ANNUAL REPORT

2016

Sagicor

The curious thing about potential, is that talking about it isn't enough. The power lies in action.

That's why at Sagicor, we make sure people achieve their full financial potential. We work with them to ensure they make prudent and informed financial decisions today, that will lead to a brighter, more prosperous tomorrow.

OUR VISION

To be a great company, committed to improving the lives of people in the communities in which we operate.

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ABOUT SAGICOR

There's no telling which direction your life will take, but by being thoughtful and rigorous now, you can ensure that your future will always be bright. When you place your trust in Sagicor, rest assured that we will be there for you every step of the way to help you reach your full potential.

ABOUT SAGICOR

Sagicor is a dynamic, indigenous Group which has been redefining financial services in the Caribbean. Following a carefully crafted business strategy, the company transformed from a local single-line life insurance company to a financial services group with a solid regional base, before expanding into the international financial services market.

After the company demutualised in 2002, Sagicor Financial Corporation was formed as a publicly listed holding company. The word Sagicor means “wise judgment”, and reflects the quality of the financial advice and services we offer. Sagicor now operates in 22 countries in the Caribbean, the USA and Latin America.

For 176 years, Sagicor’s business has been based on long-term relationships with its customers, employees, and communities who entrust us with their financial well-being. Our name and reputation draw on the strength, stability and financial prudence that are our heritage, and this identity defines the flexibility that wise financial thinking can bring to our customers throughout their lives. Through local expertise and in partnership with world-class asset managers, reinsurers, together with sound risk management practices, Sagicor is able to provide wise financial advice, that meets the needs of its customers.

For many decades, Sagicor provided financial support and voluntary assistance, primarily in the areas of health, education, youth development and sports, to a number of organisations and institutions. Sagicor continues to provide significant support for the prevention of non-communicable diseases by promoting healthy living, and improving access to and facilities for health-care in the region.

Sagicor supports education at the primary, secondary and tertiary level, and sponsors a number of adult education and development activities.

As we move forward through these challenging times in the economic life of our region and the rest of the world, Sagicor’s core business strategies will continue to provide a wide range of financial products and services, while focused on our vision, “To be a great company, committed to improving the lives of people in the communities in which we operate.”

CHAIRMAN'S STATEMENT

Our guiding principle has always been to act wisely.
By using the knowledge we have acquired over the years,
we can do what is best to lead the way, and make
everyone's future as bright as possible.

CHAIRMAN'S STATEMENT

Stephen McNamara, CBE
Chairman

The economic circumstances of the markets in which the Sagicor Group operated during 2016, showed little improvement over that of 2015. The US economy grew at a pace much lower than expected, while the situation in the Caribbean was very mixed. The performance of the Jamaican economy continued to show signs of improvement, while the economy of Trinidad & Tobago slipped deeper into recession. The economies of Barbados, and those of the Eastern Caribbean, enjoyed the early signs of a return to growth. However, the high debt to GDP ratios continue to constrain the growth, and expose these economies to the negative impact of external shocks. As a result, the environment, for the most part, reflected these economic realities, with businesses experiencing slow revenue growth, and having to rely heavily on strategies which emphasised conservation and operating efficiencies.

Within this context, it is my pleasure to report to you on the 2016 financial performance of the Sagicor Group, which experienced a solid performance, with net income for the year closing at US $109.3 million, compared to US $76.8 million in the prior year.

Net income attributable to shareholders was US $61.7 million, compared to US $34.7 million in the prior year, an increase of US $27.0 million. Earnings per common share was US 20.0¢, and represented an annualised return on common shareholders' equity of 12.6%, compared to 7.0% for the prior year.

Total revenue increased by 2.7% to US $1,134.1 million, compared to the prior year amount of US $1,104.2 million, an increase of US $29.9 million. Net premium revenue closed at US $664.0 million, marginally under 2015's net premium revenue of US $673.9 million, and was impacted by lower annuity business written in our USA segment, together with the impact of the depreciation of the Jamaica Dollar to the US dollar on translated premiums. Net investment income closed the period at US $353.4 million, up from US $322.2 million in the prior year, driven mainly by increased realised gains on our international investment portfolios, and exceeded the prior year amount by US $31.2 million, or 9.7%. Fees and other revenue amounted to US $116.8 million, compared to US $109.1 million in 2015, an improvement of US $7.7 million, or 7.1%.

Total benefits closed at US $560.4 million, and marginally exceeded the prior year amount of US $552.9 million.

Expenses (including agents' and brokers' commissions) closed the year at US $424.2 million, and were below the prior year amount of US $427.7 million. Expenses reflected the lower commissions and related expenses, consistent with the lower premium revenue. Premium and asset taxes were also lower when compared to the prior year, and resulted from a reduction in premium and asset taxes in the Jamaica segment.

Total comprehensive income closed the year at US $96.7 million, compared to a loss of US $0.6 million for the prior year. The main contributor to the improvement in comprehensive income was an underlying improvement in net gains on financial assets of US $142.3 million. Included in comprehensive income were net gains for the year on financial assets of US $39.2 million, resulting from mark-to-market gains on financial assets associated with our international portfolios. The Group experienced net declines of US $103.2 million for the 2015 financial year. Retranslation losses amounted to US $28.5 million, compared to US $15.7 million reported in 2015, and resulted from declines in the Jamaica dollar of US $21.0 million and the Trinidad dollar, US $7.5 million, when compared to the United States dollar.

In the statement of financial position as at December 31, 2016, assets amounted to US $6.5 billion, compared to US $6.4 billion in the prior year. Liabilities closed at US $5.7 billion, the same level as in 2015. Sagicor's Group equity totalled US $795.4 million, an increase of US $56.2 million, or 7.6% over the 2015 financial year.

The Group's debt was US $395.2 million. The debt to capital ratio was 33.2%, down from 39.2% for the prior year, and was impacted by the fact that the Company redeemed all its outstanding convertible redeemable preference shares amounting to US $120.0 million during the year.

The Board declared dividends of US 2.5 cents per common share, payable on May 15, 2017, which is consistent with the dividends paid on November 15, 2016, and represents a 25% improvement on the dividend paid on May 17, 2016.

On June 8, 2016, Shareholders approved the redomiciliation of Sagicor Financial Corporation to Bermuda. This was achieved on July 20, 2016, when the Company was continued under Bermuda Law as Sagicor Financial Corporation Limited. This is the first phase of a three-part process to immunise the Sagicor Group from non-investment grade domiciles, and to protect the credit rating of the Group. The second phase is the incorporation of a reinsurance company in Bermuda, while the third is the re-organisation of the corporate structure to re-organise the main operating entities as direct subsidiaries of Sagicor Financial Corporation Limited.

On December 23, 2016, S&P Global Ratings re-affirmed the credit rating of Sagicor Finance (2015) Limited at "BB-" with stable outlook. Sagicor Finance (2015) Limited is the Sagicor subsidiary through which the Sagicor international corporate bond was issued.

During 2017, the company will continue its focus on its corporate re-organisation, business conservation, and process improvement to positively impact our financial performance and overall financial condition. We recognise the challenges still facing our Caribbean Region, and we will continue to work with other private sector institutions and governments to play our part in the revitalisation of the economies, for the long-term benefit of our customers, shareholders and the communities in which we operate.

On behalf of the Board of Sagicor, I wish to thank our Shareholders and Customers for their continued support.

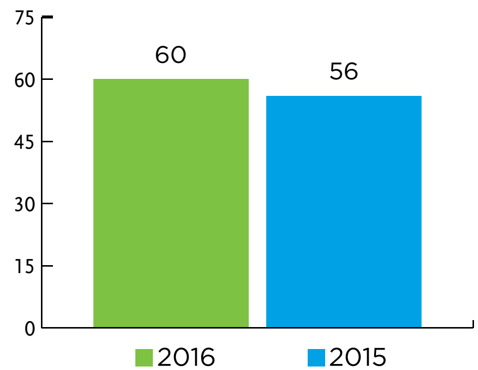
Stephen McNamara
Chairman
March 31, 2017

FINANCIAL HIGHLIGHTS

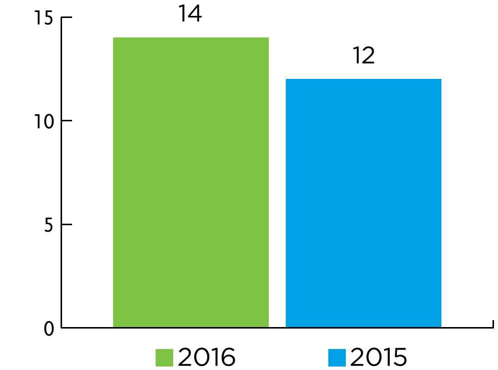
Amounts in US$ millions unless otherwise stated

SHAREHOLDER RETURNS

NET INCOME [1]

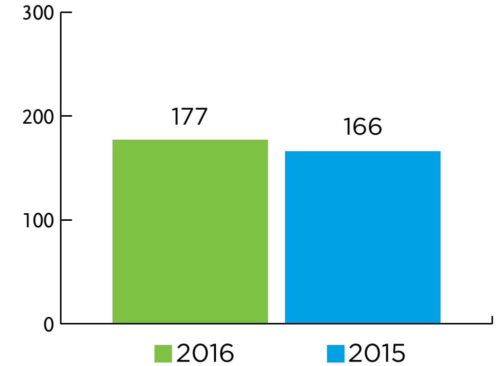


COMMON DIVIDENDS



BOOK VALUE PER SHARE

Amounts in US cents

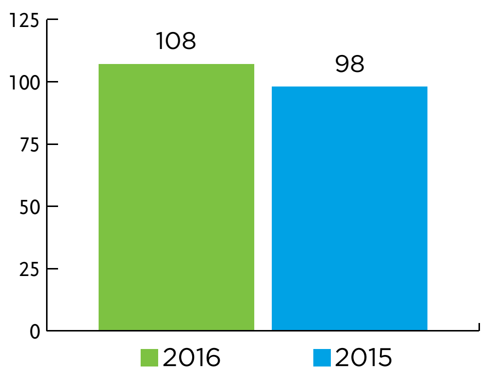


	2016	2015
Basic earnings per share [1]	19.5¢	18.2¢
Return on shareholder's equity [1]	12.3%	11.7%

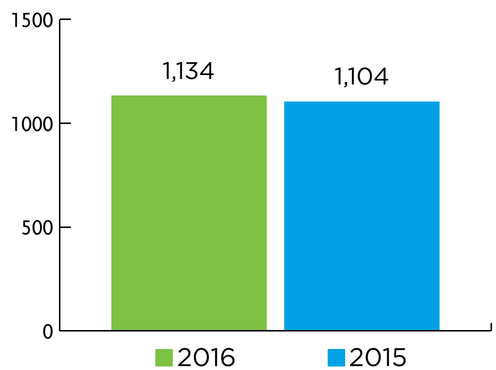
[1] *from continuing operations*

GROUP RESULTS

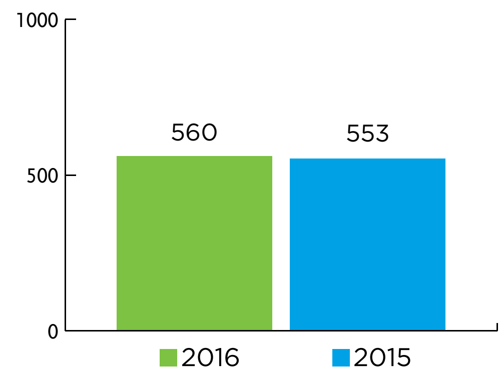
NET INCOME[1]



REVENUE



BENEFITS

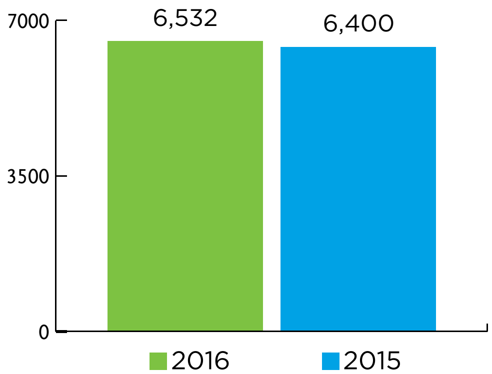


[1] *from continuing operations*

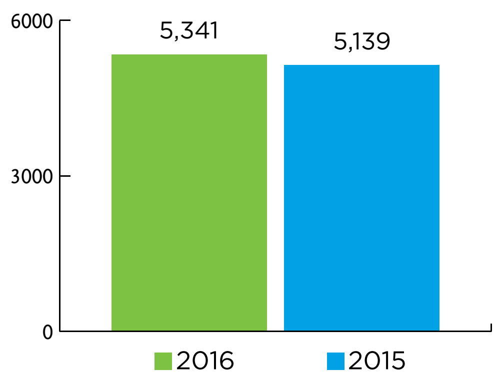
Amounts in US$ millions unless otherwise stated

GROUP FINANCIAL POSITION

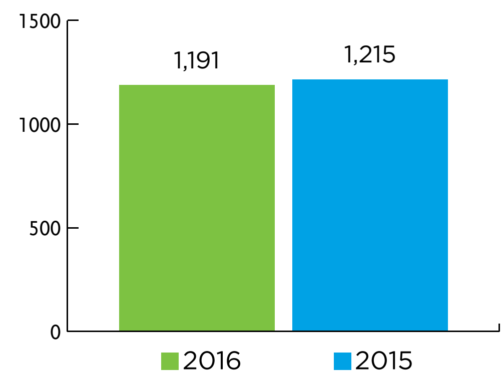
ASSETS



OPERATING LIABILITIES



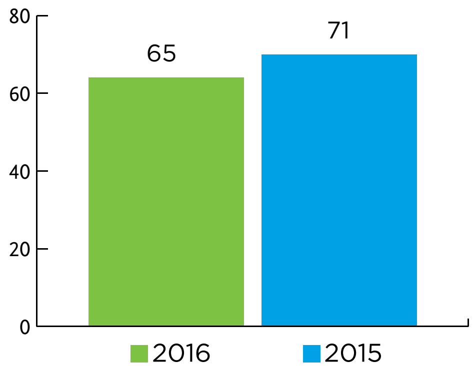
EQUITY & DEBT CAPITAL (TOTAL CAPITAL)



	2016	2015
Debt to Capital	33.2%	39.2%
MCCSR	291%	301%

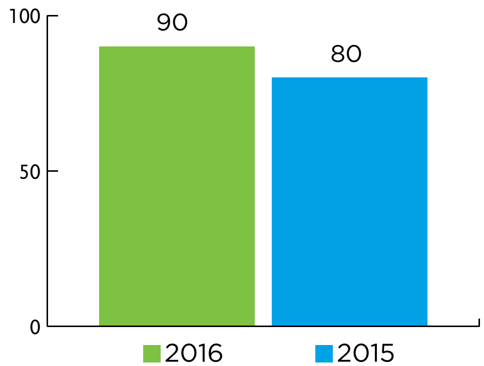
SEGMENT RESULTS

SAGICOR LIFE INC - NET INCOME



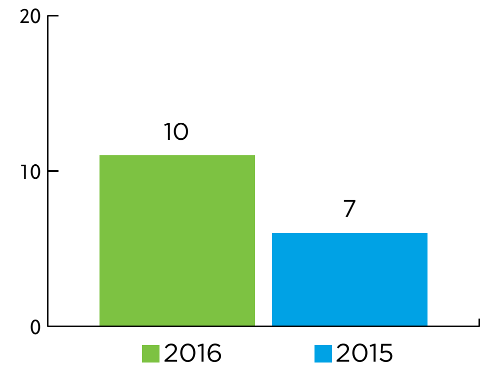
	2016	2015
Revenue	411	471
Assets	1,928	1,904

SAGICOR GROUP JAMAICA- NET INCOME



	2016	2015
Revenue	524	511
Assets	2,674	2,513

SAGICOR USA - NET INCOME



	2016	2015
Revenue	149	78
Assets	1,901	1,783

CORPORATE & SOCIAL RESPONSIBILITY

Our pride lies in our community. We support the people and places around us, because when they become better, we do too.
At Sagicor, we are honoured to give back to our community, because we know that together, we have the power to transform it.

INTRODUCTION

The foundation of Sagicor's business has been built on long-term and meaningful relationships with its customers, communities and employees. As a company whose vision is "committed to improving the lives of people in the communities in which we operate", our name and reputation draw on the strength, stability and financial prudence that are intrinsically linked to our heritage. For many decades, Sagicor has provided financial support and voluntary assistance in the areas of health, education, youth development and sports to a number of organisations and institutions - with the hope that our investment in the community contributes to its social and economic advancement.

Sagicor's Corporate Social Responsibility (CSR) policies are considered a core and inseparable element of the overall service and products we offer. This approach ensures that our strategic goals offer a sustainable future for both the company and the communities in which we operate. Our values are demonstrated through our CSR policies, which helps pave the way for Sagicor to continue to strengthen the partnerships and relationships it has with its customers, communities and employees. These relationships are further strengthened by our activities and our interactions with the organisations with which we partner and support.

HEALTH

THE BARBADOS DIABETES FOUNDATION - SAGICOR GROUP OF COMPANIES

Sagicor presented a donation of BBD $50,000 to the Barbados Diabetes Foundation in memory of Dr Oscar Jordan, a former board member and Chairman of the Barbados Diabetes Foundation. Dr Jordan dedicated his life to medicine and creating national awareness about diabetes and hypertension in Barbados. Sagicor's gift was a tribute to his name and to a cause to which he was most passionate. The presentation was made to his widow, Mrs Marsha Jordan, who was accompanied by two of their children, Julian Jordan and Claire Jordan.

SAGICOR GLOBEATHON 5K WALK & RUN TO END GYNAECOLOGICAL CANCERS - SAGICOR LIFE INC - BARBADOS

As champions of wellness and initiatives that raise awareness about the prevention and control of chronic non-communicable diseases, Sagicor Life Inc (SLI) and Sagicor General Insurance Inc (SGI) in Barbados proudly returned as title-sponsors of the 4th Annual Sagicor Globeathon event. In September, approximately 2500 people participated in the 5K Walk & Run, the only international movement focused on the prevention and early detection of all gynaecological cancers including uterine (endometrial), cervical, ovarian, vaginal and vulvar. The movement to end women's cancers was also supported by international gynaecologists, gynaecological oncologists and doctors, as well as gynaecological cancer survivors. All proceeds from the event were donated to the Gynaecological Cancer and Diagnostic Unit at the Queen Elizabeth Hospital.

The mission of the Globeathon is to increase awareness of women's cancers, address disparities, and transcend the barriers of ethnicity, race, politics, geography, financial position, culture and religion through educational outreach and global community engagement.

As a result of his first place finish in the 2015 event, runner Oein Josiah travelled to Jamaica to participate in the Sagicor Sigma Corporate Run 2016. Sagicor Life Inc Barbados and Sagicor Group Jamaica coordinated his travel to Jamaica to join over 24,000 participants running and walking to support various charities. Josiah placed 7th overall in the event.

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1. (l to r) Sagicor Group Chairman, Stephen McNamara; Sagicor Group Director, Dr Jeannine Comma; Marsha Jordan; Claire Jordan; Julian Jordan; Barbados Diabetes Foundation CEO, Callie Boyea, and Sagicor Group President and CEO, Dodridge Miler, at the presentation to the Barbados Diabetes Foundation in honour of the late Dr Oscar Jordan.
2. Runners at the start line of the 2016 Globeathon to End Gynaecological Cancers.

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ROTARY CLUB'S 3RD ANNUAL AUTISM WALK - SAGICOR LIFE (EASTERN CARIBBEAN) INC - ANTIGUA

In April, staff of SLI walked to raise funds for persons affected by autism. An enthusiastic and uniformed team, bedecked in Sagicor shirts, joined other participants of the Rotary Club in Antigua's 3rd Annual Autism Walk. The proceeds were donated towards the purchase of educational materials and seminars for children, as well as for parents of children with autism and other learning disabilities. Team Sagicor received an award for Best Dressed Team in their Sagicor 175 Endowment Plan polo shirts.

QUEEN ELIZABETH HOSPITAL CHRISTMAS DONATION - SAGICOR GENERAL INSURANCE INC - BARBADOS

Knowing that the holiday season can be a challenging time for children in hospital, the staff of SGI felt the need to spread some holiday cheer, and ensured that the children in the Paediatric Unit of the Queen Elizabeth Hospital were not forgotten during the Christmas season. Members of the Social Club of Sagicor General rallied to donate a television with DVD player and an electrical fan for the children hospitalised in two wards.

SAGICOR PHOENIX WALK/RUN - SAGICOR LIFE INC – TRINIDAD AND TOBAGO

Sagicor Life Inc continued its 175th celebrations in Trinidad and Tobago with the Sagicor Phoenix Walk/Run, one lap around the Queen's Park Savannah.

More than 2,500 participants, including Sagicor staff, family members, clients and suppliers, and members of the public ran or walked for charity, while being entertained by three light shows along the way, the rhythmic sounds of Hands of Rhythm and the high energy of Outlaws International Tassa Drummers. The event raised TT $100,000, of which donations were presented to the LIFE Centre for Autism in Petit Valley, and the Friends of the Blood Bank Association.

3. *Participants warming up at the beginning of the Phoenix Walk and Run in Belize.*
4. *Runners and walkers after the 2016 Sagicor Phoenix Run in Port of Spain, Trinidad and Tobago.*

SAGICOR PHOENIX WALK/RUN - SAGICOR LIFE INC – BELIZE

Sagicor Life Inc partnered with the Kidney Association of Belize to advocate, “Prevention is better than treatment”, and hosted the inaugural Sagicor Phoenix Walk/Run in Belize. With a view to making a positive impact in its community, Sagicor Life supported the Association’s objective of educating Belizeans on the prevention of kidney disease. The event raised BD $13,475 towards the Kidney Associations efforts.

SIGMA RUN 2016 - SAGICOR GROUP JAMAICA LIMITED - JAMAICA

In February, the Sagicor Foundation hosted its 18th Annual Sigma Corporate Run, with approximately 24,000 persons in attendance, raising a total of JA $43 million in cash and kind for its beneficiaries: children with cancer across Jamaica, the Black River Hospital Paediatric Unit and the Jamaica Cancer Society. The Black River Hospital was presented with an arterial blood gas analyser - a machine to test or measure the oxygen and carbon dioxide levels in babies and children - to strengthen their paediatric unit, while the other two beneficiaries took responsibility for sourcing the other equipment to strengthen their respective units.

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5. School children accompanied by Sagicor volunteers at an Adopt-a-School event.

CORNWALL REGIONAL HOSPITAL SIGMA RUN HAND OVER - SAGICOR GROUP JAMAICA LIMITED - JAMAICA

Equipment and supplies valuing JA $16 million were handed over to the special care nursery and paediatric units of the Cornwall Regional Hospital from the proceeds of the 2015 Sagicor Sigma Corporate Run in the second quarter. The money was used to purchase and retrofit the air conditioning for the Special Care Unit, purchase ventilators, incubators, respirators, humidifiers and accessories, suction machines and other much-needed equipment for the Special Care Unit. Welcome and directional signage with the Sagicor Foundation branding was also donated and unveiled in a ceremony at the institution in June.

SAGICOR FOUNDATION ADOPT-A-SCHOOL WELLNESS HEALTH TOUR - SAGICOR GROUP JAMAICA LIMITED - JAMAICA

All the schools taking part in the Sagicor Foundation Adopt-a-School programme in Jamaica were visited by the Mobile Wellness Unit, from which wellness checks were conducted for each student. Dubbed as the Sagicor Back-to-School Health Tour, staff from each branch attached to the institutions visited the schools, where close to 500 children were also given back-to-school supplies. Some of the tests offered were vision, height, weight and hearing.

RELAY FOR LIFE – OCHO RIOS AND KINGSTON - SAGICOR GROUP JAMAICA LIMITED - JAMAICA

The Sagicor Foundation partnered with the Jamaica Cancer Society for its inaugural Relay for Life Cancer Walk. This was the second of two stagings held at the Turtle River Park in Ocho Rios to foster awareness, and in memory of those who have lost their battle to breast cancer. Sagicor staff turned out in large numbers to support the cause, ensuring that Sagicor's support was the largest team of the night.

2016 WALK TO CURE ARTHRITIS - SAGICOR LIFE INSURANCE COMPANY - USA

In May, Sagicor Life Insurance Company's (SLIC) Tampa staff participated in the 2016 Walk to Cure Arthritis at Al Lopez Park in Tampa, Florida. Team Sagicor not only participated in the Walk, which consisted of a 3-mile course through the park, but also raised funds to help the one-day event raise a total of USD $86,566. This was the 8th year of Sagicor's participation, with all proceeds going to the Arthritis Foundation. The Walk to Cure Arthritis takes place in a number of cities throughout the United States annually, and the funds raised go to research aimed at finding a cure for arthritis, America's leading cause of disability.

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NIGHT OF HEROES - SAGICOR LIFE INSURANCE COMPANY - USA

For the third year, members of SLIC were in attendance at the annual "Night of Heroes", an awards reception celebrating the success of the Tampa Bay Chapter of the Arthritis Foundation's two major annual fundraisers, the Jingle Bell Run and the Walk to Cure Arthritis. In 2016, Sagicor was recognised for its fundraising efforts as the 2nd place corporate team in the 2016 Walk to Cure Arthritis event.

PHOENIX CHILDREN'S HOSPITAL RADIOTHON - SAGICOR LIFE INSURANCE COMPANY - USA

SLIC is committed to supporting many worthy causes in its communities, one of which is Phoenix Children's Hospital (PCH) in Arizona. For several years, SLIC has donated money and volunteer time to PCH, and has partnered with a television station to host a telethon, and a radio station to host a radiothon. As well as pledging and donating funds towards both events, staff from the Scottsdale office volunteered to work as greeters who signed in other volunteers, as well as answered calls and took donations on the phone bank. Now in its 16th year, the annual Give-A-Thon for PCH, themed "Champions of Hope", became the top fundraiser of its kind in the United States, raising USD $1.57 million in just 19 hours. Through the support from corporate bodies and the general public, PCH has been able to expand its facilities and extend its services into communities around the state with specialty and urgent care centers, and is now one of the ten largest children's hospitals in the United States.

ANNUAL PHOENIX CHILDREN'S HOSPITAL GOLF TOURNAMENT - SAGICOR LIFE INSURANCE COMPANY - USA

In December, representatives from SLIC participated in the 18th Annual Phoenix Children's Hospital Golf Tournament. The Sagicor team narrowly missed the winning position, losing the tie-breaker for lowest score.

6. Members of Team Sagicor at the 2016 Walk to Cure Arthritis.

JOHNS HOPKINS ALL CHILDREN'S HOSPITAL RADIOTHON
- SAGICOR LIFE INSURANCE COMPANY - USA

Staff from SLICS's Tampa office volunteered to work the phone banks at Johns Hopkins All Children's Hospital's for the 9th Annual US 103.5 FM Cares for Kids Radiothon. The staff also presented a USD $10,000 donation, on behalf of Sagicor, towards the hospital's fundraising efforts. Patients and families from the local area came to share powerful stories about the role that All Children's has played, and continues to play, in their lives. While some members of the Sagicor management team spoke on air about Sagicor, its mission and its commitment to its communities, others worked the phones and processed donations.

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7. SLIC staff volunteering at the Phoenix Children's Hospital Telethon phone banks, (8) the Radiothon, and (9) the annual Give-A-Thon for the John Hopkins All Children's Hospital.

EDUCATION

SAGICOR CAVE HILL SCHOOL OF BUSINESS AND MANAGEMENT - SAGICOR FINANCIAL CORPORATION LIMITED - BARBADOS

At the end of 2016, the Cave Hill School of Business Inc - The University of the West Indies (CSHB) was renamed in honour of its major benefactor and long-term strategic partner, Sagicor Financial Corporation Limited. During a ceremony hosted at the CHSB Conference facility, the unveiling of Sagicor Cave Hill School of Business and Management U.W.I. was conducted in the presence of more than one hundred key stakeholders, as well as local and regional media representatives.

Sagicor has been a strategic partner of CHSB-UWI for over ten years. The renaming of the business school is a component of a mutually beneficial collaborative agreement which was signed on July 18, 2014. The significant value derived from the partnership between Sagicor and CHSB will enhance the business school's capacity for efficient delivery and promotion of programmes which, through advanced technology and a dedicated customer-centered methodology, will improve the CHSB experience for companies and clients of the organisation.

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SAGICOR VISIONARIES' CHALLENGE – SAGICOR GROUP OF COMPANIES

The Sagicor Group of Companies concluded the 2016 Sagicor Visionaries' Challenge with the finalists participating at the STEM Ambassador Programme in Tampa, Florida. The focus of the programme, hosted by the museum of Science and Industry (MOSI) was on teaching participants how design-thinking could be used to tackle real-world challenges, such as transportation and climate change. Teams were challenged to design and build a Hydrogen Fuel Cell Vehicle using rapid prototyping techniques, and technologies such as 3d printing, as well as present out-of-the-box solutions.

The participants also designed, tested and launched high-flying chemical rockets, and visited the Kennedy Space Centre. There was also a tour of the College of Arts and Sciences and Engineering Departments at the University of South Florida.

Schools from Antigua & Barbuda, Barbados, Belize, Dominica, Guyana, St Lucia, Tampa (Hillsborough County) and Trinidad & Tobago were invited to work with a teacher at their institution to identify a problem facing their school or community. Using science, technology, engineering and mathematics (STEM), they had to develop effective, innovative and sustainable solutions to the problem identified. The competition was intended to:

- Ignite interest among youth in the Challenge Territories for innovation in STEM to help build and integrate sustainable communities throughout the Caribbean.
- Integrate knowledge gained from formal and informal education to enable tomorrow's leaders to build a more sustainable Caribbean.
- Boost institutional capacity in STEM in the secondary schools in the Challenge territories.

STEM education is a vital part of Sagicor's educational CSR programme. Through the implementation of the Sagicor Visionaries Challenge, STEM affects what is nearest and dearest to us - our children. STEM is essential to their future in the technological age in which they live and will grow up, offering their best career options, and their key to wise decisions. By extension, STEM is vital to the future of the Caribbean region, as it shapes our everyday experiences, and is at the core of our natural world. It is for these reasons that the Sagicor Visionaries' Challenge was developed and launched.

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1. The unveiling of the Sagicor Cave Hill School of Business and Management. (l to r) The Honourable Donville Inniss, Minister of Minister of Industry, International Business, Commerce & Small Business Development; Professor Sir Hilary Beckles, Vice-Chancellor of The University of the West Indies, Dr Jeannine Comma, Chief Executive Officer and Managing Director of The Sagicor Cave Hill School of Business; Stephen McNamara, Sagicor Group Chairman; Dr Charmaine Gardner, Sagicor Cave Hill School of Business Chairman, Professor V Eudine Barriteau, Pro Vice-Chancellor and Principal of The University of the West Indies, Dodridge Miller, Sagicor Group President and Chief Executive Officer.

2. Sagicor Visionaries' Challenge winners in the zero gravity chamber at the Kennedy Centre, Florida.

3. and 4. (above and below) Participants of the 2016 STEM Ambassador Programme in Tampa.

SAGICOR VISIONARIES – SAGICOR LIFE INC, BARBADOS

The winning team from Barbados, Queen's College, designed the Sweet Coconut Grey Water Filtration System, aimed at recycling grey water from domestic uses to flush the toilets in schools and homes.

The students opined that water scarcity is a problem which has been plaguing the Barbadian community for years, to the point where Barbados is now ranked on the global scale as one of the most water-scarce countries. However, regardless of this crisis, water is still being wasted via various domestic and recreational activities. With prolonged water wastage, Barbados' reservoirs may become depleted, leaving the country to depend on expensive desalination processes and water imports. This could result in implications for the environment, economy, society and overall development. The solution to water scarcity presented by Queen's College, the Sweet Coconut Greywater filter, is constructed almost entirely of recycled, natural and easily-sourced materials, and does not require extreme skill to set up, nor does it occupy a large area. The filter uses coconut shells and other materials to filter waste-water for other uses. Overall, the created design is cost-effective and its complexity reduced, so that the average person can utilise it. Queen's College also won a number of special awards, such as Most Community Involvement, Most Creative and Innovative, Best Project Solution and Most Relevant to School or Community.

SAGICOR VISIONARIES - SAGICOR LIFE (EASTERN CARIBBEAN) INC, ANTIGUA

The St Anthony's Secondary School was presented with the prizes won during the regional round of the Sagicor Visionaries Challenge. SLI Antigua representatives awarded Zion Michael 2nd runner-up with her project "Organic Waste Reduction in Residential Areas". The School also received a special award for the Best Presentation, which factored in the display model created, and the representative's oral presentation. Along with a trophy, St Anthony's received USD $1,000.

SAGICOR VISIONARIES - SAGICOR LIFE INC, TRINIDAD AND TOBAGO

In Trinidad, Five Rivers Secondary School walked away as national winners of the Sagicor Visionaries' Challenge with their Project Eco-Clean. The Project also placed second in the Regional competition and received a special prize for "Most Community Involvement", and "Most Relevant to School or Community".

The Eco-Clean objective was to create environmentally-friendly by-products from used cooking oil, and to encourage households, schools, communities and fast food outlets to adopt this efficient method for the disposal of used cooking oil.

Guyana: In Guyana, the Bygeval Secondary School placed first, with a two-member team. With the recent uptake in mosquito-borne diseases, such as Chikungunya and Zika, the winning project "The Eradicator" aimed to address the problem with a new, environmentally-friendly and health conscious mosquito repellent.

SAGICOR VISIONARIES - SAGICOR LIFE INC, BELIZE

During 2016, Sargassum seaweed plagued several Caribbean coastlines. This natural occurrence provided the inspiration for the team from Belize High School, to use the sargassum as a raw material to create saleable products, such as a body scrub, and milkshake. The idea won the national title.

5. Trinidad and Tobago's national winners from Five Rivers Secondary School with their teacher, and members of the Sagicor's management team.

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SAGICOR VISIONARIES - SAGICOR LIFE INSURANCE COMPANY - USA

The U.S. finalists for the 2016 Sagicor Visionaries' Challenge were announced at a special meeting for participants. Mr. Jai Patel, from Walker Middle School, for Generator Turbine Power; Ms. Hannah Anderson, from Indian Rocks Christian School, for Height of a Bouncing Ball, and Mr. Anish Amin, from Walker Middle School, for Sinkhole, competed against each other to determine which project and student would represent the U.S. against Visionaries' winners from the other participating schools. Jai Patel and his Generator Turbine Power project emerged as the winner. The winner and runners-up each received a laptop and a trophy, while their schools received a cash donation to further develop STEM programmes for all students. Jai and his teacher, Nancy Robords, went on to attend the STEM Ambassador Programme.

SCHOOL GRANTS - SAGICOR LIFE (EASTERN CARIBBEAN) INC - DOMINICA

Sagicor's Dominica office embarked upon an awards programme whereby children could benefit from financial grants based on their academic performance. Each year, the Dominica office will award XCD $500 and $1,000, to two students transitioning from primary to secondary school, and two students transitioning from secondary school to college respectively. In order to be considered for the grants, students are required to submit copies of their common entrance grades or official CXC results, along with their applications. Secondary school students are also required to submit an essay of 500-750 words entitled "How will my chosen area of study contribute to my career plans?" Guided by the belief that the Company has a fundamental responsibility to contribute to enhancing and sustaining the lives of people within the communities we serve, this initiative is in alignment with Sagicor's vision and its dedication to support the areas of education and youth development. Sagicor recognises the significance of the transitioning phases from the primary to secondary to tertiary institutions, and sees this programme as a most important investment in education. The grants will serve as rewards for good academic performance and encouragement for continued excellence in students' academic endeavours. The awards programme will run for three years.

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6. Recipients of the School Grants with members of the management team at the Dominica office.

DOMINICAN CUB SCOUTS - SAGICOR LIFE (EASTERN CARIBBEAN) INC - DOMINICA

In the summer of 2016, SLI made a donation to the Dominican Cub Scouts to assist with their travel to the 14th Annual Caribbean Cuboree. The event, hosted in Guyana, brought together more than 800 cubs between the ages of 7 and 11, from fourteen Caribbean countries. The aim of the Cuboree was to provide a forum for cubs to interact with each other and to foster lasting friendships. Scouts believe that this is fundamental in creating a better world, where people learn from, and support each other, and treat each other equally. Sagicor's contribution assisted in providing a productive outlet with positive exposure to different cultures and experiences, which all go a long way in helping to mold and prepare the youth for the future.

ROTARACT CLUB OF GRENADA - SAGICOR LIFE (EASTERN CARIBBEAN) INC - GRENADA

Sagicor's Grenada office sponsored the Rotaract Club of Grenada's 29th Annual National Spelling 'Bee' Competition, by providing prizes to winning students. Eleven primary schools from Grenada, Carriacou and Petite Martinique were represented in the finals of the Competition.

SAGICOR INSPIRE PROJECT - SAGICOR GROUP JAMAICA LIMITED - JAMAICA

Approximately 130 selected young leaders and high achievers from tertiary institutions across Jamaica were treated to a highly motivational and impactful weekend at the Hilton Rose Hall Resort and Spa in Montego Bay. Known as the "Inspire Project", this event was conceptualised with the intent of empowering, inspiring and motivating future leaders who have demonstrated remarkable academic accomplishments and/or leadership at their respective institutions. The inaugural Sagicor Inspire Project accomplished just that and more, as these young leaders experienced an unforgettable weekend. After the arrival fanfare and a smooth check-in process, the students were immediately ushered to the first series of activities, the Power Hour Sessions with the Sagicor Executive team, who shared their business and personal success stories to help boost the minds of the future leaders, in preparation for their venture into the workplace. On the second day, the young leaders were treated to a number of inspirational speakers on the main stage before heading off to one of three breakout sessions entitled, "Brand Me", "Smart Financing", and "Preparing for Work". During the main session, participants were 'inspired' by motivational speaker, Michael Maragh; Lifestyle doyenne, Novia McDonald Whyte; Sagicor Top Financial Advisor, Loeri Robinson, and The Apprentice's first black winner, motivational speaker and businessman Dr. Randal Pinkett. The weekend culminated with an informative breakfast session where Group President and CEO, Richard Byles, imparted life lessons which he has garnered over an illustrious business career. Students were invited to put questions to the executives before leaving the ballroom, being inspired in order to inspire.

7. A group photo of Sagicor Inspire Project's high achievers

8 Assistant Team Captains of the Adopt-a-school programme with students from their Adopted Schools after the launch of the 2016 Adopt-a-School programme..

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ADOPT-A-SCHOOL PROGRAMME - SAGICOR GROUP JAMAICA LIMITED - JAMAICA

In May, the Sagicor Foundation Adopt-A-School 2016 programme was launched with Sagicor's Bank, Life, and Investments branches coming together to offer support to ten early childhood Iinstitutions. The first set of activities in the schools began on Labour Day, May 23, as Sagicor Branch Managers and team members across the island refurbished their assigned school by repainting the edifice, fixing and improving the play areas, and renovating the kitchens and bathrooms. The programme was expected to impact over 1000 students across the island.

During May, Child's Month, Sagicor Foundation and Lasco iCool partnered to provide over 300 students to a day of fun, frolic and edutainment at the Hope Zoo, dubbed "Reading is cool." The event was held in honour of the nation's children, which was a part of the thrust by both companies to culminate May's Child Month activities. The students were chosen from Sagicor's existing list of Adopt-a-school locations across the island, as well as schools that have a close relationship with the Lasco Group.

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In December, the volunteer captains from the tag team branches across the island organised a children's treat for students from the respective adopted schools in Jamaica. All students from the nine early childhood adopted schools ended the school year enjoying a Christmas treat with Sagicor staff. Each child received a toy courtesy of the Sagicor Foundation.

SCHOLARSHIP AWARDS - SAGICOR GROUP JAMAICA LIMITED - JAMAICA

The Sagicor Foundation awarded and recognised outstanding GSAT and tertiary scholarship awardees at its Scholarship Awards Ceremony at the Jamaica Pegasus Hotel. Twenty-seven tertiary students were selected to receive a total of JA $6,750,000 towards their tuition fees. Successful recipients were selected on the basis of academic merit, leadership, community involvement and financial need. Fifteen students, who excelled in the Grade Six Achievement Test (GSAT), were awarded academic scholarships to secondary institutions valued at JAD $750,000. In addition, the Champion girl and boy from the JTA/Sagicor Athletics Championship were awarded academic scholarships to the secondary school of their choice. The scholarship programme started in 2009, and there are currently 53 students benefiting from the initiative. A total of JAD $15.5 million was invested in the programme for 2016 for new and returning scholars.

SCHOOL SUPPLIES DRIVE - SAGICOR LIFE INSURANCE COMPANY - USA

SLIC Staff from the Scottsdale and Mesa offices started the year with a Potluck Fundraiser, with all funds going to the Company's school charities. The Client Services and Records Management Departments provided a fabulous array of food and treats for employees to purchase.

The Tampa office raised money for the school supply drive with an "Italian Themed Lunch and Raffle". In April, the team hosted a lunch, and tickets for the meal were purchased in advance. As an added touch, a surprise bonus raffle for movie tickets and Butterball Grocery Gift Cheques was also offered.

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9. SLIC volunteers at the School Supplies Drive.
10. Staff from SLIC sorting and packaging donated school supplies for the Hillsborough Education Foundation.
11. Sagicor Foundation Board of directors, R. Danny Williams, Richard Byles, Stephen Facey and Chantal Hylton-Tonnes, with the 2016 scholars at the Awards Ceremony at the Jamaica Pegasus Hotel.

In May, the Scottsdale office held another fundraiser for the School Supplies Drive. Each executive was given a designated donation jug, in which staff placed their nominations for the executive they wanted to see dressed in a costume. The three executives with the most nominations received the honour of wearing a costume for a day. The winning costumes included a Black and Blue Power Ranger, an Elvis look-alike, and an old-time Mariachi singer.

HILLSBOROUGH EDUCATION FOUNDATION VOLUNTEERS - SAGICOR LIFE INSURANCE COMPANY - USA

In June, volunteers from the Tampa office offered their assistance to the Teaching Tools Store, sorting and packing donated school supplies. The Teaching Tools Store is part of the Hillsborough Education Foundation, and provides free school supplies to economically disadvantaged students who attend schools designated as "Title 1". Of the 266 schools in Hillsborough County, 164 qualify for the Title 1 designation. The Teaching Tools Store relies on donations from the community and dedicated volunteers who sort donations, stock shelves and assist teachers in procuring supplies to take back to their classrooms. Sagicor has been involved with the Hillsborough Education Foundation for a number of years, and is proud to support the Foundation.

ANNUAL BACK-TO-SCHOOL CLOTHING DRIVE - SAGICOR LIFE INSURANCE COMPANY - USA

Staff from the Scottsdale and Mesa Riverview offices volunteered at Grand Canyon University Arena to assist children from Kindergarten to 6th Grade with much needed supplies. Volunteers helped with registering students and distributing badges; stuffing and distributing backpacks; escorting students through each department as a 'personal shopper'; measuring and making sure the clothes and shoes fit each student; scanning clothing items into computer inventory and placing backorders. The Back-to-School Clothing Drive's mission is to provide school supplies and essentials to children in need, with a goal of supplying more than 25,000 children who attend Title 1 public elementary schools in Maricopa County with new uniforms and outfits, backpacks and school supplies. Thirty-nine volunteers from Sagicor donated over 234 hours in a variety of capacities.

SAGICOR SPONSORS 2017 PCA-TAMPA BAY SCHOLARSHIP PROGRAMME - SAGICOR LIFE INSURANCE COMPANY - USA

In September 2016, SLIC increased its commitment to the Tampa Bay Chapter of the Positive Coaching Alliance (PCA) by becoming the presenting sponsor of the Class of 2017 Triple-Impact Competitor Scholarship Awards. PCA Tampa Bay was originally launched in 2014 with financial support from the Tampa Bay Rays, Tampa Bay Lightning, Triad Foundation, Sagicor and other local Tampa Bay companies. PCA develops "better athletes, better people" through resources for youth and high school sports, coaches, parents, administrators and student-athletes. Nationally, PCA has reached over 8.6 million with their programmes. The PCA Tampa Bay Scholarship Programme honours area high school student-athletes who impact sport on three levels: by improving themselves; teammates, and the game as a whole. PCA Tampa Bay will soon name 25 scholarship finalists who will be interviewed by members of a selection committee, an experience that in and of itself, helps prepare the candidates for life beyond their sports endeavours.

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YOUTH & COMMUNITY DEVELOPMENT

HELPING HAITI - SAGICOR GROUP OF COMPANIES

In October, Hurricane Matthew struck Haiti, leaving more than 1,000 people dead and over 100,000 homeless. The United Nations estimated that at least 1.4 million Haitians were in need of urgent assistance, as clean water, food and medicine were in short supply. The cholera epidemic was worsening, with the World Health Organisation reporting 800 new cases per week after Matthew's passing.

Knowing that Haiti was still recovering from the devastating 7.0 earthquake of 2010, the Sagicor family in the United States, Barbados, Trinidad and Tobago, and the Eastern Caribbean raised a total of USD $20,711 for Haiti. The Sagicor Group of Companies donated the money to Shashamane Sunrise, a US-based non-profit organisation that is assisting Haiti in its recovery. Shashamane Sunrise, in collaboration with the Edeyo Foundation and the Children of the Caribbean Foundation, is targeting relief efforts on rebuilding a school and delivering much-needed food and medical supplies, as well as school supplies to the community.

BARBADOS 50TH INDEPENDENCE ANNIVERSARY CELEBRATIONS - SAGICOR LIFE INC - BARBADOS

On November 30, Barbados marked its 50th Anniversary of Independence, and Sagicor Life Inc celebrated the Golden Jubilee by sponsoring the momentous occasion. For over 20 years, Sagicor Life Inc has sponsored the annual Lighting Ceremony on November 1, which marks the beginning of the official activities for the month, and signals the illumination of landmarks and roundabouts across the island. Celebrations were also extended to customers through a project, spearheaded by Sagicor's Customer Experience department, recognising "A Special Moment in the Life of Eight Long-time Clients". Those clients celebrated either their 50th birthday or their 50th Anniversary as a Sagicor customer during the month of November 2016, and were treated to a special luncheon with senior executives as a show of appreciation for their loyal patronage.

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.1. (l to r) Anderson King Vice President, Corporate Communications and Marketing; Wendy Fitzwilliam and Dr. Rene Williamson, Ambassador and Executive Chairman for the Shashamane Sunrise Foundation; Robert Trestrail, Executive Vice President and General Manager, Sagicor Life Inc Trinidad and Tobago, and Diane Loutan-Ali, Vice President, Branch Operations, Sagicor General Insurance, Trinidad and Tobago, at the presentation of Sagicor's donation to rebuild the Marion School in Haiti.

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2. The Sagicor-sponsored Garfield Sobers Roundabout decorated and lit in Barbados Independence colours.
3. Members of the Sagicor Group and Sagicor Life Inc Board with the commemorative Broken Trident. (l to r) Andrew Aleong; Peter Clarke; Dodridge Miller; Richard Kellman; Dr Jeannine Comma; Chairman, Stephen McNamara; Pat Downes-Grant; Ian Carrington; Ravi Rambarran, and David Wright.
4. Sagicor General Insurance Inc President and Chief Executive Office, David Alleyne, shares a pose with customer, Kimberley Lavine.

HOSTING OF THE BROKEN TRIDENT - SAGICOR LIFE INC & SAGICOR GENERAL INSURANCE INC - BARBADOS

In addition to having the honour of ushering in Barbados' 50th Anniversary Celebrations, Sagicor Life Inc also hosted the Commemorative Broken Trident on November 1, at the Belleville Branch, Collymore Rock, and on November 2, at the Wildey location, as one of the national activities of the "Carrying Our Pride" programme. Staff and clients were invited to view the Broken Trident and sign the Pledge Book. Sagicor Directors, in Barbados for Board Meetings, were on hand for a commemorative photo with the Broken Trident.

Sagicor General Insurance also hosted the Broken Trident at its Haggatt Hall offices. To loud applause from staff members lining the stairways, the Broken Trident was handed over to customer Kimberley Lavine, who passed it on to SGI President and CEO, David Alleyne, who proudly accepted it and briefly addressed staff on the significance of the occasion.

TED X - SAGICOR LIFE INC - BARBADOS

Sagicor Life Inc sponsored the Ted X Bridgetown Forum for the first time. The event featured speakers discussing the various areas in which they specialise, and sharing inspirational life experiences. The objective of the event was to share ideas and encourage constructive action among participants. Under the theme "Crafting Our Fate", speakers included calypsonian, The Mighty Gabby; Peter Wickham, researcher and political analyst; a visually impaired young woman, Janeil Odle; Dr. Srinivasa Popuri, an expert on sustainable technologies, and Gabriel Abed, CEO of the Barbadian digital currency facilitation company, Bitt.

SAGICOR'S WATER RELIEF EFFORTS - SAGICOR LIFE INC - BARBADOS

The Barbados Water Authority was faced with considerable challenges that affected the supply of water to many areas of Barbados. As a result, some of the rural communities were without water for extended periods. Realising that they were in a position to provide some relief, staff rallied to assist in mitigating the impact of the crisis. In October, Sagicor Life Inc and Sagicor General Insurance collaborated for the first water relief distribution mission. Under the guidance of the Barbados Water Authority, staff volunteered to go

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into the affected communities of Hillaby, Mount Hillaby and White Hill in St Andrew, as well as Farm Park in St Thomas, and distributed over 100 cases of bottled water, all of which were donated by Sagicor staff. After the initial distribution, Sagicor liaised with the Barbados Water Authority to determine which districts were in greater need. Every Sunday during November and December, volunteers visited the communities of Rock Hall, St Andrew; Four Hill, Gays, French Village and Mount Brevitor in St Peter, along with Horse Hill, Suriname and Bowling Alley in St Joseph delivering water to residents. Advisors and staff from multiple departments distributed over 1,000 gallons of bottled water.

FINANCIAL INFORMATION MONTH - SAGICOR LIFE (EASTERN CARIBBEAN) INC – DOMINICA

During October, the Sagicor team in Dominica partnered with the Eastern Caribbean Central Bank in its activities surrounding Financial Information Month. One of the activities, "Visit a School", welcomed the adoption of the Kalleb Laurent Primary School by Sagicor. Sagicor representatives visited the school as part of an outreach programme, and held sessions with grades 3 and 4 children to sensitise them to the different Eastern Caribbean currency notes, and discussed ways in which they could save money.

