SAGICOR FINANCIAL COMPANY LTD.

MANAGEMENT'S DISCUSSION & ANALYSIS

For the three-month and twelve-month periods ended December 31, 2021 and December 31, 2020

About Sagicor

Established in 1840 as The Barbados Mutual Life Assurance Society, Sagicor is one of the oldest providers of insurance in the Americas. Sagicor offers a wide range of products and services including life and health insurance, annuities, pension administration, property and casualty insurance, asset management, investment and merchant banking, securities brokerage, mutual funds, real estate development, and commercial banking. Sagicor's principal markets are Barbados, Jamaica, Trinidad and Tobago, and the United States of America

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ACRONYMS

Certain acronyms have been used throughout the management analysis and discussion substitute phrases.

The more frequent acronyms and associated phrases are set out below.

Acronym	Phrase
AA	Appointed Actuary
ECL	Expected Credit Losses
FVOCI	Fair Value through Other Comprehensive Income
FVTPL	Fair Value through Profit and Loss
IAS	International Accounting Standards
IFRS	International Financial Reporting Standards
IFRS 9	International Financial Reporting Standard No.9 – Financial Instruments
IFRS 16	International Financial Reporting Standard No.16 – Leases
MCCSR	Minimum Continuing Capital and Surplus Requirement
OCI	Other Comprehensive Income
POCI	Purchased or Originated Credit-Impaired

1. HIGHLIGHTS

Sagicor Group experienced a very strong performance for the year under review as compared to the prior year. Generally, all segments demonstrated strong performance during the period.

The Group recorded net income of US $196.5 million for the year ended December 31, 2021, the highest in its 181-year history, compared to a net loss of US $15.1 million for the corresponding period in 2020. Net income attributable to common shareholders was US $133.2 million compared to a net loss of US $3.6 million, for the same period in the prior year. Net income benefitted from strong premium production in our USA segment, as well as positive net experience through the annual review of our actuarial assumptions across each of our life insurance segments.

The Group's net income for the year ended December 31, 2021 also includes net gains of US $32.3 million from our investment in Playa Hotels and Resorts ("Playa"), which Sagicor now holds 10,745,251 shares of Playa measured at FVTPL. Refer to the Additional Information: Interest in Playa Hotel and Resorts N.V section for more details.

During the corresponding period for 2020, Group net income and net income attributable to common shareholders were significantly impacted by the economic uncertainty created by the COVID-19 pandemic. In 2020, the Group posted higher Expected Credit Losses (ECLs) and experienced net mark-to-market losses as a result of the markets' response to the pandemic. Group net income was also impacted by our share of net loss and impairment related to our associated company investment in Playa, all due to the pandemic's impact on the travel and leisure industry.

On May 13, 2021, Sagicor Financial Company Ltd. completed an offering of US $400.0 million of 5.300% Senior Notes due May 13, 2028. The Company used partial proceeds of the transaction to repurchase US $318 million aggregate principal amount of its 8.875% Senior Notes due 2022 issued by its subsidiary Sagicor Finance (2015) Limited. Additionally, on December 15, 2021 the company successfully completed a further offering of US $150 million of its 5.300% Senior Notes due May 13, 2028. The net proceeds from this offering are to be used for general corporate purposes, including, but not limited to, supporting the growth of its U.S. business.

Group capital remains strong, with the Group closing the fourth quarter of 2021 with a Minimum Continuing Capital and Surplus Requirement (MCCSR)[1] of 269%, increasing 17 points over 2020, well above our target capital standards. This increase is due to improvements in the capital of our life insurance subsidiaries.

The Group's financial results for the year ended December 31, 2021, continued to be affected by the COVID-19 pandemic's impact on the economic environment. Most Caribbean countries experienced periods of reduced air and sea traffic with some improvements in travel through the latter part of the year. Similar experiences were also observed in the United States, Canada and elsewhere. Countries also experienced various levels of pandemic restrictions as protocols were periodically modified, as levels of virus infections changed, and as new variants emerged. Companies have generally continued to implement work from home policies in response to these restrictions during the period.

Sagicor's geographic diversification helps mitigate the impact from disruptions to any one economy. During the pandemic, Sagicor, like other companies has focused on supporting our staff, customers and suppliers, while developing responses to the business disruption. Despite the challenging environment, the Group grew revenues while focusing on customer service. Sagicor's record 2021 performance is a result of our team's ability to navigate the current environment.

[1] Represents a non-IFRS measure: refer to Section 10 - Non-IFRS Financial Measures in this document for relevant information about such measures.

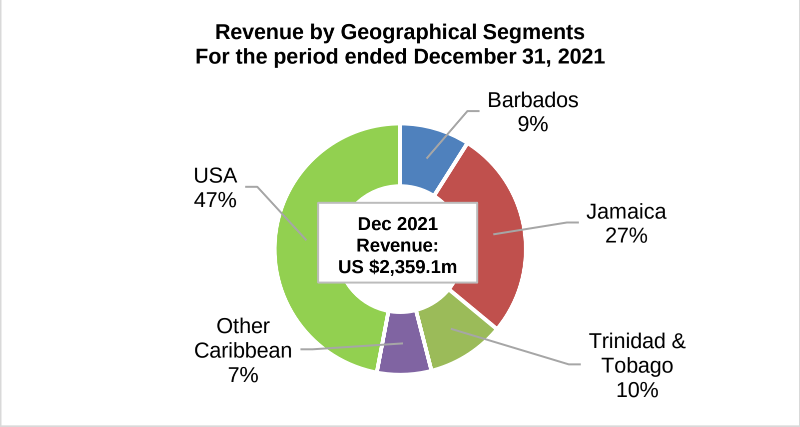
2. FINANCIAL SUMMARY

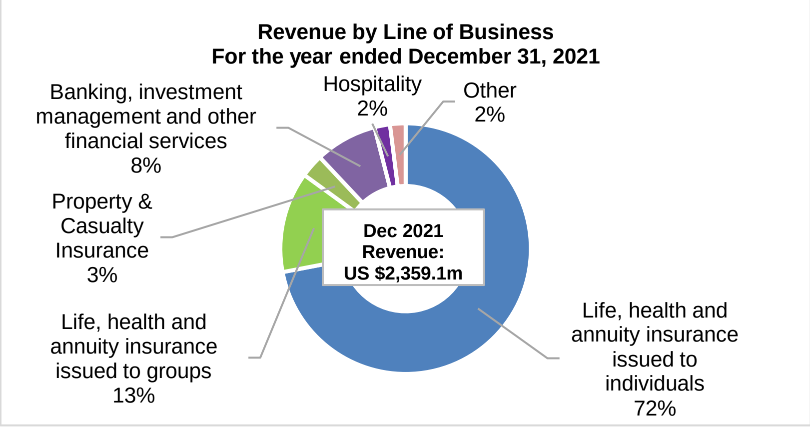
	Three months ended December 31			Year ended December 31		
(in millions of US $, unless otherwise noted)	**2021**	**2020**	**Change**	**2021**	**2020**	**Change**
Profitability						
Group net income	**56.4**	14.4	292%	**196.5**	(15.1)	1,401%
Net income attributable to common shareholders	**41.9**	29.0	44%	**133.2**	(3.6)	3,800%
Earnings per share:						
Basic earnings	**29.3¢**	19.8¢	48%	**91.9¢**	(2.4¢)	3,929%
Fully diluted	**28.9¢**	19.6¢	47%	**90.7¢**	(2.4¢)	3,879%
Return on shareholders' equity (annualised)[2]	**15.1%**	10.8%	4.3 pts	**12.6%**	(0.3%)	12.9 pts
Revenue						
Individual life, health and annuity	**442.4**	512.6	(14%)	**1,687.4**	1,270.7	33%
Group life, health and annuity	**91.5**	81.6	12%	**306.9**	304.8	1%
Property and casualty insurance	**20.8**	18.3	14%	**79.3**	82.3	(4%)
Banking and investment management	**55.1**	45.0	22%	**189.1**	171.2	10%
Hospitality	**10.7**	4.4	143%	**37.1**	14.3	159%
Farming and unallocated revenues	**9.0**	12.6	(29%)	**59.3**	35.1	69%
Total revenue	**629.5**	674.5	(7%)	**2,359.1**	1,878.4	26%
Net Premium Revenue						
Life insurance	**126.2**	118.5	6%	**476.2**	440.3	8%
Annuity	**266.5**	337.4	(21%)	**1,024.4**	736.5	39%
Health insurance	**43.2**	42.3	2%	**162.1**	171.5	(5%)
Property and casualty insurance	**12.8**	12.7	1%	**50.5**	55.1	(8%)
Total net premium revenue	**448.7**	510.9	(12%)	**1,713.2**	1,403.4	22%

[2] Represents a non-IFRS measure: refer to Section 10 - Non-IFRS Financial Measures in this document for relevant information about such measures.

2. FINANCIAL SUMMARY, CONTINUED

	Three months ended December 31			Year ended December 31		
(in millions of US $, unless otherwise noted)	**2021**	**2020**	**Change**	**2021**	**2020**	**Change**
Profitability						
Financial Position						
Total assets	**10,377.9**	9,266.3	12%	**10,377.9**	9,266.3	12%
Operating liabilities	**8,028.3**	7,136.5	12%	**8,028.3**	7,136.5	12%
Notes and loans payable	**683.4**	471.6	45%	**683.4**	471.6	45%
Book value per common share[3]	**$7.92**	$7.58	4%	**$7.92**	$7.58	4%
Financial strength						
Debt to capital ratio[3]	**29.1%**	22.2%	6.9 pts	**29.1%**	22.2%	6.9 pts
Dividend pay-out ratio[3]	**19.2%**	28.4%	(9.2) pts	**24.5%**	N/A [4]	N/A
Dividends paid per common share	**$0.05625**	$0.05625	-	**$0.2250**	$0.2250	-
Dividends declared	**8.0**	8.2	(2%)	**32.5**	33.2	(2%)
Total capital[3]	**2,349.1**	2,128.2	10%	**2,349.1**	2,128.2	10%
Average common shares outstanding (000's)	**144,892**	147,830	(2%)	**144,892**	147,830	(2%)
Outstanding shares, at end of period (000's)	**143,185**	146,381	(2%)	**143,185**	146,381	(2%)
MCCSR[3], at end of period	**269%**	252%	17.0 pts	**269%**	252%	17.0 pts





[3] Represents a non-IFRS measure: refer to Section 10 - Non-IFRS Financial Measures in this document for relevant information about such measures.

[4] Profits were negative during the year.

3. GENERAL INFORMATION

A. Introduction and Notice

This Management's Discussion and Analysis ("MD&A") contains important information about Sagicor's business and its performance for the three-month period and year ended December 31, 2021 with comparative analysis for the corresponding periods ended December 31, 2020. This MD&A should be read in conjunction with the Company's annual financial statements, prepared in accordance with International Financial Reporting Standards (IFRS) in effect on the date of such information.

The following discussion is based on the financial condition and results of operations of Sagicor, unless otherwise specified or indicated. Financial information is presented in millions of US dollars, unless otherwise indicated. Amounts for subtotals, totals and percentage variances included in tables in this MD&A may not sum or calculate using the numbers as they appear in the tables due to rounding.

B. General Information

Sagicor Financial Company Ltd. ("Sagicor") ("the Company") (TSX: SFC) is a leading financial services provider with over 180 years of history which operates across the Caribbean and in the United State of America (USA). Sagicor's registered office is located at Clarendon House, 2 Church Street, Hamilton, HM 11, Bermuda, with its principal office located at Cecil F De Caires Building, Wildey, St. Michael, Barbados. Details of Sagicor's holdings and operations are set out in note 4 to the 2021 consolidated financial statements.

Sagicor demutualised in November 2002 and listed its shares on the Barbados Stock Exchange (BSE: SFC), with subsequent listings on the Trinidad and Tobago Stock Exchange (TTSE: SFC) and the London Stock Exchange (LSE: SFI). Sagicor Financial Corporation moved its corporate domicile from Barbados to Bermuda and continued as Sagicor Financial Corporation Limited (SFCL), an exempted company, on July 20, 2016.

On November 27, 2018, Sagicor Financial Corporation Limited entered into a definitive arrangement agreement as amended on January 28, 2019 with Alignvest Acquisition II Corporation ("Alignvest") pursuant to which on December 5, 2019, Alignvest acquired all the shares of Sagicor by way of a scheme of arrangement under the laws of Bermuda, where Sagicor is incorporated, and continued as a Bermuda exempted company under the new name, Sagicor Financial Company Ltd.

The Company now trades on the Toronto Stock Exchange under the symbols "SFC" (shares) and "SFC.WT" (warrants). With a listing on the Toronto Stock Exchange, Sagicor Financial Corporation Limited's common shares, formerly listed on the London and Trinidad and Tobago Stock Exchanges, have ceased trading and have been delisted from the London and the Trinidad and Tobago Stock Exchanges. The former listing on the Barbados Stock Exchange has ceased trading.

Sagicor currently operates in 19 countries and maintains a strong market position in most of the markets where it operates. Sagicor has three reporting operating segments, namely Sagicor Life, Sagicor Jamaica, and Sagicor Life USA.

The principal activities of the Sagicor Group are as follows:

- Life and health insurance,
- Annuities and pension administration services,
- Banking and investment management services,

and its principal operating companies are as follows:

- Sagicor Life Inc. (Barbados and Trinidad & Tobago),
- Sagicor Life Jamaica Limited (Jamaica),
- Sagicor Bank Jamaica Limited (Jamaica),
- Sagicor Life Insurance Company (USA),

The Group also underwrites property and casualty insurance and provides hospitality services.

Sagicor's objective is to be a leading insurance and financial services provider of world class products and services to better serve its customers and other stakeholders in its markets. Sagicor is focused on growing its United States (US) business and expanding its banking and asset management business in the Caribbean, where it has strong brand recognition and market shares.

C. Results of Operations

An understanding of Sagicor's financial condition and the results and related risks of Sagicor's operations for the periods discussed in this MD&A requires an understanding of Sagicor's business. Accordingly, the following discussion should be read in conjunction with the discussion of these and related matters that appear elsewhere in this MD&A, including under the following headings:

(i) Key Factors Affecting Results; (ii) Critical Accounting Estimates and Judgments; and (iii) Risk Management.

D. Non-IFRS Financial Information

Sagicor reports its financial results and statements in accordance with IFRS. It also publishes certain financial measures that are not based on IFRS (non-IFRS). A financial measure is considered a non-IFRS measure if it is presented other than in accordance with the generally accepted accounting principles used for the Group's audited financial statements. These non-IFRS financial measures are often accompanied by and reconciled with IFRS financial measures. For certain non-IFRS financial measures, there are no directly comparable amounts under IFRS. The Group believes that these non-IFRS financial measures provide additional information to better understand the Group's financial results and assess its growth and earnings potential. Sagicor believes these non-IFRS financial measures assist in understanding its ongoing operating results and provide readers with a better understanding of management's perspective on the Group's performance. These measures enhance the comparability of the Group's financial performance from period to period, as well as measure relative contribution to shareholder value.

Since non-IFRS financial measures do not have standardised definitions and meanings, they may differ from the non-IFRS financial measures used by other institutions and should not be viewed as an alternative to measures of financial performance determined in accordance with IFRS. The Group strongly encourages investors to review its financial statements and other publicly filed reports in their entirety and not to rely on any single financial measure. Additional information concerning non-IFRS financial measures can be found in section 10 non-IFRS financial measures.

E. Cautionary Statement Regarding Forward-looking Information

This MD&A includes "forward-looking information" and "forward-looking statements" (collectively "forward-looking information") and assumptions about, among other things, Sagicor's business, operations, and financial performance and condition, approved by the board of directors of Sagicor on the date of this MD&A. This forward-looking information and these assumptions include, but are not limited to, statements about Group's objectives and strategies to achieve those objectives, and about its beliefs, plans, expectations, anticipations, estimates, or intentions. Additional information concerning forward-looking information as well as potential risk factors can be found in section 11 Cautionary Statement Regarding Forward-Looking Information

F. Additional Information

All documents related to the financial results of Sagicor Financial Company Ltd. are available on the Company's website at Sagicor.com, in the Investor Relations section. Additional information about Sagicor may be found on the SEDAR website at sedar.com, as well as the Company's Annual Information Form, which may be found on the Company's website or the SEDAR website.

The Management's Discussion and Analysis is dated March 18, 2022.

4. CONSOLIDATED GROUP RESULTS

A. Profitability

Group net income/(loss	Three months ended December 31			Year ended December 31		
(in millions of US $)	**2021**	**2020**	**Change**	**2021**	**2020**	**Change**
Net income/(loss) is attributable to:						
Common shareholders	**41.9**	29.0	44%	**133.2**	(3.6)	3,800%
Participating policyholders	**(0.6)**	1.0	(160%)	**(0.6)**	1.4	(143%)
Non-controlling interest	**15.1**	(15.6)	197%	**63.9**	(12.9)	595%
Group net income/(loss)	**56.4**	14.4	292%	**196.5**	(15.1)	1,401%

Group net income was very strong and closed the three-month period at US $56.4 million compared to US $14.4 million in the comparative period of the prior year, an improvement of US $42 million.

Group net income for the year was also very strong, closing the year at US $196.5 million, an improvement of US $211.6 million over the prior year loss of US $15.1 million.

Net income/(loss) attributable to Common shareholders	Three months ended December 31			Year ended December 31		
(in millions of US $, unless otherwise noted)	**2021**	**2020**	**Change**	**2021**	**2020**	**Change**
Sagicor Life	**21.8**	35.2	(38%)	**43.9**	47.7	(8%)
Sagicor Jamaica	**16.4**	11.0	49%	**60.4**	50.5	20%
Sagicor Life USA	**17.4**	8.8	98%	**57.6**	(27.1)	313%
Head office, Other and adjustments	**(13.7)**	(26.0)	47%	**(28.7)**	(74.7)	62%
Net income/(loss)	**41.9**	29.0	44%	**133.2**	(3.6)	3,800%
Earnings per common share (EPS):						
Basic	**29.3 ¢**	19.8 ¢	48%	**91.9 ¢**	(2.4) ¢	3,929%
Diluted	**28.9 ¢**	19.6 ¢	47%	**90.7 ¢**	(2.4) ¢	3,879%
Return on shareholders' equity (ROE)[5]	**15.1%**	10.8%	4.3 pts	**12.6%**	(0.3%)	12.9 pts

Net income attributable to common shareholders, closed the period at US $41.9 million compared to US $29.0 million for the three-month period ended December 31, 2020, an increase of US $12.9 million. The quarter observed improved performance on the hotel business as travel restrictions associated with COVID 19 lessened, as well as increased fee income from the banking business as commercial activity increased. The results for the fourth quarter of 2020 included restructuring expenses related to the retirement of a senior executive.

Net income attributable to common shareholders for the year ended December 31, 2021 was US $133.2 million, compared to a net loss of US $3.6 million reported for the same period in 2020, an increase of US $136.8 million. The Return on Shareholders' equity[5] for the year ended December 31, 2021

[5] Represents a non-IFRS measure: refer to Section 10 - Non-IFRS Financial Measures in this document for relevant information about such measures.

was 12.6%, compared to a loss of 0.3% for the same period in 2020. Net income benefitted from strong premium production in our USA segment, as well as positive net experience through the annual review of our actuarial assumptions across each of our life insurance segments. The Group’s net income for the year also benefited from net gains of US $32.3 million from our investment in Playa Hotels and Resorts.

The Earnings per Share (EPS - basic) in line with our results, closing the year at US $0.919 per share, compared to a loss of US $0.024 per share for the year ended December 31, 2020.

During the 2020 financial year both group net income and income attributable to shareholders from continuing operations, were impacted by a number of COVID-19 related factors. Due to this environment, the Group experienced a strengthening of our actuarial liabilities and our share of net loss related to our associated company investment in Playa Hotels & Resorts. Our USA segment reflected a significant strengthening of actuarial liabilities associated with its forward-looking assumptions and the long-term impact COVID-19 had on the economic environment in the USA. The Group also experienced financial losses largely driven by the mark-to-market losses on financial assets and credit impairment loss provisions.

Refer to the Non-IFRS Financial Information of this Management’s Discussion and Analysis for additional information on the Company’s profitability for the three-month period and year ended December 31, 2021.

B. Business Growth

Total Revenue	Three months ended December 31			Year ended December 31		
(in millions of US $)	**2021**	**2020**	**Change**	**2021**	**2020**	**Change**
Life and annuity	**392.6**	455.9	(14%)	**1,500.6**	1,176.8	28%
Health	**43.3**	42.3	2%	**162.1**	171.5	(5%)
Property and casualty	**12.8**	12.7	1%	**50.5**	55.1	(8%)
Net insurance premium	**448.7**	510.9	(12%)	**1,713.2**	1,403.4	22%
Net investment income	**107.7**	120.3	(10%)	**429.8**	330.9	30%
Gain on derecognition of amortised cost investments	**11.6**	3.6	222%	**23.2**	8.9	161%
Gain on derecognition of assets carried at FVOCI	**7.8**	6.8	15%	**22.8**	20.2	13%
Credit impairment losses	**2.8**	1.6	75%	**4.3**	(24.0)	118%
Fees and other revenue	**50.9**	31.3	63%	**165.8**	139.0	19%
Total revenue	**629.5**	674.5	(7%)	**2,359.1**	1,878.4	26%
Total Revenue by Operating Segment						
Sagicor Life	**130.2**	190.6	(32%)	**504.7**	523.3	(4%)
Sagicor Jamaica	**202.2**	177.1	14%	**718.5**	631.9	14%
Sagicor Life USA	**285.0**	295.0	(3%)	**1,067.7**	679.0	57%
Head office, Other and Adjustments	**12.1**	11.8	3%	**68.2**	44.2	54%
Total revenue	**629.5**	674.5	(7%)	**2,359.1**	1,878.4	26%

Quarterly (three-month period) results

During the three-month period ended December 31, 2021, total revenue reached US $629.5 million, a decrease of US $45.0 million (7%) from the US $674.5 million reported for the same period in 2020, due to lower revenues from annuities and lower net investment income.

Net insurance premium revenue represented 71% (three-month period ended December 2020 – 76%) of total revenue, and closed the fourth quarter of 2021 at US $448.7 million, US $62.2 million (12%) below the US $510.9 million reported for the same period in 2020. While net insurance premium revenue for our life insurance business grew across all segments, net premium revenue from annuity business fell (US $70.9 million). During the last quarter of 2020, our Sagicor Life segment acquired a significant single premium annuity (US $63.9 million).

Net investment income totalled US $107.7 million for three-month period ended December 31, 2021, compared to US $120.3 million, for the corresponding period in 2020. Net investment income includes realised and unrealised gains on financial assets categorised as FVTPL of US $12.9 million. For the fourth quarter of 2020, net investment income included realised and unrealised gains of US $35.5 million, as the Group experienced further reversals of some of the unrealised losses incurred in the first quarter of 2020 when the capital markets responded negatively to the impact of the COVID-19 pandemic.

The Group generated Fees and other revenues of US $50.9 million for the three-month period ended December 31, 2021, compared to US $31.3 million for the same period in 2020, an increase of US $19.6 million. The Group recorded higher hotel revenues (US $5.2 million) when compared to the same period in 2020, as travel activity increased with the lessening of travel restrictions associated with the COVID-19 pandemic. Foreign exchange gains increased quarter on quarter, by US $5.0 million, observed particularly in our Jamaica segment, as the Jamaican dollar depreciated against the United States dollar and fee income from banking business increased due to increased activity.

Year-to-date (twelve-month period) results

Total revenue reached US $2,359.1 million for the year ended December 31, 2021, an increase of US $480.7 million (26%) from US $1,878.4 million reported for the same period in 2020.

