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FINANCIAL CONDITION REPORT  
FINANCIAL YEAR END: 31 MARCH 2024

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## EXECUTIVE SUMMARY

The Argus Group has delivered another year of robust financial operating performance and remains in a very healthy financial position.

Operating earnings, which is our key measure of profitability for the Group, is \$18.5 million, with increases in both insurance revenue and fee income compared to last year.

Since March 2018, our shareholders' equity has increased from \$105.9 million to \$156.2 million as at March 31, 2024. During this time, we have returned \$25.7 million to shareholders through dividends and a further \$3.2 million through share repurchases. The growth in our shareholders' equity has been achieved through solid operating earnings, revenue diversification and continued commitment to careful and diligent custodianship of policyholder and shareholder assets.

Our reported net earnings for the year to March 31, 2024 was \$7.3 million, which includes certain non-recurring items. The overall performance of our insurance and pension businesses have remained solid. The benefits of our diversified income sources were apparent this year, where elevated health insurance claims were largely mitigated by growth in profits of our healthcare services.

On June 28, 2024, it was announced that Argus Group Holdings Limited and BF&M Limited have signed a definitive amalgamation agreement, pursuant to which BF&M and Argus will combine in an all-stock transaction. The transaction is subject to required regulatory approvals and shareholders' approval with a planned completion date for the amalgamation in the fourth quarter of 2024.

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

This FCR published by Argus Group Holdings Limited is based on the financial position

as at March 31, 2024, and is prepared on a consolidated basis, which encompasses information in relation to all Bermuda Monetary Authority (BMA) insurance-regulated entities within the Argus Group.

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

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

### ENTITY NAME

### CLASS OF INSURANCE LICENCE

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Argus Group Holdings Limited (AGH)

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Argus Insurance Company Limited (AICL)

General Class 3A

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Bermuda Life Insurance Company Limited (BLIC)

General Class 3B & Long-Term Class D

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# DECLARATION

## Declaration on the Financial Condition Report

To the best of our knowledge and belief, the Financial Condition Report fairly represents the financial condition of the Argus Group, in all material respects as at March 31, 2024.



Alison Hill  
Chief Executive Officer



Peter Dunkerley  
Chief Financial Officer

## BUSINESS AND PERFORMANCE

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

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

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

### BERMUDA



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

### CANADA



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

### GIBRALTAR



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

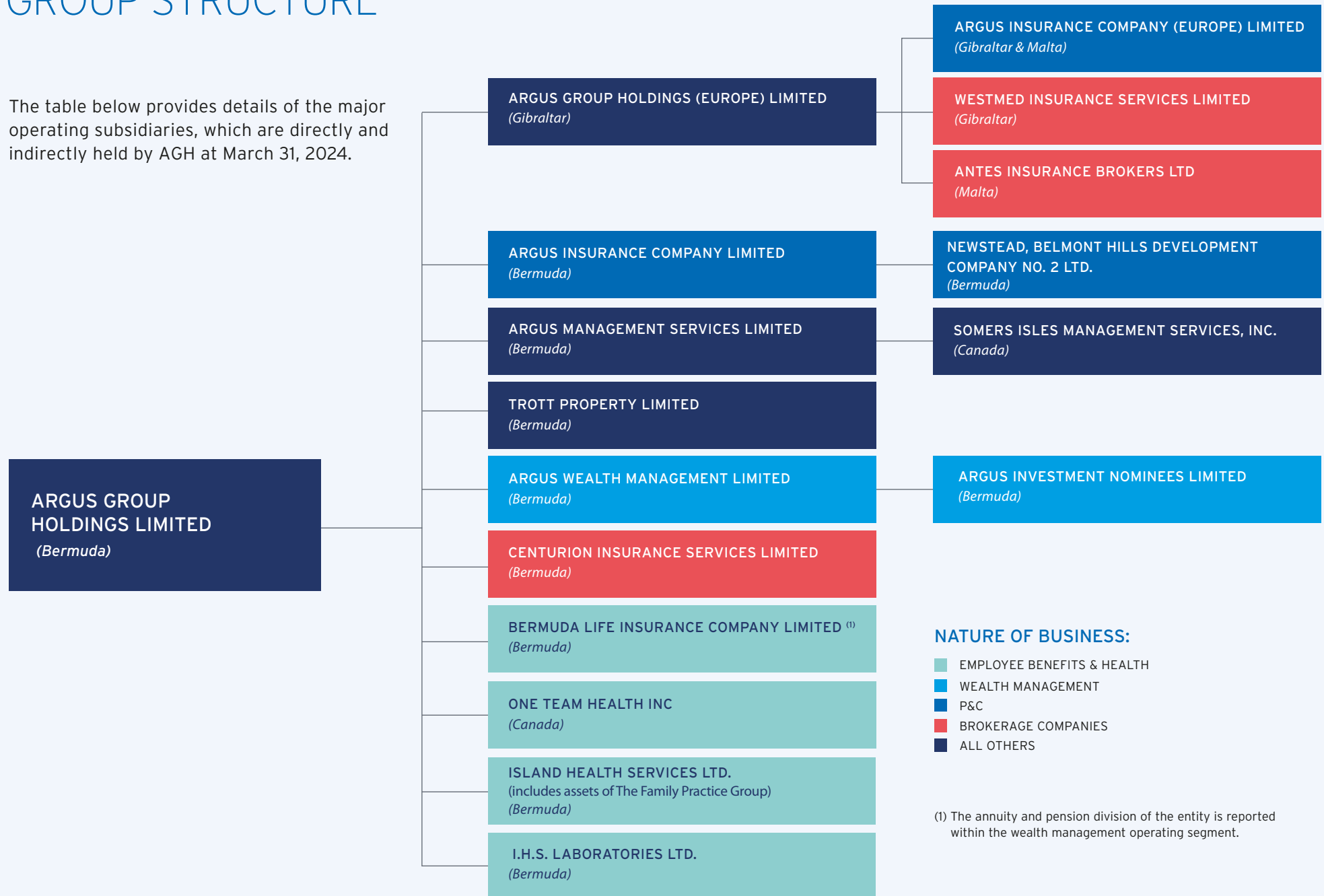
### MALTA



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

# GROUP STRUCTURE

The table below provides details of the major operating subsidiaries, which are directly and indirectly held by AGH at March 31, 2024.



**NATURE OF BUSINESS:**

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

(1) The annuity and pension division of the entity is reported within the wealth management operating segment.

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## OPERATING SEGMENTS

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.

During the year, the Group amended the structure of the reportable segments to reflect the changes in the business strategy, and the management structure.

