

Sagicor Life of the Cayman Islands Ltd.

Financial Statements
31 December 2023

Sagicor Life of the Cayman Islands Limited

Index

December 31, 2023

(expressed in United States dollars unless otherwise indicated)

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Independent auditor's report

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

Our opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Sagicor Life of the Cayman Islands Ltd. (the Company) as at 31 December 2023, and its financial performance and its cash flows for the year then ended in accordance with IFRS Accounting Standards.

What we have audited

The Company's financial statements comprise:

- the Company statement of financial position as at 31 December 2023;
- the Company income statement for the year then ended;
- the Company statement of comprehensive income for the year then ended;
- the Company statement of changes in shareholder's equity for the year then ended;
- the Company statement of cash flows for the year then ended; and
- the notes to the financial statements, comprising material accounting policy information and other explanatory information.

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

Responsibilities of management for the financial statements

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

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



Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the 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 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 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the 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 Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Other matter

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

PricewaterhouseCoopers

June 28, 2024

Sagicor Life of the Cayman Islands Ltd.

Acronyms

December 31, 2023

ACRONYMS

Certain acronyms have been used throughout the financial statements and notes thereto to substitute phrases. The more frequent acronyms and associated phrases are set out below.

| Acronym | Phrase |
|----------------|---|
| CSM | Contractual Service Margin |
| ECL | Expected Credit Losses |
| FCF | Fulfilment Cash Flows |
| FVTOCI | Fair Value Through Other Comprehensive Income |
| FVTPL | Fair Value Through Profit and Loss |
| GMM | General Measurement Model |
| IAS | International Accounting Standards |
| IFRS | International Financial Reporting Standards |
| LIC | Liability for Incurred Claims |
| LRC | Liability for Remaining Coverage |
| OCI | Other Comprehensive Income |
| SICR | Significant Increase in Credit Risk |
| PAA | Premium Allocation Approach |
| VFA | Variable Fee Approach |

Sagicor Life of the Cayman Islands Ltd.
Company Statement of Financial Position
31 December 2023
(expressed in United States dollars unless otherwise indicated)

| | | 2023 | 2022 Restated | January 01, 2022 Restated |
|--|------|--------------------|--------------------|------------------------------|
| | Note | | | |
| Assets | | | | |
| Cash resources | 4 | 3,240,546 | 2,476,744 | 3,327,560 |
| Financial investments | 5 | 124,546,319 | 111,092,314 | 144,402,421 |
| Investment in subsidiary | 6 | 300,000 | 300,000 | 300,000 |
| Intangible assets | 7 | 4,991,021 | 4,992,775 | 4,994,528 |
| Property, plant and equipment | 8 | 5,910,762 | 5,806,424 | 5,027,682 |
| Reinsurance contract assets | 10 | 4,155,829 | 3,874,130 | 5,935,617 |
| Insurance contract assets | 10 | 1,083,497 | - | - |
| Other assets | 9 | 1,746,059 | 2,108,822 | 867,020 |
| TOTAL ASSETS | | 145,974,033 | 130,651,209 | 164,854,828 |
| STOCKHOLDERS' EQUITY AND LIABILITIES: | | | | |
| Stockholders' Equity Attributable | | | | |
| Stockholders' of the Company | | | | |
| Share capital | 11 | 16,000,000 | 16,000,000 | 16,000,000 |
| Equity reserves | 12 | 2,066,435 | 1,807,897 | 890,986 |
| (Accumulated deficit)/ retained earnings | 12 | (1,808,564) | (5,575,769) | 5,635,578 |
| Total Equity | | 16,257,871 | 12,232,128 | 22,526,564 |
| Liabilities | | | | |
| Other liabilities | 13 | 3,093,429 | 2,769,854 | 2,867,358 |
| Insurance contract liabilities | 10 | 95,194,122 | 82,544,515 | 103,270,860 |
| Reinsurance contract liabilities | 10 | 1,956,728 | 1,731,330 | 3,992,393 |
| Investment contracts liabilities | 15 | 29,471,883 | 31,373,382 | 32,197,653 |
| Total liabilities | | 129,716,162 | 118,419,081 | 142,328,264 |
| TOTAL EQUITY AND LIABILITIES | | 145,974,033 | 130,651,209 | 164,854,828 |

Approved for issue by the Board of Directors on June 28, 2024 and signed on its behalf by:

| | |
|---|--|
|  |  |
| Peter Melhazo | Christopher Zacca |
| Chairman | Director |

The accompanying notes form an integral part of these financial statements.

Sagicor Life of the Cayman Islands Ltd.
Company Income Statement
For the year ended 31 December 2023
(expressed in United States dollars unless otherwise indicated)

| | Note | 2023 \$ | 2022 Restated \$ |
|---|------|--------------------|---------------------|
| Insurance revenue | 16 | 11,643,789 | 10,856,955 |
| Insurance service expenses | 16 | (5,880,105) | (3,888,232) |
| Net expense from reinsurance contracts held | 16 | (1,876,131) | (1,787,969) |
| INSURANCE SERVICE RESULT | | 3,887,553 | 5,180,754 |
| Interest income earned from financial assets measured at amortised cost | 17 | 72,574 | 33,236 |
| Interest income earned and capital net gains / (losses) from assets measured at FVTPL | 17 | 13,053,991 | (34,535,384) |
| Interest and other investment expense | 17 | (764,556) | (948,893) |
| Credit impairment gain / (losses) | 17 | - | (3,764) |
| NET INVESTMENT INCOME / (EXPENSES) | 17 | 12,362,009 | (35,454,805) |
| Finance (expenses) / income from insurance contracts issued | 17 | (9,611,773) | 19,304,415 |
| Finance (expenses) / income from reinsurance contracts held | 17 | (20,272) | 1,070,438 |
| NET INSURANCE FINANCE (EXPENSE) / INCOME | | (9,632,045) | 20,374,853 |
| NET INSURANCE AND INVESTMENT RESULT | | 6,617,517 | (9,899,198) |
| Fee and other income | 18 | 350,894 | 234,828 |
| Depreciation & Amortisation of intangible assets | 19 | (3,428) | (3,872) |
| Administration expenses | 19 | (2,875,279) | (1,185,828) |
| Other Expenses | | (322,499) | (357,277) |
| | | (2,850,312) | (1,312,149) |
| Net Profit / (Loss) for the year | | 3,767,205 | (11,211,347) |

The accompanying notes form an integral part of these financial statements.

Sagicor Life of the Cayman Islands Ltd.
Company Statement of Comprehensive Income
Year ended 31 December 2023
(expressed in United States dollars unless otherwise indicated)

| | | 2023 | 2022 Restated |
|---|------|------------------|---------------------|
| | Note | \$ | \$ |
| Net Profit / (Loss) for the year | | 3,767,205 | (11,211,347) |
| Other comprehensive income: | | | |
| Items that may be subsequently reclassified to profit or loss: | | | |
| Fair value reserve: | | | |
| Items that will not be subsequently reclassified to profit or loss | | | |
| Unrealised gains on owner-occupied properties | 12 | 258,538 | 916,911 |
| Other comprehensive income for the year | | 258,538 | 916,911 |
| Total comprehensive income for the year | | 4,025,743 | (10,294,436) |

The accompanying notes form an integral part of these financial statements.

Sagicor Life of the Cayman Islands Ltd.
Company Statement of Changes in Shareholder's Equity
Year ended 31 December 2023
(expressed in United States dollars unless otherwise indicated)

| | Note | Share Capital | Equity Reserves (Note 12) | Retained Earnings | Grand Total |
|--|------|---------------|---------------------------|-------------------|--------------|
| | | \$ | \$ | \$ | \$ |
| Balance, December 31, 2021, as previously reported | | 16,000,000 | (6,347,973) | 24,843,138 | 34,495,165 |
| Changes on initial application of IFRS 9 restated | | - | 2,916,762 | (2,916,762) | - |
| Impact of initial application of IFRS 17 | | - | - | (11,968,601) | (11,968,601) |
| Impact of application of IFRS 9 policy choices as a result of IFRS 17 implementation | | - | 4,322,197 | (4,322,197) | - |
| Restated balance January 1, 2022 | | 16,000,000 | 890,986 | 5,635,578 | 22,526,564 |
| Net Loss for the year | | - | - | (11,211,347) | (11,211,347) |
| Other comprehensive income as restated | | - | 916,911 | - | 916,911 |
| Total comprehensive income for the year | | - | 916,911 | (11,211,347) | (10,294,436) |
| Restated balance December 31, 2022 | | 16,000,000 | 1,807,897 | (5,575,769) | 12,232,128 |
| Net Profit / (Loss) for the year | | - | - | 3,767,205 | 3,767,205 |
| Other Comprehensive income | | - | 258,538 | - | 258,538 |
| Total comprehensive income for the year | | - | 258,538 | 3,767,205 | 4,025,743 |
| Balance December 31, 2023 | | 16,000,000 | 2,066,435 | (1,808,564) | 16,257,871 |

The accompanying notes form an integral part of these financial statements.

Sagicor Life of the Cayman Islands Ltd.
Company Statement of Cash Flows
For the year ended 31 December 31, 2023
(expressed in United States dollars unless otherwise indicated)

| | Note | 2023 \$ | 2022 Restated \$ |
|---|----------|---------------------|---------------------|
| Cash Flows from Operating Activities | | | |
| Net profit/ (loss) | | 3,767,205 | (11,211,347) |
| Adjustments for: | | | |
| Items not affecting cash | | | |
| Adjustments for non-cash items, interest, and dividends | 21(a) | (2,596,681) | 13,875,845 |
| Changes in other operating assets and liabilities | 21(a) | 686,338 | (1,339,306) |
| Interest received | | 5,309,058 | 5,024,600 |
| Interest paid | | (764,556) | (1,064,149) |
| Net cash generated from operating activities | | 6,401,364 | 5,285,643 |
| Cash Flows from Investing Activities | | | |
| Net investment sales/(purchases) | 21(a) | (10,293,174) | 2,035,353 |
| intangible | 21(b) | (5,857) | (10,338) |
| Net cash (used in) / generated from Investing activities | | (10,299,031) | 2,025,015 |
| Net (decrease) / Increase in net cash and cash equivalents | | (3,897,667) | 7,310,658 |
| Cash and cash equivalents at beginning of year | | 11,546,889 | 4,236,231 |
| CASH AND CASH EQUIVALENTS AT END OF YEAR | 4 | 7,649,222 | 11,546,889 |

The accompanying notes form an integral part of these financial statements.

Sagikor Life of the Cayman Islands Ltd.
Notes to the Financial Statements
31 December 2023
(expressed in United States dollars unless otherwise indicated)

1. Identification and Principal Activities

- (a) Sagikor Life of the Cayman Islands Ltd. (the “company” or “Sagikor Life”) is incorporated and domiciled in the Cayman Islands. The company is a wholly owned subsidiary of Sagikor Cayman Limited which is incorporated and domiciled in the Cayman Islands. The principal activity of Sagikor Cayman Limited is the provision of financial services (holding company). The ultimate parent company is Sagikor Financial Company Limited, which is incorporated and domiciled in Bermuda. The principal activity of the Sagikor Financial Company Limited (Group) is insurance services.
- (b) The company is licensed as a Class “A” insurer to carry on life insurance business in the Cayman Islands. The company is required to conduct its business in accordance with the Cayman Islands Insurance Act (Revised) and such regulations as the Cayman Islands Monetary Authority may, from time to time, mandate. The company is also licensed to operate in the Turks and Caicos Islands and Antigua in accordance with their laws and regulations.

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

2. Summary of Material Significant Accounting Policies

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

(a) Basis of preparation

These financial statements have been prepared in accordance with and comply with International Financial Reporting Standards (“IFRS Accounting Standards”) and interpretations issued by the IFRS Interpretations Committee (“IFRS IC”) applicable for companies reporting under IFRS Accounting Standards and have been prepared under the historical cost convention as modified by the revaluation of property, plant and equipment, fair value through other comprehensive income (FVTOCI) investment securities, financial assets at fair value through profit and loss (FVTPL) and Insurance and reinsurance contract assets and liabilities.

The preparation of financial statements in conformity with IFRS Accounting Standards 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. Although these estimates are based on management’s best knowledge of current events and actions, actual results could differ from these estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3.

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

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

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

The Company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Amendments to IAS 1, Presentation of financial statements on classification of liabilities, (effective for annual periods beginning on or after January 1, 2023). These narrow-scope amendments to IAS 1, ‘Presentation of financial statements’, clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date (for example, the receipt of a waiver or a breach of covenant). The amendment also clarifies what IAS 1 means when it refers to the ‘settlement’ of a liability. There was no impact to the Company on adoption of this amendment.

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

Sagicor Life of the Cayman Islands Ltd.
Notes to the Financial Statements
31 December 2023
(expressed in United States dollars unless otherwise indicated)

2. Summary of Material Significant Accounting Policies(continued)

(a) Basis of preparation(Continued)

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

Definition of Accounting Estimates – Amendments to IAS 8 (effective for annual period beginning on or after January 1, 2023). The amendment to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors clarifies how companies should distinguish changes in accounting policies from changes in accounting estimates. The distinction is important, because changes in accounting estimates are applied prospectively to future transactions and other future events, whereas changes in accounting policies are generally applied retrospectively to past transactions and other past events as well as the current period. There was no impact to the Company on adoption of this amendment.

Amendment to IAS 12 – Deferred tax related to assets and liabilities arising from a single transaction, (effective for annual periods beginning on or after January 1, 2023). These amendments require companies to recognise deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences. There was no significant impact to the Company on adoption of this amendment.

IFRS 17 Insurance Contracts (including Amendments to IFRS 17 issued in June 2020 and Amendment to IFRS 17 - Initial Application of IFRS 17 and IFRS 9—Comparative Information (effective for annual periods beginning on or after January 1, 2023). The Company has initially applied IFRS 17, including any consequential amendments to other standards, from January 1, 2023 for the first time. This standard has brought significant changes to the accounting for insurance and reinsurance contracts. As a result, the Company has restated certain comparative amounts and presented a third statement of financial position as at January 1, 2022. With the adoption of IFRS 17, the Company has elected to designate some financial assets, which are currently held at fair value through OCI (FVTOCI) which support insurance liabilities, at fair value through profit and loss (FVTPL). Refer to the IFRS 9 – Financial Instruments ("IFRS 9") section for further details of amendments to this standard which was previously implemented by the Company on January 1, 2018.

The nature and effects of the key changes in the Company's accounting policies resulting from its adoption of IFRS 17 are summarised below:

(i) Recognition, measurement and presentation of insurance contracts

IFRS 17 establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts, reinsurance contracts and investment contracts with discretionary participation features. It introduces a model that measures groups of contracts based on the Company's estimates of the present value of future cash flows that are expected to arise as the Company fulfils the contracts, an explicit risk adjustment for non-financial risk and a CSM unless the contract is onerous.

Under IFRS 17, insurance revenue in each reporting period represents the changes in the liabilities for remaining coverage that relate to services for which the Company expects to receive consideration and an allocation of premiums that relate to recovering insurance acquisition cash flows. In addition, investment components are no longer included in insurance revenue and insurance service expenses.

The Company no longer applies shadow accounting to insurance-related assets and liabilities. As stated previously the Company has elected to designate some financial assets, which were previously held at amortised cost and fair value through OCI (FVTOCI) which support insurance liabilities, at fair value through profit and loss (FVTPL).

Insurance finance income and expenses are presented separately from insurance revenue and insurance service expenses in the statement of income.

Premium Allocation Approach (PAA) will mainly be applied to short duration contracts where the policy's contract boundary is one year or less. This includes contracts, such as group life and health and general insurance business. Under PAA, insurance contracts are measured based on unearned premiums and the accounting is broadly similar to the Company's historical approach under IFRS 4.

Under IFRS 17, only insurance acquisition cash flows that arise before the recognition of the related insurance contracts are recognised as separate assets and are tested for recoverability. These assets are presented in the carrying amount of the related portfolio of contracts and are derecognised once the related contracts have been recognised.

Income and expenses from reinsurance contracts other than insurance finance income and expenses are now presented as a single net amount in profit or loss. Previously, amounts recovered from reinsurers and reinsurance expenses were presented separately.

The Company's classification and measurement of insurance and reinsurance contracts is explained in Note 2(i).

Sagicor Life of the Cayman Islands Ltd.
Notes to the Financial Statements
31 December 2023
(expressed in United States dollars unless otherwise indicated)

2. Summary of Material Significant Accounting Policies (Continued)

(a) Basis of preparation (Continued)

(ii) Changes to presentation and disclosure

For presentation in the statement of financial position, the Company aggregates portfolios of insurance contracts issued and reinsurance contract held and presents separately:

- Portfolios of insurance contracts issued that are assets
- Portfolios of insurance contracts issued that are liabilities
- Portfolios of reinsurance contracts held that are assets
- Portfolios of reinsurance contracts held that are liabilities

The portfolios referred to above are those established at initial recognition in accordance with the IFRS 17 requirements.

The line items descriptions in the statement of income and the statement of comprehensive income have been changed significantly compared with last year. Previously the Company reported the following line items:

- Gross Premium revenue
- Insurance premium ceded to reinsurers
- Net premium revenue
- Insurance benefits incurred
- Insurance benefits reinsured
- Net Insurance benefits
- Net movement in actuarial liabilities
- Commission and sales expenses

Instead, IFRS 17 requires separate presentation of:

- Insurance revenue
- Insurance service expense
- Net income or expense from reinsurance contracts held
- Insurance service results
- Finance income/ expense from insurance contracts issued
- Finance income/ expense from reinsurance contracts held
- Net insurance finance income/ expense

The Company provides disaggregated qualitative and quantitative information in the notes to the financial statements about:

- Amounts recognised in its financial statements from insurance contracts
- Significant judgements, and changes in those judgements, when applying the standard

(iii) Transition

The Company adopted IFRS 17 retrospectively, applying alternative transition methods where the full retrospective approach was impracticable. The full retrospective approach was mostly applied to the insurance contracts in force at the transition date that were originated less than 5 years prior to transition. Where the full retrospective approach was determined to be impracticable, the fair value approach was applied.

The Company identified, recognised and measured each group of insurance and reinsurance contracts as if IFRS 17 had always been applied and any resulting net difference was recognised in equity.

The Company has applied the transition provisions in IFRS 17 and has disclosed the impact of the adoption of IFRS 17 on each financial statement line item. The effects of adopting IFRS 17 on the financial statements at January 1, 2022 are presented in the statement of changes in equity. Refer to note 30 for details on restatements.

IFRS - 9 Financial Instruments

With the adoption of IFRS 17, the Company has elected to designate some financial assets, which were previously held at fair value through OCI (FVTOCI) which support insurance liabilities, at fair value through profit and loss (FVTPL). IFRS 9 – Financial instruments ("IFRS 9") was previously implemented by the Company on January 1, 2018. The Company has restated prior periods to reflect changes in designation or classification of its financial assets held in respect of activities connected with contracts within the scope of IFRS 17 effective January 1, 2022. The Company recognised the difference between the previous carrying amount of those financial assets and the carrying amounts of those financial assets at the transition date in retained earnings.

Sagicor Life of the Cayman Islands Ltd.
Notes to the Financial Statements
31 December 2023
(expressed in United States dollars unless otherwise indicated)

2. Summary of Material Significant Accounting Policies (Continued)

(a) Basis of preparation (Continued)

(iii) Transition (Continued)

Insurance and reinsurance contracts

The Company applied the full retrospective approach or the fair value approach in IFRS 17 to identify, recognise and measure certain groups of contracts at January 1, 2022. The full retrospective approach was mostly applied to the insurance contracts in force at the transition date that were originated less than 5 years prior to transition.

The Company considers the full retrospective approach impracticable for some contracts under the following circumstance:

- The effects of retrospective application were not determinable because the information required had not been collected (or had not been collected with sufficient granularity) and was unavailable because of system migrations, data retention requirements or other reasons.
- The full retrospective approach required assumptions about what Company management's intentions would have been in previous periods or significant accounting estimates that could not be made without the use of hindsight.

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

At the date of authorisation of these financial statements, certain new standards and amendments to existing standards have been issued which are not effective at the date of the statement of financial position, and which the Company has not early adopted. The Company has assessed the relevance of all such new standards and amendments, and there are no other IFRS or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Company.

(b) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates ('the functional currency').

These financial statements are presented in United States dollars, which is the company's functional currency.

Sagicor Life of the Cayman Islands Ltd.
Notes to the Financial Statements
31 December 2023
(expressed in United States dollars unless otherwise indicated)

2. Summary of Material Significant Accounting Policies (Continued)

(b) Foreign currency translation (Continued)

(ii) Transactions and balances

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

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

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

All foreign exchange gains and losses recognised in the income statement are presented net in the income statement within the corresponding item. Foreign exchange gains and losses on non-monetary items where the gains and losses are recognised in other comprehensive income (OCI), are presented in OCI within the corresponding item.

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

Translation differences on non-monetary financial instruments, such as equities held at FVTPL, are reported as part of the fair value gain or loss. Translation differences on non-monetary financial instruments, such as equities classified as FVOTCI financial assets, are recognised in OCI.

(c) Cash and cash equivalents

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

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

Sagicor Life of the Cayman Islands Ltd.
Notes to the Financial Statements
31 December 2023
(expressed in United States dollars unless otherwise indicated)

2. Summary of Material Significant Accounting Policies (Continued)

(c) Cash and cash equivalents (Continued)

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

(d) Financial assets

(i) Classification of financial assets

The Company utilises a principles-based approach to the classification of financial assets. Debt instruments, including hybrid contracts, are measured at fair value through profit or loss ("FVTPL") or amortised cost based on the nature of the cash flows of these assets and the Company's business model. Equity instruments are measured at FVTPL, unless they are not held for trading purposes, in which case an irrevocable election can be made on initial recognition to measure them at FVTOCI with no subsequent reclassification to profit or loss.

Financial assets are measured on initial recognition at fair value and are classified as and subsequently measured either at amortised cost, at FVTOCI or at FVTPL. Financial assets and liabilities are recognised when the Company becomes a party to the contractual provision of the instrument. Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Company commits to purchase or sell the asset.

Classification of debt instruments

Classification and subsequent measurement of debt instruments depend on:

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

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

Measured at amortised cost

Debt instruments that are held to collect the contractual cash flows and that contain contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI), such as most loans and advances to banks and customers and some debt securities, are measured at amortised cost. The carrying value of these financial assets at initial recognition includes any directly attributable transactions costs. Interest income from these financial assets is included in "Interest income" using the effective interest rate method.

Measured at FVTPL

Assets that do not meet the criteria for amortised cost or FVTOCI are measured at FVTPL. Movements in the carrying amount are recognised in the income statement and presented within "Unrealized gains on financial assets measured at FVTPL". Interest income on a debt investment that is subsequently measured FVTPL and is not part of a hedging relationship is recognised in the income statement and presented in profit or loss within "Interest income from FVTPL investments" in the period in which it arises. Interest income from these financial assets is calculated using the effective interest rate method.

Held for trading securities are acquired principally for the purpose of selling in the short-term or if they form part of a portfolio of financial assets in which there is evidence of short-term profit taking. Assets held for trading are measured at FVTPL.

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2. Summary of Material Significant Accounting Policies (Continued)

(d) Financial assets (Continued)

(i) Classification of financial assets (Continued)

Business model assessment

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

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

Solely Payment of Principal and Interest (SPPI)

Where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell, the Company assesses whether the financial instruments' cash flows represent SPPI. In making this assessment, the Company considers whether the contractual cash flows are consistent with a basic lending arrangement. Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related financial asset is classified and measured at FVTPL.

(ii) Unit linked funds fair value model

The company's liabilities include unit linked funds which are components of insurance contracts issued or unit linked investment contracts issued with terms that the full investment return earned on the backing assets accrue to the contract-holders. The financial assets backing these liabilities are consequently classified as and measured at FVTPL. This eliminates any accounting mismatch.

(iii) Embedded derivatives

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are SPPI. The Company may hold debt securities and preferred equity securities which may contain embedded derivatives. The embedded derivative of a financial investment is classified in the same manner as the host contract.

(iv) Impairment of financial assets measured at amortized cost

IFRS 9's impairment model requires the recognition of expected credit losses ("ECL") on financial assets measured at amortised cost and off statement of financial position loan commitments and financial guarantees which were previously provided for under IAS 37 Provisions, Contingent Liabilities and Contingent Assets.

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

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

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

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2. Summary of Material Significant Accounting Policies (Continued)

(d) Financial assets (Continued)

(v) Purchased or originated credit-impaired(POCI) assets

Financial assets that are purchased or originated at a deep discount that reflects the incurred credit losses are considered to be POCI. These financial assets are credit-impaired on initial recognition. The Company calculates the credit adjusted effective interest rate, which is calculated based on the fair value at origination of the financial asset instead of its gross carrying amount and incorporates the impact of ECLs in estimated future cash flows. This rate is used to calculate interest revenue and amortized cost. Their ECL is always measured on a lifetime basis, but they do not carry a day-1 loss.

(vi) Definition of default

The Company determines that a financial instrument is in default, credit-impaired and in stage 3 by considering relevant objective evidence, primarily whether:

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

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

(vii) Write-off

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

(viii) The general approach to recognising and measuring ECL

The measurement of ECL reflects:

- An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- The time value of money;
- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

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2. Summary of Material Significant Accounting Policies (Continued)

(d) Financial assets (Continued)

(viii) The general approach to recognising and measuring ECL (Continued)

Measurement

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

The PD, LGD and EAD models which support these determinations are reviewed periodically during the year. Therefore, the underlying models and their calibration, including how they react to forward-looking economic conditions remain subject to review and refinement. This is particularly relevant for lifetime PDs, which have not been previously used in regulatory modelling and for the incorporation of 'downside scenarios' which have not generally been subject to experience gained through stress testing. The exercise of judgement in making estimations requires the use of assumptions which are highly subjective and sensitive to the risk factors, in particular to changes in economic and credit conditions across a large number of geographical areas. Many of the factors have a high degree of interdependency and there is no single factor to which loan impairment allowances as a whole are sensitive. Therefore, sensitivities (Note 23(c) (i)) are considered in relation to key portfolios which are particularly sensitive to a few factors and the results should not be further extrapolated.

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

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

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

Forward looking information

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

Each macroeconomic scenario used in the ECL calculation has forecasts of the relevant macroeconomic variables – including, but not limited to, unemployment rates and gross domestic product, for a period up to three years, subsequently reverting to long-run averages. Management's estimation of ECL in Stage 1 and Stage 2 is a discounted probability-weighted estimate that considers a minimum of three future macroeconomic scenarios.

Company's base case scenario is based on macroeconomic forecasts that are publicly available. Upside and downside scenarios are set relative to management's base case scenario based on reasonably possible alternative macroeconomic conditions.