Net insurance premium revenue represented 73% (December 2020 – 75%) of total revenue and closed the year at US $1,713.2 million, US $309.8 million (22%) above the US $1,403.4 million reported for the same period in 2020. Net premium revenue from the life and annuity insurance business totalled US $1,500.6 million for the year ended December 31, 2021, compared to US $1,176.8 million for the same period in 2020, an increase of US $323.8 million, with significant net premium growth observed in our USA segment (US $356.2 million year on year).

Net investment income grew by US $98.9 million and totalled US $429.8 million for year, compared to US $330.9 million, for 2020. Net investment income includes realised and unrealised gains on financial assets categorised as FVTPL of US $63.8 million, inclusive of a gain of US $21.6 million associated with the mark-to-market movements on our investment in Playa Hotels and Resorts.

For the year ended December 31, 2020, net investment income included mark-to-market losses of US $4.6 million, as both regional and international capital markets responded adversely to the uncertainty occasioned by the COVID-19 pandemic.

The interest yields and returns achieved on financial investments are disclosed in the following table.

	Year ended December 31,	
	2021	2020
Interest yields		
Debt securities	**4.8%**	4.6%
Mortgage loans	**6.1%**	5.8%
Policy loans	**7.3%**	7.5%
Finance loans and leases	**10.4%**	11.2%
Securities purchased for resale	**1.5%**	2.4%
Deposits	**0.7%**	1.0%

The Group experienced reversals of credit impairment losses for the year ended December 31, 2021, totalling US $4.3 million, compared to impairment losses of US $24.0 million, for the corresponding period in 2020. In 2020, the Group updated its credit assessment assumptions to reflect the impact of the pandemic.

The Group also generated Fees and other revenues of US $165.8 million for the year ended December 31, 2021, compared to US $139.0 million for the same period in 2020, an increase of US $26.8 million. Foreign exchange gains increased by US $5.3 million, year and year, due mainly to the Jamaican dollar depreciating against the United States dollar. In addition, increased fee income from the banking business coupled with a one-off gain from early settlement of a long-term liability at a discount also contributed to higher fees and other revenues.

C. Benefits

Benefits	Three months ended December 31			Year ended December 31		
(in millions of US $)	**2021**	**2020**	**Change**	**2021**	**2020**	**Change**
Life and annuity	**339.2**	400.2	15%	1,323.6	1,017.7	(30%)
Health	**39.0**	37.0	(5%)	140.7	132.9	(6%)
Property and casualty	**8.1**	6.5	(25%)	24.4	28.2	13%
Net insurance benefits	**386.3**	443.7	13%	1,488.7	1,178.8	(26%)
Interest cost	**11.6**	11.2	(4%)	42.7	42.9	-
Total benefits	**397.9**	454.9	13%	1,531.4	1,221.7	(25%)

Quarterly (three-month period) results

Benefits totalled US $397.9 million for the three-month period ended December 31, 2021, a US $57.0 million or 13% decrease from US $454.9 million reported for the same period in 2020.

Life and annuity benefits totalled US $339.2 million for the three-month period ended December 31, 2021 of which US $157.6 million related to current benefits and US $181.6 million related to future benefits. The amounts for the corresponding period in 2020 were a total of US $400.2 million, of which US $124.8 million related to current benefits and US $275.4 million related to future benefits. Current benefits increased by US $32.8 million, when compared to that reported in the three-month-period ended December 31, 2020, mainly due to higher death claims and surrenders observed in our Sagicor Life segment, coupled with higher death claims experienced in our Jamaica segment. The change in provision for future benefits from 2020 to 2021 represented a decrease of US $93.8 million, driven by lower annuity sales written during the fourth quarter of 2021. In addition, during the fourth quarter of 2020 the Group recorded a strengthening of actuarial liabilities associated with forward-looking assumptions surrounding policy liabilities in our Sagicor Life USA segment.

Total health insurance benefits were US $39.0 million representing an overall claim to premium ratio (health claims ratio)[6] of 90.3%. In 2020, the Group experienced health insurance benefits of US $37.0 million and an overall claim to premium ratio of 87.5%. In 2020, normal health care services were disrupted due to government-imposed lockdowns, in addition, our Jamaica segment also experienced medical cost inflation in 2021.

Property and casualty claims amounted to US $8.1 million in 2021, up US $1.6 million, from the US $6.5 million recorded for the fourth quarter of 2020.

Interest expense totalled US $11.6 million for three-month period ended December 31, 2021, which was on par with that recorded for the fourth quarter of 2020.

Year-to-date (twelve-month period) results

Benefits totalled US $1,531.4 million for the year ended December 31, 2021, a US $309.7 million or 25% increase from US $1,221.7 million reported for the same period in 2020.

Life and annuity benefits totalled US $1,323.6 million for the year ended December 31, 2021 of which US $546.6 million related to current benefits and US $777.0 million related to future benefits. The amounts for the corresponding period in 2020 were a total of US $1,017.7 million, of which US $486.5 million related to current benefits and US $531.2 million related to future benefits. Current benefits increased by US $60.1 million when compared to that reported in the year ended December 31, 2020, mainly due to increases in withdrawals from savings components of insurance contracts, observed in our Sagicor Life segment, coupled with increased annuity benefits reported in our Sagicor Life and Sagicor USA segments. The change in provision for future benefits from 2020 to 2021 represented an increase of US

[6] Represents a non-IFRS measure: refer to Section 10 - Non-IFRS Financial Measures in this document for relevant information about such measures.

$245.8 million and was driven by significant new annuity business written by our USA segment.

Total health insurance benefits were US $140.7 million representing an overall claim to premium ratio (health claims ratio)[7] of 86.8%. In 2020, the Group experienced health insurance benefits of US $132.9 million and an overall claim to premium ratio of 77.5%. The increase in the health claims[7] ratio was driven by our Jamaica Segment which continues to be impacted by rapidly rising medical costs and health claims.

Property and casualty claims amounted to US $24.4 million in 2021, a US $3.8 million decrease from the US $28.2 million incurred in 2020. The reduction in general insurance claims was largely associated with a reduction in motor claims a direct impact of movement restrictions associated with the COVID-19 pandemic.

Interest expense totalled US $42.7 million for year ended December 31, 2021 and was on par with that reported for the corresponding prior year.

The following table summarises the interest returns to holders of insurance contracts, investment contracts and deposit and security liability contracts.

	Year ended December 31,	
	2021	**2020**
Interest yields		
Investment contracts	**1.9%**	2.8%
Other funding instruments	**0.8%**	0.9%
Customer deposits	**1.0%**	1.2%
Securities sold for repurchase loans and leases	**2.4%**	2.3%

D. Expenses and Taxes

Expenses and taxes	Three months ended December 31			Year ended December 31		
(in millions of US $)	**2021**	**2020**	**Change**	**2021**	**2020**	**Change**
Administrative expenses	**95.2**	97.3	2%	**349.7**	340.5	(3%)
Commissions and related compensation	**38.0**	37.2	(2%)	**136.0**	121.2	(12%)
Finance costs, depreciation and amortisation	**16.1**	20.8	23%	**77.8**	84.5	8%
Premium, asset and income taxes	**25.3**	16.4	(54%)	**85.8**	57.6	(49%)
Total expenses and taxes	**174.6**	171.7	(2%)	**649.3**	603.8	(8%)

Quarterly (three-month period) results

Expenses and taxes totalled US $174.6 million for the three-month period ended December 31, 2021, up US $2.9 million from the amount reported for the same period in 2020.

Administrative expenses totalled US $95.2 million for the period under review compared to US $97.3 million for the same period in 2020. The gradual re-opening of the tourism sector and consequent increases in occupancy levels drove a US $3.3 million increase in hotel expenses. For the corresponding quarter in 2020, administrative expenses included restructuring charges related to the retirement of a senior executive.

[7] Represents a non-IFRS measure: refer to Section 10 - Non-IFRS Financial Measures in this document for relevant information about such measures.

Commissions and related compensation totalled US $38.0 million for the three-month period under review, closing slightly above the US $37.2 million reported for the same period in 2020.

Finance costs, depreciation and amortisation totalled US $16.1 million, for the period under review, and was US $4.7 million below that reported for the fourth quarter of 2020. Overall, finance costs were US $2.4 million lower than the fourth quarter 2020. During the year the Group refinanced its 8.875% notes through the issuance of 5.30% notes, which contributed to the lower finance costs.

Sagicor is subject to a variety of direct taxes, with premium and income taxes comprising the main types of tax. Taxes are incurred in the jurisdiction in which the income is generated. Premium tax is customarily a percentage of gross premium revenue, while income tax is usually either a percentage of investment income or a percentage of profits. Sagicor is also subject to an asset tax in Jamaica and Barbados. In Jamaica, the asset tax is levied on insurance, securities dealers and deposit taking institutions at a percentage of adjusted assets held at the end of the year. In Barbados, the asset tax is levied on insurance, deposit taking institutions and credit unions at a percentage of adjusted assets held at the end of the period.

Premium, asset and income taxes were US $25.3 million for the three-month period ended December 31, 2021, compared to US $16.4 million in the same period in 2020, an increase of US $8.9 million. Of the total taxes, income taxes were US $22.1 million, compared to US $13.9 million reported for December quarter 2020, an increase of US $8.2 million, and was largely related to higher net income levels reported during the December 2021 quarter, when compared to the prior year.

Earnings from other sources was a loss of US $0.5 million for the three-month period December 31, 2021, compared to a loss of US $33.4 million for the same period in 2020. During the fourth quarter of 2020, our Jamaica segment incurred a loss of US $33.8 million on its associated company investment in Playa Hotels and Resorts, due to the impact of the COVID-19 travel restrictions' adverse impact on hotel operations.

Year-to-date (twelve-month period) results

Expenses and taxes totalled US $649.3 million for the year ended December 31, 2021, up US $45.5 million from the amount reported for the same period in 2020.

Administrative expenses totalled US $349.7 million for the period under review, compared to US $340.5 million for the same period in 2020. The gradual re-opening of the tourism sector and consequent increases in occupancy levels drove a US $7.8 million increase in hotel expenses. In addition, the Group incurred costs associated with the implementation of IFRS 17, which contributed to the higher costs.

Commissions and related compensation totalled US $136.0 million for the year under review, closing US $14.8 million above the US $121.2 million reported for the same period in 2020, and was attributable mainly to the significant new annuity business written in our USA segment which resulted in higher commission and related compensation expenses (US $11.7 million), for that segment.

Finance costs, depreciation and amortisation totalled US $77.8 million, for the period under review, a decrease of US $6.7 million when compared to the prior year, due to lower depreciation, amortisation & intangible asset impairment charges of US $6.9 million. In 2020, the Group recorded US $3.0 million of goodwill impairment on a general insurance subsidiary company.

Premium, asset and income taxes were US $85.8 million for the year ended December 31, 2021, compared to US $57.6 million in the same period in 2020, an increase of US $28.2 million. Of the total taxes, income taxes were US $68.3 million, compared to US $42.7 million for the year 2020, an increase of US $25.6 million, and was largely related to higher net income levels reported during the year ended December 31, 2021, when compared to the prior year.

Earnings from other sources totalled US $18.1 million for the year December 31, 2021, compared to a loss of US $68.0 million for the same period in 2020. Net income from other sources for the period includes a net gain of US $10.7 million relating to the partial disposal of our investment in Playa Hotels & Resorts N.V (Playa). Please see earlier comment. Refer to the Additional Information: Interest in Playa Hotel and Resorts N.V section for more details.

During the year ended December 31, 2020, our Jamaica segment incurred a loss of US $73.5 million (including US $31.8 million in impairment losses) on its associated company investment in Playa Hotels and Resorts due to the impact of the COVID-19 travel restrictions' adverse impact on hotel operations.

E. Comprehensive Income

Other comprehensive (loss)/income	Three months ended December 31			Year ended December 31		
(in millions of US $)	**2021**	**2020**	**Change**	**2021**	**2020**	**Change**
Items net of tax that may be reclassified subsequently to income:						
Financial assets measured at fair value through other comprehensive income:						
(Losses)/gains on revaluation	**(16.9)**	80.8	(121%)	**(40.5)**	97.3	(142%)
Gains transferred to income	**(7.3)**	(7.0)	(4%)	**(19.6)**	(16.6)	(18%)
Net change in actuarial liabilities	**11.0**	(42.2)	126%	**16.2**	(52.0)	131%
Cash flow hedges	**-**	0.6	(100%)	**3.4**	(0.8)	525%
Other reserves	**-**	(0.2)	100%	**-**	-	-
Retranslation of foreign currency operations	**(37.0)**	(4.4)	(741%)	**(71.8)**	(38.2)	(88%)
	(50.2)	27.6	(282%)	**(112.3)**	(10.3)	(990%)
Items net of tax that will not be reclassified subsequently to income:						
Gains/(losses) arising on revaluation of owner- occupied property and owner-managed property	**1.1**	1.0	10%	**12.1**	(14.9)	181%
Losses on equity securities designated as FVOCI	**-**	(0.1)	100%	**-**	(0.1)	100%
(Losses)/gains on defined benefits plans	**(15.8)**	3.7	(527%)	**(15.6)**	3.5	(546%)
	(14.7)	4.6	(420%)	**(3.5)**	(11.5)	70%
Other comprehensive (loss)/gains	**(64.9)**	32.2	(302%)	**(115.8)**	(21.8)	(431%)

Total comprehensive income	Three months ended December 31			Year ended December 31		
(in millions of US $)	**2021**	**2020**	**Change**	**2021**	**2020**	**Change**
Group net income/(loss)	**56.4**	14.4	292%	**196.5**	(15.1)	1,401%
Other comprehensive (loss)/income	**(64.9)**	32.2	(302%)	**(115.8)**	(21.8)	(431%)
Total comprehensive (loss)/income for the period	**(8.5)**	46.6	(118%)	**80.7**	(36.9)	319%
Total comprehensive income/(loss) attributable to:						
Common shareholders	**7.3**	52.9	(86%)	**72.9**	(3.0)	2,530%
Participating policyholders	**(0.5)**	0.6	(183%)	**(0.8)**	0.6	(233%)
Non-controlling interests	**(15.3)**	(6.9)	(122%)	**8.6**	(34.5)	125%
	(8.5)	46.6	(118%)	**80.7**	(36.9)	319%

Items recorded within other comprehensive income arise generally from gains and losses on employee defined benefit pension plans, from fair value changes of certain asset classes, from the related movements in actuarial liabilities and from the retranslation of foreign currency operations.

<u>Quarterly (three-month period) results</u>

During the period, the Group reported net losses on financial assets totalling US $16.9 million compared to gains of US $80.8 million in the prior year, a reduction in gains of US $97.7 million resulting from mark-to-market movements on financial assets in our investment portfolios. These losses were offset by a net change in actuarial liabilities reserve of US $11.0 million (Quarter 4, 2020 – loss of US $42.2 million). Other comprehensive income for the period also included retranslation loss of US $37.0 million, associated with the translation of foreign currency operations, and largely related to the impact of the depreciation of the Jamaican dollar against the United States dollar, during the just ended quarter. The Jamaican dollar depreciated by 5% in the quarter.

Other comprehensive income for the quarter also includes losses on defined benefit plans of US $15.8 million (Quarter 4, 2020 – gain of US $3.7 million), largely related to health cost inflation in Jamaica.

<u>Year-to-date (twelve-month period) results</u>

During the year, the Group reported net losses on financial assets totalling US $40.5 million compared to gains of US $97.3 million in the prior year, resulting from mark-to-market movements on financial assets in our investment portfolios. These losses related to decreases in bond prices marked at FVOCI due to rising interest rates in the USA. This loss was offset by a gain in the net change in actuarial liabilities reserve of US $16.2 million (Quarter 4, 2020 – loss of US $52.0 million). Other comprehensive income for the period also included retranslation losses of US $71.8 million, comprising of losses of US $54.0 million associated with the translation of foreign currency operations, as well as the impact of gains of US $17.8 million related to our investment in Playa Hotels and Resorts N.V now recycled to the income statement on disposal (Refer to the Additional Information: Interest in Playa Hotel and Resorts N.V section for more details).

Other comprehensive income for the year also includes losses on defined benefit plans of US $15.6 million (2020 – gain of US $3.5 million), largely related to health cost inflation in Jamaica.

5. RESULTS BY SEGMENT

Sagicor operates its business primarily through three reporting operating segments. These segments are: Sagicor Life, Sagicor Jamaica and Sagicor Life USA. A summary analysis of revenue and net income by operating segment are presented on a three-month quarterly basis and on a yearly basis for 2021 and 2020 as follows:

Fourth Quarter (three-month period) – December 31

(in millions of US $)	Sagicor Life		Sagicor Jamaica		Sagicor Life USA		Head office & other		Adjustments		Total	
Revenue	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
Net premium revenue	94.6	156.1	96.0	90.6	249.6	255.4	8.5	8.8		-	448.7	510.9
Gain/(loss) on derecognition of amortised cost investments	0.5	0.6	11.2	3.0	-	-	(0.1)	-	-	-	11.6	3.6
Gain/(loss) on derecognition of assets carried at FVOCI	1.2	1.7	4.9	3.6	1.8	1.5	(0.1)	-	-	-	7.8	6.8
Interest income earned from financial assets measured at amortised costs and FVOCI	21.1	19.9	40.7	39.4	23.0	19.9	6.1	1.0	-	-	90.9	80.2
Other investment income	2.0	2.5	7.9	14.0	9.5	19.8	(2.6)	3.7	-	0.1	16.8	40.1
Credit impairment gains/(losses)	1.5	0.9	(0.4)	0.6	1.8	0.1	(0.1)	-	-	-	2.8	1.6
Fees and other revenues	3.0	3.1	41.8	25.9	(0.7)	(1.7)	7.0	4.4	(0.2)	(0.4)	50.9	31.3
Inter-segment revenues	6.3	5.8	-	-	-	-	7.7	2.0	(14.0)	(7.8)	-	-
Segment revenue	130.2	190.6	202.1	177.1	285.0	295.0	26.4	19.9	(14.2)	(8.1)	629.5	674.5
Benefits and expenses	(106.9)	(151.5)	(153.7)	(139.3)	(261.2)	(282.7)	(28.7)	(38.5)	-	(0.8)	(550.5)	(612.8)
Inter-segment expenses	(0.6)	(0.6)	(0.6)	(0.8)	(2.1)	(1.5)	(6.1)	(5.6)	9.4	8.5	-	-
Gain/(loss) arising on business combinations, acquisitions and divestitures	-	-	-	1.5	-	-	-	(1.5)	-	-	-	-
Loss on impairment of associates and joint ventures	-	-	-	(19.0)	-	-	-	-	-	-	-	(19.0)
Share of operating income/(loss) of associates and joint ventures	0.2	0.3	(0.7)	(15.5)	-	-	-	0.8	-	-	(0.5)	(14.4)
Segment income before tax	22.9	38.8	47.1	4.0	21.7	10.8	(8.4)	(24.9)	(4.8)	(0.4)	78.5	28.3
Income taxes	(1.7)	(2.6)	(15.9)	(8.7)	(4.3)	(2.0)	(0.2)	(0.1)	-	(0.5)	(22.1)	(13.9)
Segment net income/(loss)	21.2	36.2	31.2	(4.7)	17.4	8.8	(8.6)	(25.0)	(4.8)	(0.9)	56.4	14.4
Net income/(loss) attributable to shareholders	21.8	35.2	16.4	11.0	17.4	8.8	(8.6)	(25.1)	(5.1)	(0.9)	41.9	29.0

Year ended – December 31,

(in millions of US $)	**Sagicor Life**		**Sagicor Jamaica**		**Sagicor Life USA**		**Head office & other**		**Adjustments**		**Total**	
Revenue	**2021**	**2020**	**2021**	**2020**	**2021**	**2020**	**2021**	**2020**	**2021**	**2020**	**2021**	**2020**
Net premium revenue	**370.5**	414.2	**352.6**	355.4	**953.3**	597.1	**36.8**	36.7	**-**	-	**1,713.2**	1,403.4
Gain/(loss) on derecognition of amortised cost investments	**1.4**	0.6	**21.9**	8.3	**-**	-	**(0.1)**	-	**-**	-	**23.2**	8.9
Gain/(loss) on derecognition of assets carried at FVOCI	**3.0**	2.9	**17.8**	21.7	**1.3**	(4.2)	**0.7**	(0.2)	**-**	-	**22.8**	20.2
Interest income earned from financial assets measured at amortised costs and FVOCI	**82.5**	74.8	**157.7**	160.5	**88.7**	74.8	**8.5**	4.7	**-**	-	**337.4**	314.8
Other investment income	**11.2**	4.1	**24.4**	(14.3)	**28.9**	18.9	**27.9**	7.4	**-**	-	**92.4**	16.1
Credit impairment gains/(losses)	**1.5**	(7.4)	**(1.6)**	(12.1)	**4.0**	(4.0)	**0.4**	(0.5)		-	**4.3**	(24.0)
Fees and other revenues	**9.4**	11.4	**145.7**	112.4	**(8.5)**	(3.6)	**19.9**	19.3	**(0.7)**	(0.5)	**165.8**	139.0
Inter-segment revenues	**25.1**	22.7	**-**	-	**-**	-	**34.4**	7.8	**(59.5)**	(30.5)	**-**	-
Segment revenue	**504.6**	523.3	**718.5**	631.9	**1,067.7**	679.0	**128.5**	75.2	**(60.2)**	(31.0)	**2,359.1**	1,878.4
Benefits and expenses	**(451.6)**	(465.0)	**(550.9)**	(480.7)	**(990.0)**	(709.3)	**(119.4)**	(126.2)	**(0.6)**	(1.6)	**(2,112.5)**	(1,782.8)
Inter-segment expenses	**(5.4)**	(4.1)	**(2.0)**	(2.1)	**(5.1)**	(4.3)	**(24.1)**	(21.7)	**36.6**	32.2	**-**	-
(Loss)/Gain arising on business combinations, acquisitions and divestitures	**-**	-	**(1.6)**	(1.3)	**-**	-	**12.3**	-	**-**	-	**10.7**	(1.3)
Loss on impairment of associates and joint ventures	**-**	-	**-**	(31.8)	**-**	-	**-**	-	**-**	-	**-**	(31.8)
Share of operating income/(loss) of associates and joint ventures	**3.3**	3.3	**4.1**	(38.2)	**-**	-	**-**	-	**-**	-	**7.4**	(34.9)
Segment income before tax	**50.9**	57.5	**168.1**	77.8	**72.6**	(34.6)	**(2.7)**	(72.7)	**(24.2)**	(0.4)	**264.7**	27.6
Income taxes	**(7.7)**	(8.4)	**(43.7)**	(40.0)	**(15.0)**	7.5	**(1.8)**	(1.4)	**-**	(0.4)	**(68.2)**	(42.7)
Segment net income/(loss)	**43.2**	49.1	**124.4**	37.8	**57.6**	(27.1)	**(4.5)**	(74.1)	**(24.2)**	(0.8)	**196.5**	(15.1)
Net income attributable to shareholders	**43.9**	47.7	**60.4**	50.5	**57.6**	(27.1)	**(4.5)**	(73.9)	**(24.2)**	(0.8)	**133.2**	(3.6)

The performance of these reporting segments for the three-month period and year ended December 31, 2021 compared to the same period in 2020 is discussed in the following sections.

A. Sagicor Life

The Sagicor Life segment conducts life, health insurance, property & casualty insurance, pensions, annuities, and asset management services in Barbados, Trinidad and Tobago, Eastern Caribbean, Dutch Caribbean, the Bahamas and Central America. Sagicor Life has a diversified customer base providing financial solutions to both individuals and corporations, mainly through a captive distribution network and local brokers. Sagicor Life's strong corporate image, people, financial strength, and diverse insurance solutions has contributed to Sagicor Life's leading position in the insurance market in the Caribbean.