The Group's new reportable segments are as follows:

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

### GROUP SUPERVISOR

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

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

### APPROVED GROUP AUDITOR

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

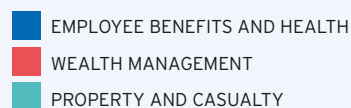
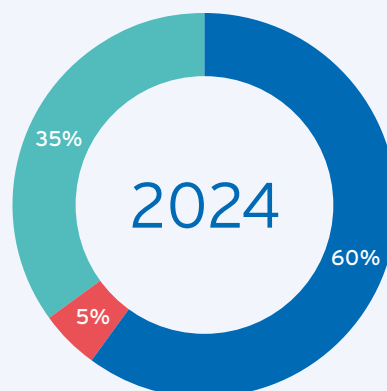
# ARGUS GROUP

## INSURANCE BUSINESS

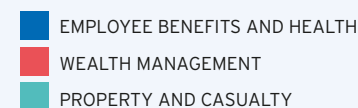
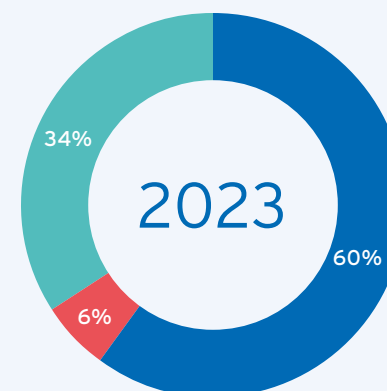
The Argus Group offers a wealth of multi-line insurance and financial service solutions to our clients, built on decades of experience and a strong capital base. The subsidiaries that operate outside of Bermuda have not been reported on an individual basis within this report as they fall outside the scope of this FCR.

The Argus Group's consolidated insurance revenue by segment and by geographical region for the years ended March 31, 2024 and 2023, are shown in the table below.

## INSURANCE REVENUE



## INSURANCE REVENUE



## CONSOLIDATED INSURANCE REVENUE

| \$000                        | 2024           | 2023           |
|------------------------------|----------------|----------------|
| Employee Benefits and Health | 116,300        | 102,917        |
| Wealth Management            | 10,301         | 9,959          |
| Property and Casualty        | 66,601         | 58,211         |
| <b>TOTAL</b>                 | <b>193,202</b> | <b>171,087</b> |
| Bermuda                      | 162,166        | 145,579        |
| Europe                       | 31,036         | 25,508         |
| <b>TOTAL</b>                 | <b>193,202</b> | <b>171,087</b> |



# ARGUS GROUP

## INVESTMENTS

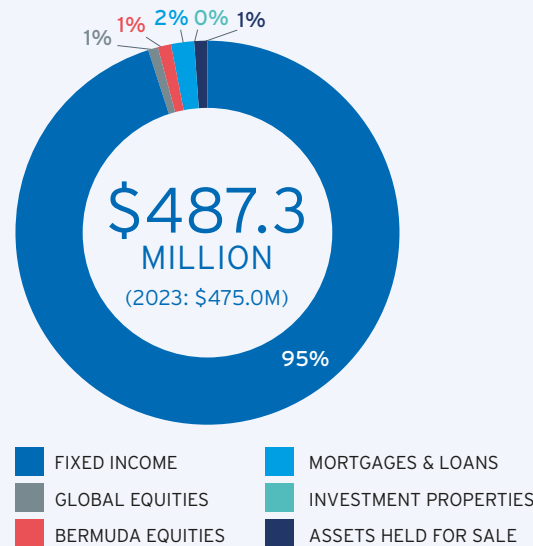
Our commitment to careful and diligent custodianship of policyholders' and shareholders' assets is central to the Argus Group's investment philosophy.

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

Our investment portfolio experienced a tale of two stories during the year ended March 31, 2024. In the first half of the year, market interest rate increases led to unrealised losses for our fixed income securities. In the latter half, interest rates stabilised and those unrealised losses reversed. As we tend to hold our bonds to maturity, these market fluctuations are generally temporary in nature. Our investments continued to provide stable income, recorded through the income statement and, overall, the Group's portfolio performed in line with expectations.

Against this backdrop, the Group's investment portfolio generated a total income of \$33.4 million for the year - \$15.2 million of income reported through the income statement, and \$18.2 million of unrealised gains reported as other comprehensive income on the balance sheet. The Group continues to hold a high quality, diversified, global investment portfolio.

## INVESTMENT ASSETS AT 31 MARCH 2024



95 percent of the Group's investments are in fixed income bonds, of which 99 percent are classified as investment grade.

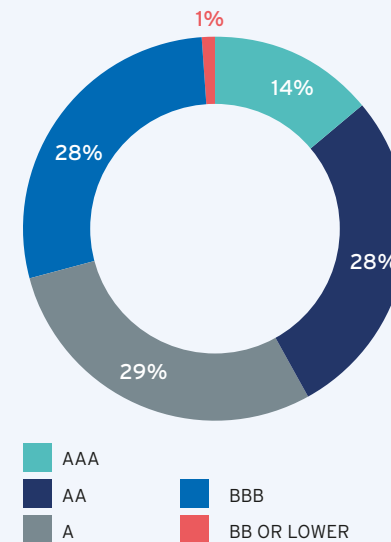
## INVESTMENT PORTFOLIO BY ASSET CLASS

| \$000                    | Assets balance 2024 | Net investment income 2024 | Weighted percentage return 2024 |
|--------------------------|---------------------|----------------------------|---------------------------------|
| Fixed income             | 462,690             | 13,600                     | 2.9%                            |
| Equities                 | 9,493               | 2,535                      | 0.4%                            |
| Mortgages and loans      | 12,697              | 440                        | 0.1%                            |
| Investment properties    | 2,399               | 95                         | 0.0%                            |
| Investment in associates | 2,719               | 59                         | 0.0%                            |
| Others*                  | -                   | (1,562)                    | 0.2%                            |
| <b>TOTAL</b>             | <b>489,998</b>      | <b>15,167</b>              | <b>3.6%</b>                     |

Above balances were prepared on statutory financial basis.

\*Rental income, bank interest and other

## FIXED INCOME PORTFOLIO RATINGS AT 31 MARCH 2024



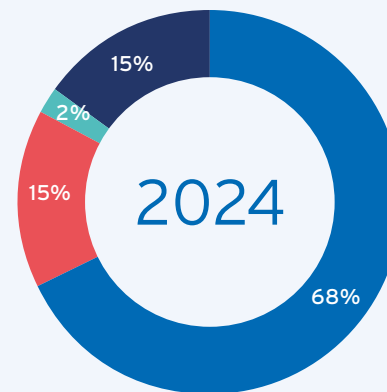
The table below provides a breakdown of the Group's investment portfolio by asset class.

