31, 2021, the subsidiary was in compliance with the debt service coverage ratio covenant.

(b) *Tranche C loan (US Dollars)*

The 4.75% US dollar tranche C loan held by Sagicor Real Estate X-Fund pays interest quarterly. The loan matured on May 16, 2021 and was secured by a debenture over units in the Sigma Real Estate Portfolio and any bonus units issued upon or in respect thereof.

In 2020, the subsidiary failed to meet its debt covenants for minimum interest coverage and maximum debt to earnings before interest, taxed, depreciation and amortization (EBIDA) ratio. There were no penalties incurred for this breach.

(c) *Other Secured Note*

These notes were issued to X Fund Properties Limited under four tranches with fixed coupon ranging from 4.27% to 10% and tenures of 2 to 40 years. Some of these notes were secured by repurchase agreements held with Sagicor Investment Jamaica Limited. These facilities were settled in 2021.

In 2020, the subsidiary failed to meet its minimum interest coverage ratio. As a result, the non-current portion of the loans were reclassified to current. There were no penalties incurred for this breach.

# Sagicor Group Jamaica Limited

Notes to the Financial Statements

**31 December 2021**

(expressed in Jamaican dollars unless otherwise indicated)

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## 30. Loans Payable (Continued)

### (d) *Key Money*

This note held by subsidiary, X Fund Property Limited is an interest free loan with annual forgiveness of debt over ten years, if certain conditions are met.

### (e) *Jamaica Central Securities Depository*

This loan was issued under tranches and arranged by The Jamaica Central Securities Depository (Trustee) to SIJL. Tranche A was issued on 16 August 2019 amounting to \$2.18 billion at an interest rate of 6.75% and is repayable on 16 August 2024. Tranche A was issued to finance the acquisition of Advantage General Insurance. Entities which financed the borrowing include related parties.

# Sagicor Group Jamaica Limited

## Notes to the Financial Statements

31 December 2021

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### 31. Other Liabilities

	The Group		The Company	
	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
Legal claim payable (Note 52/53)	185,548	160,442	-	-
Premiums not applied	4,579,669	3,998,414	-	-
Accounts payable and accruals	3,683,662	2,416,168	31,080	40,079
Staff related payable	979,143	1,093,775	-	-
Dividends payable	248,651	220,533	174,799	146,047
Due to related parties (Note 23)	232,343	139,815	4,213,123	3,586,021
Due to brokers and agents	1,594,398	1,212,661	-	-
Reinsurance payable	1,653,153	1,360,496	-	-
Mortgage principal and real estate payables	520,107	117,599	-	-
Customer settlement accounts	2,792,814	1,793,531	-	-
Regulatory fees and Statutory payables	925,946	640,961	-	-
Items in course of payment	549,630	466,776	-	-
Cheques issued but uncashed	844,899	724,894	-	-
Unearned reinsurance commissions	763,848	677,716	-	-
Miscellaneous	841,224	410,407	-	5,187
	<u>20,395,035</u>	<u>15,434,188</u>	<u>4,419,002</u>	<u>3,777,334</u>

The analysis of the movement in deferred commission income is as follows:

	The Group	
	2021 \$'000	2020 \$'000
Balance at the beginning of the year	677,716	461,508
Commission received during the year	1,703,827	1,509,896
Amounts recognised in income during the year	<u>(1,617,695)</u>	<u>(1,293,688)</u>
Balance at end of year	<u>763,848</u>	<u>677,716</u>

Current portion of Other Liabilities disclosed under Note 48 (d).

# Sagicor Group Jamaica Limited

## Notes to the Financial Statements

31 December 2021

(expressed in Jamaican dollars unless otherwise indicated)

### 32. Life and Health Insurance Contract Liabilities

The note below details the Group's liabilities under insurance contracts arise from the operations of its life insurance subsidiaries.

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

	<b>The Group</b>	
	<b>2021</b>	<b>2020</b>
	<b>\$'000</b>	<b>\$'000</b>
Group and Individual annuities	61,157,286	55,704,694
Group insurance	6,136,905	4,782,626
Individual insurance	30,702,558	30,290,402
<b>Total</b>	<b>97,996,749</b>	<b>90,777,722</b>

Current portion of Life and Health Insurance Contract Liabilities disclosed under Note 48 (d).

(b) Movements in insurance liabilities:

	<b>The Group</b>			
	<b>2021</b>			
	<b>Group and Individual Annuities</b>	<b>Individual Insurance</b>	<b>Group Insurance</b>	<b>Total</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Balance at the beginning of the year	55,704,694	30,290,402	4,782,626	90,777,722
Change in assumed investment yields and inflation rate	143,654	673,684	3,001	820,339
Change due to the issuance of new policies and the decrements on in-force policies	5,175,141	5,105,831	1,212,864	11,493,836
Change due to other actuarial assumptions	(2,388,006)	(5,594,487)	(52,484)	(8,034,977)
Normal changes in policyholders' liabilities recorded to incomestatement	2,930,789	185,028	1,163,381	4,279,198
Changes in actuarial liabilities recorded in Other Comprehensive Income (shadow accounting)	35,724	(157,336)	-	(121,612)
Foreign currency translation	2,486,079	384,464	190,898	3,061,441
<b>Balance at end of year</b>	<b>61,157,286</b>	<b>30,702,558</b>	<b>6,136,905</b>	<b>97,996,749</b>

# Sagicor Group Jamaica Limited

Notes to the Financial Statements

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(expressed in Jamaican dollars unless otherwise indicated)

## 32. Life and Health Insurance Contract Liabilities (Continued)

(b) Movements in insurance liabilities (continued):

	The Group			
	2020			
	Group Annuities \$'000	Individual Insurance \$'000	Group Insurance \$'000	Total \$'000
Balance at the beginning of the year	50,017,977	37,235,941	4,188,044	91,441,962
Change in assumed investment yields and inflation rate	591,322	2,644,563	5,698	3,241,583
Change due to the issuance of new policies and the decrements on in-force policies	4,888,601	(93,072)	191,757	4,987,286
Change due to other actuarial assumptions	(2,330,105)	(10,185,395)	228,221	(12,287,279)
Normal changes in policyholders' liabilities recorded in income statement:	3,149,818	(7,633,904)	425,676	(4,058,410)
Changes in actuarial liabilities recorded in Other Comprehensive Income (shadow accounting)	226,363	515,785	-	742,148
Foreign currency translation	2,310,536	172,580	168,906	2,652,022
Balance at end of year	<u>55,704,694</u>	<u>30,290,402</u>	<u>4,782,626</u>	<u>90,777,722</u>

# Sagicor Group Jamaica Limited

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## 32. Life and Health Insurance Contract Liabilities (Continued)

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

	The Group 2021				Total \$'000
	Insurance	Annuities and Deposit Administration Funds	Other Liabilities	Capital and Surplus	
	\$'000	\$'000	\$'000	\$'000	
Equities, Derivatives and Unit Trusts	30,930,383	-	-	7,543,596	38,473,979
Investment properties	-	-	-	1,220,324	1,220,324
Fixed income securities	41,704,487	69,533,057	211,768,782	64,290,124	387,296,450
Mortgages	-	904,353	-	2,596,570	3,500,923
Other assets	2,788,603	-	55,537,417	39,173,008	97,499,028
	<u>75,423,473</u>	<u>70,437,410</u>	<u>267,306,199</u>	<u>114,823,622</u>	<u>527,990,704</u>

	The Group 2020				Total \$'000
	Insurance	Annuities and Deposit Administration Funds	Other Liabilities	Capital and Surplus	
	\$'000	\$'000	\$'000	\$'000	
Equities, Derivatives and Unit Trusts	26,538,129	-	-	8,387,607	34,925,736
Investment properties	-	-	-	1,389,305	1,389,305
Fixed income securities	40,400,946	64,186,808	200,064,495	45,811,711	350,463,960
Mortgages	-	1,051,570	-	2,267,424	3,318,994
Other assets	3,002,443	-	49,066,176	48,527,959	100,596,578
	<u>69,941,518</u>	<u>65,238,378</u>	<u>249,130,671</u>	<u>106,384,006</u>	<u>490,694,573</u>

# Sagicor Group Jamaica Limited

## Notes to the Financial Statements

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(expressed in Jamaican dollars unless otherwise indicated)

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### 32. Life and Health Insurance Contract Liabilities (Continued)

(d) Policy assumptions

At each date for valuation of actuarial liabilities, the appointed Actuary of each insurer 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 (lapse and persistency), 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 Group bases its assumptions on the 1959 Accidental Death Benefit table for rider benefits and the Canadian Population Accident 1990-1992 sex distinct table for coupon products. Critical illness incidence rates are based on British population sex-distinct incidence rates developed by the Institute of Actuaries. Group annuitant mortality is based on the Society of Actuaries 1994 Group Annuitant male and female basic mortality tables with projection scale AA for improvements in mortality. Individual Annuitant mortality is based on the Society of Actuaries 2012 Individual Annuitant male and female Period mortality tables with projection scale G2 beyond 2012 for improvements in mortality.

(iii) Investment yields

The 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 and asset default. Assumptions taking into account inflation are that real returns after 40 years will be between 2.0% and 3.3% (2020: 2.0% and 3.2%).

# Sagicor Group Jamaica Limited

## Notes to the Financial Statements

31 December 2021

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### 32. Life and Health Insurance Contract Liabilities (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 3.5% and 21% of insurance amounts issued. Lapse rates after 20 policy years are assumed to be between 0% and 9.5% of insurance amounts in force. Partial withdrawal rates average about 15.0% (2020: 16.0%) 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 declines over the life of the policies such that real returns after 40 years are between 2.0% and 3.3% (2020: 2.0% and 3.2%).

(vi) Provision for adverse deviation assumptions

To recognize 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 recognized on inception of the policy. The Canadian Institute of Actuaries standards indicate that margins are to be between 5% and 20% of the best estimate assumptions or between 2% and 8% of annuitant mortality best estimate assumptions. The Group uses margins for each assumption at the middle of the range, taking into account the risk profiles of the business.

(vii) 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.

#### Health Insurance Contracts

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

### 33. Investment Contract Liabilities

	<b>The Group</b>	
	<b>2021</b>	<b>2020</b>
	<b>\$'000</b>	<b>\$'000</b>
Amortised cost -		
Amounts on deposit	17,193,242	15,209,011
Deposit administration fund	1,501,644	1,493,579
Other investment contracts	661,599	727,831
	<u>19,356,485</u>	<u>17,430,421</u>

Current portion of Investment Contract Liabilities is disclosed under Note 48 (d).

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

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

# Sagicor Group Jamaica Limited

## Notes to the Financial Statements

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(expressed in Jamaican dollars unless otherwise indicated)

### 34. Property and Casualty Insurance Contract and Other Policy Liabilities

	The Group					
	2021			2020		
	Gross \$'000	Reinsurance \$'000	Net \$'000	Gross \$'000	Reinsurance \$'000	Net \$'000
Life and health claims payable	5,445,507	(784,167)	4,661,340	4,592,042	(1,007,013)	3,585,029
Property and casualty claims payable and IBNR	3,304,019	(834,174)	2,469,845	3,276,186	(709,878)	2,566,308
Total Policy Benefit Payable	8,749,526	(1,618,341)	7,131,185	7,868,228	(1,716,891)	6,151,337
Provision for unearned premiums	3,259,469	(2,070,739)	1,188,730	2,755,496	(1,683,928)	1,071,568
Policy dividends and other funds on deposit	1,142,752	-	1,142,752	865,127	-	865,127
Balance at 31 December	13,151,747	(3,689,080)	9,462,667	11,488,851	(3,400,819)	8,088,032

Movement in policy benefit payable:

	The Group					
	2021			2020		
	Gross \$'000	Reinsurance \$'000	Net \$'000	Gross \$'000	Reinsurance \$'000	Net \$'000
Balance at 1 January	7,868,228	(1,716,891)	6,151,337	7,295,815	(629,665)	6,666,150
Arising on acquisition of subsidiary (i)			-	(251,000)	-	(251,000)
Policy benefits incurred	36,429,580	(1,376,292)	35,053,288	34,068,218	(1,323,112)	32,745,106
Policy benefits paid	(35,598,947)	1,497,866	(34,101,081)	(33,274,021)	246,751	(33,027,270)
Effect of exchange rates	50,665	(23,024)	27,641	29,216	(10,865)	18,351
Balance at 31 December	8,749,526	(1,618,341)	7,131,185	7,868,228	(1,716,891)	6,151,337

- (i) In 2020, the fair valued Balance Sheet for Advantage General Insurance Limited at the date of acquisition was based on additional information received after year-end. These adjustments were immaterial.

# Sagicor Group Jamaica Limited

## Notes to the Financial Statements

31 December 2021

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### 34. Property and Casualty Insurance Contract and Other Policy Liabilities (Continued)

Movement in provision for unearned premiums:

	The Group					
	2021			2020		
	Gross	Reinsurance	Net	Gross	Reinsurance	Net
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Balance at 1 January	2,755,496	(1,683,928)	1,071,568	2,841,768	(1,422,386)	1,419,382
Premiums written during the year	6,587,945	(4,415,866)	2,172,079	6,122,466	(3,859,314)	2,263,152
Premiums earned during the year	(6,099,701)	4,043,992	(2,055,709)	(6,220,611)	3,608,961	(2,611,650)
Effects of exchange rate changes	15,729	(14,937)	792	11,873	(11,189)	684
Balance at 31 December	3,259,469	(2,070,739)	1,188,730	2,755,496	(1,683,928)	1,071,568

Analysis of unearned premium and property and casualty claims payable and IBNR:

	The Group							
	2021				2020			
	Unearned premiums		Property and casualty claim payable and IBNR		Unearned premiums		Property and casualty claim payable and IBNR	
	\$'000'	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
		Net		Net		Net		Net
	Gross	Reinsured	Gross	Reinsured	Gross	Reinsured	Gross	Reinsured
Liability	178,301	46,248	73,690	73,273	88,341	31,434	51,932	(30,528)
Motor	2,121,270	1,068,355	3,174,403	2,386,900	2,007,315	965,974	3,108,794	2,559,147
Property	959,898	74,127	55,926	9,672	659,840	74,160	115,460	37,689
	3,259,469	1,188,730	3,304,019	2,469,845	2,755,496	1,071,568	3,276,186	2,566,308

### 35. Collateralised Reversed Repurchase Agreements

At December 31, 2021, the Group held \$10,948,898,000 (2020 – \$1,133,672,000) of securities, mainly representing Government of Jamaica debt securities, as collateral for reverse repurchase agreements. None of the collateral for reverse repurchase agreements for the Group was repledged.

