



Further.
Faster.

—
ANNUAL REPORT
2021


ARGUS
Our Interest is You.

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SECTION 01

Message from the Chair

David A. Brown
Chair
Argus Group

Message from the Chair

Dear Shareholders,

This is my first letter to you since taking on the role of Chair of the Argus Group Board of Directors in April this year. I follow in the exemplary footsteps of Sheila Nicoll who will be stepping down in September 2021 after serving on the Board for over 15 years, the last ten as Chair.

There are many things about Argus that attracted me to this position. It's an iconic Bermuda institution that, during its 71-year history, has cemented its reputation as a caring employer and health care provider.

I've always admired the Argus ethos of doing the right thing for its customers, its employees, the community and, of course, its shareholders. Argus calls this its 'everyone wins' philosophy and you'll read more about it throughout this report.

In a small island community like Bermuda, we rub shoulders with people from each of these groups. They are

our relatives, friends and neighbours. It's important to me that we treat all of them equitably. Over the years, Argus has strived to do just that.

As I assume this role, Argus is in fine shape. This is in no small part due to the guidance, professionalism and determination that Sheila provided over her many years of service.

Three years ago, Sheila led the Board and Argus' Management team in making some difficult decisions in order to position the Company for long-term profitable, sustainable growth. Under her stewardship, obstacles to achieving this growth were identified and a plan for addressing the issues was outlined.

It's impressive to arrive at the start of the fiscal year 2022 and realise that virtually every roadblock has been removed - all the more meaningful because of the dire impact the last 18 months has had on global health care systems, the insurance industry and capital markets.



“It's an iconic Bermuda institution that, during its 71-year history, has cemented its reputation as a caring employer and health care provider.”

Of particular note:

- We sold underperforming assets, reinvesting the proceeds to fund our growth and diversification plans.
- We reorganised our business units to better support our development as a global company, embedding a commitment to operational efficiency throughout the Argus Group and leveraging product and service digitisation to accelerate the execution of our business plans.

“One of Argus’ boldest and most notable achievements was the June 2020 acquisition of the two largest medical practices in Bermuda.

- We’ve established a thriving client administration operation in Canada and we’re the largest employee benefits provider in Bermuda.

You’ll find more detail and insight about these developments in the updates from our Management team included in this annual report. Some of the highlights in these sections:

- In her Group CEO report, Alison Hill outlines what our ‘everyone wins’ philosophy looked like in practice throughout the fiscal year ended March 31, 2021; how our new organisational design is enabling our focus on efficiency and improved customer service; and how our commitment to affordable, accessible health care is helping to redefine the health care industry in Bermuda.
- Group CFO Peter Dunkerley notes in his report that, since 2018, our shareholders’ equity has increased from \$105.9 million to \$149.7 million as of March 31, 2021. Peter also provides key metrics that illustrate our strong results

for the fiscal year ended March 31, 2021, our robust enterprise risk management and financial planning, and our operational excellence mindset.

- One of Argus’ boldest and most notable achievements was the June 2020 acquisition of the two largest medical practices in Bermuda. This groundbreaking development signalled Argus’ enduring belief in the power of shifting health care’s focus from sickness to wellness. The benefits of integrating Island Health Services and The Family Practice Group into the Argus Group represent the beginning of our own integrated health care evolution. You can read more about this signature move in Argus Americas Chief Executive Peter Lozier’s report.
- As we continue our product and geographic expansion, we’re pleased with the progress made this year by Argus Europe Chief Executive Tyrone Montovio. You can read more in the Argus Europe Regional report.

“ A critical aspect of building a company that delivers enduring value to its shareholders, employees and customers is the quality of its governance.

Throughout the pandemic, we were undeterred in our commitment to our employees and the communities in which we do business.

For the first time, we're presenting this section under an Environmental, Social and Governance (ESG) heading. While the ESG acronym is a new reference in the Company's annual report, the desire to make a meaningful, positive impact has been a constant at Argus for 71 years.

It goes without saying that a critical aspect of building a company that delivers enduring value to its shareholders, employees and customers is the quality of its governance. In this regard, I'm very pleased to welcome Costas Miranthis

and Garrett Curran to the Argus Board. Costas and Garrett join an experienced, committed group of Directors and enhance an already considerable skillset with a wealth of experience, as well as expertise, in the re/insurance and financial services sectors. Their respective backgrounds will enable them to play key roles in moving our strategy for growth forward.



Further. Faster.

Speaking of moving forward, you'll have noticed that the theme of this year's annual report is Further. Faster.

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

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

- We've entered the 2022 fiscal year with a laser focus on delivering meaningful value to everyone who invests in, works for and does business with the Argus Group.
- We remain committed to reinvesting in the business - balancing profitability, risk, growth and strategic investments.

- We continue to deliver on our goal of increasing returns on equity, growing book value per share and improving the quality of our assets. It has been heartening to see some of this reflected in the share price which has approximately doubled in the last twelve months.

Regarding our share price, we know that Argus stock is trading at a discount - well below the level warranted by a company with our performance. We will be working hard to remedy this over the next few years. For example, one of the capital management tools available to Argus is the repurchase of our own shares. While we don't recommend that shareholders sell their shares at the current prices, we do recognise that some shareholders require liquidity. So from time to time, we will be aiding available liquidity by purchasing shares in the open market. As we continue to monitor our performance in this regard, we will maintain and grow the dividends we pay to shareholders whenever possible.

In closing, I again want to express my deep regard and appreciation to Sheila for all that she has done to bring Argus to this exciting point in its development. She's left an enduring legacy and helped to ensure that, as Argus charts its path to a global presence, it remains an iconic institution in Bermuda.

Sincerely,

DAVID A. BROWN
CHAIR, ARGUS GROUP



SECTION 02

Message from the Group Chief Executive Officer

Alison S. Hill
Group CEO
Argus Group

Message from the Group Chief Executive Officer



Dear Shareholders,

As I compose my report to you, I am struck by what Argus has achieved during a time that defies all description. None of us expected that, midway through 2021, the world would still be in the throes of a pandemic - yet here we are.

Perhaps it's the sheer enormity of COVID-19's continuing impact that heightens my gratitude for the manner in which every member of the Argus Group - from the Board to Management to each employee - worked to achieve the goals and objectives that we set for the year. As always, they've stayed true to our culture and our values.

While a first, a second, and then a third wave of infection paralysed the world, and demands for social justice echoed across the continents and fissures of inequity opened in so many of our institutions, Argus celebrated our 70th anniversary, implemented a new operating model, enabled meaningful health care reform, and embarked on bold plans for profitable growth.

However, we remain acutely focused on the world around us. On the social and economic upheaval of the past 12 months and how it impacted all of those around us. On Black Lives Matter and the increased focus on social injustice. On how far we still need to travel to achieve parity and inclusion.

We wouldn't be true to our 'everyone wins' philosophy if building an inclusive company didn't matter as much as building a profitable one. As we continue to execute our strategic plans, we've also embarked on our own journey to address inequity at Argus. This year we included targeted diversity and inclusion questions in our annual Employee Engagement survey and the honest and candid responses from our colleagues show that we still have work to do. As a result, I'm working with a Group-wide team of employees to ensure that recruitment and development policies, as well as other aspects of working at Argus, are truly inclusive and equitable - where every opinion is encouraged and valued, and everyone feels safe in speaking up.



Making Sure Everyone Wins

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

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

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

Our broad-based response to the global pandemic included rapid product development as well as financing measures to support our loyal clients through severe economic challenges. I'm particularly proud of how our

team in Bermuda worked closely with clients during the annual health policy renewal process, extending a \$5 million premium rebate to qualifying group and individual policyholders that reflected lower claims activity during the pandemic.

For our colleagues, our ongoing commitment to providing a highly engaging and rewarding workplace was underscored in our annual survey by 83 percent of our employees noting they were engaged and 80 percent would recommend Argus as a great place to work.

For the sixth consecutive year, these scores place Argus in the top five percent measured against the Decisionwise global benchmark of 30 million responses.

“ We delivered attractive net earnings of \$10.1 million, declared dividends of \$3.9 million with a dividend yield of 5.9 percent.

“ Our share price has climbed to a high of \$5 over the period, better reflecting the value of our business.



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

Our Better Health Partnership

The acquisition of The Family Practice Group and Island Health Services is one of the developments in the fiscal year that ended March 31, 2021, that gave me the greatest satisfaction.

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

We call this triumvirate of insurance/health care/case management our Better Health Partnership. By aligning insurance and health care, we aim to make quality care more affordable to more people.

In the intervening months since the acquisition, we've moved quickly to integrate the medical practices into the Argus Group, ensuring that operating efficiencies as well as our intensified focus on wellness, are having a positive impact on patients and clients.

Global growth; regional autonomy

The fiscal year that ended March 31, 2021, proved that our new operating model, which created a global and regional construct, is effectively and efficiently enabling the delivery of the short and long-term plans we have in place.

While some centralisation is necessary in a company operating across legislative and regulatory jurisdictions, the markets we do business in, and the products and services we offer in those markets, suit a more decentralised approach to running our different businesses. The reports from Argus Americas Chief Executive Peter Lozier and Argus Europe Chief Executive Tyrone Montovio, detailing the impressive progress made in these two regions, underscore the value of empowering our teams.



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

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

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

Thank you, Sheila

Before I close, I must join David in extending gratitude and appreciation to Sheila Nicoll for all that she has contributed to Argus. I have personally benefited from Sheila's calm counsel and unflinching support, and Argus is the greater for having had her at the helm for the past decade.

In honour of her legacy, I am pleased to announce the establishment of the Sheila Nicoll Argus Award. This award, for a period of up to three years, will provide financial assistance to a student who is pursuing an undergraduate degree in a relevant field of study. More details will be outlined when we formally launch the scholarship in April 2022. In the meantime, we're delighted that we have the opportunity not only to honour Sheila but to also demonstrate our enduring commitment to the communities in which we do business and to their future.

Throughout our wonderful company, it is our people who make Argus the exuberantly resilient place that it is. During an impossibly difficult year, everyone at Argus worked tirelessly to do the right thing, the right way, for our shareholders, our customers, our clients and our communities - ensuring that everyone wins - all with authenticity, empathy and a strong sense of belonging. Whilst we yearn to work face to face again, the people-centric culture we've built and cherish shows through.

I am humbled by my colleagues' work ethic, inspired by their innovation and creativity, and forever grateful to serve beside them and with them. A sincere and heartfelt thank you to them all - for what they do and what they will continue to do, each and every day.

ALISON S. HILL
GROUP CEO



SECTION 03

Message from the Group Chief Financial Officer

Peter Dunkerley
Group Chief Financial Officer
Argus Group

Message from the Chief Financial Officer



— 2020-2021 has been another strong year of financial performance and growth in shareholders' equity for the Argus Group.

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

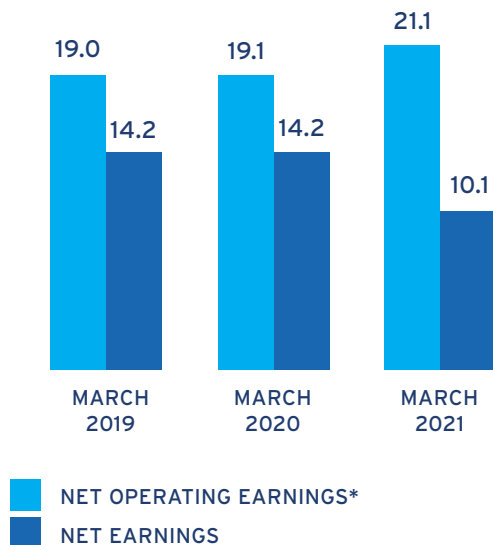
Since March 2018, our shareholders' equity has increased from \$105.9 million to \$149.7 million as of March 31, 2021. During this time, we have returned \$15.3 million to shareholders through dividends.

The growth in our shareholders' equity has been achieved through solid operating earnings, strategic acquisitions and revenue diversification, achieved while maintaining a high client retention rate and continued commitment to careful and diligent custodianship of policyholder and shareholder assets.

Our track record for increasing the shareholders' equity has been solid against a backdrop of unusually challenging times. However, a strong balance sheet and careful

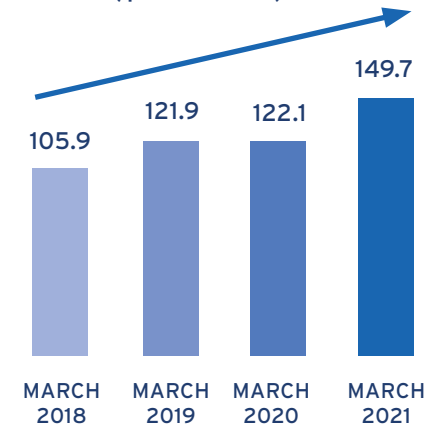
capital management have allowed us to invest in our strategy to create long-term sustainable value and growth. In addition, our statutory capital remains well in excess of the capital required by regulators.

OPERATING EARNINGS (\$ MILLIONS)



*Net Operating Earnings - refers to net earnings excluding the impact of external market factors and/or one-off events such as the yield curve impact on the Annuity business, change in fair value of investments and investment properties, asset workouts and asset impairments.

SHAREHOLDERS' EQUITY GROWTH (\$ MILLIONS)



Key Performance Metrics

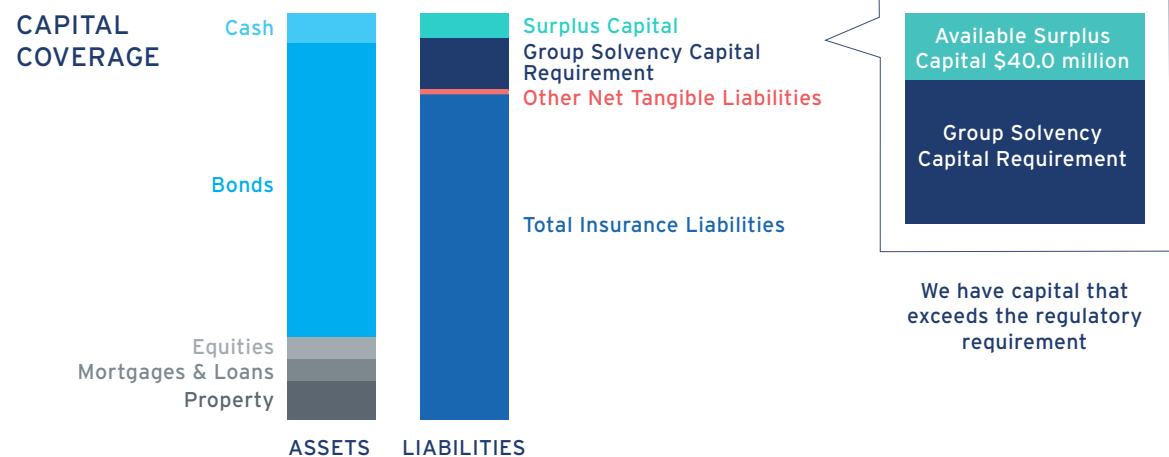
Our reported net earnings for the year to March 2021 is \$10.1 million and total comprehensive income is \$30.7 million. This includes the growth in the value of the Argus Group's assets. However, the headline net earnings for the year only tells part of the story. To understand the financial results for the year, we must separate out the long-term annuity business. This aspect of our operations generates attractive long-term profits and returns on capital deployed, but the accounting and valuation rules we currently must follow introduce a lot of volatility in the reported net income figure, especially over shorter periods.

The key performance metrics for the Argus Group for the year have remained strong despite the economic and operational challenges that exist across the world today.

The strength in our insurance operations is reflected in the combined operating ratio, which is a metric to track the overall performance of our underwriting operations by comparing premium income to the cost of claims and operating expenses.

For the year to March 31, 2021, the combined operating ratio for the insurance businesses within the Group was a healthy 70.4 percent compared with 80.8 percent for the year ended March 2020.

Diligent treasury management has ensured operating cash flows during the period have remained strong with a net operating cash inflow of \$28.2 million compared to net inflow of \$30.3 million over the previous year.



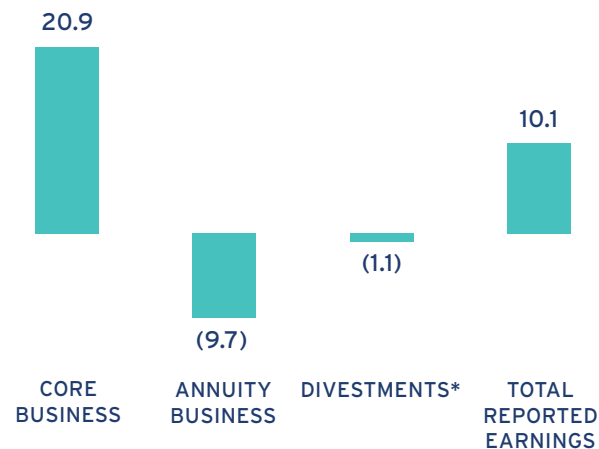
Core Business Performance

Our core business, which consists of all lines of business except annuity business and private placement life business which is held-for-sale, has demonstrated incredible resilience during a period of extreme economic and operational upheaval, delivering net earnings for the year of \$20.9 million (2020 - \$12.7 million) and total comprehensive income of \$27.8 million (2020 - \$4.5 million).

COVID-19 has materially affected many of the businesses and individuals we serve, and the Argus team has worked tirelessly to retain and acquire new clients through excellent client management and bespoke solutions for clients and industries hardest hit by the pandemic.

Brexit became a reality and our businesses in Europe have had to navigate the long and complex process of operating on both sides of the Brexit divide, with Malta in the EU and Gibraltar in the UK.

COMPONENTS OF THE GROUP'S REPORTED NET EARNINGS (\$ MILLIONS)



*Divestments - refers to the private placement life business which is held-for-sale. See Note 4 of the financial statements.

Core Revenue

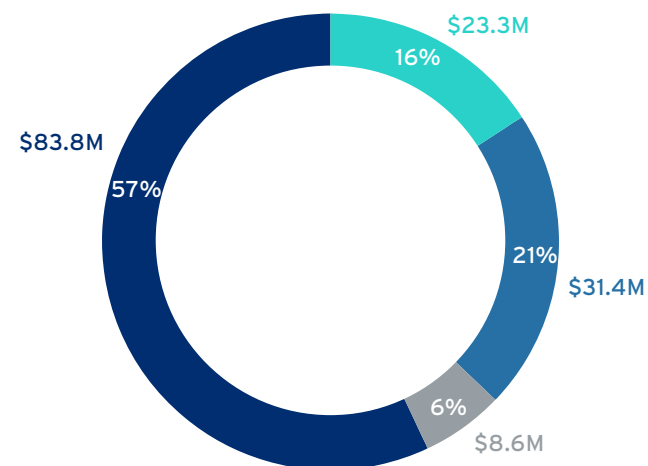
Revenue in the fiscal year ending March 31, 2021, from net insurance premiums in our core health, domestic life and property and casualty (P&C) insurance business declined \$10.1 million or approximately 9 percent compared to the prior year. Our special premium rebate programmes, the June 2019 Bermuda hospital financial reform, and a reduction in the insured health population were the primary drivers for the decline in net insurance premiums during the period.

Commission and fee income generated by our core business, as shown in the adjacent chart, has increased by \$16.9 million or approximately 53 percent compared to the prior year. We have a deliberate strategy to improve the resilience and diversification of our business by increasing the sources of fee-based income. We are pleased with the strong growth in this type of income during the year.

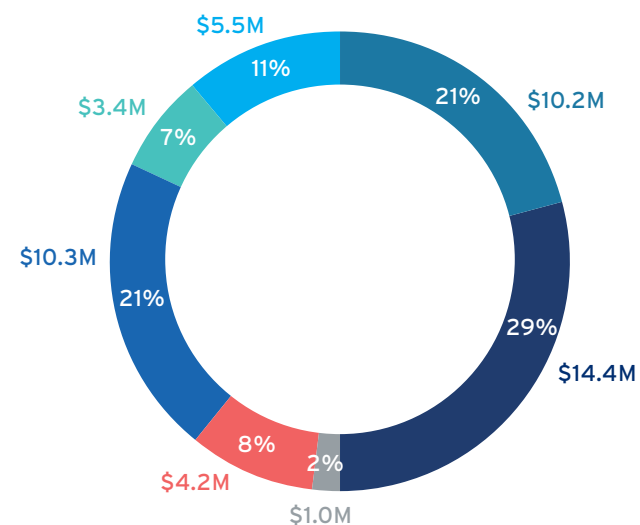
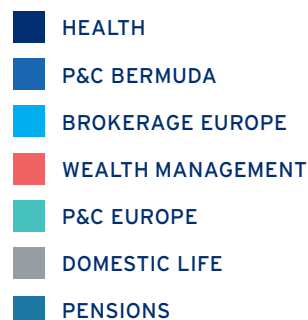
Significantly contributing to the growth in fee income are the acquisitions of the medical practices in Bermuda in June 2020 and the acquisition of an additional insurance brokerage business in Malta in September 2019.

Income from our European insurance brokerage operations has remained robust and income from our asset management and pension administration businesses have benefited from the investment market growth we've seen this year.

GROSS PREMIUMS WRITTEN - CORE BUSINESS



COMMISSION & FEE INCOME - CORE BUSINESS



Core Claims

We continued to deliver on our commitment to put our customers at the heart of everything we do. This philosophy drove many of our decisions to support our personal lines customers through an exceptionally difficult year.

For example, reduced traffic on roads due to COVID-19-related lockdowns resulted in a decrease in claims incurred in our motor insurance business. We passed some of these savings back to our clients in the form of rebates offered to car, motorcycle and small business customers on their motor insurance policy premiums.

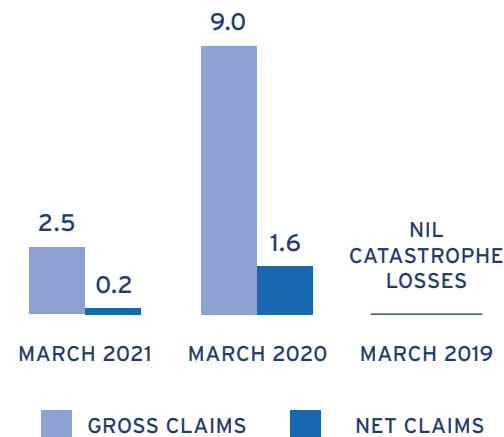
In March 2021, we launched a \$5 million premium rebate scheme for our qualifying health insurance policyholders in recognition of the impact COVID-19-related restrictions have had to health care access.

Insurance claims within our core business for the year were notably lower than normal, primarily due to lower economic activity caused by the COVID-19-related lockdowns and travel restrictions. Core business claims for the year declined \$19.5 million or approximately 25 percent compared to the prior year.

Limitations to health care access during the first wave of COVID-19 (notably, elective overseas medical procedures) and cost-containment measures undertaken following the acquisition of One Team Health, contributed to the decrease in the insurance claims during the period.

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

NET CATASTROPHE LOSSES (\$ MILLIONS)



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

“We will continue to work closely with our clients to ensure plan benefits fit their evolving needs so they can continue to focus on what matters most.

As far as property insurance is concerned, Bermuda experienced a busy 2020 hurricane season. Hurricane losses incurred during the year from Hurricanes Paulette and Teddy were mitigated by our robust reinsurance programme.

Core Operating Expenses

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

“Elsewhere in our operations, we have taken meaningful steps to reduce the ongoing cost of doing business.

Annuity Business

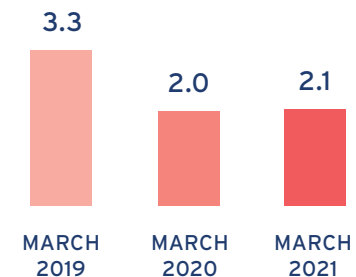
— As noted earlier, our annuity business generates attractive long-term profits and returns on capital deployed, but current accounting and valuation rules introduce a lot of volatility in the reported net income figure, especially over shorter periods.

The annuity business remains well managed and governed, supported by best-in-class investment managers and a team of professional actuaries. The Argus Group's high-quality fixed income portfolio remains aligned to the interest rate sensitivity of our longer-term annuity liabilities.

Our annuity business reported a net loss for the year of \$9.7 million and total comprehensive income of \$2.1 million. The net loss contributed by our annuity business - driven by short-term market factors that impact reported net income under current accounting rules - only tells part of the story.

A more representative view of the economics and underlying profitability of the annuity business is shown in the Annuities: Total Comprehensive Income chart, which brings together the impact of the increase in the annuity liability and the investment portfolio

ANNUITIES: TOTAL COMPREHENSIVE INCOME (\$ MILLIONS)



gains that are reported through 'other comprehensive income'. The chart shows the meaningful contribution of the annuity business to Group net earnings and total comprehensive income over many years. The year-on-year volatility in the reported net earnings is not indicative of a change in the underlying profitability; rather, it's the result of accounting and valuation rules which we currently must follow.

This means that, for at least another two years before the new international accounting standards IFRS 17 and IFRS 9 are introduced, users of financial statements are required to pull together the pieces to see that the annuity business has good fundamental economics, contributing positive long-term profits and returns on capital deployed.

Divestments

As David Brown notes in his Letter to Shareholders, the Argus Group has made some difficult decisions to put the Company on the path to sustainable, profitable growth. One of these decisions was to dispose of businesses that weren't a good strategic fit for Argus.

We're pleased to announce that, subsequent to the year end, the Group entered into an agreement to dispose of our private placement life business.

The sale was completed on July 1, 2021. The total consideration for the sale is equal to the audited book value at March 31, 2021 plus a premium of \$2.0 million.

For the year ended March 31, 2021, the private placement life business contributed a net loss of \$1.1 million and total comprehensive income of \$0.9 million.

Investments

Our commitment to careful and diligent custodianship of policyholder and shareholder assets is central to the Argus Group's investment philosophy.

Our investment portfolio is designed to ensure funds are readily available to satisfy our obligations to policyholders and to enhance shareholder value by generating appropriate long-term, risk-adjusted yields. We have a clear objective to maximise returns without taking inappropriate levels of risk.

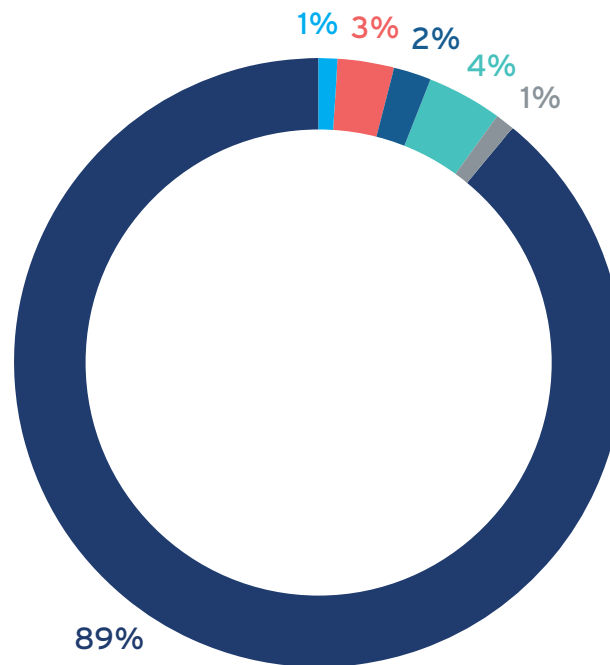
During the year we have taken further steps to realise value from our remaining less liquid legacy assets and reinvested the proceeds in global securities in line with our Group investment policy statement.

COVID-19 has profoundly affected global markets. During the last quarter of fiscal year 2020, we saw markets in turmoil as the impacts of the virus unfolded globally. However, the current fiscal year saw a rapid recovery in equity and credit markets as lockdown measures eased, and there were signs of economic recovery.

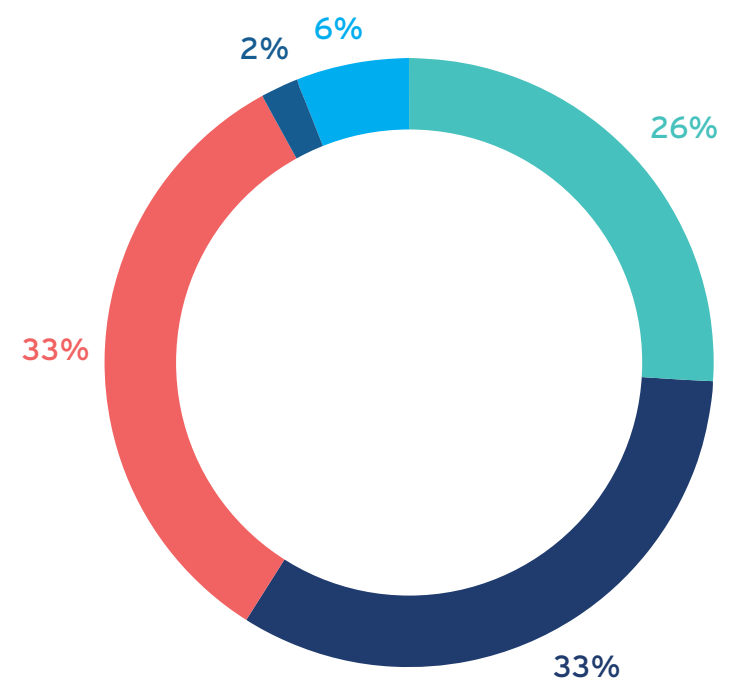
Against this backdrop, the Group's portfolio generated positive returns. Combined investments generated a total return of \$31.9 million - \$13.1 million reported through the income statement, and \$18.8 million of unrealised gains reported as other comprehensive income on the balance sheet.



