



More than meets the eye

Financial Condition Report

Financial Year End: March 31, 2022



Argus Group Holdings Limited

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EXECUTIVE SUMMARY

We are delighted with how the Argus Group has successfully navigated the financial and operational complexities of the past 12 months and delivered another year of strong economic performance.

Our operating earnings - which is our key measure of the profitability of the Group - for the year is \$18.2 million. Once again, each core part of the Group has performed well and delivered strong underlying profitability.

Since March 2018, our shareholders' equity has increased from \$105.9 million to \$143.0 million as of March 31, 2022. During this time, we have returned \$19.6 million to shareholders through dividends and a further \$2.5 million through share repurchases. The growth in our shareholders' equity has been achieved through solid operating earnings, revenue diversification and continued commitment to careful and diligent custodianship of policyholder and shareholder assets.

Our longer-term 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 31, 2022 is \$25.7 million compared with \$10.1 million in the previous year. Both the current and the prior year reported net income are impacted by market interest rate movements - in 2021 this caused a drag on income whereas our 2022 results have benefitted from these movements.

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. More recently the economic turmoil and inflationary pressures brought about by the current geopolitical situation present a new set of navigational challenges.

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 the Group completed the disposal of our private placement life business, effective 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, 2022, 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 two 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
Bermuda Life Insurance Company Limited (BLIC)	General Class 3B & Long-Term Class D

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, 2022.



Alison Hill, FCMA, CGMA
Chief Executive Officer



Peter Dunkerley, FCA
Chief Financial Officer

I BUSINESS AND PERFORMANCE

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

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

The Argus Group is a multi-line insurance, 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.

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.