# Sagicor Group Jamaica Limited

Notes to the Financial Statements

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## 36. Premium Income

	<b>2021</b>		
	<b>Gross Premiums</b>	<b>Reinsurance Premiums</b>	<b>Net premiums</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Group insurance -			
Group health	11,474,799	(586,747)	10,888,052
Group life	3,856,618	(121,754)	3,734,864
Group annuities	5,085,776	-	5,085,776
	<u>20,417,193</u>	<u>(708,501)</u>	<u>19,708,692</u>
Individual insurance -			
Individual life	30,557,581	(390,873)	30,166,708
Individual health	579,389	-	579,389
Individual annuities	274,092	-	274,092
	<u>31,411,062</u>	<u>(390,873)</u>	<u>31,020,189</u>
Property and casualty	6,099,701	(4,043,992)	2,055,709
Net premiums	<u>57,927,956</u>	<u>(5,143,366)</u>	<u>52,784,590</u>
	<b>2020</b>		
	<b>Gross Premiums</b>	<b>Reinsurance Premiums</b>	<b>Net premiums</b>
Group insurance -			
Group health	11,915,270	(406,205)	11,509,065
Group life	3,389,898	(79,388)	3,310,510
Group annuities	5,080,812	-	5,080,812
	<u>20,385,980</u>	<u>(485,593)</u>	<u>19,900,387</u>
Individual insurance -			
Individual life	27,650,897	(358,064)	27,292,833
Individual health	544,988	-	544,988
Individual annuities	29,301	-	29,301
	<u>28,225,186</u>	<u>(358,064)</u>	<u>27,867,122</u>
Property and casualty	6,220,611	(3,608,961)	2,611,650
Net premiums	<u>54,831,777</u>	<u>(4,452,618)</u>	<u>50,379,159</u>

# Sagicor Group Jamaica Limited

Notes to the Financial Statements

31 December 2021

(expressed in Jamaican dollars unless otherwise indicated)

## 37. Net Investment Income

	The Group		
	2021	2021	2021
	Amortised cost assets \$'000	FVTOCI assets \$'000	Total \$'000
<b>Interest income -</b>			
Debt securities	6,633,283	7,685,868	14,319,151
Mortgage loans	1,149,031	-	1,149,031
Policy loans	91,772	-	91,772
Loans and finance leases	7,932,278	-	7,932,278
Securities purchased for re-sale	140,654	-	140,654
Deposits	87,496	-	87,496
Total Interest Income	<u>16,034,514</u>	<u>7,685,868</u>	<u>23,720,382</u>
Net gain on de-recognition of financial assets measured at FVTOCI			<u>2,663,679</u>
Net gain on derecognition of financial assets measured at amortised cost			<u>3,292,396</u>
			<u>29,676,457</u>
<b>FVTPL investments:</b>			
Interest income			399,245
Dividend income			169,636
Unrealised gains on financial assets			2,113,275
Net gain on de-recognition of financial assets			828,160
			<u>3,510,316</u>
<b>Investment properties:</b>			
Unrealised gains			68,000
Realised losses			(43,600)
Rental Income			66,058
			<u>90,458</u>

# Sagicor Group Jamaica Limited

Notes to the Financial Statements

31 December 2021

(expressed in Jamaican dollars unless otherwise indicated)

## 37. Net Investment Income (Continued)

Other investment income and expense:	
Other investment income	92,615
Other direct investment expense	<u>(41,063)</u>
	51,552
Income earned and capital gains from assets measured at FVTPL and other investment income	<u>3,652,326</u>
Total Investment Income	<u>33,328,783</u>
<b>Interest expense -</b>	
Investment contracts	(745,686)
Customer deposits	(1,215,376)
Repurchase liabilities	(1,792,359)
Insurance contracts and other items	(26,191)
Due to banks and other financial institutions	(451,706)
Lease liabilities	(182,898)
Loans payable	<u>(707,636)</u>
	<u>(5,121,852)</u>
Credit impairment losses	<u>(245,288)</u>
<b>Net investment income</b>	<u><u>27,961,643</u></u>

# Sagicor Group Jamaica Limited

Notes to the Financial Statements

31 December 2021

(expressed in Jamaican dollars unless otherwise indicated)

## 37. Net Investment Income (Continued)

	<b>The Company</b>		
	<b>2021</b>	<b>2021</b>	<b>2021</b>
	<b>Amortised cost assets</b>	<b>FVTOCI assets</b>	<b>Total</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>Interest income -</b>			
Debt securities	4,396	178	4,574
Securities purchased for re-sale	10,795		10,795
Deposits	20,583		20,583
Total interest income	<u>35,774</u>	<u>178</u>	<u>35,952</u>
Dividend income			8,272,192
Net gains on de-recognition of financial assets on measured at FVTOCI			<u>1,233</u>
			8,309,377
<b>Interest expense -</b>			
Promissory notes			(309,709)
<b>Net investment income</b>			<u><u>7,999,668</u></u>

# Sagicor Group Jamaica Limited

Notes to the Financial Statements

31 December 2021

(expressed in Jamaican dollars unless otherwise indicated)

## 37. Net Investment Income (Continued)

	The Group		
	2020	2020	2020
	Amortised cost assets \$'000	FVTOCI assets \$'000	Total \$'000
<b>Interest income -</b>			
Debt securities	6,317,803	6,671,372	12,989,175
Mortgage loans	915,018	-	915,018
Policy loans	111,897	-	111,897
Loans and finance leases	8,542,781	-	8,542,781
Securities purchased for re-sale	113,905	-	113,905
Deposits	77,127	-	77,127
Total Interest Income	<u>16,078,531</u>	<u>6,671,372</u>	<u>22,749,903</u>
Net gain on de-recognition of financial assets measured at FVTOCI			<u>3,076,669</u>
Net gain on derecognition of financial assets measured at amortised cost			<u>1,172,382</u>
			<u>26,998,954</u>
FVTPL investments:			
Interest income			380,849
Dividend income			134,544
Unrealised losses on financial assets			(2,709,520)
Net gain on de-recognition of financial assets			220,140
			<u>(1,973,987)</u>
Investment properties:			
Unrealised gains			83,679
Realised losses			(408,885)
Rental Income			310,563
			<u>(14,643)</u>

# Sagicor Group Jamaica Limited

## Notes to the Financial Statements

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### 37. Net Investment Income (Continued)

Other investment income and expense:

Investment income	251,321
Direct investment expense	(284,993)
	<u>(33,672)</u>
Income earned and capital losses from assets measured at FVTPL & Other Investment Income	<u>(2,022,302)</u>
Total Investment Income	<u>24,976,652</u>
<b>Interest expense -</b>	
Investment contracts	(718,178)
Customer deposits	(1,190,612)
Repurchase liabilities	(1,763,186)
Insurance contracts and other items	(12,006)
Due to banks and other financial institutions	(178,244)
Lease liabilities	(201,181)
Loans payable	(964,288)
	<u>(5,027,695)</u>
Credit impairment losses	<u>(1,694,349)</u>
<b>Net investment income</b>	<u><u>18,254,608</u></u>

### The Company

	2020	2020	2020
	Amortised cost assets	FVTOCI assets	Total
	\$'000	\$'000	\$'000
<b>Interest income -</b>			
Debt securities	23,967	1,569	25,536
Securities purchased for re-sale	3,099	-	3,099
Deposits	41	-	41
Total interest income	<u>27,107</u>	<u>1,569</u>	<u>28,676</u>
Dividend income			1,846,125
Net gains on de-recognition of financial assets on measured at FVTOCI			<u>3,476</u>
			1,878,277
Credit impairment-adjustment			<u>(41)</u>
			1,878,236
<b>Interest expense -</b>			
Promissory notes			<u>(345,008)</u>
<b>Net investment income</b>			<u><u>1,533,228</u></u>

# Sagicor Group Jamaica Limited

## Notes to the Financial Statements

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### 38. Results from Hotel Operations

Hotel revenues and expenses relate to X Fund Properties LLC, operators of Double Tree Orlando.

	<b>2021</b>	<b>2020</b>
	<b>\$'000</b>	<b>\$'000</b>
Hotel Revenues:		
Rooms	3,194,370	1,724,226
Food and beverage	735,869	435,947
Other departments	416,482	214,850
Other income	72,028	52,321
	<u>4,418,749</u>	<u>2,427,344</u>
Hotel Expenses:		
Rooms	317,154	234,257
Food and beverage	328,687	154,712
Property operations	95,687	286,380
Franchise expense	167,502	90,252
Sales and marketing	268,921	135,563
Other operated departments	1,136,305	450,962
Staff costs:		
Salaries and benefits	1,007,696	548,378
Payroll taxes	45,455	185,978
	<u>3,367,407</u>	<u>2,086,482</u>

### 39. Fees and Other Income

	<u>The Group</u>		<u>The Company</u>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Service contract revenue	10,350,405	9,062,037	-	-
Commission income on insurance and reinsurance contracts	1,794,612	1,373,567	-	-
Foreign exchange gains	1,123,830	183,796	54,623	36,436
Other fees and commission income	3,418,325	2,793,670	-	-
Management fees	-	-	43,215	226,275
Miscellaneous fees & other income	708,525	98,641	360	1,473
	<u>17,395,697</u>	<u>13,511,711</u>	<u>98,198</u>	<u>264,184</u>

# Sagicor Group Jamaica Limited

## Notes to the Financial Statements

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(expressed in Jamaican dollars unless otherwise indicated)

### 40. Insurance Benefits and Claims

	The Group			
	2021			2020
	Gross incurred \$'000	Reinsured \$'000	Net Claims \$'000	Net Claims \$'000
Life insurance benefits	16,895,637	(294,667)	16,600,970	15,683,747
Annuities benefits	5,997,601	-	5,997,601	5,677,459
Health insurance	11,038,980	(238,237)	10,800,743	9,598,760
Property and casualty	2,497,362	(843,388)	1,653,974	1,785,140
	<u>36,429,580</u>	<u>(1,376,292)</u>	<u>35,053,288</u>	<u>32,745,106</u>

### 41. Administration Expenses

	The Group		The Company	
	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
Auditors' remuneration	260,440	230,441	13,497	35,634
Office accommodation	1,194,491	962,280	2,370	1,777
Communication and technology	3,468,531	2,784,512	120,334	118,073
Advertising and branding	1,108,941	742,074	340,363	217,909
Sales convention and incentives	219,041	278,741	-	-
Postage, printing and office supplies	350,875	347,171	91	4
Policy stamp duties and reimbursements	103,418	80,366	-	-
Regulators fees	365,049	393,123	10,267	8,975
Directors costs	139,092	145,873	34,700	35,833
Legal and professional fees	749,242	543,700	175,515	83,746
Services outsourced	1,048,535	988,031	705	1,135
Electronic channels charges	2,145,613	1,358,532	-	-
Commission and fees	44,474	66,509	-	-
Insurance	282,948	242,095	989	4,320
Travel and entertainment	102,783	115,794	598	2,668
Bank charges and cash transport	442,385	306,970	1,190	1,307
Other expenses	699,850	972,273	97,323	105,471
Staff costs (a)	11,695,789	11,236,077	15,196	4,088
	<u>24,421,497</u>	<u>21,794,562</u>	<u>813,138</u>	<u>620,940</u>

#### (a) Staff costs

	The Group		The Company	
	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
Salaries	8,676,065	8,389,316	-	-
Payroll taxes	999,018	918,507	-	-
Pension costs (Note 19)	480,320	638,672	-	-
Other post-retirement benefits (Note 19)	427,205	182,334	-	-
Share based compensation	247,530	140,043	-	-
Restructuring costs	22,871	192,900	-	-
Other	842,780	774,305	15,196	4,088
	<u>11,695,789</u>	<u>11,236,077</u>	<u>15,196</u>	<u>4,088</u>

Other staff costs incurred by the Group associated with its hotel operations are disclosed in Note 38.

### 42. Commission and Sales Expense

Amount represents commission and bonuses paid to sales representatives in the Life companies.

# Sagicor Group Jamaica Limited

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### 43. Taxation

(a) Tax is computed as follows:

	The Group		The Company	
	2021	2020	2021	2020
	\$'000	\$'000	\$'000	\$'000
Current year taxation -				
Dividend income tax @ 15%	2,127	2,316	-	-
Income tax at 33 ⅓%	3,106,702	2,895,865	-	-
Income tax at 25%	2,624,054	3,195,813	-	-
	5,732,883	6,093,994	-	-
Deferred income tax (Note 20) -				
Deferred tax charge/(credit) relating to the origination and reversal of temporary differences	717,076	(400,467)	(886)	(73,193)
Taxation	6,449,959	5,693,527	(886)	(73,193)
Other taxes:				
Asset tax @ 0.25%	830,582	746,601	-	-
Withholding tax	185	226	-	-
Other taxes	830,767	746,827	-	-

(b) Tax is computed as follows:

#### Income tax:

- Income tax at 33⅓% is payable on taxable profits of Sagicor Investments Jamaica Limited, Sagicor Bank Jamaica Limited, Employee Benefits Administrator Limited, Sagicor Insurance Brokers Limited, Advantage General Insurance Company and Sagicor International Administrators Limited.
- Income tax at 25% is payable on taxable profits of Sagicor Life Jamaica Limited, Sagicor Group Jamaica Limited, Advantage General Insurance Company and Sagicor Property Services Limited.