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2. Summary of Material Significant Accounting Policies (Continued)

(d) Financial assets (Continued)

(viii) The general approach to recognising and measuring ECL (Continued)

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

Impairment on financial assets measured at amortized cost and FVTOCI, are recognized in the income statement. Unrealised gains and losses arising from changes in fair value on FVTOCI assets are measured in OCI. The ECLs on financial assets at FVTOCI are recognised in the income statement, with a corresponding entry recognised in OCI. On maturity or disposal of a FVTOCI instrument, and the accumulated loss allowance is recycled to profit and loss as part of the gain or loss on disposal investments.

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

Interest income includes coupons earned on fixed income investments and accrued discount or premium on treasury bills and other discounted instruments.

Interest income is earned based on the interest rate before allowances. Interest earned on assets measured at FVTPL is recognised based on the effective interest rate. For assets that are credit-impaired when purchased or originated, the carrying amount after allowances for ECL is the basis for applying the interest rate.

(x) Interest expense

Interest expense is computed by applying the effective interest rate based to the gross carrying amount of a financial liability

(xi) Reclassified balances

The Company reclassifies debt securities when and only where its business model for managing those investments changes. The reclassification takes place from the start of the first reporting period following the change. Such changes are expected to be very infrequent.

(xii) Presentation in the statements of income and other comprehensive income (OCI)

Financial instruments measured at FVTPL

Realised changes in fair value, unrealised changes in fair value, interest income and dividend income are included in net investment income.

Financial instruments measured at amortised cost

- Interest income is included in interest income earned from financial assets measured at amortised cost in the statement of income.
- Credit impairment losses are included in the statement of income.
- Gain or loss on derecognition of debt securities is presented in the statement of income.

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2. Summary of Material Significant Accounting Policies (Continued)

(e) Impairment of assets

Impairment of non-financial assets

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

(f) Investment in subsidiary

Investment in subsidiary is stated in the Company's financial statements initially at cost less impairment.

(g) Property, plant and equipment

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

Freehold land and buildings owned and used by the Company are treated as owner-occupied properties. Owner-occupied property is revalued annually to its fair value as determined by independent valuers. Fair value represents the price (or estimates thereof) that would be agreed upon in an orderly transaction between market participants at valuation date.

Increases in the carrying amounts arising from the revaluation of owner-occupied properties are recognised in other comprehensive income and accumulated in equity reserves. Decreases that offset previous increases of the same asset are charged against the other comprehensive income. All other reductions are taken directly to the income statement.

On the disposal of the property, the amount included in the fair value reserve is transferred to retained earnings.

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

| | |
|-------------------------|-----------|
| Freehold buildings | 2.5% |
| Leasehold improvements | 10% |
| Furniture and equipment | 10% - 33% |

Property, plant and equipment are periodically reviewed for impairment. Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount. The recoverable amount is the higher of an asset's fair value less cost to sell and its value in use.

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

Gains or losses on disposal of property, plant and equipment are determined by reference to their carrying amount and are taken into account in determining operating profit. Repairs and renewals are charged to the income statement when the expenditure is incurred. On disposal of revalued assets, the revaluation amounts are transferred to retained earnings. Gains or losses recognised in income on disposal of property, plant and equipment are determined by comparing the net sale proceeds to carrying value.

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2. Summary of Material Significant Accounting Policies (Continued)

(h) Intangible assets

(i) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the company's share of the net identifiable assets of the acquired subsidiary at the acquisition date. Goodwill on acquisition of businesses, including subsidiaries is included in intangible assets.

Goodwill arising on the acquisition of subsidiaries is calculated as the amount by which the consideration paid exceeds the fair value of the net identifiable assets acquired.

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

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

(ii) Computer software

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their expected useful life of three years.

Costs that are directly associated with the production of identifiable and unique software products controlled by the Company, and that will probably generate benefits exceeding costs beyond one year, are recognised as intangible assets. Direct costs include the software development team's employee costs and an appropriate portion of relevant overheads. All other costs associated with developing or maintaining computer software programmes are recognised as an expense as incurred.

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

(i) Employee benefits

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

(j) Share capital

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

(i) Share issuance cost

Incremental costs directly attributable to the issue of new shares or options are shown in stockholders' equity as a deduction from the proceeds.

(ii) Dividends on ordinary shares are recognised in stockholders' equity in the period in which they are approved by the Company's Board of Directors.

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

Transfers to retained earnings

(iii) 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.

(k) Financial Liabilities

(i) Classification of financial liabilities

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

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

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

Deposit liabilities

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

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2. Summary of Material Significant Accounting Policies (Continued)

(l) Insurance Operations

(i) Summary of measurement approaches

The Company uses different measurement approaches, depending on the portfolio of contract issued, as follows:

| Contracts Issued | Product Classification | Measurement Model |
|--|---|-------------------|
| Traditional Life contracts | Insurance contracts | GMM |
| Universal Life contracts | Insurance contracts without direct participation features | GMM |
| Living Benefits | Insurance contracts | GMM |
| Single Premium Health and Creditor Life | Insurance contracts | GMM |
| Annuities | Insurance contracts | GMM |
| Universal Life contract with direct participation features | Insurance contracts with direct participation features | VFA |
| Variable endowments with direct participation features | Insurance contracts with direct participation features | VFA |
| Group Life & Health | Insurance contracts | PAA |

For underlying direct insurance contracts measured under GMM or VFA, the corresponding reinsurance contract portfolios are measured using GMM. For underlying direct insurance contracts measured under PAA, the corresponding reinsurance contract portfolios are measured using PAA.

(ii) Definition and classification

The Company issues insurance contracts that transfer significant insurance risk from the policyholder. The Company 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. In making this assessment, all substantive rights and obligations, including those arising from law or regulation, are considered on a contract-by-contract basis. The Company uses judgement to assess whether a contract transfers insurance risk and whether the accepted insurance risk is significant. 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.

Contracts that have a legal form of insurance but do not transfer significant insurance risk and expose the Company to financial risk are classified as investment contracts and are not treated as insurance contracts.

Certain life policies issued by the Company contain direct participation features such as universal life contracts with direct participation features and variable endowments with direct participation features which entitle the policyholder to receive additional payments, supplementary to the main insurance benefit. Policy bonuses and policy dividends, together with residual gains in the participating accounts constitute direct participation features. The Company accounts for these contracts under IFRS 17.

An insurance contract with direct participation features is defined by the Company as one which, at inception, meets the following criteria:

- the contractual terms specify that the policyholder participates in a share of a clearly identified pool of underlying items;
- the Company expects to pay to the policyholder an amount equal to a substantial share of the fair value returns on the underlying items; and
- the Company expects a substantial proportion of any change in the amounts to be paid to the policyholder to vary with the change in fair value of the underlying items.

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2. Summary of Material Significant Accounting Policies (Continued)

(I) Insurance Operations (Continued)

(ii) Definition and classification (Continued)

These criteria are assessed at the individual contract level based on the Company's expectations at the contract's inception, and they are not reassessed in subsequent periods, unless the contract is modified. The variability in the cash flows is assessed over the expected duration of a contract. The duration of a contract considers all cash flows within the boundary (see note 2(I)(iv)).

IFRS 17 defines investment components as the amounts that an insurance contract requires an insurer to repay to a policyholder in all circumstances, regardless of whether an insured event has occurred. Investment components which are highly interrelated with the insurance contract of which they form a part are considered non-distinct and are not separately accounted for. However, receipts and payments of the investment components are excluded from insurance revenue and insurance service expenses. Investment components in some Universal Life and Indexed Deferred Annuities comprise policyholder account values less applicable surrender fees. The Company uses judgement to assess whether the amounts expected to be paid to the policyholder constitute a substantial share of the fair value returns on the underlying items.

Insurance contracts with direct participation features are viewed as creating an obligation to pay policyholders an amount that is equal to the fair value of the underlying items, less a variable fee for service. The variable fee comprises the amount of the Company's share of the fair value of the underlying items, which is based on a fixed percentage of investment management fees (withdrawn annually from policyholder account values based on the fair value of underlying assets and specified in the contracts with policyholders), less the FCF that do not vary based on the returns on underlying items. The measurement approach for insurance contracts with direct participation features is referred to as the VFA. The VFA modifies the accounting model in IFRS 17 to reflect that the consideration that an entity receives for the contracts is a variable fee.

All other insurance contracts originated by the Company are without direct participation features.

In the normal course of business, the Company uses reinsurance to mitigate its risk exposures. A reinsurance contract transfers significant risk if it transfers substantially all the insurance risk resulting from the insured portion of the underlying insurance contracts, even if it does not expose the reinsurer to the possibility of a significant loss.

All references to insurance contracts in these financial statements apply to insurance and reinsurance contracts issued or acquired and reinsurance contracts held unless specifically stated otherwise.

(iii) Unit of account

The Company manages insurance contracts issued by product lines within an operating segment, where each product line includes contracts that are subject to similar risks. All insurance contracts within a product line represent a portfolio of contracts. Each portfolio is further disaggregated into groups of contracts that are issued within a calendar year (annual cohorts) and are:

1. contracts that are onerous at initial recognition;
2. contracts that at initial recognition have no significant possibility of becoming onerous subsequently; or
3. a group of remaining contracts.

These groups represent the level of aggregation at which insurance contracts are initially recognised and measured. Such groups are not subsequently reconsidered.

For each portfolio of contracts, the Company determines the appropriate level at which reasonable and supportable information is available, to assess whether these contracts are onerous at initial recognition and whether non-onerous contracts have a significant possibility of becoming onerous. Expected profitability is determined at the contract level, unless the Company has reasonable and supportable information to access profitability at a higher level. The Company uses significant judgement to determine at what level of granularity the Company has reasonable and supportable information that is sufficient to conclude that all contracts within a set are sufficiently homogeneous and will be allocated to the same group without performing an individual contract assessment.

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2. Summary of Material Significant Accounting Policies (Continued)

(l) Insurance Operations (Continued)

(iii) Unit of account (Continued)

For contracts measured under the GMA and VFA models, the Company develops rates or prices for the range of insurance contracts that may be issued under a given product form. Rates would typically be intended to result in similar levels of profitability across all insurance contracts issued.

Generally, for contracts measured using the PAA, the Company assumes that no such contracts are onerous at initial recognition, unless facts and circumstances indicate otherwise. If facts and circumstances indicate that some contracts are onerous, an additional assessment is performed to distinguish onerous contracts from non-onerous ones. For non-onerous contracts, the Company assesses the likelihood of changes in the applicable facts and circumstances in the subsequent periods in determining whether contracts have a significant possibility of becoming onerous.

Similar to the treatment of the direct (underlying) contracts, the Company divides reinsurance contracts held into contracts with similar insurance risk. The risks for reinsurance contracts in the life business are mortality, morbidity, hybrid and longevity risks which correspond to portfolios of direct contracts. The hybrid risk for reinsurance contracts refers to treaties that cover both mortality and lapse benefits and therefore have more than one type of risk. The Company manages all reinsurance treaties on the same basis as it does for line of business reporting described above for direct contracts. Applying the grouping requirements to reinsurance contracts held, the Company's policy is to aggregate reinsurance contracts held concluded within a calendar year (annual cohorts) into groups limited to reinsurance contracts arising from a single treaty. IFRS 17 requires that reinsurance contracts be placed in groups of:

1. contracts for which there is a net gain at initial recognition, if any;
2. contracts for which, at initial recognition, there is no significant possibility of a net gain arising subsequently; and
3. remaining contracts in the portfolio, if any

Transition approaches that were applied by the Company on adoption of IFRS 17 with respect to contracts aggregation requirements are included in note 3(a)(i).

Before the Company accounts for an insurance contract based on the guidance in IFRS 17, it analyses whether the contract contains components that should be separated. IFRS 17 distinguishes three categories of components that have to be accounted for separately:

1. cash flows relating to embedded derivatives that are required to be separated;
2. cash flows relating to distinct investment components; and
3. promises to transfer distinct goods or distinct services other than insurance contract services.

The Company applies IFRS 17 to all remaining components of the contract. The Company does not have any contracts that require further separation of insurance contracts.

Groups of insurance contracts issued are initially recognised from the earliest of the following:

1. the beginning of the coverage period;
2. the date when the first payment from the policyholder is due or actually received, if there is no due date; and
3. when the Company determines that a group of contracts becomes onerous

Insurance contracts acquired in a business combination within the scope of IFRS 3 or a portfolio transfer are accounted for as if they were entered into at the date of acquisition or transfer.

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2. Summary of Material Significant Accounting Policies (Continued)

(I) Insurance Operations (Continued)

(iii) Unit of account (Continued)

Groups of reinsurance contracts are recognised at the earlier of:

1. The beginning of the coverage period; and
2. The date at which an onerous group of underlying contracts was recognised if it entered into the reinsurance before that date.

For proportionate contracts, recognition is delayed until the date when the underlying insurance contract is initially recognised, if that date is after the beginning of the coverage period of the group of reinsurance contracts held. Most life reinsurance treaties are proportionate and are entered into on or before the underlying contracts are recognised.

Only contracts that individually meet the recognition criteria by the end of the reporting period are included in the groups. When contracts meet the recognition criteria in the groups after the reporting date, they are added to the groups in the reporting period in which they meet the recognition criteria, subject to the annual cohorts' restriction. Composition of the groups is not reassessed in subsequent periods.

Insurance and reinsurance contracts are derecognised when it is:

1. extinguished (that is, when the obligation specified in the insurance contract expires or is discharged or cancelled); or
2. the contract is modified, and additional criteria discussed below are met.

When an insurance contract is modified by the Company as a result of an agreement with the counterparties or due to a change in regulations, the Company treats changes in cash flows caused by the modification as changes in estimates of the FCF, unless the conditions for the derecognition of the original contract are met. The Company derecognises the original contract and recognises the modified contract as a new contract if any of the following conditions are present:

- a) if the modified terms had been included at contract inception and the Company would have concluded that the modified contract:
 - i. is not within the scope of IFRS 17;
 - ii. results in different separable components;
 - iii. results in a different contract boundary; or
 - iv. belongs to a different group of contracts.
- b) the original contract represents an insurance contract with direct participation features, but the modified contract no longer meets that definition.
- c) the original contract was accounted for under the PAA, but the modification means that the contract no longer meets the eligibility criteria for that approach.

When a new contract is required to be recognised as a result of modification and it is within the scope of IFRS 17, the new contract is recognised from the date of modification and is assessed for, amongst other things, contract classification, including the VFA eligibility, component separation requirements and contract aggregation requirements.

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2. Summary of Material Significant Accounting Policies (Continued)

(I) Insurance Operations (Continued)

(iii) Unit of account (Continued)

When an insurance contract not accounted for under the PAA is derecognised from within a group of insurance contracts, the Company:

- a) adjusts the FCF to eliminate the present value of future cash flows and risk adjustment for non-financial risk relating to the rights and obligations removed from the group;
- b) adjusts the CSM (unless the decrease in the FCF is allocated to the loss component of the LRC of the group) in the following manner, depending on the reason for the derecognition:
 - i. if the contract is extinguished, in the same amount as the adjustment to the FCF relating to future service;
 - ii. if the contract is transferred to a third party, in the amount of the FCF adjustment in (a) less the premium charged by the third party; or
 - iii. if the original contract is modified resulting in its derecognition, in the amount of the FCF adjustment for the premium that the Company would have charged if it had entered into a contract with equivalent terms as the new contract at the date of the contract modification, less any additional premium charged for the modification; when recognising the new contract in this case, the Company assumes such a hypothetical premium as actually received; and
- c) adjusts the number of coverage units for the expected remaining insurance contract services, to reflect the number of coverage units removed.

When an insurance contract accounted for under the PAA is derecognised, adjustments to remove related rights and obligations to account for the effect of the derecognition result in the following amounts being charged immediately to net income / (loss):

- a) if the contract is extinguished, any net difference between the derecognised part of the LRC of the original contract and any other cash flows arising from extinguishment;
- b) if the contract is transferred to the third party, any net difference between the derecognised part of the LRC of the original contract and the premium charged by the third party; or
- c) if the original contract is modified resulting in its derecognition, any net difference between the derecognised part of the LRC and the hypothetical premium that the entity would have charged if it had entered into a contract with equivalent terms as the new contract at the date of the contract modification, less any additional premium charged for the modification.

(iv) Measurement

Fulfilment cash flows (FCF) within contract boundary

The FCF are the current estimates of the future cash flows within the contract boundary of a group of contracts that the Company expects to collect from premiums and pay out for claims, benefits and expenses, adjusted to reflect the timing and the uncertainty of those amounts.

The estimates of future cash flows:

- a) represent a probability-weighted mean of the full range of possible outcomes;
- b) are determined from the perspective of the Company, provided that the estimates are consistent with observable market prices for market variables; and
- c) reflect conditions existing at the measurement date.

An explicit risk adjustment for non-financial risk is estimated separately from the other estimates. For contracts measured under the PAA, unless the contracts are onerous, the explicit risk adjustment for non-financial risk is only estimated for the measurement of the LIC.

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2. Summary of Material Significant Accounting Policies (Continued)

(I) Insurance Operations (Continued)

(iv) Measurement (Continued)

Fulfilment cash flows (FCF) within contract boundary (Continued)

The estimates of future cash flows are adjusted using the current discount rates to reflect the time value of money and the financial risks related to those cash flows, to the extent not included in the estimates of cash flows. The discount rates reflect the characteristics of the cash flows arising from the groups of insurance contracts, including timing, currency and liquidity of cash flows. The determination of the discount rate that reflects the characteristics of the cash flows and liquidity characteristics of the insurance contracts requires significant judgement and estimation. Refer to note 3(a)(i).

Discount rate applied for discounting of future cash flows are listed below:

| | | 2023 | | | | |
|-----|--|--------|---------|----------|----------|----------|
| | | 1 Year | 5 Years | 10 Years | 20 Years | 30 Years |
| USD | | 5.89% | 4.80% | 5.29% | 5.36% | 5.36% |
| | | 2022 | | | | |
| | | 1 Year | 5 Years | 10 Years | 20 Years | 30 Years |
| USD | | 6.36% | 5.30% | 5.60% | 5.75% | 5.75% |

Risk of the Company's non-performance is not included in the measurement of groups of insurance contracts issued. In the measurement of reinsurance contracts held, the probability-weighted estimates of the present value of future cash flows reflect the potential credit losses and other disputes of the reinsurer to reflect the non-performance risk of the reinsurer.

The Company estimates certain FCF at the portfolio level or higher and then allocates such estimates to groups of contracts.

The Company uses consistent assumptions to measure the estimates of the present value of future cash flows for the group of reinsurance contracts held and such estimates for the groups of underlying insurance contracts.

Contract boundary

The Company uses the concept of contract boundary to determine what cash flows should be considered in the measurement of groups of insurance contracts.

Cash flows are within the boundary of an insurance contract if they arise from the rights and obligations that exist during the period in which the policyholder is obligated to pay premiums, or the Company has a substantive obligation to provide the policyholder with insurance contract services. A substantive obligation ends when:

- a) the Company has the practical ability to reprice the risks of the particular policyholder or change the level of benefits so that the price fully reflects those risks; or
- b) both of the following criteria are satisfied:
 - the Company has the practical ability to reprice the contract or a portfolio of contracts so that the price fully reflects the reassessed risk of that portfolio; and
 - the pricing of premiums up to the date when risks are reassessed does not reflect the risks related to periods beyond the reassessment date.

With the exception of contracts that change character referred to in the discussion below, the Company does not have any contracts where it has the right to reassess the risk nor to terminate unilaterally at an individual contract level. For certain universal life and health insurance contracts, the Company has the right to reset premiums to reflect expected experience for the product. However, the Company does not have the right to reprice at the portfolio level as it intends on aggregating contracts with the right to reprice with contracts for which it does not have the right to reprice in the same portfolio.

Riders, representing add-on provisions to a basic insurance policy that provide additional benefits to the policyholder at additional cost, that are issued together with the main insurance contracts form part of a single insurance contract with all of the cash flows within its boundary. Some insurance contracts issued by the Company provide policyholders with an option to alter the nature of the contract by exchanging one contract for another, for example, a term life contract being exchanged for a permanent contract or a deferred annuity contract being exchanged for a payout annuity. The Company assesses its practical ability to reprice such insurance contracts in their entirety to determine if the related cash flows are within or outside the insurance contract boundary.

Cash flows outside the insurance contracts boundary relate to future insurance contracts and are recognised when those contracts meet the recognition criteria.

2. Summary of Material Significant Accounting Policies (Continued)

(I) Insurance Operations (Continued)

(iv) Measurement (Continued)

Contract boundary (Continued)

For groups of reinsurance contracts held, cash flows are within the contract boundary if they arise from substantive rights and obligations of the Company that exist during the reporting period in which the Company is compelled to pay amounts to the reinsurer or in which the Company has a substantive right to receive insurance contract services from the reinsurer.

Any direct contract written and ceded during the period covered by the contract boundary becomes an underlying contract for the reinsurance contract. Cash flows falling within the contract boundary will be determined in relation to the cash flows arising from the direct (underlying) contracts. Since most treaties cover the direct contracts, as long as the direct contracts are in force, the associated cash flows will be projected for the life of the direct contracts.

The excess of loss reinsurance contracts held provide coverage for claims incurred during an accident year. Thus, all cash flows arising from claims incurred and expected to be incurred in the accident year are included in the measurement of the reinsurance contracts held.

Cash flows that are not directly attributable to a portfolio of insurance contracts, such as some product development and training costs, are recognised in other operating expenses as incurred.

Insurance acquisition costs

The Company defines acquisition cash flows as cash flows that arise from costs of selling, underwriting and starting a group of insurance contracts (issued or expected to be issued) and that are directly attributable to the portfolio of insurance contracts to which the group belongs.

Insurance acquisition cash flows are allocated to groups of insurance contracts on a systematic and rational basis. Insurance acquisition cash flows that are directly attributable to a group of insurance contracts are allocated:

- a) to that group; and
- b) to groups that will include insurance contracts that are expected to arise from renewals of the insurance contracts in that group.

Insurance acquisition cash flows not directly attributable to a group of contracts but directly attributable to a portfolio of contracts are allocated to groups of contracts in the portfolio.

Insurance acquisition cash flows arising before the recognition of the related group of contracts are recognised as an asset. Insurance acquisition cash flows arise when they are paid or when a liability is required to be recognised under a standard other than IFRS 17. Such an asset is recognised for each group of contracts to which the insurance acquisition cash flows are allocated. The asset is derecognised, fully or partially, when the insurance acquisition cash flows are included in the measurement of the group of contracts.

Insurance acquisition cash flows assets not yet allocated to a group are assessed for recoverability if facts and circumstances indicate that the assets might be impaired. Impairment losses reduce the carrying amount of these assets and are recognised in insurance service expenses. Previously recognised impairment losses are reversed to the extent that the impairment conditions no longer exist or have improved.

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2. Summary of Material Significant Accounting Policies (Continued)

(I) Insurance Operations (Continued)

(iv) Measurement (Continued)

Risk adjustment for non-financial risk

The recoverability assessment is performed in two steps, as follows:

1. an impairment loss is recognised to the extent that the carrying amount of each asset for insurance acquisition cash flows exceeds the expected net cash inflow as determined by the FCF as at initial recognition for the related group of insurance contracts;
2. in addition, when insurance acquisition cash flows directly attributable to a group of contracts are allocated to groups that include expected contract renewals, such insurance acquisition cash flows should not exceed the expected net cash inflow from the expected renewals as determined by the FCF as at initial recognition for the expected renewals; an impairment loss is recognised for the excess to the extent not recognised in step (1) above.

The risk adjustment for non-financial risk is applied to the present value of the estimated future cash flows, and it reflects the compensation that the Company requires for bearing the uncertainty about the amount and timing of the cash flows from non-financial risk as the Company fulfils insurance contracts.

For reinsurance contracts held, the risk adjustment for non financial risk represents the amount of risk being transferred by the Company to the reinsurer.

Methods and assumptions used to determine the risk adjustment for non-financial risk are discussed in note 3.

(v) Initial measurement – Groups of contracts not measured under the PAA

Contractual service margin (CSM)

The CSM is a component of the carrying amount of the asset or liability for a group of insurance contracts issued representing the unearned profit that the Company will recognise as it provides insurance contract services in the future.

At initial recognition, the CSM is an amount that results in no income or expenses (unless a group of contracts is onerous or insurance revenue and insurance service expenses are recognised) and arises from:

- a) the initial recognition of the FCF;
- b) cash flows arising from the contracts in the group at that date; and
- c) the derecognition of any insurance acquisition cash flows asset.

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2. Summary of Material Significant Accounting Policies (Continued)

(I) Insurance Operations (Continued)

(v) Initial measurement – Groups of contracts not measured under the PAA (Continued)

Contractual service margin (CSM) (Continued)

When the above calculation results in a net outflow, the group of insurance contracts issued is onerous. A loss from onerous insurance contracts is recognised in net income / (loss) immediately, with no CSM recognised on the statement of financial position on initial recognition, and a loss component is established in the amount of loss recognised (refer to the "Onerous contracts – Loss component" section in (vi) Subsequent measurement – Company's of contracts not measured under the PAA).

For groups of reinsurance contracts held, any net gain or net cost at initial recognition is recognised as the CSM unless the net cost of purchasing reinsurance relates to past events, in which case the Company recognises the net cost immediately in net income / (loss). For reinsurance contracts held, the CSM represents a deferred gain or loss that the Company will recognise as a reinsurance expense as it receives insurance contract services from the reinsurer in the future and is calculated as the sum of:

- a) the initial recognition of the FCF; and
- b) cash flows arising from the contracts in the group at that date; and
- c) any income recognised in net income / (loss) when the entity recognises a loss on initial recognition of an onerous group of underlying insurance contracts or on addition of onerous underlying insurance contracts to that group.

A loss-recovery component is established or adjusted within the remaining coverage for reinsurance contracts held for the amount of income recognised in (c) above. This amount is calculated by multiplying the loss recognised on underlying insurance contracts by the percentage of claims on underlying insurance contracts that the Company expects to recover from the reinsurance contracts held that are entered into before or at the same time as the loss is recognised on the underlying insurance contracts.

When underlying insurance contracts are included in the same group with insurance contracts issued that are not reinsured, the Company applies a systematic and rational method of allocation to determine the portion of losses that relates to underlying insurance contracts.

For insurance contracts acquired in a portfolio transfer or a business combination within the scope of IFRS 3, at initial recognition, the CSM is an amount that results in no income or expenses arising from:

- a) the initial recognition of the FCF; and
- b) cash flows arising from the contracts in the group at that date, including the fair value of the groups of contracts acquired as at the acquisition date as a proxy of the premiums received.