	Three months ended December 31			**Year ended December 31**		
(in millions of US $)	**2021**	**2020**	**Change**	**2021**	**2020**	**Change**
Net premium revenue	**94.6**	156.1	(39%)	**370.5**	414.2	(11%)
Gains on derecognition of amortised cost investments	**0.5**	0.6	(17%)	**1.4**	0.6	133%
Gains on derecognition of assets carried at FVOCI	**1.2**	1.7	(29%)	**3.0**	2.9	3%
Interest income earned from financial assets measured at amortised costs and FVOCI	**21.1**	19.9	6%	**82.5**	74.8	10%
Other investment income	**2.0**	2.5	(20%)	**11.2**	4.1	173%
Credit impairment gains/(losses)	**1.5**	0.9	67%	**1.5**	(7.4)	120%
Fees and other revenue	**3.0**	3.1	(3%)	**9.4**	11.4	(18%)
Inter-segment revenues	**6.3**	5.8	9%	**25.1**	22.7	11%
Total revenue	**130.2**	190.6	(32%)	**504.6**	523.3	(4%)
Benefits	**(75.0)**	(112.8)	34%	**(327.4)**	(330.4)	1%
Expenses and taxes	**(30.5)**	(35.3)	14%	**(116.9)**	(125.7)	7%
Depreciation and amortisation	**(1.4)**	(3.4)	59%	**(7.3)**	(8.9)	18%
Inter-segment expenses	**(0.6)**	(0.6)	-	**(5.4)**	(4.1)	(32%)
Other	**0.2**	0.3	(33%)	**3.3**	3.3	-
Segment income before taxes	**22.9**	38.8	(41%)	**50.9**	57.5	(11%)
Income taxes	**(1.7)**	(2.6)	35%	**(7.7)**	(8.4)	8%
Net segment income	**21.2**	36.2	(41%)	**43.2**	49.1	(12%)
Income attributable to shareholders	**21.8**	35.2	(38%)	**43.9**	47.7	(8%)
Return on Investments (annualised)[8]	**5.8%**	6.1%	(0.3 pts)	**6.1%**	5.4%	0.7 pts
Return on Equity (annualised)[8]	**13.9%**	26.3%	(12.4 pts)	**7.3%**	9.1%	(1.8 pts)
Return on Shareholder's Equity (annualised)[8]	**13.9%**	25.7%	(11.8 pts)	**7.4%**	8.8%	(1.4 pts)

Quarterly (three-month period) results

The impact of the COVID 19 pandemic continued into 2021 with generally adverse economic conditions being experienced and lockdowns occurring in several of our markets. During the fourth quarter of 2021 these conditions led to higher policy holder benefits with an uptick in mortality experience and surrenders as well as higher policy lapsation. Despite these challenges, the Sagicor Life segment demonstrated a strong performance for the three-month period ended December 31, 2021 generating net income of US $21.8 million attributable to shareholders.

[8] Represents a non-IFRS measure: refer to Section 10 - Non-IFRS Financial Measures in this document for relevant information about such measures.

The Sagicor Life segment generated total revenue of US $130.2 million for the three-month period, which was US $60.4 million below the US $190.6 million reported for the same quarter in 2020. During the fourth quarter of 2020, the segment benefited from new single premium annuity sales amounting to US $63.9 million. Notwithstanding the absence of significant new annuity business growth, net life and health insurance premium revenue grew slightly in the fourth quarter of 2021. Net investment income remained flat, period on period, with the impact of increased interest income being partially reduced by lower unrealised gains on FVTPL financial assets.

Benefits incurred for the Sagicor Life segment totalled US $75.0 million for the three-month period ended December 31, 2021 compared to benefits incurred of US $112.8 million reported for the same period in the prior year. Net policy benefits excluding the changes in actuarial reserves increased by US $14.0 million to close at US $78.2 million, mainly due to higher death claims and surrenders. Changes in actuarial reserves for the three-month period ended December 31, 2021, was a release of US $5.3 million, compared to an increase of US $43.9 million for the same quarter in 2020, as the 2020 quarter was impacted by the higher annuity business sales. Interest expense decreased by US $2.6 million as a result of unrealised losses on FVTPL assets accruing to policyholders.

Total expenses and taxes for the Sagicor Life segment totalled US $34.2 million for the three-month period ended December 31, 2021, US $7.7 million below the US $41.9 million reported for the same period in 2020. Total expenses decreased by US $6.8 million to close at US $32.5 million (December quarter 2020 – US $39.3 million), due primarily to lower administrative expenses as the fourth quarter of 2020 includes restructuring charges related to the retirement of a senior executive.

Year-to-date (twelve-month period) results

Despite the challenges presented by the COVID-19 pandemic, the Sagicor Life segment demonstrated a strong performance for the year ended December 31, 2021, with growth of 21% in its new business sales to individuals, continued growth in net premium revenue (excluding annuity business) and strong growth in investment income compared to the year ended December 31 ,2020.

The net income attributable to shareholders was US $43.9 million for the year ended December 31, 2021, US $3.8 million below the US $47.7 million recorded for year 2020.

The Sagicor Life segment generated total revenue of US $504.6 million for the year ended December 31, 2021, US $18.7 million (4%) below the US $523.3 million reported for the same period in 2020. While net premium revenue within the segment's life insurance business grew by US $12.2 million, the segment's annuity business declined by US $54.9 million as a result of significant single premium new business in 2020 which did not repeat in 2021. The net of these resulting in an overall decline in the segment's net premium revenue, year on year.

During 2021, net investment income benefitted from general growth in financial investments of US $72.5 million over the comparative period, as well as unrealised gains on FVTPL financial assets totalling US $3.0 million. During 2020, the segment reported unrealised losses in FVTPL financial assets as the capital markets responded adversely to the announcement of the COVID-19 pandemic.

Benefits incurred for the Sagicor Life segment totalled US $327.4 million for the year ended December 31, 2021 compared to benefits incurred of US $330.4 million reported for the same period in the prior year, a decrease of US $3.0 million (1%). Net policy benefits excluding the changes in actuarial reserves increased by US $49.3 million to close at US $270.0 million, due to higher benefits related to annuities as a result of significant growth in the annuity portfolio, together with a higher mortality experience and higher partial withdrawals from the savings component of insurance contracts. Net change in actuarial liabilities declined by US $53.5 million to close at US $43.6 million. In 2020, the net change in actuarial reserves include the impact of the single premium new annuity sale (US $47.8 million). This was offset by the impact of high benefits paid to policyholders in 2021.

Total expenses and taxes for the Sagicor Life segment totalled US $137.3 million for the year ended December 31, 2021, US $9.8 million below the US $147.1 million reported for the prior year. The year 2020 includes restructuring charges related to the retirement of a senior executive.

Statement of Financial Position	**As of**		
(in millions of US $)	**December 31, 2021**	**December 31, 2020**	**Change**
Financial investments	**1,623.5**	**1,551.0**	5%
Other assets	**348.8**	**337.6**	3%
Inter-segment assets	**416.8**	**390.6**	7%
Total assets	**2,389.1**	**2,279.2**	5%
Policy liabilities	**1,560.6**	**1,477.9**	6%
Other liabilities	**84.6**	**82.8**	2%
Inter-segment liabilities	**115.8**	**126.4**	(8%)
Total liabilities	**1,761.0**	**1,687.1**	4%
Net assets	**628.1**	**592.1**	6%

Financial investments totalled US $1,623.5 million (December 31, 2020 - US $1,551.0 million) and comprised 68% (December 31, 2020 - 68%) of the segment's total assets, and policy liabilities totalled US $1,560.6 million (December 31, 2020 - US $1,477.9 million) and comprised 89% (December 31, 2020 - 88%) of the segment's total liabilities at the end of December 2020.

Overall, net assets increased by 6% or US $36.0 million due to the strong operating results.

New initiatives and developments

The COVID-19 Virus continues to have a significant impact on all the territories in which we operate. During 2021, we continued to drive the digitalization of our company; introducing several initiatives to improve the ability of clients to interact with the organization more easily and efficiently. In September, we realigned the organization in support of our Sagicor One vision along functional lines of business, with key executives assuming responsibility for Individual Life, Employee Benefits & Pensions, and Investment and Wealth Management across all markets. This move will ensure our executives are focused on specific lines of business, products and services, meeting our clients' needs more quickly and effectively. This team of key executives is now supported by a Shared Services model for our core professional functions. The Shared Services model for our professional support will provide scale opportunities, reduced duplication of resources and drive centralized decision-making and the standardization for core support process and procedures. Throughout the year, we continued to live our vision with several initiatives designed to support the communities in which we operate during these very difficult times.

B. Sagicor Jamaica

The Sagicor Jamaica segment offers life, health, annuity, property and casualty insurance, pension administration services, commercial banking, investment banking, hospitality and real estate investment services in the markets of Jamaica, Cayman Islands, Costa Rica and the United States of America. Sagicor Jamaica’s strong brand, together with its wide range of products and highly skilled work force, has allowed it to maintain a leading position in market segments in which it operates. Its commercial banking services are offered through a network of sixteen (16) branches.

	Three months ended December 31			Year ended December 31		
(in millions of US $)	**2021**	**2020**	**Change**	**2021**	**2020**	**Change**
Net premium revenue	**96.0**	90.6	6%	**352.6**	355.4	(1%)
Gains on derecognition of amortised cost investments	**11.2**	3.0	273%	**21.9**	8.3	164%
Gains on derecognition of assets carried at FVOCI	**4.9**	3.6	36%	**17.8**	21.7	(18%)
Interest income earned from financial assets measured at amortised costs and FVOCI	**40.7**	39.4	3%	**157.7**	160.5	(2%)
Other investment income /(expenses)	**7.9**	14.0	(44%)	**24.4**	(14.3)	271%
Credit impairment (losses)/gains	**(0.4)**	0.6	(167%)	**(1.6)**	(12.1)	87%
Fees and other revenue	**41.8**	25.9	61%	**145.7**	112.4	30%
Total revenue	**202.1**	177.1	14%	**718.5**	631.9	14%
Benefits	**(81.3)**	(73.6)	(10%)	**(287.5)**	(231.9)	(24%)
Expenses and taxes	**(67.8)**	(61.0)	(11%)	**(245.2)**	(228.6)	(7%)
Depreciation, amortisation and impairments	**(4.6)**	(4.7)	2%	**(18.2)**	(20.2)	10%
Inter-segment expenses	**(0.6)**	(0.8)	25%	**(2.0)**	(2.1)	5%
Gain/(loss) arising on business combination, acquisitions and divestitures	**-**	1.5	(100%)	**(1.5)**	(1.3)	(15%)
Impairment of associates and joint ventures	**-**	(19.0)	100%	**-**	(31.8)	100%
Share of operating (losses)/income from associates and joint ventures	**(0.7)**	(15.5)	95%	**4.0**	(38.2)	110%
Segment income before taxes	**47.1**	4.0	1,078%	**168.1**	77.8	116%
Income taxes	**(15.9)**	(8.7)	(83%)	**(43.7)**	(40.0)	(9%)
Net segment income/(loss)	**31.2**	(4.7)	764%	**124.4**	37.8	229%
Income attributable to shareholders	**16.4**	11.0	49%	**60.4**	50.5	20%
Return on Investments (annualised)[9]	**7.0%**	8.0%	(1.0 pts)	**6.9%**	5.6%	1.3 pts
Return on Total Equity (annualised)[9]	**13.8%**	(2.1%)	15.9 pts	**14.5%**	4.1%	10.4 pts
Return on Shareholder’s Equity[9]	**16.7%**	11.5%	5.2 pts	**16.5%**	14.3%	2.2 pts

Quarterly (three-month period) results

The Sagicor Jamaica segment reported net income of US $31.2 million for the three-month period ended December 31, 2021 (Q4 2020 – loss of US $4.7 million), an improvement of US $35.9 million, with the segment benefiting from total revenue growth of 14%. For 2021, the individual life insurance business reported strong results underpinned by new business sales and portfolio growth. The commercial and investment banking segments benefited from the market rebound, experiencing improved transaction volumes and resulting fee income, while hotel revenue continued to show strong growth in the fourth

[9] Represents a non-IFRS measure: refer to Section 10 - Non-IFRS Financial Measures in this document for relevant information about such measures.

quarter. The results for the fourth quarter of 2020 were adversely impacted by the share of loss and impairment losses on the segment's investment in Associate (Playa) as COVID-19 set off an unprecedented shock to financial markets and economic activities globally.

Net income attributable to shareholders was US $16.4 million for the three-month period ended December 31, 2021 compared to US $11.0 million for the three-month period ended December 31, 2020.

This segment generated total revenue of US $202.1 million for the three-month period ended December 31, 2021, compared to US $177.1 million for the same period in the prior year. This represented an increase of US $25.0 million or 14%. Net premium income saw an increase of US $5.4 million with growth observed in the life and annuity, and property and casualty insurance businesses. While other investment income declined due largely to lower unrealised gains on FVTPL investments (US $4.0 million).

Fees and other revenue increased US $15.9 million or 61% as hotel revenues improved as worldwide travel restrictions associated with the COVID-19 pandemic, reduced. In addition, the segment continued to observe improvements in fee income from its commercial and investment banking business' as commercial activity increased. Foreign exchange gains for the fourth quarter of 2021 totalled US $1.7 million, (Quarter 4 – 2020 – loss of US $1.6 million) as the Jamaican dollar depreciated against the United States dollar.

Benefits totalled US $81.3 million for the three-month period ended December 31, 2021 and was 10% (US $7.7 million) higher than that reported for the same period in 2020. Net policy benefits excluding changes in actuarial liabilities totalled US $64.8 million, compared to the US $57.5 million reported for the fourth quarter of 2020, an increase of US $7.3 million. The increase in net policy benefits excluding changes in actuarial liabilities was as due to high death claims and higher health claims arising from medical cost inflation. The segment reported net change in actuarial liabilities totalling US $9.1 million for the three-month period ended December 31, 2021, which was on par with that reported for the same period in 2020.

Expenses and taxes incurred (including segment expenses and income taxes) saw an increase of US $13.7 million primarily from administrative expenses with an increase of US $3.3 million in hotel expenses, in line with the rebound of the tourism sector, as well as increases in Information Technology costs and professional fees. Income taxes increased by US $7.2 million to close at US $15.9 million, due to improved performance over the prior year.

Earnings from other sources was a loss of US $0.7 million for the fourth quarter of 2021, compared to a loss of US $33.0 million for the same period in 2020. During the December 2020 quarter, our Jamaica segment incurred a loss of US $33.8 million on its associated company investment in Playa Hotels and Resorts due to the impact of the COVID-19 travel restrictions' adverse impact on hotel operations.

Year-to-date (twelve-month period) results

The Sagicor Jamaica segment reported net income of US $124.4 million for the year ended December 31, 2021 (2020 - US $37.8 million) an improvement of US $86.6 million. For 2021, the individual life insurance business reported strong results. The segment benefitted from improved investment performance partially indicative of the recoveries in mark to market securities, substantially lower ECLs and strong new business growth. The banking business experienced improved transaction volumes and resulting fee income. The results for the year 2020 were adversely impacted by significant unrealized losses on financial assets, Expected Credit Losses (ECL), impairment charges and share of loss from the investment in Associate (Playa) as COVID-19 set off an unprecedented shock to financial markets and economic activities globally.

Net income attributable to shareholders was US $60.4 million for the year December 31, 2021 compared to US $50.5 million for the year ended December 31, 2020.

This segment generated total revenue of US $718.5 million for the year ended December 31, 2021, compared to US $631.9 million for the same period in the prior year. This represented an increase of US $86.6 million or 14%. Net premium decreased marginally by US $2.8 million. The annuities, health and property and casualty insurance businesses observed declines in net premium revenue, which were partially offset by improvements in the life insurance business.

Interest income was US $157.7 million, for the year ended December 31, 2021 compared to US $160.5 million in the corresponding prior period. Other investment income which includes investment gains totalled US $24.4 million, for the period under review, compared to losses of US $14.3 million for the same period in the prior year. Unrealised gains on FVTPL financial assets totalled US $19.6 million and were higher than the mark-to-market losses of US $17.6 million reported in the prior year which were affected by the capital markets adverse response to the COVID-19 pandemic.

Credit impairment losses for the year ended December 31, 2021, totalled $1.6 million, compared to impairment losses of US $12.1 million, for the corresponding period in 2020. During 2020, credit assessment assumptions were updated to reflect the impact of the pandemic.

Fees and other revenue closed at US $145.7 million for the year under review, compared to US $112.4 million for the year 2020, an increase of US $33.3 million or 30%. During the year, the segment benefited from higher hotel revenues (US $12.4 million) as worldwide travel restrictions associated with the COVID-19 pandemic, reduced. In addition, the segment was impacted by higher unrealised foreign exchange gains on assets denominated in foreign currency, coupled with increased fee income on its banking business. The segment also reported one-off gains from early settlement of a long-term liability at a discount and capital market transactions, totalling US $5.0 million.

Benefits totalled US $287.5 million compared to US $231.9 million reported for the same period in 2020 an increase of US $55.6 million. Net policy benefits excluding changes in actuarial liabilities totalled US $234.2 million, compared to the US $231.0 million reported for the same period in 2020, an increase of US $3.2 million which was driven by higher health claims fuelled by high medical inflation. The segment reported net change in actuarial liabilities increase of US $25.3 million for the year ended December 31, 2021, compared to a release of US $26.3 million in 2020, an increase of US $51.6 million. The prior year was significantly influenced by changes to lapse and morbidity assumptions.

Expenses and taxes incurred (including segment expenses and income taxes) increased by US $18.2 million, to close at US $309.1 million. Hotel expenses increased by US $7.8 million, stemming from higher occupancy levels and the re-opening of the tourism sector. Other operating expenses such as professional fees, mainly relating to IFRS 17, and IT costs, mainly license fees and data security, were higher than the comparative period. Income taxes increased by US $3.7 million to close at US $43.7 million, due to improved performance over the prior year.

Earnings from other sources was a gain of US $2.5 million for the year 2021, compared to a loss of US $71.3 million for the same period in 2020. On January 15, 2021, the segment completed the disposal of its 14.9% equity interest in Playa Hotels and Resorts which gave rise to a loss on disposal of US $1.5 million. The impact of this disposal was negated by our share of income earned on the joint venture in Costa Rica totaling US $4.0 million. Refer to the Additional Information: Interest in Playa Hotel and Resorts N.V section for more details. During the year ended December 31, 2020, our Jamaica segment incurred a loss of US $73.5 million (including US $31.8 million in impairment losses) on its associated company investment in Playa Hotels and Resorts due to the impact of the COVID-19 travel restrictions' adverse impact on hotel operations.

Statement of Financial Position	**As of**		
(in millions of US $)	**December 31, 2021**	**December 31, 2020**	**Change**
Financial investments	**2,776.3**	2,714.5	2%
Other assets	**654.3**	730.0	(10%)
Inter-segment assets	**12.1**	10.6	14%
Total assets	**3,442.7**	3,455.1	-
Policy liabilities	**830.2**	824.5	1%
Other liabilities	**1,695.9**	1,690.4	-
Inter-segment liabilities	**1.8**	12.9	(86%)
Total liabilities	**2,527.9**	2,527.8	-
Net assets	**914.8**	927.3	(1%)

Overall net assets decreased by 1% (US $12.5 million) moving from US $927.3 million as at December 31, 2020 to US $914.8 million at the end of December 2021. The impact of improved operating results was negated by of the impact of mark-to-market losses on FVOCI financial assets, foreign exchange losses on the retranslation of foreign operations as well as dividends distributed to shareholders, giving rise to the overall decrease in net assets.

New initiatives and developments

Sagicor Jamaica continues to care, inspire, and serve its various stakeholders. In the 4th quarter of 2021, Sagicor Jamaica made donations to a number of organizations and groups whilst supporting various activities during the festive season. Major activities for the Group during the period were the hosting of the inaugural Sagicor Community Heroes Awards ceremony and the renovation of three basic schools. In recognition of Breast Cancer Awareness month, Sagicor Jamaica, as is customary, was the title sponsor for the Jamaica Cancer Society's Keeping Abreast fundraising event. The Group also continued its support for students and teachers in need of electronic devices to facilitate online learning by donating tablets and computers to schools.

C. Sagicor Life USA

Sagicor USA, Inc. and its operating entity, Sagicor Life Insurance Company, (collectively, Sagicor USA) operate in 45 states and the District of Columbia. Sagicor USA is focused on providing life and annuity products to middle market America through independent producers. Middle market America has been defined broadly as individuals and families with household incomes of $40,000 to $100,000 or retirees or near-retirees with retirement portfolios of $100,000 to $1,000,000.

Sagicor USA's products can be broadly placed in three categories:

- **Periodic premium** - This would include products such as several variations of term insurance, non-participating whole life, indexed universal life and no-lapse universal life. All of these products usually allow the owner to pay premiums on a monthly, quarterly or annual basis.
- **Single premium life** -This category includes two products developed to support an older demographic who are looking principally to provide a larger legacy upon their death, while having access to funds to assist if they need critical care. We offer a standard interest crediting whole life product as well as an indexed universal life product.
- **Annuities** - Currently all of Sagicor USA's annuity offerings are single premium products including such products as multi-year guaranteed (MYGA), fixed interest crediting as well as immediate annuities. Most of the products are focused on helping the customer accumulate assets with little to no market risk to their initial premium.

	Three months ended December 31			Year ended December 31		
(in millions of US $)	**2021**	**2020**	**Change**	**2021**	**2020**	**Change**
Net premium revenue	**249.6**	255.4	(2%)	**953.3**	597.1	60%
Gain/(loss) on derecognition of assets carried at FVOCI	**1.8**	1.5	20%	**1.3**	(4.2)	131%
Interest income earned from financial assets measured at amortised cost and FVOCI	**23.0**	19.9	16%	**88.7**	74.8	19%
Other investment income/(expenses)	**9.5**	19.8	(52%)	**28.9**	18.9	53%
Credit impairment gains/(losses)	**1.8**	0.1	1,700%	**4.0**	(4.0)	200%
Fees and other revenue	**(0.7)**	(1.7)	59%	**(8.5)**	(3.6)	(136%)
Total revenue	**285.0**	295.0	(3%)	**1,067.7**	679.0	57%
Benefits	**(236.4)**	(263.9)	10%	**(900.5)**	(643.1)	(40%)
Expenses and taxes	**(23.5)**	(17.6)	(34%)	**(84.8)**	(62.0)	(37%)
Depreciation and amortisation	**(1.3)**	(1.2)	(8%)	**(4.7)**	(4.2)	(12%)
Inter-segment expenses	**(2.1)**	(1.5)	(40%)	**(5.1)**	(4.3)	(19%)
Segment income/(loss) before taxes	**21.7**	10.8	103%	**72.6**	(34.6)	310%
Income taxes	**(4.3)**	(2.0)	(115%)	**(15.0)**	7.5	(300%)
Net segment income/(loss)	**17.4**	8.8	98%	**57.6**	(27.1)	313%
Income/(loss) attributable to shareholders	**17.4**	8.8	98%	**57.6**	(27.1)	313%
Return on Investments (annualised)[10]	**3.8%**	6.6%	(2.8 pts)	**3.9%**	4.2%	(0.3 pts)
Return on Equity (annualised)[10]	**19.0%**	13.4%	5.6 pts	**17.5%**	(9.2%)	26.7 pts
Return on Shareholder's Equity (annualised)[10]	**19.0%**	13.4%	5.6 pts	**17.5%**	(9.2%)	26.7 pts

[10] Represents a non-IFRS measure: refer to Section 10 - Non-IFRS Financial Measures in this document for relevant information about such measures.

Quarterly (three-month period) results

The Sagicor Life USA segment reported net income of US $17.4 million, for the three-month period ended December 31, 2021. This represented a significant improvement over the fourth quarter of 2020, as the segment continued to recover from the 2020 COVID impacts and grow its market share in the United States.