5. *SLI staff member distributing water as part of the Sagicor Water Relief efforts.*
6. *Avril Elie from Sagicor Life (Eastern Caribbean) Inc's Dominica office with children form the Kalleb Laurent Primary School for a "Financial Information Month" activity.*
7. *Members of the Sagicor St Vincent team take some time out with the Coast Guard Youth Development Summer Programme Participants.*
8. *Team members from Sagicor General Insurance Inc present a door prize to a BIBA Networking Event participant.*
9. *One of many vehicles on display at the Classic Cars Exhibition.*

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ST VINCENT AND THE GRENADINES COASTGUARD YOUTH DEVELOPMENT SUMMER PROGRAMME - SAGICOR LIFE (EASTERN CARIBBEAN) INC - ST VINCENT AND THE GRENADINES

The St Vincent and the Grenadines office renewed its annual sponsorship of the St Vincent and the Grenadines Coastguard Youth Development Summer Programme, which provides constructive activities for young people between the ages of 14 and 18. The 2016 programme exposed participants to new learning skills, enabling them to gain new perspectives in areas such as social and professional etiquette, first aid, leadership development, swimming and lifesaving, human sexuality and conflict resolution. Members of the St Vincent office also conducted sessions on budgeting and saving for the participants. Sagicor's commitment to the programme supports the Coastguard's continued contribution to the development of the youth of St Vincent and the Grenadines.

NINE MORNING FESTIVAL - SAGICOR LIFE (EASTERN CARIBBEAN) INC – ST VINCENT AND THE GRENADINES

The St Vincent and the Grenadines office once again provided support for the national Nine Morning Festival, with a donation towards the activities in the southern village of Stubbs. The Nine Morning Festival is a unique Vincentian festivity associated with the Christmas season, and is celebrated on the mornings of the nine days leading up to Christmas with various exhibitions and concerts.

BIBA NETWORKING EVENT - SAGICOR GENERAL INSURANCE INC - BARBADOS

Close to two hundred professionals from various sectors came together for the BIBA Networking Event at the Concorde Experience, Barbados. The event

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was jointly sponsored by Sagicor General Insurance, Courtesy Garage and Globe Finance. The session coincided with 50th Independence anniversary celebrations across the country. Conversations ranged from the recall of jokes among friends, to more serious issues like the continued challenging state of the economy and the importance of the island's 50th anniversary of political independence from Britain. In between the chatter and mingling, several lucky attendees also took away vouchers for products and services from the sponsors following a business card draw.

CLASSIC CARS - SAGICOR GENERAL INSURANCE INC - BARBADOS

Sagicor General Insurance Inc continued its support of the "Classic Cars" Exhibition, where hundreds witnessed a live auction of an attractive 1937 Ford Coupe changing ownership at Content, St Thomas, Barbados. The curvy and distinctive-looking vehicle fetched a price of BDS $50 000, and was reportedly purchased by a Canadian-based buyer. The salmon and black 80-year-old car was among the star attractions at the show, where more than 50 classic and retro vehicles were showcased. The event was jointly sponsored by Courtesy Garage and Sagicor General Insurance, and brought together members and cars from the Barbados Association of Classic Cars and the Retro & Classic Car Association – the two leading clubs on the island. Several prizes were presented on the day, including "Car of The Show" (a 1967 Honda Mark 1 convertible) and "Most Original Car" (a 1983 Subaru GLF). Close to 600 automobile enthusiasts, motorsport fans and visitors were among those taken back in time during the exhibition, which also featured several vintage cars that were no longer in production. Sagicor General used the occasion to promote its recently launched Key Protector Classic & Retro Motor Policy.

PROFESSIONAL INDEMNITY (PI) AND DIRECTORS AND OFFICERS (D&O) LIABILITY SEMINAR - SAGICOR GENERAL INSURANCE INC - BARBADOS

Efforts to implement stricter corporate governance regulations in Barbados and the wider Caribbean are also exposing Directors of companies and professional service providers to higher risks in an increasingly litigious environment. In such circumstances, with the growing need to provide cover and security for these increasing exposures, Sagicor General Insurance teamed with Empirical Insurance Brokers, Guardian General and global reinsurer, Munich RE, to refocus and enhance their products which cover Professional Indemnity (PI) and Directors and Officers (D&O) liability insurance.

The companies hosted a seminar at Hilton Barbados, to update Directors and Officers of companies and professional service providers on liability insurance exposure and coverage. Representatives from Sagicor General Insurance informed participants that individuals, partners and firms were eligible to be insured under Professional Indemnity Insurance. The audience also received valuable information on how Professional Indemnity Insurance could be extended to cover such areas as defamation, where unintentional libel or slander may arise by reason of words written or spoken by the Insured in the performance of their professional business activity.

EDUCATIONAL SESSION WITH DOCTORS - SAGICOR GENERAL INSURANCE INC - BARBADOS

Some of the challenges facing doctors and the insurance industry came under the microscope during an interactive seminar hosted by Sagicor

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10. Members of the panel from Sagicor General Insurance, Empirical Brokers, Guardian General and Munich Re updating their audience on liability insurance exposure and coverage.

11. Dr Michael Hoyos addressing doctors during an interactive seminar hosted by Sagicor General Insurance Inc.

General Insurance. In a changing environment which has seen major global growth in the specialty area of Insurance Medicine, several of the island's young doctors were recently provided with timely advice and had their questions answered during the evening session.

Featured presenter for the event, Dr. Michael Hoyos, underscored the fact that doctors had an important role to play in helping all parties to achieve accurate and fair assessments of claims in events where patients suffered injuries.

Dr Hoyos, a physician with over 40 years' experience, cautioned his younger colleagues that insurance reports had to be clinically accurate, thorough and supported by scientific tests. He further stressed that any opinions offered must be based on the whole picture, taking into account the clinical status of the patient, as well as the impact of the injury on the person. Dr Lana Husbands also presented on the not-so-obvious infections which affected babies and children. She advised her audience that, since babies and toddlers are unable to speak for themselves, it was imperative that doctors are thorough in their assessments. Dr Husbands offered tips on when parents and doctors should be concerned, and cautioned that the presence of fever could be a sign of a simple illness or something more severe. SGI is of the view that such educational sessions should be staged specifically for health-care professionals, as liability issues and the adjudication of claims were critical matters facing the Insurance industry on a daily basis.

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HABITAT FOR HUMANITY - SAGICOR LIFE INC - TRINIDAD AND TOBAGO

Sagicor staff, advisors, and management team, as part of the 175th anniversary celebrations, joined forces with Habitat for Humanity Trinidad and Tobago, to assist future homeowner, Sumintra, and her children, in building and painting their home in Central Trinidad. This partnership fulfilled a cherished dream of Sumintra's - that all three of her children can live together in a home of their own. Early in 2016, Sagicor staff contributed 175 man-hours to help Sumintra cast the apron surrounding the existing foundation. In November, they painted the two-bedroom house in Cashew Gardens, and then, in conjunction with the Ministry of Housing and Urban Development, presented the keys to Sumintra and her children. Working with Habitat for Humanity was a natural fit for Sagicor, as it is committed to improving the lives of the people in the communities in which the company operates. The home has afforded Sumintra the opportunity to build a strong foundation for her family.

ETIENNE CHARLES MUSICAL EDUCATIONAL OUTREACH -
SAGICOR LIFE INC – TRINIDAD AND TOBAGO

Sagicor's Trinidad and Tobago office was pleased to support Trinidad-born jazz maestro Etienne Charles and his group, Creole Soul, with the Caribbean premiere and educational outreach residency of his latest album, San Jose Suite. Mr Charles' compositional work explores and highlights the experiences of indigenous people and African immigrants, with respect to three San Jose settlements established in Trinidad and Tobago, Costa Rica, and California, USA.

Sagicor Life Inc recognised the value of Etienne's work and felt it necessary to support the educational outreach performances at the Princess Elizabeth Centre, St Dominic's Children's Home and St Mary's Children's Home. Sagicor's silver sponsorship provided the opportunity to interact with the younger generation, and introduce them to live music, while at the same time, sparking their interest in the creative arts.

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ADOPT-A-PROJECT - SAGICOR LIFE INC - TRINIDAD AND TOBAGO

The staff engaged in their second annual Adopt-A-Project campaign, completing ten projects, as they partnered with local communities to address specific needs in the areas of youth development through sport, education and health. Sagicor staff partnered with various organisations throughout Trinidad and Tobago, namely, the Cerebral Palsy Society of Trinidad and Tobago; the St Dominic's Children's Home; the Tacarigua Anglican Primary School; the Credo Sophia House for Girls; the Bon Accord Government Primary School; the San Fernando Methodist School; the Animals Alive Sanctuary; St Ursula's Girls' Anglican School; the Servol Life Centre in Diego Martin; the St James Police Youth Centre; and the St Andrew's Home for Elderly Women.

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13. SLI TT staff members busy at work on a housing project for Habitat For Humanity.

14. Etienne Charles and his band, Creole Soul, at the Musical Educational Outreach project.

15. SLI TT staff members hard at work at the St Ursula's Girls' Anglican School, refurbishing the library as part of Sagicor's Adopt-A-Project campaign.

RJR SPORTSMAN & SPORTSWOMAN AWARDS - SAGICOR GROUP JAMAICA LIMITED - JAMAICA

Olympian Shelly-Ann Fraser-Pryce received the Iconic award at the RJR Sportsman & Sportswoman Awards in 2016. Ms Fraser Price was also presented with a JAD $200,000 cheque, which she will donate to a charity of her choice, to be used for that organisation's continued philanthropic efforts.

SAGICOR EMPLOYEE VOLUNTEER PROGRAMME - SAGICOR GROUP JAMAICA LIMITED - JAMAICA

The Sagicor Employee Volunteer Programme in Jamaica was officially launched. A portal was created for all Sagicor staff members interested in participating in the company's CSR initiatives. Since its inception in January 2016, there are now close to 500 volunteers in the Sagicor Employee Volunteer Programme. Additional volunteers will be added in February 2017.

ST MARY'S FOOD BANK - SAGICOR LIFE INSURANCE COMPANY - USA

In 2016, fourteen staff members from the west side of metropolitan Phoenix volunteered at the St Mary's West Side Food Bank. During a 4-hour shift, the team was tasked with preparing and labelling pasta bags for hungry families. On another occasion, a group of SLIC actuaries volunteered their time at the St Mary's Food Bank, located in downtown Phoenix, packing food boxes, and loading and delivering food in grocery carts.

During August, two teams from the Scottsdale office held two '50/50' raffles to raise money for St Mary's Food Bank. The month-long raffles raised just under USD $2,000, with 50% of the proceeds going to the St Mary's Food Bank, and one lucky recipient receiving the other half. Every $1.00 donated, provided 8 meals.

Another team in Scottsdale, as part of their fundraising efforts, sponsored four volunteer opportunities at various St Mary's Food Bank locations. The team worked an assembly line, putting together boxes, filling them with items donated from suppliers and, after quality checking, they passed them on for sealing. Along with a group of fifteen middle school children, they worked with employees from other companies and individual volunteers.

In September, another Scottsdale team kicked off their fundraising efforts by raffling a 1-hour massage and spa gift basket. During the period of the raffle, massages by a staff member who is also a licensed massage therapist, were available at a discounted rate. Proceeds from the raffle went directly to the Food Bank.

During October, staff from the Scottsdale and Mesa Riverview offices volunteered at some of the St Mary's Food Banks around the Greater Phoenix area. The team fulfilled the service-hour requirements, and were gratified, knowing that some of the food that the volunteers had prepared, packed and helped to distribute was purchased with money, which they had donated.

The Scottsdale Office staff were very creative in organising special corn hole tournaments. The first tournament was for individual players, and was priced at $5 for one round to see who could land the most bags and get the highest point total. However, the twist was that they had to spin the wheel to find out how they were to toss the bags. The second tournament consisted of teams of two players competing under similar rules, except that the throwers were blindfolded. The idea was for the teammate to help the blindfolded thrower find the board.

16. Staff from SLIC's Arizona office go to work on a Habitat For Humanity site in the Northwest Valley.

17. A staff member from Team Sagicor took time out to "sign" the interior of a home built for a Habitat for Humanity project.

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HABITAT FOR HUMANITY - SAGICOR LIFE INSURANCE COMPANY - USA

In February, SLIC staff from the Scottsdale Office and their family members donated their time and talents at a Habitat for Humanity site in the Northwest Valley. The main goal was to put a new layer of shingles on the roof. Altogether, Sagicor had sixteen volunteers on site performing a variety of tasks, including cutting shingles to the proper size and shape; transporting the shingles to the people on the roof; placing and nailing down the shingles; sanding and scraping old paint off the eaves, repainting them, and general cleaning up. The future homeowners were also on hand to work alongside the staff.

A subsequent visit saw twelve staff and their family members from the Scottsdale Office donate their time and talents at a Habitat for Humanity site in the downtown Phoenix area. The volunteers worked for a full day installing trim and baseboards throughout the house; mounting and caulking shelves in closets; hanging doors; spackling and cleaning up in preparation for painting. The future homeowner was on hand, working beside the Sagicor volunteers.

In November, a team of volunteers from the Tampa office spent several hours working on another Habitat for Humanity project. The team installed insulation inside the home; placed roof soffit under the exterior overhang, and painted a coat of primer on the entire exterior of the house. Towards the end of the day, Sagicor staff members were invited to "sign" the interior of the house with messages for the future homeowner, Miriam, and her family. Besides assisting Miriam, Team Sagicor left the project with a sense of accomplishment and a few handy skills.

KNIGHTS OF COLUMBUS GOLF FUNDRAISER - SAGICOR LIFE INSURANCE COMPANY - USA

Sagicor recently sponsored a hole in the Knights of Columbus (KofC) golf outing and fundraiser. The KofC support many charitable organisations that assist the less fortunate, and were able to make an immediate USD $5,000 donation to St Vincent de Paul, a charitable organisation. Sagicor's participation helped the event to raise over USD $11,000 that will be channeled back into the community.

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SALVATION ARMY WATER DRIVE - SAGICOR LIFE INSURANCE COMPANY - USA

Staff members from the Scottsdale office spearheaded a project involving the purchase of cinnamon rolls. The 200 rolls were then purchased by other staff members, family member, friends or neighbors, and the funds raised were donated to the Salvation Army Water Drive.

The fundraising for the Salvation Army Funds for Water continued in the Scottsdale office with an ice cream treat event. Instead of purchasing an ice cream bar or sandwich for themselves, employees purchased 'tokens of appreciation' to give to other staff members, which could then be exchanged for a treat during the designated exchange times. 240 tokens of appreciation were sold.

RAYS' JOHN HOPKINS ALL CHILDREN'S HOSPITAL VISIT - SAGICOR LIFE INSURANCE COMPANY - USA

SLIC has been a proud sponsor of the Tampa Bay Rays since 2009, and as part of that sponsorship, Sagicor and the Rays conduct a series of visits to John Hopkins All Children's Hospital during the baseball season. Annually, Sagicor staff members, Rays' players and the team mascot, Raymond, visit the hospital to brighten the spirits of the young patients and their families. In June, Rays' players 1st base, Logan Morrison, and catcher, Curt Casali, made the rounds with Sagicor staff members. Logan and Curt visited the children, autographing baseball cards and passing out Sagicor Rays' co-branded baseball-shaped pillows. The older children enjoyed the opportunity to meet a major league ball player and talk baseball, while the younger kids were more interested in the antics of Raymond.

18. Tampa Bay Ray players, Logan Morrison and Curt Casali visit a young patient at the John Hopkins All Children's Hospital.

19. SLIC volunteer with children from the BT Washington Elementary School at Tampa's Lowry Park Zoo

The following month, as part of Kids' Spirits Day, Sagicor staff members were joined by the Rays' pitcher, Chase Whitley; outfielder, Steven Souza Jr., and Raymond the mascot for a visit to the hospital. The Kids' Spirits Day programme began in 2010 as a display of support for children, families and staff at the hospital.

The season's third and final John Hopkins All Children's Hospital Visit took place in August. Rays' players' shortstop, Matt Duffy; outfielder, Mikie Mahtook, and Raymond, visited the children for approximately two hours. During the visit, the players and Raymond stopped in the young patients' rooms to say hello, and Mikie Mahtook spent some time with the children who had recently undergone bone marrow transplants.

TASTES FROM AROUND THE WORLD - SAGICOR LIFE INSURANCE COMPANY - USA

The Tampa office recently held a unique and delicious fundraiser to assist the Metropolitan Ministries Food Drive. In July, the office hosted its second event, "A Taste from Around the World Potluck". A team of staff members chose a country to represent; usually the country of their birth or ancestry or because they have some other connection to it. Participants donated money in exchange for a passport and a map to help them travel to all of the thirteen exotic locations. At each stop, the travelers got a stamp in their passport and a chance to enjoy the dishes, desserts and drinks, as well as the atmosphere from the different countries. Participants also received additional bonuses, in the form of golden stars hidden along the route that could be redeemed for Sagicor Treasures.

BT WASHINGTON HOLIDAY PARTY - SAGICOR LIFE INSURANCE COMPANY - USA

Sagicor's annual holiday party for the 3rd grade class of B T Washington Elementary took place in December at Tampa's Lowry Park Zoo. Staff members volunteered to help the teachers keep the children organised. They were treated to lunch, saw the animals and enjoyed rides at the Zoo. At the end of the event, every child was given a holiday bag filled with presents. This year the Tampa Bay Rays donated items to be included in the bags.

99.5 QYK GUITAR PULL - SAGICOR LIFE INSURANCE COMPANY - USA

Two of Sagicor's Tampa Career Agents participated in the 2nd Annual 99.5 QYK Guitar Pull in November. The event featured up-and-coming country singers, who took turns playing their acoustic guitars and singing their hits. The sold-out Guitar Pull was held at the Mahaffey Theater in downtown St Petersburg, and included country stars Gary Allan, Tyler Farr, Josh Turner, Chris Lane, Chase Bryant and Kane Brown. This is the second year that Sagicor sponsored the Guitar Pull, by providing free parking to those in attendance. Before the show and at intermission, the Career Agents manned a Sagicor booth, where guests could register for a chance to win a guitar. At the event, reality TV celebrity and proprietor of Gas Monkey Garage, Richard Rawlings, stopped by to register for the guitar, as did hundreds of other guests, who also requested additional information on Sagicor.

SPORT

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NATIONAL SPORTS COUNCIL SUMMER SPORTS CAMP -
SAGICOR LIFE INC - BARBADOS

Sagicor Life Inc continued its strong support of sport and youth development through sponsorship of the annual National Sports Council Summer Camp. In addition to sporting activities, the much-needed funding was used to coordinate workshops which shared helpful “life” tips and provided guidance for the campers. In 2016, Sagicor youth leader-in-training and Captain of the West Indies Cricket Team, Jason Holder, addressed the cricket group, while nutritionist Kimberley Rudder, spoke on nutrition and wellness.

BARBADOS BODY BUILDING CAC CHAMPIONSHIPS -
SAGICOR GENERAL INSURANCE INC - BARBADOS

Sagicor General Insurance sponsored 3 athletes of the 24-member Barbados contingent who attended the 2016 IFBB /CAC Bodybuilding and Fitness Championships in the Dominican Republic. At the sponsorship presentation, first-timer Lynette Thompson, a Body Fitness competitor; Melissa Burrowes, defending champion in Bikini Fitness, and Marlon Dottin, the 2014 CAC champion in the Men’s Physique Competition, spoke about their future ambitions and aspirations, and shared their excitement to be competing in the region’s premier amateur Bodybuilding Championships. The team left Barbados for the 44th Central American and Caribbean Championships (CAC) with high hopes of again capturing the overall team title, one that Barbados has won on thirty-one occasions.

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1. *Captain of the West Indies Cricket Team, Jason Holder, with the cricket group at the National Sports Council Summer Camp.*
2. *Nutritionist, Kimberley Rudder, engaging summer camp participants on the benefits of good nutrition and wellness.*
3. *(l to r) Body Builders Marlon Dottin, Melissa Burrowes and Lynette Thompson at the sponsorship presentation for the CAC Championships with Sagicor General Insurance Inc’s Roger Spencer*

SAGICOR GENERAL INSURANCE T20 - SAGICOR GENERAL INSURANCE INC - BARBADOS

Sagicor General Insurance hosted the 2016 SGI T20 Competition. The cricket tournament, organised by the Barbados Cricket Association, was overhauled in order to generate greater interest in the Twenty/20 form of the game. In its new structure, the tournament was divided into two phases, where the island's ten Division 1 teams were split into two zones of five, and played each other in a round-robin format, with the top two zone winners advancing to the second phase of the tournament, where they joined the ten Elite division teams in the Super 12 phase. This new format is a step towards generating renewed interest in the game, and showing young men and women that T20 is the way that cricket has been evolving for the last few years. Following a commanding 66-run victory over the Barbados Defence Force Sports Programme (BDFSP), the students from the Cave Hill Campus of the University of the West Indies celebrated their capture of the Sagicor General Insurance T20 cricket championship. Sagicor UWI, who previously won Sagicor T20 cups in 2012, 2013 and 2015, collected the champion's cheque of BBD $20 000, while BDFSP took the runners-up cash prize of BBD $10 000. All players and officials were also presented with commemorative medals.

SAGICOR JUNIOR TENNIS TOURNAMENT - SAGICOR LIFE INC - TRINIDAD AND TOBAGO

Sagicor hosted the 14th edition of the Sagicor Junior Tennis Tournament at the Eddie Taylor Public Courts, Nelson Mandela Park, where 120 contenders vied for top trophies and cash prizes. An integral part of the event is the Red Star Under-10 Tournament, an introductory beginners' Tournament, where participants' siblings were given the opportunity to show their skill.

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.4. Sagicor UWI cricket team enjoying a victorious moment after winning the Sagicor General Insurance T20 tournament

5. Doubles players taking instructions from a match official on the terms of play at the Sagicor Junior Tennis Tournament.

ST ANDREWS INVITATIONAL GOLF TOURNAMENT-
SAGICOR LIFE INC – TRINIDAD AND TOBAGO

The Sagicor St Andrews Invitational Golf Tournament, now in its 16th year, took place in April with over 100 golfers taking to the greens. Former West Indies cricketer, Brian Lara, and football icon, Russell Latapy, both took part in the Championship flight, as they had achieved the handicap necessary to participate. Funds were donated to the Friends of the Blood Bank Association.

JTA/SAGICOR NATIONAL ATHLETIC CHAMPIONSHIPS -
SAGICOR GROUP JAMAICA LIMITED - JAMAICA

The Sagicor Foundation once again partnered with the Jamaica Teachers' Association (JTA) to stage the 33rd JTA/Sagicor National Athletic Championships, from May 20 to 21, 2016 at the National Stadium. Approximately JAD $6 million was donated towards the staging of the meet, enabling student athletes an opportunity to put their athletic talent on display. Additionally, Sagicor has upheld its charitable tradition over the years by offering two five-year scholarships at the secondary level to the champion boy and girl of the meet. Over 1,200 primary school athletes participated in 52 track and field events, with the parish of St Andrew emerging the winner.

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6. *A St Andrews Golf Club committee member demonstrates the correct way to hold a golf club during the "Kids on the Greens" coaching session.*
7. *The Sagicor High Five Station at the Rays Fan Fest, St Petersburg, Florida.*
8. *Sagicor presenting the University of South Florida's Homecoming Game.*

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RAYS FAN FEST - SAGICOR LIFE INSURANCE COMPANY - USA

The 20th annual Rays Fan Fest was held at Tropicana Field, located in downtown St Petersburg, Florida. Representatives from SLIC managed the Sagicor-branded event tent, distributing Sagicor branded baseball figurines. Fans visiting the tent could also register for a chance to win official Tampa Bay Rays' baseball memorabilia, including an Evan Longoria autographed bat, a Chris Archer autographed baseball and a Desmond Jennings autographed jersey.

The Rays Fan Fest signals the start of Spring Training and the pending kick off to the season opener. The free event offers Rays' fans the opportunity to mingle with players, coaches, alumni and broadcasters. There was also a Rays Charity Yard Sale that featured some unique, game-used memorabilia, dating back to the club's inaugural season. All proceeds from the yard sale were donated to the Rays' Baseball Foundation.

SLIC sponsored the Coaches Clinic, "Run the Bases", and the "Kid's High Five Station", where children got the chance to "high five" a Rays Player after he crossed home plate. Attendance was close to 20,000 at that event.

RAYS MAJOR LEAGUE BASEBALL - SAGICOR LIFE INSURANCE COMPANY - USA

The Sagicor-sponsored Tampa Bay Rays was one of the six teams to kick off the 2016 Major League Baseball Season in April, with a nationally televised game. The Sagicor brand was well represented by the new format of the outfield wall signage. Even though they lost their first game, the Rays and the Toronto Blue Jays tied in the opening series at two games each.

SAGICOR PRESENTS USF FOOTBALL GAME - SAGICOR LIFE INSURANCE COMPANY - USA

Sagicor Life Insurance Company was the game presenter for the University of South Florida's (USF) Homecoming Game. Sagicor received extraordinary recognition as game presenter, since its logo and branding appeared throughout the stadium on all of the various digital displays during the entire game.

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9. *Runners at the beginning of the Sagicor Lightning Bolt Run.*

LIGHTNING BOLT RUN - SAGICOR LIFE INSURANCE COMPANY - USA

Sagicor Life Insurance Company was proud to sponsor and participate in the Tampa Bay Lightning's 15th Annual Bolt Run, held in March, in downtown Tampa. Approximately 3,000 runners came out for the 5k, 5 Mile and 1 Mile Family Fun Runs. Proceeds from the race went to the Lightning Foundation and to local charities. Runners enjoyed a post-race party on the arena's plaza, and received tickets to the Lightning's game that night. The Tampa Bay Lightning advanced to rounds two and three of the National Hockey League's 2016 Stanley Cup Playoffs. The Lightning team has consistently played to sold-out crowds throughout the season, following their participation in the 2015 Stanley Cup Finals.

HUMAN CAPITAL REPORT

Doing better tomorrow starts with being better today. That is why we are always changing and evolving to continue to provide the best quality service we can. That is our most important purpose, and why we strive for excellence every day.


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red-yellow
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HUMAN CAPITAL REPORT

BUILDING LEADERSHIP CAPACITY

Succession Planning

The Human Resources Committee of the Board of Directors continued its oversight of the Succession Planning process for management. A select committee interviewed sixty employees of Sagicor Financial Corporation Limited (SFCL); Sagicor Life Inc (SLI); Sagicor Group Jamaica (SGJ); Sagicor Life Insurance Company Inc (SLIC), and Sagicor General Insurance Inc (SGI), and completed detailed position profiles that included key responsibilities, skills, experiences, attributes, and competencies. The Committee also identified potential successor candidates for key roles. The next phase of the process will see the completion of assessments of individual leadership and management capabilities to identify potential areas for further development in 2017.

Regional and International Transfers

Sagicor Life (Eastern Caribbean) Inc (SLI EC) strengthened its management with certain key appointments and transfers to support the establishment of the new business entity. Trevor Vigo was appointed to the post of Chief Operating Officer. Eon Phillips and Shaunita Jordan were both transferred from the SLI Barbados operations to the post of Assistant Vice President, Administration, and the post of Legal Counsel respectively. Brenton Hilaire was appointed to the post of Agency Manager in Dominica. Melinda McClean, from our Barbados office, was appointed to the post of Quality Assurance Analyst with SLIC in Scottsdale, Arizona.

ENGAGING EMPLOYEES

Annual Kick-Off Meetings

At the beginning of 2016, Kick-Off - or Blast-Off - meetings were hosted throughout the Sagicor Group of companies. The meetings were scheduled in the new year, when there was a high level of optimism and a sense of a fresh start across the Group. The meetings allowed staff and management to celebrate and share accomplishments for the past year, as well as reinforce Sagicor's core values, company vision and mission. They also encouraged greater focus on goals and objectives, and on the key initiatives to be undertaken for the coming year. In an effort to make the meetings as

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engaging as possible, a motivational component was added, introducing world-renowned motivational speakers, or life coaches, who further drove the overall company messages and objectives.

1. *Members of the Sagicor team chanting "Sagicor Strong" during one of the many moving presentations at the 2016 Sagicor Blast Off held at the Jamaica Conference Centre.*
2. *(L-R) Richard Byles, President & CEO, Sagicor Group Jamaica greets motivational speaker, Simon T. Bailey who delivered a moving speech to Sagicor team members at Sagicor Blast Off 2016.*
3. *Staff at the Trinidad and Tobago Blast-Off meetings.*
4. *World-renowned speaker, Lisa Nichols, with staff after the Sagicor Life Inc annual Kick-Off meeting in Barbados.*

PEOPLE DEVELOPMENT

SLI completed the final phase of training provided under the Competency Based Training Fund (an Inter-American Development Bank project) with the Government of Barbados. Employees who successfully complete the programme will be awarded internationally-recognised National Vocational Qualification (NVQ) certification. The final assessments are scheduled to be completed by the end of Q2 in 2017.

In SLI Trinidad and Tobago, six hundred and fifteen man-hours were invested in the training of administrative staff and Sagicor Advisors. The New Advisor suite of programmes focused on strengthening the onboarding and development of key skills for new advisors. The Management suite included critical thinking, decision making and finance for non-financial managers. The 'Priority You' customer care project launched with a code of practice and customer care charter, and provided specialised training for supervisors as one of the pillars of the initiative.

Sagicor Life (Eastern Caribbean) Inc provided a series of workshops on employee benefits administration, the Sagicor product suite, regulatory compliance and business continuity management.

Sagicor Group Jamaica rolled out mandatory training aligned to the organisation's strategic objectives for:

- Product Knowledge
- Exceptional Client Service
- Anti-Money Laundering (AML)/Counter Financing of Terrorism (CFT)
- Information Security

Sagicor Life Insurance Company provided leadership development training during 2016. Leadership training videos were incorporated into the monthly managers' meetings with a view to enhancing their current skills in the areas of communication, handling troubled employees, accountability and performance management.

INDUSTRY-SPECIFIC TRAINING

All new employees to the Sagicor Group companies were required to complete mandatory programmes provided by LOMA, as part of the induction process, and to provide a solid understanding of insurance products. Typical designations included the Associate Customer Service (ACS); Associate Life Management (ALMI); Associate Reinsurance Administration (ARA); Associate Insurance Regulatory Compliance (AIRC), and the rigorous and coveted Fellow of the Life Management Institute (FLMI). Changes to the regulatory environment and robust internal control procedures require certification in Anti Money Laundering (ACAMS), and The Certified Internal Auditor (CIA) designations.

Notable professional achievements in 2016 included:

Sagicor Life Inc - Barbados

- Alison Clarke - Fellow, Life Management Institute (FLMI);
- Nikita Hazelwood - Certified Equity Professional (CEP);
- Kim Jones - Certified Business Continuity Professional (CBCP);
- Sabrina Murray - Certified Internal Auditor (CIA);
- Nicholas Neckles - Chartered Financial Analyst (CFA);
- Nicole Patrick - Certified Anti-Money Laundering Specialist (ACAMS), and
- Kaywanah Springer-Martin - a Masters of Laws in International Finance and Banking Law.

Sagicor Life (Eastern Caribbean) Inc

- Marisia James - Fellow, Life Management Institute (FLMI);
- Beverley Snagg - Fellow, Life Management Institute (FLMI);
- Abigail Thomas - Fellow, Life Management Institute (FLMI), and
- Valda Victorine - Faustine - Fellow, Life Management Institute (FLMI).

Sagicor Life Inc - Trinidad and Tobago

- Adele Adams-Shand - Certified Internal Auditor (CIA), and
- Nathalia Nasib-Cletus – Certified Anti-Money Laundering Specialist (ACAMS);
- Kareem Prescod - Certificate in Academy Life Underwriting (AALU)
- Marissa Rudal - Fellow, Life Management Institute (FLMI).

Sagicor Group Jamaica

- Arlene Jarret - Financial Services Certified Professional (FSCP);
- Sophia Morris - Financial Services Certified Professional (FSCP);
- Derrick Lewis - Financial Services Certified Professional (FSCP), and
- Shelley Ebanks-McGregor - A Doctorate in Organizational Leadership and Human Resource Management.

Regulatory and Corporate Compliance

The Sagicor Group maintains a rigorous programme of mandatory annual training and testing of employees on Foreign Account Tax Compliance Act (FATCA) and Anti-Money Laundering (AML) via an online platform.

Safety and health committee meetings, fire drills, and a review of business continuity plans were facilitated during the past year.

Compliance with the Company's Code of Business Conduct and Ethics was supported by an annual disclosure certification process and mandatory online training.

Two new Information Security courses were launched in 2016 to strengthen the company's Information Technology Policy on information security.

NATIONAL AWARDS

Richard Byles, President and CEO of Sagicor Group Jamaica, was honoured by the University College of the Caribbean (UCC) for his contributions to the Jamaican business community. Mr Byles was conferred with the Doctor of Business degree in July 2016, a degree that is awarded to individuals who have made significant contributions in a field or activity that merits special recognition.

CELEBRATING OUR TOP PERFORMERS

The Employee Rewards and Recognition Programmes culminate with an Awards function, celebrating and recognising the Group's top performers The prestigious Sagicorian Award is presented in two categories, and recognises the most outstanding administrative employee and the most outstanding manager in the Sagicor Group of Companies.

Tricia de Gannes - The Sagicorian – Group Manager of the Year

As Manager of the Advisor Relations Department in Trinidad and Tobago, Tricia made a significant impact on the company's operations in 2015, when she implemented and refined measures to monitor and drive sales performance, facilitated the outstanding lapse policies project, and assisted in the development of the Trainee Manager Programme. Tricia is actively involved in community service, and through her church, has played a key role in its annual initiative to assist families in Guyana's interior.

Andre Latchman - The Sagicorian - Employee of the Year

Andre Latchman is an Assistant Manager, Learning and Development, at Sagicor Life Jamaica, who distinguished himself as a Client Experience Specialist, Trainer par excellence and team player. In 2015, he designed a new Client Experience Programme for Sagicor Group Jamaica. He has been heavily involved in several civic, social, and service events, including a Beach Clean-Up campaign, and an initiative to provide relief and assistance to the poor.

Letisha Brathwaite - Group Contributor of the Year

Letisha Brathwaite is an Underwriter at Sagicor General Insurance Inc in Port of Spain, Trinidad and Tobago. During 2015, she made an outstanding contribution to Sagicor General's new business growth, resulting in a 92% increase in premium income in 2015.

David Lynch – Group Pioneer of the Year

David Lynch is a Supervisor in the Finance Department of Sagicor Life Inc in Barbados. He was awarded Pioneer of the Year at Sagicor Life Inc, and the Sagicor Group Pioneer of the Year at the overall Group level. David built a new general ledger infrastructure to facilitate the amalgamation of Sagicor Capital Life Inc and Sagicor Life Inc. This complex project involved migrating over 429,000 transactions into seven business units, for eighteen territories, in eight different currencies.

Janice Mullin-Sargeant – Most Outstanding Sagicor Advisor – Sagicor Life Inc - Barbados

Janice Mullin Sargeant received the President's Trophy for the most outstanding performance in Sales for the fourth consecutive year. Mrs Mullin-Sargeant also took home four other awards for outstanding personal performance, namely The Honour Club Diamond, The 100 Club, the Anthony Kennedy, and The D. W. Allan Production Awards.

Jennifer Tross- Clarke -Most Outstanding Sagicor Advisor – Sagicor Life (Eastern Caribbean) Inc

SLI EC celebrated the achievements of Mrs Jennifer Tross-Clarke at the Company's St Kitts office. Mrs Tross-Clarke, who joined the Sagicor Group in 2007, qualified for the Sagicor Honour Club Awards for seven years. Her accomplishments include:

- Leading Advisor – St Kitts and Nevis – 2010, 2014, 2015 and 2016;
- Employee of the Month Award – 8 occasions in 2015 and 9 in 2016;
- Leading advisor for case count Eastern Caribbean Region - 2015 and 2016;
- 100 club member Eastern Caribbean – 2015 and 2016;
- Leading Advisor, Net Annualized Commissions – 2016, and
- President's Trophy Winner for the Eastern Caribbean – 2015.

Marlon De Leon – Most Outstanding Sagicor Advisor – Sagicor Life Inc – Trinidad and Tobago

Marlon De Leon joined SLI TT in 2009. He has been the recipient of several production and persistency awards, including the Centurion, Leaders' Circle and Top Annual Premium Income (API) awards in 2014. He is a former national sprinter who raced his way to the finish line, when he copped the prestigious Advisor of the Year award, having settled 156 applications with an API of TT $1.2M. He was also the leading Sagicor Advisor in three of the five Leading Producer awards for Applications, API, and Net Annualised Commissions (NAC) in 2015.

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5. Joanna Biscette, Human Resource Manager (second from left), and Leathon Khan, General Manager, St Lucia (back), with (l to r) Joseph Abraham, Winsbert Marthe, Jennifer Ephraim, and Minerva Charles.

Loeri Robinson - Most Outstanding Sagicor Advisor - Sagicor Life Jamaica

Loeri Robinson qualified for the Million Dollar Round Table (MDRT) for the eighth consecutive year, with the last five years as a Court of the Table Qualifier. As the top female Sagicor Advisor since 2012, and the leading overall advisor within Sagicor for the past four years, she is the Chairman of the Company's Production Club, and President of the Executive Club. In 2016, she retained her record for Most Net Annualised Commissions, one which she has held since 2010. Ms Robinson is currently the record holder for the Most Net API.

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6. (l to r) Sherman Casey, Eural Baptiste, Jennifer Tross-Clarke, Marvin Herbert, Ogden Browne and Stanley Browne.

7. (l to r) Brenton Hilaire, Cheryl Rolle, Solange Magloire and Geoffrey Graham.

EMPLOYEE WELLNESS

Increasing awareness of the incidents of chronic lifestyle illness, led to a number of initiatives designed to encourage employees to engage in learning, and other, activities to promote healthier lifestyles. These programmes are varied and adopt several different themes, such as lunch time learning sessions on diet and exercise; or the many organised activities and competitions that have significantly enhanced employee engagement, and encouraged the monitoring of critical indicators, and the adoption of important lifestyle changes.

IMPROVING SERVICES AND TOOLS

Workforce

Workforce is a web based application, providing the company with the facility to track and measure time worked, and to record time off. The system is important for compliance with labour legislation and provides:

- an updated interface with more desktop applications;
- mobile app login;
- employee photos and hired date information;
- the display of key performance indicator charts showing snapshots of bank hours and utilisation, overtime, and absence taken over a period of time for each employee;
- employee access to snapshots of their vacation balances, among other things.

This platform will be upgraded for current users, and rolled out for use in Sagicor Life (Eastern Caribbean) Inc in 2017.

ADP Workforce Now

Sagicor Life Insurance Company will be upgrading the ADP Payroll platform to ADP Workforce Now, adding the new modules of Essential HR and Essential Benefits. The new modules came with beneficial self-service tools for management reporting and related administration, and they assist in improving the open enrollment process and access to benefits and payroll. Employees will soon have access to all of their benefits information as well as payroll information on one site.

Work Place Flexibility

Sagicor Life Insurance Company initiated a Workplace Flexibility project in Q3 of 2016, with twenty-one employees in eight departments participating in the programme. The success of the programme will likely encourage similar ones, where feasible, in other areas of the Sagicor Group, as modern workplace arrangements are gradually embraced.

Recognising changes in the working environment, HR Departments across the Group conducted reviews of several policies and practices, including the onboarding process, with a view to strengthening elements of the talent management process.

EMPLOYEE VOLUNTEERISM

Employee volunteerism across the Group created a unique "Sagicor World" where a diverse mix of cultures came together with a number of different approaches to address community issues.

Fundraising Events

Annual events across the Sagicor group of companies filled a range of interests and appetites for fun and adventure. Super bowl celebrations, corn toss tournaments, mini hoop shoot outs, Cinco de Mayo challenges, ice cream socials, Independence Day celebrations, Happy Halloween, zoo trips, Holiday parties were all highlighted in the 2016 calendar in the USA.

Internal Staff Events

In Jamaica, the 2016 Olympic games in Rio, dominated by the international Jamaican sports personality, Usain Bolt, clearly influenced the SGJ's Sagicor Olympics 2016. This event culminated in an exciting celebration at the National Stadium Complex in Kingston, Jamaica.

In December, staff participated in the "To Da Beat" dance competition, which saw a team from the Group Client Contact Centre emerge as the winners. "The CC Hot Steppaz" danced their way to the number one spot and received their award and prize cheque of JMD $50,000.00.

The Stars week, with a Corporate Church Service, Gospel Concert, and other performances at "Performing with the Stars", was also a major event on the SGJ Corporate Calendar.

In celebration of Barbados' 50th Anniversary of Independence, the Sagicor Sports Club in Barbados, in conjunction with the Human Resources Department, hosted the keenly contested decoration competition. Staff were invited to decorate their departments following the theme of independence. The competition resulted in a victory to Sagicor Asset Management's department, followed by the Pensions Department, while the Finance and Group Departments tied for third place.

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8. *"The CC Hot Steppaz" represented by (l to r) Orette Beckford; Lori-Ann Gordon; Justin Fletcher; Jody-Ann Hayden; Rory Dinham and Peta-Gae Soltau, accepting their award and prize cheque from Mr. Karl Williams, Senior Vice President, Group Human Resources, Sagicor Group Jamaica Limited.*
9. *Members of the Sagicor Chorale lead the crowd into worship at the 2016 STARS Week Annual Gospel Concert at The Emancipation Park in Kingston Jamaica.*
10 *Sagicor Asset Management reception area decorated in Barbados Independence colours.*

OPERATING & FINANCIAL REVIEW

We are always looking to the future, and as we continue to grow stronger and wiser, we want our customers to do the same. By always ensuring that we are doing our best, we make sure everyone else does too.

OPERATING AND FINANCIAL REVIEW

OVERVIEW

The Sagicor Group is a leading provider of insurance products and related services in the Caribbean region. It also provides insurance products in the United States of America (USA) and banking services in Jamaica.

The main business lines are life, critical illness and health insurance, annuities and pension management, asset management, together with property and casualty insurance. The customer base is predominately individuals but certain lines are marketed to employers to provide employee benefits, and to commercial enterprises to provide property and casualty coverage.

EXTERNAL ENVIRONMENT

The external environment impacts the operating and financial performance of the Sagicor Group.

Economic factors such as economic growth, employment levels and disposable income impact the levels of both new business and renewal of life insurance and annuity products offered by the Group. Interest rates and investment yields affect the level of savings and investment returns offered for life insurance, annuities and banking products, and ultimately the profit margins that the Group can generate from these product lines.

The health and mortality of insured customers and beneficiaries impact the levels of death, disability and health benefits the Group is required to meet.

Property and casualty insurance products offer policyholders financial protection against accidents, loss or damage to property, and liability to third parties.

The Group's operating units are all regulated by insurance, banking and securities regulations. The Group therefore has to meet statutory and reporting requirements to governments and government agencies.

International Economic Environment

Global growth remained anemic for 2016 as key developed economies experienced modest growth during the year. In the USA, GDP growth of 1.6% was estimated for 2016 while the economies of Europe and Japan experienced incremental growth of 1.7% and 1.2%, respectively. The USA continued to tighten monetary policy as short term interest rates were increased in December to the range 0.50% to 0.75%, while Europe and Japan prolonged their accommodative fiscal and monetary policies throughout 2016. Emerging markets generally advanced during much of 2016 but declined during the fourth quarter following Donald Trump's presidential victory as investors were concerned that the trade policies of the new administration would negatively impact developing economies. The Chinese economy advanced 6.7% year-on-year. In light of slower than expected growth in emerging markets such as China, Brazil and the Middle East and the uncertainty associated with the future of the European Union, the International Monetary Fund estimated global growth of 3.1% for 2016.

In the USA, economic indicators were positive. Consumer spending increased during the fourth quarter of 2016 while the unemployment rate continued to trend down to 4.7% in December. The US dollar strengthened against the currencies of all major trading partners during the year which led to a decline in exports, while the Federal Reserve raised the Fed funds rate by 25 basis points in December 2016. Inflation trended towards the target level of 2.0% and ended the year at 2.1%.

The Eurozone's economy demonstrated remarkable resilience to geopolitical uncertainties in 2016 and defied earlier expectations of a slower recovery. GDP advanced by 1.7% for 2016. The unemployment level in 2016 was 9.6% which is lower than that in 2015. The European Central Bank (ECB) further decreased the already negative interest rates to an unprecedentedly low level of negative 0.4%.

Regional Economic Environment

Regionally, economic growth across the majority of Caribbean countries trended positively with the exception of Trinidad and Tobago where the economy contracted. However, the protracted economic challenges of burdensome fiscal deficits, increasing debt levels as well as dwindling foreign direct investment remained hindrances to the economic stability of the region.

The Barbados economy showed moderate improvement during 2016 with estimated GDP growth of 1.6% buoyed by expansion in key sectors such as tourism and construction as well as business and other services. Unemployment trended downward and was estimated at 10.0% for the year ended September 2016 while inflation remained subdued and was reported at negative 0.9%. However, major headwinds remained persistent and continued to threaten the country's economic stability. International reserves remained worrisomely low and decreased to $0.7 billion which represented 10.3 weeks of import cover. The fiscal deficit for the fiscal year 2016/2017 was projected to have widened to 8.1% of GDP.

The country's debt burden remained high with the gross government debt, including borrowings from Central Bank reported at 108% of GDP. Additionally, the proportion of foreign currency debt was 31% of GDP and the cost of servicing that debt was 8% of earnings from goods and services.

During 2016, Barbados' sovereign rating was downgraded to B- and Caa1 by Standard and Poor's and Moody's rating agency, respectively. During the first quarter of 2017, Barbados' sovereign rating remained under pressure and was further downgraded to Caa3 and CCC+ by Moody's rating agency and Standard and Poor's respectively.

Trinidad and Tobago's economy was estimated to have contracted by 2.9% for 2016 by the Central Statistical Office. During the year, the price of oil remained under pressure as evidenced by lower real economic activity in the Petroleum sector which contracted by 9.6%. This led to the downward revision in the budgeted average oil price to the unprecedented low level of US$35 per barrel of crude. The performance of the non-petroleum sector remained constrained and contracted by 1.8% for the year. During 2016, Standard and Poor's lowered the sovereign credit rating for Trinidad and Tobago to A- with a negative outlook. In terms of the key domestic benchmark interest rate and currency, the Repo rate in Trinidad and Tobago remained unchanged since December 2015 and stood at 4.75% as at December 31 2016 while the Trinidadian dollar depreciated by an annualised 4.7% relative to the U.S dollar.

The real GDP growth for Jamaica was estimated at 1.4% for the year 2016. The positive growth in the economy was primarily due to improvements in both net external demand and domestic demand. During 2016, Jamaica's credit rating was upgraded to B3 with a stable outlook by Moody's rating agency. Jamaica continues to make significant efforts to reduce its debt to GDP ratio, improve its current account balance and increase its foreign exchange reserve levels. The economic expansion in Jamaica did not translate to gains in the currency market as the Jamaican dollar depreciated by an annualised rate of 6.7% relative to the U.S dollar.

Regulation

Insurance Regulation

The Private Pension Act, Act #4 of 2016 and the Private Pension Regulations, Statutory Instrument #2 of 2017 of Belize came into effect on 1st January 2017. The Act provides for the registration and supervision of private pension plans to offer better protection to members and pensioners of such plans. The Act applies to all pension plans that are established by an employer for persons employed in Belize or in respect of which an employer is making contribution for his or her employees. The Act excludes certain statutory entities, pension plans for government officials and certain public officers and social security pensioners.

The following revisions to insurance legislation have also been initiated and are contemplated in the near future:

- A new Insurance Act together with regulations to replace the existing legislation in Trinidad has been delayed until 2017.
- A Draft Harmonised Insurance Act in the Eastern Caribbean to repeal existing legislation in the eight EC territories is pending further industry consultation.
- In January 2016, the Barbados Financial Services Commission (FSC) issued a circular reminding registered insurance companies and brokers of the requirements of its Guideline No. 8 of

March 2015, concerning the necessity and minimum content of insurance broker agreements and the timely remittance by brokers of premiums received. The FSC also issued a Working Paper in January 2016 on The Purpose of Supervisory Colleges for Insurance Groups and an Introductory Paper on Risk Based Capital for Domestic Insurance Companies in June 2016. In October 2016, the Commission advised that the introduction of risk based capital requirements was not imminent and that a phased approach was being considered.

- In the USA the Department of Labour (DOL) issued its final rules regarding the establishment of a "fiduciary" standard for financial institutions and their agents who participate in the sale of financial products, including any type of annuity, for the purpose of establishing an IRA (or a tax qualified retirement plan). The rules are scheduled to become applicable on April 10, 2017 but the DOL is considering a minimum 60-day delay so that it can further assess the impact of the rules and whether any changes in its requirements are necessary.

GROUP RESULTS

Revenues from continuing operations in 2016 reached US $1,134 million and were US $30 million higher than the prior year amount of US $1,104 million. Revenues were impacted by lower net premium income of US $10 million due to lower annuity business written in our USA segment, together with the impact of the depreciation of the Jamaica Dollar to the US dollar on translated premiums. This was off offset by higher investment income of US $31 million. Investment income benefited from significant realised gains. Fees and other revenue also improved by US $8 million during the year.

Insurance and other benefits closed the year at a total of US $561 million compared to a total of US $553 million in 2015 an increase of US $8 million as the company experienced higher claims paid on its health insurance line of business.

Expenses and taxes closed the year at US $466 million in 2016 compared to a total of US $453 million in 2015. Expenses and taxes were impacted by higher income taxes experienced in 2016 compared to 2015 largely in the Jamaica Segment, where taxable income was higher in 2016 when compared to 2015 due to strong business growth and significant realised gains on financial assets.

Total comprehensive income from continuing operations was US $94 million in 2016 compared to US $21 million in 2015.

