



September 2016  
Six-Month Report

  
**ARGUS**  
Our Interest is You.

## Our Vision

Our vision is to be the first choice for insurance, retirement and financial services in our target markets. We want to be a model of integrity and excellence, benchmarked to global best practices, for all of our stakeholders.

## Our Mission

We are committed to being a leader and to enlighten and accelerate our stakeholders on the path to well-being in the communities that we operate. We are committed to being a true partner in providing our clients with financial security and peace of mind through innovative solutions that provide excellent value.

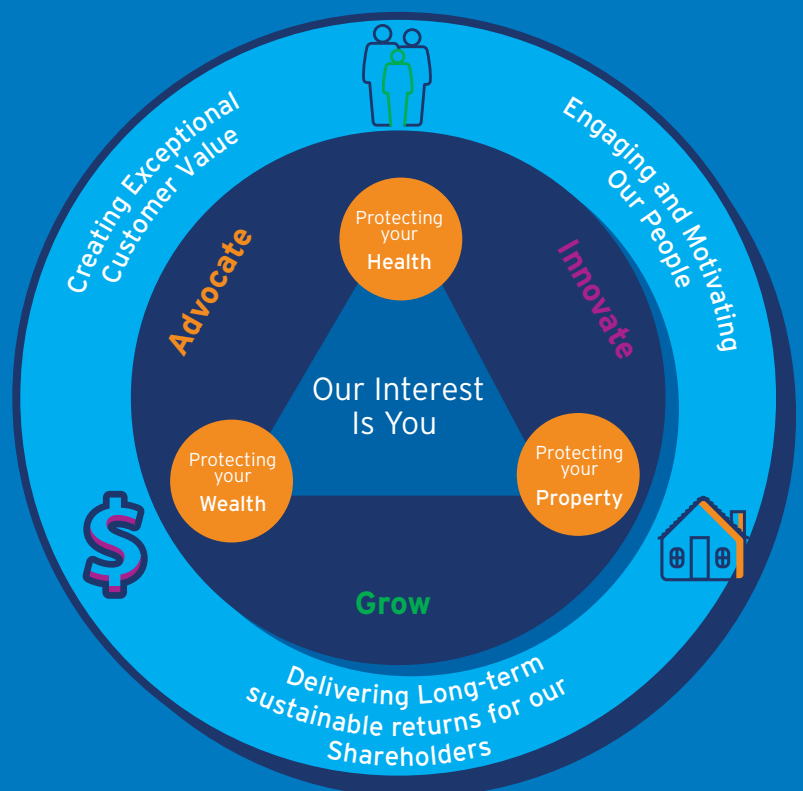
# Today. Tomorrow. Always.

## Our Values

Integrity  
Fairness  
Excellence  
Respect  
Professionalism  
Teamwork

## Our Purpose

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



## Contents

“We are fortunate to have many loyal and valued clients and it is these long-term partnerships that allow us to deliver the value our clients need whilst generating sustainable income for our shareholders. Our customer-centric approach to doing business has won us several new valuable clients for our employee benefits business and secured long-term relationships for many more.”

Peter Dunkerley, CFO

Our Value.....	2
Our Promise.....	3
Our Products & Services.....	4
Key Performance Highlights.....	5
Report to Shareholders.....	6
Condensed Consolidated Balance Sheet.....	8
Condensed Consolidated Statement of Operations.....	9
Condensed Consolidated Statement of Comprehensive Income.....	10
Condensed Consolidated Statement of Changes in Equity.....	11
Condensed Consolidated Statement of Cash Flows.....	12
Notes to the Condensed Consolidated Financial Statements.....	13
Board of Directors and Group Management.....	27
Directors of Principal Operating Subsidiaries.....	28

## Our Value

### Customer Value

We focus on providing real benefit to our customers by delivering market-leading flexible solutions and high quality service of excellent value. Delivering on our brand promise “Our Interest is You” is core to our culture and central to our role as a trusted partner in navigating through everyday challenges and supporting long-term success.

#### Advocacy

Our aim is to be the pioneer in affecting change and action to improve the lives of the residents in Bermuda, Gibraltar and Malta where we operate. We seek to act as an innovative advocate on community well-being and as a thought leader in the legislative reform of Employee Benefit services to the advantage of all stakeholder interests across our industry.

#### Growth

We will continue to focus on growth opportunities by expanding into related business products and services in relevant markets to enhance our long-term, sustainable profitability. We leverage our extensive experience and knowledge across our team whilst collaborating with best-in-class global partners to remain in line with international best practice and emerging trends.

#### Innovation

We are dedicated to promoting collaboration and innovation throughout the company. Our focus is to deliver exceptional service for our customers, setting Argus apart as a leader in the marketplace. This involves a proactive and agile approach to innovation and decision-making, encouraging different ways of working and getting the right balance between technology and personal contact to improve the experience of our customers, employees, business partners and stakeholders.



### Shareholder Value

We seek to generate attractive long-term returns on shareholder's capital whilst managing short-term volatility. Delivering on our customer promise is fundamental to generating sustainable value: we never compromise on our ability to deliver on our commitments.

#### Earnings

Our business model is based on delivering earnings from both operational and investment performance. To build sustainable earnings we are broadening our business mix both geographically and by products while reducing the impact of investment volatility. Additionally, we are managing operational expenses by leveraging resources across the organisation through people, systems and business infrastructure.

#### Volatility

We recognise that our shareholders expect us to manage volatility in our investment portfolio. Our goal is to minimise the short-term impact of the unrealised investment gains and losses due to market changes on the income statement whilst employing sound asset to liability matching principles to ensure the long-term financial health of the company.

#### Capital

Our capital strategy balances meeting mandatory regulatory capital in each of our territories with the need to invest capital to support future strategic objectives such as innovation and overseas expansion while rewarding shareholders with dividends.



## Sustainable Value

We are willing to constantly challenge our current thinking and evolve beyond today to meet our responsibilities to our customers, shareholders and the broader community. Our commitment in developing our team, learning more about our customers and building new business channels are key differentiators from our competitors and aid us in promoting long-term growth in our business.

Our culture is to do the right thing on behalf of our people, our customers and our shareholders. We believe by doing this we can create a virtuous circle of long-term sustainable value for all.

## Our People

Through our culture of teamwork, mutual support and empowerment, we work to find the right options which yield the best results for our customers when addressing their specific needs. This builds staff advocacy which leads to superior client experiences and increasing customer loyalty.

## Our Customers

Building customer loyalty means respecting the unique needs of our customer base. We understand that diverse customer needs require comprehensive solutions. This leads to better quality of service, value for money and high levels of client retention.

## Our Shareholders

The investments we make in the short-term to create an exceptional client experience, and to engage and motivate our employees lead to long-term sustainable profitable growth for our shareholders.



## Our Products & Services

Promoting and supporting **prevention-focused strategies** is our way of assisting our commercial and personal customers in achieving the financial security, physical well-being and peace of mind that they are seeking.



### Employee Benefits

Health, Life Insurance, Disability Income, Retirement Income and Pensions

As the market leader for employee benefits in Bermuda, our customers have access to comprehensive plans, tools and resources tailored to the needs of both employers and employees.

Argus Health offers our **Thrive.** Programme which is a comprehensive “Well Being” strategy designed to empower customers to better self-manage their health and proactively focus on new ways to live a healthier life. The **Thrive.** Population Health Management approach was developed in collaboration with Johns Hopkins Medicine International who has a proven track record of success in managing down overall healthcare costs and improving health well-being for their own employees and customers.

Argus Pensions has a simple and convenient investment fund structure, with excellent portfolio diversification appropriate for anyone regardless of their level of investment knowledge or long-term financial goals. Through our educational workshops, online tools and personalised advice, employees receive the help they need to plan for their retirement, or to just start saving for an important milestone such as funding their children’s education.



### Global Property & Casualty (P&C)

Commercial Property and Liability, Home, Motor, Marine, Travel

Whether a business or individual, we ensure our customers have the right coverage and first-class service through a broad range of insurance coverage offered in Bermuda, Gibraltar and Malta.

Our services are offered either directly or through independent insurance intermediaries depending on the needs of our customers within the respective territories. Our recent acquisition of Island Insurance Brokers Limited, an independent insurance brokerage firm in Malta, is just another example of our strategy to strengthen our international presence and grow our existing portfolio through additional distribution channels and complementary lines of business.