INVESTMENT ASSETS AT 31 MARCH 2021



FIXED INCOME PORTFOLIO RATINGS AT 31 MARCH 2021



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

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

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

Dividends

— The Board has declared a dividend of ten cents per share payable on August 27, 2021 for shareholders of record on July 28, 2021.

This results in a 6 percent increase in the dividends declared for the 2020-21 fiscal year compared to the prior fiscal year.

PETER DUNKERLEY
GROUP CFO

DIVIDEND YIELD

Based on dividends declared relating to the fiscal year and average share price

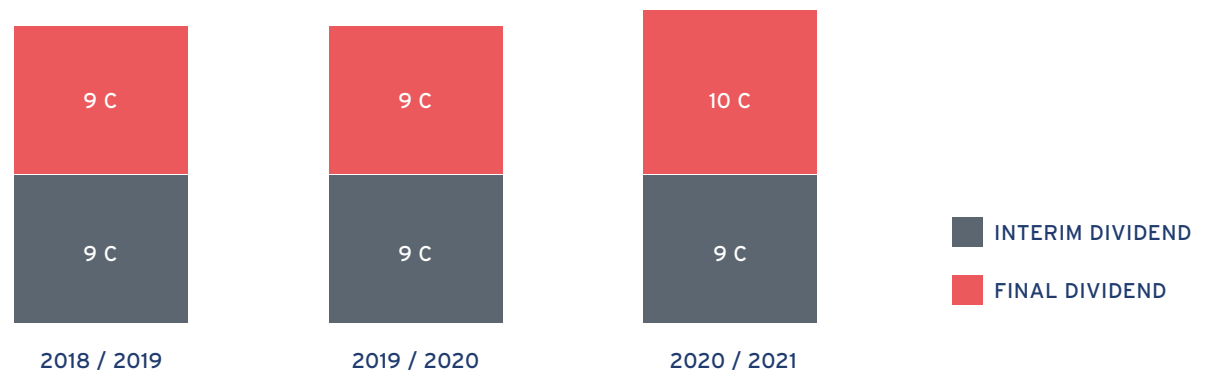
5.9% 2020: 6.1%
 2019: 4.9%

EARNINGS PER SHARE

Based on dividends declared during the fiscal year and average share price

\$0.47 2020: \$0.67
 2019: \$0.67

DIVIDENDS DECLARED





SECTION 04

Argus Americas Regional Report

Peter Lozier
CEO
Argus Americas

Argus Americas Regional Report

Dear Shareholders,

We now have a full year under our belt since we began implementing Argus' new operating model and I'm delighted to report that the wisdom of adopting the new model becomes more and more evident with each passing day.

By establishing two regional hubs - Argus Americas and Argus Europe - and working in partnership with a central global core, the Company has combined judicious corporate oversight with a disciplined local focus on Argus' region-specific products and services. This duality has increased our ability to be nimble and proactive as we execute our respective growth strategies. As David noted in his Letter to Shareholders, there's a reason the theme of this year's annual report is **Further. Faster.**

Our success is evident in our ability to react to the challenges imposed by COVID-19. In an unprecedented short period of time, we delivered valuable new products and services to better suit the needs of a COVID-impacted market while simultaneously pivoting our administration to a remote delivery model.

As evidenced in the financial statements, we translated this agility into net new sales achievements in all lines while effectively lowering expenses in almost all areas.



Efficiency, Innovation and Expansion

“We were able to find meaningful and empathetic solutions to support our clients and our community

— At Argus Americas (which includes our Bermuda and Canada operations) we've developed a specific vision to guide our growth and development: we aim to build a lean, agile, consistently profitable, multi-jurisdiction, diversified financial services and population management operation.

Our immediate key business imperatives are to maintain the value in our existing Bermuda core business while leveraging our current investments in health care so that we can establish a foundation that's ready for significant development.

The three watchwords for Argus Americas are efficiency, innovation, and expansion: efficiency, because we aim to drive efficiency through everything we do, maximising value and minimising risk; innovation, because we aim to use technology to constantly optimise our products and processes as well as the customer experience and our competitive difference; and expansion, because our broader reach expands where and to whom we offer services through our fee-based entities, One Team Health (OTH) and our medical practices.

By keeping these three watchwords at the forefront throughout the year ended March 31, 2021, we were able to find meaningful and empathetic solutions to support our clients and our community.

A few examples:

- We provided free telehealth to the Bermuda community when people needed access to care but were anxious about leaving their homes during the many phases and fluctuations of the global pandemic.
- We offered a significant rebate to qualifying health insurance clients to acknowledge the positive impact lower claims activity had on our balance sheet.
- We delivered a premium rebate to the customers of our Auto Insurance.
- We launched SafeGuard™, a health coverage portfolio for Bermuda hospitality industry employers who have been devastated by the economic impact of global travel restrictions. Priced at cost, this programme provides essential health benefits to protect employees during their time of need.
- We continued to sponsor much-needed community events like the Bermuda Day Half Marathon Derby.
- We expanded our service footprint of OTH to include clients from Europe and the Caribbean.

Transforming Health Care

— This past year, most significantly, we completed a series of acquisitions designed to support positive and much-needed change in the Bermuda health care model by taking meaningful steps towards creating a value-based, integrated health care model.

For too long, a fragmented, unsustainable system has enabled costs to spiral out of control with decreasing benefit to patients. We know there are better ways to provide quality, affordable care.

Integrated health care isn't a new concept. Over the past three or four decades, many countries have adopted the model in one form or another, recognising that health care that offers a coordinated continuum focused on positive outcomes elevates a community's well-being far better than one in which care and treatment are provided in silos.

According to a 2016 report by the World Health Organization, an integrated care model can only be successful if it "accounts for unique needs and characteristics of the population it aims to serve."

We acquired the two largest medical practices in Bermuda in the fiscal year ended March 31, 2021, and One Team Health in 2020 financial year, that established the template for an integrated model that's tailored to the needs of an island community and sets the stage for expansion to other jurisdictions.

“An integrated care model can only be successful if it 'accounts for unique needs and characteristics of the population it aims to serve'.

— The Family Practice Group and Island Health Services, now a part of the Argus Group, represent over 40 percent of primary care in Bermuda. One Team Health is our Canada-based, overseas health care manager.

Adding these three businesses to the Argus Group will change how health care in Bermuda is not only funded but delivered. By putting the patient at the centre of both the insurer and the deliverer of health care, we can align the desired outcome of managing cost and delivering better outcomes.

And through One Team Health, we've seamlessly connected the excellent care available in Bermuda with the coordination of specialised off-island treatment that can become necessary from time to time.

“This coming year, we'll continue to weave together solutions that bring sustainable, healthy living to Bermuda.

We are excited about a pilot programme that will be launched during fiscal year 2022 with Island Health Services that aims to tackle the high incidence of diabetes in Bermuda and help those suffering with this disease to regain their health.

Powering our Employees' Potential

While I paid tribute earlier to the dedication of Argus employees in working diligently throughout the pandemic to achieve our goals, we recognise how difficult the past year has been and how important it is to create an environment that bolsters our colleagues' well-being and provides exciting career development opportunities.

In the coming year, every Argus employee will have a growth component in his or her performance objectives. We'll also be offering company-wide training in how to be client-centric as well as digitally literate. We'll provide opportunities for learning new skills to support the needs presented by our growth and expansion.

And, as Alison noted in her message, we will continue to build a truly inclusive working environment, one where every employee feels welcomed, respected and valued.

We've laid a rock-solid foundation at Argus Americas, one where everyone wins - true to Argus' ethos. We're partners in creating better solutions for our clients, our colleagues and the community, knowing that our shared interests become our shared successes.

PETER LOZIER
CEO, ARGUS AMERICAS



“We'll provide opportunities for learning new skills to support the needs presented by our growth and expansion.”



SECTION 05

Argus Europe Regional Report

Tyrone Montovio
CEO
Argus Europe

Argus Europe Regional Report

— Dear Shareholders,

From our base in Gibraltar and working closely with our colleagues in Malta, we've spent the past year evaluating the manner in which Argus' new operating model can be leveraged to its full advantage. As Alison has noted in her report, regional autonomy is a hallmark of the model. This construct has provided us with the opportunity to closely scrutinise our books of business as well as our operational structure, make some impressive key hires and to upgrade our systems and other platforms.

“From our base in Gibraltar and working closely with our colleagues in Malta, we've spent the past year evaluating the manner in which Argus' new operating model can be leveraged to its full advantage.



— As the member of the Argus Group charged with propelling the Company's growth as a global business, we have exciting plans for Europe. As a result, we made it a priority during the last 12 months to make sure we're fit for purpose.

While we were ensuring that our foundation for growth is sound, that the business on our books is good, and that we continue to enhance our current operations, we continued to look forward. Planning for the product and distribution diversification is a priority component of our strategic plan.

As with every member company of the Argus Group, this was done during the most trying of times. Gibraltar and Malta weren't left unscathed by the global pandemic - far from it.

The pandemic coincided with Brexit, which presented its own set of challenges for our businesses. While Malta remained a member of the EU, there have been regulatory,

legislative and tax implications for Gibraltar, given the shift in its relationship to the EU by virtue of its status as a British Overseas Territory. We're diligently working our way through the issues presented by Brexit, taking advantage of the good partnership we have with the local governments and regulatory bodies.



A Year of Solid Performance

— Even though we were balancing current imperatives and future plans, we produced strong results for the year ended March 31, 2021. These include a 44 percent increase in net earnings, year over year.

Our two Maltese brokers, Island Insurance Brokers and FirstUnited Insurance Brokers, continued to provide their clients with the attentive, responsive service for which Argus is known as we laid the groundwork for their merger during the current fiscal year of 2022. Once this merger is completed, we will have formed the largest and fastest growing broker in Malta.

This initiative is part of our strategy of leveraging our existing broking capabilities in the Maltese market to further diversify, expand and strengthen our international presence in Europe.

Why Malta?

As Alison noted in her report, our goal is to become a professional, customer-obsessed, digitally-enabled, risk advisory broker in existing and new markets. Malta, in particular, has exactly the right characteristics for a target market for Argus:

- It's one of the fastest growing countries in the EU in terms of both GDP and population growth.

- It has significant potential in the non-life insurance market, exhibited by its strong growth in GDP and property and casualty insurance premiums
- It's demonstrated that it's crisis-resilient, making it one of the best countries to do business in.
- It had an explosion of 33,000 new businesses added to the Maltese registry between 2012 and 2017.
- In 2019, Malta had an unemployment rate of 4.1 percent, compared to the EU average of 7.2 percent, and its average annual inflation rate is 1.2 percent.

Building Value

— At the same time that we're developing our European broker proposition, we're also enhancing our carrier capabilities in Gibraltar and Malta, making it easier for our partners and clients to do business with us.

We have a three-pronged strategy for building value in Argus Europe:

We'll enhance the customer experience by:

- developing a white label product to be offered by our Argus carrier
- leveraging our specialist expertise in target segments
- promoting quality risk advisory services
- expanding our network of partners to increase the choice of products and services

We'll improve operational excellence by:

- embedding a mindset, toolset and skillset that puts the customer at the heart of our decision-making
- focusing on delivering value for our customers, eliminating waste and continuously improving our processes and performance

We'll deliver digital capabilities by:

- establishing a firm foundation with our new broker platform
- digitising personal and Small and Medium-sized Enterprise products, including the home and motor personal lines, offered by our carrier

I am so proud of the whole team in Europe. They've adapted quickly and nimbly to the new ways of working forced upon them by the pandemic while staying client focused throughout. They're a testament to Argus' people-centric culture and are poised, like the rest of the Argus Group, to go further, faster.

**TYRONE MONTOVIO
CEO, ARGUS EUROPE**



SECTION 06

Environmental, Social and Governance Report

Environmental, Social and Governance Report

— The last 12 months have thrown environmental, social and governance - or ESG - issues into stark relief. No company, including Argus, has been left untouched by the ravages of the global pandemic and climate change, issues of equality and equity, and challenges to the corporate status quo.

But Argus has been able to navigate the past year with its commitment to its people, and the communities in which it does business, intact.

Our strategic decision-making in the health care and insurance sectors is guided by a holistic view of our stakeholders' needs. We take the same approach in evaluating our impact through an ESG lens, recognising the interconnectedness of environment, social and governance factors.



Our Company and ESG

- At the Board level, as the torch is passed from one Chairman to another, 40 percent of our Directors represent women and persons of colour.

Our committees are composed entirely of, and are chaired by, independent directors. The average age of the Board is 58. During the 2021-2022 fiscal year, the Board plans to announce the recruitment of a woman of colour with a health care background to serve on the Argus Group Board of Directors.

In April 2021, Argus further enhanced the insurance and financial skillset of its directors by adding two members, Costas Miranthis and Garrett Curran, with vast

experience in these sectors. Costas and Garrett join an already diverse, accomplished group who are committed to steering the organisation to profitable, sustainable success while adhering to the caring philosophy that remains one of Argus' hallmarks.

A key area of governance focus for Argus is the underlying philosophy of its investments strategy. In that regard, over 80 percent of Argus's portfolio is managed to guidelines with specific ESG criteria, positively targeting above-average ESG ratings and using negative screens to exclude exposures to coal, tobacco and guns.

In addition, all Argus investment managers are signatories to the United Nations Principles of Responsible Investing and use ESG metrics as part of their investment analysis process.

The commitment to ESG principles at Board level translates to operational policies and practices in our businesses.

“The commitment to ESG principles at Board level translates to operational policies and practices in our businesses.

— We were rocked, as was the rest of the world, by the Black Lives Matter movement, and as a result have developed a plan for engaging our employees in conversation about the manner in which this and other issues related to social justice had impacted them. While our annual employee survey indicates that 84 percent of our colleagues feel they are treated equally, additional feedback led us to kickstart discussions at a deeper level.

Led by Group CEO Alison Hill as the executive sponsor of Argus' diversity and inclusion (D&I) initiative, a Group-wide employee committee is finalising a framework and a phased, 90-day D&I roadmap that will guide us in ensuring that, throughout its global operations, Argus is an inclusive, equitable place to work.

As we implement our D&I strategy, we've created an internal communications channel accessible to all employees to enable informal communications on

race, racial injustice, racial inequality and inequity. We've provided additional resources to help increase knowledge of the Black experience. Our managers will be receiving training support as they lead and/or create environments where open discussion about race is welcomed and encouraged.

At the regional level, and consistent with programmes in place in Bermuda, Argus Europe has provided all employees with online D&I training and have embedded the training in their orientation programme for new hires. Our staff in Gibraltar and Malta are also being offered training in discrimination, harassment and sexual harassment as are our employees in Bermuda.

While we adapt to a world in a state of rapid change, we're not only monitoring the culture that we're developing - we're also keeping a close eye on how Argus impacts the environment.

As the world grappled with the impact of COVID-19, we enabled our employees in adopting, almost overnight, a work from home protocol. As we learned how to meet and do business virtually, we discovered innovative ways of interacting with each other, with our customers and with our shareholders.

While a screen will never replace the face-to-face relationships we hold dear at Argus, these discoveries will drive not only greater flexibility for our employees but also greater efficiencies throughout the company.

“We strive to make Argus an inclusive, equitable place to work.”

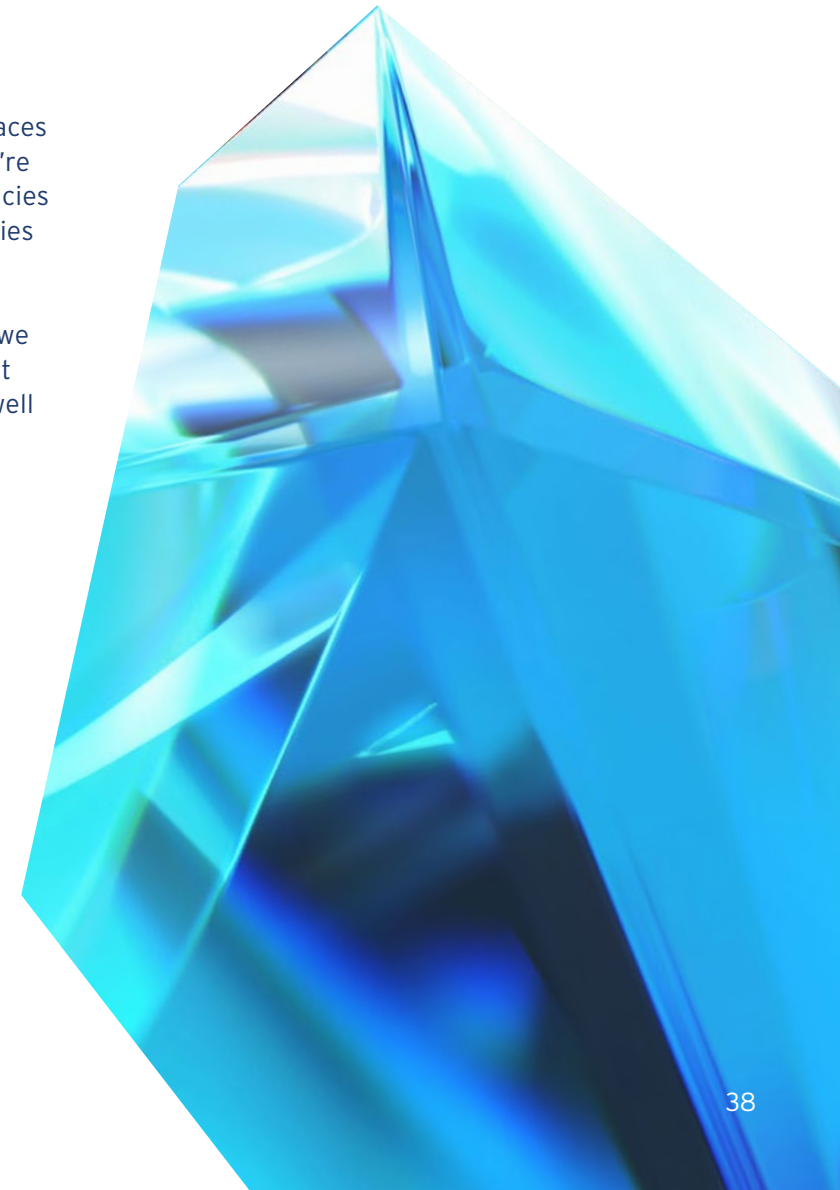
Our headquarters in Bermuda represent the largest operations in the Argus Group. There, our buildings feature an energy management system that automates building controls and also monitors and manages heating, ventilation and lighting. We've reduced our real estate footprint in Bermuda by surrendering leased office spaces and moving employees into Argus-owned facilities.

In Bermuda, Gibraltar and Malta, LED lighting is used throughout newly renovated spaces; triple-glazed tinted windows reduce the amount of energy needed to cool and heat the floors; and, in most offices, hot water heaters are powered by solar panels.

Throughout our businesses, all offices have dedicated recycling bins. Our employees have embraced a "no plastic cup" ethos.

In addition to making sure our workspaces don't contribute to climate change, we're adapting our spaces as well as our policies to meet the challenges and opportunities of a post-COVID world. Our experience with remote working has proven that increased flexibility in where and how we work offers our employees options that help them meet their professional as well as personal responsibilities.

However, even before COVID-19, we recognised that we needed to modify our physical spaces to encourage contemporary ways of working. As a result, we're continuing our move towards highly networked, shared, multi-purpose environments that improve collaboration between teams.



Our Communities and ESG

— As is so often the case in times of crisis, the critical role played by the non-profit sector came to the fore during Covid-19.

Argus distributed \$519,000 during the 2021 fiscal year to charitable organisations in Bermuda, Gibraltar and Malta, allocating funding to programmes targeting those hit hard by Covid.

These programmes included services that enabled testing and vaccination; addressed food insecurity; and ensured that young people had access to activities promoting healthy living.

For example, \$37,500 was donated to organisations providing meals to

struggling Bermudian residents. These charities included the Bermuda Community Foundation, Meals on Wheels and Christ Church Warwick.

Also in Bermuda, Argus employees organised a Christmas lunch, gifts and necessities for teenage girls supported by the charity Teen Haven. This event was further supported by a personal donation from Argus Americas senior staff.

Under the umbrella of “Our Future is You,” seven organisations received programme funding, positively impacting the lives of many young people.

Our Gibraltar office sponsored the Lincoln Football Club Grassroots Football Teams and the Bayside School Basketball Team. The office also made a corporate donation to Clubhouse Gibraltar to support the building of a new mental health centre. Our Malta colleagues undertook their annual collection of food for Foodline Lifeline Foundation, a local food bank.

We also continued to support non-profits with whom we have an ongoing relationship. One such organisation is Ignite Bermuda, a Bermuda-based registered charity that nurtures entrepreneurs and assists them with the planning, marketing and execution of their business plans.

As our Group CFO Peter Dunkerley noted in our 2019 Annual Report, “Our commitment (to the communities in which we operate) goes beyond charitable donations by creating enduring partnerships that help educate, empower and promote positive action that will result in long-term sustainable benefit.”

Housed in Argus office space that’s donated free of charge to Ignite, the overarching mission of the programme - to create jobs and economic diversity for Bermuda - aligns with Argus’ holistic view of well-being.

While we’re proud that many ESG considerations have been embedded for years in the way we do business, we know there’s still much to be done. Having said that, the commitment and will to be best-in-class in this regard permeates the Argus Group. We have no doubt that our next Annual Report will feature significant progress in this regard.

“While we’re proud that many ESG considerations have been embedded for years in the way we do business, we know there’s still much to be done.”



Our Board of Directors

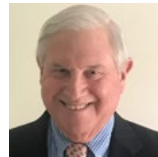
Our Directors are dedicated to promoting collaboration and innovation throughout the Company. They are focused on the goal of ensuring exceptional service for our customers and are committed to setting Argus apart as a leader in the industry.



DAVID A. BROWN, CPA, FCA
Chair



KEITH W. ABERCROMBY,
BSC, FIA
Independent Director



PETER R. BURNIM, MBA
Independent Director



GARRETT P. CURRAN
Independent Director
Managing Director, Equilibria
Capital Management



TIMOTHY C. FARIES, BA, LLB, LLM
Independent Director
Managing Partner, Appleby
(Bermuda) Limited



ALISON S. HILL,
FCMA, CGMA
Chief Executive Officer, Argus
Group Holdings Limited



BARBARA J. MERRY, BA, ACA
Independent Director



CONSTANTINOS MIRANTHIS, MA
Independent Director



SHEILA E. NICOLL, FCII
Independent Director



EVERARD BARCLAY
SIMMONS, LLB, MBA
Independent Director



KIM R. WILKERSON, JP, CPCU
Independent Director
Senior Vice President, Regional
Head of Claims Insurance
XL Bermuda Ltd.
AXA XL



PAUL C. WOLLMANN,
MBA, CPCU, ARE, ARM
Independent Director
President & Chief Underwriting
Officer, Essent Reinsurance Ltd.

Officers & Committees

— ARGUS GROUP HOLDINGS LIMITED

David A. Brown (Chair)
Keith W. Abercromby
Peter R. Burnim
Garrett P. Curran
Timothy C. Faries
Alison S. Hill
Barbara J. Merry
Constantinos Miranthis
Sheila E. Nicoll
E. Barclay Simmons
Kim R. Wilkerson
Paul C. Wollmann

OFFICERS

Chair - David A. Brown
Deputy Chair - Peter R. Burnim
Chief Executive Officer - Alison S. Hill
Chief Financial Officer - Peter J. Dunkerley
Chief Investment & Governance Officer - Simon J. A. Giffen
Company Secretary - Elizabeth A. Hutton

BOARD COMMITTEES

Audit Committee

Keith W. Abercromby (Chair)
David A. Brown
Garrett P. Curran
Paul C. Wollmann

People, Compensation & Governance Committee

Sheila E. Nicoll (Chair)
Timothy C. Faries (Deputy Chair)
Barbara J. Merry
Kim R. Wilkerson

Risk Committee

E. Barclay Simmons (Chair)
Peter R. Burnim
Barbara J. Merry
Constantinos Miranthis

Our Leadership Team



ALISON S. HILL
Chief Executive Officer, Argus
Group Holdings Limited



PETER DUNKERLEY
Chief Financial Officer, Argus
Group Holdings Limited



SIMON GIFFEN
Chief Investment &
Governance Officer



PETER LOZIER
Chief Executive Officer,
Argus Americas



TYRONE MONTOVIO
Chief Executive Officer,
Argus Europe



ONESIMUS NZABALINDA
Chief Global Compliance &
Audit Officer



HANNAH ROSS
Chief Strategy &
Capital Officer



DAVID SIMONS
Managing Director
Centre of Excellence



NIK SMALE
Chief Digital Officer



SHEENA SMITH
Chief Human Capital
& Culture Officer

Our Principal Operating Subsidiaries

ARGUS AMERICAS

BERMUDA SUBSIDIARIES

Argus Insurance Company Limited

Paul C. Wollmann (Chair)
David A. Brown
Peter J. Dunkerley
Alison S. Hill
Peter Lozier

Centurion Insurance Services Limited

Alison S. Hill (Chair)
Andrew H. Bickham
Peter J. Dunkerley

Bermuda Life Insurance Company Limited

Timothy C. Faries (Chair)
Peter J. Dunkerley
Alison S. Hill
Sheila E. Nicoll
E. Barclay Simmons
Kim R. Wilkerson

Island Health Services

Alison S. Hill (Chair)
Dr. Gerhard L. Boonstra
Peter J. Dunkerley
Peter Lozier
Dr. Louise White
Dr. Basil N. Wilson

Argus Wealth Management Limited

Peter R. Burnim (Chair)
Peter J. Dunkerley
Timothy C. Faries

CANADA SUBSIDIARIES

One Team Health, Inc.

