



Further.  
Faster.

# Financial Condition Report

Financial Year End: March 31, 2021



ARGUS

Our Interest is You.

Argus Group Holdings Limited



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## EXECUTIVE SUMMARY

2021 has been another strong year of financial performance and growth in shareholders' equity. The Argus Group's business resilience and financial performance remained strong against a backdrop of global economic uncertainty. While a first, a second, and then a third wave of infection paralysed the world, and demands for social justice echoed across the continents and fissures of inequity opened in so many of our institutions, Argus celebrated our 70th anniversary, implemented a new operating model, enabled meaningful health care reform, and embarked on bold plans for profitable growth.

The operating earnings - which is our key measure of the profitability of the Group on an IFRS basis - is \$21.1 million for the fiscal year ended March 31, 2021 compared to \$19.1 million in the prior year.

Since March 2018, our shareholders' equity has increased from \$105.9 million to \$149.7 million as of March 31, 2021. During this time, we have returned \$15.3 million to shareholders through dividends. The growth in our shareholders' equity has been achieved through solid operating earnings, strategic acquisitions and revenue diversification, achieved while maintaining a high client retention rate and continued commitment to careful and diligent custodianship of policyholder and shareholder assets.

Our track record for increasing the shareholders' equity has been solid against a backdrop of challenging times. However, a strong balance sheet and careful capital management have allowed us to invest in our strategy to create long-term sustainable value and growth. In addition, our statutory capital remains well in excess of the capital required by regulators.

Our reported net earnings for the year to March 2021 is \$10.1 million compared with \$14.2 million in the prior year and total comprehensive income is \$30.7 million compared to \$3.6 million on an IFRS basis.

COVID-19 has materially affected many of the businesses and individuals we serve, and the Argus team has worked tirelessly to retain and acquire new clients through excellent client management and bespoke solutions for clients and industries hardest hit by the pandemic. Brexit became a reality and our businesses in Europe have had to navigate the long and complex process of operating on both sides of the Brexit divide, with Malta in the EU and Gibraltar in the UK.

Since 2018, the Argus Group has made some difficult decisions to put the Group on the path to sustainable, profitable growth. One of these decisions was to dispose of businesses that weren't a good strategic fit for the Argus Group.

We're pleased to announce that, subsequent to year end, the Group entered into an agreement to dispose of our private placement life business. The sale was completed on July 1, 2021.

This Financial Condition Report (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, 2021, 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 licensed 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, 2021.



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**Alison Hill**, FCMA, CGMA  
Chief Executive Officer



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**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, medical practices 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.

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### 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 the Family Practice Group, expanding and diversifying the Bermuda business model and ensuring accessibility and quality of care for Bermuda.

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### 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.

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### 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.

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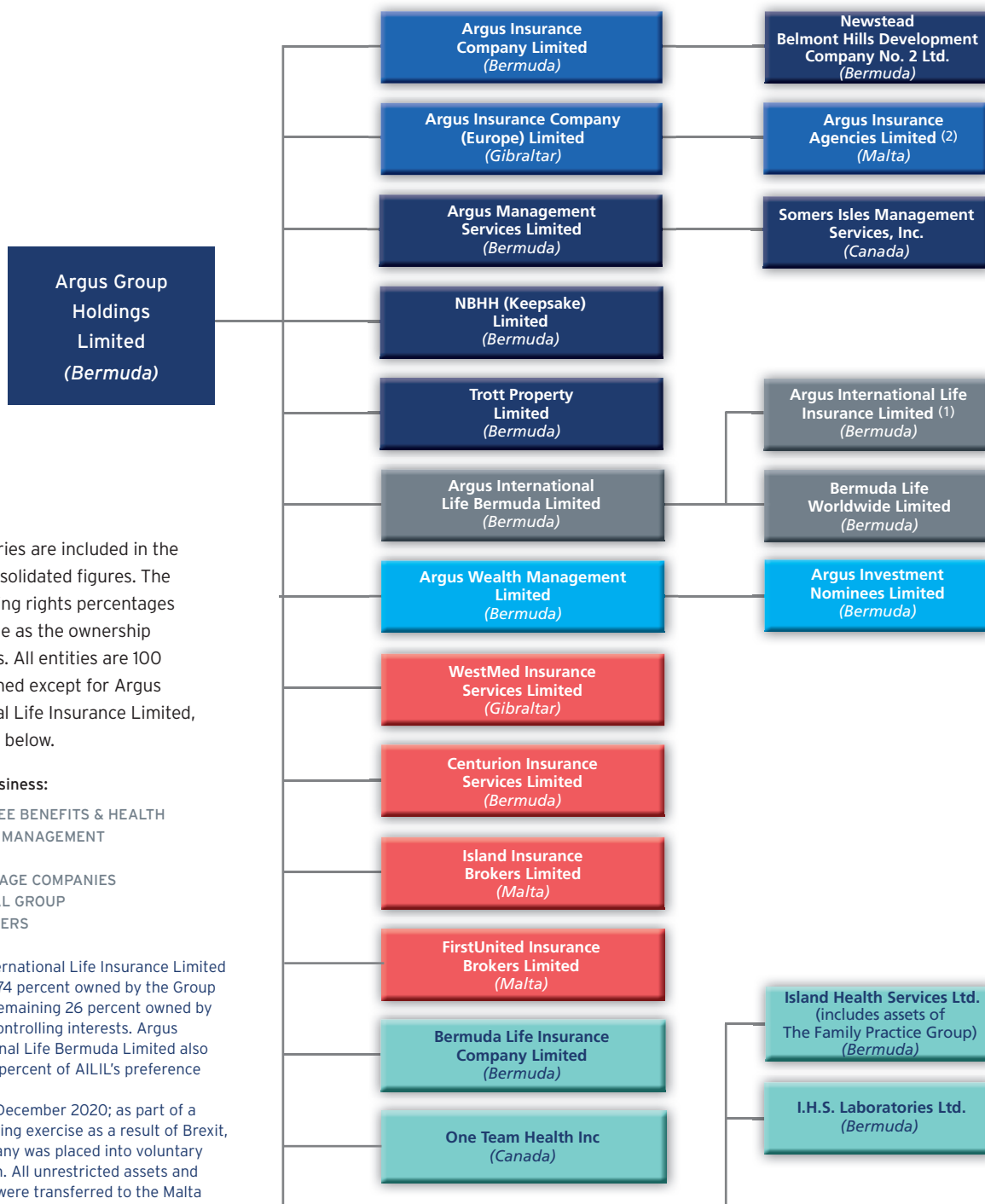
### Malta



In 2010, AGH acquired a strong, well-established insurance agency that has served Malta since 1966, now Argus Insurance Agencies Limited. In line with our strategy for growth and diversification, we acquired Island Insurance Brokers Limited in 2016 and FirstUnited Insurance Brokers in 2019. With these acquisitions, Argus becomes the largest insurance broker in Malta.