### Wealth Management

Investment and Asset Management, Financial Planning, Private Placement Life Insurance

Our goal is to deliver excellent asset protection and investment solutions that are tailored to meet the various needs of our customers; whether that’s capital growth, securing a steady income or meeting future liabilities.

Through AFL Investments Limited, we provide a range of investment offerings including discretionary management, custody and investment advisory services. By collaborating with international independent experts we can offer market leading investment strategies, supported by globally recognised benchmarks.

For customers who are interested in investment opportunities that may not ordinarily be available onshore, we provide a wide array of policy structures designed to comply with the regulatory codes of several jurisdictions, allowing for greater protection, peace of mind and convenience.

## Balanced Performance

For the six months ended September 30, 2016

Net income  
Measure of earnings

**\$8.2** million  
Sept. 2015: \$3.0 m  
Sept. 2014: \$10.6 m

Return on average equity  
Net income as a percentage of  
shareholders' equity

**12.5%**\*  
March 2016: 6.0%  
March 2015: 14.3 %  
\*Based on annualised return on average equity

Combined fee income  
Fees generated by our Employee Benefits  
and Wealth Management business

**\$9.0** million  
Sept. 2015: \$10.7 m  
Sept. 2014: \$10.9 m

Combined operating ratio  
Measure of underwriting performance for  
our general and health insurance business

**89.5%**  
Sept. 2015: 82.8 %  
Sept. 2014: 82.9 %

Employee advocacy  
Recommend Argus as a great place to work

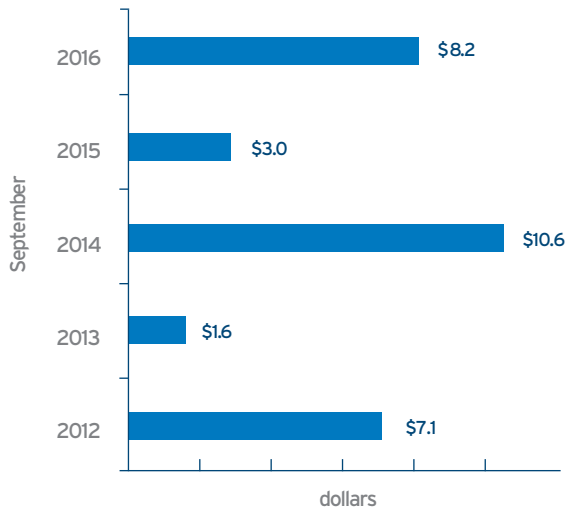
**87%**  
Sept. 2015: 79 %  
Sept. 2014: 88 %

Operating cash flow  
Cash generated by business operations

**\$14.7** million  
Sept. 2015: \$17.6 m  
Sept. 2014: \$21.0 m

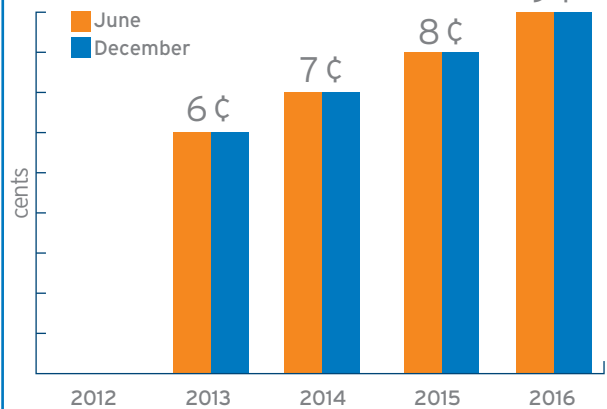
# Report to Shareholders

## Net Income



## Dividends

Total Dividends declared per share (cents)



The Argus Group’s brand promise of “Our Interest Is You” underpins how we do business. Our culture is to do the right thing on behalf of our people, customers and shareholders. We believe by doing this, we can create long-term sustainable value for all. In the March 2016 annual report, the Argus Group promised to take key actions that would create value. These actions have had a positive impact on our half-year financial results, producing \$8.2 million earnings and earnings per share of \$0.39.

First, as promised, the Group has taken steps to reduce income volatility within our investment portfolio. The changes made have resulted in investment income for the six months to September 30, 2016 of \$14.0 million. During the year, shifts in both equity and bond markets have resulted in unrealised gains of \$7.9 million where conversely in the prior year, market movements generated unrealised losses of \$11.8 million.

Additionally, the Group reduced its holdings in Bermuda equities by 35%, in keeping with the strategy to reduce concentration risk within the investment portfolio. The sale of Bermuda equities had a one-off positive impact of \$3.1 million on the financial results for the six months to September 2016.

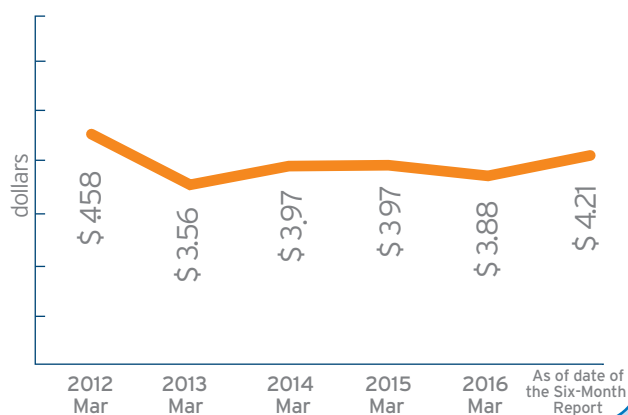
Secondly, we delivered our new pension fund offering and promised to reduce fees in order to enhance pension member savings. We “put our money where our mouth is” which, in the short term, has led to the \$1.7 million decline in combined fee income. However, we expect that doing the right thing for our pension members will result in enhanced long-term profitability.

Within our operations, the Group has experienced an increase in Net Benefits and Claims of \$7.5 million primarily due to health claims returning to a more normal level after the unusually low claims incurred in the six months of the prior year. We continue to expect health expenses to remain at current levels until savings from longer-term chronic disease management initiatives take effect. This coupled with the decrease in net premiums earned of \$2.4 million has resulted in the combined operating ratio, which is a measure of the underwriting performance for our general and health insurance business, of 89.5% compared with 82.8% in the prior year. This trend validates our commitment to support a sustainable healthcare system in Bermuda through our Population Health and Thrive wellness initiatives.



## Average Share Price

Share History 2012-16



## Earnings Per Share

Net income per share for the half year

Sept. 2015: \$0.14  
Sept. 2014: \$0.50

**\$0.39**

## Annualised Dividend Yield

Based on annualised dividends declared during the fiscal year

March 2016: 4.2%  
March 2015: 3.4%

**4.9%**

In addition to our Population Health and Pension fund initiatives, significant investment is being made to progress our strategic goals, including building our global digital channel capability and diversification of our business outside of Bermuda.

We are pleased to include in our September 2016 report our newly acquired subsidiary, Island Insurance Brokers Limited, which is a leading insurance broker in Malta and provides the Group with a springboard for further growth and expansion of the Argus Group in Europe.

At the AGM of the Company held on September 29, 2016, all the Directors were re-elected and all other resolutions were similarly passed. At a meeting of the Board held immediately after the AGM, Ms. Sheila Nicoll was re-elected Chairman.

The Board has declared a dividend of nine cents per share payable on January 24, 2017 for shareholders of record on January 10, 2017. This represents a final dividend of 18 cents per share based upon the audited financial statements of the Group for the year ended March 31, 2016 and an annualised dividend yield of 4.9%.

On behalf of the Board and Management, we wish to thank our Shareholders and clients for their continued support and commend the hard work and commitment of our staff.