# ARGUS INSURANCE COMPANY LIMITED (AICL)

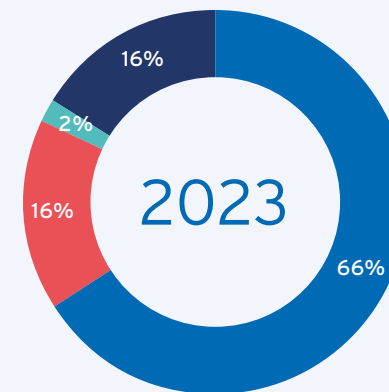
AICL is a wholly owned subsidiary of AGH, writing property and casualty insurance business to both commercial and retail clients. Additionally, AICL provides underwriting, claims and administration services. The lines of business written by AICL include property, motor, marine and casualty. The majority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

AICL's insurance revenue by line of business and by geographical region for the years ended March 31, 2024 and 2023 were as follows:

### AICL INSURANCE REVENUE



### AICL INSURANCE REVENUE



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

## INSURANCE REVENUE

| \$000        | 2024          | 2023          |
|--------------|---------------|---------------|
| Property     | 24,361        | 22,047        |
| Motor        | 5,393         | 5,142         |
| Marine       | 582           | 616           |
| Casualty     | 5,559         | 5,362         |
| <b>TOTAL</b> | <b>35,895</b> | <b>33,167</b> |
| Bermuda      | 35,895        | 33,167        |

## AICL'S INVESTMENT PORTFOLIO BY ASSET CLASS

| \$000                    | Assets balance 2024 | Net investment Income 2024 | Weighted percentage Return 2024 |
|--------------------------|---------------------|----------------------------|---------------------------------|
| Fixed income             | 7,207               | 432                        | 1.9%                            |
| Equities                 | 1,483               | 145                        | 0.5%                            |
| Investment properties    | 2,399               | (502)                      | (3.6)%                          |
| Investment in associates | 2,719               | 59                         | 0.4%                            |
| Others*                  | -                   | 314                        | 0%                              |
| <b>TOTAL</b>             | <b>13,808</b>       | <b>448</b>                 | <b>(0.8)%</b>                   |

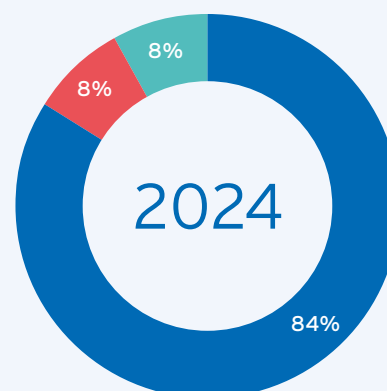
\*Rental income, bank interest and other

## BERMUDA LIFE INSURANCE COMPANY LIMITED (BLIC)

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

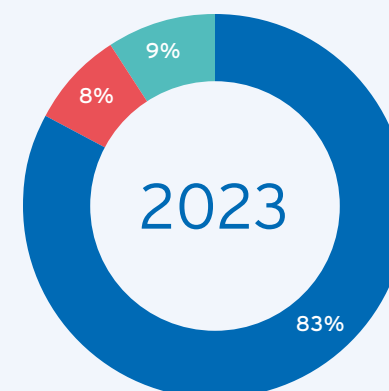
Health insurance revenue increased during the year mainly from annual rate increases and an increase in the insured population.

### BLIC INSURANCE REVENUE



■ HEALTH ■ LIFE ■ ANNUITIES

### BLIC INSURANCE REVENUE



■ HEALTH ■ LIFE ■ ANNUITIES

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

### BLIC'S INVESTMENT PORTFOLIO BY ASSET CLASS

### INSURANCE REVENUE

| \$000        | 2024           | 2023           |
|--------------|----------------|----------------|
| Health       | 107,706        | 94,984         |
| Life         | 9,651          | 9,005          |
| Annuities    | 10,300         | 9,959          |
| <b>TOTAL</b> | <b>127,657</b> | <b>113,948</b> |
| Bermuda      | 127,657        | 113,948        |

| \$000               | Net asset balance | Investment Income | Weighted Percentage |
|---------------------|-------------------|-------------------|---------------------|
| Fixed income        | 421,562           | 10,717            | 2.6%                |
| Equities            | 1,957             | 128               | 0.0%                |
| Mortgages and loans | 12,697            | 705               | 0.1%                |
| Other*              | -                 | 1,324             | 0.0%                |
| <b>TOTAL</b>        | <b>436,216</b>    | <b>12,874</b>     | <b>2.7%</b>         |

\*Rental income, bank interest and other

## MATERIAL INCOME AND EXPENSES

The Argus Group's main revenue sources are insurance revenue and fee income where margins remain under pressure from competitors and from clients who are looking to drive ever greater value from their service providers. Fee income increased by \$8.3 million or approximately 18.8 percent compared to prior year, driven from our healthcare delivery and administrative businesses. We continue to grow new sources of fee-based income, and build resilience and diversification in our revenues through complementary products and services.

The Group's major expense arises from insurance service expenses. We use a combined operating ratio to track the overall performance of our underwriting operations, which compares insurance revenues and management fees to insurance service expenses, commission expense, reinsurance costs, and operating expenses. For the year ended March 31, 2024, the combined operating ratio for the insurance businesses within the Group was a healthy 86.8 percent.

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

Other material income and expenses for the Bermuda regulated insurance subsidiaries for the years ended March 31, 2024 and 2023 are as follows:

### OTHER MATERIAL INCOME & (EXPENSES) FOR 2024

| \$000   | AICL     | BLIC      | Argus Group |
|---|----------|-----------|-------------|
| Fee income  | -        | 14,524    | 52,394      |
| Insurance service expenses                        | (14,758) | (107,399) | (138,704)   |
| Operating expenses, amortisation and depreciation | (2,634)  | (17,320)  | (89,774)    |

### OTHER MATERIAL INCOME & (EXPENSES) FOR 2023

| \$000   | AICL     | BLIC     | Argus Group |
|---|----------|----------|-------------|
| Fee income  | -        | 13,487   | 44,115      |
| Insurance service expenses                        | (14,669) | (90,783) | (117,889)   |
| Operating expenses, amortisation and depreciation | (2,058)  | (15,287) | (73,621)    |

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

## OTHER MATERIAL INFORMATION

### GROWTH AND EXPANSION

We recently announced that we have signed a definitive amalgamation agreement to combine Argus and BF&M in an all-stock transaction.

The directors of both companies unanimously support the transaction and believe it represents a compelling opportunity to create a stronger, more efficient and more diversified group. This is a unique opportunity to bring together two Bermudian insurers with complementary expertise, product lines and geographic footprints. The combined entities will remain in local shareholders' hands and continue to be managed from Bermuda. The increased scale of the combined group will support ongoing investment in best-in-class products and services, accelerate our growth plans, and bring greater buying power in the context of ongoing inflationary headwinds. This deal is the culmination of nearly 2 years of hard work by Management and the Board, and is a transformational step towards achieving our ambitions and commitments.

### FINANCIAL STRENGTH AND CREDIT RATING

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

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

In July 2024, AM Best has revised the implications of the under review status to "positive" from "developing" for the Financial Strength Rating of A- (Excellent) and the Long-Term Issuer Credit Ratings (Long-Term ICR) of "a-" (Excellent) of Argus Insurance Company Limited and Bermuda Life Insurance Company

Limited. Both companies are subsidiaries of Argus Group Holdings Limited (Argus Group). Concurrently, AM Best has revised the under review status to "positive" from "developing" for the Long-Term ICR of "bbb-" (Good) of Argus Group.