## Group Structure

The table below provides details of the major operating subsidiaries, which are directly and indirectly held by AGH at March 31, 2021.



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:

- EMPLOYEE BENEFITS & HEALTH
- WEALTH MANAGEMENT
- P&C
- BROKERAGE COMPANIES
- DISPOSAL GROUP
- ALL OTHERS

(1) Argus International Life Insurance Limited (AILIL) 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 AILIL's preference shares.

(2) Effective December 2020; as part of a restructuring exercise as a result of Brexit, the company was placed into voluntary liquidation. All unrestricted assets and liabilities were transferred to the Malta Branch of Argus Insurance Company (Europe) Limited. All remaining restricted assets and liabilities will be transferred upon completion of the windup.



## Operating Segments

The Group is organised into operating segments based on their products, services and geographical location. These operating segments mainly operate in the financial services industry. The Chief Executive Officer and the Board of Directors review the business and make strategic decisions primarily by operating segments. Effective April 1, 2020, the Group amended the structure of the reportable segments to reflect the geographical areas, the change in the management structure and internal financial reporting of the Group.

The Group's new reportable segments are as follows:

- (i) **Americas employee benefits and health** - comprised of health insurance, pensions, annuities, local life, long-term disability insurance and medical practices within the Americas region;
- (ii) **Americas wealth management** - including investment and asset management, and financial planning within the Americas region;
- (iii) **Americas property and casualty insurance** - including fire and windstorm (home and commercial property), all risks, liability, marine, motor coverage, employer's indemnity coverage and the related brokerage services in the Americas region;
- (iv) **Europe property and casualty insurance** - including fire and windstorm (home and commercial property), all risks, liability, marine, motor coverage, employer's indemnity coverage and the related brokerage services in Gibraltar;
- (v) **Europe brokerage companies** - comprised of insurance brokers in Malta; and
- (vi) **All other** - representing the combined operations of the remaining components of the Group comprising of management companies and a holding company.

## 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

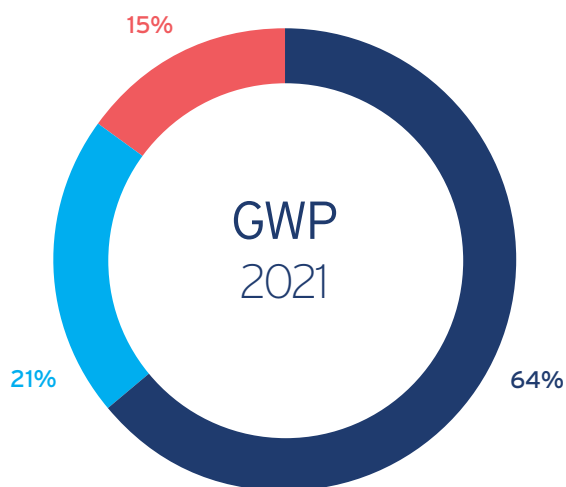
### Insurance Business

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. 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.

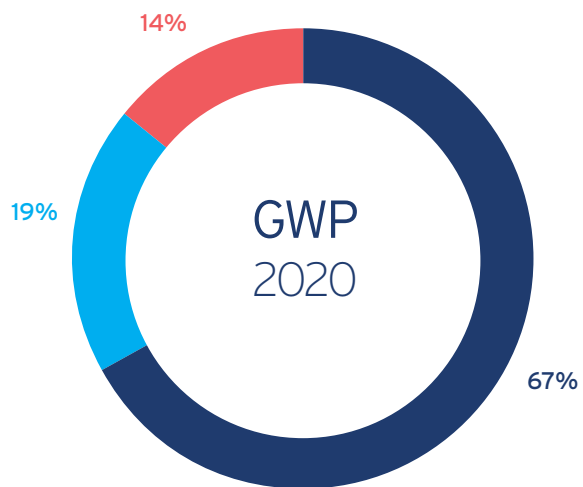
The Argus Group's consolidated gross written premiums by division and by geographical region for the years ending March 31, 2021 and 2020, are shown in the table below.

Consolidated Gross Written Premiums \$000	2021	2020
Americas employee benefits and health <sup>(1)</sup>	95,779	107,939
Americas wealth management	86	91
Americas property and casualty insurance	31,415	31,136
Europe property and casualty insurance	23,252	22,674
<b>Total</b>	<b>150,532</b>	<b>161,840</b>
Bermuda	127,280	139,166
Europe	23,252	22,674
<b>Total</b>	<b>150,532</b>	<b>161,840</b>

(1) Net of health premium rebates of \$5.0 million as discussed on pages 11 and 12.



- Americas employee benefits and health
- Americas property and casualty insurance
- Europe property and casualty insurance



- Americas employee benefits and health
- Americas property and casualty insurance
- Europe property and casualty insurance

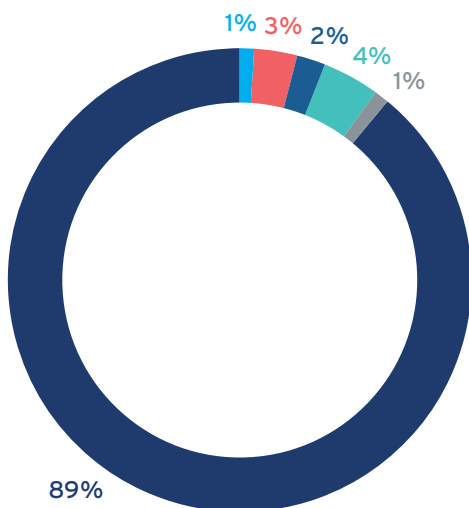
## Investments

Our commitment to careful and diligent custodianship of policyholder and shareholder assets is central to the Argus Group's investment philosophy. Our investment portfolio is designed to ensure funds are readily available to satisfy our 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.