Sheila E. Nicoll  
CHAIRMAN

Alison S. Hill  
CHIEF EXECUTIVE OFFICER

December 9, 2016

# Condensed Consolidated Balance Sheet

<i>(In \$ thousands)</i>	Note	SEPTEMBER 30 2016 <i>(Unaudited)</i>	MARCH 31 2016 <i>(Audited)</i>
<b>ASSETS</b>			
Cash and short-term investments		30,083	34,106
Interest and dividends receivable		2,863	2,826
Investments	3	513,286	482,287
Receivable for investments sold		49,360	6,703
Insurance balances receivable		14,121	12,796
Reinsurers' share of:			
Claims provisions		14,278	24,035
Unearned premiums		12,275	9,572
Other assets		5,124	6,300
Deferred policy acquisition costs		1,010	1,098
Investment in associates		12,386	11,644
Investment properties		10,448	10,448
Property and equipment		58,184	58,531
Intangible assets		6,497	2,435
<b>TOTAL GENERAL FUND ASSETS</b>		<b>729,915</b>	<b>662,781</b>
<b>TOTAL SEGREGATED FUND ASSETS</b>		<b>1,470,256</b>	<b>1,398,933</b>
<b>TOTAL ASSETS</b>		<b>2,200,171</b>	<b>2,061,714</b>
<b>LIABILITIES</b>			
Insurance contract liabilities			
Life and annuity policy reserves		176,532	174,894
Provision for unpaid and unreported claims		31,978	39,344
Unearned premiums		21,069	17,598
Total insurance contract liabilities		229,579	231,836
Insurance balances payable		13,894	18,402
Payables arising from investment transactions		82,223	33,937
Investment contract liabilities		248,450	233,985
Accounts payable and accrued liabilities		17,010	16,392
Taxes payable		15	67
Post-employment benefit liabilities	6	4,175	4,135
<b>TOTAL GENERAL FUND LIABILITIES</b>		<b>595,346</b>	<b>538,754</b>
<b>TOTAL SEGREGATED FUND LIABILITIES</b>		<b>1,470,256</b>	<b>1,398,933</b>
<b>TOTAL LIABILITIES</b>		<b>2,065,602</b>	<b>1,937,687</b>
<b>EQUITY</b>			
Attributable to Shareholders of the Company			
Share capital		16,969	17,861
Contributed surplus		52,925	52,891
Retained earnings		61,791	55,742
Accumulated other comprehensive income/(loss)	8	1,378	(3,937)
<b>TOTAL EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY</b>		<b>133,063</b>	<b>122,557</b>
Attributable to non-controlling interests		1,506	1,470
<b>TOTAL EQUITY</b>		<b>134,569</b>	<b>124,027</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>2,200,171</b>	<b>2,061,714</b>

The accompanying notes form part of these condensed consolidated financial statements.

# Condensed Consolidated Statement of Operations

<i>For the six months ended September 30 (In \$ thousands, except per share data)</i>	Note	2016 (Unaudited)	2015 (Unaudited)
<b>REVENUE</b>			
Gross premiums written		86,191	88,548
Reinsurance ceded		(21,442)	(20,865)
Net premiums written		64,749	67,683
Net change in unearned premiums		(947)	(1,443)
Net premiums earned		63,802	66,240
Investment income	3.2	14,018	(6,587)
Share of earnings of associates		879	85
Commissions, management fees and other		13,674	17,270
		<b>92,373</b>	<b>77,008</b>
<b>EXPENSES</b>			
Policy benefits		10,106	6,334
Claims and adjustment expenses		51,763	49,299
Reinsurance recoveries		(12,140)	(9,743)
Gross change in contract liabilities		(4,953)	(7,653)
Change in reinsurers' share of claims provisions		9,462	8,466
<b>NET BENEFITS AND CLAIMS</b>		<b>54,238</b>	<b>46,703</b>
Commission expenses		2,665	2,417
Operating expenses		25,156	22,450
Amortisation, depreciation and impairment		2,106	2,025
		<b>84,165</b>	<b>73,595</b>
<b>EARNINGS BEFORE INCOME TAXES</b>		<b>8,208</b>	<b>3,413</b>
Income tax expense		6	68
<b>NET EARNINGS FOR THE PERIOD</b>		<b>8,202</b>	<b>3,345</b>
Attributable to:			
Shareholders of the Company		8,166	3,020
Non-controlling interests		36	325
		<b>8,202</b>	<b>3,345</b>
Earnings per share:	7		
Basic		0.39	0.14
Fully diluted		0.39	0.14

The accompanying notes form part of these condensed consolidated financial statements.

## Condensed Consolidated Statement of Comprehensive Income

<i>For the six months ended September 30 (In \$ thousands)</i>	2016 <i>(Unaudited)</i>	2015 <i>(Unaudited)</i>
<b>NET EARNINGS FOR THE PERIOD</b>	<b>8,202</b>	3,345
<b>OTHER COMPREHENSIVE INCOME</b>		
Items that will not be reclassified to net earnings:		
Post-employment medical benefit obligation remeasurement	5	423
Items that are or may subsequently be reclassified to net earnings:		
Change in unrealised gains on available-for-sale investments	6,178	24
Change in unrealised (losses)/gains on translating financial statements of foreign operations	<b>(868)</b>	189
<b>OTHER COMPREHENSIVE INCOME FOR THE PERIOD</b>	<b>5,315</b>	636
<b>COMPREHENSIVE INCOME FOR THE PERIOD</b>	<b>13,517</b>	3,981
<b>OTHER COMPREHENSIVE INCOME ATTRIBUTABLE TO:</b>		
Shareholders of the Company	5,315	636
	<b>5,315</b>	636
<b>COMPREHENSIVE INCOME ATTRIBUTABLE TO:</b>		
Shareholders of the Company	13,481	3,656
Non-controlling interests	36	325
	<b>13,517</b>	3,981

*The accompanying notes form part of these condensed consolidated financial statements.*

## Condensed Consolidated Statement of Changes in Equity

<i>For the six months ended September 30 (In \$ thousands, except the number of shares)</i>	Note	2016 (Unaudited)	2015 (Unaudited)
<b>SHARE CAPITAL</b>			
Authorised:			
25,000,000 common shares of \$1.00 each (2015 – 25,000,000)		25,000	25,000
Issued and fully paid, beginning of period 21,644,270 shares (2015 – 21,573,148 shares)		21,644	21,573
Add: Shares issued under the dividend reinvestment plan 43,144 shares (2015 – 33,611 shares)		43	33
Deduct: Shares held in Treasury, at cost 702,306 shares (2015 – 387,306 shares)		(4,718)	(3,771)
<b>TOTAL, NET OF SHARES HELD IN TREASURY, END OF PERIOD</b>		<b>16,969</b>	<b>17,835</b>
<b>CONTRIBUTED SURPLUS</b>			
Balance, beginning of period		52,891	52,698
Stock-based compensation expense		86	92
Treasury shares granted to employees		(180)	(222)
Shares issued under the dividend reinvestment plan		128	98
<b>BALANCE, END OF PERIOD</b>		<b>52,925</b>	<b>52,666</b>
<b>RETAINED EARNINGS</b>			
Balance, beginning of period		55,742	52,141
Net earnings for the period		8,166	3,020
Dividends		(1,910)	(1,691)
Loss on treasury shares granted to employees		(207)	(290)
<b>BALANCE, END OF PERIOD</b>		<b>61,791</b>	<b>53,180</b>
<b>ACCUMULATED OTHER COMPREHENSIVE INCOME/(LOSS)</b>			
Balance, beginning of period		(3,937)	(3,893)
Other comprehensive income for the period		5,315	636
<b>BALANCE, END OF PERIOD</b>	8	<b>1,378</b>	<b>(3,257)</b>
<b>TOTAL ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY</b>		<b>133,063</b>	<b>120,424</b>
<b>ATTRIBUTABLE TO NON-CONTROLLING INTERESTS</b>			
Balance, beginning of period		1,470	1,489
Net earnings for the period		36	325
Distributions to non-controlling interests		-	(600)
<b>BALANCE, END OF PERIOD</b>		<b>1,506</b>	<b>1,214</b>
<b>TOTAL EQUITY</b>		<b>134,569</b>	<b>121,638</b>

The accompanying notes form part of these condensed consolidated financial statements.