The ratings will remain under review with positive implications pending regulatory approvals from the Bermuda Monetary Authority and the purchase of BF&M shares by Argus Group. This is expected to occur late in the fourth quarter of 2024.

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

### FINANCIAL STRENGTH RATING FROM AM BEST

|             | Financial Strength Rating | Long term Credit Rating | Outlook  | Rating Year |
|-------------|---------------------------|-------------------------|----------|-------------|
| AICL        | A- u (Excellent)          | a- u (Excellent)        | Positive | 2024        |
| BLIC        | A- u (Excellent)          | a- u (Excellent)        | Positive | 2024        |
| Argus Group |                           | bbb- u (Good)           | Positive | 2024        |

(1) <https://news.ambest.com/pr/PressContent.aspx?refnum=34868&altsrc=2>

## 2. GOVERNANCE STRUCTURE

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

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

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

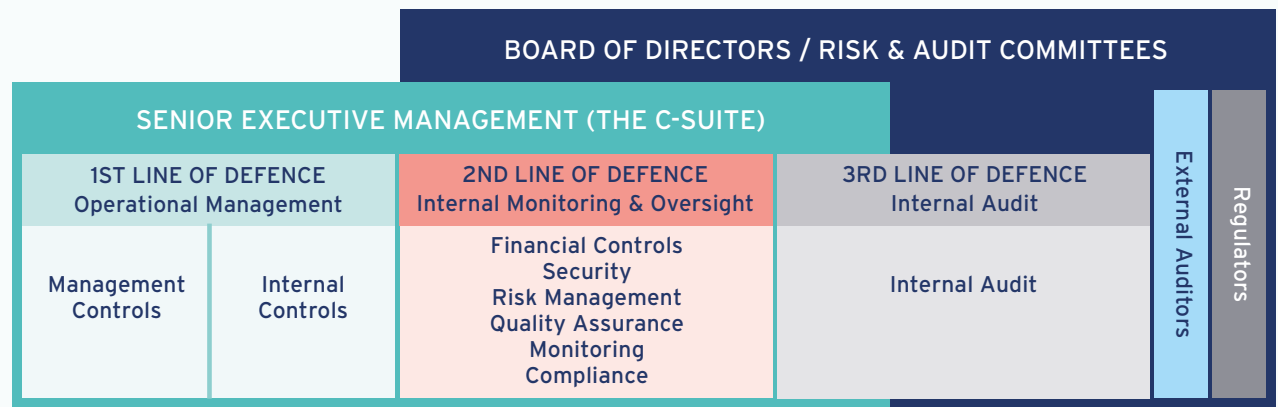
### A comprehensive risk management policy, with a forward-looking approach

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

### Three lines of defence model

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

### THE THREE LINES OF DEFENCE



## BOARD AND SENIOR EXECUTIVES

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

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

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

## BOARD COMMITTEE STRUCTURE

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

The following chart reflects AGH's current board committee structure.



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### **Audit Committee**

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

### **Risk Committee**

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

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

The Risk Committee will review significant and emerging risks under the Group's risk management framework, and the policies, procedures and controls used by management to evaluate and manage these risks.

### **People & Compensation Committee**

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

The Group's People & Compensation Committee has the additional responsibility of reviewing the roles and responsibilities of top executives and non-executive directors to develop a succession plan and timelines.

### **Governance Committee**

The Governance Committee is tasked with: (1) ensuring that suitable potential board nominees are identified and recruited, (2) overseeing the process by which individuals are nominated to become board members, (3) overseeing matters of corporate governance, including advising the Group's Board on matters of (a) board organisation, membership and function; (b) committee structure and membership; (c) conduct of board and shareholders meetings; and (d) prospective bye-law changes relating to matters of corporate governance, (4) recommending appointment of board members to the Group's subsidiary boards and committees, (5) fulfilling the responsibilities set forth in the Terms of Reference of the Committee, and (6) overseeing the work of the Sustainability Management Committee.

The Governance Committee identifies and recommends potential candidates for appointment, as well as oversees the annual evaluation of the performance and effectiveness of the Group's Boards and reviews the report and results of the evaluation.

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



## MANAGEMENT COMMITTEES

### Asset Liability Management Committee

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

### Group Risk Management Committee

The Committee is appointed by the Board and is tasked with establishing a sound and effective risk management framework, including developing policies, procedures, and internal controls promoting the identification, evaluation, mitigation, monitoring and reporting of material risks in line with the Bermuda Insurance Code of Conduct, the Bermuda Investment Business Act, and any and all other relevant legislation and/or advisories as applicable in each operating jurisdiction. The Committee reviews the risk management techniques employed in light of changing operational, regulatory, and market developments to ensure continued effectiveness and adoption of international best practice and assesses and evaluates the company's self-assessment of compliance with regulatory requirements on a regular basis. The mandates of the Committee are implemented via three risk sub-committees: 1) Products & Operations; 2) Governance, Risk & Compliance; and 3) Global Broking.

### Sustainability Management Committee

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

### Remuneration Policy

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

Three factors that impact the variable remuneration are market position, individual performance and the Group's ability to meet its financial and strategic targets. Additionally, the granting of restricted stock is at the discretion

of the People & Compensation Committee of the Board of Directors. When determining grants, consideration is given to further enhance the Group's ability to retain the services of key employees.

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

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

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

Pursuant to the Company's Bye-laws, the remuneration (if any) of the Directors shall be determined by the Group at a general meeting and shall be deemed to accrue from day to day. The Directors may also be paid all travel, hotel and other expenses properly incurred by them in attending and returning from the meetings of the Board, any committee appointed by the Board, general meetings of the Group, or in connection with the business of the Group or their duties as Directors generally.

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

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

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

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

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

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

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

During the financial year ended March 31, 2024, AGH paid a total dividend of \$5.2 million to shareholders. The following capital transactions were also recorded by Bermuda insurance subsidiaries, in line with the Group Capital Management Policy, during the year ended March 31, 2024:

- AICL did not pay dividends to AGH
- BLIC did not pay dividends to AGH

#### **Fitness and Propriety Requirements**

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

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

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

Individuals to be considered for board membership should possess all of the following personal characteristics: good character and integrity, informed judgment, financial literacy, maturity and a history of achievement in a business environment. Each Board, as a whole, should demonstrate abilities in the following fields: accounting and finance; business judgment; general management;

knowledge of local and international insurance and reinsurance, including knowledge of the relevant company's businesses and products; familiarity with the Bermuda economy and its political and social situation; leadership and vision. Consideration is also given to the combination of skills, experience, independence and diversity of backgrounds, which will enable each Board, as a body, to be effective in advancing the business and prospects of the respective company. Existing non-executive directors are obligated to immediately advise the Chairman of the Committee of potential conflicts of interest, perceived or actual, and the individual's appropriateness of continuing as a Director is then re-evaluated by the Committee. The Committee will not recommend the election or re-election of persons who are unable to devote sufficient time to the affairs of AGH or the relevant subsidiary company.