CONSOLIDATED INCOME [1] - $ millions	2016	2015
Revenue	1,134	1,104
Benefits	(561)	(553)
Expenses & taxes	(466)	(453)
Net income	**107**	**98**
COMPREHENSIVE INCOME	**2016**	**2015**
Other comprehensive (loss)	(13)	(77)
Total comprehensive income	**94**	**21**
[1] *from continuing operations*		

Other comprehensive income was a loss of US $13 million compared to a loss of US $77 million in 2015. The main contributor to the improvement in comprehensive income was an underlying improvement in net gains on financial assets of US $ 142 million. Included in comprehensive income were net gains for the year on financial assets of US $39 million resulting from mark-to-market gains on financial assets associated with our international portfolios.

The Jamaica dollar declined against the US dollar by 6.7%, while the Trinidad dollar declined against the US dollar by 4.7% resulting in retranslation losses of US $28 million.

In December 2012, the Board and Management decided to dispose of Sagicor Europe, which owns the Sagicor at Lloyd's operations. In accordance with International Financial Reporting Standards, the results of Sagicor Europe have been separated from the Group's continuing operations and presented as a discontinued operation. Sagicor Europe was sold on December 23, 2013. The results of the Group's continuing operations are further analysed under the next several sub-headings. The results of the discontinued operation are discussed and analysed in the Operating Segments section.

Shareholder Returns

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

For the 2016 financial year US $60 million of net income from continuing operations was allocated to the holders of common shares of Sagicor Financial Corporation Limited, which corresponded to earnings per share of US 19.5 cents. The comparative amounts for 2015 were US $56 million of net income and earnings per share of US 18.2 cents. The respective annual returns on shareholders' equity were 12.3% for 2016 and 11.7% for 2015.

Dividends declared to common shareholders in respect of 2016 totalled US $14 million and represented US 4.5 cents per share. Dividends of US 4 cents per share were declared for 2015.

COMMON SHAREHOLDER RETURNS [1]	2016	2015
Net income - $ millions	60	56
Dividends - $ millions	14	12
Earnings per share - cents	19.5	18.2
Dividends per share - cents	4.5	4.0
Return on equity - %	12.3	11.7

[1] *from continuing operations except for dividends.*

Revenue

The sources of the Group's revenue are insurance premiums from customers, investment income, fee income and other revenues. The following table summarises the main items of revenue.

REVENUE - $ millions	2016	2015
Net insurance premiums:		
Life and annuity	496	506
Health	150	150
Property & casualty	18	18
	664	674
Net investment income	353	322
Fees and other revenues	117	109
Gain arising on acquisition	-	(1)
	1,134	**1,104**

Premium revenue from life insurance and annuity was US $496 million and represented 75% of total premium revenue. The comparative amounts for 2015 were US $506 million and 75%. The Group markets a range of life and annuity products, most of which are long-term contracts for which a monthly premium is paid by the customer.

For some long-term contracts, however, a single premium (usually a lump sum) is paid at the beginning of the contract. There are also annual renewable contracts which are marketed largely to employers to provide coverage to their employees on a group basis.

Premium revenue was lower by US $10 million when compared to the prior year due to lower annuity business written in our USA segment, together with the impact of the depreciation of the Jamaica Dollar to the US dollar on translated premiums.

The Group also markets annual renewable health insurance contracts to employers and associations. These provide benefits against medical costs incurred by insured persons. Premium revenue from health insurance totalled US $150 million, and stood at the same level as the prior year.

The Group also markets property and casualty insurance contracts in the Caribbean region. These are marketed to individuals and commercial enterprises. Premium revenue from these classes of insurance totalled US $18 million and was in line with the prior year comparative amount.

Income is generated from the investments made by the Group. Net investment income closed the year at US$ 353 million compared to US$ 322 million in 2015 an improvement of US $31 million. Investment income benefited from significant realized gains. The annual yields achieved on financial investments were as follows.

INTEREST YIELDS	2016	2015
Debt securities	6.2%	6.4%
Mortgage loans	6.1%	6.5%
Policy loans	6.9%	7.3%
Finance loans & finance leases	12.6%	12.7%
Securities purchased for resale	9.2%	2.4%
Deposits	1.0%	0.9%

Income from fees and other revenues totalled US $117 million compared to US $109 million in the prior year, an improvement of US $8 million.

Benefits

The table below summarises the expense incurred by the Group in providing benefits.

BENEFITS - $ millions	2016	2015
Net insurance benefits:		
Life and annuity	376	373
Health	116	111
Property and casualty	8	10
	500	494
Interest expense	61	59
	561	553

Insurance benefits comprise amounts payable to policyholders and beneficiaries in accordance with the contract terms of insurance policies issued or assumed by the Group. Interest payable to investment contract-holders or financial institutions which have placed funds with the Group are treated as interest benefits. Current life insurance and annuity benefits are recognised on the notification of death, disability or critical illness of an insured person; on the maturity or surrender of a policy; on the declaration of a policy bonus or dividend; or an annuity payment date. Future life insurance and annuity benefits are recognised in the financial statements on in-force long-term insurance contracts based on reserving methodologies adopted by the Group in accordance with established Canadian accepted actuarial standards.

Life and annuity benefits totalled US $376 million in 2016, of which US $331 million related to current benefits and US $45 million related to future benefits. The corresponding amounts for 2015 were a total of

US $373 million, of which US $346 million were for current benefits and US $27 million were in respect of future benefits.

The amount of future benefits recorded in the statement of income is a function of the policy contracts in-force and of the appropriate actuarial assumptions which are made to value them.

Health, property and casualty insurance benefits are recognised either or on the notification or settlement (for short notification periods) of a claim from policyholders. In addition, incurred but not reported (IBNR) benefits are recognised in accordance with established or expected trends for claims incurred.

Total health insurance benefits were US $116 million representing an overall claims to premium ratio of 77%. The comparative 2015 amounts were US $111 million and an overall claims to premium ratio of 74%.

Property and casualty claims amounted to US $8 million in 2016, a reduction of US $2 million from the 2015 comparative result.

The interest returns the Group has provided to investment contract-holders and financial institutions which have advanced funds are summarised in the following table.

INTEREST YIELDS	2016	2015
Investment contracts	6.1%	5.2%
Other funding instruments	1.9%	2.2%
Customer deposits	2.1%	1.9%
Securities sold for repurchase	4.5%	3.7%

Expenses and taxes

EXPENSES & TAXES - $ millions	2016	2015
Administrative expenses	255	252
Commissions	99	105
Finance costs, depreciation and amortisation	60	56
Premium, asset and income taxes	52	40
	466	453

Expenses and taxes totalled US $466 million for 2016 up from US $453 million for 2015.

Expenses of administration represent the largest expense category and totalled US $255 million in 2016 compared to US $252 million in 2015 an increase of US $3 million.

There was a reduction of US $6 million for Commissions when compared to the prior year and this result is commensurate with the lower premium revenue experienced.

The Group is subject to a variety of direct taxes, with premium and income taxes comprising the main types of tax. Taxes are incurred in the jurisdiction in which the income is generated. Premium tax is customarily a percentage of gross premium revenue, while income tax is usually either a percentage of investment income or a percentage of profits.

Premium, asset and income taxes were US $52 million compared to US $40 million in the prior year and was impacted by higher income taxes experienced in 2016 compared to 2015 largely in the Jamaica Segment where taxable income was higher in 2016 when compared to 2015 due to strong business growth and significant realised gains on financial assets. This was offset by lower premium and asset taxes in in 2016 when compared to 2015.

Comprehensive income

Gains and losses recorded within other comprehensive income arise primarily from fair value changes of certain classes of assets and from the retranslation of foreign currency operations.

Other comprehensive income was a loss of US $13 million compared to a loss of US $77 million in 2015. The main contributor to the improvement in comprehensive income was an underlying improvement in net gains on financial assets of US $142 million. Included in comprehensive income were net gains for the year on financial assets of US $39 million resulting from mark-to-market gains on financial assets associated with our international portfolios.

The Jamaica dollar declined against the US dollar by 6.7%, while the Trinidad dollar declined against the US dollar by 4.7% resulting in retranslation losses of US $28 million.

Net income and other comprehensive income together result in total comprehensive income. Summarising the Group's results from continuing operations, total comprehensive income was US $94 million for 2016 compared to US $21 million for 2015.

GROUP FINANCIAL POSITION

Sagicor's activities of issuing insurance contracts; of accepting funds from depositors; of banking and securities dealing; result in the Group receiving significant funds which are held as liabilities and are invested in a variety of assets.

The Group's sources of capital are equity contributions from shareholders, retained earnings and reserves, together with external borrowings.

The table below summarises the consolidated financial position of Sagicor as of December 31, 2016 and 2015.

STATEMENT OF FINANCIAL POSITION - $ millions	2016	2015
Assets	6,532	6,400
Liabilities arising from operations	5,342	5,185
Borrowings	395	476
Equity	795	739
	6,532	6,400

Assets

Invested assets and cash balances as of December 31 are summarised in the table below.

INVESTMENTS & CASH - $ millions	2016	2015
Debt securities	3,441	3,418
Mortgage loans	332	341
Policy loans	138	132
Finance loans and finance leases	509	436
Securities purchased for re-sale	5	8
Deposits	139	261
Cash	279	250
Investment property and other items	417	394
	5,260	5,240

Debt securities are the largest class of invested assets, and represented 65% of total investments and cash as of December 31, 2016 (66% as of December 31, 2015). These securities are very suitable instruments to back long-term insurance liabilities because of their medium to long term duration, the regular interest payments received, and the relatively low credit risk.

Debt instruments are issued primarily by Governments, state sponsored agencies and corporate entities. The Group acquires and holds these instruments usually in the country where the funding arose. The Group also invests in debt instruments of short duration as a way of earning investment returns with minimal risk, and of providing opportunities for investment contract-holders to earn safe returns.

Other invested assets are spread across various asset classes such as mortgages, loans, deposits and property.

Liabilities arising from operations

The Group issues life insurance and annuity contracts either to individuals or to employers in respect of their employees. Insurance liabilities are summarised in the following table.

INSURANCE LIABILITIES - $ millions	2016	2015
Future benefits - individual contracts	2,349	2,207
Future benefits - group contracts	428	426
Current benefits and other payables	245	245
	3,022	2,878

Future benefits represent amounts recognised at the date of the financial statements for liabilities not yet due. These liabilities may become due in the near, medium or long-term and are estimated using established actuarial techniques.

Current benefits and other payables represent amounts which are currently due and are in the course of settlement. These include benefits in respect of all classes of insurance written - life, annuity, health, property and casualty.

The Group's liabilities which arise from issuing investment contracts, accepting deposits and funding are as follows.

FINANCIAL LIABILITIES - $ millions	2016	2015
Investment contracts	378	369
Securities sold for re-purchase	321	520
Customer deposits	915	670
Other funding instruments and other items	353	383
	1,967	1,942

Investment contracts may be issued to pension funds to hold pension plan assets or to individual customers as savings vehicles. Securities sold for re-purchase provide specific security to depositors who place funds with the Group for investment return. Deposits and other funding provide monies to the Group to invest in loans and related securities.

Other liabilities include general provisions, accruals and payables which arise in the ordinary course of business.

The discontinued operation (Sagicor at Lloyds) was sold on December 23, 2013. At the end of 2016 there were no amounts outstanding with respect to the discontinued operation.

Capital

The Group has issued equity and debt instruments to provide capital for its operations. The amounts recognised in the statement of financial position in respect of these instruments are summarised below.

EQUITY & BORROWINGS - $ millions	2016	2015
Common shareholders' equity	536	502
Preference shareholders' balances	-	120
Minority interest shareholders' balances	258	232
8.875% senior notes due 2022	315	314
4.85%/5% notes due 2019	75	45
Participating accounts & other	6	2
	1,190	**1,215**
Classified as:		
Equity	795	739
Borrowings	395	476
	1,190	**1,215**

304,494,131 common shares of Sagicor Financial Corporation Limited are outstanding and are tradable on the Barbados, Trinidad & Tobago and London stock exchanges.

Common shares of certain subsidiaries are held by minority interests primarily in Jamaica where those shares are tradable on the local stock exchange.

On August 11, 2015, the Group issued seven year senior notes in the amount of $320 million which are repayable in 2022. The notes carry a fixed annual rate of interest of 8.875% payable semi-annually. Financial covenants in respect of these notes are summarised in Note 46.3 (a).

On March 22, 2016, the Company repaid, before maturity, the $43 million of short term debt. On March 21, 2016, the Company issued a tranche of fourteen month notes with par value of $75 million which were repayable in 2017 and carried a 5.0% annual rate of interest.

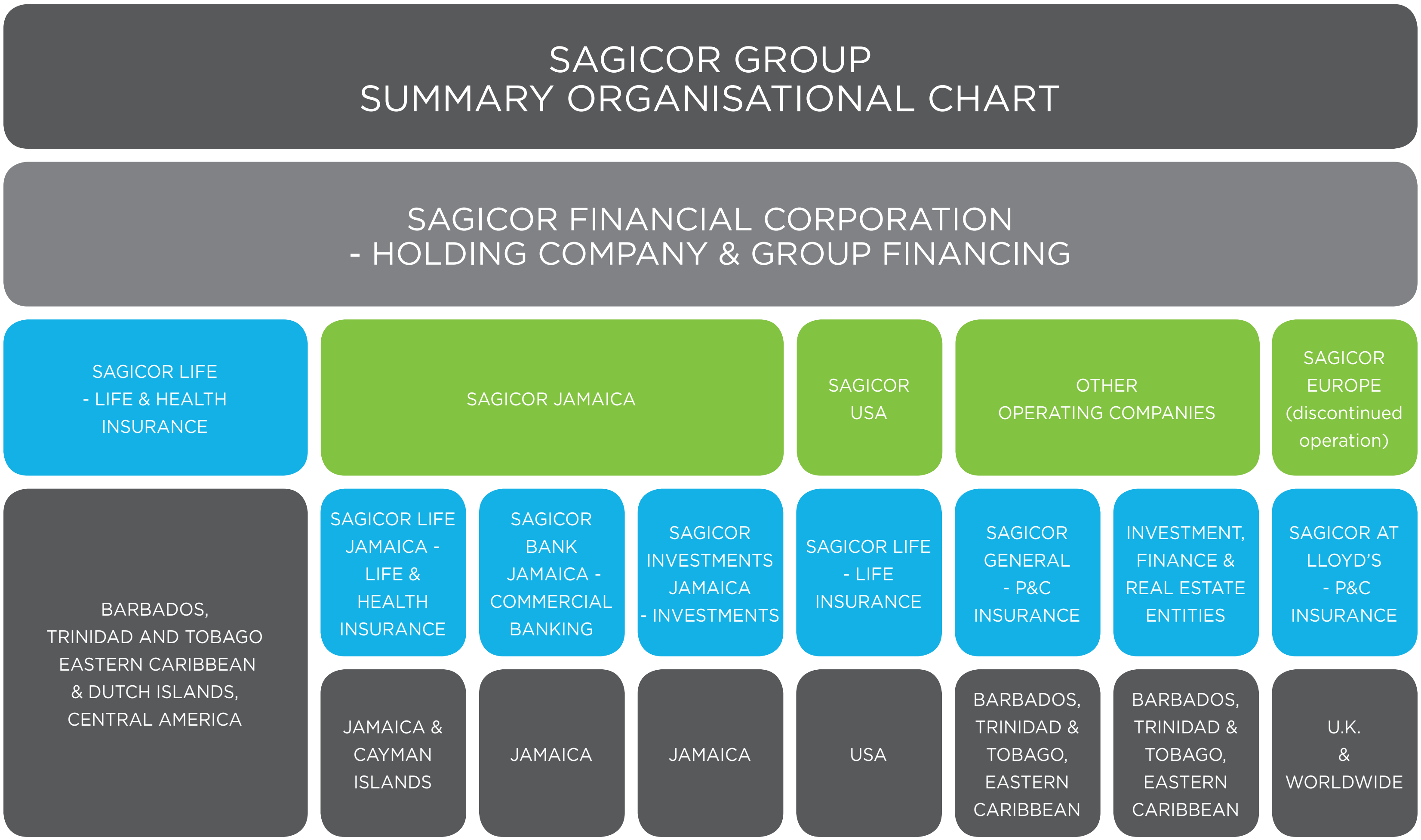
Effective December 20, 2016, the notes were extended at an annual rate of interest of 4.85% with a maturity date of August 14, 2019. Financial covenants in respect of these notes are summarised in Note 46.3 (b).

On July 18, 2016, the Company redeemed the 6.5% convertible redeemable preference shares due 2016.

Participating accounts were established by a subsidiary to provide additional policyholder protection on participating policies which pay policy bonuses and dividends.

A measure of financial stability is the debt (borrowings) to capital ratio which for the Sagicor Group was 33.2%, down from 39.2% for the prior year. This resulted from the fact that the Company redeemed all its outstanding convertible redeemable preference shares amounting to US $120 million during the year.

A measure used to determine the capital adequacy of a life insurance business, which is the predominant activity within the Sagicor Group, is the Canadian Minimum Continuing Capital and Surplus Requirement (MCCSR). The consolidated MCCSR ratio for the Sagicor Group was 291% as of December 31, 2016 compared to 301%, at December 31, 2015, both of which are significantly in excess of the minimum recommended ratio of 150%. These ratios include risk factors for insurance risk (lapses, mortality, morbidity) and credit risk of all fixed income assets including those issued by Caribbean governments.


SAGICOR GROUP
SUMMARY ORGANISATIONAL CHART
SAGICOR FINANCIAL CORPORATION
- HOLDING COMPANY & GROUP FINANCING
SAGICOR LIFE - LIFE & HEALTH INSURANCE
SAGICOR JAMAICA
SAGICOR USA
OTHER OPERATING COMPANIES
SAGICOR EUROPE (discontinued operation)
BARBADOS, TRINIDAD AND TOBAGO EASTERN CARIBBEAN & DUTCH ISLANDS, CENTRAL AMERICA
SAGICOR LIFE JAMAICA - LIFE & HEALTH INSURANCE
SAGICOR BANK JAMAICA - COMMERCIAL BANKING
SAGICOR INVESTMENTS JAMAICA - INVESTMENTS
SAGICOR LIFE - LIFE INSURANCE
SAGICOR GENERAL - P&C INSURANCE
INVESTMENT, FINANCE & REAL ESTATE ENTITIES
SAGICOR AT LLOYD'S - P&C INSURANCE
JAMAICA & CAYMAN ISLANDS
JAMAICA
JAMAICA
USA
BARBADOS, TRINIDAD & TOBAGO, EASTERN CARIBBEAN
BARBADOS, TRINIDAD & TOBAGO, EASTERN CARIBBEAN
U.K. & WORLDWIDE

OPERATING SEGMENTS

The Group's principal reportable operating segments, as defined by International Financial Reporting Standards, are Sagicor Life Inc, Sagicor Jamaica, Sagicor USA, and Sagicor Europe. The Sagicor Europe Segment was sold on December 23, 2013 under terms that retained some obligations for the Group. The performance of these segments in 2016 is discussed under the following sub-headings.

Sagicor Life Inc Segment

The Sagicor Life Inc segment consists of the life insurance entities that conduct business in Barbados, Trinidad and Tobago, the Eastern and Dutch Caribbean islands, Belize, Bahamas and Panama. The main activities of this segment are the provision of life, critical illness and health insurance, annuities, pension investment and pension administration services.

In 2016, this segment generated revenues of US $411 million an increase of US $31 million over the previous year. During 2015, Sagicor Life USA entered into a reinsurance agreement with Sagicor Life in 2015, this transaction resulted in the following intersegment transactions: the intersegment revenue was US $91 million in 2015. Intersegment expenses amounted to US $5 million in 2016 and US $82 million in 2015. The main revenue component was premium income which totalled US $300 million. Investment income totalled US $77 million while other items totalled US $34 million.

Benefits totalled US $213 million, and were higher than the prior year by US $14 million. Current insurance benefits were US $210 million while amounts recognised for future insurance benefits totalled a reduction of US $3 million.

Total expenses and taxes in 2016 closed the year at US $129 million compared to US $119 million in 2015. The increase in expenses and taxes was largely driven by higher commissions on new business written.

SAGICOR LIFE INC

INCOME - $ millions	2016	2015
Revenue	411	380
Inter-segment reinsurance revenue	-	91
Benefits	(213)	(199)
Expenses and taxes	(129)	(119)
Inter-segment reinsurance expense	(5)	(82)
Segment income	64	71
Segment income attributable to shareholders	64	69
FINANCIAL POSITION - $ millions	**2016**	**2015**
Assets	1,928	1,904
Liabilities	(1,399)	(1,388)
Net assets	529	516

Net segment income for the year was US $64 million compared to US $71 million for the prior year. After accounting for income allocated to policyholders, the net income attributable to shareholders for the segment totalled US $64 million in 2016, compared to US $69 million in 2015.

Financial investments comprised 72% of segment assets and policy liabilities comprised 91% of segment liabilities at the end of 2016.

Sagicor Jamaica Segment

This segment comprises subsidiaries in Jamaica, Cayman Islands, and Costa Rica. The principal activities of the segment are the provision of life, critical illness and health insurance, annuities, pensions administration, investment management, securities dealing and commercial banking.

This segment generated revenue of US $524 million in 2016, an increase of US $13 million over the 2015 total. The main revenue component was premium income which totalled US $268 million compared to

US $278 million in 2015 and was impacted by the depreciation of the Jamaica Dollar to the US dollar on translated premiums.

Investment income totalled US $201 million compared to US $181 million in the prior year and benefited from significant realised gains.

Benefits totalled US $249 million and was at the same level as in 2015.

Expenses and taxes incurred totalled US $185 million in 2016, increasing by US $3 million over the prior year.

SAGICOR JAMAICA		
INCOME - $ millions	**2016**	**2015**
Revenue	524	511
Benefits	(249)	(249)
Expenses and taxes	(185)	(182)
Segment income	90	80
Segment income attributable to shareholders	44	39
FINANCIAL POSITION - $ millions	**2016**	**2015**
Assets	2,674	2,513
Liabilities	(2,223)	(2,116)
Net assets	451	397

Net segment income for the year was US $90 million, compared to a total of US $80 million recorded for 2015. As the Sagicor Jamaica segment is owned 49% by the Group, the resulting net income attributable to shareholders was US $44 million in 2016. (US $39 million in 2015).

Financial investments comprised 83% of the segment's assets at the end of 2016. The liabilities of this segment were distributed 30% to policy liabilities and 69% to deposit and security liabilities at the end 2016.

Sagicor USA Segment

This segment consists of the USA operations of Sagicor which market life insurance and annuity products to individuals.

Segment revenue totalled US $149 million in 2016 compared to US $160 million in 2015. During 2015, Sagicor Life USA entered into a reinsurance agreement with Sagicor Life; inter-segment revenues in 2015 were US $82 million and inter-segment expenses were US $5 million in 2016 and US $82 million in 2015. Premium revenue recorded in 2016 was US $74 million compared to US $81 million in the prior year and was impacted by lower annuity premiums written in the segment in 2016. Investment income for 2016 totalled US $58 million compared to the prior year amount of US $60 million.

SAGICOR USA		
INCOME - $ millions	**2016**	**2015**
Revenue	149	160
Inter-segment reinsurance revenue	-	(82)
Benefits	(86)	(88)
Expenses and taxes	(57)	(65)
Inter-segment reinsurance expense	5	82
Segment income	11	7
Segment income attributable to shareholders	11	7
FINANCIAL POSITION - $ millions	**2016**	**2015**
Assets	1,901	1,783
Liabilities	(1,682)	(1,578)
Net assets	219	205

Total benefits amounted to US $86 million in 2016 compared to US $88 million in 2015. Current insurance benefits were US $82 million while the expense for future insurance benefits in 2016 was US $4 million.

Expenses and taxes totalled US $57 million in 2016 compared to US $65 million in 2015, and was commensurate with the lower premium revenue which resulted in lower distribution costs.

Net income of the segment for 2016 was US $11 million, compared to the US $7 million recorded for 2015.

As of December 31, 2016, financial investments comprised 56% of the segment assets and policy liabilities comprised 85% of the segment liabilities.

DISCONTINUED OPERATION

The discontinued operation comprises the Sagicor at Lloyd's business and consists primarily of property and casualty insurance business written through Lloyd's of London Syndicate 1206. The Lloyd's of London franchise enables the syndicate to write international business outside of the United Kingdom.

As stated in a foregoing section, the Group disposed of this business on December 23, 2013. In accordance with International Financial Reporting Standards, the Sagicor at Lloyd's operation is defined as a discontinued operation.

The terms of the sale included:

- Future price adjustments to the sale consideration representing the run-off of the 2011, 2012 and 2013 underwriting years. The three years closed at the end of 2015.
- The future price adjustments were subject to a limit denominated in sterling. A provision was made up to the limit at the end of 2015 and the amount was paid in 2016.
- During the financial period 2016 to 2018, the results are subject to further underwriting, investment and foreign currency adjustments constrained by the limit as the experience develops.

DISCONTINUED OPERATION		
INCOME - $ millions	**2016**	**2015**
Movement in price adjustment	1	(23)
Net income/(loss)	1	(23)
FINANCIAL POSITION - $ millions	**2016**	**2015**
Assets	-	-
Liabilities	-	(46)
Net assets	-	(46)

LOOKING FORWARD

The global economy is expected to pick up pace in 2017 following the fragile economic climate in 2016. The increase in economic activity will be generally seen among emerging and developing economies. However, this outcome is heavily dependent on the outcome of the Trump administration's new policies and their global ramifications. In the US, although the Federal Reserve has indicated their intention to raise interest rates during 2017, this outlook will be influenced by the new administration's stimulus programs. Following estimated global growth of 3.1% for 2016, the IMF projected a moderate improvement in global growth of 3.4% for 2017.

Regionally, economic conditions are expected to continue to show signs of improvement led by the moderate expansion in tourism services and construction projects. However, sustained recovery in the region hinges on the economic conditions in developed markets such as the USA and United Kingdom, which remain the region's main source markets for tourism. Within the region, commodity exporters will benefit from somewhat higher commodity prices, particularly of oil. However, the region continues to face several risks including the high degree of policy uncertainty in the United States as well as the uncertainty surrounding Britain leaving the European Union, BREXIT.

In 2017 the company will continue to focus on its corporate reorganisation and process improvement projects which should prove beneficial to our cost of capital and our financial performance. We will adapt our strategies as required to deliver quality products to our customers and competitive returns to our shareholders.

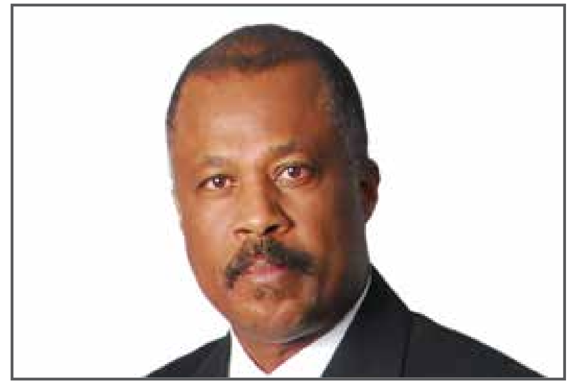
BOARD OF DIRECTORS

Each and every one of us has the potential to become a great leader. As we look ahead to the future, we will lead the way to a better tomorrow by not only aspiring towards greatness, but also taking the necessary actions to achieve it. That is how we will become better leaders, and lead others to do better as well.

BOARD OF DIRECTORS

STEPHEN MCNAMARA, 66, was appointed Non-Executive Chairman on January 1, 2010, having formerly served as Vice-Chairman since June 2007. He has been an independent Director since December 2002, and is a citizen of St Lucia and Ireland. He is a British-trained Attorney-at-law, and is the Senior Partner of McNamara & Company, Attorneys-at-Law of St Lucia. Mr McNamara was elected to the Board of Sagicor Life Inc in 1997. He is Chairman of the Group's main operating subsidiary, Sagicor Life Inc, Sagicor USA, and Sagicor Finance Inc. He serves as a Director of Sagicor Group Jamaica Limited, and a number of other subsidiaries within the Group.

ANDREW ALEONG, 56, has been an independent Director since June 2005, and is a citizen of Trinidad and Tobago. He holds an MBA from the Richard Ivey School of Business, University of Western Ontario, Canada. Mr Aleong is Group Managing Director of the Albrosco Group of Companies, Trinidad and Tobago, and has served the Trinidad and Tobago manufacturing industry for over 25 years. He is a former President of the Trinidad and Tobago Manufacturers' Association. Mr Aleong also serves as a Director of a number of private companies. He was elected a Director of Sagicor Life Inc in 2005, and is also a Director of a number of other subsidiaries within the Group.



PROFESSOR SIR HILARY BECKLES, K.A, 61, has been an independent Director since June 2005, and is a citizen of Barbados. Sir Hilary earned his PhD from Hull University, United Kingdom, and received an Honorary Doctorate of Letters from the same University in 2003. He is the Vice Chancellor of the University of the West Indies, and has previously served as the Head of the History Department and Dean of the Faculty of Humanities. In 1998, he was appointed Pro-Vice-Chancellor for Undergraduate Studies and, in 2002, the Principal of Cave Hill Campus. Sir Hilary has published widely on Caribbean economic history, cricket history and culture and higher education, and serves on the Editorial Boards of several academic journals. He has lectured in Africa, Asia, Europe and the Americas. He was elected a Director of Sagicor Life Inc in 2005. He is a member of the Secretary General of the UN, Advisory Board on Science and Sustainable Development, and Vice President of the Commonwealth Ministers' Advisory Board on Sport.

PETER CLARKE, 62, has been an independent Director since June 2010, and is a citizen of Trinidad and Tobago. He obtained a Bachelor of Arts degree from Yale University and a Law degree from Downing College, Cambridge University. He was called to the Bar as a member of Grays Inn, London, in 1979 and to the Bar of Trinidad and Tobago in 1980. Mr Clarke is a Financial Consultant, who formerly practised as a Barrister-at-Law before embarking on a 22-year career in stockbroking. From 1984 to 2000, he was the Managing Director of Money Managers Limited, and Chief Executive of West Indies Stockbrokers Limited from 2001 until his retirement in 2005.

Mr Clarke, is a Director of a number of companies in Trinidad and Tobago, including the Trinidad and Tobago Stock Exchange. He is also a member of the University of the West Indies Development and Endowment Fund, and the Finance Council of the Roman Catholic Archdiocese of Port of Spain. From 2002 to 2005, he was a Director of the Trinidad and Tobago Chamber of Industry and Commerce. Mr Clarke also serves as a Director of Sagicor Life Inc, Sagicor Group Jamaica Limited and Sagicor Life Jamaica Limited.

DR JEANNINE COMMA, 66, has been an independent Director since June 2007, and is Chairman of the Human Resources Committee. She is a citizen of Trinidad and Tobago and Barbados. She holds a PhD from George Washington University, Washington, DC, USA, and is also a graduate of the University of the Virgin Islands. Dr Comma is CEO/Director of the Sagicor Cave Hill School of Business and Management Inc. of The University of the West Indies, Cave Hill Campus.

Dr Comma has extensive experience in Leadership Development, Organisation Development, Strategic Planning, Transformation Management and Corporate Governance. She has made significant contributions to the development of human capital within the regional business community, as well as engaged in several consulting assignments with Caribbean Governments and public sector agencies throughout the region.

She is an Executive, an Academic, a Consultant, a Leadership Development Expert and a Certified Executive Coach.

She serves on the Boards of the Barbados Tourism Investment Inc., the National Initiative for Service Excellence, the Barbados Entrepreneurship Foundation as well as the Commonwealth Association of Public Administration and Management (CAPAM). Dr Comma was elected a Director of Sagicor Life Inc. in 2006.

MONISH DUTT, 58, has been an independent Director since 2012 and is a citizen of India and a permanent resident of the United States of America. He holds an MBA with a concentration in Finance from the London Business School, London University, and a BA in Economics from the University of Delhi. He is a Fellow of the Institute of Chartered Accountants, London, England. Currently a Consultant on Emerging Markets, Mr Dutt is a seasoned investment professional who, for the 25 years preceding 2011, was employed with International Finance Corporation (IFC), a member of the World Bank Group.

While at IFC, he held various positions, the most recent of which was Chief Credit Officer for Global Financial Institutions & Private Equity Funds. He was formerly the Head of IFC's Private Equity Advisory Group; the Head of the Baltics, Central Europe, Turkey and Balkans Group; Principal Investment Officer for Asia; Senior Investment Officer for Central & Eastern Europe, and an Investment Officer for Africa, Latin America and Asia. Mr Dutt has extensive experience evaluating investment proposals in financial institutions and private equity funds globally, structuring investments, tracking global investment portfolios, and providing quality control guidance to private equity fund investments. Mr Dutt has also represented IFC on boards of investee companies. Mr Dutt serves as a Director of Sagicor Bank Jamaica Limited.

DR MARJORIE FYFFE-CAMPBELL, 65, has been an independent Director since June 2005, and is a citizen of Jamaica. Dr Fyffe-Campbell recently completed her Doctorate in Business Administration from the Mona School of Business and Management, University of the West Indies. She is a Management Consultant, and holds an MSc in Accounting from the University of the West Indies, is a Fellow of the Institute of Chartered Accountants of Jamaica and a member of the Hospitality, Financial and Technology Professionals. She is a former President and Chief Executive Officer of the Urban Development Corporation, Jamaica.

Dr Fyffe-Campbell is an Adjunct Lecturer in Enterprise Risk Management Governance at the Mona School of Business and Management. She was elected a Director of Sagicor Life Jamaica in 2002, and is also a Director of other subsidiaries within the Group.

RICHARD KELLMAN, 65, was elected as a Director in June 2009, and in November 2009 was appointed Group Chief Operating Officer.

Mr. Kellman is a citizen of Guyana, holds a BSc degree in Statistics from University College, London University, and retired from fellowship of the Institute of Actuaries during 2016. He has wide regional experience in the areas of finance, pensions and insurance, and has held senior actuarial and management positions in the industry, as well as served on several regional Boards.

WILLIAM LUCIE-SMITH, 65, has been an independent Director since June 2005, and is a citizen of Trinidad and Tobago. He holds an MA from Oxford University and is a Chartered Accountant. He is a retired Senior Partner of PricewaterhouseCoopers, Trinidad and Tobago, where he headed the Corporate Finance and Recoveries Divisions, specialising in all aspects of business valuations, privatisation, mergers and acquisitions and corporate taxation.

Mr Lucie-Smith was elected a Director of Sagicor Life Inc in 2005, and is also a Director of Sagicor USA, and a number of other subsidiaries within the Group.

DODRIDGE MILLER, 59, was appointed Group President and Chief Executive Officer in July 2002, and has been a Director since December 2002. A citizen of Barbados, Mr Miller is a Fellow of the Association of Chartered Certified Accountants (ACCA), and obtained his MBA from the University of Wales and Manchester Business School. He holds an LLM in Corporate and Commercial Law from the University of the West Indies and, in October 2008, he was conferred with an Honorary Doctor of Laws degree by the University of the West Indies. He has more than 30 years' experience in the banking, insurance and financial services industries.

Prior to his appointment as Group President and Chief Executive Officer, he held the positions of Treasurer and Vice President – Finance and Investments, Deputy Chief Executive Officer and Chief Operating Officer. Mr Miller joined the Group in 1989. He is a Director of Sagicor Life Inc, Sagicor USA, Sagicor Group Jamaica Limited, Sagicor Life Jamaica, Sagicor Investments Jamaica Limited (formerly Pan Caribbean Financial Services) and a number of other subsidiaries within the Group.

JOHN SHETTLE, JR, 62, has been an independent Director since June 2008, and is a citizen of the United States of America. He received his undergraduate degree from Washington & Lee University, and holds an MBA from the Sellinger School of Business at Loyola College, Maryland. Mr Shettle is an Operating Partner of Stone Point Capital, a private equity firm in the global financial services industry. He has over 35 years' experience in senior management positions in the property/casualty, health and insurance-related services industry.

More recently, he served as Senior Advisor to Lightyear Capital, a private equity firm, and President and Chief Executive Officer of the Victor O Schinnerer Company. Prior to that, he was the Chief Executive Officer of Tred Avon Capital Advisors, Inc, a firm providing advisory services to companies and private equity firms focused on the insurance sector. He has held senior management positions at Securitas Capital, Swiss Reinsurance Company and Frederick, the Maryland-based AVEMCO Corporation (NYSE). Mr Shettle is also a Director of Sagicor USA and a number of subsidiaries within the Group.

RICHARD P YOUNG, 67, a citizen of Trinidad and Tobago, was appointed an independent Director of the Company in January, 2014. He is a Chartered Accountant by profession, and has had a distinguished career in accounting, auditing, insurance and banking. He has over forty years' experience in the regional financial services sector, the last seventeen of which he spent as the Managing Director of Scotiabank Trinidad & Tobago Limited and a Senior Vice President of The Bank of Nova Scotia, before retiring in 2012.

Prior to joining Scotiabank, he was the Managing Director of NEM (West Indies) Insurance Ltd. (NEMWIL). Mr Young also served as Chairman and Deputy Chairman of other Scotia Group subsidiaries, as well as Deputy Chairman of the National Housing Authority. He is a former President of the Council of the Institute of Chartered Accountants of Trinidad and Tobago; President of the Bankers Association of Trinidad and Tobago; Chairman of the Trinidad & Tobago Stock Exchange and Committee Member of the Association of Insurance Companies of Trinidad & Tobago. He is Chairman of the Trinidad and Tobago International Financial Centre.

CORPORATE GOVERNANCE

As a company, our responsibility lies in making today better than yesterday, and tomorrow even better than today. Through wise financial planning, our customers can reach their potential, and embrace anything the future holds.

CORPORATE GOVERNANCE

DIRECTORS' INTERESTS

Directors' interests as at December 31, 2016, and as at the record date, March 16, 2017, are as follows:

	Shares as at 31-Dec-16		Shares as at 16-Mar-17	
	Common Shares		Common Shares	
	Beneficial	Non-Beneficial	Beneficial	Non-Beneficial
Stephen McNamara	23,993	0	23,993	0
Andrew Aleong	533,358	0	533,358	0
Professor Sir Hilary Beckles	9,579	0	9,579	0
Peter Clarke	25,000	0	25,000	0
Dr Jeannine Comma	22,300	0	22,300	0
Monish Dutt	1,000	0	1,000	0
Marjorie Fyffe-Campbell	50,850	0	50,850	0
Richard Kellman	421,576	0	421,576	0
William Lucie-Smith	121,547	0	130,338	0
Dodridge Miller	1,707,967	0	1,707,967	0
John Shettle, Jr	1,000	0	1,000	0
Richard P. Young	34,266	0	34,266	0

	Restricted Stock Grants		Stock options			
	As at 31-Dec-16*		As at 31-Dec-16*			
	Vested	Unvested	Vested	Exercised	Expired	Unvested
Richard Kellman	704,106	108,429	482,029	0	0	576,647
Dodridge Miller	2,301,497	1,955,898	2,922,096	0	159,817	2,632,271

* *These remained unchanged at March 16, 2017*

1 BOARD COMPOSITION AND STRUCTURE

The maximum number of Directors permitted by the Bye-Laws is 12, and the minimum is 7. The Board of Directors presently consists of 12 Members, 10 of whom are independent Non-Executive Directors. The remaining 2 are the Group President and Chief Executive Officer, and the former Group Chief Operating Officer. Biographical information on the Directors and details of their interests in the Company as at December 31, 2016 and as at the record date March 16, 2017 are set out earlier in this Report.

The Board of Directors considers that the quality, skills and experience of Directors enhance the Board's effectiveness, and the collective Board is required to have the core set of skills identified in the Board Core Competency Matrix on the following page.

Directors' Skills and Experience	Stephen McNamara	Andrew Aleong	Prof Sir Hilary Beckles	Dr Jeannine Comma	Peter Clarke	Monish Dutt	Marjorie Fyffe-Campbell	Richard Kellman	William Lucie-Smith	Dodridge Miller	John Shettle, Jr.	Richard Young
General Management	■	■	■	■	■	■	■	■	■	■	■	■
International Business	■			■		■				■	■	■
Finance/Accounting		■				■	■	■	■	■		■
Corporate Finance, Mergers & Acquisitions					■	■	■	■	■	■	■	■
Strategic Marketing		■										
Corporate Law	■				■					■		
Banking					■	■				■		■
Asset Management					■		■	■		■	■	■
Insurance	■	■	■	■	■	■	■	■	■	■	■	■
Human Resource Management		■	■	■								
Property Management and Development	■	■	■				■	■				
Regulatory	■				■							
Risk Management		■		■	■	■					■	■
Information Technology										■		
Corporate Governance	■			■			■					
Other: Education			■	■								

In addition, individual Directors must also possess specific knowledge and experience commensurate with the business requirements of the Company and are also expected to have a style of operation which comprises:

a. high personal standards consistent with the Company's Code of Business Conduct and Ethics;
b. commitment to business leadership;
c. courage to express and defend a position;
d. decisiveness and willingness to be held accountable;
e. effective intervention and decision-making style;
f. willingness to contribute to team synergy, and a
g. mature and thoughtful perspective on business.

The Company is also mindful that the Board must reflect the business, social, economic and cultural jurisdictions from which the Company draws customer patronage, and that Directors must have sufficient time available to devote to the performance of their Board duties. Finally, Directors are required to undergo an annual self-assessment. This assessment is designed to ensure that appropriate standards of independence and objectivity are maintained. All non-executive Directors have satisfied the 2016 independence self-assessment.

2 ROTATION AND RE-ELECTION OF DIRECTORS

The Company's Bye-laws provide that at least one-third, or the number nearest thereto, of the directors must retire every year, but a Director shall not be required to retire unless he/she has been in office for three years.

Consequent upon the Company's continuance in Bermuda, new Bye-Laws were adopted, which require that the directors be divided into three classes, designated as Class I, Class II and Class III.

Andrew Aleong, Professor Sir Hilary Beckles, John Shettle, Jr and Richard P Young, having been designated as Class I directors, will retire at the fourteenth Annual Meeting, and all being qualified, have offered themselves for re-election. Profiles of the nominees are contained in the Management Proxy Circular accompanying the Notice of the Meeting. The Board recommends that all the nominees be re-elected. In making this recommendation, the Board has been guided by the nomination process overseen by the Corporate Governance and Ethics Committee, which requires a review of the core competency requirements of the Board as a whole; the skills and experience of the nominees; their independence as defined by our Corporate Governance Policy; and their performance, including their willingness and ability to devote the time necessary to fulfil their role as Directors. It is intended that Directors who have served on the Board for nine or more years be subject to enhanced due diligence by the Corporate Governance and Ethics Committee to ensure that their performance over the period of their tenure is such as to justify the Committee's recommendation to the Board that they be nominated for re-election. Further consideration is being given to the form of enhanced review as part of the comprehensive update to the Corporate Governance Manual which will be completed in 2017.

3 NEW DIRECTOR ORIENTATION

The Company's Corporate Governance Manual expressly recognises the importance of an efficient and effective on-boarding process for new Directors. To this end, the Manual establishes a New Director Orientation Programme to assist in developing a high level of institutional, boardroom and interpersonal comfort in order to expedite his/her effectiveness as a director. The Company has established an online Board Portal for the distribution and housing of Board Meeting materials and other corporate information. All Directors therefore have immediate and constant access to all necessary company materials and documents.

4 ON-GOING DIRECTOR EDUCATION

During the year, on-going Director education included sessions on rating agencies' methodologies and changes in international accounting standards. The Board is committed to continuing these education sessions to ensure Director effectiveness is optimised by enhancing Director knowledge.

5 BOARD RESPONSIBILITIES

5.1 BOARD OF DIRECTORS

The Board of Directors is collectively responsible for providing entrepreneurial leadership, guidance and oversight to the Company, within a framework of prudent and effective controls. This framework enables risk to be assessed and managed, with a view to maximising shareholder wealth within the bounds of law and community standards of ethical behaviour.

The Board's six main responsibilities, which it executes through decision-making and oversight, are strategic planning; enterprise risk management; executive succession planning and performance evaluation; shareholder communications and public disclosures; internal controls and corporate governance.

The respective roles of the Chairman of the Board, the Board, Committee Chairmen, Committees and Management are clearly defined. Position descriptions explaining the roles, responsibilities and desired competencies have been developed for the Chairman of the Board, the Chairmen of each Board Committee, as well as the President & CEO. The Group CEO and the Executive Committee (ExCom) are responsible for the day-to-day management of the Group. Their role is to formulate and implement strategy, operational plans, policies, procedures and budgets; monitor operating and financial performance; assess and control risk; prioritise and allocate resources and monitor competitive and environmental forces in each area of operation. The roles of functional Group Executives, who form part of ExCom, are also specifically defined.

5.2 BOARD COMMITTEES

The four Standing Committees of the Board - Audit; Corporate Governance and Ethics; Human Resources and Investment and Risk - play an integral role in the governance process, in that they assist the Board with the proper discharge of its functions by providing an opportunity for more in-depth discussions on areas not reserved specifically for the Board. The mandates of all the Committees comply with best practice.

The mandate of the Audit Committee is to oversee the external audit process, and manage all aspects of the relationship with the External Auditors. The Committee is also required to review the annual audit plan, interim and audited financial statements, and International Financial Reporting Standards having a significant impact on the financial statements. It also reviews actuarial reports and recommendations.

The Committee oversees the Internal Audit function, reviewing Internal Audit's assessment of the adequacy and effectiveness of the Group's internal controls, compliance with legal, statutory, regulatory and other requirements, and management of risk. The Committee's composition meets the independence and skill requirements of the Group's Corporate Governance Policy. The Members are financially literate, and three Members, William Lucie-Smith, Monish Dutt and Marjorie Fyffe- Campbell, all Chartered Accountants, have relevant accounting expertise.

The current Members are:

- William Lucie-Smith (appointed a Member on August 24, 2005 and Chairman on June 28, 2006);
- Marjorie Fyffe- Campbell (appointed September 11, 2008);
- Dr Jeannine Comma (appointed September 11, 2008);
- Monish Dutt (appointed March 18, 2014), and
- Peter Clarke (appointed March 21, 2014).

The role of the Corporate Governance and Ethics Committee is principally to develop and recommend to the Board policies and procedures to establish and maintain best practice standards of Corporate Governance and Corporate Ethics. It also manages the process for Director succession, Director performance, the operation of the President, the composition of Board and Committees, shareholder communications, and corporate image. The Committee's composition meets the independence requirements of the Group's Corporate Governance Policy.

The current Members are:

- Stephen McNamara (appointed a Member on March 9, 2004 and Chairman on February 17, 2010);

- Professor Sir Hilary Beckles (appointed March 18, 2009);
- Marjorie Fyffe-Campbell (appointed March 18, 2009);
- John Shettle, Jr (appointed August 18, 2010), and
- Richard P. Young (appointed March 18, 2014).

The mandate of the Human Resources Committee is to advise the Board with respect to compensation policies, programmes and plans; human resources policies and practices to attain the Company's strategic goals; executive management recruitment; succession plans; performance evaluation and compensation. The Committee's composition meets the independence requirements of the Group's Corporate Governance Policy.

The current Members are:

- Dr Jeannine Comma (appointed a Member on September 18, 2007, and Chairman on August 24, 2011);
- Stephen McNamara (appointed August 18, 2010);
- Andrew Aleong (appointed March 23, 2012), and
- Monish Dutt (appointed March 18, 2014).

The Investment and Risk Committee is charged with ensuring generally that the Group manages risk within its defined philosophy and appetite, and in compliance with policy risk parameters. Its specific mandate is to ensure that an appropriate enterprise risk management framework is implemented throughout the Group, approve risk policies and risk undertakings and exposures reserved for Board decision. It continually monitors exposures relating to certain risks. Committee Members are required to understand the enterprise's significant inherent risks and the policies and controls used by Management to assess, manage and report these risks. The Committee regularly reviews the Group's risk profile, and assesses Management's plans for ensuring financial stability and capital soundness. The Committee's composition meets the independence requirements of the Group's Corporate Governance Policy.

The current Members are:

- Stephen McNamara (appointed a Member on November 26, 2003 and Chairman on February 17, 2010);
- Andrew Aleong (appointed March 18, 2009);
- John Shettle, Jr (appointed March 18, 2009;
- Peter Clarke (appointed August 18, 2010);
- Richard P. Young (appointed March 18, 2014), and
- William Lucie-Smith (appointed March 21, 2014).

6 BOARD EVALUATION

The Board undertook its annual performance evaluation to assess the effectiveness of the Board's performance as a whole. The evaluation took the form of a self-assessment and peer-review questionnaire, and an evaluation of the Corporate Governance system as a whole. Findings continue to reveal ongoing opportunities for the enhancement of our Corporate Governance practices. The Corporate Governance and Ethics Committee continues to manage Director independence and potential conflicts of interest, and the Committee concluded that Directors continued to meet the independence requirements under our Corporate Governance Policy.

7 INTERLOCKING DIRECTORSHIPS

The Corporate Governance Recommendations of the Barbados Stock Exchange require that the Company makes certain disclosures relating to Directors' interlocks. In addition to their service on the Board of the Company and the Boards of various Group subsidiaries, the following Company Directors also serve together on the Board of the publicly-listed company appearing next to their names:

Directors	Company
Richard P Young William Lucie-Smith	Massy Holdings Ltd

8 BOARD OPERATIONS

During 2016, Management engaged the Board of Directors (BOD) 22 times, either in formal meetings or by requests for round-robin decisions in between meetings. In relation to the engagement of the Standing Committees of the Board, the Audit Committee (AC) met 5 times; the Corporate Governance and Ethics Committee (CGC) met 3 times; the Human Resources Committee (HRC) met 4 times; and the Investment and Risk Committee (IRC) met 3 times. Directors' record of attendance was as follows:

	BOD	AC	CGC	HRC	IRC	Total	%
Stephen McNamara	22 of 22		3 of 3	4 of 4	2 of 3	31 of 32	97
Andrew Aleong	20 of 22			4 of 4	2 of 3	26 of 29	90
Prof Sir Hilary Beckles	19 of 22		3 of 3			22 of 25	88
Peter Clarke	21 of 22	5 of 5			3 of 3	29 of 30	97
Dr Jeannine Comma	20 of 22	5 of 5		4 of 4		29 of 31	94
Monish Dutt	22 of 22	5 of 5		4 of 4		31 of 31	100
Marjorie Fyffe-Campbell	20 of 22	4 of 5	3 of 3			27 of 30	90
Richard Kellman	21 of 22					21 of 22	95
William Lucie-Smith	19 of 22	4 of 5			3 of 3	26 of 30	87
Dodridge Miller	21 of 22					21 of 22	95
John Shettle, Jr	21 of 22		2 of 3		3 of 3	26 of 28	93
Richard P Young	21 of 22		3 of 3		3 of 3	27 of 28	96

The Board manages an annual schedule of critical agenda items designed to ensure that it fulfils its recurring obligations, and that Board-reserved items are routinely considered. The principal business at Board meetings in 2016 was to:

- consider and approve the Group strategic plan, capital plan and projections for the period 2017 to 2019;
- consider the terms of the US$75 million fixed-rate, short-term notes issued by the Company;
- consider acquisition opportunities;
- receive reports on the Process Review and Optimisation initiative;
- consider and approve the proposed re-domiciliation of the Company to Bermuda;
- receive reports on proposed corporate reorganisation
- review periodically the Group capital and liquidity plan, strategic and business development initiatives forming part of the Strategic Plan, and other key initiatives;
- receive and consider periodic reports and presentations from Management on the performance of various subsidiaries within the Group and the Group, on a consolidated basis;
- review and approve unaudited interim and audited annual consolidated financial statements;
- approve interim and final dividends;
- approve the redemption of the redeemable convertible preference shares;
- review and approve actuarial reports of the Appointed Actuary, and
- receive reports on work being carried out by Board Committees, and consider and approve their recommendations as required.

