



TOMORROW.
TOGETHER.

BECAUSE OUR INTEREST IS YOU.

Financial Condition Report

Financial Year End: March 31, 2020



ARGUS

Our Interest is You.

Argus Group Holdings Limited

Our Vision

To give more and more people the freedom to do what matters most.

Our Mission

To provide financial services which predict and protect for the future, always ensuring "Our Interest is You".

Our Purpose

At Argus, our purpose is to deliver long-term sustainable returns to our shareholders through exceptional customer service, delivered by engaging and motivating our staff. "Our Interest is You" spans across all stakeholders as we seek to provide exceptional value through the solutions and services that we offer.

Our Values

- Integrity
- Fairness
- Excellence
- Respect
- Professionalism
- Teamwork



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EXECUTIVE SUMMARY

2020 has been an unprecedented year for us all. Adapting to the COVID-19 global pandemic and the humanitarian crisis it triggered; Argus' business resilience and financial performance remained strong against a backdrop of global economic uncertainty and human tragedy.

On March 11, 2020, the World Health Organization declared the coronavirus outbreak as a pandemic, and it has since disrupted our lives and our livelihoods in ways we simply could not have foretold. This pandemic has brought loss and sadness, stress on our healthcare system, double-digit unemployment, travel restrictions, business closures and disruption of our supply chains. At Argus we're a company that puts people first and we have seen this spirit of immense care displayed by numerous people within our communities when we needed them most. To this we say a huge thank you.

In the face of uncertainty and adversity, overnight we have taken great strides to move closer to becoming a Digital Integrated Specialist. Our investment in digital capabilities allows us to better serve the needs of our large and small business clients, enabling a more human customer interaction by reducing the burden of manual administration. Within one week we were able to support 90 percent of our 285 global colleagues to work remotely from home. We immediately used video conferencing technology to hold all our client meetings, team meetings and Board meetings, adapting to new ways of working and staying connected. Many of these new working practices have been so successful, we are planning to retain them and make them part of our new operating model post COVID-19 lockdown.

We remain committed to reinvesting in the business - balancing profitability, risk, growth and strategic investments for the long-term benefit of our shareholders. We are driving globalisation through acquisitions and partnerships, growing our ability to take Argus's unique services and approach to more clients around the world. During the year, we solidified our position for the future by completing the strategic transaction with One Team Health, which will enhance cost-containment measures of our healthcare business. We also successfully acquired FirstUnited Insurance Brokers Limited during the year, making us the largest broking presence in Malta. We continue to focus our growth strategy on geographic diversification outside of Bermuda.

We are also changing the HealthCare model in Bermuda. With our recent acquisition of Island Health Services and the Family Practice Group, this Better Health Partnership will bring change not just to Argus, but to Bermuda. These acquisitions are the largest investment for Argus to date. Radical innovation ensuring accessibility and quality of care for Bermuda. It completely changes the model; from a transactional premium and claim model, to viewing financing, healthcare and wellness together in a single ecosystem. This single member-centric view is the key to addressing the ever-escalating cost of medical care. Some might ask if this approach creates a conflict of interest, but we believe it is quite the opposite. It puts the customer/patient at the centre, working to improve general health, ultimately reducing the need for prescribed medication and medical intervention. This is good for the insurance company, the provider, the community, the employer and, most importantly, the individual. It aligns all stakeholders to one outcome, a healthier individual. Moreover, it's more efficient and effective. In 2016, our Diabetes reversal programme was a great example of where Argus led the way, helping break the cycle of reliance upon medication and instead providing a pathway to a better health outcome. The Better Health Partnership is that next level of Getting Better Together. It's about getting better value for money together, by reducing healthcare costs through transparency and efficiency. It's about getting better at representing the needs of the population together, by seeking dynamic partnerships across the community.

We are making these Investments from a position of financial strength. Our liabilities continue to be backed by high quality, liquid, well-diversified assets, and our core investment portfolio is performing well.

As we look back at the past year, we are proud of the progress of the Argus Group. We are pleased to report net earnings of \$14.2 million and operating earnings of \$19.1 million, on an IFRS basis, that were achieved against a backdrop of challenging times - even before the COVID-19 outbreak - both locally and globally. It's the focus of our team to deliver long-term sustainable value to our shareholders and we remain committed to deliver shareholder value, whatever challenges we face. Shareholders' equity at March 31, 2020, stood at \$122.1 million and our statutory capital remains well in excess of our minimum regulatory requirements. We could not have delivered such a strong year without the disciplined strategic planning by our leadership team, commitment to excellence from our employees, and continued success with our clients.

Our distinctive value is underpinned by strength and applied expertise across all three divisions of our organisation: Employee Benefits, Global Property & Casualty, and Wealth Management. The operating results from these three divisions have been consistently strong over the past five years.

This FCR is produced in accordance with the Insurance Rules 2015 (the "Rules") under the Bermuda Insurance Act 1978 (the "Act") in regard to undertakings carrying on Insurance and Reinsurance business in Bermuda.

This FCR published by Argus Group Holdings Limited is based on the financial position as at March 31, 2020, and is prepared on a consolidated basis, which encompasses information in relation to all Bermuda Monetary Authority (BMA) insurance-regulated entities within the Argus Group.

Listed in the table below are the five Bermuda insurance subsidiaries of the Argus Group, which are licenced by the BMA to carry on general and long-term insurance business in Bermuda. The subsidiaries that operate outside of Bermuda have not been reported on an individual basis within this report as they fall outside the scope of this FCR.

This FCR is prepared on a Group basis and provides additional specific disclosures related to those entities listed below:

Entity Name	Class of Insurance Licence
Argus Group Holdings Limited (AGH)	
Argus Insurance Company Limited (AICL)	General Class 3A
Argus International Life Bermuda Limited (AILBL)	Long-Term Class C
Argus International Life Insurance Limited (AILIL)	Long-Term Class C
Bermuda Life Insurance Company Limited (BLIC)	General Class 3B & Long-Term Class D
Bermuda Life Worldwide Limited (BLW)	Long-Term Class C

DECLARATION

Declaration on the Financial Condition Report

To the best of our knowledge and belief, the Financial Condition Report fairly represents the financial condition of the Argus Group, in all material respects as at March 31, 2020.



Alison Hill, FCMA, CGMA
Chief Executive Officer



Peter Dunkerley, FCA
Chief Financial Officer

I BUSINESS AND PERFORMANCE

Argus Group Holdings Limited (AGH) is the parent holding company for a geographically diverse group of companies operating in Bermuda, Gibraltar, Malta and Canada. AGH, together with its subsidiaries, are collectively commonly referred to as “Argus”, the “Group” or the “Argus Group”. AGH’s registered office is located at the Argus Building, 14 Wesley Street, Hamilton HM 11, Bermuda.

AGH was incorporated in Bermuda with limited liability in May 2005 and, pursuant to a court-approved scheme of arrangement, replaced Argus Insurance Company Limited as the parent holding company for the Argus Group in November 2005. AGH is a public company, and Argus’ shares have been listed and traded on the Bermuda Stock Exchange since 1971.

The Argus Group is a multi-line insurance and financial services organisation underwriting life, health, property and casualty insurance. The Argus Group also offers investment, savings and retirement products targeted at local and international businesses as well as individuals.

Bermuda



Argus has been writing insurance since 1950, when The Somers Isles Insurance Company Limited was incorporated with the purpose to ‘transact Hospitalisation Insurance for the first time in Bermuda’. Somers Isles was the first company of what became the Argus Group. In 1957, Argus began administering life benefits and pensions products. In 1961, Argus Insurance Company Limited was formed to write general property and casualty insurance. Additionally, Argus provides wealth management solutions. In 2020, Argus acquired Island Health Services and Family Practice Group, expanding and diversifying the Bermuda business model and ensuring accessibility and quality of care for Bermuda.

Canada



AGH’s acquisition of One Team Health Inc. in May 2019 is a key part of our strategy for diversification and expansion. OTH is an entity domiciled in Canada and operates as a provider of overseas healthcare management and network services.

Gibraltar



At Argus, we remain committed to our long-term strategic focus of geographical diversification. Argus has had a presence in Gibraltar since November 2004. Argus Insurance Company Europe Limited (AICEL), is a leading Gibraltar-based insurance company writing property and casualty business. Additional specialist classes of insurance are offered through our broking subsidiary, Westmed Insurance Services Limited.

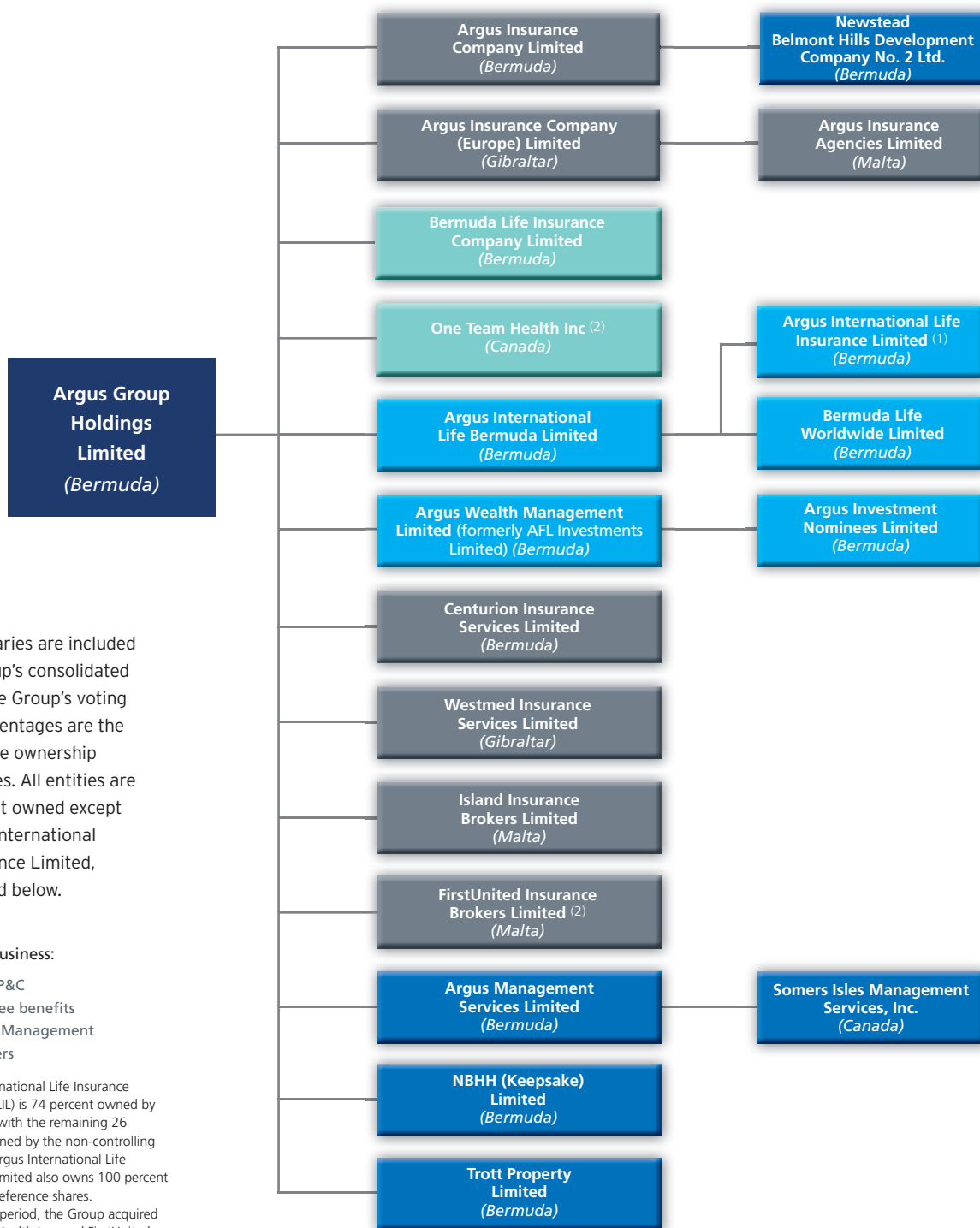
Malta



In 2010, AGH acquired a strong, well-established insurance agency that has served Malta since 1966, now Argus Insurance Agencies Limited. Since then, we have gained considerable momentum with the successful integration of the Millennium Insurance Agency business and, in 2016, we welcomed Island Insurance Brokers Limited into the Argus Group. In 2019, in line with our strategy for growth and diversification, we acquired FirstUnited Insurance Brokers in Malta. With these acquisitions, Argus becomes the largest insurance broker in Malta with 27 percent market share.