During the year we have taken further steps to realise value from our remaining less liquid legacy assets and reinvested the proceeds in global securities in line with our Group investment policy statement. COVID-19 has profoundly affected global markets. During the last quarter of fiscal year 2020, we saw markets in turmoil as the impacts of the virus unfolded globally. However, the current fiscal year saw a rapid recovery in equity and credit markets as lockdown measures eased, and there were signs of economic recovery. Against this backdrop, the Group's portfolio generated positive returns. Combined investments generated a total return of \$32.0 million of which, \$13.4 million was reported on the statutory income statement and \$18.6 million of unrealised gains reported as statutory surplus.

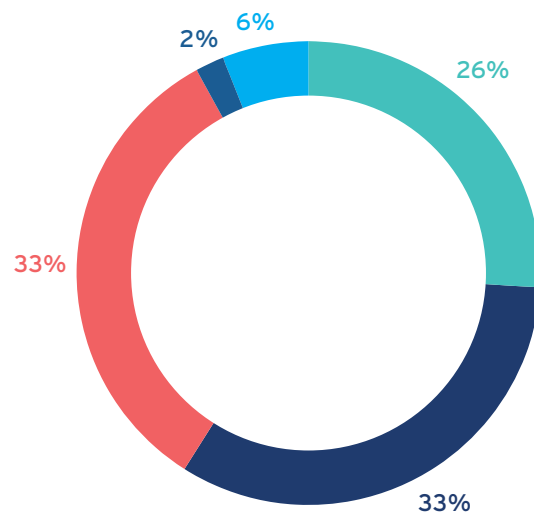
The Argus Group continues to hold a high quality, diversified, global investment portfolio. 89 percent of the Group's investments are in fixed income bonds, of which 98 percent are classified as investment grade.

INVESTMENT ASSETS AT 31 MARCH 2021



- Fixed income
- Assets held-for-sale
- Mortgages, Loans & Receivables
- Global Equities
- Investment Properties
- Bermuda Equities

FIXED INCOME PORTFOLIO RATINGS AT 31 MARCH 2021



- AAA
- AA
- A
- BBB
- BB or lower

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

\$000	Asset Balance 2021	Net Investment Income 2021	Weighted Percentage Return 2021
Fixed income	446,150	13,192	2.7%
Equities	18,981	369	0.1%
Derivatives	-	472	0.2%
Mortgages and loans	15,221	(238)	-0.1%
Investment property	7,139	411	0.1%
Investment in associates	3,093	261	0.1%
Allocations	-	(1,364)	-%
<b>Total</b>	<b>490,584</b>	<b>13,103</b>	<b>3.1%</b>

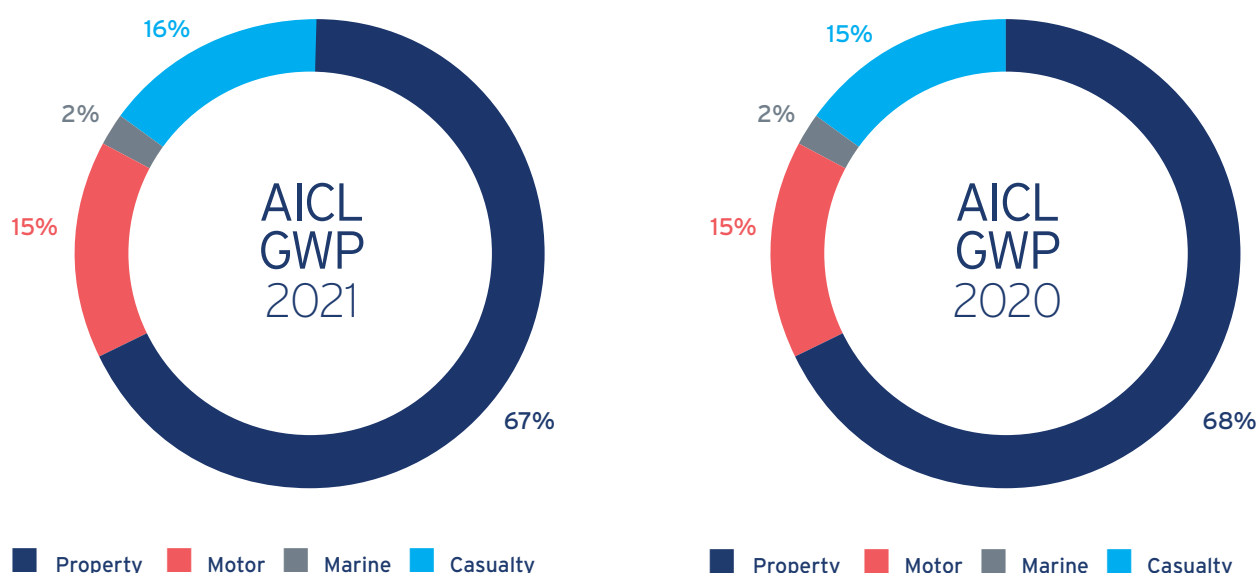
Above balances were prepared on statutory financial basis.