9 COMMITTEE OPERATIONS

AUDIT COMMITTEE REPORT:

The 2016 activities of the Audit Committee included:

- reviewing and approving the external audit plan and timetable;
- evaluating the performance of the External Auditors for Group entities and approving their audit fees;
- reviewing the External Auditors' 2015 Management Letter and Report on the 2015 audit;
- approving the 2016 Audit Engagement Letter;
- reviewing and recommending for approval by the Board interim and annual audited financial statements;
- making dividend recommendations to the Board;
- reviewing actuarial reports of the Appointed Actuary;
- reviewing reports of the External Auditors on key audit issues;
- reviewing the financial performance of the Group and key subsidiaries;
- examining the implications of changes to International Financial Reporting Standards;
- approving the 2016 Internal Audit Plan, reviewing Internal Audit reports and monitoring Management action on open Internal Audit items;
- reviewing compliance with various financial covenants;
- reviewing reports on pending material litigation and claims, and pending regulatory issues;
- reviewing regulatory compliance and other compliance reports;
- assessing the adequacy of the Committee's mandate, and
- evaluating its effectiveness in fulfilling same.

CORPORATE GOVERNANCE AND ETHICS COMMITTEE REPORT:

The Committee's principal business during 2016 included:

- reviewing Board and Director core competencies and identifying gaps to inform the nomination process;
- overseeing Director nominations, Board Committee, subsidiary and outside Board appointments;
- overseeing the management of independence requirements and conflicts of interest;
- overseeing the Director self and peer performance evaluation process;
- monitoring Director attendance;
- reviewing Corporate Governance structure of subsidiaries;
- reviewing Insider Trading Policy;
- conducting its annual review of the adequacy of the Code of Business Conduct and Ethics;
- generally monitoring the operation of Corporate Governance policies and practices and
- assessing the adequacy of the Committee's mandate, and evaluating its effectiveness in fulfilling same.

HUMAN RESOURCES COMMITTEE REPORT:

During 2016, the Human Resources Committee:

- reviewed executive performance, compensation and terms of engagement;
- monitored succession planning and leadership and development plans at the executive level;
- considered succession planning needs across the Group for senior employees below the executive level;
- granted awards to qualified participants under the annual cash incentive, long-term incentive plan (LTI) and employee share ownership plan (ESOP) based on performance against established benchmarks;
- reviewed aspects of the rules of the Company's annual long-term incentive plans;
- reviewed ESOP financial statements, and
- assessed the adequacy of the Committee's mandate and evaluated its effectiveness in fulfilling same.

INVESTMENT AND RISK COMMITTEE REPORT:

In 2016, the Investment and Risk Committee's work included monitoring key risks to which the Group is exposed. These included:

- reviewing in detail interest rate, credit, liquidity and foreign exchange risk dashboards for the Company as a whole, and for its major subsidiaries;
- monitoring of risk exposures and reviewing mitigation strategies designed to manage risk, and generally overseeing the enterprise risk management process, and
- reviewing investment performance.

10 SAGICOR'S COMPENSATION PHILOSOPHY

The Sagicor Group's compensation strategy for all employees, including Executive Management, aims to achieve an efficient and competitive position for the Company as an employer of choice in the markets we serve; while supporting our efforts to attract, motivate and retain the best candidates for all positions across the Group. The compensation strategy seeks to strike a balance between the needs of the employee and the strategic objectives of the Company, while ensuring that all employees are treated fairly, recognised and rewarded for team as well as individual performances. Factors such as market competition; supply and demand of critical skills and competencies; and strategic issues are all considered in determining a position's competitive market value.

Base salaries are reviewed annually for all staff and, in determining whether to approve salary increases, the Board of Directors considers various factors, including: the ability to pay; local labour market statistics e.g. cost of living and compensation trend data; merit budget; and the performance of the Company and business units. All employees must meet a minimum performance standard each year to be considered for a salary increase.

The quantum of annual cash incentive compensation, once earned, is calculated using a methodology called the Balance Score Card. This methodology takes into account financial as well as non-financial measures, including revenue, profitability, efficiency and customer satisfaction. In addition, compensation includes a non-cash component (long-term incentive) which is performance based and takes into consideration an externally calculated cost of equity. For the financial year under review, compensation paid in cash to the top 5 members of the Executive Management team of the Company, amounted in aggregate to US$5,465,000. The table immediately below shows a breakdown of the non-cash component of the compensation of the top 5 members of the Executive Management team.

	Restricted Stock Grants	Stock options
	For the financial year ended 31-Dec-16	For the financial year ended 31-Dec-16
Top 5 Members of the Group Executive Management Team	Vested	Vested
	929,422	1,150,158

BOARD OF DIRECTORS

The Company's compensation philosophy for the Board of Directors has objectives akin to that for employees. It is designed to attract, retain and motivate Directors of the quality required to ensure the efficient oversight of the Company's business. In 2006, the Board commissioned the independent firm of Ernst & Young of Atlanta to review Directors' compensation and make compensation recommendations. After examination of international best practice in the area, and consideration of various factors, including the level of responsibility, potential liability, and the time and commitment required for the role, Ernst & Young made certain recommendations to the Board regarding the levels and structure of compensation for Directors. These recommendations were approved by shareholders at the 2007 Annual Meeting, and remain unaltered to-date. In 2016, the Company accepted an invitation to participate in a directors' compensation survey being initiated by another entity but this exercise was aborted. In 2017, the Company will be reviewing its level of compensation for Directors.

Non-Executive Directors do not participate in any performance-based incentive plans, and their remuneration consists solely of cash. The Board Chairman and Directors are paid fees, and Committee Chairmen and Members are paid an additional fee for each Committee on which they serve. Non-Executive Directors' fees for the financial year under review amounted in aggregate to US $590,000.

Directors receive no additional benefits, but are reimbursed reasonable and customary out-of-pocket expenses associated with their attendance at meetings, and the performance of their role as Directors. Executives who are Directors are not paid fees.

11 FEES PAID TO EXTERNAL AUDITORS

PricewaterhouseCoopers is the Group's external auditor. Following is a statement of the fees paid to the external auditors for audit and non-audit services during 2015 and 2016:

Services	Fees Paid US$ '000	
	2015	2016
Audit	3,420	2,950
Non-Audit	254	273
Statutory Returns	912	944
Other	1,956	454
Total	*6,542	4,621

** This amount included fees of US$1,476,000 incurred by Sagicor Finance (2015) Ltd for the US$320 million Corporate Bond raised in 2015.*

12 ENTERPRISE RISK MANAGEMENT

The Group's enterprise risk management framework comprises articulation of risk philosophy and appetite; risk structures and processes; risk policies and a regime of monitoring risk exposures, both at the enterprise and subsidiary levels. The Group's activities of issuing insurance contracts, accepting funds from depositors, and investing insurance premium and deposit receipts in a variety of financial and other assets expose the Group to various financial, operational and business risks. Financial risks include insurance credit, liquidity, and market risks. Operational risks include fraud; damage to physical assets; improper business practices; improper employment practices; business interruption and system failures, and execution and process errors. Business risks include legal and regulatory, strategic and reputational risks. Exposure and sensitivity to financial risks are disclosed in Notes 41 to 43 to the 2016 audited financial statements contained in this Annual Report.

13 INTERNAL AUDIT

The role of Group Internal Audit is to provide independent, objective assurance and consulting services, designed to add value and improve the organisation's operations by utilising an appropriate risk-based audit methodology across the Group. It helps the organisation to accomplish its objectives by bringing a systematic, disciplined approach to the evaluation and improvement of risk management, control and governance processes. The scope of work of Internal Audit is to determine whether the organisation's network of risk management controls, and governance processes, as designed and represented by Management, is adequate and functioning in a manner to ensure, among other things, that risks are appropriately identified and managed and that employees' actions are in compliance with policies, standards, procedures, applicable laws and regulations. The work of Internal Audit also seeks to give assurance that resources are acquired economically, used efficiently, and adequately protected, and that quality and continuous improvement are fostered in the organisation's control process. The work also ensures that significant legislative or regulatory issues impacting the organisation are recognised and addressed appropriately.

14 COMPLIANCE

Sagicor continues to strengthen and streamline its compliance function, in response to the increasing complexity of regulatory and other risks, with the Audit Committee continuing to exercise oversight of all aspects of compliance.

The Group Compliance Committee also contributes to compliance management. Its role includes ensuring that compliance is governed by appropriate policies and is implemented and administered in accordance with such policies, ensuring that risk management practices are developed, implemented and administered for identifying, assessing, managing, reporting and monitoring compliance risk. The role also lends value-added support for the administration of, and compliance with, Sagicor's Code of Business Conduct and Ethics. The Committee's membership includes the Group Chief Compliance Officer as Chair, and the Chief Compliance Officer of each major operating subsidiary, the Group Chief Risk Officer, and Group General Counsel.

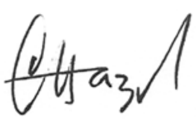
15 CODE OF BUSINESS CONDUCT AND ETHICS

Sagicor's Code of Business Conduct and Ethics (which codifies our corporate value system embracing legal, moral and ethical conduct, accountability, corporate social responsibility and leadership) requires Directors, Management, Staff and Advisors to acknowledge, on an annual basis, that they have read the Code and to indicate whether or not they are in compliance. Mechanisms through which code violations can be reported and channelled to the appropriate parties operated satisfactorily, including widely available anonymous whistle-blowing facilities. These enabled Management to take timely corrective action. The Corporate Governance and Ethics Committee carried out its annual review of the Code to ensure its adequacy.

16 INVESTOR RELATIONS AND COMMUNICATIONS

During 2016, the Company continued to execute its investor relations communications programme with periodic briefings to the Media, Analysts and Brokers. The Company continues to ensure that price-sensitive information is released across markets at the same time, and to manage its Insider Trading Policy as an integral part of the Code of Business Conduct and Ethics. The annual Shareholders' Briefing was held in Trinidad, where the majority of Shareholders reside, for the benefit of Shareholders who were unable to travel to Barbados for the Annual Meeting of Shareholders.

By Order of the Board of Directors.



Althea C. Hazzard
Corporate Secretary
March 31, 2017

EXECUTIVE MANAGEMENT

We will always be there for our customers
and guide them with sage advice today, so they may fulfill their goals tomorrow.
Together, we have the power to make each day better than the last.

EXECUTIVE MANAGEMENT

Dodridge D Miller FCCA, MBA, LLM, LLD (Hon)

Group President and Chief Executive Officer

- Appointed Group President and Chief Executive Officer in 2002, and has been a Director since December 2002.
- Fellow of the Association of Chartered Certified Accountants (FCCA), and obtained his MBA from the University of Wales and Manchester Business School.
- Holds an LLM in Corporate and Commercial Law from the University of the West Indies and, in October 2008, he was conferred with an Honorary Doctor of Laws degree by the University of the West Indies.
- More than 30 years' experience in the banking, insurance and financial services industries.
- Prior to his appointment as Group President and Chief Executive Officer, he held the positions of Treasurer and Executive Vice President – Finance and Investments, Deputy Chief Executive Officer and Chief Operating Officer.
- Joined the Group in 1989. He is a Director of Sagicor Life Inc, Sagicor USA, Sagicor Group Jamaica Limited, Sagicor Life Jamaica Limited, Sagicor Investments Jamaica Limited and other subsidiaries within the Group.

Richard M Kellman BSc

Group Chief Operating Officer, with responsibility for Sagicor Life Inc, Southern Caribbean

- Elected a Director in June 2009, and was appointed Group Chief Operating Officer in 2009.
- Holds a BSc in Statistics from University College, London University, and retired from fellowship of the Institute of Actuaries during 2016.
- More than 30 years' experience in the pensions, insurance and financial services industries.
- Held senior actuarial and management positions, and served on several regional Boards.

Dr. M Patricia Downes-Grant CBE, MA, MBA, DBA, LLD (Hon)

Executive Director, Corporate

- Appointed President and Chief Executive Officer of Sagicor Life Inc in 2006, having served as Group Chief Operating Officer since 2002.
- Joined Sagicor in 1991, and held several senior positions, including those of Vice President, Investments and Treasurer and Executive Vice President (Finance and Investments) before being appointed Chief Executive Officer.
- Holds an MBA in Finance, an MA in Economics, a Doctorate in Business Administration (Finance) and an Honorary Doctor of Laws degree from the University of the West Indies.
- Prior to joining Sagicor, Dr. Downes-Grant was a Senior Manager with PricewaterhouseCoopers.
- More than 20 years of experience in insurance, banking and asset management.
- Former Chairman of the Barbados Stock Exchange and Barbados Central Securities Depository, and a Director of several companies within the Sagicor Group and private companies.

Anthony O Chandler CPA, CGA, MBA

Group Chief Financial Controller

- Appointed Group Chief Financial Controller in 2013.
- Member of the Certified General Accountants Association of Canada, and holds an MBA from the University of Manchester.
- Prior to this, he served as Executive Vice President and Chief Financial Officer of Sagicor Life Inc from 2011.
- Joined Sagicor in 1995 as Financial Accountant, and was transferred to the Group subsidiary, Island Life Insurance Company Ltd in 2000.
- Has over 20 years of experience in the insurance industry.
- In 2003 he joined the management of Life of Jamaica as Head of its Internal Audit function, before returning to Barbados in the position of Vice President, Finance, of Sagicor Life Inc later in the same year.
- In 2006 he was promoted to Vice President and Chief Financial Officer of Sagicor Life Inc.

Althea C Hazzard LLM (Cantab), FCIS, MICA

Executive Vice President, General Counsel and Corporate Secretary

- Appointed Executive Vice President, General Counsel and Corporate Secretary of Sagicor Financial Corporation in 2014, having previously served in the positions of Vice President, Legal and Compliance of Sagicor Life Inc and Corporate Secretary of Life of Barbados Limited.
- An Attorney-at-Law, Chartered Secretary and Compliance Professional, Mrs. Hazzard joined the Group in 1997 after an eight-year attachment to a leading corporate law firm in Barbados, specialising in international business.
- Holds a Bachelor of Laws Honors Degree from the University of the West Indies and a Certificate in Legal Education from the Hugh Wooding Law School in Trinidad, and was called to the Bar in Barbados and Trinidad and Tobago in 1989. She obtained her Master of Laws degree from the University of Cambridge, United Kingdom, and also holds International Diplomas in Compliance and Anti-money Laundering from the International Compliance Association in the United Kingdom and the Executive Diploma in Management from the Sagicor Cave Hill School of Business and Management.
- Professional member of the International Compliance Association and a Fellow of the Institute of Chartered Secretaries and Administrators in Canada.

Ravi C Rambarran BSc, MSc, FIA

Executive Vice President Corporate Strategy & Investor Relations

- In January 2017 he assumed responsibility for group strategy, mergers and acquisitions, investor relations with rating agencies.
- Appointed President and Chief Executive Officer of Sagicor International in 2007.
- Joined the Group in 1997.
- Awarded an Open Mathematics Scholarship by the Government of Trinidad and Tobago, has a BSc (Hons) in Actuarial Science from City University, London, an MSc in Finance from the University of London, and is a Fellow of the Institute of Actuaries.
- More than 20 years of experience, both regionally and internationally, in the pension, insurance and asset management industries.
- Director of Sagicor USA and Sagicor General.
- Member of the Executive of the Caribbean Actuarial Association and represents the Caribbean on the International Actuarial Association Insurance Committee.

Ronald B. Blitstein BA, MBA

Group Chief Information Officer

- Joined Sagicor Financial Corporation in 2013.
- Holds a BA in Political Science, MBA in Finance from Syracuse University.
- IT professional, with knowledge in all areas of information technology and its application to driving improved business outcomes.
- Previously served as Director, Business Technology and Strategies Practice for a global advisory firm, supporting Fortune 500 clients, national governments and United Nations agencies.
- Held key executive leadership positions at Revlon, Pitney Bowes, BOC Group, and Xerox Corporation.
- Served as a Six Sigma Champion for firms pursuing enterprise operational excellence.

J. Andrew Gallagher FSA, FCIA, CERA

Chief Risk Officer

- Appointed Chief Risk Officer for the Group in 2007.
- Joined Sagicor in 1997 as Resident Actuary.
- Holds a Bachelor of Mathematics degree from the University of Waterloo.
- Fellow of Canadian Institute of Actuaries, Fellow of the Society of Actuaries and a Chartered Enterprises Risk Analyst.
- More than 20 years in the insurance industry.

Donald S Austin BSc, MBA, FCCA

President & CEO, Sagicor Life (Eastern Caribbean) Inc

- Appointed Chief Executive Officer, Sagicor Life (Eastern Caribbean) Inc. in 2015.
- Board Member of Sagicor Funds Incorporated and Sagicor Asset Management Inc.
- Former Chairman of the Board of Directors of LIME Grenada and LIME Dominica and Current Board Member of LIME Barbados.
- Holds a Bachelor of Science (Honours) in Electronic Engineering from the University of Bristol, a Master of Business Administration from Manchester Business School and he is a Fellow of the Association of Chartered Certified Accountants.

Richard O Byles BSc, MSc

President and Chief Executive Officer, Sagicor Group Jamaica Limited

- Appointed President and CEO of Sagicor Life Jamaica Limited in 2004.
- In February 2016 he reached retirement age and is now employed on a short term contract until the new Chief Executive Officer assumes the position on May 1, 2017.
- Holds a BSc in Economics from the University of the West Indies and an MSc in National Development from the University of Bradford, England.
- Chairman of the Board of Sagicor Bank Jamaica Limited, Sagicor Property Services Limited, Sagicor Reinsurance Limited (Cayman), Sagicor Insurance Managers (Cayman), Red Stripe Limited and Pan-Jamaican Investment Trust Ltd.
- Former Co-chair of the Economic Programme Oversight Committee (EPOC), a private/public sector committee established to oversee the Implementation of the IMF Programme in Jamaica.
- More than 30 years of experience in insurance, banking and asset management.

Bart F Catmull BSc, CPA

President and Chief Operating Officer, Sagicor USA Inc

- Appointed President and Chief Operating Officer of Sagicor USA in 2013.
- Certified Public Accountant (CPA), and obtained his Bachelor of Science degree in Accounting from Brigham Young University.
- More than 20 years' experience in the insurance industry.
- Prior to his appointment as President, he held the positions of Chief Operating Officer, Chief Financial Officer, Treasurer and Chief Accounting Officer in the company.
- Joined the Group in 2005, with the predecessor Company since 1999.

J. Edward Clarke FCCA, CIA

Executive Vice President and General Manager, Barbados

- Appointed Chief Operating Officer, Sagicor Life Inc and General Manager, Barbados in 2010.
- Prior to 2010, he held the position of Group Internal Auditor.
- Fellow of the Association of Chartered Certified Accountants and is a Certified Internal Auditor.
- More than 30 years' experience in auditing and finance in Barbados, Nigeria and the USA.
- Prior to joining Sagicor, Chief Financial Officer of a major conglomerate in Barbados.
- Director of Sagicor General Insurance Inc, Sagicor Funds Inc, Barbados Farms Limited, Globe Finance, the Insurance Association of the Caribbean and a Vice President of the Barbados Chamber of Commerce and Industry.

Keston D Howell BSc, (Hon), MBA

Executive Vice President and General Manager, Dutch Caribbean & Central America

- Joined Sagicor in July 2006 as Executive Vice-President - Merchant Banking, responsible for the establishment of Sagicor Merchant Bank and overall Banking Strategy of the Group.
- In 2008, assumed the position of Executive Vice President - Sagicor Asset Management Limited.
- Holds an MBA from the University of London.
- More than 18 years in the insurance and banking industry.
- Assumed executive responsibility for Dutch Caribbean and Central America operations and Sagicor Life Aruba N.V. and has executive oversight of Sagicor Life's Mortgage Department and Mortgage Recovery Unit.

Robert J L Trestrail BA

Executive Vice President and General Manager, Trinidad & Tobago

- Appointed Executive Vice President and General Manager Trinidad and Tobago in 2007.
- Joined the Group in 2001 as an Assistant Vice President – Administration.
- Holds a BA – Economics from the University of Toronto.
- More than 20 years in the insurance and banking industry.
- Promoted to Vice President – Administration in 2004, and became Executive Vice President and General Manager Designate in 2006.

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FINANCIAL STATEMENTS

As we look ahead to the future of our company, we will continue to operate with honesty and transparency. Our word is our bond and we will never break it. So when people look to Sagicor for service and advice, they will always know that we will be there to lead them on the path to success.

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AUDITOR'S REPORT

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Independent auditor's report

To the Shareholders of Sagicor Financial Corporation Limited

Report on the audit of the consolidated financial statements

Our opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Sagicor Financial Corporation Limited ('the Company') and its subsidiaries (together 'the Group') as of December 31, 2016, and their consolidated financial performance and their consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

What we have audited

Sagicor Financial Corporation Limited's consolidated financial statements comprise:

- the consolidated statement of financial position as of December 31, 2016;
- the consolidated statement of income 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; and
- the notes to the financial statements, which include significant accounting policies.

Basis for opinion

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

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

Independence

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

PricewaterhouseCoopers SRL, The Financial Services Centre, Bishop's Court Hill, P.O. Box 111, St. Michael, BB14004, Barbados, West Indies
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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 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.

A full scope audit was performed for six components. These six components were: Sagicor Life Inc ("Barbados branch"), Sagicor Life Inc ("EC branches") and Sagicor Life Inc ("Trinidad Branch") Sagicor Life Insurance Company ("Sagicor USA"), Sagicor Group Jamaica Limited ("Sagicor Jamaica") and Sagicor Financial Corporation Limited. Additionally, based on our professional judgement, three components: Barbados Farms Limited, Sagicor General Insurance Inc and Sagicor Finance (2015) Limited were selected to perform an audit on specified account balances due to the materiality of certain individual balances to the Group consolidated financial statements as a whole. We performed analytical procedures with respect to the remaining components. All of the individually significant components were audited by a PwC network Firm.

In establishing the overall Group audit strategy and plan, we determined the type of work that is needed to be performed at the components by the Group engagement team and by the component auditors. Where the work was performed by component auditors, we determined the level of involvement we needed to have in the audit work of those components to be able to conclude whether sufficient appropriate audit evidence had been obtained as a basis for our opinion on the consolidated financial statements as a whole. The Group audit team held meetings with each component team for which a full scope audit was performed. The Group team, on a rotational basis, selects one component for a detailed review of their audit work. This year the Group audit team reviewed the audit work of PwC Trinidad who are the component auditors for Sagicor Life Inc (Trinidad branch). The Group team engagement leader and senior manager also reviewed all reports with regards to the audit approach and findings submitted in detail by all full scope components.

In total, by performing these procedures on the six full scope components, we achieved the following coverage on the financial statement line items:

Revenue	89%
Total assets	89%

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Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall Group materiality for the consolidated financial statements. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated 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

Goodwill impairment

See notes 2.7(a), 3.3(a) and 8 to the financial statements for disclosures of related accounting policies, judgements and estimates.

Goodwill of $43.9 million has arisen from a number of historic business combinations across the Group.

We focused on goodwill allocated to the Sagicor Life and Sagicor Jamaica segments as defined in note 4 to the consolidated financial statements. Sagicor Life uses an actuarial appraisal model and Sagicor Jamaica uses fair value less costs to sell to assess goodwill impairment. We focused on these segments based on magnitude, level of headroom and the sensitivity of the impairment test to possible changes in assumptions, being primarily:

Sagicor Life

- the growth rate of new business;
- discount rates;
- mortality, persistency and expense assumptions; and
- minimum regulatory capital requirements.

- We engaged our own experts to assess the methodology and underlying assumptions used in the assessment of the goodwill impairment testing.
- For the Sagicor Life segment, we evaluated the growth rate for new business by comparing the forecasted growth in new business to that achieved in the previous 4 years.

  We also compared the mortality, persistency and expense assumptions in the model to those used for the computation of actuarial liabilities and noted no material exceptions.

  In our testing of the actuarial appraisal model we checked the calculations for mathematical accuracy.

  We engaged our own experts to independently determine a discount rate which we used to sensitize the results of the model. In addition, in our sensitized scenario we reduced management's growth rate assumption and increased the amount of capital set aside to meet operational requirements.

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Sagicor Jamaica

- the growth rate, and;
- the discount rate.

With respect to the actuarial appraisal model, management uses qualified internal actuaries and an independent external actuary to assist in developing the actuarial appraisal model and in determining the related assumptions.

Based on the testing performed, no material adjustment to the carrying value of goodwill allocated to this segment was considered necessary.

- For the Sagicor Jamaica segment we evaluated management's future cash flow forecasts, and the process by which they were developed. We compared previous forecasts to actual results to assess the performance of the business and the accuracy of forecasting. We confirmed that the three year forecast used in the valuation model was consistent with Board approved business plan, and that the key assumptions were subject to oversight from the Board of Directors.

  We tested the assumptions and methodologies used, in particular those relating to the growth rates and discount rate. To do this:

  - Our valuation expert evaluated these assumptions with reference to valuations of similar companies.
  - We compared the key assumptions to externally derived data where possible, including market expectations of investment return, projected economic growth and interest rates.
  - We applied sensitivities in evaluating the directors' assessment of the planned growth rate in cash flows.

  In testing the valuation model; we checked the calculations for mathematical accuracy and considered the sensitivity of the calculation by varying the key assumptions and adjustments within management's cash flow forecast.

  Based on the testing performed, no material adjustment to the carrying value of goodwill allocated to this segment was considered necessary.

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Actuarial methodologies and assumptions used in the valuation of insurance contract liabilities and annuity insurance contracts

See notes 2.11, 3.5 and 13 to the financial statements for disclosures of related accounting policies, judgements and estimates.

Actuarial liabilities are the most significant liability on the Group's statement of financial position. At December 31, 2016, actuarial liabilities totalled $2,776 million.

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. Economic assumptions, such as investment return, associated discount rates and borrowing rates, policy expenses, and operating assumptions such as mortality and persistency are the key inputs used to estimate these long-term liabilities.

Management uses qualified internal actuaries and an independent external actuary to assist in determining these assumptions and in valuing the actuarial liabilities.

- We were assisted by our own actuarial experts considering industry and component specific facts and circumstances, to evaluate the methodologies and assumptions utilized by management's actuarial experts.
- We updated our understanding for any changes impacting the assumptions, specifically, we focused on mortality assumptions, contract lapses, investment return and associated discount rates, borrowing rates and policy expenses, all of which are based on the entity experience or published industry studies.
- For the Sagicor Life and Sagicor Jamaica segments we tested a sample of contracts to assess whether contract features corresponded to the data on the policy master file and tested the accuracy and completeness of the transfer of that data to the actuarial valuation systems.
- For the Sagicor USA segment we tested a sample of contracts to assess whether contract features corresponded to the data in the actuarial valuation system. In addition, we tested a sample of contracts from the policy master file to the actuarial valuation system to assess the completeness and accuracy of data in the actuarial valuation system.
- We assessed whether the actuarial methodologies were applied on a consistent basis in valuing actuarial liabilities. Where we identified changes to either calculations or methodologies we discussed these with our actuarial experts and considered whether they were refinements to the valuation of actuarial liabilities as opposed to corrections of errors or changes in accounting policy. Our testing did not identify any material changes in the application of actuarial methodologies or to the supporting calculations of actuarial liabilities that were not refinements.

We found the significant estimates and assumptions used by management to be reasonable, and that the methodologies used were established and accepted actuarial methodologies and were appropriate in the circumstances.

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Valuation of financial investments held at fair value and impairment of financial investments available-for-sale

See notes 2.8(a), (b), (c), (d), 3.1, 3.4 and 9 to the financial statements for disclosures of related accounting policies, judgements and estimates.

The Group's financial investments classified as fair value through income and available-for-sale account for $2,725 million or 42% of total assets for the Group.

The Group classifies its financial investments as financial assets at fair value through income; loans and receivables; held-to-maturity financial assets, and available-for-sale financial assets. The valuation of financial investments held at fair value is based on a range of inputs. While many of the inputs required can be obtained from readily available liquid market prices and rates, certain securities are based on modelled prices as observable market data is limited. In these instances, management is required to make significant judgements due to the complexity in the valuation model estimates resulting in high estimation uncertainty risk which therefore led us to focus our attention on this area.

In addition, management is required to perform an impairment assessment for available-for-sale investments where certain impairment indicators exist. The main considerations for the impairment assessment for financial assets classified as available-for-sale include whether there are:

- Significant financial difficulty of the borrower;
- Default or delinquency in interest or principal payment;
- Concessions granted to a borrower that would not otherwise be considered due to the borrower's financial difficulty;

- We assessed the Group's valuation of individual investment holdings. Where readily observable data was available, we sourced this independently and performed a comparison to management's results. No material exceptions were noted.
- For more judgemental valuations, which may depend on unobservable inputs we selected a sample of securities, which were either independently valued by our component teams or by our experts. In some cases, these procedures indicated a different valuation to that calculated by management. In our view, the differences were within a reasonable range of outcomes, in the context of the inherent valuation uncertainties.
- We obtained management's impairment assessment and compared assumptions and inputs to independent market observable data where possible. We also checked the calculations for mathematical accuracy noting no exceptions.

We tested a sample of available-for-sale investments to independently assess whether they were impaired. The results of our testing identified an additional impairment provision was required, which was recorded by management and adjusted in the consolidated financial statements.

- The probability that the borrower will enter bankruptcy or other financial reorganization;
- Observable market data indicating that there is a measureable decrease in the estimated future cashflows from the asset since the initial recognition of those assets;
- The disappearance of an active market for the financial asset as a result of financial difficulties;
- In respect of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value below cost is an indicator of impairment.

As a result of the above estimation uncertainty and subjective judgements made by management, we focused our attention on this area.

Other information

Management is responsible for the other information. The other information comprises Sagicor Financial Corporation Limited's Annual Report (Annual Report) (but does not include the consolidated 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 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 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 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.

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

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

In preparing the consolidated financial statements, management is responsible for assessing the Group'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 to cease operations, or has no realistic alternative but to do so.

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

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 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 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'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'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 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 to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated 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.

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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, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated 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.

Other Matter

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

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

PricewaterhouseCoopers SRL

PricewaterhouseCoopers SRL
Bridgetown, Barbados
March 31, 2017

ACTUARY'S REPORT

Eckler

Sagicor

SAGICOR FINANCIAL CORPORATION LIMITED

APPOINTED ACTUARY'S

2016 REPORT TO THE SHAREHOLDERS AND POLICYHOLDERS

I have performed or reviewed the valuation of the consolidated policy liabilities of Sagicor Financial Corporation Limited ("Sagicor") which includes the policy liabilities of its life insurance subsidiaries:

- A — Sagicor Life Inc. (Barbados) ("SLI"),
- B — Capital Life Insurance Company Bahamas Limited (Bahamas),
- C — Sagicor Life Aruba NV (Aruba),
- D — Sagicor Panamá SA (Panama),
- E — Nationwide Insurance Company Limited (Trinidad & Tobago),
- F — Sagicor Life Jamaica Limited (Jamaica) *,
- G — Sagicor Life of the Cayman Islands Limited (Cayman Islands) *, and
- H — Sagicor Life Insurance Company (USA) *,

for the balance sheet, at 31st December 2016, and their change in the consolidated statement of operations, for the year then ended, for each organization and on a consolidated basis in accordance with accepted actuarial practice, including selection of appropriate assumptions and methods.

The valuation of Sagicor and its Life Insurance Subsidiaries was conducted by myself or other actuaries (indicated by a "*" above), using either the Policy Premium Method ("PPM") or the Canadian Asset Liability Method ("CALM") where appropriate, assuming best-estimate assumptions together with margins for adverse deviations in accordance with the Standards of Practice (Life) of the Canadian Institute of Actuaries. For those where other actuaries completed the valuation, I have reviewed and accepted their valuation and have relied on their work in order to issue this certificate.

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

Sylvain Goulet

Sylvain Goulet, FCIA, FSA, MAAA
Affiliate Member of the Institute and Faculty of Actuaries
Member of the Caribbean Actuarial Association
Appointed Actuary for Sagicor Financial Corporation Limited, and the above Life Subsidiaries A to E

23rd March 2017

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As of December 31, 2016

Sagicor Financial Corporation Limited

Amounts expressed in US $000

	Note	2016	2015
ASSETS			
Investment property	5	80,662	79,172
Property, plant and equipment	7	167,723	170,249
Associates and joint ventures	6	87,293	84,530
Intangible assets	8	83,487	88,183
Financial investments	9	4,813,748	4,826,621
Reinsurance assets	10	777,344	665,819
Income tax assets	11	59,575	66,342
Miscellaneous assets and receivables	12	183,018	168,480
Cash resources		279,070	250,489
Total assets		**6,531,920**	**6,399,885**

These financial statements have been approved for issue by the Board of Directors on March 31, 2017.

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Director

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Director

	Note	2016	2015
LIABILITIES			
Actuarial liabilities	13	2,776,362	2,632,387
Other insurance liabilities	14	207,122	205,891
Investment contract liabilities	15	377,576	368,596
Total policy liabilities		3,361,060	3,206,874
Notes and loans payable	16	395,213	475,517
Deposit and security liabilities	17	1,623,325	1,607,611
Provisions	18	101,292	88,206
Income tax liabilities	19	50,641	34,765
Accounts payable and accrued liabilities	20	204,975	201,722
Liabilities of discontinued operation	38	-	46,026
Total liabilities		**5,736,506**	**5,660,721**
EQUITY			
Share capital	21	3,029	299,320
Share premium	21	297,050	-
Reserves	22	(64,795)	(59,688)
Retained earnings		300,865	266,414
Total shareholders' equity		536,149	506,046
Participating accounts	23	1,291	1,383
Non-controlling interest in subsidiaries		257,974	231,735
Total equity		**795,414**	**739,164**
Total liabilities and equity		**6,531,920**	**6,399,885**

CONSOLIDATED STATEMENT OF INCOME

Year ended December 31, 2016

Sagicor Financial Corporation Limited

Amounts expressed in US $000

	Note	2016	2015
REVENUE			
Premium revenue	24	833,918	969,522
Reinsurance premium expense	24	(169,962)	(295,597)
Net premium revenue		663,956	673,925
Net investment income	25	353,352	322,229
Fees and other revenue	26	116,839	109,090
Gain/(loss) arising on acquisition	37	-	(1,025)
Total revenue		1,134,147	1,104,219
BENEFITS			
Policy benefits and change in actuarial liabilities	27	693,173	692,937
Policy benefits and change in actuarial liabilities reinsured	27	(194,262)	(198,801)
Net policy benefits and change in actuarial liabilities		498,911	494,136
Interest expense	28	61,448	58,807
Total benefits		560,359	552,943
EXPENSES			
Administrative expenses		255,326	251,892
Commissions and related compensation		98,570	105,093
Premium and asset taxes		10,679	14,808
Finance costs		38,333	37,234
Depreciation and amortisation		21,283	18,687
Total expenses		424,191	427,714
INCOME BEFORE TAXES		149,597	123,562
Income taxes	32	(41,700)	(25,119)
NET INCOME FROM CONTINUING OPERATIONS		**107,897**	**98,443**

	Note	2016	2015
Net income from continuing operations		107,897	98,443
Net income/(loss) from discontinued operation	38	1,412	(21,648)
NET INCOME FOR THE YEAR		109,309	76,795
Net income/(loss) is attributable to:			
Common shareholders:			
From continuing operations		60,259	56,327
From discontinued operation		1,412	(21,648)
		61,671	34,679
Participating policyholders		110	1,285
Non-controlling interests		47,528	40,831
		109,309	76,795
Basic earnings /(loss) per common share:	34		
From continuing operations		19.5 cents	18.2 cents
From discontinued operation		0.5 cents	(7.2) cents
		20.0 cents	11.0 cents
Fully diluted earnings /(loss) per common share:	34		
From continuing operations		18.7 cents	17.3 cents
From discontinued operation		0.4 cents	(6.6) cents
		19.1 cents	10.7 cents

Amounts expressed in US $000

OTHER COMPREHENSIVE INCOME	Note	2016	2015
Items net of tax that may be reclassified subsequently to income:	35		
Available for sale assets:			
Gains / (losses) on revaluation		39,183	(103,101)
Losses / (gains) transferred to income		2,675	(1,175)
Net change in actuarial liabilities		(17,090)	48,346
Retranslation of foreign currency operations		(28,481)	(15,686)
		(3,713)	(71,616)
Items net of tax that will not be reclassified subsequently to income:	35		
Gains / (losses) on revaluation of owner-occupied property		5,145	(345)
Losses on defined benefit plans		(13,875)	(5,431)
Other items		(128)	-
		(8,858)	(5,776)
OTHER COMPREHENSIVE LOSS FROM CONTINUING OPERATIONS		(12,571)	(77,392)

TOTAL COMPREHENSIVE INCOME	2016	2015
Net income	109,309	76,795
Other comprehensive loss	(12,571)	(77,392)
TOTAL COMPREHENSIVE INCOME / (LOSS) FOR THE YEAR	96,738	(597)
Total comprehensive income / (loss) is attributable to:		
Common shareholders:		
From continuing operations	45,811	14,461
From discontinued operation	1,412	(21,648)
	47,223	(7,187)
Participating policyholders	132	1,249
Non-controlling interests	49,383	5,341
	96,738	(597)

Amounts expressed in US $000

	Share Capital (note 21)	Share Premium (note 21)	Reserves (note 22)	Retained Earnings	Total Shareholders' Equity	Participating Accounts (note 23)	Non-controlling Interests	Total Equity
2016								
Balance, beginning of year	299,320	-	(59,688)	266,414	506,046	1,383	231,735	739,164
Total comprehensive income from continuing operations	-	-	(4,319)	50,130	45,811	132	49,383	95,326
Total comprehensive income from discontinued operation	-	-	-	1,412	1,412	-	-	1,412
Redomiciliation adjustment net of treasury shares	(296,296)	296,296	-	-	-	-	-	-
Transactions with holders of equity instruments:								
Movements in treasury shares	5	754	-	-	759	-	-	759
Changes in reserve for equity compensation benefits	-	-	2,132	-	2,132	-	(50)	2,082
Dividends declared (note 21.3)	-	-	-	(18,880)	(18,880)	-	(17,684)	(36,564)
Transfers and other movements	-	-	(2,920)	1,789	(1,131)	(224)	(5,410)	(6,765)
Balance, end of year	3,029	297,050	(64,795)	300,865	536,149	1,291	257,974	795,414
2015								
Balance, beginning of year	295,989	-	(8,765)	244,474	531,698	364	241,480	773,542
Total comprehensive income from continuing operations	-	-	(38,419)	52,880	14,461	1,249	5,341	21,051
Total comprehensive income from discontinued operation	-	-	-	(21,648)	(21,648)	-	-	(21,648)
Transactions with holders of equity instruments:								
Allotment of common shares	556	-	-	-	556	-	-	556
Movements in treasury shares	2,775	-	-	-	2,775	-	-	2,775
Changes in reserve for equity compensation benefits	-	-	(1,650)	-	(1,650)	-	(313)	(1,963)
Dividends declared (note 21.3)	-	-	-	(19,842)	(19,842)	-	(14,835)	(34,677)
Transfers and other movements	-	-	(10,854)	10,550	(304)	(230)	62	(472)
Balance, end of year	299,320	-	(59,688)	266,414	506,046	1,383	231,735	739,164

Amounts expressed in US $000

	Note	2016	2015
OPERATING ACTIVITIES			
Income before taxes		149,597	123,562
Adjustments for non-cash items, interest and dividends	36.1	(188,098)	(200,783)
Interest and dividends received		299,968	299,482
Interest paid		(93,620)	(76,276)
Income taxes paid		(24,948)	(27,444)
Net increase in investments and operating assets	36.1	(100,362)	(269,081)
Net increase in operating liabilities	36.1	83,793	58,514
Net cash flows - operating activities		126,330	(92,026)
INVESTING ACTIVITIES			
Property, plant and equipment, net	36.2	(17,996)	(16,586)
Associates and joint ventures		(188)	(28,986)
Intangible assets		(4,272)	(15,198)
Net cash flows - investing activities		(22,456)	(60,770)

	Note	2016	2015
FINANCING ACTIVITIES			
Movement in treasury shares		(98)	(896)
Redemption of SFCL preference shares		(119,991)	-
Shares issued to non-controlling interest		(6,634)	-
Other notes and loans payable, net	36.3	34,008	156,458
Dividends received from associates		1,788	480
Dividends paid to common shareholders		(13,381)	(11,842)
Dividends paid to preference shareholders		(5,256)	(7,800)
Dividends paid to non-controlling interests		(17,824)	(14,600)
Net cash flows - financing activities		(127,388)	121,800
Effects of exchange rate changes		(4,645)	(3,900)
NET CHANGE IN CASH AND CASH EQUIVALENTS - CONTINUING OPERATIONS		(28,159)	(34,896)
Net change in cash and cash equivalents - discontinued operation		(44,614)	(21,419)
Cash and cash equivalents, beginning of year		384,879	441,194
CASH AND CASH EQUIVALENTS, END OF YEAR	36.4	312,106	384,879

1 INCORPORATION AND PRINCIPAL ACTIVITIES

On July 20, 2016, Sagicor Financial Corporation continued as an exempted company under the laws of Bermuda under the name Sagicor Financial Corporation Limited and registered as an external company under the Companies Act of Barbados on July 20, 2016. Bermuda law does not contemplate companies with no par value shares, as a consequence on continuance the excess of the par value of $0.01 has been credited to share premium (note 21).

The Company was originally incorporated on December 6, 2002 under the Companies Act of Barbados as a public limited liability holding company. On December 6, 2002, Sagicor Life Inc was formed following its conversion from The Barbados Mutual Life Assurance Society (The Society). On December 30, 2002, the Company allotted common shares to the eligible policyholders of The Society and became the holding company of Sagicor Life Inc.

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

The principal activities of the Sagicor Group are as follows:

- Life and health insurance
- Annuities and pension administration services
- Property and casualty insurance
- Banking, investment management and other financial services

For ease of reference, when the term "insurer" is used in the following notes, it refers to either one or more Group subsidiaries that engages in insurance activities.

These consolidated financial statements for the year ended December 31, 2016 have been approved by the Board of Directors on March 31, 2017. Neither the entity's owners nor others have the power to amend the financial statements after issue.

2 ACCOUNTING POLICIES

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

2.1 Basis of preparation

These consolidated financial statements are prepared in accordance with and comply with International Financial Reporting Standards (IFRS).

The Group has adopted accounting policies for the computation of actuarial liabilities of life insurance and annuity contracts using approaches consistent with Canadian accepted actuarial standards. As no specific guidance is provided by IFRS for computing actuarial liabilities, management has judged that Canadian accepted actuarial standards should continue to be applied. The adoption of IFRS 4 – Insurance Contracts, permits the Group to continue with this accounting policy, with the modification required by IFRS 4 that rights under reinsurance contracts are measured separately.

The consolidated financial statements are prepared under the historical cost convention except as modified by the revaluation of investment property, owner-occupied property, available for sale investment securities, financial assets and liabilities held at fair value through income, actuarial liabilities and associated reinsurance assets.

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 Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas when assumptions and estimates are significant to the consolidated financial statements, are disclosed in note 3.

All amounts in these financial statements are shown in thousands of United States dollars, unless otherwise stated.

2.1 Basis of preparation (continued)

Amendments to IFRS

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after January 1, 2016, and have not been applied in preparing these consolidated financial statements (see note 2.25). There are no new standards, amendments to standards and interpretations effective for this financial year that have a significant effect on the consolidated financial statements.

2.2 Basis of consolidation

(a) 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 has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group, and are de-consolidated from the date on which control ceases.

2.2 Basis of consolidation (continued)

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.

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

Non-controlling interest balances represent the equity in a subsidiary not attributable to Sagicor'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. For certain components of non-controlling interests, other IFRS may override the fair value option.

Non-controlling interest balances are subsequently re-measured by the non-controlling's proportionate share of changes in equity after the date of acquisition.

2.2 Basis of consolidation (continued)

(b) Discontinued operation

In December 2012, the Group agreed to sell Sagicor Europe Limited, its subsidiary Sagicor at Lloyd's Limited and its interest in Lloyd's of London syndicate 1206. The decision to sell resulted in the closure of the Sagicor Europe operating segment and therefore met the criteria of a discontinued operation. The sale was concluded in December 2013.

As of December 31, 2016, the future price adjustments relating to the discontinued operation are disclosed in the statement of financial position at their estimated undiscounted value.

(c) Sale of subsidiaries

On the sale of or loss of control of a subsidiary, the Group de-recognises the related assets, liabilities, non-controlling interest and associated goodwill of the subsidiary. The Group reclassifies its share of balances of the subsidiary previously recognised in other comprehensive income either to income or to retained earnings as appropriate. The gain (or loss) on sale recorded in income is the excess (or shortfall) of the fair value of the consideration received over the de-recognised and reclassified balances.

(d) Associates and joint venture

The investments in associated companies, which are not majority-owned or controlled but where significant influence exists, are included in these consolidated financial statements under the equity method of accounting.

2.2 Basis of consolidation (continued)

Investments in associate and joint venture companies are originally recorded at cost and include intangible assets identified on acquisition. Accounting policies have been changed where necessary to ensure consistency with the accounting policies adopted by the Group.

The Group recognises in income its share of associates 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 and joint ventures are eliminated to the extent of the Group's interest. The Group recognises in other comprehensive income, its share of post acquisition other comprehensive income.

(e) Pension and investment funds

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

The Group manages a number of segregated pension funds, mutual funds and unit trusts. These funds are segregated and investment returns on these funds accrue directly to unit-holders. Consequently the assets, liabilities and activity of these funds are not included in these consolidated financial statements unless the Group has a significant holding in the fund. Where a significant holding exists, the Group either consolidates the assets, liabilities and activity of the fund and accounts for any non-controlling interest as a financial liability or accounts for the fund as an associate.

(f) Employees share ownership plan (ESOP)

The Company has established an ESOP Trust which either acquires Company shares on the open market, or is allotted new shares by the Company. The Trust holds the shares on behalf of employees until the employees' retirement or termination from the Group. Until distribution to employees, shares held by the Trust are accounted for as treasury shares. All dividends received by the Trust are applied towards the future purchase of Company shares.

2.3 Foreign currency translation

(a) Functional and presentational currency

Items included in the financial statements of each reporting unit of the Group are measured using the currency of the primary economic environment in which the entity operates (the functional currency). A reporting unit may be an individual subsidiary, a branch of a subsidiary or an intermediate holding company group of subsidiaries.

The consolidated financial statements are presented in thousands of United States dollars, which is the Group's presentational currency.

(b) Reporting units

The results and financial position of reporting units that have a functional currency other than the Group's presentational currency are translated as follows:

(i) Income, other comprehensive income, movements in equity and cash flows are translated at average exchange rates for the year.
(ii) Assets and liabilities are translated at the exchange rates ruling on December 31.
(iii) Resulting exchange differences are recognised in other comprehensive income.

Currencies which are pegged to the United States dollar are converted at the pegged rates. Currencies which float are converted to the United States dollar by reference to the average of buying and selling rates quoted by the respective central banks or in the case of pounds sterling, according to prevailing market rates. Exchange rates of the other principal operating currencies to the United States dollar were as follows:

	2016 closing	2016 average	2015 closing	2015 average
Barbados dollar	2.0000	2.0000	2.0000	2.0000
Eastern Caribbean dollar	2.7000	2.7000	2.7000	2.7000
Jamaica dollar	127.9824	124.7554	119.9758	116.7122
Trinidad & Tobago dollar	6.7458	6.6190	6.4196	6.3412
Pound sterling	0.81280	0.73444	0.67480	0.65276

2.3 Foreign currency translation (continued)

On consolidation, exchange differences arising from the translation of the net investment in foreign entities are recorded in other comprehensive income. On the disposal or loss of control of a foreign entity, such exchange differences are transferred to income.

Goodwill and other intangible assets recognised on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity, and are translated at the rate ruling on December 31.

(c) Transactions and balances

Foreign currency transactions are translated into the functional currency at the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses, which result from the settlement of foreign currency transactions and from the re-translation of monetary assets and liabilities denominated in foreign currencies, are recognised in the income statement. Non-monetary assets and liabilities, primarily deferred policy acquisition costs and unearned premiums, are maintained at the transaction rates of exchange.

The foregoing exchange gains and losses which are recognised in the income statement are included in other revenue.

Exchange differences on the re-translation of the fair value of non-monetary items such as equities held at fair value through income are reported as part of the fair value gain or loss. Exchange differences on the re-translation of the fair value of non-monetary items such as equities held as available for sale are reported as part of the fair value gain or loss in other comprehensive income.

2.4 Segments

Reportable operating segments have been defined on the basis of performance and resource allocation decisions of the Group's Chief Executive Officer.

2.5 Investment property

Investment property consists of freehold lands and freehold properties which are held for rental income and/or capital appreciation. Investment property is recorded initially at cost. In subsequent financial years, investment property is recorded at fair values as determined by independent valuation, with the appreciation or depreciation in value being taken to investment income. Fair value represents the price (or estimates thereof) that would be agreed upon in an orderly transaction between market participants at valuation date.