Alison S. Hill (Chair)
Peter J. Dunkerley
Peter Lozier

ARGUS EUROPE

GIBRALTAR SUBSIDIARIES

Argus Insurance Company
(Europe) Limited

Keith W. Abercromby (Chair)

Peter R. Burnim

Alison S. Hill

Michael Macelli

Tyrone Montovio

Constantinos Miranthis

Sheila E. Nicoll

WestMed Insurance Services Limited

Alison S. Hill (Chair)

Tyrone Montovio

MALTA SUBSIDIARIES

Island Insurance Brokers Limited

Barbara J. Merry (Chair)

Garrett P. Curran *(subject to regulatory approval)*

Peter J. Dunkerley

Alison S. Hill

Tyrone Montovio *(subject to regulatory approval)*

Sheila E. Nicoll

Lawrence Pavia

**FirstUnited Insurance
Brokers Limited**

Alison S. Hill (Chair)

Salv Mifsud Bonnici

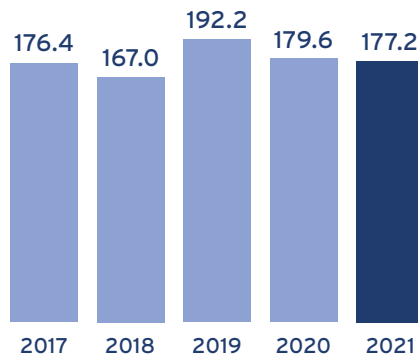
Peter J. Dunkerley

Kevin Galea Pace

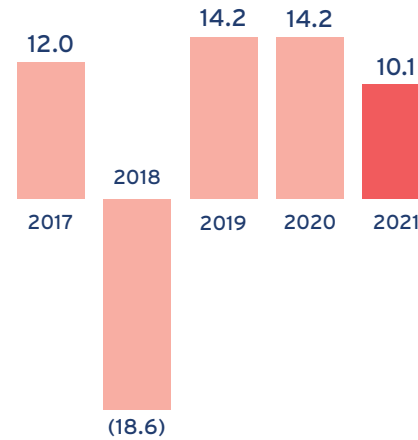
Peter Grima

Five-Year Summary for Shareholders

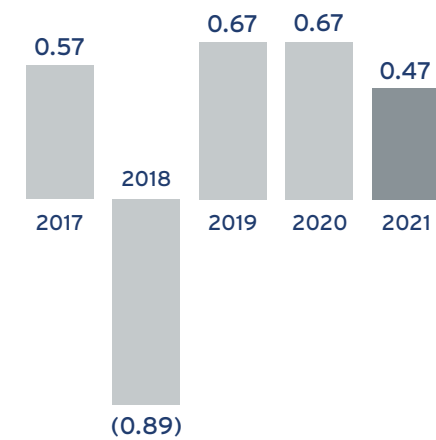
TOTAL REVENUE (\$ MILLIONS)



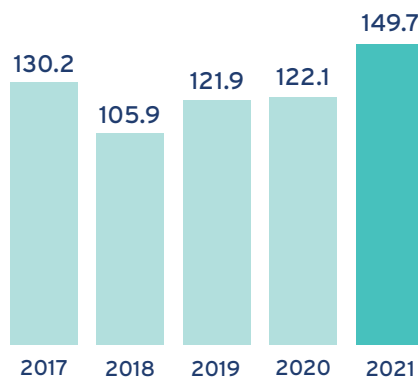
EARNINGS ATTRIBUTABLE TO SHAREHOLDERS (\$ MILLIONS)



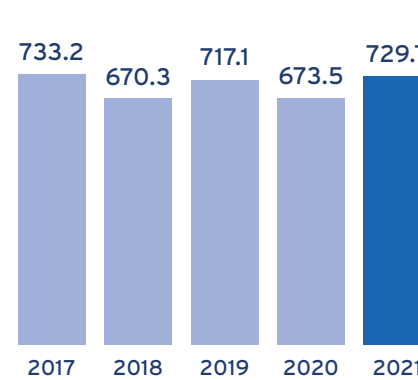
EARNINGS PER SHARE - Fully Diluted (\$)



SHAREHOLDERS' EQUITY (\$ MILLIONS)

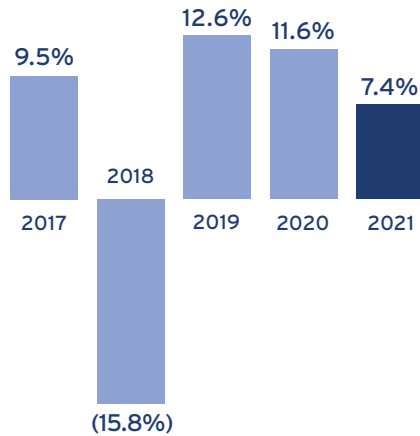


TOTAL GENERAL FUND ASSETS (\$ MILLIONS)

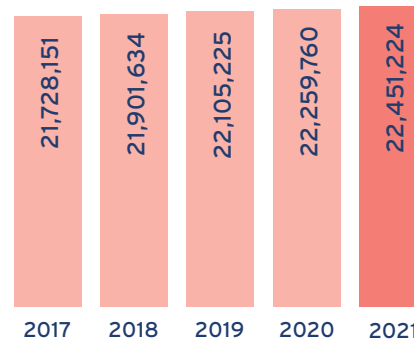


Five-Year Summary for Shareholders

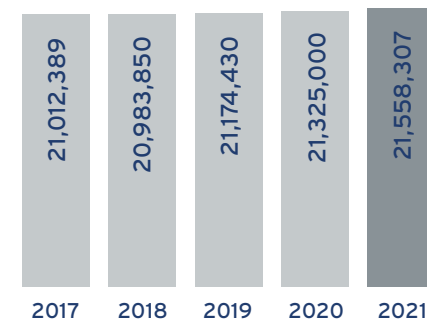
RETURN ON SHAREHOLDERS' EQUITY



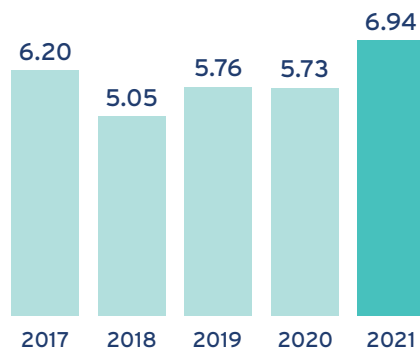
SHARES IN ISSUE



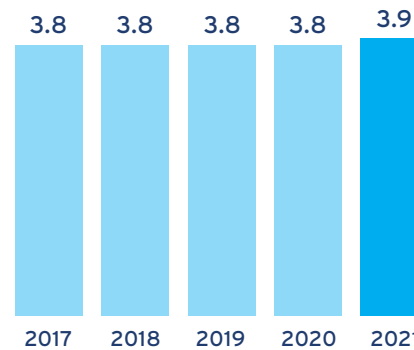
OUTSTANDING SHARES



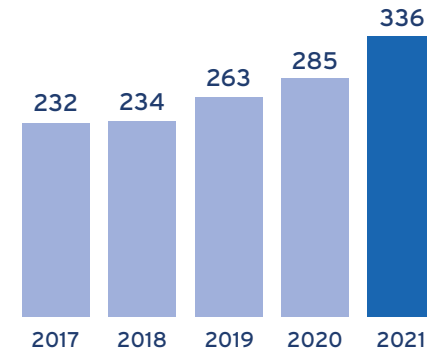
BOOK VALUE PER SHARE (\$)



DIVIDENDS DECLARED (\$ MILLIONS)



EMPLOYEES





SECTION 07

Financial Statements

Management's Responsibility for the Financial Statements

The accompanying consolidated financial statements and other financial information in this Annual Report have been prepared by the Group's Management, which is responsible for their integrity, consistency, objectivity and reliability. To fulfil this responsibility, the Group maintains policies, procedures and systems of internal control to ensure that its reporting practices, and accounting and administrative procedures are appropriate, such that relevant and reliable financial information is produced and assets are safeguarded. These controls include the careful selection and training of employees, the establishment of well-defined areas of responsibility and accountability for performance, and the communication of policies and a code of conduct throughout the Group. In addition, the Group engages PricewaterhouseCoopers Advisory Limited ("PwC") to provide internal audit co-sourcing services. Under the internal audit co-sourcing engagement PwC provides support to the Chief Global Compliance & Audit Officer by performing internal audit projects, in accordance with the Internal Audit

Charter and the Group's Internal Audit Plan. The Chief Global Compliance & Audit Officer reports directly to the Audit Committee.

These consolidated financial statements have been prepared in conformity with International Financial Reporting Standards and, where appropriate, reflect estimates based on Management's judgment. The financial information presented throughout this Annual Report is generally consistent with the information contained in the accompanying consolidated financial statements.

KPMG Audit Limited, the independent chartered professional accountants appointed by the shareholders, have audited the consolidated financial statements set out on pages 51 through 128 in accordance with auditing standards generally accepted in the United States of America to enable them to express to the shareholders their opinion on the consolidated financial statements. Their report is shown opposite.

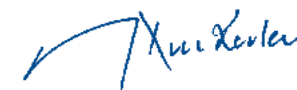
The consolidated financial statements have been further reviewed and approved by the

Board of Directors acting through the Audit Committee, which is comprised of directors who are not officers or employees of the Group. The Audit Committee, which meets with the auditors and Management to review the activities of each and reports to the Board of Directors, oversees Management's responsibilities for the financial reporting and internal control systems. The auditors have full and direct access to the Audit Committee and meet periodically with the committee, both with and without Management present, to discuss their audit and related findings.

These consolidated financial statements were authorised for issue by the Board of Directors on July 7, 2021.



Alison S. Hill
Chief Executive Officer



Peter J. Dunkerley
Chief Financial Officer
July 7, 2021

Independent Auditor's Report

To the Shareholders of Argus Group Holdings Limited and its Subsidiaries.

We have audited the accompanying consolidated financial statements of Argus Group Holdings Limited and its subsidiaries (the "Company"), which comprise the consolidated balance sheets as of March 31, 2021 and 2020, and the related consolidated statements of operations, comprehensive operations, changes in equity, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Argus Group Holdings Limited and its subsidiaries as of March 31, 2021 and 2020, and the results of their operations and their cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Other matter

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The information in the Annual Report from pages 1 to 49 is presented for the purpose of additional analysis and is not a required part of the consolidated financial statements. Such information has not been subject to the auditing procedures applied in the audit of consolidated financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

KPMG Audit Limited

Chartered Professional Accountants
Hamilton, Bermuda
July 7, 2021

Consolidated Balance Sheets

<i>(In \$ thousands)</i>	Note	MARCH 31 2021	MARCH 31 2020
Assets			
Cash and short-term investments	5	74,554	71,501
Interest and dividends receivable		2,448	2,741
Assets held-for-sale	4	26,433	31,549
Investments	6,7	467,105	445,586
Receivable for investments sold		2,710	74
Insurance balances receivable	8	24,543	19,941
Reinsurers' share of:			
Claims provisions	19	12,099	16,507
Unearned premiums	19	11,552	10,662
Other assets	9	11,507	5,813
Deferred policy acquisition costs	10	1,753	1,473
Investment properties	11	2,899	2,899
Investment in associates	12	3,093	2,831
Property and equipment	13	56,749	51,507
Right-of-use assets	14	4,813	3,750
Intangible assets	15	27,469	6,617
TOTAL GENERAL FUND ASSETS		729,727	673,451
Segregated fund assets held-for-sale	4	519,222	460,449
Segregated fund assets from continuing operations	34	1,182,550	866,100
TOTAL SEGREGATED FUND ASSETS		1,701,772	1,326,549
TOTAL ASSETS		2,431,499	2,000,000

Approved by the Board of Directors



David A. Brown
Chair



Alison S. Hill
Chief Executive Officer

<i>(In \$ thousands)</i>	Note	MARCH 31 2021	MARCH 31 2020
Liabilities			
Insurance balances payable	16	24,650	18,158
Payables arising from investment transactions	17	-	3,546
Liabilities held-for-sale	4	15,699	15,269
Taxes payable		376	345
Accounts payable and accrued liabilities	18	40,017	20,713
Lease liabilities	14	5,095	3,960
Insurance contract liabilities	19	241,851	231,969
Investment contract liabilities	20	248,244	253,555
Post-employment benefit liability	21	3,938	3,670
TOTAL GENERAL FUND LIABILITIES		579,870	551,185
Segregated fund liabilities held-for-sale	4	519,222	460,449
Segregated fund liabilities from continuing operations	34	1,182,550	866,100
TOTAL SEGREGATED FUND LIABILITIES		1,701,772	1,326,549
TOTAL LIABILITIES		2,281,642	1,877,734
Equity			
Attributable to shareholders of the Company			
Share capital		17,611	17,161
Contributed surplus		54,005	53,502
Retained earnings		69,580	63,493
Accumulated other comprehensive income/(loss)	25	8,526	(12,013)
TOTAL EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY		149,722	122,143
Attributable to non-controlling interests		135	123
TOTAL EQUITY		149,857	122,266
TOTAL EQUITY AND LIABILITIES		2,431,499	2,000,000

The accompanying notes form part of these consolidated financial statements.

Consolidated Statements of Operations

<i>For the years ended March 31 (In \$ thousands, except per share data)</i>	Note	2021	2020
Revenue			
Gross premiums written		155,496	161,840
Reinsurance ceded		(38,870)	(38,230)
Premium rebates	19	(4,964)	-
Net premiums written		111,662	123,610
Net change in unearned premiums	19.3	(592)	134
Net premiums earned		111,070	123,744
Investment income	6	12,842	19,516
Share of earnings of associates		261	25
Commissions, management fees and other	27	53,043	36,324
		177,216	179,609
Expenses			
Policy benefits		16,805	16,047
Claims and adjustment expenses		73,395	91,563
Reinsurance recoveries	28	(16,251)	(13,378)
Gross change in contract liabilities	29	505	(10,049)
Change in reinsurers' share of claims provisions	29	5,505	10,787
NET BENEFITS AND CLAIMS		79,959	94,970
Commission expenses		6,352	5,568
Operating expenses	30	73,158	57,801
Amortisation, depreciation and impairment	13,14,15	6,602	6,359
		166,071	164,698
EARNINGS BEFORE INCOME TAXES		11,145	14,911
Income tax expense	33	1,001	645
NET EARNINGS FOR THE YEAR		10,144	14,266
Attributable to:			
Shareholders of the Company		10,132	14,198
Non-controlling interests		12	68
		10,144	14,266
Earnings per share:			
Basic	26	0.47	0.67
Fully diluted		0.47	0.67

The accompanying notes form part of these consolidated financial statements.

Consolidated Statements of Comprehensive Operations

<i>For the years ended March 31 (In \$ thousands)</i>	Note	2021	2020
Net Earnings for the Year		10,144	14,266
OTHER COMPREHENSIVE INCOME/(LOSS)			
Items that will not be reclassified to net earnings:			
Post-employment medical benefit obligation remeasurement	21	(340)	(401)
Items that are or may subsequently be reclassified to net earnings:			
Change in unrealised gains/(losses) on available-for-sale investments		18,847	(9,628)
Change in unrealised gains/(losses) on translating financial statements of foreign operations		2,032	(603)
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR		20,539	(10,632)
COMPREHENSIVE INCOME FOR THE YEAR		30,683	3,634
OTHER COMPREHENSIVE INCOME/(LOSS) ATTRIBUTABLE TO:			
Shareholders of the Company		20,539	(10,632)
Non-controlling interests		-	-
		20,539	(10,632)
COMPREHENSIVE INCOME ATTRIBUTABLE TO:			
Shareholders of the Company		30,671	3,566
Non-controlling interests		12	68
		30,683	3,634

The accompanying notes form part of these consolidated financial statements.

Consolidated Statements of Changes in Equity

<i>For the years ended March 31 (In \$ thousands except the number of shares)</i>	Note	2021	2020
Share Capital			
Authorised:			
25,000,000 common shares of \$1.00 each (2020 - 25,000,000)		25,000	25,000
Issued and fully paid, beginning of year 22,259,760 shares (2020 - 22,105,225 shares)		22,260	22,105
Add: Shares issued under the dividend reinvestment plan 191,464 shares (2020 - 154,535 shares)		191	155
Deduct: Shares held in Treasury, at cost 892,917 shares (2020 - 934,760 shares)		(4,840)	(5,099)
BALANCE, NET OF SHARES HELD IN TREASURY, END OF YEAR		17,611	17,161
Contributed Surplus			
Balance, beginning of year		53,502	53,161
Stock-based compensation expense		148	176
Treasury shares granted to employees		(131)	(159)
Shares issued under the dividend reinvestment plan	24	486	324
BALANCE, END OF YEAR		54,005	53,502
Retained Earnings			
Balance, beginning of year		63,493	53,270
Net earnings for the year		10,132	14,198
Dividends		(3,893)	(3,829)
Loss on treasury shares granted to employees		(152)	(146)
BALANCE, END OF YEAR		69,580	63,493
Accumulated other Comprehensive Income/(Loss)			
Balance, beginning of year		(12,013)	(1,381)
Other comprehensive income/(loss)		20,539	(10,632)
BALANCE, END OF YEAR		8,526	(12,013)
TOTAL ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY		149,722	122,143
Attributable to Non-controlling Interests			
Balance, beginning of year		123	55
Net earnings/(loss) for the year		12	68
TOTAL EQUITY ATTRIBUTABLE TO NON-CONTROLLING INTERESTS		135	123
TOTAL EQUITY		149,857	122,266

The accompanying notes form part of these consolidated financial statements.

Consolidated Statements of Cash Flows

<i>(In \$ thousands)</i>	MARCH 31 2021	MARCH 31 2020
OPERATING ACTIVITIES		
Earnings before income taxes	11,145	14,911
Adjustments to reconcile net earnings to cash basis		
Bad debt expense	1,169	815
Interest income	(12,073)	(15,197)
Dividend income	(396)	(2,014)
Investment income related to deposit administration pension plans	1,364	1,764
Net realised and unrealised gains on investments	(3,165)	(9,967)
Amortisation of mortgages and net premium of bonds	1,601	1,281
Net impairment losses on investments	238	1,146
Share of earnings of associates, including impairment	(261)	(25)
Net realised and unrealised (gains)/losses on investment properties	260	3,901
Amortisation, depreciation and impairment	6,602	6,359
Expense on vesting of stock-based compensation	148	178
Interest expense on leases	336	193
	(4,177)	(11,566)
Change in operating balances		
Insurance balances receivable	(4,877)	(149)
Reinsurers' share of:		
Claims provisions	5,186	10,692
Unearned premiums	(532)	(1,193)
Other assets	(3,804)	949
Deferred policy acquisition costs	(125)	(130)
Insurance balances payable	5,774	387
Accounts payable and accrued liabilities	7,762	(1,415)
Insurance contract liabilities	6,818	(9,153)
Investment contract liabilities	(5,311)	11,773
Post-employment benefit liability	(72)	(42)
	10,819	11,719

<i>(In \$ thousands)</i>	MARCH 31 2021	MARCH 31 2020
Interest income received	11,024	13,754
Dividend income received	396	2,014
Income tax paid	(1,020)	(540)
CASH GENERATED FROM OPERATING ACTIVITIES	28,187	30,292
INVESTING ACTIVITIES		
Purchase of investments	(528,784)	(930,986)
Sale, maturity and paydown of investments	529,183	928,901
Purchase of subsidiary, net of cash acquired	(16,539)	(1,739)
Purchase of property and equipment	(5,545)	(2,002)
CASH USED IN INVESTING ACTIVITIES	(21,685)	(5,826)
FINANCING ACTIVITIES		
Dividends paid to shareholders	(3,222)	(3,507)
Acquisition of shares held in Treasury	-	(6)
Principal demand loan payments	(49)	-
Principal lease payments	(763)	(586)
CASH USED IN FINANCING ACTIVITIES	(4,034)	(4,099)
EFFECT OF FOREIGN EXCHANGE RATE CHANGES ON CASH AND SHORT-TERM INVESTMENTS	1,929	(471)
NET INCREASE IN CASH AND SHORT-TERM INVESTMENTS	4,397	19,896
CASH AND SHORT-TERM INVESTMENTS, beginning of year	74,251	54,355
CASH AND SHORT-TERM INVESTMENTS, end of year	78,648	74,251
Cash and short-term investments from continuing operations	74,554	71,501
Cash and short-term investments held-for-sale	4,094	2,750
	78,648	74,251

The accompanying notes form part of these consolidated financial statements.

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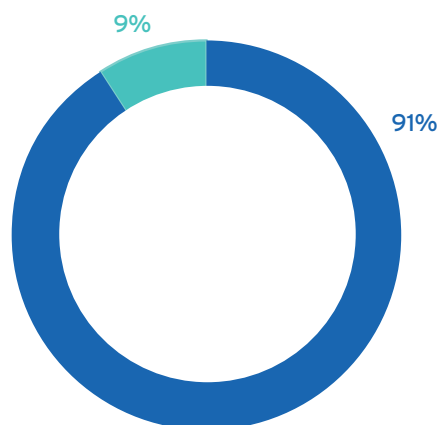
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Notes to the Consolidated Financial Statements

March 31, 2021

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

SHARE OWNERSHIP



■ BERMUDIAN ■ NON-BERMUDIAN

1 Operations

Argus Group Holdings Limited (the Company) was incorporated in Bermuda with limited liability on May 26, 2005, as a holding company and has its registered office at the Argus Building, 14 Wesley Street, Hamilton HM 11, Bermuda. The Company's shares are traded on the Bermuda Stock Exchange. At March 31, 2021, it has 1,376 shareholders, 83.6 percent of whom are Bermudian, holding 91.0 percent of the issued shares.

The Company and its subsidiaries (the Group) operates predominantly in Bermuda, Gibraltar, Malta and Canada underwriting life, health, property and casualty insurance (P&C). The Group also provides investment, savings and retirement products, administrative services, health care and insurance broker services. Refer to Note 22 for details on the composition of the Group and Note 35 on Operating Segments.

2 Significant Accounting Policies

The significant accounting policies used in the preparation of the consolidated financial statements are discussed below and are applied consistently.

2.1 STATEMENT OF COMPLIANCE

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and in accordance with the provisions of the Bermuda Companies Act 1981, as amended.

These consolidated financial statements, as at and for the year ended March 31, 2021, were authorised for issue by the Board of Directors on July 7, 2021.

2.2 BASIS OF PRESENTATION

2.2.1 Basis of measurement

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 Consolidated Balance Sheets:

- Financial assets and financial liabilities at fair value through profit or loss (FVTPL) 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 based on net asset values reported by third parties, such as fund managers or independent custodians;
- Life and annuity policy reserves are based on actuarial valuation using the Canadian Asset Liability Method (CALM);
- Provision for unpaid and unreported claims are actuarially determined and represents the best estimate of the ultimate costs of claims in the course of settlement and claims incurred but not yet reported; and
- Post-employment benefit liability is measured at the present value of the defined benefit obligation.

The Consolidated Balance Sheets are presented in order of decreasing liquidity.

2.2.2 Presentation currency

All amounts are in Bermuda dollars, which is the Group's presentation currency, and which are on par with United States (U.S.) dollars.

2.2.3 Use of critical estimates, judgments and assumptions

The preparation of the consolidated financial statements requires Management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, revenues and expenses. Actual results may differ from those estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognised in the consolidated financial statements is included in the following notes:

Note 2.10 - Insurance, Investment and Service Contracts;
 Note 11 - Investment Properties; and
 Note 12 - Investment in Associates.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year is included in the following notes:

Note 2.8 - Impairment of Assets;
 Note 6 and Note 20 - Investments and Investment Contract Liabilities; and
 Note 19 - Insurance Contract Liabilities.

2.3 BASIS OF CONSOLIDATION

2.3.1 Business combinations

The Group uses the acquisition method to account for the acquisition of subsidiaries. At the date of acquisition, the Group recognises the identifiable assets acquired and liabilities assumed as part of the overall business combination transaction at their fair value. Recognition of these items is subject to the definitions of assets and liabilities in accordance with the IASB's Framework for the Preparation and Presentation of Financial Statements. The Group may also recognise intangible items not previously recognised by the acquired entity, such as customer lists. Transaction costs that the Group incurs in connection with a business combination are expensed as incurred.

Amalgamation transactions

Under a business combination where entities under common control are amalgamated, the carrying values of the assets and liabilities of the entities are combined. Transactions arising from the amalgamation of the entities under common control are eliminated in the Group's consolidated financial statements.

2.3.2 Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns

through its power over the entity. The results and financial position of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

The Group's consolidated financial statements include the financial statements of the Company and its subsidiaries after all intercompany accounts and transactions have been eliminated. The accounting policies of subsidiaries have been changed where necessary to align them with the policies adopted by the Group.

2.3.3 Non-controlling interests

Non-controlling interests are measured at their proportionate share of the acquiree's identifiable net assets at the acquisition date. Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

Losses applicable to the non-controlling interest in a subsidiary are allocated to non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

2.3.4 Investment in associates

Associates are those entities in which the Group has significant influence, but not control, over the financial and operational policies. Significant influence is normally presumed to exist when the Group holds

between 20 and 50 percent of the voting power of another entity. Other indicators that may provide evidence of significant influence include representation on the board of directors of the investee, participation in policy-making processes and provision of technical information.

Investment in associates is initially recognised at cost, which includes transaction costs. Thereafter, these investments are measured using the equity method. Under the equity method, the Group records its proportionate share of income and loss from such investments on the Consolidated Statements of Operations and its proportionate share of Other Comprehensive Income on the Consolidated Statements of Comprehensive Operations. Certain associates have different accounting policies from the Group and, as a result, adjustments have been made to align the associate's accounting policies with the Group.

Investments in associated companies are derecognised when the Group loses significant influence. Any retained interest in the entity is remeasured at its fair value. The difference between the carrying amount of the retained investment at the date when significant influence is lost and its fair value is recognised in Share of earnings in associates on the Consolidated Statements of Comprehensive Operations.

2.4 FOREIGN CURRENCY REMEASUREMENT AND TRANSLATION

2.4.1 Remeasurement of transactions in foreign currencies

The individual financial statements of the Company and its subsidiaries are prepared in the currency in which they conduct their ordinary course of business, which is referred to as the functional currency. Monetary assets and liabilities denominated in currencies other than the functional currency of the Company or its subsidiaries are remeasured into the functional currency using rates of exchange at the balance sheet date. Income and expenses are translated at average rates of exchange.

Foreign exchange gains and losses are reflected in Operating expenses on the Consolidated Statements of Operations.

2.4.2 Translation to the presentation currency

The financial statements of foreign operations are translated from their respective functional currencies to Bermuda dollars, the Group's presentation currency. Assets and liabilities are translated at the rates of exchange at the balance sheet date, and income and expenses are translated using the average rates of exchange. The accumulated gains or losses arising from translation of functional currencies to the presentation currency are included in Other

Comprehensive Income on the Consolidated Statements of Comprehensive Operations.

2.5 CASH AND SHORT-TERM INVESTMENTS

Cash and short-term investments include cash balances, cash equivalents, time deposits and other short-term highly liquid financial assets with original maturities of three months or less, and bank overdrafts. Interest on these balances is recorded on the accrual basis and included in Investment income.

Cash includes restricted cash being held on behalf of clients in order to comply with regulatory requirements in Malta. These amounts are not available for use in the Group's daily operations.

2.6 ASSETS AND LIABILITIES HELD-FOR-SALE

Disposal groups, which are comprised of assets and liabilities, are classified as held-for-sale if it is highly probable that they will be recovered primarily through sale.

The sale is highly likely if, on the reporting date, Management has committed to detailed sales plans, is actively looking for a buyer, has set a reasonable selling price, and the sale is highly likely to occur within a year. Disposal groups are measured at the lower of their carrying amount and fair value less costs to sell, except for assets and liabilities

arising from insurance contracts that are measured on the same basis as the insurance assets and liabilities from continuing operations. Once classified as held-for-sale, these assets will no longer be depreciated.

See Note 4, Assets and Liabilities Held-For-Sale for more details.

2.7 FINANCIAL INSTRUMENTS

2.7.1 Financial assets

2.7.1(a) *Classification and recognition of financial assets*

The Group has the following financial assets: (i) financial assets at FVTPL, (ii) available-for-sale financial assets, (iii) held-to-maturity financial assets and (iv) loans and receivables. Management determines the classification of financial assets at initial recognition and is dependent on the nature of the assets and the purpose for which the assets were acquired.

All financial assets are required to be measured at fair value with the exception of loans and receivables, debt securities classified as held-to-maturity, and available-for-sale equity instruments whose fair value cannot be reliably measured. The Group recognises loans and receivables at their date of inception. All other financial assets (including assets designated at FVTPL) are recognised on the trade date at which the

Group becomes a party to the contractual provisions of the instrument. Balances pending settlement as a result of sales and purchases are reflected on the Consolidated Balance Sheets as Receivable for investments sold and Payable arising from investment transactions.

(i) **Financial assets at FVTPL**

A financial asset is classified as FVTPL if it is determined to be held-for-trading or is designated as such upon initial recognition. Financial assets are designated at FVTPL if the Group manages such investments and makes purchases and sale decisions based on their fair value in accordance with the Group's documented risk management and investment strategies.

Attributable transaction costs upon initial recognition are recognised in Investment income on the Consolidated Statements of Operations as incurred. FVTPL financial instruments are measured at fair value, and changes therein are recognised in Investment income on the Consolidated Statements of Operations. Interest or dividend income earned from these financial assets is recorded in Investment income on the Consolidated Statements of Operations. Interest income is net of investment management fees.

(ii) Available-for-sale financial assets

Available-for-sale financial assets include equity investments and debt securities. Equity securities classified as available-for-sale are carried at fair value except unquoted equities, which are carried at cost. Debt securities in this category are carried at fair value and are intended to be held for an indefinite period of time and may be sold in response to needs for liquidity, in response to changes in market conditions, or in response to requirements to stay within investment guidelines.

After initial measurement, available-for-sale financial assets are subsequently measured at fair value with unrealised gains or losses recognised in Other comprehensive income and presented on the Consolidated Statements of Comprehensive Operations. When an investment is derecognised, the cumulative gain or loss in Other comprehensive income is transferred to the Consolidated Statements of Operations.

Amortisation and accretion of premiums and discounts and interest income on available-for-sale debt securities are calculated using the effective interest rate method and are recognised in current period net investment income. The carrying value of accrued interest income approximates estimated fair

value due to its short-term nature and high liquidity. Interest income is net of investment management fees.

(iii) Held-to-maturity financial assets

Held-to-maturity investments are non-derivative debt securities with fixed or determinable payments and fixed maturities that the Group has the positive intent and ability to hold to maturity. Held-to-maturity financial assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, held-to-maturity financial assets are measured at amortised cost using the effective interest method, less any impairment losses. Amortisation of premiums and accretion of discounts are included in Investment income on the Consolidated Statements of Operations.

Any sale or reclassification of a more than insignificant amount of held-to-maturity investments not close to their maturity would result in the reclassification of all held-to-maturity investments as available-for-sale, and prevent the Group from classifying investment securities as held-to-maturity for the current and the following two financial years.

(iv) Loans and receivables

Loans and receivables are financial assets with fixed or determinable

payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, receivables are measured at amortised cost using the effective interest method, less any impairment losses. Amortisation of interest is included in Investment income on the Consolidated Statements of Operations.

For the purposes of this classification, loans and receivables are comprised of mortgages and loans, Interest and dividends receivable and other receivables included in Other assets on the Consolidated Balance Sheets.

2.7.1(b) Derecognition and offsetting

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire or it transfers the rights to receive the contractual cash flows of the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred, which is normally the trade date. Any interest in transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented on the Consolidated Balance Sheets when, and only

when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

2.7.2 Financial Liabilities

2.7.2(a) Classification and recognition of financial liabilities

The Group has the following financial liabilities: (i) financial liabilities at FVTPL and (ii) other financial liabilities. Management determines the classification of financial liabilities at initial recognition.

(i) Financial liabilities at FVTPL

The Group's financial liabilities at FVTPL relate to deposit accounted annuity policies shown under Investment contract liabilities on the Consolidated Balance Sheets. Contracts recorded at FVTPL are measured at fair value at inception and each subsequent reporting period. Changes in fair value of investment contract liabilities are recorded in Gross change in contract liabilities on the Consolidated Statements of Operations (Note 2.10.2).

(ii) Other financial liabilities

All remaining financial liabilities are classified as other financial liabilities, which include Investment contract liabilities related to the deposit administration pension plans and self-funded group health policies (Note 2.10.2), Payables arising from investment

transactions, Insurance balances payable and Accounts payable and accrued liabilities. Such financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortised cost using the effective interest method.

Payables arising from investment transactions and Accounts payable and accrued liabilities are considered short-term payables with no stated interest.

All other financial liabilities (including liabilities designated at FVTPL) are recognised initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

2.7.2(b) Derecognition

The Group derecognises a financial liability when its contractual obligations are discharged, cancelled or expired.

