

September 2019
Six-Month Report

Tomorrow Starts Today



Tomorrow Starts Today

We see a future filled with opportunity.

Opportunities for innovation, growth and efficacy. Opportunities through new markets, new technologies and new operating models.

Because our interest is you, and all of our tomorrows start today.



Contents

Performance Measurements

\$3.9m

Net Earnings

84.4%

Combined Operating Ratio

\$8.5m

Operating Profit

\$7.9m

Operating Cash Flow

\$11.9m

Combined Fee Income

5.9%

Dividend Yield

3.1%

Half-year Return on
Average Equity

A- (Excellent)

Financial Strength Rating - A.M. Best

Report to Shareholders	2
Welcome	7
Our Mission	8
Argus Group Board	10
Governance and Leadership	12
Condensed Consolidated Balance Sheets	16
Condensed Consolidated Statements of Operations	17
Condensed Consolidated Statements of Comprehensive Income	18
Condensed Consolidated Statements of Changes in Equity	19
Condensed Consolidated Statements of Cash Flows	20
Notes to the Consolidated Financial Statements	21

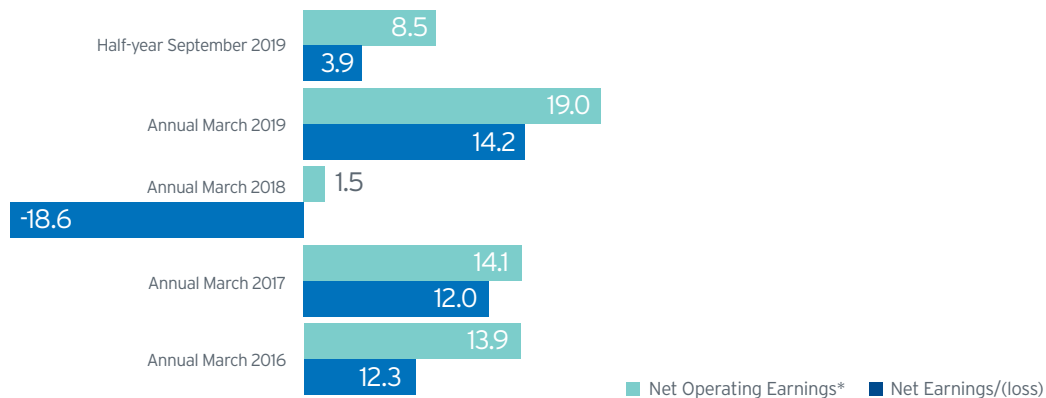
Report to Shareholders

Strategy

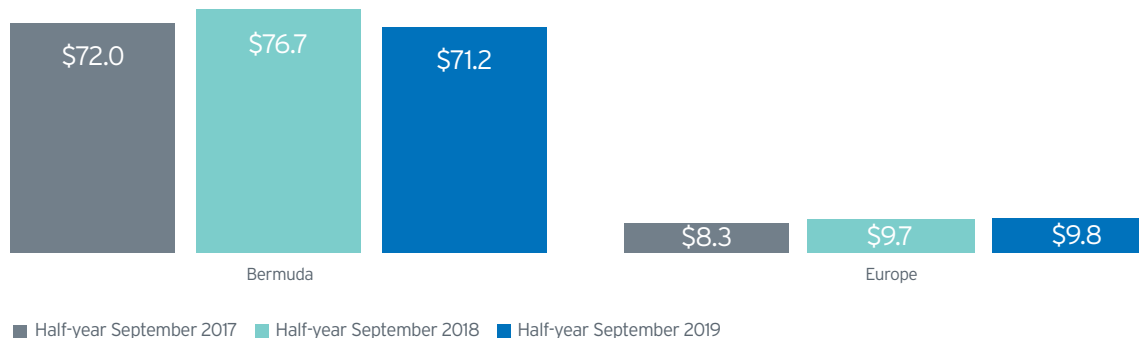
The goal of the Argus Group is to deliver long-term sustainable value and growth, for the benefit of our customers, shareholders, staff and our community. We believe that our strategy of becoming a Digital Integrated Specialist will drive us to achieve this goal. Whilst today we may be influenced by macro trends which are causing disruptions in insurance, tomorrow Argus will lead with integrated and tailored solutions delivered digitally. Launching online car and bike renewals in Bermuda is an important stage in our digital journey.

We continue to invest in talent and technology to build a firm foundation for growth. We are delighted with our two newest acquisitions - One Team Health, Inc. and FirstUnited Insurance Brokers Limited - into the Argus Group, further strengthening our services and market share internationally. We're investing in our strategy today to ensure sustainable value for all in the future.