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

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

The Directors and Officers of AGH as at March 31, 2024, are listed below:

#### BOARD OF DIRECTORS

**David A. Brown (Chair)**

Keith W. Abercromby

Barbara J. Merry

Constantinos Miranthis

Sergio Muñoz

E. Barclay Simmons (Deputy Chair)

N. H. Cole Simons, JP

Christian Teixidor

Kim R. Wilkerson

#### OFFICERS

Chair - David A. Brown

Deputy Chair - E. Barclay Simmons

Chief Executive Officer - Alison S. Hill

Chief Financial Officer

& Deputy CEO - Peter J. Dunkerley

Chief Investment Officer

& Head of Global Wealth - Simon Giffen

Group General Counsel - Robbie MacDonald

Company Secretary - Janice Fernandes

Assistant Secretary - Sasha Castle-Siddiq

## DIRECTORS

### CHAIR - DAVID A. BROWN, CPA, FCA

#### Independent Director

Mr. Brown has over 40 years' experience in the insurance industry including a number of CEO and Chairman roles. Mr. Brown has also served on the Boards of numerous private and public companies. He is currently the Chairman of Hamilton Insurance Group and Chairman of its key operating subsidiary Hamilton Reinsurance Bermuda. Mr. Brown is also Chair of Bermuda Commercial Bank. He stepped down after 20 years as Chairman of the Bermuda Stock Exchange, where he remains Deputy Chairman and has joined the Board of one of the main exchanges operated by Miami Stock Exchange. Mr. Brown is a Fellow of the Institute of Chartered Accountants (UK) and a member of CPA Bermuda.

### KEITH W. ABERCROMBY, BSC FIA

#### Independent Director

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

### BARBARA J. MERRY

#### Independent Director

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

### CONSTANTINOS MIRANTHIS, MA

#### Independent Director

Mr. Miranthis is an insurance and reinsurance industry veteran. He is a former President and CEO of PartnerRe, a leading global reinsurance group with a diverse book of business. Prior to joining PartnerRe, Mr. Miranthis was a principal of Tillinghast-Towers Perrin in London with responsibility for the European non-life actuarial consulting practice. He is currently a non-executive director of the specialty insurance group Hiscox Ltd., life reinsurer Pacific Life Re and of specialist runoff insurer Riverstone International Holdings. Mr. Miranthis has served on a number of industry associations including being a past chair of the Reinsurance Advisory Board of Insurance Europe and vice chair of ABIR. Mr. Miranthis

holds an MA in Economics from Cambridge University and is a Fellow of the Institute and Faculty of Actuaries.

### SERGIO MUÑOZ, BA (LAW), MBA

#### Independent Director

Mr. Muñoz has been a member of the Argus Group Holdings Limited Board of Directors since December 2023. Mr. Muñoz is a seasoned executive with an extensive track record in insurance, banking and management consulting. He has held several Board and executive positions in companies in Chile and Spain. Mr. Muñoz currently serves as a board member of Banco Itau Columbia S.A and TransBank S.A. Mr. Muñoz has a degree in Business Administration and Law from ICADE (Spain) and an MBA from Chicago-Booth Business School.

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**EVERARD BARCLAY SIMMONS, LLB MBA****Independent Director**

Chairman and CEO, Rose Investment Limited

Mr. Simmons was a member of the Argus Group Holdings Limited Board of Directors for five years, from 2011 to 2015, and rejoined the Board in November 2018. Mr. Simmons is currently Chairman and CEO of Rose Investment Limited. Mr. Simmons was appointed as a director on the board of Hamilton Insurance Group and Soteria Re in 2023. He also serves as a director on several Boards in the Bermuda market focused on financial services regulation, banking, insurance and investments.

Mr. Simmons qualified as a barrister in England and Wales and was called to the Bermuda Bar in 1998. Before returning to Bermuda in 2006, he completed an MBA at Harvard Business School and worked as an Investment Banker at Goldman Sachs in New York City.

**N. H. COLE SIMONS, JP****Independent Director**

Mr. Simons has been a member of the Argus Group Holdings Limited Board of Directors since December 2023. Mr. Simons has a distinguished career in the banking, insurance and reinsurance industry, as well as a 25-year career in leadership roles in the public sector.

He has served as the Vice-President of Private Banking at both HSBC Bank Bermuda Ltd and the Bank of N.T. Butterfield and Sons Ltd for 30 years. Mr. Simons has also served as Bermuda's Leader of the Opposition with the One Bermuda Alliance, and Bermuda's Minister of Education, Minister of the Environment, Natural Resources, Planning and Parks and Bermuda's Shadow Minister of Finance. Mr. Simons is currently President and Director of Northern Cross Investment Limited.

**CHRISTIAN TEIXIDOR, MBA****Independent Director**

Director and Owner of Santos Road A/S

Mr. Teixidor has been a member of the Argus Group Holdings Limited Board of Directors since December 2023. Mr. Teixidor is a seasoned executive with over 25 years of experience in the financial services sector, with relevant experience in investment banking, asset management and consulting. Mr. Teixidor is director of and owner of Santos Road A/S, a private Norwegian company. He is also Chief Operating Officer of Candestic Limited, a private company in the UK. Mr. Teixidor has a Bachelor's degree in Finance from the Norwegian School of Economics and an MBA from Kellogg Graduate School of Management.

**KIM R. WILKERSON, JP, CPCU****Independent Director**

Ms. Wilkerson has been a member of the Argus Group Holdings Limited Board of Directors for seven years. Ms. Wilkerson is recently retired from AXA XL, having served as the Senior Vice President, Head of Claims and also as General Counsel of XL Insurance (Bermuda) Ltd. She is a non-executive director of ONE Communications Limited and is the appointed Commissioner of the Law Reform Commission. She has more than 30 years experience in the insurance industry and is a Chartered Underwriter (CPCU). In 2016 Ms. Wilkerson was appointed to Bermuda's Senate, where she served until the dissolution of Parliament in June 2017.

# ARGUS GROUP HOLDINGS LIMITED – OFFICERS

## **CHAIR - DAVID A. BROWN, CPA, FCA**

See previous listing.

## **DEPUTY CHAIR - E. BARCLAY SIMMONS**

See previous listing.

## **ALISON S. HILL, FCMA, CGMA**

**Chief Executive Officer, Argus Group Holdings Limited**

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

## **PETER J. DUNKERLEY, FCA**

**Chief Financial Officer & Deputy Chief Executive Officer, Argus Group Holdings Limited**

Mr. Dunkerley joined the Argus Group in 2012 and was appointed as Chief Financial Officer in 2015. As CFO, Mr. Dunkerley is responsible for all financial aspects of the Group, including finance, actuarial, treasury, capital management, investment management, risk and compliance. Prior to joining Argus,

Mr. Dunkerley was a Director in the Insurance practice of PricewaterhouseCoopers in Bermuda. He holds a Bachelor's degree in Aeronautical Engineering from Loughborough University in England and is a Fellow of the Institute of Chartered Accountants in England & Wales and a member of CPA Bermuda.