Canada



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

Gibraltar



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

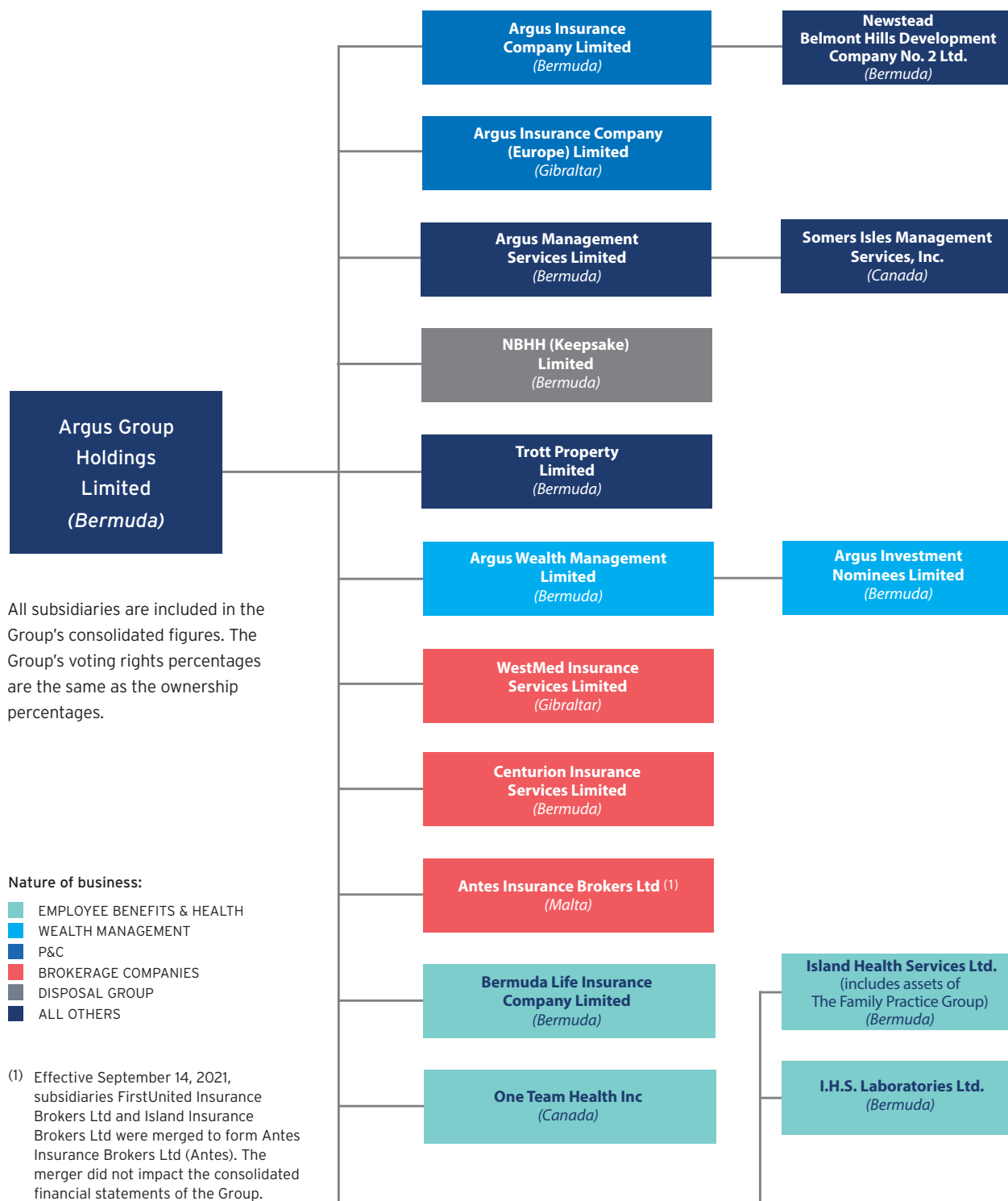
Malta



In 2021, subsidiaries FirstUnited Insurance Brokers Ltd and Island Insurance Brokers Ltd were merged to form Antes Insurance Brokers Ltd (Antes). Antes is now the largest and fastest growing broker in Malta and is part of the critical foundation for our European growth strategy.

Group Structure

The table below provides details of the major operating subsidiaries, which are directly and indirectly held by AGH at March 31, 2022.



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

Nature of business:

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

(1) Effective September 14, 2021, subsidiaries FirstUnited Insurance Brokers Ltd and Island Insurance Brokers Ltd were merged to form Antes Insurance Brokers Ltd (Antes). The merger did not impact the consolidated financial statements of the Group.

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

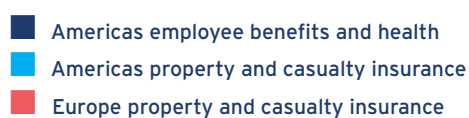
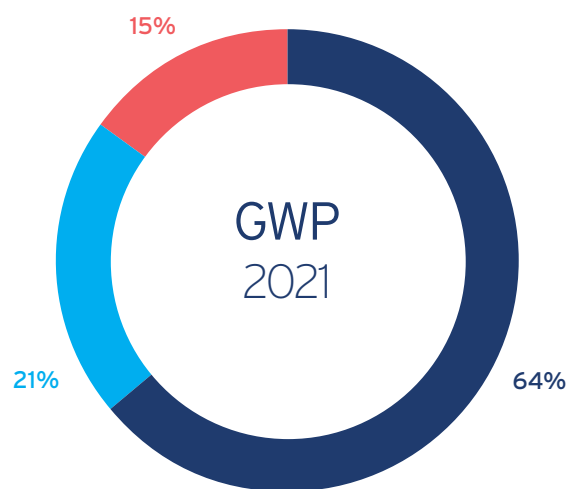
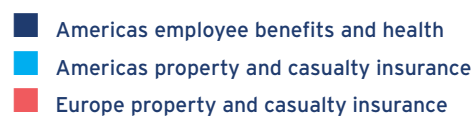
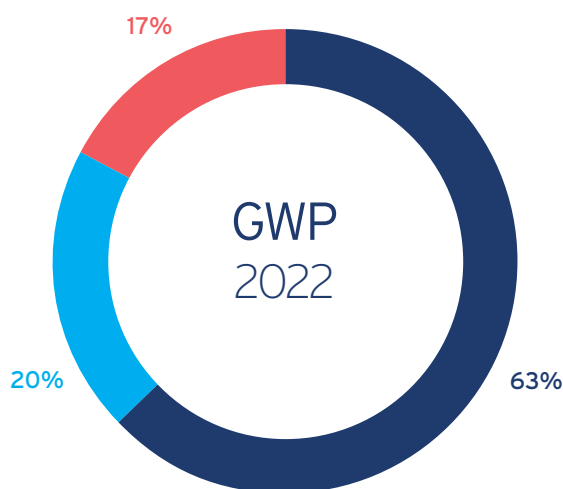
Insurance Business

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, 2022 and 2021, are shown in the table below.

Consolidated Gross Written Premiums \$000	2022	2021
Americas employee benefits and health	103,844	95,779 ⁽¹⁾
Americas wealth management	-	86
Americas property and casualty insurance	33,233	31,415
Europe property and casualty insurance	27,641	23,252
Total	164,718	150,532
Bermuda	137,077	127,280
Europe	27,641	23,252
Total	164,718	150,532

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

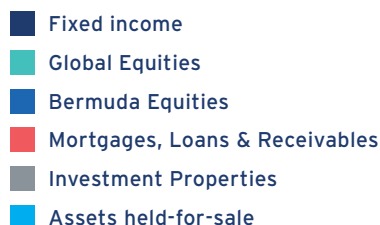
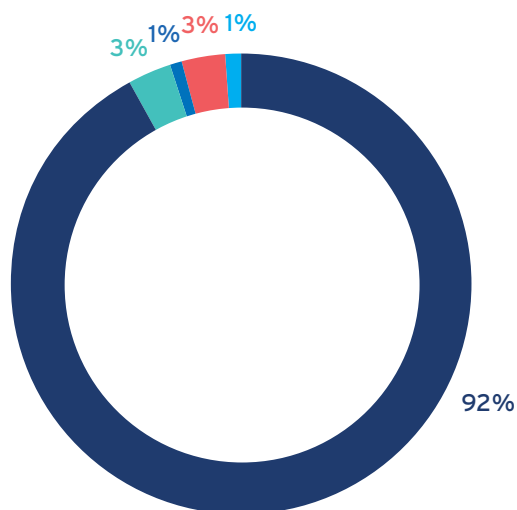