2.7.3 Derivative financial assets

Investments in derivative instruments are measured at FVTPL and are considered to be held-for-trading. Derivatives are initially recognised at estimated fair value on the date into which a contract is entered. The attributable transaction costs are recognised in Investment income on the Consolidated Statements of Operations as incurred. These investments in derivative instruments are

subsequently carried at estimated fair value. Changes in the estimated fair value of instruments that do not qualify for hedge accounting are recognised in Investment income on the Consolidated Statements of Operations. The Group does not hold any derivatives classified as hedging instruments. Derivative financial assets and liabilities are reported net under Investments on the Consolidated Balance Sheets.

2.7.4 Investment income

Interest is recorded in Investment income on the Consolidated Statements of Operations as it accrues, using the effective interest method. Dividend income is recognised on the date the Group's right to receive payment is established, which, in the case of quoted securities, is normally the ex-dividend date.

2.8 IMPAIRMENT OF ASSETS

2.8.1 Impairment of financial assets

The carrying amounts of the Group's financial assets, except those classified under FVTPL, are reviewed at each reporting date for impairment and reversal of previously recognised impairment losses. These assets are considered impaired if there is objective evidence of impairment as a result of one or more loss events that have an impact that can be reliably determined based on estimated future cash flows of the asset. Objective factors that are considered when determining whether a financial asset

or group of financial assets may be impaired include, but are not limited to, the following:

- negative rating agency announcements in respect of investment issuers and debtors;
- significant reported financial difficulties of investment issuers and debtors;
- actual breaches of credit terms, such as persistent late payments or actual default;
- the disintegration of the active market(s) in which a particular asset is traded or deployed;
- adverse economic or regulatory conditions that may restrict future cash flows and asset recoverability;
- the withdrawal of any guarantee from statutory funds or sovereign agencies implicitly supporting the asset; and
- significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

2.8.1(a) Held-to-maturity financial assets and Loans and receivables

The Group considers evidence of impairment for held-to-maturity investment assets and loans and receivables at both a specific asset and collective level. All individually significant held-to-maturity financial assets and loans and receivables are assessed individually for impairment. Those found not to be impaired are then collectively assessed for impairment. Held-to-maturity financial assets and loans and receivables that are not individually

significant are collectively assessed for impairment by grouping together assets with similar risk characteristics.

In assessing collective impairment, the Group uses historical trends of the probability of default, the timing of recoveries and the amount of loss incurred, adjusted for Management's judgment as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends. If there is objective evidence that an impairment loss on held-to-maturity financial assets or loans and receivables has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The impairment loss is recognised in Investment income on the Consolidated Statements of Operations and reflected in an allowance account against the held-to-maturity financial assets or loans and receivables. When an event occurring after the impairment was recognised causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed in Investment income on the Consolidated Statements of Operations.

2.8.1(b) Available-for-sale financial assets

When there is objective evidence that an Available-for-sale asset is impaired, the loss accumulated in Other comprehensive income is reclassified to the Consolidated Statements of Operations in Investment income. The cumulative loss that is reclassified from Other comprehensive income to Investment income is the difference between the amortised cost and the current fair value less any impairment loss recognised previously in Investment income on the Consolidated Statements of Operations. Impairment losses on Available-for-sale equity securities are not reversed.

2.8.1(c) Investment in associates

When there is objective evidence that an Investment in an associate is impaired, an impairment loss is measured by comparing the recoverable amount of the investment with its carrying value. The recoverable amount is determined in accordance with Note 2.8.2.

An impairment loss is recognised in Share of earnings of associates on the Consolidated Statements of Operations. Reversal of a previously recognised impairment loss is made if there has been a favourable change in the estimates used to determine the recoverable amount.

2.8.2 Impairment of non-financial assets

The carrying amounts of the Group's non-financial assets comprised of Property and

equipment, Right-of-use assets and Intangible assets are reviewed at each reporting date to determine if there is objective evidence of impairment. Objective factors that are considered when determining whether a non-financial asset may be impaired include, but are not limited to, the following:

- adverse economic, regulatory or environmental conditions that may restrict future cash flows and asset usage and/or recoverability;
- the likelihood of accelerated obsolescence arising from the development of new technologies and products; and
- the disintegration of the active market(s) to which the asset is related.

If objective evidence of impairment exists, then the asset's recoverable amount is estimated. An impairment loss is recognised in Amortisation, depreciation and impairment on the Consolidated Statements of Operations if the carrying amount of an asset exceeds its estimated recoverable amount. The recoverable amount of an asset is the greater of its value-in-use and its fair value less costs to sell. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Assets that cannot be tested individually are

grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets.

2.9 INVESTMENT PROPERTIES

Investment properties are real estate and real estate fractional units primarily held to earn rental income or held for capital appreciation. Properties that do not meet these criteria are classified as Property and equipment (Note 2.12). Rental income from investment properties is recognised on a straight-line basis over the term of the lease. Expenditures related to ongoing maintenance of properties subsequent to acquisition are expensed as incurred. Investment properties are initially recognised at the transaction price including acquisition costs on the Consolidated Balance Sheets. These properties are subsequently measured at fair value with changes in values recorded in Investment income on the Consolidated Statements of Operations.

Fair values are evaluated regularly by an accredited independent valuation specialist, who holds a recognised and relevant professional qualification and who has recent experience in the valuation of properties in Bermuda.

2.10 INSURANCE, INVESTMENT AND SERVICE CONTRACTS

2.10.1 Insurance contracts

Insurance contracts are those contracts where the Group has accepted significant insurance risk from the policyholders by agreeing to compensate the policyholders if a specified uncertain future event (the insured event) adversely affects the policyholders.

2.10.1(a) Premiums and acquisition costs

Premiums written on most life, annuity and health insurance contracts are recognised as revenue when due from the policyholder. For short-term insurance contracts, premiums written are earned on a pro-rata basis over the terms of the policies. The reserve for unearned premiums represents that portion of premiums written that relates to the unexpired terms of the policies and is included in Insurance contract liabilities on the Consolidated Balance Sheets. Costs related to the acquisition of insurance premiums are charged to the Consolidated Statements of Operations over the period of the policy. Acquisition costs are comprised of commissions and those associated with unearned premiums are deferred and amortised to income over the periods in which the premiums are earned. This is shown as Deferred policy acquisition costs on the Consolidated Balance Sheets. Policy acquisition costs related to unearned premiums are only deferred to the extent

that they can be expected to be recovered from the unearned premiums. If the unearned premiums are insufficient to pay expected claims and expenses, a premium deficiency is recognised initially by writing down the deferred acquisition cost asset and by subsequently establishing a provision for losses arising from liability adequacy tests (the unexpired risk provision). Deferred policy acquisition costs written off as a result of this test cannot subsequently be reinstated.

2.10.1(b) Receivables and payables related to insurance contracts

Receivables and payables related to insurance contracts are recognised when due and measured on initial recognition at the fair value of the consideration receivable or payable. Subsequent to initial recognition, Insurance balances receivable and Insurance balances payable are measured at amortised cost. The carrying value of Insurance balances receivable is reviewed for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable, with the impairment loss recorded in Operating expenses on the Consolidated Statements of Operations.

Insurance balances receivable and Insurance balances payable are derecognised when the derecognition criteria for financial assets and financial liabilities, as described in Note 2.7.1(b) have been met.

2.10.1(c) Reinsurance

Reinsurance ceded premiums comprise the cost of reinsurance contracts into which the Group has entered. Reinsurance ceded is recognised from the date the reinsurer has contracted to accept the risks and the amount of premium can be measured reliably. The Reinsurers' share of unearned premiums represents that part of reinsurance premiums ceded, which are estimated to be earned in future financial periods. Unearned reinsurance commissions are recognised as a liability using the same principles and are shown under Insurance balances payable on the Consolidated Balance Sheets. The Reinsurers' share of claims provisions is estimated using the same methodology as the underlying losses. These represent the benefit derived from reinsurance agreements in force at the financial statements reporting date. Amounts due to or from reinsurers with respect to premiums or claims are included in Insurance balances payable or Insurance balances receivable on the Consolidated Balance Sheets.

The Group periodically assesses any reinsurance assets for impairment, with any impairment loss recognised in Operating expenses on the Consolidated Statements of Operations in the period in which any impairment is determined.

2.10.1(d) Insurance contract liabilities

Insurance contract liabilities shown on the Consolidated Balance Sheets include (i) life and annuity policy reserves and (ii) provision for unpaid and unreported claims.

(i) Life and annuity policy reserves

Life and annuity policy reserves are determined by the Group's actuaries and represent the amounts, which, 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 using generally accepted actuarial practices according to standards established by the Canadian Institute of Actuaries (CIA). The CIA requires the use of the Canadian Asset Liability Method (CALM) for the valuation of actuarial liabilities for all lines of business. The policy actuarial liability reserves under CALM are calculated by projecting asset and liability cash flows under a variety of interest rate scenarios using best-estimate assumptions, together with margins for adverse deviations with respect to other contingencies pertinent to the valuation. The policy actuarial liability reserves make provision for the expected experience scenario and for adverse deviations in experience.

(ii) Provision for unpaid and unreported claims

Provision for unpaid and unreported claims arising from Health and P&C contracts represents the best estimate of the ultimate cost of claims in the course of settlement and claims incurred but not yet reported. The provision is continually reviewed and updated by Management and the Group's actuaries. Any adjustments resulting from the review process, as well as differences between estimates and ultimate payments, are reflected in Claims and adjustment expenses and Gross change in contract liabilities on the Consolidated Statements of Operations in the year in which they are determined.

Provision for unpaid and unreported claims are not discounted.

2.10.2 Investment contracts

Contracts issued that do not transfer significant insurance risk, but do transfer financial risk from the policyholder, are financial liabilities and are accounted for as investment contracts. Service components of investment contracts are treated as service contracts. Fees earned from the service components of investment contracts are included on the Consolidated Statements of Operations under Commissions, management fees and other.

Liabilities for investment contracts are measured at FVTPL or amortised cost (Note 2.7.2).

The following contracts are the investment contract liabilities of the Group:

- (i) Deposit administration pension plans are plans where the Group's liability is linked to contributions received, plus a predetermined and guaranteed rate of return. The liability related to these plans is carried at amortised cost.
- (ii) Self-funded group health policies are refund accounting agreements that provide for the retroactive adjustment of premiums based upon the claims experience of the policyholder. Under these agreements, any surplus arising is set off against future deficits or returned to the policyholder. Any deficit that may arise is set off against future surpluses or may be recovered in full, or in part, by lump sum payments from policyholders. As these agreements do not transfer insurance risk, funds received under these agreements are accounted for as investment contracts. Assets and liabilities arising from these types of policies are measured at amortised cost.
- (iii) Deposit accounted annuity policies relate to policies that do not transfer significant insurance risk but do transfer financial risk from the policyholders and are measured at FVTPL.

2.10.3 Other service contracts

Fee income from service contracts is recognised as revenue when services are rendered at either a point in time or over time. The Group's performance obligations are generally satisfied over time as the customer simultaneously receives and consumes the benefits of the services rendered.

Fee income from pension administration, policyholder administration under segregated fund arrangement and investment management services are recognised based on a percentage of assets under management or another variable metric. Asset-based fees vary with assets under management, which are subject to market conditions and investor behaviours beyond the Group's control.

Certain service contracts in the Group's brokerage business include profit commission, which is recognised on the underlying performance of the covered policies at the end of the underwriting cycle. Revenue is recognised when it is highly probable that a significant reversal in the amount of the revenue recognised will not occur.

2.11 SEGREGATED FUNDS

Segregated funds are lines of business in which the Group issues a contract where the benefit amount is directly linked to the reported net asset values of the investments held in the particular segregated fund.

Although the underlying assets are registered in the name of the Group and the segregated fund policyholder has no direct access to the specific assets, the contractual arrangements are such that the segregated fund policyholder bears the risks and rewards of the fund's investment performance. The Group derives fee income, which is included within Commissions, management fees and other on the Consolidated Statements of Operations. Deposits to segregated funds are reported as increases in Segregated funds liabilities and are not reported on the Consolidated Statements of Operations.

For certain entities within the International Life Division, which are registered segregated accounts companies, a segregated account is linked to each variable universal life insurance policies issued to policyholders who require U.S. compliant private placement life insurance and annuity products (Note 4). Insurance premiums arising from these policies are treated as deposits and are not recorded as revenue on the Consolidated Statements of Comprehensive Operations. Fees charged to policyholders, related to insured risk and associated administrative costs are recorded in Commissions, management fees and other on the Consolidated Statements of Comprehensive Operations. These fees are recognised as revenue from each period in accordance with the terms of the contract.

Segregated fund assets are recorded at fair value based on net asset values reported by third parties, such as investment managers and fund administrators.

Segregated fund assets may not be applied against liabilities that arise from any other business of the Group. The investment results are reflected directly in segregated fund assets and liabilities.

2.12 PROPERTY AND EQUIPMENT

Owner-occupied properties and all other assets classified as Property and equipment are stated at cost less accumulated depreciation and impairment. Subsequent costs are included in the assets' carrying amount only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The costs of the day-to-day servicing of Property and equipment are included in Operating expenses on the Consolidated Statements of Operations.

Depreciation is calculated so as to write the assets off over their estimated useful lives at the following rates per annum:

Buildings	2.5%
Computer equipment	10% - 33%
Furniture, equipment and leasehold improvements	10% - 20%

The assets' residual values, useful lives and method of depreciation are reviewed regularly, at minimum at the end of each

fiscal year, and adjusted if appropriate. Where the carrying amount of an asset is greater than its estimated recoverable amount, it is considered to be impaired and is written down immediately to its recoverable amount. In the event of an improvement in the estimated recoverable amount, the related impairment may be reversed. Gains and losses on disposal of property and equipment are determined by reference to their carrying amount, and are recognised in Commissions, management fees and other on the Consolidated Statements of Operations.

2.13 INTANGIBLE ASSETS

Intangible assets refer to customer lists, non-compete agreements and goodwill. Customer lists are initially measured at fair value by estimating the net present value of future cash flows from the contracts in force at the date of acquisition. These are amortised on a straight-line basis over their estimated useful lives. Goodwill is measured at cost less accumulated impairment losses.

Subsequent expenditures are capitalised only when they increase the future economic benefits embodied in the specific asset to which they relate. All other expenditures are recognised in Operating expenses on the Consolidated Statements of Operations as incurred. Annually, Management reviews the remaining portion of Intangible assets based upon estimates of future earnings and recognises any

permanent impairment in Amortisation, depreciation and impairment on the Consolidated Statements of Operations in the year in which it is identified.

2.14 EMPLOYEE BENEFITS

Post-employment benefits

The Group operates a post-employment medical benefit plan for the benefit of its employees. The plan is closed to new entrants effective April 1, 2011. The Group accrues the cost of these defined benefits over the periods in which the employees earn the benefits. The post-employment benefit liability is calculated using the projected unit credit actuarial cost method. The present value of the defined benefit liability is determined by discounting the estimate of future cash flows using interest rates of AA-rated corporate bonds that have terms to maturity that approximate the terms of the related post-employment benefit liability. Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, are recognised in Other comprehensive income on the Consolidated Statements of Comprehensive Operations. Interest expense and other expenses related to the post-employment medical benefit plan are recognised in Operating expenses on the Consolidated Statements of Operations.

Pensions

The Group operates a defined contribution plan. On payment of contributions to the

plan there are no further legal or constructive obligations to the Group. Contributions are recognised as employee benefits on the Consolidated Statements of Operations under Operating expenses in the period to which they relate.

Stock-based compensation

The Restricted Stock Plan is accounted for under the fair value method. The fair value of each share granted under the Restricted Stock Plan is based upon the market price at the date of grant. The estimated fair value is recognised as an expense pro rata over the vesting period, adjusted for the impact of any non-market vesting conditions. This is included in the Operating expenses on the Consolidated Statements of Operations and in the Contributed surplus on the Consolidated Statements of Changes in Equity.

At each reporting date, the Group reviews its estimate of the number of shares that are expected to vest. It recognises the impact of the revision of original estimates, if any, on the Consolidated Statements of Operations, and a corresponding adjustment is made to Contributed surplus over the remaining vesting period.

2.15 TAXATION

Current and deferred taxes are recognised on the Consolidated Statements of Operations, except when they relate to items recognised in Other comprehensive

income, in which case the current and deferred taxes are also recognised in Other comprehensive income.

Current taxes are based on the taxable result for the period. The taxable result for the period differs from the result as reported on the Consolidated Statements of Operations because it excludes items that are non-assessable or disallowed and it further excludes items that are taxable or deductible in other periods. It is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred taxes are generally recognised for all temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available, against which deductible temporary differences can be utilised. The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be utilised. Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted by the end of the reporting period.

Current tax assets and liabilities are offset when the Group has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously. Deferred tax assets and liabilities are offset when the Group has a legally enforceable right to settle its current tax assets and liabilities on a net basis.

2.16 SHARE CAPITAL

Common shares

Common shares are classified as equity. Incremental costs directly attributable to the issue of common shares are recognised as a deduction from equity.

Treasury shares

When share capital recognised as equity is repurchased, the amount of the consideration paid, which includes direct attributable costs, net of any tax effects, is recognised as a deduction from equity. Repurchased shares are classified and presented under Treasury Shares on the Consolidated Statements of Changes in Equity. When Treasury Shares are subsequently sold or reissued, the amount received is recognised as an increase in equity, and the resulting surplus or deficit on the transaction is presented in Contributed surplus on the Consolidated Statements of Changes in Equity.

2.17 LEASES

Leases are recognised as Right-of-use assets and corresponding liabilities at the date the lease assets are available for use by the Group. For the year ended March 31, 2021, Right-of-use assets and Lease liabilities are presented as separate lines in the Consolidated Balance Sheets, this represents a change in presentation from the prior year. The 2020 comparatives have been restated to conform with the current presentation.

2.17.1 Right-of-use assets

Right-of-use assets are recorded at cost, which is the initial amount of the lease liability, less accumulated amortisation. Right-of-use assets consist of fixed assets such as rental space and other assets arising from leases recognised at the commencement date of the contract, which is when the leased asset is made available for the Group. The Group calculates depreciation using the straight-line method and is presented in Amortisation, depreciation and impairment on the Consolidated Statements of Operations.

The depreciation period is based on the estimated useful life, which is the lease period. Right-of-use assets are amortised over periods ranging from 2 to 10 years.

2.17.2 Lease liabilities

At the commencement date of the contract, Lease liabilities are recognised based on the discounted value of the outstanding lease

payments. The discount rate used in the valuation is the interest rate implicit in the lease, or if this rate is not available, at the incremental borrowing rate. Subsequently, Lease liabilities are recorded at amortised cost using the effective interest method and the related interest expense is recognised in Operating expenses on the Consolidated Statements of Operations. The Group has elected to recognise lease payments for short-term and low-value contracts on a straight-line basis over the lease term in Operating expenses.

2.18 EARNINGS PER SHARE

Basic earnings per share is presented on the Consolidated Statements of Operations and is calculated by dividing net earnings by the time-weighted average number of shares in issue during the year.

2.19 SEGMENT REPORTING

The Group is organised into operating segments based on their products and services. These operating segments mainly operate in the financial services industry. The Chief Executive Officer and the Board of Directors review the business and make strategic decisions primarily by operating segments.

Effective April 1, 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 health care providers 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.

The Group evaluates performance of operating segments on the basis of profit or loss from operations. Segment results include items directly attributable to a

segment as well as those that can be allocated on a reasonable basis. Segment operating revenue is derived primarily from insurance premiums and fees and commission income.

2.20 THE IMPACT OF COVID-19 ON THE GROUP

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

2.21 APPLICATION OF NEW AND REVISED ACCOUNTING STANDARDS

2.21.1 New and revised standards effective April 1, 2020

The Group has applied the following new and revised standards, relevant to the Group, which are issued by IASB that are mandatorily effective for the accounting period beginning April 1, 2020.

2.21.1(a) 2018 Conceptual Framework

Effective April 1, 2020, the Group adopted the revised Conceptual Framework for Financial Reporting (2018 Conceptual Framework) which was issued in March 2018. The amendments were applied retrospectively. The 2018 Conceptual Framework provides revised definitions of an asset and a liability, as well as new guidance on measurement, derecognition, presentation and disclosure. The adoption of these amendments did not have a significant impact on the Group's Consolidated Financial Statements.

2.21.1(b) Amendments to IFRS 3 Business Combination

Effective April 1, 2020, the Group adopted the amendments to IFRS 3 Business Combinations which were issued in October 2018. The amendments were applied retrospectively. The amendments revised the definition of a business and provide a simplified assessment of whether an acquired set of activities and assets

qualifies as a business. The adoption of these amendments did not have a significant impact on the Group's Consolidated Financial Statements.

2.21.1(c) Amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors

Effective April 1, 2020, the Group adopted the Amendments to IAS 1 *Presentation of Financial Statements* and IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*. The amendments were applied retrospectively. The amendments clarify the definition of 'material' and provide guidance to improve consistency in its application in IFRS standards. Adoption of these amendments did not have a significant impact on the Group's Consolidated Financial Statements.

2.22 FUTURE ACCOUNTING AND REPORTING CHANGES

There are a number of accounting and reporting changes issued under IFRS, including those still under development by the IASB. A summary of the recently issued new accounting standards that will impact the Group in 2021 and beyond is as follows:

TOPIC	EFFECTIVE DATE FOR THE COMPANY	EXPECTED IMPACT
Amendments to IFRS 16 <i>COVID-19-related Rent Concessions</i>	April 1, 2021	No significant impact
Annual Improvements to IFRS Standards 2018-2020	April 1, 2022	No significant impact
Amendments to IFRS 3 <i>Business Combination</i>	April 1, 2022	No significant impact
Amendments to IAS 16 <i>Property Plant and Equipment - Proceeds before Intended Use</i>	April 1, 2022	No significant impact
Amendments to IAS 37 <i>Provisions, Contingent Liabilities and Contingent Assets - Onerous Contracts - Cost of fulfilling a Contracts</i>	April 1, 2022	No significant impact
IFRS 9 <i>Financial Instruments</i>	April 1, 2023*	Impact assessment in progress
IFRS 17 <i>Insurance Contracts</i>	April 1, 2023	Impact assessment in progress

* Deferral option was exercised, refer to discussion in 2.22.6

2.22.1 Amendments to IFRS 16 COVID-19 Related Rent Concessions

In May 2020, the IASB issued amendments to *IFRS 16 COVID-19 Related Rent Concessions*; effective for annual periods beginning on or after June 1, 2020, with earlier application permitted. The amendment provides lessees with a practical expedient to not account for COVID-19-related rent concessions as lease modifications. Adoption of these amendments are not expected to have a significant impact on the Group's Consolidated Financial Statement.

2.22.2 Annual Improvements to IFRS Standards 2018-2020

In May 2020, the IASB issued Annual Improvements to *IFRS Standards 2018-2020*, which includes minor amendments to three IFRS standards applicable to the Consolidated Financial Statements. The amendments are effective for annual periods beginning on or after January 1, 2022, with earlier application permitted. Adoption of these amendments are not expected to have a significant impact on the Group's Consolidated Financial Statements.

2.22.3 Amendments to IFRS 3 Business Combinations

Amendments to *IFRS 3, Business Combinations* were issued in May 2020, and are effective for business combinations occurring on or after January 1, 2022, with earlier application permitted. The

amendments update reference to the old version of the Conceptual Framework with a reference to the latest version issued in March 2018 and added an exception to its requirement for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. Adoption of these amendments are not expected to have a significant impact on the Group's Consolidated Financial Statements.

2.22.4 Amendments to IAS 16 Property Plant and Equipment - Proceeds before Intended Use

In May 2020, the IASB issued *Property, Plant and Equipment - Proceeds before Intended Use*, which includes amendments to *IAS 16 Property, Plant and Equipment*. The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by Management. The amendments are effective for annual periods beginning on or after January 1, 2022, with earlier application permitted. Adoption of these amendments are not expected to have a significant impact on the Group's Consolidated Financial Statements.

2.22.5 Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets

In May 2020, the IASB issued *Onerous Contracts - Cost of Fulfilling a Contract*, which includes amendments to *IAS 37 Provisions, Contingent Liabilities and Contingent Assets*. The amendments specify that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract'. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract or an allocation of other costs that relate directly to fulfilling contracts. The amendments are effective for annual periods beginning on or after January 1, 2022. Adoption of these amendments are not expected to have a significant impact on the Group's Consolidated Financial Statements.

2.22.6 IFRS 9, Financial Instruments

In July 2014, the final version of *IFRS 9 Financial Instruments* (IFRS 9) was issued, which replaces *IAS 39 Financial Instruments: Recognition and Measurement* (IAS 39) and will be applied retrospectively or on a modified retrospective basis. The project has been divided into three phases: classification and measurement, impairment of financial assets, and hedge accounting. IFRS 9 provides that financial assets are classified and measured on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

IFRS 9 also introduces an impairment model for financial instruments not measured at fair value through profit or loss that requires recognition of expected losses at initial recognition of a financial instrument and the recognition of full lifetime expected losses if certain criteria are met.

Revisions issued in July 2014 replace the existing incurred loss model used for measuring the allowance for credit losses with an expected loss model. In October 2017, the IASB issued narrow-scope amendments to IFRS 9. The amendments clarify the classification of certain prepayable financial assets and the accounting of financial liabilities following modification. Management is assessing the impact of this standard on the consolidated financial statements.

To address concerns about differing effective dates of IFRS 9, which was effective on January 1, 2018, and IFRS 17 *Insurance Contracts*, which is effective on January 1, 2023, amendments to IFRS 4 *Insurance Contracts* was issued, which provide companies whose activities are predominantly related to insurance an optional temporary exemption from applying IFRS 9 until the effective date of IFRS 17. Based on an analysis performed as of March 31, 2019, the Group is eligible to apply the temporary exemption as the predominance ratio reflecting the share of liabilities connected with insurance to total

liabilities exceeds 90 percent. For the purpose of calculating the predominance ratio, liabilities connected with insurance include segregated fund liabilities of \$1.5 billion.

The Group will continue to apply IAS 39 until April 1, 2023. To enable a comparison with entities applying IFRS 9, entities that apply the deferral approach are required to disclose the following information:

- Fair value and changes in fair value separately for: (a) those financial assets that pass the solely payments of principal and interest (SPPI) test, excluding any financial asset that meets the definition of held-for-trading in IFRS 9, or that is managed and whose performance is evaluated on a fair value basis and (b) all other financial assets, including financial assets that are managed and whose performance is evaluated on a fair value basis. Refer to Note 6.1.
- Credit ratings of financial assets that pass the SPPI test. Financial assets which pass the SPPI test are assets with contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Refer to Note 6.1.

2.22.7 IFRS 17, *Insurance Contracts*

In May 2017, the IASB issued *IFRS 17*, which replaces IFRS 4. IFRS 17 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts. IFRS 17 provides comprehensive guidance on accounting for insurance contracts. For non-life insurance contracts, IFRS 17 introduces mandatory discounting of loss reserves as well as a risk adjustment for non-financial risk. Further, IFRS 17 will change the presentation of insurance contract revenue. Gross written premium will no longer be presented in the Statement of Comprehensive income.

For long-duration life insurance contracts, IFRS 17 is expected to have a significant impact on actuarial modelling, as more granular cash flow projections and regular updates of all assumptions will be required, either resulting in profit or loss or impacting the “contractual service margin”, a separate component of the insurance liability representing unearned profits from in-force contracts.

In order to evaluate the effects of adopting IFRS 17 in the consolidated financial statements, a joint IFRS 17 and IFRS 9 Group Implementation Programme was set up and third-party consultants were hired. A steering committee comprising Senior Management from Finance, Actuarial, Risk, Operations and

Investment Management oversees the work performed by the third-party consultants and the working group. The third-party consultants work with the technical committee in the assessment of the Group's accounting policies and methodologies and for assessment of systems implications and data flows.

The Group is evaluating the impact of adopting IFRS 17 on the financial statements which includes:

- drafting the accounting policy position papers and methodologies; and
- modelling the transition impact on equity based on IFRS 17 and IFRS 9 accounting policy options and working assumption.

The Group's implementation programme is progressing in line with expectations. IFRS 17 is currently expected to be effective for the Group on April 1, 2023, and is to be applied retrospectively to each group of insurance contracts unless impracticable. If, and only if, it is impracticable to apply IFRS 17 retrospectively for a group of insurance contracts, an entity shall apply IFRS 17 using a modified retrospective approach or a fair value approach.

In November 2018, the IASB decided to defer the effective date of IFRS 17 and IFRS 9 by one year, to April 1, 2022. In March 2020, IASB decided to further defer the effective date by another year, to April 1, 2023.

The Group is expecting that adoption of this standard will have a significant impact on the Group's Consolidated Financial Statements.

3 Acquisitions

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

The purchase consideration is subject to certain adjustments dependent on the future profitability of the business. \$17.0 million cash was settled on June 30, 2020, while the remaining balance is payable over the next four years. The fair value estimate of the contingent consideration as of March 31, 2021 is \$7.1 million. The contingent consideration is based on the achievement of performance-related milestones and the range of undiscounted payment outcomes is between zero and \$8.5 million.

The fair value of the identifiable net assets acquired and the goodwill arising from the acquisition were as follows:

	As at Acquisition Date
Net assets at fair value	3,740
Intangibles arising on acquisition	19,835
TOTAL CONSIDERATION	23,575

The Group incurred acquisition-related costs of \$0.3 million on legal fees and due diligence costs, which are shown in Operating expenses on the Consolidated Statements of Operations.

From date of acquisition to March 31, 2021, the newly acquired companies generated revenues of \$11.9 million and net profit of \$3.4 million.