Earnings Performance



Operating Revenues by Geographical Distribution



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

Financial Results

The Argus Group has reported net earnings for the six months to September 30, 2019 of \$3.9 million (2018 - \$10.0 million) with operating profit of \$8.5 million (2018 - \$13.2 million).

The strength in our operations is reflected in the excellent combined operating ratio of 84.4 percent (2018 - 80.5 percent), which is a metric to track the overall performance of our underwriting operations by comparing premium income to the cost of claims and operating expenses. All of our

Divisions have contributed to the underwriting result.

The June 2019 Bermuda hospital financing reform has had a \$2.0 million adverse impact on the financial results for the first six months of our fiscal year.

Net claims in our health division have decreased by a further \$1.0 million due to enhanced claims management. Our acquisition of One Team Health, Inc. is also helping to decrease our claims costs by improving the efficiency of case management and delivering overseas

network enhancements. Premiums for our health division have decreased by \$6.2 million, primarily due to hospital financing reform, partially offset by targeted rate increases for existing insureds. The 2019 Bermuda hospital financing reform has had a \$2.0 million adverse impact on the financial results for the first six months of our fiscal year and we anticipate that this adverse impact on the profitability of our health division will continue.

The Bermuda Government has announced another phase of its National Health Plan,

Net Operating Earnings by Division



which introduces a unified payer model of health financing with the aim of “improving efficiency, reducing duplication and controlling health costs”. As strong client advocates we will continue to work with all healthcare stakeholders to support a financially sustainable, robust healthcare delivery system for our community.

Interest rate volatility has caused a short-term impact on our six month financial results particularly in our Annuity business. During the period, the decline in interest rates resulted in an increase in our annuity liabilities. The Group’s long-term fixed income portfolio exists to match our longer-term insurance and investment liabilities.

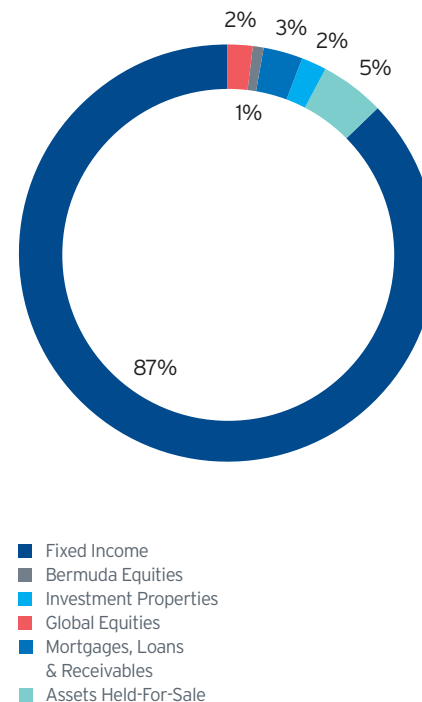
Despite the impact from Hurricane Humberto in Bermuda, net earnings for the Property and Casualty Division have seen a 45 percent increase over the corresponding period in 2018. We forecast that Hurricane Humberto will

have a material negative economic impact on our Bermuda Property and Casualty business for the full year. Disciplined underwriting, supplemented by a strong reinsurance programme, serves as the foundation for our Property and Casualty business. Our European businesses support global diversification having contributed positively to Group results through disciplined underwriting.

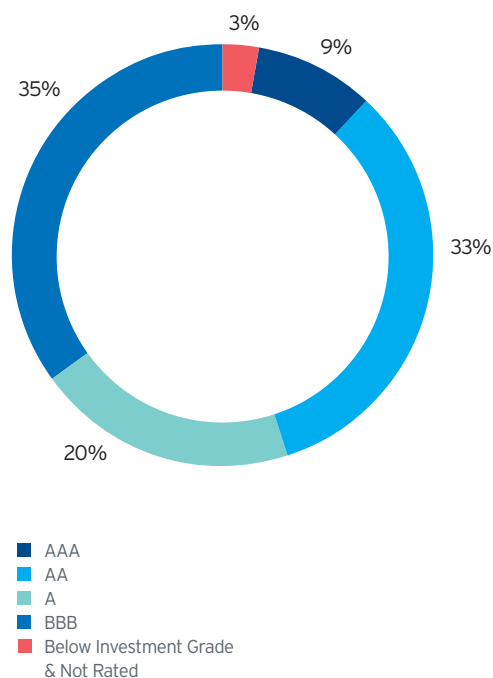
Fee income generated by our Employee Benefits, Wealth Management and insurance brokerage businesses of \$11.9 million remains stable.