Group Structure

The table below provides details of the major operating subsidiaries, which are directly and indirectly held by AGH at March 31, 2020.



All subsidiaries are included in the Group's consolidated figures. The Group's voting rights percentages are the same as the ownership percentages. All entities are 100 percent owned except for Argus International Life Insurance Limited, as specified below.

Nature of business:

- Global P&C
- Employee benefits
- Wealth Management
- All others

(1) Argus International Life Insurance Limited (AILL) is 74 percent owned by the Group with the remaining 26 percent owned by the non-controlling interests. Argus International Life Bermuda Limited also owns 100 percent of AILL's preference shares.

(2) During the period, the Group acquired One Team Health Inc. and FirstUnited Insurance Brokers Limited.

Group Supervisor

The Argus Group is licensed and regulated in the territories in which the Group does business, however, the BMA is the regulator of the Group.

Bermuda Monetary Authority
BMA House
43 Victoria Street
Hamilton HM12
Bermuda
Tel: +1 441 295 5278

Approved Auditor

KPMG
Crown House
4 Par-la-ville Road
Hamilton HM08
Bermuda
Tel: +1 441 294 2659

Argus Group

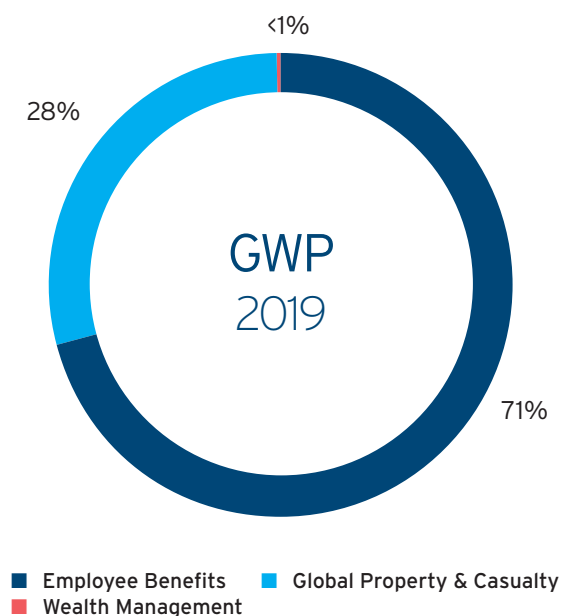
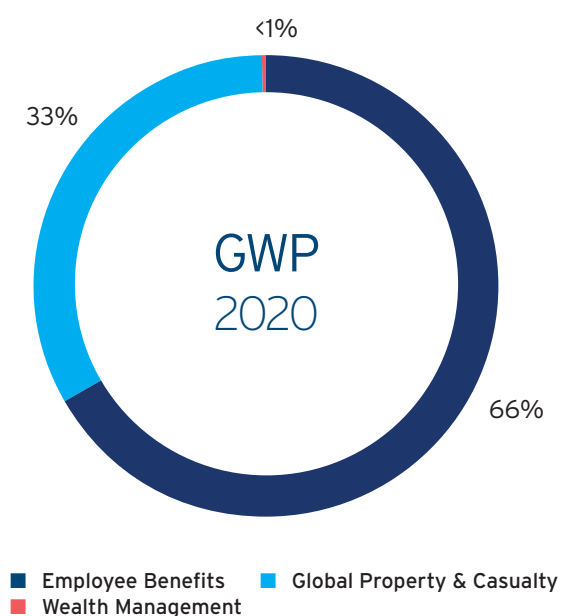
Insurance Business

The Argus Group offers a wealth of multi-line insurance and financial service solutions to our clients, built on decades of experience and a strong capital base within our three divisions of Employee Benefits, Global Property and Casualty (P&C) and Wealth Management. The subsidiaries that operate outside of Bermuda have not been reported on an individual basis within this report as they fall outside the scope of this FCR.

The Argus Group's consolidated gross written premiums by division and by geographical region for the years ending March 31, 2020 and 2019, are shown in the tables below.

Consolidated Gross Written Premiums \$000	2020	2019
Employee Benefits	107,939	126,607
Global Property & Casualty	53,810	51,224
Wealth Management	91	164
Total	161,840	177,995

\$000	2020	2019
Bermuda	139,166	155,789
Europe	22,674	22,206
Total	161,840	177,995

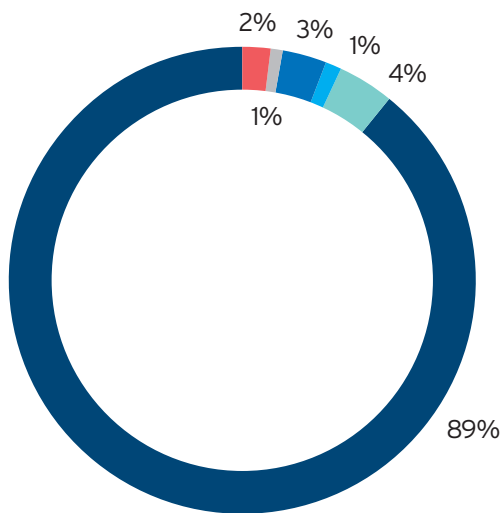


Investments

At the core to the Group's investment philosophy is our commitment to careful and diligent custodianship of policyholder and shareholder assets. The Group's investment portfolio is designed to ensure funds are readily available to satisfy its obligations to policyholders and to enhance shareholder value by generating appropriate long-term risk-adjusted yields. We have a clear objective to maximise returns without taking inappropriate levels of risk.

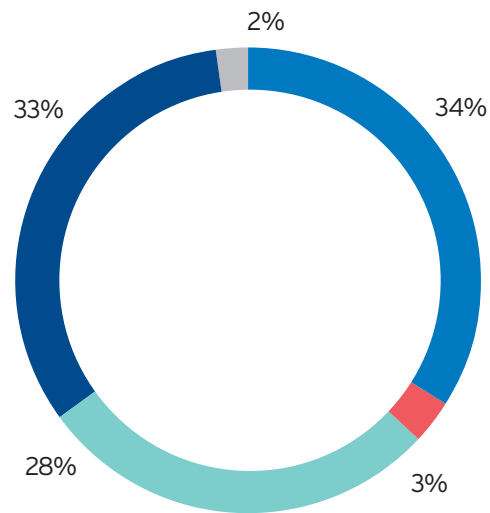
As can be seen from the charts below, 89 percent of the Group's investments are fixed income bonds of which 98 percent are investment grade.

Investment Assets As At March 31, 2020



■ Fixed Income ■ Global Equities
■ Bermuda Equities ■ Mortgages, Loans & Receivables
■ Investment Properties ■ Assets Held-For-Sale

Fixed Income Portfolio Ratings 2020



■ AAA ■ BBB
■ AA ■ Below Investment Grade and Not Rated
■ A

In the first three quarters of the fiscal year, financial markets made robust gains as trade uncertainty faded with the United States and China's phase one trade deal announcement, and stable economic data. The last fiscal quarter however, saw the markets in turmoil as the impacts of COVID-19 unfolded globally at break-neck speed. Sovereign rates declined, credit spreads grew wider and equities plunged 30 percent from their February all-time highs by March, the fastest such reversal in history. Against this backdrop, the Argus Group's portfolio generated positive returns helped by defensive liquidity positioning and best-in-class investment managers

The Group's investments had a net positive total return of \$9.9 million for the fiscal year. \$23.4 million has been recorded on the statutory income statement and includes realised gains of \$10.1 million, whilst unrealised losses of \$13.5 million were recorded in statutory surplus.

The table below provides a breakdown of the Group's investment portfolio by asset class.

\$000	Asset Balance 2020	Net Investment Income 2020	Weighted Percentage Return 2020
Fixed Income	423,544	21,358	4.4%
Equities	14,135	2,428	0.5%
Derivatives	3,801	2,111	0.7%
Mortgages & loans	23,075	(1,146)	(0.2%)
Investment property	7,399	430	0.1%
Investment in associates	2,831	25	-
Allocations	-	(1,764)	-
Total	474,785	23,442	5.5%

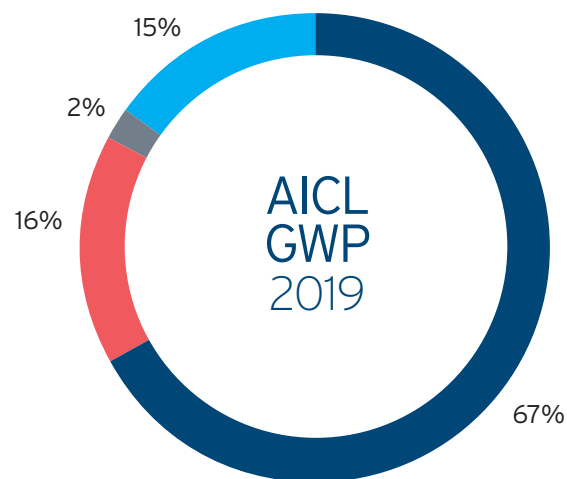
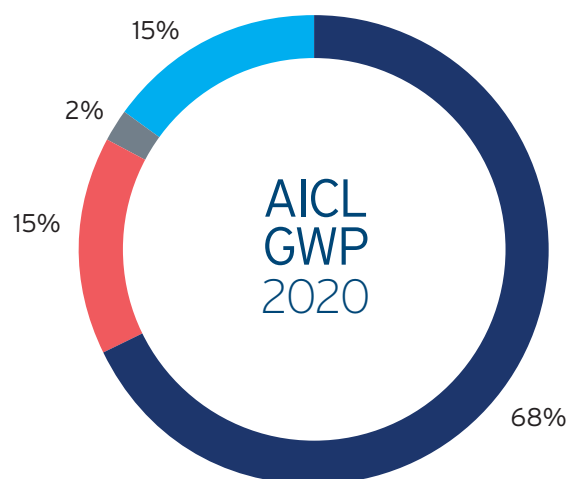
Above balances were prepared on statutory financial basis.

Argus Insurance Company Limited (AICL)

AICL is a wholly owned subsidiary of AGH, writing property and casualty insurance business to both commercial and retail clients. Additionally, AICL provides underwriting, claims and administration services. The lines of business written by AICL include property, motor, marine and casualty. The majority of business written is direct insurance, with a small proportion of reinsurance coverage to the Bermuda market. AICL's comprehensive reinsurance arrangements help to mitigate significant events, namely windstorms.

AICL's gross written premiums by line of business and by geographical region for the years ending March 31, 2020 and 2019 are as follows:

Gross Written Premiums \$000	2020	2019
Property	21,255	19,700
Motor	4,692	4,590
Marine	612	624
Casualty	4,578	4,541
Total	31,137	29,455
Bermuda	31,137	29,455



■ Property ■ Motor ■ Marine ■ Casualty

■ Property ■ Motor ■ Marine ■ Casualty

The table below provides a breakdown of AICL's investment portfolio by asset class.