Investment property includes property partially owned by the Group and held under joint operations with third parties for which the Group recognises its share of the joint operation's assets, liabilities, revenues, expenses and cash flows.

Transfers to or from investment property are recorded when there is a change in use of the property. Transfers to owner-occupied property or to real estate developed for resale are recorded at the fair value at the date of change in use. Transfers from owner-occupied property are recorded at their fair value and any difference with carrying value at the date of change in use is dealt with in accordance with note 2.6.

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 an owner-occupied property.

Rental income is recognised on an accrual basis.

2.6 Property, plant and equipment

Property, plant and equipment are recorded initially at cost. Subsequent expenditure is capitalised when it will result in future economic benefits to the Group.

2.6 Property, plant and equipment (continued)

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

Owner-occupied property includes property held under joint operations with third parties for which the Group recognises its share of the joint operation's assets, liabilities, revenues, expenses and cash flows. On the disposal of owner-occupied property, the amount included in the fair value reserve is transferred to retained earnings.

The Group, as lessor, enters into operating leases with third parties to lease assets. Operating leases are leases in which the Group maintains substantially the risks of ownership and the associated assets are recorded as property, plant and equipment. Income from operating leases is recognised on the straight-line basis over the term of the lease.

Depreciation is calculated on the straight-line method to write down the cost or fair value of property, plant and equipment to residual value over the estimated useful life. Estimated useful lives are reviewed annually and are as follows.

Asset	Estimated useful life
Buildings	40 to 50 years
Furnishings and leasehold improvements	10 years or lease term
Computer and office equipment	3 to 10 years
Vehicles	4 to 5 years
Leased equipment and vehicles	5 to 6 years

Lands are not depreciated.

2.6 Property, plant and equipment (continued)

An impairment loss is recognised for the amount by which an 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 its value in use.

Gains or losses recognised in income on the disposal of property, plant and equipment are determined by comparing the net sale proceeds to the carrying value.

2.7 Intangible assets

(a) Goodwill

Goodwill (defined in note 2.2(a)) arising from an acquisition of a subsidiary or insurance business is allocated to appropriate cash generating units which are defined by the Group's operating segments. Goodwill arising in a reportable operating segment is allocated to that segment. Goodwill arising in a Group entity, which is not within a reportable operating segment, is allocated to that entity's own operations, or, if that entity is managed in conjunction with another Group entity, to their combined operations.

Goodwill arising from an investment in an associate is included in the carrying value of the investment.

Goodwill is tested annually for impairment and whenever there is an indication of impairment. Goodwill is carried at cost less accumulated impairment. An impairment loss is recognised for the amount by which the carrying amount of goodwill exceeds its recoverable amount. The recoverable amount is the higher of an operating segment's (or operation's) fair value less costs to sell and its value in use.

On the disposal of a subsidiary or insurance business, the associated goodwill is de-recognised and is included in the gain or loss on disposal. On the disposal of a subsidiary or insurance business forming part of a reportable operating segment, the proportion of goodwill disposed is the proportion of the fair value of the asset disposed to the total fair value of the operating segment.

2.7 Intangible assets (continued)

(b) Other intangible assets

Other intangible assets identified on acquisition are recognised only if future economic benefits attributable to the asset will flow to the Group and if the fair value of the asset can be measured reliably. In addition, for the purposes of recognition, the intangible asset must be separable from the business being acquired or must arise from contractual or legal rights. Intangible assets acquired in a business combination are initially recognised at their fair value.

Other intangible assets, which have been acquired directly, are recorded initially at cost.

On acquisition, the useful life of the asset is estimated. If the estimated useful life is definite, then the cost of the asset is amortised over its life, and is tested for impairment when there is evidence of same. If the estimated useful life is indefinite, the asset is tested annually for impairment. 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 its value in use. The estimated useful lives of recognised intangible assets are as follows:

Class of intangible asset	Asset	Estimated useful life
Customer related	Customer relationships	4 - 20 years
	Broker relationships	10 years
Contract based	Licences	15 years
Technology based	Software	2 – 10 years

2.8 Financial assets

(a) Classification

The Group classifies its financial assets into four categories:

- held to maturity financial assets;
- available for sale financial assets;
- financial assets at fair value through income;
- loans and receivables.

Management determines the appropriate classification of these assets on initial recognition.

Held to maturity financial assets are non-derivative financial instruments with fixed or determinable payments and fixed maturities that management has both the intent and ability to hold to maturity.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

Financial assets in the category at fair value through income comprise designated assets or held for trading assets. These are set out below.

- Assets designated by management on acquisition form part of managed portfolios whose performance is evaluated on a fair value basis in accordance with documented investment strategies. They comprise investment portfolios backing deposit administration and unit linked policy contracts for which the full return on the portfolios accrue to the contract-holders.

- 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.

Available for sale financial assets are non-derivative financial instruments intended to be held for an indefinite period of time and which may be sold in response to liquidity needs or changes in interest rates, exchange rates and equity prices.

2.8 Financial assets (continued)

(b) Recognition and measurement

Purchases and sales of financial investments are recognised on the trade date. Interest income arising on investments is accrued using the effective yield method. Dividends are recorded in revenue when due.

Held to maturity assets, loans and receivables are carried at amortised cost less provision for impairment.

Financial assets in the category at fair value through income are measured initially at fair value and are subsequently re-measured at their fair value based on quoted prices or internal valuation techniques. Realised and unrealised gains and losses are recorded as net gains in investment income. Interest and dividend income are recorded under their respective heads in investment income. Interest income on financial assets at fair value through income is calculated using the effective interest rate method.

Financial assets in the available for sale category are measured initially at fair value and are subsequently re-measured at their fair value based on quoted prices or internal valuation techniques. Unrealised gains and losses, net of deferred income taxes, are reported in other comprehensive income. Either on the disposal of the asset or if the asset is determined to be impaired, the previously recorded unrealised gain or loss is transferred to investment income. Discounts and premiums on available for sale securities are amortised using the effective yield method.

(c) Fair value

Fair value amounts represent the price (or estimates thereof) that would be agreed upon in an orderly transaction between market participants at valuation date.

2.8 Financial assets (continued)

(d) Impaired financial assets

A financial asset is considered impaired if its carrying amount exceeds its estimated recoverable amount.

An impairment loss for assets carried at amortised cost is calculated as the difference between the carrying amount and the present value of expected future cash flows discounted at the original effective interest rate. The carrying value of impaired financial assets is reduced by impairment losses.

The recoverable amount for an available for sale security is its fair value.

For an available for sale equity security or investment in an associated company, an impairment loss is recognised in income if there has been a significant or prolonged decline in its fair value below its cost. Determination of what is significant or prolonged requires judgement which includes consideration of the volatility of the fair value, and the financial condition and financial viability of the investee. In this context, management considers a 40% decline in fair value below cost to be significant and a decline that has persisted for more than twelve months to be prolonged. Any subsequent increase in fair value occurring after the recognition of an impairment loss is reported in other comprehensive income.

For an available for sale security other than an equity security, if the Group assesses that there is objective evidence that the security is impaired, an impairment loss is recognised for the amount by which the instrument's amortised cost exceeds its fair value. If in a subsequent period the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed, and the amount of the reversal is recognised in revenue.

2.8 Financial assets (continued)

(e) Securities purchased for resale

Securities purchased for resale are treated as collateralised financing transactions and are recorded at the amount at which they are acquired. The difference between the purchase and resale price is treated as interest and is accrued over the life of the agreements using the effective yield method.

(f) Finance leases

The Group, as lessor, enters into finance leases with third parties to lease assets. Finance leases are leases in which the Group has transferred substantially the risks of ownership to the lessee. The finance lease, net of unearned finance income, is recorded as a receivable and the finance income is recognised over the term of the lease using the effective yield method.

(g) Embedded derivatives

The Group holds certain bonds and preferred equity securities that contain options to convert into common shares of the issuer. These options are considered embedded derivatives.

If the measurement of an embedded derivative can be separated from its host contract, the embedded derivative is carried at current market value and is presented with its related host contract. Unrealised gains and losses are recorded as investment income.

If the measurement of an embedded derivative cannot be separated from its host contract, the full contract is accounted for as a financial asset at fair value through income.

2.9 Real estate developed or held for resale

Lands being made ready for resale along with the cost of infrastructural works are classified as real estate held for resale and are stated at the lower of carrying value and fair value less costs to sell.

Real estate acquired through foreclosure is classified as real estate held for resale and is stated at the lower of carrying value and fair value less costs to sell.

Gains and losses realised on the sale of real estate are included in revenue at the time of sale.

2.10 Policy contracts

(a) Classification

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.

2.10 Policy contracts (continued)

A number of insurance contracts contain a discretionary participation feature. A discretionary participation feature entitles the holder to receive, supplementary to the main benefit, additional benefits or bonuses:

- that are likely to be a significant portion of the total contractual benefits;
- whose amount or timing is contractually at the discretion of management; and
- that are contractually based on
  - the performance of a specified pool of contracts;
  - investment returns on a specified pool of assets held by the insurer; or
  - the profit or loss of a fund or insurer issuing the contract.

Policy bonuses and policy dividends constitute discretionary participation features which the Group classifies as liabilities.

Residual gains in the participating accounts constitute discretionary participation features which the Group classifies as equity (see also note 2.20).

(b) Recognition and measurement

(i) 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, motor, accident and liability.

Property insurance contracts provide coverage for the risk of property damage or of loss of property. Commercial property, homeowners' property, motor 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.

2.10 Policy contracts (continued)

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 and premium taxes payable are recognised on the same basis as premiums earned. At the date of the financial statements, commissions and premium taxes attributable to unearned premiums are recorded as deferred policy acquisition costs. Profit sharing commission payable by the Group arises from contracts between an insurer and a broker; it is accrued on an individual contract basis and recognised when the reinsurance premium is recorded.

2.10 Policy contracts (continued)

(ii) 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 2.11.

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 and premium taxes payable are recognised on the same basis as premiums earned.

(iii) Long-term traditional insurance contracts

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

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

2.10 Policy contracts (continued)

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

Reserves for future policy liabilities are recorded as described in note 2.11.

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 and premium taxes payable are recognised on the same basis as earned premiums.

(iv) 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 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, administrative expenses and premium taxes. Fund withdrawals may be permitted.

2.10 Policy contracts (continued)

Premium revenue is recognised when received and consists of all monies received from the policyholders. Typically, premiums are fixed at the inception of the contract or periodically thereafter but additional non-recurring premiums may be paid.

Policy benefits are recognised on the notification of death, disability or critical illness, on the receipt of a withdrawal request, on the termination or maturity date of the contract, or on the annuity payment date. Reserves for future policy liabilities are recorded as described in note 2.11.

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 and premium taxes payable are generally recognised only on settlement of premiums.

(v) Reinsurance contracts assumed

Reinsurance contracts assumed by an insurer are accounted for in a similar manner as if the insurer has assumed the risk direct from a policyholder.

Reinsurance contracts assumed include blocks of life and annuity policies assumed from third party insurers. In some instances, the Group also administers these policies.

(vi) Reinsurance contracts held

As noted in sections (i) to (iv) above, an insurer may obtain reinsurance coverage for insurance risks underwritten. The Group cedes insurance premiums and risk in the normal course of business in order to limit the potential for losses arising from its exposures. Reinsurance does not relieve the originating insurer of its liability.

2.10 Policy contracts (continued)

Reinsurance contracts held by an insurer are recognised and measured in a similar manner to the originating insurance contracts and in accordance with the contract terms. Reinsurance premium ceded and reinsurance recoveries on claims are offset against premium revenue and policy benefits in the income statement.

The benefits to which an insurer is entitled under its reinsurance contracts held are recognised as reinsurance assets or receivables. Reinsurance assets and receivables are assessed for impairment. If there is evidence that the asset or receivable is impaired, the impairment is recorded in the statement of income. The obligations of an insurer under reinsurance contracts held are included in accounts payable and accrued liabilities and in actuarial liabilities.

Reinsurance balances are measured consistently with the insurance liabilities to which they relate.

(vii) Deposit administration and other investment contracts

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

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

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

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, it is accrued monthly.

2.10 Policy contracts (continued)

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.

(c) Embedded derivatives

Certain insurance contracts contain embedded derivatives which are options whose value may vary in response to changes in interest rates or other market variables.

The Group does not separately measure embedded derivatives that are closely related to the host insurance contract or that meet the definition of an insurance contract. Options to surrender an insurance contract for a fixed amount are also not measured separately. In these cases, the entire contract liability is measured as set out in note 2.11.

(d) Liability adequacy tests

At the date of the financial statements, liability adequacy tests are performed by each insurer to ensure the adequacy of insurance 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.

2.11 Actuarial liabilities

(a) Life insurance and annuity contracts

The determination of actuarial liabilities of long-term insurance contracts has been done using approaches consistent with Canadian accepted actuarial standards. These liabilities consist of the amounts that, together with future premiums and investment income, are required to provide for future policy benefits, expenses and taxes on insurance and annuity contracts. Canadian standards may change from time to time, but infrequently.

2.11 Actuarial liabilities (continued)

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

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

The Company 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. These assets include available for sale securities, whose unrealised gains or losses in fair value are recorded in other comprehensive income. The fair value reserve for actuarial liabilities has been established in the statement of equity for the accumulation of changes in actuarial liabilities which are recorded in other comprehensive income and which arise from recognised unrealised gains or losses in fair value of available for sale securities.

2.11 Actuarial liabilities (continued)

Certain life insurance policies issued by the insurer contain equity linked 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 fair value through income 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.

(b) Health insurance contracts

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

2.12 Financial liabilities

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 note 2.10(b) (vii) and in the following paragraphs.

(a) Securities sold for re-purchase

Securities sold for re-purchase are treated as collateralised financing transactions and are recorded at the amount at which the securities were sold. Securities sold subject to repurchase are not derecognised but are treated as pledged assets when the transferee has the right by contract or custom to sell or re-pledge the collateral. The difference between the sale and re-purchase price is treated as interest and is accrued over the life of the agreements using the effective yield method.

The liability is extinguished when the obligation specified in the contract is discharged, assigned, cancelled or has expired.

2.12 Financial liabilities (continued)

(b) Deposit liabilities

Deposits are recognised initially at fair value and are subsequently stated at amortised cost using the effective yield method.

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

(d) Fair value

Fair value amounts represent the price (or estimates thereof) that would be agreed upon in an orderly transaction between market participants at valuation date.

2.13 Provisions

Provisions are recognised when the Group has a 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.

2.14 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.

2.14 Derivative financial instruments and hedging activities (continued)

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 financial statement date. 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. 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 strategies for undertaking various hedging transactions. The Group also documents its assessments, 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 other comprehensive income, and are transferred to the statement of income when the forecast cash flows affect income. The gain or loss relating to the ineffective portion is recognised immediately in the statement of income.

Gains and losses from changes in the fair value of derivatives that do not qualify for hedge accounting are included in net investment income or interest expense.

2.15 Offsetting financial instruments

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 realise the asset and settle the liability simultaneously.

2.16 Presentation of current and non-current assets and liabilities

In note 41.2, the maturity profiles of financial and insurance assets and liabilities are identified. For other assets and liabilities, balances presented in notes 5 to 8, 10 to 12, 14, 18, 19 and 33 are non-current unless otherwise stated in those notes.

2.17 Employee benefits

(a) Pension benefits

Group companies have various pension schemes in place for their employees. Some schemes are defined benefit plans and others are defined contribution plans.

The liability in respect of defined benefit plans is the present value of the defined benefit obligation at December 31 less the fair value of plan assets. The defined benefit obligation is computed using the projected unit credit method. The present value of the defined benefit obligation is determined by the estimated future cash outflows using appropriate interest rates on government bonds for the maturity dates and currency of the related liability.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to the other comprehensive income and retained earnings or non-controlling interest in the period in which they arise. Past service costs are charged to income in the period in which they arise.

For defined contribution plans, the Group pays contributions to the pension schemes on a mandatory or contractual basis. Once paid, the Group has no further payment obligations. Contributions are recognised in income in the period in which they are due.

(b) Other retirement benefits

Certain Group subsidiaries provide supplementary health 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 an accounting methodology similar to that for defined benefit pension plans. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to the other comprehensive income and retained earnings or non-controlling interest in the period in which they arise.

2.17 Employee benefits (continued)

(c) Profit sharing and bonus plans

The Group recognises a liability and an expense for bonuses and profit sharing, based on various profit and other objectives of the Group as a whole or of individual subsidiaries. An accrual is recognised where there are contractual obligations or where past practice has created a constructive obligation.

(d) Equity compensation benefits

The Group has a number of share-based compensation plans in place for administrative, sales and managerial staff.

(i) Equity-settled share-based transactions with staff

The services received in an equity-settled transaction with staff are measured at the fair value of the equity instruments granted. The fair value of those equity instruments is measured at grant date.

If the equity instruments granted vest immediately and the individual is not required to complete a further period of service before becoming entitled to those instruments, the services received are recognised in full on grant date in the income statement for the period, with a corresponding increase in equity.

Where the equity instruments do not vest until the individual has completed a further period of service, the services received are expensed in the income statement during the vesting period, with a corresponding increase in the reserve for equity compensation benefits or in non-controlling interest.

Non-market vesting conditions are included in assumptions about the number of instruments that are expected to vest. At each reporting financial statement date, the Group revises its estimates of the number of instruments that are expected to vest based on the non-marketing vesting conditions and adjusts the expense accordingly.

Amounts held in the reserve for equity compensation benefits are transferred to share capital or non-controlling interest either on the distribution of share grants or on the exercise of share options.

2.17 Employee benefits (continued)

The grant by the Company of its equity instruments to employees of Group subsidiaries is treated as a capital contribution in the financial statements of the subsidiary. The full expense relating to the grant is recorded in the subsidiary's income statement.

(ii) Cash-settled share-based transactions with staff

The services received in a cash-settled transaction with staff and the liability to pay for those services, are recognised at fair value as the individual renders services. Until the liability is settled, the fair value of the liability is re-measured at the date of the financial statements and at the date of settlement, with any changes in fair value recognised in income during that period.

(iii) Measurement of the fair value of equity instruments granted

The equity instruments granted consist either of grants of, or options to purchase, common shares of listed entities within the Group. For common shares granted, the listed price prevailing on the grant date determines the fair value. For options granted, the fair value is determined by reference to the Black-Scholes valuation model, which incorporates factors and assumptions that knowledgeable, willing market participants would consider in setting the price of the equity instruments.

(e) 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 redundancy. Benefits falling due more than twelve months after the date of the financial statements are discounted to present value.

2.18 Taxes

(a) Premium taxes

Insurers are subject to tax on premium revenues generated in certain jurisdictions. The principal rates of tax are summarised in the following table.

Premium tax rates	Life insurance and non-registered annuities	Health insurance	Property and casualty insurance
Barbados	3% - 6%	4%	3% - 5%
Jamaica	Nil	Nil	Nil
Trinidad and Tobago	Nil	Nil	Nil
United States of America	0.75% - 3.5%	Nil	Nil

Premium tax is recognised gross in the statement of income.

(b) Asset tax

The Group is subject to an asset tax in Jamaica and Barbados. In Jamaica, the asset tax is levied on insurance, securities dealers and deposit taking institutions, and is 0.25% of adjusted assets held at the end of the year. In Barbados, the asset tax is levied on insurance, deposit taking institutions and credit unions and is 0.20% of adjusted assets held at the end of a period. Taxes are accrued monthly.

(c) Income taxes

The Group is subject to taxes on income in the jurisdictions in which business operations are conducted. Rates of taxation in the principal jurisdictions for the current year are set out in the next table.

Amounts expressed in US $000

2.18 Taxes (continued)

Income tax rates	Life insurance and non-registered annuities	Registered annuities	Other lines of business
Barbados	5% of gross investment income	Nil	25% of net income
Jamaica	25% of profit before tax	Nil	25% - 33.33 % of profit before tax
Trinidad and Tobago	15% (deductions granted only in respect of expenses pertaining to long-term business investment income)	Nil	25% of net income
United States of America	35% of net income	Nil	35% of net income

(i) *Current income taxes*

Current tax is the expected tax payable on the taxable income for the year, using the tax rates in effect for the year. Adjustments to tax payable from prior years are also included in current tax.

(ii) *Deferred income taxes*

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 financial statements. Deferred income taxes are computed at tax rates that are enacted or substantially enacted by the end of the reporting period. Deferred tax assets are only recognised when it is probable that taxable profits will be available against which the asset may be utilised.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to do so and once they relate to the same entity. Deferred tax, related to fair value re-measurement of available for sale investments and cash flow hedges which are recorded in other comprehensive income, is recorded in other comprehensive income and is subsequently recognised in income together with the deferred gain or loss.

2.19 Common and preference shares

(a) Common shares

In exchange for consideration received, the Company has issued common shares that are classified as equity. Incremental costs directly attributable to the issue of common shares are recorded in share capital as a deduction from the share issue proceeds.

Where a Group entity purchases the Company's common shares, the consideration paid, including any directly attributable cost, is deducted from share capital and is recorded as treasury shares. Where such shares are subsequently sold to a third party, the deduction from share capital is reversed, and any difference with net consideration received is recorded in retained earnings.

(b) Preference shares

On July 18, 2011, the Company issued convertible redeemable preference shares that are accounted for as a compound financial instrument. The shares were redeemed on July 18, 2016.

The redemption value is recognised as a contractual liability, and is measured initially at its discounted fair value. The discount rate reflects as of July 18, 2011: (i) the rate of interest applicable to a similar liability with a contractual dividend rate, and (ii) the interest premium required by the shareholder for an instrument with a non-contractual dividend. The liability component is disclosed in note 16.

The preference shareholders' rights to receive dividends is recognised within shareholders' equity, and is measured initially as the residual fair value of the preference shares in their totality after deducting the liability for the redemptive value. The equity component is initially recorded as a preference share reserve in note 22.

Incremental costs directly attributable to the issue of the preference shares are allocated between the liability for the redemption value and the equity reserve in proportion to their initial carrying amounts. After initial recognition, the liability component is accreted to its ultimate redemption value using the effective interest yield method, with the accretion being recorded as a finance cost in the statement of income. After initial recognition, the preference share reserve is transferred to retained earnings pro-rata to the dividends declared over the period to redemption.

2.19 Common and preference shares (continued)

On the initial recognition of the preference shares, the conversion feature of the instrument was deemed to have no value. Subsequently, when a number of preference shares are converted to common shares, the associated liability for redemption will be extinguished and consequently will be transferred to the share capital account for common shares. Additionally at conversion, the proportion of the preference share reserve attributable to the converted number of preference shares will also be transferred to the share capital account for common shares. In summary, the total transfer to the share capital account for common shares will approximate the original consideration for the converted number of preference shares less attributable issue costs.

(c) Dividends

On the declaration by the Company's directors of common or preference share dividends payable, the total value of the dividend is recorded as an appropriation of retained earnings.

2.20 Participating accounts

(a) "Closed" participating account

For participating policies of Sagicor Life Inc in force at de-mutualisation, Sagicor Life Inc established a closed participating account in order to protect the guaranteed benefits and future policy dividends, bonuses and other non-guaranteed benefits of the afore-mentioned policies. The rules of this account require that premiums, benefits, actuarial reserve movements, investment returns, expenses and taxes, attributable to the said policies, are recorded in a closed participating fund. Policy dividends and bonuses of the said policies are paid from the participating fund on a basis substantially the same as prior to de-mutualisation.

Distributable profits of the closed participating account are distributed to the participating policies in the form of declared bonuses and dividends. Undistributed profits remain in the participating account for the benefit of participating policyholders.

2.20 Participating accounts (continued)

The participating account also includes an ancillary fund comprising the required provisions for adverse deviations as determined in the computation of actuarial liabilities of the said policies. Changes in the ancillary fund are not recorded in the participating account, but are borne by the general operations of Sagicor Life Inc.

(b) "Open" participating account

Sagicor Life Inc also established an open participating account for participating policies it issues after de-mutualisation. The rules of this account require that premiums, benefits, actuarial reserve movements, investment returns, expenses and taxes, attributable to the said policies are recorded in an open participating account.

The open participating account was established at de-mutualisation. On February 1, 2005, Sagicor Life Inc amalgamated with Life of Barbados Limited, and participating policies of the latter were transferred to the open participating account. Accordingly, the liabilities of these participating policies and matching assets were transferred to the open participating account. The liabilities transferred included an ancillary fund comprising the provisions for adverse deviations on the transferred policies. Changes in the ancillary fund are not recorded in the participating account, but are borne by the general operations of Sagicor Life Inc.

Additional assets to support the profit distribution to shareholders (see below) were also transferred to the account.

Distributable profits of the open participating account are shared between participating policies and shareholders in a ratio of 90:10. Profits are distributed to the participating policies in the form of declared bonuses and dividends. Profits which are distributed to shareholders are included in the allocation of Group net income to shareholders. Undistributed profits / (losses) remain in the participating account in equity.

2.20 Participating accounts (continued)

(c) Financial statement presentation

The assets and liabilities of the participating accounts are included but not presented separately in the financial statements. The revenues, benefits and expenses of the participating accounts are also included but not presented separately in the financial statements. However, the overall surplus of assets held in the participating funds over the associated liabilities is presented in equity as the participating accounts. The overall net income and other comprehensive income that are attributable to the participating funds are disclosed as allocations.

The initial allocation of additional assets to the participating funds is recognised in equity as a transfer from retained earnings to the participating accounts. Returns of additional assets from the participating funds are accounted for similarly.

2.21 Statutory reserves

Statutory reserves are established when regulatory accounting requirements result in lower distributable profits or when an appropriation of retained earnings is required or permitted by law to protect policyholders, insurance beneficiaries or depositors.

2.22 Interest income and expenses

Interest income and expenses are recognised in the income statement for all interest bearing instruments on an accrual basis using the effective yield method based on the initial transaction price. Interest includes coupon interest and accrued discount and premium on financial instruments.

2.23 Fees and other revenue

Fees and non-insurance commission income are recognised on an accrual basis when the service has been provided. 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. Portfolio and other management advisory and service fees are recognised based on the applicable service contracts, usually on a time-apportionate basis. Asset management fees related to investment funds are recognised rateably over the period in which the service is provided. Performance linked fees or fee components are recognised when the performance criteria are fulfilled. Other revenue is recognised on an accrual basis when the related service has been provided.

2.24 Cash flows

The following classifications apply to the cash flow statement.

Cash flows from operating activities consist of cash flows arising from revenues, benefits, expenses, taxes, operating assets and operating liabilities. Cash flows from investing activities consist of cash flows arising from long-term tangible and intangible assets to be utilised in the business and in respect of changes in subsidiary holdings, insurance businesses, and associated company and joint venture investments. Cash flows from financing activities consist of cash flows arising from the issue, redemption and exchange of equity instruments and notes and loans payable and from equity dividends payable to holders of such instruments.

Cash and cash equivalents comprise:

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

Cash equivalents are subject to an insignificant risk of change in value.

2.25 Future accounting developments and reporting changes

Certain new standards and amendments to existing standards have been issued but are not effective for the periods covered by these financial statements. The changes in standards and interpretations which may have a significant effect on future presentation, measurement or disclosure of the Group's financial statements are summarised in the following tables.

IFRS (Effective Date)	Subject / Comments
IFRS 9 – Financial Instruments (January 1, 2018)	IFRS 9, addresses the classification, measurement and recognition of financial assets and financial liabilities. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through OCI and fair value through P&L. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in OCI not recycling. There is now a new expected credit losses model that replaces the incurred loss impairment model used in IAS 39. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. IFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually use for risk management purposes.

IFRS (Effective Date)	Subject / Comments
IFRS 9 – Financial Instruments (January 1, 2018) (continued)	In September 2016, the IASB issued Applying IFRS 9 'Financial Instruments' with IFRS 4 'Insurance Contracts' (Amendments to IFRS 4) to address concerns by preparers on implementing IFRS 9 before the new insurance standard, IFRS 17, is released. The amended IFRS 4 will provide all companies that issue insurance contracts the option to recognise in other comprehensive income, rather than profit or loss, the volatility that could arise when IFRS 9 is applied before IFRS 17 is issued (known as the overlay approach), and also give companies whose activities are predominantly connected with insurance an optional temporary exemption from applying IFRS 9 until 2021 (known as the deferral approach). Entities deferring application of IFRS 9 will continue to apply the IAS 39. The Group is yet to assess IFRS 9's full impact.

Amounts expressed in US $000

2.25 Future accounting developments and reporting changes

IFRS (Effective Date)	Subject / Comments
IFRS 15 – Revenue from contracts with customers (January 1, 2017)	IFRS 15 deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS 18 'Revenue' and IAS 11 'Construction contracts' and related interpretations. The Group is assessing the impact of IFRS 15.
IFRS 16 – Leases (Annual periods beginning on or after 1 January 2019 with earlier application permitted if IFRS 15, 'Revenue from Contracts with Customers', is also applied.)	This standard replaces the current guidance in IAS 17 and is a far-reaching change in accounting by lessees in particular. Under IAS 17, lessees were required to make a distinction between a finance lease (on balance sheet) and an operating lease (off balance sheet). IFRS 16 now requires lessees to recognise a lease liability reflecting future lease payments and a 'right-of-use asset' for virtually all lease contracts. The IASB has included an optional exemption for certain short-term leases and leases of low-value assets; however, this exemption can only be applied by lessees. For lessors, the accounting stays almost the same. However, as the IASB has updated the guidance on the definition of a lease (as well as the guidance on the combination and separation of contracts), lessors will also be affected by the new standard. At the very least, the new accounting model for lessees is expected to impact negotiations between lessors and lessees. Under IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Group is yet to assess the impact of IFRS 16.

IFRS (Effective Date)	Subject / Comments
Recognition of Deferred Tax Assets for Unrealised Losses – Amendments to IAS 12 (January 1, 2017)	Amendments made to IAS 12 in January 2016 clarify the accounting for deferred tax where an asset is measured at fair value and that fair value is below the asset's tax base. Specifically, the amendments confirm that: • A temporary difference exists whenever the carrying amount of an asset is less than its tax base at the end of the reporting period. • An entity can assume that it will recover an amount higher than the carrying amount of an asset to estimate its future taxable profit. • Where the tax law restricts the source of taxable profits against which particular types of deferred tax assets can be recovered, the recoverability of the deferred tax assets can only be assessed in combination with other deferred tax assets of the same type. • Tax deductions resulting from the reversal of deferred tax assets are excluded from the estimated future taxable profit that is used to evaluate the recoverability of those assets. The Group is assessing the impact of the amendment to IAS 12.

2.25 Future accounting developments and reporting changes

IFRS (Effective Date)	Subject / Comments
Disclosure Initiative – Amendments to IAS 7 (January 1, 2017)	Going forward, entities will be required to explain changes in their liabilities arising from financing activities. This includes changes arising from cash flows (e.g. drawdowns and repayments of borrowings) and non-cash changes such as acquisitions, disposals, accretion of interest and unrealised exchange differences. Changes in financial assets must be included in this disclosure if the cash flows were, or will be, included in cash flows from financing activities. This could be the case, for example, for assets that hedge liabilities arising from financing liabilities. Entities may include changes in other items as part of this disclosure, for example by providing a 'net debt' reconciliation. However, in this case the changes in the other items must be disclosed separately from the changes in liabilities arising from financing activities. The information may be disclosed in tabular format as a reconciliation from opening and closing balances, but a specific format is not mandated. The Group is assessing the impact of the amendment to IAS 7.
Sale or contribution of assets between an investor and its associate or joint venture – Amendments to IFRS 10 and IAS 28 (In December 2016 the IASB decided to defer the application date of this amendment until such time as the IASB has finalised its research project on the equity method.)	The IASB has made limited scope amendments to IFRS 10 Consolidated financial statements and IAS 28 Investments in associates and joint ventures. The amendments clarify the accounting treatment for sales or contribution of assets between an investor and its associates or joint ventures. They confirm that the accounting treatment depends on whether the non-monetary assets sold or contributed to an associate or joint venture constitute a 'business' (as defined in IFRS 3 Business Combinations). Where the non-monetary assets constitute a business, the investor will recognise the full gain or loss on the sale or contribution of assets. If the assets do not meet the definition of a business, the gain or loss is recognised by the investor only to the extent of the other investor's investment in the associate or joint venture. The amendments apply prospectively. The Group is yet to assess the impact of the amendment.

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The development of estimates and the exercise of judgment in applying accounting policies may have a material impact on the Group's reported assets, liabilities, income and other comprehensive income. The items which may have the most effect on the Group's financial statements are set out below.

3.1 Impairment of financial assets

An available for sale debt security or a loan or a receivable is considered impaired when management determines that it is probable that all amounts due according to the original contract terms will not be collected. This determination is made after considering the payment history of the borrower, the discounted value of collateral and guarantees, and the financial condition and financial viability of the borrower. The determination of impairment may either be considered by individual asset or by a grouping of assets with similar relevant characteristics.

3.2 Recognition and measurement of intangible assets

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

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

3.3 Impairment of intangible assets

(a) Goodwill

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

3.3 Impairment of intangible assets (continued)

(a) Goodwill (continued)

The Group updates its business unit financial projections annually and applies discounted cash flow or earnings multiple models to these projections to determine if there is any impairment of goodwill. The assessment of whether goodwill is impaired can be highly sensitive to the inputs of cash flows, income after tax, discount rate, growth rate or capital multiple, which are used in the computation. Further details of the inputs used are set out in note 8.2.

(b) Other intangible assets

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

3.4 Fair value of securities not quoted in an active market

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

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

3.5 Valuation of actuarial liabilities

(a) Canadian Actuarial Standards

The objective of the valuation of policy liabilities is to determine the amount of the insurer's assets that, in the opinion of the Appointed Actuary (AA) and taking into account the other pertinent items in the financial statements, will be sufficient without being excessive to provide for the policy liabilities over their respective terms. The amounts set aside for future benefits are dependent on the timing of future asset and liability cash flows.

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

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

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

Further details of the inputs used are set out in note 43.

(b) Best estimate reserve assumptions & provisions for adverse deviations

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

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

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

The principal assumptions and margins used in the determination of actuarial liabilities are summarised in note 13.3. However, the liability resulting from the application of these assumptions can never be definitive as to the ultimate timing or the amount of benefits payable and is therefore subject to future re-assessment.

3.6 Carrying value of the assets and liabilities of the discontinued operation

As of December 31, 2016, the liability of the discontinued operation is the estimated residual liability due to the purchaser arising from the estimated results of the syndicate for the underwriting years of account up to and including 2013, until the end of the run-off period, December 31, 2018. The reported liability is also impacted by movements in various foreign exchange rates as the insured risks are denominated in a number of different currencies. The buyer may also charge a reasonable risk premium at the end of the run-off period.

Amounts expressed in US $000

4 SEGMENTS

The management structure of Sagicor consists of the parent company Board of Directors, the Group Chief Executive Officer (CEO), subsidiary company Boards of Directors and subsidiary company CEOs. For the parent company and principal subsidiaries, there are executive management committees made up of senior management who advise the respective CEOs. The principal subsidiaries have a full management governance structure, a consequence of their being regulated insurance and financial services entities and of the range and diversity of their products and services.

The Group CEO serves as Board Chairman or as a Board Member of the principal subsidiaries and is the Group's Chief Operating decision maker. Through subsidiary company reporting, the Group CEO obtains details of company performance and of resource allocation needs. Summarisation of planning and results and prioritisation of resource allocation is done at the parent company level where strategic decisions are taken.

In accordance with the relevant financial reporting standard, the Group has determined that there are three principal subsidiary Groups within continuing operations which represent the reportable operating segments of Sagicor. These segments and other Group companies are set out in the following sections. Details of the discontinued operating segment are set out in note 38.

(a) Sagicor Life

The group of subsidiaries comprises entities conducting life, health, annuity insurance business, pension administration services and asset management. During 2015, the segments were (i) Barbados, Eastern Caribbean, Dutch Caribbean, Bahamas and Central America and (ii) Trinidad and Tobago. During the year, the Group combined the two segments and brought them under common executive management control to allow for greater focus and accountability in the execution of our strategies.

4 SEGMENTS (continued)

Sagicor Life Segment Companies	Principal Activities	Country of Incorporation	Effective Shareholders' Interest
Sagicor Life Inc	Life and health insurance, annuities and pension administration services	Barbados	100%
Sagicor Life Aruba NV	Life and health insurance, annuities and pension administration services	Aruba	100%
Capital Life Insurance Company Bahamas Limited	Life insurance	The Bahamas	100%
Sagicor Panamá, SA	Life and health insurance	Panamá	100%
Nationwide Insurance Company Limited	Life insurance	Trinidad & Tobago	100%
Associates			
RGM Limited	Property ownership and management	Trinidad & Tobago	33%
FamGuard Corporation Limited	Investment holding company	The Bahamas	20%
Principal operating company: Family Guardian Insurance Company Limited	Life and health insurance and annuities	The Bahamas	20%
Primo Holding Limited	Property investment	Barbados	38%

Amounts expressed in US $000

4 SEGMENTS (continued)

(b) Sagicor Jamaica

This segment comprises Group subsidiaries conducting life, health, annuity, property and casualty insurance business, and pension administration services and financial services in Jamaica, Cayman Islands and Costa Rica.

All Jamaican subsidiaries are now wholly owned by Sagicor Group Jamaica Limited. The companies comprising this segment are as follows.

Sagicor Jamaica Segment Companies	Principal Activities	Country of Incorporation	Effective Shareholders' Interest
Sagicor Group Jamaica Limited	Group holding company	Jamaica	49.11%
Sagicor Life Jamaica Limited	Life and health insurance and annuities	Jamaica	49.11%
Sagicor Life of the Cayman Islands Limited	Life insurance	The Cayman Islands	49.11%
Sagicor Pooled Investment Funds Limited	Pension fund management	Jamaica	49.11%
Employee Benefits Administrator Limited	Pension administration services	Jamaica	49.11%
Sagicor Re Insurance Limited	Property and casualty insurance	The Cayman Islands	49.11%
Sagicor Insurance Brokers Limited	Insurance brokerage	Jamaica	49.11%
Sagicor International Administrators Limited	Group insurance administration	Jamaica	49.11%
Sagicor Insurance Managers Limited	Captive insurance management services	The Cayman Islands	49.11%

4 SEGMENTS (continued)

Sagicor Jamaica Segment Companies (continued)	Principal Activities	Country of Incorporation	Effective Shareholders' Interest
Sagicor Property Services Limited	Property management	Jamaica	49.11%
Sagicor Investments Jamaica Limited	Investment banking	Jamaica	49.11%
Sagicor Bank Jamaica Limited	Commercial banking	Jamaica	49.11%
Sagicor Costa Rica SCR, S.A.	Life insurance	Costa Rica	24.56%
LOJ Holdings Limited	Insurance holding company	Jamaica	100%
Sagicor St Lucia Limited	Financial services holding company	St. Lucia	49.11%
Sagicor Securities Jamaica Limited	Securities trading	Jamaica	49.11%
Associates			
Sagicor Real Estate X-Fund Ltd.	Investment in real estate activities	St. Lucia	29.31%(1)

(1) In September 2015, Sagicor Group acquired the Sagicor Real Estate X Fund. This acquisition took the Sagicor Group's holding to 29.3%.

Control of Sagicor Group Jamaica Limited is established through the following:

- The power of the group to appoint a majority of the directors of the company and thereby direct relevant activities.
- The Group is exposed to the variable returns from its effective shareholder's interest.
- The Group has the ability to use the power to affect the amount of investor's returns.

Amounts expressed in US $000

4 SEGMENTS (continued)

(c) Sagicor Life USA

This segment comprises Sagicor's life insurance operations in the USA and comprises the following:

Sagicor Life USA Segment Companies	Principal Activities	Country of Incorporation	Effective Shareholders' Interest
Sagicor Life Insurance Company	Life insurance and annuities	USA - Texas	100%
Sagicor USA Inc	Insurance holding company	USA - Delaware	100%

(d) Head office function and other operating companies

These comprise the following:

Other Group Companies	Principal Activities	Country of Incorporation	Effective Shareholders' Interest
Sagicor Financial Corporation Limited [(1)]	Group parent company	Bermuda	100%
Sagicor General Insurance Inc	Property and casualty insurance	Barbados	53%
Sagicor Finance Inc	Loan and lease financing, and deposit taking	St. Lucia	70%
Sagicor Asset Management (T&T) Limited	Investment management	Trinidad & Tobago	100%
Sagicor Asset Management Inc	Investment management	Barbados	100%

4 SEGMENTS (continued)

(d) Head office function and other operating companies (continued)

These comprise the following:

Other Group Companies	Principal Activities	Country of Incorporation	Effective Shareholders' Interest
Sagicor Asset Management (Eastern Caribbean) Limited	Investment management	Barbados	100%
Barbados Farms Limited	Farming and real estate development	Barbados	77%
Sagicor Funds Incorporated	Mutual fund holding company	Barbados	100%
Globe Finance Inc	Loan and lease financing, and deposit taking	Barbados	51%
The Mutual Financial Services Inc	Financial services holding company	Barbados	73%
Sagicor Finance Limited	Group financing vehicle	The Cayman Islands	100%
Sagicor Finance (2015) Limited[(2)]	Group financing vehicle	The Cayman Islands	100%

(1) On July 20, 2016, Sagicor Financial Corporation continued as an exempted company under the laws of Bermuda under the name Sagicor Financial Corporation Limited.

(2) In 2015, Sagicor Finance (2015) Limited was incorporated in the Cayman Islands with its primary function being the issuance of debt.

Amounts expressed in US $000

4.1 Statement of income by segment

2016	Sagicor Life	Sagicor Jamaica	Sagicor Life USA	Head office and other	Adjustments	Total
Net premium revenue	299,565	268,482	74,383	21,526	-	663,956
Interest income	77,394	157,758	47,958	9,758	-	292,868
Other investment income	3,114	42,753	10,450	2,883	1,284	60,484
Fees and other revenues	19,107	54,968	16,095	26,654	15	116,839
Inter-segment revenues	11,946	-	-	60,129	(72,075)	-
	411,126	523,961	148,886	120,950	(70,776)	1,134,147
Net policy benefits	196,116	168,757	79,625	9,161	-	453,659
Net change in actuarial liabilities	3,152	38,350	3,750	-	-	45,252
Interest expense	13,393	41,455	2,853	3,747	-	61,448
Administrative expenses	68,990	112,156	32,752	40,040	1,388	255,326
Commissions and premium and asset taxes	44,152	39,979	15,584	9,534	-	109,249
Finance costs	-	-	63	(136)	38,406	38,333
Depreciation and amortisation	6,505	8,017	1,551	5,210	-	21,283
Inter-segment expenses	5,720 (1)	1,419	(3,575) (1)	11,581	(15,145)	-
	338,028	410,133	132,603	79,137	24,649	984,550
Segment income / (loss) before taxes	73,098	113,828	16,283	41,813	(95,425)	149,597
Income taxes	(8,177)	(23,678)	(5,797)	(3,544)	(504)	(41,700)
Net income / (loss) from continuing operations	64,921	90,150	10,486	38,269	(95,929)	107,897
Net income/(loss) attributable to shareholders from continuing operations	64,811	44,275	10,486	(1,790)	(57,523)	60,259
Total comprehensive income/(loss) attributable to shareholders from continuing operations	50,414	45,840	12,802	(3,378)	(59,867)	45,811

(1) During 2015, Sagicor Life USA entered into a reinsurance agreement with Sagicor Life; included in the inter-segment expenses is $4,819 relating to this transaction.

Amounts expressed in US $000

4.1 Statement of income by segment (continued)

2015	Sagicor Life	Sagicor Jamaica	Sagicor Life USA	Head office and other	Adjustments	Total
Net premium revenue	291,237	278,312	80,963	23,413	-	673,925
Interest income	73,121	159,828	51,236	9,247	-	293,432
Other investment income	1,862	21,101	8,831	(66)	(2,931)	28,797
Fees and other revenues	12,606	53,243	20,124	23,113	4	109,090
Loss arising on acquisition	-	(1,025)	-	-	-	(1,025)
Inter-segment revenues	92,596[1]	-	(82,890)[1]	39,905	(49,611)	-
	471,422	511,459	78,264	95,612	(52,538)	1,104,219
Net policy benefits	189,934	163,574	101,898	12,171	-	467,577
Net change in actuarial liabilities	(1,482)	44,634	(16,593)	-	-	26,559
Interest expense	11,247	40,824	2,693	4,043	-	58,807
Administrative expenses	64,958	114,977	35,673	35,449	835	251,892
Commissions and premium and asset taxes	40,694	44,298	24,761	10,148	-	119,901
Finance costs	-	-	49	(343)	37,528	37,234
Depreciation and amortisation	5,831	6,573	1,276	5,007	-	18,687
Inter-segment expenses	82,585[1]	886	(81,207)[1]	9,943	(12,207)	-
	393,767	415,766	68,550	76,418	26,156	980,657
Segment income / (loss) before taxes	77,655	95,693	9,714	19,194	(78,694)	123,562
Income taxes	(6,888)	(15,581)	(3,106)	(343)	799	(25,119)
Net income / (loss) from continuing operations	70,767	80,112	6,608	18,851	(77,895)	98,443
Net income/(loss) attributable to shareholders from continuing operations	69,482	39,344	6,608	(18,740)	(40,367)	56,327
Total comprehensive income/(loss) attributable to shareholders from continuing operations	70,925	4,881	(3,404)	(19,460)	(38,481)	14,461

(1) During the year, Sagicor Life USA entered into a reinsurance agreement with Sagicor Life; included in the inter-segment revenues is $90,515 and inter-segment expenses of $82,225 relating to this transaction.

4.1 Statement of income by segment (continued)

The principal non-controlling interests in the Group are in respect of Sagicor Group Jamaica Limited (Sagicor Jamaica).

Out of the total net income attributable to non-controlling interests of $47,528 (2015 - $40,831), Sagicor Jamaica contributed $45,876 (2015 - $40,767).

4.2 Variations in segment income

Variations in segment income may arise from non-recurring or other significant factors. The most common factors contributing to variations in segment income are as follows.

(i) Investment gains

Fair value investment gains are recognised on:
- the revaluation of investment property;
- the revaluation of debt and equity securities classified as at fair value through income;
- the disposal of debt and equity securities classified as available for sale or loans and receivables.

Therefore, significant gains and losses may be triggered by changes in market prices and / or by decisions to dispose of investments.

(ii) Allowances for impairment of financial investments

Significant impairment losses may be triggered by changes in market prices and economic conditions.

(iii) Gains on acquisitions/divestitures

On acquisition of a business or portfolio, if the fair value of the net assets acquired exceeds the total consideration transferred, the difference is recognized directly in the statement of income.

4.2 Variations in segment income (continued)

(iv) Foreign exchange gains and losses

Movements in foreign exchange rates may generate significant exchange gains or losses when the foreign currency denominated monetary assets and liabilities are re-translated at the date of the financial statements.

(v) Movements in actuarial liabilities arising from changes in assumptions

The change in actuarial liabilities for the year includes the effects arising from changes in assumptions. The principal assumptions in computing the actuarial liabilities on life and annuity contracts relate to mortality and morbidity, lapse, investment yields, asset default and operating expenses and taxes. Because the process of changes in assumptions is applied to all affected insurance contracts, changes in assumptions may have a significant effect in the period in which they are recorded.

Amounts expressed in US $000

4.2 Variations in segment income (continued)

The table below summarises by segment the individual line items within income from continuing operations which are impacted by the foregoing factors.

	2016					2015				
Variations in income by segment	**Sagicor Life**	**Sagicor Jamaica**	**Sagicor Life USA**	**Head Office and Other**	**Total**	**Sagicor Life**	**Sagicor Jamaica**	**Sagicor Life USA**	**Head Office and Other**	**Total**
Investment gains / (losses)	999	42,669	15,586	2,882	62,136	(1,226)	28,342	5,309	(7)	32,418
Impairment of financial investments	(328)	(4,652)	(4,488)	(153)	(9,621)	(1,782)	(8,368)	(17)	(171)	(10,338)
Foreign exchange gains	8,725	3,566	-	273	12,564	1,624	1,182	-	8	2,814
Losses on acquisitions/ divestitures	-	-	-	-	-	-	(1,025)	-	-	(1,025)
Decrease / (increase) in actuarial liabilities from changes in assumptions	21,682	3,805	(18,176)	-	7,311	36,114	(403)	55,700	-	91,411
	31,078	45,388	(7,078)	3,002	72,390	34,730	19,728	60,992	(170)	115,280

Amounts expressed in US $000

4.3 Other comprehensive income

Variations in other comprehensive income may arise also from non-recurring or other significant factors. The most common are as follows:

(i) *Unrealised investment gains*
Fair value investment gains are recognised on the revaluation of debt and equity securities classified as available for sale. Therefore, significant gains and losses may be triggered by changes in market prices.

(ii) *Changes in actuarial liabilities*
Changes in unrealised investment gains identified in *(i)* above may also generate significant changes in actuarial liabilities as a result of the use of asset liability matching in the liability estimation process.

(iii) *Foreign exchange gains and losses*
Movements in foreign exchange rates may generate significant exchange gains or losses on the re-translation of the financial statements of foreign currency reporting units.

(iv) *Defined benefit plans gains and losses*
Experience adjustments and changes in actuarial assumptions gives rise to gains or losses on defined benefit plans.

The table below summarises by segment the individual line items within other comprehensive income from continuing operations which are impacted by the foregoing factors.