The Group’s investment portfolio has generated positive returns of \$13.6 million, an increase of \$5.9 million over the corresponding prior year period. The portfolio has benefited from its best-in-class investment managers navigating well through another roller-coaster year in investment markets, which have seen

Investment Assets
30 September, 2019



Fixed Income Portfolio Ratings
30 September, 2019



a broad-based drop in investment yields and a decline in credit spreads.

The Group continues to hold a high quality, diversified, global investment portfolio with 87 percent of the Group's investments in fixed income bonds of which 97 percent are classified as investment grade.

As disclosed in our annual report at March 31, 2019, a new asset class is presented, Assets Held-For-Sale. These are non-core assets, which do not align with the Group's goal of maximising risk-adjusted returns. In November 2019, the sale of a portion of Whitecrest properties has been agreed with a potential buyer. The completion of the sale is still subject to certain approvals.

Equity attributable to shareholders of the Company stands at \$130.6 million and remains well in excess of the capital required by regulators.

AGM

At the AGM of the Company held on September 26, 2019, all the Directors were re-elected and all other resolutions were passed. At a meeting of the Board held immediately after the AGM, Ms. Sheila Nicoll was re-elected Chairman.

Dividend

The Board has declared a dividend of nine cents per share payable on January 28, 2020 for shareholders of record on December 31, 2019.

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



Welcome to Argus

We support our customers in providing financial security, physical well-being and peace of mind, through delivering employee benefits, property and casualty insurance and wealth management.

We are a business born in Bermuda, born with pioneering spirit. This is why we continue to expand our footprint and our horizons, to realise new opportunities for a stable and prosperous future for all.

Argus Group

1950

Date of Foundation

256

Number of Employees

81%

Employee Engagement

Our Mission

Our Mission is to give more and more people the freedom to do what matters most to them.

We accomplish this by providing financial services that predict and protect for the future. Leading the way with proactive, innovative solutions to protect our stakeholders' health and wealth.

We aim to build strong, long-term, one-on-one relationships with our clients, customers and community, based on loyalty, service and trust. We do this through the marriage of our human values and innovative technology that can anticipate needs and facilitate us to do the right thing, the right way. For all, always.

We put people first. We care deeply about our staff, our clients, our shareholders and our community. We will always do what is in the best interests for everyone and not just our own. It is this innate desire to take care of people that makes Argus the unique company that it is.

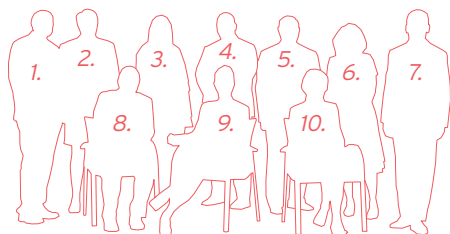
We are Argus. Our Interest is You.



Argus Group Holdings Limited Board

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





Argus Group Holdings Limited

Board

1. Robert D. Steinhoff, FCPA, JP
2. Paul C. Wollmann, MBA CPCU, ARS, ARM
3. Barbara J. Merry, BA, ACA
4. E. Barclay Simmons, MBA, LLB
5. Peter R. Burnim, MBA
6. Kim R. Wilkerson, LLB, JP, CPCU
7. Timothy C. Faries, BA, LLB, LLM
8. Keith W. Abercromby, BSc, FIA
9. Alison S. Hill, FCMA, CGMA
10. Sheila E. Nicoll, FCII

Argus Group Holdings Limited

Officers

Sheila E. Nicoll, FCII (Chairman)
 Peter R. Burnim, MBA (Deputy Chairman)
 Alison S. Hill, FCMA, CGMA (Chief Executive Officer)
 Peter J. Dunkerley, FCA (Chief Financial Officer)
 George N.H. Jones, LLB, MBA, (Group General Counsel & Company Secretary)

Board Committees

Risk

For the purpose of overseeing The Argus Group's risk management, asset liability management, and financial investments.

Peter R. Burnim
 Barbara J. Merry
 E. Barclay Simmons (Chairman)
 Sheila E. Nicoll

Audit

For the purpose of overseeing the accounting and financial reporting processes of the Company and the audit of its financial statements.