(vi) Subsequent measurement – Groups of contracts not measured under the PAA

The carrying amount at the end of each reporting period of a group of insurance contracts issued is the sum of:

- a) the LRC, comprising:
 - the FCF related to future service allocated to the group at that date; and
 - the CSM of the group at that date; and
- b) the LIC, comprising the FCF related to past service allocated to the group at the reporting date.

The carrying amount at the end of each reporting period of a group of reinsurance contracts held is the sum of:

- a) the asset for remaining coverage, comprising:
 - the FCF related to future service allocated to the group at that date; and
 - the CSM of the group at that date; and
- b) the asset for the incurred claims, comprising the FCF related to past service allocated to the group at the reporting date.

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2. Summary of Material Significant Accounting Policies (Continued)

(I) Insurance Operations (Continued)

(vi) Subsequent measurement – Groups of contracts not measured under the PAA (Continued)

Changes in fulfilment cash flows

The FCF are updated by the Company for current assumptions at the end of every reporting period, using the current estimates of the amount, timing and uncertainty of future cash flows and of discount rates.

The way in which the changes in estimates of the FCF are treated depends on which estimate is being updated:

- a) changes that relate to current or past service are recognised in net income / (loss); and
- b) changes that relate to future service are recognised by adjusting the CSM or the loss component within the LRC as per the policy below.

For insurance contracts under the GMM, the following adjustments relate to future service and thus adjust the CSM:

- a) experience adjustments – arising from premiums received in the period that relate to future service and related cash flows such as insurance acquisition cash flows and premium-based taxes;
- b) changes in estimates of the present value of future cash flows in the LRC, determined by comparing
 - (i) the actual investment component that becomes payable in a period with
 - (ii) the payment in the period that was expected at the start of the period plus any insurance finance income or expenses related to that expected payment before it becomes payable; and
- c) changes in the risk adjustment for non-financial risk that relate to future service.

Adjustments (a), (b) and (c) above are measured using discount rates determined on initial recognition (the locked-in discount rates).

For insurance contracts under the GMM, the following adjustments do not adjust the CSM:

- a) changes in the FCF for the effect of the time value of money and the effect of financial risk and changes thereof;
- b) changes in the FCF relating to the LIC;
- c) experience adjustments – arising from premiums received in the period that do not relate to future service and related cash flows, such as insurance acquisition cash flows and premium-based taxes; and
- d) experience adjustments relating to insurance service expenses (excluding insurance acquisition cash flows).

For insurance contracts under the VFA, the following adjustments relate to future service and thus adjust the CSM:

- a) changes in the amount of the Company's share of the fair value of the underlying items; and
- b) changes in the FCF that do not vary based on the returns of underlying items:
 - i. changes in the effect of the time value of money and financial risks including the effect of financial guarantees;
 - ii. experience adjustments arising from premiums received in the period that relate to future service and related cash flows, such as insurance acquisition cash flows and premium-based taxes;
 - iii. changes in estimates of the present value of future cash flows in the LRC, determined by comparing (i) the actual investment component that becomes payable in a period with (ii) the payment in the period that was expected at the start of the period plus any insurance finance income or expenses related to that expected payment before it becomes payable;
 - iv. differences between loans to a policyholder expected to become repayable in the period and the actual loan to a policyholder that becomes repayable in the period and
 - v. changes in the risk adjustment for non-financial risk that relate to future service

Adjustments (ii)-(vi) are measured using the current discount rates.

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2. Summary of Material Significant Accounting Policies (Continued)

(I) Insurance Operations (Continued)

(vi) Subsequent measurement – Groups of contracts not measured under the PAA (Continued)

Changes in fulfilment cash flows (Continued)

For insurance contracts under the VFA, the following adjustments do not adjust the CSM:

- a) changes in the obligation to pay the policyholder the amount equal to the fair value of the underlying items;
- b) changes in the FCF that do not vary based on the returns of underlying items:
 - i. changes in the FCF relating to the LIC; and
 - ii. experience adjustments arising from premiums received in the period that do not relate to future service and related cash flows, such as insurance acquisition cash flows and premium-based taxes; and
- iii. experience adjustments relating to insurance service expenses (excluding insurance acquisition cash flows).

For insurance contracts issued, at the end of each reporting period the carrying amount of the CSM is adjusted by the Company to reflect the effect of the following changes:

- a) The effect of any new contracts added to the group.
- b) For contracts measured under the GMM, interest accreted on the carrying amount of the CSM.
- c) Changes in the FCF relating to future service are recognised by adjusting the CSM. Changes in the FCF are recognised in the CSM to the extent that the CSM is available. When an increase in the FCF exceeds the carrying amount of the CSM, the CSM is reduced to zero, the excess is recognised in insurance service expenses and a loss component is recognised within the LRC. When the CSM is zero, changes in the FCF adjust the loss component within the LRC with correspondence to insurance service expenses. The excess of any decrease in the FCF over the loss component reduces the loss component to zero and reinstates the CSM.
- d) The amount recognised as insurance revenue for insurance contract services provided during the period, determined after all other adjustments above.

The Company prepares financial statements on a quarterly basis. The Company has elected to treat every quarter as a discrete interim reporting period, and estimates made by the Company in previous interim periods are not changed when applying IFRS 17 in subsequent interim periods or in the annual financial statements.

For reinsurance contracts held, at the end of each reporting period, the carrying amount of the CSM is adjusted by the Company to reflect the effect of the following changes:

- a) The effect of any new contracts added to the group.
- b) Interest accreted on the carrying amount of the CSM.
- c) Income recognised in the statement of income when the entity recognises a loss on initial recognition of an onerous group of underlying insurance contracts or on addition of onerous underlying insurance contracts to that group. A loss-recovery component is established or adjusted within the remaining coverage for reinsurance contracts held for the amount of income recognised.
- d) Reversals of a loss-recovery component other than changes in the FCF of reinsurance contracts held.
- e) Changes in the FCF, to the extent that the change relates to future service, unless the change results from a change in FCF allocated to a group of underlying insurance contracts that does not adjust the CSM for the group of underlying insurance contracts.
- f) The amount recognised in net income / (loss) for insurance contract services received during the period, determined after all other adjustments above.

Income referred to in (c) above is calculated by multiplying the loss recognised on underlying insurance contracts by the percentage of claims on underlying insurance contracts that the Company expects to recover from the reinsurance contract held that is entered into before or at the same time as the loss is recognised on the underlying insurance contracts.

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2. Summary of Material Significant Accounting Policies (Continued)

(I) Insurance Operations (Continued)

(vi) Subsequent measurement – Groups of contracts not measured under the PAA (Continued)

Interest accretion on the CSM

Under the GMM, interest is accreted on the CSM using an average discount rate determined at initial recognition that is applied to nominal cash flows that do not vary based on the returns of underlying items. The discount rate used for accretion of interest on the CSM is determined using the top-down approach. The locked-in discount rate for a group is determined as the average of the discount rates applied at the beginning and ending of each period.

Adjusting the CSM for changes in the FCF relating to future service

The CSM is adjusted for changes in the FCF, measured applying the discount rates as specified in the Changes in fulfilment cash flows section earlier.

Release of the CSM to net income / (loss)

The amount of the CSM recognised in net income / (loss) for insurance contract services in the period is determined by the allocation of the CSM remaining at the end of the reporting period over the current and remaining expected coverage period of the group of insurance contracts based on coverage units.

The coverage period is defined as a period during which the entity provides insurance contract services. Insurance contract services include coverage for an insured event (insurance coverage), the generation of an investment return for the policyholder, if applicable (investment-return service) for the contracts under the GMM, and the management of underlying items on behalf of the policyholder (investment-related service) for the contracts under the VFA. The period of investment-return service or investment-related service ends at or before the date when all amounts due to current policyholders relating to those services have been paid. Investment-return services are provided only when an investment component exists in insurance contracts or the policyholder has a right to withdraw an amount, and the Company expects these amounts to include an investment return that is achieved by the Company by performing investment activities to generate that investment return.

The total number of coverage units in a group is the quantity of service provided by the contracts in the group over the expected coverage period. The coverage units are determined at each reporting period-end prospectively by considering:

- a) the quantity of benefits provided by contracts in the group;
- b) the expected coverage period of contracts in the group; and
- c) the likelihood of insured events occurring, only to the extent that they affect the expected coverage period of contracts in the group.

The Company uses the amount that it expects the policyholder to be able to validly claim in each period if an insured event occurs as the basis for the quantity of benefits with respect to insurance coverage. For investment-return and investment-related services, policyholders' account values are used to determine the quantity of benefits provided.

The Company determines coverage units as follows:

| Product | Coverage Units |
|---|--|
| Traditional Life contracts | Sum insured |
| Universal Life contracts | Net amount at risk and fund value |
| Living Benefits | Sum insured |
| Accumulation annuities, Payout annuities, Endowment without direct participation features | Greater of maturity benefit or sum insured and Payout for Payout annuities |
| Variable endowments with direct participation features | Sum insured plus fund value |

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2. Summary of Material Significant Accounting Policies (Continued)

(I) Insurance Operations (Continued)

(vi) Subsequent measurement – Groups of contracts not measured under the PAA (Continued)

Release of the CSM to net income / (loss) (Continued)

The Company reflects the time value of money in the allocation of the CSM to coverage units, using discount rates determined at initial recognition that are applied to nominal cash flows that do not vary based on the returns of underlying items, except for contracts measured under the VFA which use the current discount rate.

For reinsurance contracts held, the CSM is released to net income / (loss) as insurance contract services are received from the reinsurer in the period.

The coverage period for these reinsurance contracts is determined based on the coverage period of all underlying contracts whose cash flows are included in the reinsurance contract boundary. Refer to the Contract boundary section in note 2(l)(iv) above.

Onerous contracts – Loss component

When negative adjustments to the CSM exceed the amount of the CSM, the group of contracts becomes onerous and the Company recognises the excess in insurance service expenses, and it records the excess as a loss component of the LRC.

When a loss component exists, the Company allocates the following between the loss component and the remaining component of the LRC for the respective group of contracts, based on the ratio of the loss component to the FCF relating to the expected future cash outflows:

- a) expected incurred claims and other liability and other directly attributable expenses for the period;
- b) changes in the risk adjustment for non-financial risk for the risk expired; and
- c) finance income (expenses) from insurance contracts issued.

The amounts of loss component allocation in (a) and (b) above reduce the respective components of insurance revenue and are reflected in insurance service expenses.

Decreases in the FCF relating to the future in subsequent periods reduce the remaining loss component and reinstate the CSM after the loss component is reduced to zero. Increases in the FCF relating to the future in subsequent periods increase the loss component.

When the Company recognises a loss on initial recognition of an onerous group of underlying insurance contracts or on addition of onerous underlying insurance contracts to that group, a loss-recovery component is established or adjusted within the asset for remaining coverage for reinsurance contracts held. The loss-recovery component results in an amount immediately recognised within the statement of income within the net income (expense) from reinsurance contracts held.

Subsequently, the loss-recovery component is adjusted to reflect changes in the loss component of an onerous group of underlying insurance contracts. The loss-recovery component is further adjusted, if required, to ensure that it does not exceed the portion of the carrying amount of the loss component of the onerous group of underlying insurance contracts that the Company expects to recover from the group of reinsurance contracts held.

(vii) Initial and subsequent measurement – Groups of contracts measured under the PAA

The Company has determined that all contracts within the Group Life and Health lines of business (with the exception of the Single premium group creditor products) have a coverage period of one year or less and are therefore automatically eligible for PAA. The Company does not have contracts that have a coverage period of more than one year that are measured under PAA.

For insurance contracts issued, insurance acquisition cash flows allocated to a group are deferred and recognised over the coverage period of contracts in a group.

For reinsurance contracts held, on initial recognition, the Company measures the remaining coverage at the amount of ceding premiums paid.

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2. Summary of Material Significant Accounting Policies (Continued)

(I) Insurance Operations (Continued)

(vii) Initial and subsequent measurement – Groups of contracts measured under the PAA (Continued)

The carrying amount of a group of insurance contracts issued at the end of each reporting period is the sum of:

- a) the LRC; and
- b) the LIC, comprising the FCF related to past service allocated to the group at the reporting date.

The carrying amount of a group of reinsurance contracts held at the end of each reporting period is the sum of:

- a) the asset for remaining coverage; and
- b) the asset for incurred claims, comprising the FCF related to past service allocated to the group at the reporting date.

For non-onerous insurance contracts issued, at each of the subsequent reporting dates, the LRC is:

- a) increased for premiums received in the period
- b) decreased for insurance acquisition cash flows paid in the period;
- c) decreased for the amounts of expected premium receipts recognised as insurance revenue for the services provided in the period; and
- d) increased for the amortisation of insurance acquisition cash flows in the period recognised as insurance service expenses.

For reinsurance contracts held, at each of the subsequent reporting dates, the remaining coverage is:

- a) increased for ceding premiums paid in the period;
- b) decreased for the expected amounts of ceding premiums recognised as reinsurance expenses for the services received in the period.

The Company does not adjust the LRC for insurance contracts issued and the remaining coverage for reinsurance contracts held for the effect of the time value of money, because insurance premiums are due within the coverage period of contracts, which is one year or less. The Company has determined that for all groups of contracts issued for which there is no significant financing component, the LRC will not be discounted. At the inception of the contract, the Company considers the facts and circumstances, with the use of judgement, to determine if there is a significant financing component.

The Company adjusts the remaining coverage for reinsurance contracts held for the effect of the risk of reinsurer's non-performance. The Company will reflect non-performance of reinsurers where it holds a net asset for the reinsurance treaty or where the reinsurance treaty does not provide the right of offset.

There are no investment components within insurance contracts issued and reinsurance contracts held that are measured under the PAA.

For contracts measured under the PAA and GMM, the LIC is measured similarly. Future cash flows are adjusted for the time value of money.

If facts and circumstances indicate that a group of insurance contracts measured under the PAA is onerous on initial recognition or becomes onerous subsequently, the Company increases the carrying amount of the LRC to the amounts of the FCF determined using a methodology similar to the GMM with the amount of such an increase recognised in insurance service expenses, and a loss component is established for the amount of the loss recognised. Subsequently, the loss component is remeasured at each reporting date as the difference between the amounts of the FCF determined using a methodology similar to the GMM relating to the future service and the carrying amount of the LRC without the loss component.

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2. Summary of Material Significant Accounting Policies (Continued)

(I) Insurance Operations (Continued)

(viii) Amounts recognised in the statement of income within the insurance service result

When a loss is recognised on initial recognition of an onerous group of underlying insurance contracts or on addition of onerous underlying insurance contracts to that group, the carrying amount of the asset for remaining coverage for reinsurance contracts held measured under the PAA is increased by the amount of income recognised in net income / (loss) and a loss-recovery component is established or adjusted for the amount of income recognised. The referred income is calculated by multiplying the loss recognised on underlying insurance contracts by the percentage of claims on underlying insurance contracts that the Company expects to recover from the reinsurance contract held that are entered into before or at the same time as the loss is recognised on the underlying insurance contracts.

Insurance revenue

As the Company provides insurance contract services under the group of insurance contracts, it reduces the LRC and recognises insurance revenue. The amount of insurance revenue recognised in the reporting period depicts the transfer of promised services at an amount that reflects the portion of consideration that the Company expects to be entitled to in exchange for those services.

For contracts not measured under the PAA, insurance revenue comprises the following:

- Amounts relating to the changes in the LRC:
 - a) claims and other directly attributable expenses incurred in the period measured at the amounts expected at the beginning of the period, excluding:
 - i. amounts allocated to the loss component;
 - ii. repayments of investment components and policyholder rights to withdraw an amount
 - iii. insurance acquisition expenses; and
 - iv. amounts related to the risk adjustment for non-financial risk (see (b));
 - b) changes in the risk adjustment for non-financial risk, excluding:
 - i. changes included in insurance finance income (expenses);
 - ii. changes that relate to future coverage (which adjust the CSM); and
 - iii. amounts allocated to the loss component;
 - c) the CSM release.

In period cash-flow variance would go through CSM if they are investment component, premium related or policy loan cash flow variances.

Insurance acquisition cash flows recovery is determined by allocating the portion of premiums related to the recovery of those cash flows based on the applicable coverage units of each group.

For groups of insurance contracts measured under the PAA, the Company recognises insurance revenue based on the passage of time over the coverage period of a group of contracts.

Insurance service expenses include the following:

- a) incurred claims and benefits, excluding investment component and policy loans, reduced by loss component allocations;
- b) insurance acquisition cash flows amortisation;
- c) changes that relate to past service – changes in the FCF relating to the LIC; and
- d) changes that relate to future service – changes in the FCF that result in onerous contract losses or reversals of those losses; and
- e) insurance acquisition cash flows assets impairment net of reversals.

For contracts not measured under the PAA, amortisation of insurance acquisition cash flows is reflected in insurance service expenses in the same amount as insurance acquisition cash flows recovery reflected within insurance revenue, as described above.

Other expenses not meeting the above categories are included in other operating expenses in the statement of income.

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2. Summary of Material Significant Accounting Policies (Continued)

(I) Insurance Operations (Continued)

(viii) Amounts recognised in the statement of income within the insurance service result (Continued)

Net income (expenses) from reinsurance contracts held

The Company presents financial performance of groups of reinsurance contracts held on a net basis in net income (expenses) from reinsurance contracts held, comprising the following amounts:

- a) ceding premiums paid;
- b) incurred claims recovery, excluding investment components reduced by loss-recovery component allocations;
- c) changes that relate to past service – changes in the FCF relating to incurred claims recovery;
- d) effect of changes in the risk of reinsurers' non-performance; and
- e) amounts relating to accounting for onerous groups of underlying insurance contracts issued:
 - i. income on initial recognition of onerous underlying contracts;
 - ii. reinsurance contracts held under the GMM: reversals of a loss-recovery component other than changes in the FCF of reinsurance contracts held; and
 - iii. reinsurance contracts held under the GMM: changes in the FCF of reinsurance contracts held from onerous underlying contracts.

Ceding premiums (reinsurance expenses) are recognised similarly to insurance revenue. The amount of reinsurance expenses recognised in the reporting period depicts the transfer of received insurance contract services at an amount that reflects the portion of ceding premiums that the Company expects to pay in exchange for those services.

For groups of reinsurance contracts held measured under the PAA, the Company recognises reinsurance expenses based on the passage of time over the coverage period of a group of contracts.

For contracts measured under the GMM, reinsurance expenses comprise the following amounts relating to the changes in the remaining coverage:

- a) claims and other directly attributable expenses recovery in the period, measured at the amounts expected to be incurred at the beginning of the period, excluding:
 - i. amounts allocated to the loss-recovery component;
 - ii. amounts related to the risk adjustment for non-financial risk (see (b));
- b) changes in the risk adjustment for non-financial risk, excluding:
 - i. changes included in finance income (expenses) from reinsurance contracts held;
 - ii. changes that relate to future coverage (which adjust the CSM); and
 - iii. amounts allocated to the loss-recovery component;
- c) amounts of the CSM recognised for the services received in the period; and
- d) experience adjustments – arising from premiums paid in the period other than those that relate to future service.

Ceding commissions that are not contingent on claims of the underlying contracts issued reduce ceding premiums and are accounted for as part ceding premiums (reinsurance expenses). Ceding commissions that are contingent on claims of the underlying contracts issued increase incurred claims recovery.

(x) Amounts recognised in the statement of income within net insurance finance income / expenses

Insurance finance income or expenses

Insurance finance income or expenses comprise the change in the carrying amount of the group of insurance and reinsurance contracts arising from:

- a) the effect of the time value of money and changes in the time value of money; and
- b) the effect of financial risk and changes in financial risk.

For contracts measured under the GMM, the main amounts within insurance finance income or expenses are:

- a) interest accreted on the FCF and the CSM; and
- b) the effect of changes in interest rates and other financial assumptions.

For contracts measured under the VFA, insurance finance income or expenses include changes in the value of underlying items (excluding additions and withdrawals).

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2. Summary of Material Significant Accounting Policies (Continued)

(l) Insurance Operations (Continued)

(x) Amounts recognised in the statement of income within net insurance finance income / expenses (Continued)

Insurance finance income or expenses (Continued)

For contracts measured under the PAA, the main amounts within insurance finance income or expenses are:

- a) interest accreted on the LIC; and
- b) the effect of changes in interest rates and other financial assumptions.

The Company disaggregates changes in the risk adjustment for non-financial risk between insurance service result and insurance finance income or expenses.

The Company includes all insurance finance income or expenses for the period in net income / (loss) (that is, the profit or loss option (the PL option) is applied).

Amounts on deposit and deposit administration funds

These funds are managed by the company but are not legally separated from the general operations. The assets and liabilities of these funds are included in these financial statements. These liabilities are recognised initially at fair value and subsequently measured at amortised cost. The company earns administration and investment fees on the management of these funds.

Premium Taxes

Premium taxes (i.e. transaction-based taxes) are cash flows within the boundary of an insurance contract and relate directly to the fulfilment of the insurance contract.

(l) Provision

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

(m) Revenue recognition

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

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

(i) Fee Income

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

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

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

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2. Summary of Material Significant Accounting Policies (Continued)

(n) Offsetting of financial instruments

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

(o) Dividend distribution

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

2. Summary of Significant Accounting Policies (Continued)

(p) Securities purchased under agreements to resell

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

The difference between sale and repurchase price is treated as interest and accrued over the life of the agreements using the effective interest method.

(q) Consolidation

The company holds 100% of the issued share capital of Sagicor Insurance Managers Ltd, a company incorporated in Grand Cayman. The company has elected not to present consolidated financial statements in accordance with the exemption permitted in IFRS 10, 'Consolidated financial statements', as it and its subsidiary are included by full consolidation in the consolidated financial statements of its ultimate parent, Sagicor Financial Company Limited (SFC) which is incorporated in Bermuda and listed on the Barbados and Toronto Stock Exchanges. The consolidated financial statements of SFC are publicly available.

(r) Presentation of current and non-current assets and liabilities

In Note 23(c) (ii), the maturity profiles of financial and insurance assets and liabilities are identified.

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3. Critical Accounting Estimates and Judgements in Applying Accounting Policies

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

(a) Key sources of estimation uncertainty

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

(i) Insurance and reinsurance contracts

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below. The Company based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

Contracts not measured under PAA

- **Areas of Judgement**

Areas of judgement which broadly impact the Company's reporting include definition and classification of insurance contracts, the unit of account identified in which insurance contracts are assessed, and the level of aggregation applied for measurement and reporting purposes. Specific areas of judgement and estimates impacting contracts not measured under PAA are described in subsequent notes.

- **Definition and classification**

- Whether contracts are within the scope of IFRS 17 and, for contracts determined to be within the scope of IFRS 17, what measurement model is applicable. The Company was required to determine the classification of contracts issued in Participating product lines as insurance or investment contracts.
- Whether a contract issued accepts significant insurance risk and, similarly, whether a reinsurance contract held transfers significant insurance risk. The Company issues investment contracts with discretionary participation features. In assessing whether these are within the scope of IFRS 17, the Company assessed if the discretionary amount is a significant amount of the total benefits.
- Whether contracts that were determined to be within the scope of IFRS 17 meet the definition of an insurance contract with direct participation features, particularly:
 - o whether the pool of underlying items is clearly identified;
 - o whether amounts that an entity expects to pay to the policyholders constitute a substantial share of the fair value returns on the underlying items; and
 - o whether the Company expects the proportion of any change in the amounts to be paid to the policyholders that vary with the change in fair value of the underlying items to be substantial.

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3 Critical Accounting Estimates and Judgements in Applying Accounting Policies

(a) Key sources of estimation uncertainty (Continued)

(i) Insurance and reinsurance contracts (Continued)

Contracts not measured under PAA (Continued)

- **Areas of Judgement (Continued)**

- **Unit of account**

The Company was required to make judgements involved in combination of insurance contracts and separation of distinct components:

- Combination of insurance contracts - whether the contracts with the same or related counterparty achieve or are designed to achieve, an overall commercial effect and require combination.
 - Separation – whether components in a contract are distinct (that is, they meet the separation criteria).
 - Separation of contracts with multiple insurance coverage – whether there are facts and circumstances where the legal form of an insurance contract does not reflect the substance and separation is required.

- **Insurance contracts aggregation**

The Company was required to make judgements involved in the identification of portfolios of contracts (that is, having similar risks and being managed together) This included the aggregation of insurance contracts issued on initial recognition into groups of onerous contracts, groups of contracts with no significant possibility of becoming onerous, and groups of other contracts and a similar grouping assessment for reinsurance contracts held.

Areas of judgements include:

- The determination of contract sets within portfolios and whether the Company has reasonable and supportable information to conclude that all contracts within a set would fall into the same group; and
 - Judgements might be applied on initial recognition to distinguish between non-onerous contracts (those having no significant possibility of becoming onerous) and other contracts.

For contracts not measured under the PAA, the assessment of the likelihood of adverse changes in assumptions that might result in contracts becoming onerous is an area of judgement.

- **The methods used to measure insurance contracts**

The Company primarily uses deterministic approach to estimate the present value of future cash flows.

The following assumptions were used when estimating future cash flows:

- (i) Mortality and morbidity rates (life insurance and reinsurance business)

Assumptions are based on standard industry and national tables, (tables from the Canadian Institute of Actuaries) according to the type of contract written and the territory in which the insured person resides. They reflect recent historical experience and are adjusted when appropriate to reflect the Company's own experiences. An appropriate, but not excessive, allowance is made for expected future improvements. Assumptions are differentiated by policyholder gender, underwriting class and contract type.

An increase in expected mortality and morbidity rates will increase the expected claim cost which will reduce future expected profits of the Company.

- (ii) Longevity

Assumptions are based on standard industry and national tables, adjusted when appropriate to reflect the Company's own risk experience. An appropriate, but not excessive, allowance is made for expected future improvements. Assumptions are differentiated by a number of factors including (but not limited to) policyholder gender, underwriting class and contract type. An increase in expected longevity will lead to an increase in expected cost of annuity payments which will reduce future expected profits of the Company.

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

(a) Key sources of estimation uncertainty (Continued)

(i) Insurance and reinsurance contracts (Continued)

Contracts not measured under PAA (Continued)

- The methods used to measure insurance contracts(Continued)

(iii) Expenses

Operating expenses assumptions reflect the projected costs of maintaining and servicing in-force policies and associated overhead expenses. The current level of expenses is taken as an appropriate expense base, adjusted for expected expense inflation if appropriate. Inflation is considered a non-financial assumption and is derived from the long run expense increases based on the Company's experience and management's expectation of the related expense control measures.

The cash flows within the contract boundary include an allocation of fixed and variable overheads directly attributable to fulfilling insurance contracts. Such overheads are allocated to groups of contracts using methods that are systematic and rational. The overheads are also consistently applied to all costs that have similar characteristics. An increase in the expected level of expenses will reduce future expected profits of the Company.