	Variations in other comprehensive income by segment					
	Sagicor Life	**Sagicor Jamaica**	**Sagicor Life USA**	**Head Office and other**	**Adjustments**	**Total**
2016						
Unrealised investment (losses) / gains	(2,474)	32,226	11,034	(137)	(1,466)	39,183
Changes in actuarial liabilities	961	(5,647)	(12,404)	-	-	(17,090)
Retranslation of foreign currency operations	(7,490)	(21,058)	-	10	57	(28,481)
Losses on defined benefit plans	(4,924)	(7,369)	-	(1,582)	-	(13,875)
2015						
Unrealised investment losses	(5,252)	(61,165)	(36,500)	(184)	-	(103,101)
Changes in actuarial liabilities	9,729	3,702	34,915	-	-	48,346
Retranslation of foreign currency operations	(982)	(14,708)	-	23	(19)	(15,686)
Losses on defined benefit plans	(1,053)	(3,787)	-	(591)	-	(5,431)

Amounts expressed in US $000

4.4 Statement of financial position by segment

	Sagicor Life	Sagicor Jamaica	Sagicor Life USA	Head office and other	Adjustments	Total
2016						
Financial investments	1,403,870	2,212,153	1,068,244	129,481	-	4,813,748
Other external assets	324,570	450,104	829,889	189,807	(76,198)	1,718,172
Inter-segment assets	199,858	11,555	2,759	54,006	(268,178)	-
Total assets	1,928,298	2,673,812	1,900,892	373,294	(344,376)	6,531,920
Policy liabilities	1,272,500	675,019	1,434,678	55,061	(76,198)	3,361,060
Other external liabilities	86,871	1,544,651	203,929	539,995	-	2,375,446
Inter-segment liabilities	39,434	3,715	43,838	181,191	(268,178)	-
Total liabilities	1,398,805	2,223,385	1,682,445	776,247	(344,376)	5,736,506
Net assets	529,493	450,427	218,447	(402,953)	-	795,414
2015						
Financial investments	1,402,811	2,087,139	1,061,649	275,022	-	4,826,621
Other external assets	331,311	415,738	712,944	195,496	(82,225)	1,573,264
Inter-segment assets	169,945	10,350	8,323	53,505	(242,123)	-
Total assets	1,904,067	2,513,227	1,782,916	524,023	(324,348)	6,399,885
Policy liabilities	1,271,737	646,942	1,309,946	60,474	(82,225)	3,206,874
Other external liabilities	87,439	1,467,043	224,063	629,276	-	2,407,821
Liabilities of discontinued operation	-	-	-	46,026	-	46,026
Inter-segment liabilities	28,475	1,696	43,839	168,113	(242,123)	-
Total liabilities	1,387,651	2,115,681	1,577,848	903,889	(324,348)	5,660,721
Net assets	516,416	397,546	205,068	(379,866)	-	739,164

Amounts expressed in US $000

4.4 Statement of financial position by segment (continued)

The principal non-controlling interests in the Group are in respect of Sagicor Group Jamaica Limited (Sagicor Jamaica). Out of the total non-controlling interests in the statement of financial position of $257,974 (2015 - $231,735), Sagicor Jamaica contributed $219,361 (2015 - $194,690).

4.5 Additions to non-current assets by segment

Segment operations include certain non-current assets comprising investment property, property, plant and equipment, investment in associated companies and intangible assets. Additions to these categories for the year are as follows:

	2016	2015
Sagicor Life	4,534	9,139
Sagicor Jamaica	8,922	45,968
Sagicor Life USA	5,782	2,806
Head office and other	5,565	4,557
	24,803	62,470

4.6 Products and services

Total external revenues relating to the Group's products and services are summarised as follows:

	2016	2015
Life, health and annuity insurance contracts issued to individuals	635,288	636,061
Life, health and annuity insurance and pension administration contracts issued to groups	276,893	273,382
Property and casualty insurance	36,621	32,653
Banking, investment management and other financial services	157,573	150,152
Farming and unallocated revenues	27,772	11,971
	1,134,147	1,104,219

4.7 Geographical areas

The Group operates in certain geographical areas which are determined by the location of the subsidiary or branch initiating the business.

Group operations in geographical areas include certain non-current assets comprising investment property, property, plant and equipment, investment in associated companies and intangible assets.

Total external revenues and non-current assets by geographical area are summarised in the following table.

	External revenue		Non-current assets	
	2016	2015	2016	2015
Barbados	170,271	162,545	193,522	195,457
Jamaica	495,476	478,798	120,178	117,964
Trinidad & Tobago	166,066	153,790	66,115	69,132
Other Caribbean	152,161	150,860	30,025	34,485
USA	150,173	158,226	9,325	5,096
	1,134,147	1,104,219	419,165	422,134

Amounts expressed in US $000

5 INVESTMENT PROPERTY

The movement in investment property for the year is as follows:

	2016	2015
Balance, beginning of year	79,172	88,766
Additions at cost	7	111
Transfer from real estate developed for resale (note 12)	555	-
Transfer (to) / from property, plant and equipment (note 7)	846	(3,410)
Disposals	(825)	(5,255)
Change in fair values	1,847	(816)
Effects of exchange rate changes	(940)	(224)
Balance, end of year	80,662	79,172

Investment property includes $10,603 (2015 - $11,446) which represents the Group's proportionate interest in joint operations summarised in the following table.

Country	Description of property	Percentage ownership
Barbados	Freehold lands	50%
	Freehold office buildings	25% -33%
Trinidad & Tobago	Freehold office building	60%

Pension Funds managed by the Group own the remaining 50% interests of freehold lands in Barbados, and a 33% interest in a freehold office building in Barbados.

Amounts expressed in US $000

6 ASSOCIATES AND JOINT VENTURES

6.1 Interest in Associates and Joint Ventures

Name of Entity	Country of Incorporation	% of ownership interest		Nature of relationship	Measurement Method	Carrying Amount	
		2016	2015			2016	2015
RGM Limited	Trinidad & Tobago	33%	33%	Associate	Equity Method	22,346	23,199
FamGuard Corporation Limited[(1)]	Bahamas	20%	20%	Associate	Equity Method	13,700	14,059
Primo Holding Limited	Barbados	38%	38%	Associate	Equity Method	355	362
Sagicor Costa Rica SCR, S.A.	Costa Rica	50%	50%	Joint Venture	Equity Method	3,107	6,326
Sagicor Real Estate X-Fund Ltd.[(2)]	St. Lucia	29%	29%	Associate	Equity Method	47,785	40,584
						87,293	84,530

(1) FamGuard Corporation Limited is listed on the Bahamas International Securities Exchange. The proportionate share of market value calculated on the basis of the year-end closing rate of $5.82 per share was $11,000 (2015 – $11,200).

(2) The Sagicor Real Estate X Fund Limited traded on the Jamaica Stock Exchange. The proportionate share of market value calculated on the basis of the year-end closing rate of $0.10 (J$12.25) per share was $66,508 (2015 - $58,346).

Amounts expressed in US $000

6.2 Summarised Financial Information

	RGM Limited		FamGuard Corporation Limited		Primo Holding Limited		Sagicor Costa Rica SCR, S.A.		Sagicor Real Estate X-Fund Ltd.	
	2016	**2015**	**2016**	**2015**	**2016**	**2015**	**2016**	**2015**	**2016**	**2015**
ASSETS										
Financial investments	-	-	269,154	251,312	-	-	9,765	7,840	122,129	93,939
Cash resources	6,688	11,829	15,685	10,092	-	-	3,561	3,607	9,478	19,972
Other investments and assets	126,117	132,735	61,288	63,622	1,050	1,050	4,950	1,867	214,553	168,306
Total assets	132,805	144,564	346,127	325,026	1,050	1,050	18,276	13,314	346,160	282,217
LIABILITIES										
Policy liabilities	-	-	220,829	206,002	-	-	3,761	1,829	-	-
Other liabilities	65,771	74,972	13,073	10,966	204	186	8,299	144	190,669	151,799
Total liabilities	65,771	74,972	233,902	216,968	204	186	12,060	1,973	190,669	151,799
Net Assets	67,034	69,592	112,225	108,058	846	864	6,216	11,341	155,491	130,418

Amounts expressed in US $000

6.2 Summarised Financial Information (continued)

	RGM Limited		FamGuard Corporation Limited		Primo Holding Limited		Sagicor Costa Rica SCR, S.A.		Sagicor Real Estate X-Fund Ltd.	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
Reconciliation to carrying amounts:										
Investment, beginning of year	23,199	21,080	14,059	12,856	362	368	6,326	6,460	40,584	-
Additions	-	423	-	-	-	-	188	152	-	28,453
Amounts assumed on acquisition	-	-	-	-	-	-	-	-	-	12,288
Transfers	-	-	-	-	-	-	(2,886)	-	-	-
Dividends received	(470)	-	(580)	(480)	-	-	-	-	(738)	-
Share of income/(loss) before taxes	1,158	1,677	240	959	(7)	(6)	66	(284)	3,968	807
Share of amortisation or impairment of intangible assets which were identified on acquisition	-	-	(72)	(72)	-	-	-	-	-	-
Share of income taxes	(402)	248	-	-	-	-	-	-	-	-
Share of other comprehensive income/(loss)	-	-	53	796	-	-	(264)	-	6,762	171
Effects of exchange rate changes	(1,139)	(229)	-	-	-	-	(323)	(2)	(2,791)	(1,135)
Investment, end of year	22,346	23,199	13,700	14,059	355	362	3,107	6,326	47,785	40,584

Amounts expressed in US $000

6.2 Summarised Financial Information (continued)

	RGM Limited		FamGuard Corporation Limited		Primo Holding Limited		Sagicor Costa Rica SCR, S.A.		Sagicor Real Estate X-Fund Ltd.	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
Summarised statement of comprehensive income										
REVENUE										
Net premium revenue	-	-	90,753	90,253	-	-	5,785	5,893	-	-
Net investment and other income	23,522	25,619	28,593	26,444	-	-	668	384	82,865	56,654
Total revenue	23,522	25,619	119,346	116,697	-	-	6,453	6,277	82,865	56,654
BENEFITS AND EXPENSES										
Benefits	-	-	78,106	75,671	-	-	3,393	5,346	-	-
Expenses	19,916	20,526	36,762	34,205	18	16	2,626	1,463	67,411	44,100
Total benefits and expenses	19,916	20,526	114,868	109,876	18	16	6,019	6,809	67,411	44,100
INCOME BEFORE TAXES	3,606	5,093	4,478	6,821	(18)	(16)	434	(532)	15,454	12,554
Income taxes	(1,195)	747	-	-	-	-	(301)	(35)	(1,916)	(1,438)
NET INCOME FOR THE PERIOD	2,411	5,840	4,478	6,821	(18)	(16)	133	(567)	13,538	11,116
Other comprehensive income	-	-	634	882	-	-	(670)	-	23,070	709
Total comprehensive income	2,411	5,840	5,112	7,703	(18)	(16)	(537)	(567)	36,608	11,825
Dividends received from associates and joint ventures	470	-	580	480	-	-	-	-	738	-

Amounts expressed in US $000

7 PROPERTY, PLANT AND EQUIPMENT

	2016					2015				
	Owner-occupied property		Office furnishings, equipment & vehicles	Operating lease vehicles & equipment	Total	Owner-occupied properties		Office furnishings, equipment & vehicles	Operating lease vehicles & equipment	Total
	Lands	Land & buildings				Land	Land & buildings			
Net book value, beginning of year	38,031	80,694	39,310	12,214	170,249	38,220	77,901	39,910	13,438	169,469
Additions at cost	-	2,680	13,787	3,869	20,336	-	967	14,275	2,933	18,175
Transfer (to) / from investment property (note 5)	(846)	-	-	-	(846)	-	3,410	-	-	3,410
Transfer to intangible assets (note 8)	-	-	(2,885)	-	(2,885)	-	-	(6,348)	-	(6,348)
Other transfers	-	-	613	-	613	-	6	139	-	145
Transfers to real estate developed or held for sale (Note 12)	-	-	-	-	-	(22)	-	-	-	(22)
Disposals	-	(753)	(508)	(1,612)	(2,873)	(167)	(109)	(827)	(1,019)	(2,122)
Change in fair values	-	(1,583)	-	-	(1,583)	-	815	-	-	815
Depreciation charge	-	(1,105)	(8,370)	(2,967)	(12,442)	-	(1,079)	(7,296)	(3,138)	(11,513)
Effects of exchange rate changes	-	(2,078)	(768)	-	(2,846)	-	(1,217)	(543)	-	(1,760)
Net book value, end of year	37,185	77,855	41,179	11,504	167,723	38,031	80,694	39,310	12,214	170,249
Represented by:										
Cost or valuation	37,185	81,004	120,299	18,755	257,243	38,031	84,316	112,382	19,705	254,434
Accumulated depreciation	-	(3,149)	(79,120)	(7,251)	(89,520)	-	(3,622)	(73,072)	(7,491)	(84,185)
	37,185	77,855	41,179	11,504	167,723	38,031	80,694	39,310	12,214	170,249

Owner-occupied lands are largely utilised for farming operations.

Owner-occupied land and buildings consist largely of commercial office buildings.

Amounts expressed in US $000

8 INTANGIBLE ASSETS

8.1 Analysis of intangible assets and changes for the year

	2016				2015			
	Goodwill	Customer & broker relationships	Software	Total	Goodwill	Customer & broker relationships	Software	Total
Net book value, beginning of year	45,272	16,441	26,470	88,183	46,643	19,129	10,284	76,056
Additions at cost	-	-	4,272	4,272	-	-	15,198	15,198
Transfer from property, plant and equipment (note 7)	-	-	2,885	2,885	-	-	6,348	6,348
Amortisation/impairment charges	-	(1,719)	(7,050)	(8,769)	(585)	(1,837)	(4,680)	(7,102)
Divestitures and disposals	-	-	-	-	-	-	(289)	(289)
Effects of exchange rate changes	(1,361)	(985)	(738)	(3,084)	(786)	(851)	(391)	(2,028)
Net book value, end of year	43,911	13,737	25,839	83,487	45,272	16,441	26,470	88,183
Represented by:								
Cost or valuation	43,911	35,579	63,466	142,956	47,085	38,316	57,513	142,914
Accumulated depreciation and impairments	-	(21,842)	(37,627)	(59,469)	(1,813)	(21,875)	(31,043)	(54,731)
	43,911	13,737	25,839	83,487	45,272	16,441	26,470	88,183

Amounts expressed in US $000

8.2 Impairment of intangible assets

Goodwill arises from past acquisitions and is allocated to cash generating units (CGUs). Goodwill is tested annually for impairment. The recoverable amount of a CGU is determined as the higher of its value in use or its fair value less costs to sell.

For those CGU's which the fair value less costs to sell methodology is used, financial projections are used as inputs to determine maintainable earnings over time to which is applied an appropriate earnings multiple. For those CGU's which the value in use methodology is used, cash flows are extracted from financial projections to which are applied appropriate discount factors and residual growth rates, or alternatively, the cash flows from the financial projections are extended to 50 years using an actuarial appraisal value technique which incorporates appropriate discount rates and solvency capital requirements.

As disclosed in note 2.7 (a) goodwill is allocated to the Group's reportable operating segments. During the year, as disclosed in note 4, the Group combined the Barbados, Eastern Caribbean, Dutch Caribbean, the Bahamas and Central America segment with its Trinidad and Tobago operating segment. Goodwill is allocated to this combined segment and has been tested for impairment at this level.

The Group obtains independent professional advice in order to select the relevant discount factors, residual growth rates and earnings multiples.

The carrying values of goodwill and the impairment test factors used are considered in the following sections.

(a) Sagicor Life operating segment

	2016	2015
Carrying value of goodwill	26,576	27,061

8.2 Impairment of intangible assets (continued)

(i) Years ended December 31, 2016 & 2015

An actuarial appraisal value technique was adopted to test goodwill impairment. The principal assumptions included the following:

- Discount rates of 7 - 11% (2015, 7 - 11%) for individual life and annuity inforce business,
- New individual life and annuity business was included for the five year period 2017 to 2021,
- Annual growth rate for new individual life and annuity business was 0% - 21.8% for 2017 and 5% – 19.7 % from 2018 to 2021 (2015 – 14% - 49% and 0% to 24.2% from 2017 to 2020),
- Discount rates of 11 - 15% (2015, 11 - 15%) for new individual life and annuity business,
- Required Minimum Continuing Capital and Surplus Ratio (MCCSR) of 175% (2015 – 200%).

Sensitivity

The excess of the appraisal value over carrying value of the operating segment was also tested by varying the discount rates and capital ratios. The results are set out in the following tables. Negative amounts illustrate the extent of possible impairment.

Sagicor Life Inc Segment			MCCSR target ratio		
			Low	Mid	High
Discount rate	Inforce	New business	150%	175%	200%
Low	7%	11%	286,253	281,890	277,068
Mid	9%	13%	135,970	126,454	116,026
High	11%	15%	26,330	13,704	4,179

Amounts expressed in US $000

8.2 Impairment of intangible assets (continued)

(b) Sagicor Jamaica operating segment

	2016	2015
Carrying value of goodwill	13,051	13,927

The fair value less cost to sell methodology was adopted to test goodwill impairment in both years. The after tax multiple used for the segment was 8.2 (2015– 7.4) which was derived from a pre-tax factor of 6.6 (2015 – 5.9) using an iterative method.

Sensitivity

The possible impairment of goodwill is sensitive to changes in earnings multiples and after tax earnings. This is illustrated in the following table.

	2016 test		
	Scenario 1	Scenario 2	Scenario 3
After tax earnings multiples	8.2	5.4	4.9
Reduction in forecast earnings	n/a	10%	10%
Excess of recoverable amount (of 49.11% interest)	126,681	10	n/a
Impairment (of 49.11% interest)	Nil	Nil	(18,555)

8.2 Impairment of intangible assets (continued)

(c) Sagicor General Insurance Inc

	2016	2015
Carrying value of goodwill	4,284	4,284

The Group recognised goodwill on the acquisition of its interests in Sagicor General Insurance Inc. The value in use methodology has been used to test goodwill impairment in both years. The pre-tax discount factor was 12.8% (2015 –13.1%) which was derived from an after tax factor of 12.5% (2015 – 12.5%) using an iterative method. The residual growth rate was 4.4% (2015 – 4.4%).

Sensitivity

The possible impairment of goodwill is sensitive to changes in earnings multiples and after tax earnings. This is illustrated in the following table.

	2016 test		
	Scenario 1	Scenario 2	Scenario 3
After tax discount factor	12.5	12.5	15.0
Residual growth rate	4.4	3.7	3.7
Reduction in residual growth rate	n/a	16%	16%
Increase in after tax discount factor	n/a	n/a	20%
Excess of recoverable amount (of 53.0% interest)	39,170	29,336	22,025
Impairment (of 53.0% interest)	Nil	Nil	Nil

Amounts expressed in US $000

9 FINANCIAL INVESTMENTS

9.1 Analysis of financial investments

	2016		2015	
	Carrying value	Fair value	Carrying value	Fair value
Held to maturity securities:				
Debt securities	20,665	21,688	20,530	21,940
Available for sale securities:				
Debt securities	2,271,020	2,271,020	2,311,591	2,311,591
Equity securities	96,684	96,684	88,380	88,380
	2,367,704	2,367,704	2,399,971	2,399,971
Financial assets at fair value through income:				
Debt securities	164,005	164,005	136,727	136,727
Equity securities	123,524	123,524	126,577	126,577
Derivative financial instruments (note 41.6)	28,980	28,980	15,479	15,479
Mortgage loans	40,347	40,347	47,052	47,052
Deposits	-	-	56	56
	356,856	356,856	325,891	325,891
Loans and receivables:				
Debt securities	985,664	1,042,108	948,871	983,063
Mortgage loans	291,419	291,154	293,871	294,041
Policy loans	137,940	148,141	132,486	141,950
Finance loans and finance leases	508,975	491,131	436,161	419,214
Securities purchased for re-sale	5,227	5,227	8,064	8,064
Deposits	139,298	139,298	260,776	260,776
	2,068,523	2,117,059	2,080,229	2,107,108
Total financial investments	4,813,748	4,863,307	4,826,621	4,854,910

9.1 Analysis of financial investments (continued)

	2016	2015
Non-derivative financial assets at fair value through income comprise:		
Assets designated at fair value upon initial recognition	316,700	310,412
Assets held for trading	11,176	-
Debt securities comprise:		
Government and government-guaranteed debt securities	1,765,558	1,767,389
Collateralised mortgage obligations	214,320	213,747
Corporate debt securities	1,352,387	1,314,223
Other securities	109,089	122,360
	3,441,354	3,417,719

Debt securities include $1,836 (2015 - $8,085) that contain options to convert to common shares of the issuer.

Corporate debt securities include $28,788 (2015 - $10,270) in bonds issued by an associated company.

Equity securities include $1,136 (2015 - $963) in mutual funds managed by the Group.

Amounts expressed in US $000

9.2 Pledged assets

Debt and equity securities include $380,145 (2015 - $234,211) as collateral for loans payable and other funding instruments.

Collateral for the obligation to the Federal Home Loan Bank of Dallas (FHLB) which is included in other funding instruments (note 17), consists of an equity holding in the FHLB with a market value of $5,982 (2015 - $7,589), and mortgages and mortgage backed securities having a total market value of $139,630 (2015 - $174,478).

Debt securities are pledged as collateral under repurchase agreements with customers and other financial institutions and for security relating to overdraft and other facilities with other financial institutions. As of December 31, 2016, these pledged assets totalled $595,314 (2015 - $526,824). Of these assets pledged as security, $79,681 (2015 – $51,549) represents collateral for securities sold under agreements to repurchase in instances when the transferee has the right by contract or by custom to sell or re-pledge the collateral.

9.3 Returns accruing to the benefit of contract-holders

Financial investments include the following amounts for which the full income and capital returns accrue to the holders of unit linked policy and deposit administration contracts.

	2016	2015
Debt securities	133,862	102,641
Equity securities	123,524	122,367
Mortgage loans	40,271	47,052
	297,657	272,060

9.4 Reclassification of financial investments

In 2008, the Group reclassified certain securities from the available for sale classification to the loans and receivables classification. The assets reclassified were primarily:

- Government of Jamaica debt securities with a maturity date of 2018 and after, which are held to back long-term insurance liabilities; and
- Non-agency collateralised mortgage obligations in the USA.

The reclassifications were made because the markets for these securities were considered by management to have become inactive.

The following disclosures are in respect of these reclassified assets.

	2016		2015	
	Carrying value	Fair value	Carrying value	Fair value
Government debt securities maturing after September 2018	27,591	35,879	44,338	51,818
Other debt securities	1,624	2,217	2,076	2,730
	29,215	38,096	46,414	54,548

	2016	2015
Cumulative net fair value gain, beginning of year	4,263	1,994
Net fair value gains	1,887	1,355
Disposals	(971)	947
Effect of exchange rate changes	(89)	(33)
Cumulative net fair value gain, end of year	5,090	4,263

Amounts expressed in US $000

9.4 Reclassification of financial investments (continued)

The net fair value gain or loss approximates the fair value gain or loss that would have been recorded in total comprehensive income had the reclassification not been made. The disposal amount represents the net gain/loss that would have been reclassified from other comprehensive income to income on disposal.

10 REINSURANCE ASSETS

	2016	2015
Reinsurers' share of:		
Actuarial liabilities (note 13.1)	713,252	601,597
Policy benefits payable (note 14.2)	35,994	37,816
Provision for unearned premiums (note 14.3)	21,775	21,356
Other items	6,323	5,050
	777,344	665,819

The provision for unearned premiums and other items are expected to mature within one year of the financial statements date.

11 INCOME TAX ASSETS

	2016	2015
Deferred income tax assets (note 33)	36,279	41,023
Income and withholding taxes recoverable	23,296	25,319
	59,575	66,342

Income and withholding taxes recoverable are expected to be recovered within one year of the financial statements date.

12 MISCELLANEOUS ASSETS AND RECEIVABLES

	2016	2015
Net defined benefit assets (note 31)	1,333	1,066
Real estate developed or held for resale (ii)	10,162	11,084
Prepaid and deferred expenses (ii)	21,047	19,967
Premiums receivable	46,530	42,398
Legal claim (iii)	52,720	42,902
Other assets and accounts receivable (i)	51,226	51,063
	183,018	168,480

(i) Other assets and accounts receivables include $9,880 (2015 - $5,478) due from managed funds.

(ii) Real estate developed for resale includes $7,878 (2015 - $8,234) which is expected to be realised within one year of the financial statements date. Prepaid and deferred expenses are also expected to be realised within one year of the financial statements date.

(iii) $52,720 (2015 – $42,902) Legal claim
In March 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 of Jamaica Limited). This claim pre-dated the acquisition of control of the Bank by Sagicor Group Jamaica Limited, and also pre-dated the acquisition of control of the Bank by RBTT International Limited 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 (now SGJ Holdings (St. Lucia) Limited). Though the judgement is being appealed, the amount computed as settlement has been recorded as payable to the claimant and correspondingly receivable from Finsac (Note 20).

During 2016, interest was accrued on this liability and resulted in an increase in the amount outstanding to $52.7 million.

Amounts expressed in US $000

13 ACTUARIAL LIABILITIES

13.1 Analysis of actuarial liabilities

	Gross liability		Reinsurers' share	
	2016	**2015**	**2016**	**2015**
Contracts issued to individuals:				
Life insurance - participating policies	238,604	239,861	51	57
Life insurance and annuity - non-participating policies	1,889,653	1,767,313	694,882	582,224
Health insurance	13,926	5,361	438	420
Unit linked funds	177,454	166,234	-	-
Reinsurance contracts held	28,894	27,982	-	-
	2,348,531	2,206,751	695,371	582,701
Contracts issued to groups:				
Life insurance	30,404	31,548	118	267
Annuities	362,980	358,604	17,660	18,460
Health insurance	34,447	35,484	103	169
	427,831	425,636	17,881	18,896
Total actuarial liabilities	2,776,362	2,632,387	713,252	601,597

The following notes are in respect of the foregoing table:

- Life insurance includes coverage for disability and critical illness.
- Actuarial liabilities include $83,238 (2015 - $81,615) in assumed reinsurance.
- The liability for reinsurance contracts held occurs because the reinsurance premium costs exceed the mortality costs assumed in determining the gross liability of a policy contract.

13.2 Movement in actuarial liabilities

	Gross liability		Reinsurers' share	
	2016	**2015**	**2016**	**2015**
Balance, beginning of year	2,632,387	2,562,221	601,597	470,271
Changes in actuarial liabilities:				
Recorded in income (note 27)	156,983	157,887	111,731	131,328
Recorded in other comprehensive income	23,769	(67,146)	-	-
Other movements	1	(679)	(62)	-
Effect of exchange rate changes	(36,778)	(19,896)	(14)	(2)
Balance, end of year	2,776,362	2,632,387	713,252	601,597
Analysis of changes in actuarial liabilities				
Arising from increments and decrements of inforce policies and from the issuance of new policies	206,505	210,929	105,642	131,327
Arising from changes in assumptions for mortality, lapse, expenses, investment yields and asset default	(7,311)	(91,411)	-	-
Other changes:				
Actuarial modelling, refinements, improvements and corrections	(12,915)	(3,431)	-	-
Other items	(5,527)	(25,346)	6,089	1
Total	180,752	90,741	111,731	131,328

Amounts expressed in US $000

13.3 Assumptions – life insurance and annuity contracts

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

At each date for valuation of actuarial liabilities, the Appointed Actuary (AA) of each insurer reviews the assumptions made at the last valuation date. The AA tests the validity of each assumption by reference to current data, and where appropriate, changes the assumptions for the current valuation. A similar process of review and assessment is conducted in the determination of margins for adverse deviations.

Any recent changes in actuarial standards and practice are also incorporated in the current valuation.

(b) Assumptions for mortality and morbidity

Mortality rates are related to the incidence of death in the insured population. Morbidity rates are related to the incidence of sickness and disability in the insured population.

Annually, insurers update studies of recent mortality experience. The resulting experience is compared to external mortality studies including the Canadian Institute of Actuaries (CIA) 1997 - 2004 tables. Appropriate modification factors are selected and applied to underwritten and non-underwritten business respectively. Annuitant mortality is determined by reference to CIA tables or to other established scales.

Assumptions for morbidity are determined after taking into account insurer and industry experience and established guidelines from Actuarial Institutes.

(c) Assumptions for lapse

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

13.3 Assumptions – life insurance and annuity contracts (continued)

(d) Assumptions for investment yields

Returns on existing variable rate securities, shares, investment property and policy loans are linked to the current economic scenario. Yields on reinvested assets are also tied to the current economic scenario. Returns are however assumed to decrease and it is assumed that at the end of twenty years from the valuation date, all investments, except policy loans, are reinvested in long-term, default free government bonds.

The ultimate rate of return is the assumed rate that will ultimately be earned on long-term government bonds. It is established for each geographic area and is summarised in the following table.

Ultimate rate of return	**2016**	**2015**
Barbados	6.75%	6.5%
Jamaica	5.0%	5.0% – 5.5%
Trinidad & Tobago	5.0%	4.75%
Other Caribbean	4.5% - 6.75%	4.5% - 6.5%
USA	0.85% - 3.65%	0.85% - 4.75%

(e) Assumptions for operating expenses and taxes

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

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

Amounts expressed in US $000

13.3 Assumptions – life insurance and annuity contracts (continued)

(f) Asset defaults

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

(g) Margins for adverse deviations

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

Provisions for adverse deviations	**2016**	**2015**
Mortality and morbidity	89,986	82,363
Lapse	63,855	59,595
Investment yields and asset default	69,109	68,830
Operating expenses and taxes	11,136	11,101
Other	10,486	9,997
	244,572	231,886

13.4 Assumptions – 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 date of the financial statements.

Amounts expressed in US $000

14 OTHER INSURANCE LIABILITIES

14.1 Analysis of other insurance liabilities

	2016	2015
Dividends on deposit and other policy balances	65,719	66,271
Policy benefits payable	107,219	105,910
Provision for unearned premiums	34,184	33,710
	207,122	205,891

14.2 Policy benefits payable

	Gross liability		Reinsurers' share	
	2016	2015	2016	2015
Analysis of policy benefits payable:				
Life insurance and annuity benefits	79,445	72,120	22,084	19,091
Health claims	4,284	3,379	1,686	1,363
Property and casualty claims	23,490	30,411	12,224	17,362
	107,219	105,910	35,994	37,816

14.2 Policy benefits payable (continued)

	Gross liability		Reinsurers' share	
	2016	2015	2016	2015
Movement for the year:				
Balance, beginning of year	105,910	95,276	37,816	31,998
Policy benefits incurred	541,502	532,532	93,314	67,528
Policy benefits paid	(538,459)	(520,933)	(94,898)	(61,571)
Effect of exchange rate changes	(1,734)	(965)	(238)	(139)
Balance, end of year	107,219	105,910	35,994	37,816

14.3 Provision for unearned premiums

	Gross liability		Reinsurers' share	
	2016	2015	2016	2015
Analysis of the provision:				
Property and casualty insurance	33,777	32,399	21,775	21,356
Health insurance	407	1,311	-	-
	34,184	33,710	21,775	21,356

The provision for unearned premiums is expected to mature within a year of the financial statements' date.

Amounts expressed in US $000

14.3 Provision for unearned premiums (continued)

	Gross liability		Reinsurers' share	
	2016	**2015**	**2016**	**2015**
Movement for the year:				
Balance, beginning of year	33,710	33,602	21,356	20,152
Premiums written	75,004	72,779	48,939	48,757
Premium revenue	(74,434)	(72,683)	(48,463)	(47,552)
Effect of exchange rate changes	(96)	12	(57)	(1)
Balance, end of year	34,184	33,710	21,775	21,356

15 INVESTMENT CONTRACT LIABILITIES

	2016		2015	
	Carrying value	**Fair value**	**Carrying value**	**Fair value**
At amortised cost:				
Deposit administration liabilities	128,345	128,345	127,882	127,780
Other investment contracts	118,563	121,051	115,537	118,860
	246,908	249,396	243,419	246,640
At fair value through income:				
Unit linked deposit administration liabilities	130,668	130,668	125,177	125,177
	377,576	380,064	368,596	371,817

16 NOTES AND LOANS PAYABLE

	2016		2015	
	Carrying value	**Fair value**	**Carrying value**	**Fair value**
8.875% senior notes due 2022	315,383	364,095	313,780	350,336
6.5% convertible redeemable preference shares due 2016	-	-	115,488	130,932
4.85% / 5.0% notes due 2019	74,825	75,491	44,551	44,551
Finance lease payable	5,005	5,005	1,698	1,698
	395,213	444,591	475,517	527,517

(a) On August 11, 2015, the Group issued seven year senior notes in the amount of $320.0 million which are repayable in 2022. The notes carry a fixed annual rate of interest of 8.875% payable semi-annually. Financial covenants in respect of these notes are summarised in Note 46.3 (a).

(b) On March 22, 2016, the Company repaid, before maturity, the $43,386 eighteen month 4.6% notes. On March 21, 2016, the Company issued fourteen month notes with a par value of $75 million which were repayable in 2017 and carried a 5.0% annual rate of interest. Effective December 20, 2016, the notes were extended at an annual rate of interest of 4.85% with a maturity date of August 14, 2019. Financial covenants in respect of these notes are summarised in Note 46.3 (b).

(c) On July 18, 2016 the Company redeemed the 6.5% convertible redeemable preference shares due 2016.

Amounts expressed in US $000

17 DEPOSIT AND SECURITY LIABILITIES

	2016		2015	
	Carrying value	Fair value	Carrying value	Fair value
At amortised cost:				
Other funding instruments	349,514	346,216	379,612	381,499
Customer deposits	915,155	915,419	669,518	772,011
Securities sold for re-purchase	320,574	320,574	519,608	519,508
Bank overdrafts	1,939	1,939	2,158	2,158
	1,587,182	1,584,148	1,570,896	1,675,176
At fair value through income:				
Structured products	34,779	34,779	35,112	35,112
Derivative financial instruments (note 41.6)	1,364	1,364	1,603	1,603
	36,143	36,143	36,715	36,715
	1,623,325	1,620,291	1,607,611	1,711,891

Other funding instruments consist of loans from banks and other financial institutions and include balances of $134,321 (2015 - $167,913) due to the Federal Home Loan Bank of Dallas (FHLB). The Group participates in the FHLB program in which funds received from the Bank are invested in mortgages and mortgage backed securities.

Structured products are offered by a banking subsidiary. A structured product is a pre-packaged investment strategy created to meet specific needs that cannot be met from the standardised financial instruments available in the market. Structured products can be used as an alternative to a direct investment, as part of the asset allocation process to reduce risk exposure of a portfolio, or to capitalize on current market trends.

Collateral for other funding instruments and securities sold under agreements to resell is set out in note 9.2.

18 PROVISIONS

	2016	2015
Net defined benefit liabilities (note 31)	101,235	87,950
Other provisions	57	256
	101,292	88,206

19 INCOME TAX LIABILITIES

	2016	2015
Deferred income tax liabilities (note 33)	36,238	29,785
Income taxes payable	14,403	4,980
	50,641	34,765

Income taxes payable are expected to be settled within a year of the financial statements' date.

20 ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2016	2015
Amounts due to policyholders	20,525	15,702
Amounts due to reinsurers	17,179	23,792
Legal claim (i)	52,720	42,902
Other accounts payable and accrued liabilities	114,551	119,326
	204,975	201,722

(i) In March 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 of Jamaica Limited). This claim pre-dated the acquisition of control of the Bank by Sagicor Group Jamaica Limited, and also pre-dated the acquisition of control of the Bank by RBTT International Limited 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 (now SGJ Holdings (St. Lucia) Limited). Though the judgement is being appealed, the amount computed as settlement has been recorded as payable to the claimant and correspondingly receivable from Finsac (Note 12).
During 2016, interest was accrued on this liability and resulted in an increase in the amount outstanding to $52.7 million.

Amounts expressed in US $000

21 COMMON AND PREFERENCE SHARES

The Company is authorised to issue:

- 304,494,131 common shares,
- 120,000,000 convertible redeemable preference shares.

In each case the shares have a par value of US$0.01.

21.1 Common shares

	2016				2015	
	Number in 000's	Share capital	Share premium	Total	Number in 000's	Share capital
Issued and fully paid:						
Balance, beginning of year	304,494	302,156	-	302,156	303,917	301,600
Redomiciliation adjustment[(1)]	-	(299,111)	299,111	-	-	-
Allotments arising from LTI	-	-	-	-	577	556
Balance, end of year	304,494	3,045	299,111	302,156	304,494	302,156
Treasury shares:						
Shares held for LTI and ESOP, end of year (note 30.1)	(1,646)	(16)	(2,061)	(2,077)	(2,126)	(2,836)
Total	302,848	3,029	297,050	300,079	302,368	299,320

The common shares are listed on the Barbados, Trinidad & Tobago and London stock exchanges.

[(1)]The redomiciliation adjustment includes $2,815 in share premium relating to treasury shares.

21.2 Convertible redeemable preference shares

On July 18, 2016, the Company redeemed the 120,000,000 convertible redeemable preference shares which were originally issued on July 18, 2011 with the following features:

- Issue price of US $1.00 or Barbados $2.00 per share;
- Annual dividend rate of 6.5%, dividends to be declared by the Company's directors and payable half yearly on May 15 and November 15;
- Convertible into common shares at a ratio of 1.98 preference shares to 1.00 common shares, conversion to be at the option of the shareholder and exercisable on May 16 or November 16 in any year prior to the redemption date;

The preference shares were accounted for as a compound financial instrument and were initially recognised in the statement of financial position as a financial liability (note 16) and also as equity (note 22). The preference shares were listed on the Barbados and Trinidad & Tobago stock exchanges. Put option rights in respect of the preference shares are disclosed in note 46.3(c).

21.3 Dividends

The dividends declared and paid during the year in respect of the Company's convertible redeemable preference shares and common shares are set out in the following table.

	2016		2015	
	Per share	Total	Per share	Total
Dividends declared and paid:				
Preference shares	4.38 ¢	5,256	6.50 ¢	7,800
Common shares	4.5 ¢	13,624	4.0 ¢	12,042
		18,880		19,842

Amounts expressed in US $000

21.3 Dividends (continued)

The dividends declared after the date of the financial statements in respect of the Company's convertible redeemable preference shares and common shares are set out in the following table.

	2016		2015	
	Per share	Total	Per share	Total
Dividends proposed:				
Preference shares - May 15	-	-	3.25 ¢	3,900
Common shares - final for current year	2.5 ¢	7,612	2.0 ¢	6,090
		7,612		9,990

21.4 Restrictions on common share dividends

The Company's Constitutive documents include the following limitations on the payment of common share dividends.

(i) For any 6 month period that the convertible redeemable preference shares are not paid, dividends on common shares shall be suspended for that period plus the next 6 month period, and the Company shall not repurchase any of its common shares, except when pursuant to the LTI plan and ESOP.

(ii) The Company shall not pay any dividends on its common shares, in respect of the 2011 financial year or thereafter, or repurchase any of its common shares, other than a repurchase pursuant to the LTI plan and ESOP, if the cumulative amount of such dividends and repurchases after July 31, 2011 would exceed 50% of the cumulative amount of Group net income from January 1, 2011.

Amounts expressed in US $000

22 RESERVES

	<<<<<< Fair value reserves >>>>>>						
	Owner occupied property	Available for sale assets	Actuarial liabilities	Currency translation reserves	Preference share reserves	Other reserves	Total reserves
2016							
Balance, beginning of year	25,047	(33,305)	8,773	(96,339)	4,219	31,917	(59,688)
Other comprehensive income from continuing operations allocated to reserves	2,137	27,194	(15,509)	(18,141)	-	-	(4,319)
Transactions with holders of equity instruments:							
Allocated to reserve for equity compensation benefits	-	-	-	-	-	5,280	5,280
Eliminated from reserve for equity compensation benefits	-	-	-	-	-	(3,148)	(3,148)
Transfers to retained earnings and other movements	-	-	1	-	(4,219)	1,298	(2,920)
Balance, end of year	27,184	(6,111)	(6,735)	(114,480)	-	35,347	(64,795)
2015							
Balance, beginning of year	25,249	43,850	(38,556)	(87,946)	10,481	38,157	(8,765)
Other comprehensive income from continuing operations allocated to reserves	(202)	(77,153)	47,329	(8,393)	-	-	(38,419)
Transactions with holders of equity instruments:							
Allocated to reserve for equity compensation benefits	-	-	-	-	-	3,171	3,171
Eliminated from reserve for equity compensation benefits	-	-	-	-	-	(4,821)	(4,821)
Transfers to retained earnings and other movements	-	(2)	-	-	(6,262)	(4,590)	(10,854)
Balance, end of year	25,047	(33,305)	8,773	(96,339)	4,219	31,917	(59,688)

Other reserves comprise reserves for equity compensation benefits of $16,552 (2015 - $14,420) and statutory reserves of $18,795 (2015 - $17,497).

Amounts expressed in US $000

23 PARTICIPATING ACCOUNTS

The movements in the participating accounts during the year and the amounts in the financial statements relating to participating accounts were as follows:

	Closed participating account		Open participating account	
	2016	**2015**	**2016**	**2015**
Movement for the year:				
Balance, beginning of year	(607)	(950)	1,990	1,314
Total comprehensive income / (loss)	(677)	343	809	906
Return of transfer to support profit distribution, to shareholders	3	-	(227)	(230)
Balance, end of year	(1,281)	(607)	2,572	1,990
Financial statement amounts:				
Assets	82,306	84,909	196,999	200,009
Liabilities	83,587	85,516	194,427	198,019
Revenues	7,557	7,825	22,261	25,453
Benefits	7,669	6,811	18,917	22,034
Expenses	428	584	1,630	2,037
Income taxes	187	122	877	405

The Group has the ability to reduce future policy bonuses and dividends in order to eliminate a deficit in a participating account.

24 PREMIUM REVENUE

	Gross premium		Ceded to reinsurers	
	2016	**2015**	**2016**	**2015**
Life insurance	388,287	383,655	30,876	30,808
Annuity	225,204	364,726	86,490	212,130
Health insurance	153,666	155,414	4,077	5,107
Property and casualty insurance	66,761	65,727	48,519	47,552
	833,918	969,522	169,962	295,597

Amounts expressed in US $000

25 NET INVESTMENT INCOME

	2016	2015
Investment income:		
Interest income	292,868	293,432
Dividend income	3,088	3,244
Rental income from investment property	3,816	4,165
Net investment gains	62,136	32,418
Share of operating income of associates and joint venture	5,425	3,153
Other investment income	(57)	125
	367,276	336,537
Investment expenses:		
Allowances for impairment losses	9,621	10,338
Direct operating expenses of investment property	2,107	1,947
Other direct investment expenses	2,196	2,023
	13,924	14,308
Net investment income	353,352	322,229

The Group operates across both active and inactive financial markets. The financial investments placed in both types of market support the insurance and operating financial liabilities of the Group. Because the type of financial market is incidental and not by choice, the Group manages its financial investments by the type of financial instrument (i.e. debt securities, equity securities, mortgage loans etc). Therefore, the income from financial instruments is presented consistently with management practice, rather than by accounting classification.

The capital and income returns of most investments designated at fair value through income accrue to the holders of unit linked policy and deposit administration contracts which do not affect the net income of the Group.

25 NET INVESTMENT INCOME (continued)

Further details of interest income and investment gains are set out in the following table.

	2016	2015
Interest income:		
Debt securities	205,068	211,596
Mortgage loans	19,908	19,963
Policy loans	9,053	9,407
Finance loans and finance leases	56,166	50,402
Securities purchased for re-sale	584	464
Deposits	1,902	1,681
Other balances	187	(81)
	292,868	293,432
Net investment gains / (losses):		
Debt securities	37,341	14,937
Equity securities	15,982	22,366
Investment property	1,847	(842)
Other financial instruments	6,966	(4,043)
	62,136	32,418

Amounts expressed in US $000

26 FEES AND OTHER REVENUE

	2016	2015
Fee income – assets under administration	25,470	23,328
Fee income – deposit administration and policy funds	1,739	1,813
Commission income on insurance and reinsurance contracts	29,375	32,845
Other fees and commission income	28,288	25,937
Foreign exchange gains	12,564	2,814
Other operating and miscellaneous income	19,403	22,353
	116,839	109,090

27 POLICY BENEFITS AND CHANGE IN ACTUARIAL LIABILITIES

	Gross benefit		Ceded to reinsurers	
	2016	2015	2016	2015
Life insurance benefits	199,946	206,977	16,966	12,591
Annuity benefits	199,037	191,897	51,566	39,849
Health insurance claims	119,499	114,315	3,995	2,826
Property and casualty claims	17,708	21,861	10,004	12,207
Total policy benefits	536,190	535,050	82,531	67,473
Change in actuarial liabilities (note 13.2)	156,983	157,887	111,731	131,328
Total policy benefits and change in actuarial liabilities	693,173	692,937	194,262	198,801

28 INTEREST EXPENSE

	2016	2015
Insurance contracts	2,866	2,828
Investment contracts	16,833	14,279
Other funding instruments	6,981	8,098
Customer deposits	16,204	11,755
Securities sold for re-purchase	18,519	21,695
Other items	45	152
	61,448	58,807

The Group manages its interest-bearing obligations by the type of obligation (i.e. investment contracts, securities etc). Therefore, the interest expense is presented consistently with management practice, rather than by accounting classification.

The capital and income returns of most financial liabilities designated at fair value through income accrue directly from the capital and income returns of financial assets designated at fair value through income. Therefore, the related interest expense does not affect the net income of the Group.

29 EMPLOYEE COSTS

Included in administrative expenses, commissions and related compensation are the following:

	2016	2015
Administrative staff salaries, directors' fees and short-term benefits	107,329	109,339
Social security and defined contribution retirement costs	9,125	8,859
Equity-settled compensation benefits (note 30.1 to 30.2)	5,365	4,646
Defined benefit expense (note 31 (b))	11,528	10,772
	133,347	133,616

30 EQUITY COMPENSATION BENEFITS

30.1 The Company

Effective December 31, 2005, the Company introduced a Long Term Incentive (LTI) plan for designated executives of the Sagicor Group and an Employee Share Ownership Plan (ESOP) for permanent administrative employees and sales agents of the Group. A total of 26,555,274 common shares of the Company (or 10% of shares then in issue) have been set aside for the purposes of the LTI plan and the ESOP.

(a) LTI plan – restricted share grants

Restricted share grants have been granted to designated key management of the Group. Share grants may vest over a four year period beginning at the grant date. The vesting of share grants is conditional upon the relative profitability of the Group as compared to a number of peer companies. Relative profitability is measured with reference to the financial year preceding the vesting date.

30.1 The Company (continued)

The movement in restricted share grants during the year is as follows:

	2016		2015	
	Number of grants '000	Weighted average price	Number of grants '000	Weighted Average price
Balance, beginning of year	3,527	US$0.93	3,749	US$1.02
Grants issued	3,552	US$0.94	2,703	US$0.84
Grants vested	(1,854)	US$0.94	(2,695)	US$0.96
Grants lapsed/forfeited	(588)	US$1.05	(230)	US$1.04
Balance, end of year	4,637	US$0.92	3,527	US$0.93

Grants issued may be satisfied out of new shares issued by the Company or by shares acquired in the market. The shares acquired in the market and distributed during the year were as follows:

	2016		2015	
	Number in 000's	$000	Number in 000's	$000
Balance, beginning of year	1	3	2	2
Shares acquired	-	-	1,376	2,469
Shares distributed	-	-	(1,377)	(2,468)
Balance, end of year	1	3	1	3

During 2016 a cash settlement was made in lieu of share issue.

30.1 The Company (continued)

(b) LTI plan – share options

Share options have been granted to designated key management of the Group during the year. Up to 2008, options were granted at the fair market price of the Company shares at the time that the option was granted. From 2009, options are granted at the fair market price of the Company shares prevailing one year before the option is granted. Options vest over four years, 25% each on the first four anniversaries of the grant date. Options are exercisable up to 10 years from the grant date.

The movement in share options for the year and details of the share options and assumptions used in determining their pricing are as follows:

	2016		2015	
	Number of options '000	**Weighted average exercise price**	**Number of options '000**	**Weighted average exercise price**
Balance, beginning of year	16,397	US$1.48	16,206	US$1.63
Options granted	4,927	US$0.86	3,029	US$1.05
Options lapsed/forfeited	(1,524)	US$1.82	(2,838)	US$1.85
Balance, end of year	19,800	US$1.30	16,397	US$1.48
Exercisable at the end of the year	10,197	US$1.61	9,903	US$1.73
Share price at grant date	US $0.86 – 2.50		US $1.05 – 2.50	
Fair value of options at grant date	US$0.16 – 0.69		US$0.23 – 0.69	
Expected volatility	19.3% – 35.8%		19.3% – 35.8%	
Expected life	7.0 years		7.0 years	
Expected dividend yield	2.6% - 4.7%		2.6% - 3.8%	
Risk-free interest rate	4.8% - 6.8%		4.8% - 6.8%	

30.1 The Company (continued)

The expected volatility of options is based on statistical analysis of monthly share prices over the 7 years prior to grant date.

(c) ESOP

From 2006, the Company approved awards under the ESOP in respect of permanent administrative employees and sales agents of the Company and certain subsidiaries. The ESOP is administered by Trustees under a discretionary trust. The amount awarded is used by the Trustees to acquire company shares. Administrative employees and sales agents are required to serve a qualifying period of five years from the award date in order to qualify as a beneficiary. Shares are distributed to beneficiaries upon their retirement or termination of employment. During 2012, the rules were amended so that vesting will take place in four equal annual instalments commencing one year after the award. The change came into effect during 2013. The shares acquired by the Trustees during the year were as follows:

	2016		2015	
	Number in 000's	**$000**	**Number in 000's**	**$000**
Balance, beginning of year	2,125	2,833	3,143	5,609
Shares acquired	100	98	414	378
Shares distributed	(580)	(857)	(1,432)	(3,154)
Balance, end of year	1,645	2,074	2,125	2,833

30.2 Sagicor Group Jamaica Limited

(a) 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 of J$0.10 each for the stock grants and stock options.

Amounts expressed in US $000

30.2 Sagicor Group Jamaica Limited (continued)

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 31 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.

In December 2013, the Sagicor Group of companies in Jamaica was reorganized to establish a new holding company which directly or indirectly carries the Group's holdings in member companies. As a consequence Sagicor Life Jamaica (SLJ) was delisted from the Jamaica Stock Exchange (JSE) and Sagicor Group Jamaica Limited (SGJ) was listed. Further, to harmonize compensation plans across the Group and considering the pending delisting of the subsidiary, Sagicor Investments Jamaica Limited (SIJL), all outstanding options in SIJL as at December 2013 were converted to corresponding SGJ options with equivalent monetary value. From the 2013 measurement year, all executives of the Group participate in the SGJ LTI plan.

Details of the share options outstanding are set out in the following table. J$ represents Jamaica dollars.