#### Other taxes:

##### 1. Asset taxes

###### I. Life and General Insurance Companies

These companies are subjected to asset tax at a rate of 0.25% (2020 - 0.25%) of total assets less required capital specified by the Financial Services Commission and withholding tax receivables owed by the Commissioner General of Tax Administration Jamaica.

###### II. Bank of Jamaica Regulated Companies

Commercial Banks, Building Societies and other deposit taking institutions are subjected to tax of 0.25% (2020 – 0.25%) of total assets less loan loss reserves, withholding tax receivables owed by the Commissioner General of Tax Administration Jamaica and Regulated Capital required by the Bank of Jamaica.

###### III. Non- Regulated Entities

These entities are subjected to a fixed rate based on the total value of assets.

# Sagicor Group Jamaica Limited

## Notes to the Financial Statements

31 December 2021

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### 43. Taxation (Continued)

Tax losses:

Subject to the agreement of the Taxpayer Audit and Assessment Department, losses of certain subsidiary companies, available for set off against future taxable profits amount to approximately \$770,700,000 (2020 – \$690,422,000).

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

	The Group		The Company	
	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
Investment income tax - Dividend income	14,177	15,440	-	-
Tax at 15% Income tax - Profit before taxation	2,127	2,316	-	-
	<u>24,093,047</u>	<u>10,178,307</u>	<u>7,142,386</u>	<u>836,958</u>
Tax at 1%, 21%, 25% & 33½% Adjusted for:	5,919,699	3,837,194	1,785,597	209,239
Income not subject to income tax (i)	(2,439,589)	(4,783,744)	(2,076,038)	(469,429)
Asset tax not deductible for tax purposes	343,849	414,075	-	-
Expenses not deductible for tax purposes (ii)	2,290,039	6,705,926	105,236	103,649
Subsidiaries taxed at zero rate	(428,082)	(234,812)	-	-
Prior year (over)/under provision	4,148	91,293	-	-
Net effect of other charges and allowances	757,768	(338,721)	184,319	83,348
	<u>6,447,832</u>	<u>5,691,211</u>	<u>(886)</u>	<u>(73,193)</u>
Taxation expense	<u>6,449,959</u>	<u>5,693,527</u>	<u>(886)</u>	<u>(73,193)</u>

(i) This includes income from Annuities, earnings from associated company and joint venture.

(ii) This includes expenses relating to annuities, interest charges, impairment and share of loss from associated company.

# Sagicor Group Jamaica Limited

## Notes to the Financial Statements

31 December 2021

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### 43. Taxation (Continued)

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

	The Group					
	2021			2020		
	Before tax \$'000	Tax (charge)/ credit \$'000	After tax \$'000	Before tax \$'000	Tax (charge)/ credit \$'000	After tax \$'000
Fair value (losses)/gains on OCI, net of recycle recycled to income on disposal and maturity of FVTOCI securities	(5,867,826)	1,777,168	(4,090,658)	4,696,182	(1,246,345)	3,449,837
Provision for expected credit losses -IFRS 9 on FVTOCI securities, net recycled to the Income Statement on sale and maturity of FVTOCI securities	(515,077)	8,072	(507,005)	448,864	(36,653)	412,211
Shadow accounting reserve	121,612	-	121,612	(742,148)	-	(742,148)
Re-measurement of post-employment benefits	(2,670,655)	736,469	(1,934,186)	113,315	(42,992)	70,323
Unrealised gains/(losses) on owner-occupied properties:	2,174,882	(429,097)	1,745,785	(2,592,609)	588,943	(2,003,666)
Fair value losses on swap of associate	-	-	-	(140,616)	-	(140,616)
Share of fair value losses on interest rate swap recycled on dilution of associate company	526,436	-	526,436	24,237	-	24,237
Retranslation of foreign operations recycle on dilution of associate	(2,534,160)	-	(2,534,160)	(74,042)	-	(74,042)
Retranslation of foreign operations	2,174,989	-	2,174,989	3,930,956	-	3,930,956
Other comprehensive income Deferred income taxes (Note 20)	(6,589,799)	2,092,612	(4,497,187)	5,664,139	(737,047)	4,927,092

# Sagicor Group Jamaica Limited

## Notes to the Financial Statements

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### 44. Leases

- (a) Amounts recognised in the statement of financial position

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

	<b>2021</b>	<b>2020</b>
	<b>\$'000</b>	<b>\$'000</b>
Right-of-use assets		
Buildings	2,098,959	2,429,679
Land	<u>56,158</u>	<u>58,552</u>
	<u>2,155,117</u>	<u>2,488,231</u>
Lease liabilities		
Current	617,644	562,477
Non-current	<u>1,904,146</u>	<u>2,218,383</u>
	<u>2,521,790</u>	<u>2,780,860</u>

Additions to the right-of-use assets during the 2021 financial year were \$302,580,000 (2020- \$164,733,000).

- (b) Amounts recognised in the profit or loss statement

The income statement shows the following amounts relating to leases:

	<b>2021</b>	<b>2020</b>
	<b>\$'000</b>	<b>\$'000</b>
Amortization charge of right-of-use assets	<u>599,365</u>	<u>591,512</u>
Interest expense (included in Interest and other interest expense – note 37)	<u>182,898</u>	<u>201,181</u>
Expense relating to short-term leases (included in administration expenses)	<u>69,587</u>	<u>54,753</u>

- (c) The total cash outflow for leases in 2021 was \$714,049,815 (2020 - \$665,383,935).
- (d) As at 31 December 2021, potential future cash outflows of \$87,852,000 (2020- \$54,753,000) (undiscounted) have not been included in the lease liability because it is not reasonably certain that the leases will be extended (or not terminated).
- (e) During the current financial year, the financial effect of revising lease terms to reflect the effect of exercising extension and termination options was an increase in recognised lease liabilities and right-of-use assets of \$266,252,516 (2020- \$144,752,000).

# Sagicor Group Jamaica Limited

## Notes to the Financial Statements

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### 45. Earnings per Stock Unit

- (i) Basic earnings per stock unit are calculated by dividing the net profit attributable to stockholders by the weighted average number of ordinary shares in issue during the year.

	<u>The Group</u>	
	<b>2021</b>	<b>2020</b>
Net profit attributable to stockholders (\$'000)	<u>17,395,431</u>	<u>13,780,163</u>
Weighted average number of ordinary stock units in issue ('000)	<u>3,900,751</u>	<u>3,902,322</u>
Basic earnings per stock unit (\$)	<u>4.46</u>	<u>3.53</u>

- (ii) Diluted earnings per stock unit is calculated adjusting the weighted average number of ordinary stock units outstanding to assume conversion of all dilutive potential ordinary shares under the following schemes:

(a) An Employee Share Ownership Plan.

(b) Group LTIs - Effective 1 May 2003, the Group instituted a share-based compensation plan for Executives. A new LTI Plan was put in place from January 2007. Shares amounting to 150,000,000 have been set aside to cover share grants and options to Executives.

The Group adopted a policy not to issue new shares to satisfy the benefits promised under the above schemes. Instead, the required shares are being purchased over the Jamaica Stock Exchange in the name of the Staff Share Purchase Trust or the Long-term Incentive Plan.

	<u>The Group</u>	
	<b>2021</b>	<b>2020</b>
Net profit attributable to stockholders (\$'000)	<u>17,395,431</u>	<u>13,780,163</u>
Weighted average number of ordinary stock units in issue ('000)	<u>3,904,935</u>	<u>3,905,640</u>
Fully diluted earnings per stock unit (\$)	<u>4.46</u>	<u>3.53</u>

- (iii) The weighted average number of ordinary stock units used in the basic and diluted earnings per stock unit computations may be reconciled as follows:

	<u>The Group</u>	
	<b>2021</b>	<b>2020</b>
	<b>'000</b>	<b>'000</b>
Weighted average number of ordinary stock units for the purposes of the computation of basic earnings per stock unit	<u>3,900,751</u>	<u>3,902,322</u>
Effect of dilutive potential ordinary stock units – stock options	<u>4,184</u>	<u>3,318</u>
Weighted average number of ordinary stock units for the purposes of the computation of diluted earnings per stock unit	<u>3,904,935</u>	<u>3,905,640</u>

# Sagicor Group Jamaica Limited

## Notes to the Financial Statements

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### 46. Cash Flows

(a) Adjustments to reconcile net profit to net cash provided by operating activities

	Note	The Group		The Company	
		2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
Adjustments for non-cash items, interest and dividends:					
	17/				
Depreciation and amortisation	18	2,719,286	2,870,006	142,342	339,514
Interest and dividend income	37	(24,289,263)	(23,265,296)	(8,308,144)	(1,874,801)
Interest expense and finance costs	37	5,121,852	5,027,695	309,709	345,008
Income tax	43	6,449,959	5,693,527	(886)	(73,193)
Other tax expense	43	830,582	746,601	-	-
Gains on disposal of investment securities	37	(6,784,235)	(4,469,191)	(1,233)	(3,476)
Fair value (losses)/gains on trading securities	37	(2,113,275)	2,709,520	-	-
Gain on disposal of mortgage portfolio	29	(584,530)	-	-	-
Credit impairment losses	37	245,288	1,694,349	-	41
(Loss)/gain on disposal on Investment property		43,600	408,885	-	-
Impairment charge on land developed for resale		168,000	-	-	-
Interest on Real Estate Developed for Resale		(79,453)	-	-	-
Gains losses on revaluation of investment properties	13	(68,000)	(83,679)	-	-
Losses /(gains) losses on disposal of property, plant and equipment		16,315	6,847	88	-
Increase in policyholders' funds		2,914,905	2,942,784	-	-
Net movement in actuarial liabilities	32	4,279,198	(4,058,410)	-	-
Retirement benefit obligations		118,637	154,028	-	-
Effect of exchange gains on foreign currency balances		(1,123,830)	(183,796)	(50,847)	(41,432)
Loss on disposal/dilution of interest in associate	15	233,088	391,296	-	-
Impairment charge on associate	15	-	4,508,146	-	-
Impairment charge on goodwill	17	614,400	1,231,913	-	-
Share of (losses)/profits from joint venture and associate		(607,764)	5,156,437	-	-
		<u>(11,895,240)</u>	<u>1,481,662</u>	<u>(7,908,971)</u>	<u>(1,308,339)</u>

# Sagicor Group Jamaica Limited

## Notes to the Financial Statements

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(expressed in Jamaican dollars unless otherwise indicated)

### 46. Cash Flows (Continued)

(a) Adjustments to reconcile net profit to net cash provided by operating activities (continued)

	The Group		The Company	
	2021	2020	2021	2020
	\$'000	\$'000	\$'000	\$'000
Changes in other operating assets and liabilities:				
Statutory reserves at Bank of Jamaica and restricted cash	(681,910)	370,727	-	-
Structured products	675,240	(892,646)	-	-
Stock options and grants	10,354	17,805	10,354	17,805
Reinsurance contracts	(250,302)	(1,273,727)	-	-
Due from related parties	113,642	(10,997)	-	(442,217)
Premium due and unpaid	(267,733)	114,668	-	-
Other assets	(7,185,807)	(1,399,612)	(84,202)	(44,204)
Other liabilities	4,821,018	(3,425,222)	614,739	(112,318)
	<u>(2,765,498)</u>	<u>(6,499,004)</u>	<u>540,891</u>	<u>(580,934)</u>

	The Group		The Company	
	2021	2020	2021	2020
	\$'000	\$'000	\$'000	\$'000
Net investment purchases:				
Proceeds on sale of investment securities	271,308,537	147,172,859	462,675	-
Purchase of investment securities	(275,987,977)	(151,955,082)	(797,012)	30,000
Repurchase agreements and deposits	(3,938,264)	(897,568)	-	-
Loans	(4,002,844)	(2,208,550)	-	-
Lease receivables	(77,390)	(36,143)	-	-
	<u>(12,697,938)</u>	<u>(7,924,484)</u>	<u>(334,337)</u>	<u>30,000</u>
	<u>(27,358,676)</u>	<u>(12,941,826)</u>	<u>(7,702,417)</u>	<u>(1,859,273)</u>

(b) Net acquisition of property, plant and equipment

	The Group		The Company	
	2021	2020	2021	2020
	\$'000	\$'000	\$'000	\$'000
Purchases	18 (509,467)	(1,041,576)	(8,375)	(22,434)
Proceeds from disposal	12,722	-	-	-
	<u>(496,745)</u>	<u>(1,041,576)</u>	<u>(8,375)</u>	<u>(22,434)</u>

# Sagicor Group Jamaica Limited

## Notes to the Financial Statements

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(expressed in Jamaican dollars unless otherwise indicated)

### 46. Cash Flows (Continued)

#### (c) Net debt reconciliation

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

	<b>The Group</b>	
	<b>2021</b>	<b>2020</b>
	<b>\$'000</b>	<b>\$'000</b>
Deposit and security liabilities	29 221,851,641	207,358,482
Loans payable	30 9,284,518	10,689,746
Lease liabilities	44 2,521,790	2,780,860
	<u>233,657,949</u>	<u>220,829,088</u>
	<b>The Group</b>	
	<b>2021</b>	<b>2020</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>At January 1, 2021</b>	220,829,088	196,732,017
Interest Payable	(615,922)	(708,329)
Bank Overdraft classified as cash and cash equivalent	(62,885)	(739,927)
	<u>220,150,281</u>	<u>195,283,761</u>
Drawdown, net of repayments:		
Deposits and securities liabilities excluding structured products	4,282,146	18,298,952
Derivative	16,733	-
Loan payable	(2,065,939)	(4,340,055)
Lease repayments	(525,324)	(469,842)
Structured products	675,240	-
<b>Non-Cash Movements:</b>		
New leases	266,254	169,129
Dividend payable converted to promissory notes	-	2,741,628
Foreign Exchange Impact	10,136,963	8,444,020
Amortization of loan cost	52,624	54,573
Amortization of principal	(34,984)	(31,885)
Bank Overdraft classified as cash and cash equivalent	-	62,885
Interest payable	703,955	615,922
<b>At December 31, 2021</b>	<u>233,657,949</u>	<u>220,829,088</u>

# Sagicor Group Jamaica Limited

Notes to the Financial Statements

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## 46. Cash Flows (Continued)

(c) Net debt reconciliation (continued)

	<u>The Company</u>	
	<b>2021</b>	<b>2020</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>At January 1,2021</b>	15,685,639	12,627,383
Interest Payable	<u>(55,703)</u>	<u>(198,190)</u>
	15,629,936	12,429,193
Dividend payable converted to promissory notes	(3,023,377)	2,741,628
<b>Non-Cash Movements:</b>		
Cancelled loan	(664,718)	-
Interest Capitalised	61,405	459,115
Interest payable	<u>-</u>	<u>55,703</u>
<b>At December 31,2021</b>	<u><u>12,003,246</u></u>	<u><u>15,685,639</u></u>

# Sagicor Group Jamaica Limited

## Notes to the Financial Statements

31 December 2021

(expressed in Jamaican dollars unless otherwise indicated)

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### 47. 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 statement of financial position dates.