(iv) Lapse and surrender rates

Lapses relate to the termination of policies due to non-payment of premiums. Surrenders relate to the voluntary termination of policies by policyholders. Policy termination assumptions are determined using statistical measures based on the Company's experience and vary by product type, policy duration and sales trends.

An increase in lapse rates early in the life of the policy would tend to reduce profits of the Company.

- Discount rates

Life insurance contract liabilities are calculated by discounting expected future cash flows. Discount rates are composed of an observable component, an assumed ultimate discount rate and interpolation between the two.

During the observable period, a top down approach was used, where the discount rate is determined as the yield implicit in the fair value of a reference portfolio adjusted for differences between the reference portfolio of assets and respective liability cash flows. Reference portfolios were selected to reflect the currency of the liabilities, the Company's investment strategies and the characteristics of the liabilities and are comprised of a mix of sovereign and corporate bonds available on the markets. The yield from the reference portfolio is adjusted to remove both expected and unexpected credit risk and, where applicable, other asset characteristics that are not related to the insurance contract liabilities. These adjustments are estimated using information from observed historical levels of default for bonds included in the reference portfolio.

Where cash flows vary with an underlying, cash flows are projected assuming returns on the underlying that are consistent with the discount rate.

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

(a) Key sources of estimation uncertainty (Continued)

(i) Insurance and reinsurance contracts (Continued)

Contracts not measured under PAA (Continued)

- Risk adjustment for non-financial risk

The risk adjustment for non-financial risk represents the compensation that the Company requires for bearing the uncertainty about the amount and timing of the cash flows of groups of insurance contracts and covers insurance risk, lapse risk and expense risk. The risk adjustment reflects an amount that an insurer would rationally pay to remove the uncertainty that future cash flows will exceed the best estimate amount. For reinsurance contracts held, the risk adjustment for non financial risk represents the amount of risk being transferred by the Company to the reinsurer.

The Company has estimated the risk adjustment using a margin approach, calibrated to the cost of capital and target confidence levels. The margin approach involves applying shocks to the insurance assumptions used to project expected cash flows so as to produce an increase in the FCF. Shocks are selected using the projected cost of insurance risk capital such that the resulting risk adjustment falls within the Company's target confidence level range.

The risk adjustment for insurance and reinsurance contracts corresponds to a confidence level between 80% to 90% (2022 - between 80% to 90%).

- Amortisation of the Contractual Service Margin

The CSM is a component of the asset or liability for the group of insurance contracts that represents the unearned profit the Company will recognise as it provides services in the future. An amount of the CSM for a group of insurance contracts is recognised in net income / (loss) as insurance revenue in each period to reflect the insurance contract services provided under the group of insurance contracts in that period. The amount is determined by:

Identifying the coverage units in the group;

Allocating the CSM at the end of the period (before recognising any amounts in net income / (loss) to reflect the insurance contract services provided in the period) equally to each coverage unit provided in the current period and expected to be provided in the future;

Recognising in net income / (loss) the amount allocated to coverage units provided in the period.

The number of coverage units in a group is the quantity of insurance contract services provided by the contracts in the group, determined by considering the quantity of the benefits provided and the expected coverage period. For groups of insurance contracts, the quantity of benefits is the contractually agreed sum insured, maturity benefit or payout over the period of the contracts.

The total coverage units of each group of insurance contracts are reassessed at the end of each reporting period to adjust for the reduction of remaining coverage for claims paid, expectations of lapses and cancellation of contracts in the period. They are then allocated based on probability-weighted average duration of each coverage unit provided in the current period and expected to be provided in the future.

For reinsurance contracts held, the CSM amortisation is similar to the reinsurance contracts issued and reflects the expected pattern of underwriting of the underlying contracts because the level of service provided depends on the number of underlying contracts in-force.

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

(a) Key sources of estimation uncertainty (Continued)

(i) Insurance and reinsurance contracts (Continued)

Contracts not measured under PAA (Continued)

- Assets for insurance acquisition cash flows

The Company applies judgement in determining the inputs used in the methodology to systematically and rationally allocate insurance acquisition cash flows to groups of insurance contracts. This includes judgements about whether insurance contracts are expected to arise from renewals of existing insurance contracts and, where applicable, the amount to be allocated to groups including future renewals and the volume of expected renewals from new contracts issued in the period. Insurance acquisition cash flows assets not yet allocated to a group are assessed for recoverability if facts and circumstances indicate that the assets might be impaired. Impairment losses reduce the carrying amount of these assets and are recognised in insurance service expenses. Previously recognised impairment losses are reversed to the extent that the impairment conditions no longer exist or have improved.

- Determination of IFRS 17 Transition Amount

The Company has adopted IFRS 17 retrospectively, applying alternative transition methods where the full retrospective approach was impracticable. The full retrospective approach was mostly applied to insurance contracts in force at the transition date that were originated less than 5 years prior to transition. The fair value approach was applied in circumstances where the full retrospective approach was impracticable. The transition approach was determined at the level of group of insurance contracts and affected the approach to calculating the CSM on initial adoption of IFRS 17 as follows:

- Full retrospective approach

The CSM at initial recognition is based on initial assumption when groups of contracts were recognised and rolled forward to the date of transition as if IFRS 17 has always been applied.

- Fair value approach

The CSM (or the loss component) is determined as the difference between the fair value of the group of insurance contracts and the fulfilment cash flows measured at the transition date.

For all contracts measured under the fair value approach, the Company used reasonable and supportable information available at January 01, 2022 to determine:

- how to identify groups of contracts;
- whether a contract meets the definition of a direct participating contract; and
- how to identify discretionary cash flows for contracts without direct participation features.

A group of contracts for fair value measurement includes contracts from multiple cohorts and years into a single unit for accounting purposes. For these groups, the discount rates on initial recognition were determined at January 01, 2022 instead of at the date of initial recognition.

In determining the fair value, the Company has applied the requirements of IFRS 13, Fair Value Measurement. An embedded value approach was used to determine the fair value of groups of insurance contracts for the purposes of applying the fair value approach. The embedded value is defined to be (a) the fulfilment cash flows plus (b) the cost of capital required to support the insurance contracts less (c) the value of the profits expected to emerge as the obligation is satisfied. The fair value for reinsurance contracts held was determined under the presumption that the market participant is the same market participant that would purchase the underlying direct contracts.

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

(a) Key sources of estimation uncertainty (Continued)

(i) Insurance and reinsurance contracts (Continued)

Contracts not measured under PAA (Continued)

- **Determination of IFRS 17 Transition Amount (Continued)**

For groups of reinsurance contracts covering onerous underlying contracts, the loss-recovery component within the asset for remaining coverage was determined at the transition date by multiplying the loss component of the liability for remaining coverage for the underlying insurance contracts at that date and the percentage of claims for the underlying insurance contracts the Company expects to recover from the reinsurance contracts held.

Contracts measured under PAA

- **Areas of Judgement**

Areas of judgement which broadly impact the Company's reporting include definition and classification of insurance contracts, the unit of account identified in which insurance contracts are assessed, and the level of aggregation applied for measurement and reporting purposes. Specific areas of judgement and estimates impacting contracts measured under PAA are described in subsequent notes.

For insurance contracts with a coverage period of more than one year and for which the entity applies the PAA, the eligibility assessment might involve significant judgement. All contracts measured by the Company under the PAA have a coverage period of one year or less. Thus, no assessment for the PAA is separately required and no judgement was involved. For contracts measured under the PAA, the assessment of the likelihood of adverse changes in applicable facts and circumstances is an area of judgement.

For insurance contracts issued measured under the PAA, management judgement might be required to assess whether facts and circumstances indicate that a group of contracts has become onerous. Further, judgement is required to assess whether facts and circumstances indicate that any changes in the onerous group's profitability and whether any loss component remeasurement is required.

The determination of whether laws or regulations constrain the Company's practical ability to set a different price or level of benefits for policyholders with different risk profiles, so that the Company might include such contracts in the same group, disregarding the aggregation requirements, is an area of judgement.

All contracts measured by the Company were determined to be non-onerous on initial recognition.

- **Insurance and reinsurance contracts**

The Company applies the PAA to simplify the measurement of insurance contracts in its group life and health insurance portfolios. When measuring liabilities for remaining coverage, the PAA is broadly similar to the Company's previous accounting treatment under IFRS 4. However, when measuring liabilities for incurred claims, the Company has elected not to discount the cash flows within the LIC for certain groups of contracts where the cash flows are expected to be paid within a year of the date on which the claim is incurred. For all groups of contracts, the Company includes an explicit risk adjustment for non-financial risk.

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

(a) Key sources of estimation uncertainty (Continued)

(i) Insurance and reinsurance contracts (Continued)

Contracts measured under PAA (Continued)

- **Liability for incurred claims**

The ultimate cost of outstanding claims is estimated by using a range of standard actuarial claims projection techniques, such as Chain Ladder and Bornheutter-Ferguson methods.

The main assumption underlying these techniques is that a Company's past claims development experience can be used to project future claims development and hence ultimate claims costs. These methods extrapolate the development of paid and incurred losses, average costs per claim (including claims handling costs), and claim counts based on the observed development of earlier years and expected loss ratios. Historical claims development is mainly analysed by accident years, but can also be further analysed by geographical area, as well as by significant business lines and claim types. Large claims are usually separately addressed, either by being reserved at the face value of loss adjuster estimates or separately projected in order to reflect their future development. In most cases, no explicit assumptions are made regarding future rates of claims inflation or loss ratios. Instead, the assumptions used are those implicit in the historical claims development data on which the projections are based. Additional qualitative judgement is used to assess the extent to which past trends may not apply in future, (e.g., to reflect one-off occurrences, changes in external or market factors such as public attitudes to claiming, economic conditions, levels of claims inflation, judicial decisions and legislation, as well as internal factors such as portfolio mix, policy features and claims handling procedures) in order to arrive at the estimated ultimate cost of claims that present the probability weighted expected value outcome from the range of possible outcomes, taking account of all the uncertainties involved.

Other key circumstances affecting the reliability of assumptions include variation in interest rates, delays in settlement and changes in foreign currency exchange rates.

- **Risk adjustment for non-financial risk**

The risk adjustment for non-financial risk is the compensation that the Company requires for bearing the uncertainty about the amount and timing of the cash flows of groups of insurance contracts. The risk adjustment reflects an amount that an insurer would rationally require to remove the uncertainty that future cash flows will exceed the expected value amount.

The Company has estimated the risk adjustment by using the margin approach. Risk adjustment percentages were determined according to a confidence level range of 85% to 95%.

- **Assets for insurance acquisition cash flows**

The Company applies judgement in determining the inputs used in the methodology to systematically and rationally allocate insurance acquisition cash flows to groups of insurance contracts. This includes judgements about the amounts allocated to insurance contracts expected to arise from renewals of existing insurance contracts in a group and the volume of expected renewals from new contracts issued in the period.

At the end of each reporting period, the Company revisits the assumptions made to allocate insurance acquisition cash flows to groups and where necessary revises the amounts of assets for insurance acquisition cash flows accordingly.

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

(a) Key sources of estimation uncertainty (Continued)

(ii) Estimated impairment of intangible assets

Goodwill

The assessment of goodwill impairment involves the determination of the fair value of the cash-generating units to which the goodwill has been allocated. Determination of fair value involves the estimation of future net income of these business units and the expected returns to providers of capital to the business units and or the company.

(iii) Impairment of financial assets

In determining ECL, management is required to exercise judgement in defining what is considered a SICR and in making assumptions and estimates to incorporate relevant information about past events, current conditions and forecasts of economic conditions. Further information about the judgements involved is included in the earlier sections 'Measurement' and 'Forward-looking information'.

- Establishing staging for debt securities and deposits

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

| Category | | Sagicor Risk Rating | Classification | S&P | Moody's | Fitch | AM Best |
|-------------|------------------|---------------------|-----------------|---------|---------|---------|---------|
| Non-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 | 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 | D | C | DDD | d |
| | | 9 | Doubtful | | | DD | |
| | | 10 | Loss | | | D | |

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

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

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

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

(a) Key sources of estimation uncertainty (Continued)

(iii) Impairment of financial assets (Continued)

- Establishing staging for other assets measured at amortised cost.

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

Qualitative test

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

Backstop Criteria

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

- Forward looking information

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

(iv) Owner occupied property

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

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4. Cash and Cash Equivalent

| | 2023 | 2022 |
|--|------------------|-------------------|
| | \$ | \$ |
| Cash at bank | 3,239,226 | 2,475,424 |
| Cash in hand | 1,320 | 1,320 |
| Total cash resources | 3,240,546 | 2,476,744 |
| Securities purchased under resale agreement (Note 5) | 988,558 | 1,756,162 |
| United States of America Government Treasury Bills | 3,190,325 | 7,269,831 |
| Short term deposits (Note 5) | 229,793 | 44,152 |
| Cash and cash equivalents | <u>7,649,222</u> | <u>11,546,889</u> |

The company has entered a reverse repurchase agreement collateralised by corporate bonds with a credit rating from S&P of BBB+. These bonds are held with a fellow subsidiary, Sagikor Investments (Cayman) Limited and Sagikor Investments Jamaica Limited.

Cash at bank includes amounts held with a fellow subsidiary, Sagikor Bank Jamaica Limited (see Note 14).

5. Financial Investments

| | 2023 | 2022 |
|---|--------------------|--------------------|
| | \$ | \$ |
| Financial assets at fair value through profit or loss (FVTPL)- | | |
| Corporate bonds | 87,060,682 | 83,611,982 |
| Quoted equities | 19,403,121 | 18,029,694 |
| Foreign government securities (Note 4) | 16,483,056 | 7,269,831 |
| | <u>122,946,859</u> | <u>108,911,507</u> |
| Investments at amortized cost, net of ECL - | | |
| Securities purchased under resale agreement | 988,558 | 1,756,162 |
| Short term deposits | 610,902 | 424,645 |
| | <u>1,599,460</u> | <u>2,180,807</u> |
| Total Financial Investments | <u>124,546,319</u> | <u>111,092,314</u> |

Short-term deposits include the following amounts pledged with regulators:

| | 2023 | 2022 |
|----------------|----------------|----------------|
| | \$ | \$ |
| Pledged assets | <u>381,110</u> | <u>380,493</u> |

Sagicor Life of the Cayman Islands Ltd.

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5. Financial Investments (Continued)

Concentration of debt instruments

The company manages its exposure to credit risk by analysing the financial investments by type of debt security, whether corporate or sovereign, and the location and sector of the issuer. The table below is a summary of the significant category and sector concentrations of debt instruments subject to expected credit losses.

| | 2023 | 2022 |
|----------------------------|--------------------|-------------------|
| | \$ | \$ |
| Debt securities | | |
| Sovereign debt instruments | | |
| USA | 16,483,056 | 7,269,831 |
| Corporate debt instruments | | |
| USA | 76,074,569 | 72,910,389 |
| Other | 10,986,113 | 10,701,593 |
| | <u>103,543,738</u> | <u>90,881,813</u> |

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

| | 2023 | 2022 |
|----------------------------|-------------------|-------------------|
| | \$ | \$ |
| Corporate debt instruments | | |
| Communication Services | 5,957,589 | 11,578,182 |
| Consumer Discretionary | 13,641,451 | 11,941,988 |
| Consumer Staples | 4,397,177 | 3,490,007 |
| Energy | 11,757,024 | 10,462,081 |
| Financials | 18,356,633 | 8,521,477 |
| Health Care | 13,350,652 | 10,521,367 |
| Industrials | 3,126,193 | 5,230,124 |
| Information Technology | 11,777,444 | 13,983,278 |
| Materials | 4,696,519 | 6,668,321 |
| Utilities | - | 1,215,157 |
| | <u>87,060,682</u> | <u>83,611,982</u> |

The company categorises its financial assets into investment grade, non-investment grade, watch, default and unrated. At the end of the reporting period, there was no expected credit loss recognized on the financial assets carried at amortised cost.

Sagicor Life of the Cayman Islands Ltd.

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6. Investment in Subsidiary

The investment in subsidiaries is represented as follows:

| | 2023 | 2022 |
|---------------------------|-------------|-------------|
| | \$ | \$ |
| Investment at January 01 | 300,000 | 300,000 |
| Investment at December 31 | 300,000 | 300,000 |

| | 2023 | 2022 |
|---------------------------------|-------------|-------------|
| | \$ | \$ |
| Sagicor Insurance Managers Ltd. | 300,000 | 300,000 |

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7. Intangible Assets

| | Goodwill | Computer Software | Total |
|-------------------------|-----------|-------------------|-----------|
| | \$ | \$ | \$ |
| Cost - | | | |
| At January 1, 2022 | 4,988,971 | 32,601 | 5,021,572 |
| Additions | - | - | - |
| At December 31, 2022 | 4,988,971 | 32,601 | 5,021,572 |
| Additions | - | - | - |
| At December 31, 2023 | 4,988,971 | 32,601 | 5,021,572 |
| Amortisation - | | | |
| At January 1, 2022 | - | 27,044 | 27,044 |
| Amortisation charge | - | 1,753 | 1,753 |
| At December 31, 2022 | - | 28,797 | 28,797 |
| Amortisation charge | - | 1,754 | 1,754 |
| At December 31, 2023 | - | 30,551 | 30,551 |
| Net Book Value - | | | |
| At December 31, 2022 | 4,988,971 | 3,804 | 4,992,775 |
| At December 31, 2023 | 4,988,971 | 2,050 | 4,991,021 |

Computer software is being amortised over 5 – 7 years, which is estimated to be their useful lives.

All of the company's goodwill has been allocated to a single cash generating unit (CGU), the Long Term Insurance Division.

At 31 December 2023, management tested goodwill for possible impairment.

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

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

| Unobservable inputs | Individual Lines Division | | Approach to determining key assumptions |
|-----------------------------------|---------------------------|---------|--|
| | 2023 | 2022 | |
| EBITDA multiple (times) | 8.1x | 7.8x | Represents the inverse of the capitalisation rate that is, 1 divided by post-tax discount rate less long-term growth rate |
| Cash flow forecast period (years) | 3 years | 3 years | Board approved/reviewed 3-year forecasts which are prepared by management |
| Cost to sell (%) | 5.00% | 0.50% | Estimated cost, based on management's experience of the typical incident costs associated with a sale of business such as legal and professional fees as well as statutory charges, to dispose of CGU as a going-concern business. |
| Post-tax discount rate (%) | 13.94% | 14.35% | Reflects specific risks related to the business, industry, and country of operation. |
| Long-term growth rate (%) | 2.00% | 2.00% | In the absence of industry forecasts, a historical five- year compounded annual growth rate of the industry's gross premium written, measured in constant dollars, was considered indicative of long-term growth. This approach assumed that the industry is in a mature stage of growth and the period applied is representative of the industry business cycle |

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8. Property, Plant and Equipment

| | Freehold Land & Buildings | Leasehold Improvements | Furniture & Equipment | Total |
|-----------------------------------|---------------------------------|---------------------------|--------------------------|-----------|
| | \$ | \$ | \$ | \$ |
| Cost or Valuation - | | | | |
| At January 1, 2022 | 4,950,659 | 478,610 | 731,694 | 6,160,963 |
| Additions | - | - | 10,338 | 10,338 |
| Revaluation adjustments | 840,478 | - | - | 840,478 |
| At December 31, 2022 | 5,791,137 | 478,610 | 742,032 | 7,011,779 |
| Additions | - | - | 5,857 | 5,857 |
| Revaluation adjustments | 172,923 | - | - | 172,923 |
| At December 31, 2023 | 5,964,060 | 478,610 | 747,889 | 7,190,559 |
| Accumulated Depreciation - | | | | |
| At January 1, 2022 | 81,137 | 417,240 | 634,904 | 1,133,281 |
| Charge for the year | 104,971 | 9,350 | 34,186 | 148,507 |
| Revaluation adjustment (Note 12) | (76,433) | - | - | (76,433) |
| At December 31, 2022 | 109,675 | 426,590 | 669,090 | 1,205,355 |
| Charge for the year | 115,047 | 9,350 | 35,660 | 160,057 |
| Revaluation adjustment (Note 12) | (85,615) | - | - | (85,615) |
| At December 31, 2023 | 139,107 | 435,940 | 704,750 | 1,279,797 |
| Net Book Value - | | | | |
| At December 31, 2022 | 5,681,462 | 52,020 | 72,942 | 5,806,424 |
| At December 31, 2023 | 5,824,953 | 42,670 | 43,139 | 5,910,762 |

In accordance with the Company's policy, owner-occupied properties were independently revalued during the year by professional real estate valuers. The excess of the revalued amount of these owner-occupied properties over the carrying value on such date amounting to \$258,538 (2022 - \$916,911), has been credited to investment and fair value reserves.

If revalued assets of the Company were stated on a historical cost basis, the amounts would be as follows:

| | 2023 | 2022 |
|-----------------------------------|-----------|-----------|
| | \$ | \$ |
| Cost | 4,415,659 | 4,415,659 |
| Accumulated depreciation | (592,610) | (503,718) |
| Net book value | 3,823,049 | 3,911,941 |
| Carrying value of revalued assets | 5,824,953 | 5,681,462 |

9. Other Assets

| | 2023 | 2022 |
|---------------------------------------|-----------|-----------|
| | \$ | \$ |
| Due from agents | 109,256 | 153,480 |
| Due from related parties (Note 14(a)) | 922,547 | 1,378,588 |
| Deposits and prepaid expenses | 508,704 | 424,739 |
| Other receivables | 205,552 | 152,015 |
| | 1,746,059 | 2,108,822 |

The entire balance is expected to be recovered less than twelve months after the financial year end.

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10. Insurance and Reinsurance Contract Assets and Liabilities

The table below presents a summary of contract assets and liabilities held by the Company

| | 2023 | 2022 |
|----------------------------------|-------------|-------------|
| | \$ | \$ |
| Insurance contract assets | 1,083,497 | - |
| Insurance contract liabilities | 95,194,122 | 82,544,515 |
| Reinsurance contract assets | 4,155,829 | 3,874,130 |
| Reinsurance contract liabilities | 1,956,728 | 1,731,330 |

The following table presents insurance contract and reinsurance contract assets and liabilities by contract type and summarises those contracts which are measured under the premium allocation approach (PAA) and those which are not measured under the PAA.

| | 2023 | 2022 |
|--|-------------------|-------------------|
| | \$ | \$ |
| Insurance contracts issued (includes direct participation contracts) | | |
| Contracts measured under PAA - net (asset) / liability, end of period | 660,164 | 562,304 |
| Contracts not measured under PAA (GMM/ VFA) - net (asset) / liability, end of period | 93,450,461 | 81,982,211 |
| Total - Net (asset) / liability, end of period | 94,110,625 | 82,544,515 |
| Reinsurance contracts held | | |
| Contracts measured under PAA - net asset / (liability), end of period | 49,328 | (143,164) |
| Contracts not measured under PAA (GMM) - net asset / (liability), end of period | 2,149,773 | 2,285,964 |
| Total - Net asset /(liability), end of period | 2,199,101 | 2,142,800 |

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10. Insurance and Reinsurance Contract Assets and Liabilities

Long term insurance contracts are generally related to individual type policies and annuity contracts. Short term insurance contracts are related to the group life arm of the business.