	2016		2015	
	Number of options '000	Weighted average exercise price	Number of options '000	Weighted average exercise price
Balance, beginning of year	53,644	J$8.63	70,025	J$8.19
Options granted	12,463	J$10.52	10,849	J$9.50
Options exercised	(18,924)	J$8.56	(19,657)	J$7.25
Options lapsed/forfeited	(2,238)	J$9.09	(7,573)	J$9.40
Balance, end of year	44,945	J$8.83	53,644	J$8.63
Exercisable at the end of the year	26,509	J$9.47	36,529	J$8.64

30.2 Sagicor Group Jamaica Limited (continued)

Further details of share options and the assumptions used in determining their pricing are as follows:

	2016	2015
Fair value of options outstanding	J$31,770,000	J$53,646,000
Share price at grant date	J$4.20 – 14.10	J$4.20 – 14.10
Exercise price	J$4.20 – 14.10	J$4.20 – 14.10
Standard deviation of expected share price returns	26.0%	27.0%
Remaining contractual term	0.25 - 7 years	0.08 - 7 years
Risk-free interest rate	9.19%	9.58%

The expected volatility is based on statistical analysis of daily share prices over three years.

(b) Employee share purchase plan

Sagicor Life Jamaica has in place a share purchase plan which enables its administrative and sales staff to purchase shares at a discount. The proceeds from shares issued under this plan totalled $1,298 (2015 – $312).

Amounts expressed in US $000

31 EMPLOYEE RETIREMENT BENEFITS

The Group maintains a number of defined contribution and defined benefit retirement benefit plans for eligible sales agents and administrative employees. The plans for sales agents and some administrative employees provide defined contribution benefits. The plans for administrative employees in Barbados, Jamaica, Trinidad, Eastern Caribbean and certain other Caribbean countries provide defined benefits based on final salary and number of years active service. Also, in these countries, retired employees may be eligible for medical and life insurance benefits which are partially or wholly funded by the Group. The principal defined benefit retirement plans are as follows:

Funded Plans	Unfunded Plans
Sagicor Life Barbados & Eastern Caribbean Pension	Sagicor Life Trinidad Pension
Sagicor Life Jamaica Pension	Sagicor Life (Heritage Life of Barbados - Barbados & Eastern Caribbean) Pension
Sagicor Investments Jamaica Pension	Group medical and life plans

The above plans also incorporate employees of the Company and other subsidiaries, whose attributable obligations and attributable assets are separately identified for solvency, contribution rate and reporting purposes.

The assets of the Sagicor Life Trinidad and Sagicor Life (Heritage Life of Barbados) pension plans are held under deposit administration contracts with Sagicor Life Inc and because these assets form part of the Group's assets, these plans are presented as unfunded in accordance with IAS 19 (revised).

The above pension plans are registered with the relevant regulatory authorities in the Caribbean and are governed by Trust Deeds which conform with the relevant laws. The plans are managed by the Group under the direction of appointed Trustees.

The group medical and life obligations arise from employee benefit insurance plans where benefits are extended to retirees.

All disclosures in sections 31 (a) to (d) of this note relate only to defined retirement benefit plans.

31 EMPLOYEE RETIREMENT BENEFITS (continued)

(a) Amounts recognised in the statement of financial position

	2016	2015
Present value of funded pension obligations	239,330	215,680
Fair value of retirement plan assets	(214,502)	(192,612)
	24,828	23,068
Present value of unfunded pension obligations	45,975	37,763
Present value of unfunded medical and life benefits	29,099	26,053
Net liability	99,902	86,884
Represented by:		
Amounts held on deposit by the Group as deposit administration contracts	44,382	37,611
Other recognised liabilities	56,853	50,339
Total recognised liabilities (note 18)	101,235	87,950
Recognised assets (note 12)	(1,333)	(1,066)
Net liability	99,902	86,884

Pension plans have purchased annuities from insurers in the Group to pay benefits to plan retirees. These obligations are included in actuarial liabilities in the statement of financial position and are excluded from the table above.

Amounts expressed in US $000

31 EMPLOYEE RETIREMENT BENEFITS (continued)

(b) Movements in balances

	2016				2015			
	Medical and life benefits	Retirement obligations	Retirement plan assets	Total	Medical and life benefits	Retirement obligations	Retirement plan assets	Total
Net liability / (asset), beginning of year	26,053	253,443	(192,612)	86,884	23,254	221,786	(168,169)	76,871
Current service cost	1,429	6,278	-	7,707	1,218	6,032	-	7,250
Interest expense / (income)	2,107	17,333	(15,366)	4,074	2,140	16,178	(14,888)	3,430
Past service cost and gains / losses on settlements	-	(253)	-	(253)	-	-	92	92
Net expense recognised in income	3,536	23,358	(15,366)	11,528	3,358	22,210	(14,796)	10,772
(Gains) / losses from changes in assumptions	(2,593)	(6,896)	314	(9,175)	6,172	14,341	(1,466)	19,047
(Gains) / losses from changes in experience	4,401	26,332	(7,537)	23,196	(5,010)	(1,546)	(7,799)	(14,355)
Return on plan assets excluding interest income	-	-	2,442	2,442	-	-	2,997	2,997
Net losses recognised in other comprehensive income	1,808	19,436	(4,781)	16,463	1,162	12,795	(6,268)	7,689
Contributions made by the Group	-	-	(12,219)	(12,219)	-	-	(8,164)	(8,164)
Contributions made by employees and retirees	-	7,248	(5,373)	1,875	-	6,987	(5,191)	1,796
Benefits paid	(547)	(12,805)	11,054	(2,298)	(517)	(12,353)	11,459	(1,411)
Other items	-	3,968	(3,658)	310	-	8,339	(7,274)	1,065
Effect of exchange rate movements	(1,751)	(9,343)	8,453	(2,641)	(1,204)	(6,321)	5,791	(1,734)
Other movements	(2,298)	(10,932)	(1,743)	(14,973)	(1,721)	(3,348)	(3,379)	(8,448)
Net liability / (asset), end of year	29,099	285,305	(214,502)	99,902	26,053	253,443	(192,612)	86,884

Amounts expressed in US $000

31 EMPLOYEE RETIREMENT BENEFITS (continued)

(c) Retirement plan assets

	2016	2015
Equity unit linked pension funds under Group management:		
Sagicor Equity Fund (Barbados)	(32,103)	(29,020)
Sagicor Bonds Fund (Barbados)	(23,189)	(18,605)
Sagicor Pooled Investment Funds (Jamaica):		
Equity Funds	(35,820)	(23,044)
Mortgage & Real Estate Fund	(26,486)	(19,887)
Fixed Income Fund	(15,526)	(15,272)
Foreign Currency Funds	(18,185)	(16,657)
Money Market Fund	(2,258)	(16,423)
Other Funds	(17,307)	(14,373)
	(170,874)	(153,281)
Other assets	(43,628)	(39,331)
Total plan assets	(214,502)	(192,612)

The equity unit linked pension funds are funds domiciled in Barbados and Jamaica. Annual reports of these funds are available to the public.

31 EMPLOYEE RETIREMENT BENEFITS (continued)

(d) Significant actuarial assumptions

The significant actuarial assumptions for the principal geographic areas as of December 31, 2016 were as follows:

Pension plans	Barbados & Eastern Caribbean	Jamaica	Trinidad
Discount rate - local currency benefits	7.75%	9.00%	5.00%
Discount rate - US$ indexed benefits	n/a	5.00%	n/a
Expected return on plan assets	7.75%	9.00%	5.00%
Future promotional salary increases	3.00%	6.50%	2.00%
Future inflationary salary increases	1.50% – 2.00%	6.00%	2.00%
Future pension increases	2.00%	3.00%	0.00%
Future increases in National Insurance Scheme Ceilings	3.50%	n/a	4.00%
Mortality table	UP94 with projection scale AA	GAM1994 with 5 year improvement	UP94 with projection scale AA
Termination of active members	3% up to age 30, reducing to 1% at age 50, 0% at age 51	5% - 10% up to age 30, reducing to 5% at age 50, 0% at age 51	3% up to age 30, reducing to 1% at age 50, 0% at age 51
Early retirement	100% at the earliest possible age to receive unreduced benefits	n/a	100% at the earliest possible age to receive unreduced benefits

Amounts expressed in US $000

31 EMPLOYEE RETIREMENT BENEFITS (continued)

Group medical and life plans	**Jamaica**
Long term increase in health costs	8.00%

(e) Sensitivity of actuarial assumptions

The sensitivity of the pension retirement benefit obligations to individual changes in actuarial assumptions is summarised below:

	Barbados & Eastern Caribbean	**Jamaica**	**Trinidad**
Base pension obligation	81,789	156,672	13,637
Change in absolute assumption	**Increase / (decrease) in pension obligations**		
Decrease discount rate by 1.0%	10,307	10,467	1,667
Increase discount rate by 1.0%	(7,293)	(8,208)	(1,198)
Decrease salary growth rate by 0.5%	(1,519)	(3,279)	(351)
Increase salary growth rate by 0.5%	1,842	3,791	409
Increase average life expectancy by 1 year	1,779	1,342	358
Decrease average life expectancy by 1 year	(1,744)	(1,364)	(333)

31 EMPLOYEE RETIREMENT BENEFITS (continued)

The sensitivity of the medical and life benefits obligations to individual changes in actuarial assumptions is summarised below:

	Jamaica
Base medical and life obligation	29,099
Change in absolute assumption	**Increase / (decrease) in medical and life obligations**
Decrease discount rate by 1.0%	7,201
Increase discount rate by 1.0%	(5,359)
Decrease salary growth rate by 0.5%	(166)
Increase salary growth rate by 0.5%	194
Increase average life expectancy by 1 year	953
Decrease average life expectancy by 1 year	(950)

(f) Amount, timing and uncertainty of future cash flows

In addition to the annual actuarial valuations prepared for the purpose of annual financial statement reporting, full actuarial valuations of pension plans are conducted every 1-3 years. These full valuations contain recommendations for Group and employee contribution levels which are implemented by the Group as the recommendations are made.

For the 2017 financial year, the total Group contributions to its defined benefits pension plans are estimated at $12,727.

Amounts expressed in US $000

32 INCOME TAXES

Group companies are taxed according to the taxation rules of the country where the operations are carried out. The principal rates of taxation are summarised in note 2.18(c). The income tax expense and the income subject to taxation in the statement of income are set out in the following table.

	2016	2015
Income tax expense:		
Current tax		
Current tax on profits for the year	34,872	24,506
Adjustments to current tax of prior periods	232	(257)
Total current tax expense	35,104	24,249
Deferred tax		
Decrease/(increase) in deferred tax assets	498	(1,740)
(Decrease)/increase in deferred tax liabilities	5,696	2,858
Total deferred tax expense	6,194	1,118
Share of tax of associated companies	402	(248)
	41,700	25,119

32 INCOME TAXES (continued)

Income tax on the total income subject to taxation differs from the theoretical amount that would arise is as follows:

	2016	2015
Income before income tax expense	149,597	123,562
Taxation at the applicable rates on income subject to tax	46,090	29,228
Adjustments to current tax for items not subject to / allowed for tax	(23,996)	(15,207)
Other current tax adjustments	(221)	175
Adjustments for current tax of prior periods	232	(257)
Movement in unrecognised deferred tax asset	13,926	8,682
Deferred tax relating to the origination of temporary differences	(18)	223
Deferred tax relating to changes in tax rates or new taxes	(35)	387
Deferred tax that arises from the write down / (reversal of a write down) of a tax asset	296	(383)
Tax on distribution of profits from policyholder funds	670	1,046
Other taxes	4,756	1,225
	41,700	25,119

In addition to the above, the income tax on items in other comprehensive income is set out in note 35.

Amounts expressed in US $000

33 DEFERRED INCOME TAXES

	2016	2015
Analysis of deferred income tax assets:		
Defined benefit liabilities	13,581	11,031
Unrealised losses on financial investments	6,918	12,406
Unused tax losses	14,993	21,870
Other items	787	(4,284)
Total deferred income tax assets (note 11)	36,279	41,023
Deferred income tax assets to be recovered within one year	3,230	2,067
Unrecognised tax balances:		
Tax losses	265,699	237,548
Potential deferred income tax assets	66,428	59,404
Expiry period for unrecognised tax losses:		
2016	-	18,765
2017	19,635	20,054
2018	24,888	25,324
2019	28,153	27,785
2020	25,540	24,956
2021	19,399	20,207
2022	37,007	37,007
2023	29,577	29,577
2024	33,586	33,873
After 2024	47,914	-
	265,699	237,548

Amounts expressed in US $000

33 DEFERRED INCOME TAXES (continued)

Deferred income tax assets movements:	Defined benefit liabilities	Unrealised losses on financial investments	Unused tax losses	Other items	Total
2016					
Balance, beginning of year as previously reported	11,031	12,406	21,870	(4,284)	41,023
(Charged)/credited to:					
Profit or Loss	689	297	(5,756)	4,272	(498)
Other comprehensive income	2,608	(5,141)	-	687	(1,846)
Effects of exchange rate changes	(747)	(644)	(1,121)	112	(2,400)
Balance, end of year	13,581	6,918	14,993	787	36,279
2015					
Balance, beginning of year as previously reported	7,367	1,093	26,376	(6,526)	28,310
(Charged)/credited to:					
Profit or Loss	1,753	238	(3,467)	3,216	1,740
Other comprehensive income	2,280	11,443	-	(1,186)	12,537
Effects of exchange rate changes	(369)	(368)	(1,039)	212	(1,564)
Balance, end of year	11,031	12,406	21,870	(4,284)	41,023

Amounts expressed in US $000

33 DEFERRED INCOME TAXES (continued)

Analysis of deferred income tax liability:

	2016	2015
Accelerated tax depreciation	1,640	1,806
Policy liabilities taxable in the future	62,738	58,377
Defined benefit assets	343	133
Accrued interest	1,000	944
Unrealised gains on financial investments	6,398	(1,023)
Off-settable tax assets in respect of unused tax losses and other items	(36,280)	(30,851)
	399	399
Total (note 19)	36,238	29,785
Deferred income tax liabilities to be settled within one year	7,285	5,728

Amounts expressed in US $000

33 DEFERRED INCOME TAXES (continued)

Deferred income tax liabilities movements:	Accelerated tax depreciation	Policy liabilities taxable in the future	Defined benefit assets	Accrued interest	Unrealised gains on financial investments	Off-settable tax assets in respect of unused tax losses and other items	Other Items	Total
2016								
Balance, beginning of year as previously reported	1,806	58,377	133	944	(1,023)	(30,851)	399	29,785
Charged/(credited) to:								
Profit or Loss	(167)	11,034	189	75	(6)	(5,429)	-	5,696
Other comprehensive income	-	(6,679)	21	(8)	7,428	-	-	762
Effects of exchange rate changes	1	6	-	(11)	(1)	-	-	(5)
Balance, end of year	1,640	62,738	343	1,000	6,398	(36,280)	399	36,238
2015								
Balance, beginning of year as previously reported	1,775	40,064	84	963	22,486	(34,214)	399	31,557
Charged/(credited) to:								
Profit or Loss	31	(487)	56	(20)	(85)	3,363	-	2,858
Other comprehensive income	-	18,800	(7)	-	(23,425)	-	-	(4,632)
Equity	-	-	-	1	1	-	-	2
Balance, end of year	1,806	58,377	133	944	(1,023)	(30,851)	399	29,785

34 EARNINGS PER COMMON SHARE

The basic earnings per common share is computed by dividing earnings attributable to common shareholders by the weighted average number of shares in issue during the year, after deducting treasury shares. Earnings attributable to common shareholders recognise the impact on net income of the Company's convertible redeemable preference shares (note 21.2).

The table below derives the earnings attributable to common shareholders and the basic earnings per common share.

	2016	2015
Net income attributable to common shareholders	61,671	34,679
Finance costs attributable to preference share subscription	4,368	6,483
Amortisation of issue expenses allocated to preference share reserve	(149)	(221)
Preference share dividends declared	(5,256)	(7,800)
Earnings attributable to common shareholders	60,634	33,141
Weighted average number of shares in issue in thousands	303,572	301,924
Basic earnings per common share	**20.0¢**	**11.0¢**
Attributable to:		
Continuing operations	**19.5¢**	**18.2¢**
Discontinued operation	**0.5¢**	**(7.2)¢**

The computation of diluted earnings per common share recognises the dilutive impact of LTI share grants and share options (note 30.1), ESOP share grants (note 30.1), and the convertible redeemable preference shares. In computing diluted earnings per share, the income attributable to common shareholders is adjusted by the dilutive impact of the convertible preference shares and the weighted average number of common shares is adj usted by the dilutive impacts of the aforementioned share grants, options and preference shares.

34 EARNINGS PER COMMON SHARE (continued)

The table below derives the adjusted earnings attributable to common shareholders, the adjusted weighted average number of common shares, and the fully diluted earnings per common share.

	2016	2015
Earnings attributable to common shareholders	60,634	33,141
Preference share dividends declared	5,256	-
Amortisation of issue expenses allocated to preference share reserve	149	-
Finance costs attributable to preference share subscription	(4,368)	-
Preference share liability finance cost	4,104	-
	65,775	33,141
Weighted average number of shares in issue in thousands	303,572	301,924
LTI restricted share grants	4,706	3,877
ESOP shares	2,103	2,996
Convertible redeemable preference shares	33,209	-
Adjusted weighted average number of shares in issue	343,590	308,797
Fully diluted earnings / (loss) per common share	**19.1¢**	**10.7¢**
Attributable to:		
Continuing operations	**18.7¢**	**17.3¢**
Discontinued operation	**0.4¢**	**(6.6)¢**

Amounts expressed in US $000

35 OTHER COMPREHENSIVE INCOME (OCI)

Schedule to OCI from continuing operations

	2016					2015				
		After tax OCI is attributable to					After tax OCI is attributable to			
	OCI tax release	Shareholders	Participating policyholders	Non-controlling interests	Total	OCI tax expense	Shareholders	Participating policyholders	Non-controlling interests	Total
Items that may be reclassified subsequently to income:										
Available for sale assets:										
Gains / (losses) arising on revaluation	(11,058)	24,082	(1,292)	16,393	39,183	31,306	(72,866)	867	(31,102)	(103,101)
(Gains) / losses transferred to income	(1,491)	3,112	-	(437)	2,675	3,553	(4,287)	-	3,112	(1,175)
Net change in actuarial liabilities	6,679	(15,509)	1,293	(2,874)	(17,090)	(18,800)	47,329	(867)	1,884	48,346
Retranslation of foreign currency operations	-	(18,141)	21	(10,361)	(28,481)	-	(8,393)	(36)	(7,257)	(15,686)
	(5,870)	(6,456)	22	2,721	(3,713)	16,059	(38,217)	(36)	(33,363)	(71,616)
Items that will not be reclassified subsequently to income:										
Gains / (losses) arising on revaluation of owner-occupied property	(939)	2,137	-	3,008	5,145	(1,159)	(202)	-	(143)	(345)
Defined benefit gains / (losses)	2,588	(10,001)	-	(3,874)	(13,875)	2,258	(3,447)	-	(1,984)	(5,431)
Other items	-	(128)	-	-	(128)	-	-	-	-	-
	1,649	(7,992)	-	(866)	(8,858)	1,099	(3,649)	-	(2,127)	(5,776)
Total OCI movements	(4,221)	(14,448)	22	1,855	(12,571)	17,158	(41,866)	(36)	(35,490)	(77,392)
Allocated to equity reserves		(4,319)					(38,419)			
Allocated to retained earnings		(10,129)					(3,447)			
		(14,448)					(41,866)			

Amounts expressed in US $000

36 CASH FLOWS

36.1 Operating activities

	2016	2015
Adjustments for non-cash items, interest and dividends:		
Interest and dividend income	(295,956)	(296,676)
Net investment gains	(62,136)	(32,418)
(Gain) / loss arising on acquisition	-	1,025
Net increase in actuarial liabilities	45,252	26,559
Interest expense and finance costs	99,781	96,041
Depreciation and amortisation	21,283	18,687
Increase in provision for unearned premiums	59	(1,093)
Other items	3,619	(12,908)
	(188,098)	(200,783)
Net increase in investments and operating assets:		
Investment property	818	5,118
Debt securities	30,495	(151,201)
Equity securities	1,037	(15,875)
Mortgage loans	(1,989)	(51,613)
Policy loans	(6,115)	934
Finance loans and finance leases	(99,130)	(43,147)
Securities purchased for re-sale	1,913	5,647
Deposits	10,236	8,189
Other assets and receivables	(37,627)	(27,133)
	(100,362)	(269,081)

36.1 Operating activities (continued)

The gross changes in investment property, debt securities and equity securities are as follows.

	2016	2015
Investment property:		
Disbursements	(7)	(111)
Disposal proceeds	825	5,229
	818	5,118
Debt securities:		
Disbursements	(1,931,861)	(1,351,966)
Disposal proceeds	1,962,356	1,200,765
	30,495	(151,201)
Equity securities:		
Disbursements	(118,139)	(55,395)
Disposal proceeds	119,176	39,520
	1,037	(15,875)
Net increase in operating liabilities:		
Insurance liabilities	6,486	7,020
Investment contract liabilities	20,012	12,190
Other funding instruments	(29,788)	8,881
Deposits	286,658	137,800
Securities sold for re-purchase	(200,610)	(137,084)
Other liabilities and payables	1,035	29,707
	83,793	58,514

Amounts expressed in US $000

36.2 Investing activities

	2016	2015
Property, plant and equipment:		
Purchases	(20,336)	(18,175)
Disposal proceeds	2,340	1,589
	(17,996)	(16,586)

36.3 Financing activities

	2016	2015
Other notes and loans payable:		
Proceeds	78,050	310,545
Repayments	(44,042)	(154,087)
	34,008	156,458

36.4 Cash and cash equivalents

	2016	2015
Cash resources	279,070	250,489
Call deposits and other liquid balances	110,652	183,068
Bank overdrafts	(1,939)	(2,158)
Other short-term borrowings	(75,677)	(46,520)
	312,106	384,879

37 SUBSIDIARY ACQUISITION AND OWNERSHIP CHANGES

On June 27, 2014, the Group acquired 100% of the share capital of RBC Royal Bank (Jamaica) Limited and its subsidiary, RBC Securities (Jamaica) Limited.

The net assets acquired amounted to $113,429 for a purchase consideration of $84,378. This gave rise to negative goodwill of $29,051. The acquisition was recorded based on provisionally determined values in 2014. These balances were finalized during 2015. The adjustments made during 2015 amounted to $1.0 million, and was recognised in 2015 as they were not material to the Group.

38 DISCONTINUED OPERATION

On July 29, 2013, the Company entered into an agreement to sell Sagicor Europe and its subsidiaries to AmTrust Financial Services, Inc. (AmTrust), subject to regulatory approvals. Final regulatory approvals were obtained on December 23, 2013, on which date the sale was completed.

The operations of the Sagicor Europe operating segment are presented as discontinued operations in these financial statements.

The terms of the sale required the Company to take certain actions and provide certain commitments which included future price adjustments to the consideration up to December 31, 2018, representing adjusted profits or losses from January 1, 2013 in the run-off of the 2011, 2012 and 2013 underwriting years of account of syndicates 1206 and 44, the total price adjustments subject to a limit.

Amounts expressed in US $000

38 Discontinued operation (continued)

As of December 31, 2016, the price adjustments have been estimated as outlined below:

	2016	2015
March 31, 2016	-	46,525
March 31, 2019	-	(499)
	-	46,026

After accounting for its status as a discontinued operation and for the details of the sale the net loss recognised in the statement of income is set out below. The statement of comprehensive income is as follows:

Movement in Price Adjustments

	2016	2015
Balance payable, beginning of year	46,026	45,796
Payment made	(44,614)	(21,231)
Experience gain	415	23,013
Net currency movements	(1,827)	(1,552)
(Receivable) / payable, end of year	-	46,026

The price adjustments are subject to a limit based on the terms of the agreement. During the financial period 2016 to 2018, the results are subject to further underwriting, investment and foreign currency adjustments constrained by the limit as the experience develops.

38 Discontinued operation (continued)

The net gain / (loss) recognised in the statement of income and the statement of comprehensive income is as follows.

Statement of income	**2016**	**2015**
Currency translation gain	1,827	1,552
Other expenses	(884)	(187)
Movement in price adjustment	469	(23,013)
Net gain / (loss) and total comprehensive gain / (loss)	1,412	(21,648)

39 CONTINGENT LIABILITIES

Guarantee and financial facilities at the date of the financial statements for which no provision has been made in these financial statements include the following:

	2016	2015
Customer guarantees and letters of credit (1)	22,513	27,154

(1) There are equal and offsetting claims against customers in the event of a call on the above commitments for customer guarantees and letters of credit.

(a) 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 as follows:

(i) Suit has been filed by a customer against one of the Group's, subsidiaries for breach of contract, and breach of trust in the amount of US$8,928,500, 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 probability of success against the Group is considered low prior to the matter being heard.

39 Contingent Liabilities (continued)

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

(b) Tax assessments

The Group is also subject to tax assessments during the normal course of business. Adequate provision has been made for all assessments received to date and for tax liabilities accruing in accordance with management's understanding of tax regulations. Potential tax assessments may be received by the Group which are in addition to accrued tax liabilities. No provisions have been made in these financial statements for such potential tax assessments.

Amounts expressed in US $000

40 FAIR VALUE OF PROPERTY

Investment and owner-occupied property are carried at fair value as determined by independent valuations using internationally recognised valuation techniques. Direct sales comparisons, when such data is available, and income capitalisation methods, when appropriate, are included in the assessment of fair values. The highest and best use of a property may also be considered in determining its fair value.

Some tracts of land are currently used for farming operations or are un-developed or are leased to third parties. In determining the fair value of all lands, their potential for development within a reasonable period is assessed, and if such potential exists, the fair value reflects that potential. These lands are mostly in Barbados and the Group has adopted a policy of orderly development and transformation to realise their full potential over time.

The fair value hierarchy has been applied to the valuations of the Group's property. The different levels of the hierarchy are as follows:

- Level 1 - fair value is determined by quoted un-adjusted prices in active markets for identical assets;
- Level 2 - fair value is determined by inputs other than quoted prices in active markets that are observable for the asset either directly or indirectly;
- Level 3 - fair value is determined from inputs that are not based on observable market data.

The results of applying the fair value hierarchy to the Group's property as of December 31, 2016 are as follows:

	Level 1	Level 2	Level 3	Total
Investment property	-	-	80,662	80,662
Owner-occupied lands	-	-	37,185	37,185
Owner-occupied land and buildings	-	-	77,855	77,855
	-	-	195,702	195,702

40 Fair value of property (continued)

For Level 3 investment property, reasonable changes in fair value would affect net income. For Level 3 owner occupied property, reasonable changes in fair value would affect other comprehensive income. The following table represents the movements in Level 3 property for the current year.

	Investment property	Owner-occupied property		Total
		Lands	Land and buildings	
Balance, beginning of year	79,172	38,031	80,694	197,897
Additions	7	-	2,680	2,687
Transfers in / (out)	1,401	(846)	-	555
Fair value changes recorded in net investment income	1,847	-	-	1,847
Fair value changes recorded in other comprehensive income	-	-	(1,583)	(1,583)
Depreciation	-	-	(1,105)	(1,105)
Disposals and divestitures	(825)	-	(753)	(1,578)
Effect of exchange rate changes	(940)	-	(2,078)	(3,018)
Balance, end of year	80,662	37,185	77,855	195,702

41 FINANCIAL RISK

The Group's activities of issuing insurance contracts, of accepting funds from depositors, of investing insurance premium and deposit receipts in a variety of financial and other assets, banking and dealing in securities, exposes the Group to various insurance and financial risks. Financial risks include credit default, liquidity and market risks. Market risks arise from changes in interest rates, equity prices, currency exchange rates or other market factors. The principal insurance risks are identified in notes 42 and 43.

The overriding objective of the Group's risk management framework is to enhance its capital base through competitive earnings growth and to protect capital against inherent business risks. This means that the Group accepts certain levels of risk in order to generate returns, and the Group manages the levels of risk assumed through enterprise wide risk management policies and procedures. Identified risks are assessed as to their potential financial impact and as to their likelihood of occurrence.

The amounts disclosed in this note and in notes 42 and 43, exclude amounts in the statement of financial position classified as liabilities of discontinued operation.

41.1 Credit risk

Credit risk is the exposure that the counterparty to a financial instrument is unable to meet an obligation, thereby causing a financial loss to the Group. Credit risks are primarily associated with financial investments and reinsurance contracts held.

Credit risk from financial investments is minimised through holding a diversified portfolio of investments, purchasing securities and advancing loans only after careful assessment of the borrower, obtaining collateral before advancing loans, and placing deposits with financial institutions with a strong capital base. Limits may be placed on the amount of risk accepted in relation to one borrower.

The Group has developed an internal credit rating standard. The internal rating is a 10 point scale which allows for distinctions in risk characteristics and is referenced to the rating scales of international credit rating agencies. The scale is set out in the following table.

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

41.1 Credit risk (continued)

The Group applies this rating scale to three categories of exposures:

- Investment portfolios, comprising debt securities, deposits, securities purchased for re-sale, and cash balances;
- Lending portfolios, comprising mortgage, policy and finance loans and finance leases;
- Reinsurance exposures, comprising reinsurance assets for life, annuity and health insurance (see note 43.3) or realistic disaster scenarios for property and casualty insurance (see note 42.3).

The 3 default grades are used for lending portfolios while investment portfolios and reinsurance exposures use one default grade: 8.

The maximum exposures of the Group to credit risk without taking into account any collateral or any credit enhancements are set out in the following table.

	2016		2015	
	$000	%	$000	%
Investment portfolios	3,864,949	65.5	3,937,104	68.4
Lending portfolios	978,681	16.6	909,570	15.8
Reinsurance assets	755,569	12.8	644,463	11.2
Other financial assets	179,456	3.0	151,842	2.6
Total financial statement exposures	5,778,655	97.9	5,642,979	98.0
Loan commitments	82,088	1.4	69,936	1.2
Customer guarantees and letters of credit	22,513	0.4	27,154	0.5
Other	15,262	0.3	19,380	0.3
Total off financial statement exposures	119,863	2.1	116,470	2.0
Total	5,898,518	100.0%	5,759,449	100.0%

The amounts in respect of customer guarantees and letters of credit represent potential claims against customers in the event of a call on customer guarantees and letters of credit issued by the Group.

41.1 Credit risk (continued)

The Group's largest exposures to individual counterparty credit risks as of December 31, 2016 and 2015 are set out below. The individual ratings reflect the rating of the counterparty listed below, while the amounts include exposures with subsidiaries of the counterparty.

	Sagicor Risk Rating	2016	Sagicor Risk Rating	2015
Investment portfolios:				
Government of Jamaica	5	804,051	5	901,896
Government of Trinidad and Tobago	2	226,094	2	200,307
Government of Barbados	5	303,973	5	307,185
The Bank of Nova Scotia	2	29,457	2	185,743
Government of St Lucia	3	80,965	5	81,412
The Federal National Mortgage Association	1	106,341	1	101,356
The Federal Home Loan Mortgage Corporation	1	63,664	1	67,523
Lending portfolios:				
Value Assets International S.A. and Egret Limited	4	28,704	3	29,780
Reinsurance assets:				
Guggenheim Partners(1)	3	585,561	3	543,329

(1)The reinsurance asset held in the name of Guggenheim Partners are secured by assets held in trust totalling $596,785 (2015 - $573,774).

41.1 Credit risk (continued)

(a) Investment portfolios

The results of the risk rating of investment portfolios are as follows:

Investment portfolios						
Risk Rating	Classification	2016		2015		
		Exposure $000	Exposure %	Exposure $000	Exposure %
1	Minimal risk	337,503	9%	317,670	8%
2	Low risk	657,285	17%	794,812	20%
3	Moderate risk	1,018,985	26%	1,026,099	26%
4	Acceptable risk	250,267	6%	193,025	5%
5	Average risk	1,497,421	39%	1,518,308	39%
6	Higher risk	58,447	2%	23,472	1%
7	Special mention	15	0%	18	0%
8	Substandard	707	0%	2,683	0%
TOTAL RATED EXPOSURES		3,820,630	99%	3,876,087	99%
UN-RATED EXPOSURES		44,319	1%	61,017	1%
TOTAL		3,864,949	100%	3,937,104	100%

Investment portfolio assets are mostly unsecured except for securities purchased under agreement to resell for which title to the securities is transferred to the Group for the duration of each agreement.

41.1 Credit risk (continued)

(b) Lending portfolios

The results of the risk rating of lending portfolios are as follows:

Lending portfolios					
Risk Rating	Classification	2016		2015	
		Exposure $000	Exposure $000	Exposure $000	Exposure %
1	Minimal risk	434,061	43%	455,471	50%
2	Low risk	142,469	15%	77,350	9%
3	Moderate risk	220,827	22%	184,911	20%
4	Acceptable risk	76,993	8%	30,282	3%
5	Average risk	35,200	4%	26,653	3%
6	Higher risk	25,338	3%	8,852	1%
7	Special mention	15,330	2%	23,345	3%
8	Substandard	8,703	1%	8,953	1%
9	Doubtful	7,532	1%	4,693	1%
10	Loss	12,154	1%	9,699	1%
TOTAL RATED EXPOSURES		978,607	100%	830,209	92%
UN-RATED EXPOSURES		74	0%	79,361	8%
TOTAL		978,681	100%	909,570	100%

Amounts expressed in US $000

41.1 Credit risk (continued)

Exposure to credit risk is also managed in part by obtaining collateral and guarantees for lending portfolios. For mortgage loans, the collateral is real estate property, and the approved loan limit is 75% to 95% of collateral value. For finance loans and finance leases, the collateral often comprises a vehicle or other form of security and the approved loan / lease limit is 50% to 100% of the collateral value. Unsecured finance loans and finance leases are only granted when the initial amount is less than $5,103.

Policy loans are advanced on the security of the underlying insurance policy cash values. Cash loans are advanced to a maximum of 80% to 100% of the cash surrender value. Automatic premium loans may be advanced to the extent of available cash surrender value.

Exposure to the lending portfolios by geographic area is as follows.

	2016	2015
Barbados	195,597	203,250
Jamaica	463,675	389,521
Trinidad & Tobago	145,409	150,387
Other Caribbean	113,301	108,598
USA	60,699	57,814
	978,681	909,570

(c) Past due and impaired financial assets

A financial asset is past due when a counterparty has failed to make payment when contractually due. The Group is most exposed to the risk of past due assets with respect to its debt securities, mortgage loans, finance loans and finance leases.

Debt securities are assessed for impairment when amounts are past due, when the borrower is experiencing cash flow difficulties, or when the borrower's credit rating has been downgraded.

41.1 Credit risk (continued)

Mortgage loans less than 90 to 180 days past due and finance loans and finance leases less than 90 days past due are not assessed for impairment unless other information is available to indicate the contrary.

The assessment for impairment includes a review of the collateral. If the past due period is less than the trigger for impairment review, the collateral is not normally reviewed and re-assessed. Accumulated allowances for impairment reflect the Group's assessment of total individually impaired assets at the date of the financial statements. The following tables set out the carrying values of debt securities, mortgage loans, finance loans and finance leases, analysed by past due or impairment status.

	Debt securities	Mortgage loans	Finance loans & leases
2016			
Neither past due nor impaired	3,429,408	270,089	429,066
Past due up to 3 months, but not impaired	9,568	25,312	72,947
Past due up to 12 months, but not impaired	-	3,580	679
Past due up to 5 years, but not impaired	-	10,206	-
Past due over 5 years, but not impaired	-	3,051	-
Total past due but not impaired	9,568	42,149	73,626
Impaired assets (net of impairment)	2,378	19,528	6,283
Total carrying value	3,441,354	331,766	508,975
Accumulated allowances on impaired assets	4,944	7,624	10,795
Accrued interest on impaired assets	19	468	-

Amounts expressed in US $000

41.1 Credit risk (continued)

	Debt securities	Mortgage loans	Finance loans & leases
2015			
Neither past due nor impaired	3,410,331	275,500	369,137
Past due up to 3 months, but not impaired	3,706	30,483	59,836
Past due up to 12 months, but not impaired	-	3,891	982
Past due up to 5 years, but not impaired	-	11,137	-
Past due over 5 years, but not impaired	-	2,490	-
Total past due but not impaired	3,706	48,001	60,818
Impaired assets (net of impairment)	3,682	17,422	6,206
Total carrying value	3,417,719	340,923	436,161
Accumulated allowances on impaired assets	723	2,754	15,779
Accrued interest on impaired assets	10	462	49

The Group is also exposed to impaired premiums receivable. Property and casualty insurers frequently provide settlement terms to customers and intermediaries which extend up to 3 months. However, under the terms of insurance contracts, insurers can usually lapse an insurance policy for non-payment of premium, or if there is a claim, recover any unpaid premiums from the claim proceeds.

(d) Repossessed assets

The Group may foreclose on overdue mortgage loans and finance loans and finance leases by repossessing the pledged asset. The pledged asset may consist of real estate, equipment or vehicles which the Group will seek to dispose of by sale. In some instances, the Group may provide re-financing to a new purchaser on customary terms.

41.1 Credit risk (continued)

(e) Renegotiated assets

The Group may renegotiate the terms of any financial investment to facilitate borrowers in financial difficulty. Arrangements to waive, adjust or postpone scheduled amounts due may be entered into. The Group classifies these amounts as past due, unless the original agreement is formally revised, modified or substituted.

41.2 Liquidity risk

Liquidity risk is the exposure that the Group may encounter difficulty in meeting obligations associated with financial or insurance liabilities that are settled by cash or by another financial asset. Liquidity risk also arises when excess funds accumulate resulting in the loss of opportunity to increase investment returns.

Asset liability matching is a tool used by the Group to mitigate liquidity risks particularly in operations with significant maturing short-term liabilities. For long-term insurance contracts, 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.

Group companies monitor cash inflows and outflows in each operating currency. Through experience and monitoring, the Group is able to maintain sufficient liquid resources to meet current obligations.

Investment property may be held to back insurance liabilities. As these assets are relatively illiquid, the insurers hold less than 5% of their total assets in investment property.

Amounts expressed in US $000

41.2 Liquidity risk (continued)

(a) Insurance liabilities

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

	Expected discounted cash flows			
	Maturing within 1 year	**Maturing 1 to 5 years**	**Maturing after 5 years**	**Total**
2016				
Actuarial liabilities	224,827	678,161	1,873,374	2,776,362
Other insurance liabilities	104,860	15,297	52,781	172,938
Total	329,687	693,458	1,926,155	2,949,300
2015				
Actuarial liabilities	206,721	631,453	1,794,213	2,632,387
Other insurance liabilities	103,394	15,500	53,287	172,181
Total	310,115	646,953	1,847,500	2,804,568

Amounts expressed in US $000

41.2 Liquidity risk (continued)

(b) Financial liabilities and commitments

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

	2016 - Contractual un-discounted cash flows				2015 - Contractual un-discounted cash flows			
	On demand or within 1 year	1 to 5 years	After 5 years	Total	On demand or within 1 year	1 to 5 years	After 5 years	Total
Financial liabilities:								
Investment contract liabilities	354,549	18,819	10,702	384,070	310,094	54,054	9,834	373,982
Notes and loans payable	34,158	197,760	348,400	580,318	194,461	143,079	348,400	685,940
Deposit and security liabilities:								
Other funding instruments	335,928	15,752	12,033	363,713	361,328	15,626	12,305	389,259
Customer deposits	905,685	43,952	138	949,775	591,403	78,632	701	670,736
Structured products	19,391	15,388	-	34,779	23,799	12,268	-	36,067
Securities sold for re-purchase	325,495	717	-	326,212	524,578	28	-	524,606
Derivative financial instruments	355	1,010	-	1,365	1,052	551	-	1,603
Bank overdrafts	1,939	-	-	1,939	2,158	-	-	2,158
Accounts payable and accrued liabilities	151,436	53,436	2,447	207,319	158,072	51,631	747	210,450
Total financial liabilities	2,128,936	346,834	373,720	2,849,490	2,166,945	355,869	371,987	2,894,801
Off financial statement commitments:								
Loan commitments	82,088	-	-	82,088	69,936	-	-	69,936
Non-cancellable operating lease and rental payments	4,839	9,528	977	15,344	2,679	9,483	2,226	14,388
Capital commitments	7,500	-	-	7,500	13,174	-	-	13,174
Customer guarantees and letters of credit	15,476	2,454	4,583	22,513	23,733	3,003	418	27,154
Total off financial statements commitments	109,903	11,982	5,560	127,445	109,522	12,486	2,644	124,652
Total	2,238,839	358,816	379,280	2,976,935	2,276,467	368,355	374,631	3,019,453

Amounts expressed in US $000

41.2 Liquidity risk (continued)

(c) Financial and insurance assets

The contractual maturity periods of monetary financial assets and the expected maturity periods of monetary insurance assets are summarised in the following table. Amounts are stated at their carrying values recognised in the financial statements. For this disclosure, monetary insurance assets comprise policy loans and reinsurance assets.

	2016 – Contractual or expected discounted cash flows				2015 – Contractual or expected discounted cash flows			
	Maturing within 1 year	Maturing 1 to 5 years	Maturing after 5 years	Total	Maturing within 1 year	Maturing 1 to 5 years	Maturing after 5 years	Total
Debt securities	471,274	622,930	2,347,690	3,441,894	389,557	872,098	2,156,064	3,417,719
Mortgage loans	15,883	39,082	276,801	331,766	20,890	36,484	283,549	340,923
Policy loans	5,010	21,085	111,845	137,940	5,319	13,746	113,421	132,486
Finance loans and finance leases	133,440	152,738	222,797	508,975	73,664	64,948	297,549	436,161
Securities purchased for re-sale	5,227	-	-	5,227	8,064	-	-	8,064
Deposits	137,860	159	1,279	139,298	256,636	1,927	2,269	260,832
Derivative financial instruments	27,970	1,010	-	28,980	14,928	551	-	15,479
Reinsurance assets: share of actuarial liabilities	96,222	285,264	331,766	713,252	79,535	248,411	273,651	601,597
Reinsurance assets: other	36,963	5,149	205	42,317	37,366	5,295	205	42,866
Premiums receivable	46,530	-	-	46,530	42,398	-	-	42,398
Other assets and accounts receivable	41,484	55,447	7,015	103,946	47,431	43,800	2,734	93,965
Cash resources	263,191	-	15,879	279,070	229,755	-	20,734	250,489
Total	1,281,054	1,182,864	3,315,277	5,779,195	1,205,543	1,287,260	3,150,176	5,642,979

41.3 Interest rate risk

The Group is exposed to interest rate risks. Cash flow interest rate risk is the risk that 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 fair value of a financial instrument will fluctuate because of changes in market interest rates. The occurrence of an adverse change in interest rates on invested assets may result in financial loss to the Group in fulfilling the contractual returns on insurance and financial liabilities.

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.

Guaranteed minimum returns exist within cash values of long term traditional insurance contracts, long term universal life insurance contracts, annuity options, deposit administration liabilities and policy funds on deposit. Where the returns credited exceed the guaranteed minima, the insurer usually has the option to adjust the return from period to period. For other financial liabilities, returns are usually contractual and may only be adjusted on contract renewal or contract re-pricing.

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

The Group is exposed to risk under embedded derivatives contained in a host insurance contract. These risks include exposures to investment returns which may produce losses to the insurer arising from the following contract features:

- minimum annuity rates which are guaranteed to be applied at some future date;
- minimum guaranteed death benefits which are applicable when the performance of an interest bearing or unit linked fund falls below expectations;
- minimum guaranteed returns in respect of cash values and universal life investment accounts.

41.3 Interest rate risk (continued)

The Group manages its interest rate risk by a number of measures, including where feasible the selection of assets which best match the maturity of liabilities, the offering of investment contracts which match the maturity profile of assets, the re-pricing of interest rates on loans receivable, policy contracts and financial liabilities in response to market changes. In certain Caribbean markets, where availability of suitable investments is often a challenge, the Group holds many of its fixed rate debt securities to maturity and therefore mitigates the transient interest rate changes in these markets.

Amounts expressed in US $000

41.3 Interest rate risk (continued)

The table following summarises the exposures to interest rates on the Group's monetary insurance and financial liabilities (excluding actuarial liabilities which are disclosed in note 43). It includes liabilities at carrying amounts, categorised by the earlier of contractual re-pricing or maturity dates. Insurance liabilities are categorised by their expected maturities.

	2016					2015				
	Exposure within 1 year	Exposure 1 to 5 years	Exposure after 5 years	Not exposed to interest	Total	Exposure within 1 year	Exposure 1 to 5 years	Exposure after 5 years	Not exposed to interest	Total
Other insurance liabilities	31,706	4,705	52,781	83,746	172,938	33,518	4,860	53,287	80,516	172,181
Investment contract liabilities	352,503	15,984	9,089	-	377,576	308,644	51,442	8,510	-	368,596
Notes and loans payable	1,964	77,756	316,895	(1,402)	395,213	159,911	1,042	316,740	(2,176)	475,517
Deposit and security liabilities:										
Other funding instruments	342,292	1,565	5,184	473	349,514	364,132	8,688	6,242	550	379,612
Customer deposits	703,049	86,798	138	125,170	915,155	477,934	78,511	701	112,372	669,518
Structured products	19,318	15,289	-	172	34,779	22,927	11,966	-	219	35,112
Securities sold for re-purchase	318,685	697	-	1,192	320,574	516,944	171	-	2,493	519,608
Derivative financial instruments	-	-	-	1,364	1,364	-	-	-	1,603	1,603
Bank overdrafts	1,939	-	-	-	1,939	2,158	-	-	-	2,158
Accounts payable and accrued liabilities	5,217	52,721	-	147,037	204,975	981	42,904	-	157,837	201,722
Total	1,776,673	255,515	384,087	357,752	2,774,027	1,887,149	199,584	385,480	353,414	2,825,627

Amounts expressed in US $000

41.3 Interest rate risk (continued)

The table following summarises the exposures to interest rate and reinvestment risks of the Group's monetary insurance and financial assets. Assets are stated at carrying amounts, categorised by the earlier of contractual re-pricing or maturity dates. Reinsurance assets and policy loans are categorised by their expected maturities.

	2016					2015				
	Exposure within 1 year	Exposure 1 to 5 years	Exposure after 5 years	Not exposed to interest	Total	Exposure within 1 year	Exposure 1 to 5 years	Exposure after 5 years	Not exposed to interest	Total
Debt securities	647,158	557,849	2,186,167	50,180	3,441,354	585,718	785,142	1,996,826	50,033	3,417,719
Equity securities	-	-	-	220,208	220,208	-	-	-	214,957	214,957
Mortgage loans	19,295	50,617	258,480	3,374	331,766	40,595	53,664	243,497	3,167	340,923
Policy loans	4,110	20,752	108,507	4,571	137,940	4,302	13,510	110,311	4,363	132,486
Finance loans and leases	463,487	24,520	20,391	577	508,975	374,909	25,663	34,390	1,199	436,161
Securities purchased for re-sale	5,178	-	-	49	5,227	8,041	-	-	23	8,064
Deposits	137,123	159	1,279	737	139,298	256,385	1,908	1,902	637	260,832
Derivative financial instruments	-	-	-	28,980	28,980	-	-	-	15,479	15,479
Reinsurance assets: other	1,043	-	205	41,069	42,317	112	-	205	42,549	42,866
Premiums receivable	2,302	-	-	44,228	46,530	1,495	-	-	40,903	42,398
Other assets and accounts receivable	3,632	53,044	-	47,270	103,946	797	43,337	-	49,831	93,965
Cash resources	221,380	-	-	57,690	279,070	153,277	-	-	97,212	250,489
Total	1,504,708	706,941	2,575,029	498,933	5,285,611	1,425,631	923,224	2,387,131	520,353	5,256,339

Amounts expressed in US $000

41.3 Interest rate risk (continued)

The table below summarises the average interest yields on financial assets and liabilities held during the year in respect of continuing operations.

	2016	2015
Financial assets:		
Debt securities	6.2%	6.4%
Mortgage loans	6.1%	6.5%
Policy loans	6.9%	7.3%
Finance loans and finance leases	12.6%	12.7%
Securities purchased for re-sale	9.2%	2.4%
Deposits	1.0%	0.9%
Financial liabilities:		
Investment contract liabilities	6.1%	5.2%
Notes and loans payable	9.4%	8.3%
Other funding instruments	1.9%	2.2%
Deposits	2.1%	1.9%
Securities sold for re-purchase	4.5%	3.7%

a) Sensitivity

Sensitivity to interest rate risk is considered by operating subsidiaries. The effects of changes in interest rates of assets backing actuarial liabilities are disclosed in note 43.4. The Group's property and casualty operations are not exposed to a significant degree of interest rate risk, since the majority of its interest bearing instruments has short-term maturities. The sensitivity of the Group's principal operating subsidiaries engaged in banking, investment management and other financial services are considered in the following paragraphs.

41.3 Interest rate risk (continued)

Sagicor Investments Jamaica Limited and Sagicor Bank Jamaica Limited

The following table indicates the sensitivity to a reasonable possible change in interest rates, with all other variables held constant, on net income and total comprehensive income (TCI) of the above companies which operate in Jamaica.

The sensitivity of income is the effect of the assumed changes in interest rates on income based on floating rate debt securities and financial liabilities. The sensitivity of TCI is calculated by revaluing fixed rate available-for-sale financial assets for the effects of the assumed changes in interest rates. The correlation of a number of variables will have an impact on market risk. It should be noted that movements in these variables are non-linear and are assessed individually.

2016				2015			
Change in interest rate		Effect on net income	Effect on TCI	Change in interest rate		Effect on net income	Effect on TCI
JMD	USD			JMD	USD		
- 1%	- 0.5%	1,057	13,141	- 1%	- 0.5%	4,145	10,219
+2.5%	+ 2%	(3,690)	(46,516)	+2.5%	+ 2%	(6,838)	(35,879)

41.4 Foreign exchange risk

The Group is exposed to foreign exchange risk as a result of fluctuations in exchange rates since its financial assets and liabilities are denominated in a number of different currencies.

In order to manage the risk associated with movements in currency exchange rates, the Group seeks to maintain investments and cash in each operating currency, which are sufficient to match liabilities denominated in the same currency. Exceptions are made to invest amounts in United States dollar assets which are held to back liabilities in Caribbean currencies. Management considers that these assets diversify the range of investments available in the Caribbean, and in the long-term are likely to either maintain capital value and/or provide satisfactory returns.

Assets and liabilities by currency are summarised in the following tables.