Investments

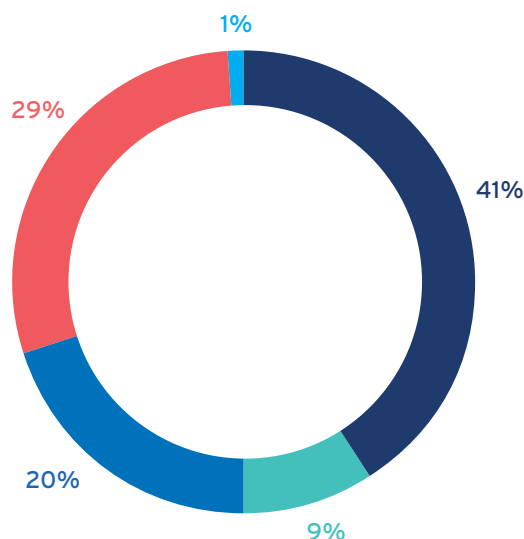
Our commitment to careful and diligent custodianship of policyholder and shareholder assets is central to the Argus Group's investment philosophy. Our investment portfolio is designed to ensure funds are readily available to satisfy our obligations to policyholders and to enhance shareholder value by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

During the quarter ended March 31, 2022, we saw inflation pressures building significantly around the world. Then, the war in Ukraine in late February caused a global shock, both from a humanitarian perspective as well as financially. Commodity prices soared given Russia is a key producer of several important commodities including oil and gas, and both Russia and Ukraine are big wheat producers globally. Elsewhere, renewed COVID-19 outbreaks in China led to new lockdowns in a few major industrial cities, which brought another wave of supply chain issues. This all contributed to a further surge in inflation, which caused equity and bond prices to decline sharply. Whilst this caused unrealised losses in the value of our fixed income portfolio in particular, we generally hold our bonds to maturity and so in the longer term this should be a temporary decline only. Our investments continued to provide stable income, recorded through the income statement and, overall, the Group's portfolio performed in line with expectations. Combined investments generated a total loss of \$14.5 million; \$11.9 million was reported through the income statement and \$26.4 million of unrealised losses was reported as other comprehensive income on the balance sheet. The Group continues to hold a high quality, diversified, global investment portfolio. 92 percent of the Group's investments are in fixed income bonds, of which 99 percent are classified as investment grade.

INVESTMENT ASSETS AT 31 MARCH 2022



FIXED INCOME PORTFOLIO RATINGS AT 31 MARCH 2022



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

\$000	Asset Balance 2022	Net Investment Income 2022	Weighted Percentage Return 2022
Fixed income	441,996	10,063	2.1%
Equities	17,039	2,575	0.5%
Mortgages and loans	13,463	456	0.1%
Investment property	7,014	307	0.1%
Investment in associates	2,908	(90)	0.0%
Allocations	-	(1,421)	-
Total	482,420	11,890	2.7%

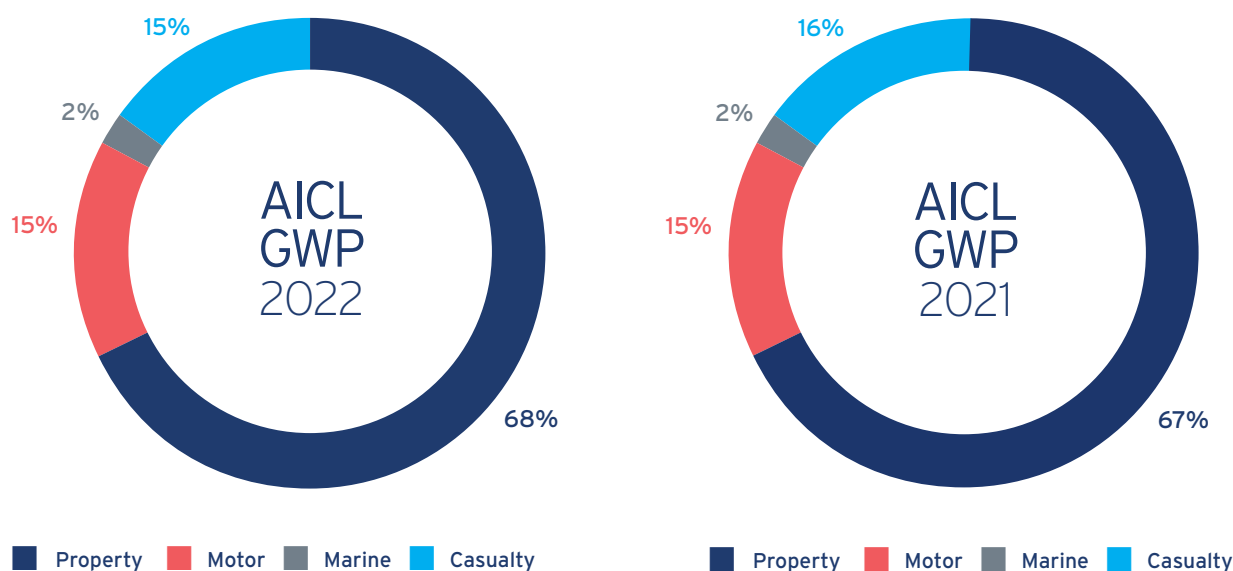
Above balances were prepared on statutory financial basis.