The following tables explain the components of insurance contract and reinsurance contract assets and liabilities, in addition to changes in these balances for the period.

i. a) Reconciliation of the liability for remaining coverage and the liability for incurred claims components

Short Term Insurance

| | 2023 | | | | 2022 | | | |
|---|--------------------------|------------------------------------|--|-----------|--------------------------|------------------------------------|--|-----------|
| | LRC | LIC | | Total | LRC | LIC | | Total |
| | Excluding loss component | Present value of future cash flows | Risk adjustment for non-financial risk | | Excluding loss component | Present value of future cash flows | Risk adjustment for non-financial risk | |
| Insurance contracts issued | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ |
| Contracts measured under PAA | | | | | | | | |
| Insurance contract liabilities, beginning of period | (75,704) | 625,794 | 12,214 | 562,304 | 36,696 | 611,215 | 11,565 | 659,476 |
| Insurance contract assets, beginning of period | - | - | - | - | - | - | - | - |
| Net balance – (asset) / liability, beginning of period | (75,704) | 625,794 | 12,214 | 562,304 | 36,696 | 611,215 | 11,565 | 659,476 |
| Insurance revenue | (590,535) | | | (590,535) | (774,023) | - | - | (774,023) |
| Insurance service expenses | | | | | | | | |
| Incurred claims and other directly attributable expenses | - | 118,701 | 1,171 | 119,872 | - | 194,333 | 649 | 194,982 |
| Insurance acquisition cash flows amortisation | 59,667 | | | 59,667 | 178,832 | - | - | 178,832 |
| Total insurance service expenses | 59,667 | 118,701 | 1,171 | 179,539 | 178,832 | 194,333 | 649 | 373,814 |
| Total amounts recognised in the insurance services result | (530,868) | 118,701 | 1,171 | (410,996) | (595,191) | 194,333 | 649 | (400,209) |
| Total amounts recognised in total comprehensive income | (530,868) | 118,701 | 1,171 | (410,996) | (595,191) | 194,333 | 649 | (400,209) |
| Cash flows | | | | | | | | |
| Premiums received | 618,171 | - | - | 618,171 | 661,623 | - | - | 661,623 |
| Claims and other directly attributable expenses paid | - | (49,648) | - | (49,648) | - | (179,754) | - | (179,754) |
| Insurance acquisition cash flows | (59,667) | - | - | (59,667) | (178,832) | - | - | (178,832) |
| Total cash flows | 558,504 | (49,648) | - | 508,856 | 482,791 | (179,754) | - | 303,037 |
| Net balance – (asset) / liability, end of period | (48,068) | 694,847 | 13,385 | 660,164 | (75,704) | 625,794 | 12,214 | 562,304 |
| Insurance contract liabilities, end of period | (48,068) | 694,847 | 13,385 | 660,164 | (75,704) | 625,794 | 12,214 | 562,304 |
| Insurance contract assets, end of period | - | - | - | - | - | - | - | - |
| Net balance – (asset) / liability, end of period | (48,068) | 694,847 | 13,385 | 660,164 | (75,704) | 625,794 | 12,214 | 562,304 |

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10. Insurance and Reinsurance Contract Assets and Liabilities

i. a) Reconciliation of the liability for remaining coverage and the liability for incurred claims components(continued)

Long Term Insurance

| | 2023 | | | | 2022 | | | |
|--|--------------------------|-------------------|---------------------|--------------------|--------------------------|-------------------|---------------------|---------------------|
| | LRC | | LIC | Total | LRC | | LIC | Total |
| | Excluding loss component | Loss component | | | Excluding loss component | Loss component | | |
| | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ |
| Insurance contracts issued | 64,404,838 | 16,225,765 | 1,351,608 | 81,982,211 | 83,158,445 | 15,312,235 | 4,140,704 | 102,611,384 |
| Contracts not measured under PAA | - | - | - | - | - | - | - | - |
| Insurance contract liabilities, beginning of period | 64,404,838 | 16,225,765 | 1,351,608 | 81,982,211 | 83,158,445 | 15,312,235 | 4,140,704 | 102,611,384 |
| Insurance contract assets, beginning of period | (11,053,254) | - | - | (11,053,254) | (10,082,932) | - | - | (10,082,932) |
| Net balance – (asset) / liability, beginning of period | 53,351,584 | 16,225,765 | 1,351,608 | 70,528,348 | 73,075,513 | 15,312,235 | 4,140,704 | 92,528,452 |
| Insurance revenue | (11,053,254) | - | - | (11,053,254) | (10,082,932) | - | - | (10,082,932) |
| Insurance service expenses | | | | | | | | |
| Incurrd claims and other directly attributable expenses | - | (344,751) | 5,183,292 | 4,838,541 | - | (537,352) | 2,739,912 | 2,202,560 |
| Losses on onerous contracts and reversal of those losses | - | 276,395 | - | 276,395 | - | 1,072,187 | - | 1,072,187 |
| Insurance acquisition cash flows amortisation | 585,630 | - | - | 585,630 | 239,671 | - | - | 239,671 |
| Total insurance service expenses | 585,630 | (68,356) | 5,183,292 | 5,700,566 | 239,671 | 534,835 | 2,739,912 | 3,514,418 |
| Total amounts recognised in the insurance services result | (10,467,624) | (68,356) | 5,183,292 | (5,352,688) | (9,843,261) | 534,835 | 2,739,912 | (6,568,514) |
| Finance income / (expenses) from insurance contracts issued | 9,698,350 | (86,576) | - | 9,611,774 | (19,683,158) | 378,744 | - | (19,304,414) |
| Effect of exchange rate changes | 43,967 | (215) | 679 | 44,431 | (126,707) | (49) | (1,582) | (128,338) |
| Total amounts recognised in total comprehensive income | (725,307) | (155,147) | 5,183,971 | 4,303,517 | (29,653,126) | 913,530 | 2,738,330 | (26,001,266) |
| Investment components | (7,213,647) | - | 7,213,647 | - | (8,654,726) | - | 8,654,726 | - |
| Cash flows | | | | | | | | |
| Premiums received | 22,305,143 | - | - | 22,305,143 | 22,320,457 | - | - | 22,320,457 |
| Claims and other directly attributable expenses paid | - | - | (11,709,508) | (11,709,508) | - | - | (14,182,152) | (14,182,152) |
| Insurance acquisition cash flows | (3,430,902) | - | - | (3,430,902) | (2,766,212) | - | - | (2,766,212) |
| Total cash flows | 18,874,241 | - | (11,709,508) | 7,164,733 | 19,554,245 | - | (14,182,152) | 5,372,093 |
| Net balance – (asset) / liability, end of period | 75,340,125 | 16,070,618 | 2,039,718 | 93,450,461 | 64,404,838 | 16,225,765 | 1,351,608 | 81,982,211 |
| Insurance contract liabilities, end of period | 74,887,993 | 16,070,618 | 3,575,347 | 94,533,958 | 64,404,838 | 16,225,765 | 1,351,608 | 81,982,211 |
| Insurance contract assets, end of period | 452,132 | - | (1,535,629) | (1,083,497) | - | - | - | - |
| Net balance – (asset) / liability, end of period | 75,340,125 | 16,070,618 | 2,039,718 | 93,450,461 | 64,404,838 | 16,225,765 | 1,351,608 | 81,982,211 |

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10. Insurance and Reinsurance Contract Assets and Liabilities

i. b) Reconciliation of the measurement components of insurance contract balances

Long Term Insurance(Continued)

| | 2023 | | | | 2022 | | | |
|---|--|--|--------------------|--------------------|--|--|--------------------|---------------------|
| | Present value of future cash flows | Risk adjustment for non-financial risk | CSM | Total | Present value of future cash flows | Risk adjustment for non-financial risk | CSM | Total |
| | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ |
| Insurance contracts issued | 47,189,819 | 8,345,960 | 26,446,432 | 81,982,211 | 72,404,206 | 11,291,944 | 18,915,234 | 102,611,384 |
| Contracts not measured under PAA | - | - | - | - | - | - | - | - |
| Net balance – (asset) / liability, beginning of period | 47,189,819 | 8,345,960 | 26,446,432 | 81,982,211 | 72,404,206 | 11,291,944 | 18,915,234 | 102,611,384 |
| Changes that relate to current service | | | | | | | | |
| CSM recognised in net income / (loss) for the services provided | - | - | (3,629,103) | (3,629,103) | - | - | (2,999,332) | (2,999,332) |
| Change in the risk adjustment for non-financial risk for risk | - | (1,176,834) | - | (1,176,834) | - | (1,299,010) | - | (1,299,010) |
| Experience adjustments | (823,146) | - | - | (823,146) | (3,342,357) | - | - | (3,342,357) |
| | (823,146) | (1,176,834) | (3,629,103) | (5,629,083) | (3,342,357) | (1,299,010) | (2,999,332) | (7,640,699) |
| Changes that relate to future service | | | | | | | | |
| Changes in estimate that adjust the CSM | (13,632,178) | 3,870,107 | 9,762,071 | - | (7,706,240) | (653,455) | 8,359,695 | - |
| Changes in estimates that result in onerous contract losses or reversal of losses | (447,176) | (127,388) | - | (574,564) | 356,966 | 52,983 | - | 409,949 |
| Contracts initially recognised in the period | (2,842,426) | 1,277,180 | 2,416,205 | 850,959 | (2,257,840) | 1,209,854 | 1,710,222 | 662,236 |
| | (16,921,780) | 5,019,899 | 12,178,276 | 276,395 | (9,607,114) | 609,382 | 10,069,917 | 1,072,185 |
| Total amounts recognised in the insurance service result | (17,744,926) | 3,843,065 | 8,549,173 | (5,352,688) | (12,949,471) | (689,628) | 7,070,585 | (6,568,514) |
| Finance income / (expenses) from insurance contracts issued | 7,844,437 | 925,663 | 841,674 | 9,611,774 | (17,511,948) | (2,266,078) | 473,612 | (19,304,414) |
| Effect of exchange rate changes | 34,980 | 5,552 | 3,899 | 44,431 | (125,061) | 9,722 | (12,999) | (128,338) |
| Total amounts recognised in total comprehensive income | (9,865,509) | 4,774,280 | 9,394,746 | 4,303,517 | (30,586,480) | (2,945,984) | 7,531,198 | (26,001,266) |
| Cash flows | | | | | | | | |
| Premiums received | 22,305,143 | - | - | 22,305,143 | 22,320,457 | - | - | 22,320,457 |
| Claims and other directly attributable expenses paid | (11,709,508) | - | - | (11,709,508) | (14,182,152) | - | - | (14,182,152) |
| Insurance acquisition cash flows | (3,430,902) | - | - | (3,430,902) | (2,766,212) | - | - | (2,766,212) |
| Total cash flows | 7,164,733 | - | - | 7,164,733 | 5,372,093 | - | - | 5,372,093 |
| Net balance – (asset) / liability, end of period | 44,489,043 | 13,120,240 | 35,841,178 | 93,450,461 | 47,189,819 | 8,345,960 | 26,446,432 | 81,982,211 |
| Insurance contract liabilities, end of period | 45,624,280 | 13,116,639 | 35,793,039 | 94,533,958 | 47,189,819 | 8,345,960 | 26,446,432 | 81,982,211 |
| Insurance contract assets, end of period | (1,135,237) | 3,601 | 48,139 | (1,083,497) | - | - | - | - |
| Net balance – (asset) / liability, end of period | 44,489,043 | 13,120,240 | 35,841,178 | 93,450,461 | 47,189,819 | 8,345,960 | 26,446,432 | 81,982,211 |

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10. Insurance and Reinsurance Contract Assets and Liabilities

i. c) Impact of contracts recognised in the period

Long Term Insurance(Continued)

| | 2023 | | |
|--|-----------------|------------------|------------------|
| | Contract issued | | Total |
| | Non-onerous | Onerous | |
| | \$ | \$ | \$ |
| Insurance contracts issued | | | |
| Estimates of present value of future cash outflows | | | |
| Insurance acquisition cash flows | (1,574,020) | (519,939) | (2,093,959) |
| Claims and other directly attributable expenses | (4,045,629) | (2,776,326) | (6,821,955) |
| Estimates of present value of future cash outflows | (5,619,649) | (3,296,265) | (8,915,914) |
| Estimates of present value of future cash inflows | 8,800,073 | 2,958,267 | 11,758,340 |
| Risk adjustment for non-financial risk | (764,219) | (512,961) | (1,277,180) |
| CSM | (2,416,205) | - | (2,416,205) |
| Increase / (decrease) in insurance contract liabilities from contracts recognised in the period | - | (850,959) | (850,959) |

| | 2022 | | |
|--|-----------------|------------------|------------------|
| | Contract issued | | Total |
| | Non-onerous | Onerous | |
| | \$ | \$ | \$ |
| Insurance contracts issued | | | |
| Estimates of present value of future cash outflows | | | |
| Insurance acquisition cash flows | (807,431) | (490,424) | (1,297,855) |
| Claims and other directly attributable expenses | (3,221,807) | (4,089,324) | (7,311,131) |
| Estimates of present value of future cash outflows | (4,029,238) | (4,579,748) | (8,608,986) |
| Estimates of present value of future cash inflows | 6,243,549 | 4,623,277 | 10,866,826 |
| Risk adjustment for non-financial risk | (504,089) | (705,765) | (1,209,854) |
| CSM | (1,710,222) | - | (1,710,222) |
| Increase / (decrease) in insurance contract liabilities from contracts recognised in the period | - | (662,236) | (662,236) |

i. d) Amounts determined on transition to IFRS 17 – The CSM by transition method

Long Term Insurance(Continued)

| | 2023 | | |
|---|--|--|-------------------|
| | New contracts and contracts measured under the full retrospective approach at transition | Contracts measured under the fair value approach at transition | Total |
| | \$ | \$ | \$ |
| | | | |
| Insurance contracts issued | | | |
| CSM, beginning of period | 10,948,015 | 15,498,417 | 26,446,432 |
| Changes that relate to current service | | | |
| CSM recognised in net income / (loss) for the services provided | (1,772,816) | (1,856,287) | (3,629,103) |
| Changes that relate to future service | | | |
| Changes in estimates that adjust the CSM | (1,945,068) | 11,707,139 | 9,762,071 |
| Contracts initially recognised in the period | 2,416,205 | - | 2,416,205 |
| | (1,301,679) | 9,850,852 | 8,549,173 |
| Finance income / (expenses) from insurance contracts issued | 560,918 | 280,756 | 841,674 |
| Effect of exchange rate changes | - | 3,899 | 3,899 |
| Total amounts recognised in total comprehensive income | (740,761) | 10,135,507 | 9,394,746 |
| CSM, end of period | 10,207,254 | 25,633,924 | 35,841,178 |

| | 2022 | | |
|---|--|--|-------------------|
| | New contracts and contracts measured under the full retrospective approach at transition | Contracts measured under the fair value approach at transition | Total |
| | \$ | \$ | \$ |
| | | | |
| Insurance contracts issued | | | |
| CSM, beginning of period | 7,978,278 | 10,936,956 | 18,915,234 |
| Changes that relate to current service | | | |
| CSM recognised in net income / (loss) for the services provided | (1,423,859) | (1,575,473) | (2,999,332) |
| Changes that relate to future service | | | |
| Changes in estimates that adjust the CSM | 2,384,368 | 5,975,327 | 8,359,695 |
| Contracts initially recognised in the period | 1,710,222 | - | 1,710,222 |
| | 2,670,731 | 4,399,854 | 7,070,585 |
| Finance income / (expenses) from insurance contracts issued | 299,006 | 174,606 | 473,612 |
| Effect of exchange rate changes | - | (12,999) | (12,999) |
| Total amounts recognised in total comprehensive income | 2,969,737 | 4,561,461 | 7,531,198 |
| CSM, end of period | 10,948,015 | 15,498,417 | 26,446,432 |

Sagicor Life of the Cayman Islands Ltd.

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10. Insurance and Reinsurance Contract Assets and Liabilities

ii. a) Reconciliation of the remaining coverage and the incurred claims components

Short Term Insurance

| | 2023 | | | | 2022 | | | |
|---|-----------------------------------|------------------------------------|--|-----------|-----------------------------------|------------------------------------|--|-----------|
| | Remaining coverage | Incurred claims | | | Remaining coverage | Incurred claims | | |
| | Excluding loss recovery component | Present value of future cash flows | Risk adjustment for non-financial risk | Total | Excluding loss recovery component | Present value of future cash flows | Risk adjustment for non-financial risk | Total |
| | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ |
| Reinsurance contracts held | | | | | | | | |
| Contracts measured under PAA | | | | | | | | |
| Reinsurance contract liabilities, beginning of period | - | - | - | - | (95,429) | 78,643 | 3,932 | (12,854) |
| Reinsurance contract assets, beginning of period | (230,384) | 83,067 | 4,153 | (143,164) | - | - | - | - |
| Net balance – (asset) / liability, beginning of period | (230,384) | 83,067 | 4,153 | (143,164) | (95,429) | 78,643 | 3,932 | (12,854) |
| Net income / (expenses) from reinsurance contracts held | | | | | | | | |
| Reinsurance expenses | (492,988) | - | - | (492,988) | (475,044) | - | - | (475,044) |
| Other incurred directly attributable expenses | - | 7,990 | 399 | 8,389 | - | 4,424 | 221 | 4,645 |
| Net income / (expenses) from reinsurance contracts held | (492,988) | 7,990 | 399 | (484,599) | (475,044) | 4,424 | 221 | (470,399) |
| Total amounts recognised in total comprehensive income | (492,988) | 7,990 | 399 | (484,599) | (475,044) | 4,424 | 221 | (470,399) |
| Cash flows | | | | | | | | |
| Premiums paid net of ceding commissions and other directly attributable expenses paid | 677,091 | - | - | 677,091 | 340,089 | - | - | 340,089 |
| Total cash flows | 677,091 | - | - | 677,091 | 340,089 | - | - | 340,089 |
| Net balance – asset / (liability), end of period | (46,281) | 91,057 | 4,552 | 49,328 | (230,384) | 83,067 | 4,153 | (143,164) |
| Reinsurance contract liabilities, end of period | - | - | - | - | - | - | - | - |
| Reinsurance contract assets, end of period | (46,281) | 91,057 | 4,552 | 49,328 | (230,384) | 83,067 | 4,153 | (143,164) |
| Net balance – asset / (liability), end of period | (46,281) | 91,057 | 4,552 | 49,328 | (230,384) | 83,067 | 4,153 | (143,164) |

Sagicor Life of the Cayman Islands Ltd.

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10. Insurance and Reinsurance Contract Assets and Liabilities

ii. a) Reconciliation of the remaining coverage and the incurred claims components (continued)

Long Term Insurance

| | 2023 | | | | 2022 | | | |
|--|-----------------------------------|-------------------------|------------------|--------------------|-----------------------------------|-------------------------|------------------|--------------------|
| | Remaining coverage | | Incurred claims | Total | Remaining coverage | | Incurred claims | Total |
| | Excluding loss recovery component | Loss recovery Component | | | Excluding loss recovery component | Loss recovery Component | | |
| Reinsurance contracts held | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ |
| Contracts not measured under PAA | | | | | | | | |
| Reinsurance contract liabilities, beginning of period | (767,779) | 242,483 | (1,062,870) | (1,588,166) | (1,372,397) | 569,444 | (3,176,586) | (3,979,539) |
| Reinsurance contract assets, beginning of period | 1,327,219 | - | 2,546,911 | 3,874,130 | 344,330 | - | 5,591,287 | 5,935,617 |
| Net balance – asset / (liability), beginning of period | 559,440 | 242,483 | 1,484,041 | 2,285,964 | (1,028,067) | 569,444 | 2,414,701 | 1,956,078 |
| Net income / (expenses) from reinsurance contracts held | | | | | | | | |
| Reinsurance expenses | (1,234,116) | - | - | (1,234,116) | (980,891) | - | - | (980,891) |
| Claims recovered | - | (31,936) | (100,000) | (131,936) | - | (117,866) | - | (117,866) |
| Changes that relate to future service – changes in the FCF do not adjust the CSM for the group of underlying insurance contracts | - | (25,480) | - | (25,480) | - | (218,472) | (341) | (218,813) |
| Net income / (expenses) from reinsurance contracts held | (1,234,116) | (57,416) | (100,000) | (1,391,532) | (980,891) | (336,338) | (341) | (1,317,570) |
| Finance income / (expenses) from reinsurance contracts held | (22,278) | 2,006 | - | (20,272) | 1,061,047 | 9,392 | - | 1,070,439 |
| Effect of exchange rate changes | (10,231) | (5) | - | (10,236) | 5,332 | (15) | 341 | 5,658 |
| Total amounts recognised in total comprehensive income | (1,266,625) | (55,415) | (100,000) | (1,422,040) | 85,488 | (326,961) | - | (241,473) |
| Cash flows | | | | | | | | |
| Premiums paid net of ceding commissions and other directly | 1,185,849 | - | - | 1,185,849 | 1,502,019 | - | - | 1,502,019 |
| Recoveries from reinsurance | - | - | 100,000 | 100,000 | - | - | (930,660) | (930,660) |
| Total cash flows | 1,185,849 | - | 100,000 | 1,285,849 | 1,502,019 | - | (930,660) | 571,359 |
| Net balance – asset / (liability), end of period | 478,664 | 187,068 | 1,484,041 | 2,149,773 | 559,440 | 242,483 | 1,484,041 | 2,285,964 |
| Reinsurance contract liabilities, end of period | (766,701) | 187,068 | (1,377,095) | (1,956,728) | (767,779) | 242,483 | (1,062,870) | (1,588,166) |
| Reinsurance contract assets, end of period | 1,245,365 | - | 2,861,136 | 4,106,501 | 1,327,219 | - | 2,546,911 | 3,874,130 |
| Net balance – asset / (liability), end of period | 478,664 | 187,068 | 1,484,041 | 2,149,773 | 559,440 | 242,483 | 1,484,041 | 2,285,964 |

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10. Insurance and Reinsurance Contract Assets and Liabilities

ii. b) Reconciliation of the measurement components of reinsurance contract balances

Long Term Insurance

| | 2023 | | | | 2022 | | | |
|---|--------------------|-------------------|------------------|--------------------|--------------------|-------------------|------------------|------------------|
| Reinsurance contracts held | Present value of | Risk adjustment | | | Present value of | Risk adjustment | | |
| Contracts not measured under PAA | future cash | for non-financial | | | future cash | for non-financial | | |
| | flows | risk | CSM | Total | flows | risk | CSM | Total |
| | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ |
| Reinsurance contract liabilities, beginning of period | (2,729,803) | 239,073 | 902,564 | (1,588,166) | (4,365,717) | 201,727 | 184,451 | (3,979,539) |
| Reinsurance contract assets, beginning of period | 450,533 | 1,350,564 | 2,073,033 | 3,874,130 | 3,764,670 | 1,134,161 | 1,036,786 | 5,935,617 |
| Net balance – asset / (liability), beginning of period | (2,279,270) | 1,589,637 | 2,975,597 | 2,285,964 | (601,047) | 1,335,888 | 1,221,237 | 1,956,078 |
| Changes that relate to current service | | | | | | | | |
| CSM recognised in net income / (loss) for the services received | - | - | (244,669) | (244,669) | - | - | (188,590) | (188,590) |
| Change in the risk adjustment for non-financial risk for risk | - | (157,826) | - | (157,826) | - | (137,369) | - | (137,369) |
| Experience adjustments | (963,557) | - | - | (963,557) | (772,798) | - | - | (772,798) |
| | (963,557) | (157,826) | (244,669) | (1,366,052) | (772,798) | (137,369) | (188,590) | (1,098,757) |
| Changes that relate to future service | | | | | | | | |
| Changes in estimate that adjust the CSM | (800,832) | (160,708) | 961,540 | - | (2,876,352) | 835,644 | 2,040,708 | - |
| Changes in the FCF that do not adjust the CSM for the group of underlying insurance contracts | (260,686) | 364,045 | (128,839) | (25,480) | (352,928) | 255,658 | (121,543) | (218,813) |
| | (1,061,518) | 203,337 | 832,701 | (25,480) | (3,229,280) | 1,091,302 | 1,919,165 | (218,813) |
| Net income / (expenses) from reinsurance contracts held | (2,025,075) | 45,511 | 588,032 | (1,391,532) | (4,002,078) | 953,933 | 1,730,575 | (1,317,570) |
| Finance income / (expenses) from reinsurance contracts held | (245,397) | 145,020 | 80,105 | (20,272) | 1,747,488 | (699,859) | 22,810 | 1,070,439 |
| Effect of exchange rate changes | (12,639) | 225 | 2,178 | (10,236) | 5,008 | (325) | 975 | 5,658 |
| Total amounts recognised in total comprehensive income | (2,283,111) | 190,756 | 670,315 | (1,422,040) | (2,249,582) | 253,749 | 1,754,360 | (241,473) |
| Cash flows | | | | | | | | |
| Premiums paid net of ceding commissions and other directly | 1,185,849 | - | - | 1,185,849 | 1,502,019 | - | - | 1,502,019 |
| Recoveries from reinsurance | 100,000 | - | - | 100,000 | (930,660) | - | - | (930,660) |
| Total cash flows | 1,285,849 | - | - | 1,285,849 | 571,359 | - | - | 571,359 |
| Net balance – asset / (liability), end of period | (3,276,532) | 1,780,393 | 3,645,912 | 2,149,773 | (2,279,270) | 1,589,637 | 2,975,597 | 2,285,964 |
| Reinsurance contract liabilities, end of period | (3,738,223) | 363,143 | 1,418,352 | (1,956,728) | (2,729,803) | 239,073 | 902,564 | (1,588,166) |
| Reinsurance contract assets, end of period | 461,691 | 1,417,250 | 2,227,560 | 4,106,501 | 450,533 | 1,350,564 | 2,073,033 | 3,874,130 |
| Net balance – asset / (liability), end of period | (3,276,532) | 1,780,393 | 3,645,912 | 2,149,773 | (2,279,270) | 1,589,637 | 2,975,597 | 2,285,964 |

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10. Insurance and Reinsurance Contract Assets and Liabilities

ii. c) Impact of contracts recognised in the period

Long Term Insurance (Continued)

| | 2023 | 2022 |
|--|------------------|------------------|
| | Contracts held | Contracts held |
| | Contracts not in | Contracts not in |
| | a net gain | a net gain |
| | \$ | \$ |
| Reinsurance contracts held | | |
| Estimates of present value of future cash inflows | 1,862,940 | 1,842,108 |
| Estimates of present value of future cash outflows | 100,000 | (930,660) |
| CSM | (3,643,099) | (2,974,562) |
| Increase / (decrease) in reinsurance contract liabilities from | (1,680,159) | (2,063,114) |

ii. d) Amounts determined on transition to IFRS 17 – The CSM by transition method

Long Term Insurance (Continued)

| | 2023 | | | 2022 | | |
|---|--|--|-------------|--|--|-------------|
| | New contracts and contracts measured under the full retrospective approach at transition | Contracts measured under the fair value approach at transition | Total | New contracts and contracts measured under the full retrospective approach at transition | Contracts measured under the fair value approach at transition | Total |
| | \$ | \$ | \$ | \$ | \$ | \$ |
| Reinsurance contracts held | | | | | | |
| CSM, beginning of period | (82,976) | (2,892,621) | (2,975,597) | | (1,221,237) | (1,221,237) |
| Changes that relate to current service | | | | | | |
| CSM recognised in net income / (loss) for the services provided | 13,046 | 231,623 | 244,669 | 3,036 | 185,554 | 188,590 |
| Changes that relate to future service | | | | | | |
| Changes in estimates that adjust the CSM | (93,811) | (867,729) | (961,540) | (63,202) | (1,977,506) | (2,040,708) |
| Reversal of loss-recovery component from onerous underlying | - | 128,839 | 128,839 | - | 121,543 | 121,543 |
| Finance income / (expenses) from insurance contracts issued | (80,765) | (507,267) | (588,032) | (60,166) | (1,670,409) | (1,730,575) |
| Effect of exchange rate changes | (80,105) | - | (80,105) | (22,810) | - | (22,810) |
| Total amounts recognised in total comprehensive income | (160,870) | (509,445) | (670,315) | (82,976) | (1,671,384) | (1,754,360) |
| CSM, end of period | (243,846) | (3,402,066) | (3,645,912) | (82,976) | (2,892,621) | (2,975,597) |

iii. Liability for Incurred Claims

Summary of LIC by segment

| | Long term insurance | Short term insurance | Total |
|----------------------------|---------------------|----------------------|-----------|
| | \$ | \$ | \$ |
| 31 December, 2023 | | | |
| Gross LIC: | | | |
| Insurance contracts issued | 2,039,718 | 708,232 | 2,747,950 |
| Reinsurers' share of LIC: | | | |
| Reinsurance contracts held | 1,484,041 | 95,609 | 1,579,650 |
| 31 December, 2022 | | | |
| Gross LIC: | | | |
| Insurance contracts issued | 1,351,608 | 638,008 | 1,989,616 |
| Reinsurers' share of LIC: | | | |
| Reinsurance contracts held | 1,484,041 | 87,220 | 1,571,261 |

The liability for incurred claims represented by insurance lines of business is as follows:

| | Gross LIC | | Reinsurers' | |
|-------------------------------------|-----------|-----------|-------------|-----------|
| | 2023 | 2022 | 2023 | 2022 |
| | \$ | \$ | \$ | \$ |
| Life insurance and annuity benefits | 2,039,718 | 1,351,608 | 1,484,041 | 1,484,041 |
| Health | 708,232 | 638,008 | 95,609 | 87,220 |
| | 2,747,950 | 1,989,616 | 1,579,650 | 1,571,261 |

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11. Share Capital

| | 2023 | 2022 |
|--|-------------|-------------|
| | \$ | \$ |
| Authorised | | |
| 25,000,000 ordinary shares of \$1 each | 25,000,000 | 25,000,000 |
| Issued and fully paid: | | |
| 16,000,000 ordinary shares of \$1 each | 16,000,000 | 16,000,000 |

12. Equity Reserves

| | Equity Reserves | | | |
|--|----------------------------------|---|---|--------------|
| | Actuarial Liabilities | Owner occupied properties fair value reserve | Fair value reserves (FVTOCI) | Total |
| Balance, December 31, 2021, as previously reported | (6,081,985) | 890,986 | (1,156,974) | (6,347,973) |
| Changes on initial application of IFRS 9 restated | | | 2,916,762 | 2,916,762 |
| Impact of application of IFRS 9 policy choices as a result of IFRS 17 implementation | 6,081,985 | - | (1,759,788) | 4,322,197 |
| Restated Balance at January 01, 2022 | - | 890,986 | - | 890,986 |
| Net unrealized gains on revaluation of owner-occupied properties | - | 916,911 | - | 916,911 |
| Total other comprehensive income for the year | - | 916,911 | - | 916,911 |
| Restated Balance at December 31, 2022 | - | 1,807,897 | - | 1,807,897 |
| Net unrealized gains on revaluation of owner-occupied properties | - | 258,538 | - | 258,538 |
| Total other comprehensive income for the year | - | 258,538 | - | 258,538 |
| Balance at December 31, 2023 | - | 2,066,435 | - | 2,066,435 |

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13. Other Liabilities

Accounts payable and accruals
Premiums not applied and other amounts
Due to related parties (Note 14(a))

| 2023 | 2022 |
|-----------|-----------|
| \$ | \$ |
| 2,094,222 | 1,326,524 |
| 756,825 | 1,339,126 |
| 242,382 | 104,204 |
| 3,093,429 | 2,769,854 |

The entire balance is expected to be settled less than twelve months after the financial year end.