41.4 Foreign exchange risk (continued)

2016	US$ 000 equivalents of balances denominated in						
	Barbados $	Jamaica $	Trinidad $	Eastern Caribbean $	US $	Other Currencies	Total
ASSETS							
Financial investments[1]	452,914	817,968	384,175	148,864	2,619,819	169,800	4,593,540
Reinsurance assets	5,758	336	10,432	1,820	736,067	1,156	755,569
Receivables [1]	20,613	86,232	10,271	13,226	13,939	6,059	150,340
Cash resources	15,064	43,379	28,492	15,430	135,180	41,525	279,070
Total monetary assets	494,349	947,915	433,370	179,340	3,505,005	218,540	5,778,519
Other assets [2]	207,993	337,791	82,129	28,264	99,446	(2,222)	753,401
Total assets of continuing operations	702,342	1,285,706	515,499	207,604	3,604,451	216,318	6,531,920
LIABILITIES							
Actuarial liabilities	386,276	302,777	329,544	61,905	1,605,596	90,264	2,776,362
Other insurance liabilities[1]	65,787	20,504	27,874	10,105	37,273	11,395	172,938
Investment contracts	33,733	66,482	140,242	52,451	76,301	8,367	377,576
Notes and loans payable	-	-	-	-	395,213	-	395,213
Deposit and security liabilities	86,251	483,291	1,413	14,414	1,021,431	16,525	1,623,325
Provisions	31,160	48,198	12,487	844	1,784	6,819	101,292
Accounts payable and accruals	42,710	89,992	16,484	2,831	50,073	2,885	204,975
Total monetary liabilities	645,917	1,011,244	528,044	142,550	3,187,671	136,255	5,651,681
Other liabilities [2]	13,848	12,794	19,315	3,492	33,751	1,625	84,825
Total liabilities of continuing operations	659,765	1,024,038	547,359	146,042	3,221,422	137,880	5,736,506
Net position	42,577	261,668	(31,860)	61,562	383,029	78,438	795,414

(1) Monetary balances only
(2) Non-monetary balances, income tax balances and retirement plan assets

41.4 Foreign exchange risk (continued)

2015	US$ 000 equivalents of balances denominated in						
	Barbados $	Jamaica $	Trinidad $	Eastern Caribbean $	US $	Other Currencies	Total
ASSETS							
Financial investments[1]	459,902	782,475	355,091	146,006	2,698,719	169,471	4,611,664
Reinsurance assets	11,040	1,189	11,068	1,792	618,240	1,134	644,463
Receivables [1]	25,533	76,047	10,338	12,873	7,368	4,204	136,363
Cash resources	21,349	45,720	39,224	14,825	89,379	39,992	250,489
Total monetary assets	517,824	905,431	415,721	175,496	3,413,706	214,801	5,642,979
Other assets [2]	200,772	324,237	86,074	28,755	119,332	(2,264)	756,906
Total assets of continuing operations	718,596	1,229,668	501,795	204,251	3,533,038	212,537	6,399,885
LIABILITIES							
Actuarial liabilities	392,022	271,391	330,099	63,948	1,500,972	73,955	2,632,387
Other insurance liabilities[1]	70,336	18,878	28,989	9,113	33,929	10,936	172,181
Investment contracts	34,561	66,619	135,169	49,993	74,847	7,407	368,596
Notes and loans payable	19,980	-	-	-	455,537	-	475,517
Deposit and security liabilities	91,187	476,088	1,548	14,929	1,003,153	20,706	1,607,611
Provisions	26,870	37,236	14,732	988	2,815	5,565	88,206
Accounts payable and accruals	30,769	85,701	12,973	10,130	50,510	11,639	201,722
Total monetary liabilities	665,725	955,913	523,510	149,101	3,121,763	130,208	5,546,220
Other liabilities [2]	12,787	4,756	20,089	2,789	26,944	1,110	68,475
Total liabilities of continuing operations	678,512	960,669	543,599	151,890	3,148,707	131,318	5,614,695
Net position	40,084	268,999	(41,804)	52,361	384,331	81,219	785,190

[1] Monetary balances only

[2] Non-monetary balances, income tax balances and retirement plan assets

Amounts expressed in US $000

41.4 Foreign exchange risk (continued)

(a) Sensitivity

The Group is exposed to currency risk in its operating currencies whose values have noticeably fluctuated against the United States dollar (USD).

The exposure to currency risk may result in three types of risk, namely:

- Currency risk relating to the future cash flows of monetary balances

This occurs when a monetary balance is denominated in a currency other than the functional currency of the reporting unit to which it belongs. In this instance, a change in currency exchange rates results in the monetary balances being retranslated at the date of the financial statements and the exchange gain or loss is taken to income (note 26).

- Currency risk of reported results of foreign operations

This occurs when a reporting unit's functional currency depreciates or appreciates in value when retranslated to the USD, which is the Group's presentational currency. In this instance, the conversion of the reporting unit's results at a different rate of exchange results in either less or more income being consolidated in the Group's income statement.

- Currency risk of the Group's investment in foreign operations

This occurs when a reporting unit's functional currency depreciates or appreciates in value when retranslated to the USD, which is the Group's presentational currency. In this instance, the conversion of the reporting unit's assets and liabilities at a different rate of exchange results in a currency loss or gain which is recorded in the currency translation reserve (note 22). If the reporting unit was disposed of, either wholly or in part, then the corresponding accumulated loss or gain in the currency translation reserve would be transferred to income or retained earnings.

The operating currency whose value noticeably fluctuate against the USD is the Jamaica dollar (JMD). The theoretical impact of JMD currency risk on reported results and of the Group's investment in foreign operations is considered in the following section.

41.4 Foreign exchange risk (continued)

JMD currency risk

The effect of a 10% depreciation in the JMD relative to the USD arising from JMD reporting units as of December 31, 2016 and for the year then ended are considered in the following table.

	Amounts denominated in		Total	Effect of a 10%
	JMD	USD	amounts	depreciation
Financial position:				
Assets	1,359,388	1,159,171	2,518,559	(135,939)
Liabilities	1,040,655	1,032,241	2,072,896	(104,066)
Net position	318,733	126,930	445,663	(31,873)
Represented by:				
Currency risk of the Group's investment in foreign operations				(31,873)
Income statement:				
Revenue	423,398	79,354	502,752	(29,319)
Benefits	(216,843)	(21,539)	(238,382)	21,684
Expenses	(141,023)	(14,606)	(155,629)	14,102
Income taxes	(23,722)	(24)	(23,746)	2,372
Net income	41,810	43,185	84,995	8,839
Represented by:				
Currency risk relating to the future cash flows of monetary balances				13,021
Currency risk of reported results of foreign operations				(4,182)
				8,839

A 10% appreciation in the JMD relative to the USD would have equal and opposite effects to those disclosed above.

41.5 Fair value of financial instruments

The fair value of financial instruments is measured according to a fair value hierarchy which reflects the significance of market inputs in the valuation. This hierarchy is described and discussed in sections (i) to (iii) below.

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

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

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

A financial instrument is classified as Level 2 if:

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

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

41.5 Fair value of financial instruments (continued)

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 policy 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 available for sale securities include corporate and government agency debt instruments issued in the Caribbean, primarily in Jamaica and Trinidad. 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 fair value through income include mortgage loans, debt securities and equities for which the full income return and capital returns accrue to holders of unit linked policy and deposit administration contracts. 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.

Amounts expressed in US $000

41.5 Fair value of financial instruments (continued)

(a) Financial instruments carried at fair value

	2016				2015			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Available for sale securities:								
Debt securities	604,786	1,663,306	2,928	2,271,020	355,330	1,929,520	26,741	2,311,591
Equity securities	35,350	51,732	9,602	96,684	46,644	29,538	12,198	88,380
	640,136	1,715,038	12,530	2,367,704	401,974	1,959,058	38,939	2,399,971
Investments at fair value through income:								
Debt securities	35,720	32,436	95,849	164,005	15,820	35,048	85,859	136,727
Equity securities	3,992	119,532	-	123,524	12,100	110,267	4,210	126,577
Derivative financial instruments	-	1,364	27,616	28,980	-	1,603	13,876	15,479
Mortgage loans	-	-	40,347	40,347	-	-	47,052	47,052
Deposits	-	-	-	-	56	-	-	56
	39,712	153,332	163,812	356,856	27,976	146,918	150,997	325,891
Total assets	679,848	1,868,370	176,342	2,724,560	429,950	2,105,976	189,936	2,725,862
Total assets by percentage	25%	69%	6%	100%	16%	77%	7%	100%
Investment contracts:								
Unit linked deposit administration liabilities	-	-	130,668	130,668	-	-	125,177	125,177
Deposit and security liabilities:								
Structured products	-	-	34,779	34,779	-	-	35,112	35,112
Derivative financial instruments	-	1,364	-	1,364	-	1,603	-	1,603
	-	1,364	34,779	36,143	-	1,603	35,112	36,715
Total liabilities	-	1,364	165,447	166,811	-	1,603	160,289	161,892
Total liabilities by percentage	0%	1%	99%	100%	0%	1%	99%	100%

Amounts expressed in US $000

41.5 Fair value of financial instruments (continued)

Transfers from Level 1 to Level 2 in 2016 - $59,752 (2015 - $4,805). Transfers from Level 2 to Level 1 in 2016 – Nil (2015 - Nil).

For Level 3 instruments, reasonable changes in inputs which could be applied to the valuation of available for sale securities would affect other comprehensive income. Reasonable changes in inputs which could be applied to the valuations of investments designated at fair value are largely offset in income, since the changes in fair value are borne by contract holders. Changes in the valuations of structured products reflect changes in the underlying securities and are borne by the contract holders. The following table presents the movements in Level 3 instruments for the year.

	2016				2015	2016			2015
	Available for sale securities	Investments at fair value through income	Derivative instruments	Total assets	Total assets	Policy liabilities	Structured products	Total liabilities	Total liabilities
Balance, beginning of year	38,939	137,121	13,876	189,936	155,926	125,177	35,112	160,289	136,877
Additions	1,638	23,419	19,205	44,262	95,084	-	-	-	-
Transfers into Level 3 classification	-	76	-	76	1,873	-	-	-	-
Issues	-	-	-	-	-	16,458	19,206	35,664	35,194
Settlements	-	-	-	-	-	(5,687)	(17,064)	(22,751)	(8,471)
Fair value changes recorded within net investment income	493	266	7,376	8,135	(743)	-	-	-	-
Fair value changes recorded within interest expense	-	-	-	-	-	188	-	188	(682)
Fair value changes recorded in other comprehensive income	(308)	-	-	(308)	(54)	-	-	-	-
Disposals	(27,258)	(18,049)	(12,841)	(58,148)	(58,638)	-	-	-	-
Transfers to instruments carried at amortised cost	-	-	-	-	-	-	(252)	(252)	-
Effect of exchange rate changes	(974)	(6,637)	-	(7,611)	(3,512)	(5,468)	(2,223)	(7,691)	(2,629)
Balance, end of year	12,530	136,196	27,616	176,342	189,936	130,668	34,779	165,447	160,289
Fair value changes recorded in investment income for instruments held at end of year	-	1,054	9,013	10,067	(3,930)	-	-	-	-
Fair value changes recorded in interest expense for instruments held at end of year	-	-	-	-	-	188	-	188	(682)

Amounts expressed in US $000

41.5 Fair value of financial instruments (continued)

(b) Financial instruments carried at amortised cost

The carrying values of the Group's non-traded financial assets and financial liabilities carried at amortised cost approximate their fair value in notes 10, 12, and 20. The fair value hierarchy of other financial instruments carried at amortised cost as of December 31, 2016 is set out in the following tables.

	Level 1	Level 2	Level 3	Total
Held to maturity securities:				
Debt securities	-	21,688	-	21,688
Loans and receivables:	-			
Debt securities	-	387,182	654,926	1,042,108
Mortgage loans	-	-	291,154	291,154
Policy loans	-	-	148,141	148,141
Finance loans and finance leases	-	-	491,131	491,131
Securities purchased for resale	-	-	5,227	5,227
	-	387,182	1,590,579	1,977,761
	-	408,870	1,590,579	1,999,449

41.5 Fair value of financial instruments (continued)

	Level 1	Level 2	Level 3	Total
Investment contracts:				
Deposit administration liabilities	-	9,574	118,771	128,345
Other investment contracts	-	-	121,051	121,051
	-	9,574	239,822	249,396
Notes and loans payable:				
Notes and lease payables	-	364,095	80,496	444,591
	-	364,095	80,496	444,591
Deposit and security liabilities				
Other funding instruments	-	-	346,216	346,216
Customer deposits	-	1,463	913,956	915,419
Securities sold for repurchase	-	-	320,574	320,574
	-	1,463	1,580,746	1,582,209
	-	375,132	1,901,064	2,276,196

Amounts expressed in US $000

41.5 Fair value of financial instruments (continued)

(c) Equity price risk

The Group is exposed to equity price risk arising from changes in the market values of its equity securities. The Group mitigates this risk by establishing overall limits of equity holdings for each investment portfolio and by maintaining diversified holdings within each portfolio of equity securities.

Sensitivity

The sensitivity to fair value changes in equity securities arises from those instruments classified as available for sale. There is no significant sensitivity to those instruments classified at fair value through income, since fair value changes are borne by policy contract holders.

The effects of an across the board 20% change in equity prices of the Group's available for sale equity securities as of December 31, 2016 on total comprehensive income before tax (TCIBT) are as follows.

Available for sale equities	Carrying value	20% change on TCIBT
Listed on Caribbean stock exchanges and markets	19,275	3,855
Listed on US stock exchanges and markets	49,679	9,936
Listed on other exchanges and markets	27,730	5,546
	96,684	19,337

41.6 Derivative financial instruments and hedging activities

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

41.6 Derivative financial instruments and hedging activities (continued)

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

	Contract / notional amount	Fair value	
		Assets	Liabilities
2016			
Derivatives held for trading:			
Equity indexed options	673,264	28,980	1,364
	673,264	28,980	1,364
2015			
Derivatives held for trading:			
Equity indexed options	643,667	15,479	1,603
	643,667	15,479	1,603

41.6 Derivative financial instruments and hedging activities (continued)

(i) Equity indexed options

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

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

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

Amounts expressed in US $000

41.7 Offsetting Financial Assets and Liabilities

The Group is eligible to present certain financial assets and financial liabilities on a net basis on the balance sheet pursuant to criteria described in Note 1 "Accounting Policies: 2.15 Offsetting financial instruments".

The following tables provide information on the impact of offsetting on the consolidated balance sheet, as well as the financial impact of netting for instruments subject to an enforceable master netting arrangement or similar agreement as well as available cash and financial instrument collateral.

2016	Gross amounts of financial assets	Gross amounts set off on the balance sheet	Net amounts of financial assets presented on the balance sheet	Impact of master netting arrangements	Financial instruments collateral	Net amount
ASSETS						
Financial investments	4,779,541	-	4,779,541	(821,168)	(260,443)	3,697,930
Securities purchases under resale agreement	5,227	-	5,227	-	-	5,227
Derivative financial instruments	28,980	-	28,980	(1,364)	-	27,616
	4,813,748	-	4,813,748	(822,532)	(260,443)	3,730,773
LIABILITIES						
Security liabilities	1,621,961	-	1,621,961	(415,910)	(220,100)	985,951
Derivative financial instruments	1,364	-	1,364	(1,364)	-	-
	1,623,325	-	1,623,325	(417,274)	(220,100)	985,951
2015						
ASSETS						
Financial investments	4,803,078	-	4,803,078	(629,825)	(302,098)	3,871,155
Securities purchases under resale agreement	8,064	-	8,064	-	-	8,064
Derivative financial instruments	15,479	-	15,479	(1,603)	-	13,876
	4,826,621	-	4,826,621	(631,428)	(302,098)	3,893,095
LIABILITIES						
Security liabilities	1,606,008	-	1,606,008	(614,643)	(255,860)	735,505
Derivative financial instruments	1,603	-	1,603	(1,603)	-	-
	1,607,611	-	1,607,611	(616,246)	(255,860)	735,505

42 INSURANCE RISK – PROPERTY & CASUALTY CONTRACTS

Property and casualty insurers in the Group are exposed to insurance risks such as underwriting, claims and availability of reinsurance, and to credit risk in respect of reinsurance counterparties.

Sagicor General Insurance is the principal insurer within the Group's continuing operations that issues property and casualty insurance contracts. It operates mainly in Barbados and Trinidad and Tobago.

The principal insurance risks affecting property and casualty contracts are disclosed in the following sections.

42.1 Underwriting risk

Risks are priced to achieve an adequate return on capital on the insurer's business as a whole. This return is expressed as a premium target return. Budgeted expenses and reinsurance costs are included in the pricing process. Various pricing methodologies, including benchmark exposure rates and historic experience are used and are generally applied by class of insurance. All methods produce a technical price, which is compared against the market to establish a price margin.

Annually, the overall risk appetite is reviewed and approved. The risk appetite is defined as the maximum loss the insurer is willing to incur from a single event or proximate cause. Risks are only underwritten if they fall within the risk appetite. Individual risks are assessed for their contribution to aggregate exposures by nature of risk, by geography, by correlation with other risks, before acceptance. Underwriting a risk may include specific tests and enquiries which determine the insurer's assessment of the risk. Insurers may also establish deductibles, exclusions, and coverage limits which will limit the potential losses incurred.

Inaccurate pricing or inappropriate underwriting of insurance contracts, which may arise from poor pricing or lack of underwriting control, can lead to either financial loss or reputational damage to the insurer.

42.2 Claims risk

Incurred claims are triggered by an event and may be categorised as:

- attritional losses, which are expected to be of reasonable frequency and are less than established threshold amounts;

42.2 Claims risk (continued)

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

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

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

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

Claims risk may be concentrated in geographic locations, altering the risk profile of the insurer. The most significant exposure for this type of risk arises where a single event could result in a large number of claims. Concentration of risk is mitigated through risk selection, line sizes, event limits, quota share reinsurance and excess of loss reinsurance.

Total insurance coverage on insurance policies provides a quantitative measure of absolute risk. However, claims arising in any one year are a very small proportion in relation to the total insurance coverage provided. The total amounts insured by the Group at December 31, gross and net of reinsurance, are summarised by class of insurance.

42.2 Claims risk (continued)

Total insurance coverage		2016	2015
Property	Gross	7,673,403	6,726,203
	Net	1,083,282	1,004,774
Motor	Gross	385,978	346,729
	Net	192,989	173,364
Accident and liability	Gross	2,275,771	2,162,735
	Net	1,086,198	1,034,289
Total	Gross	10,335,152	9,235,667
	Net	2,362,469	2,212,427

The insurer assesses its exposures by modelling realistic disaster scenarios of potential catastrophic events. Claims arising from wind storms, earthquakes and floods and events triggering multi-coverage corporate liability claims are considered to be the potential sources of catastrophic losses arising from insurance risks. A realistic disaster scenario modelled for 2016 is presented below and results in estimated gross and net losses.

	Gross loss	Net loss
A Barbados and St. Lucia windstorm having a 200 year return period.	318,357	5,000

The occurrence of one or more catastrophic events in any year may have a material impact on the reported net income of the Group.

42.3 Reinsurance risk

To limit the potential loss for single policy claims and for aggregations of catastrophe claims, the insurer may cede certain levels of risk to a reinsurer. Reinsurance however does not discharge the insurer's liability. Reinsurance risk is the risk that reinsurance is not available to mitigate the potential loss on an insurance policy. The risk may arise from

- the credit risk of holding a recovery from a reinsurer;
- the unavailability of reinsurance cover in the market at adequate levels or prices,
- the failure of a reinsurance layer upon the occurrence of a catastrophic event.

42.3 Reinsurance risk (continued)

The Group selects reinsurers which have well established capability to meet their contractual obligations and which generally have a Sagicor credit risk rating of 1 or 2. Insurers also place reinsurance coverage with various reinsurers to limit their exposure to any one reinsurer.

The reinsurance programmes are negotiated annually with reinsurers for coverage generally over a 12 month period. It is done by class of insurance, though for some classes there is aggregation of classes and / or subdivision of classes by the location of risk.

For its property risks, insurers use quota share and excess of loss catastrophe reinsurance treaties to obtain reinsurance cover. Catastrophe reinsurance is obtained for multiple claims arising from one event or occurring within a specified time period. However, treaty limits may apply and may expose the insurer to further claim exposure. Under some treaties, when treaty limits are reached, the insurer may be required to pay an additional premium to reinstate the reinsurance coverage. Excess of loss catastrophe reinsurance treaties typically cover up to four separate catastrophic events per year.

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. Coverage in excess of these limits is ceded to reinsurers up to the treaty limit. Claim amounts in excess of reinsurance treaty limits revert to the insurer. Principal features of retention program used by Sagicor General for its property insurance class is summarised in the following table.

Type of risk	**Retention by insurers -** currency amounts in thousands
Property	• maximum retention of $4,500 for a single event; • maximum retention of $5,000 for a catastrophic event; • quota share retention to maximum of 20% in respect of treaty limits; • quota share retention is further reduced to a maximum of $375 per event.

The effects of reinsurance ceded are disclosed in notes 14, 24 and 27 and information on reinsurance balances is included in notes 10, 20 and 41.

42.3 Reinsurance risk (continued)

In order to assess the potential reinsurance recoveries on the occurrence of a catastrophic insurance event, the Sagicor credit risk ratings of the reinsurance recoverable are assessed using the following realistic disaster scenario:

- Hurricane with a 200 year return period affecting Barbados and St. Lucia and an earthquake with a 250 year return period affecting Trinidad within a 24 hour period.

The reinsurance recoveries derived from the foregoing are assigned internal credit ratings as follows:

Risk Rating	Classification	Exposure $000	Exposure %
1	Minimal risk	253,696	31%
2	Low risk	559,762	68%
3	Moderate risk	-	0%
4	Acceptable risk	5,241	1%
5	Average risk	-	0%
6	Higher risk	-	0%
7	Special mention	-	0%
8	Substandard	-	0%
TOTAL		818,699	100%

43 INSURANCE RISK – LIFE, ANNUITY & HEALTH CONTRACTS

Insurers are exposed to insurance risks such as product design and pricing, mortality and morbidity, lapse, expense, reinsurance, and actuarial liability estimation in respect of life, annuity and health contracts. Disclosure of these risks is set out in the following sections.

43.1 Contracts without investment returns

These contracts are principally term life, critical illness and health insurance. Individual term life and critical illness products are generally long-term contracts while group term life and health insurance products are generally one year renewable. The principal insurance risks associated with these contracts are product design and pricing and mortality and morbidity.

43.1 Contracts without investment returns (continued)

(a) Product design and pricing risk

Product design and pricing risk arises from poorly designed or inadequately priced contracts and can lead to both financial loss and reputational damage to the insurer.

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

The underwriting process has established pricing guidelines, and may include specific medical tests and enquiries which determine the insurer's assessment of the risk. Insurers may also establish deductibles and coverage limits for health risks which will limit the potential claims incurred. Term life and critical illness risks have limitations of insured amounts. The pricing of a contract therefore consists of establishing appropriate premium rates, deductibles and coverage limits.

(b) Mortality and morbidity risk

Mortality risk is the risk that worsening mortality rates will result in an increase of death claims. Morbidity is the incidence of disease or illness and the associated risk is that of increased disability and medical claims. Insurance claims are triggered by the incurrence of a medical claim, the diagnosis of a critical illness or by death of the person insured.

For contracts providing death benefits, higher mortality rates would result in an increase in death claims. The Group annually reviews its mortality experience and compares it to industry mortality tables. This review may result in future adjustments to the pricing or re-pricing of these contracts.

Critical illness claims arise from the diagnosis of a specific illness incurred by the policy beneficiary. The Group annually reviews its critical illness claims experience and compares it to industry statistics. This review may result in future adjustments to the pricing or re-pricing of these contracts.

The concentration risks of term life and critical illness contracts are included in the related disclosure on other long-term contracts in note 43.2(b).

Amounts expressed in US $000

43.1 Contracts without investment returns (continued)

The cost of health related claims depends on the incidence of beneficiaries becoming ill, the duration of their illness, and the cost of providing medical services. An increase in any of these three factors will result in increased health insurance claims. In such circumstances, the insurer may adjust the pricing or re-pricing of these contracts.

For health insurance contracts, the concentration of insurance risk is illustrated by the distribution of premium revenue by the location of the insured persons.

2016 Premium revenue by location of insureds	Gross	Ceded	Net
Barbados	22,349	871	21,478
Jamaica	77,718	2,004	75,714
Trinidad & Tobago	27,485	606	26,879
Other Caribbean	26,057	536	25,521
USA	57	60	(3)
Total	153,666	4,077	149,589

(c) Sensitivity of incurred claims

The sensitivity of term life and critical illness claims is included in the related disclosure on other long-term contracts in note 43.4. The impact on gross claims of increasing the total liability by 5% for un-reinsured health insurance claims is illustrated in the following table.

	2016		2015	
	Liability	5% increase in liability	Liability	5% increase in liability
Actuarial liability	48,373	2,419	40,845	2,042
Claims payable	4,284	214	3,379	169
	52,657	2,633	44,224	2,211

43.2 Contracts with investment returns

Life and annuity insurance contracts with investment returns generally have durations of 5 or more years. The contract terms provide for the policyholder to pay either a single premium at contract inception, or periodic premiums over the duration of the contract. From the premium received, acquisition expenses and maintenance expenses are financed. Investment returns are credited to the policy and are available to fund surrender, withdrawal and maturity policy benefits. The principal risks associated with these policies are in respect of product design and pricing, mortality and longevity, lapse, expense and investment.

(a) Product design and pricing risk

Product design and pricing risk arises from poorly designed or inadequately priced contracts and can lead to both financial loss and reputational damage to the insurer.

Risks are priced to achieve an adequate return on capital on the insurer's business as a whole. In determining the pricing of a contract, the insurer considers the age of the policyholder and/or beneficiary, the expenses and taxes associated with the contract, the prospective investment returns to be credited to the contract, and the guaranteed values within the contract. Pricing inadequacy may arise either from the use of inadequate experience and statistical data in deriving pricing factors or from future changes in the economic environment.

(b) Mortality and longevity risk

Mortality risk is the risk that worsening mortality rates will result in an increase of death claims. Longevity risk is the risk that improving mortality rates will lengthen the payout period of annuities.

For contracts providing death benefits, higher mortality rates will result in an increase in death claims over time. For contracts providing the payout of annuities, improving mortality rates will lead to increased annuity benefits over time. Insurers annually review their mortality experience and compare it to industry mortality tables. This review may result in future adjustments to the pricing or re-pricing of these contracts.

Amounts expressed in US $000

43.2 Contracts with investment returns (continued)

Mortality risk may be concentrated in geographic locations, affecting the risk profile of the insurer. The most significant exposure for this type of risk arises where a single event or pandemic could result in a large number of claims.

Total insurance coverage on insurance policies provides a quantitative measure of absolute mortality risk. However, claims arising in any one year are a very small proportion in relation to the total insurance coverage provided. The total amounts insured by the Group in respect of both contracts with or without investment returns at December 31, gross and net of reinsurance, are summarised by geographic area below.

Total insurance coverage		2016		2015	
		Individual contracts	Group contracts	Individual contracts	Group contracts
Barbados	Gross	3,855,798	1,338,221	3,717,465	1,319,187
	Net	3,546,641	1,286,564	3,404,278	1,272,561
Jamaica	Gross	7,107,905	4,901,489	6,788,633	4,722,254
	Net	6,961,507	4,869,094	6,633,173	4,693,456
Trinidad & Tobago	Gross	3,322,781	2,379,773	3,299,470	2,591,709
	Net	2,741,682	2,262,405	2,699,592	2,460,183
Other Caribbean	Gross	7,702,307	1,824,971	7,425,375	1,993,205
	Net	6,616,723	1,647,151	6,315,588	1,718,537
USA	Gross	5,935,908	43,463	5,416,515	45,491
	Net	2,018,213	41,422	1,944,902	43,300
Total	Gross	27,924,699	10,487,917	26,647,458	10,671,846
	Net	21,884,766	10,106,636	20,997,533	10,188,037

43.2 Contracts with investment returns (continued)

Total liability under annuity contracts which represents the present value of future annuity benefits provides a good measure of longevity risk exposure.

Total liability under annuity contracts		2016		2015	
		Individual contracts	Group contracts	Individual contracts	Group contracts
Barbados	Gross	110,544	43,674	114,475	46,288
	Net	110,544	43,674	114,475	46,288
Jamaica	Gross	575	293,596	509	285,843
	Net	575	293,596	509	285,843
Trinidad & Tobago	Gross	115,254	-	113,108	-
	Net	115,254	-	113,108	-
Other Caribbean	Gross	26,827	27	24,171	-
	Net	26,827	27	24,171	-
USA	Gross	1,150,170	25,684	946,891	26,447
	Net	390,478	8,024	375,338	7,988
Total	Gross	1,403,370	362,981	1,199,154	358,578
	Net	643,678	345,321	627,601	340,119

43.2 Contracts with investment returns (continued)

(c) Lapse risk

Lapse risk is that, on average, policyholders will terminate their policies ahead of the insurer's expectation. Early lapse may result in the following:

- Acquisition costs are not recovered from the policyholder;
- In order to settle benefits, investments are liquidated prematurely resulting in a loss to the insurer;
- Maintenance expenses are allocated to the remaining policies, resulting in an increase in expense risk.

(d) Expense risk

The Group monitors policy acquisition and policy maintenance expenses. Expenses are managed through policy design, fees charged and expense control. However, there are a significant number of inforce contracts for which insurers have limited or no ability to re-price for increases in expenses caused by inflation or other factors. Therefore growth in maintenance expenses has to be funded either by increasing the volume of inforce policies or by productivity gains. Failure to achieve these goals will require increases in actuarial liabilities held.

(e) Investment risk

A substantial proportion of the Group's financial investments support insurer obligations under life and annuity contracts with investment returns. The financial risks outlined in note 41 pertaining to credit, liquidity, interest rate, foreign exchange and equity price are considered integral investment risks associated with these insurance contracts.

Asset defaults, mismatches in asset and liability cash flows, interest rate and equity price volatility generally have the effect of increasing investment risk and consequential increases in actuarial liabilities held.

43.3 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 well established capability to meet their contractual obligations and for new business a Sagicor credit risk rating of 1 or 2 is usually selected. Reinsurance ceded does not discharge the insurer's liability and failure by a reinsurer to honour its commitments could result in losses to the Group.

Insurers have limited their exposure per person by excess of loss or quota share treaties. Retention limits represent the level of risk retained by the insurer. Coverage in excess of these limits is ceded to reinsurers up to the treaty limit. The principal features of retention programs used by insurers are summarised in the following table.

Type of insurance contract	**Retention by insurers** - currency amounts in thousands
Health insurance contracts with individuals	Retention per individual to a maximum of $175
Health insurance contracts with groups	Retention per individual to a maximum of $175
Life insurance contracts with individuals	Retention per individual life to a maximum of $500
Life insurance contracts with groups	Retention per individual life to a maximum of $500

43.4 Sensitivity arising from the valuation of actuarial liabilities

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

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

- the economic scenario used,
- the investments allocated to back the liabilities,
- the underlying assumptions used (note 13.3 (b) to (f)), and
- the margins for adverse deviations (note 13.3 (g)).

Amounts expressed in US $000

43.4 Sensitivity arising from the valuation of actuarial liabilities (continued)

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

Sensitivity	Scenario		
	Sagicor Life Inc segment	Sagicor Jamaica segment	Sagicor USA segment
Worsening rate of lapse	Lapse rates were either doubled or halved, and the more adverse result was selected.		For 2016, lapse rates were increased or reduced by 30%, and the more adverse result was selected. For 2015, lapse rates were doubled or halved.
High interest rate	Assumed increases in the investment portfolio yield rates of 0.25% per year for 5 years, with the rates remaining constant thereafter.	Assumed increases in the investment portfolio yield rates of 0.5% for 10 years.	A 1% increase was applied to the investment portfolio rate.
Low interest rate	Assumed decreases in investment portfolio yield rates of 0.25% per year for 5 years, with the rates remaining constant thereafter.	Assumed decreases in investment portfolio yield rates of 0.5% per year for 10 years.	A 1% decrease was applied to the investment portfolio rate.
Worsening mortality and morbidity	Mortality and morbidity rates for insurance and critical illness products were increased by 3% of the base rate per year for 5 years. For annuity products, the mortality rates were decreased by 3% of the base rate for 5 years.		For life insurance products only, the base assumed rates were increased annually by 3% cumulatively over the next 5 years. For annuity products, the mortality rates were decreased by 3% of the base rate for 5 years.
Higher expenses	Policy unit maintenance expense rates were increased by 5% per year for 5 years above those reflected in the base scenario.		

43.4 Sensitivity arising from the valuation of actuarial liabilities (continued)

The following table represents the estimated sensitivity of each of the above scenarios to net actuarial liabilities for insurers by segment. Correlations that may exist between scenario assumptions were not explicitly taken into account.

	Sagicor Life segment		Sagicor Jamaica segment		Sagicor Life USA segment	
	2016	2015	2016	2015	2016	2015
Base net actuarial liability	936,049	939,819	327,183	326,652	580,784	562,236
Scenario	**increase in liability**		**increase in liability**		**increase in liability**	
Worsening rate of lapse	135,728	127,997	47,635	40,153	9,330	9,123
High interest rate	(84,334)	(76,882)	(98,734)	(101,205)	(34,545)	(33,619)
Low interest rate	156,127	151,291	124,400	136,247	39,771	38,922
Worsening mortality/ morbidity	35,808	34,191	37,209	33,891	12,842	12,737
Higher expenses	20,715	19,174	14,939	15,972	4,418	3,846

Amounts expressed in US $000

43.5 Dynamic capital adequacy testing (DCAT)

DCAT is a technique used by the Group to assess the adequacy of the insurer's financial position and 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 financial statements at a given date. The financial position therefore relies on the valuation assumptions used for establishing the actuarial liabilities being adequate to measure future adverse deviations in experience. The financial position does not offer any indication of an insurer's ability to execute its business plan.

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 financial condition analysis examines both an insurer's ability to execute its business plan and to absorb adverse experience beyond that provided for when its actuarial liabilities are established.

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 to material, plausible and imminent threats to the insurer's solvency;
- and to describe possible courses of action to address these threats.

Full DCAT is conducted periodically by some insurers within the Group.

44 FIDUCIARY RISK

The Group provides investment management and pension administration services to investment and pension funds which involve the Group making allocation, purchase and sale decisions in relation to a wide range of investments. These services give rise to fiduciary risk that may expose the Group to claims for mal-administration or under-performance of these funds.

In the ordinary course of business, the Group manages assets of pension funds, mutual funds and unit trusts which are held in a fiduciary capacity and are not included in the Group's financial statements. The investments and cash under administration are summarised in the following table.

	2016	2015
Pension and insurance fund assets	1,726,467	1,576,696
Mutual fund, unit trust and other investment fund assets	890,235	796,775
	2,616,702	2,373,471

Fee income under administration is discussed in Note 26.

45 STATUTORY RESTRICTIONS ON ASSETS

Insurers are registered to conduct insurance business under legislation in place in each relevant jurisdiction. This legislation may prescribe a number of requirements with respect to deposits, investment of funds and solvency for the protection of policyholders. In general, these requirements do not restrict the ability of the insurer to trade investments. Banking subsidiaries may also be required to hold deposits with Central Banks which regulate the conduct of banking operations.

To satisfy the above requirements, invested assets and cash totalling $1,436,232 (2015 - $1,313,013) have been deposited with regulators or are held in trust to the order of regulators.

In some countries where the Group operates, there are exchange controls or other restrictions on the remittance of funds out of those countries.

Amounts expressed in US $000

46 CAPITAL MANAGEMENT

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

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

46.1 Capital resources

The principal capital resources of the Group are as follows:

	2016	2015
Shareholders' equity	536,149	506,046
Non-controlling interest	257,974	231,735
Notes and loans payable	395,213	475,517
Total financial statement capital resources	1,189,336	1,213,298

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

46.2 Capital adequacy

The capital adequacy of the principal operating subsidiaries is discussed in this section.

(a) Life insurers

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

To assist in evaluating the current business and strategy opportunities, a risk-based capital approach is a core measure of financial performance. The risk-based assessment measure which has been adopted is the Canadian Minimum Continuing Capital and Surplus Requirement (MCCSR) standard. The minimum standard recommended by the Canadian regulators for companies is an MCCSR of 150%. A number of jurisdictions in the Caribbean region have no internationally recognised capital adequacy requirements, and in accordance with its objectives for managing capital, the Group has adopted the Canadian MCCSR standard. Jamaica and the USA have recognised capital adequacy standards.

The consolidated MCCSR for the Sagicor Group as of December 31 has been estimated as 291% (2015 – 301%). The 2015 MCCSR which was disclosed as 221% in 2015 has been reviewed and restated to 301% this year. This is the principal standard of capital adequacy used to assess the overall strength of the Sagicor Group. However, because of the variations in capital adequacy standards across jurisdictions, the consolidated result should be regarded as applicable to the Group as a whole and not necessarily applicable to each individual segment, insurance subsidiary or insurance subsidiary branch.

The Company is in compliance with all capital requirements.

Amounts expressed in US $000

46.2 Capital adequacy (continued)

(i) Sagicor Life Jamaica

Sagicor Life Jamaica is governed by the Jamaican MCCSR regime which requires an insurer to maintain a minimum ratio of 150%. For the years ended December 31, 2016 and 2015, this ratio was 156.5% and 201.5% respectively.

(ii) Sagicor Life Insurance Company (USA)

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

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

Sagicor Life Insurance Company looks to maintain at least 300% of the Company Action Level, and has maintained these ratios as of December 31, 2016 and 2015 respectively.

46.2 Capital adequacy (continued)

(b) Sagicor Investments Jamaica Limited and Sagicor Bank Jamaica Limited

Capital adequacy and the use of regulatory capital are monitored monthly by management employing techniques based on the guidelines developed by the Financial Services Commission (FSC), the Bank of Jamaica (BOJ), Basel II and the Risk Management and Compliance Unit. The required information is filed with the respective Regulatory Authorities at stipulated intervals. The BOJ and the FSC require each regulated entity to hold the minimum level of regulatory capital, and to maintain a minimum ratio of total regulatory capital to the risk-weighted assets.

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

The table below summarises the capital adequacy ratios. During 2016 and 2015, all applicable externally imposed capital requirements were complied with.

	Sagicor Investments Jamaica		Sagicor Bank Jamaica	
	2016	**2015**	**2016**	**2015**
Actual capital base to risk weighted assets	13%	14%	14%	14%
Required capital base to risk weighted assets	10%	10%	10%	10%

Amounts expressed in US $000

46.3 Financial covenants

(a) 8.875% Senior Notes

Under the indenture entered into by the Group on the issue of these senior notes the Group has to comply with a number of covenants as follows:

COVENANT	DESCRIPTION
Limitation of indebtedness	Under this covenant, the Group is restricted to incremental borrowing up to a prescribed level. The Group must maintain a fixed charge coverage ratio, in excess of 2:1 in order to incur additional debt.
Limitation on restricted payments covenant	This covenant limits cash outflows, dividends, acquisition and investments by the Group. The Group must maintain a fixed charge coverage ratio of 2:1 and an MCCSR capital ratio in excess of 175%.
Limitation on restricted distributions from subsidiaries	This covenant limits the subsidiaries from creating encumbrances or restrictions on their ability to make distributions to the Parent.
Limitation on sale of assets of subsidiary stock	This covenant restricts the Group from selling material subsidiary assets without using the proceeds to either reinvest in the business or offer to buy back bondholders.
Limitation on affiliate transactions	This covenant restricts affiliate transactions of the Group.
Change in control	This covenant allows investors to put their bonds back to the Group at a certain value when a specified event has changed ownership/control of the Group.
Limitation on liens	This covenant restricts the Group's ability to secure future debt with the Group's assets.
Optional Redemption	The notes are redeemable at the Group's option after August 11, 2018 at specified redemption rates.

46.3 Financial covenants (continued)

(b) 4.85% notes due 2019

Under an indenture and a trust deed entered into by the Group on the issue of the senior notes and notes respectively (see note 16), the Group has to comply with permitted lien covenants, which will not allow the Company nor any of its subsidiaries to directly or indirectly, incur or permit to exist any lien to secure any indebtedness or any guarantee of indebtedness, other than permitted liens, without effectively providing that the senior notes and notes are secured equitably and rateably with (or, if the obligation to be secured by lien, this is subordinated in right of payment to the senior notes and notes, prior to) the obligations so secured for so long as such obligations are so secured.

Permitted liens are liens existing on the dates of issue of the senior notes and notes respectively, certain liens which would arise in the course of normal business, and other liens whose outstanding principal amounts in aggregate outstanding principal amount do not exceed 10% of the consolidated net tangible assets (as is defined in the indenture and trust deed). As of December 31, 2016, and 2015, the Group satisfied these requirements.

(c) International Finance Corporation (IFC)

On March 31, 2011, the Company entered into subscription and policy agreements with IFC, regarding the latter's participation in the issue of new common and convertible redeemable preference shares. Pursuant to the aforementioned agreements, on July 18, 2011, 12,269,938 common shares and 78,339,530 convertible redeemable preference shares were issued to IFC. The convertible redeemable preference shares were redeemed on July 18, 2016.

The Company is in compliance with all covenants.

Amounts expressed in US $000

47 RELATED PARTY TRANSACTIONS

Other than as disclosed in notes 5, 9, 12, 26, 30, 31 and 44, there are no material related party transactions except as disclosed below.

Key management transactions and balances

Key management comprises directors and senior management of the Company and of Group subsidiaries. Key management includes those persons at or above the level of Vice President or its equivalent. Compensation of and loans to these individuals are summarised in the following tables:

Compensation	**2016**	**2015**
Salaries, directors' fees and other short-term benefits	20,548	20,176
Equity-settled compensation benefits	4,047	3,377
Pension and other retirement benefits	1,235	1,717
	25,830	25,270

	Mortgage loans	**Other loans**	**Total loans**
Balance, beginning of year	5,492	836	6,328
Advances	282	592	874
Repayments	(837)	(400)	(1,237)
Effects of exchange rate changes	-	(36)	(36)
Balance, end of year	4,937	992	5,929
Interest rates prevailing during the year	3.75% - 7.00%	5.95% - 8.00%	

48 EVENTS AFTER DECEMBER 31, 2016

On March 3rd, 2017 Standards & Poor's downgraded the Government of Barbados' long-term foreign and local currency sovereign rating by one notch from 'B-' to 'CCC+' and assigned a negative outlook. On March 9th, 2017 Moody's Investors Service also downgraded the Government of Barbados' credit rating one notch from 'Caa1' to 'Caa3' and maintained a stable outlook.

Subsequent to the year end, the Board of Directors of Sagicor Bank Jamaica Limited (SBJ) approved the issuance of:

(i) Up to 1,500,000,000 Class A Cumulative Redeemable Preference Shares without par value with a tenor of eighteen (18) months @ 7.75% interest per annum to be issued at a share price of J$1.00 per share; and

(ii) Up to 1,500,000,000 Class B Cumulative Redeemable Preference Shares without par value with a tenor of three (3) years @ 8.25% interest per annum to be issued at a share price of J$1.00 per share by way of private placement in an Exempt Distribution made under the Guidelines for Exempt Distribution. The Preference Shares will be offered to accredited investors and to investors whose investment is J$10,000,000 or more and thereafter an application shall be made to the Jamaica Stock Exchange to list the Preference Shares on the exchange using the listing method of introduction.

SHAREHOLDER INFORMATION

Let your imagination guide you wherever you want to go.
There are no limits to where your life can take you.
Together, we can turn the future we envision into a reality,
and accomplish any goals we set out to achieve.

SHAREHOLDER INFORMATION

DIVIDENDS

An interim dividend of US 2.5 cents per common share, approved for the half-year ended June 30, 2016, was paid on November 15, 2016 to the holders of common shares, including depositary interest holders, whose names were registered on the books of the Company at the close of business on October 18, 2016. A final common dividend of US 2.5 cents per common share, payable on May 15, 2017, was approved for the financial year ended December 31, 2016 to the holders of common shares, including depositary interest holders, whose names were registered on the books of the Company at the close of business on April 13, 2017. The total dividend on common shares for the 2016 financial year amounted to US 5.0 cents per share.

The convertible redeemable preference shares were redeemed on July 18, 2016. A final dividend of US 1.13 cents per convertible redeemable preference was paid on July 18, 2016 to the holders of convertible redeemable preference shares, whose names were registered on the books of the Company at the close of business on July 8, 2016.

SHARES

The following Shareholders own more than 4% of the capital of the Company as at December 31, 2016:

	Common Shares	
	Number of Shares	Percentage
National Insurance Board	18,950,000	6.22
International Finance Corporation	12,269,938	4.03

The total number of issued shares as at December 31, 2016 and as at December 31, 2015 is set out below

Common Shares	
As at 31-Dec-16	As at 31-Dec-15
304,494,131	304,494,131

LONG TERM INCENTIVE PLAN (LTI)

The Tables below show grants of restricted stock and stock options as at December 31, 2016 under the LTI for Executives.

Restricted Stock							
			As of December 31, 2016				
Award Year	Value attributable to Stock Grant		Awards Made and in Effect	Vested	Not Vested	Vested in 2016	
2006 – 2008	US$	1.98, 2.01, 2.50	1,302,161	1,302,161	0	0	
2009	US$	1.58, 2.50	1,033,058	1,033,058	0	0	
2010	US$	1.60	760,026	760,026	0	0	
2011	US$	1.48	625,787	625,787	0	0	
2012	US$	1.53	1,024,879	1,024,879	0	0	
2013	US$	1.15	1,507,918	1,507,918	0	147,654	
2014	US$	1.075	2,601,230	1,618,824	982,406	330,169	
2015	US$	1.05	2,802,877	1,521,637	1,281,240	526,749	
2016	US$	0.86	3,552,266	720,969	2,831,297	720,969	
			15,210,202	10,115,259	5,094,943	1,725,541	
					Allocated for settlement of tax 2016	(543,017)	
					Total converted to shares 2016	1,182,524	

Stock Options							
		As of December 31, 2016					
Award Year	Exercise Price of Stock Option	Awards Made and in Effect	Vested	Exercised	Not Exercised	Not Vested	Vested in 2016
2006	US$ 1.98	120,443	120,443	120,443	468,852	0	0
2007	US$ 2.01	1,124,022	1,124,022	72,839	1,051,183	0	0
2008	US$ 2.50	818,009	818,009	0	818,009	0	0
2009	US$ 2.50	973,711	973,711	0	973,711	0	0
2010	US$ 1.60	1,295,616	1,295,616	0	1,295,616	0	0
2011	US$ 1.48	1,784,430	1,784,430	0	1,784,430	0	0
2012	US$ 1.53	1,138,545	1,138,545	0	1,138,545	0	284,647
2013	US$ 1.15	1,742,489	1,306,853	0	1,306,853	435,636	435,617
2014	US$ 1.075	2,891,066	1,445,523	0	1,445,523	1,445,523	722,771
2015	US$ 1.05	3,180,486	795,108	0	795,108	2,385,378	795,108
2016	US$ 0.86	4,927,360	0	0	0	4,927,360	0
		19,996,177	10,802,260	193,282	11,077,830	9,193,917	2,238,143

ANALYSIS OF COMMON SHAREHOLDING

Common Shareholders by Size of Holding

Number of Common Shareholders by Size of Holding as at December 31, 2016 (with 2015 Comparison)								
Size of Holding	Number of Shareholders		Percentage of Shareholders		Total Shares Held		Percentage of Shares Held	
	2016	2015	2016	2015	2016	2015	2016	2015
1 - 1,000	6,476	6,338	17.98	17.56	3,816,930	3,783,419	1.25	1.24
1,001 - 2,500	14,962	15,012	41.53	41.59	24,843,507	24,933,801	8.16	8.19
2,501 - 5,000	6,932	6,986	19.25	19.36	24,040,879	24,239,516	7.90	7.96
5,001 - 10,000	3,922	3,961	10.89	10.97	27,991,237	28,276,741	9.19	9.29
10,001 - 25,000	2,829	2,878	7.85	7.97	40,753,105	41,452,604	13.38	13.61
25,001 - 100,000	644	666	1.79	1.85	29,974,552	31,271,160	9.84	10.27
100,001 - 1,000,000	222	226	0.62	0.63	62,695,447	66,788,027	20.59	21.93
1,000,001 & above	31	26	0.09	0.07	90,378,474	83,748,863	29.69	27.51
Total	36,018	36,093	100.00	100.00	304,494,131	304,494,131	100.00	100.00

Common Shareholders by Country of Residence

Number of Common Shareholders by Country of Residence and by Type as at December 31, 2016								
Country	Directors, Management, Staff, Advisors		Companies		Individuals		Total	
	Shareholders	%	Shareholders	%	Shareholders	%	Shareholders	%
Trinidad and Tobago	96	0.27	585	1.62	14,725	40.88	15,406	42.77
Barbados	583	1.62	248	0.69	11,113	30.85	11,944	33.16
Eastern Caribbean	104	0.26	35	0.10	6,963	19.33	7,102	19.72
Other Caribbean	35	0.10	36	0.10	169	0.47	240	0.67
Other	60	0.17	5	0.01	1,261	3.50	1,326	3.68
Total	878	2.42	909	2.52	34,231	95.03	36,018	100.00

Common Shares held by Country of Residence

Number of Common Shares Held by Country of Residence and by Type as at December 31, 2016								
Country	Directors, Management, Staff, Advisors		Companies		Individuals		Total	
	Shares	%	Shares	%	Shares	%	Shares	%
Trinidad and Tobago	2,130,253	0.70	70,471,865	23.14	81,087,021	26.63	153,689,139	50.47
Barbados	6,662,838	2.19	38,855,889	12.76	55,355,194	18.18	100,873,921	33.13
Eastern Caribbean	216,500	0.07	1,787,965	0.59	19,617,970	6.44	21,622,435	7.10
Other Caribbean	1,401,703	0.46	3,681,588	1.21	1,312,876	0.43	6,396,167	2.10
Other	3,808,800	1.25	12,805,249	4.21	5,298,420	1.74	21,912,469	7.20
Total	14,220,094	4.67	127,602,556	41.91	162,671,481	53.42	304,494,131	100.00

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