The segment generated revenue of US $285.0 million for the three-month period ended December 31, 2021, compared to US $295.1 million reported for the same period in 2020. Net Premium revenue contracted during the fourth quarter of 2021 to close at US $249.6 million (Fourth quarter 2020 – US $255.4 million), due to lower MYGA sales. The impact of this decrease was reduced by increased interest income of 16% period over period due to the continued strong growth of the investment portfolio as a result of the US $977 million of sales for the 12 months ended December 31, 2021.

Other investment income totalled US $9.5 million, (Q4 2020 – US $19.9 million), a decrease of 52% and is as a result of lower unrealised gains on FVTPL financial assets (US $15.2 million). During the three-month period ended December 31, 2020, the segment continued to experience a reversal of the unrealised mark-to-market losses incurred earlier in the financial year, when the capital markets responded negatively to the impact of the COVID-19 pandemic

Benefits, which reflect net policy benefits (surrenders, deaths, lapses, etc.), interest expense and changes in actuarial liabilities, totalled US $236.4 million compared to US $263.9 million reported for the same period in 2020 a decrease of US $27.5 million. Net policy benefits totalled US $56.1 million, compared to the US $40.7 million reported for the same period in 2020, an increase of US $15.4 million, primarily due to $11 million in MYGA policies lapsing at the surrender-charge free window, during the quarter. There was also a growth of portfolio impact in life net benefits, which were up $6 million from prior year. The segment reported a net change in actuarial liabilities of US $179.2 million for the three-month period ended December 31, 2021, compared to US $223.6 million, for the same quarter in 2020, a decrease of US $44.4 million. During the fourth quarter of 2020, the segment recorded a strengthening of actuarial liabilities associated with the segment’s forward-looking assumptions surrounding its policy liabilities and the long-term impact COVID-19 had on the economic policy and long-term outlook in the USA.

Total expenses and taxes (including inter-segment expenses and income taxes) totaled US $31.2 million compared to US $22.3 million reported for the same period in 2020, an increase of US $8.9 million. Total expenses for the period were up by US $6.6 million when compared to the same period in 2020 and was driven by an increase in payroll related expenses as well as higher sales commissions.

Year-to-date (twelve-month period) results

The Sagicor Life USA segment generated revenue of US $1,067.7 million for the year ended December 31, 2021, compared to US $679.0 million reported for the same period in 2020, the segment has seen a return to profitability for the year 2021 (net income of US $57.6 million), after having suffered a COVID led loss of US $27.1 million for the year ended December 31, 2020. Revenue increase has been driven by the higher MYGA sales.

Benefits, which reflect net policy benefits (surrenders, deaths, lapses, etc.), interest expense and changes in actuarial liabilities, totalled US $900.5 million compared to US $643.1 million reported for the same period in 2020, an increase of US $257.4 million. Net policy benefits totaled US $190.0 million compared to US $177.2 million, an increase of US $12.8 million. While the segment has seen a slight uptick in COVID related life claims, the overall net amounts after reinsurance have not been material and we do not see this as a long-term trend that will materially impact our long-term actuarial assumptions. Overall, net life-related benefits are slightly down for the period while annuity related benefits increased primarily due to MYGA policies lapsing in the surrender-charge free window, during the fourth quarter of 2021. Net changes in actuarial liabilities totaled US $712.0 million for the year ended December 31, 2021, compared to US $463.4 million, for the same period in 2020, a net increase of US $248.6 million due to the higher written premium for the year just ended. In addition, in 2020 the segment recorded a strengthening of actuarial liabilities associated with the segment’s forward-looking assumptions surrounding its policy liabilities and the long-term impact COVID-19 had on the economic policy and long-term outlook in the USA

Total expenses and taxes (including segment expenses and income taxes) totaled US $109.6 million compared to US $63.0 million reported for the same period in 2020. The increase in expenses and taxes is driven by higher income tax charges incurred in 2021 (US $22.5 million increase), associated with the improved operating performance for the most recent period.

Commission and premium taxes also increased significantly (US $13.1 million), due to the new business reported during the period, while administrative expenses increased by US $9.8 million and includes costs associated with higher payroll related costs, ramping of the segment’s efforts surrounding the adoption of IFRS 17, and servicing the higher sales activities.

Statement of Financial Position	As of		
(in millions of US $)	**December 31, 2021**	**December 31, 2020**	**Change**
Financial investments	**3,569.3**	2,556.3	40%
Other assets	**664.9**	767.8	(13%)
Inter-segment assets	**50.1**	59.0	(15%)
Total assets	**4,284.3**	3,383.1	27%
Policy liabilities	**3,137.4**	2,507.8	25%
Other liabilities	**532.6**	452.6	18%
Inter-segment liabilities	**168.2**	152.8	10%
Total liabilities	**3,838.2**	3,113.2	23%
Net assets	**446.1**	269.9	65%

Overall, the increase in net assets from December 31, 2020 to December 31, 2021 of US $176.2 million (65%) was the result of the significant improvement in profitability for the year under review, coupled with a capital injection of US $125.0 million during 2021.

Consistent with prior reporting periods, Sagicor Life USA's financial position is dominated by the liabilities it recognizes on its in force life and annuity policy obligations; 82% of total liabilities as of December 31, 2021 (December 31, 2020 – 81%) and the financial investments that support those liabilities (83% of total assets as of December 31, 2021 and 76% of total assets as of December 31, 2020).

Policy liabilities and the supporting financial investments grew by 25% and 40%, respectively for the year, as the impact of new business was offset slightly by the drop in market values of the financial investments due to slightly improving market yields.

New initiatives and developments

In 2022 and beyond, Sagicor USA will concentrate its focus on providing accumulation and living benefit-focused products throughout a consumer's life cycle, while utilizing technology to create an ease of doing business for new and existing distribution partners. These include an emphasis on no-fee, guaranteed annuity products - specifically our MYGA suite - offering consumers a measure of certainty in an unsettling economic environment. As part of this focus, Sagicor USA made the strategic decision to withdraw its Sage Term Life Insurance product (10/15/20 years) for sale in independent and SagicorNow (direct-to-consumer) distribution channels in Q1 2022.

Sagicor USA will continue to optimize its investment portfolio, including expanding the breadth of asset classes utilized to increase risk-adjusted returns and improve the asset/liability matching of its insurance portfolio.

6. FINANCIAL POSITION

A. Capital Adequacy

	December 31, 2021	December 31, 2020
Sagicor Consolidated MCCSR[11]	269%	252%
Sagicor Life Jamaica Limited MCCSR[11]	162%	183%
Sagicor Investments capital base to risk weighted assets[11]	18%	15%
Sagicor Bank capital base to risk weighted assets[11]	14%	14%

Sagicor Consolidated Capital Adequacy

Capital adequacy is managed at the operating company level. It is calculated by the company's Appointed Actuary and reviewed by executive management, the audit committee and the board of directors of the company. In addition, the Group seeks to maintain internal capital adequacy at levels higher than the regulatory or internationally recognised requirements.

To assist in evaluating the current business and strategy opportunities, a risk-based capital approach is a core measure of financial performance. The risk-based assessment measure which has been adopted is the Canadian Minimum Continuing Capital and Surplus Requirement ("MCCSR") standard. The minimum standard recommended by the Canadian regulators for companies is an MCCSR of 150.0%. A number of jurisdictions in the Caribbean region have no internationally recognised capital adequacy requirements, and in accordance with its objectives for managing capital, Sagicor has adopted the Canadian MCCSR standard. Jamaica and the United States have recognised capital adequacy standards.

Sagicor's consolidated MCCSR is the principal standard of capital adequacy used to assess Sagicor's overall strength. However, because of the variations in capital adequacy standards across jurisdictions, the consolidated result should be regarded as applicable to the life insurers of the Sagicor Group as a whole and not necessarily applicable to each individual segment, insurance subsidiary or insurance subsidiary branch.

[11] Represents a non-IFRS measure: refer to Section 10 - Non-IFRS Financial Measures in this document for relevant information about such measures.

Sagicor Life Jamaica Limited

Sagicor Life Jamaica is governed by the Jamaican MCCSR regime (based on Canadian standards in effect in 2001), which requires an insurer to maintain a minimum ratio of 150%.

Sagicor Life Insurance Company (USA)

A risk-based capital (RBC) formula and model have been adopted by the National Association of Insurance Commissioners (NAIC) of the United States. RBC is designed to assess minimum capital requirements and raise the level of protection that statutory surplus provides for policyholder obligations. The RBC formula for life insurance companies measures four major areas of risk: (i) underwriting, which encompasses the risk of adverse loss developments and property and casualty insurance product mix; (ii) declines in asset values arising from credit risk; (iii) declines in asset values arising from investment risks, including concentrations; and (iv) off-balance sheet risk arising from adverse experience from non-controlled assets such as reinsurance guarantees for affiliates or other contingent liabilities and reserve and premium growth. If an insurer's statutory surplus is lower than required by the RBC calculation, it will be subject to varying degrees of regulatory action, depending on the level of capital inadequacy.

The RBC methodology provides for four levels of regulatory action. The extent of regulatory intervention and action increases as the ratio of surplus to RBC falls. The least severe regulatory action is the "Company Action Level" (as defined by the NAIC) which requires an insurer to submit a plan of corrective actions to the regulator if surplus falls below 200% of the RBC amount. Sagicor Life USA has maintained all minimum regulatory capital level ratios as of December 31, 2021 and December 31, 2020, respectively.

Sagicor Investments Jamaica Limited and Sagicor Bank Jamaica Limited

The capital adequacy and the use of regulatory capital are monitored monthly by management employing techniques based on the guidelines developed by the Financial Services Commission (FSC), the Bank of Jamaica (BOJ), Basel II and the Risk Management and Compliance Unit. The required information is filed with the respective regulatory authorities at stipulated intervals. The Bank of Jamaica and the FSC require each regulated entity to hold the minimum level of regulatory capital, and to maintain a minimum ratio of total regulatory capital to the risk-weighted assets.

The risk-weighted assets are measured by means of a hierarchy of five risk weights classified according to the nature of each asset and counterparty, taking into account, any eligible collateral or guarantees. A similar treatment is adopted for off financial statements exposure, with some adjustments to reflect the more contingent nature of the potential losses. The required capital base to risk weighted assets for both Sagicor Investments and Sagicor Bank is 10% and has been maintained for as of December 31, 2021 and December 31, 2020.

B. Capital

(in millions of US $)	December 31, 2021	December 31, 2020	Change
Shareholders' equity	**1,134.0**	1,109.8	2%
Non-controlling interest	**531.7**	546.8	(3%)
Notes and loans payable	**683.4**	471.6	45%
Total financial statement capital[12] resources	**2,349.1**	2,128.2	10%

The Group deploys its capital resources through its operating activities. These operating activities are carried out by subsidiary companies which are either insurance entities or provide other financial services. The capital is deployed in such a manner as to ensure that subsidiaries have adequate and sufficient capital resources to carry out their activities and to meet regulatory requirements.

The Group's objectives are to (i) To comply with capital requirements established by insurance, banking and other financial intermediary regulatory authorities; (ii) To comply with internationally recognised capital requirements for insurance, where local regulations do not meet these international standards; (iii) To safeguard its ability as a going concern to continue to provide benefits and returns to policyholders, depositors, note-holders and shareholders; (iv) To provide adequate returns to shareholders; and (v) To maintain a strong capital base to support the future development of Group operations.

At December 31, 2021, the Company's capital[12] totalled US $2,349.1 million, an increase of US $220.9 million from the December 31, 2020 position (US $2,128.2 million). The company experienced an increase in Shareholder's equity during the period together with an increase in notes and loans payable relating to the refinancing of its debt.

During the year, the Company completed an offering of US $400 million of 5.300% Senior Notes due May 13, 2028. The Company used partial proceeds of the transaction to repurchase US $318 million aggregate principal amount of its 8.875% Senior Notes due 2022 issued by its subsidiary Sagicor Finance (2015) Limited (the "2022 Notes").

On December 15, 2021, the Group issued an additional US $150 million principal amount of the New Notes. The New Notes are also due May 13, 2028 and bear interest at an annual rate of 5.30%. During the year capital was reduced by the impact of marked-to-market declines on our FVOCI financial asset due to market fluctuations, coupled with losses of US $54.0 million associated with the translation of foreign currency operations. Dividends declared to shareholders also impacted capital[12] resources during the period. Non-controlling interest at December 31, 2021 was US $15.1 million below than reported at December 31, 2020.

[12] Represents a non-IFRS measure: refer to Section 10 - Non-IFRS Financial Measures in this document for relevant information about such measures.

C. Financial Leverage

	December 31, 2021	December 31, 2020	Change
Debt / capital[13]	**29.1%**	22.2%	(6.9 pts)
Debt / equity[13]	**41.0%**	28.5%	(12.5 pts)

The Debt to Capital ratio[13] was 29.1%, at December 31, 2021, compared to 22.2% as of December 31, 2020. As of December 31, 2021, Sagicor had a debt-to-equity ratio[13] of 41.0%, compared to 28.5% as of December 31, 2020, respectively. The increase in leverage was driven by increased financing raised during the year.

On May 13, 2021, Sagicor Financial Company Ltd. completed an offering of US $400 million of 5.300% Senior Notes due May 13, 2028. The Company used partial proceeds of the transaction to repurchase US $318 million aggregate principal amount of its 8.875% Senior Notes due 2022 issued by its subsidiary Sagicor Finance (2015) Limited (the "2022 Notes"). Additionally, on December 15, 2021, the Group issued an additional US $150 million principal amount of the New Notes. The New Notes are also due May 13, 2028 and bear interest at an annual rate of 5.30%.

[13] Represents a non-IFRS measure: refer to Section 10 - Non-IFRS Financial Measures in this document for relevant information about such measures.

D. Ratings

Sagicor Financial Company Ltd, its principal operating subsidiaries, and its debt financing vehicle, have been rated by the rating agencies AM Best, Standard and Poor's, or Fitch. The ratings as of the date of issue of this Management Discussion and Analysis are as follows.

	AM Best Rating	S&P Rating	Fitch Rating
Sagicor Life Inc[(a)]			
Financial Strength	A - Stable		
Issuer Credit Rating	a- Stable		
Sagicor Life Jamaica[(a)] **Limited**[(a)]			
Financial Strength	B++ Stable		
Issuer Credit Rating	bbb+ Stable		
Sagicor Life Insurance Company (USA) [(a)]			
Financial Strength	A- Stable		
Issuer Credit Rating	a- Stable		
Sagicor Financial Company Ltd			
Issuer Credit Rating	bbb- Stable[(a)]	BB+ (Stable)[(b)]	BB (Stable)[(d)]
Senior Unsecured	bbb Stable[(a)]	BB+ (Stable)[(c)]	BB- (Stable)[(e)]
Sagicor General Insurance Inc[(a)]			
Financial Strength	A- Stable		
Issuer Credit Rating	a- Stable		
Sagicor Reinsurance `Bermuda Ltd[(a)]			
Financial Strength	A- Stable		
Issuer Credit Rating	a- Stable		

(a) Updated November 4, 2021; (b) Updated November 24, 2021; (c) Updated May 3, 2021; (d) Long-term Issuer Default Rating updated December 6, 2021; (e) Updated December 6, 2021.

Sagicor's credit ratings constitute the rating agencies' assessment of Sagicor's ability to meet its payment obligations as they become due. The credit ratings, which may be revised or withdrawn at any time, do not represent a recommendation to buy, sell or hold Sagicor's Common Shares. Each rating agency's credit rating should be evaluated independently of credit ratings issued by other rating agencies.

E. Common Shares, Book Value and Market Capitalization

	December 31, 2021	December 31, 2020	Change
Number of common shares outstanding (million)	**143.2**	146.4	(2%)
Share price	**US $4.91**	US $5.04	(3%)
Market Capitalization (million)[14]	**US $703.0**	US $737.8	(5%)
Book value per common share[14]	**US $7.92**	US $7.58	4%

Outstanding Common Shares

The authorised share capital of the Company is US $200,000,000 divided into 10,000,000,000 common shares of US $0.01 each and 10,000,000,000 preference shares of US $0.01 each.

The number of issued and outstanding common shares at December 31, 2021 was 143,184,643. During the year period ended December 31, 2021, the Company repurchased 3,988,221 shares, at a total cost of US $20.0 million, which were subsequently cancelled. The cost of shares totalling US $0.005 million, which were repurchased at the period end date but not cancelled, has been reflected in treasury shares.

Securities convertible, exercisable or exchangeable into common shares

The number of issued and outstanding options at December 31, 2021 was 1,365,000.

The number of issued and outstanding warrants at December 31, 2021 was 34,774,993.

Dividends

	December 31, 2021	December 31, 2020	Change
Dividends declared and paid during the period, per common share	**US $0.2250**	US $0.2250	-

In total, the Group paid four dividends to common shareholders during the year ended December 31, 2021.

On March 18, 2021, the Board of Directors declared a dividend of US $0.05625 per share, on issued and outstanding common shares held by registered holders on record at the close of business on March 31, 2021. This dividend was paid on April 21, 2021.

On May 14, 2021, the Board of Directors declared a dividend of US $0.05625 per share, on issued and outstanding common shares held by registered holders on record at the close of business on May 25, 2021. This dividend was paid on June 15, 2021.

On August 13, 2021, the Board of Directors declared a dividend of US $0.05625 per share, on issued and outstanding common shares held by registered holders on record at the close of business on August 30, 2021. This dividend was paid on September 20, 2021.

On November 12, 2021, the Board of Directors declared a dividend of US $0.05625 per share, on issued and outstanding common shares held by registered holders on record at the close of business on September 20, 2021. This dividend was paid on December 17, 2021.

[14] Represents a non-IFRS measure: refer to Section 10 - Non-IFRS Financial Measures in this document for relevant information about such measures.

F. Notes and Loans Payable

As of December 31, 2021, Sagicor had US $683.4 million in notes and loans payable compared to US $471.6 million as of December 31, 2020.

Summary details of carrying values and fair values of notes and loans payable as of December 31, 2021 and December 31, 2020, respectively are set out in the following table.

	December 31, 2021		December 31, 2020	
(in millions of US $)	**Carrying value**	**Fair value**	**Carrying value**	**Fair value**
Notes and loans payable				
8.875% senior notes due 2022 [(a)]	**-**	**-**	315.9	324.7
5.30% senior notes due 2028 [(b)]	**532.2**	**570.3**	-	-
5.50% unsecured bond due 2022	**32.1**	**32.4**	32.0	32.8
6.25% unsecured bond due 2022	**25.1**	**28.7**	27.0	28.5
6.75% notes due 2024	**14.3**	**14.9**	15.4	16.3
Bank loans & other funding	**33.7**	**33.7**	21.7	21.7
Mortgage loans	**46.0**	**48.9**	59.6	60.8
Total	**683.4**	**728.9**	471.6	484.8

(a) Senior notes due 2022

In May 2021, the Group made a cash tender offer for the senior unsecured notes (the "Notes") and cash tenders totalling US $130 million were accepted. On August 11, 2021, the Company redeemed all of the remaining US $188 million principal amount of the 2022 notes at an aggregate redemption price of US $188 million, pursuant to the following terms of the note indenture governing the 2022 Notes:

Optional Redemption with an Applicable Premium - At any time on or after August 11, 2019, the Group may redeem the Notes in whole or in part at specified redemption prices, plus accrued and unpaid interest, if any, on the Notes redeemed, to the applicable date of redemption.

(b) Senior notes due 2028

On May 13, 2021, Sagicor Financial Company Ltd. issued US $400 million of senior notes due 2028 (the "New Notes"). The Company used partial proceeds of the transaction to repurchase the US $318 million principal amount of the 8.875% Notes due 2022 which were issued by its subsidiary, Sagicor Finance 2015 Limited (see (a) above). The New Notes are due May 13, 2028 and bear interest at an annual rate of 5.30%.

On December 15, 2021, the Group issued an additional US$150 million principal amount of the New Notes. These New Notes are also due May 13, 2028 and bear interest at an annual rate of 5.30%.

The Group had, in total, US $550 million principal amount of the New Notes outstanding at the year end.

Pursuant to the terms of the New Notes, the Group may redeem the New Notes under the scenario as summarised below:

Optional Redemption with an Applicable Premium - At any time on or after May 13, 2024, the Group may redeem the New Notes in whole or in part at specified redemption prices, plus accrued and unpaid interest, if any, on the New Notes redeemed, to the applicable date of redemption.

The Group has estimated the fair value of the optional redemption embedded derivative at US $11.3 million as at December 31, 2021.

For more details on notes and loans payable, refer to note 16 of the Group's 2021 consolidated financial statements.

G. Liquidity and Capital Resources

The following discussion is qualified by reference to the consolidated statement of cash flows and note 36 of the 2021 audited financial statements.

Liquidity sources immediately available to the Sagicor Group include: (i) existing cash and cash equivalents; (ii) the Group's portfolio of highly rated, highly liquid investments; (iii) cash flow from operating activities which include net premiums receipts, fee income and investment income; and (iv) borrowing facilities. These funds are used primarily to pay current benefits and operating expenses, service the Group's long-term debt, purchase investments to support future benefits and maturing obligations, and for distribution of dividends. Sagicor expects to have sufficient liquidity to fund its operations and to meet its current business plans. However, should the need arise, additional liquidity sources include further bank loans and new issuances of debt or shares in the private or public markets.

Cash Flows

The following table summarise the Group's cash flows for the three-month periods and years ended December 31, 2021 and December 31, 2020, respectively.

(in millions of US $)	Three months ended December 31			Year ended December 31		
	2021	**2020**	**Change**	**2021**	**2020**	**Change**
Net cash flows:						
Operating activities	**182.3**	10.2	1,687%	124.9	(99.1)	226%
Investing activities	**(3.5)**	(5.6)	38%	36.1	(24.4)	248%
Financing activities	**129.7**	(19.1)	779%	140.5	(98.8)	242%
Effect of exchange rate changes	**(7.8)**	(0.9)	(767%)	(11.9)	(5.8)	(105%)
	300.7	(15.4)	2,053%	289.6	(228.1)	227%
Cash and cash equivalents:						
Beginning of period	**536.1**	562.6	(5%)	547.2	775.3	(29%)
End of period	**836.8**	547.2	53%	836.8	547.2	53%

Fourth quarter (three-month period) - Cash flows analysis

For the three-month period ended December 30, 2021, Sagicor's net cash inflows associated with operating activities was US $182.3 million compared to inflows of US $10.2 million for the same period in 2020 due mainly to lower purchases of financial assets across all business segment, during the December 2021 quarter.

Sagicor's net cash used in investing activities was US $3.5 million for the fourth quarter of 2021, compared to outflows of US $5.6 million for the same period in 2020.

Sagicor's net cash inflows from financing activities totalled US $129.7 million during the December 2021 quarter, compared to outflows of US $19.1 million for the same period in 2020, an increase in inflows of US $148.8 million. On December 15, 2021, the Group issued an additional US $150 million principal amount of the New Notes. The New Notes are also due May 13, 2028 and bear interest at an annual rate of 5.30%.

For the three-month period ended December 31, 2021, the effect of exchange rate changes was a loss of US $7.8 million compared to a loss of US $0.9 million for the corresponding period in 2020.

Year-to-date (twelve-month period) - Cash flows analysis

For the year ended December 31, 2021, Sagicor's net cash inflows associated with operating activities was US $124.9 million compared to outflows of US $99.1 million for the same period in 2020, the net impact of lower purchases of financial instruments being made in 2021, as funds obtained from the

Alignvest transaction capital injection, which occurred during the last quarter of 2019, were invested in securities during the year 2020.