# Condensed Consolidated Statement of Cash Flows

<i>For the six months ended September 30 (In \$ thousands)</i>	2016 <i>(Unaudited)</i>	2015 <i>(Unaudited)</i>
<b>OPERATING ACTIVITIES</b>		
Earnings before income taxes	8,208	3,413
Adjustments to reconcile net earnings to cash basis (Footnote (i) below)	(12,113)	9,234
Change in operating balances (Footnote (ii) below)	12,848	(2,091)
Interest income received	4,943	6,658
Dividend income received	813	470
Income tax paid	(8)	(127)
<b>CASH GENERATED FROM OPERATING ACTIVITIES</b>	<b>14,691</b>	<b>17,557</b>
<b>INVESTING ACTIVITIES</b>		
Purchase of investments	(1,248,662)	(791,831)
Sale, maturity and paydown of investments	1,236,154	771,662
Purchase of subsidiary, net of cash acquired	(1,349)	-
Purchase of property and equipment	(1,180)	(922)
<b>CASH USED IN INVESTING ACTIVITIES</b>	<b>(15,037)</b>	<b>(21,091)</b>
<b>FINANCING ACTIVITIES</b>		
Dividends paid to Shareholders	(1,776)	(1,595)
Acquisition of shares held in Treasury	(1,292)	-
Distributions to non-controlling interests	-	(600)
<b>CASH USED IN FINANCING ACTIVITIES</b>	<b>(3,068)</b>	<b>(2,195)</b>
<b>EFFECT OF FOREIGN EXCHANGE RATE CHANGES ON CASH AND SHORT-TERM INVESTMENTS</b>	<b>(609)</b>	<b>141</b>
<b>NET DECREASE IN CASH AND SHORT-TERM INVESTMENTS</b>	<b>(4,023)</b>	<b>(5,588)</b>
<b>CASH AND SHORT-TERM INVESTMENTS, BEGINNING OF PERIOD</b>	<b>34,106</b>	<b>33,095</b>
<b>CASH AND SHORT-TERM INVESTMENTS, END OF PERIOD</b>	<b>30,083</b>	<b>27,507</b>
Footnotes		
(i) Interest income	(6,404)	(5,550)
Dividend income	(655)	(387)
Investment income related to Deposit administration pension plans	1,265	1,146
Net realised and unrealised losses/(gains) on sale of investments	(8,988)	11,340
Amortisation of net premium on bonds	865	653
Net impairment losses on investments	491	-
Share of earnings of associates	(879)	(85)
Amortisation, depreciation and impairment	2,106	2,025
Expense on vesting of stock-based compensation	86	92
	(12,113)	9,234
(ii) Insurance balances receivable	1,663	(34)
Reinsurers' share of:		
Claims provisions	9,340	8,487
Unearned premiums	(2,894)	(3,071)
Other assets	1,138	(781)
Deferred policy acquisition costs	180	(20)
Insurance contract liabilities	(489)	(2,751)
Insurance balances payable	(9,541)	2,144
Investment contract liabilities	14,465	(5,527)
Accounts payable and accrued liabilities	(1,059)	(603)
Post-employment benefit liability	45	65
	12,848	(2,091)

The accompanying notes form part of these condensed consolidated financial statements.

# Notes to the Condensed Consolidated Financial Statements

September 30, 2016

(Amounts in tables are expressed in thousands of Bermuda dollars, except for per share amounts and where otherwise stated)

## 1 OPERATIONS

Argus Group Holdings Limited (the Company) was incorporated in Bermuda with limited liability on May 26, 2005, as a holding company and has its registered office at the Argus Building, 14 Wesley Street, Hamilton HM 11, Bermuda. The Company's shares are traded on the Bermuda Stock Exchange. At September 30, 2016, it had 1,392 shareholders; 86 percent of whom were Bermudian, holding 88 percent of the issued shares.

The Company and its subsidiaries (the Group) operates predominantly in Bermuda, Gibraltar and Malta underwriting life, health, property and casualty insurance. The Group also provides investment, savings and retirement products, and administrative services.

### 1.1 GROUP COMPOSITION

#### LIST OF SIGNIFICANT SUBSIDIARIES

The table below provides details of the operating subsidiaries, which are directly and indirectly held by the Company:

Name	Country of incorporation and place of business	Nature of business	% of ownership interest held	% of ownership interest held by non-controlling interests
AFL Investments Limited	Bermuda	Investment management services	60%	40%
Argus Insurance Company Limited	Bermuda	Property and casualty insurance: Home and commercial property, contractors' all risks, liability, marine, motor and employer's indemnity	100%	-
Argus Insurance Agencies Limited	Malta	Insurance agency	100%	-
Argus Insurance Company (Europe) Limited	Gibraltar	Property and casualty insurance: Home and commercial property, contractors' all risks, liability, marine and motor	100%	-
Argus International Life Bermuda Limited <sup>(1)</sup>	Bermuda	Individual life and annuities	100%	-
Argus International Life Insurance Limited <sup>(1)</sup>	Bermuda	Individual life and annuities	74%	26%
Argus International Management Limited	Bermuda	Company management	100%	-
Argus Investment Nominees Limited	Bermuda	Nominee company	60%	40%
Argus Management Services Limited	Bermuda	Financial and general management services	100%	-
Argus Property (Europe) Limited	Gibraltar	Property holding company	100%	-
Bermuda Life Insurance Company Limited	Bermuda	Pensions, group life and long-term disability insurance, individual life and annuities, group and individual health insurance	100%	-
Bermuda Life Worldwide Limited	Bermuda	Individual life and annuities	100%	-
Centurion Insurance Services Limited	Bermuda	Insurance agent and licensed broker	100%	-
Island Insurance Brokers Limited	Malta	Licensed broker	100%	-
NBHH (Keepsake) Limited	Bermuda	Property holding company	100%	-
Trott Property Limited	Bermuda	Property holding company	100%	-
Westmed Insurance Services Limited	Gibraltar	Insurance agent and licensed broker	100%	-

<sup>(1)</sup> Argus International Life Bermuda Limited also owns 100% of Argus International Life Insurance Limited's preference shares.

All subsidiaries are included in the Group condensed consolidated financial statements. The Group's voting rights percentages are the same as the ownership percentages.

## 2 SIGNIFICANT ACCOUNTING POLICIES

### 2.1 BASIS OF PRESENTATION

These unaudited consolidated interim financial statements have been prepared on a condensed basis in accordance with International Accounting Standard 34 (IAS 34), Interim Financial Reporting and do not include all of the information required for full annual financial statements.

All amounts, excluding per share data or where otherwise stated, are in thousands of Bermuda dollars which is the Group's presentation currency and which are on par with US dollars.

The Condensed Consolidated Balance Sheet is presented in order of decreasing liquidity.

These condensed consolidated interim financial statements follow the same accounting policies and methods of their application as our March 31, 2016 audited financial statements and should be read in conjunction with the latter, except for the changes discussed in Note 2.2.

### 2.2 NEW AND REVISED ACCOUNTING POLICIES AND STANDARDS

#### 2.2.1 Investment Classification

Effective April 1, 2016, the Group redesignated certain fixed income investments with a carrying value and fair value of \$350.9 million from the held-for-trading to the available-for-sale category. The valuation of these investments is based on Level 2 and 3 inputs in the fair value hierarchy, as defined in Note 4.

To the extent possible, Management intends to hold the investments for an indefinite period of time, taking into consideration the use of the assets for tactical asset/liability management. These investments are not held for the purpose of being sold or repurchased in the near term, with the intention of profiting from short-term price changes. Management believes that the users of the financial statements will be better served by redesignating these investments to available-for-sale.

Management redesignated these investments to the available-for-sale category as allowed by IAS 39, Financial Instruments. The investments were redesignated at their fair values as of April 1, 2016 and the effect of the change was applied prospectively in these financial statements from the date of redesignation.

The carrying value of the redesignated investments as of September 30, 2016 is \$261.2 million. The table below sets out the amounts recognised as Investment income on the Consolidated Statement of Operations and Other comprehensive income in respect of investments redesignated out of the held-for-trading category.

	Consolidated Statement of Operations	Other Comprehensive Income
Investment income	\$ 4,309	\$ -
Net unrealised gains on investments	-	5,273
	4,309	5,273

If the investments had not been redesignated, \$5.3 million would have been recognised in Investment income on the Consolidated Statement of Operations.

The effective interest rates on trading investments redesignated as available-for-sale investments at April 1, 2016 and still held at the reporting date ranged from 0.7% to 4.1%, with expected recoverable cashflows of \$275.8 million.



## 2.2.2 Segment Reporting

The Group is organised into operating segments based on their products and services. 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, 2016, the Group amended the structure of the reportable segments to reflect the change in the management structure and internal financial reporting of the Group.

The Group's new reportable segments are as follows:

- (i) Employee benefits – comprised of health insurance, pensions, annuities, local life and long-term disability insurance;
- (ii) Wealth management – including investment and asset management, financial planning and private placement life insurance;
- (iii) Global property and casualty insurance (P&C) – including fire and windstorm (home and commercial property), all risks, liability, marine, motor coverage and employer's indemnity coverage in Bermuda, Gibraltar and Malta;
- (iv) All other – representing the combined operations of the remaining components of the Group comprising management companies and a holding company.

## 2.2.3 New and Revised Accounting Standards

There are amendments to existing standards and interpretations that are mandatory for the first time for financial periods beginning April 1, 2016, as discussed in the March 31, 2016 audited financial statements. However, these do not impact the interim condensed consolidated financial statements of the Group.