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, 2022 and 2021 are as follows:

Gross Written Premiums \$000	2022	2021
Property	22,850	21,353
Motor	5,021	4,759
Marine	663	627
Casualty	5,229	5,024
Total	33,763	31,763
Bermuda	33,763	31,763



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

\$000	Asset Balance 2022	Net Investment Income 2022	Weighted Percentage Return 2022
Fixed income	22,923	349	1.3%
Equities	3,673	809	2.2%
Investment property	2,399	(846)	-2.7%
Investment in associates	2,908	(90)	-0.3%
Other*	-	15	-
Total	31,903	237	0.5%

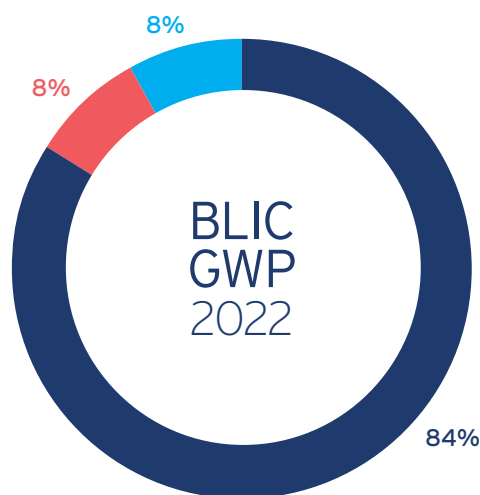
*Rental income, bank interest and other

Bermuda Life Insurance Company Limited (BLIC)

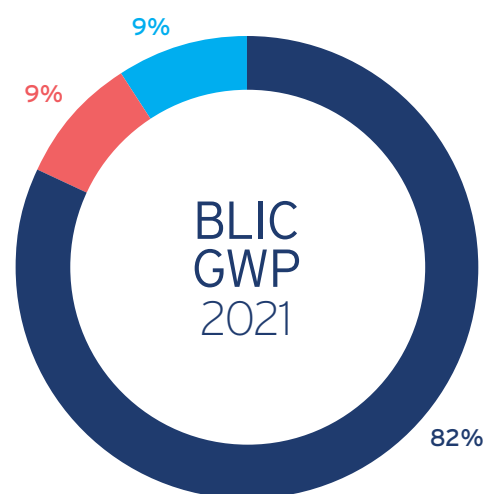
BLIC is a wholly owned subsidiary of AGH, writing business for both group and individual clients. The lines of business include health, life and disability insurance, in addition to offering pension and annuity products. Argus is the market leader in employee benefits, providing innovative and progressive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

Health premiums increased during the year as a result of premium rebates scheme launched in 2021 in recognition of the impact of COVID-19 related restrictions.

Gross Written Premiums \$000	2022	2021
Health	87,478	79,731
Life	8,688	8,594
Annuities	8,368	8,362
Total	104,534	96,687
Bermuda	104,534	96,687



■ Health ■ Life ■ Annuities



■ Health ■ Life ■ Annuities

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

\$000	Net Asset Balance 2022	Investment Income 2022	Weighted Percentage Return 2022
Fixed income	396,182	8,850	2.1%
Equities	7,279	459	0.1%
Mortgages & loans	13,463	456	0.1%
Investment property	375	1,214	0.2%
Other*	-	12	-
Impairments	-	(262)	-
Allocations	-	(937)	-
Total	417,299	9,792	2.6%

* Rental income, 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 generated by our core business has increased by \$7.4 million or approximately 15 percent compared to the prior year. We continue to grow new sources of fee-based income, and build resilience and diversification in our revenues through complementary products and services. Over the last five years we have acquired insurance brokers, a medical care management company, and primary healthcare practices. Not only have these acquisitions generated significant additional sources of revenue, but they have also brought complimentary capabilities and services to our Group.

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, 2022, the combined operating ratio for the insurance businesses within the Group was a healthy 77.8 percent compared with 70.4 percent for the year ended March 2021. This was mainly driven by increases in the Group's premium income, offset by higher benefit and claims costs as a result of economic activity returning to more normal levels during the year.

The Group continues to analyse emerging health data to understand the potential for an increase in the frequency or severity of future health claims as a consequence of lower utilisation of preventative and diagnostic healthcare over the COVID-19 period.

We remain committed to careful and judicious management of operating expenditure: investing where it matters most - in people and innovation - whilst taking meaningful steps to eliminate low value activities and expenses to reduce the ongoing cost of doing business.