Sagicor’s net cash from investing activities was US $36.1 million for the year ended December 31, 2021, compared to outflows of US $24.4 million for the same period in 2020, an increase in inflows of US $60.5 million. On January 15, 2021, Sagicor Group Jamaica (SGJ) completed the disposal of its 14.9% equity interest in Playa Hotels and Resorts. The sale of shares took place in a public offering of 11,499,000 ordinary shares held by the Group, concurrent to an underwritten public offering of 25,000,000 new shares by Playa Hotels and Resorts at a public offering price of US $5.00 per share. These transactions were simultaneous with an assignment of an additional 8,501,000 ordinary shares in Playa Hotels and Resorts held by SGJ to Sagicor Financial Corporation Limited, for cash consideration, at a price equal to the price offered through the public offering, less commission expenses associated with the public offering. This transaction gave rise to net inflows to the Group of US $55.2 million. Refer to the Additional Information: Interest in Playa Hotel and Resorts N.V section for more details.

Sagicor’s net cash from financing activities totalled US $140.5 million for the year ended December 31, 2021, compared to outflows of US $98.8 million for the same period in 2020, an increase in inflows of US $239.3 million. On May 13, 2021, the Company issued 5.30% senior notes due 2028 in the amount of US $400 million. During the period under review, the Company used partial proceeds of the transaction to repurchase the remaining US $318 million aggregate principal amount of its 8.875% Senior Notes due 2022 issued by its subsidiary Sagicor Finance (2015) Limited (the “2022 Notes”). On December 15, 2021, the Group issued an additional US$150 million principal amount of the New Notes. The New Notes are also due May 13, 2028 and bear interest at an annual rate of 5.30%.

For the year ended December 31, 2021, the effect of exchange rate changes was a loss of US $11.9 million compared to a loss of US $5.8 million for the corresponding period in 2020.

7. FINANCIAL INVESTMENTS

As of December 31, 2021, the Sagicor Group held US $8,498.1 million of diversified financial assets, compared to US $7,238.6 million at December 31, 2020, an increase of US $1,259.5 million. The Group recorded net investment income of US $429.8 million for the year ended December 31, 2021 compared to US $330.9 million for the same period in 2020. The annualized return on investments[15] was 5.6% compared to 4.9% for the same period in 2020. Since becoming a public company in 2002, Sagicor has had positive and stable investment portfolio performance. As at December 31, 2021, Sagicor held US $6,164.6 million in debt securities and money market funds (73% of the total financial investments on hand). A summary of net investment income for the three-month period and year ended December 31, 2021 and 2020, is shown below.

Investment Income Summary	**Three months ended December 31**			**Year ended December 31**		
(in millions of US $, unless otherwise noted)	**2021**	**2020**	**Change**	**2021**	**2020**	**Change**
Interest income (AC)	**46.9**	45.7	3%	185.2	178.8	4%
Interest income (FVOCI)	**44.0**	34.5	28%	152.2	136.0	12%
Income from FVTPL investments	**18.8**	40.4	(53%)	92.5	18.7	395%
Other investment income	**(0.2)**	0.7	(129%)	4.5	4.0	13%
Investment expenses	**(1.8)**	(1.0)	(80%)	(4.6)	(6.6)	30%
	107.7	120.3	(10%)	429.8	330.9	30%

Each principal operating entity within the Group has an investment policy that provides a framework of maximizing investment yield subject to the management of the Asset Liability Management (ALM) risks and the investment regulations of each country.

A. Carrying Values

The table below shows the carrying value of Sagicor's investment portfolio as of December 31, 2021 and December 31, 2020.

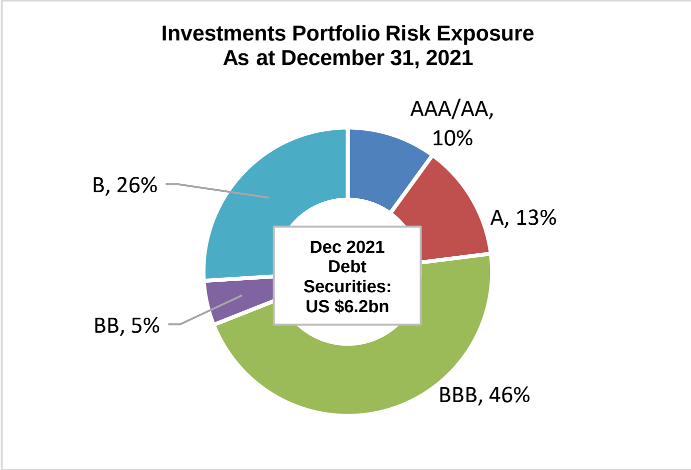
(in millions of US $, except percentages)	**As of December 31, 2021**		**As of December 31, 2020**	
	Carrying value	**% of Total**	**Carrying value**	**% of Total**
Investments at FVOCI:				
Debt securities and money market funds	**4,481.3**	**53%**	3,611.9	50%
Equity securities	**0.5**	**-**	1.1	-
	4,481.8	**53%**	3,613.0	50%
Investments at FVTPL:				
Debt securities	**283.6**	**3%**	348.9	5%
Equity securities (1)	**889.6**	**11%**	659.5	9%
Derivative financial instruments	**26.2**	**-**	37.2	1%
Mortgage loans	**24.4**	**-**	26.1	-
	1,223.8	**14%**	1,071.7	15%
Investments at amortised cost:				
Debt securities	**1,399.7**	**17%**	1,269.5	17%
Mortgage loans	**425.5**	**5%**	393.2	5%
Policy loans	**153.9**	**2%**	151.0	2%
Finance loans	**533.5**	**6%**	555.4	8%
Securities purchased for re-sale	**68.0**	**1%**	57.1	1%
Deposits	**211.9**	**2%**	127.7	2%
	2,792.5	**33%**	2,553.9	35%
Total financial investments	**8,498.1**	**100%**	7,238.6	100%

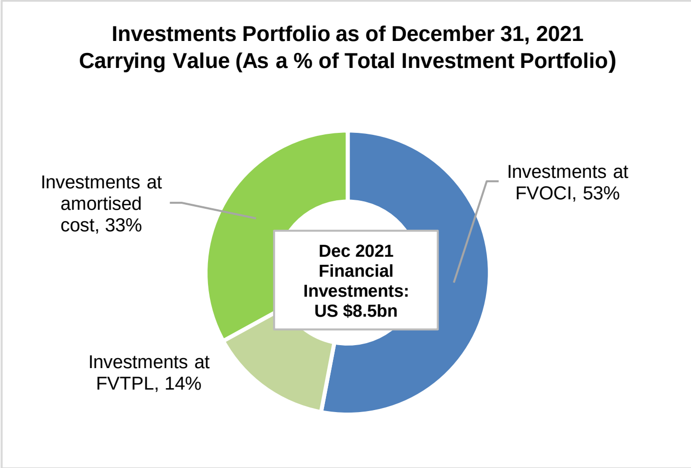
(1) Included in equity securities are exchange-traded funds of US $446.3 million as at December 31, 2021 (US $301.7 million as at December 31, 2020).

[15] Represents a non-IFRS measure: refer to Section 10 - Non-IFRS Financial Measures in this document for relevant information about such measures.

Our debt security portfolios constitute the major asset class of the Group and are reflected in the statement of financial position as follows:

(in millions of US $)	As of December 31, 2021	December 31, 2020	Change
Debt securities and money market funds			
Measured at fair value through other comprehensive income (FVOCI)	**4,481.3**	3,611.9	24%
Measured at amortised cost (AC)	**1,399.7**	1,269.5	10%
Measured at fair value through income (FVTPL)	**283.6**	348.9	(19%)
Total	**6,164.6**	**5,230.3**	**18%**
Represented by:			
Government and government-guaranteed debt securities	**2,219.0**	2,084.8	6%
Collateralised mortgage obligations	**692.6**	545.4	27%
Corporate debt securities	**2,859.5**	2,433.4	18%
Money market funds	**264.0**	44.1	499%
Other securities	**129.5**	122.6	6%
Total	**6,164.6**	**5,230.3**	**18%**





FVOCI debt securities are held to collect contractual cash flows and to sell periodically to collect gains. These securities primarily support our business in the USA and in Jamaica, where there is reasonable opportunity to realise investment gains. Amortised cost debt securities are held to collect contractual cash flows and are sold infrequently. These securities primarily support our business in the Southern and Eastern Caribbean. FVTPL debt securities are classified as such when the Group insurance or investment contract-holder is credited with the full return on the underlying asset. Debt securities held for trading are also classified as FVTPL. The pie charts below represent a breakdown of the carrying value and risk exposure of Sagicor's consolidated investments portfolio as of December 31, 2021.

B. NET INVESTMENT INCOME

	Three months ended December 31,			Year ended December 31,		
(in millions of US $)	2021	2020	Change	2021	2020	Change
Income from financial investments						
Interest income (amortised cost assets):						
Debt securities	**24.6**	21.5	14%	**94.2**	83.8	12%
Mortgage loans	**6.8**	5.6	21%	**24.6**	21.1	17%
Policy loans	**2.6**	2.7	(4%)	**10.7**	10.9	(2%)
Finance loans and finance leases	**12.5**	15.2	(18%)	**53.6**	61.2	(12%)
Securities purchased for resale	**-**	0.3	(100%)	**0.9**	0.8	13%
Deposits, cash and other items	**0.4**	0.4	-	**1.2**	1.0	20%
	46.9	45.7	3%	**185.2**	178.8	4%
Interest income (amortised cost assets): Debt securities and money market funds	**44.0**	34.5	28%	**152.2**	136.0	12%
Interest income earned from financial assets measured at amortised cost and FVOCI	**90.9**	80.2	13%	**337.4**	314.8	7%

	Three months ended December 31,			Year ended December 31,		
(in millions of US $)	2021	2020	Change	2021	2020	Change
Interest income earned from financial assets measured at amortised cost and FVOCI	**90.9**	80.2	13%	**337.4**	314.8	7%
Fair value changes and interest income (FVTPL assets):						
Debt securities	**(4.8)**	7.4	(165%)	11.1	16.5	(33%)
Equity securities (1)	**13.1**	16.5	(21%)	54.8	(9.2)	696%
Mortgage loans	**0.1**	0.2	(50%)	1.3	0.6	117%
Derivative financial instruments	**10.4**	16.3	(36%)	25.3	10.8	134%
	18.8	40.4	(53%)	**92.5**	18.7	395%
Investment income:						
Other income on financial investments	**0.1**	0.1	-	**0.5**	0.5	-
Investment property income and fair value (losses)/gains	**0.8**	(0.3)	367%	**3.7**	1.8	106%
Other investment income	**(1.1)**	0.9	(222%)	**0.3**	1.7	(82%)
	(0.2)	0.7	(129%)	**4.5**	4.0	13%
Investment expenses:						
Direct operating expenses of investment property	**0.7**	0.5	(40%)	**2.2**	4.1	46%
Other direct investment expenses	**1.1**	0.5	(120%)	**2.4**	2.5	4%
	1.8	1.0	(80%)	**4.6**	6.6	30%
Other investment income	**16.8**	40.1	(58%)	**92.4**	16.1	474%
Net investment income	**107.7**	120.3	(10%)	**429.8**	330.9	30%
Return on Investments (annualised)[16]	**5.2%**	**6.2%**	**(1.0 pts)**	**5.7%**	**4.2%**	**1.5 pts**

(1) Included in fair value changes on equity securities is a gain of US $21.6 million (Loss of US $2.6 million – three-month period ended December 31, 2021) relating to the FVTPL investment in Playa post acquisition (see note 26 to the 2021 consolidated financial statements).

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[16] Represents a non-IFRS measure: refer to Section 10 - Non-IFRS Financial Measures in this document for relevant information about such measures.

C. INSURANCE AND INVESTMENT CONTRACT LIABILITIES

The amount of liabilities held in respect of long-term or recurring insurance or investment contracts is a measure of the quantum of business held from such contracts. The liabilities of such contracts are summarised in the following table.

(in millions of US $)	**December 31, 2021**	**December 31, 2020**	**Change**
Principal insurance and investment contract liabilities			
Actuarial liabilities	**4,792.6**	4,152.7	15%
Investment contract liabilities	**468.1**	437.6	7%
Customer deposits	**881.4**	861.7	2%
Securities sold for repurchase	**598.3**	575.6	4%
Other funding instruments	**511.5**	388.5	32%
Structured product contracts	**4.3**	-	-
Total	**7,256.2**	6,416.1	13%

8. RISK MANAGEMENT

Sagicor is in the business of taking risks and must manage those risks effectively to generate profitable growth, safeguard its reputation and protect its solvency. In its management of risks, the Group seeks to optimize the relationship between risk and reward across the entire enterprise and to limit possible losses resulting from its risk exposure.

Enterprise Risk Management (ERM) at Sagicor has been ongoing for many years, having appointed its first Chief Risk Officer in 2005. For about a decade, a standardized risk taxonomy and dictionary has been utilized across the Group and group-wide exposures to key financial risks (credit, interest rate, liquidity and currency risks) have been aggregated and reported to the Board. Further, each of the Group's major operating segments has implemented ERM appropriate to the nature, scale and complexity of their operations. Sagicor continues to evolve its ERM especially as it relates to strategic and operational risks.

The Group defines risk is an event that causes a deviation from its strategic plan. Risk is also viewed holistically recognizing that one risk event may cause downside deviations in several business segments but also simultaneously causes upside deviations in one or more other business segments or may also be highly correlated with a second risk event. Lastly, the Group considers risks defined by source (e.g., data breach) as opposed to intermediate (e.g., reputation damage) or ultimate (e.g., lower earnings) outcomes. This not only provides the necessary specific context for risk assessment but also facilitates complete assessment of any and all downstream outcomes resulting from the risk.

ERM Process

Sagicor's ERM process is depicted graphically below:

Identified risks are categorized as illustrated in the table below and further classified as key risks or non-key risks.

FINANCIAL	*INSURANCE*	*OPERATIONAL*	*STRATEGIC*
MARKET	PRICING	HUMAN RESOURCES	STRATEGY
CREDIT	UNDERWRITING	TECHNOLOGY	EXECUTION
LIQUIDITY	RESERVING	LITIGATION	COMPETITOR
ECONOMIC		COMPLIANCE	LEGISLATIVE/ REGULATORY
		FRAUD	SUPPLIER
		DISASTERS	GOVERNANCE
		PROCESSES	EXTERNAL RELATIONS
			STRATEGIC RELATIONSHIPS
			INTERNATIONAL

Non-key risks are monitored for any changes in likelihood and/or severity and, if warranted, elevated to key risk status.

Risks are assessed both qualitatively and quantitatively. Credit risk exposures are tracked for each of the investment portfolio, the lending portfolio and the reinsurance portfolio. Credit concentration risk is also tracked by the ultimate parent of each counterparty. Liquidity risk exposures are tracked by both asset-liability maturity profile and 24-month cashflow projections. Interest rate risk exposures are tracked using asset and liability durations for each major yield curve exposure. Currency risk exposures are tracked by stress testing net currency positions for major currency exposure.

Risk information is regularly communicated to external stakeholders including regulators, rating agencies, and the public. The Group files an Own Risk Solvency Assessment (ORSA) Summary Report with the Texas Department of Insurance. It also meets regularly with rating agencies (S&P, Fitch and A.M. Best) providing them with a description of our ERM framework and key risk exposures. Sagicor also provides extensive risk disclosures in its Notes to the Financial Statements.

Roles and Responsibilities

Responsibility for ERM permeates the organization. Business and functional units are responsible for monitoring and managing risks within their respective areas. The Group's Corporate ERM teams' responsibilities include but are not limited to the key ERM tools and techniques, oversight over all key ERM activities, ensuring consistent ERM definitions, concepts, and terminology, acting as a central clearing house for coordinating ERM information, monitoring individual and enterprise risk exposures, and providing key ERM information to the Board Investment and Risk Committees (both Group and subsidiary level).The Board Investment and Risk Committees oversee key risks and exposures and approve key ERM decisions and policies. Internal audit provides independent verification of policies and procedures.

1. Credit risk

The Group takes on exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Credit risks are primarily associated with financial investments and reinsurance contracts held. Credit risk is the possibility that counterparties may not be able to meet payment obligations when they become due. As premiums, deposits and other receivables are received, these funds are invested to pay for future policyholder and other obligations.

The Group in most, but not all instances bears the risk for investment performance, i.e., return of principal and interest. Any credit defaults or other reductions in the value of debt securities, loans, deposits and receivables could have a material adverse effect on Sagicor's business, results of operations and financial condition.

The investment committees of Group operating companies establish policies to manage credit risk. Specific limits are set for concentration by asset class and issuer, in addition to minimum standards for asset quality. Further, Sagicor deals only with highly rated reinsurers to contain counterparty risk. The Group minimises credit risk from financial investments through holding a diversified portfolio of investments, purchasing securities and advancing loans only after careful assessment of borrowers, and placing deposits with financial institutions that have a strong capital base. Sagicor's policy is to not invest more than 10% of the debt of a single borrower, unless security is held for the debt.

However, many jurisdictions mandate that the operating companies invest a portion of the assets supporting the policy liabilities in government instruments such as treasury bills and bonds.

The Group has significant concentrations of credit risk with respect to its holding of bonds and treasury bills issued by the governments of Jamaica, Barbados and Trinidad and Tobago. In the United States, Sagicor has significant exposure to United States Government issued and/or government-backed investments (including state and local governments), Guggenheim Partners reinsurance assets and Heritage Life Insurance reinsurance assets.

In Sagicor Jamaica's banking business, the Group is exposed to credit risk in both its securities and lending activities. In connection with securities activities, Sagicor Investments trades on a "delivery versus payment" policy where Government of Jamaica securities are accepted on a mark-to-market basis with its counterparties. Exposure limits are also established and monitored. In its lending activities, Sagicor Bank seeks to adequately collateralise its loans, particularly where they exceed certain thresholds. Loan applicants undergo a thorough screening and credit analysis process.

The following tables summarise credit exposure of the Group's financial investments as of December 31, 2021. It shows the gross carrying value, the accumulated loss allowance and the net carrying value, analysed by expected credit loss (ECL) staging (see critical accounting estimates and judgements – *1. impairment of financial assets*).

Credit exposure – December 31, 2021

	ECL Staging				
(in US $millions)	**Stage 1**	**Stage 2**	**Stage 3**	**POCI [c]**	**Total**
FVOCI [b] debt securities:					
Gross value	4,260.8	89.4	-	28.2	4,378.4
Loss	(2.5)	(4.3)	-	-	(6.8)
Net value	4,258.3	85.1	-	28.2	4,371.6
Debt securities [a]					
Gross value	1,190.6	22.6	-	189.3	1,402.5
Loss	(2.1)	(0.2)	-	(0.5)	(2.8)
Net value	1,188.5	22.4	-	188.8	1,399.7

Credit exposure – December 31, 2021

(in US $millions)	ECL Staging Stage 1	Stage 2	Stage 3	POCI [c]	Total
Policy loans [a]					
Gross value	154.3	-	-	-	154.3
Loss allowance	(0.5)	-	-	-	(0.5)
Net value	153.8	-	-	-	153.8
Mortgage [a]					
Gross value	330.8	61.8	37.9	-	430.5
Loss allowance	(1.0)	(0.6)	(3.2)	-	(4.8)
Net value	329.8	61.2	34.7	-	425.7
Finance loans [a]					
Gross value	509.0	22.5	11.5	-	543.0
Loss	(4.2)	(0.5)	(4.9)	-	(9.6)
Net value	504.8	22.0	6.6	-	533.4
Securities purchased for re-sale [a]					
Gross value	68.0	-	-	-	68.0
Loss	-	-	-	-	-
Net value	68.0	-	-	-	68.0

Credit exposure – December 31, 2021

(in US $millions)	ECL Staging Stage 1	Stage 2	Stage 3	POCI [c]	Total
Deposits [a]					
Gross value	214.5	0.6	-	-	215.1
Loss allowance	(3.1)	(0.1)	-	-	(3.2)
Net value	211.4	0.5	-	-	211.9

[a] Financial investments carried at amortised cost.

[b] FVOCI – fair value through other comprehensive income classification.

[c] POCI - purchased or originated credit impaired.

2. Foreign exchange risk

The Group is exposed to foreign exchange risk as a result of fluctuations in exchange rates since Sagicor's financial assets and liabilities are denominated in a number of different currencies. In order to manage the risk associated with movements in currency exchange rates, Sagicor seeks to maintain investments and cash in each operating currency sufficient to match liabilities denominated in the same currency. Sagicor also invests limited amounts in United States dollar assets, which are held to pay liabilities in operating currencies. Management believes that this strategy adequately meets Sagicor's asset and liability management goals with respect to currencies and in the long-term is likely to either maintain capital value or provide satisfactory returns.

The Sagicor Group operates and issues contracts in the currencies prevailing in the countries where it conducts business. Currencies which are pegged to the United States dollar are converted at the pegged rates. Currencies which float are converted to the United States dollar by reference to the average of buying and selling rates quoted by the respective central banks. Exchange rates of the other principal operating currencies to the United States dollar are set out in the following table.

Currency exchange rate of US $1.00:	2021 closing rate	2020 closing rate
Barbados dollar	2.0000	2.0000
Eastern Caribbean dollar	2.7000	2.7000
Jamaica dollar	153.9200	142.4534
Trinidad & Tobago dollar	6.7626	6.7612
Currency exchange rate of US $1.00:	**2021 average**	**2020 average**
Barbados dollar	2.0000	2.0000
Eastern Caribbean dollar	2.7000	2.7000
Jamaica dollar	149.7042	141.7506
Trinidad & Tobago dollar	6.7426	6.7462

The following tables shows the Group's significant foreign exchange exposure as of December 31, 2021 and 2020 by presenting assets and liabilities by the currency in which they are denominated for its continuing operations.

December 31, 2021	**US $million equivalents of balances denominated in**						
(in US $millions)	**Barbados $**	**Jamaica $**	**Trinidad $**	**Eastern Caribbean $**	**US $**	**Other Currencies**	**Total**
ASSETS							
Total monetary assets	418.7	1,530.6	744.0	180.0	5,715.4	195.1	8,783.8
Non-monetary assets	233.4	422.7	91.6	18.8	828.2	(0.6)	1,594.1
Total assets of continuing operations	652.1	1,953.3	835.6	198.8	6,543.6	194.5	10,377.9
LIABILITIES							
Total monetary liabilities	678.5	1,358.2	824.5	197.1	5,352.5	172.8	8,583.6
Non-monetary liabilities	20.3	39.8	15.3	5.5	45.2	2.0	128.1
Total liabilities of continuing operations	698.8	1,398.0	839.8	202.6	5,397.7	174.8	8,711.7
Net position	(46.7)	555.3	(4.2)	(3.8)	1,145.9	19.7	1,666.2

December 31, 2020	**US $million equivalents of balances denominated in**						
(in US $millions)	**Barbados $**	**Jamaica $**	**Trinidad $**	**Eastern Caribbean $**	**US $**	**Other Currencies**	**Total**
ASSETS							
Total monetary assets	414.5	1,463.2	631.2	193.9	4,974.3	169.5	7,846.6
Non-monetary assets	202.6	416.2	87.3	19.9	692.7	1.0	1,419.7
Total assets of continuing operations	617.1	1,879.4	718.5	213.8	5,667.0	170.5	9,266.3
LIABILITIES							
Total monetary liabilities	637.7	1,340.2	716.2	170.0	4,430.1	185.7	7,479.9
Non-monetary liabilities	20.2	50.6	14.2	5.0	35.9	2.3	128.2
Total liabilities of continuing operations	657.9	1,390.8	730.4	175.0	4,466.0	188.0	7,608.1
Net position	(40.8)	488.6	(11.9)	38.8	1,201.0	(17.5)	1,658.2

For additional details on the Group's foreign exchange risk, refer to note 40.7 of the 2021 consolidated financial statements.

3. *Interest rate risk*

Sagicor is exposed to interest rate risk, which arises when the returns earned from invested assets decrease.

The return on investments may be variable, fixed for a term or fixed to maturity. Upon reinvestment of a matured investment, the returns available on new investments may be significantly different from the returns formerly achieved. Sagicor guarantees minimum returns on the cash values of certain types of policies, for example universal life and annuity contracts, and decreased investment returns may be insufficient to pay these guaranteed returns.