## 2.3 SEASONALITY OF OPERATIONS

The Group underwrites a range of risks, some of which are subject to potential seasonal variation. The most material of these is the Group's exposure to North Atlantic hurricanes which are largely concentrated in the second and third quarters of the fiscal year. In contrast, a majority of gross premium income written in the lines of business impacted occurs during the first quarter of the fiscal year. If any catastrophic events do occur, it is likely that the Group will share some of the market's losses, net of reinsurance.

Details of the Group's recent exposures to these lines of business are disclosed in the Group's March 2016 annual report.

### 3 INVESTMENTS

#### 3.1 CARRYING VALUES AND ESTIMATED FAIR VALUES OF INVESTMENTS

	SEPTEMBER 30, 2016		MARCH 31, 2016	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Available-for-sale				
Bonds <sup>(1)</sup>	422,379	422,379	-	-
Equities	18,163	18,163	2,383	2,383
	<b>440,542</b>	<b>440,542</b>	<b>2,383</b>	<b>2,383</b>
Investments at FVTPL <sup>(2)</sup>				
Bonds <sup>(1)</sup>	17,113	17,113	398,594	398,594
Equities	17,653	17,653	39,813	39,813
	<b>34,766</b>	<b>34,766</b>	<b>438,407</b>	<b>438,407</b>
Held-to-maturity				
Bonds	650	733	3,754	3,869
	<b>650</b>	<b>733</b>	<b>3,754</b>	<b>3,869</b>
Loans and receivables				
Mortgages and loans	36,733	38,952	37,517	39,778
Policy loans	81	81	81	81
	<b>36,814</b>	<b>39,033</b>	<b>37,598</b>	<b>39,859</b>
Derivatives				
Interest rate swaps	23	23	103	103
Foreign currency forward contracts	491	491	42	42
	<b>514</b>	<b>514</b>	<b>145</b>	<b>145</b>
<b>TOTAL INVESTMENTS</b>	<b>513,286</b>	<b>515,588</b>	<b>482,287</b>	<b>484,663</b>

(1) Certain fixed income assets were redesignated from FVTPL to AFS. Refer to Note 2.2.1.

(2) Fair value through profit or loss (FVTPL)

During the period, certain fixed income and equity investments classified under the held-for-trading category were sold due to portfolio reallocations, as the Group seeks to simplify and diversify its investment holdings. Most of the new investments purchased during the period were classified under available-for-sale. This is in consideration of Management's intent to hold the investments for an indefinite period of time and use the investments for tactical asset/liability management purposes, which may be sold from time to time to effectively manage interest rate exposure, prepayment risk and liquidity needs.

Included in Bonds are investments of \$164.6 million (March 2016 – \$146.8 million), which are maintained under the Interest Accumulator Separate Account. The separate account is set up to provide policyholders certain protection from creditors of the Group. These investments are included in the assets supporting the Group's deposit administration pension plans.

### 3.2 INVESTMENT INCOME

FOR THE SIX MONTHS ENDED SEPTEMBER 30	2016	2015
<b>Interest income</b>		
Bonds – available-for-sale	5,611	-
Bonds – at FVTPL	178	5,258
Bonds – held-to-maturity	90	115
Mortgages and loans	372	151
Cash and other	153	26
	<b>6,404</b>	<b>5,550</b>
<b>Dividend income</b>		
Equities – at FVTPL	655	303
Equities – available-for-sale	-	84
	<b>655</b>	<b>387</b>
<b>Net realised and unrealised gains/(losses) on investments</b>		
Bonds – available-for-sale	1,856	-
Bonds – at FVTPL	515	(8,264)
Bonds – held-to-maturity	49	-
Equities – at FVTPL	5,418	(3,105)
Equities – available-for-sale	320	91
Derivative financial instruments	830	(62)
	<b>8,988</b>	<b>(11,340)</b>
<b>Other</b>		
Amortisation of premium on Bonds	(865)	(653)
Rental income and other	592	615
Impairment charges on Mortgage and loans	(491)	-
	<b>(764)</b>	<b>(38)</b>
<b>INVESTMENT INCOME/(LOSS) BEFORE DEDUCTIONS</b>	<b>15,283</b>	<b>(5,441)</b>
<b>Deductions</b>		
Investment income relating to Deposit Administration Pension Plans	(1,265)	(1,146)
	<b>(1,265)</b>	<b>(1,146)</b>
<b>TOTAL INVESTMENT INCOME/(LOSS)</b>	<b>14,018</b>	<b>(6,587)</b>

## 4 FAIR VALUE MEASUREMENT

A number of the Group's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The Group categorises its fair value measurements according to a three-level hierarchy. The hierarchy prioritises the inputs by the Group's valuation techniques. A level is assigned to each fair value measurement based on the lowest level input significant to the fair value measurement in its entirety. The three levels of the fair value hierarchy are defined as follows:

**Level 1** – Fair value is based on unadjusted quoted prices in active markets for identical assets or liabilities. An active market is a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

**Level 2** – Fair value is based on inputs other than quoted prices included within Level 1 that are observable for the assets or liability, either directly or indirectly. These include quoted prices for similar assets and liabilities in active markets, quoted prices for identical or similar assets and liabilities in inactive markets, inputs that are observable that are not prices such as interest rates and credit risks.

**Level 3** – Fair value is based on valuation techniques that require one or more significant inputs that are not based on observable market inputs. These unobservable inputs reflect the Group's assumptions about market participants in pricing the assets and liabilities.

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 Group has an established control framework with respect to the measurement of fair values. This included an investment validation team that has overall responsibility for overseeing all significant fair value measurements, including level 3 fair values, and reports directly to the Chief Financial Officer. The Group's investment validation process includes a review of price movements relative to the market. Any significant discrepancies are investigated and discussed with investment managers and a valuation specialist. The process also includes regular reviews of significant observable inputs and valuation adjustments. Significant valuation issues are reported to the Board.

#### 4.1 ASSETS AND LIABILITIES MEASURED AT FAIR VALUE

The following table presents fair value of the Company's assets and liabilities measured at fair value in the Condensed Consolidated Balance Sheet, categorised by level under the fair value hierarchy.

SEPTEMBER 30, 2016	Level 1	Level 2	Level 3	Total Fair Value
<b>ASSETS</b>				
<b>Available-for-sale</b>				
Bonds				
US Government	61,097	12,474	-	73,571
US and local corporates	-	144,753	-	144,753
Municipal, other government and agency	-	24,501	-	24,501
Foreign bonds	-	70,102	-	70,102
Mortgage/asset-backed securities	-	74,033	2,855	76,888
Other <sup>(1)</sup>	-	32,564	-	32,564
	61,097	358,427	2,855	422,379
Equities				
Global listed equities	603	-	-	603
Investment in hedge funds and mutual funds	-	15,250	-	15,250
Private equity funds and unquoted equities	-	-	2,310	2,310
	603	15,250	2,310	18,163
<b>TOTAL AVAILABLE-FOR-SALE INVESTMENTS</b>	<b>61,700</b>	<b>373,677</b>	<b>5,165</b>	<b>440,542</b>
<b>FVTPL - Bonds</b>				
US Government	11,162	-	-	11,162
US and local corporates	-	1,837	-	1,837
Other <sup>(1)</sup>	-	4,114	-	4,114
	11,162	5,951	-	17,113
<b>FVTPL - Equities</b>				
Bermuda listed equities	8,664	-	-	8,664
Global listed equities	4,218	-	-	4,218
Investment in hedge funds and mutual funds	-	4,592	28	4,620
Private equity funds and unquoted equities	-	-	151	151
	12,882	4,592	179	17,653
<b>TOTAL OF INVESTMENTS AT FVTPL</b>	<b>24,044</b>	<b>10,543</b>	<b>179</b>	<b>34,766</b>
Derivatives	-	514	-	514
Investment properties	-	10,448	-	10,448
	-	10,962	-	10,962
<b>TOTAL ASSETS AT FAIR VALUE</b>	<b>85,744</b>	<b>395,182</b>	<b>5,344</b>	<b>486,270</b>
<b>LIABILITIES</b>				
Investment contract liabilities	-	1,547	-	1,547
Payables arising from investment transactions	-	82,223	-	82,223
<b>TOTAL LIABILITIES AT FAIR VALUE</b>	<b>-</b>	<b>83,770</b>	<b>-</b>	<b>83,770</b>