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

- (i) Investment securities at FVTPL are measured at fair value by reference to quoted prices when available. If quoted market prices are not available, then fair values are estimated on the basis of pricing models, or discounted cash flows. Fair value is equal to the carrying amount of these items.
- (ii) Investment securities classified as FVTOCI are measured at fair value by reference to quoted market prices or dealer quotes when available (level 1). If quoted market prices are not available, then fair values are based on pricing models or other recognised valuation techniques. (level 3) Investments in unit trusts are based on prices quoted by the fund managers.(level 2)
- (iii) The fair value of the equity indexed options and the exchange traded funds that are shorted are based on quoted prices (level 1).
- (iv) The fair value of demand deposits and customer accounts with no specific maturity is assumed to be the amount payable on demand at the year-end date. The estimated fair value of fixed interest-bearing deposits is based on discounted cash flows using interest rates for new deposits (level 3).
- (v) The fair value of variable rate financial instruments is assumed to approximate their carrying amounts.
- (vi) Loans are net of provision for impairment. The estimated fair value of loans represents the discounted amount of estimated future cash flows expected to be received (level 3). Expected cash flows are discounted at current market rates to determine fair value.

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.

# Sagicor Group Jamaica Limited

## Notes to the Financial Statements

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### 47. 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's statement of financial position at their fair value:

	<b>The Group</b>			
	<b>Carrying</b>	<b>Fair</b>	<b>Carrying</b>	<b>Fair</b>
	<b>Value</b>	<b>Value</b>	<b>Value</b>	<b>Value</b>
	<b>2021</b>	<b>2021</b>	<b>2020</b>	<b>2020</b>
	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>
<b>Financial Assets</b>				
Investments at amortised cost (loans and receivables)	118,915,507	134,529,961	93,159,275	117,556,779
Loans & leases, after allowance for credit losses	96,889,917	97,047,906	91,161,436	91,325,345
<b>Financial Liabilities (Note 29)</b>				
Securities sold under agreements to repurchase	78,334,999	78,334,999	79,400,370	79,400,370
Customer deposits and other accounts Due to banks and other financial institutions	133,338,645	133,683,605	120,569,698	121,376,711
Loans Payable	9,284,518	9,836,268	10,689,746	10,974,863
<b>The Company</b>				
	<b>Carrying</b>	<b>Fair</b>	<b>Carrying</b>	<b>Fair</b>
	<b>Value</b>	<b>Value</b>	<b>Value</b>	<b>Value</b>
	<b>2021</b>	<b>2021</b>	<b>2020</b>	<b>2020</b>
	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>
<b>Financial Assets</b>				
Financial investments – loans and receivables	1,342,989	1,343,930	1,224,937	1,224,937

# Sagicor Group Jamaica Limited

## Notes to the Financial Statements

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### 47. Fair Values of Financial Instruments (Continued)

- (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, considering factors such as tenor and currency; 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.

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

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

A financial instrument is classified as Level 3 if:

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

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

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

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

# Sagicor Group Jamaica Limited

## Notes to the Financial Statements

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### 47. Fair Values of Financial Instruments (Continued)

The following table provides an analysis of financial instruments that are measured in the statement of financial position at fair value at 31 December 2021, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

	<b>The Group</b>			
	<b>2021</b>			
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>Financial Assets</b>				
Financial investments	66,461,915	146,267,466	736,547	213,465,928
<b>Non-Financial Assets</b>				
Property, plant & equipment	-	-	17,247,080	17,247,080
Investment properties	-	-	1,220,324	1,220,324
	<u>66,461,915</u>	<u>146,267,466</u>	<u>19,203,951</u>	<u>231,933,332</u>

	<b>The Group</b>			
	<b>2020</b>			
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>Financial Assets</b>				
Financial investments	62,341,868	141,212,487	833,616	204,387,971
<b>Non-Financial Assets</b>				
Property, plant & equipment	-	-	14,343,522	14,343,522
Investment properties	-	-	1,389,305	1,389,305
	<u>62,341,868</u>	<u>141,212,487</u>	<u>16,566,443</u>	<u>220,120,798</u>

	<b>The Company</b>			
	<b>2021</b>			
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>Financial Assets</b>				
Financial investments	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

	<b>The Company</b>			
	<b>2020</b>			
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>Financial Assets</b>				
Financial investments	8,983	-	-	8,983
	<u>8,983</u>	<u>-</u>	<u>-</u>	<u>8,983</u>

# Sagicor Group Jamaica Limited

## Notes to the Financial Statements

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### 47. Fair Values of Financial Instruments (Continued)

The following table summarizes the quantitative information about the significant unobservable inputs used to measure the Group's Level 3 financial instruments:

Description	Fair value at		Unobservable inputs	The Group		Relationship of unobservable inputs to fair value
	2021	2020		Range of unobservable inputs		
	\$'000	\$'000		2021	2020	
Investment properties (Note 12)	1,220,324	1,389,305	Comparable sale	5%	5%	Increases in comparable sale prices will have direct correlation to the fair value.
Property, plant & equipment (Note 18)	17,247,080	14,343,522	Comparable sale	5%	5%	Increases in comparable sale prices will have a direct correlation to fair value.
Unquoted ordinary equity	<u>736,547</u>	<u>833,616</u>	Adjustments to net assets	10%	10%	Increases in adjusted net assets of the underlying entities will have a direct correlation to fair value.
	<u>19,203,951</u>	<u>16,566,443</u>				

Reconciliation of level 3 unquoted ordinary equity –

	The Group	
	2021	2020
	\$'000	\$'000
Balance at beginning of year	833,616	436,558
Total losses – income statement	(149,024)	43,967
Purchases	90,190	353,091
Settlements	(38,235)	-
Balance at end of year	<u>736,547</u>	<u>833,616</u>

The gains or losses recorded in the profit or loss statement are included in Note 37.

# Sagicor Group Jamaica Limited

## Notes to the Financial Statements

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### 47. Fair Values of Financial Instruments (Continued)

The fair values for all other financial instruments approximate their carrying values and also fall within Level 2 based on the following:

- The fair value of liquid assets and other assets maturing within one year (such as cash and balances at Central Banks and amounts due from other banks) is assumed to approximate their carrying amount. This assumption is applied to liquid assets and the short-term elements of all other financial assets and financial liabilities;
- The fair value of demand deposits and savings accounts with no specific maturity is assumed to be the amount payable on demand at the date of the statement of financial position; and
- The fair value of variable rate loans is assumed to approximate their carrying amounts and management does not believe that, after deduction of provision for credit losses, there is any significant difference between the fair value of fixed rate loans and their carrying values as interest rates approximate current market rates offered on similar loans.

### 48. 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 has a 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 Board of Directors is ultimately responsible for the establishment and oversight of the risk management framework. The Board of Directors has established committees/departments/structures for managing and monitoring risks, as indicated below. Management of the Group's insurance and financial risk for this financial year has been impacted by COVID-19. The changes to the Group's risk management as a result of COVID-19 are discussed for each category of risk.

# Sagicor Group Jamaica Limited

## Notes to the Financial Statements

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### 48. Insurance and Financial Risk Management (Continued)

(i) Board Audit Committee

The Board Audit Committee comprises independent directors. The Committee:

- 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 Capital Allocation and Investment Committee

The Board Capital Allocation and Investment Committee comprises mainly of independent directors. As part of its Terms of Reference, the Committee:

- Oversees the solvency position of regulated entities in the Group
- Oversees the return on capital employed
- Decides on the allocation of capital within the group
- Considers new capital funding options
- 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.

(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 required reports with Management, Board of Directors and Regulatory bodies.

(v) Regulatory Compliance

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

# Sagicor Group Jamaica Limited

## Notes to the Financial Statements

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### 48. Insurance and Financial Risk Management (Continued)

(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 risk 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.

(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 Insurance companies face 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.

With scientific understanding of the COVID-19 virus, medical response, and actions by governments and organisations evolving rapidly, the situation remains fluid. While high correlation in life and health insurance losses is a feature of pandemic risk, the impact of the virus on long term mortality and morbidity risk is not yet quantified. A characteristic of the pandemic is that losses will materialize over time, Sagicor continues to examine its processes for underwriting, product pricing and product management at the policy level, and evaluate and refine internal models and scenario analyses to measure and manage the implied outcomes.

Long term insurance contracts

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

For long-term contracts in-force, the 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.

# Sagicor Group Jamaica Limited

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### 48. Insurance and Financial Risk Management (Continued)

#### (a) Insurance risk (continued)

Long term insurance contracts

##### (i) Frequency and severity of claims (continued)

For contracts where death is the insured risk the most significant factors that could increase the overall frequency and severity of claims are epidemics and wide-ranging lifestyle changes, such as in eating, smoking and exercise habits resulting in earlier or more claims than expected. For contracts where survival is the insured risk, the most significant improvement in medical science and social conditions that would increase longevity. At present, these risks do not vary significantly in relation to the location of the risk insured by the group. However, undue concentration by amounts could have an impact on the severity of benefit payments on a portfolio basis. 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 Insurance companies 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 48 (b). (These tables do not include annuity contracts, for which a separate analysis is reported in following pages).

Individual Life Benefits Assured per Life (\$'000)	The Group-2021			
	Total Benefits Insured			
	Before Reinsurance \$'000	%	After Reinsurance \$'000	%
0 – 200	155,048,225	8	134,486,239	7
200 - 400	154,219,870	8	135,730,933	7
400 - 800	209,239,616	10	196,228,387	10
800 - 1000	219,469,433	11	214,987,135	11
More than 1,000	1,279,229,173	63	1,251,370,501	65
<b>Total</b>	<b>2,017,206,317</b>	<b>100</b>	<b>1,932,803,195</b>	<b>100</b>

Individual Life Benefits Assured per Life (\$'000)	The Group-2020			
	Total Benefits Insured			
	Before Reinsurance \$'000	%	After Reinsurance \$'000	%
0 – 200	137,329,661	8	120,008,242	7
200 - 400	131,505,078	7	116,451,048	7
400 - 800	147,705,865	8	138,504,108	8
800 - 1000	121,968,086	7	119,437,264	7
More than 1,000	1,241,196,529	70	1,217,627,991	71
<b>Total</b>	<b>1,779,705,219</b>	<b>100</b>	<b>1,712,028,653</b>	<b>100</b>

# Sagicor Group Jamaica Limited

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## 48. 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 Insurance company's concentration of insured benefits across five bands of insured benefits per group individual life assured. The benefit insured figured are shown gross and net of reinsurance.

Group Life Benefits Assured per Life (\$'000)	<b>The Group-2021</b>			
	<b>Total Benefits Insured</b>			
	<b>Before</b>	<b>%</b>	<b>After</b>	<b>%</b>
	<b>Reinsurance</b>		<b>Reinsurance</b>	
	<b>\$'000</b>		<b>\$'000</b>	
0 - 200	35,460,874	3	23,777,017	2
200 - 400	5,245,996	-	3,586,800	-
400 - 800	1,186,757	-	583,883	-
800 - 1,000	18,250	-	18,250	-
More than 1,000	1,048,717,864	97	1,035,732,212	98
	<u>1,090,629,741</u>	<u>100</u>	<u>1,063,698,162</u>	<u>100</u>

Group Life Benefits Assured per Life (\$'000)	<b>The Group-2020</b>			
	<b>Total Benefits Insured</b>			
	<b>Before</b>	<b>%</b>	<b>After</b>	<b>%</b>
	<b>Reinsurance</b>		<b>Reinsurance</b>	
	<b>\$'000</b>		<b>\$'000</b>	
0 - 200	30,957,706	3	21,138,716	2
200 - 400	4,249,267	-	2,696,793	-
400 - 800	970,619	-	539,902	-
800 - 1,000	25,262	-	(141,146)	-
More than 1,000	1,000,081,165	97	984,844,880	98
	<u>1,036,284,019</u>	<u>100</u>	<u>1,009,079,145</u>	<u>100</u>

# Sagicor Group Jamaica Limited

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(expressed in Jamaican dollars unless otherwise indicated)

## 48. 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 Insurance companies' annuity 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 highest band, which is consistent with the prior year. The Group does not hold any reinsurance contracts against the liabilities carried for these contracts.