4 Assets and Liabilities Held-for-Sale

In March 2018, Management committed to a plan to sell the International Life Division, including the related assets and liabilities. The Group is currently active in the market to locate potential buyers, has distributed offering documents and has signed non-disclosure agreements with interested parties. Subsequent to year end, the Group entered into a Sales and Purchase Agreement with an unrelated party and the sale was completed on July 1, 2021. Refer to Note 38.2 for details.

Management also committed to a plan for the settlement of an outstanding mortgage loan receivable, which is fully collateralised via a first mortgage over the Whitecrest properties situated in Bermuda. The settlement of the outstanding loan is dependent upon the sale of the collateral property. The sale of the Whitecrest properties, previously presented as held-for-sale, was completed in March 2021.

Management also committed to a plan for the sale of certain property units held by the Group as investment properties, discussions are ongoing.

The following table shows the assets and liabilities held-for-sale measured at carrying value.

AS AT MARCH 31	2021	2020
Cash and short-term investments	4,094	2,750
Investments	13,247	18,969
Reinsurers' share of:		
Claims provisions	2,868	2,972
Unearned premium	97	67
Other assets	1,022	1,426
Investment properties	4,240	4,500
Intangible assets	865	865
Total General fund assets held-for-sale	26,433	31,549
Segregated fund assets held-for-sale	519,222	460,449
	545,655	491,998
LIABILITIES		
Life and annuity policy reserves	10,568	10,454
Insurance balances payable	4,771	4,576
Accounts payable and accrued liabilities	360	239
Total General fund liabilities held-for-sale	15,699	15,269
Due to related parties - net ⁽¹⁾	1,767	660
Segregated fund liabilities held-for-sale	519,222	460,449
	536,688	476,378

(1) The divestment plan of the International Life Division includes the settlement of the Due (to)/from related parties – prior to the effective date of sale.

5 Cash and Short-term Investments

AS AT MARCH 31	2021	2020
Cash at bank and in hand	64,492	62,129
Short-term investments	10,062	9,372
	74,554	71,501

Included in Cash at bank and in hand is restricted cash of €3.7 million (\$4.5 million) (2020 - €3.3 million (\$3.7 million)). Certain subsidiaries have arrangements in place on behalf of clients in order to comply with regulatory requirements in Malta.

\$5.0 million (2020 - \$7.7 million) of cash at bank and in hand is held to support the investment contract liabilities associated with deposit administration pension plans (Note 20), while no amount (2020 - \$1.7 million) is held as collateral related to derivative transactions as there are no derivatives held at March 31, 2021.

Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of Cash at bank and in hand. As of March 31, 2021 and 2020, the Group's bank overdraft position is not material.

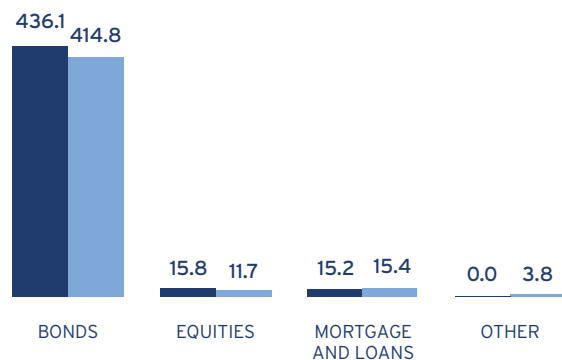
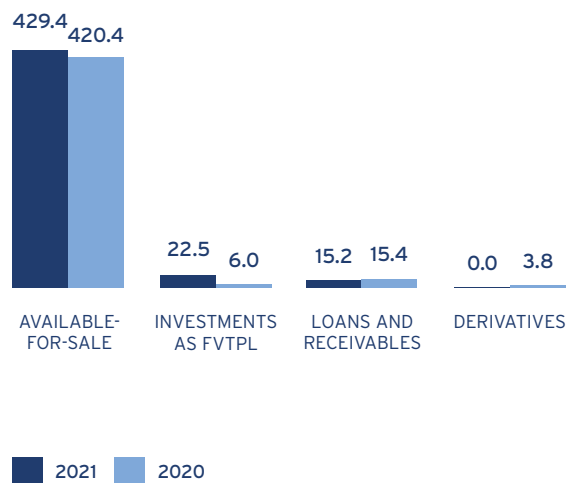
6 Investments

6.1 CARRYING VALUES AND ESTIMATED FAIR VALUES OF INVESTMENTS

	MARCH 31, 2021		MARCH 31, 2020	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Available-for-sale				
Bonds	415,054	415,054	409,985	409,985
Equities	14,377	14,377	10,402	10,402
	429,431	429,431	420,387	420,387
Investments at FVTPL ⁽¹⁾				
Bonds	21,012	21,012	4,769	4,769
Equities	1,441	1,441	1,254	1,254
	22,453	22,453	6,023	6,023
Loans and receivables				
Mortgages and loans	15,180	16,188	15,332	16,270
Policy loans	41	41	43	43
	15,221	16,229	15,375	16,313
Derivatives				
Other ⁽²⁾	-	-	3,731	3,731
Foreign currency forward contracts	-	-	70	70
	-	-	3,801	3,801
TOTAL INVESTMENTS	467,105	468,113	445,586	446,524

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

(2) Other consists of interest rate swaps, credit default swaps, options and futures. However, no derivatives were held in the portfolio at end of the year.

INVESTMENT COMPOSITION*(In millions)***INVESTMENT CLASSIFICATION***(In millions)*

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

Included in Bonds are investments that support the investment contract liabilities associated with deposit administration pension plans (Note 20) of \$226.3 million (2020 - \$230.3 million). These investments are maintained under a separate account to provide the policyholders certain protections from creditors of the Group.

Equities include investment in certain companies domiciled in Bermuda of \$1.4 million (2020 - \$2.5 million) where the Group has more than 20 percent interest. However, there is no significant influence over the investee's operational and financial policies. This is due to restrictive voting rights and limited access to the technical information of these investees.

Investments that meet the SPPI criterion

As discussed in Note 2.22.6, the Group has investments of \$405.1 million (2020 - \$378.6 million) that meet the SPPI criterion. This refers to bonds, mortgages and loans, and policy loans. The change in the fair value of these invested assets during the year is a gain of \$4.5 million (2020 - loss of \$6.2 million). In terms of credit quality of such assets (excluding mortgages), 98 percent (2020 - 98 percent) investments are above investment grade assets and the remaining 2 percent (2020 - 2 percent) are below investment grade assets.

Investments with a carrying value of \$46.2 million (2020 - \$51.5 million) do not have SPPI qualifying cash flows as at March 31, 2021. The change in the fair value of these invested assets during the year is a gain of \$1.4 million (2020 - loss of \$1.6 million).

Equities with a carrying value of \$15.9 million (2020 - \$15.5 million, including derivatives) do not meet the SPPI criterion as at March 31, 2021.

Investments presented as assets held-for-sale with a carrying value of \$13.2 million (2020 - \$19.0 million), refer to mortgages and loans and bond funds, and do not have SPPI qualifying cash flows as at March 31, 2021. The change in the fair value of these invested assets during the year is a gain of \$1.9 million (2020 - \$0.8 million).

6.2 DERIVATIVE FINANCIAL INSTRUMENTS

The Group's investment guidelines permit the investment managers to utilise exchange-traded futures and options contracts, over-the-counter (OTC) instruments, including interest rate swaps, credit default swaps, swaptions and forward foreign currency contracts. Derivatives are used for yield enhancement, duration management, interest rate and foreign currency exposure management, or to obtain an exposure to a particular financial market. These positions are monitored regularly. The Group principally may have exposure to derivatives related to the following types of risks: foreign currency risk, interest rate risk and credit risk.

The Group has the following transactions and balances related to its derivative activities:

AS AT MARCH 31	Note	2021	2020
Derivative assets		-	3,801
Derivative liabilities	17	-	(3,546)
Collateral ⁽¹⁾		-	1,783

(1) Collateral refers to cash held in favour of third parties.

The net earnings/(losses) arising from the Group's derivative financial instruments, recognised as Investment income on the Consolidated Statements of Operations, are as follows:

AS AT MARCH 31	2021	2020
Derivative financial instruments		
Foreign currency forward	-	315
Other derivatives ⁽¹⁾	-	2,400
TOTAL NET INCOME/(LOSSES) FROM DERIVATIVE FINANCIAL INSTRUMENTS	-	2,715

(1) Other derivatives consist of futures, options, interest rate swaps, credit default swaps and swaptions.

6.2.1 Futures

Futures provide the Group with participation in market movements, determined by the underlying instrument on which the futures contract is based, without holding the instrument itself or the individual securities. This approach allows the Group more efficient and less costly access to the exposure than would be available by the exclusive use of individual fixed income and money market securities. Futures contracts may also be used as substitutes for ownership of the physical securities. All futures contracts are held on a non-leveraged basis. An initial margin is provided, which is a deposit of cash and/or securities in an amount equal to a prescribed percentage of the contract value. The fair value of futures contracts is

estimated daily and the margin is adjusted accordingly with unrealised gains and/or losses settled daily in cash and/or securities. A realised gain (loss) is recognised when the contract is closed.

Futures contracts expose the Group to credit, market and liquidity risks. The Group is exposed to credit risks to the extent that the counterparties are not able to perform under the terms of the contract. Market risk arises when adverse changes occur in the estimated fair values of the underlying securities.

Liquidity risk represents the possibility that the Group may not be able to rapidly adjust the size of its forward positions at a reasonable price in times of high

volatility and financial stress. Exchange-traded futures are, however, subject to a number of safeguards to ensure that obligations are met, including the use of clearing houses, the posting of margins and the daily settlement of unrealised gains and losses and counterparty credit risk evaluation. Credit, market and liquidity risks and how these risks are mitigated are disclosed in Note 23.3.

At March 31, 2021, the Group has no outstanding futures (2020 - long positions of \$65.4 million and short positions of \$54.3 million).

6.2.2 Options

The Group's investment guidelines permit the use of exchange-traded and OTC options, which are used to manage exposure to interest rate risk and also to hedge duration. Exchange-traded options are held on a similar basis to futures and are subject to similar safeguards. Options are contractual arrangements that give the purchaser the right, but not the obligation, to either buy or sell an instrument at a specific set price at a predetermined future date. The Group may enter into option contracts that are secured by holdings in the underlying securities or by other means which permit immediate satisfaction of the Group's obligations. At March 31, 2021, the Group has no options (2020 - long positions of \$nil and short positions of \$6.3 million).

6.2.3 Interest Rate Swaps

Swaps are used to manage interest rate exposure, portfolio duration or capitalise on anticipated changes in interest rate volatility without investing directly in the underlying securities. Swaps are recorded at estimated fair values at the end of each period with unrealised gains and losses recorded in Investment income on the Consolidated Statements of Operations.

Interest rate swap agreements entail the exchange of commitments to pay or receive interest, such as an exchange of floating rate payments for fixed rate payments, with respect to a notional amount of principal. These agreements involve elements of credit and market risk. Such risks include the possibility that there may not be a liquid market, that the counterparty may default on its obligation to perform or that there may be unfavourable movements in interest rates. Credit risk is mitigated by making collateral calls to mitigate exposure and counterparty credit risk evaluation. Credit, market and liquidity risks and how these risks are mitigated are disclosed in Note 23.3.

At March 31, 2021, the Group has no open interest rate swaps (2020 - long positions of \$nil and short positions of \$13.2 million).

6.2.4 Credit Default Swaps

Credit default swaps (CDS) are used to manage exposure to the market or certain sectors of the market. A CDS contract provides protection against the decline in the value of the underlying assets as a result of specified credit events, such as default or bankruptcy. CDS requires the purchaser to pay a premium to the seller of the CDS contract in return for payment contingent on the occurrence of a credit event. The protection purchaser has recourse to the protection seller for the difference between the face value of the CDS contract and the fair value of the underlying asset at the time of the settlement. Neither the purchaser nor the seller under the CDS contract has recourse to the entity that issued the reference assets. At March 31, 2021, the Group has no opened CDS contracts (2020 - long positions of \$5.8 million and short positions of \$8.4 million).

6.2.5 Foreign Currency Forward

A foreign currency forward contract is a commitment to purchase or sell a foreign currency at a future date, at a defined rate. The Group may utilise currency forward contracts to gain exposure to a certain currency or market rate or manage the impact of fluctuations in foreign currencies on the value of its foreign currency denomination investments.

The notional amount of a derivative contract is the underlying quantity upon which payment obligations are calculated. A long position is equivalent to buying the underlying currency, whereas a short position is equivalent to having sold the underlying currency.

At March 31, 2021, the Group had no open foreign currency forward contracts.

MARCH 31, 2020	Notional Short	Notional Long
South Korean Won	514,577	521,005
Japanese Yen	49,501	49,700
Indian Rupee	25,996	25,649
Sterling	3,637	1,808
Euro	1,867	353
Australian Dollar	596	602
Swiss Franc	335	332

At March 31, 2020, the U.S. dollar equivalent and notional value of these outstanding foreign currency forward contracts with long positions and short positions amounted to \$4.6 million and \$8.5 million respectively.

6.3 REVERSE SALE AND REPURCHASE AGREEMENTS

During the year, the Group entered into reverse sale and repurchase agreements (reverse repos) on investments. The money received from these agreements where the Group is the borrower (i.e. where the Group is under an obligation to take the securities back) is shown on the Consolidated Balance Sheets as a Payable arising from reverse repos. The securities delivered to the lender continue to be reported in Investments on the Consolidated Balance Sheets in accordance with their relevant category.

During the year, cash flows arising from these agreements amounted to sales and purchases of \$68.6 million (2020 - \$304.0 million), which are shown net in cash used in investing activities in the Consolidated Statement of Cash Flows.

Transactions arising from these agreements are subject to a master netting agreement that creates a contingent right of offset that does not qualify for offsetting.

As of March 31, 2021 and 2020, the Group does not hold any outstanding balances arising from reverse repos.

6.4 INVESTMENT INCOME

AS AT MARCH 31	2021	2020
Interest income		
Bonds - available-for-sale	11,323	13,730
Bonds - at FVTPL	82	131
Bonds - held-to-maturity	-	24
Mortgages and loans	55	626
Cash and other	613	686
	<u>12,073</u>	<u>15,197</u>
Dividend income		
Equities - available-for-sale	396	2,012
Equities - at FVTPL	-	2
	<u>396</u>	<u>2,014</u>
Net realised and unrealised gains/(losses) on investments		
Bonds - available-for-sale	5,732	7,411
Bonds - at FVTPL	(2,617)	389
Equities - at FVTPL	186	(503)
Equities - available-for-sale	(27)	94
Derivative financial instruments	(109)	2,576
Investment properties	(260)	(3,901)
	<u>2,905</u>	<u>6,066</u>
Other		
Amortisation of mortgages and net premium on bonds	(1,601)	(1,281)
Rental income and other	671	430
Impairment charges ⁽¹⁾	(238)	(1,146)
	<u>(1,168)</u>	<u>(1,997)</u>
INVESTMENT INCOME BEFORE DEDUCTIONS	14,206	21,280
Deductions		
Investment income relating to Deposit administration pension plans	(1,364)	(1,764)
INVESTMENT INCOME	12,842	19,516

(1) The Group recorded an impairment on certain non-residential mortgages, classified under Assets-held-for-sale (Note 4). The impairment recognised is the difference between the carrying value and the recoverable value, which is determined based on market value of the underlying collateral property.

6.5 INVESTMENT CLASSIFICATION

Effective April 1, 2016, the Group redesignated certain fixed-income investments with a carrying value and fair value of \$318.6 million from the held-for-trading to the available-for-sale category. The valuation of these investments is based on Level 2 and 3 inputs in the fair value hierarchy, as defined in Note 7.

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

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

The carrying value of the redesignated investments as of March 31, 2021 is \$26.1 million (2020 - \$42.2 million).

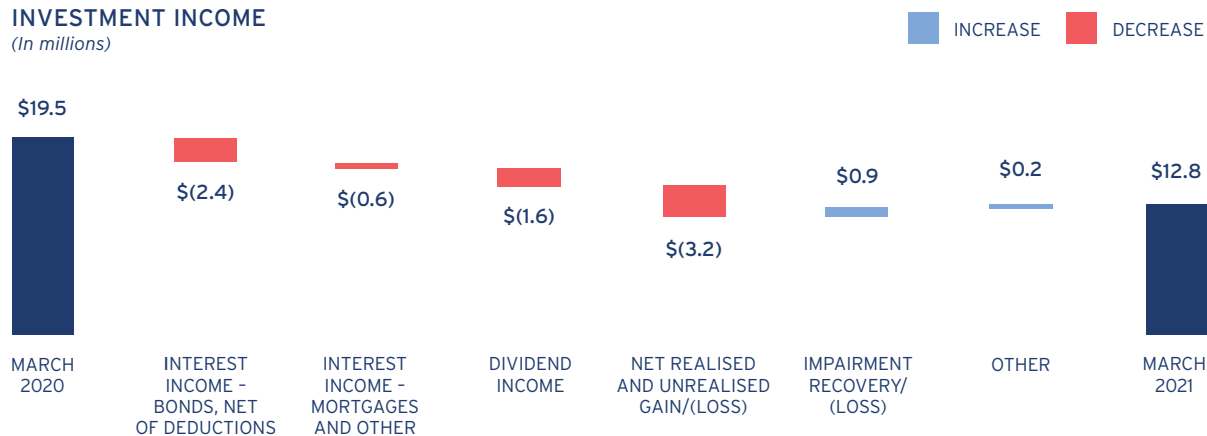
The table below sets out the amounts recognised as Investment income (interest/dividend income and amortisation) on the Consolidated Statements of Operations and Other comprehensive income in respect of investments redesignated out of the held-for-trading category.

AS AT MARCH 31	2021 Consolidation Statements of Operations	Other Comprehensive Income
Investment Income	1,425	-
Net unrealised gains/ (losses) on investments	-	2,341
	1,425	2,341

AS AT MARCH 31	2020 Consolidation Statements of Operations	Other Comprehensive Income
Investment Income	2,144	-
Net unrealised gains on investments	-	(339)
	2,144	(339)

INVESTMENT INCOME

(In millions)



If the investments had not been redesignated, \$2.3 million gain (2020 - \$0.3 million loss) would have been recognised as Investment income on the Consolidated Statements of Operations.

The effective interest rates on trading investments redesignated as available-for-sale investments at April 1, 2016 and still held at the reporting date ranged from 3.1 percent to 6.3 percent (2020 - 3.0 percent to 5.3 percent), with expected recoverable cash flows of \$18.2 million (2020 - \$72.1 million).

7 Fair Value Measurement

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

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

The Group determines the estimated fair value of each individual security utilising the highest level inputs available. Prices for the majority of the Group's investment portfolio are provided by a third-party investment accounting firm whose pricing processes and the controls thereon are subject to an annual audit on both the operation and the effectiveness of those controls. The audit reports are available to clients of the firm and the report is reviewed annually by Management. In accordance with their pricing policy, various recognised reputable pricing sources are used, including broker-dealers and pricing vendors. The pricing sources use bid prices where available, otherwise indicative prices are quoted based on observable market-trade data. The prices provided are compared to the investment managers' pricing. The Group has not made any adjustments to any pricing provided by independent pricing services or its third-party investment

managers for either year ended March 31, 2021 and 2020.

Level 1 investments are securities with quoted prices in active markets. A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The Group determines securities classified as Level 1 to include highly liquid U.S. treasuries, certain highly liquid short-term investments and quoted equity securities.

Level 2 investments are securities with quoted prices in active markets for similar assets or liabilities or securities valued using other valuation techniques for which all significant inputs are based on observable market data. Instruments included in Level 2 are valued via independent external sources using modelled or other valuation methods. Such methods are typically industry-accepted standard and include:

- broker-dealer quotes;
- pricing models or matrix pricing;
- present values;
- future cash flows;
- yield curves;
- interest rates;
- prepayment speeds; and
- default rates.

Other similarly quoted instruments or market transactions may be used.

The Group determines securities classified as Level 2 to include short-term and fixed maturity investments and certain derivatives, such as:

- U.S. corporate bonds;
- Municipal, other government and agency bonds;
- Foreign corporate bonds;
- Mortgage/asset-backed securities;
- Bond and Equity Funds with listed underlying assets; and
- Derivatives, such as options, forward foreign exchange contracts, interest rate swaps and credit default swaps.

The fair value of investment properties was determined by external independent property valuers, having appropriate, recognised professional qualifications and recent experience in the location and category of the property being valued. The independent valuers provide the fair value of the Group's investment properties annually. Fair value is based on market data from recent comparable transactions. These assets are classified as Level 2.

Fair value of the Investment contract liabilities (Deposit accounted annuity policies) is determined by using valuation techniques, such as discounted cash flow methods. A variety of factors are considered in the valuation techniques, including yield curve, credit spread and

default assumptions, which have market observable inputs. Accordingly, Investment contract liabilities are classified under Level 2.

The fair value of the majority of the investments for accounts of segregated fund holders is based on net asset values reported by third parties, such as investment managers and fund administrators. The fair value hierarchy of direct investments within investments for accounts of segregated fund holders, such as short-term securities, local equities and corporate debt securities, is determined according to valuation methodologies and inputs described above in the respective asset type sections.

The Group determines whether transfers have occurred between levels of the fair value hierarchy by re-assessing the categorisation at the end of each reporting period, based on the lowest level input that is significant to the fair value measurement as a whole.

Level 3 investments are securities for which valuation techniques are not based on observable market data. The Group classifies unquoted/private equities as Level 3, as the valuation technique incorporates both observable and unobservable inputs. These investments may be subject to certain lock-up provisions. The type of underlying investments held by the investee, which

form the basis of the net asset valuation, include assets such as private business ventures, to which the Group does not have access. The Group considers net assets value as a reasonable approximate of fair value.

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

7.1 ASSETS AND LIABILITIES MEASURED AT FAIR VALUE

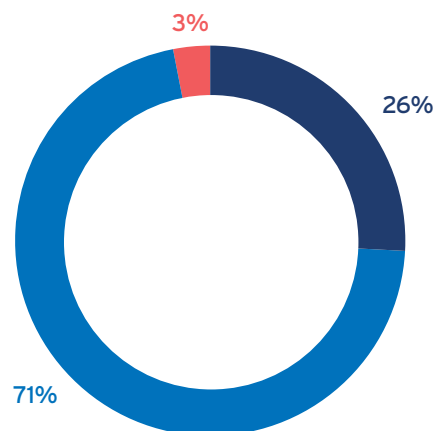
The following table presents fair value of the Group's assets and liabilities measured at fair value in the Consolidated Balance Sheets, categorised by level under the fair value hierarchy.

MARCH 31, 2021	Level 1	Level 2	Level 3	Total Fair Value
Cash and short-term investments	74,554	-	-	74,554
Interest and dividends receivable	-	2,448	-	2,448
Available-for-sale investments				
Bonds				
U.S. government	43,306	-	-	43,306
U.S. corporates	-	215,201	-	215,201
Municipal, other government and agency	-	52,721	-	52,721
Foreign corporates	-	15,449	-	15,449
Mortgage/asset-backed securities	-	56,942	-	56,942
Other ⁽¹⁾	-	31,435	-	31,435
Total Available-for-sale bonds	43,306	371,748	-	415,054
Equities				
Global listed equities	2,526	-	-	2,526
Investment in equity funds	-	9,929	-	9,929
Private equity funds and unquoted equities	-	-	1,922	1,922
Total Available-for-sale equities	2,526	9,929	1,922	14,377
TOTAL AVAILABLE-FOR-SALE INVESTMENTS	45,832	381,677	1,922	429,431
FVTPL				
Bonds				
U.S. government	21,012	-	-	21,012
Total Bonds at FVTPL	21,012	-	-	21,012
FVTPL				
Equities				
Private equity funds and unquoted equities	-	-	1,441	1,441
Total Equities at FVTPL	-	-	1,441	1,441
TOTAL INVESTMENTS AT FVTPL	21,012	-	1,441	22,453
Receivable for investment sold	-	2,710	-	2,710
Investment properties	-	2,899	-	2,899
TOTAL ASSETS AT FAIR VALUE	141,398	389,734	3,363	534,495
LIABILITIES				
Investment contract liabilities	-	328	-	328
TOTAL LIABILITIES AT FAIR VALUE	-	328	-	328
SEGREGATED FUNDS				
From continuing operations	4,984	1,177,566	-	1,182,550
Held-for-sale	48,849	296,752	173,621	519,222
TOTAL SEGREGATED FUNDS	53,833	1,474,318	173,621	1,701,772

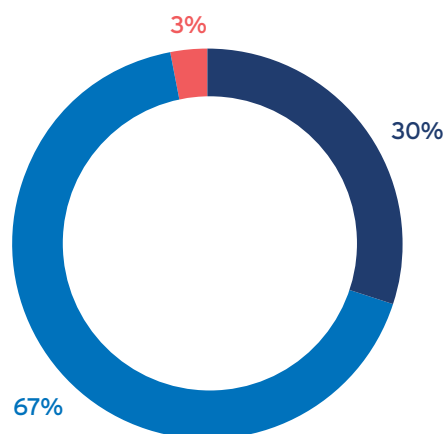
(1) Investment in bond funds.

7.1 ASSETS AND LIABILITIES MEASURED AT FAIR VALUE - *continued*

ASSET FAIR VALUE LEVELLING 2021



ASSET FAIR VALUE LEVELLING 2020



MARCH 31, 2020

	Level 1	Level 2	Level 3	Total Fair Value
Cash and short-term investments	71,501	-	-	71,501
Interest and dividends receivable	-	2,741	-	2,741
Available-for-sale investments				
Bonds				
U.S. government	79,921	-	-	79,921
U.S. corporates	-	196,980	-	196,980
Municipal, other government and agency	-	41,015	-	41,015
Foreign corporates	-	14,197	-	14,197
Mortgage/asset-backed securities	-	47,967	-	47,967
Other ⁽¹⁾	-	29,905	-	29,905
Total Available-for-sale bonds	79,921	330,064	-	409,985
Equities				
Global listed equities	1,529	-	-	1,529
Investment in equity funds	-	6,882	-	6,882
Private equity funds and unquoted equities	-	-	791	791
Total Available-for-sale equities	1,529	6,882	791	9,202
TOTAL AVAILABLE-FOR-SALE INVESTMENTS	81,450	336,946	791	419,187
FVTPL				
Bonds				
U.S. government	4,769	-	-	4,769
Equities				
Private equity funds and unquoted equities	-	-	1,254	1,254
TOTAL INVESTMENTS AT FVTPL	4,769	-	1,254	6,023
Derivatives	-	3,799	-	3,799
Receivable for investments sold	-	74	-	74
Other financial assets under Other assets	-	3,619	-	3,619
Investment properties	-	2,899	-	2,899
TOTAL ASSETS AT FAIR VALUE	157,720	350,078	2,045	509,843
LIABILITIES				
Investment contract liabilities	-	526	-	526
Payables arising from investment transactions	-	3,546	-	3,546
TOTAL LIABILITIES AT FAIR VALUE	-	4,072	-	4,072
SEGREGATED FUNDS				
From continuing operations	3,571	862,529	-	866,100
Held-for-sale	64,483	232,735	163,231	460,449
TOTAL SEGREGATED FUNDS	68,054	1,095,264	163,231	1,326,549

(1) Investment in bond funds.

The following table provides a roll forward for the General fund assets measured at fair value for which significant unobservable inputs (Level 3) are used in the fair value measurement.

MARCH 31, 2021			
	At FVTPL Equities	Available- for-sale Equities	Total
Balance, beginning of year	1,254	791	2,045
Included in Investment income	187	-	187
Included in Other comprehensive income	-	(180)	(180)
Purchases	-	1,311	1,311
	1,441	1,922	3,363
MARCH 31, 2020			
	At FVTPL Equities	Available- for-sale Equities	Total
Balance, beginning of year	1,876	1,062	2,938
Included in Investment income	(520)	(128)	(648)
Included in Other comprehensive income	-	(48)	(48)
Purchases	-	26	26
Sales/Write Off	(102)	(121)	(223)
	1,254	791	2,045

7.2 ASSETS AND LIABILITIES NOT MEASURED AT FAIR VALUE

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

7.3 TRANSFERS OF ASSETS AND LIABILITIES WITHIN THE FAIR VALUE HIERARCHY

The Group's policy is to record transfers of assets and liabilities between levels at their fair values as at the end of each reporting period, consistent with the date of determination of fair value. Assets are transferred out of Level 1 when they are no longer transacted with sufficient frequency and volume in an active market. Conversely, assets are transferred from Level 2 to Level 1 when transaction volume and frequency are indicative of an active market. There were no transfers between Levels 1, 2 and 3 during the year ended March 31, 2021 and 2020.

MARCH 31, 2021	Level 1	Level 2	Level 3	Total Fair Value	Carrying Value
ASSETS					
Mortgages and loans ⁽¹⁾	-	16,188	-	16,188	15,180
Policy loans	-	41	-	41	41
TOTAL ASSETS DISCLOSED AT FAIR VALUE	-	16,229	-	16,229	15,221
LIABILITIES					
Investment Contract liabilities ⁽²⁾	-	245,461	-	245,461	247,916
TOTAL LIABILITIES DISCLOSED AT FAIR VALUE	-	245,461	-	245,461	247,916

MARCH 31, 2020	Level 1	Level 2	Level 3	Total Fair Value	Carrying Value
ASSETS					
Mortgages and loans ⁽¹⁾	-	16,270	-	16,270	15,332
Private equities	-	-	1,200	1,200	1,200
Policy loans	-	43	-	43	43
TOTAL ASSETS DISCLOSED AT FAIR VALUE	-	16,313	1,200	17,513	16,575
LIABILITIES					
Investment Contract liabilities ⁽²⁾	-	251,609	-	251,609	253,029
TOTAL LIABILITIES DISCLOSED AT FAIR VALUE	-	251,609	-	251,609	253,029

(1) Fair value of mortgages and loans is determined by discounting expected future cash flows using current market rates.