### 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, 2021 and 2020 are as follows:

Gross Written Premiums \$000	2021	2020
Property	21,353	21,255
Motor	4,759	4,692
Marine	627	612
Casualty	5,024	4,578
<b>Total</b>	<b>31,763</b>	<b>31,137</b>
Bermuda	31,763	31,137



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

\$000	Asset Balance 2021	Net Investment Income 2021	Weighted Percentage Return 2021
Fixed income	16,505	219	0.8%
Equities	4,899	256	1.0%
Investment property	2,399	(530)	-2.0%
Investment in associates	3,093	262	1.0%
Other*	-	214	-%
<b>Total</b>	<b>26,896</b>	<b>421</b>	<b>0.8%</b>

\*Rental income, bank interest and other

### Bermuda Life Insurance Company Limited (BLIC)

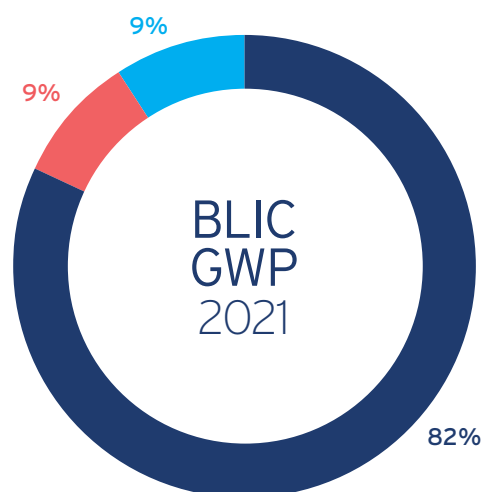
BLIC is a wholly owned subsidiary of AGH, writing business for both group and individual clients. The lines of business include health, life and disability insurance, in addition to offering pension and annuity products. Argus is the market leader in employee benefits, providing innovative and progressive 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.

In March 2021, BLIC launched a \$5.0 million premium rebates scheme for qualifying groups and individual policyholders in recognition of the impact COVID-19-related restrictions have had to health care access. The premium rebates measurement criteria, period of measurement applied to determine the qualified policyholders and the basis of allocation were approved by the BLIC Board. The premium rebates measurement criteria consider the policyholders' loss ratio experience and policy renewal condition. The amounts will be refunded in equal monthly installments over the policy year, with the amounts netted against the monthly premiums due from the policyholders.

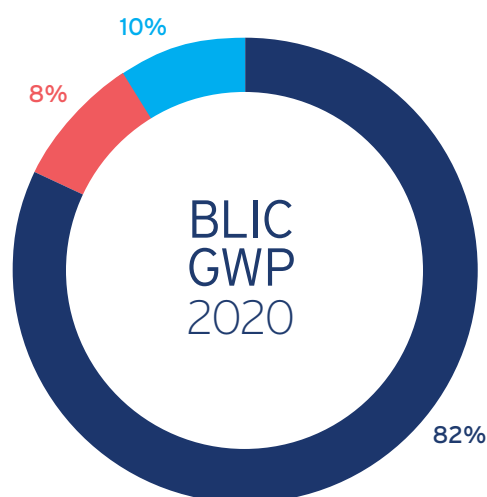
The premium rebates scheme, the June 2019 Bermuda hospital financial reform, and a reduction in the insured health population were the primary drivers for the decline in the Health insurance premiums.

Annuity premiums decreased during the year as a result of legislative changes and low interest rates.

Gross Written Premiums \$000	2021	2020
Health	79,731	89,151
Life	8,594	8,623
Annuities	8,362	11,137
<b>Total</b>	<b>96,687</b>	<b>108,911</b>
Bermuda	96,687	108,911



■ Health ■ Life ■ Annuities



■ Health ■ Life ■ Annuities

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

\$000	Net Asset Balance 2021	Investment Income 2021	Weighted Percentage Return 2021
Fixed income	398,657	12,310	3.0%
Equities	6,785	69	0.1%
Derivatives	-	(120)	-%
Mortgages & loans	15,221	56	-%
Investment property	500	1,846	0.4%
Other*	-	2	-%
Impairments	-	(238)	-%
Allocations	-	(1,364)	-%
<b>Total</b>	<b>421,163</b>	<b>12,561</b>	<b>3.5%</b>

\* 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. This division operates as a private placement life insurance business and is 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. Subsequent to the year ended March 31, 2021, the Group entered into a Sales and Purchase Agreement with an unrelated party and the sale was completed on July 1, 2021.

### 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, 2021 and 2020 for both AILBL and AILIL. The total gross premium written for BLW was \$86,000 and \$91,000 for the years ended March 31, 2021 and 2020 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 2021	Net Weighted Percentage Return	Asset Balance	Investment Income 2021	Net Weighted Percentage Return	Asset Balance	Investment Income 2021	Net Weighted Percentage Return
Fixed income	-	-	-	-	-	-	10,084	325	2.6%
Equities	-	-	-	-	-	-	3,163	81	0.7%
Other*	-	344	-	-	3	-	-	2	-
<b>Total</b>	-	344	-	-	3	-	13,247	408	3.3%

\* 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. Commission and fee income includes \$39.7 million comprising fees for service generated by our pensions, insurance brokerage, health administration, medical practices, and wealth management businesses.

Effective June 30, 2020, Island Health Services (including the Family Practice Group assets) and I.H.S Laboratories became wholly owned subsidiaries of Argus Group Holdings Limited. The acquisition of these Bermuda-based medical practices is in line with the Group's strategy to diversify its operations and create a better health partnership. This acquisition of medical practices in Bermuda and the acquisition of a brokerage business in Malta in September, 2019, resulted in a significant increase in the Group's fee income during the year.

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, 2021, the combined operating ratio for the insurance businesses within the Group was a healthy 70.4 percent compared with 80.8 percent for the year ended March 2020. Insurance claims for the year were notably lower than normal, primarily due to lower economic activity caused by the COVID-19-related lockdowns and travel restrictions. Limitations to health care access during the first wave of COVID-19 (notably, elective overseas medical procedures) and cost containment measures undertaken following the acquisition of One Team Health, contributed to the decrease in the insurance claims during the year.

It is anticipated that underutilisation during periods of shelter-in-place or travel restriction will cause an uptick in claims over the coming years, as many procedures have been deferred rather than cancelled.

The Group is analysing emerging health data to understand the potential for an increase in the frequency or severity of future health claims as a consequence of the lower utilisation of standard and preventative benefits during the past year.

Bermuda experienced a busy 2020 hurricane season. Hurricane losses incurred during the year from Hurricanes Paulette and Teddy were mitigated by our robust reinsurance programme.

We remain committed to the careful and judicious management of operating expenditure. Our recent acquisitions have added to the overall operating cost base of our core business by \$14.0 million when compared to the prior year. Elsewhere in our operations, we have taken meaningful steps to reduce the ongoing cost of doing business. These steps include investments in technology that enable the ongoing digitisation of product and service delivery.