Sagicor is thereby exposed to the effects of fluctuations in the prevailing levels of market interest rates on Sagicor's financial position and cash flows. Interest margins may increase or decrease as a result of such changes. Interest rate changes may also result in losses if asset and liability cash flows are not closely matched with respect to timing and amount.

Movements in short-term and long-term interest rates affect the level and timing of recognition of gains and losses on securities Sagicor holds, and cause changes in realised and unrealised gains and losses. Generally, Sagicor's investment income will be reduced during sustained periods of lower interest rates as higher yielding fixed income securities are called, mature, or are sold and the proceeds reinvested at lower rates. During periods of rising interest rates, the market value of Sagicor's existing fixed income securities will generally decrease and Sagicor's realised gains on fixed income securities will likely be reduced. Realised losses will be incurred following significant increases in interest rates only if the securities are sold; otherwise the losses will be unrealised as assets are fairly matched to similar duration liabilities and may be held to maturity. Conversely, declining interest rates result in unrealised gains in the value of fixed income securities Sagicor continues to hold, as well as realised gains to the extent the relevant securities are sold.

Sagicor's primary interest rate exposures relate to Sagicor's long term insurance and annuities liabilities as well as funds on deposit. Sagicor may incur a loss on certain contracts where the investment return does not exceed the interest credited to the policyholder.

For more details on the Group's exposures to interest rates, refer to note 40.6 of the Group's 2021 consolidated financial statements.

4. Liquidity risk

Liquidity risk is inherent in much of the Group's business. Liquidity risk is risk stemming from a lack of marketability in Sagicor's assets. Some liabilities may be surrendered at the call of the contract-holder, while some assets have low liquidity such as mortgage loans and real estate. In order to manage liquidity risks, the Group seeks to maintain levels of cash and short-term deposits in each of its operating currencies that can meet expected short-term obligations.

The Group is exposed to daily demands on its available cash resources for payment of policy benefits and withdrawals, operating expenses and taxes, loan drawdowns, repayment of borrowings, maturing deposit liabilities and other security obligations. The Group maintains cash resources to meet what it predicts it will have to pay as policy benefits. Demands on its cash resources may exceed the Group's projections.

The Group diversifies its liability portfolio by limiting concentrations of liabilities in each market segment. Where practical, given the Group's operating environment, Sagicor seeks to match maturities of assets and liabilities while maintaining a portfolio of short-term, highly liquid securities to meet funding gaps. The Group monitors its daily, weekly and monthly liquidity risk and manages its maturing asset and liability portfolios.

The Group purchases custom options (hedges) that are selected to materially replicate the policy benefits that are associated with the equity indexed components of certain of its products. These options are appropriate to reduce or minimise the risk of movements in the equity market (market risk). The hedging transactions are accounted for as call options and are originally valued at the premium paid, with the statement carrying value being adjusted to fair value. To minimise potential counterparty risk from the purchase of these customised contracts from broker dealers, the Group only transacts with banks and brokers carrying an unsecured debt rating of at least A or P-1 by either Standard and Poor's or Moody's.

The Group's monetary insurance liabilities mature in periods which are summarised in the following tables for the years ended December 31, 2021 and 2020. Amounts are stated at their carrying values recognised in the financial statements and are analysed by their expected due periods, which have been estimated by actuarial or other statistical methods.

December 31, 2021	**Expected discounted cash flows**			
(in US $millions)	**Maturing within 1 year**	**Maturing 1 to 5 Years**	**Maturing after 5 years**	**Total**
Actuarial liabilities	297.9	1,657.5	2,837.2	4,792.6
Other insurance	167.4	29.6	83.8	280.8
Total	465.3	1,687.1	2,921.0	5,073.4

December 31, 2020	**Expected discounted cash flows**			
(in US $millions)	**Maturing within 1 year**	**Maturing 1 to 5 Years**	**Maturing after 5 years**	**Total**
Actuarial liabilities	323.1	1,251.5	2,578.1	4,152.7
Other insurance	149.4	18.1	67.2	234.7
Total	472.5	1,269.6	2,645.3	4,387.4

Contractual cash flow obligations of the Group in respect of its financial liabilities and commitments are summarised in the following table. Amounts are analysed by their earliest contractual maturity dates and consist of the contractual un-discounted cash flows. Where the interest rate of an instrument for a future period has not been determined as of the date of the financial statements, it is assumed that the interest rate then prevailing continues until final maturity.

December 31, 2021	Contractual un-discounted cash flows			
(in US $millions)	On demand or within 1 year	1 to 5 years	After 5 years	Total
Financial liabilities:				
Investment contracts	388.1	73.3	23.1	484.5
Notes and loans payable	123.5	192.3	603.6	919.4
Lease liabilities	9.2	18.1	20.7	48.0
Other funding instruments	463.0	49.0	6.1	518.1
Customer deposits	872.5	17.2	-	889.7
Structured products	-	4.4	-	4.4
Securities sold for re-purchase	601.8	-	-	601.8
Derivative liabilities	-	0.1	-	0.1
Bank overdrafts	0.8	-	-	0.8
Accounts payable & accrued liabilities	246.5	1.2	0.3	248.0
Total liabilities	2,705.4	355.6	653.8	3,714.8
Off balance sheet commitments:				
Loan commitments	61.9	4.4	1.0	67.3
Non-cancellable lease and rental payments	0.3	-	-	0.3
Customer guarantees and letters of credit	17.8	6.6	8.7	33.1
Investments and Investment management fees	17.4	-	-	17.4
Capital commitments				
Total commitments	97.4	11.0	9.7	118.1
Total	2,802.8	366.6	663.5	3,832.9

December 31, 2020	Contractual un-discounted cash flows			
(in US $millions)	On demand or within 1 year	1 to 5 years	After 5 years	Total
Financial liabilities:				
Investment contracts	372.3	56.5	21.1	449.9
Notes and loans payable	23.5	480.3	11.1	514.9
Lease liabilities	9.5	24.8	22.3	56.6
Other funding instruments	355.1	38.8	24.3	418.2
Customer deposits	852.8	17.1	-	869.9
Structured products	-	-	-	-
Securities sold for re-purchase	578.0	-	-	578.0
Derivative liabilities	-	-	-	-
Bank overdrafts	1.0	-	-	1.0
Accounts payable & accrued liabilities	248.2	1.9	0.4	250.5
Total liabilities	2,440.4	619.4	79.2	3,139.0
Off balance sheet commitments:				
Loan commitments	63.8	0.3	0.6	64.7
Non-cancellable lease and rental payments	0.4	-	-	0.4
Customer guarantees and letters of credit	20.1	5.4	9.6	35.1
Investments and Investment management fees	32.5	2.3	-	34.8
Capital commitments	15.3	-	-	15.3
Total commitments	132.1	8.0	10.2	150.3
Total	2,572.5	627.4	89.4	3,289.3

The contractual maturity periods of monetary financial assets and the expected maturity periods of monetary insurance assets are summarised in the following tables for the years ended December 31, 2021 and 2020. Amounts are stated at their carrying values recognised in the financial statements. For this table, monetary insurance assets comprise policy loans and reinsurance assets.

December 31, 2021	**Contractual discounted or expected cash flows**			
(in US $millions)	**Maturing within 1 year**	**Maturing 1 to 5 Years**	**Maturing after 5 years**	**Total**
Financial assets:				
Financial investments	1,578.8	1,605.3	4,423.8	7,607.9
Reinsurance assets: share of actuarial	43.8	274.4	227.0	545.2
Reinsurance assets: other	54.1	2.1	0.7	56.9
Premiums receivable	59.2	-	-	59.2
Other assets and receivables	73.4	1.9	0.3	75.6
Cash resources	438.1	-	-	438.1
Total	2,247.4	1,883.7	4,651.8	8,782.9

December 31, 2020	**Contractual discounted or expected cash flows**			
(in US $millions)	**Maturing within 1 year**	**Maturing 1 to 5 Years**	**Maturing after 5 years**	**Total**
Financial assets:				
Financial investments	1,111.3	1,238.2	4,228.7	6,578.2
Reinsurance assets: share of actuarial	67.2	291.1	281.4	639.7
Reinsurance assets: other	48.9	-	0.2	49.1
Premiums receivable	59.8	-	-	59.8
Other assets and receivables	76.9	2.0	0.5	79.4
Cash resources	439.6	-	-	439.6
Total	1,803.7	1,531.3	4,510.8	7,845.8

5. Insurance product design and pricing risk

Product design and pricing risk arises from poorly designed or inadequately priced contracts and can lead to both financial loss and reputational damage to the Group. In the discussion below, the term insurer refers to the Group subsidiary issuing insurance contracts.

Risks are priced to achieve an adequate return on capital on the insurer's business. In determining the pricing of an insurance contract, the insurer considers the nature and amount of the risk assumed, and recent experience and industry statistics of the benefits payable. Pricing inadequacy may arise either from the use of inadequate experience and statistical data in deriving pricing factors, from insurance market softening conditions, or from future changes in the economic environment.

The underwriting process has established pricing guidelines; and may include specific enquiries which determine the insurer's assessment of the risk. Insurers may also establish deductibles and coverage limits for property, casualty and health risks which will limit the potential claims incurred. The pricing of a contract therefore consists of establishing appropriate premium rates, deductibles and coverage limits. For long-term insurance contracts, Sagicor assesses the future cash flows attributable to the contract.

Sagicor carries significant underwriting risks concentrated in certain countries within the Caribbean, namely Antigua, Barbados, Cayman Islands, Curacao, Jamaica, St. Lucia and Trinidad and Tobago. In these countries, Sagicor insures a substantial proportion of the insured population (life, annuity, health).

6. Insurance claims risk

a) Life, annuity and health contracts

The principal claims risks for these contracts are mortality, longevity and morbidity risk. For long-term contracts, principal risks affecting claims and benefits also include lapse, expense and investment risk.

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

Policy benefits payable under long-term contracts may be triggered by an insurable event (such as a death, disability or critical illness claim) a specified time (such as for an annuity settlement or a policy maturity) or on the exercise of a surrender or withdrawal request by the policyholder. While settlement of these benefits is therefore expected over the remaining lives of the insureds and annuitants, Sagicor remains subject to uncertainty related to the timing of future benefit cash outflows.

For long-term insurance contracts, significant risks arise from mortality and morbidity experience. Worsening mortality and morbidity will increase the incidence of death and disability claims. Improving mortality (i.e. longevity) will lengthen the pay-out period of annuities.

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 a short period.

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

b) Property and casualty contracts

Claims payable under property and casualty contracts are triggered by an insurable event and may be categorised as:

- attritional losses, which are expected to be of reasonable frequency and are less than established threshold amounts;
- large losses, which are expected to be relatively infrequent and are greater than established threshold amounts;
- catastrophic losses, which are an aggregation of losses arising from one incident or proximate cause, affecting one or more classes of insurance. These losses are infrequent and are generally very substantial.

The insurer records claims based on submissions made by claimants. The insurer may also obtain additional information from loss adjustors, medical reports and other specialist sources. The initial claim recorded may only be an estimate, which is refined over time until final settlement occurs. In addition, from the pricing methodology used for risks, it is assumed that at any date, there are claims incurred but not reported (IBNR).
Claims risk is the risk that incurred claims may exceed expected losses. Claims risk may arise from:

- invalid or fraudulent claim submissions;
- the frequency of incurred claims;

- the severity of incurred claims;
- the development of incurred claims.

Claims risk may be concentrated in geographic locations, altering the risk profile of the insurer. The most significant exposure for this type of risk arises where a single event could result in very many claims. Concentration of risk is mitigated through risk selection, line sizes, event limits, quota share reinsurance and excess of loss reinsurance. The Group takes reinsurance cover to mitigate the geographic concentrations of its property risks.

7. Reinsurance risk

To limit Sagicor's loss exposure on insurance policies, Sagicor may cede some risk to reinsurers that have well-established capability to meet their contractual obligations and that generally have high credit ratings, which ratings Sagicor monitors, or Sagicor requires that a trust account be maintained as collateral for the obligations.

Under reinsurance contracts, the Group retains some part of the risk (amounts below the "retention limit") and coverage in excess of these limits is ceded to reinsurers. The retention programs used are summarised in notes 41.3 and 42.3 of the annual financial statements. Sagicor also maintains catastrophic reinsurance coverage whereby reinsurance coverage is obtained for multiple claims arising from one event or occurring within a specified time period.

8. Fiduciary risk

Sagicor provides investment management, insurance and pension administration, and corporate trust services to corporate customers. Investment management services requires the Group to make allocation, purchase and sale decisions in relation to a wide range of investments on behalf of these corporate customers. These services may expose Sagicor to claims for maladministration or underperformance of these investments. As of December 31, 2021, the Group administered US $3,464.0 million in assets on behalf of these corporate customers.

9. ADDITIONAL INFORMATION

A. Outlook

The Group’s financial results in Q4 2021 continue to reflect positive emergence from our in-force life insurance portfolios, and robust growth in our U.S. segment, while still operating below full potential in our Caribbean markets due to the continued effects of the pandemic on economic activity and travel. In 2022, the economies in which we operate are seeing positive signs of returns to normal economic activity, including an improving forward outlook for tourism. We will continue to monitor the situation and anticipate resuming specific guidance with respect to earnings targets when the timing of economic recovery becomes more certain.

B. Economic Environment

After the global economy contracted by 3.1% during 2020, a degree of global economic recovery was highly anticipated for the year 2021. In its January 2022 World Economic Outlook (WEO) Update, the International Monetary Fund (IMF) estimated global growth for 2021 at 5.9%. In addition, the IMF made a marginal downward revision to its 2022 global growth forecast to 4.4%, compared to its 4.9% projection in its October 2021 release. The January 2022 release of the WEO estimates global growth for 2023 at 3.8%. In the United States (US), The Bureau of Economic Analysis’ advance estimate indicate economic activity in the USA grew by an annual rate of 5.7% in the year 2021. In addition, the US Labor Department reported a decline in the unemployment rate to 3.9% at December 31, 2021, down from 6.7% at December 31, 2020. The Federal Open Market Committee (FOMC) maintained the target range for the federal funds rate at 0% to 0.25% throughout the year 2021. However, at the FOMC’s most recent Press Conference at the time of writing, Chair Powell suggested a potential hawkish pivot to the target range for the federal funds rate and the phasing out of asset purchases in 2022. By the end of 2021, the West Texas Intermediate oil prices spiked to approximately US $75 per barrel from approximately US $48 per barrel at the end of 2020.

As many monetary authorities maintained their accommodative stance for the majority of 2021, US equities recorded another strong performance during the year. The S&P 500 Index advanced by 28.71% during the year 2021 and the NASDAQ Composite Index and Dow Jones Industrial Average Index were up 22.18% and 20.95%, respectively for 2021. Meanwhile, the performance of emerging market equities was relatively sluggish as the MSCI Emerging Market Index returned -2.54% for the year. During the year 2021, the 10-year Treasury yield trended upward to 1.52% at the end of December 2021 after starting the year at 0.93%.

During 2021 the economic environment of some Eastern Caribbean Currency Union (ECCU) member countries was challenged by exogenous shocks – unrelated to the effects of the Coronavirus Pandemic. These exogenous shocks included continuous eruptions of the La Soufrière volcano in Saint Vincent and the Grenadines from April 2021 and the passage of Hurricane Elsa during July. Additionally, according to the Eastern Caribbean Central Bank’s June 2021 Economic and Financial Review, total tourist arrivals declined by 89.8% during the first half of the year. Against this background, modest single digit growth estimates were approximated for economic activity in the ECCU for the year 2021 after a contraction during 2020. As the backing ratio stood at 96.5% at October 15, 2021, above the minimum requirement of 60%, the foreign reserves backing the Eastern Caribbean dollar remain strong.

As long-stay tourist arrivals in December 2021 reached its pandemic peak and recorded 47% of the 2019 arrivals, preliminary statistics indicate economic growth in Barbados exhibited a modest expansion of 1.4% for 2021. During 2021 the gross international reserves for Barbados increased by BDS$ 398 million to BDS $3,058 million or 40 weeks of import cover at the end of 2021. However, the accumulation of international reserve continues to be supported by economic policy support loans. The stabilization of the country’s GDP resulted in Barbados’ public debt-to-GDP ratio marginally decreasing by approximately 0.3% during 2021 to 136.3%. The most recent Economic Review from the Central Bank of Barbados indicated the average unemployment rate in Barbados improved, standing at 12.4% at September 2021 compared to 17.9% as at September 2020. Global inflation charted an upward trajectory during 2021 and this trajectory was reflected on the local index to some degree on a lagged basis. At November 2021, the 12-month moving average inflation in Barbados increased to 3.2% compared to 2.9% a year earlier.

At the end of December 2021, Trinidad and Tobago’s official reserves remained strong at approximately US$6,879.6 million or 8.4 months of prospective imports of goods and services. General Government outstanding debt (excluding debt issued for sterilization purposes) stood at approximately 83.3% of GDP at the end of 2021. According to the most recent data available from the Central Bank of Trinidad and Tobago, the Quarterly Real Economic Activity Index for Trinidad and Tobago exhibited three consecutive quarterly contractions during the first nine months of 2021. Throughout the year 2021, the Central Bank of Trinidad and Tobago maintained its repo rate at 3.5%. Trinidad and Tobago’s headline inflation rose to

3.6% at the end of November 2021, compared to 0.8% at the end of 2020. The domestic stock market in Trinidad experienced a substantive recovery during the year 2021 and the Trinidad and Tobago Stock Exchange's Composite Price Index increased by approximately 13.1% during 2021.

In the quarter ended September 2021, the Jamaica economy expanded by 5.8% compared to growth estimates of 14.2% and 6.2% in the second and first quarters of 2021, respectively. Moreover, the Bank of Jamaica's latest forecast of estimated real economic activity is expected to expand within a range of 7% – 10% during the fiscal year 2020/21. For the calendar year 2021, inflation stood at 9.1%, above the upper limit of the Bank of Jamaica's target range of 6%. After point-to-point inflation breached the Bank of Jamaica's target inflation range, in the second half of 2021, the Bank of Jamaica implemented three policy interest rate hikes. In September 2021, the Bank of Jamaica initially increased the policy interest rate by 100 basis points to 1.5%. In addition, this increase was followed by two consecutive, 50 basis points rate hikes in November and December. At the end of 2021, the Bank of Jamaica's policy interest rate stood at 2.50%. At the end of October 2021, Jamaica's unemployment rate fell by 3.7 percentage points to 7.1%, compared to the same period in 2020. From the onset of the Coronavirus pandemic, the Jamaican equity market showed modest signs of recovery as the JSE Index was relatively flat for the year 2021 and returned 0.14%, while the JSE All Jamaican Composite Index returned 1.10%. The fixed income market yield spiked towards the end of 2021 as the GOJ 180-day Treasury Bill ended 2021 at 4.33%, compared to 0.86% at the end of 2020.

C. Impact of COVID-19 Coronavirus

On March 11, 2020, the World Health Organisation declared the emergence of COVID-19 coronavirus, a global pandemic. This pandemic has affected many countries and all levels of society and has affected our economic environment in significant ways. The COVID-19 situation continues to evolve and many of the markets in which Sagicor operates have implemented public health safety protocols. At various stages during the pandemic, most Caribbean countries have shut down air and sea traffic. Similar procedures have also been applied in the United States, Canada and elsewhere. The COVID-19 pandemic has caused significant economic and financial turmoil and uncertainty, both in the U.S. and around the world, and has fuelled concerns that have led to a global recession.

Two years on from the initial outbreak, the virus remains prevalent across the world, with various mutations extending the uncertainties surrounding economic recoveries. Continued travel restrictions and lockdown measures have prolonged the downturn in demand for tourism, entertainment and related services. However, the introduction and administration of vaccines have aided recovery efforts in some economies.

COVID-19 continues to cause major disruptions in economies within which the Sagicor Group operates. In response to the changing, uncertain economic environment, the Sagicor Group has performed reviews and updated its assumptions, including those related to asset impairment, where necessary. Changes in the economic outlook data have been reported in note 40.3 of the Group's 2021 consolidated financial statements on credit risk and impairment. As part of this process, goodwill was reviewed and stress testing was performed on assessment assumptions. During the period ended March 31, 2021, there was a disposal of Playa shares and the investment has been designated as a FVTPL investment (see note 37.1 of the Group's 2021 consolidated financial statements). Management has also considered the potential impact of the pandemic on actuarial reserves but has concluded that it has not had a significant impact on actuarial assumptions and the valuation of actuarial liabilities of the Group.

The Group continues to monitor the health crisis and the economic impact on its investments, actuarial reserves, customer and trading partners, and the effect on the industries in which it operates. While global vaccination programmes should allow the world, and more particularly the markets in which the Group operates, to gradually return to normal, this will take time. As a result, the pandemic may continue to negatively impact levels of new business and the level of policyholder lapses and surrenders, as well as loan and credit card delinquencies.

D. Quarterly Financial Disclosures

The following table provides a summary of Sagicor's results from continuing operations for the eight most recently completed quarters. A more complete discussion of our historical quarterly results can be found in our interim and annual MD&A for the relevant periods.

(in millions of US $, unless otherwise noted)	**Q4 2021**	**Q3 2021**	**Q2 2021**	**Q1 2021**	**Q4 2020**	**Q3 2020**	**Q2 2020**	**Q1 2020**
Net premium revenue	**448.7**	623.5	364.9	276.1	510.9	264.9	310.0	317.7
Net investment and other income	**180.8**	158.4	151.4	155.4	163.6	137.3	148.5	25.5
Total revenue	**629.5**	781.9	516.3	431.5	674.5	402.2	458.5	343.2
Benefits and expenses	**(550.5)**	(682.0)	(487.9)	(392.2)	(612.8)	(373.7)	(440.6)	(355.9)
Other	**(0.5)**	2.1	3.4	13.1	(33.4)	(9.2)	(19.7)	(5.6)
Income/(loss) before tax	**78.5**	102.0	31.8	52.4	28.3	19.3	(1.8)	(18.3)
Income tax	**(22.1)**	(23.0)	(12.3)	(10.8)	(13.9)	(12.7)	(9.3)	(6.8)
Net income/(loss)	**56.4**	79.0	19.5	41.6	14.4	6.6	(11.1)	(25.1)
Income/(loss) attributable to shareholders	**41.9**	50.4	9.3	31.5	29.0	(3.0)	(0.3)	(29.3)
Basic EPS	**29.3 ¢**	34.9 ¢	6.4 ¢	21.5 ¢	19.8 ¢	(2.0) ¢	(0.2) ¢	(19.7) ¢
Diluted EPS	**28.9 ¢**	34.5 ¢	6.3 ¢	21.3 ¢	19.6 ¢	(2.0) ¢	(0.2) ¢	(19.7) ¢
Return on shareholders' equity (annualised)[17]	**15.1%**	18.5%	3.4%	11.6%	10.8%	(1.1%)	(0.1%)	(10.5%)
Dividends paid per share	**5.6 ¢**	5.6 ¢	11.2 ¢	-	5.6 ¢	5.6 ¢	5.6 ¢	5.6 ¢
Total assets	**10,377.9**	10,135.3	9,891.4	9,218.7	9,266.3	8,894.3	8,734.2	8,457.1
Total equity attributable to shareholders	**1,134.0**	1,134.7	1,102.0	1,100.5	1,109.8	1,062.3	1,072.5	1,049.5
Income/(loss) attributable to shareholders by operating segment:								
Sagicor Life	**21.8**	7.0	6.8	8.3	35.2	8.4	2.2	1.9
Sagicor Jamaica	**16.4**	27.1	7.0	9.9	11.0	21.3	9.1	9.1
Sagicor Life USA	**17.4**	23.1	16.0	1.1	8.8	(18.7)	(2.9)	(14.3)
Head office, other & inter-segment eliminations	**(13.7)**	(6.8)	(20.5)	12.2	(26.0)	(14.0)	(8.7)	(26.0)
Total	**41.9**	50.4	9.3	31.5	29.0	(3.0)	(0.3)	(29.3)

[17] Represents a non-IFRS measure: refer to Section 10 - Non-IFRS Financial Measures in this document for relevant information about such measures.