(2) Fair value of Investment contract liabilities is based on the following methods:

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

8 Insurance Balances Receivable

Insurance balances receivable is comprised of:

MARCH 31, 2021	Employee Benefits and Health	Wealth Management	Americas Property and Casualty	Europe Property and Casualty	Europe Brokerage Companies	Total
Due from policyholders, agents and brokers	2,787	-	4,984	5,021	7,313	20,105
Due from reinsurers	3,862	-	576	-	-	4,438
TOTAL INSURANCE BALANCES RECEIVABLE	6,649	-	5,560	5,021	7,313	24,543

MARCH 31, 2020	Employee Benefits and Health	Wealth Management	Americas Property and Casualty	Europe Property and Casualty	Europe Brokerage Companies	Total
Due from policyholders, agents and brokers	2,450	48	4,263	4,333	4,392	15,486
Due from reinsurers	3,558	-	897	-	-	4,455
TOTAL INSURANCE BALANCES RECEIVABLE	6,008	48	5,160	4,333	4,392	19,941

9 Other Assets

AS AT MARCH 31	2021	2020
Other financial assets		
Fees receivable	2,044	1,849
Lease receivable	450	-
Notes and others	3,271	1,770
TOTAL OTHER FINANCIAL ASSETS	5,765	3,619
Income taxes receivable	235	13
Prepaid expenses	5,507	2,181
TOTAL OTHER ASSETS	11,507	5,813

10 Deferred Policy Acquisition Costs

The reconciliation between opening and closing Deferred policy acquisition costs is shown below:

AS AT MARCH 31	2021	2020
Balance, beginning of year	1,473	1,329
Deferral during the year	5,486	4,622
Expense for the year	(5,361)	(4,492)
Foreign exchange rate movements	155	14
BALANCE, END OF YEAR	1,753	1,473

11 Investment Properties

	Fair Value
Balance, April 1, 2019	11,300
Unrealised gains/(losses) on investment properties	(3,901)
Reclassified as held-for-sale	(4,500)
BALANCE, MARCH 31, 2020	2,899
Unrealised gains/(losses) on investment properties	-
BALANCE, MARCH 31, 2021	2,899

Investment properties are held primarily for resale and for rental income under operating lease agreements. All other investment properties are stated at fair value. Included in the Group's investment properties are condominium units, fractional apartment units and a residential property.

The Group has entered into operating leases for certain investment properties. The rental income arising during the year amounted to \$0.5 million (2020 - \$0.5 million), which is included in Investment income on the Consolidated Statements of Operations. Direct operating expenses included within Investment income arising in respect of such properties during the year were \$0.7 million (2020 - \$1.0 million).

There are no restrictions on the investment properties. The Group has no contractual obligations to purchase, construct or develop the investment properties other than normal service charge arrangements.

12 Investment in Associates

The Group's investment in associates of \$3.1 million (2020 - \$2.8 million) comprised of equity interests in a number of individually immaterial associates. The Group's share in earnings of associates as at March 31, 2021 amounts to \$0.3 million (2020 - \$0.03 million).

12.1 CONTINGENCIES AND RESTRICTIONS

Included in Investment in associates is a 40.7 percent interest (2020 - 40.7 percent) in a private company domiciled in Bermuda. The carrying value of this investment as at March 31, 2021, is \$2.8 million (2020 - \$2.6 million). The Group has issued a guarantee in respect of its proportionate share of a term bank loan facility totalling \$4.7 million (2020 - \$4.9 million).

13 Property and Equipment

	Land and buildings	Computer equipment	Furniture and other equipment	Total
Gross carrying amount				
Balance, March 31, 2019	78,512	40,155	7,007	125,674
Additions	178	1,498	326	2,002
Acquisition of subsidiary	133	56	282	471
Retirements ⁽¹⁾	(295)	(26,134)	-	(26,429)
Disposal	-	(134)	(35)	(169)
Foreign exchange rate movements	(30)	(13)	(17)	(60)
BALANCE, MARCH 31, 2020	78,498	15,428	7,563	101,489
Additions	2,006	2,599	940	5,545
Acquisition of subsidiary	4,497	276	1,185	5,958
Retirements ⁽¹⁾	(14)	(102)	-	(116)
Disposal	-	(87)	-	(87)
Reversal of impairment loss	202	-	-	202
Foreign exchange rate movements	87	51	91	229
BALANCE, MARCH 31, 2021	85,276	18,165	9,779	113,220
Accumulated depreciation				
Balance, March 31, 2019	34,766	29,729	6,616	71,111
Depreciation charge for the year	2,368	2,255	201	4,824
Acquisition of subsidiary	125	38	232	395
Retirements ⁽¹⁾	(295)	(26,134)	-	(26,429)
Disposals	-	(30)	(35)	(65)
Impairments	202	-	-	202
Foreign exchange rate movements	(28)	(14)	(14)	(56)
BALANCE, MARCH 31, 2020	37,138	5,844	7,000	49,982
Depreciation charge for the year	1,906	2,436	264	4,606
Acquisition of subsidiary	1,190	156	526	1,872
Retirements ⁽¹⁾	(14)	(142)	-	(156)
Foreign exchange rate movements	74	34	59	167
BALANCE, MARCH 31, 2021	40,294	8,328	7,849	56,471
Net carrying amount:				
As at March 31, 2020	41,360	9,584	563	51,507
AS AT MARCH 31, 2021	44,982	9,837	1,930	56,749

(1) Certain computer, furniture and other equipment were retired. These assets were fully depreciated and were no longer used by the Group.

14 Right-of-use Assets and Lease Liabilities

Right-of-use Assets

	Land and Building
Gross carrying amount	
Balance, April 1, 2019	2,552
Additions ⁽¹⁾	1,895
BALANCE, MARCH 31, 2020	4,447
Additions	602
Acquisition of subsidiary	1,299
Derecognition of right-of-use asset	(267)
Foreign exchange rate movements	402
BALANCE, MARCH 31, 2021	6,483
Accumulated amortisation and impairment losses	
Depreciation charge for the year	714
Foreign exchange rate movements	(17)
BALANCE, MARCH 31, 2020	697
Depreciation charge for the year	876
Foreign exchange rate movements	97
BALANCE, MARCH 31, 2021	1,670
Net carrying amount:	
As at March 31, 2020	3,750
AS AT MARCH 31, 2021	4,813

(1) The additions pertain to office space rentals in the Americas Employee Benefits & Health operating segment and Europe Brokerage operating segment.

Lease Liabilities

AS AT MARCH 31	2021	2020
Undiscounted cash flows		
Within 1 year	1,114	905
After 1 year but not more than 5 years	3,293	2,423
More than 5 years	1,852	1,419
Undiscounted balance	6,259	4,747
Effect of discounting	1,164	787
LEASE LIABILITIES	5,095	3,960

The exemption on short-term leases was applied to certain office rentals which resulted in recognising \$0.2 million (2020 - \$0.3 million) leases expense in the operating expenses.

The interest expense recognised in Operating expenses on the Consolidated Statements of Operations for the year ended March 31, 2021 amounted to \$0.3 million (2020 - \$0.2 million).

Lease Receivable

The Group sub-lease an office building that has been presented as part of right-of-use assets. The lease and sub-lease expires in 2029. The lease receivable from the sub-lease agreement is included in Other assets on the Consolidated Statement of Balance Sheets.

The following table sets out the maturity analysis of the lease receivables, showing the undiscounted lease payments to be received after the reporting date.

AS AT MARCH 31	2021
Undiscounted cash flows	
Within 1 year	72
After 1 year but not more than 5 years	288
More than 5 years	234
Total undiscounted lease receivable	594
Unearned financial income	(144)
LEASE RECEIVABLE	450

For the year ended March 31, 2021, interest income on lease receivable recognised in Investment income on the Consolidated Statements of Operation amounted to \$0.02 million (2020 - \$nil).

15 Intangible Assets

	Note	Customer List	Goodwill	Non-compete Agreement	Total
Gross carrying amount					
Balance, March 31, 2019		15,329	-	-	15,329
Additions		3,080	756	-	3,836
Foreign exchange adjustments		(34)	-	-	(34)
BALANCE, MARCH 31, 2020		18,375	756	-	19,131
Additions	3	-	19,835	2,339	22,174
Foreign exchange adjustments		(264)	-	-	(264)
BALANCE, MARCH 31, 2021		18,111	20,591	2,339	41,041
Accumulated amortisation and impairment losses					
Balance, March 31, 2019		11,942	-	-	11,942
Amortisation charge for the year		619	-	-	619
Foreign exchange adjustments		(47)	-	-	(47)
BALANCE, MARCH 31, 2020		12,514	-	-	12,514
Amortisation charge for the year		777	-	545	1,322
Foreign exchange adjustments		(264)	-	-	(264)
BALANCE, MARCH 31, 2021		13,027	-	545	13,572
Net carrying amount:					
As at March 31, 2020		5,861	756	-	6,617
AS AT MARCH 31, 2021		5,084	20,591	1,794	27,469

As disclosed in Note 3, goodwill was a result of business acquisition in the Employee Benefits and Health operating segment of the Group. Goodwill has an indefinite useful life and represents the value of expected synergies arising for the acquisition, the expertise and reputation of the assembled workforce of the acquired companies. The benefits were not recognised separately from goodwill because they do not meet the recognition criteria for identifiable assets.

Customer List and the Non-compete agreement arose from business acquisitions in Europe. Customer List is amortised over the remaining useful life which ranges from 4 to 9 years. The Non-compete agreement is amortised over the remaining period of restriction as defined in the agreement, which ranges from 2 to 4 years.

No impairment charges were recognised on all intangible assets for the years ended March 31, 2021 and 2020.

16 Insurance Balances Payable

Insurance balances payable is comprised of:

MARCH 31, 2021	Employee Benefits and Health	Americas Property and Casualty	Europe Property and Casualty	Europe Brokerage Companies	Total
Due to policyholders, agents and brokers	5,283	1,819	1,054	8,283	16,439
Due to reinsurers	1,165	906	1,341	-	3,412
Deferred commission income	-	2,674	1,055	1,070	4,799
TOTAL INSURANCE BALANCES PAYABLE	6,448	5,399	3,450	9,353	24,650

MARCH 31, 2020	Employee Benefits and Health	Americas Property and Casualty	Europe Property and Casualty	Europe Brokerage Companies	Total
Due to policyholders, agents and brokers	2,851	1,225	836	6,161	11,073
Due to reinsurers	1,647	122	1,182	-	2,951
Deferred commission income	-	2,353	881	900	4,134
TOTAL INSURANCE BALANCES PAYABLE	4,498	3,700	2,899	7,061	18,158

A reconciliation of the change in deferred commission income is shown below:

AS AT MARCH 31	2021	2020
Balance, beginning of year	4,134	3,774
Deferral during the year	18,005	12,977
Income for the year	(17,233)	(12,657)
Foreign exchange rate movements	(107)	40
BALANCE, END OF YEAR	4,799	4,134

17 Payables Arising from Investment Transactions

AS AT MARCH 31	Note	2021	2020
Derivatives	6.2	-	3,546
Investment trades awaiting settlement		-	-
		-	3,546

18 Accounts Payable and Accrued Liabilities

AS AT MARCH 31	Note	2021	2020
Accrued staff benefits		7,600	6,080
Commission payables		230	152
Payables and other accrued expense		23,946	14,481
Contingent liability arising from business acquisition	3	7,062	-
Demand loan		1,179	-
TOTAL ACCOUNTS PAYABLE AND ACCRUED LIABILITIES		40,017	20,713

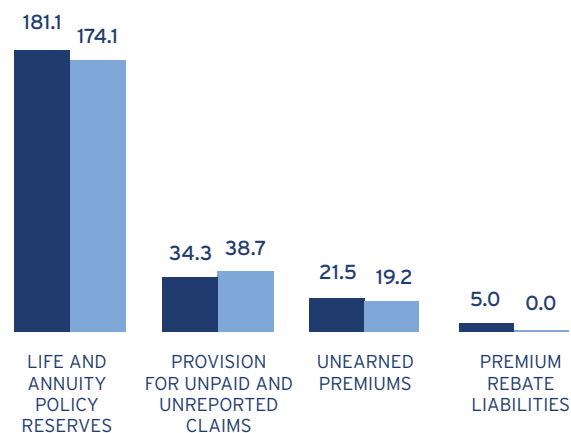
On August 16, 2016, Island Health Services Limited (the "Borrower") secured a \$750,000 demand loan to finance the purchase and renovation of 12 Dundonald Street building. On January 16, 2019 the facility letter was amended to increase the demand loan by \$600,000. The total loan facility is payable in full by February 2032, and interest is charged at the bank's based

rate plus two percent per annum. The loan is secured by property with carrying value of \$2.7 million at March 31, 2021. In addition, three directors and IHS Laboratories Ltd have provided the lender with guarantees to cover the full demand loan. At March 31, 2021, the Borrower has met all the covenants associated with the demand loan.

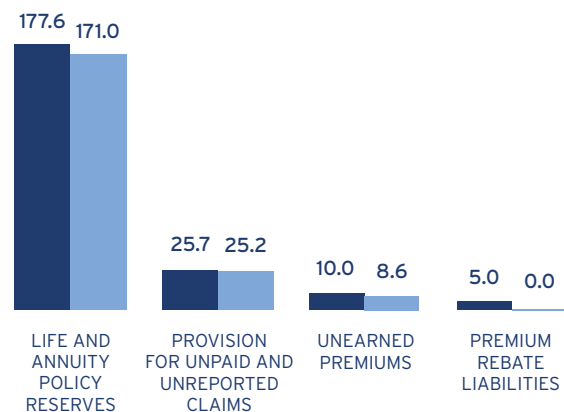
19 Insurance Contract Liabilities

The Group's Insurance contract liabilities and Reinsurers' share of claims provisions and unearned premiums are comprised of:

INSURANCE CONTRACT LIABILITY COMPOSITION - GROSS *(In millions)*



INSURANCE CONTRACT LIABILITY COMPOSITION - NET *(In millions)*



2021 2020

MARCH 31, 2021	Note	Gross	Ceded	Net
Life and annuity policy reserves	19.1	181,126	3,534	177,592
Provision for unpaid and unreported claims	19.2	34,253	8,565	25,688
		215,379	12,099	203,280
Unearned premiums	19.3	21,508	11,552	9,956
Premium rebates liabilities		4,964	-	4,964
TOTAL INSURANCE CONTRACT LIABILITIES		241,851	23,651	218,200

MARCH 31, 2020	Note	Gross	Ceded	Net
Life and annuity policy reserves	19.1	174,073	3,110	170,963
Provision for unpaid and unreported claims	19.2	38,679	13,397	25,282
		212,752	16,507	196,245
Unearned premiums	19.3	19,217	10,662	8,555
TOTAL INSURANCE CONTRACT LIABILITIES		231,969	27,169	204,800

In March 2021 the Group launched a \$5.0 million premium rebates scheme for all its health insureds in recognition of the impact COVID-19-related restrictions have had to health care access. The premium rebates measurement criteria, period of measurement applied to determine the qualified policyholders and the basis of allocation were determined and approved by the Bermuda Life Insurance Company Limited Board. The premium rebates measurement criteria consider the policyholders' loss ratio experience and policy renewal condition. The amounts will be refunded in equal monthly installments over the policy year, with the amounts netted against the monthly premiums due from the policyholders. Premium rebates are presented in the Consolidated Statements of Operations.

19.1 LIFE AND ANNUITY POLICY RESERVES

The adjacent table sets out the Group's Life and annuity policy reserves shown by type of product within the Employee Benefits operating segment:

MARCH 31, 2021	Group Insurance	Life and Pensions	Total
Annuities	-	174,257	174,257
Long-term disability	5,045	-	5,045
Life	-	1,824	1,824
Life and annuity policy reserves	5,045	176,081	181,126
Reinsurers' share of claims provisions	(3,712)	178	(3,534)
LIFE AND ANNUITY POLICY RESERVES, NET OF REINSURANCE	1,333	176,259	177,592
MARCH 31, 2020	Group Insurance	Life and Pensions	Total
Annuities	-	167,266	167,266
Long-term disability	4,396	-	4,396
Life	-	2,411	2,411
Life and annuity policy reserves	4,396	169,677	174,073
Reinsurers' share of claims provisions	(3,326)	216	(3,110)
LIFE AND ANNUITY POLICY RESERVES, NET OF REINSURANCE	1,070	169,893	170,963

The majority of the Life and annuity policy reserves relate to policies issued to individuals domiciled in Bermuda. The Reinsurer's share of claims provisions were assessed for impairment at year end and no impairment was identified.

The composition of the assets supporting the net liabilities is as follows:

MARCH 31, 2021						
	Cash	Bonds	Mortgage and loans	Equities	Land and buildings	Total
Annuities	1,652	142,660	9,109	5,110	15,726	174,257
Long-term disability	174	931	-	228	-	1,333
Life	328	1,345	-	329	-	2,002
LIFE AND ANNUITY POLICY RESERVES, NET OF REINSURANCE	2,154	144,936	9,109	5,667	15,726	177,592
MARCH 31, 2020						
	Cash	Bonds	Mortgage and loans	Equities	Land and buildings	Total
Annuities	6,571	136,090	9,018	3,855	11,732	167,266
Long-term disability	180	806	-	84	-	1,070
Life	442	1,979	-	206	-	2,627
LIFE AND ANNUITY POLICY RESERVES, NET OF REINSURANCE	7,193	138,875	9,018	4,145	11,732	170,963

The Group examines the assumptions used in determining the Life and annuity policy reserves on an ongoing basis to ensure they appropriately reflect emerging experience and changes in risk profile. Annually, the Group conducts a comprehensive review of all actuarial methods and assumptions. Changes to actuarial methods and assumptions used in determining Insurance contract liabilities will result in a change to

the projected value of policy cash flows and, therefore, to the Life and annuity policy reserves.

The net impact of changes in actuarial methods and assumptions was an increase in reserves backing policyholder liabilities of

\$6.7 million (2020 - \$6.7 million). These amounts are net of the impact of the reinsurance assets on policyholder liabilities of \$3.5 million (2020 - \$3.1 million). The changes in the net Life and annuity policy reserves for the year are as follows:

AS AT MARCH 31	2021	2020
Balance, beginning of year	170,963	167,186
Changes due to:		
Issuance of new policies	8,282	10,350
Normal in-force movement	(8,379)	(13,178)
Mortality/morbidity assumptions	(1,762)	(360)
Interest rate assumptions	8,790	7,057
Expense assumptions	(302)	-
Other	-	(92)
BALANCE, END OF YEAR	177,592	170,963

19.1.1 Key Assumptions - Life and annuity policy reserves

ASSUMPTION, METHODOLOGY AND SENSITIVITIES	RISK MANAGEMENT
<p>The risks associated with insurance contracts, and in particular with life and annuity insurance contracts, are complex and subject to a number of variables that complicate quantitative sensitivity analysis.</p> <p>To recognise the uncertainty involved in determining the best estimate assumptions, a Provision for Adverse Deviation (PfAD) is established. The PfAD is determined by including a margin for conservatism for each key assumption to allow for possible deterioration in experience and to help ensure the policy reserves will be adequate to pay for future benefits.</p>	<p>In conjunction with prudent business practices to manage both business and investment risks, the selection and monitoring of appropriate assumptions are designed to minimise the Group's exposure to measurement uncertainty.</p>
<p>(a) Mortality and morbidity risk</p> <p>Mortality refers to the likelihood of death. The mortality assumption is based on industry standard life insurance and standard annuity past and emerging experience. The volume of the Group's life insurance and annuity business is not sufficient to use company specific mortality tables.</p> <p>A five percent decrease in the best estimate assumption for annuitant mortality is estimated to increase the policy reserves by \$4.1 million, 2.4 percent (2020 - \$3.9 million, 2.4 percent).</p> <p>Morbidity refers to the incidence of accident and sickness as well as the recovery from the incidence. The morbidity assumptions are based on industry standard morbidity tables for the long-term disability business. The frequency of claims is low and the risk is substantially reinsured.</p>	<p>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 portion of the risk to reinsurers.</p> <p>Mortality and morbidity are monitored regularly.</p>
<p>(b) Investment returns and interest rate risk</p> <p>Assets are allocated to the different operating segments. For each significant operating segment, CALM is used to project the cash flows from the supporting assets and the cash flows from the liabilities. The projected asset cash flows are combined with the projected cash flows from future asset sales and purchases to determine the expected investment returns for all future years.</p> <p>The CIA prescribes several representative reinvestment scenarios for use in CALM to determine the sensitivity of the Group's business to possible reinvestment risk. These represent a wide variety of interest rate scenarios.</p>	<p>The Group's policy of closely matching the cash flows of assets with those of the corresponding liabilities is designed to mitigate the Group's exposure to future changes in interest rates. Rate risk is monitored on an ongoing basis. Under CALM, the reinvestment rate is developed using interest rate scenario testing and reflects the interest rate risk positions.</p>

ASSUMPTION, METHODOLOGY AND SENSITIVITIES	RISK MANAGEMENT
<p>To provide a representative example, a 100 basis points increase in the best estimate investment return assumption decreases the total Life and annuity policy reserves by \$14.9 million (2020 - \$14.2 million). A 100 basis points decrease in the best estimate assumption increases the total Life and annuity policy reserves by \$17.5 million (2020 - \$16.6 million).</p>	<p>Bonds, equities, real estate and other non-fixed income assets are used to support long-dated obligations in the Group's life and annuity businesses, and for long-dated insurance obligations on contracts where the investment return risk is borne by the Group.</p>
<p>(c) Credit risk Credit risk is provided for by reducing investment yields assumed in the calculation of the policy reserves. Past Group and industry experience over the long term, in addition to ongoing reviews of the current portfolio, are used to project credit losses. In addition to the allowances for losses on invested assets due to interest rate risk, the policy reserves include a provision of \$2.2 million (2020 - \$2.2 million) to provide for future asset defaults and loss of asset value on current assets and future purchases.</p>	<p>For certain policies, the premiums and benefits reflect the Group's assumed level of future credit losses at contract inception or most recent contract adjustment date. The Group holds explicit provisions in actuarial liabilities for credit risk including PfAD.</p>
<p>(d) Expenses Operating expense assumptions reflect the projected costs of servicing and maintaining the in-force policies. The assumptions are derived from internal reviews of operating costs and include an allowance for inflation. A 10 percent increase in the best estimate assumption for unit expenses is estimated to increase the policy reserves by approximately \$0.6 million (2020 - \$0.7 million).</p>	<p>The Group prices its products to cover the expected costs of servicing and maintaining them. In addition, the Group monitors expenses quarterly, including comparisons of actual expenses to expense allowances used in pricing and valuation.</p>

19.2 PROVISION FOR UNPAID AND UNREPORTED CLAIMS

The table below sets out the Provision for unpaid and unreported claims shown by type of product and by reportable segment. The majority of these insurance contracts are of a short-term nature.

MARCH 31, 2021	Employee Benefits and Health	Americas Property and Casualty	Europe Property and Casualty	Total
Health care	7,736	1,644	-	9,380
Property	-	1,280	1,580	2,860
Motor	-	6,393	10,840	17,233
Accident and liability	-	698	3,630	4,328
Marine	-	120	332	452
Provision for unpaid and unreported claims, gross	7,736	10,135	16,382	34,253
Reinsurers' share of claims provisions	-	(5,048)	(3,517)	(8,565)
PROVISION FOR UNPAID AND UNREPORTED CLAIMS, NET OF REINSURANCE	7,736	5,087	12,865	25,688
MARCH 31, 2020	Employee Benefits and Health	Americas Property and Casualty	Europe Property and Casualty	Total
Health care	8,733	1,278	-	10,011
Property	-	987	1,767	2,754
Motor	-	4,699	16,425	21,124
Accident and liability	-	649	3,566	4,215
Marine	-	262	313	575
Provision for unpaid and unreported claims, gross	8,733	7,875	22,071	38,679
Reinsurers' share of claims provisions	-	(3,065)	(10,332)	(13,397)
PROVISION FOR UNPAID AND UNREPORTED CLAIMS, NET OF REINSURANCE	8,733	4,810	11,739	25,282

The reconciliation of the Provision for unpaid and unreported claims is as follows:

MARCH 31, 2021	Provisions for unpaid and unreported claims	Reinsurers' share of claims provisions	Net
Balance, beginning of year	38,679	13,397	25,282
Claims and adjustment expenses incurred			
Current year	71,913	8,427	63,486
Prior years	(2,096)	1,187	(3,283)
Total Claims and adjustment expenses incurred	69,817	9,614	60,203
Claims and adjustment expenses paid			
Current year	(51,505)	(4,588)	(46,917)
Prior years	(24,084)	(10,297)	(13,787)
Total Claims and adjustment expenses paid	(75,589)	(14,885)	(60,704)
Foreign exchange adjustments	1,346	439	907
BALANCE, END OF YEAR	34,253	8,565	25,688

MARCH 31, 2020	Provisions for unpaid and unreported claims	Reinsurers' share of claims provisions	Net
Balance, beginning of year	49,312	21,871	27,441
Claims and adjustment expenses incurred			
Current year	94,013	13,700	80,313
Prior years	(10,102)	(8,593)	(1,509)
Total Claims and adjustment expenses incurred	83,911	5,107	78,804
Claims and adjustment expenses paid			
Current year	(72,908)	(10,062)	(62,846)
Prior years	(20,986)	(3,018)	(17,968)
Total Claims and adjustment expenses paid	(93,894)	(13,080)	(80,814)
Foreign exchange adjustments	(650)	(501)	(149)
BALANCE, END OF YEAR	38,679	13,397	25,282

19.2.1 Key Assumptions - Provision for unpaid and unreported claims

ASSUMPTION, METHODOLOGY AND SENSITIVITIES	RISK MANAGEMENT
<p>The risks associated with insurance contracts are complex and subject to a number of variables that complicate quantitative sensitivity analysis. Uncertainty over the timing and amount of future claim payments necessitate the holding of significant reserves for liabilities that may only emerge a number of accounting periods later.</p> <p>The key assumptions underlying the application of the actuarial methods and the estimate of unpaid claim liabilities are the expected development of paid and reported losses and the derivation of initial expected losses. Paid and reported loss development patterns are based on the Group's historical claims experience. These patterns are updated as of each annual valuation to incorporate and reflect the most recent claims experience. The estimate of initial expected losses is most significant for immature policy periods, where it is given the greatest weight in determining unpaid claim liabilities. Initial expected losses are derived based on the Group's historical experience adjusted for the impact of inflationary trends on claims costs. As the experience in each policy year matures, the weight assigned to the initial expected losses decreases with greater weight assigned to actual loss experience.</p> <p>The actuarial analysis performed by the Group's actuaries employs commonly used actuarial techniques for estimating the Group's provision for unpaid and unreported claims. These include the Paid and Reported Loss Development Methods, the Bornhuetter-Ferguson Method (applied to both paid and reported losses), and the Estimated Loss Ratio Method. The particular methods employed in the analysis of each reserve segment are judgmentally selected based on the applicability of each method and the availability of data to use each particular method.</p> <p>There have been no significant changes in the assumptions or methodology underlying the actuarial analysis in the year under review.</p>	<p>The Group has policies and procedures in place to reduce the risk exposure, which includes strict claims review policies to assess all new and ongoing claims, regular detailed review of claims handling procedures and frequent investigation of possible fraudulent claims. Further, the Group enforces a policy of actively managing and promptly pursuing claims in order to reduce its exposure to unpredictable future developments that can negatively impact the business.</p> <p>The Group has also limited its exposure by imposing maximum claim amounts on certain contracts as well as the use of reinsurance arrangements in order to limit exposure to catastrophic events (e.g., hurricanes, earthquakes and flood damage). The purpose of these underwriting and reinsurance strategies is to limit exposure to catastrophes based on the Group's risk appetite as determined by Management.</p> <p>Estimates of losses are continually reviewed and modified to reflect current conditions. Although Management believes, based on the recommendations of the Group's actuaries, that the provision for unpaid and unreported claims will be adequate to cover the ultimate cost of losses to the balance sheet date, the provision is necessarily an estimate and claims may ultimately be settled for greater or lesser amounts. It is reasonably possible that Management will revise this estimate significantly in the near term. Any subsequent differences are recorded in the Gross change in contract liabilities on the Consolidated Statements of Operations in the period in which they are determined.</p>

19.2.2 Claims Development Table

The following tables show the estimates of cumulative incurred claims, including both claims notified and incurred but not reported (IBNR) reserves for each successive accident year at each reporting date, together with cumulative payments to date.