Other material income and expenses for the Bermuda regulated insurance subsidiaries for the years ending March 31, 2021 and 2020 are as follows:

Other Material Income & (Expenses) for 2021 \$000	AICL	BLIC	AILBL	AILIL	BLW	Argus Group
Commission and fee income	9,405	14,358	2,157	1,989	-	53,043
Net benefits and claims	(3,008)	(72,901)	(66)	(135)	(511)	(79,959)
Commission expenses	(1,589)	(504)	(80)	(184)	-	(6,352)
Operating expenses, amortisation and depreciation	(6,650)	(27,511)	(1,374)	(429)	(197)	(79,760)



Other Material Income & (Expenses) for 2020 \$000	AICL	BLIC	AILBL	AILIL	BLW	Argus Group
Commission and fee income	6,919	14,339	2,101	2,182	-	36,324
Net benefits and claims	(5,360)	(84,729)	143	(4)	360	(94,970)
Commission expenses	(1,446)	(542)	(145)	(184)	-	(5,568)
Operating expenses, amortisation and depreciation	(7,060)	(26,144)	(1,670)	(514)	(258)	(64,160)

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

Three years ago, the Board and Management team made some difficult decisions to position the Argus Group for long-term profitable, sustainable growth. The obstacles to achieving this growth were identified and a plan for addressing the issues was outlined.

At the start of the fiscal year 2022, the Argus Group has removed the obstacles - all the more meaningful because of the dire impact the last 18 months has had on global health care systems, the insurance industry and capital markets.

Of particular note:

- The Argus Group sold legacy assets, reinvesting the proceeds to fund our growth and diversification plans.
- Business units were reorganised to better support the Argus Group's development as a global company, embedding a commitment to operational efficiency throughout the Group and leveraging product and service digitisation to accelerate the execution of business plans.
- Established a thriving client administration operation in Canada and the Argus Group is the largest employee benefits provider in Bermuda.

Having "cleared the decks," so to speak, over the last three years, the Argus Group believes that the components for building a profitable global company are firmly in place. While the impact of COVID-19 will be with us for some time to come, the obstacles to Argus Group's growth have largely been removed.

As a result, Argus can deliver on an accelerated pace of growth and change - going further, faster in executing the plans - over the next three years:

- We've entered the 2022 fiscal year with a laser focus on delivering meaningful value to everyone who invests in, works for and does business with the Argus Group.
- We remain committed to reinvesting in the business - balancing profitability, risk, growth, and strategic investments.
- We continue to deliver on our goal of increasing returns on equity, growing book value per share and improving the quality of our assets. It has been heartening to see some of this reflected in the share price which has approximately doubled in the last twelve months.

Because of the Argus Group's sound growth strategy and now 71-year heritage, we have been able to adapt quickly to the seismic economic and societal shifts of the past year. Nothing deterred us - not even a global pandemic - from our goal of building a global profitable, sustainable company that puts people at the heart of every decision we make.

**For our shareholders,** we delivered attractive net earnings of \$10.1 million, and declared dividends of \$3.9 million with a dividend yield of 5.9 percent, resulting in a dividend yield of 4.2 percent based on the closing share price as of March 31, 2021. Our share price has climbed to a high of \$5 over the period, better reflecting the value of our business. We also intensified our focus on providing clear and frequent communications so that current and potential shareholders and investors understand and are excited by our plans.

**For our customers,** our ongoing investment in digitisation helped us to provide better, more customised service for our health care and wealth management clients. Our impressive market growth in Europe, coupled with our high retention and expansion of product offerings to existing clients in Bermuda, has reinforced our reputation for being a client-centric company.

Our broad-based response to the global pandemic included rapid product development as well as financing measures to support our loyal clients through severe economic challenges.

**For our colleagues,** our ongoing commitment to providing a highly engaging and rewarding workplace was underscored in our annual survey by 83 percent of our employees noting they were engaged and 80 percent would recommend Argus as a great place to work. For the sixth consecutive year, these scores place Argus in the top five percent measured against the Decisionwise global benchmark of 30 million responses.

**For our communities,** we continued to work with local partners to promote social and economic development. We care about the communities in which we do business and strive to maintain the relationships we've established in Bermuda, Canada, Malta and Gibraltar. In our ESG report as featured in the 2021 annual report, there are examples of how we supported dozens of non-profit organisations and the manner in which we have been, and will continue to be, a prominent and active government ally in the fight against COVID-19. We were at the forefront in our support of government-led vaccination programmes, deploying manpower, donating funds to make sure these critical initiatives were successful and providing pro-bono primary care.

### **Our Better Health Partnership**

Through the acquisition of these two Bermuda-based medical practices in June 2020, as well as the acquisition of One Team Health, our Canadian-based care and network management business, we have created a truly unique healthcare ecosystem focused on delivering quality integrated health care solutions that encourage healthy outcomes while managing health cost inflation and overutilisation of treatments. The Argus Group is shifting the health care paradigm from sick care to health care, from illness to wellness, from treatment to prevention.

### **Global Growth**

While Argus Americas' signature achievement was the Better Health Partnership, Argus Europe continued to implement plans for the region's growth and diversification through product and distribution development.

A key aspect of this planning was the work done in Malta to prepare for the merger of two local brokerages. During the fiscal year of 2022, these two businesses - Island Insurance Brokers Limited and FirstUnited Insurance Brokers Limited - will merge to form the largest and fastest growing broker in Malta.

This merger is very much part of our intention to leverage our existing broking capabilities in the Maltese market to further diversify, expand and strengthen our international presence in Europe. Our goal is to become a professional, customer-obsessed, digitally enabled, risk advisory broker in existing and new markets.

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, enabling us to better understand, provide and deliver for our clients, embracing initiatives in Better Health Partnership and expanding globally. From this position of strength, we are able to move forward with confidence and compassion.

### 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	2020
BLIC	A- (Excellent)	a-	Stable	2020
Argus Group		bbb-	Stable	2020

In December 2020, 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. <sup>(1)</sup>

(1) [https://news.ambest.com/presscontent.aspx?altsrc=9&RefNum=30227&URatingId=2657219&\\_ga=2.104152322.305635806.1629074723-374087263.1629074723](https://news.ambest.com/presscontent.aspx?altsrc=9&RefNum=30227&URatingId=2657219&_ga=2.104152322.305635806.1629074723-374087263.1629074723)

## 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 take advantage of opportunities which 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.