Third Quarter 2021

Net income attributable to common shareholders, closed the quarter at US $50.4 million compared to a loss of US $3.0 million for the three-month period ended September 30, 2020. Net income benefitted from strong premium production in our USA segment as well as positive net experience through the annual review of actuarial assumptions.

Net income for the period includes gains of US $8.6 million from our investment in Playa.

During the third quarter of 2020 both group net income and income attributable to shareholders from continuing operations, were adversely affected by the impact of the COVID-19 pandemic on the business. The main contributing factors to the net loss in the prior year were impacted by the strengthening of our actuarial liabilities and our share of net loss related to our associated company investment in Playa Hotels & Resorts, all due to the economic environment occasioned by the pandemic.

Second Quarter 2021

Net income from continuing operations attributable to common shareholders for the three-month period ended June 30, 2021 was US $9.3 million compared to net losses of US $0.3 million, for the same period in the prior year, with substantial net premium revenue growth being observed in our Sagicor Life and Sagicor USA segments. During the second quarter of 2020 both Group net loss and loss attributable to Shareholders, were impacted by significant mark-to-market losses and credit impairment losses, as capital markets responded adversely to the COVID-19 pandemic. Group net income was also impacted by our share of net loss and impairment related to our associated company investment in Playa Hotels and Resorts, all due to the economic environment occasioned by the pandemic.

First Quarter 2021

Net income from continuing operations attributable to common shareholders for the three-month period ended March 31, 2021 was US $31.5 million compared to net losses of US $29.3 million, for the same period in the prior year. The March 2021 results include net gains of US $25.0 million (Shareholder – US $26.4 million) emanating from a transaction associated with our investment in Playa Hotels and Resorts (Playa). Included in this amount is a net gain of US $10.7 million relating to the partial disposal of our investment Playa on January 15, 2021, where the Group's shareholding was reduced from 16% to 6%. In addition, subsequent to this, the Group designated the investment in Playa as an investment at FVTPL and generated mark-to-market gains of US $14.3 million, based on Playa's share price at March 31, 2021.

Fourth Quarter 2020

Net income from continuing operations attributable to common shareholders for the three-month period ended December 31, 2020 was US $29.0 million compared to net income US $11.5 million, for the same period in the prior year. The main contributing factors to the financial performance during the three-month period were the normalisation of new business sales levels across all our geographies, and the positive impact of our asset optimisation efforts in our Sagicor Life segment which gave rise to a release in actuarial liabilities. These positive developments were offset by a further strengthening of reserves for forward-looking assumptions in our United States subsidiary.

Third Quarter 2020

The Group's financial results for the quarter ended September 30, 2020 continued to be affected by the COVID-19 pandemic.

Against this backdrop the Sagicor Group recorded a net loss from continuing operations attributable to common shareholders of US $3.0 million compared to net income US $6.3 million, for the same period in the prior year. The net loss was primarily related to significant strengthening of reserves in our U.S. operation associated with forward-looking assumptions.

Second Quarter 2020

The Group's financial results for the quarter ended June 30, 2020 were materially affected by the COVID-19 pandemic. On March 11, 2020 the World Health Organisation declared the emergence of COVID-19 coronavirus, a global pandemic. As a response to this public health emergency, governments around the world made significant interventions in response to this threat. Most Caribbean countries shut down air and sea traffic. Similar procedures were also implemented in the United States, Canada and elsewhere. During the three-month period ended June 2020 attempts were made to modify and relax some of the restrictions implemented in the first quarter of the year, however these have yielded mixed results and therefore many of the restrictions continued with a continued slowdown in economic activity.

Against this backdrop the Sagicor Group recorded a net loss from continuing operations attributable to common shareholders of US $0.3 million compared to net income US $11.1 million, for the same period in the prior year. The net loss was primarily related to higher Expected Credit Losses (ECLs) losses due to the pandemic as well as an internal reinsurance transaction that resulted in a strengthening of reserves in our U.S. operation. The results also include impairment losses on an associated company.

First Quarter 2020

The Group's financial results for the quarter ended March 31, 2020 were materially affected by the COVID-19 pandemic. On March 11, 2020 the World Health Organisation declared the emergence of COVID-19 coronavirus, a global pandemic. As a response to this public health emergency, governments around the world made significant interventions in response to this threat. Most Caribbean countries shut down air and sea traffic. Similar procedures were also implemented in the United States, Canada and elsewhere.

Against this backdrop the Sagicor Group recorded a net loss from continuing operations attributable to common shareholders of US $29.3 million compared to net income US $15.1 million, for the same period in the prior year. This result was primarily driven by mark-to-market changes in asset prices (net of corresponding reserve changes) and increased provisions for Expected Credit Losses (ECLs) in anticipation of a potential prolonged economic downturn, in the markets in which the Group operates.

Fourth Quarter 2019

On December 5, 2019 Sagicor and Alignvest announced they had completed the business combination involving the transfer of all issued and outstanding shares in Sagicor to Alignvest. This transaction raised over US $450 million in new capital for the Group. As a result of the completion of the transaction, all issued and outstanding shares in Sagicor were transferred to Alignvest, with former shareholders of Sagicor receiving cash or shares in Alignvest, which was renamed Sagicor Financial Company Ltd. and trades on the Toronto Stock Exchange under the symbol SFC. The Group incurred listing expense and other transaction costs of US $43.4 million relating to this exercise.

Net income from continuing operations attributable to shareholders for the fourth quarter of 2019 totalled US $54.9 million, excluding listing expense and other transaction costs, compared to US $8.0 million for the same period in 2018, an increase of US $46.9 million. During the last quarter of 2019, the Group benefited from a significant increase in mark to market changes on indexed options in our USA segment coupled with gains arising from the strong performance of the Jamaica stock market.

E. Key Factors Affecting Results

A variety of factors affect Sagicor's results, including:

(i) sales of core products and services;
(ii) life insurance and annuity policy lapse experience;
(iii) insurance claims experience;
(iv) investment yields;
(v) asset default;
(vi) country inflation and taxes;
(vii) Sensitivity arising from the valuation of actuarial liabilities;
(viii) Sagicor's expansion into new geographic markets (in the United States) and product markets (in Jamaica) through portfolio and / or company acquisitions; and
(ix) the continuing availability of appropriately priced reinsurance treaties for life, health and property and casualty insurance.

Sales of core products and services

Growth in sales enables Sagicor to allocate its fixed operating expenses over larger revenues and subsequently increases its profitability. The impact is very significant for the Sagicor Life and Sagicor Jamaica operating segments which sell significant amounts of periodic premium life insurance and annuity policies. The pricing of such products is either fixed at the issue of each policy or may limit the extent of cost recovery over the duration of the policy which can extend over decades. Growth in sales enables Sagicor to contain the growth in unit policy operating expenses.

Lapse experience

With respect to periodic premium life insurance and annuity policies, lapse experience is a factor of profitability. Many of these polices have up-front commission, policy issue and medical underwriting costs which are only recovered in full if the policy is premium paying for the initial years of its duration. If the policy lapses during the initial years, Sagicor will not fully recover its up-front costs and incur a loss on that policy.

For the same reasons that the quantum of sales of insurance policies is an important factor in maintaining insurance policy unit costs of administration, the rates of lapse or termination of inforce policies impacts the policy unit costs incurred. The lower the lapse or termination rate, the more policies are inforce, enabling Sagicor to contain growth in unit policy administrative costs.

Insurance claims experience

Across all lines of insurance, claims experience is a factor in profitability. In establishing rates of premium, Sagicor provides for appropriate levels of claims experience, be it rates of mortality for life insurance, rates of longevity for annuities, rates of morbidity for disability and health insurance, or rates of contingent losses for property and casualty insurance. Claims rates incurred in excess of pricing have adverse consequences for profitability, and conversely, claims rates incurred at levels below pricing impact profitability positively.

Investment yields

Across applicable lines of insurance and across financial contracts issued by Sagicor, investment yield is important to the profitability of the Group. Higher investment yields enable Sagicor to achieve higher interest margins (defined as the difference between interest earned and payable) on applicable insurance contracts and financial contracts. With lower investment yields, the interest margins are generally lower and may be eliminated if Sagicor is not able to earn a guaranteed rate of interest which is payable under the insurance or financial contract.

For long-term life insurance and annuity contracts, the Appointed Actuaries within the Group determine each segment's actuarial liabilities at December 31 after factoring in rates of investment return on re-invested assets. These rates, including the ultimate rates of return, affect the quantum of actuarial liability determined, with higher re-investment rates resulting in a lower actuarial liability, and with lower re-investment rates resulting in a higher actuarial liability.

Asset default

The recognition of an un-anticipated default from an invested asset, may have immediate negative consequences for profitability. Sagicor maintains certain invested assets for which the full return (of capital and of interest) is borne by insurance and /or financial contract-holders. In such instances, Sagicor is generally not exposed to asset default risk. However, for other invested assets, for which Sagicor is exposed to default risk, the default risk may be entirely borne by Sagicor's shareholders, or the risk is shared by Sagicor's shareholders and insurance and /or financial contract-holders. In such instances, the impact on profitability will be negative.

For long-term life insurance and annuity contracts, the Appointed Actuaries within the Group determine each segment's actuarial liabilities at December 31 after factoring in the expected rates of asset default. Should asset default rates over time be lower than expected, profitability is impacted positively. Conversely, if asset default rates over time are higher than expected, profitability is impacted negatively.

Country inflation and taxes

As with other key factors affecting profitability, changes in the level of country inflation and taxes impact the operating costs of the Sagicor Group, immediately and in the longer term.

Actuaries within the Group determine each segment's actuarial liabilities as of December 31 after factoring in expected levels of operating expenses. Higher inflation and taxation levels result is adverse consequences for profitability and lower inflation and taxation levels result in positive consequences for profitability.

Sensitivity arising from the valuation of actuarial liabilities

The estimation of actuarial liabilities is sensitive to the assumptions made. Changes in those assumptions could have a significant effect on the valuation results which are discussed below.

The valuation of actuarial liabilities of life insurance and annuity contracts is sensitive to:

- the economic scenario used,
- the investments allocated to back the liabilities,
- the underlying assumptions used, and

- the margins for adverse deviations

Under Canadian accepted actuarial standards, the Appointed Actuary is required to test the actuarial liability under economic scenarios.

Sensitivity	Scenario		
	Sagicor Life Inc segment	**Sagicor Jamaica Segment**	**Sagicor USA segment**
Worsening rate of lapse	Lapse rates were either doubled or halved, and the more adverse result was selected.		Lapse rates were increased or reduced by 30%, and the more adverse result was selected.
High interest rate	Assumed increases in the investment portfolio yield rates of 0.25% per year for 5 years, with the rates remaining constant thereafter.	Assumed increases in the investment portfolio yield rates of 0.5% for 10 years.	A 1% increase was applied to the investment portfolio rate.
Low interest rate	Assumed decreases in investment portfolio yield rates of 0.25% per year for 5 years, with the rates remaining constant thereafter.	Assumed decreases in investment portfolio yield rates of 0.5% per year for 10 years.	A 1% decrease was applied to the investment portfolio rate.

Sensitivity	Scenario		
	Sagicor Life Inc segment	**Sagicor Jamaica Segment**	**Sagicor USA segment**
Worsening mortality and morbidity	Mortality and morbidity rates for insurance and critical illness products were increased by 3% of the base rate per year for 5 years. For annuity products, the mortality rates were decreased by 3% of the base rate for 5 years.		For life insurance and deferred annuity products, the base assumed rates were increased annually by 3% cumulatively over the next 5 years. For pay-out annuity products only, the mortality rates were decreased by 3% cumulatively over the next 5 years.
Higher expenses	Policy unit maintenance expense rates were increased by 5% per year for 5 years above those reflected in the base scenario.		

To illustrate the potential impact of some of the foregoing key factors, the following table presents the estimated sensitivity using the economic scenarios outlined above, relating to (i) worsening rate of lapse, (ii) higher interest rate (on invested assets), (iii) lower interest rate (on invested assets), (iv) worsening rate of mortality and morbidity, and (v) higher operating expenses, to the net actuarial liabilities of each of operating segments of the Group, as of December 31, 2021 and 2020.

(in US $millions)	**2021**	**2020**
Sagicor Life Segment		
Base net actuarial liability	1,180.8	1,136.5
Scenario	***Increase (decrease) in actuarial liability***	
Worsening rate of lapse	183.4	202.9
Higher interest rate	(110.8)	(94.9)
Lower interest rate	174.5	199.4
Worsening mortality / morbidity	49.5	69.5
Higher expenses	19.7	39.2

(in US $millions)	**2021**	**2020**
Sagicor Jamaica Segment		
Base net actuarial liability	316.4	345.4
Scenario	***Increase (decrease) in actuarial liability***	
Worsening rate of lapse	9.8	88.0
High interest rate	(48.4)	(112.5)
Low interest rate	61.0	83.9
Worsening mortality / morbidity	49.2	48.9
Higher expenses	8.8	17.1

(in US $millions)	**2021**	**2020**
Sagicor Life USA Segment		
Base net actuarial liability	2,428.4	1,734.8
Scenario	***Increase (decrease) in actuarial liability***	
Worsening rate of lapse	33.4	25.5
High interest rate	(137.4)	(99.5)
Low interest rate	168.2	123.2
Worsening mortality / morbidity	25.2	16.3
Higher expenses	2.1	2.6

Expansion into new markets and company acquisitions

While Sagicor has endured for over 180 years, its product offerings and geographic markets have evolved. Markets often have different preferences for certain products and any successful venture into new markets need to adapt to market tastes. Sagicor only ventures into new markets or offers new products after extensive research and appraisal.

Company acquisitions has been a strategy employed by the Sagicor Group over the last twenty years. As a result of these acquisitions, Sagicor's assets include goodwill and other intangibles acquired on company acquisitions. As a result of these acquisitions, Sagicor's assets include goodwill and other intangibles acquired on company acquisitions. The goodwill carried by operating segments as of December 31, 2021 and 2020, respectively, is summarised in the following table.

(in US $millions)	**2021**	**2020**
Goodwill		
Sagicor Life segment	**26.6**	26.5
Sagicor Jamaica segment	**27.7**	29.2
Sagicor General Insurance	**2.7**	2.7
Total goodwill	**57.0**	58.4

Goodwill is subject to an annual impairment test, whereby the carrying value of the business unit including the associated goodwill is compared to the fair value of the business. As long as the fair value of the business exceeds the carrying value of the business and its associated goodwill, the goodwill is un-impaired. If it is not, the goodwill is impaired to the extent of the excess of the carrying value plus goodwill over its fair value, and the resulting impairment charge is recorded in the income statement.

In this test, fair value is defined as the higher of 'value in use' and 'fair value less costs to sell'. The computation of fair value includes the use of management prepared income and cash flow forecasts, and independently determined market discount and residual growth rates. For some life insurance elements of the carrying value, the Group uses an actuarially determined 'embedded value' to determine fair value, as this is an appropriate methodology to determine fair value of long-term insurance business.

As income and cash flow forecasts and market discount and residual factors vary from year to year, there is the possibility of a significant impairment charge. During the year, goodwill of nil (2020 – US $3.0 million) has been impaired relating to the Sagicor General Insurance Inc.

Reinsurance treaties

In order to offer useful insurance coverages to potential customers, the Group holds reinsurance coverages that allow potential policy benefits to exceed amounts which are prudent for Sagicor to undertake the claims risk. Reinsured amounts may be on a per policy basis, (i.e. in excess of a pre-determined insured amount) or may be based on the aggregation of the insured's coverages (i.e. the insured has several policies and the amount reinsured is the aggregate exceeding a pre-determined amount).

The tables below illustrate the gross and net (of reinsurance) total life insurance coverages and annuity liabilities for individual and group polices as of December 31, 2021 and 2020, respectively.

(in US $millions)	**2021**	**2020**
Total life insurance coverage		
Individual contracts - gross	**37,587.8**	35,710.5
Individual contracts - net	**30,923.0**	28,982.4
Group contracts – gross	**13,428.7**	12,542.8
Group contracts - net	**12,952.6**	12,037.8

(in US $millions)	**2021**	**2020**
Total actuarial liability for annuity contracts		
Individual contracts - gross	**3,176.8**	2,561.9
Individual contracts - net	**2,619.7**	1,909.0
Group contracts – gross	**442.8**	436.6
Group contracts - net	**430.2**	423.7

F. Critical Accounting Estimates and Judgments

Certain accounting estimates and judgements are recognised as critical because they require us to make particularly subjective or complex judgments about matters that are inherently uncertain and significantly different amounts could be reported under different conditions or using different assumptions.

Our critical accounting estimates and judgements are described in note 3 to our 2021 audited financial statements. The critical accounting policies and the estimation process include:

- Impairment of financial assets – IFRS 9

(note 2.9 of the financial statements)

In determining ECL (Expected Credit Losses), management is required to exercise judgement in defining what is considered a significant increase in credit risk and in making assumptions and estimates to incorporate relevant information about past events, current conditions and forecasts of economic conditions.

a) Establishing staging for debt securities and deposits

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

The scale is set out in the following table:

Category		SRR (a)	Classification	S&P	Moody’s	Fitch	AM Best
Non-default	*Investment grade*	1	Minimal risk	AAA, AA	Aaa, Aa	AAA, AA	aaa, aa
		2	Low risk	A	A	A	a
		3	Moderate risk	BBB	Baa	BBB	bbb
	Non-investment grade	4	Acceptable risk	BB	Ba	BB	bb
		5	Average risk	B	B	B	b
	Watch	6	Higher risk	CCC, CC	Caa, Ca	CCC, CC	ccc, cc
		7	Special mention	C	C	C	c
Default		8	Substandard			DDD	
		9	Doubtful	D	C	DD	d
		10	Loss			D	

(a) *Sagicor Risk Rating*

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

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

Stage 1 investments are rated (i) investment grade, or (ii) below investment grade at origination 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 at origination and have been downgraded more than 2 notches since origination. Stage 3 investments are assets in default.

b) *Establishing staging for other assets measured at amortised cost, lease receivables, loan commitments and financial guarantee contracts.*

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

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

Backstop Criteria

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

c) *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 Barbados, Eastern Caribbean, Trinidad and Jamaica. Management assesses data sources from local government, International Monetary Fund and other reliable data sources. A regression analysis is performed to determine which factors are most closely correlated with the credit losses for each portfolio. Where projections are available, these are used to look into the future up to three years and subsequently the expected performance is then used for the remaining life of the product. These projections are re-assessed on a quarterly basis.

- The fair value of securities not quoted in an active market,
  (note 40.8 of the financial statements)

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

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

- Recognition and measurement of intangible assets
  (note 2.7 of the financial statements)

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

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

- Impairment of intangible assets

(note 2.7 of the financial statements)

a) Goodwill

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

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

b) Other intangible assets

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

- Valuation of actuarial liabilities

(note 2.15 of the financial statements)

a) Canadian Actuarial Standards

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

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

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

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

b) Best estimate reserve assumptions & provisions for adverse deviations

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

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

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

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

c) Process used to set actuarial assumptions and margins for adverse deviations

At each date for valuation of actuarial liabilities, the AA of each insurer reviews the assumptions made at the last valuation date. The AA reviews the validity of each assumption by referencing current data, and where appropriate, changes the assumptions for the current valuation. A similar process of review and assessment is conducted in the determination of margins for adverse deviations. Any changes in actuarial standards and practice are also incorporated in the current valuation.

d) Assumptions for mortality and morbidity

Mortality rates are related to the incidence of death in the insured population. Morbidity rates are related to the incidence of sickness and disability in the insured population. Annually, insurers update studies of recent mortality experience. The resulting experience is compared to external mortality studies including tables from the Canadian Institute of Actuaries (CIA). Appropriate modification factors are selected and applied to underwritten and non-underwritten business respectively. Annuitant mortality is determined by reference to CIA tables or to other established scales.

Assumptions for morbidity are determined after taking into account insurer and industry experience.

e) Assumptions for lapse

Policyholders may allow their policies to lapse prior to the maturity date either by choosing not to pay premiums or by surrendering their policy for its cash value. Lapse studies are updated annually by insurers to determine the persistency of the most recent period. Assumptions for lapse experience are generally based on moving averages.

f) Assumptions for investment yields

Returns on existing variable rate securities, shares, investment property and policy loans are linked to the current economic scenario. Yields on reinvested assets are also tied to the current economic scenario. Returns are, however, assumed to decrease and it is assumed that at the end of twenty years from the valuation date, all investments, except policy loans, are reinvested in long-term, default free government bonds.

g) Assumptions for operating expenses and taxes

Policy acquisition and policy maintenance expense costs for the long-term business of each insurer are measured and monitored using internal expense studies. Policy maintenance expense costs are reflected in the actuarial valuation after adjusting for expected inflation. Costs are updated annually and are applied on a per policy basis.

Taxes reflect assumptions for future premium taxes and income taxes levied directly on investment income. For income taxes levied on net income, actuarial liabilities are adjusted for policy related recognised deferred tax assets and liabilities.

h) Asset default

The AA of each insurer includes a provision for asset default in the modelling of the cash flows. The provision is based on industry and Sagicor's experience and includes specific margins, where appropriate, for assets backing the actuarial liabilities, e.g., for investment property, equity securities, debt securities, mortgage loans and deposits.

i) Margins for adverse deviations

Margins for adverse deviations are determined for the assumptions in the actuarial valuations. The application of these margins resulted in provisions for adverse deviations being included in the actuarial liabilities as set out in the following table:

	December 31	
(in US $millions)	**2021**	**2020**
Provisions for adverse deviations		
Mortality and morbidity	**110.4**	97.3
Lapse	**102.7**	90.7
Investment yield and asset default	**66.1**	69.9
Operating expenses and taxes	**9.8**	10.5
Other	**16.4**	14.9
Total	**305.4**	283.3

- Investment in associate

As at October 1, 2018, Sagicor Group Jamaica (SGJ) had a shareholding in Playa of 15%, which increased to 16% on June 15, 2020 (see note 37.1 of the 2021 annual financial statements). From an accounting perspective, IAS 28 (Investments in Associate and Joint Ventures) paragraph 5, 6 and 8 guidance was considered as follows:

Where an entity holds 20% or more of the voting power (directly or through subsidiaries) in an investee, it will be presumed the investor has significant influence unless it can be clearly demonstrated that this is not the case. If the holding is less than 20%, the entity will be presumed not to have significant influence unless such influence can be clearly demonstrated. A substantial or majority ownership by another investor does not necessarily preclude an entity from having significant influence.

The existence of significant influence by an entity is usually evidenced in one or more of the following ways:

- representation on the board of directors or equivalent governing body of the investee;
- participation in the policy-making process, including participation in decisions about dividends or other distributions;
- material transactions between the entity and the investee;
- interchange of managerial personnel; or
- provision of essential technical information.

In assessing whether potential voting rights contribute to significant influence, the entity examines all facts and circumstances (including the terms of exercise of the potential voting rights and any other contractual arrangements whether considered individually or in combination) that affect potential rights, except the intentions of management and the financial ability to exercise or convert those potential rights.

Management had previously concluded, given its participation in the policy-making decisions, significant involvement in, and influence over strategic financial and operational decision-making of Playa, that it had significant influence over Playa and as such was of the view that SGJ's strategic investment in Playa should be treated as an investment in associate in accordance with IAS 28, even though Sagicor owned less than 20% of Playa's shares.

During the year, SGJ sold a portion of its investment as part of Playa's secondary public offering and transferred the remaining shares to SFCL (see note 37.1 of the 2021 annual financial statements). This resulted in the investment being designated as a FVTPL investment. Management had concluded that the investment in Playa did not meet the definition of held for sale as at December 31, 2020.