14. Related Party Balances and Transactions

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

Related parties include the segregated funds managed by the company.

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

| | 2023 | 2022 |
|---|-----------|-----------|
| | \$ | \$ |
| Debt securities | 5,582,421 | - |
| Securities purchased under resale agreement | 988,558 | 1,756,162 |
| Short Term Deposits | 1,001 | 1,001 |
| Cash Resources | 503,847 | 316,328 |
| | | |
| | 2023 | 2022 |
| | \$ | \$ |
| Due from related parties - | | |
| Ultimate parent company | - | 74,836 |
| Parent company | 877,616 | 1,292,079 |
| Subsidiary | 44,931 | 11,673 |
| | 922,547 | 1,378,588 |
| | | |
| | 2023 | 2022 |
| | \$ | \$ |
| Due to related companies - | | |
| Other related companies | 242,382 | 104,204 |
| | 242,382 | 104,204 |

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

| | 2023 | 2022 |
|---|-------------|-------------|
| | \$ | \$ |
| Parent company and other related entities - | | |
| Interest income | 1,195,922 | 8,498 |
| Commission expense | (1,113,563) | (1,020,096) |
| Management fees | (309,341) | (293,207) |

15. Investment Contract Liabilities

Amortised cost -
Amounts on deposit
Deposit administration fund
Other investment contracts

| 2023 | 2022 |
|------------|------------|
| \$ | \$ |
| 27,579,012 | 27,967,219 |
| 191,763 | 184,975 |
| 1,701,108 | 3,221,188 |
| 29,471,883 | 31,373,382 |

Current portion of Investment contract liabilities is disclosed under Note 23 (c) (ii).

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16. Insurance Revenue and Service Expenses

An analysis of insurance revenue, insurance service expenses and net expenses from reinsurance contracts held, for 2023 and 2022, is included in the following tables.

Additional information on amounts recognised in the income statement and OCI is included in the insurance contract balances reconciliations in Note 10

| (a) Insurance service result | 2023 | 2022 |
|---|-------------------|-------------------|
| | \$ | \$ |
| Insurance revenue | | |
| Contracts not measured under the PAA | | |
| Amounts relating to the changes in the LRC | | |
| Expected incurred claims and other directly attributable expenses after loss component allocation | 5,661,687 | 5,544,919 |
| Change in the risk adjustment for non-financial risk for the risk expired after loss component allocation | 1,176,834 | 1,299,010 |
| CSM recognised in profit or loss for the services provided | 3,629,103 | 2,999,332 |
| Insurance acquisition cash flows recovery | 585,630 | 239,671 |
| Insurance revenue for contracts not measured under the PAA | 11,053,254 | 10,082,932 |
| Insurance revenue from contracts measured under the PAA | 590,535 | 774,023 |
| Total insurance revenue | 11,643,789 | 10,856,955 |

For insurance contracts not measured under the PAA, an analysis of the related revenue by transition method is included

| | 2023 | 2022 |
|--|-------------------|-------------|
| | \$ | \$ |
| New contracts and contracts measured under the full retrospective approach | 7,107,354 | 2 |
| Contracts measured under the fair value approach | 14,999,150 | - |
| | 22,106,504 | 2 |

Insurance service expenses

Contracts measured under the PAA

| | | |
|--|------------------|------------------|
| Incurred claims and other directly attributable expenses(Note 10i.a) | (119,872) | (194,982) |
| Insurance acquisition cash flows amortisation(Note 10i.a) | (59,667) | (178,832) |
| | (179,539) | (373,814) |

Contracts not measured under the PAA

| | | |
|--|--------------------|--------------------|
| Incurred claims and other directly attributable expenses(Note 10i.a) | (4,838,541) | (2,202,560) |
| Losses on onerous contracts and reversal of those losses(Note 10i.a) | (276,395) | (1,072,187) |
| Insurance acquisition cash flows amortisation(Note 10i.a) | (585,630) | (239,671) |
| | (5,700,566) | (3,514,418) |

Total insurance service expenses

| | | |
|--|--------------------|--------------------|
| | (5,880,105) | (3,888,232) |
|--|--------------------|--------------------|

Net income / (expenses) from reinsurance contracts held– contracts not measured under the PAA

Amounts relating to the changes in the remaining coverage:

| | | |
|--|-------------|-------------|
| Expected claims and other directly attributable expenses recovery | (1,234,116) | (980,891) |
| CSM recognised for the services received | (25,480) | (218,813) |
| Reinsurance expenses | (1,259,596) | (1,199,704) |
| Changes that relate to past service – adjustments to incurred claims | (131,936) | (117,866) |
| Total -contracts not measured under PAA (Note 10ii.b) | (1,391,532) | (1,317,570) |

Net income / (expenses) from reinsurance contracts held– contracts measured under the PAA

| | | |
|--|--------------------|--------------------|
| Reinsurance expenses | (492,988) | (475,044) |
| Other incurred directly attributable expenses | 8,389 | 4,645 |
| Total -contracts measured under PAA (Note 10ii.b) | (484,599) | (470,399) |
| Total net income / (expenses) from reinsurance contracts held | (1,876,131) | (1,787,969) |
| Total insurance service result | 3,887,553 | 5,180,754 |

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16. Insurance Revenue and Service Expenses (Continued)

(b) Amounts determined on transition to IFRS 17

For insurance contracts not measured under the PAA, an analysis of the related CSM by transition method is included below:

| | 2023 \$ | 2022 \$ |
|--|--------------------|--------------------|
| CSM, end of period (Note 10i.d) | | |
| New contracts and contracts measured under the full retrospective approach at transition | 10,207,254 | 10,948,015 |
| Contracts measured under the fair value approach at transition | 25,633,924 | 15,498,417 |
| | <u>35,841,178</u> | <u>26,446,432</u> |
| REINSURANCE CONTRACTS HELD | | |
| CSM, end of period (Note 10ii.d) | | |
| New contracts and contracts measured under the full retrospective approach at transition | (243,846) | (82,976) |
| Contracts measured under the fair value approach at transition | (3,402,066) | (2,892,621) |
| | <u>(3,645,912)</u> | <u>(2,975,597)</u> |

(c) Expected recognition of the contractual service margin

The following tables summarise the expected recognition of the contractual service margin based on the estimate of the CSM using discounted coverage units to allocate the CSM to each year.

| | 2023 \$ | 2022 \$ |
|---|-------------------|-------------------|
| INSURANCE CONTRACTS ISSUED | | |
| Contracts not measured under the PAA | | |
| Number of years until expected to be recognised | | |
| 1 | 2,135,006 | 1,802,188 |
| 2 | 2,369,715 | 1,635,380 |
| 3 | 2,173,151 | 1,498,360 |
| 4 | 2,054,871 | 1,415,492 |
| 5 | 1,949,281 | 1,338,919 |
| 6-10 | 8,348,622 | 5,969,576 |
| >10 | 16,810,532 | 12,786,517 |
| Total | <u>35,841,178</u> | <u>26,446,432</u> |

| | 2023 \$ | 2022 \$ |
|---|------------------|------------------|
| REINSURANCE CONTRACTS HELD | | |
| Contracts not measured under the PAA | | |
| Number of years until expected to be recognised | | |
| 1 | 272,045 | 225,976 |
| 2 | 246,690 | 200,115 |
| 3 | 229,014 | 183,931 |
| 4 | 212,062 | 170,911 |
| 5 | 199,456 | 158,340 |
| 6-10 | 799,227 | 640,024 |
| >10 | 1,687,418 | 1,396,300 |
| Total | <u>3,645,912</u> | <u>2,975,597</u> |

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17. Total Investment Income and Net Insurance Finance Result

| | 2023 |
|--|---------------------|
| | Total |
| | \$ |
| Interest income - | |
| Amortized Cost investments | |
| Short-term Deposits | 15,601 |
| Securities purchased for resale | 56,973 |
| | <u>72,574</u> |
| FVTPL investments | |
| Interest income | 5,124,321 |
| Dividend income | 217,528 |
| Unrealised gain on financial assets | 6,672,912 |
| Net gain on de-recognition of financial assets | 1,043,960 |
| | <u>13,058,721</u> |
| Investment Properties: | |
| Rental Income | (4,730) |
| | <u>(4,730)</u> |
| Income earned and capital gain from assets measured at FVTPL and other investment income | 13,053,991 |
| Total Investment Income | <u>13,126,565</u> |
| Interest expense - | |
| Investment contracts | (764,556) |
| Net investment income | <u>12,362,009</u> |
| | |
| | 2022 |
| | Total |
| | \$ |
| Interest income - | |
| Amortized Cost investments | |
| Debt securities | 4,424 |
| Securities purchased for resale | 28,812 |
| | <u>33,236</u> |
| FVTPL investments | |
| Interest income | 4,301,773 |
| Dividend income | 224,665 |
| Unrealised losses on financial assets | (39,168,670) |
| Net gain on de-recognition of financial assets | 100,606 |
| | <u>(34,541,626)</u> |
| Investment Properties: | |
| Rental Income | 6,242 |
| | <u>6,242</u> |
| Income earned and capital losses from assets measured at FVTPL and other investment income | (34,535,384) |
| Total Investment Income | <u>(34,502,148)</u> |
| Interest expense - | |
| Investment contracts | (948,893) |
| | <u>(948,893)</u> |
| Expected credit losses | (3,764) |
| Net investment income | <u>(35,454,805)</u> |

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17 Total Investment Income and Net Insurance Finance Result (Continued)

An analysis of net investment income and net insurance finance expenses is presented in the following tables:

| | 2023 | 2022 |
|---|------------------|---------------------|
| | \$ | \$ |
| Net investment income – Underlying assets | | |
| Interest income earned and capital net gains/(losses) from assets measured at FVTPL and other investment income | 12,087,335 | (23,074,254) |
| Net investment income – Underlying assets | 12,087,335 | (23,074,254) |
| Net investment income / (expenses) – Other investments | | |
| Interest income earned from financial assets measured at amortised cost | 72,574 | 33,236 |
| Net gains/(losses) on FVTPL investments | 971,386 | (11,467,372) |
| Net credit impairment gains/(losses) | - | (3,764) |
| Net investment income / (expenses) – Other investments | 1,043,960 | (11,437,900) |
| Net investment (expenses) / income – Other | | |
| Other investment (expense)/income | (4,730) | 6,242 |
| Net investment (expenses) / income – Other | (4,730) | 6,242 |
| Total net investment income / (expenses) | 13,126,565 | (34,505,912) |
| Finance income / (expenses) from insurance contracts issued | | |
| Changes in fair value of underlying assets of contracts measured under the VFA | 4,387,648 | (6,531,887) |
| Interest accreted | 1,758,976 | 1,039,907 |
| Effect of changes in interest rates and other financial assumptions | 3,465,149 | (13,812,435) |
| | 9,611,773 | (19,304,415) |
| Finance income / (expenses) from reinsurance contracts held | | |
| Interest accreted | (85,215) | (12,357) |
| Effect of changes in FCF at current rates when CSM is unlocked at locked-in rates | 105,487 | (1,058,081) |
| | 20,272 | (1,070,438) |
| Net insurance finance income / (expenses) | 9,632,045 | (20,374,853) |
| Summary of the amounts recognised in the statement of income | | |
| Net investment income – Underlying assets | 12,087,335 | (23,074,254) |
| Net investment income / (expenses) – Other investments | 1,043,960 | (11,437,900) |
| Net investment (expenses) / income – Other | (4,730) | 6,242 |
| Net insurance finance income / (expenses) | 9,632,045 | (20,374,853) |
| | 22,758,610 | (54,880,765) |

18. Fee and Other Income

| | 2023 | 2022 |
|--------------|-------------|-------------|
| | \$ | \$ |
| Other income | 350,894 | 234,828 |
| | 350,894 | 234,828 |

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19. Administration Expenses

| 2023 | | | | |
|---------------------------------------|--|--|-----------------------------|------------------|
| | Attributed to insurance acquisition cash flows | Other directly attributable expenses | Other operating expenses | Total |
| | \$ | \$ | \$ | \$ |
| Advertising and branding | 67,868 | 4,922 | 1,416 | 74,206 |
| Auditors remuneration | - | - | 554,262 | 554,262 |
| Communication and technology | 234,491 | 25,744 | 5,449 | 265,684 |
| Employee training | - | - | 8,949 | 8,949 |
| Insurance expense | 31,250 | 3,412 | 574 | 35,236 |
| Legal & professional fees | 26,603 | 2,930 | 2,055,569 | 2,085,102 |
| Office accommodation | 235,278 | 25,841 | 6,427 | 267,546 |
| Policy stamp duty and reimbursements | 208,547 | - | 4,178 | 212,725 |
| Postage, printing and office supplies | 32,730 | 3,593 | 759 | 37,082 |
| Staff Costs (a) | 880,092 | 96,628 | 33,247 | 1,009,967 |
| Sales and convention incentives | 94,890 | - | 1,888 | 96,778 |
| Service outsourced | - | 66,390 | 176,393 | 242,783 |
| Other expenses | 824,690 | 90,571 | 26,168 | 941,429 |
| Depreciation & amortisation | 142,706 | 15,676 | 3,428 | 161,810 |
| | <u>2,779,145</u> | <u>335,707</u> | <u>2,878,707</u> | <u>5,993,559</u> |
| 2023 | | | | |
| | Attributed to insurance acquisition cash flows | Other directly attributable expenses | Other operating expenses | Total |
| | \$ | \$ | \$ | \$ |
| (a) Staff costs | | | | |
| Salaries | 741,435 | 81,387 | 17,236 | 840,058 |
| Pension costs | 31,676 | 3,478 | 745 | 35,899 |
| Other post-retirement benefits | 75,405 | 8,277 | 1,743 | 85,425 |
| Other | 31,576 | 3,486 | 13,523 | 48,585 |
| | <u>880,092</u> | <u>96,628</u> | <u>33,247</u> | <u>1,009,967</u> |
| 2022 | | | | |
| | Attributed to insurance acquisition cash flows | Other directly attributable expenses | Other operating expenses | Total |
| | \$ | \$ | \$ | \$ |
| Advertising and branding | 56,547 | 1,664 | 4,378 | 62,589 |
| Auditors remuneration | - | - | 411,787 | 411,787 |
| Communication and technology | 178,180 | 19,636 | 4,984 | 202,800 |
| Employee training | - | - | 6,809 | 6,809 |
| Insurance expense | 99,802 | 10,990 | 2,710 | 113,502 |
| Legal & professional fees | 413,396 | 45,755 | 550,450 | 1,009,601 |
| Management Fees - SMC | (158) | 27 | 131 | - |
| Office accommodation | 239,128 | 26,381 | 7,226 | 272,735 |
| Policy stamp duty and reimbursements | 231,773 | 4,266 | 5,835 | 241,874 |
| Postage, printing and office supplies | 21,255 | 2,342 | 594 | 24,191 |
| Staff Costs (a) | 740,899 | 81,772 | 43,729 | 866,400 |
| Sales and convention incentives | 15,661 | - | 5,046 | 20,707 |
| Service outsourced | - | 62,765 | 125,926 | 188,691 |
| Other expenses | 702,367 | 82,343 | 16,223 | 800,933 |
| Depreciation & amortisation | 131,840 | 14,548 | 3,872 | 150,260 |
| | <u>2,830,690</u> | <u>352,489</u> | <u>1,189,700</u> | <u>4,372,879</u> |
| 2022 | | | | |
| | Attributed to insurance acquisition cash flows | Other directly attributable expenses | Other operating expenses | Total |
| | \$ | \$ | \$ | \$ |
| (a) Staff costs | | | | |
| Salaries | 638,339 | 70,443 | 18,777 | 727,559 |
| Pension costs | 19,547 | 2,156 | 566 | 22,269 |
| Other post-retirement benefits | 54,973 | 6,067 | 1,617 | 62,657 |
| Other | 28,040 | 3,106 | 22,769 | 53,915 |
| | <u>740,899</u> | <u>81,772</u> | <u>43,729</u> | <u>866,400</u> |

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20. Taxation

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

21. Cash Flows
(a) Operating activities

| | | 2023 | 2022 |
|--|-----|---------------------|--------------------|
| | | \$ | \$ |
| Adjustments for non-cash items, interest and dividends: | | | |
| Depreciation and amortisation of intangible assets | 7/8 | 161,811 | 150,260 |
| Interest, dividend and other income | 17 | (5,414,516) | (4,571,568) |
| Interest expense | 17 | 764,556 | 1,064,149 |
| Net realised gains on sale of investment securities | 17 | (1,043,960) | (101,219) |
| Fair value (Loss) / Gain on trading securities | 17 | (6,671,736) | 39,083,040 |
| Short term deposits | | (617) | - |
| Movement in Insurance contract liabilities | | 1,954,336 | (1,421,931) |
| Movement in Reinsurance contract liabilities | | (76,573) | 870,863 |
| Insurance Finance expense - reinsurance | | 20,272 | (1,070,439) |
| Insurance Finance expense -Gross Contracts | | 9,611,774 | (19,304,414) |
| Movement in Investment contract liabilities | | (1,901,499) | (824,271) |
| Effect of exchange gain on foreign currency | | (529) | 1,375 |
| | | (2,596,681) | 13,875,845 |
| Changes in other operating assets and liabilities: | | | |
| Due from/to related parties | | 594,219 | -1,469,176 |
| Other assets | | (93,278) | 58,061 |
| Other liabilities | | 185,397 | 71,809 |
| | | 686,338 | (1,339,306) |
| Net investment (purchases)/ sales: | | | |
| Proceeds on sale of investment securities | | 49,008,159 | 11,493,714 |
| Purchase of investment securities | | (59,301,333) | (9,458,361) |
| | | (10,293,174) | 2,035,353 |

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21. Cash Flows (Continued)

(b) Investing Activities

Property, plant and equipment, net

| | | | |
|---|-----|----------------|-----------------|
| Purchase of property, plant and equipment | 7/8 | (5,857) | (10,338) |
| | | <u>(5,857)</u> | <u>(10,338)</u> |

(c) Net debt reconciliation

This company has no borrowings at the end of the financial year. The sole financing cash flow was the payment of dividends at the end of the prior financial year. Cash and liquid investments as the end of the financial year are shown as below.

| | 2023 | 2022 |
|--------------------|------------------|-------------------|
| | \$ | \$ |
| Cash resources | 3,240,546 | 2,476,744 |
| Liquid Investments | 4,408,676 | 9,070,145 |
| | <u>7,649,222</u> | <u>11,546,889</u> |

22. Fair Values of Financial Instruments

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

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

- (a) Investment securities at FVTPL are measured at fair value by reference to quoted prices when available. If quoted market prices are not available, then fair values are estimated on the basis of pricing models, or discounted cash flows. Fair value is equal to the carrying amount of these items;
- (b) The fair value of liquid assets and other assets including reinsurance contracts maturing within one year is assumed to approximate their carrying amount. This assumption is applied to liquid assets and the short-term elements of all other financial assets (unsettled trades, due from related party and premium due and unapplied) and financial liabilities (financial liabilities including reinsurance contracts, unsettled trades, premium not applied and due to related party); and
- (c) The fair value of variable rate financial instruments is assumed to approximate their carrying amounts as the rates are adjusted to take into account market changes in interest rates.

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

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22. Fair Values of Financial Instruments (Continued)

The following tables provide an analysis of financial instruments that are measured in the statement of financial position at fair value at December 31, 2023, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

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

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange or other independent source, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The company 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 Company uses a variety of methods such as obtaining dealer quotes and using discounted cash flow techniques. Where discounted cash flow techniques are used, estimated future cash flows are discounted at market derived rates for government securities in the same country of issue as the security; for non-government securities, an interest spread is added to the derived rate for a similar government security rate according to the perceived additional risk of the non-government security.

In assessing the fair value of non-traded financial liabilities, the Company 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.

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

A financial instrument is classified as Level 3 if:

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

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

| | | 2023 | | | |
|-----------------------------|--|------------|-------------|-----------|-------------|
| | | Level 1 | Level 2 | Level 3 | Total |
| | | \$ | \$ | \$ | \$ |
| Financial Assets | | | | | |
| Financial investments | | 19,403,121 | 103,543,738 | - | 122,946,859 |
| Non-Financial Assets | | | | | |
| Property, plant & equipment | | - | - | 5,824,953 | 5,824,953 |
| (Freehold Land & Buildings) | | 19,403,121 | 103,543,738 | 5,824,953 | 128,771,812 |
| | | 2022 | | | |
| | | Level 1 | Level 2 | Level 3 | Total |
| | | \$ | \$ | \$ | \$ |
| Financial Assets | | | | | |
| Financial investments | | 18,029,694 | 90,881,813 | - | 108,911,507 |
| Non-Financial Assets | | | | | |
| Property, plant & equipment | | - | - | 5,681,462 | 5,681,462 |
| (Freehold Land & Buildings) | | 18,029,694 | 90,881,813 | 5,681,462 | 114,592,969 |

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

23. Insurance and Financial Risk Management

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

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

The Board of Directors is ultimately responsible for the establishment and oversight of the risk management framework. The Board of Directors has established committees/departments/structures for managing and monitoring risks, as indicated below.

(i) Board Audit Committee

The Board Audit Committee comprises independent directors. The Committee:

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

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

(ii) Board Investment Committee

The Board Capital Allocation and Investment Committee comprises mainly of independent directors. As part of its Terms of Reference, the Committee:

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

23. Insurance and Financial Risk Management (Continued)

(iii) Asset/Liability Management (ALM) Committee

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

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

(iv) Anti-Money Laundering (AML)

The Company has assigned responsibility for AML and anti-fraud to a designated department. The responsibilities of this department include:

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

(v) Regulatory Compliance

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

(vi) Enterprise Risk Management

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

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

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

23. Insurance and Financial Risk Management (Continued)

(a) Insurance risk

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

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

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

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

Long term insurance contracts

The main risks that the Company is exposed to are, as follows:

- Mortality risk – risk of loss arising due to the incidence of policyholder death being different than expected
- Morbidity risk – risk of loss arising due to policyholder health experience being different than expected
- Longevity risk – risk of loss arising due to the annuitant living longer than expected
- Expense risk – risk of loss arising from expense experience being different than expected
- Policyholder decision risk – risk of loss arising due to policyholder experiences (lapses and surrenders) being different than expected

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

For long-term contracts in-force, the Company has adopted a policy of investing in assets with cash flow characteristics that closely match the cash flow characteristics of its insurance contract 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.

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23. Insurance and Financial Risk Management (Continued)

(a) Insurance risk (Continued)

Long term insurance contracts (Continued)

(i) Frequency and severity of claims

For contracts where death is the insured risk, the most significant factors that could increase the overall frequency and severity of claims are epidemics and wide-ranging lifestyle changes, such as in eating, smoking and exercise habits resulting in earlier or more claims than expected. For contracts where survival is the insured risk, the most significant factors that could increase longevity are improvements in medical science and social conditions. At present, these risks do not vary significantly in relation to the location of the risk insured by the Company. However, undue concentration by amounts could have an impact on the severity of benefit payments on a portfolio basis. For contracts with fixed and guaranteed benefits and fixed return premiums, there are no mitigating terms and conditions that reduce the insurance risk accepted.

The table below presents the company's concentration of insured benefits across five bands of insured benefits per individual life assured. The benefit insured figures are shown gross and net of the reinsurance contracts described below in Note 23(b). As was the case in the previous year, the risk is concentrated at the lower value bands. (These tables do not include annuity contracts, for which a separate analysis is reported in the following pages).

Individual Life Benefits Assured per Life

0 – 200
200 - 400
400 - 800
800 - 1000
More than 1,000
Total

| 2023 | | | |
|------------------------|------|-------------------|------|
| Total Benefits Insured | | | |
| Before Reinsurance | % | After Reinsurance | % |
| \$ | | \$ | |
| 978,115,728 | 32% | 827,322,236 | 32% |
| 927,668,175 | 30% | 785,839,936 | 30% |
| 755,746,763 | 25% | 641,221,524 | 25% |
| 157,225,554 | 5% | 133,279,092 | 5% |
| 247,543,259 | 8% | 208,656,068 | 8% |
| 3,066,299,479 | 100% | 2,596,318,856 | 100% |

Individual Life Benefits Assured per Life

0 – 200
200 - 400
400 - 800
800 - 1000
More than 1,000
Total

| 2022 | | | |
|------------------------|------|-------------------|------|
| Total Benefits Insured | | | |
| Before Reinsurance | % | After Reinsurance | % |
| \$ | | \$ | |
| 950,875,602 | 33% | 807,550,933 | 33% |
| 896,926,502 | 31% | 763,432,964 | 31% |
| 697,242,329 | 24% | 593,907,689 | 24% |
| 139,248,530 | 5% | 118,575,590 | 5% |
| 229,280,524 | 8% | 194,138,956 | 8% |
| 2,913,573,487 | 100% | 2,477,606,132 | 100% |

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23. Insurance and Financial Risk Management (Continued)

(a) Insurance risk (Continued)

Long term insurance contracts (Continued)

The table below represents the Company's concentration of insured benefits across five bands of insured benefits per group individual life assured. The benefit insured figured are shown gross and net of reinsurance.