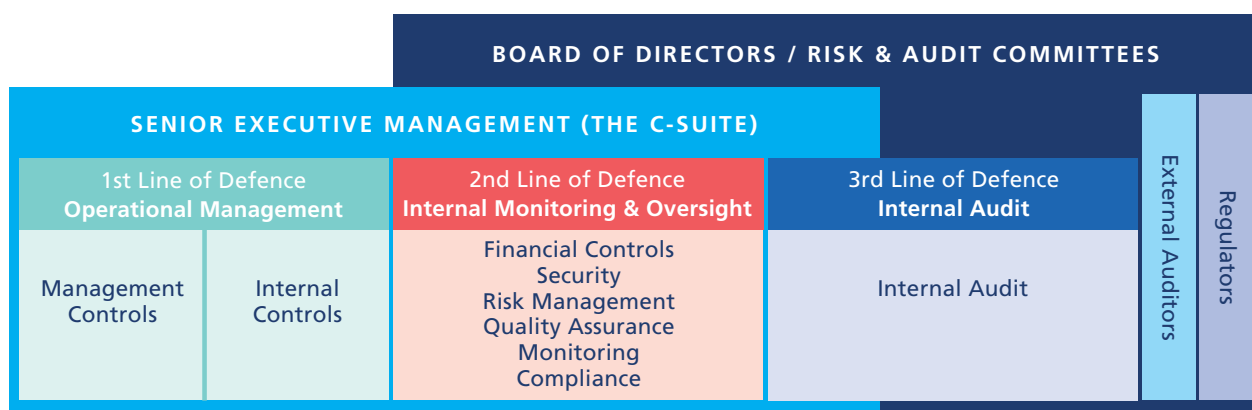
The Group prioritises the development of a forward-looking risk management framework to deal appropriately with changes in the economic, social and regulatory environment in which it operates. The risk management deployed by the Group is based on the principles set down below, which are aligned with 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 set out the risk profiles for the Group, to ensure appropriate quality and diversification of assets, and alignment of underwriting and reinsurance strategy, with 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 its stakeholders 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 the account current and prospective economic, financial, regulatory and political environment.

## **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.

### **Group 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 Bermuda Insurance Code of Conduct, the Bermuda Investment Business Act, and any and all other relevant legislation and/or advisories as applicable in each operating 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. The mandates of the Committee are implemented via Regional (Americas and Europe) Risk Management Committees.

## 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 November 26, 2020.

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, 2021, AGH paid a total dividend of \$3.9 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, 2021:

- AICL paid a dividend of \$5.0 million to AGH
- BLIC paid a dividend of \$30.0 million to AGH
- BLW paid a dividend of \$0.3 million to AILBL

### **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, 2021, are listed below:

**Executive Director**

Alison S. Hill

**Non-Executive Directors**

Peter R. Burnim

Everard Barclay Simmons

Timothy C. Faries

David A. Brown

Sheila E. Nicoll

Kim R. Wilkerson

Paul C. Wollmann

Keith W. Abercromby

Barbara J. Merry

Constantinos Miranthis - *appointment did not take effect until April 12, 2021*

Garret P. Curran - *appointment did not take effect until April 12, 2021*

**Officers**

Sheila E. Nicoll *Chair*<sup>(1)</sup>

Peter R. Burnim *Deputy Chair*

Alison S. Hill *Chief Executive Officer*

Peter J. Dunkerley *Chief Financial Officer*

Simon J.A. Giffen *Chief Investment & Governance Officer*

Elizabeth A. Hutton *Head of Corporate Services*

<sup>(1)</sup> Effective April 1, 2021, David A. Brown was appointed as the Chairman and succeeded from Sheila E. Nicoll.

**Chair - Sheila E. Nicoll, FCII**

*Chief Operating Officer, Sirius Bermuda Insurance Company, Ltd. (retired May 2021)*

Ms. Nicoll has been a member of the Argus Group Holdings Limited Board of Directors for 15 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 three 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*

Mr. Brown has almost 40 years' experience in the insurance industry including a number of CEO and Chairman roles. Mr. Brown has also served on the Boards of numerous private and public companies. He is currently the Chairman of Hamilton Re, Ltd. and also serves on the Board of Hamilton Insurance Group, where he recently became chair of the Underwriting Committee after serving several years as Chair of the Finance & Governance Committee. Mr. Brown is on the Board of Bermuda Commercial Bank and is currently acting as Interim Chairman. He recently stepped down after 20 years as Chairman of the Bermuda Stock Exchange, where he remains Deputy Chairman and has also recently joined the Board of one of the main exchanges operated by Miami Stock Exchange. Mr. Brown is a Fellow of the Institute of Chartered Accountants (UK) and a member of 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 11 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 seven 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 nine 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 six years, from 2011 to 2015, and 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 three 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 seven 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.

**Garret P. Curran**

*Managing Director, Equilibria Capital Management.*

Mr. Curran is an adviser and investor specialising in financial services, technology and real estate. He is currently Managing Director of Equilibria Capital Management, Madrid; Independent non-executive director of Santander UK; Board member of Les Trois Rocs SA, Verbier; senior adviser to Quant Insight and Cambridge Machines Asset Management. He is also a member of the Campaign Advisory Group to St. Catharine's College, Cambridge University. Mr. Curran previously spent 22 years in investment banking in a variety of positions in London and New York. Most recently, he was CEO of Credit Suisse in the UK and the bank's Chief Client Officer in EMEA, whilst also managing and supervising their Global Markets, EMEA client business, with responsibilities spanning strategy, operational management, supervision, culture and senior client relationships. He frequently represented the bank in public forums and conferences, (World Economic Forum, Eurofi, The Economist Future of Banking summit) and was a Board member of Credit Suisse UK Ltd. Prior to Credit Suisse, Mr. Curran held a variety of senior managerial roles at Dresdner Kleinwort, having worked previously at both UBS and Bankers Trust.