Other material income and expenses for the Bermuda regulated insurance subsidiaries for the years ending March 31, 2022 and 2021 are as follows:

Other Material Income & (Expenses) for 2022			
	AICL	BLIC	Argus Group
Commission and fee income	9,634	15,425	57,382
Net benefits and claims	(3,253)	(68,728)	(77,486)
Commission expenses	(1,513)	(374)	(6,275)
Operating expenses, amortisation and depreciation	(6,700)	(24,876)	(83,092)

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)

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

Our focus today, and our plan for tomorrow, is to enhance and expand our integrated, digitally enabled, financial, physical and mental health products and services. We are growing the number of touch points to build deeper connections and great customer experiences - keeping our customers and employees at the heart of our business.

We are investing in our people and technology to deliver far more human-centric solutions and services. We are designing our customer and employee experiences with transparency, security and resilience as core foundational tenets. We envision more responsive, interactive experiences that serve to protect and build financial wellbeing. Take a closer look and you will find that we have reimagined our whole business, our bold and creative innovation, vision and ambition for our collective futures. Argus is a business that has quietly gone about rethinking its place, its products and its very purpose.

Of particular note:

- **Best in class specialists in island insurance markets** - We are Best in Class specialists in island insurance markets. We specialise in physical, mental and financial health services with a focus on the integrated experience.
- **Strong embedded culture of Partner not just Payer** - We have a long history of building partnerships. We have the ability to get things done in highly connected markets. We are not just payers of benefits - we build the long-term trusted partnerships to which many businesses can only aspire.
- **Proven record of acquisition and integration** - We're building a track record of delivering bold, cutting edge plays and a proven record of acquisitions, having acquired and successfully integrated five profitable businesses in the last five years.
- **Scale enabling agility** - The scale of our business - whilst much smaller than a typical large market player - allows us to be agile. In highly-connected island markets, being a trusted partner allows us to serve a broad set of customer needs and gain a larger share of wallet. We aspire to be the go-to choice for corporates and individuals across our communities for integrated physical and financial health and protection.
- **Operating in smaller but highly attractive markets** - We operate in less familiar but highly attractive insurance markets and we play in a sophisticated way, creating attractive margins. We sell insurance and investment products at retail rates, aggregating and offloading much of the risk at wholesale rates - resulting in low risk, capital efficient income.
- **Delivering strong growth with attractive returns on equity** - We invest in diverse and inclusive teams, deliver great experiences for our employees and our customers, which results in attractive and sustainable shareholder returns.

Our Better Health Partnership

Argus' journey to build a better health ecosystem started four years ago with the purchase of One Team Health (OTH), followed by the seamless integration of Island Health Services and Family Practice Group. With over 70 years' experience in the health insurance business, our expertise in care and network management through OTH and the acquisition of our medical practices means our ecosystem is growing. With the experience we have gained and with our dedicated team of professionals, Argus is poised for growth in Bermuda and overseas.

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.

We are pleased to introduce Antes, our new broker business. We merged our two, well-established broker businesses in Malta, Island Insurance Brokers and FirstUnited Insurance Brokers. Antes is now the largest and fastest growing broker in Malta and is part of the critical foundation for our European growth strategy. Through Antes, we continue to deliver a comprehensive suite of products as part of our financial wellness offering so our customers can have peace of mind. Antes is a broker with a purpose, building relationships based on trust and integrity.

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. We strive to operate a responsible and sustainable business, working with local market partners to promote social and economic development for tomorrow's society and environment.

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- (Excellent)	Stable	2021
BLIC	A- (Excellent)	a- (Excellent)	Stable	2021
Argus Group		bbb- (Good)	Stable	2021

In December 2021, AM Best affirmed the Financial Strength Rating (FSR) of A- (Excellent) and the Long-Term Issuer Credit Rating (Long-Term ICR) of "a-" (Excellent) of AICL and BLIC. Both companies are subsidiaries of Argus Group Holdings Limited (Argus Group). Concurrently, AM Best has affirmed the Long-Term ICR of Argus Group of "bbb-" (Good). All companies are domiciled in Hamilton, Bermuda. The outlook of these Credit Ratings is stable.

The ratings reflect Argus Group's balance sheet strength, which AM Best assesses as strongest, as well as its adequate operating performance, limited business profile and appropriate enterprise risk management.⁽¹⁾

(1) https://news.ambest.com/presscontent.aspx?altsrc=10&RefNum=31570&URatingId=4&_ga=2.56514728.267493590.1659994554-865741216.1659994553

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.