\$000	Asset Balance 2020	Net Investment Income 2020	Weighted Percentage Return 2020
Fixed Income	15,701	635	2.6%
Equities	15,701	635	2.6%
Investment property	2,399	(839)	(2.7%)
Investment in associates	2,831	25	0.1%
Other*	-	67	-
Total	25,077	1,683	7.0%

*Rental income, bank interest and other

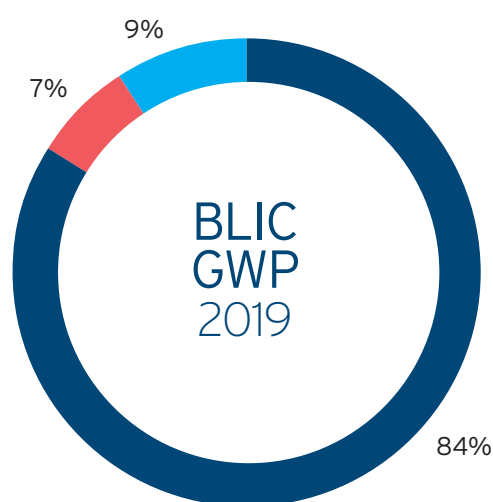
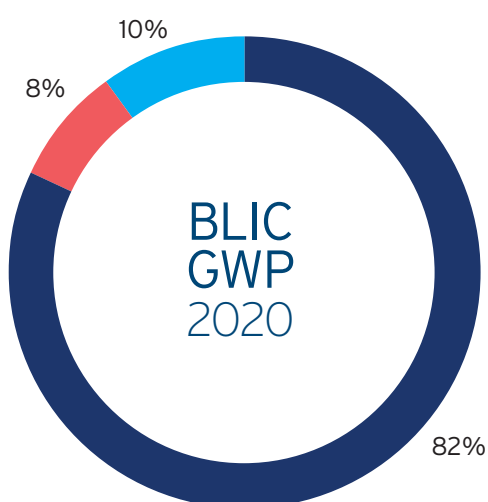
Bermuda Life Insurance Company Limited (BLIC)

BLIC is a wholly owned subsidiary of AGH, writing business for both group and individual clients. The lines of business include health, life and disability insurance, in addition to offering pension and annuity products. Argus is the market leader in employee benefits, providing innovative and progressive products, tools and services. We adopt an integrated, people-centric approach across our full range of services that support being proactive about maintaining both physical and financial wellness for an enriched and fulfilling retirement.

Health Insurance premiums have decreased by \$18.2 million compared to the previous year. This decrease is driven by Bermuda health reform and, despite its significance, we mitigated the impact to our underwriting results with our ability to retain and acquire new clients in a complex regulatory market and our diligence to

reduce the cost of claims. BLIC's gross written premiums by line of business and by geographical region for the years ending March 31, 2020 and 2019 are as follows:

Gross Written Premiums \$000	2020	2019
Health	89,151	107,337
Life	8,623	8,720
Annuities	11,137	11,175
Total	108,911	127,232
Bermuda	108,911	127,232



■ Health ■ Life ■ Annuities

■ Health ■ Life ■ Annuities

The table below provides a breakdown of BLIC's investment portfolio by asset class.

\$000	Net Asset Balance 2020	Investment Income 2020	Weighted Percentage Return 2020
Fixed Income	381,071	18,953	4.5%
Equities	4,750	119	-
Derivatives	3,800	2,671	1.1%
Mortgages & loans	23,076	622	0.1%
Investment property	500	2,200	0.5%
Other*	-	94	-
Impairments	-	(1,146)	-
Allocations	-	(1,765)	-
Total	413,197	21,748	6.2%

* Rental income, bank interest and other

International Life Division

The Group's Wealth Management Division includes three regulated insurance subsidiaries, Argus International Life Bermuda Limited, Argus International Life Insurance Limited and Bermuda Life Worldwide Limited, collectively referred to as the International Life Division.

In March 2018, Management committed to a plan to sell the International Life Division, including the related assets and liabilities. As at March 31, 2020, the sale is pending submission for regulatory approval.

Argus International Life Bermuda Limited (AILBL)

AILBL is a wholly owned subsidiary of AGH and is a registered separate accounts company under the Argus International Life Insurance Limited Consolidation and Amendment Act 2008. Any reference made to AILBL in this document will mean to refer to AILBL as a stand-alone entity unless otherwise stated.

Argus International Life Insurance Company (AILIL)

AILIL is owned 74 percent by AILBL, and 26 percent by a United States resident partner. AILIL has made the U.S. Internal Revenue Code 953(d) election, which allows it to be treated as a United States domestic insurance company for income tax purposes. AGH, through its wholly owned subsidiary AILBL, holds more than a simple majority of the shares issued and outstanding of AILIL, and therefore maintains significant influence over AILIL. AILIL is a registered separate accounts company under the Argus International Life Insurance Limited Consolidation and Amendment Act 2008.

Both AILBL and AILIL offer private placement variable universal life insurance and deferred annuity products in and from Bermuda to trusts, private companies and other eligible entities for the benefit of high net worth individuals who are either tax resident in the United States (U.S.) or other jurisdictions. They do not offer products to local, Bermuda-resident individuals.

Bermuda Life Worldwide Limited (BLW)

BLW is a wholly owned subsidiary of AILBL. BLW contains a closed book of fixed interest universal life policies for individuals domiciled outside Bermuda. BLW is in run-off, with no new business since 1999.

There were no premiums written for the years ended March 31, 2019 and 2020 for both AILBL and AILIL. The total gross premium written for BLW was \$91,000 and \$164,000 for the years ended March 31, 2020 and 2019 respectively. All premium was written in Bermuda.

The following tables provide a breakdown of AILBL, AILIL and BLW's investment portfolio by asset class.

\$000	AILBL			AILIL			BLW		
	Asset Balance	Investment Income 2020	Net Weighted Percentage Return	Asset Balance	Investment Income 2020	Net Weighted Percentage Return	Asset Balance	Investment Income 2020	Net Weighted Percentage Return
Fixed Income	-	-	-	-	-	-	8,790	407	3.4%
Equities	-	-	-	-	-	-	2,479	140	1.1%
Other*	-	92	-	-	33	-	-	3	-
Total	-	92	-	-	33	-	11,269	547	4.5%

* Policy loans, bank interest and other

Material Income and Expenses

The Argus Group's main revenue sources are premiums, fees and commissions where margins remain under pressure from competitors and from clients who are looking to drive ever greater value from their service providers. Combined fee income includes \$25.2 million comprising fees for service generated by our pensions, insurance brokerage, health administration and wealth management businesses.

The Group's major expense arises from claims costs. We use a combined operating ratio to track the overall performance of our underwriting operations, which compares premium income to the cost of claims and operating expenses. For the year ended March 31, 2020, the combined operating ratio for the insurance businesses within the Group increased slightly to 80.8 percentage (March 2019: 79.3 percent). The Bermuda hospital financing reform resulted in a \$20.6 million decrease on our revenue base and an offsetting decrease on our cost of claims by \$15.7 million. Despite the significance of this change, our ability to retain and acquire new clients in a complex regulatory market and our diligence to reduce the cost of claims, mitigated the impact of the Bermuda health reform on our underwriting results. Against the backdrop of global economic challenges and legislative changes, we continue to experience a challenging health renewal, where targeted rate increases for existing insureds were necessary for many clients in order to keep pace with global health cost inflation. These actions have had a positive impact on the Health underwriting income, a two percent increase compared with the prior year. We continue to work closely with our valued clients to ensure plan benefits fit their evolving needs and take our role as custodians of their health dollars very seriously.

In our Property & Casualty businesses we report growth in the operating revenue and net earnings offset by the effect of Hurricane Humberto. Net earnings from our Bermuda Property and Casualty operations were reduced by \$4.7 million due to Hurricane Humberto. This was partially mitigated by lower claims elsewhere, an 8 percent growth in premium income, and the integration of FirstUnited Insurance Brokers Limited, which was acquired in September 2019. Prudent claims management along with a strategic focus on the mix of business that's written, have resulted in the reduction of the claims ratio in our European Property and Casualty operations when compared with the prior year.

Other material income and expenses for the Bermuda regulated insurance subsidiaries for the years ending March 31, 2020 and 2019 are as follows:

Other Material Income & (Expenses) for 2020 \$000	AICL	BLIC	AILBL	AILIL	BLW	Argus Group
Commission & fee income	6,919	14,339	2,101	2,182	-	36,324
Net benefits & claims	(5,360)	(84,729)	143	(4)	360	(94,970)
Commission expenses	(1,446)	(542)	(145)	(184)	-	(5,568)
Operating expenses	(7,060)	(26,144)	(1,670)	(514)	(285)	(57,801)

Other Material Income & (Expenses) for 2019						Argus Group
\$000	AICL	BLIC	AILBL	AILIL	BLW	
Commission & fee income	8,864	14,874	2,364	2,169	-	37,739
Net benefits & claims	(3,058)	(100,614)	(80)	17	118	(111,408)
Commission expenses	(1,237)	(514)	(166)	(210)	55	(5,149)
Operating expenses	(6,895)	(31,778)	(2,509)	(666)	(304)	(55,326)

The figures in the above table for Bermuda insurers are prepared on an unconsolidated statutory basis. The figures presented for the Argus Group are presented on a consolidated IFRS basis.

Other material information

Group Strategy

We have always sought to balance stability within the Argus Group with a strategy for long-term sustainable growth, for the benefit of our customers, shareholders, staff and our community. We have built a solid foundation for The Argus Group, evolving to become a Digital Integrated Specialist, enabling us to better understand, provide and deliver for our clients, embracing initiatives in Health Reform and expanding globally. From this position of strength, we are able to move forward, with confidence and compassion.

In response to the COVID-19 crisis, Argus has demonstrated its ability to work efficiently, effectively and with empathy by moving almost overnight to operating remotely. Being a Digital Integrated Specialist has been critical to this rapid response, and it is just as critical to our ambitious plans for the future.

Digital

Our investment in digital capabilities allows us to better serve the needs of our large and small business clients, enabling a more human customer interaction by reducing the burden of manual administration.

This is no longer a 'nice to have', it has been an essential factor in our ability to keep our doors open globally to support our clients throughout the COVID-19 lockdown. Many of these new working practices have been so successful, we are planning to retain them and make them part of our new operating model post COVID-19 lockdown. But this is only the start. We have proved that we can pivot our business almost overnight, so will seek partnership and investment opportunities to speed up the build out of our digital core, to support our global growth and diversification.

Integrated

We have restructured our business. A new organisational structure, a new operating model, new leadership, new working practices, and new ways of working. Over our 70-year history, we have adapted and evolved, continuously training and re-training to keep pace with a dynamic and uncertain world. Our new operating model will unleash the talent and capability within our organisation and create a strong foundation for growth. We will build on our successes over the next 70 years to become stronger, more resilient and more agile. We will be restless and uncompromising in our quest to maximise customer value while minimising waste, creating more value for customers with fewer resources. Understanding that value is what a customer is willing to pay for, our goal is to provide perfect value to the customer through a perfect value creation process that has zero waste.

Specialist

Being a 'Specialist' means we take time to understand what our clients need now as well as to pre-empt what will be needed in a rapidly changing and evolving future, to deliver the best value and growth for our clients, our shareholders, our colleagues and our community. Adapting shared adversity into opportunity together.

2020 saw us do this in a number of ways:

HEALTH REFORM

Our COVID-19 response initiatives saw us focus on financial and mental well-being. We are tailoring our approach to work one-on-one with our clients to design solutions to lessen the short-term financial burden whilst ensuring essential benefits are provided.