## **SIMON J.A. GIFFEN, CFA**

**Chief Investment Officer & Head of Global Wealth**

Mr. Giffen joined the Argus Group in 2014 and is a member of the executive leadership team. He leads all investment activities within the Argus Group, including the Pensions business and its operations, the balance sheet and the Argus Wealth Management business. Prior to joining the Argus Group, Mr. Giffen worked for five years at Gray Philanthropies Limited and Orbis Investment Management Limited in a family office role advising the Chairman, Allan Gray. Previously, Mr. Giffen worked at HSBC Bermuda and its predecessor, Bank of Bermuda, for 11 years in a variety of roles dealing with high net worth and institutional clients.

## **ROBBIE MACDONALD, LLB (Hons), DipLP** **Group General Counsel**

Mr. MacDonald joined the Argus Group in 2020 as the European General Counsel, and became Group General Counsel in April 2023. As Group General Counsel Mr. MacDonald is responsible for the provision of internal and external legal services and advice. Mr. MacDonald is based in Malta from where he manages the provision

of services across the Group. Prior to joining Argus, Mr. MacDonald provided regulatory corporate transactional and compliance advice to a number of the world's largest insurance groups, including WTW and Marsh McLennan.

## **JANICE FERNANDES**

**Company Secretary**

Ms. Fernandes joined the Argus Group in 2022. She is responsible for Board governance and managing the corporate secretarial function of Argus Group Holdings Limited. Ms. Fernandes has over 25 years of professional experience having worked in various global organisations, with expertise on all aspects of the corporate secretarial, board relations and governance matters. Previously, Ms. Fernandes worked at Superior Plus Corp, a TSX- listed company as Corporate Secretary for six years.

## **SASHA CASTLE-SIDDIQ, LLB**

**Assistant Secretary**

Mrs. Castle-Siddiq joined the Argus Group in 2016 and is currently Legal Counsel and Head of Compliance for the Bermudian and Canadian subsidiaries. Mrs. Castle-Siddiq is an attorney called to the Bermuda Bar in December 2021 having practiced primarily in mutual fund administration and fund management sector. She is a graduate of the University of Warwick, and holds a Bachelor of Laws Degree with honors and completed the Postgraduate Diploma in Legal Practice at the Oxford Institute of Legal Practice in the UK.

# DIRECTORS FOR EACH ENTITY WITHIN THE SCOPE OF THE FCR

## DIRECTORS FOR EACH ENTITY WITHIN THE SCOPE OF THE FCR

| DIRECTORS   | AICL | BLIC |
|---|------|------|
| David Brown (Non-executive Director)                            |      | •    |
| Peter Lozier (Chief Commercial Officer & Head of Global Health) | •    |      |
| Peter J. Dunkerley (CFO)  | •    | •    |
| Everard Barclay Simmons (Non-executive Director)                | •    |      |
| Kim R. Wilkerson (Non-executive Director)                       |      | •    |
| Constantinos Miranthis (Non-executive Director)                 | •    |      |

- Chair

## BERMUDA INSURER DIRECTORS NOT ALREADY INCLUDED UNDER AGH

### PETER LOZIER Chief Commercial Officer & Head of Global Health

Mr. Lozier joined Argus in 2018 and has over twenty-five years of experience in senior and executive leadership roles in the healthcare industry and has had a longstanding partnership with the Argus Group for more than 20 years. Prior to that, Mr. Lozier managed the

Argus Health overseas network known as the Canadian Medical Network. He has also worked for and supported local health care companies and organisations for most of his professional career, including the Bermuda Hospitals Board, Government Employee Health Insurance, Future Care and Lady Cubitt Compassionate Association.

# RISK MANAGEMENT AND SOLVENCY SELF-ASSESSMENT

## RISK MANAGEMENT AND SOLVENCY SELF-ASSESSMENT

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

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

The risk identification and assessment process is an integral part of the annual business planning process and key risks are captured in the various business entity plans. Each business and support unit identifies material risks to which it is exposed and then designs appropriate mitigation controls based on the severity of each risk. The majority of material risks considered by each business unit include the following: underwriting, investment, liquidity, concentration, market and credit, system and operational, strategic, reputational and legal risks.

For each material risk, the Group's assumed exposure is measured in terms of its likelihood and impact and/or consequence in preventing each business unit from achieving its business

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

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

The Group Risk Management Committee reports to the Board's Risk Committee on a quarterly basis. The Group Risk Management Committee is supported by sub-committees or working groups which report their activities to the Group Risk Management Committee in accordance with relevant Terms of References.

### Risk Management and Solvency Self-Assessment Systems Implementation

The Group ensures that the risk management framework and solvency self-assessment systems are embedded in the running of its businesses through the Group Risk Management Committee and Asset Liability Management Committee and its Portfolio Management Group. All material risks, business decisions and strategic planning are brought to these Committees/Working Groups and reported to the Committees of the Board for review and

approval. Business decisions are assessed, taking into consideration the risks and the Group's appetite towards risk, as defined in the Group's Risk Appetite Policy. Solvency assessment is carried out on a forward-looking basis at least quarterly. The impact on solvency and capital from potential material business decisions is incorporated in the Medium-Term Capital Plan (MTCP) and reported to the Group Risk Management Committee.

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

### Solvency Self-Assessment Approval Process

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



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# INTERNAL CONTROLS

## **Internal Control System**

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

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

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

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

## **Internal Control Environment**

Senior management across the Group promote the importance of performing appropriate internal controls by ensuring that all personnel are aware of their role in the internal control system. The control activities are commensurate to the risks arising from the activities and processes to be controlled.

## **Monitoring and Reporting**

Senior management has established monitoring and reporting mechanisms within the internal control system which provide the AGH Board with the relevant information for the decision-making processes on a quarterly basis. The solvency self-assessment approval process requires the approval of the Group Risk Management Committee and final approval of the Risk Committee of the Board. An independent assurance is carried out by the Compliance function.

## **Compliance Function**

The Chief Group Compliance and Audit Officer has been appointed by the Board with responsibilities to provide oversight over the compliance function in all jurisdictions within which the Group operates. A Group Compliance Policy, which sets out the responsibilities of the Board, Management, and the Compliance function, has been developed and was approved by the Board.

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

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## INTERNAL AUDIT

The Chief Group Compliance and Audit Officer has been appointed by the Board to manage the internal audit function. The responsibilities of the Chief Group Compliance and Audit Officer are set out in the Group Internal Audit Policy which has been approved by the Board.

### **Independence of the Internal Audit Function**

The Audit Committee ensures that the internal audit function does not perform any operational functions and is free from undue influence from Management or any other function. In that respect, the internal audit function reports directly to the Audit Committee and administratively to the Chief Group Compliance and Audit Officer, who is also independent and reports to the Risk and Audit Committee.

### **Internal Audit Policy**

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

### **Annual Internal Audit Plan**

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

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

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## ACTUARIAL FUNCTION

The actuarial function is governed by the Terms of Reference for the Actuarial Function.