**Constantinos Miranthis, MA**

*Independent Director*

Mr. Miranthis is an insurance and reinsurance industry veteran. He is a former President and CEO of PartnerRe, a leading global reinsurance group with a diverse book of business. Prior to joining PartnerRe, Mr. Miranthis was a principal of Tillinghast-Towers Perrin in London with responsibility for the European non-life actuarial consulting practice. He is currently a non-executive director of the specialty insurance group Hiscox Ltd., and of the life reinsurer Pacific Life Re. Mr. Miranthis has served on a number of industry associations including being a past chair of the Reinsurance Advisory Board of Insurance Europe. Mr. Miranthis holds an MA in Economics from Cambridge University and is a member of the Institute and Faculty of Actuaries.

**Argus Group Holdings Limited - Officers****Chair - Sheila E. Nicoll, FCII**

*See previous listing.*

**Deputy Chair - 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 CPA Bermuda.

**Simon J.A. Giffen, CFA***Chief Investment & Governance Officer*

Mr. Giffen joined the Argus Group in 2014 and is a member of the executive leadership team. He leads a team responsible for the Argus Group's investment portfolio and the Treasury function, along with investor relations, investor services and board governance. Prior to joining the Argus Group, Mr. Giffen worked for five years at Gray Philanthropies Limited and Orbis Investment Management Limited in a family office role advising the Chairman, Allan Gray. Previously, Mr. Giffen worked at HSBC Bermuda and its predecessor, Bank of Bermuda, for 11 years in a variety of roles dealing with high net worth and institutional clients.

**Elizabeth A. Hutton***Head of Corporate Services and Company Secretary*

Ms. Hutton is a US licensed attorney and former insurance industry executive with 15+ years of governance and compliance experience in varied industries including non-profit healthcare and finance. Ms. Hutton was a law clerk to a US federal judge for the US District Court of New Jersey and worked as a litigation associate at two New Jersey law firms. Ms. Hutton worked at AIG from 1996 to 2002 and served in several capacities (in New York and Bermuda). She later worked as VP and Claims Counsel for the Financial Claims department of Starr Excess (Bermuda). She later served for 12 years as Claims Counsel and Company Secretary to Deloitte & Touche's captive professional indemnity re/insurers, and most recently served at the Bermuda Hospitals Board as Interim Company Secretary.

**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)		•	•		•
Peter Lozier (CEO, Americas Region)	•			•	
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)	•	•	•		•

• Chair

The following Director resignations and appointments occurred during the year ending March 31, 2021:

Peter Lozier was appointed to the BLIC Board effective August 28, 2020.

John Doherty retired as a Non-Executive Director to the AICL Board with effect from August 27, 2020, and was succeeded by Peter Lozier.

## Bermuda Insurer Directors not already included under AGH

### Peter Lozier

*Chief Executive Officer, Argus Americas*

Mr. Lozier joined Argus in 2018 as Executive Vice President of Group Insurance and was appointed Chief Executive Officer - Argus Americas in 2020. He has over twenty-five years of experience in senior and executive leadership roles in the healthcare industry and has had a longstanding partnership with the Argus Group for more than 20 years. Prior to that, Mr. Lozier managed the Argus Health overseas network known as the Canadian Medical Network. He has also worked for and supported local health care companies and organisations for most of his professional career, including the Bermuda Hospitals Board, Government Employee Health Insurance, Future Care and Lady Cubitt Compassionate Association.

### 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 Group 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 is 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: underwriting, investment, liquidity, concentration, market and credit, system and operational, strategic, 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 2021-2022 budget.

Per the Board-approved Terms of Reference of the Group Risk Management Committee, the working groups and Regional Risk Management Committees meet on a monthly basis and reports their activities to the Group Risk Management Committee every other month. The Group Risk Management Committee reports to the Board's 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 Group Risk Management Committee and Asset Liability Management Committee and its 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 Group Risk Management Committee.

Management considers the capital requirements of all its insurance entities on a quarterly basis, and advises the Group 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 regulators. 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 Group Risk Management Committee with final approval by the Audit and Risk Committees of the Board. 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.

## **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 Chief Group Compliance and Audit Officer 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 Chief Group Compliance and Audit Officer 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 Chief Group Compliance and Audit Officer 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 Chief Group Compliance and Audit Officer 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 the 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 governs 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 Group 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, and accretive to value when viewed over the long term; the Company has no appetite for unrewarded risks.
- Risks are only accepted to the extent that they are consistent with, and contribute to, the achievement of the Company's mission and the execution of its strategy.
- Risks are only undertaken where the Company has the demonstrable expertise to manage them.
- Risks tolerances (and more granular risk limits) are set to manage the Company's aggregate exposure to risk in accordance with the Company's appetite, so that adverse outcomes can be absorbed without jeopardising the Company's mission.
- Actual levels of risk versus risk tolerances are monitored on an ongoing basis, and business plans are adapted to the extent required to stay within tolerances.

#### 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 annuity past and emerging experience. The volume of the Group's life insurance and annuity business is not sufficient to fully 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 Group 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 Group Risk Management Committee 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 over the past few years and substantially reduce the Group's concentration in certain equity holdings.

## 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, claims stresses, extreme expense inflation, reduction in future business volumes, and operational risk stresses. In 2020 and 2021, a severe impact of the COVID-19 pandemic was also tested.

The results of the Group's own risk and solvency assessment are presented to, challenged and approved by the Group 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, 2021, the total Technical Provisions for the Argus Group amounted to \$432.9 million:

Argus Group \$000	2021			2020		
	General Business	Long-Term Business	Consolidated	General Business	Long-Term Business	Consolidated
Net premium provisions	(160)	-	(160)	985	-	985
Net loss and loss expenses	24,396	402,281	426,677	23,919	390,459	414,378
Risk margin	1,258	5,109	6,367	1,169	5,341	6,510
<b>Total</b>	<b>25,494</b>	<b>407,390</b>	<b>432,884</b>	<b>26,073</b>	<b>395,800</b>	<b>421,873</b>

As at March 31, 2021, the total Technical Provisions for AICL amounted to \$5.0 million:

AICL \$000	2021	2020
	General Business	General Business
Net premium provisions	(477)	158
Net loss and loss expenses	5,173	4,896
Risk margin	279	261
<b>Total</b>	<b>4,975</b>	<b>5,315</b>

As at March 31, 2021, the total Technical Provisions for BLIC amounted to \$407.2 million:

BLIC \$000	2021			2020		
	General Business	Long-Term Business	Consolidated	General Business	Long-Term Business	Consolidated
Net premium provisions	(3,286)	-	(3,286)	(2,493)	-	(2,493)
Net loss and loss expenses	6,441	399,121	405,562	7,722	390,290	398,012
Risk margin	49	4,884	4,933	58	5,163	5,221
<b>Total</b>	<b>3,204</b>	<b>404,005</b>	<b>407,209</b>	<b>5,287</b>	<b>395,453</b>	<b>400,740</b>

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, 2021 amounted to (\$0.8 million).