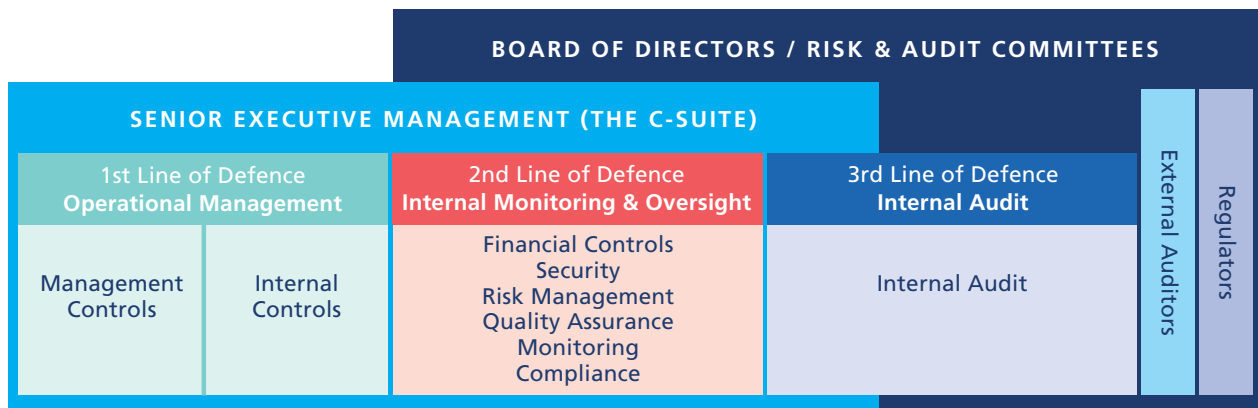
The Group prioritises the development of a forward-looking risk management framework to deal appropriately with changes in the economic, social and regulatory environment in which it operates. The risk management deployed by the Group is based on the principles set down below, which are aligned with 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.

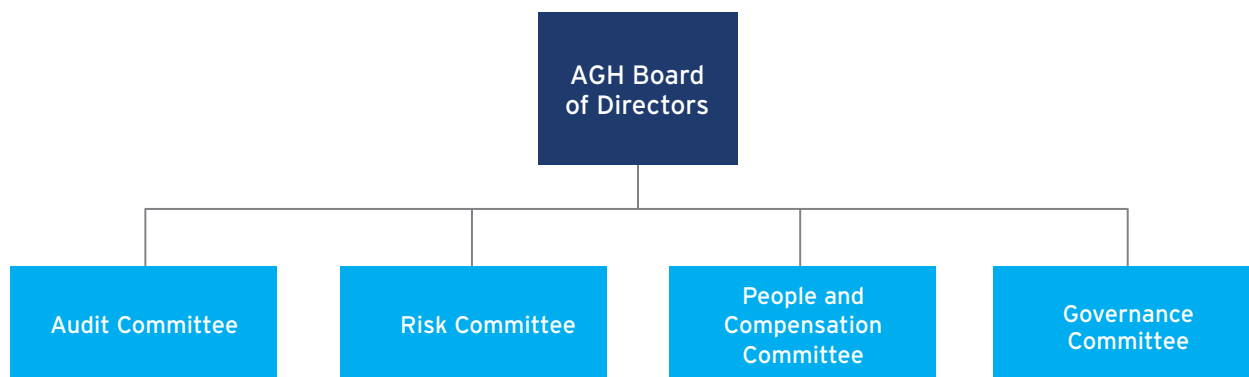
The role of the Board is to provide leadership of the Group as a whole and the respective subsidiaries within a framework of prudent and effective controls, which enables risk to be assessed and managed. The AGH Board sets the Group's strategic aims and ensures that the necessary financial and human 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. In 2021, the People, Compensation & Governance Committee was split into two committees: (1) People & Compensation Committee, and (2) Governance Committee to allow each of the committees to better focus on the people and compensation and governance areas, respectively.

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 Committee

The People & Compensation Committee is tasked with: (1) discharging the Group's Board's responsibilities relating to the compensation of the Group's executive officers and other designated senior officers, (2) ensuring the adoption of policies that govern the Group's compensation and benefit programmes, (3) overseeing the goal setting and review process of Group's executive officers and other designated senior officers, (4) overseeing the plans for executive officer development and succession, and (5) fulfilling the responsibilities set forth in the Terms of Reference of the Committee.

The Group's People & Compensation 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.

Governance Committee

The Governance 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) overseeing matters of corporate governance, including advising the Group's Board on matters of (a) board organisation, membership and function; (b) committee structure and membership; (c) conduct of board and shareholder meetings; and (d) prospective bye-law changes relating to matters of corporate governance, (4) recommending appointment of board members to the Group's subsidiary boards and committees, and (5) fulfilling the responsibilities set forth in the Terms of Reference of the Committee.

The Governance 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 Governance 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.

Sustainability Management Committee

The Committee is appointed by the Board and is tasked with the oversight and execution of the Group's sustainability strategy. It assists the Board in setting the Group's overall approach and strategy as well as monitoring progress to address sustainability goals in alignment with the Group's overall strategy and objectives.

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 P&C 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 P&C 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 P&C 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.

During the current reporting period, the Group's independent non-executive directors received a fixed fee with no variable or performance-related component, as set by the Group's shareholders at the Annual General Meeting held on September 23, 2021.

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, 2022, AGH paid a total dividend of \$4.3 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 ended March 31, 2022:

- AICL paid a dividend of \$7.8 million to AGH
- BLIC paid a dividend of \$30.0 million to AGH

Fitness and Propriety Requirements

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

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

The Governance 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, 2022, are listed below:

Executive Director

Alison S. Hill

Non-Executive Directors

David A. Brown

Keith W. Abercromby

Peter R. Burnim

Garret P. Curran

Timothy C. Faries

Barbara J. Merry

Constantinos Miranthis

Everard Barclay Simmons

Kim R. Wilkerson

Paul C. Wollmann

Officers

David A. Brown *Chair*

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*

Sasha Castle-Siddiq *Assistant Secretary*

Chair - 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.