We have turned potentially calamitous health system reform in Bermuda into amazing and dynamic opportunities for our business. Last year we shared our vision of a tomorrow with an ever-closer relationship with healthcare providers to provide direct patient care. In 2020, we have made this vision a reality. We recently launched our initiative to become a Value-Based Care Integrator, creating a Better Health Partnership with two local health providers in Bermuda, and our One Team Health business in Canada. This exciting new initiative creates a unique healthcare ecosystem in Bermuda; enabling holistic and integrated care management delivered via local primary care physicians and overseas care, funded by innovative insurance benefits solutions. Argus is practicing what we preach and leading the way in providing quality, integrated healthcare, prioritising and incentivising health outcomes whilst managing down health cost inflation and over-utilisation.

GLOBAL EXPANSION

The world in which we operate has changed. Changed in profound and permanent ways. The anticipated post-COVID-19 global economic crisis has fundamentally changed our macro-economic outlook. We are facing specific challenges in each of our territories, which require us to rapidly diversify and grow into other territories and other businesses. We are rapidly adapting to the 'new normal'. We are driving globalisation through acquisitions and partnerships, growing our ability to take Argus's unique services and approach to more clients around the world.

By constantly adapting and transforming, we can take advantage of emerging opportunities that leverage our international footprint to generate growth and provide the geographical diversification that will build upon and strengthen our business resilience. Where others see adversity we see opportunity, creating a better and stronger Argus for all our tomorrows, together.

Financial Strength and Credit Rating

A.M. Best's Financial Strength Rating is an independent opinion of an insurer's financial strength and ability to meet its ongoing policy and contract obligations. A.M. Best's opinions are derived from an evaluation of a company's balance sheet strength, operating performance and business profile.

Listed below are the two Argus entities that obtain a Financial Strength Rating from A.M. Best.

	Financial Strength Rating	Long-Term Credit Rating	Outlook	Rating Year
AICL	A- (Excellent)	a-	Stable	2019
BLIC	A- (Excellent)	a-	Stable	2019
Argus Group		bbb-	Stable	2019

In December 2019, AM Best affirmed the Financial Strength Rating (FSR) of A- (Excellent) and the Long-Term Issuer Credit Ratings (Long-Term ICR) of “a-” of AICL and BLIC. Concurrently, AM Best has affirmed the Long-Term ICR of Argus Group of “bbb-”. The outlook of these Credit Ratings (ratings) is stable.

The ratings reflect Argus Group and its subsidiaries’ balance sheet strength, which AM Best categorises as very strong, as well as its adequate operating performance, limited business profile and appropriate enterprise risk management. ⁽¹⁾

(1) <http://news.ambest.com/presscontent.aspx?altsrc=1&RefNum=28889&URatingId=2672022>

II GOVERNANCE STRUCTURE

The primary objective of the Group's risk and financial management framework is to protect the Group from events that hinder the sustainable achievement of financial performance objectives, including failing to exploit opportunities if those opportunities fall within the Group's risk appetite. Management recognises the critical importance of having efficient and effective risk management systems in place.

The Group has an established risk management function with clear terms of reference from the Board of Directors, its committees and the associated executive management committees. This is supplemented by a clear organisational structure with documented delegated authorities and responsibilities from the Board of Directors to the executive management committees and senior management. In addition, a Group policy framework has been implemented, which sets out the risk profiles, risk management, control and business conduct standards for the Group's operations. A member of senior management is charged with overseeing compliance with each risk management policy that is adopted by the Group.

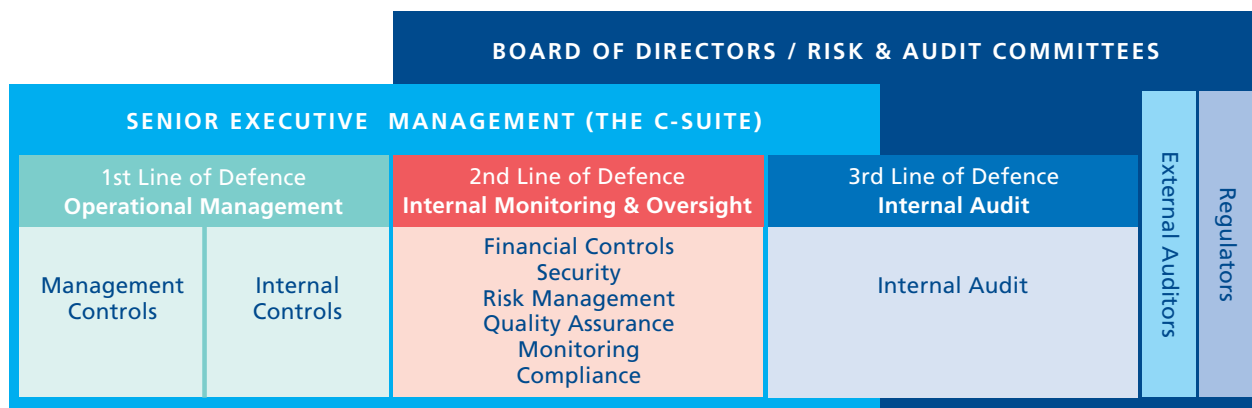
The Group prioritises the development of a forward-looking risk management framework to deal appropriately with changes in the economic, social and regulatory environment in which it operates. The risk management deployed by the Group is based on the principles set down below, which are aligned with the Group's strategy and take into account the regulatory requirements, as well as the best market practices.

- *A comprehensive risk management policy, with a forward-looking approach.*

The Board of Directors approves the Group's risk management policies and meets regularly to approve any commercial, regulatory and organisational requirements of such policies. These policies define the Group's identification of risk and its interpretation and sets out the risk profiles for the Group, to ensure the appropriate quality and diversification of assets and alignment of underwriting and reinsurance strategy to the corporate goals.

- *Three lines of defence model.*

The Group has adopted the Three Lines of Defence model as shown below, which addresses how specific duties related to risks and controls are managed and coordinated within the Group.



Board and Senior Executive

The Board has responsibility for strategic oversight and ensuring that Management (inclusive of the Officers) comply with legal and regulatory requirements. Management, and in particular the Officers, are responsible for the day-to-day operations and administration of the Group.

The role of the Board is to provide leadership of the Group as a whole and the respective subsidiaries within a framework of prudent and effective controls, which enables risk to be assessed and managed. The AGH Board sets the Group's strategic aims and ensures that the necessary financial and human resources are in place to meet objectives and review management performance. The Group's values and standards are set by the AGH Board, ensuring that its statutory and legal obligations to stakeholders and Government are understood and met.

Each subsidiary Board is similarly responsible for their relevant subsidiary, to enable the AGH Board to carry out its objectives.

Board Committee Structure

The Group operates a centralised board committee structure at the AGH level. Each of AGH's board committees has been given authority on behalf of AGH's Board of Directors, with responsibility for ensuring all entities of the Group operate, and are managed, to a common minimum standard pursuant to committee-specific Terms of Reference. Where an operating subsidiary has a matter that falls outside the parameters generally prescribed by an AGH board committee, the subsidiary's management have the ability to escalate matters to the relevant AGH board committee for consideration on an exception basis, and recommendation for appropriate action to the relevant subsidiary Board or AGH Board where appropriate.

The chart below reflects AGH's current board committee structure:



Audit Committee

The Audit Committee is tasked with assisting the Group's Board in fulfilling its oversight responsibilities for the Group's financial reporting process, the system of internal control, the audit process, as well as the Group's process for monitoring compliance with laws and regulations, and the Insurance Code of Conduct.

Risk Committee

The Risk Committee is tasked with the oversight of the Group's risk management, asset liability management, and financial investments, the latter as defined in the Group's Investment Policy.

The Risk Committee advises the Group's Board on overall risk appetite, tolerance, strategy and metrics, taking into account current and prospective economic, financial, regulatory and political environments.

People, Compensation and Governance Committee

The People, Compensation and Governance Committee (PC&G Committee) is tasked with: (1) ensuring that suitable potential board nominees are identified and recruited, (2) overseeing the process by which individuals are nominated to become board members, (3) discharging the Group's Board's responsibilities relating to the compensation of the Group's executive officers and other designated senior officers, (4) ensuring the adoption of policies that govern the Group's compensation and benefit programmes, (5) overseeing matters of corporate governance, including advising the Group's Board on matters of (a) board organisation, membership and function; and (b) committee structure and membership, (6) overseeing the plans for executive officer development and succession, and (7) fulfilling the responsibilities set forth in the Terms of Reference of the Committee.

The Group's PC&G Committee has the additional responsibility of reviewing the roles and responsibilities of top executives and non-executive directors to develop a succession plan and timelines. The PC&G Committee identifies and recommends potential candidates for appointment, as well as oversees the annual evaluation of the performance and effectiveness of the Group's Boards and reviews the report and results of the evaluation.

The Group's board committee structure, committee operations, committee formations, and committee charters are periodically reviewed by the PC&G Committee, which makes such recommendations to the Group's Board to be consistent with best practices and the best interests of the Group.

Management Committees

Asset Liability Management Committee

The Committee is appointed by the Board and is tasked with the oversight of the management and control of all financial investments with reference to the corresponding liabilities, as defined in the Group's Investment Policy.

Executive Risk Management Committee

The Committee is appointed by the Board and is tasked with establishing a sound and effective risk management framework, including developing policies, procedures, and internal controls promoting the identification, evaluation, mitigation, monitoring and reporting of material risks in line with the Insurance Code of Conduct, the Investment Business Act, and any and all other relevant legislation and/or advisories as applicable in each jurisdiction. The Committee reviews the risk management techniques employed in light of changing operational, regulatory, and market developments to ensure continued effectiveness and adoption of international best practice and assesses and evaluates the company's self-assessment of compliance with regulatory requirements on a regular basis.

Operational Risk Management Sub-Committee

The Sub-Committee is appointed by the Executive Risk Management Committee and is tasked with reviewing and approving the risk management policies and procedures, and subsequent changes to them, providing a forum to review the various exposures to the business units and the strategies to mitigate material risks, overseeing the development and implementation of the risk, compliance and internal controls framework for the Group, and reviewing management information systems reports, such as customer complaints, operational risk losses, and "near-miss" incidents.

Data Privacy & Information Risk Sub-Committee

The Sub-Committee is appointed by the Executive Risk Management Committee and is tasked with reviewing the classification and security of the Group's data, identifying, monitoring and implementing controls related to data and information risks, complying with data privacy regulations, preparing and monitoring the Group's Data Breach Response Plan, and general security awareness.

Capital & Regulatory Risk Sub-Committee

The Sub-Committee is appointed by the Executive Risk Management Committee and is tasked with reviewing the Group's Medium-Term Capital Plan and ongoing capital requirements, statutory returns and regulatory reporting, and general communication to and from regulators and rating agencies across the Group.

Underwriting & Claims Risk (Property & Casualty) Sub-Committee

The Sub-Committee is appointed by the Executive Risk Management Committee and is tasked, on behalf of the Group's property and casualty businesses, with reviewing underwriting/claims policies, procedures and manuals, underwriting authority limits, rate reviews and pricing changes, new product development, business developments or opportunities, claims trends and large loss reporting, reinsurance renewals and changes to reinsurance programmes, and reserving.

Underwriting & Claims Risk (Employee Benefits) Sub-Committee

The Sub-Committee is appointed by the Executive Risk Management Committee and is tasked, on behalf of the Group's employee benefits businesses, with reviewing underwriting/claims policies, procedures and manuals, underwriting authority limits, rate reviews and pricing changes, new product development, business developments or opportunities, claims trends and large loss reporting, reinsurance renewals and changes to reinsurance programmes, and reserving.