<sup>(1)</sup> Investment in bond funds

MARCH 31, 2016

	Level 1	Level 2	Level 3	Total Fair Value
<b>ASSETS</b>				
Available-for-sale – Equities				
Private equity funds and unquoted equities	-	-	2,383	2,383
Investments at FVTPL				
Bonds				
US governments and short-term investments <sup>(1)</sup>	48,332	21,298	-	69,630
US and local corporates	-	149,853	-	149,853
Municipal, other government and agency	-	24,149	-	24,149
Foreign bonds	-	69,881	-	69,881
Mortgage/asset-backed securities	-	53,623	1,551	55,174
Other <sup>(2)</sup>	-	29,907	-	29,907
	48,332	348,711	1,551	398,594
Equities				
Bermuda listed equities	13,532	-	-	13,532
Global listed equities	5,058	162	-	5,220
Investment in hedge funds and mutual funds	-	20,777	-	20,777
Private equity funds and unquoted equities	-	-	284	284
	18,590	20,939	284	39,813
<b>TOTAL OF INVESTMENT AT FVTPL</b>	<b>66,922</b>	<b>369,650</b>	<b>1,835</b>	<b>438,407</b>
Derivatives	-	145	-	145
Investment properties	-	10,448	-	10,448
	-	10,593	-	10,593
<b>TOTAL ASSETS AT FAIR VALUE</b>	<b>66,922</b>	<b>380,243</b>	<b>4,218</b>	<b>451,383</b>
<b>LIABILITIES</b>				
Investment contract liabilities	-	2,719	-	2,719
Payables arising from investment transactions	-	33,937	-	33,937
<b>TOTAL LIABILITIES AT FAIR VALUE</b>	<b>-</b>	<b>36,656</b>	<b>-</b>	<b>36,656</b>

<sup>(1)</sup> Includes investment in money market funds and other short-term investments held by investment managers

<sup>(2)</sup> Investment in bond funds

Valuation techniques used to measure fair value of the financial assets and liabilities on a recurring basis are:

- **Bonds** – These are generally valued by third party independent pricing sources using pricing models. The significant inputs include, but are not limited to, yield curves, credit risks and spreads and measures of volatility. The Group considers these Level 2 inputs as they are corroborated with other externally obtained information. Bonds are classified under Level 2 except US treasuries and exchange traded money market funds, which are classified as Level 1. Less liquid securities such as structured mortgage/asset-backed securities are classified as Level 3. The Group uses prices provided by investment managers and brokers for all securities which do not have pricing available from independent pricing services. In general, broker-dealers and investment managers value securities through their trading desks based on observable inputs. The methodologies include mapping securities based on trade data, bids or offers, observed spreads, and performance on newly issued securities. Broker-dealers and investment managers also determine valuations by observing secondary trading of similar securities.
- **Equities** – These consist of listed equities, unquoted equities and investments in mutual funds, hedge funds and private equity funds.

Fair values of listed equities are based on quoted prices from the exchange where they are principally traded. These are classified under Level 1. Certain equities are unquoted and are classified as Level 3, as valuation is based on cost which approximates fair value.

Investments in mutual funds and hedge funds are valued using published net asset values provided by third parties such as investment managers and administrators. The Group can redeem a portion of these investments on a regular basis and is not subject to lock-up provisions. Accordingly, these investments are classified under Level 2.

Investments in private equity funds are valued using net asset values obtained from investment managers and general partners. These investments may be subject to certain lock-up provisions. The type of underlying investments held by the investee which form the basis of the net asset valuation include assets such as private business ventures, to which the Group does not have access. The Group considers net asset values as a reasonable approximation of fair values. Accordingly, these investments are classified under Level 3.

- **Included within Bonds “Other” and Equities** – Investments in Argus Investment Strategies Fund Ltd. totalled \$1.0 million (March 2016 - \$32.2 million). For reporting purposes, these investments have been categorised as bonds and equities based on the underlying securities held. Net asset valuation for all of the funds – along with client redemption – are performed on a weekly basis. If the redemption request is greater than 10 percent of the fund’s net asset value, the amount of the redemption can be adjusted at the fund manager’s discretion. These investments are classified as Level 2.
- **Derivatives** – Valuation is derived from the underlying instrument. Derivatives are subject to the same risks as that underlying instrument including liquidity, credit and market risk. Fair values are based on exchange or broker–dealer quotations, where available, or discounted cash flows, which incorporate the pricing of the underlying instrument, yield curves and other factors. These investments are classified as Level 2.
- **Investment properties** – The fair value of investment properties was determined by external independent property valuers, having appropriate recognised professional qualifications and recent experience in the location and category of the property being valued. The independent valuers provide the fair value of the Group’s investment properties annually. Fair value is based on market data from recent comparable transactions.
- **Investment contract liabilities** – Fair value of the Deposit accounted annuity policies is determined by using valuation techniques, such as discounted cash flow methods. A variety of factors are considered in the valuation techniques, including yield curve, credit spread and default assumptions, which have market observable inputs.

The table below provides a fair value roll forward for the assets and liabilities measured at fair value for which significant unobservable inputs (Level 3) are used in the fair value measurement for the period ended September 30, 2016.

FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2016	INVESTMENTS				
	At FVTPL	At FVTPL	Available- for-sale	Available- for-sale	Total
	Bonds	Equities	Bonds	Equities	
Balance, beginning of year	1,551	284	-	2,383	4,218
Included in Net income	-	(3)	-	-	(3)
Included in Other comprehensive income	-	-	(8)	(74)	(82)
Purchases	-	-	2,000	-	2,000
Sales	-	(101)	(42)	-	(143)
Re-designation of investments	(1,551)	-	1,551	-	-
Transfer to Level 2	-	-	(646)	-	(646)
	-	180	2,855	2,309	5,344

FOR THE YEAR ENDED MARCH 31, 2016	INVESTMENTS				
	At FVTPL	At FVTPL	Available- for-sale	Available- for-sale	Total
	Bonds	Equities	Bonds	Equities	
Balance, beginning of year	1,057	313	-	2,663	4,033
Included in Net income	(5)	(154)	-	-	(159)
Included in Other comprehensive income	-	-	-	(24)	(24)
Purchases	1,100	126	-	-	1,226
Transfer to Level	-	(1)	-	-	(1)
Sales	(601)	-	-	(256)	(857)
	1,551	284	-	2,383	4,218

#### 4.2 ASSETS AND LIABILITIES NOT MEASURED AT FAIR VALUE

For assets and liabilities not measured at fair value in the Condensed Consolidated Balance Sheet, the following table discloses summarised fair value information categorised by the level in the preceding hierarchy, together with the related carrying values.

SEPTEMBER 30, 2016	Level 1	Level 2	Level 3	Total Fair Value	Carrying Value
<b>ASSETS</b>					
Held-to-maturity bonds <sup>(1)</sup>	-	733	-	733	650
Mortgages and loans <sup>(2)</sup>	-	38,952	-	38,952	36,733
Policy loans	-	81	-	81	81
<b>TOTAL ASSETS DISCLOSED AT FAIR VALUE</b>	-	<b>39,766</b>	-	<b>39,766</b>	<b>37,464</b>
<b>LIABILITIES</b>					
Investment contract liabilities <sup>(3)</sup>	-	233,662	-	233,662	246,903
<b>TOTAL LIABILITIES DISCLOSED AT FAIR VALUE</b>	-	<b>233,662</b>	-	<b>233,662</b>	<b>246,903</b>

MARCH 31, 2016	Level 1	Level 2	Level 3	Total Fair Value	Carrying Value
<b>ASSETS</b>					
Held-to-maturity bonds <sup>(1)</sup>	-	3,869	-	3,869	3,754
Mortgages and loans <sup>(2)</sup>	-	39,778	-	39,778	37,517
Policy loans	-	81	-	81	81
<b>TOTAL ASSETS DISCLOSED AT FAIR VALUE</b>	-	<b>43,728</b>	-	<b>43,728</b>	<b>41,352</b>
<b>LIABILITIES</b>					
Investment contract liabilities <sup>(3)</sup>	-	227,542	-	227,542	246,903
<b>TOTAL LIABILITIES DISCLOSED AT FAIR VALUE</b>	-	<b>227,542</b>	-	<b>227,542</b>	<b>246,903</b>

<sup>(1)</sup> Fair value of bonds – see Note 4.1 for valuation techniques used to measure fair value.

<sup>(2)</sup> Fair value of mortgages and loans is determined by discounting expected future cash flows using current market rates.