Annuity Payable per annum per annuitant (\$'000)	The Group			
	Total Benefits Insured			
	2021 \$'000	%	2020 \$'000	%
0 – 20	114,783	2	104,952	2
20 - 40	120,264	2	109,526	2
40 - 80	99,393	2	91,743	2
80 - 100	51,159	1	45,125	1
More than 100	5,216,719	93	4,711,479	93
Total	5,602,318	100	5,062,825	100

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.

# Sagicor Group Jamaica Limited

## Notes to the Financial Statements

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### 48. Insurance and Financial Risk Management (Continued)

#### (a) Insurance risk (continued)

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

##### (i) Frequency and severity of claims (continued)

The underwriting strategy is intended to ensure that the risks underwritten are well diversified in terms of type of risk and the level of insured benefits. The Group reinsures the excess of the insured benefit for new business for standard risks under an excess of loss reinsurance arrangement. Medically impaired lives are reinsured at a higher cost than standard risks. 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 heightened 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 the 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.

##### (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 32 (d) for detail 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 insurer. In determining the premium payable under the contract, the insurer considers the nature and amount of the risk assumed, and recent experience and industry statistics of the benefits payable. This is the process of underwriting, which establishes appropriate pricing guidelines, and may include specific tests and enquiries which determine the insurer's assessment of the risk. Insurers may also establish deductibles to limit amounts of potential losses incurred.

# Sagicor Group Jamaica Limited

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### 48. Insurance and Financial Risk Management (Continued)

#### (a) Insurance risk (continued)

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 48(b)).

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

Claims risk is the risk that:

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

For the 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 claims, see Note 48(b) for retention limits.

#### (ii) Sources of uncertainty in the estimation of future claim payments

There is no need to estimate mortality rates or morbidity rates for future years because these contracts have short duration.

#### (iii) Process used in deriving assumptions

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

See Note 32(d) for detail 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.

# Sagicor Group Jamaica Limited

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### 48. Insurance and Financial Risk Management (Continued)

#### (a) Insurance risk (continued)

Property and casualty insurance risk

Advantage General Insurance Company Limited (AGI)

The primary insurance activity carried out by the subsidiary is the transfer of risk from persons or entities that are directly subject to the risk, by means of the sale of insurance policies. As such the Group is exposed to uncertainty surrounding the timing, frequency and severity of claims under these policies.

The principal types of policy written by AGI are:

- Motor insurance
- Property insurance
- Liability insurance

The management team is responsible for the execution of the Insurance Risk Management policies established and monitored directly by the Board of Directors. AGI manages its insurance risk through its underwriting and claims policies that include inter alia, authority limits, approval procedures for transactions that exceed set limits, pricing guidelines and the centralised management of reinsurance. AGI actively monitors insurance risk exposures both for individual and portfolio types of risks. These methods include internal risk measurement, portfolio modeling and scenario analyses.

#### *Underwriting strategy*

Insurance companies assume risk through the insurance contracts they underwrite and the exposures are associated with both the perils covered by the specific line of insurance and the specific processes associated with the conduct of the insurance business. AGI manages the individual risk through its Underwriting Risk Management Policy to determine the insurability of risks and exposure to large claims. AGI follows detailed, uniform underwriting practices and procedures designed to properly assess and quantify risks before issuing coverage. AGI's underwriting guidelines also outline acceptance limits and the appropriate levels of authority for acceptance of risks.

#### *Reinsurance strategy*

A comprehensive reinsurance programme is critical to the financial stability of the organisation and a detailed analysis of AGI's exposures, reinsurance needs and quality of reinsurance securities is conducted by the Board and Senior Management.

AGI's exposures are continually evaluated by Management to ensure that its reinsurances remain adequate and mechanisms are in place to continually monitor the reinsurance counterparties to ensure that they maintain "A" ratings, in keeping with AGI's Board approved Reinsurance Risk Management Policy. Credit risk on reinsurance is discussed in more detail later in Note 48 (b).

Terms and conditions of general insurance contracts and factors affecting cash flows:

The table below provides an overview of the terms and conditions of general insurance contracts written by AGI and the key factors upon which the timing and uncertainty of future cash flows of these contracts depend:

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## Notes to the Financial Statements

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### 48. Insurance and Financial Risk Management (Continued)

#### (a) Insurance risk (continued)

Type of insurance contract	Terms and conditions	Key factors affecting future cash flows
Motor	Motor insurance contracts provide cover in respect of policyholders' motor vehicles and their liability to third parties in respect of damage to property and injury. The exposure on motor insurance contracts is normally limited to the replacement value of the vehicle, and the timeframe within which bodily injuries sustained and a policy limit in which they will be settled. respect of third-party damage.	In general, claims reporting lags are minor and claims complexity is relatively low except with respect to bodily injury claims. Bodily injury claims tend to be more difficult to estimate due to uncertainties with respect to the value at which they will be ultimately settled, and the timeframe within which they will be settled.
Property	Property insurance indemnifies, subject to any limits or excesses, the policyholder against the loss or damage to their own material property and business interruption arising from this damage.	The risk on any policy varies according to many factors such as location, safety measures in place and the age of the property.  The event giving rise to a claim for damage to buildings or contents usually occurs suddenly (as for fire and burglary) and the cause is easily determinable. Therefore, claims are generally notified promptly and can be settled without delay. Property business is therefore classified as "short-tailed" and expense deterioration and investment return is of less importance in estimating provisions.  The cost of repairing or rebuilding assets, of replacement or indemnity for contents and the time taken to restart or resume operations to original levels for business interruption losses are the key factors influencing the level of claims under these policies.
Liability	Under these contracts, compensation is paid for injury suffered by individuals, including employees or members of the public. The main liability exposure is in relation to bodily injury.	The timing of claim reporting and settlement is a function of factors such as the nature of the coverage and the policy provisions.  Although bodily injury claims have a relatively long tail, the majority of bodily injury claims are settled in full within three to five years. In general, these contracts involve higher estimation uncertainty.

# Sagicor Group Jamaica Limited

## Notes to the Financial Statements

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### 48. Insurance and Financial Risk Management (Continued)

#### (a) Insurance risk (continued)

Management of risks relating to Insurance contracts

Motor contracts:

The risks relating to motor contracts are managed primarily through the pricing and selection process. Management monitors and reacts to changes in trends of injury awards, litigation and the frequency of claims appeals.

Property contracts:

The risks relating to property contracts are managed primarily through the pricing and selection processes. AGI uses strict underwriting criteria to ensure that the risk of losses is acceptable. Furthermore, AGI accepts property insurance risks for one year so that each contract can be re-priced on renewal to reflect the continually evolving risk profile.

Liability contracts:

Risks arising from liability insurance are managed primarily through pricing, product design, risk selection, adopting an appropriate investment strategy, rating and reinsurance. Management monitors and reacts to changes in the general economic and commercial environment in which it operates to ensure that only liability risks which meet its criteria for profitability are underwritten. In pricing contracts, AGI makes assumptions that costs will increase in line with the latest available research.

Risk exposure and concentrations of risk:

The table in note 34 shows management's exposure to general insurance risk (based on the carrying value of insurance provisions at the reporting date) per major category of business. Management has its largest risk concentration in the motor line.

Development Claim Liabilities

In addition to sensitivity analysis, the development of insurance liabilities provides a measure of ability to estimate the ultimate value of claims. The table below illustrates how management's estimate of the ultimate claims liability for accident years 2016 – 2021 has changed at successive year ends, up to 2021. Updated unpaid claims and adjustment expenses (UCAE) and IBNR estimates in each successive year, as well as amounts paid to date are used to derive the revised amounts for the ultimate claims liability for each accident year, used in the development calculations.





# Sagicor Group Jamaica Limited

## Notes to the Financial Statements

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### 48. Insurance and Financial Risk Management (Continued)

#### (a) Insurance risk (continued)

##### Sensitivity Analysis of Actuarial Liabilities

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.

In applying the noted methodologies, the following assumptions were made:

- (i) The claims inflation rate implicitly used in the valuation is equivalent to that rate which is part of the historical data. To the extent that this has raised the average factors on which future development expectations are based, the valuation contains implicit provision for future inflationary shocks, which we believe is appropriate;
- (ii) With respect to the analysis of the incurred claims development history, the level of case reserve adequacy is relatively consistent (in inflation adjusted terms) over the experience period;
- (iii) With respect to the Bornhuetter-Ferguson method, the average on-level ultimate net loss ratios are representative of recent historical loss ratios. There is no evident trend in the historical net loss ratios adjusted for rate changes and cost changes;
- (iv) With respect to the analysis of the gross and net paid claims development history, the rate of payment of ultimate incurred losses for the more recent years is indicative of future settlement patterns. This assumption was based on our discussion with management and the change in AGI's claims settlement practices in recent years; and
- (v) Claims are expressed at their estimated ultimate undiscounted value, in accordance with the requirement of the Insurance Act, 2001.

A 10% increase in the future development assumptions increases the net total claims liability by \$84,796,000 (2020 - \$87,092,000) while a 10% decrease, decreases the net liability by \$87,942,000 (2020 - \$89,282,000).

##### Provision for adverse deviation assumptions

The basic assumptions made in establishing insurance reserves are best estimates for a range of possible outcomes. To recognise the uncertainty in establishing these best estimates, 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.

##### Sagicor Re Insurance Company Limited

Certain casualty risks for the Group and its affiliates are covered through the subsidiary, Sagicor Re Insurance Company Limited.

The frequency and severity of casualty claims can be affected by several factors. The most significant casualty risks under the professional indemnity, directors and officers liability, medical malpractice, contractors all risk, employer's liability and public liability policies are slip and fall accidents at the insured premises, and damage to areas occupied or contents at the insured premises due to blocked drains or burst pipes. In addition, increasing level of awards, the increasing number of cases coming to court and inflation all impact on ultimate claims costs. The Group manages these risks through its underwriting strategy and proactive claims handling. The underwriting strategy concentrates on fully reinsuring the exposures to casualty risks.

##### Property insurance risks (Sagicor Re)

For property insurance contracts, climatic changes give rise to more frequent and severe extreme weather events (for example, river flooding, hurricanes, etc.) and their consequences (for example, subsidence claims). For certain contracts, there is a maximum amount payable for claims in any policy year.

# Sagicor Group Jamaica Limited

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### 48. Insurance and Financial Risk Management (Continued)

#### (a) Insurance risk (continued)

The Sagicor Re has the right to re-price the risk on renewal. It also has the ability to impose deductibles and reject fraudulent claims. These contracts are underwritten by reference to the commercial replacement value of the properties and contents insured, and claims payment limits are always included to cap the amount payable on occurrence of the insured event. The cost of rebuilding properties, of replacement or indemnity for contents are the key factors that influence the level of claims under these policies. The greatest likelihood of significant losses on these contracts arises from storm or flood damage.

All of the property and casualty risks insured by Sagicor Re are reinsured, while only some of risks insured by AGI are reinsured. However, in the event that these reinsurers are unable to meet their obligations under the reinsurance agreements, the Group would be liable to pay the claims subject to deductibles and a "catch all clause". The Group mitigates the risks associated with failure of its reinsurers by transacting only with well-established and rated insurance/reinsurance companies. These are primarily international reinsurers, however, a portion of reinsurance is placed with local and regional insurers.

#### (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.

For its property risks, the Group uses Treaty reinsurance - Quota Share, Excess of Loss - and Facultative reinsurance arrangements to cover single events and multiple claims arising from catastrophes. The insurer may be required to pay an additional premium to reinstate the reinsurance coverage where a claim exhausts the reinsurance limit.

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

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

#### Type of insurance contract-2021

Health insurance contracts with groups  
Life insurance contracts with individuals  
Life insurance contracts with groups  
General Insurance - Property Q/S Treaty  
Catastrophe Excess of Loss  
General Insurance – Motor Excess of Loss  
General Insurance – Property Excess of Loss

#### Retention by insurers

Retention per individual to a maximum J\$2,500,000.  
Retention per individual to a maximum of J\$35,000,000 and US\$500,000  
Retention per individual to a maximum of J\$35,000,000 and US\$100,000  
Retention – 10% of the sum insured per risk or US\$800,000.  
Retention – 10% of the sum insured per risk or US\$500,000  
Retention – US\$500,000.  
Retention – US\$500,000.

#### Type of insurance contract-2020

Health insurance contracts with groups  
Life insurance contracts with individuals  
Life insurance contracts with groups  
General Insurance - Property Q/S Treaty  
Catastrophe Excess of Loss  
General Insurance – Motor Excess of Loss  
General Insurance – Property Excess of Loss

#### Retention by insurers

Retention per individual to a maximum J\$2,250,000.  
Retention per individual to a maximum of J\$35,000,000 and US\$500,000.  
Retention per individual to a maximum of J\$35,000,000 and US\$100,000.  
Retention – 10% of the sum insured per risk or US\$700,000.  
Retention – 10% of the sum insured per risk or US\$500,000  
Retention – US\$500,000.  
Retention – US\$500,000.

# Sagicor Group Jamaica Limited

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### 48. Insurance and Financial Risk Management (Continued)

#### (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 repricing that may be undertaken, which is monitored at least quarterly. Resulting from the financial effects of COVID 19, the Group enhanced its monitoring of its investment portfolios to determine if any action was required to protect its financial position. The Group improved its liquidity by shortening the duration of its portfolios early in the year and, post June 2020, observed improvements in cash flow and interest rate risk.

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.

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.

#### (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.

A decrease of 10% in the value of the assets would reduce the asset management fees to \$397,676,000 (2020 - \$339,465,000) per annum.