Group Life Benefits Assured per Life

0 – 200
200 - 400
400 - 800
800 - 1000
More than 1,000
Total

| 2023 | | | |
|-------------------------------|----------|--------------------------|----------|
| Total Benefits Insured | | | |
| Before Reinsurance | % | After Reinsurance | % |
| \$ | | \$ | |
| 237,011,426 | 83% | 160,351,599 | 85% |
| 34,722,950 | 12% | 24,410,930 | 13% |
| 8,374,364 | 3% | 3,301,078 | 2% |
| - | 0% | - | 0% |
| 4,800,000 | 2% | 150,000 | 0% |
| 284,908,740 | 100% | 188,213,607 | 100% |

Group Life Benefits Assured per Life

0 – 200
200 - 400
400 - 800
800 - 1000
More than 1,000
Total

| 2022 | | | |
|-------------------------------|----------|--------------------------|----------|
| Total Benefits Insured | | | |
| Before Reinsurance | % | After Reinsurance | % |
| \$ | | \$ | |
| 224,483,456 | 82% | 148,464,939 | 84% |
| 33,425,944 | 12% | 22,318,309 | 13% |
| 8,570,714 | 3% | 4,653,292 | 3% |
| - | 0% | - | 0% |
| 8,383,584 | 3% | 300,000 | 0% |
| 274,863,698 | 100% | 175,736,540 | 100% |

The following tables for the Insurance company's annuity contracts illustrate the concentration of risk based on five bands that Company these contracts in relation to the amount payable per annum as if the annuity was in payment at the year end. The greatest risk concentration remains at the highest band, which is consistent with the prior year. The Company does not hold any reinsurance contracts against the liabilities carried for these contracts.

23. Insurance and Financial Risk Management (Continued)

(a) Insurance risk (Continued)

Long term insurance contracts (Continued)

Annuity Payable per annum per annuitant

0 – 20

20 - 40

40 - 80

Total

| Total Benefits Insured | | | |
|------------------------|------|-----------|------|
| 2023 | % | 2022 | % |
| \$ | | \$ | |
| 763,797 | 42% | 725,723 | 40% |
| 777,440 | 43% | 733,347 | 41% |
| 269,466 | 15% | 333,855 | 19% |
| 1,810,703 | 100% | 1,792,925 | 100% |

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

The Company manages these risks through its underwriting strategy and reinsurance arrangements.

The underwriting strategy is intended to ensure that the risks underwritten are well diversified in terms of type of risk and the level of insured benefits. The Company reinsures the excess of the insured benefit for new business for standard risks under an excess of loss reinsurance arrangement. Medically impaired lives are reinsured at a higher cost than standard risks. The Company does not place any reinsurance for contracts that insure survival risk. Insurance risk for contracts is also affected by the policyholders' rights to pay reduced or no future premiums, to terminate the contract completely, or to exercise a guaranteed annuity option. As a result, the amount of insurance risk is also subject to the policyholders' behaviour. On the assumption that the policyholders will make decisions rationally, overall risk can be assumed to be heightened by such behaviour.

The Company has factored the impact of policyholders' behaviour into the assumptions used to measure these liabilities.

(ii) Sources of uncertainty in the estimation of future benefit payments and premium payments

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

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

23. Insurance and Financial Risk Management (Continued)

(a) Insurance risk (Continued)

Long term insurance contracts (Continued)

(iii) Process used in deriving assumptions

The assumptions for long term life contracts and the process used in deriving these assumptions have remained substantially unchanged since the previous year.

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

See Note 3(a)(i) for detailed policy assumptions.

Short term insurance contracts

Short-duration life and health insurance contracts

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

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

The principal risks arising from short-term insurance contracts are premium risk, claims risk and reinsurance risk (See Note 23(b)).

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

Claims risk is the risk that:

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

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

(i) Frequency and severity of claims

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

Insurance risk under disability contracts is also dependent on economic conditions in the industry. The Company attempts to manage this risk through its underwriting, claims handling and reinsurance policy. Excess of loss reinsurance contracts have been purchased by the Company to limit the maximum loss on any one life and health claims, see Note 23(b) for retention limits.

23. Insurance and Financial Risk Management (Continued)

(a) Insurance risk (Continued)

Short term insurance contracts (Continued)

- (ii) Sources of uncertainty in the estimation of future claim payments

There is no need to estimate mortality rates or morbidity rates for future years because these contracts have short duration.

- (iii) Process used in deriving assumptions

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

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

(b) Reinsurance risk

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

For other insurance risks, insurers limit their exposure by event or per person by excess of loss or quota share treaties.

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

Type of insurance contract - 2023

Life insurance contracts with individuals
Life insurance contracts with groups
Group Accident & Disability contracts

Retention by insurers

Retention per individual to a maximum of US\$500,000
Retention per individual to a maximum of US\$100,000
Retention per individual to a maximum US\$50,000.

Type of insurance contract - 2022

Life insurance contracts with individuals
Life insurance contracts with groups
Group Accident & Disability contracts

Retention by insurers

Retention per individual to a maximum of US\$500,000
Retention per individual to a maximum of US\$100,000
Retention per individual to a maximum US\$50,000.

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23. Insurance and Financial Risk Management (Continued)

(c) Financial risk

(i) Credit risk

Credit risk is the risk that one party to a financial instrument, insurance contract issued in an asset position or reinsurance contract held will cause a financial loss for the other party by failing to discharge an obligation. The following policies and procedures are in place to mitigate the Company's exposure to credit risk.

The Company's credit risk policy sets out the assessment and determination of what constitutes credit risk for the Company. Compliance with the policy is monitored and exposures and breaches are reported accordingly. The policy is regularly reviewed for pertinence and for changes in the risk environment.

Credit risk relating to financial instruments is monitored by the Company's investment team. It is their responsibility to review and manage credit risk, including environmental risk for all counterparties. The Company manages and controls credit risk by setting limits on the amount of risk it is willing to accept for individual counterparties and for geographical and industry concentrations, and by monitoring exposures in relation to such limits. It is the Company's policy to invest in high quality financial instruments with a low risk of default. If there is a significant increase in credit risk, the policy dictates that the instrument should be sold and amounts recovered reinvested in high quality instruments.

The nature of the Company's exposure to credit risk and its objectives, policies and processes used to manage and measure the risks have not changed from the previous period. For financial assets measured at either FVTOCI or amortised cost, credit risk exposure is the gross carrying amount, while financial assets measured at FVTPL, the Group's credit risk exposure is the carrying amount. Refer to Note 3(a)(iii) and Note 5.

Credit exposure

The table below provides information regarding the credit risk exposure of the Company by classifying assets according to the Company's credit ratings of counterparties as defined in Note 3(a)(iii). The amounts represent the maximum amount exposure to credit risk. The credit risk analysis below is presented in line with how the Company manages the risk. The Company manages its credit exposure based on the carrying value of the financial instruments (detailed in Note 5 and insurance and reinsurance assets).

| | 2023 | | | | | |
|----------------------------|------------------|----------------------|-------|---------|---------|-------------|
| | Investment grade | Non-investment grade | Watch | Default | Unrated | Total |
| | \$ | \$ | \$ | \$ | \$ | \$ |
| Cash resources | - | 3,240,546 | | | | 3,240,546 |
| Financial investments | 102,119,187 | 3,024,011 | - | - | - | 105,143,198 |
| Reinsurance contracts | 4,155,829 | - | - | - | - | 4,155,829 |
| Other assets | - | 1,237,355 | - | - | - | 1,237,355 |
| Total credit risk exposure | 106,275,016 | 7,501,912 | - | - | - | 113,776,928 |

23. Insurance and Financial Risk Management (Continued)

(c) Financial risk (Continued)

(i) Credit risk (Continued)

| Credit risk (continued) | | | | | | |
|----------------------------|------------------|----------------------|-------|---------|---------|-------------|
| 2022 | | | | | | |
| | Investment grade | Non-investment grade | Watch | Default | Unrated | Total |
| | \$ | \$ | \$ | \$ | \$ | \$ |
| Cash resources | - | 2,476,744 | - | - | - | 2,476,744 |
| Financial investments | 85,786,145 | 7,276,475 | - | - | - | 93,062,620 |
| Reinsurance contracts | 3,874,130 | - | - | - | - | 3,874,130 |
| Other assets | - | 1,684,083 | - | - | - | 1,684,083 |
| Total credit risk exposure | 89,660,275 | 11,437,302 | - | - | - | 101,097,577 |

The Company actively manages its product mix to ensure that there is no significant concentration of credit risk.

(ii) Liquidity risk

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

The Company is exposed to daily calls on their available cash resources from, insurance benefits payments, working capital requirements, overnight placement of funds, maturing placement of funds, loan draw-downs and guarantees. The Company does not maintain cash resources to meet all of these needs as experience shows that a minimum level of investment of maturing funds can be predicted with a high level of certainty. The Board sets limits on the minimum proportion of maturing funds available to meet such calls and on the minimum level of inter-bank and other borrowing facilities that should be in place to cover withdrawals at unexpected levels of demand.

Liquidity risk management process

The Company's liquidity management process, as carried out within the Company and monitored by the Treasury Department, includes:

- (i) Monitoring future cash flows and liquidity daily. This incorporates an assessment of expected cash flows and the availability of high-grade collateral which could be used to secure funding if required.
- (ii) Maintaining a portfolio of highly marketable and diverse assets that can easily be liquidated as protection against any unforeseen interruption to cash flow.
- (iii) Maintaining committed lines of credit.
- (iv) Optimising cash returns on investment.
- (v) Monitoring liquidity ratios against internal and regulatory requirements. The most important of these is to maintain limits on the ratio of net liquid assets to customer liabilities; and
- (vi) Managing the concentration and profile of debt maturities.

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23. Insurance and Financial Risk Management (Continued)

(c) **Financial risk (Continued)**

(ii) **Liquidity risk (Continued)**

Liquidity risk management process (Continued)

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

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

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

The disclosures provided in this note are based on the Company's and the company's investment portfolio as at December 31, 2023 and 2022.

The tables below present the undiscounted cash flows payable (both interest and principal cash flows) of the company's financial and insurance contract liabilities based on the remaining periods. There are also tables which show discounted cash flows of the assets and liabilities, by earlier of maturity or contractual re-pricing for the financial assets and liabilities. The company expects that many policyholders/customers will not request repayment on the earliest date the company could be required to pay based on historical trend. The expected maturity dates of financial assets and liabilities are based on estimates made by management as determined by retention history

Undiscounted Insurance and Financial Liabilities - December 31, 2023

Other liabilities

Investment contract liabilities

Total undiscounted Financial Liabilities

| Within 1 year | 1-5 years | Over 5 years | Total |
|---------------|-----------|--------------|------------|
| \$ | \$ | \$ | \$ |
| 3,093,429 | - | - | 3,093,429 |
| 23,066,126 | 6,581,445 | 976,924 | 30,624,495 |
| 26,159,555 | 6,581,445 | 976,924 | 33,717,924 |

Undiscounted Insurance and Financial Liabilities - December 31, 2022

Other liabilities

Investment contracts liabilities

Total undiscounted Financial Liabilities

| Within 1 year | 1-5 years | Over 5 years | Total |
|---------------|-----------|--------------|------------|
| \$ | \$ | \$ | \$ |
| 2,769,854 | - | - | 2,769,854 |
| 26,504,328 | 5,535,932 | - | 32,040,260 |
| 29,274,182 | 5,535,932 | - | 34,810,114 |

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23. Insurance and Financial Risk Management (Continued)

(c) Financial risk (Continued)

(ii) Liquidity risk (Continued)

The tables below reflect the financial assets and liabilities portion of the insurance contracts assets and liabilities at the year- end date

Insurance and Reinsurance Contracts Assets

| | 2023 | | |
|-----------------------------|------------------|-------------------|--------------|
| | Long-term | Short-term | Total |
| | Contracts | Contracts | |
| | \$ | \$ | \$ |
| Reinsurance contract assets | 461,691 | 91,057 | 552,748 |
| Insurance contract assets | (1,135,237) | - | (1,135,237) |
| | (673,546) | 91,057 | (582,489) |

| | | | |
|----------------------------------|-------------|---------|-------------|
| Reinsurance contract liabilities | (3,738,223) | - | (3,738,223) |
| Insurance contract liabilities | 45,624,280 | 694,847 | 46,319,127 |
| | 41,886,057 | 694,847 | 42,580,904 |

Insurance and Reinsurance Contracts Assets

| | 2022 | | |
|----------------------------------|------------------|-------------------|--------------|
| | Long-term | Short-term | Total |
| | Contracts | Contracts | |
| | \$ | \$ | \$ |
| Reinsurance contract assets | 450,533 | 83,067 | 533,600 |
| Reinsurance contract liabilities | (2,729,803) | - | (2,729,803) |
| Insurance contract liabilities | 47,189,819 | 625,794 | 47,815,613 |
| | 44,460,016 | 625,794 | 45,085,810 |

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23. Insurance and Financial Risk Management (Continued)

(c) Financial risk (Continued)

(ii) Liquidity risk (Continued)

The following table summarises the maturity profile of portfolios of insurance contract issued and portfolios of reinsurance contracts held that are liabilities of the Company based on the estimates of the present value of the future cash flows expected to be paid out in the periods presented.

| | 2023 | | | | | |
|--|---------------|--------------|-----------|-----------|-----------|--------------|
| | Within 1 year | 1 to 2 years | 2-3 years | 3-4 years | 4-5 years | Over 5 years |
| | \$ | \$ | \$ | \$ | \$ | \$ |
| Insurance and Reinsurance Contracts Assets | | | | | | |
| Insurance contract assets | 83,628 | 16,625 | (354) | (5,557) | (1,480) | (1,228,099) |
| Reinsurance contract assets | 101,292 | 12,592 | 13,326 | 6,498 | 1,046 | 417,994 |
| Total | 184,920 | 29,217 | 12,972 | 941 | (434) | (810,105) |
| Insurance and Reinsurance Contracts Liabilities | | | | | | |
| Insurance contract liabilities | (2,715,173) | (668,941) | 13,909 | 223,612 | 59,542 | 49,406,178 |
| Reinsurance contract liabilities | 142,988 | (108,402) | (114,714) | (55,939) | (9,007) | (3,593,149) |
| Total | (2,572,185) | (777,343) | (100,805) | 167,673 | 50,535 | 45,813,029 |
| | | | | | | |
| | 2022 | | | | | |
| | Within 1 year | 1 to 2 years | 2-3 years | 3-4 years | 4-5 years | Over 5 years |
| | \$ | \$ | \$ | \$ | \$ | \$ |
| Insurance and Reinsurance Contracts Assets | | | | | | |
| Reinsurance contract assets | 533,600 | - | - | - | - | - |
| Total | 533,600 | - | - | - | - | - |
| Insurance and Reinsurance Contracts Assets | | | | | | |
| Insurance contract liabilities | 5,144,858 | 1,133,327 | 1,077,761 | 1,039,776 | 895,061 | 38,524,830 |
| Reinsurance contract liabilities | 604,026 | 51,738 | 53,841 | 59,352 | 67,550 | (3,566,310) |
| Total | 5,748,884 | 1,185,065 | 1,131,602 | 1,099,128 | 962,611 | 34,958,520 |

The amounts of insurance contract liabilities that are payable on demand are set out below:

| | 2023 | | 2022 | |
|---------------------|---------------------------|-----------------|---------------------------|-----------------|
| | Amounts payable on demand | Carrying amount | Amounts payable on demand | Carrying amount |
| | \$ | \$ | \$ | \$ |
| Long term contracts | 55,384,085 | 93,450,461 | 51,059,583 | 81,982,211 |
| | 55,384,085 | 93,450,461 | 51,059,583 | 81,982,211 |

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23. Insurance and Financial Risk Management (Continued)

(c) Financial risk (Continued)

(ii) Liquidity risk (Continued)

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

| | 2023 | | | |
|--|-------------------|------------------|-------------------|--------------------|
| | Within 1 Year | 1-5 years | Over 5 years | Total |
| | \$ | \$ | \$ | \$ |
| Assets | | | | |
| Financial assets excluding Insurance and Reinsurance Contracts Assets | | | | |
| Cash resources | 3,240,546 | - | - | 3,240,546 |
| Financial investments and pledged assets | 17,095,224 | 2,419,022 | 85,628,952 | 105,143,198 |
| Other assets | 1,237,355 | - | - | 1,237,355 |
| Total financial assets excluding Insurance and Reinsurance Contracts Assets | 21,573,125 | 2,419,022 | 85,628,952 | 109,621,099 |
| | | | | |
| | 2023 | | | |
| | Within 1 Year | 1-5 years | Over 5 years | Total |
| | \$ | \$ | \$ | \$ |
| Liabilities | | | | |
| Financial Liabilities excluding Insurance and Reinsurance Contracts Liabilities | | | | |
| Other liabilities | 3,093,429 | - | - | 3,093,429 |
| Investment contract liabilities | 22,652,159 | 6,103,945 | 715,779 | 29,471,883 |
| Total financial liabilities excluding Insurance and Reinsurance Contracts Liabilities | 25,745,588 | 6,103,945 | 715,779 | 32,565,312 |
| On statement of financial position interest sensitivity gap | (4,172,463) | (3,684,923) | 84,913,173 | |
| Cumulative interest sensitivity gap | (4,172,463) | (7,857,386) | 77,055,787 | |

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23. Insurance and Financial Risk Management (Continued)

(c) Financial risk (Continued)

(ii) Liquidity risk (Continued)

Assets

Financial Assets excluding Insurance and Reinsurance Contracts Assets

Cash resources

Financial investments and pledged assets excluding equities

Other assets

Total financial assets excluding Insurance and Reinsurance Contracts Assets

| 2022 | | | |
|-------------------|------------------|-------------------|-------------------|
| Within 1 Year | 1-5 years | Over 5 years | Total |
| \$ | \$ | \$ | \$ |
| - | - | 2,476,744 | 2,476,744 |
| 8,478,198 | 3,353,955 | 81,230,467 | 93,062,620 |
| 1,684,083 | - | - | 1,684,083 |
| 10,162,281 | 3,353,955 | 83,707,211 | 97,223,447 |

Liabilities

Financial Liabilities excluding Insurance and Reinsurance Contracts Liabilities

Other liabilities

Investment contract liabilities

Total financial liabilities excluding Insurance and Reinsurance Contracts Liabilities

On statement of financial position interest sensitivity gap

Cumulative interest sensitivity gap

| 2022 | | | |
|-------------------|------------------|-----------------|-------------------|
| Within 1 Year | 1-5 years | Over 5 years | Total |
| \$ | \$ | \$ | \$ |
| 2,769,854 | - | - | 2,769,854 |
| 26,504,328 | 4,869,054 | - | 31,373,382 |
| 29,274,182 | 4,869,054 | - | 34,143,236 |
| (19,111,901) | 1,515,099 | (83,707,211) | |
| (19,111,901) | (17,596,802) | (101,304,013) | |

Assets available to meet all the liabilities include cash, investment securities and other eligible bills. The company is also able to meet unexpected net cash outflows by selling securities and accessing additional funding sources from other financing institutions.

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23. Insurance and Financial Risk Management (Continued)

(c) Financial risk (Continued)

(iii) Market risk

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

Currency risk

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

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

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

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

| | 2023 | | | |
|----------------------------------|-----------------|-------------|-----------|-------------|
| | Cayman Island\$ | US\$ | Other | Total |
| | \$ | \$ | \$ | \$ |
| Financial Assets | | | | |
| Cash resources | 1,072,556 | 2,141,698 | 26,292 | 3,240,546 |
| Financial investments | - | 124,546,319 | - | 124,546,319 |
| Insurance contract | 1,128,143 | (44,646) | - | 1,083,497 |
| Reinsurance contracts | 3,822,334 | 333,495 | - | 4,155,829 |
| Other assets | - | 1,237,355 | - | 1,237,355 |
| Total financial assets | 6,023,033 | 128,214,221 | 26,292 | 134,263,546 |
| Financial Liabilities | | | | |
| Other liabilities | - | 3,093,429 | - | 3,093,429 |
| Insurance contract liabilities | 57,289,306 | 37,145,419 | 759,397 | 95,194,122 |
| Reinsurance contract liabilities | 185,111 | 1,698,610 | 73,007 | 1,956,728 |
| Investment contracts liabilities | 865,517 | 28,541,617 | 64,749 | 29,471,883 |
| Total financial liabilities | 58,339,934 | 70,479,075 | 897,153 | 129,716,162 |
| Net Exposure | (52,316,901) | 57,735,146 | (870,861) | 4,547,384 |

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23. Insurance and Financial Risk Management (Continued)

(c) Financial risk (Continued)

(iii) Market risk (Continued)

Currency risk (Continued)

| | 2022 | | | |
|----------------------------------|----------------|-------------|-----------|-------------|
| | Cayman Islands | US\$ | Other | Total |
| | \$ | \$ | \$ | \$ |
| Financial Assets | | | | |
| Cash resources | 1,008,004 | 1,446,538 | 22,202 | 2,476,744 |
| Financial investments | - | 111,092,314 | - | 111,092,314 |
| Reinsurance contracts | 3,580,819 | 293,915 | (604) | 3,874,130 |
| Other assets | - | 1,684,083 | - | 1,684,083 |
| Total financial assets | 4,588,823 | 114,516,850 | 21,598 | 119,127,271 |
| Financial Liabilities | | | | |
| Other liabilities | 1,093,911 | 1,674,264 | 1,679 | 2,769,854 |
| Insurance contract liabilities | 50,460,483 | 31,282,390 | 801,642 | 82,544,515 |
| Reinsurance contract liabilities | 270,538 | 1,377,188 | 83,604 | 1,731,330 |
| Investment contracts liabilities | 623,180 | 30,685,454 | 64,748 | 31,373,382 |
| Total financial liabilities | 52,448,112 | 65,019,296 | 951,673 | 118,419,081 |
| Net Exposure | (47,859,289) | 49,497,554 | (930,075) | 708,190 |

Cash flow and fair value interest rate risk

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

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.

23. Insurance and Financial Risk Management (Continued)

(c) Financial risk (Continued)

(iii) Market risk (Continued)

Cash flow and fair value interest rate risk (Continued)

The Company monitors interest rate risk by calculating the mean duration of the investment portfolio and the liabilities issued. The mean duration is an indicator of the sensitivity of the assets and liabilities to change in current interest rates. The mean duration of the liabilities is determined by means of projecting expected cash flows from the contracts using best estimate assumptions.

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

(i) Long term traditional insurance contracts and some investment contracts

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

(ii) Long term insurance contracts and investment contracts without fixed terms

For unit-linked contracts the Company matches all the assets on which the unit prices are based with assets in the portfolio. There is no price, currency, credit, or interest rate risk for these contracts.

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

A decrease of 10% in the value of the assets would reduce the asset management fees to \$465,348 (2022 - \$465,512) per annum.

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

(iii) Short-term contracts

For short term insurance contracts, the Company has matched the insurance contract liabilities with a portfolio of debt securities. The financial assets in this portfolio are characterised by interest rate risk.

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

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23. Insurance and Financial Risk Management (Continued)

(c) Financial risk (Continued)

(iii) Market risk (Continued)

Cash flow and fair value interest rate risk (Continued)

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

The disclosures provided in this note are based on the Company's investment portfolio as at December 31, 2023 and 2022.

| | 2023 | | | | |
|--|-------------------|--------------------|--------------------|----------------------|--------------------|
| | Within 1 year | 1-5 years | Over 5 years | Non-Interest bearing | Total |
| | \$ | \$ | \$ | \$ | \$ |
| Assets | | | | | |
| Cash resources | 3,240,546 | - | - | - | 3,240,546 |
| Financial investments | 17,082,406 | 2,364,286 | 84,293,831 | 20,805,796 | 124,546,319 |
| Insurance contract assets | (22,025) | 41,867 | 1,040,002 | 23,653 | 1,083,497 |
| Reinsurance contracts | (18,790) | (66,407) | 1,368,397 | 2,872,629 | 4,155,829 |
| Other assets | - | - | - | 1,237,355 | 1,237,355 |
| Total assets | 20,282,137 | 2,339,746 | 86,702,230 | 24,939,433 | 134,263,546 |
| | | | | | |
| | 2023 | | | | |
| | Within 1 year | 1-5 years | Over 5 years | Non-Interest bearing | Total |
| | \$ | \$ | \$ | \$ | \$ |
| Liabilities | | | | | |
| Other liabilities | - | - | - | 3,093,429 | 3,093,429 |
| Insurance contract liabilities | (1,935,069) | 3,678,322 | 91,372,774 | 2,078,095 | 95,194,122 |
| Reinsurance contract liabilities | (8,846) | (31,266) | 644,294 | 1,352,546 | 1,956,728 |
| Investment contracts liabilities | 22,652,159 | 6,103,945 | 715,779 | - | 29,471,883 |
| Total liabilities | 20,708,244 | 9,751,001 | 92,732,847 | 6,524,070 | 129,716,162 |
| On statement of financial position interest sensitivity gap | (426,107) | (7,411,255) | (6,030,617) | 18,415,363 | |
| Cumulative interest sensitivity gap | (426,107) | (7,837,362) | (13,867,979) | 4,547,384 | |

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23. Insurance and Financial Risk Management (Continued)

(c) Financial risk (Continued)

(iii) Market risk (Continued)

| | 2022 | | | | |
|--|---------------------|--------------------|-------------------|----------------------|--------------------|
| | Within 1 year | 1-5 years | Over 5 years | Non-Interest bearing | Total |
| | \$ | \$ | \$ | \$ | \$ |
| Assets | | | | | |
| Cash resources | 2,475,424 | - | - | 1,320 | 2,476,744 |
| Financial investments | 8,478,198 | 3,353,955 | 81,233,290 | 18,026,871 | 111,092,314 |
| Reinsurance contracts | 301,432 | 384,465 | 3,188,233 | - | 3,874,130 |
| Other assets | 1,684,083 | - | - | - | 1,684,083 |
| Total assets | 12,939,137 | 3,738,420 | 84,421,523 | 18,028,191 | 119,127,271 |
| Liabilities | | | | | |
| Other liabilities | - | - | - | 2,769,854 | 2,769,854 |
| Insurance contract liabilities | 551,028 | 2,574,213 | 79,223,789 | 195,485 | 82,544,515 |
| Reinsurance contract liabilities | 134,709 | 171,815 | 1,424,806 | - | 1,731,330 |
| Investment contracts liabilities | 26,504,328 | 4,869,054 | - | - | 31,373,382 |
| Total liabilities | 27,190,065 | 7,615,082 | 80,648,595 | 2,965,339 | 118,419,081 |
| On statement of financial position interest sensitivity gap | (14,250,928) | (3,876,662) | 3,772,928 | 15,062,852 | |
| Cumulative interest sensitivity gap | (14,250,928) | (18,127,590) | (14,354,662) | 708,190 | |

(iv) Operational risk

Operational risk is the risk of loss arising from system failure, human error, fraud or external events. When controls fail to perform, operational risks can cause damage to reputation, have legal or regulatory implications or can lead to financial loss. The Company cannot expect to eliminate all operational risks, but by initiating a rigorous control framework and by monitoring and responding to potential risks, the Company is able to manage the risks. Controls include effective segregation of duties, access controls, authorisation and reconciliation procedures, staff education and assessment processes, including the use of internal audit. Business risks such as changes in environment, technology and the industry are monitored through the Company's strategic planning and budgeting process.