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 four 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.

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 12 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.

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.

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 eight 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 ten 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.

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.

Everard Barclay Simmons, MBA, LLB

Rose Investment Limited

Mr. Simmons was a member of the Argus Group Holdings Limited Board of Directors for five years, from 2011 to 2015, and 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 four 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 eight years. Mr. Wollmann has extensive (re)insurance and capital markets knowledge and has direct work experience with the most senior levels of large financial institutions. He holds a BA from Rollins College, Florida and an MBA from The School of Risk Management, Insurance and Actuarial Science, St. John's University, New York.

Argus Group Holdings Limited - Officers

Chair - David A. Brown

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.

Sasha Castle-Siddiq, LLB

Assistant Company Secretary

Mrs. Castle-Siddiq joined the Argus Group in 2016 and is currently Legal Counsel and Head of Compliance in the Americas Region for its various subsidiaries. Mrs. Castle-Siddiq is an attorney called to the Bermuda Bar for 21 years having practiced primarily in mutual fund administration and fund management sector. She is a graduate of the University of Warwick, and holds a Bachelor of Laws Degree with honors and completed the Postgraduate Diploma in Legal Practice at the Oxford Institute of Legal Practice in the UK.

Directors for each entity within the scope of the FCR

Directors	AICL	BLIC
Peter Lozier (CEO, Americas Region)	•	
Peter J. Dunkerley (CFO)	•	•
Timothy C. Faries (Non-executive Director)		•
Alison S. Hill (CEO)	•	•
Everard Barclay Simmons (Non-executive Director)		•
Kim R. Wilkerson (Non-executive Director)		•
Paul C. Wollmann (Non-executive Director)	•	
Constantinos Miranthis (Non-executive Director)	•	•

• Chair

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 and key risks are captured in the various business entity plans. 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 include 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. Material risks, together with the risk measurement and mitigation controls are recorded in the Group Risk Register which is reviewed by the Group Risk Management Committee. The Group Risk Register is a key input into the risk management framework and any material changes in the underlying risks are considered in the determination of the Company's capital requirements.

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 2022-2023 budget.

Emerging risks are also identified and tracked for potential impact to business plan and speed of impact to the Company.

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 annual solvency self-assessment is approved by the Group Risk Management Committee with final approval by the Audit and Risk Committees of the Board. An independent compliance review is carried out and a memo is prepared and submitted to the Group Risk Management Committee 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.

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 Group Risk Management Committee and final approval of the Audit and Risk Committees of the Board. An independent assurance is carried out by the Compliance function.

Compliance Function

The Chief Group Compliance and Audit Officer has been appointed by the Board with responsibilities to provide oversight over 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 developed and was approved by the Board.

The Chief Group Compliance and Audit Officer ensures that all subsidiaries remain compliant with regulatory requirements the system of internal controls, standard operating procedures, as well as adherence to Group Standards of Business Conduct. Identified incidents of non-compliance, and their remediation, are reported to the Risk and Audit Committee on a timely basis.

Internal Audit

The Chief Group Compliance and Audit Officer has been appointed by the Board to manage the internal audit function. The responsibilities of the Chief Group Compliance and Audit Officer 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 from Management or any other function. In that respect, the internal audit function reports directly to the Audit Committee and administratively to the Chief Group Compliance and Audit Officer, who is also independent and reports to the Risk and Audit Committee.

Internal Audit Policy

The Board approved the Internal Audit Policy, which sets out the terms and conditions to govern the internal audit function. When necessary, the internal audit function can be called upon to conduct investigations or any other special tasks as determined by the Board, Audit Committee or the Executive Management.

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 Group Vendor Management 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. This policy governs the Group and all its subsidiaries.

The Policy sets out a robust governance process for selecting a material outsourcing service provider or Third-Party Service Provider (TPSP). Prior to the appointment of a TPSP, due diligence 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, roles and responsibilities across the three lines of defence to monitor the performance of vendors on a risk-based approach. Significant issues related to outsourced functions or services are reported to the regional Risk Management Committees and escalated to the Group Risk Management Committee.

The outsourcing policy includes the following:

- The criteria for determining whether a function or activity is considered as outsourcing;
- The selection process and due diligence process for vendors;
- The definition of risks associated with vendors and the risk assessment methodology;
- The requirements for vendors governed by contracts; 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/Cyber
- People
- 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.
- The Company shall maintain sufficient liquid assets to meet foreseeable cash outflows and maintain sufficient cash and/or liquidity facilities for reasonably possible unforeseen events.
- The Company has no appetite to undertake risks that can materially damage or impair its brand and reputation.