Remuneration Policy

At Argus, our culture is to do the right thing, the right way, always, especially when it comes to our staff. Our compensation programme is a key component of our talent management strategy, and management are incentivised on forward-looking activities that generate long-term sustainable value. Argus offers remuneration packages to attract, retain and motivate high quality employees in the respective jurisdictions in which we operate. Both fixed and variable remuneration is offered. Fixed remuneration is given in the form of a base salary and is determined by taking into account an individual's experience and qualifications. Variable remuneration is discretionary and takes the form of a cash bonus and is available to all staff.

Three factors that impact the variable remuneration are market position, individual performance and the Group's ability to meet its financial and strategic targets. Additionally, the granting of restricted stock is at the discretion of the PC&G Committee of the Board of Directors. When determining grants, consideration is given to further enhance the Group's ability to retain the services of key employees.

Comprehensive salary reviews are conducted as part of the annual performance appraisal process. The Human Resource department ensures that remuneration is internally equitable and aligned with market-competitive compensation levels in all jurisdictions.

The PC&G Committee of the Board of Directors is empowered to review and approve key compensation policies on behalf of the Group, and in that connection, to also ensure that such policies provide total compensation that is competitive in the marketplace.

Moreover, part of the role and oversight of the PC&G Committee is the annual review and approval of the Group's remuneration and compensation policies. This includes the executive total compensation plan structure, short-term incentive compensation plans, review of performance evaluations, and equity-based plans for the Group's executive officers and other designated senior officers. Additionally, the Board is charged with oversight of plans for executive and senior officers' development and succession.

Pursuant to the Company's Bye-laws, the remuneration (if any) of the Directors shall be determined by the Group at a general meeting and shall be deemed to accrue from day to day. The Directors may also be paid all travel, hotel and other expenses properly incurred by them in attending and returning from the meetings of the Board, any committee appointed by the Board, general meetings of the Group, or in connection with the business of the Group or their duties as Directors generally. The Board may, from time to time, at its sole discretion, approve the provision by the Company of such ex-gratia benefits, without limitation, whether by the payment of cash, gratuities, pensions or otherwise, as determined by the Board, to any one or more Directors.

During the current reporting period, the Group's independent non-executive directors received a fixed fee with no variable or performance-related component, as set by the Group's shareholders at the Annual General Meeting held on September 26, 2019.

The Group's executive directors are salaried employees of the Argus Group and are remunerated based on an employment contract.

The CFO and CEO receive no further remuneration entitlement based on the role as a Director of the Group or any subsidiary thereof.

Pension or Early Retirement Schemes for Members, Board and Senior Employees

There are no supplementary pensions or early retirement schemes for Members, Board and senior employees.

Material Transactions with Shareholder Controllers, Persons who Exercise Significant Influence, the Board or Senior Executives

AGH is a public company listed on the Bermuda Stock Exchange. Other than general intra-group outsourcing arrangements typical of a consolidated conglomerate (risk, legal, treasury, actuarial, marketing, etc.), the Group also provides group employee benefits (pension, health, life) to employees of the Group.

During the financial year ending March 31, 2020, AGH paid a total dividend of \$3.8 million to shareholders.

The following capital transactions were also recorded by Bermuda insurance subsidiaries, in line with the Group Capital Management Policy, during the year ending March 31, 2020:

- AICL distributed \$1.5 million of contributed surplus and paid a dividend of \$3.0 million to AGH
- BLIC paid a dividend of \$12.1 million to AGH
- BLW distributed \$2.5 million of share capital to AILBL
- AILBL distributed \$0.02 million of contributed surplus to AGH

Fitness and Propriety Requirements

Our core values of integrity, fairness, excellence, respect, professionalism and teamwork underpin the foundation upon which the Argus Group is built. The Group ensures that the individuals running the business or fulfilling key functions are aligned with the core values of the Group and have the appropriate knowledge and skills.

In assessing whether an employee is fit and proper, consideration has to be given to the person's competence and capability to undertake the role, including professional and formal qualifications, and knowledge and relevant experience in the context of the respective duties allocated to that person. In addition, due to the level of trust required to perform certain activities and the obligations imposed by regulators upon financial services firms, employees must also demonstrate a number of personal qualities such as honesty and integrity.

The PC&G Committee of AGH uses criteria when considering candidates for election as non-executive directors of any entity within the Group and when evaluating existing non-executive directors to determine whether they should be endorsed for re-election by the shareholders. The criteria that follows are not exhaustive and the committee may consider other factors.

Individuals to be considered for board membership should possess all of the following personal characteristics: good character and integrity, informed judgment, financial literacy, maturity and a history of achievement in a business environment. Each Board, as a whole, should demonstrate abilities in the following fields: accounting and finance; business judgment; general management; knowledge of local and international insurance and reinsurance, including knowledge of the relevant company's businesses and products; familiarity with the Bermuda economy and its political and social situation; leadership and vision. Consideration is also given to the combination of skills, experience, independence and diversity of backgrounds, which will enable each Board, as a body, to be effective in advancing the business and prospects of the respective company. Existing non-executive directors are obligated to immediately advise the Chairman of the Committee of potential conflicts of interest, perceived or actual, and the individual's appropriateness of continuing as a Director is then re-evaluated by the Committee. The Committee will not recommend the election or re-election of persons who are unable to devote sufficient time to the affairs of AGH or the relevant subsidiary company.

Each Director, upon election, must then operate pursuant to specific Terms of Reference for Directors, which expressly state the objectives and responsibilities of each of the AGH and subsidiary Boards, as well as clearly define the fiduciary and statutory duties of each Director. The Committee conducts individual and collective board assessments on a minimum of an annual basis to ensure compliance with these duties specifically and the Terms of Reference generally.

The Group's Board of Directors is comprised of both Bermudian and non-Bermudian individuals who bring a wealth of local and international business experience. Their reputation and experience reflect the Group's corporate values. The composition reflects a blend of financial, insurance and business knowledge. A list of Directors is provided below with a brief professional resume on each. All of the Directors also either chair or serve on the Boards of a number of AGH's subsidiary companies, or on key committees of the Group's Board of Directors.

The Directors and Officers of AGH as at March 31, 2020, are listed below:

Executive Director

Alison S. Hill

Non-Executive Directors

Sheila E. Nicoll

Keith W. Abercromby

David A. Brown

Peter R. Burnim

Timothy C. Faries

Barbara J. Merry

E. Barclay Simmons

Kim R. Wilkerson

Paul C. Wollmann

Officers

Sheila E. Nicoll *Chairman*

Peter R. Burnim *Deputy Chairman*

Alison S. Hill *Chief Executive Officer*

Peter J. Dunkerley *Chief Financial Officer*

George N.H. Jones *Company Secretary*

Chairman - Sheila E. Nicoll, FCII

Chief Operating Officer, Sirius Bermuda Insurance Company, Ltd.

Ms. Nicoll has been a member of the Argus Group Holdings Limited Board of Directors for 14 years, and Chairman since 2008. Ms. Nicoll has over 40 years of experience in the insurance/reinsurance industry in Bermuda, London and New York. She holds an MA in Chemistry from Oxford University and professional designation as a Fellow of the Chartered Institute of Insurance.

Keith W. Abercromby, BSc FIA

Non-Executive Director of Canada Life Limited and of Leek United Building Society

Mr. Abercromby has been a member of the Argus Group Holdings Limited Board of Directors for two years. Mr. Abercromby is a non-executive director of Canada Life Limited and of Leek United Building Society, where he is Chairman of the audit committee. He has extensive board experience of regulated financial services companies in life assurance, general insurance, pensions and banking, having occupied roles as CEO or CFO in each of these areas for companies including Norwich Union, Clerical Medical and the Halifax. He is a Fellow of the Institute of Actuaries.

David A. Brown, CPA, FCA

Independent Director

David has almost 40 years' experience in the insurance industry including a number of CEO and Chairman roles. He recently stepped down after 20 years as Chairman of the Bermuda Stock Exchange, where he remains on the Board. He is currently the Chairman and interim CEO of Hamilton Re, Ltd. and also serves

on the Board of Hamilton Insurance Group, where he is chair of the Governance and Finance Committee. In his career, David has served on the Boards of numerous private and public companies. David is a Fellow of the Institute of Chartered Accountants (UK) and a CPA (Bermuda).

Deputy Chairman - Peter R. Burnim, MBA

Chairman and Board member of various companies

Mr. Burnim has been a member of the Argus Group Holdings Limited Board of Directors for 10 years. He currently serves as a Trustee of Allianz VIP Trust and Allianz VIP Fund of Fund Trust, Chairman of EGB Insurance, Emrys Technology, Sterling Bank & Trust Limited, and on the Board of Sterling Trust (Cayman) Limited and Turing Motor Company. He is founder and director of Stellar Energy Foundation. He serves on numerous education, artistic, and religious not-for-profit Boards. He previously worked for Citibank/Citicorp for over 25 years in the USA and Europe, where he served as Senior Credit, Senior Securities and Senior Corporate Officer, running U.S. Corporate Banking, European Corporate Finance, European Capital Markets and U.S. Private Banking. Mr. Burnim is an honors graduate of Harvard College and Harvard Business School.

Timothy C. Faries, BA, LLB, LLM

Managing Partner, Appleby (Bermuda) Limited

Mr. Faries has been a member of the Argus Group Holdings Limited Board of Directors for six years. In addition to being the Managing Partner, Mr. Faries is also the Bermuda Group Head of the Corporate and Commercial department and the Insurance and Reinsurance sector leader for Appleby (Bermuda) Limited. Mr. Faries qualified as a barrister and solicitor in Alberta and was called to the Bermuda Bar in 1994. He serves as director on several other Boards.

Alison S. Hill, FCMA, CGMA

Chief Executive Officer, Argus Group Holdings Limited

Ms. Hill has been a member of the Argus Group Holdings Limited Board of Directors for eight years. Ms. Hill has more than 30 years of experience in the financial services sector, including 20 years of senior management experience in the financial services sector in Europe, prior to joining Argus Group Holdings Limited as Chief Operations Officer in 2009. She succeeded to Chief Executive Officer in 2011. She holds a BA (Hons) in Business Studies from Plymouth University and professional designations as a Fellow Chartered Management Accountant and Chartered Global Management Accountant. She serves as a director on several other Boards.

Barbara J. Merry

Independent Director

Ms. Merry has been a member of the Argus Group Holdings Limited Board of Directors since November 2017. She is a chartered accountant with over 30 years' experience in the London insurance market, most latterly as the CEO of a UK-listed Lloyd's managing agent. She has a deep understanding of risk management, assurance and governance and is a recognised role model and champion for aspiring professional women. She now has a portfolio of non-executive director roles including as the Chair of Ed Broking LLP and of its MGA platform, Globe Underwriting Limited.

Everard Barclay Simmons, MBA, LLB

Rose Investment Limited

Mr. Simmons was a member of the Argus Group Holdings Limited Board of Directors for five years, from 2011 to 2015, and recently rejoined the Board in November 2018. Mr. Simmons qualified as a barrister in England and Wales and was called to the Bermuda Bar in 1998. Before returning to Bermuda in 2006, he completed an MBA at Harvard Business School and worked as an Investment Banker at Goldman Sachs in New York City. He serves as director on several other Boards in the Bermuda market focused on financial services regulation, banking, insurance and investments.

Kim R. Wilkerson, JP, CPCU

Senior Vice President, Regional Head of Claims AXA XL Insurance

Ms. Wilkerson has been a member of the Argus Group Holdings Limited Board of Directors for two years. Ms. Wilkerson is currently the Senior Vice President, Regional Head of Claims for AXA XL insurance operations in Bermuda and also served as General Counsel of XL Insurance (Bermuda) Ltd. She has a wealth of experience in the insurance industry. In 2016, Ms. Wilkerson was appointed to Bermuda's Senate, where she served until the dissolution of Parliament in June 2017.

Paul C. Wollmann, MBA, CPCU, ARe, ARM

Chief Underwriting Officer, Essent Reinsurance Ltd.