Gross claims:

Accident year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	Total
Estimate of gross ultimate liability ⁽¹⁾											
as at end of accident year	89,464	92,637	94,436	124,579	89,022	91,994	97,475	99,467	93,794	71,913	-
one year later	84,894	82,573	88,401	120,880	91,331	89,576	96,498	94,877	89,874	-	-
two years later	83,318	81,806	88,096	120,516	91,404	93,112	96,948	97,615	-	-	-
three years later	83,251	81,913	87,248	137,712	91,577	92,905	96,379	-	-	-	-
four years later	83,484	81,939	87,071	137,987	91,384	92,594	-	-	-	-	-
five years later	83,390	82,002	86,771	129,137	91,214	-	-	-	-	-	-
six years later	83,180	81,946	86,577	130,022	-	-	-	-	-	-	-
seven years later	83,107	81,427	86,554	-	-	-	-	-	-	-	-
eight years later	83,009	81,416	-	-	-	-	-	-	-	-	-
nine years later	83,022	-	-	-	-	-	-	-	-	-	-
Current estimate of cumulative liability	83,022	81,416	86,554	130,022	91,214	92,594	96,379	97,615	89,874	71,913	920,603
Cumulative payments to date	(82,924)	(81,160)	(86,449)	(129,720)	(90,709)	(91,712)	(94,588)	(94,549)	(83,044)	(51,505)	(886,360)
Reserves in respect of prior years	-	-	-	-	-	-	-	-	-	-	10
Total gross liability	98	256	105	302	505	882	1,791	3,066	6,830	20,408	34,253

Net claims:

Accident year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	Total
Estimate of net ultimate liability ⁽¹⁾											
as at end of accident year	84,285	86,713	86,134	83,912	83,385	83,279	90,358	93,766	81,432	63,486	-
one year later	79,556	76,876	79,679	81,117	86,602	81,272	89,988	88,076	75,500	-	-
two years later	77,939	75,903	79,730	80,760	86,605	84,804	90,653	90,786	-	-	-
three years later	77,894	76,039	79,565	81,228	86,694	84,652	90,120	-	-	-	-
four years later	77,700	76,042	79,498	81,051	86,608	84,543	-	-	-	-	-
five years later	77,652	76,047	79,330	80,769	86,769	-	-	-	-	-	-
six years later	77,642	76,184	79,438	80,786	-	-	-	-	-	-	-
seven years later	77,643	75,819	79,433	-	-	-	-	-	-	-	-
eight years later	77,562	75,847	-	-	-	-	-	-	-	-	-
nine years later	77,568	-	-	-	-	-	-	-	-	-	-
Current estimate of net cumulative liability	77,568	75,847	79,433	80,786	86,769	84,543	90,120	90,786	75,500	63,486	804,838
Cumulative payments to date	(77,456)	(75,592)	(79,310)	(80,511)	(86,299)	(83,848)	(88,982)	(88,542)	(71,705)	(46,917)	(779,162)
Reserves in respect of prior years	-	-	-	-	-	-	-	-	-	-	12
Total net liability	112	255	123	275	470	695	1,138	2,244	3,795	16,569	25,688

(1) Adjusted for revaluation of foreign currencies at the exchange rate as at year end.

19.3 UNEARNED PREMIUMS

AS AT MARCH 31	Unearned premiums	2021 Reinsurer's share of Unearned premiums	Net	Unearned premiums	2020 Reinsurer's share of Unearned premiums	Net
Balance, beginning of year	19,217	10,662	8,555	18,830	9,598	9,232
Premiums written during the year	150,532	38,870	111,662	161,840	38,230	123,610
Net premiums earned	(149,348)	(38,278)	(111,070)	(161,109)	(37,365)	(123,744)
Movement from Assets held-for-sale	-	30	(30)	-	5	(5)
Change in unearned premiums	1,184	622	562	731	870	(139)
Foreign exchange movement	1,107	268	839	(344)	194	(538)
BALANCE, END OF YEAR	21,508	11,552	9,956	19,217	10,662	8,555

Movement in the unearned premiums include foreign exchange movement arising from the translation of Sterling and Euro denominated balances to Bermuda dollars.

The Group is exposed to a pricing risk to the extent that unearned premiums are

insufficient to meet the related future policy cost. Evaluations are performed regularly to estimate future claim costs, related expenses, and expected profit in relation to unearned premiums. There were no premium deficiencies identified at March 31, 2021 or 2020.

20 Investment Contract Liabilities

Carrying values and estimated fair values of the Investment contract liabilities are as follows:

AS AT MARCH 31	2021		2020	
	Carrying value	Fair value	Carrying value	Fair value
At amortised cost:				
Deposit administration pension plans	231,348	228,893	238,166	236,746
Self-funded group health policies	16,568	16,568	14,863	14,863
	247,916	245,461	253,029	251,609
At FVTPL:				
Deposit accounted annuity policies	328	328	526	526
TOTAL INVESTMENT CONTRACT LIABILITIES	248,244	245,789	253,555	252,135

20.1 INVESTMENT CONTRACT LIABILITIES AT AMORTISED COST

The change in Investment contract liabilities measured at amortised cost is a result of the following:

AS AT MARCH 31	2021	2020
Balance, beginning of year	253,029	241,078
Deposits	76,820	81,290
Withdrawals	(74,281)	(65,720)
Transfers to Segregated funds	185	(128)
Fees deducted	(3,491)	(3,744)
Interest	2,129	2,384
Other	(6,475)	(2,131)
BALANCE, END OF YEAR	247,916	253,029

For the year ended March 31, 2021, the net gain relating to investment contracts measured at amortised cost is \$5.5 million (2020 - net gain of \$4.6 million).

20.2 INVESTMENT CONTRACT LIABILITIES AT FVTPL

The change in investment contract liabilities at FVTPL is a result of the following:

AS AT MARCH 31	2021	2020
Balance, beginning of year	526	704
Included in net earnings ⁽¹⁾	9	23
Deposits	14	143
Withdrawals	(221)	(344)
BALANCE, END OF YEAR	328	526

(1) Amount is recorded under Change in contract liabilities on the Consolidated Statements of Operations.

21 Post-Employment Benefit Liability

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

The plan exposes the Group to risks, such as longevity risk, interest rate risk and health care cost inflation risks. Responsibility for governance of the plan lies with the Company. Risks are managed through plan design and eligibility changes, which limit the size and growth of the defined benefit obligation.

The movement in the defined benefit liability is as follows:

AS AT MARCH 31	2021	2020
Balance, beginning of year	3,670	3,311
Movements during the year recognised in Operating expense:		
Current service cost	32	35
Interest cost on benefit liability	98	82
	130	117
Remeasurement during the year included in Other comprehensive income:		
Actuarial loss arising from experience adjustment	340	401
Benefit payments	(202)	(159)
BALANCE, END OF YEAR	3,938	3,670

As at March 31, 2021, the present value of the defined benefit obligation was comprised of \$0.6 million (2020 - \$0.7 million) relating to active employees and \$3.4 million (2020 - \$3.0 million) relating to members in retirement.

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

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

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

AS AT MARCH 31	2021	2020
Discount rate	2.8%	2.6%
Health care cost trend rate	5.5%	5.5%

The discount rate assumption has a significant impact on the value of the obligation. A one percent increase in this rate would reduce the present value of the defined benefit obligation by \$0.4 million (2020 - \$0.4 million).

Health care cost calculations are based on trend rate assumptions which may differ from actual results. Changes in trend rate assumptions by one percent in either direction will change the health care cost as follows:

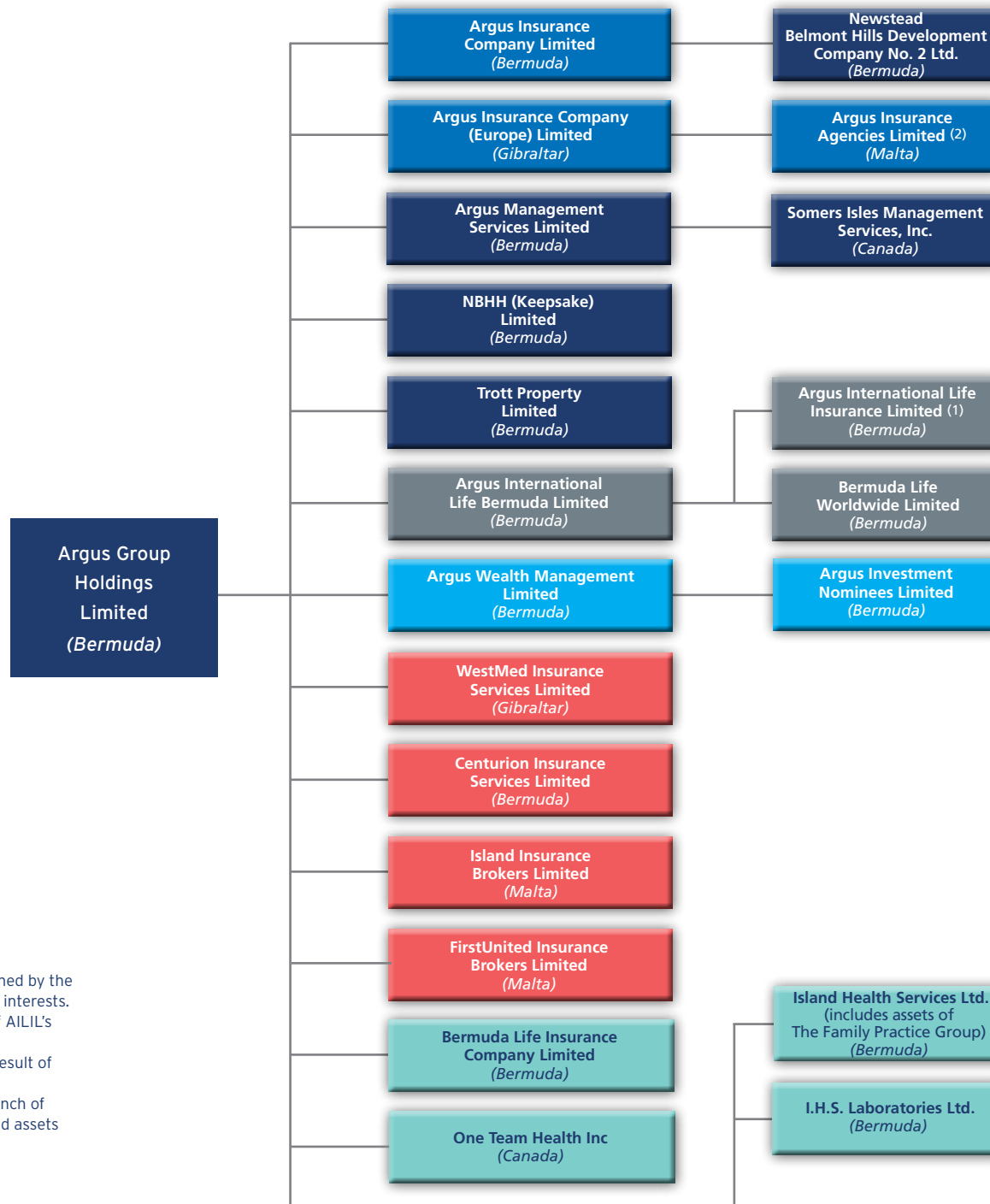
MARCH 31, 2021	Increase	Decrease
Aggregate of current service cost and interest cost	5	(4)
Accrued benefit liability	484	(410)
<hr/>		
MARCH 31, 2020	Increase	Decrease
Aggregate of current service cost and interest cost	6	(5)
Accrued benefit liability	483	(405)

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous year.

22 Group Composition

22.1 LIST OF SIGNIFICANT SUBSIDIARIES AS AT MARCH 31, 2021

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



Nature of business:

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

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

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

22.2 SIGNIFICANT RESTRICTIONS

The Group does not have significant restrictions on its ability to access or use its assets and settle its liabilities other than those resulting from the regulatory requirements within the jurisdiction in which they operate. See Note 5 and Note 23.

The carrying amounts of the insurance subsidiaries' General Fund Assets and General Fund Liabilities are as follows:

AS AT MARCH 31	2021	2020
General fund assets	689,296	651,384
General fund liabilities	556,134	538,018

22.3 INVOLVEMENT WITH UNCONSOLIDATED STRUCTURED ENTITIES

A subsidiary of the Company acts as investment manager to Argus Investment Strategic Fund Ltd. (AISFL), an investment fund that is a structured entity not consolidated by the Group. A structured entity is an entity that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, such as when any voting rights relate to administrative tasks only, and the relevant activities are directed by means of contractual arrangements.

AISFL and the Group also share common directors and officers. Although the Group has power to govern AISFL's financial and operating policies by virtue of the investment management contract, it does not earn investment management fee income, nor does it have significant variable returns from AISFL. Accordingly, AISFL was not consolidated as part of the Group.

AISFL's net assets as at March 31, 2021, of \$920.3 million (2020 - \$659.6 million) include the Group's Segregated Funds of \$904.1 million (2020 - \$646.9 million). However, the Group does not have exposure to losses on these Segregated Funds as the contractual arrangements for these funds are such that the Segregated Funds' policyholder bears the risk and rewards of AISFL's investment performance. The Group does not bear the risks and rewards. Refer to Note 34 for Segregated Fund disclosures.

23 Risk Management

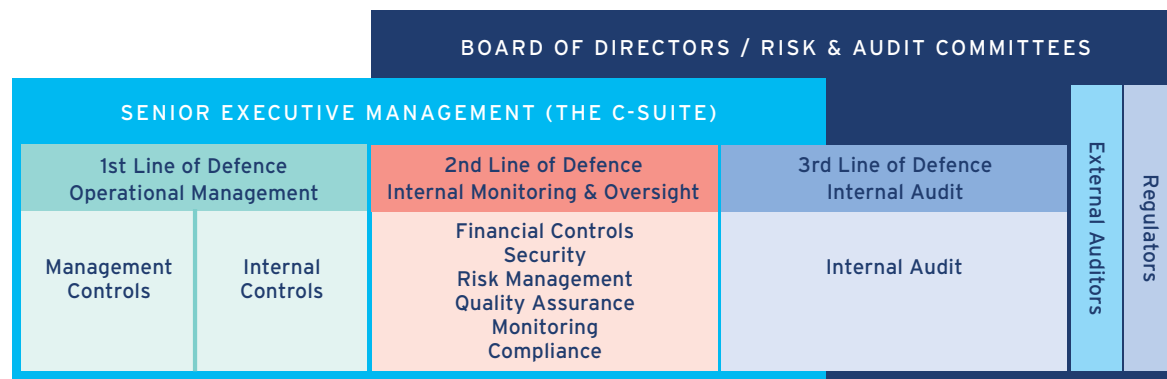
23.1 GOVERNANCE FRAMEWORK

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 the appropriate quality and diversification of assets and alignment of underwriting and reinsurance strategy to the corporate goals.

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



23.2 OPERATIONAL RISK AND CAPITAL MANAGEMENT

Capital Management

The Group's capital base is structured so as to exceed regulatory targets, maintain satisfactory credit ratings, align the profile of assets and liabilities taking account of risks inherent in the businesses, 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. The Group's capital base consists of Share capital, Contributed surplus, Retained earnings and Accumulated other comprehensive income/ (loss) as disclosed on the Consolidated Balance Sheets.

The Bermuda Monetary Authority (BMA) is the regulator of the Group. The laws and regulations of Bermuda require that the Group maintain a minimum amount of statutory capital and surplus based on the enhanced capital requirement. As of March 31, 2021 and 2020, the amount of group statutory capital and surplus exceeds this regulatory requirement.

The operations of the Group are also subject to regulatory requirements within the jurisdictions in which they operate.

Such regulations not only prescribe approval and monitoring of activities, but also impose certain restrictive provisions (e.g. capital adequacy) to minimise the risk of default and insolvency on the part of the regulated entities and to meet unforeseen liabilities as these arise.

Management monitors the adequacy of the insurance subsidiaries' capital from the perspective of Bermuda, Gibraltar and Malta statutory requirements. The Bermuda Insurance Act 1978 and Related Regulations, the Gibraltar Insurance Companies Act 1987 and the Malta Insurance Intermediaries Act 2006 (the Acts) require the Group's insurance subsidiaries to file an audited annual statutory financial return and meet minimum solvency margins and minimum liquidity ratios.

The statutory capital and surplus and minimum solvency margin of the Group's insurance subsidiaries are shown below:

MARCH 31, 2021	Bermuda	Europe	Total
Statutory capital and surplus	99,228	18,309	117,537
Minimum solvency margin	26,775	4,651	31,426
<hr/>			
MARCH 31, 2020	Bermuda	Europe	Total
Statutory capital and surplus	91,063	11,834	102,897
Minimum solvency margin	28,038	3,958	31,996

The Bermuda Solvency Capital Requirement is the prescribed form of capital and solvency reporting in Bermuda, which was revised under new legislation enacted in 2008. The BSCR includes a standardised model used to measure the risk associated with an insurance subsidiary's assets, liabilities and premiums, and a formula to take account of catastrophe risk exposure. The BMA requires all insurers to maintain their statutory capital and surplus at a target level, which is 120 percent of the amount calculated in accordance with the BSCR. As of March 31, 2021 and 2020, the statutory capital and surplus of the insurance subsidiaries exceeded this regulatory requirement.

In addition, minimum liquidity ratios must be maintained by Bermuda entities writing general business, whereby relevant assets, as defined by the Acts, must exceed 75 percent of relevant liabilities. The Bermuda Insurance Act 1978 and Related Regulations

limits the maximum amount of annual dividends and distributions that may be paid by the Group's insurance subsidiaries. Before reducing by 15 percent or more of statutory capital, and surplus by 25 percent or more, as set out in the prior year's financial statements, these insurance subsidiaries shall request the approval of the BMA. In addition, the Bermuda Companies Act 1981 limits the Group's ability to pay dividends and distributions to shareholders if there are reasonable grounds for believing that the Group would be unable to pay its liabilities as they become due, or if the realisable value of its assets would be less than the aggregate of its liabilities, issued share capital and contributed surplus accounts.

Argus Insurance Company (Europe) Limited (AICEL) is regulated by the Financial Services Commission (FSC) in Gibraltar. On January 1, 2016, the Solvency II capital requirements came into force. The Solvency Capital Requirement (SCR) is the amount of funds that insurance and reinsurance undertakings are required to hold in the European Union. The SCR should reflect a level of eligible own funds that enables insurance undertakings to absorb significant losses and that gives reasonable assurance to policyholders and beneficiaries that payments will be made as they fall due. AICEL is in compliance with the Solvency I and Solvency II requirements and exceeds the Required

Minimum Margin and SCR. The Solvency II return and SCR are not required to be audited.

The BMA has been declared by the European Commission to be fully equivalent to Solvency II. Consequently, Bermuda shall be considered by all European Member States as applying an equivalent statutory insurance regime in accordance with the requirements of Solvency II. The FSC in Gibraltar has confirmed that it recognises the BMA as the Group's Supervisor and the FSC will focus its supervision on AICEL as a solo entity.

Each one of the Group's insurance subsidiaries meets all requirements of the Acts and there are no additional restrictions on the distribution of retained earnings.

23.3 FINANCIAL INSTRUMENT RISK MANAGEMENT

The Group has policies relating to the identification, measurement, monitoring, mitigation, and control of risks associated with financial instruments. The key risks related to financial instruments are credit risk, liquidity risk and market risks, which include currency, interest rate and other price risks, including equity risk.

23.3.1 Investment Risk

Investment policy is established by the Risk Committee of the Board of Directors to manage this risk. Investment policy sets

parameters within which the Group's external investment managers must operate. Important parameters include guidelines on permissible asset classes, duration ranges, credit quality, currency, maturity, sectors, geographical, sovereign and issuer exposures. Compliance with guidelines is monitored on a quarterly basis. Any adjustments to the investment policy are approved by the Risk Committee of the Board of Directors. The Group's fixed maturity portfolios are managed by two external investment managers. The Group also has a diversified low volatility multi-strategy portfolio of bond and equity funds and a small equity portfolio. The performance of the managers is monitored on an ongoing basis.

All portfolios' duration is matched to the duration of the insurance liabilities within an agreed range. The portfolios are invested in fixed maturity securities, fixed maturity funds and cash and cash equivalents. The portfolios may, at times, contain assets significantly in excess of those required to meet insurance liabilities or other defined funding needs.

The Group reviews the composition, duration and asset allocation of its investment portfolio on a regular basis in order to respond to changes in interest rates and other market conditions. If certain asset classes are anticipated to produce a higher return within Management's risk

tolerance, an adjustment in asset allocation may be made. Conversely, if the risk profile is expected to move outside of tolerance levels, adjustments may be made to reduce the risks in the portfolio.

The Risk Committee meets quarterly to ensure that the Group's strategic and tactical investment actions are consistent with investment risk preferences, appetite, risk and return objectives and tolerances.

23.3.1(a) Credit Risk

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.

Reinsurance is placed with counter-parties that have a strong credit rating. Management regularly monitors and performs an assessment of creditworthiness of reinsurers.

23.3.1(b) Maximum Exposure to Credit Risk

The following table summarises the Group's maximum exposure to credit risk related to financial instruments and insurance contracts. The maximum credit exposure is the carrying value of the financial assets and insurance assets net of any allowances for losses.

AS AT MARCH 31	Note	2021	2020
Cash and short-term investment		74,554	71,501
Interest and dividends receivable		2,448	2,741
Bonds - Available-for-sale and FVTPL	6.1	436,066	414,754
Mortgages and loans	6.1	15,180	15,332
Policy loans	6.1	41	43
Derivative financial instruments	6.1	-	3,801
Receivable for investments sold		2,710	74
Insurance balances receivable	8	24,543	19,941
Other financial assets included in Other assets	9	5,765	3,619
Reinsurers' share of claims provisions	19	12,099	16,507
TOTAL CONSOLIDATED BALANCE SHEET			
MAXIMUM CREDIT EXPOSURE		573,406	548,313

Credit risk is mitigated by entering into collateral agreements for mortgages and loans. The amount and type of collateral required depends on an assessment of the credit risk of the counterparty. Management monitors the value of the collateral, requests additional collateral when needed and performs an impairment evaluation on a regular basis. 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.

In response to the COVID-19 pandemic, during the year ended March 31, 2021, the Group temporarily offered a number of support initiatives for qualifying policyholders. The support was granted after careful consideration of the impact of the COVID-19 pandemic on the credit-worthiness of each qualifying policyholder, who was subsequently monitored for any further credit deterioration.

23.3.1(c) Concentration of Credit Risk

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 geographical 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.

The following tables provide details of the carrying value of bonds and derivative financial instruments by industry sector and geographical distribution.

AS AT MARCH 31	2021	2020
Bonds issued or guaranteed by:		
Government and Agency	88,975	106,678
Banking and Finance	102,581	103,978
Asset-backed Securities	79,381	60,770
Communications and Technology	33,239	22,595
Oil and Gas	17,768	18,329
Manufacturing	17,329	13,802
Pharmaceutical	14,299	11,507
Transportation	5,671	9,983
Utilities and Energy	11,156	9,624
Insurance	5,073	5,913
SupraNational	4,571	3,336
Mining	3,695	2,193
Other ⁽¹⁾	52,328	46,046
TOTAL BONDS	436,066	414,754

Derivative financial instruments issued or guaranteed by:

Other ⁽¹⁾	-	-
TOTAL DERIVATIVE FINANCIAL INSTRUMENTS	-	-

(1) Other includes investment with less than \$2.0 million of concentration of credit risk by industry sector which totals \$20.9 million and investment in bond funds of \$31.4 million as disclosed in Note 7.1 (2020 - \$29.9 million).

AS AT MARCH 31	2021	2020
Geographical distribution of bonds is as follows:		
United States of America	304,256	288,638
United Kingdom	19,610	23,362
Cayman Islands	22,554	12,704
France	7,499	6,286
Netherlands	5,631	6,005
Canada	3,565	5,379
Ireland	3,146	4,895
Switzerland	5,169	3,685
Mexico	4,771	5,242
SupraNational	4,571	3,336
Australia	2,007	1,373
India	-	1,029
Japan	6,796	4,183
Other ⁽¹⁾	46,491	48,637
TOTAL BONDS	436,066	414,754

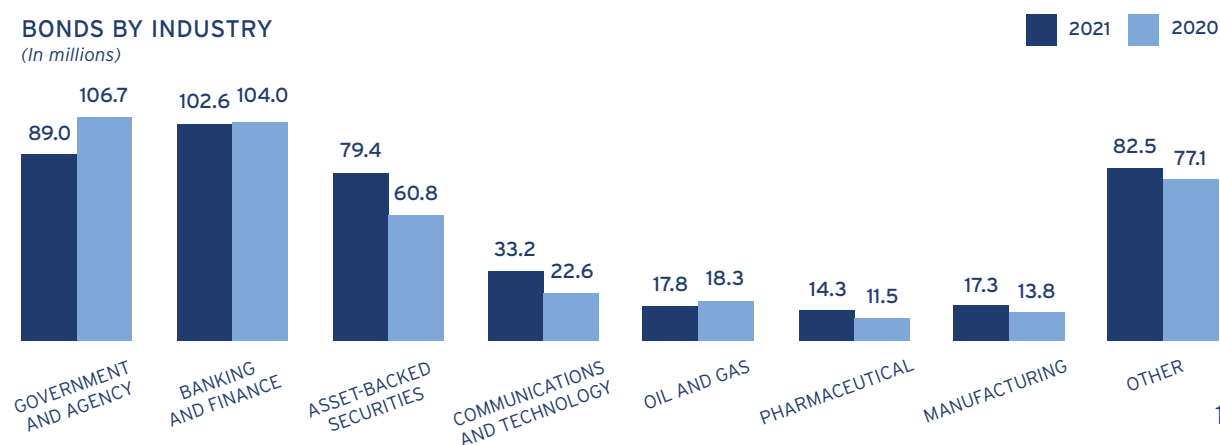
Geographical distribution of derivative financial instruments is as follows:

United States of America	-	-
TOTAL DERIVATIVE FINANCIAL INSTRUMENTS	-	-

(1) Other includes investment with less than \$2.0 million of concentration of credit risk by geographical distribution which totals \$15.1 million and bond funds of \$31.4 million as disclosed in Note 7.1 (2020 - \$29.9 million)

BONDS BY INDUSTRY

(In millions)



Mortgages comprise first mortgages on real property situated in Bermuda. Residential mortgages include mortgages for both single and multiple family dwellings. As at March 31, 2021, the Group's mortgages and loans amount to \$15.2 million (2020 - \$15.3 million).

23.3.1(d) Asset Quality

23.3.1(d)(i) Bonds and derivative financial instruments by credit rating

The following table provides an analysis of the carrying value of bonds and derivative financial instruments by rating.

AS AT MARCH 31	2021	2020
Bond portfolio quality:		
AAA	143,019	139,613
AA	25,888	14,334
A	114,054	118,222
BBB	145,669	135,259
BB or lower	5,991	7,322
Not rated	1,445	4
TOTAL BONDS	436,066	414,754
Derivative financial instruments quality:		
Not rated	-	3,801
TOTAL DERIVATIVE FINANCIAL INSTRUMENTS	-	3,801

23.3.1(d)(ii) Allowance for credit losses on impaired investments

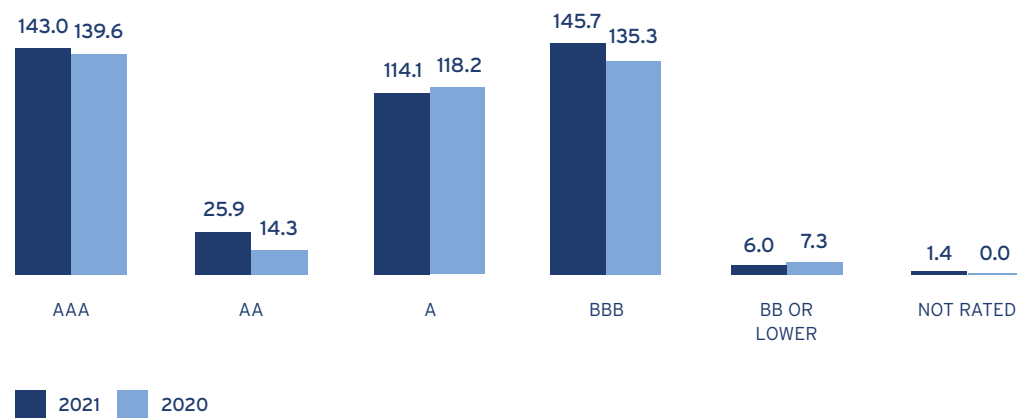
Mortgage and loans

Changes in the allowance for credit losses in the Group's Mortgages and loans, including assets classified as held-for-sale, are as follows:

AS AT MARCH 31	2021	2020
Balance, beginning of year	2,917	1,771
Net provision made during the year -		
Mortgage and loans	238	1,146
Provision written off during the year	(1,164)	-
BALANCE, END OF YEAR	1,991	2,917

BOND RATINGS

(In millions)



23.3.1(d)(iii) Age analysis of financial assets past due

MARCH 31, 2021	Past due but not impaired			Total
	Less than 90 days	90 to 179 days	180 days or more	
Mortgage and loans and certain mortgages and loan included in Assets held-for-sale	-	-	4,315	4,315
Other receivables included in Other assets	592	166	149	907
BALANCE, END OF YEAR	592	166	4,464	5,222

MARCH 31, 2020	Past due but not impaired			Total
	Less than 90 days	90 to 179 days	180 days or more	
Mortgage and loans and certain mortgages and loan included in Assets held-for-sale	-	-	12,069	12,069
Other receivables included in Other assets	11	17	236	264
BALANCE, END OF YEAR	11	17	12,305	12,333

Past due financial assets have an allowance of \$0.2 million (2020 - \$1.1 million) because the fair value of the collateral or the expected future cash flows are below the carrying value of these financial assets.

23.3.2 Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet all cash outflow obligations as they come due. The Group's asset-liability management 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.