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 in our health and property and catastrophe portfolio 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. All participants in the reinsurance panel are rated A- or above. As part of the service agreement, the reinsurance broker monitors financial strength ratings of the reinsurance panel. On an exception basis, notifications of any changes to financial ratings or outlook are sent for consideration by management. Significant issues are escalated to the Group Risk Management 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. An operational risk event (ORE) is a failure of internal processes, people, systems or a result of external events that may result in direct or indirect financial loss. OREs are reported at least monthly to regional risk management committees and significant issues are escalated to Group Risk Management Committee (or Working Group) and relevant Boards, as needed.

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.

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.

Emerging Risks

The Company proactively monitors emerging risks which may have potential impact to the business plan and objectives. These risks are reported to the Group Risk Management Committee and Risk Committee. Deep dive assessments are performed on significant risks and where needed, mitigation and monitoring controls are embedded within the business to manage these risks. Below are examples of our financial impact assessments:

- **COVID-19** - 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.

The Group continues to monitor and evaluate the impact of the pandemic on its business. The risks associated with the COVID-19 pandemic are being managed in accordance with the Group's existing risk management framework. The most recent annual solvency assessment exercise indicates resilience against the financial impact of this event. The Group remains sufficiently capitalized on a current and forward-looking basis with no adverse impact to its ability to meet policyholder obligations.

- **RUSSIA'S INVASION OF UKRAINE** - On February 2022, Russia launched a military attack on neighboring country Ukraine. As the war continues to evolve and additional sanctions are imposed, the Group continues to monitor the impact of the crisis on its business. The Group currently faces no direct exposure to the war. There is minimal impact to balance sheet assets as we don't have exposures to Russian or Ukraine assets, and no direct impact to investments or clients. However, the conflict has impacted the financial markets and increased market volatilities as it has intensified inflationary pressures worldwide, particularly with energy and commodities and shows no sign of abating in the short run. The Asset Management team works closely with investment managers to monitor market movements and when warranted, execute portfolio rebalancing activities. The Group's current investment strategy remains appropriate.

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. The severe impact of insurance and market risk associated with a global pandemic such as COVID-19 is included in the list of stresses analysed.

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, 2022, the total Technical Provisions for the Argus Group amounted to \$414.4 million:

Argus Group \$000	2022			2021		
	General Business	Long-Term Business	Consolidated	General Business	Long-Term Business	Consolidated
Net premium provisions	981	-	981	(160)	-	(160)
Net loss and loss expenses	27,234	380,427	407,661	24,396	402,281	426,677
Risk margin	1,017	4,745	5,762	1,258	5,109	6,367
Total	29,232	385,172	414,404	25,494	407,390	432,884

As at March 31, 2022, the total Technical Provisions for AICL amounted to \$4.9 million:

AICL \$000	2022 General Business	2021 General Business
Net premium provisions	(596)	(477)
Net loss and loss expenses	5,244	5,173
Risk margin	288	279
Total	4,936	4,975

As at March 31, 2022, the total Technical Provisions for BLIC amounted to \$395.7 million:

BLIC \$000	2022			2021		
	General Business	Long-Term Business	Consolidated	General Business	Long-Term Business	Consolidated
Net premium provisions	(2,037)	-	(2,037)	(3,286)	-	(3,286)
Net loss and loss expenses	8,005	385,246	393,251	6,441	399,121	405,562
Risk margin	60	4,424	4,484	49	4,884	4,933
Total	6,028	389,670	395,698	3,204	404,005	407,209

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, 2022:

- AGH has 25,000,000 authorised, with 21,375,498 issued and fully paid (excluding treasury shares) common shares at par value \$1.00, and is traded on the Bermuda Stock Exchange
- 1,263,369 shares are held in treasury
- AGH has contributed surplus of \$54.9 million and statutory economic surplus of \$60.4 million

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, 2022			
\$000	AICL	BLIC	AGH
IFRS Equity	29,474	41,985	142,994
Prudential filters:			
Prepayments	(69)	(1,953)	(5,794)
Intangible assets	-	-	(25,874)
Guarantees	(1,800)	-	(1,800)
Statutory Capital & Surplus	27,605	40,032	109,526
Adjustment for insurance reserves	-	-	-
to net Technical Provisions	(314)	9,442	19,722
Fair value adjustment of assets	3,139	(974)	1,509
Economic Capital & Surplus	30,430	48,500	130,757

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	30,390	46,952	130,757	278%
AICL	5,190	20,761	30,430	147%
BLIC	21,011	23,068	48,500	210%

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 ended March 31, 2020, was the first year of a transition period to the BMA's new BSCR model. As of March 31, 2022, AICL has completely transitioned to the new BSCR model, a three-year transition period. BLIC is on the third of a six-year transition period, and Argus Group is on the third of a four-year transition period. All entities exceed these revised regulatory requirements with current capital levels, assuming full transition to the new requirements.

VI SIGNIFICANT EVENTS

Divestment

On July 1, 2021, the Group completed 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 to an unrelated party.

Dividends Post Year-End

Based upon the audited financial results of the Group for the year ended March 31, 2022, the Directors have declared a dividend of 11 cents per share (2021 - 10 cents per share) payable on August 26, 2022 for shareholders of record on July 29, 2022.



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