Mr. Wollmann has been a member of the Argus Group Holdings Limited Board of Directors for six years. Mr. Wollmann has extensive (re)insurance and capital markets knowledge and has direct work experience with the most senior levels of large financial institutions. He holds a BA from Rollins College, Florida and an MBA from The School of Risk Management, Insurance and Actuarial Science, St. John's University, New York.

Argus Group Holdings Limited - Officers

Chairman - Sheila E. Nicoll, FCII

See previous listing.

Deputy Chairman - Peter R. Burnim, MBA

See previous listing.

Alison S. Hill, FCMA, CGMA

See previous listing.

Peter J. Dunkerley, FCA

Chief Financial Officer, Argus Group Holdings Limited

Mr. Dunkerley joined the Argus Group in 2012 and was appointed as Chief Financial Officer in 2015. As CFO, Mr. Dunkerley is responsible for all financial aspects of the Group, including finance, actuarial, treasury, capital management, investment management, risk and compliance. Prior to joining Argus, Mr. Dunkerley was a Director in the Insurance practice of PricewaterhouseCoopers in Bermuda. He holds a bachelor's degree in aeronautical engineering from Loughborough University in England and is a Fellow of the Institute of Chartered Accountants in England & Wales and a member of the Institute of Chartered Accountants of Bermuda.

George N.H. Jones, MBA, LLB

Company Secretary, Argus Group Holdings Limited

Mr. Jones joined the Argus Group in 2010 and is Group General Counsel for the Company and its various subsidiaries. Prior to joining Argus, Mr. Jones had 20 years of experience in the legal and financial services industry, including five years within the Corporate and Commercial Practice Group at Appleby (Bermuda) Limited, working with both the Insurance and Funds & Investment Services Teams, as well as Appleby (Mauritius) Limited. Previous experience also includes a number of roles within large financial institutions in Bermuda, Chile and the United States. He holds a BA in International Relations from Bucknell University, a Master of Business Administration in Entrepreneurship from Babson College, and a law degree from the University of Buckingham. He is a member of the Bermuda Bar.

Directors for each entity within the scope of the FCR

Directors	AICL	AILBL	AILIL	BLIC	BLW
David A. Brown (Non-executive Director)	●				
Peter R. Burnim (Non-executive Director)		●	●		●
John Doherty	●				
Peter J. Dunkerley (CFO)	●	●	●	●	●
Timothy C. Faries (Non-executive Director)				●	
Alison S. Hill (CEO)	●		●	●	●
Sheila E. Nicoll (Non-executive Director)				●	
Everard Barclay Simmons (Non-executive Director)				●	
Kim R. Wilkerson (Non-executive Director)				●	
Paul C. Wollmann (Non-executive Director)	●	●	●		●

● Chairman

The following Director appointments and resignations occurred during the year ending March 31, 2020:

E. Barclay Simmons was appointed as a Non-Executive Director to the AGH and BLIC Board with effect from November 6, 2019.

David A. Brown was appointed as a Non-Executive Director to the AGH and AICL Board with effect from February 10, 2020.

Robert D. Steinhoff retired as a Non-Executive Director and Deputy Chairman to AGHL with effect from March 20, 2020.

Bermuda insurer Directors not already included under AGH

John Doherty, CPCU, ARM, ARE

Insurance Director, Argus Europe

Mr. Doherty has been with the Argus Group since 2002 and has over 20 years' experience in the Bermuda insurance industry. He is currently Executive Vice President of the Property and Casualty division. In this capacity, Mr. Doherty is responsible for overseeing the daily operations of the Bermuda P&C division, including commercial and personal lines underwriting. Mr. Doherty holds professional designations as a Chartered Property Casualty Underwriter, Associate in Risk Management, and Associate in Reinsurance. Mr. Doherty serves as Director on several other Boards.

Risk Management and Solvency Self-Assessment

Risk Management Process and Procedures to Identify, Measure, Manage and Report on Risk Exposures

The Group's Board of Directors has the primary responsibility for risk oversight and has delegated the responsibility for ensuring the effectiveness of the risk management framework to the Risk Committee, leaving the day-to-day responsibilities of managing and overseeing the execution of the risk management programme to the Executive Risk Management Committee.

The risk identification and assessment process is an integral part of the annual business planning process. The timing of the annual risk register review has now been aligned with the business planning process, whereby each business and support unit identifies material risks to which it is exposed and then designs appropriate mitigation controls based on the severity of each risk. The majority of material risks considered by each business unit included the following: insurance underwriting risk, investment, liquidity, and concentration, market and credit risks, system and operational risk, Group and strategic risk, reputational and legal risks.

For each material risk, the Group's assumed exposure is measured in terms of its likelihood and impact and/or consequence in preventing each business unit from achieving its business objectives. Once the risk exposure is assessed, the risk treatment is considered based on acceptance, reduction, transferability or avoidance and, taking into account the Group's risk appetite statement, risk tolerance levels and limits.

In addition to the risk registers, Management has prepared a risk budget in accordance with risk tolerances of the Group Risk Appetite Statement. The risk budget has been assessed against historical adverse events within the individual business units and the potential variability within the 2018-19 budget.

To ensure that a wide range of risk activities are sufficiently covered, the Executive Risk Management Committee has delegated certain matters to five Sub-Committees:

1. Operational Risk
2. Data Privacy & Information
3. Underwriting & Claims (Property & Casualty)
4. Underwriting & Claims (Employee Benefits)
5. Capital & Regulatory

Per the Board-approved Terms of Reference of the Executive Risk Management Committee, each Sub-Committee meets on a monthly basis and reports its activities to the Executive Risk Management Committee every other month. The Executive Risk Management Committee reports to the Risk Committee on a quarterly basis.

Risk Management and Solvency Self-Assessment Systems Implementation

The Group ensures that the risk management framework and solvency self-assessment systems are embedded in the running of its businesses through the quarterly Executive Risk Management Committee, Asset Liability Management Committee and Operations Committee, and the twice monthly Portfolio Management Group. All material risks, business decisions and strategic planning are brought to these Committees/Working Groups and reported to the Committees of the Board for review and approval. Business decisions are assessed taking into consideration the risks and the Group's appetite towards risk, as defined in the Group's Risk Appetite Policy. Solvency assessment is carried out on a forward-looking basis at least quarterly. The impact on solvency and capital from potential material business decisions is incorporated in the Medium-Term Capital Plan (MTCP) and reported to the Executive Risk Management Committee.

Management considers the capital requirements of all its insurance entities on a quarterly basis, and advises the Executive Risk Management Committee, through the MTCP, of any surplus or deficit capital. The MTCP includes an analysis of the quarterly financial position of all insurance entities in the Group, including the solvency requirements as prescribed by the Act. The Group has internal capital targets supplemental to the regulatory requirements. The MTCP includes recommendations for the maintaining of those internal targets.

Solvency Self-Assessment Approval Process

The solvency self-assessment is approved by the Executive Risk Management Committee with final approval by the Audit Committee/Risk Committees of the Board. Independent verification is carried out by Internal Audit and an audit opinion is prepared and submitted to the Audit/Risk Committees of the Board accordingly.

Internal Controls

Internal Control System

The Group has established processes, procedures and systems to ensure that business objectives are achieved in an operationally effective and efficient manner; financial information and reporting is reliable; and compliance with laws, regulations and internal policies is achieved.

The adherence to internal controls is an integral part of the business culture. Senior management across the Group ensures that all personnel are aware of their role and responsibilities as they relate to the internal control system and that the control activities are commensurate with the risks arising.

All incidences of internal control breakdowns are monitored by the risk and compliance function, analysed for causes and remediated on a timely basis. Additionally, the risk and compliance function monitors the remediation progress through monthly reporting.

The internal control system is comprised of the Internal Control Environment and Monitoring and Reporting.

Internal Control Environment

Senior management across the Group promote the importance of performing appropriate internal controls by ensuring that all personnel are aware of their role in the internal control system. The control activities are commensurate to the risks arising from the activities and processes to be controlled. To that end, an annual risk assessment of material risks is performed across the Group and these are recorded in risk registers.

Monitoring and Reporting

Senior management has established monitoring and reporting mechanisms within the internal control system which provide the AGH Board with the relevant information for the decision-making processes on a quarterly basis. The solvency self-assessment approval process requires the approval of the Executive Risk Management Committee and final approval of the Audit and Risk Committees of the Board. An independent verification is carried out by Internal Audit and an audit opinion is prepared and submitted to the Audit and Risk Committees of the Board accordingly.

Compliance Function

The Head of Group Compliance has been appointed by the Board with responsibilities to manage the compliance function in all jurisdictions within which the Group operates. A Group Compliance Policy, which sets out the responsibilities of the Board, Management and the Compliance function, has been approved by the Board.

The Head of Group Compliance monitors compliance with regulatory requirements (external), the system of internal controls, policies and procedures, as well as adherence to Group Standards of Business Conduct. All incidents of non-compliance, and their remediation, are reported to the Audit Committee and the Group Board on a quarterly basis.

Internal Audit

A Head of Group Internal Audit has been appointed by the Board to manage the internal audit function. These responsibilities are set out in the Group Internal Audit Policy which has been approved by the Board.

Independence of the Internal Audit Function

The Audit Committee ensures that the internal audit function does not perform any operational functions and is free from undue influence by any other functions, including key functions. In that respect, the internal audit function reports directly to the Audit Committee (Chairman) and, administratively, reports to the Head of Compliance who is also independent and reports directly to the Audit Committee.

When performing an audit, and evaluating and reporting the audit results, the Audit Committee ensures that the internal audit function is not subject to influence from Management or the Board, which could impair its operational independence and impartiality.

Internal Audit Policy

The Board-approved Internal Audit Policy sets out the terms and conditions to which the internal audit function can be called upon to investigate and give its opinion or assistance, or to carry out other special tasks.

Annual Internal Audit Plan

The annual internal audit plan is reviewed and approved by the Audit Committee on behalf of the Board. The Audit Committee ensures that the internal audit plan:

- is risk-based, taking into account all the business activities and the system of governance, as well as strategic initiatives;
- covers all significant business activities that are to be reviewed within a reasonable period; and
- is flexible enough to cover any ad-hoc areas that the Board, Audit Committee or the Executives may require internal audit to investigate.

Actuarial Function

The actuarial function is governed by the Terms of Reference for the Actuarial Function, which has been approved by the Board and encompasses the requirements of the BMA's Insurance Code of Conduct and Solvency II Directive.

The actuarial function is responsible for reporting and ensuring the adequacy of technical provisions for the insurance business and reports at least annually to the Board on the nature, reliability and adequacy of the technical provisions. The actuarial function contributes to the effectiveness of the risk management framework, particularly as it relates to policyholder obligations, potential exposures and capital requirements.

Analyses performed by the actuarial function include but are not limited to:

- Own risk and solvency self-assessment at least annually (CISSA/GSSA and ORSA)
- Asset liability matching quarterly
- Experience analyses at least annually
- Effectiveness of underwriting processes
- Effectiveness/appropriateness of reinsurance arrangements

The actuarial function reports on its activities via the relevant executive management committees and committees of the Board.

The majority of the activities of the actuarial function are performed internally. The exception is the approved actuary for the Group's property and casualty business, which is performed by an external independent actuary, approved by the regulator. The Group retains internally the approved actuary roles for the Group's long-term and health businesses.

Fitness and Propriety

The actuarial function is carried out by fit and proper persons. Persons conducting the activities of the function have the relevant experience and qualifications, in addition to complying with the Group's Fit and Proper policy.

Outsourcing

The Group has developed a Board-approved Outsourcing Policy that shall govern the outsourcing arrangements, ensuring that outsourced functions are conducted in a sound manner, in compliance with applicable laws and regulations and ensuring that the company meets its financial and service obligations to policyholders.