<sup>(3)</sup> Fair value of Investment contract liabilities is based on the following methods:

- Deposit administration pension plans – based on a discounted cash flow method. Factors considered in the valuation include current yield curve, plus appropriate spreads which have market observable inputs; and
- Self-funded group health policies – the carrying value approximates the fair value due to the short-term nature of these investment contract liabilities.

The carrying value of the following short-term assets and liabilities approximate fair value and are categorised as Level 2.

- Cash and short-term investments;
- Interest and dividends receivable;
- Receivable for investments sold;
- Other financial assets under Other assets;
- Payables arising from investment transactions; and
- Accounts payable and accrued liabilities.

#### 4.3 TRANSFERS OF ASSETS AND LIABILITIES WITHIN THE FAIR VALUE HIERARCHY

The Group's policy is to record transfers of assets and liabilities between levels at their fair values as at the end of each reporting period, consistent with the date of determination of fair value. Assets are transferred out of Level 1 when they are no longer transacted with sufficient frequency and volume in an active market. Conversely, assets are transferred from Level 2 to Level 1 when transaction volume and frequency are indicative of an active market. There were no transfers between Levels 1 and 2 during the period ended September 30, 2016.

Transfers out of Level 3 of \$0.6 million, as shown on the previous page relate to fixed income investments, which were transferred to Level 2 as observable inputs became available.



## 5 OPERATING SEGMENTS

Transactions between segments are executed and priced on an arm's-length basis in a manner similar to transactions with third parties. These transactions consist primarily of rental and internal financing agreements and insurance contracts. Inter-segment income has been omitted in the following table as immaterial.

### 5.1 RESULTS BY SEGMENT

FOR THE SIX MONTHS ENDED SEPTEMBER 30		Employee Benefits	Wealth Management	Global P&C	All other	Elimination	Total
Segment revenues	2016	59,805	2,875	16,224	22	(1,450)	77,476
	2015	52,443	14,369	13,888	4,881	(2,071)	83,510
Investment income	2016	13,935	(72)	1,156	96	(1,097)	14,018
	2015	916	(4,900)	(1,243)	(191)	(1,169)	(6,587)
Share of earnings of associates	2016	-	754	110	15	-	879
	2015	-	(34)	139	(20)	-	85
<b>TOTAL SEGMENT REVENUES</b>	2016	<b>73,740</b>	<b>3,557</b>	<b>17,490</b>	<b>133</b>	<b>(2,547)</b>	<b>92,373</b>
	2015	53,359	9,435	12,784	4,670	(3,240)	77,008
Amortisation, depreciation and impairment	2016	764	282	669	273	118	2,106
	2015	794	253	630	348	-	2,025
Income tax expense	2016	-	-	6	-	-	6
	2015	-	-	68	-	-	68
Reportable segment earnings/(loss) attributable to shareholders, after tax	2016	8,696	36	2,459	(2,873)	(152)	8,166
	2015	6,781	(3,533)	94	(214)	(108)	3,020

### GEOGRAPHIC INFORMATION ON SEGMENT REVENUES:

FOR THE SIX MONTHS ENDED SEPTEMBER 30		Bermuda	Europe	Total
Segment revenues	2016	84,009	8,364	92,373
	2015	70,531	6,477	77,008

Management considers its external customers to be the individual policyholders and, as such, the Group is not reliant on any individual customer.

### 5.2 ASSETS AND LIABILITIES BY SEGMENT

	Employee Benefits	Wealth Management	Global P&C	All other	Elimination	Total
<b>SEPTEMBER 30, 2016:</b>						
Total General Fund Assets	603,749	32,083	97,221	151,583	(154,721)	729,915
Segregated Fund Assets and Liabilities	786,990	683,266	-	-	-	1,470,256
Total General Fund Liabilities	515,979	17,062	51,152	18,268	(7,115)	595,346
<b>MARCH 31, 2016:</b>						
Total General Fund Assets	520,189	34,004	102,363	159,372	(153,147)	662,781
Segregated Fund Assets and Liabilities	709,518	689,415	-	-	-	1,398,933
Total General Fund Liabilities	447,004	19,030	58,385	21,474	(7,139)	538,754

## 6 POST-EMPLOYMENT BENEFIT LIABILITY

The Group operates a post-employment medical benefit plan in Bermuda which provides medical benefits to eligible retired employees and their spouses. The amount of benefits provided depends on future cost escalation and the Company meets the benefit payment obligation as it falls due. Actuarial valuation to determine the defined benefit obligation is performed quarterly.

The plan exposes the Group to actuarial risks, such as longevity risk, interest rate risk and healthcare cost inflation risks.

Responsibility for governance of the plan lies with the Company. Risks are managed through plan design and eligibility changes, which limit the size and growth of the defined benefit obligation.

The movement in the defined benefit liability is as follows:

	For the six months ended September 30 2016	For the year ended March 31 2016
Balance, beginning of year	4,135	4,042
Movements during the year recognised in Operating expense:		
Current service cost	44	94
Interest cost on benefit liability	57	127
	<b>101</b>	<b>221</b>
Remeasurement during the period included in Other comprehensive income:		
Actuarial gain arising from experience adjustment	(5)	(22)
Benefit payments	(56)	(106)
<b>BALANCE, END OF YEAR</b>	<b>4,175</b>	<b>4,135</b>

As at September 30, 2016, the present value of the defined benefit obligation was comprised of \$1.9 million (March 2016 – \$2.0 million) relating to active employees and \$2.3 million (March 2016 – \$2.1 million) relating to members in retirement.

Components of the change in benefit liabilities year on year and other employee future benefit expense are as follows:

- (i) Current service cost represents benefits earned in the current year. These are determined with reference to the current workforce eligible for benefits and the amount of benefits to which they will be entitled upon retirement, based on the provisions of the Group's benefit plan.
- (ii) Interest cost on the benefit liability represents the increase in the liability that results from the passage of time.
- (iii) Each quarter the actuaries recalculate the benefit liability and compare it to that estimated as at the prior period end. Any differences resulting from changes in assumptions, or from plan experience being different from expectations of management at the previous year end, are considered actuarial gains or losses.

The significant actuarial assumptions in measuring the Group's accrued benefit liability are estimated as follows:

	SEPTEMBER 30 2016	MARCH 31 2016
Discount rate	2.8%	3.2%
Healthcare cost trend rate	6.5%	6.5%

## 7 EARNINGS PER SHARE

The following reflects the net earnings and share data used in the basic and diluted earnings per share computations:

	SEPTEMBER 30 2016	SEPTEMBER 30 2015
Net earnings for the period	\$8,166	\$3,020
Weighted average outstanding common shares	20,955,402	21,203,474
Common shares and common equivalents	20,985,108	21,219,453

## 8 COMPONENTS OF ACCUMULATED OTHER COMPREHENSIVE INCOME/(LOSS)

	SEPTEMBER 30 2016	MARCH 31 2016
Remeasurement of post-employment medical benefit obligation	(1,556)	(1,561)
Available-for-sale investments	6,378	200
Investment in associates	12	12
Translation of financial statements of foreign operations	(3,456)	(2,588)
<b>TOTAL ACCUMULATED OTHER COMPREHENSIVE LOSS</b>	<b>1,378</b>	<b>(3,937)</b>

## 9 DIRECTORS AND OFFICERS HOLDINGS, SHARE OPTIONS AND RESTRICTED STOCK

At September 30, 2016 the Directors and Officers of the Company had combined interests totalling 291,486 shares out of 21,687,414 shares in issue on that date.

Rights to acquire shares in the Company were granted in the past to key employees who include executive Directors and Officers under the 2004 Stock Option Plan. No stock options have been granted since 2007. No share options were exercised during the period. On June 30, 2016, all outstanding stock options expired.

In the six-month period ended September 30, 2016 there were 15,900 restricted shares granted to Directors and Officers.

## 10 ACQUISITION

Effective July 1, 2016, the Group acquired Island Insurance Brokers Limited (IIBL), which became a wholly owned subsidiary of Argus Group Holdings Limited. IIBL is an insurance brokerage company based in Malta. The acquisition is in line with the Group's growth strategy on geographic diversification outside of Bermuda.

The purchase consideration is subject to certain adjustments dependent on the persistency of the book of business. €3.2 million was settled on the acquisition date, while the remaining balance is payable over the next two years. The fair value of the contingent consideration as of September 30, 2016 is €1.1 million. The contingent consideration is based on the achievement of performance-related milestones and the range of undiscounted payment outcomes is between zero and €1.2 million.