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

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

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

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### 48. Insurance and Financial Risk Management (Continued)

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

The following tables summarise carrying amounts of statement of financial position assets, financial liabilities and insurance liabilities in order to arrive at the Group and 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 2021 and 2020.

	The Group				
	2021				
	Within 1 year	1-5 years	Over 5 years	Non- Interest bearing	Total
	\$000	\$000	\$000	\$000	\$000
<b>Assets</b>					
Cash resources	9,204,014	-	-	14,179,957	23,383,971
Cash reserve at Bank of Jamaica	-	-	-	11,084,907	11,084,907
Financial investments and pledged assets	59,960,141	44,339,924	186,045,273	42,036,097	332,381,435
Loans & leases, after allowance for credit losses	94,707,106	1,064,340	361,431	757,040	96,889,917
Reinsurance contracts	-	-	-	1,618,341	1,618,341
Premiums due and unpaid	-	-	-	4,419,045	4,419,045
Other assets	-	181,648	-	8,389,753	8,571,401
<b>Total assets</b>	<b>163,871,261</b>	<b>45,585,912</b>	<b>186,406,704</b>	<b>82,485,140</b>	<b>478,349,017</b>
<b>Liabilities</b>					
Deposit and security liabilities	210,862,954	9,847,842	498,844	642,001	221,851,641
Loan Payable	119,487	8,997,037	-	167,994	9,284,518
Other liabilities	-	181,648	-	19,359,706	19,541,354
Lease liabilities	618,218	1,468,571	435,001	-	2,521,790
Insurance contracts liabilities	5,838,531	23,329,579	65,130,445	3,698,194	97,996,749
Investment contracts liabilities	16,129,573	3,226,912	-	-	19,356,485
Other policy liabilities	1,142,752	-	-	8,749,526	9,892,278
<b>Total liabilities</b>	<b>234,711,515</b>	<b>47,051,589</b>	<b>66,064,290</b>	<b>32,617,421</b>	<b>380,444,815</b>
<b>On statement of financial position interest sensitivity gap</b>	<b>(70,840,254)</b>	<b>(1,465,677)</b>	<b>120,342,414</b>	<b>49,867,719</b>	<b>97,904,202</b>
Cumulative interest sensitivity gap	(70,840,254)	(72,305,931)	48,036,483	97,904,202	

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## 48. Insurance and Financial Risk Management (Continued)

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

	The Group				
	2020				
	Within 1 year	1-5 years	Over 5 years	Non- Interest bearing	Total
	\$000	\$000	\$000	\$000	\$000
<b>Total assets</b>	143,848,223	33,523,345	182,101,594	72,402,896	431,876,058
<b>Total liabilities</b>	223,715,090	40,636,566	66,604,976	24,325,922	355,282,554
<b>On statement of financial position interest sensitivity gap</b>	(79,866,867)	(7,113,221)	115,496,618	48,076,974	76,593,504
<b>Cumulative interest sensitivity gap</b>	(79,866,867)	(86,980,088)	28,516,530	76,593,504	
	The Company				
	2021				
	Within 1 year	1-5 years	Over 5 years	Non- Interest bearing	Total
	\$000	\$000	\$000	\$000	\$000
<b>Assets</b>					
Cash Resources	431,177	-	-	-	431,177
Financial Investments and pledged assets	787,134	51,541	499,147	5,167	1,342,989
Other Assets	-	-	-	146,685	146,685
<b>Total assets</b>	<b>1,218,311</b>	<b>51,541</b>	<b>499,147</b>	<b>151,852</b>	<b>1,920,851</b>
<b>Liabilities</b>					
Deposits and security liabilities	-	11,941,842	-	61,404	12,003,246
Other Liabilities	-	-	-	4,419,002	4,419,002
Total liabilities	-	11,941,842	-	4,480,406	16,422,248
<b>On statement of financial position interest sensitivity gap</b>	<b>1,218,311</b>	<b>(11,890,301)</b>	<b>499,147</b>	<b>(4,328,554)</b>	<b>(14,501,397)</b>
<b>Cumulative interest sensitivity gap</b>	<b>1,218,311</b>	<b>(10,671,990)</b>	<b>(10,172,843)</b>	<b>(14,501,397)</b>	

# Sagicor Group Jamaica Limited

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## 48. Insurance and Financial Risk Management (Continued)

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

	The Company				
	2020				
	Within 1 year	1-5 years	Over 5 years	Non- Interest bearing	Total
	\$000	\$000	\$000	\$000	\$000
<b>Total assets</b>	1,456,520	-	8,953	124,778	1,590,251
<b>Total liabilities</b>	12,888,310	2,741,626	-	3,833,037	19,462,973
<b>On statement of financial position interest sensitivity gap</b>	(11,431,790)	(2,741,626)	8,953	(3,708,259)	(17,872,722)
<b>Cumulative interest sensitivity gap</b>	(11,431,790)	(14,173,416)	(14,164,463)	(17,872,722)	

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

	The Group					
	2021					
	Immediately rate sensitive	Within 3 months	3 to 12 months	1 to 5 Years	Over 5 Years	Weighted Average
	%	%	%	%	%	%
Investments <sup>(1)</sup>	4.18	4.18	2.46	4.96	7.87	6.46
Loans	10.06	8.18	7.11	7.03	7.00	8.97
Mortgages <sup>(2)</sup>	-	7.58	7.58	7.58	7.58	7.58
Bank overdraft	2.50	-	-	-	-	2.50
Deposits	1.06	3.02	2.44	4.85	-	1.40

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## 48. Insurance and Financial Risk Management (Continued)

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

<b>The Group</b>						
<b>2020</b>						
	<b>Immediately rate sensitive</b>	<b>Within 3 months</b>	<b>3 to 12 months</b>	<b>1 to 5 Years</b>	<b>Over 5 Years</b>	<b>Weighted Average</b>
	%	%	%	%	%	%
Investments <sup>(1)</sup>	1.76	1.76	3.67	6.13	8	6.81
Loans	10.43	8.40	8.68	8.58	4.49	9.16
Mortgages <sup>(2)</sup>	-	7.91	7.91	7.91	7.91	7.91
Policy loans	-	-	-	-	11.72	11.72
Investment contracts	-	4.2	4.2	4.2	-	4.2
Bank overdraft	-	17.63	-	-	-	-
Deposits	1	1	4.5	-	-	1.35
Amounts due to banks and other financial institutions	5.58	4.68	5.54	5.27	3.76	4.70

<b>The Company</b>						
<b>2021</b>						
	<b>Immediately rate sensitive</b>	<b>Within 3 months</b>	<b>3 to 12 months</b>	<b>1 to 5 Years</b>	<b>Over 5 Years</b>	<b>Weighted Average</b>
	%	%	%	%	%	%
Investments <sup>(1)</sup>	4.29	4.29	3.00	1.79	8.5	5.65
Deposits	-	4.5	3	-	-	3.75

<b>The Company</b>						
<b>2020</b>						
	<b>Immediately rate sensitive</b>	<b>Within 3 months</b>	<b>3 to 12 months</b>	<b>1 to 5 Years</b>	<b>Over 5 Years</b>	<b>Weighted Average</b>
	%	%	%	%	%	%
Investments <sup>(1)</sup>	-	-	-	-	6.45	6.45
Deposits	-	-	3.75	-	-	3.75

# Sagicor Group Jamaica Limited

## Notes to the Financial Statements

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(expressed in Jamaican dollars unless otherwise indicated)

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### 48. Insurance and Financial Risk Management (Continued)

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

- (1) Yields are based on book values and contractual interest adjusted for amortization of premiums and discounts.
- (2) Yields are based on book values, net of allowances for impairment and contractual interest rates.

#### Sensitivity

The Group's sensitivity to interest rate risk is disclosed in Note 49.

#### (d) 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.

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

COVID-19 was expected to have resulted in increased liability run-offs; Sagicor's experience has so far indicated that the impact is moderate. Early in the year the Group improved its liquidity position, thereby enabling the Group to meet its contractual and regulatory obligations. The Group has been cautious in deploying liquidity in client segments considered particularly vulnerable to the impact of the pandemic. We continue to prudently manage liquidity across the group by maintaining adequate cash resources and investment in highly marketable instruments. This ensures that there are always resources available to meet planned and unplanned liquidity needs.

#### Liquidity risk management process

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

- (i) Monitoring future cash flows and liquidity on a daily basis. This incorporates an assessment of expected cash flows and the availability of high grade collateral which could be used to secure funding if required;
- (ii) Maintaining a portfolio of highly marketable and diverse assets that can easily be liquidated as protection against any unforeseen interruption to cash flow;
- (iii) Maintaining committed lines of credit and optimising cash returns on investments;
- (iv) Monitoring statement of financial position liquidity ratios against internal and regulatory requirements. The most important of these is to maintain limits on the ratio of net liquid assets to customer liabilities; and managing the concentration and profile of debt maturities.

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

The matching and controlled mismatching of the maturities and interest rates of assets and liabilities is fundamental to the management of the 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.

# Sagicor Group Jamaica Limited

## Notes to the Financial Statements

31 December 2021

(expressed in Jamaican dollars unless otherwise indicated)

### 48. Insurance and Financial Risk Management (Continued)

#### (d) Liquidity risk (continued)

##### Liquidity risk management process (continued)

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 the company's investment portfolio as at 31 December 2021 and 2020.

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

	within 1 year \$000	1-5 years \$000	Over 5 years \$000	Total \$000
<b>Undiscounted Financial Liabilities- 31 December 2021</b>				
Deposit and security liability	212,680,151	10,894,311	943,911	224,518,373
Loans Payable	647,895	10,288,046	-	10,935,941
Other liabilities	19,435,422	181,648	-	19,617,070
Lease liabilities	755,692	1,719,799	644,483	3,119,974
Investment contracts liabilities	16,129,573	3,322,455	-	19,452,028
<b>Total undiscounted liabilities</b>	<b>249,648,733</b>	<b>26,406,259</b>	<b>1,588,394</b>	<b>277,643,386</b>

	Within 1 year \$000	1-5 years \$000	Over 5 years \$000	Total \$000
<b>Undiscounted Financial Liabilities - 31 December 2020</b>				
Deposit and security liability	199,966,466	7,968,260	3,469,070	211,403,796
Loans Payable	2,428,708	10,254,214	-	12,682,922
Other liabilities	14,492,723	263,746	-	14,756,469
Lease liabilities	681,320	2,160,589	683,411	3,525,320
Investment contracts liabilities	14,456,078	3,080,861	-	17,536,939
<b>Total undiscounted liabilities</b>	<b>232,025,295</b>	<b>23,727,670</b>	<b>4,152,481</b>	<b>259,905,446</b>

# Sagicor Group Jamaica Limited

## Notes to the Financial Statements

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(expressed in Jamaican dollars unless otherwise indicated)

### 48. Insurance and Financial Risk Management (Continued)

#### (d) Liquidity risk (continued)

	The Company			
	2021			
	Within 1 year	1-5 years	Over 5 years	Total
	\$000	\$000	\$000	\$000
<b>Undiscounted Financial Liabilities</b>				
Promissory notes	-	12,481,841	-	12,481,841
Other Liabilities	4,419,002	-	-	4,419,002
<b>Total undiscounted liabilities</b>	<b>4,419,002</b>	<b>12,481,841</b>	<b>-</b>	<b>16,900,843</b>

	The Company			
	2020			
	Within 1 year	1-5 years	Over 5 years	Total
	\$000	\$000	\$000	\$000
<b>Undiscounted Financial Liabilities</b>				
Promissory notes	13,560,761	2,998,890	-	16,559,651
Other Liabilities	3,777,334	-	-	3,777,334
<b>Total undiscounted liabilities</b>	<b>17,338,095</b>	<b>2,998,890</b>	<b>-</b>	<b>20,336,985</b>

#### **Off-balance sheet items**

The tables below show the contractual expiry by maturity of commitments.

	The Group			
	No later than 1 year \$'000	1 to 5 years \$'000	Over 5 years \$'000	Total \$'000
<b>At December 31, 2021</b>				
Credit commitments	6,751,638	672,960	152,111	7,576,709
Guarantees, acceptances and other financial facilities	2,740,109	1,019,058	1,336,168	5,095,335
Operating lease commitments	48,551	-	-	48,551
	<b>9,540,298</b>	<b>1,692,018</b>	<b>1,488,279</b>	<b>12,720,595</b>
<b>At December 31, 2020</b>				
Credit commitments	5,973,826	44,556	89,432	6,107,814
Guarantees, acceptances and other financial facilities	2,862,497	771,586	1,373,648	5,007,731
Operating lease commitments	61,783	-	-	61,783
Capital commitments	2,180,058	-	-	2,180,058
	<b>11,078,164</b>	<b>816,142</b>	<b>1,463,080</b>	<b>13,357,386</b>

# Sagicor Group Jamaica Limited

## Notes to the Financial Statements

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### 48. Insurance and Financial Risk Management (Continued)

#### (d) Liquidity risk (continued)

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

	<b>The Group</b>			
	<b>2021</b>			
	<b>Within 1 Year</b>	<b>1-5 years</b>	<b>Over 5 years</b>	<b>Total</b>
	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>
<b>Financial Assets</b>				
Cash resources	23,383,971	-	-	23,383,971
Cash reserve at Bank of Jamaica	11,084,907	-	-	11,084,907
Financial investments & pledged assets excluding equities	60,637,725	46,217,976	187,068,488	293,924,189
Loans and leases, after allowance for credit losses	25,447,261	35,516,744	35,925,912	96,889,917
Reinsurance contracts	1,216,592	325,096	76,653	1,618,341
Premium receivable and unpaid	4,419,045	-	-	4,419,045
Other assets	8,389,753	181,648	-	8,571,401
<b>Total financial assets</b>	<b>134,579,254</b>	<b>82,241,464</b>	<b>223,071,053</b>	<b>439,891,771</b>
<b>Financial Liabilities</b>				
Deposit and securities liability	211,339,130	9,874,348	638,163	221,851,641
Loan payable	342,974	8,941,544	-	9,284,518
Other liabilities	19,359,706	181,648	-	19,541,354
Investment contract	16,129,573	3,226,912	-	19,356,485
Insurance contracts liabilities	5,816,537	23,305,150	68,875,062	97,996,749
Lease liabilities	617,644	1,469,145	435,001	2,521,790
Other policy liabilities	8,244,838	1,317,788	329,652	9,892,278
<b>Total financial liabilities</b>	<b>261,850,402</b>	<b>48,316,535</b>	<b>70,277,878</b>	<b>380,444,815</b>
On statement of financial position interest sensitivity gap	(127,271,148)	33,924,929	152,793,175	59,446,956
<b>Cumulative interest sensitivity gap</b>	<b>(127,271,148)</b>	<b>(93,346,219)</b>	<b>59,446,956</b>	
	<b>2020</b>			
	<b>Within 1 year</b>	<b>1-5 years</b>	<b>Over 5 years</b>	<b>Total</b>
	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>
Total assets	99,596,735	70,019,785	227,333,802	396,950,322
Total liabilities	228,771,717	38,650,286	67,567,723	334,989,726
<b>On statement of financial position interest sensitivity gap</b>	<b>(129,174,982)</b>	<b>31,369,499</b>	<b>159,766,079</b>	<b>61,960,596</b>
<b>Cumulative interest sensitivity gap</b>	<b>(129,174,982)</b>	<b>(97,805,483)</b>	<b>61,960,596</b>	

Equities securities balance of \$38,457,246,000 (2020-\$34,925,726,000) held within underlying assets is excluded from the table above.