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

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

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

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

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

### **Fitness and Propriety**

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

## OUTSOURCING

The Group has developed a Board-approved Group Vendor Management Policy that governs the outsourcing arrangements, ensuring that outsourced functions are conducted in a sound manner, in compliance with applicable laws and regulations and ensuring that the company meets its financial and service obligations to policyholders. This policy governs the Group and all its subsidiaries.

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

The Policy further sets out a process, roles and responsibilities across the three lines of defence to monitor the performance of vendors on a risk-based approach. Significant issues related to outsourced functions or services are reported to the regional Risk Management Committees and escalated to the Group Risk Management Committee.

**The Group Vendor Management policy includes the following:**

- The criteria for determining whether a function or activity is considered as outsourcing;
- The selection process and due diligence process for vendors;
- The definition of risks associated with vendors and the risk assessment methodology;
- The requirements for vendors governed by contracts; and
- Business contingency plans, including existing strategies for outsourced critical or important functions or activities.

**Description of Material Intra-group Outsourcing**

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

- Information Technology/Cyber
- People
- Investment Management
- Accounting and Finance
- Marketing

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

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

**Any other material information**

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

## 3. RISK PROFILE

### RISK APPETITE

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

- 1 All risks undertaken must have an associated expected reward that is commensurate with the risk, and accretive to value when viewed over the long term; the Company has no appetite for unrewarded risks.
- 2 Risks are only accepted to the extent that they are consistent with, and contribute to, the achievement of the Company's mission and the execution of its strategy.
- 3 Risks are only undertaken where the Company has the demonstrable expertise to manage them.
- 4 Risks tolerances (and more granular risk limits) are set to manage the Company's aggregate exposure to risk in accordance with the Company's appetite, so that adverse outcomes can be absorbed without jeopardising the Company's mission.
- 5 Actual levels of risk versus risk tolerances are monitored on an ongoing basis, and business plans are adapted to the extent required to stay within tolerances.
- 6 The Company shall maintain sufficient liquid assets to meet foreseeable cash outflows and maintain sufficient cash and/or liquidity facilities for reasonably possible unforeseen events.
- 7 The Company will endeavor to embed material ESG considerations including climate change, across relevant business processes and the wider risk management framework in a manner that supports the overall business strategy and existing risk principles.
- 8 The Company will pursue compliance to existing regulatory requirements or legislation in the jurisdictions where the Company operates and perform horizon scanning to understand the impact of upcoming changes to manage impacted material risks accordingly.

### MATERIAL RISKS AND RISK MITIGATION

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

#### General Insurance Risk

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

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

**Mortality, Morbidity and Longevity Risk**

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

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

**Credit Risk (non-investment)**

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

The concentration of credit risk exposures held by insurers may be expected to be greater than those associated with other industries, due to the specific nature of reinsurance markets and the extent of investments held in financial markets. By the nature of the business, reinsurers interact with similar customers in similar markets. However, the Group uses a panel of reinsurers with global operations and diversified portfolios and limits its exposure to any one reinsurer. All participants in the reinsurance panel are rated A- or above. As part of the service agreement, the reinsurance broker monitors financial strength ratings

of the reinsurance panel. On an exception basis, notifications of any changes to financial ratings or outlook are sent for consideration by management. Significant issues are escalated to the Group Risk Management and the Risk Committee of the Board.

**Operational Risk**

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

- **People:** Human errors, internal or external fraud, breaches of employment law, unauthorised activity, loss or lack of key personnel, inadequate training, inadequate supervision;
- **Process:** Lack of internal control procedures, project management failures, ineffective change management, payment or settlement failures, inadequate process documentation, errors in valuation and/or pricing models, accounting errors, internal or external reporting and distribution channels;
- **Systems:** Failure of systems or application software that supports daily execution of business units, lack of systems development and implementation documentation, systems security breaches, integrity of data, unavailability of systems due to computer hacking, virus attacks or denial of services; and

- **External events:** Inadequate third-party/ vendor management, undocumented outsourcing process, non-compliance with regulatory requirements, natural and other disasters, political risks.

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

The Group developed an operational risk management system to capture, analyse and report on causes of control breakdowns and operational risk events including customer complaints. An operational risk event (ORE) is a failure of internal processes, people, systems or a result of external events that may result in direct or indirect financial loss. OREs are reported at least monthly to regional risk management committees and significant issues are escalated to Group Risk Management Committee (or Working Group) and relevant Boards, as needed.

### Financial Instrument Risk

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

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

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

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

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

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

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

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

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

Interest rate risk is the potential for financial loss arising from changes in interest rates. Changes in market interest rates can impact the reinvestment of matured investments, as the returns available on new investments may be significantly different from the returns

previously achieved. The Group manages these risks through:

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

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

### Catastrophe Risk

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

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

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

## MATERIAL RISK CONCENTRATIONS

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

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

## INVESTMENTS

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

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

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

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

## EMERGING RISKS

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

The Group closely monitors emerging risks and impact to the material risks of the company. Management assessed the impact of this emerging risk on the Group's market and credit risk exposures. The Asset Management team closely manages interest rate risk with disciplined asset and liability matching techniques. The team continues to monitor asset liability duration gaps at the Group and entity level. In addition, liquidity coverage monitoring, and cash flow forecasts are in place to ensure sufficient liquidity. There is no known impact on operational risks.



## STRESS TESTING AND SENSITIVITY ANALYSIS

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

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

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

The results of the Group's own risk and solvency assessment are presented to, challenged and approved by the Group Risk Management Committee and the Risk Committee of the Board. The results of the stress/scenario testing

are also included in the annual returns to the regulators in Bermuda and Gibraltar.

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

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

## ANY OTHER MATERIAL INFORMATION

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

## 4. SOLVENCY VALUATION

### THE VALUATION BASES, ASSUMPTIONS AND METHODS USED TO DERIVE THE VALUE OF EACH ASSET CLASS

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

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

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

### THE VALUATION BASES, ASSUMPTIONS AND METHODS USED TO DERIVE THE VALUE OF TECHNICAL PROVISIONS, THE AMOUNT OF THE BEST ESTIMATE, AND THE AMOUNT OF THE RISK MARGIN

Technical Provisions include:

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

#### Long-term Insurance Claims Reserves

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

#### General Business Insurance Claims Reserves

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

#### General Business Insurance Premium Provisions

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

#### Risk Margin

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

As at March 31, 2024, the total Technical Provisions for the Argus Group amounted to \$416.8 million:

#### ARGUS GROUP

| \$000                      | 2024             |                    |                | 2023             |                    |                |
|----------------------------|------------------|--------------------|----------------|------------------|--------------------|----------------|
|                            | General Business | Long term Business | Consolidated   | General Business | Long term Business | Consolidated   |
| Net premium provisions     | 2,752            | -                  | 2,752          | 3,749            | -                  | 3,749          |
| Net loss and loss expenses | 34,690           | 374,077            | 408,767        | 30,588           | 367,961            | 398,549        |
| Risk margin                | 1,164            | 4,076              | 5,240          | 1,016            | 4,066              | 5,082          |
| <b>TOTAL</b>               | <b>38,606</b>    | <b>378,153</b>     | <b>416,759</b> | <b>35,353</b>    | <b>372,027</b>     | <b>407,380</b> |