The fair value of assets acquired and liabilities assumed were as follows:

	In € thousands	In \$ thousands
<b>ASSETS</b>		
Cash and cash equivalents	2,083	2,348
Insurance balances receivable	2,831	3,191
Fixed assets	27	30
Customer's list	4,144	4,671
Other assets	53	60
<b>TOTAL ASSETS</b>	<b>9,138</b>	<b>10,300</b>
<b>LIABILITIES</b>		
Insurance balances payable	4,024	4,828
Accounts payable and accrued liabilities	774	581
<b>TOTAL LIABILITIES</b>	<b>4,798</b>	<b>5,409</b>
<b>NET ASSETS ACQUIRED</b>	<b>4,340</b>	<b>4,891</b>

Included in cash and cash equivalents is restricted cash of €2.0 million (\$2.3 million). IIBL has arrangements in place in favour of clients in order to comply with certain regulatory requirements in Malta.

The Group incurred acquisition-related costs of \$0.1 million on legal fees and due diligence costs. These costs have been included in Operating expenses on the Consolidated Statement of Operations.

## 11 SUBSEQUENT EVENTS

The Board has declared a final dividend of nine cents per share based upon the audited financial statements of the Group for the year ended March 31, 2016. This is payable on January 24, 2017 for shareholders of record on January 10, 2017.

## 12 COMPARATIVE FIGURES

Certain of the prior period comparative figures have been reclassified to conform to the presentation adopted for the current period.

## BOARD OF DIRECTORS

**Sheila E. Nicoll**, FCI  
CHAIRMAN

**Alan R. Thomson**  
DEPUTY CHAIRMAN

**Wendell S. F. Brown**

**Peter R. Burnim**, MBA

**Timothy C. Faries**, B.A., LL.B, LL.M

**Alison S. Hill**, FCMA, CGMA  
CHIEF EXECUTIVE OFFICER

**Sen. James S. Jardine**, FCA, FCIS, ARM, JP

**Marcia Scheiner**, MBA

**Bernhard U. Schlupe**, LL.M.

**Robert D. Steinhoff**, FCA, JP

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

## OFFICERS OF ARGUS GROUP HOLDINGS LIMITED

**Sheila E. Nicoll**, FCI  
CHAIRMAN

**Alan R. Thomson**  
DEPUTY CHAIRMAN

**Alison S. Hill**, FCMA, CGMA  
CHIEF EXECUTIVE OFFICER

**Peter J. Dunkerley**, FCA  
CHIEF FINANCIAL OFFICER

**George N.H. Jones**, MBA, LLB  
GROUP GENERAL COUNSEL & COMPANY SECRETARY

## BUSINESS UNIT HEADS

**Lauren M. Bell**, FLMI, HIA, ACS  
EXECUTIVE VICE PRESIDENT  
LIFE & PENSIONS

**Andrew H. Bickham**, ACII  
EXECUTIVE VICE PRESIDENT  
BROKING

**Dr. Vanessa O. Borg**, DBA, MPHIL, MBA, B.COM  
CHIEF EXECUTIVE  
ARGUS INSURANCE AGENCIES LIMITED

**John Doherty**, CPCU, ARM, ARe  
EXECUTIVE VICE PRESIDENT  
PROPERTY & CASUALTY

**Michelle A. Jackson**, MBA, MSc  
EXECUTIVE VICE PRESIDENT  
GROUP INSURANCE

**Tyrone Montovio**, ACII  
GENERAL MANAGER  
ARGUS INSURANCE COMPANY (EUROPE) LIMITED

**Lawrence Pavia**, FCI, ACIArb, MA  
MANAGING DIRECTOR  
ISLAND INSURANCE BROKERS LIMITED

**Joel P. Schaefer**, CFA  
PRESIDENT & CHIEF EXECUTIVE OFFICER  
AFL INVESTMENTS LIMITED

**Sen. Lynne A. Woolridge**, FLMI, FALU, HIA  
HEAD OF INTERNATIONAL LIFE

## SUPPORT UNIT HEADS

**Cindy F. Campbell**, CPA, MBA  
EXECUTIVE VICE PRESIDENT  
STRATEGIC DEVELOPMENT

**Simon Giffen**, CFA, TEP  
GROUP INVESTMENT MANAGER

**Onesimus Nzabalinda**, MBA, MSc, CISA, CFE, CRISC  
HEAD OF RISK & COMPLIANCE

**Wanda E. Richardson**, MA, SPHR  
EXECUTIVE VICE PRESIDENT  
CLIENT SOLUTIONS, SALES AND MARKETING

**Hannah Ross**, FIA  
CHIEF ACTUARY

**Nik Smale**, BEng  
EXECUTIVE VICE PRESIDENT  
INNOVATION AND TECHNOLOGY

**Sheena M. Smith**, CPA  
VICE PRESIDENT  
FINANCIAL REPORTING

**Kellianne M. Smith**, BA  
HEAD OF GLOBAL HUMAN RESOURCES  
AND ORGANISATIONAL DEVELOPMENT

# Directors of Principal Operating Subsidiaries

## **ARGUS INSURANCE COMPANY LIMITED**

Wendell S. F. Brown  
CHAIRMAN  
John Doherty  
Peter J. Dunkerley  
Alison S. Hill  
Marcia Scheiner  
Robert D. Steinhoff  
Paul C. Wollmann

## **BERMUDA LIFE INSURANCE COMPANY LIMITED**

Sheila E. Nicoll  
CHAIRMAN  
Lauren M. Bell  
Wendell S. F. Brown  
Peter J. Dunkerley  
Timothy C. Faries  
Alison S. Hill  
Michelle A. Jackson  
Alan R. Thomson

## **BERMUDA LIFE WORLDWIDE LIMITED**

Sen. James S. Jardine  
CHAIRMAN  
Peter R. Burnim  
Peter J. Dunkerley  
Alison S. Hill  
Bernhard U. Schluep  
Sen. Lynne A. Woolridge

## **CENTURION INSURANCE SERVICES**

Alison S. Hill  
CHAIRMAN  
Andrew H. Bickham  
Peter J. Dunkerley

## **ARGUS INTERNATIONAL LIFE BERMUDA LIMITED**

Sen. James S. Jardine  
CHAIRMAN  
Peter R. Burnim  
Peter J. Dunkerley  
Bernhard U. Schluep  
Sen. Lynne A. Woolridge

## **ARGUS INTERNATIONAL LIFE INSURANCE LIMITED**

Sen. James S. Jardine  
CHAIRMAN  
Peter R. Burnim  
Peter J. Dunkerley  
Alison S. Hill  
Bernhard U. Schluep  
Sen. Lynne A. Woolridge

## **ARGUS INSURANCE COMPANY (EUROPE) LIMITED**

Sheila E. Nicoll  
CHAIRMAN  
Timothy C. Faries  
Alison S. Hill  
Tyrone Montovio  
Michael Oliver  
Bernhard U. Schluep

## **AFL INVESTMENTS LIMITED**

Sen. James S. Jardine  
CHAIRMAN  
Robert D. Steinhoff  
Peter J. Dunkerley\*  
James M. Keyes  
Henry R. Perren  
Craig Rimer

\*subject to the approval of the  
Bermuda Monetary Authority

## **ARGUS INSURANCE AGENCIES LIMITED**

Charles Farrugia  
CHAIRMAN  
Vanessa O. Borg  
Albert E. Cardona  
Alison S. Hill  
Sheila E. Nicoll  
Jonathan Schembri

## **WESTMED INSURANCE SERVICES LIMITED**

Alison S. Hill  
CHAIRMAN  
Tyrone Montovio  
John Stagnetto

## **ISLAND INSURANCE BROKERS LIMITED**

Dr. Carmel Cascun  
Peter J. Dunkerley  
Alison Hill  
Sheila Nicoll  
Lawrence Pavia

PAPER:

In line with our policy to implement environmentally friendly measures, this report has been printed on paper made of virgin fibre sourced from sustainable and FSC certified forests. The bleaching process is Elemental Chlorine free and the printing process uses soy-based litho inks.

By using this paper we have used:

16% less wood  
22% less net energy  
12% less greenhouse gas  
22% less wastewater  
18% less solid waste



Registered Office:

The Argus Building, 14 Wesley Street, Hamilton HM 11, Bermuda  
Tel: (441) 295-2021 Fax: (441) 292-6763

Mailing Address:

P.O. Box HM 1064, Hamilton HM EX, Bermuda

Customer Service Centre:

Tel: (441) 298-0888 e-mail: [insurance@argus.bm](mailto:insurance@argus.bm) [www.argus.bm](http://www.argus.bm)