The Policy sets out a robust governance process for selecting a Third-Party Service Provider (TPSP). Prior to the appointment of a TPSP, a full due diligence exercise is undertaken to assess the suitability, competency and capability of each TPSP to carry out the outsourced function and the control environment in which it operates. Part of the control environment assessment is to ensure that the TPSP has sufficient data security controls in place to protect the Group's data and that of its policyholders, as well as having the appropriate business continuity and/or contingency plans.

The Policy further sets out a process to monitor the performance of each outsourced function or service and to report to the Executive Risk Management Committee all instances of non-compliance with the policy, or breach of laws and regulations, in a timely manner. The Group has an Outsourcing Policy which outlines the criteria for the selection of third-party service providers. This policy governs the Group and all its subsidiaries.

The outsourcing policy includes the following:

- The criteria for determining whether a function or activity is critical or important;
- The selection process for a service provider, and how often their performance and results are assessed;
- The contents of the written agreement with the service provider (service level agreement); and
- Business contingency plans, including existing strategies for outsourced critical or important functions or activities.

Description of Material Intra-group Outsourcing

The following key functions, namely, Actuarial, Risk Management, Compliance and Internal Audit are intra-group outsourced. Further, the following key support functions are also outsourced to the Group. These are:

- Information Technology
- Human Resources
- Investment Management
- Accounting and Finance
- Marketing

A Service Level Agreement has been executed between each entity and the Group.

The fit and proper procedures have been applied when assessing persons employed by the Group to perform these functions.

Any other material information

There is no additional material information to report under Governance Structure.

III RISK PROFILE

Risk Appetite

The risks taken by the Argus Group are guided by the following principles:

- All risks undertaken must have an associated expected reward that is commensurate with the risk; the Argus Group has no appetite for unrewarded risks.
- Risks are only accepted to the extent that they contribute to the achievement of the Group's mission and the execution of its strategy.
- Risks are only undertaken where the Group has the demonstrable expertise to manage them.
- Risk tolerances are set to manage the Group's aggregate exposure to risk in accordance with the Group's appetite.
- Actual levels of risk versus risk tolerances are monitored and business plans are adapted to the extent required.

Material Risks and Risk Mitigation

The risk identification and assessment process has determined that the Argus Group is exposed to the following material risks:

General Insurance Risk

The principal risk the Group faces under insurance contracts is that the actual claims and benefit payments or the timing thereof, differ from expectations.

The risk exposure for claims and benefits differing from expectation is mitigated by diversification across a large portfolio of insurance contracts. The variability of risks is monitored by careful selection and implementation of underwriting strategy guidelines, as well as the use of reinsurance arrangements.

Mortality, Morbidity and Longevity Risk

Mortality refers to the likelihood of death. Mortality Assumptions are based on industry standard life insurance and standard annuity past and emerging experience. The volume of the Group's life insurance and annuity business is not sufficient to use company-specific mortality tables.

The Group maintains underwriting standards to determine the insurability of applicants. Claim trends are monitored on an ongoing basis. To offset some of the mortality risk, the Group cedes a proportion of the risk to reinsurers.

Credit Risk (non-investment)

The Group has exposure to credit risk, which is the risk that a counterparty will suffer a deterioration in financial strength or be unable to pay amounts in full when due.

The concentration of credit risk exposures held by insurers may be expected to be greater than those associated with other industries, due to the specific nature of reinsurance markets and the extent of investments held in financial markets. By the nature of the business, reinsurers interact with similar customers in similar markets. However, the Group uses a panel of reinsurers with global operations and diversified portfolios and limits its exposure to any one reinsurer. On a quarterly basis, the Group's reinsurance panel is monitored by both the Executive Risk Management Committee and the Risk Committee of the Board.

Operational Risk

Operational risk is the risk of direct or indirect loss, reputational and/or brand damage arising from inadequate or failed processes or systems, people or external events including changes in the regulatory environment. Sub-categories of operational risk include:

- **People:** Human errors, internal or external fraud, breaches of employment law, unauthorised activity, loss or lack of key personnel, inadequate training, inadequate supervision;
- **Process:** Lack of internal control procedures, project management failures, ineffective change management, payment or settlement failures, inadequate process documentation, errors in valuation and/or pricing models, accounting errors, internal or external reporting and distribution channels;
- **Systems:** Failure of systems or application software that supports daily execution of business units, lack of systems development and implementation documentation, systems security breaches, integrity of data, unavailability of systems due to computer hacking, virus attacks or denial of services; and
- **External events:** Inadequate third-party/vendor management, undocumented outsourcing process, non-compliance with regulatory requirements, natural and other disasters, political risks.

This definition excludes strategic risk, financial risk and legal/litigation risk.

The Group developed an operational risk management system to capture, analyse and report on causes of control breakdowns and operational risk events including customer complaints. Details and resolution of these events are reported to the Executive Risk Management Committee monthly and highlights of the events are reported to the Risk Committee on a quarterly basis.

Financial Instrument Risk

Credit risk, liquidity risk and market risks are associated with financial instruments.

- *Credit risk is the possibility that a counterparty will suffer a deterioration in financial strength or be unable to pay amounts in full when due.*

The Group manages credit risk by its specific investment diversification requirements such as investing by asset class, geography and industry, review of credit quality ratings for portfolio investments and an active credit risk governance, including independent monitoring and review and reporting to senior management and the Board.

- *Liquidity risk is the risk that the group will not be able to meet all cash outflow obligations as they come due.*

The Group actively manages its liquidity position to ensure it has ample resources to fund obligations. The Group matches assets to its liability profile (ALM). The Group's ALM process allows it to maintain its good financial position by ensuring that sufficient liquid assets are available to cover its expected funding requirements. The Group invests in various types of assets with a view to matching them with its liabilities. To strengthen its liquidity further, the Group actively manages and monitors its capital and asset levels, the diversification and credit quality of its investments, cash forecasts and actual amounts against established targets.

- *Market risks include Currency, Interest Rate and Equity Risk.*

Investment portfolios are monitored and reviewed regularly for investment quality by the Asset Liability Committee and the Risk Committee of the Board. In addition, collateral requirements and concentration limits are specified in the Group's Investment Policy.

Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The following policies and procedures are in place to mitigate the Group's exposure to currency risk:

- The Group regularly monitors the effect of currency translation fluctuations;
- Investments are normally made in the same currency as the liabilities supported by those investments;
- The majority of the Group's assets, liabilities and earnings are denominated in Bermuda or U.S. dollars; and
- The assets and liabilities of the foreign operations are held in their appropriate functional currency.

Interest rate risk is the potential for financial loss arising from changes in interest rates. Changes in market interest rates can impact the reinvestment of matured investments, as the returns available on new investments may be significantly different from the returns previously achieved. The Group manages these risks through:

- Asset allocation and diversification of the investment portfolio;
- Investing in fixed income assets that closely match the liability cash flows for products with fixed and highly predictable benefit payments; and
- Quantifying and reviewing regularly the risk associated with the mismatches in portfolio duration and cash flow.

Equity risk is the uncertainty associated with the valuation of assets arising from changes in equity markets. The direct exposure to equity markets generally falls within the risk-taking philosophy of the Group's Investment Policy and is regularly monitored by Management.

Catastrophe Risk

The Insurer is exposed to the possibility of a single event creating a high volume of claims, or high value claims to property in the jurisdictions in which the Insurer provides property coverage.

The Group purchases a strategic portfolio of reinsurance to minimise a significant risk of loss to the Group, which includes proportional and non-proportional covers.

No material changes to the risks the Group is exposed to have occurred during the year.

Material risk concentrations

Concentrations of credit risk arise from exposures to a single debtor, a group of related debtors or groups of debtors that have similar credit risk characteristics, such as operating in the same geographic region or in similar industries. The characteristics are similar in that changes in economic or political environments may impact their ability to meet obligations as they come due.

Material concentration risk may arise from large exposures to counterparties, industry sectors and products, and geographic locations. The Group mitigates these risks through diversification.

Substantial progress has also been made to diversify our investment portfolio and we were able to substantially reduce the Group's concentration in certain equity holdings this year. Management remain focused on reducing the Group's remaining asset concentrations and removing potential volatility from non-core activities.

Investments

The Group's investment portfolio is designed to ensure funds are readily available to satisfy our obligation to policyholders, and to enhance shareholder value by generating appropriate long-term risk-adjusted yields.

The Group seeks to earn a reasonable long-term return whilst: (1) Being sufficiently liquid to pay claims and other contractual liabilities as they become due; (2) Being well-diversified and maintaining excellent credit quality; and (3) Asset-Liability Matching - investing in assets with similar characteristics to the liabilities they support.

The Group Investment Policy is the blueprint for the effective management of the assets associated with the liability structure, capital, and total return on investments of Argus Group Holdings Limited and its various subsidiaries. The Group Investment Policy is a subset of the Group's Risk Management Framework and sets out the Group Investment Policy objectives and constraints within the framework. In addition, the Policy defines the asset liability management approach and the procedures and controls for the operation of the Group's various investment portfolios.

Management of the Group's assets is performed centrally by the Portfolio Management Group (PMG) led by the Chief Investment & Governance Officer and the CFO. Any recommendations and reviews of performance from the PMG are presented to the Asset Liability Management Committee for review and approval, and if necessary reviewed and approved by the Risk Committee of the Board.

Stress Testing and Sensitivity Analysis

Results of scenario testing have demonstrated that the Group is resilient to the majority of the stress tests investigated. In the instances where solvency deteriorates significantly, mitigating actions are in place to ensure that the impact is tolerable, or business is conducted in such a way that the scenario does not present itself as an ongoing risk.

Sensitivity testing of risks that are pertinent to the Group is performed as part of the Group's own risk and solvency self-assessment at least annually. The tests consider a range of scenarios and stresses using internally developed models, and take into consideration the results of the standard formula approach prescribed by the regulators.

Several stress scenarios are tested, which assess the likely range of outcomes and the impact on the Group's and operating insurance subsidiaries' capital position. Scenarios are selected based on their relevance to the Group using historical and probable events. These scenarios include: interest rate stresses, longevity stresses, catastrophe stresses, extreme claims inflation and reducing future business volumes.

The results of the Group's own risk and solvency assessment is presented to, challenged and approved by the Executive Risk Management Committee and the Risk Committee of the Board. The results of the stress/ scenario testing are also included in the annual returns to the regulators in Bermuda and Gibraltar.

Material risks identified by the self-assessment are incorporated in the Group's risk registers, which inform strategic decision making through its direct link to the Group's business planning process.

Reverse scenario testing has also been conducted to identify scenarios which would lead to regulatory insolvency, and a wind-up scenario to assess the Group's ability to remain sufficiently capitalised when it is closed to new business.

Any other material information

There is no additional material information to report under the Group's Risk Profile.

IV SOLVENCY VALUATION

The valuation bases, assumptions and methods used to derive the value of each asset class

The consolidated financial statements have been compiled on the going concern basis and prepared on the historical cost basis except for the following material items on the Balance Sheets:

- Financial assets and financial liabilities at fair value through profit or loss are measured at fair value;
- Available-for-sale financial assets are measured at fair value;
- Derivative financial instruments are measured at fair value;
- Investment properties are measured at fair value;
- Segregated fund assets and liabilities are measured at fair value; and
- Post-employment benefit liability is measured at the present value of the defined benefit obligation.

Investments are valued at carrying value. When available, quoted market prices are used to determine fair value for bonds, equities and derivatives. If quoted market prices are not available, fair value is typically based upon alternative valuation techniques such as matrix pricing, net asset valuation and discounted cash flow modelling. Broker quotes are used only when external public vendor prices are not available.