# Sagicor Group Jamaica Limited

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### 48. Insurance and Financial Risk Management (Continued)

#### (d) Liquidity risk (continued)

The tables below reflect the expected maturities of the Group's discounted financial assets at the year-end date (continued).

	The Company			
	2021			
	Within 1 year	1-5 years	Over 5 years	Total
	\$000	\$000	\$000	\$000
<b>Assets</b>				
Cash resources	431,177	-	-	431,177
Financial investments & pledged assets	792,301	51,540	499,148	1,342,989
Other assets	146,685	-	-	146,685
<b>Total assets</b>	<b>1,370,163</b>	<b>51,540</b>	<b>499,148</b>	<b>1,920,851</b>
<b>Liabilities</b>				
Promissory notes	-	12,003,246	-	12,003,246
Other liabilities	4,419,002	-	-	4,419,002
<b>Total liabilities</b>	<b>4,419,002</b>	<b>12,003,246</b>	<b>-</b>	<b>16,422,248</b>
On statement of financial position interest sensitivity gap	(3,048,839)	(11,951,706)	499,148	(14,501,397)
<b>Cumulative interest sensitivity gap</b>	<b>(3,048,839)</b>	<b>(15,000,545)</b>	<b>(14,501,397)</b>	
	2020			
	Within 1 year	1-5 years	Over 5 years	Total
	\$000	\$000	\$000	\$000
Total assets	1,529,765	51,532	8,954	1,590,251
Total liabilities	12,927,887	2,757,752	-	15,685,639
<b>On statement of financial position interest sensitivity gap</b>	<b>(11,398,122)</b>	<b>(2,706,220)</b>	<b>8,954</b>	<b>(14,095,388)</b>
<b>Cumulative interest sensitivity gap</b>	<b>(11,398,122)</b>	<b>(14,104,342)</b>	<b>(14,095,388)</b>	

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

# Sagicor Group Jamaica Limited

## Notes to the Financial Statements

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### 48. Insurance and Financial Risk Management (Continued)

#### (e) 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 arise from changes in foreign currency exchange rates and interest rates. Market risk is monitored by the Investment department which carries out extensive research and monitors the price movement of financial assets on the local and international markets. Market risk exposures are measured using sensitivity analysis.

The Group's investment portfolios were impacted by the widening of credit spreads and resulted in significant fall-off in asset prices. The Group has continually monitored its portfolios to determine if any further action would have been needed to protect the Group's balance sheet and have re-balanced portfolios where necessary. The investment portfolios across the group, particularly in the main asset classes (fixed income, equities and real estate) were positively impacted in the recovery both locally and internationally. Concerns remain around the variants of Covid-19 and therefore the Group continues to monitor and build strategy to provide protection within its portfolios.

#### (i) Price risk

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

The Group is exposed to equity securities price risk because of investments held by the Group and classified as available-for-sale or at fair value through profit or loss. To manage its price risk arising from investments in equity securities, the Group diversifies its portfolio. Diversification of the portfolio is done in accordance with limits set by the Group.

The Group's investments in equity securities are publicly traded on the Jamaica Stock Exchange (JSE), the National Association of Securities Dealers Automated Quotation System (NASDAQ) and the New York Stock Exchange (NYSE). The Group's sensitivity to equity securities price risk is disclosed in Note 49.

#### (ii) Currency risk

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

Foreign exchange risk occurs when the 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 position 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 tourism sector is a significant foreign currency generator for the countries in which the Group operates. Travel restrictions caused by COVID-19 have severely impacted foreign currency inflows which resulted in increased foreign currency volatility. This was tempered by increased inflows from remittances. The Group has carefully managed its currency exposures to limit losses generated during the period and enhanced monitoring continues.

The Group's operations in the Cayman Islands, Costa Rica and United States of America (USA) create two additional sources of currency risk:

- The operating results of the Group's foreign subsidiaries in the Group financial statements are translated at the average exchange rate prevailing during the period.
- The equity investment in the foreign subsidiaries is translated into Jamaican dollars using the closing exchange rate.

#### Concentrations of currency risk

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

# Sagicor Group Jamaica Limited

## Notes to the Financial Statements

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### 48. Insurance and Financial Risk Management (Continued)

#### (e) Market risk (continued)

##### (ii) Currency risk (continued)

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 financial and insurance assets and liabilities at carrying amounts categorised by currency.

	<b>The Group</b>			
	<b>2021</b>			
	<b>Jamaican \$</b>	<b>US\$</b>	<b>Other</b>	<b>Total</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>Financial assets</b>				
Cash resources	6,831,369	14,802,724	1,749,878	23,383,971
Cash reserve at Bank of Jamaica	3,649,261	7,165,510	270,136	11,084,907
Financial investments and pledged assets	169,333,318	161,621,834	1,426,283	332,381,435
Loans & leases, after allowance for credit losses	76,368,764	20,521,153	-	96,889,917
Reinsurance contracts	1,330,144	288,197	-	1,618,341
Premium due and unpaid	4,031,445	280,009	107,591	4,419,045
Other assets	7,738,756	831,680	965	8,571,401
<b>Total assets</b>	<b>269,283,057</b>	<b>205,511,107</b>	<b>3,554,853</b>	<b>478,349,017</b>
<b>Financial liabilities</b>				
Deposit and security liabilities	104,721,868	114,565,011	2,564,762	221,851,641
Loans Payable	2,073,971	7,210,547	-	9,284,518
Other liabilities	16,821,203	2,609,906	110,245	19,541,354
Lease Liabilities	2,521,790	-	-	2,521,790
Insurance contracts liabilities	54,980,319	36,266,580	6,749,850	97,996,749
Investment contracts liabilities	11,872,330	7,378,210	105,945	19,356,485
Other policy liabilities	8,640,267	534,107	717,904	9,892,278
<b>Total liabilities</b>	<b>201,631,748</b>	<b>168,564,361</b>	<b>10,248,706</b>	<b>380,444,815</b>
<b>Net on statement of financial position</b>	<b>67,651,309</b>	<b>36,946,746</b>	<b>(6,693,853)</b>	<b>97,904,202</b>

	<b>The Group</b>			
	<b>2020</b>			
	<b>Jamaican \$</b>	<b>US\$</b>	<b>Other</b>	<b>Total</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Total assets	240,383,086	188,767,874	2,725,098	431,876,058
Total liabilities	189,427,254	155,999,992	9,855,308	355,282,554
<b>Net on statement of financial position</b>	<b>50,955,832</b>	<b>32,767,882</b>	<b>(7,130,210)</b>	<b>76,593,504</b>

As of December 31, 2021, the Company's maximum exposure to foreign currency exchange rate risk pertains to financial investments, pledged assets and cash resources amounting to J\$430,254,000 (2020: J\$579,603,000).

# Sagicor Group Jamaica Limited

## Notes to the Financial Statements

31 December 2021

(expressed in Jamaican dollars unless otherwise indicated)

### 49. Sensitivity Analysis

Actuarial liabilities for the Group's life and health insurance contracts comprise 75.09% (2020 – 75.84%) 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 3(a).

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

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

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

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

The assumption for future investment yields has a significant impact on actuarial liabilities. The other assumptions to which the actuarial liabilities of the Group are most sensitive, are in descending order of impact:

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

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

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

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

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

The purpose of the DCAT is:

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

The DCAT does not test 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 impact of changes in the assumptions to net actuarial liabilities for the Group resulting from changes in the variables listed below. The table below shows the impact on the insurance liability at the end of the year, based on the respective variable changes, and is not reflective of the results of the DCAT assessment.

Variable	Change in Variable	The Group	
		2021 Change in Liability \$'000	2020 Change in Liability \$'000
Worsening of mortality/morbidity	+10%.	7,570,789	6,967,091
Improvement in annuitant mortality	-10%.	1,450,417	1,409,713
Lowering of investment return	-1%.	9,394,381	11,945,715
Worsening of base renewal expense and inflation rate	+10%	1,360,778	2,431,058
Worsening of lapse rate	+10%	1,506,678	12,531,820
Higher interest rates	+1%.	(7,447,858)	(16,027,659)

# Sagicor Group Jamaica Limited

## Notes to the Financial Statements

31 December 2021

(expressed in Jamaican dollars unless otherwise indicated)

### 49. Sensitivity Analysis (Continued)

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

The Group is sensitive to fair value risk on its financial assets at FVTPL and FVTOCI equity securities. The effects of an increase by 10% and a decrease by 5% in equity prices at the year-end date are set out below.

	The Group		
	Carrying Value \$'000	Effect of 10% decrease at 31 December 2021 \$'000	Effect of 5% increase at 31 December 2021 \$'000
<b>Financial assets at fair value through profit or loss and other comprehensive income equity securities:</b>			
Listed on Jamaica Stock Exchange	6,509,764	(650,976)	325,488
Listed on US stock exchanges	5,544,503	(554,450)	277,225
Other	26,402,979	(2,640,298)	1,320,149
	<u>38,457,246</u>	<u>(3,845,724)</u>	<u>1,922,862</u>

#### (iv) Sensitivity arising from currency risk

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

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

	The Group					
	2021			2020		
	Balances Denominated in other than JMD \$'000	Effect of a 6% depreciation at 31 December 2021 \$'000	Effect of a 2% appreciation at 31 December 2021 \$'000	Balances Denominated in other than JMD \$'000	Effect of a 6% depreciation at 31 December 2020 \$'000	Effect of a 2% appreciation at 31 December 2020 \$'000
Statement of financial position:						
Assets	209,065,959	196,522,003	213,247,280	191,492,972	180,003,394	195,322,831
Liabilities	178,813,067	168,084,283	182,389,328	165,855,300	155,903,982	169,172,406
Net position	<u>30,252,892</u>	<u>28,437,720</u>	<u>30,857,952</u>	<u>25,637,672</u>	<u>24,099,412</u>	<u>26,150,425</u>
Impact on Net Profit Other comprehensive Income		<u>(1,815,173)</u>	<u>605,059</u>		<u>(1,538,250)</u>	<u>512,753</u>

# Sagicor Group Jamaica Limited

Notes to the Financial Statements

31 December 2021

(expressed in Jamaican dollars unless otherwise indicated)

## 49. Sensitivity Analysis (Continued)

### (iv) Sensitivity arising from currency risk (continued)

	The Company					
	2021			2020		
	Balances	Effect of a 6% depreciation at	Effect of a 2% appreciation at	Balances	Effect of a 6% depreciation at	Effect of a 2% appreciation at
	Denominated in other than JMD \$'000	31 December 2021 \$'000	31 December 2021 \$'000	Denominated in other than JMD \$'000	31 December 2020 \$'000	31 December 2020 \$'000
Statement of financial position:						
Assets	430,254	404,439	438,859	579,603	544,827	591,195
Impact on Net Profit						
Other comprehensive Income		(25,815)	8,605		(34,776)	11,592

### (v) Interest rate sensitivity

The following table indicates the sensitivity to a reasonable possible change in interest rates, with all other variables held constant, on profit or loss and other components of equity.

The sensitivity of the profit or loss is the effect of the assumed changes in interest rates on net income based on the floating rate of non-trading financial assets and financial liabilities. The sensitivity of other components of equity is calculated by revaluing fixed rate available-for-sale financial assets for the effects of the assumed changes in interest rates.

	The Group			
	Effect on Net Profit Before Tax	Effect on Other Comprehensive Income	Effect on Net Profit Before Tax	Effect on Other Comprehensive Income
	2021	2021	2020	2020
	\$'000	\$'000	\$'000	\$'000
Change in basis points:				
Decrease – JMD- 100 and USD-100	10,793,004	8,197,356	6,279,872	9,107,548
Increase – JMD – 100 and USD-100	(8,846,481)	(10,609,565)	(3,895,105)	(7,934,244)

# Sagicor Group Jamaica Limited

## Notes to the Financial Statements

31 December 2021

(expressed in Jamaican dollars unless otherwise indicated)

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### 50. Capital Management

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

- (i) To comply with capital requirements established by insurance, banking and other financial intermediary regulatory authorities;
- (ii) To comply with internationally recognised capital requirements for insurance, where local regulations do not require these international standards;
- (iii) To safeguard its ability to meet future obligations to policyholders, depositors, note-holders and stockholders;
- (iv) To provide adequate returns to stockholders by pricing insurance, investment and other contracts commensurately with the level of risk; and
- (v) To maintain a strong capital base which is sufficient for the future development of the Group's operations.