The short-term (less than one year) liquidity needs are adequately met by maturing bonds, mortgages and loans, as

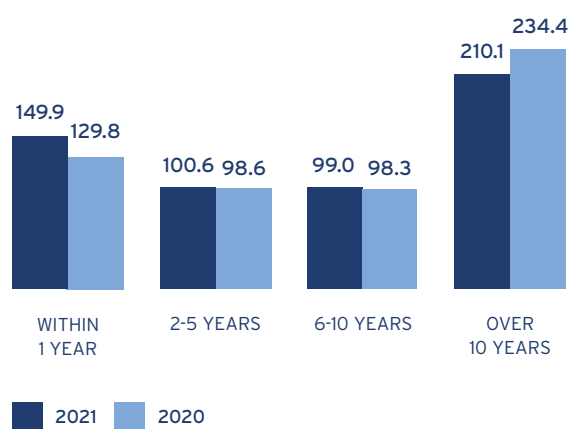
well as by current operating cash flows. Historically, the Deposit administration pension plan liabilities renew for further periods upon maturity and remain with the Group. Longer duration cash flows are also backed by a broader range of asset classes, including equity and other non-fixed income assets.

Reinvestment strategies and policies are in place for maturing assets backing longer-term liabilities and are reflected in the Life and annuity policy reserves. Based on the Group's historical cash flows and current financial performance, Management believes that the cash flow from the Group's operating activities will continue to provide sufficient liquidity for the Group to meet its contractual obligations and to pay other expenses as they fall due.

The COVID-19 pandemic did not have a material negative impact on the Group's liquidity position. As disclosed in the Consolidated Statements of Cash Flows, the operations generated positive cash flows of \$28.2 million during the year (2020 - \$ 30.3). The Group also maintains a revolving loan facility which expires in September 2022. At March 31, 2021, this credit facility remains undrawn.

Liability maturity profile:

The following is an analysis by liability type of the estimated timing of net cash flows based on the Group's liabilities. The settlement profile is based on current estimates and historical trends and the actual timing of future cash flows may differ materially from the following disclosure.

LIABILITY MATURITY PROFILE*(In millions)*

MARCH 31, 2021	Within 1 year	2-5 years	6-10 years	Over 10 years	Total
Life and annuity policy reserves					
- net of reinsurance	14,602	53,894	55,828	102,061	226,385 ⁽¹⁾
Provision for unpaid and unreported claims					
- net of reinsurance	16,222	7,681	1,478	307	25,688
Insurance balances payable	24,650	-	-	-	24,650
Investment contract liabilities	53,789	34,492	38,323	105,051	231,655 ⁽¹⁾
Taxes payable	376	-	-	-	376
Accounts payable and accrued liabilities	38,946	432	540	99	40,017
Lease liabilities	1,114	3,293	1,852	-	6,259 ⁽¹⁾
Post-employment benefit liability	191	803	985	2,540	4,519 ⁽¹⁾
TOTAL FROM GENERAL FUND LIABILITIES	149,890	100,595	99,006	210,058	559,549

(1) The amounts shown above are based on estimated net cash flows, which differ from the amounts shown on the Consolidated Balance Sheets, which are based on discounted cash flows.

MARCH 31, 2020	Within 1 year	2-5 years	6-10 years	Over 10 years	Total
Life and annuity policy reserves					
- net of reinsurance	14,394	53,668	57,283	120,004	245,349 ⁽¹⁾
Provision for unpaid and unreported claims					
- net of reinsurance	17,188	6,363	1,449	196	25,196
Insurance balances payable	18,158	-	-	-	18,158
Payables arising from investment transactions	3,546	-	-	-	3,546
Investment contract liabilities	54,410	35,484	37,267	111,541	238,702 ⁽¹⁾
Taxes payable	345	-	-	-	345
Accounts payable and accrued liabilities	20,713	-	-	-	20,713
Lease Liabilities	905	2,423	1,419	-	4,747 ⁽¹⁾
Post-employment benefit liability	156	690	886	2,667	4,399 ⁽¹⁾
TOTAL FROM GENERAL FUND LIABILITIES	129,815	98,628	98,304	234,408	561,155

(1) The amounts shown above are based on estimated net cash flows, which differ from the amounts shown on the Consolidated Balance Sheets, which are based on discounted cash flows.

23.3.3 Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market factors. Market factors include three types of risk: currency risk, interest rate risk and equity risk.

23.3.3(a) Currency Risk

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. The net currency exposure arising from the net equity within these operations amounts to £13.5 million, €3.8 million and CAD 0.4 million (2020 - £12.2 million, €3.7 million and CAD 0.2 million).

MARCH 31, 2021	Change in variables		Impact on equity	
Currency:				
Sterling	+/-	10%	+/-	1,356
Euro	+/-	10%	+/-	386
CAD	+/-	10%	+/-	48
MARCH 31, 2020	Change in variables		Impact on equity	
Currency:				
Sterling	+/-	10%	+/-	1,220
Euro	+/-	10%	+/-	371
CAD	+/-	10%	+/-	23

The previous analysis shows the impact on equity due to changes in the fair value of currency sensitive monetary assets and liabilities, including insurance contract liabilities, is performed for reasonably possible movements in foreign exchange rates with all other variables held constant. The correlation of other variables will have a significant effect in determining the ultimate impact on market risk.

23.3.3(b) Interest Rate Risk

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 life product liability cash flows for products with fixed and highly predictable benefit payments; and
- Quantifying and reviewing regularly the risk associated with the mismatch in portfolio duration and cash flow.

The impact of interest rate risk for the Group's actuarial liabilities and the assets supporting those liabilities is included in Note 19.

The Group issues unit-linked investment policies in a number of its operations. The policyholder bears the investment risk on the assets held in the unit-linked fund. The value of the policy benefits is directly linked to the value of the assets in the fund. The Group's exposure to market risk on this business is limited to the extent that income arising from asset management charges is based on the value of assets in the fund.

The Group issues deposit administration pension plans with a short-term guaranteed rate of return. To the extent that the actual rate of return on the underlying funds differs from the guaranteed rate, the risk and rewards are borne by the Group. At March 31, 2021, the

sensitivity of Other comprehensive income to a 100 basis point parallel increase in interest rates would have been a \$6.4 million decrease (2020 - \$5.5 million decrease). For a 100 basis point parallel decline in interest rates the sensitivity to net income would have been a \$6.4 million increase (2020 - \$5.5 million increase). For this plan type, the Group ensures (i) the liability and asset cash flows are closely matched, and (ii) the valuation of the liability and asset are monitored regularly.

23.3.3(c) Equity Risk

Equity investments are held in accordance with the Group's investment policy as part of the well-diversified asset portfolio that are appropriate for the operating segment. Equity risk is the uncertainty associated with the valuation of assets arising from changes in equity markets. If actual returns are lower than the expected returns, the Group's Life and annuity policy reserves will increase and will reduce the Group's net earnings. Overall, it is expected that the impact of an immediate 10 percent increase in value across all equity markets would be an increase in Net Earnings and Other comprehensive income of \$1.6 million (2020 - \$1.2 million); conversely the impact of a 10 percent decrease would have an equal but opposite effect. 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.

23.3.4 Limitations of sensitivity analysis

The sensitivity information given in Note 23.3 and in Note 19 demonstrates the estimated impact of a change in a major input assumption while other assumptions remain unchanged. In reality, there are normally significant levels of correlation between the assumptions and other factors. It should also be noted that these sensitivities are non-linear and larger or smaller impacts should not be interpolated or extrapolated from these results. Furthermore, estimates of sensitivity may become less reliable in unusual market conditions, such as instances when risk-free interest rates fall towards zero.

23.4 INSURANCE RISK MANAGEMENT

The principal risk the Group faces under insurance contracts is that the actual claims and benefit payments, or the timing thereof, differ from expectations. This is influenced by the frequency of claims, severity of claims, actual benefits paid and subsequent development of long-term claims. Therefore, the objective of the Group is to ensure that sufficient reserves are available to cover these liabilities.

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

The Group purchases reinsurance as part of its risk mitigation programme. Reinsurance is placed on both a proportional and non-proportional basis. The majority of proportional reinsurance is quota-share reinsurance, which is taken out to reduce the overall exposure to mitigate both risk frequency and risk severity of the Group to certain classes of business. Non-proportional reinsurance is primarily excess-of-loss reinsurance designed to mitigate the Group's net exposure to catastrophe losses. Retention limits for the excess-of-loss reinsurance vary by product line and territory.

Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provisions and are in accordance with the reinsurance contracts. Although the Group has reinsurance arrangements, it is not relieved of its direct obligations to its policyholders and thus a credit exposure exists with respect to ceded insurance to the extent that any reinsurer is unable to meet its obligations assumed under such reinsurance agreements. The Group's placement of reinsurance is diversified such that it is neither dependent on a single reinsurer nor are the operations of the Group substantially dependent upon any single reinsurance contract. For details on insurance risk management policies of the Group's insurance operating segments, see Note 19.

24 Dividends

AS AT MARCH 31		2021	
Record date	Per share amount	Amount of dividends	Payment date
July 27, 2020	0.09	1,937	August 28, 2020
December 31, 2020	0.09	1,956	January 28, 2021
	0.18	3,893	

AS AT MARCH 31		2020	
Record date	Per share amount	Amount of dividends	Payment date
July 25, 2019	0.09	1,912	August 23, 2019
December 31, 2019	0.09	1,917	January 28, 2020
	0.18	3,829	

As a result of the Dividend Reinvestment Plan, share capital and contributed surplus as at March 31, 2021 increased by 0.2 million and \$0.5 million (2020 - \$0.2 million and \$0.3 million), respectively.

25 Components of Accumulated Other Comprehensive Income/(Loss)

AS AT MARCH 31	2021	2020
Remeasurement of post-employment medical benefit obligation	(1,335)	(995)
Available-for-sale investments ⁽¹⁾	11,955	(6,892)
Translation of financial statements of foreign operations	(2,094)	(4,126)
NET ACCUMULATED OTHER COMPREHENSIVE INCOME/(LOSS)	8,526	(12,013)

(1) As at March 31, 2021, \$1.6 million (2020 - \$0.3 million) of the accumulated other comprehensive income arose from the International Life Division's available-for-sale investments (Note 4).

26 Earnings Per Share

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

AS AT MARCH 31	2021	2020
Net earnings for the year	10,132	14,198
AS AT MARCH 31 (Number of shares)	2021	2020
Weighted average outstanding common shares	21,438,128	21,228,785
Common shares and common share equivalents	21,558,307	21,325,000

27 Commissions, Management Fees and Other

Commissions, management fees and other income recognised during the year are as follows:

AS AT MARCH 31, 2021	Employee Benefits and Health	Wealth Management	Americas Property and Casualty	Disposal Groups	Europe Property and Casualty	Europe Brokerage Companies	Total
Fee income from service contracts							
Pensions and policyholder administration	25,894	-	-	4,146	11	-	30,051
Investment management	-	2,988	-	-	-	-	2,988
Brokerage income	-	-	815	-	696	5,197	6,708
Total fee income from service contracts	25,894	2,988	815	4,146	707	5,197	39,747
Reinsurance commission income	1,274	-	9,405	-	2,617	-	13,296
	27,168	2,988	10,220	4,146	3,324	5,197	53,043
AS AT MARCH 31, 2020							
Fee income from service contracts							
Pensions and policyholder administration	13,245	-	-	3,950	-	-	17,195
Investment management	-	2,925	-	-	-	-	2,925
Brokerage income	105	-	874	-	767	3,314	5,060
Total fee income from service contracts	13,350	2,925	874	3,950	767	3,314	25,180
Reinsurance commission income	1,780	-	6,919	-	2,445	-	11,144
	15,130	2,925	7,793	3,950	3,212	3,314	36,324

28 Reinsurance Recoveries

AS AT MARCH 31	2021	2020
Claims and adjustment expenses recovered from reinsurers	(14,885)	(12,968)
Policy benefits recovered from reinsurers	(1,366)	(410)
TOTAL REINSURANCE RECOVERIES	(16,251)	(13,378)

29 Net Change in Contract Liabilities

AS AT MARCH 31, 2021	Americas Property and Casualty	Employee Benefits and Health	Disposal Group	Europe Property and Casualty	Total
Gross change in contract liabilities					
Insurance contracts	2,260	6,075	(432)	(7,389)	514
Investment contracts	-	(9)	-	-	(9)
Total	2,260	6,066	(432)	(7,389)	505
Change in reinsurers' share of claims provision	(1,983)	(424)	602	7,310	5,505
NET	277	5,642	170	(79)	6,010

AS AT MARCH 31, 2020	Americas Property and Casualty	Employee Benefits and Health	Disposal Group	Europe Property and Casualty	Total
Gross change in contract liabilities					
Insurance contracts	1,502	(2,328)	(1,543)	(7,657)	(10,026)
Investment contracts	-	(23)	-	-	(23)
Total	1,502	(2,351)	(1,543)	(7,657)	(10,049)
Change in reinsurers' share of claims provision	(1,012)	2,324	490	8,985	10,787
NET	490	(27)	(1,053)	1,328	738

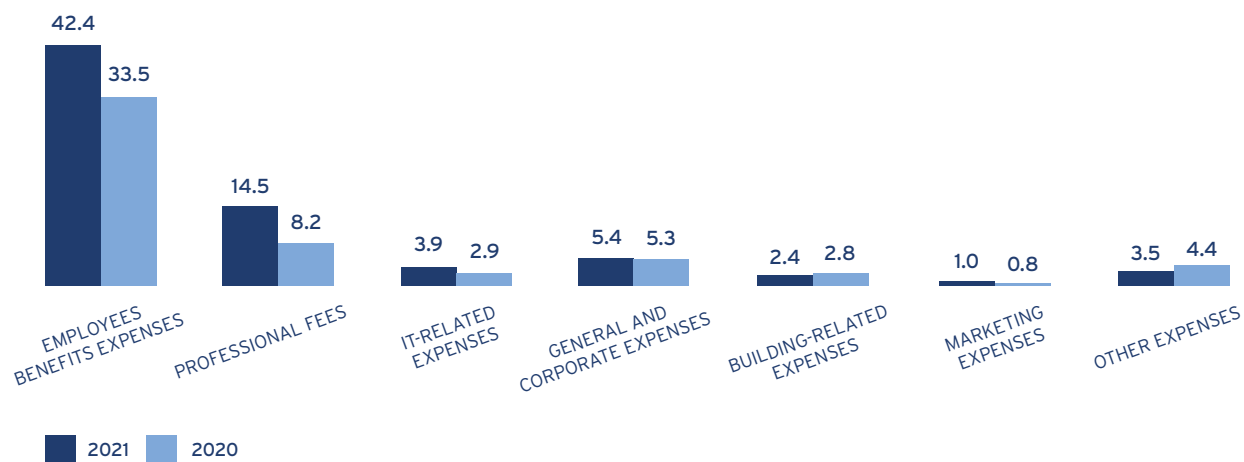
30 Operating Expenses

Operating expenses incurred during the year are as follows:

AS AT MARCH 31	2021	2020
Employee benefits expenses (see following table)	42,409	33,483
Professional fees	14,500	8,191
General and corporate expenses	5,418	5,294
IT-related expenses	3,880	2,864
Building-related expenses	2,383	2,828
Marketing expenses	1,032	751
Other expenses	3,536	4,390
TOTAL OPERATING EXPENSES	73,158	57,801

OPERATING EXPENSES

(In millions)



Employee benefits expense during the year is comprised of:

AS AT MARCH 31	Note	2021	2020
Salaries and other			
short-term benefits ⁽²⁾		41,193	32,267
Pension costs ⁽¹⁾		1,140	1,080
Post-employment			
medical benefits	21	(72)	(42)
Stock-based compensation	31	148	178
TOTAL EMPLOYEE BENEFITS EXPENSE		42,409	33,483

(1) Pension costs arise from the Group's defined contribution pension plan covering all full-time employees in Bermuda, Gibraltar and Malta.

(2) In 2021, the Group incurred an additional \$7.5 million in salaries and other short-term benefits expenses related to newly-acquired Bermuda-based medical practices (see Note 3) and FirstUnited Brokers Limited.

31 Stock-based Compensation

The Group has the 2017 Restricted Stock Plan in place. The purpose of the Restricted Stock Plans is to enhance the Group's ability to attract and retain the services of certain key employees and to incentivise such persons to devote their utmost effort and skill to the growth of the Group by providing them with an interest in its long-term growth and stability. Under each of the Restricted Stock Plans, the maximum number of shares that may be granted is 250,000 over the five-year life of each plan.

Shares granted under the Plan vest at the rate of 33.3 percent at the end of each year for three years after the date of grant. The fair value of each share granted is based upon the market price at the date of grant.

The details on shares granted and forfeited during the year are as follows:

AS AT MARCH 31	2021	2020
Number of shares granted	51,200	45,450
Fair value per share	2.56	3.25
Number of shares forfeited	3,018	760

The following table summarises information about the outstanding stock grants:

RESTRICTED SHARES VESTING	Number of shares
July 2020	46,367
July 2021	31,617
July 2022	17,067
TOTAL	95,051

32 Related Party Transactions

32.1 TRANSACTIONS WITH SIGNIFICANTLY INFLUENCED INVESTEES

32.1.1 The Group provided insurance-related products and services to various significantly influenced investees. The premiums and fees received from these transactions totalled \$0.1 million (2020 - \$0.1 million) in the year and are shown as Gross premium written and Commission, management fees and other on the Consolidated Statements of Operations.

There were no receivables and payables arising from insurance contracts and service contracts with significantly influenced investees as at March 31, 2021 and 2020.

32.1.2 The Group rented office premises from a significantly influenced investee paying a total of \$0.2 million (2020 - \$0.3 million) in rent and service charges in the year, which are shown in Operating expenses in the Consolidated Statements of Operations.

32.2 COMPENSATION OF KEY MANAGEMENT PERSONNEL

Key management personnel have been identified as the Board of Directors and Officers of the Company. These individuals have the authority and responsibility for planning, directing and controlling the activities of the Group. The summary of

compensation of key management personnel for the year is as follows:

AS AT MARCH 31	2021	2020
Salaries and other		
short-term benefits	3,710	2,575
Post-employment benefits ⁽¹⁾	140	127
Stock-based compensation	24	26
TOTAL KEY MANAGEMENT PERSONNEL COMPENSATION	3,874	2,728

(1) Includes pension costs.

32.3 DIRECTORS' AND OFFICERS' SHARE INTERESTS AND CONTRACTS

The total interest of all Directors and Officers of the Company in the shares of the Company at March 31, 2021, was 98,626 (2020 - 90,092) shares.

With the exception of the employment contract with the Chief Executive Officer, Ms. A. S. Hill, and a consultancy agreement with a non-executive director, there were no other service contracts with the directors during the year.

The Group has extended mortgage loans to certain Officers totalling \$0.7 million as at March 31, 2021 (2020 - \$1.9 million).

33 Income Tax Expense

Bermuda

Certain entities domiciled in Bermuda received an undertaking from the Bermuda Government exempting these companies from all Bermuda local income, withholding and capital gains taxes until 2035. At the present time no such taxes are levied in Bermuda.

Europe

Subsidiaries domiciled in Gibraltar are subject to normal Gibraltar corporation tax at a rate of 10 percent on all taxable profits. The subsidiary domiciled in Malta is subject to normal Malta corporation tax at a rate of 35 percent on all taxable profits. Malta operates a tax refund system whereby, upon distribution of dividends out of taxable profits, the shareholders are generally entitled to a 6/7th refund of tax paid by the distributing company subject to the satisfaction of certain criteria. The effective tax rate after approval of the tax refund is five percent.

U.S.

Argus International Life Insurance Limited (AILIL), a Bermuda domiciled subsidiary, has elected under section 953(d) of the U.S. Internal Revenue Code (IRC) to be taxed as a U.S. domestic corporation. AILIL is subject to a U.S. corporate income tax rate of 21 percent for the fiscal year ended March 31, 2021, due to U.S. tax reform (2020 - 21 percent).

Canada

Subsidiaries domiciled in Canada are subject to Canada Revenue Agency corporate income tax rates, rules and regulations. The statutory income tax rate for subsidiaries domiciled in Canada is 26.5% on all taxable profits.

33.1 INCOME TAXES FOR THE YEAR

AS AT MARCH 31	2021	2020
Income taxes for the year	1,004	651
Deferred taxes	(3)	(6)
TOTAL INCOME TAX EXPENSE	1,001	645

33.2 CURRENT INCOME TAXES RECONCILIATION

Tax applying the statutory domestic income tax rate and the tax charge for the year are reconciled as follows:

AS AT MARCH 31	2021	2020
(Loss)/earnings before income taxes	11,145	14,911
Less: (Loss)/earnings not subject to taxes	7,147	11,749
EARNINGS SUBJECT TO TAXES	3,998	3,162
Income taxes at the application rate	874	634
Tax effect of:		
Income attributable to overseas branch		-
Expenses not deductible for tax purposes	40	(16)
Adjustment to taxes related to prior year	(43)	12
Difference between depreciation and capital allowances	22	30
Effect of tax losses brought forward	108	(9)
Unrecognised temporary difference	-	(6)
TOTAL CURRENT INCOME TAXES	1,001	645

33.3 UNRECOGNISED DEFERRED TAX ASSETS

Deferred tax assets have not been recognised in respect of the following items, because it is not probable that future taxable profit will be available against which the Group can use the benefits therefrom.

AS AT MARCH 31	2021	2020
Tax losses carried forward	768	630
Capital allowances carried forward	11	42
Deductible temporary differences	1	(25)
NET UNRECOGNISED DEFERRED TAX ASSETS	780	647

As of March 31, 2021, the Group has net operating loss carryforwards of \$3.5 million (2020 - \$3.0 million). Of the total net operating loss carryforwards of the Group, \$0.1 million (2020 - \$0.1 million) is subject to limitations under IRC section 382. \$2.1 million of the Group's net operating loss carryforwards will expire in 2022 through 2032 under the current U.S. tax legislation. Net operating losses incurred from December 31, 2018 onwards do not expire.

34 Segregated Funds and Separate Accounts

The assets for contracts held under the Segregated Funds are allocated to Separate Accounts as authorised by the Bermuda Life Insurance Company Limited (Separate Accounts) Consolidation and Amendment Act 1998 and the Argus International Life Insurance Limited Consolidation and Amendment Act 2008.

Changes to Segregated Funds are as follows:

AS AT MARCH 31	2021	2020
Additions to Segregated Funds		
Contributions and transfers	119,912	115,594
Return on investments	435,323	(58,471)
Segregated funds acquired	1,721	2,278
	556,956	59,401
Deductions from Segregated Funds		
Withdrawals, benefit payments and transfers to the General Fund	164,888	246,825
Operating expenses	16,845	16,907
	181,733	263,732
Net additions/(deductions) to Segregated Funds for the year	375,223	(204,331)
Segregated Funds, beginning of year	1,326,549	1,530,880
SEGREGATED FUNDS, END OF YEAR	1,701,772	1,326,549
SEGREGATED FUNDS CLASSIFIED UNDER HELD-FOR-SALE, END OF YEAR	(519,222)	(460,449)
SEGREGATED FUNDS FROM CONTINUING OPERATIONS, END OF YEAR	1,182,550	866,100

35 Operating Segments

35.1 RESULTS BY SEGMENT

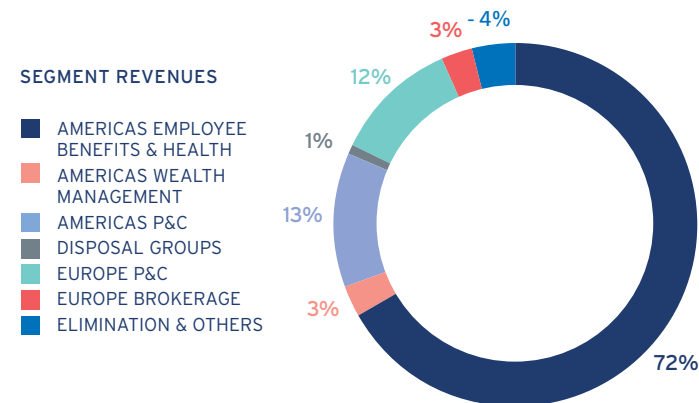
AS AT MARCH 31	AMERICAS					EUROPE					Consolidated Total	
	Employee Benefits and Health	Wealth Management	Property & Casualty	Disposal Groups	Total	Property and Casualty	Brokerage	Total	All other	Elimination		
Segment revenues	2021	118,653	4,153	21,141	1,710	145,657	19,107	5,517	24,624	1	(6,169)	164,113
	2020	118,859	3,991	18,755	1,598	143,203	18,361	3,470	21,831	-	(4,966)	160,068
Investment income	2021	12,632	5	159	434	13,230	120	8	128	238	(754)	12,842
	2020	21,675	188	481	673	23,017	478	2	480	(2,806)	(1,175)	19,516
Share of earnings of associates	2021	-	-	261	-	261	-	-	-	-	-	261
	2020	-	-	25	-	25	-	-	-	-	-	25
TOTAL SEGMENT REVENUES	2021	131,285	4,158	21,561	2,144	159,148	19,227	5,525	24,752	239	(6,923)	177,216
	2020	140,534	4,179	19,261	2,271	166,245	18,839	3,472	22,311	(2,806)	(6,141)	179,609
Amortisation, depreciation and impairment	2021	3,683	77	77	251	4,088	471	174	645	881	988	6,602
	2020	3,139	-	675	251	4,065	480	136	616	1,307	371	6,359
Income tax expense	2021	-	-	-	-	-	305	706	1,011	8	(18)	1,001
	2020	-	-	-	-	-	356	313	669	-	(24)	645
Segment earnings/(loss) attributable to shareholders, after tax	2021	20,179	285	9,076	(1,022)	28,518	2,344	568	2,912	(20,632)	(666)	10,132
	2020	26,759	310	4,217	(28)	31,258	2,185	634	2,819	(18,869)	(1,010)	14,198

(1) Disposal groups refer to certain groups of assets and liabilities, which are held-for-sale (Note 4).

GEOGRAPHIC INFORMATION ON SEGMENT REVENUES:

AS AT MARCH 31		Bermuda	Europe	Total
Segment revenues	2021	152,464	24,752	177,216
	2020	157,298	22,311	179,609

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



35.2 ASSETS AND LIABILITIES BY SEGMENT

	AMERICAS				Total	EUROPE			All other	Elimination	Consolidated Total
	Employee Benefits and Health	Wealth Management	Property and Casualty	Disposal Groups		Property and Casualty	Brokerage	Total			
MARCH 31, 2021:											
Total General Fund Assets	533,869	606	57,447	26,433	618,355	55,984	16,462	72,446	189,006	(150,080)	729,727
Segregated Fund Assets	1,182,550	-	-	519,222	1,701,772	-	-	-	-	-	1,701,772
Total General Fund Liabilities	465,060	(1,321)	26,476	17,466	507,681	36,083	12,819	48,902	22,061	1,226	579,870
Segregated Fund Liabilities	1,182,550	-	-	519,222	1,701,772	-	-	-	-	-	1,701,772
MARCH 31, 2020:											
Total General Fund Assets	508,846	305	48,062	31,549	588,762	53,424	10,883	64,307	156,426	(136,044)	673,451
Segregated Fund Assets	866,100	-	-	460,449	1,326,549	-	-	-	-	-	1,326,549
Total General Fund Liabilities	453,925	(287)	21,325	15,929	490,892	38,700	9,349	48,049	12,857	(613)	551,185
Segregated Fund Liabilities	866,100	-	-	460,449	1,326,549	-	-	-	-	-	1,326,549

36 Commitments and Contingencies

36.1 OPERATING LEASES

Group as a lessor

The Group has entered into non-cancellable commercial property leases on several floors of the Group's office buildings. These leases have remaining terms of between one and two years. All leases include a clause to enable upward revision of the rental charge upon expiration according to prevailing market conditions.

Future annual minimum lease rental receivable under non-cancellable operating leases as at March 31, 2021, are as follows:

AS AT MARCH 31	2021	2020
Within one year	1,488	1,560
After one year but not more than five years	-	1,488

36.2 CONTINGENCIES

The Group is contingently liable with respect to certain litigation and claims that arise in the normal course of business.

37 Comparative Figures

Certain of the 2020 comparative figures have been reclassified to conform to the presentation adopted for 2021.

38 Subsequent Events

38.1 DIVIDENDS

Based upon the audited financial results of the Group for the year ended March 31, 2021, the Directors have declared a dividend of 10 cents per share (2020 - nine cents per share) payable on August 27, 2021 for shareholders of record on July 28, 2021.

38.2 DIVESTMENT

On May 27, 2021, the Group entered into a Sales and Purchase Agreement (SPA) with an unrelated party to sell the International Life Division which includes Argus International Life Bermuda Limited and its subsidiaries, Argus International Life Insurance Limited and Bermuda Life Worldwide Limited (the "Division"). The sale was completed on July 1, 2021. The full settlement of the sale price consideration is subject to certain conditions of the SPA being met by both parties on or before September 30, 2021. The total consideration for the sale of the Division is equal to the audited book value at March 31, 2021 plus a premium of \$2.0 million.

38.3 SHARES REPURCHASE PROGRAMME

Effective July 1, 2021, the Group initiated a share repurchase programme to buyback up to 415,000 of its shares at the market price on the Bermuda Stock Exchange. The repurchase programme extends over the next year and shares buyback is at the discretion of the Group.

In line with our commitment to reduce Argus' carbon footprint, this report has been produced in a digital format.

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