The valuation bases, assumptions and methods used to derive the value of technical provisions, the amount of the best estimate, and the amount of the risk margin.

Technical Provisions include:

- Long-term insurance claims reserves
- General business insurance claims reserves
- General business insurance premium provisions
- The risk margin

Long-term Insurance Claims Reserves

Long-term insurance claims reserves are determined by the Actuarial Function and represent the amounts that, together with future premiums and investment income, are required to discharge the obligations under life and annuity contracts and to pay expenses related to the administration of these contracts. These reserves are determined on a best estimate basis using either the BMA's scenario approach or the BMA's standard approach. Under the scenario approach, the best estimate policy reserves are calculated by projecting asset and liability cash flows discounted under a variety of interest rate scenarios provided by the BMA. For the standard approach, the cash flows are discounted using a single yield curve supplied by the BMA. Reinsurance recoveries are adjusted for the expected likelihood of counterparty default.

General Business Insurance Claims Reserves

General business insurance claims reserves represent the best estimate of the ultimate costs of claims in the course of settlement and claims incurred but not yet reported. Reinsurance recoveries are adjusted for the expected likelihood of counterparty default. The provision for unpaid and unreported claims is discounted using the BMA prescribed rates of interest

General Business Insurance Premium Provisions

The premium provision represents the present value of the expected cash flows on the unexpired portion of all in-force policies, and policies to which the Group is contractually bound that have yet to incept. These are commonly referred to as bound but not incepted exposures (BBNI). Best estimate assumptions are used for the expected lapse rate, claims experience and expenses. The premium provision is discounted using the BMA prescribed rates of interest.

Risk Margin

The risk margin allows for and reflects the uncertainty associated with the best estimate liabilities. The risk margin is determined based on the non-market related BSCR under the Economic Balance Sheets basis, using the Cost-of-Capital approach over the full period required to run-off the insurance liabilities.

As at March 31, 2020, the total Technical Provisions for the Argus Group amounted to \$421.9 million:

Argus Group \$000	2020			2019		
	General Business	Long-Term Business	Consolidated	General Business	Long-Term Business	Consolidated
Net premium provisions	985	-	985	2,651	-	2,651
Net loss & loss expenses	23,919	390,459	414,378	25,717	378,256	403,973
Risk margin	1,169	5,341	6,510	1,175	4,836	5,763
Total	26,073	395,800	421,873	29,543	383,092	412,635

As at March 31, 2020, the total Technical Provisions for AICL amounted to \$5.3 million:

AICL \$000	2020 General Business	2019 General Business
Net premium provisions	158	1,495
Net loss & loss expenses	4,896	4,275
Risk margin	261	277
Total	5,315	6,047

As at March 31, 2020, the total Technical Provisions for BLIC amounted to \$400.7 million:

BLIC \$000	2020			2019		
	General Business	Long-Term Business	Consolidated	General Business	Long-Term Business	Consolidated
Net premium provisions	(2,493)	-	(2,493)	(2,715)	-	(2,715)
Net loss & loss expenses	7,722	390,290	398,012	11,040	376,986	388,026
Risk margin	58	5,163	5,221	88	4,553	4,641
Total	5,287	395,453	400,740	8,413	381,539	389,952

The Technical Provisions for AILBL, AILIL and BLW are highlighted in the following table. In accordance with the Act, AILBL's Technical Provisions are consolidated and include the Technical Provisions of AILIL and BLW. All three entities only write long-term business, and on a consolidated basis, the total Technical Provisions for the year ending March 31, 2020 amounted to (\$3.2 million).

AILBL \$000	2020			2019		
	Consolidated	AILIL	BLW	Consolidated	AILIL	BLW
Net premium provisions	-	-	-	-	-	-
Net loss & loss expenses	(3,462)	(5,658)	6,511	(2,083)	(5,349)	7,181
Risk margin	223	20	83	154	30	92
Total	(3,239)	(5,638)	6,594	(1,929)	(5,319)	7,273

Recoverables from reinsurance contracts

The main recoverables from reinsurance contracts are claims and adjustment expenses and policy benefits.

The valuation bases, assumptions and methods used to derive the value of other liabilities

Similar to the valuation principles for assets, adjustments are required to the IFRS basis for Statutory Financial Statement and Economic Balance Sheet regulatory reporting and capital assessment purposes. All other liabilities, which include accounts payable, payables for investments purchased and derivatives are derived from the carrying values on the Group's IFRS Annual Report. The carrying value on an IFRS basis approximates the fair value at the reporting date.

There is no additional material information to report under Solvency Valuation

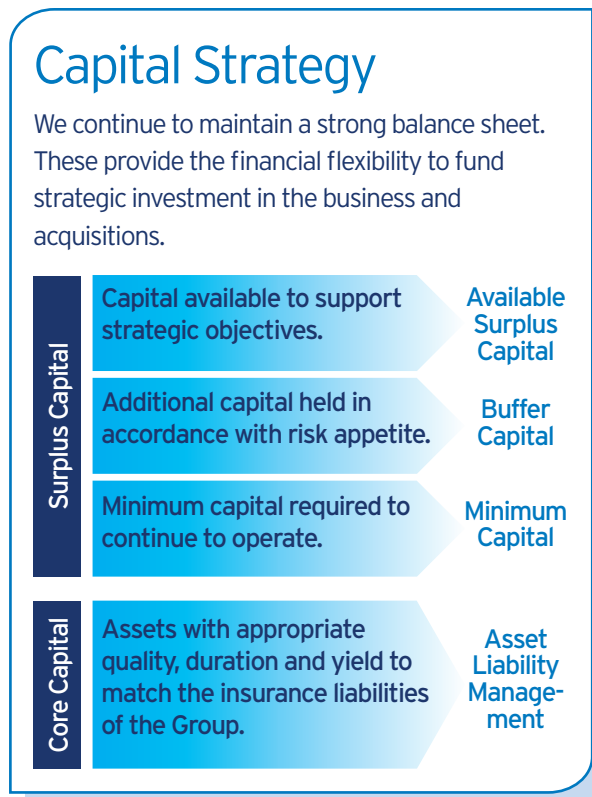
V CAPITAL MANAGEMENT

Capital needs and regulatory capital requirements

Eligible Capital

Over the past few years there have been significant changes to the regulatory regimes in the jurisdictions in which Argus operates. This resulted in some significant changes to the way capital is assessed and the amount of capital the Group was required to hold to support its operating entities. In several instances this has merely aligned the regulatory capital requirement with our own internal assessment of capital needs. Argus is pleased that our diligent capital planning means that, despite this raising of the bar, the Group remains in a healthy capital position. We continue to hold conservative buffers over and above that required by our regulators, leaving sufficient surplus capital available to support strategic growth.

The Group's capital base is structured to exceed regulatory targets, maintain satisfactory credit ratings, align the profile of assets and liabilities taking account of risks inherent in the business, provide flexibility to take advantage of growth opportunities and provide an adequate return to shareholders. Capital is managed on a consolidated basis under principles that consider all the risks associated with the businesses. It is also managed at the operating segment level under the principles appropriate to the jurisdiction in which it operates.



Management considers the capital requirements of the Group on a quarterly basis and advises the Executive Risk Management Committee through the Medium-Term Capital Plan (MTCP) of any surplus or deficit capital. The MTCP includes an analysis of the quarterly financial position of the Group, including the solvency requirements as prescribed by the Act. The Group maintains an internal capital target, and the MTCP will advise of measures to be taken to adjust surplus in order to achieve the internal target. The principles of the MTCP are considered in the business planning cycle.

The Argus Group and all Bermuda insurance subsidiaries hold only Tier 1 basic capital, the highest quality capital (i.e. fully paid shares, contributed surplus and statutory surplus) in accordance with the Eligible Capital Rules. The Group does not hold any Tier 2 or Tier 3 capital.

As at March 31, 2020:

- AGH has 25,000,000 authorised, with 21,325,000 issued and fully paid, (excluding treasury shares) common shares at par value \$1.00, and is traded on the Bermuda Stock Exchange
- 934,760 shares are held in treasury
- AGH has contributed surplus of \$53.5 million and statutory economic surplus of \$80.4 million
- Minority interest is \$123,000

All capital used to meet the Enhanced Capital Requirement (ECR) and Minimum Solvency Margins (MSM), are categorised as Tier 1 basic capital.

Eligible capital is not subject to transitional arrangements as required under the Eligible Capital Rules.

There are no factors affecting encumbrances on the availability and transferability of capital to meet the ECR.

The Group does not have any ancillary capital instruments that have been approved or otherwise by the Authority.

Reconciliation of Capital & Surplus – March 31, 2020						
\$000	AICL	BLIC	AILBL*	AILIL	BLW	AGH
IFRS Equity	25,612	62,290	2,879	1,315	1,286	122,266
Prudential filters:						
Prepayments	(72)	(937)	-	-	-	(2,181)
Intangible assets	-	-	(363)	-	-	(7,482)
Guarantees	(2,010)	-	-	-	-	(2,010)
Statutory Capital & Surplus	23,530	61,353	2,516	1,315	1,286	110,593
Adjustment for insurance reserves						
to net Technical Provisions	(966)	17,468	10,701	5,688	795	28,906
Fair value adjustment of assets	4,990	(1,266)	-	-	-	3,725
Economic Capital & Surplus	27,554	77,555	13,217	7,003	2,081	143,224

* AILBL is reported on a consolidated basis and includes AILIL and BLW.

Regulatory Capital Requirements

The MCM, ECR and Capital Coverage Ratio of the insurance entities regulated by the BMA are summarised in the table below:

\$000	MSM	ECR	Economic Capital and Surplus	Statutory Capital Coverage Ratio
Argus Group	31,860	46,876	143,224	306%
AICL	5,049	20,586	27,554	134%
BLIC	21,490	25,048	77,555	310%
AILBL*	500	946	13,217	1,397%
AILIL	500	500	7,003	1,401%
BLW	500	866	2,081	240%

* AILBL is reported on a consolidated basis and includes AILIL and BLW.

In accordance with the Eligible Capital Rules, the statutory economic capital and surplus is equal to the eligible capital used to meet the ECR and MSM requirements.

The Group uses the BMA's standard approach to calculate the capital requirements of the insurance entities regulated by the BMA, including Argus Group, and does not use an internal capital model to derive the ECR.

The year ending March 31, 2020, was the first year of a transition period to the BMA's new BSCR model. All entities exceed these revised regulatory requirements with current capital levels, assuming full transition to the new requirements.

VI SIGNIFICANT EVENTS

Dividends Post Year-End

Based upon the audited financial results of the Group for the year ended March 31, 2020, the Directors have declared an interim dividend of nine cents per share (2019 - nine cents per share) payable on August 28, 2020 for shareholders of record on July 27, 2020.

Acquisitions

The Group acquired a Bermuda-based primary care medical business effective June 30, 2020. The acquisition is in line with the Group's strategy to diversify its operations and develop a business model that drives up quality of healthcare while seeking to drive down costs.

The purchase consideration is subject to certain adjustments dependent on the persistency of the book of business. \$17.0 million was settled on June 30, 2020 while the remaining balance is payable over the next four years. The fair value estimate of the contingent consideration as of June 30, 2020 is \$6.6 million. The contingent consideration is based on the achievement of performance-related milestones and the range of undiscounted payment outcomes is between zero and \$8.5 million.

Global Pandemic

Many countries are experiencing the outbreak of the COVID-19 disease which was declared to be a global pandemic by the World Health Organization on March 11, 2020. The Group is monitoring the developments related to this pandemic closely and continues to evaluate its impact on the Group's business. Though the magnitude of the impact on the Group's financial performance as of March 31, 2020 was not significant, the full scale global economic impact post year end is currently uncertain and could be potentially significant to the Group.



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