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24. Sensitivity Analysis

The sensitivity analysis for assets and liabilities including those relating to insurance and reinsurance contracts are detailed below.

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

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

- the economic scenario,
- the investments allocated to back the liabilities,
- the underlying assumptions used, and
- risk adjustment for non-financial risks

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

The assumption for future investment yields has a significant impact on contract liabilities. The other assumptions to which the liabilities of the Company are most sensitive, are in descending order of impact:

- Mortality and morbidity
- Operating expenses and taxes
- Lapse rates

The following sensitivity analysis shows the impact (gross and net of reinsurance held) on contractual service margin, profit before tax and equity for reasonably possible movements in key assumptions with all other assumptions held constant. The correlation of assumptions will have a significant effect in determining the ultimate impacts, but to demonstrate the impact due to changes in each assumption, assumptions had to be changed on an individual basis. It should be noted that movements in these assumptions are non-linear. Sensitivity information will also vary according to the current economic assumptions, mainly due to the impact of changes to both the intrinsic cost and time value of options. When options exist, they are the main reason for the asymmetry of sensitivities. The method used for deriving sensitivity information and significant assumptions made did not change from the previous period.

Insurance contracts issued

| | 2023 | | |
|---------------------------|-----------------------|--|--|
| | Change in assumptions | Impact on profit before tax gross of reinsurance | Impact on profit before tax net of reinsurance |
| | % | \$ | \$ |
| Mortality/morbidity rate | +10% | (1,797,000) | (1,797,000) |
| Longevity | +10% | 107,000 | 107,000 |
| Expenses | +10% | (109,000) | (109,000) |
| Lapse and surrenders rate | +10% | 22,000 | 22,000 |
| Mortality/morbidity rate | -10% | 1,800,000 | 1,800,000 |
| Longevity | -10% | (118) | (118) |
| Expenses | -10% | 109 | 109 |
| Lapse and surrenders rate | -10% | 173 | 173 |

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24. Sensitivity Analysis (Continued)

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

| | 2022 Restated | | |
|---------------------------|-----------------------|--|--|
| | Change in assumptions | Impact on profit before tax gross of reinsurance | Impact on profit before tax net of reinsurance |
| | % | \$ | \$ |
| Mortality/morbidity rate | +10% | (1,206,000) | (1,206,000) |
| Longevity | +10% | 84,000 | 84,000 |
| Expenses | +10% | (34,000) | (34,000) |
| Lapse and surrenders rate | +10% | (84,000) | (84,000) |
| Mortality/morbidity rate | -10% | 1,207,000 | 1,207,000 |
| Longevity | -10% | (84,000) | (84,000) |
| Expenses | -10% | 34,000 | 34,000 |
| Lapse and surrenders rate | -10% | 29,000 | 29,000 |

| | 2023 | | 2022 | |
|---------------------------|-----------------------|---|---|---|
| | Change in assumptions | Impact on CSM before tax gross of reinsurance | Impact of CSM before tax gross of reinsurance | Impact of CSM before tax net of reinsurance |
| | % | \$ | \$ | \$ |
| Mortality/morbidity rate | +10% | (5,657,000) | (4,411,516) | (4,295,000) |
| Longevity | +10% | 280,000 | 280,000 | 240,000 |
| Expenses | +10% | (490,000) | (489,755) | (546,000) |
| Lapse and surrenders rate | +10% | (1,495,000) | (1,343,509) | (1,328,000) |
| Mortality/morbidity rate | -10% | 5,738,000 | 4,464,386 | 4,379,000 |
| Longevity | -10% | (309,000) | (309,000) | (240,000) |
| Expenses | -10% | 490,000 | 489,765 | 466,000 |
| Lapse and surrenders rate | -10% | 2,353,000 | 2,173,893 | 2,246,000 |

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24 Sensitivity Analysis (Continued)

(iii) Sensitivity arising from a decline in equity prices

The Company is sensitive to fair value risk on its financial assets at FVTPL equity securities. The effects of an increase by 5% and a decrease by 10% in equity prices at the year-end date are set out below.

| | Carrying Value | Effect of 5% decrease at December 31, 2023 | Effect of 10% increase at December 31, 2023 |
|---|-------------------|--|---|
| | \$ | \$ | \$ |
| Financial assets at FVTPL equity securities: | | | |
| Listed on US Stock Exchange | 18,986,990 | (949,350) | 1,898,699 |
| Listed on other stock exchanges | 416,131 | (20,807) | 41,613 |
| | <u>19,403,121</u> | <u>(970,157)</u> | <u>1,940,312</u> |
| | | | |
| | Carrying Value | Effect of 5% decrease at December 31, 2022 | Effect of 10% increase at December 31, 2022 |
| | \$ | \$ | \$ |
| Financial assets at FVTPL equity securities: | | | |
| Listed on US Stock Exchange | 17,503,194 | (875,160) | 1,750,319 |
| Listed on other stock exchanges | 526,500 | (26,325) | 52,650 |
| | <u>18,029,694</u> | <u>(901,485)</u> | <u>1,802,969</u> |

(iv) Sensitivity arising from currency risk

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

The effect of further 10% depreciation and 10% appreciation in the Jamaican dollar (JMD) relative to the United States dollar (USD) at the year-end date is considered in the following tables.

| | 2023 | | | 2022 Restated | | |
|----------------------------------|---|---|---|---|---|---|
| | Balances Denominated in other than USD and CI | Effect of 10% depreciation at December 31, 2023 | Effect of 10% appreciation at December 31, 2023 | Balances Denominated in other than USD and CI | Effect of 10% depreciation at December 31, 2022 | Effect of 10% appreciation at December 31, 2022 |
| | \$ | \$ | \$ | \$ | \$ | \$ |
| Statement of financial position: | | | | | | |
| Assets | 26,292 | 23,663 | 23,663 | 21,598 | 19,438 | 19,438 |
| Liabilities | 897,153 | 807,438 | 807,438 | 951,673 | 856,506 | 856,506 |
| Net position | <u>(870,861)</u> | <u>(783,775)</u> | <u>(783,775)</u> | <u>(930,075)</u> | <u>(837,068)</u> | <u>(837,068)</u> |
| Impact on Net Profit | | | | | | |
| Other comprehensive Income | | <u>(87,086)</u> | <u>(87,086)</u> | | <u>93,007</u> | <u>93,007</u> |

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24. Sensitivity Analysis (Continued)

(iv) Sensitivity arising from currency risk (Continued)

The following analysis is performed for reasonably possible movements in key variables, with all other variables held constant, showing the impact on contractual service margin, profit before tax, and equity due to changes in the fair value of currency-sensitive monetary assets and liabilities, including those relating to insurance and reinsurance contracts. The correlation of variables will have a significant effect in determining the ultimate impact of currency risk, but to demonstrate the impact due to changes in variables, variables had to be changed on an individual basis. The method used for deriving sensitivity information and significant variables did not change from the previous period.

| | 2023 | | | | 2022 Restated | | | |
|-------------------------------------|----------------------------|-------------------------------|-----------------------------------|---------------------|----------------------------|-------------------------------|-----------------------------------|---------------------|
| | Change in exchange rate | CSM denominated in CI\$ | Impact on profit before tax | Impact on equity | Change in exchange rate | CSM denominated in CI\$ | Impact on profit before tax | Impact on equity |
| | % | \$ | \$ | \$ | % | \$ | \$ | \$ |
| CI\$/USD exchange rate | | | | | | | | |
| Insurance and reinsurance contracts | +10% | 23,596,040 | (2,145,095) | (2,145,095) | +4% | 16,750,608 | (858,038) | (644,254) |
| Insurance and reinsurance contracts | -10% | 19,305,851 | 2,145,095 | 2,145,095 | -1% | 15,945,291 | 214,509 | 161,064 |

| | 2023 | | | 2022 Restated | | |
|--|-------------------------------|-----------------------------------|---------------------|----------------------------|-----------------------------------|---------------------|
| | Change in exchange rate | Impact on profit before tax | Impact on equity | Change in exchange rate | Impact on profit before tax | Impact on equity |
| | % | \$ | \$ | % | \$ | \$ |
| CI\$/USD exchange rate | | | | | | |
| Insurance and reinsurance contracts, net | +10% | (5,252,394) | - | +4% | (46,890,486) | - |
| Insurance and reinsurance contracts, net | -10% | 5,252,394 | - | -1% | 471,502 | - |

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24 Sensitivity Analysis (Continued)

(v) Interest rate sensitivity

The following table indicates the sensitivity to a reasonable possible change in interest rates, with all other variables held constant, on profit or loss and other components of equity.

The following analysis is performed for reasonably possible movements in key variables with all other variables held constant, showing the impact on profit before tax and equity. The correlation of variables will have a significant effect in determining the ultimate impact of interest rate risk, but to demonstrate the impact due to changes in variables, variables have been changed on an individual basis. It should be noted that movements in these variables are non-linear. The method used for deriving sensitivity information and significant variables has not changed from the previous period.

| | 2023 | | | 2022 | | |
|-------------------------------------|-------------------------|-----------------------------|------------------|-------------------------|-----------------------------|------------------|
| | Change in interest rate | Impact on profit before tax | Impact on equity | Change in interest rate | Impact on profit before tax | Impact on equity |
| | | | | | | |
| | | \$ | \$ | | \$ | \$ |
| Insurance and reinsurance contracts | +100 bps | 66,000 | - | +50 bps | -57,000 | - |
| Debt instruments | | | | | | |
| Long Term Insurance | +100 bps | (9,385) | - | +50 bps | (4,930) | - |
| Short Term Insurance | +100 bps | (43) | - | +50 bps | (22) | - |
| Insurance and reinsurance contracts | -100 bps | (67,000) | - | -50 bps | 58,000 | - |
| Debt instruments | | | | | | |
| Long Term Insurance | -100 bps | 11,066 | - | -50 bps | 5,417 | - |
| Short Term Insurance | -100 bps | 50 | - | -50 bps | 23 | - |

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25. Capital Management

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

- (i) To comply with internationally recognised capital requirements for insurance, where local regulations do not require these international standards;
- (ii) To safeguard its ability to meet future obligations to policyholders, depositors, note-holders and stockholders;
- (iii) To provide adequate returns to stockholders by pricing insurance, investment and other contracts commensurately with the level of risk; and
- (iv) To maintain a strong capital base which is sufficient for the future development of the Company's operations.

The principal capital resources of the company comprise its shareholder's equity.

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

During 2014, the Cayman Islands Insurance (Capital and Solvency) (Class A Insurers) Regulations became effective. The minimum capital requirement for a local Class A insurer was established as the greater of US\$300,000, or the square root of the sum of the square of five risk components – assets, policy liabilities, subsidiaries, catastrophe exposure and foreign exchange risk. Additionally, the prescribed capital for a local Class A insurer must be at least 125% of the minimum capital requirement. The company met the minimum requirement capital as year end.

The Minimum Capital and Requirement (MCR) based on the Canadian Regulatory Standards is set out below.

| | 2023 | 2022 |
|---|---------------|---------------|
| Sagicor Life of the Cayman Islands Ltd. | <u>456.6%</u> | <u>303.5%</u> |

26. Pension Scheme

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

The company contributes at a fixed rate of 5% of pensionable earnings of up to KYD87,000 per annum and employees contribute at a rate of 5% of regular salary.

The employer's contribution for the year totalled \$35,899 (2022 - \$22,269) for the company.

27. Commitments and Contingent Liabilities

(a) Commitments

There were no commitments for the current or prior year with respect to lease contracts and capital commitments.

(b) Regulatory Finding

The company has not made any filings with the Regulators in Antigua as management deemed the level of business in the said territory to be insignificant. Also refer to Note with respect to regulatory findings in the Cayman Islands.

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28. Offsetting Financial Assets and Financial Liabilities

(a) Financial assets

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

| | 2023 | | | | | |
|-----------------------|-----------------------------------|--|--|-------------------------------------|-----------------------------|----------------------------------|
| | Gross amounts of financial assets | Gross amounts set off on the statement of financial position | Net amounts of financial assets presented on the statement of financial position | Impact of master Netting Agreements | Related amounts not set off | |
| | | | | | Cash collateral | Financial instruments collateral |
| | \$ | \$ | \$ | \$ | \$ | \$ |
| ASSETS | | | | | | |
| Cash resources | 3,240,546 | - | 3,240,546 | - | - | - |
| Financial investments | 124,927,429 | - | 124,927,429 | - | - | (381,110) |
| | 128,167,975 | - | 128,167,975 | - | - | (381,110) |
| | | | | | | 127,786,865 |

There were no financial liabilities subject to offsetting as at 31 December 2023.

| | 2022 | | | | | |
|-----------------------|-----------------------------------|--|--|-------------------------------------|-----------------------------|----------------------------------|
| | Gross amounts of financial assets | Gross amounts set off on the statement of financial position | Net amounts of financial assets presented on the statement of financial position | Impact of master Netting Agreements | Related amounts not set off | |
| | | | | | Cash collateral | Financial instruments collateral |
| | \$ | \$ | \$ | \$ | \$ | \$ |
| ASSETS | | | | | | |
| Cash resources | 2,476,744 | - | 2,476,744 | - | - | - |
| Financial investments | 111,472,807 | - | 111,472,807 | - | - | (380,493) |
| | 113,949,551 | - | 113,949,551 | - | - | (380,493) |
| | | | | | | 113,569,058 |

There were no financial liabilities subject to offsetting as at 31 December 2022.

29. Cease and Desist Order

Following the lifting of the Cease-and-Desist Order in 2018, the Cayman Islands Monetary Authority "the Authority" conducted a scheduled on-site inspection of Sagicor Life of the Cayman Islands Ltd in 2021. All items have since been resolved by the Company.

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30. Restatements

(a) STATEMENT OF FINANCIAL POSITION

| | December 31, 2021 | Adjustments | January 1, 2022 |
|--|----------------------|---|--------------------|
| | As previously stated | IFRS 9 & 17 adjustments ¹ | Restated |
| | \$ | \$ | \$ |
| ASSETS | | | |
| Financial investments (d) | 149,011,529 | (4,609,108) | 144,402,421 |
| Reinsurance contract assets | 1,612,805 | 4,322,812 | 5,935,617 |
| Premium due and unpaid | 1,104,116 | (1,104,116) | - |
| Other assets impacted by IFRS 17 and/or IFRS 9: | | | |
| Other receivables | 1,361,346 | (573,048) | 788,298 |
| Other assets neither impacted by IFRS 17 nor IFRS 9 | 13,728,492 | - | 13,728,492 |
| TOTAL ASSETS | 166,818,288 | (1,963,460) | 164,854,828 |
| EQUITY AND LIABILITIES: | | | |
| Total equity | 34,495,165 | (11,968,601) | 22,526,564 |
| Liabilities | | | |
| Policyholders' Funds: | | | |
| Life and health insurance contracts liabilities | 89,152,555 | (89,152,555) | - |
| Investment contract liabilities ² | 32,197,653 | - | 32,197,653 |
| Other policy liabilities | 7,723,350 | (7,723,350) | - |
| Insurance contract liabilities | | 103,270,860 | 103,270,860 |
| Reinsurance contract liabilities | - | 3,992,393 | 3,992,393 |
| Reinsurance payable | 831,493 | (831,493) | - |
| Other liabilities impacted by IFRS 17 and/or IFRS 9: | | | |
| Other Liabilities | 2,144,551 | 449,286 | 2,593,837 |
| Other liabilities neither impacted by IFRS 17 nor IFRS 9 | 273,521 | - | 273,521 |
| Total Liabilities | 132,323,123 | 10,005,141 | 142,328,264 |
| TOTAL EQUITY AND LIABILITIES | 166,818,288 | (1,963,460) | 164,854,828 |

¹ IFRS 17 adjustments refer to derecognition, reclassification and remeasurement as a result of the application of IFRS 17.

² No restatement for Investment contract liabilities. It is included for completeness of Policyholders' Funds previously reported.

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30. Restatements (continued)

(a) STATEMENT OF FINANCIAL POSITION (continued)

| | December 31, 2022 | Adjustments | December 31, 2022 |
|--|----------------------|---|--------------------|
| | As previously stated | IFRS 9 & 17 adjustments ¹ | Restated |
| | \$ | \$ | \$ |
| ASSETS | | | |
| Financial investments | 115,689,792 | (4,597,478) | 111,092,314 |
| Reinsurance contract assets | 592,823 | 3,281,307 | 3,874,130 |
| Premium due and unpaid | 1,296,781 | (1,296,781) | - |
| Other assets impacted by IFRS 17 and/or IFRS 9: | | | |
| Due from Agents | 822,292 | (668,812) | 153,480 |
| Other receivables | 111,352 | 40,663 | 152,015 |
| Other assets | 15,379,270 | - | 15,379,270 |
| TOTAL ASSETS | 133,892,310 | (3,241,101) | 130,651,209 |
| EQUITY AND LIABILITIES: | | | |
| Total equity | 30,845,801 | (18,613,673) | 12,232,128 |
| Liabilities | | | |
| Policyholders' Funds: | | | |
| Life and health insurance contracts liabilities | 62,456,368 | (62,456,368) | - |
| Investment contract liabilities ² | 31,373,382 | - | 31,373,382 |
| Other policy liabilities | 5,965,429 | (5,965,429) | - |
| Insurance contract liabilities | - | 82,544,515 | 82,544,515 |
| Reinsurance contract liabilities | - | 1,731,330 | 1,731,330 |
| Other liabilities impacted by IFRS 17 and/or IFRS 9: | | | |
| Premiums not applied | 1,339,126 | (1,339,126) | - |
| Reinsurance Premium payable | 1,025,240 | (1,025,240) | - |
| Accounts payable and accruals | 782,760 | 543,764 | 1,326,524 |
| Other liabilities neither impacted by IFRS 17 nor IFRS 9 | 104,204 | 1,339,126 | 1,443,330 |
| Total Liabilities | 103,046,509 | 15,372,572 | 118,419,081 |
| TOTAL EQUITY AND LIABILITIES | 133,892,310 | (3,241,101) | 130,651,209 |

¹ IFRS 17 adjustments refer to derecognition, reclassification and remeasurement as a result of the application of IFRS 17.

Sagicor Life of the Cayman Islands Ltd.**Notes to the Financial Statements****31 December 2023**

(expressed in United States dollars unless otherwise indicated)

30. Restatements (continued)**(b) INCOME STATEMENT**

| | December 31, 2022 | Adjustments | December 31, 2022 |
|--|----------------------|---|--------------------|
| | As previously stated | IFRS 9 & 17 adjustments ¹ | As per restated FS |
| | \$ | \$ | \$ |
| Insurance revenue | 26,594,805 | (15,737,850) | 10,856,955 |
| Insurance service expenses | (1,183,424) | (2,704,808) | (3,888,232) |
| Net expenses from reinsurance contracts held | (2,057,163) | 269,194 | (1,787,969) |
| INSURANCE SERVICE RESULT | 23,354,218 | (18,173,464) | 5,180,754 |
| NET INVESTMENT INCOME | (3,081,474) | (32,373,331) | (35,454,805) |
| NET INSURANCE FINANCE INCOME | - | 20,374,853 | 20,374,853 |
| NET INSURANCE AND INVESTMENT RESULT | 20,272,744 | (30,171,942) | (9,899,198) |
| Fees, hotel and other income | 119,772 | 115,056 | 234,828 |
| Administration and Commission expenses | (8,288,479) | 6,739,132 | (1,549,347) |
| Depreciation and amortisation | (150,260) | 146,388 | (3,872) |
| Other taxes and levies | - | 6,242 | 6,242 |
| | (8,318,967) | 7,006,818 | (1,312,149) |
| NET PROFIT | 11,953,777 | (23,165,124) | (11,211,347) |

¹ IFRS 17 adjustments refer to derecognition, reclassification and remeasurement as a result of the application of IFRS 17.

Sagicor Life of the Cayman Islands Ltd.
Notes to the Financial Statements
31 December 2023

(expressed in United States dollars unless otherwise indicated)

30. Restatements (continued)
(c) STATEMENT OF COMPREHENSIVE INCOME

| | December 31, 2022 | Adjustments | December 31, 2022 |
|---|----------------------|--------------------------|--------------------|
| | | IFRS 9 & 17 | |
| | As previously stated | adjustments ¹ | As per restated FS |
| | \$ | \$ | \$ |
| Items that may be subsequently reclassified to profit or loss | | | |
| Other comprehensive income: | | | |
| Items that may be subsequently reclassified to profit or loss | | | |
| Fair value reserve | (31,924,709) | 31,924,709 | - |
| Currency translation | - | - | - |
| Gains recycled to the income statement on sale and maturity of FVTOCI securities | (76,456) | 76,456 | - |
| Provision for expected credit losses on securities designated as FVTOCI | 3,764 | (3,764) | - |
| Change in actuarial liabilities recognised in other comprehensive income | 15,477,349 | (15,477,349) | - |
| | (16,520,052) | 16,520,052 | - |
| Items that will not be subsequently reclassified to profit or loss | | | |
| Owner Occupied Property (OOP) | 916,911 | - | 916,911 |
| Re-measurements of retirement benefits obligations | - | - | - |
| | 916,911 | - | 916,911 |
| Retained comprehensive income designated equity of stockholders' equity, net of taxes | (15,603,141) | 16,520,052 | 916,911 |
| Total Comprehensive Income | (15,603,141) | 16,520,052 | 916,911 |

¹ IFRS 17 adjustments refer to derecognition, reclassification and remeasurement as a result of the application of IFRS 17.

Sagicor Life of the Cayman Islands Ltd.
Notes to the Financial Statements
31 December 2023

(expressed in United States dollars unless otherwise indicated)

30. Restatements (continued)
(d) CASH FLOW STATEMENT

| | December 31, 2022 | Adjustments | December 31, 2022 |
|---|----------------------|---|-------------------|
| | As previously stated | IFRS 9 & 17 adjustments ¹ | Restated |
| | \$ | \$ | \$ |
| Cash Flows from Operating Activities | | | |
| Net profit | 11,953,777 | (23,165,124) | (11,211,347) |
| Adjustments for: | | | |
| Items not affecting cash | | | |
| Adjustments to reconcile net profit to net cash provided by oper: | (8,971,220) | 23,543,112 | 14,571,892 |
| Interest received | 5,402,588 | (377,988) | 5,024,600 |
| Income and asset taxes paid | (1,064,149) | - | (1,064,149) |
| Net cash provided by operating activities | <u>7,320,996</u> | <u>-</u> | <u>7,320,996</u> |
| Net cash used in investing activities | <u>(10,338)</u> | <u>-</u> | <u>(10,338)</u> |
| Net change in cash and cash equivalents | 7,310,658 | - | 7,310,658 |
| Cash and cash equivalents at beginning of year | 4,236,231 | - | 4,236,231 |
| CASH AND CASH EQUIVALENTS AT END OF YEAR | <u>11,546,889</u> | <u>-</u> | <u>11,546,889</u> |

¹ IFRS 17 adjustments refer to derecognition, reclassification and remeasurement as a result of the application of IFRS 17.

Sagicor Life of the Cayman Islands Ltd.
Notes to the Financial Statements
31 December 2023
(expressed in United States dollars unless otherwise indicated)

30. Restatements (continued)

(e) FINANCIAL INVESTMENTS

As at 31 December 2022, certain assets under IFRS 9 were redesignated as FVTPL on implementation of IFRS 17 to effectively reduce the possibility of an accounting mismatch.

| | December 31, 2022 As previously stated | Amount reclassified to Insurance Contracts Liabilities | Amount reclassified as FVTPL | January 1, 2023 Restated |
|--|---|--|---------------------------------|-----------------------------|
| | Carrying value | | | Carrying value |
| | \$ | \$ | \$ | \$ |
| Financial investments FVTPL - | | | | |
| Corporate bonds | 6,076,548 | - | 77,535,434 | 83,611,982 |
| Quoted equities | 18,029,694 | - | - | 18,029,694 |
| Foreign government securities (Note 4) | - | - | 7,269,831 | 7,269,831 |
| Total FVTPL | 24,106,242 | - | 84,805,265 | 108,911,507 |
| Financial investments at FVTOCI - | | | | |
| Foreign government securities (Note 4) | 7,269,831 | - | (7,269,831) | - |
| Corporate bonds | 77,535,434 | - | (77,535,434) | - |
| Total FVTOCI | 84,805,265 | - | (84,805,265) | - |
| Financial investments at amortised cost, net of ECL - | | | | |
| Securities purchased under resale agreements (Note 4) | 1,756,162 | - | - | 1,756,162 |
| Short term deposits (Note 4) | 424,645 | - | - | 424,645 |
| Total investments at amortised cost, net of ECL | 2,180,807 | - | - | 2,180,807 |
| Total financial investments excluding policy loans | 111,092,314 | - | - | 111,092,314 |
| Policy loans previously reported | 4,597,478 | (4,597,478) | - | - |
| Less Pledged asset (Note 4) | (380,493) | - | - | (380,493) |
| Total financial investments | 115,309,299 | (4,597,478) | - | 110,711,821 |

As at January 1, 2022, certain assets under IFRS 9 were redesignated as FVTPL on implementation of IFRS 17 to effectively reduce the possibility of an accounting mismatch.

| | December 31, 2021 As previously stated | January 1, 2022 Restated |
|--|---|-----------------------------|
| | Carrying value | Carrying value |
| | \$ | \$ |
| Financial investments FVTPL - | | |
| Corporate bonds | 8,584,198 | 8,584,198 |
| Quoted Equities | 24,313,834 | 24,313,834 |
| Total FVTPL | 32,898,032 | 32,898,032 |
| Financial investments at FVTOCI - | | |
| Debt Securities | 110,215,838 | 110,215,838 |
| Total FVTOCI | 110,215,838 | 110,215,838 |
| Financial investments at amortized cost, net of ECL - | | |
| Securities purchased under resale agreement | 896,516 | 896,516 |
| Short term deposits | 392,035 | 392,035 |
| Total investments at amortised cost, net of ECL | 1,288,551 | 1,288,551 |
| Total financial investments excluding policy loans | 144,402,421 | 144,402,421 |
| Policy loans previously reported ¹ | 4,609,108 | - |
| Less Pledged asset (Note 10) ² | (379,880) | (379,880) |
| Total financial investments | 148,631,649 | 144,022,541 |

¹ Policy loans were reclassified to insurance contract liabilities under IFRS 17 with no remeasurement and no impact to equity.

² There is no redesignation for Pledged assets. Pledged assets are included for completeness of financial investments.