G. Changes to Accounting Policies in 2021

There were no new accounting standards adopted during the year ended December 31, 2021. Refer to note 2 of the 2021 annual consolidated financial statements included in pages 11 to 37.

The Group has adopted the following amendments to IFRS and IAS

Amendments to existing IFRS effective periods beginning on or after June 30, 2020
IFRS 16 – Leases; COVID-19 related rent concessions

Amendments to existing IFRS and IAS effective January 1, 2021
IFRS 17 and IFRS 4 – Insurance contracts; deferral of IFRS 9
IFRS 7, IFRS 4 and IFRS 16 – Interest Rate Benchmark Reform, Phase 2

None of these amendments had a material effect on the Group's financial statements. Refer to note 2.1 of the 2021 annual financial statements for further details on amendments to existing IFRS and IAS effective beginning on or after June 30, 2020 and January 1, 2021.

H. Litigation or Other Matters

The Group is subject to various claims, disputes and legal proceedings, as part of the normal course of business. Provision is made for such matters when, in the opinion of management and its professional advisors, it is probable that a payment will be made by the Group, and the amount can be reasonably estimated. In respect to claims asserted against the Group which, according to the principles outlined above, have not been provided for, management is of the opinion that such claims are either without merit, can be successfully defended, cannot be reasonably estimated or will result in exposure to the Group which is immaterial to both the financial position and the results of operations. Details of significant matters have been disclosed in the Group's 2021 audited financial statements.

I. Share Buyback Programme

During the year ended December 31, 2021, the Company repurchased 3,988,221 (2020 - 2,942,500) shares, at a total cost of US $20.0 million (2020 - US $13.1 million), which were subsequently cancelled. Share capital and share premium in equity have been reduced by the cost of the shares repurchased and commission paid on the transactions. The premium or discount paid on the repurchase of shares has been recorded directly in retained earnings. The cost of shares totalling US $0.005 million (2020 - US $0.006 million), which were repurchased at the year-end date but not cancelled, has been reflected in treasury shares.

J. Interest in Playa Hotel and Resorts N.V.

Among its interests in associates, the Group held an investment in Playa Hotel & Resorts N.V. During the period, certain transactions took place which resulted in a reduction in the Group's interest in Playa and the investment being designated as a FVTPL investment.

On January 15, 2021, Playa issued 25,000,000 new ordinary shares for US $125 million in an underwritten public offering. Concurrent to this transaction, Sagicor Group Jamaica (SGJ) disposed of its shareholding of 20,000,000 ordinary shares of Playa for net cash consideration of US $96 million. In a public offering held by the Group, 11,499,000 shares of Playa were sold by SGJ at a price of US $5.00 per share net of commission expenses associated with the public offering. In addition, Sagicor Financial Corporation (SFCL), the intermediate parent company of SGJ, acquired 8,501,000 of Playa's shares from SGJ at a price which was equal to the price offered through the public offering, net of commission expenses.

As a result of these transactions, the Group's shareholding in Playa was reduced from 16% to 6%, which represented a 5% increase in SFCL's direct shareholding, based on the total of 10,001,000 shares held by SFCL in Playa. As at December 31, 2021, Sagicor held 10,745,251 shares in Playa.

The transactions gave rise to a net loss of US $1.6 million on the disposal of 20,000,000 shares by SGJ and a gain by SFCL of US $12.3 million on remeasuring the investment in Playa to FVTPL as at March 31, 2021, as follows:

Disposal of holding by SGJ:

SGJ's share of the carrying value of the investment in Playa on its statement of financial position as at January 15, 2021 was compared to the proceeds of US $96 million by SGJ and adjusted for recycling of net unrealised foreign exchange gains and unrealised interest rate swap losses in OCI to income.

(in millions of US $)	
Net proceeds received by SGJ on sale of Playa shares	96.0
Share of carrying value of investment in Playa as an associate on the statement of financial position of SGJ as at January 15, 2021	(111.8)
	(15.8)
Net unrealised foreign exchange gains recycled to income	17.8
Net unrealised interest rate swap losses recycled to income	(3.6)
Loss on disposal of holding in Playa	(1.6)

Gain recognised on acquisition of shares in Playa by SFCL (FVTPL basis):

SFCL purchased 8,501,000 shares from SGJ for consideration of US $40.8 million. These shares were measured at FVTPL as at January 15, 2021, along with 1,500,000 shares held by SFCL in Playa which previously formed part of the Group's interest in Playa as an associate.

(in millions of US $)	
Fair value gain recognised on 8,501,000 shares purchased	9.2
Fair value gain recognised on original holding of 1,500,000 shares	3.1
Total fair value gain recognised on holding in Playa	12.3

Post-acquisition, a fair value gain of US $21.6 million was recognised for the period to December 31, 2021 on the Group's FVTPL investment in Playa (see note 26 to the Group's 2021 consolidated financial statements).

K. Derivative Financial Instruments

The Group's derivative activities give rise to open positions in portfolios of derivatives. These positions are managed to seek to ensure that they remain within acceptable risk levels, with matching deals being utilised to achieve this where necessary. When entering into derivative transactions, the Group employs its credit risk management procedures to assess and approve potential credit exposures.

Derivatives are carried at fair value and presented in the financial statements as separate assets and liabilities. Asset values represent the cost to the Group of replacing all transactions with a fair value in the Group's favour assuming that all relevant counterparties default at the same time, and that transactions can be replaced instantaneously. Liability values represent the cost to the Group counterparties of replacing all their transactions with the Group with a fair value in their favour if the Group were to default. The contract or notional amounts of derivatives and their fair values are set out in the following table.

(in US $millions)	**Contract / notional**	**Fair Value**	
		Asset	**Liability**
December 31, 2021:			
Equity indexed options	725.6	26.2	0.1
December 31, 2020:			
Equity indexed options	756.6	37.2	-

The Group has purchased equity indexed options in respect of structured products and in respect of life and annuity insurance contracts.

For certain structured product contracts with customers (note 17 of the 2021 annual financial statements), equity indexed options give the holder the ability to participate in the upward movement of an equity index while being protected from downward risk.

For certain universal life and annuity insurance contracts, an insurer has purchased custom call options that are selected to materially replicate the policy benefits that are associated with the equity indexed components within the policy contract. These options are appropriate to reduce or minimise the risk of movements in specific equity markets. Both the asset and the associated actuarial liability are valued at fair market value on a consistent basis, with the change in values being reflected in the income statement. The valuations combine external valuations with internal calculations.

L. Related Party Transactions

Note 46 of the annual financial statements provides additional information on related party transactions.

M. Board of Directors

The Company, at its annual and special meeting held on June 4, 2021, approved election of Dennis Harris as director: the other directors were also re-elected bringing the total to fifteen directors. The full composition of the Board of Directors has been disclosed in the Group's 2021 annual financial statements.

N. Commitments

Effective June 25, 2020, the Group entered into a letter of credit arrangement with a facility whereby an irrevocable standby letter of credit was issued on behalf of Sagicor Reinsurance Bermuda Ltd. (SRBL) in favour of Sagicor Life Insurance Company, USA, in support of a coinsurance agreement between the two parties. The letter of credit facility is guaranteed by Sagicor Financial Corporation Limited and SRBL.

Details of the Group's commitments are included in note 38 to the 2021 audited financial statements.

O. Disposal of Interest in Subsidary

During the three-month period ended June 30, 2021, The Mutual Financial Services Inc (MFS) was dissolved and its net assets of US $11.7 million, representing the carrying value at dissolution, were distributed to its shareholders. No gain or loss was recognised on dissolution. MFS was a subsidiary of Sagicor Life Inc. in which the effective shareholder's interest was 73%. Its principal activity was that of a financial services holding company.

P. Sagicor Bank (Barbados) Limited

In April 2021, Sagicor Bank (Barbados) Limited was incorporated and was made a wholly-owned subsidiary of Sagicor Financial Company Ltd. in November 2021.

Q. Subsequent Events

i. On February 9, 2022, Sagicor announced that Sagicor Group Jamaica Limited (SGJ) entered a definitive agreement for the purchase of 100% of the shares of Alliance Financial Services Limited. The arrangement is subject to due diligence and regulatory approval and SGJ is in the process of applying for relevant licenses from the Bank of Jamaica.

ii. On March 18, 2022, the Board of Directors of Sagicor Financial Company Ltd. approved and declared a quarterly dividend of US $0.05625 per common share payable on April 25, 2022, to the shareholders of record at the close of business on April 4, 2022.

10. NON-IFRS FINANCIAL MEASURES

Return on Shareholders’ Equity: IFRS does not prescribe the calculation of return on shareholders’ equity and therefore a comparable measure under IFRS is not available. To determine this measure, reported net income/(loss) attributable to shareholders is divided by the total weighted average common shareholders’ equity for the period. The quarterly return on shareholders’ equity is annualised. This measure provides an indication of overall profitability of the company.

Return on Total Equity: IFRS does not prescribe the calculation of return on total equity and therefore a comparable measure under IFRS is not available. To determine this measure, reported group net income/(loss) is divided by the weighted average total equity for the period. The quarterly return on total equity is annualised.

Return on Investments: IFRS does not prescribe the calculation of return on Investments therefore a comparable measure under IFRS is not available. Return on investments measures the return on the investments relative to the value of the investments for a period. To determine this measure, two times investment income is divided by the opening financial investments plus the closing financial investments minus the investment income for the period.

Book value per share: To determine the book value per share, shareholders’ equity is divided by the number of shares outstanding at the period end, net of any treasury shares. All components of this measure are IFRS measures.

Minimum Continuing Capital and Surplus Requirements (MCCSR): The MCCSR is a capital adequacy measure for life insurance companies that was established by the Office of the Superintendent of Financial Institutions Canada (“OSFI”). It was used to monitor that insurers maintain adequate capital to meet their financial obligations with 150% being the minimum standard that was recommended by Canadian regulators when it was in effect; companies were expected to establish and meet an internal target greater than 150%. Refer to note 45.2 to the 2021 audited financial statements, for details. IFRS does not prescribe the calculation for the MCCSR, therefore a comparable measure under IFRS is not available.

Debt-to-capital ratio: The debt-to-capital ratio is the ratio of notes and loans payable (refer to note 16 to the 2021 audited annual financial statements) to total capital (excluding Participating accounts), where capital is defined as the sum of notes and loans payable and total equity excluding Participating accounts. This ratio measures the proportion of debt a company uses to finance its operations as compared with its capital.

Debt-to-equity ratio: The debt-to-equity ratio is the ratio of notes and loans payable (refer to note 16 to the 2021 audited annual financial statements) to total equity (excluding Participating accounts). This ratio measures the proportion of debt a company uses to finance its operations as compared with its equity. IFRS does not prescribe the calculation of debt-to-equity ratio, therefore a comparable measure under IFRS is not available.

Dividend pay-out ratio: This is the ratio of dividends paid per share to basic earnings per common share. IFRS does not prescribe the calculation of dividend pay-out ratio, therefore a comparable measure under IFRS is not available.

Health claims ratio: This is the ratio of net health claims including the provision for incurred but not reported claims, divided by net health premiums revenue earned for the period under review. The ratio seeks to measure health claims as a percentage of premium income. IFRS does not prescribe the calculation of health claims ratio, therefore a comparable measure under IFRS is not available.

Total capital: This measure provides an indicator for evaluating the Company’s performance. Total capital is the sum of shareholder’s equity, notes and loans payable and non-controlling interest. This measure is the sum of several IFRS measures.

Market capitalisation: Market capitalisation is the value a company is traded on the stock market. It is calculated by multiplying the total number of shares by the present share price, at a given date. IFRS does not prescribe the calculation of market capitalization, therefore a comparable measure under IFRS is not available.

Capital base to risk-weighted assets: This capital adequacy measure is based on the guidelines developed by the Financial Services Commission (FSC), the Bank of Jamaica (BOJ), Basel II and the Risk Management and Compliance Unit. The required information is filed with the respective Regulatory Authorities at stipulated intervals. The BOJ and the FSC require each regulated entity to hold the minimum level of regulatory capital, and to maintain a minimum ratio of total regulatory capital to the risk-weighted assets. The risk-weighted assets are measured by means of a hierarchy of five risk weights classified according to the nature of each asset and counterparty, taking into account any eligible collateral or guarantees. IFRS does not prescribe the calculation for Capital base to risk-weighted assets, therefore a comparable measure under IFRS is not available.

11. CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION

This forward-looking information and these assumptions include, but are not limited to, statements about the Company's objectives and strategies to achieve those objectives, and about its beliefs, plans, expectations, anticipations, estimates, or intentions. Information included in this MD&A that is not a statement of historical fact is forward-looking information. When used in this MD&A, words such as "believes," "may," "will," "estimate," "would," "should," "shall," "plans," "assumes," "continue," "outlook," "could," "anticipates," "intends," "expects," and words of similar import, are intended to identify statements containing forward-looking statements. These statements appear throughout this MD&A. Such forward-looking statements are based on Sagicor's estimates, assumptions, strategies and projections and subject to known and unknown risks, uncertainties and other factors, all of which are difficult to predict and many of which are beyond its control and which may cause actual results, events or developments to be significantly different from any future results, events or developments expressed or implied by such forward-looking statements.

Risk factors include, but are not limited to, the following: fluctuations in the fixed income markets may adversely affect Sagicor's profitability and financial condition; the success of Sagicor's operations in the United States depends on Sagicor's ability to grow its business; Sagicor's financial targets may prove materially inaccurate or incorrect; Sagicor's exposure to the credit risk of its counterparties could adversely affect its profitability; differences between actual claims experience and estimated claims at the time the product was priced may result in increased losses, and so Sagicor's policy reserves may be insufficient to cover actual policy benefits; Sagicor could be forced to sell investments at a loss to cover policyholder withdrawals; Sagicor's risk management policies and procedures could leave Sagicor exposed to unidentified or unanticipated risks, which could negatively affect Sagicor's business or result in losses; illiquidity of certain investment assets may prevent Sagicor from selling investments at fair prices in a timely manner; Sagicor's fiduciary relationship with certain counterparties could adversely affect its profitability; a prolonged labour dispute could hurt Sagicor's business; disease outbreaks may negatively impact the performance of Sagicor and its subsidiaries; a failure to successfully integrate Sagicor's acquisitions could adversely affect Sagicor's operations and profitability; a failure to successfully execute current and future strategic acquisitions could adversely affect Sagicor's profitability; Sagicor's business is highly regulated and subject to numerous laws and regulations; litigation and regulatory proceedings outcomes could adversely affect Sagicor's business; companies in the financial services industry are sometimes the target of law enforcement investigations and the focus of increased regulatory scrutiny; there may be adverse consequences if the status of Sagicor's independent contractors is successfully challenged; failures to implement or comply with legally required anti-money laundering practices could

subject Sagicor to sanctions and/or criminal and civil penalties; the amount of statutory capital that Sagicor's insurance subsidiaries have and the amount of statutory capital that they must hold to maintain their financial strength and credit ratings and meet other requirements can vary significantly from time to time and are sensitive to factors outside of Sagicor's control; a failure to maintain adequate levels of surplus capital may result in increased regulatory scrutiny or a downgrade by the private rating agencies; Sagicor's financial condition may be adversely affected by geopolitical events; Sagicor operates in a highly competitive industry; Sagicor faces significant competition mainly from national and regional insurance companies and from self-insurance, and Sagicor also faces competition from global companies – this competition could limit Sagicor's ability to gain or maintain its position in the industry and could materially adversely affect its business, financial condition and results of operations; brokers that sell Sagicor's products may sell insurance products of Sagicor's competitors and such brokers may choose not to sell Sagicor's products; computer viruses, network security breaches, disasters or other unanticipated events could affect Sagicor's data processing systems or those of its business partners and could damage Sagicor's business and adversely affect its financial condition and results of operations; a financial strength downgrade in Sagicor's A.M. Best ratings or any other negative action by a rating agency may increase policy surrenders and withdrawals, adversely affect relationships with advisors and negatively affect Sagicor's financial condition and results of operations; the unpredictable nature of the property and casualty insurance industry may cause fluctuations in Sagicor's results; Sagicor may be unable to reinsure risks on terms that are commercially reasonable or satisfactory to Sagicor, or Sagicor's reinsurers may fail to meet assumed obligations, increase rates, or be subject to adverse developments, negatively affecting Sagicor's business, financial condition and result of operations; Sagicor's business model depends on the performance of various third parties including actuarial consultants and other service providers; negative publicity in the insurance industry could adversely affect Sagicor; Sagicor depends on key personnel, and if they were to leave Sagicor, Sagicor might have an insufficient number of qualified employees; Sagicor is highly dependent upon economic, political and other conditions and developments in Barbados, Jamaica, Trinidad and Tobago, the United States and the other jurisdictions in which it operates; Sagicor's financial condition and operating results may be adversely affected by foreign exchange fluctuations; foreign exchange controls may restrict Sagicor's ability to receive distributions from its subsidiaries and any such distributions may be subject to foreign withholding taxes; catastrophes and weather-related events, such as hurricanes, may adversely affect Sagicor; disease outbreaks may negatively impact the performance of Sagicor and its subsidiaries; the performance of Sagicor's group life insurance may be adversely affected by the characteristics of the employees insured or through unexpected catastrophic events such as natural disasters; Sagicor's credit ratings may be reduced, which may adversely affect Sagicor; Sagicor may be subject to Bermuda tax; Bermuda's compliance with the Organization for Economic Cooperation and Development international tax standards could subject Sagicor to additional taxes; legislation enacted in Bermuda in response to the European Union's review of harmful tax competition could adversely affect Sagicor's operations and financial condition; any additional taxes resulting from changes to tax regulations or the interpretation thereof in countries in which it does business could negatively impact Sagicor's financial condition; Sagicor Financial Company Ltd. is a holding company and is dependent upon distributions from subsidiaries to pay taxes and other expenses.

Additional information about material risk factors that could cause actual results to differ materially from expectations and about material factors or assumptions applied in making forward-looking statements may be found in this MD&A under "Risk Management", "Key Factors Affecting Results," and "Critical Accounting Estimates and Judgements" and in the "Financial Risk" and "Insurance Risk" notes to the consolidated financial statements. The forward-looking statements in this document are, unless otherwise indicated, stated as of the date hereof and are presented for the purpose of assisting investors and others in understanding our financial position and results of operations, our future operations, as well as our objectives and strategic priorities, and may not be appropriate for other purposes. We do not undertake to update any forward-looking statements, except as required by law.

12. HISTORICAL FINANCIAL DISCLOSURES

The following table provides a summary of Sagicor's results from continuing operations for the five most recently completed years.

In US $millions, unless otherwise noted	**2021**	**2020**	**2019**	**2018**	**2017 Restated**
Net premium revenue	**1,713.2**	1,403.4	1,241.5	1,054.1	745.6
Net investment and other income	**645.9**	475.0	625.8	332.5	463.2
Total revenue	**2,359.1**	1,878.4	1,867.3	1,386.6	1,208.8
Benefits and expenses	**(2,112.5)**	(1,782.8)	(1,663.6)	(1,260.4)	(1,095.8)
Other	**18.1**	(68.0)	3.0	20.3	12.1
Income before tax	**264.7**	27.6	206.7	146.5	125.1
Income tax	**(68.2)**	(42.7)	(59.7)	(50.7)	(19.3)
Net (loss)/income before listing expense and other transaction costs	**196.5**	(15.1)	147.0	95.8	105.8
Listing expense and other transaction costs	**-**	-	(43.4)	-	-
Net (loss)/income	**196.5**	(15.1)	103.6	95.8	105.8
Net (loss)/income attributable to common shareholders	**133.2**	(3.6)	44.0	36.5	62.3
Basic EPS before listing expense and other transaction costs	**N/A**	N/A	114.3 ¢	N/A	N/A
Basic EPS	**91.9 ¢**	(2.4) ¢	57.5 ¢	51.7 ¢	88.7 ¢
Diluted EPS before listing expense and other transaction costs	**N/A**	N/A ¢	107.5 ¢	N/A	N/A
Diluted EPS	**90.7 ¢**	(2.4) ¢	54.1 ¢	50.8 ¢	86.6 ¢
Annualised return on shareholders' equity before listing expense and other transaction costs[18]	**N/A**	N/A	14.0%	N/A	N/A
Annualised return on shareholders' equity[18]	**12.6%**	(0.3%)	6.8%	6.2%	11.3%
Dividends paid per common share	**22.5 ¢**	22.5 ¢	5.0 ¢	5.0 ¢	5.0 ¢
Total assets	**10,377.9**	9,266.3	8,728.9	7,308.2	6,804.5
Notes and loans payable	**683.4**	471.6	517.7	490.3	413.8
Total equity attributable to common shareholders	**1,134.0**	1,109.8	1,154.1	600.9	624.6

[18] Represents a non-IFRS measure: refer to Section 10 - Non-IFRS Financial Measures in this document for relevant information about such measures.

In US $millions, unless otherwise noted	**2021**	**2020**	**2019**	**2018**	**2017 Restated**
Net income attributable to common shareholders by operating					
Sagicor Life	**43.9**	47.7	60.9	39.6	64.7
Sagicor Jamaica	**60.4**	50.5	61.4	55.7	46.6
Sagicor Life USA	**57.6**	(27.1)	35.4	18.3	13.3
Head office, other & inter-segment eliminations	**(28.7)**	(74.7)	(113.7)	(77.1)	(62.3)
Net income attributable to common shareholders	**133.2**	(3.6)	44.0	36.5	62.3
Net income attributable to common shareholders before listing expense and other transaction costs	**133.2**	(3.6)	87.4	36.5	62.3

Restatements of the Financial Statements (2017)

Effective January 1, 2018 the Group implemented a policy to harmonise its actuarial reserving practices across operational segments. This voluntary change in policy was reflected as a prior period adjustment in accordance with IAS 8. In addition, a detailed review of Sagicor USA's actuarial model was completed and concluded that the model inputs were generally appropriate; however, certain items which were identified were treated as errors and prior periods were adjusted accordingly. These adjustments required a restatement for the 2017 financial year and impacted the Statement of Financial Position, Statement of Income and Statement of Comprehensive Income.

Effective January 1, 2018, the Group adopted IFRS 9 - Financial Instruments (IFRS 9). As a result of the application of the standard, the Group adopted new accounting policies for financial assets. As permitted by the transition provisions in IFRS 9, the Group elected not to restate comparative period results. Accordingly, the 2017 comparative information on financial assets is presented in accordance with IAS 39 – Financial Instruments – Recognition and Measurement. Adjustments to the carrying amounts of financial instruments as of January 1, 2018 were recognised in the statement of changes in equity.

Further, as allowed, on adoption of IFRS 15 – Revenue from Contracts with Customers, on January 1, 2018, comparative figures in prior years, have not been adjusted. On January 1, 2019, the Group adopted IFRS 16 – Leases using the modified retrospective method with no restatement of comparative information as allowed by the standard.

Exchange ratio

On December 5, 2019 Sagicor and Alignvest announced they had completed the business combination involving the transfer of all issued and outstanding shares in Sagicor to Alignvest. As a result of the completion of the transaction, all issued and outstanding shares in Sagicor were transferred to Alignvest, with former shareholders of Sagicor receiving cash or shares in Alignvest, which was renamed Sagicor Financial Company Ltd. Under the Alignvest transaction, Sagicor Financial Corporation Limited common shares (other than those purchased for cash), were exchanged for common shares of Sagicor Financial Company Ltd. on an exchange ratio of one Sagicor Financial Company Ltd. common share for 4.328 of Sagicor Financial Corporation Limited common shares (“Exchange Ratio”). This exchange ratio has been used to convert the 2019 outstanding shares to the Sagicor Financial Company Ltd. equivalent. All per share ratios for 2017 to 2019 have been adjusted to reflect the Exchange Ratio.