AILBL \$000	2021			2020		
	Consolidated	AILIL	BLW	Consolidated	AILIL	BLW
Net premium provisions	-	-	-	-	-	-
Net loss and loss expenses	(910)	(5,269)	7,759	(3,462)	(5,658)	6,511
Risk margin	65	7	83	223	20	83
<b>Total</b>	<b>(845)</b>	<b>(5,262)</b>	<b>7,842</b>	<b>(3,239)</b>	<b>(5,638)</b>	<b>6,594</b>

### 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

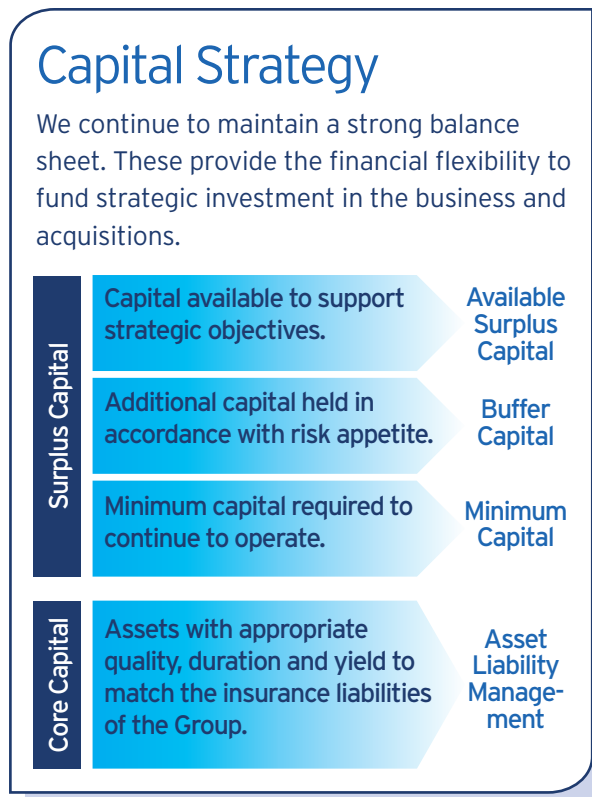
### Capital needs and regulatory capital requirements

#### Eligible Capital

Argus is pleased that through our diligent capital planning 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 Group 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 regulator. 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, 2021:

- AGH has 25,000,000 authorised, with 21,558,307 issued and fully paid (excluding treasury shares) common shares at par value \$1.00, and is traded on the Bermuda Stock Exchange
- 892,917 shares are held in treasury
- AGH has contributed surplus of \$54.0 million and statutory economic surplus of \$63.9 million
- Minority interest is \$135,000

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, 2021						
\$000	AICL	BLIC	AILBL*	AILIL	BLW	AGH
<b>IFRS Equity</b>	<b>30,263</b>	<b>63,719</b>	<b>3,984</b>	<b>1,361</b>	<b>2,587</b>	<b>149,857</b>
Prudential filters:						
Prepayments	(76)	(2,129)	-	-	-	(5,507)
Intangible assets	-	-	(112)	-	-	(28,335)
Guarantees	(1,907)	-	-	-	-	(1,905)
<b>Statutory Capital &amp; Surplus</b>	<b>28,280</b>	<b>61,590</b>	<b>3,872</b>	<b>1,361</b>	<b>2,587</b>	<b>114,110</b>
Adjustment for insurance reserves						
to net Technical Provisions	(428)	9,594	8,545	5,312	(347)	19,322
Fair value adjustment of assets	3,738	(633)	-	-	-	2,257
<b>Economic Capital &amp; Surplus</b>	<b>31,590</b>	<b>70,551</b>	<b>12,417</b>	<b>6,673</b>	<b>2,240</b>	<b>135,689</b>

\* 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	30,883	44,759	135,689	303%
AICL	4,661	18,643	31,590	169%
BLIC	20,071	22,849	70,550	309%
AILBL*	500	1,216	12,417	1,022%
AILIL	500	500	6,673	1,335%
BLW	500	1,221	2,240	183%

\* 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, 2021, the Directors have declared a dividend of ten cents per share (2020 - nine cents per share) payable on August 27, 2021 for shareholders of record on July 28, 2021.

### *Divestment*

On May 27, 2021, the Group entered into a Sales and Purchase Agreement (SPA) with an unrelated party for the sale of the International Life Division, which includes Argus International Life Bermuda Limited and its subsidiaries, Argus International Life Insurance Limited and Bermuda Life Worldwide Limited. The sale was completed on July 1, 2021. The full settlement of the sale price consideration is subject to certain conditions of the SPA being met by both parties on or before September 30, 2021. The total consideration for the sale of the Division is \$5.9 million.

### *Global Pandemic*

In early 2020, many countries experienced an outbreak of the COVID-19 disease, which was later declared to be a global pandemic by the World Health Organization. Measures adopted by governments in countries worldwide to mitigate the spread have significantly impacted the global economy, which could deepen if the pandemic is prolonged. The Group continues to monitor and evaluate the impact of the pandemic on its business which, includes stress and scenario testing, and implementing processes for the continuation of operations and to support the well-being of our customers, employees, and broader communities. The risks associated with the COVID-19 pandemic are being managed in accordance with the Group's existing risk management framework. Business continuity plans are in effect across the Group, with a significant majority of employees continuing to work remotely to provide service to customers and maintain operations and technology functions. The Group's statutory capital remains well in excess of its minimum regulatory requirements and has sufficient margin to absorb the potential impact of this event.





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