The Group deploys its capital resources to activities carried out through various lines of business in operating companies which are either insurance entities or provide other financial services. The capital is deployed in such a manner as to ensure that each line of business generates the desired return on capital employed, that the operating companies have adequate and sufficient capital resources to carry out their activities and to meet regulatory requirements.

Required capital adequacy information is computed for regulated entities of the Group on a monthly basis and assessed by Management. These metrics are reported to Boards of Directors quarterly, and are filed with the Regulators in Jamaica monthly, in Cayman annually and in Costa Rica monthly.

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

(a) Sagicor Life Jamaica Limited

Capital adequacy is managed at the operating company level. It is calculated monthly by the Appointed Actuary and reviewed by Executive Management and the Board of Directors. In addition, Sagicor Life Jamaica Limited seeks to maintain internal capital adequacy at levels higher than the regulatory requirements. To assist in evaluating the current business and strategy opportunities, a risk-based capital approach is one of the core measures of financial performance. The risk-based assessment measure which has been adopted is the Minimum Continuing Surplus and Capital Requirement (MCCSR) standard as per the Insurance Regulations, 2001. The minimum standard required Insurance Regulations 2001 at the year-end date is an MCCSR of 150%. Sagicor Life Jamaica Limited as at 31 December 2021 had met the standard required.

(b) 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 (MCR) 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. The MCR for the Sagicor Life of the Cayman Islands Ltd as at 31 December satisfied the regulatory capital requirements.

(c) Sagicor Bank Jamaica Limited and Sagicor Investments Jamaica Limited

The Bank's objectives in managing their capital are:

- (i) To comply with the capital requirements set by the Regulators of the financial market in Jamaica.
- (ii) To provide adequate returns to shareholders commensurate with the level of risk undertaken and adequate benefits to staff and other stakeholders.
- (iii) To safeguard the Banks' ability to meet its obligations to depositors, note-holders and other stakeholders.
- (iv) To safeguard the Banks' ability to continue as solvent going concerns.
- (v) To maintain an appropriate capital base to support the growth and development of its business.

# Sagicor Group Jamaica Limited

## Notes to the Financial Statements

31 December 2021

(expressed in Jamaican dollars unless otherwise indicated)

### 50. Capital Management (Continued)

Capital adequacy, capital management ratios and the financial statements of the Bank and Investment Company are monitored monthly by management. These are reviewed quarterly by the Boards of Directors. Capital is managed based on prudent best practices and employing techniques and guidelines developed by the Financial Services Commission (FSC), the Bank of Jamaica (BOJ), Basel II and the Board of Directors Risk Management Committees. The required information is filed with the respective Regulatory Authorities at stipulated intervals.

The BOJ and the FSC require each regulated entity to:

- (i) Hold the minimum level of the regulatory capital; and
- (ii) Maintain a minimum ratio of total regulatory capital to the risk-weighted assets.

The regulatory capital is divided into two tiers:

- (i) Tier 1 capital: share capital, retained earnings and reserves created by appropriations of retained earnings. The book value of goodwill is deducted in arriving at Tier 1 capital; and
- (ii) Tier 2 capital: qualifying subordinated loan capital, collective impairment allowances and revaluation on property, plant and equipment.

Any investment in subsidiaries is deducted from Tier 1 and Tier 2 capital to arrive at the regulated capital.

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

Sagicor Bank Jamaica Limited and Sagicor Investments Jamaica Limited at the year-end were compliant with the regulatory capital requirements.

The subsidiary AGI manages capital to:

- (i) Comply with the capital requirements set by the FSC; and
- (ii) Safeguard the company's ability to continue as a going concern.

For Jamaican property and casualty companies, the Minimum Capital Test (MCT) is used as a measure of capital with a minimum ratio of 250%. AGI was compliant with the regulatory capital requirements as at 31 December 2021.

### 51. Fiduciary Risk

Certain subsidiaries in the Group provide custody, trustee, corporate administration, investment management or advisory services to third parties which may involve these subsidiaries making allocation and purchase and sale decisions in relation to a wide range of financial instruments. These assets are not included in these financial statements. As at 31 December 2021, these subsidiaries had financial assets under administration as follows:

	<b>The Group</b>	
	<b>2021</b>	<b>2020</b>
	<b>\$'000</b>	<b>\$'000</b>
Pension and insurance funds	238,572,712	214,943,973
Mutual funds, Unit trusts and other Investment funds	189,738,612	195,760,361
	<u>428,311,324</u>	<u>410,704,334</u>

# Sagicor Group Jamaica Limited

## Notes to the Financial Statements

**31 December 2021**

(expressed in Jamaican dollars unless otherwise indicated)

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### 52. Contingent Liabilities

#### Legal proceedings

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

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

Significant matters are as follows:

- (a) Suit has been filed by a customer against one of the Group's subsidiaries for breach of contract, and breach of trust in the amount of US\$8,928,500, being loss allegedly suffered as a result of what the claimants say is the unlawful withholding of insurance proceeds by the subsidiary. No provision was made in these financial statements for this claim as the matter has not been heard.
- (b) Suit has been filed by an independent contractor against one of the Group's subsidiaries for breach of contract arising from an alleged contractual agreement. The Claimant alleges that the subsidiary failed to pursue initiatives contemplated by the contract with a third party and that by not doing so, it caused the Claimant company significant losses which they have estimated at over US\$300,000,000. No provision was made in these financial statements for this claim as the claim has been stayed to accommodate arbitration as required under the Agreement between the parties.

### 53. Litigation

On March 17, 2014 the Supreme Court of Jamaica granted judgement in favour of a claimant in a case brought against Sagicor Bank Jamaica Limited (formerly RBC Royal Bank Jamaica Limited). This claim pre-dated the acquisition of the Bank by Sagicor Group Jamaica Limited, and also predated the acquisition of control of the Bank by RBTT from Finsac Limited ("Finsac") in 2001.

By virtue of the Share Sale Agreement entered into between Finsac, RBTT Financial Holdings Limited and RBTT International Limited, Finsac agreed to fully indemnify RBTT International Limited against any loss the bank may suffer in this matter. As the current owner of Sagicor Bank Jamaica Limited, Sagicor Group is the current beneficiary of the Indemnity. The Indemnity from Finsac is further supported by a Government of Jamaica Guarantee on a full indemnity basis.

Sagicor appealed the Supreme Court decision and Judgment was delivered on July 31, 2018 which ruled that the award previously awarded to the Claimant be reduced with costs to the Claimant subject to an accounting exercise to determine the apportionment of costs between the parties. This reduced award took into account lower interest rates applying simple interest rather than compounding interest. The issue of costs remains to be determined by the courts following a subsequent application to amend the judgment which was delivered in January 2019. The amount previously awarded to the Claimant has been recorded as payable to the claimant with accrued interest and correspondingly receivable from Finsac/Government of Jamaica.

On July 1, 2019 the Claimant filed an application for conditional leave to appeal to the Privy Council on the issue of cost leave with final leave to appeal being granted on October 26, 2020.

The reproduced record of appeal for the Privy Council was finalized on June 3, 2021 and our external counsel are awaiting a Statement of Facts and Issues to be agreed. The Privy Counsel has set the appeal matter for hearing on the May 11-12, 2022.

# Sagicor Group Jamaica Limited

## Notes to the Financial Statements

**31 December 2021**

(expressed in Jamaican dollars unless otherwise indicated)

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### 53. Litigation (Continued)

A suit has been filed by Sagicor Investments Jamaica (SIJL) against Cornerstone Financial Holdings Limited (CFHL), a company registered in Barbados, for damages suffered as a result of a rights issue being offered to only those shareholders that had participated in the rights issue of an affiliated company. In July 2020, Cornerstone United Holdings Limited (CUHL), a company registered in Jamaica, offered a rights issue to raise US\$21 million at US\$1.40 per share, SIJL chose not to participate in this rights issue. CFHL subsequently allotted shares to the shareholders that participated in the CUHL rights issue at a price of less than one cent per share when the shares had a book value of approximately US\$7.80 per share. This had the effect of reducing the value of SIJL's shareholding in CFHL by approximately US\$4 million and SIJL's shareholding was diluted from 4.5% to 3.46%. CFHL has argued this was justifiable because of an agreement to maintain similar shareholding structures. A second rights issue was completed on a similar basis thus reducing the company's shareholding to 2.77%. Based on legal opinion the company has a high probability of success in this matter. No adjustment to the carrying value of the holdings has been recorded in the financial statements in respect of this suit as at 31 December 2021.



# Sagicor Group Jamaica Limited

Notes to the Financial Statements

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## 54. Offsetting Financial Assets and Financial Liabilities (Continued)

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

The Company							
2021							
				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 amounts
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Assets</b>							
Cash resources	431,177	-	431,177	-	-	-	431,177
Financial investments	1,342,989	-	1,342,989	-	-	(439,997)	902,992
	1,774,166	-	1,774,166	-	-	(439,997)	1,334,169
<b>Liabilities</b>							
Due banks and other financial institutions	12,003,246	-	12,003,246	-	-	-	12,003,246
	12,003,246	-	12,003,246	-	-	-	12,003,246
<b>2020</b>							
<b>Assets</b>							
Cash resources	233,623	-	233,623	-	-	-	233,623
Financial investments	1,233,920	-	1,233,920	-	-	(557,800)	676,120
	1,467,543	-	1,467,543	-	-	(557,800)	909,743
<b>Liabilities</b>							
Due banks and other financial institutions	15,685,639	-	15,685,639	-	-	-	15,685,639
	15,685,639	-	15,685,639	-	-	-	15,685,639

# Sagicor Group Jamaica Limited

## Notes to the Financial Statements

31 December 2021

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### 55. Non-Controlling Interest

The non-controlling interests represent the share of net assets and net profit not attributed to Sagicor Group. The amounts were calculated as follows:

	2021				Total
	Travel Cash	Sagicor X Fund	AGI	Bailey Williams	
	\$'000	\$'000	\$'000	\$'000	\$'000
Total assets	975,044	31,265,465	12,505,766	1,809,932	
Total liabilities	(290,681)	(8,942,794)	(9,241,731)	(1,749,109)	
<b>Net Assets</b>	<b>684,363</b>	<b>22,322,671</b>	<b>3,264,035</b>	<b>60,823</b>	
<b>Non-controlling interest</b>	<b>408,347</b>	<b>17,920,772</b>	<b>1,515,526</b>	<b>111,446</b>	<b>19,956,091</b>
Revenue	290,472	5,219,189	4,315,531	4,366	
Net profit for the period	157,965	673,891	429,425	3,410	
Other comprehensive income	-	256,236	(112,741)	-	
<b>Total comprehensive income</b>	<b>157,965</b>	<b>930,127</b>	<b>316,684</b>	<b>3,410</b>	
<b>Non-controlling interest</b>	<b>77,403</b>	<b>86,892</b>	<b>132,739</b>	<b>(49,377)</b>	<b>247,657</b>
Cashflows from operating activities	29,005	1,549,668	(575,192)	95,697	
Cashflows from investing activities	(53)	7,640,042	276,000	(57,666)	
Cashflows from financing activities	-	(3,479,394)	-	-	
<b>Net increase/ (decrease) in cash and cash equivalents</b>	<b>28,952</b>	<b>5,710,316</b>	<b>(299,192)</b>	<b>38,031</b>	

# Sagicor Group Jamaica Limited

Notes to the Financial Statements

31 December 2021

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## 55. Non-Controlling Interest (Continued)

	2020				Total \$'000
	Travel Cash \$'000	Sagicor X Fund \$'000	AGI \$'000	Bailey Williams \$'000	
Total assets	810,671	32,289,246	13,334,119	414,740	
Total liabilities	284,273	10,896,640	8,736,771	353,599	
<b>Net Assets</b>	<b>526,398</b>	<b>21,392,606</b>	<b>4,597,348</b>	<b>61,141</b>	
<b>Non-controlling interest</b>	<b>330,945</b>	<b>17,883,389</b>	<b>2,087,835</b>	<b>160,824</b>	<b>20,462,993</b>
Revenue	246,199	1,374,155	4,694,084	(3,260)	
Net profit/(loss) for the period	125,916	(15,280,975)	736,541	(5,260)	
Other comprehensive income	-	(384,060)	(104,521)	-	
<b>Total comprehensive income</b>	<b>125,916</b>	<b>(15,665,035)</b>	<b>632,020</b>	<b>(5,260)</b>	
<b>Non-controlling interest</b>	<b>61,699</b>	<b>(9,577,456)</b>	<b>221,952</b>	<b>(1,578)</b>	<b>(9,295,383)</b>
Cashflows from operating activities	10,180	(141,020)	495,991	(305,233)	
Cashflows from investing activities	(115)	1,351,668	1,825,531	(1,716)	
Cashflows from financing activities	-	(2,218,195)	(650,146)	251,681	
<b>Net increase/ (decrease) in cash and cash equivalents</b>	<b>10,065</b>	<b>(1,007,547)</b>	<b>1,671,376</b>	<b>(55,268)</b>	

The information above represents amounts before intercompany eliminations.

## 56. Subsequent Events

- I. Subsequent to year-end, the Group entered into a Definitive Agreement for the purchase of 100% of the shares in Alliance Financial Services Limited (AFSL). The transaction is subject to due diligence and regulatory approval and the Group have already commenced the process of applying for a cambio license and a remittance license from the Bank of Jamaica.
- II. There were no dividends declared by the Group subsequent to the year-end.



Sagicor Group

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