As at March 31, 2024, the total Technical Provisions for AICL amounted to \$4.3 million:

#### AICL

| \$000                      | General Business | General Business |
|----------------------------|------------------|------------------|
|                            | 2024             | 2023             |
| Net premium provisions     | (1,233)          | 130              |
| Net loss and loss expenses | 5,200            | 5,547            |
| Risk margin                | 326              | 294              |
| <b>TOTAL</b>               | <b>4,293</b>     | <b>5,971</b>     |

As at March 31, 2024, the total Technical Provisions for BLIC amounted to \$384.0 million:

#### BLIC

| \$000                      | 2024             |                    |                | 2023             |                    |                |
|----------------------------|------------------|--------------------|----------------|------------------|--------------------|----------------|
|                            | General Business | Long term Business | Consolidated   | General Business | Long term Business | Consolidated   |
| Net premium provisions     | (1,508)          | -                  | (1,508)        | (1,689)          | -                  | (1,689)        |
| Net loss and loss expenses | 10,094           | 371,373            | 381,467        | 11,175           | 365,333            | 376,508        |
| Risk margin                | 73               | 3,942              | 4,015          | 81               | 3,772              | 3,853          |
| <b>TOTAL</b>               | <b>8,659</b>     | <b>375,315</b>     | <b>383,974</b> | <b>9,566</b>     | <b>369,105</b>     | <b>378,671</b> |

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## RECOVERABLES FROM REINSURANCE CONTRACTS

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

## THE VALUATION BASES, ASSUMPTIONS AND METHODS USED TO DERIVE THE VALUE OF OTHER LIABILITIES

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

There is no additional material information to report under Solvency Valuation.

## 5. CAPITAL MANAGEMENT

### CAPITAL NEEDS AND REGULATORY CAPITAL REQUIREMENTS

#### Eligible Capital

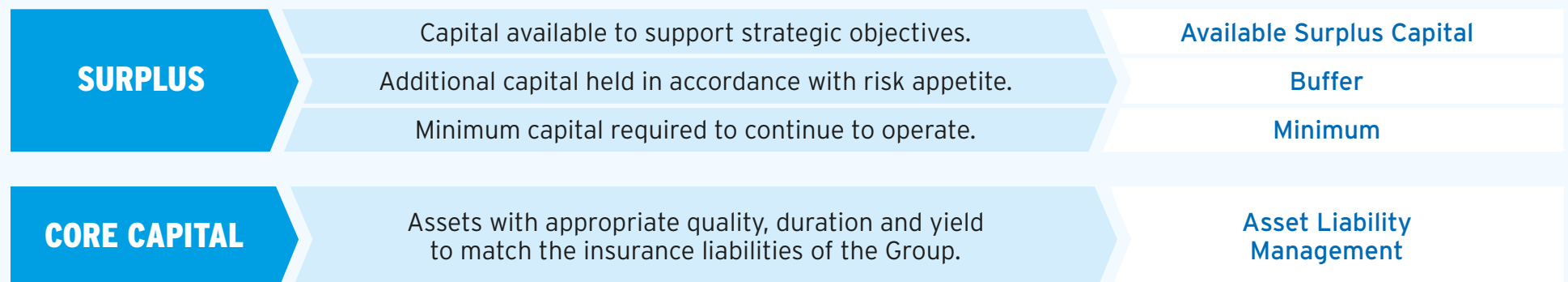
Argus is pleased that through our diligent capital planning the Group remains in a healthy capital position. We continue to hold conservative buffers over and above that required by our regulators, leaving sufficient surplus capital available to support strategic growth.

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

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

### CAPITAL STRATEGY

We continue to maintain a strong balance sheet. These provide the financial flexibility to fund strategic investment in the business and acquisitions.



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

As at March 31, 2024:

- AGH has 25,000,000 authorised, with 21,834,107 issued and fully paid (excluding treasury shares) common shares at par value \$1.00, and is traded on the Bermuda Stock Exchange
- 1,251,766 shares are held in treasury
- AGH has contributed surplus of \$57.1 million and statutory economic surplus of \$71.9 million

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

Eligible capital is not subject to transitional arrangements as required under the Eligible Capital Rules. There are no factors affecting encumbrances on the availability and transferability of capital to meet the ECR.

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

#### RECONCILIATION OF CAPITAL & SURPLUS - MARCH 31, 2024

| \$000  | AICL          | BLIC           | AGH            |
|--|---------------|----------------|----------------|
| IFRS Equity  | 38,249        | 91,552         | 156,248        |
| Prudential filters:  |               |                |                |
| Prepayments  | (69)          | (1,070)        | (4,136)        |
| Intangible assets  |               | -              | (23,388)       |
| Guarantees   | (1,620)       | -              | (1,620)        |
| Statutory Capital & Surplus                                      | 36,560        | 90,482         | 127,104        |
| Adjustment for insurance reserves<br>to net Technical Provisions | (155)         | 25,736         | 28,637         |
| Fair value adjustment of assets                                  | 7             | (10,448)       | (10,872)       |
| <b>ECONOMIC CAPITAL &amp; SURPLUS</b>                            | <b>36,412</b> | <b>105,767</b> | <b>144,869</b> |

## REGULATORY CAPITAL REQUIREMENTS

The MCM, ECR and Capital Coverage Ratio of the insurance entities regulated by the BMA are summarised in the table to the right.

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

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

The year ended March 31, 2020, was the first year of a transition period to the BMA's new BSCR model. AICL and Argus Group have completely transitioned to the new BSCR model. As of March 31, 2024, BLIC is on the fifth of a six-year transition period. All entities exceed these revised regulatory requirements with current capital levels, assuming full transition to the new requirements.

## CAPITAL COVERAGE RATIO 2024

| \$000       | MSM    | ECR    | Economic Capital and Surplus | Statutory Capital Coverage ratio |
|-------------|--------|--------|------------------------------|----------------------------------|
| Argus Group | 34,638 | 51,867 | 144,869                      | 279%                             |
| AICL        | 6,506  | 26,022 | 36,412                       | 140%                             |
| BLIC        | 23,722 | 25,093 | 105,767                      | 421%                             |

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## 6. SIGNIFICANT EVENTS

### **DIVIDENDS**

Based upon the audited financial results of the Group for the year ended March 31, 2024, the Directors have declared a dividend of 12 cents per share (2023 - 12 cents per share) payable on August 30, 2024 for shareholders of record on July 26, 2024.

### **AMALGAMATION**

On June 28, 2024 the Group announced its intention to amalgamate with Bermuda-based insurance company BF&M Limited. The Group's board approved the transaction on June 21, 2024 and the Group is now awaiting approval from regulatory authorities and shareholders before proceeding with the amalgamation. Management anticipates that the planned completion date will be the fourth quarter of 2024.





Image credits: With thanks to the Argus Family

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**ARGUS**  
Our Interest is You.