Robert D. Steinhoff (Chairman)
 Keith W. Abercromby
 Timothy C. Faries
 Paul C. Wollmann

People, Compensation and Governance

For the purpose of organising and overseeing the process by which individuals are nominated to become members of the Board, overseeing the roles and responsibilities of top executives.

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

Leadership & Governance

Business Unit Heads

Andrew H. Bickham, ACII

Executive Vice President - Broking

Cindy F. Campbell, CPA, MBA

Executive Vice President -

Interim Head of International Life

John Doherty, CPCU, ARM, ARe

Executive Vice President - Property & Casualty

Kevin Galae Pace

Managing Director -

FirstUnited Insurance Brokers Limited

Lisa Jackson, MA, FLMI, ACS

Vice President - Pensions

Peter Lozier, BSC, LOMA, ARP

Executive Vice President - Group Insurance

Tyrone Montovio, ACII

Chief Executive - Argus Insurance Company

(Europe) Limited

Peter Muir

General Manager - One Team Health, Inc.

Lawrence Pavia, FCII, ACIArb, MA

Managing Director - Island Insurance Brokers Limited

Joel P. Schaefer, CFA

President & Chief Executive Officer -

Argus Wealth Management Limited

Management Level Committees

Asset Liability Management Committee

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

Executive Risk Management Committee

The Committee is appointed by the Board and 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 Insurance Code of Conduct, the Investment Business Act, and any and all other relevant legislation and/or advisories as applicable in each jurisdiction, reviewing on a regular basis 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 assessing and evaluating on a regular basis, The Argus Group's self assessment of compliance with regulatory requirements.

Support Unit Heads

Simon Giffen, CFA, TEP
Group Investment Manager

Thomas Healy, ACMA
Financial Controller - Employee Benefits

Onesimus Nzabalinda, MBA, MSc, CISA, CFE, CEISC
Head of Risk & Compliance

Wanda E. Richardson, MA, SPHR
Executive Vice President – Client Solutions

Hannah Ross, FIA
Chief Actuary

David Simons, CPA, CA
Financial Controller - Global Property and Casualty

Nik Smale, BEng
Executive Vice President – Innovation & Technology

Sheena M. Smith, CPA
Vice President – Financial Reporting

Kellianne M. Smith, BA
Head of Global Human Resources & Organisational Development

Data Privacy & Information Risk Sub-Committee

The Sub-Committee is appointed by the Executive Risk Management Committee and tasked with reviewing the classification and security of The Argus Group's data, complying with data privacy regulations, preparing and monitoring The Argus Group's Data Breach Response Plan, and general security awareness.

Capital & Regulatory Risk Sub-Committee

The Sub-Committee is appointed by the Executive Risk Management Committee and tasked with reviewing the The Argus Group's Medium-Term Capital Plan and ongoing capital requirements, statutory returns and regulatory reporting, and general communication to and from regulators and rating agencies.

Underwriting & Claims Risk (Property & Casualty) Sub-Committee

The Sub-Committee is appointed by the Executive Risk Management Committee and tasked on behalf of The Argus Group's property and casualty businesses reviewing underwriting /claims policies, procedure and manuals, underwriting authority limits, rate reviews and pricing changes, new product development, business developments or opportunities, claims trends and large loss reporting, reinsurance renewals and changes to reinsurance programmes, and reserving.

Underwriting & Claims Risk (Employee Benefits) Sub-Committee

The Sub-Committee is appointed by the Executive Risk Management Committee and tasked on behalf of The Argus Group's employee benefits businesses reviewing underwriting/claims policies, procedures and manuals, underwriting authority limits, rate reviews and pricing changes, new product development, business developments or opportunities, claims trends and large loss reporting, reinsurance renewals and changes to reinsurance programmes, and reserving.

Operational Risk Management Sub-Committee

The Sub-Committee is appointed by the Executive Risk Management Committee and tasked with reviewing and approving the risk management policies and procedures, and subsequent changes to them, providing a forum to review the various exposures to the business units and the strategies to mitigate material risks, overseeing of the development and implementation of the risk, compliance and internal controls framework for The Argus Group, and reviewing management information systems reports, such as customer complaints, operational risk losses, and "near-miss" incidents.



Leadership & Governance

Principal Operating Subsidiaries

Bermuda

Argus Insurance Company Limited

Paul C. Wollmann (Chairman)
John Doherty
Peter J. Dunkerley
Alison S. Hill

Bermuda Life Insurance Company Limited

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

Centurion Insurance Services Limited

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

Argus Wealth Management Limited

Peter R. Burnim (Chairman)
Peter J. Dunkerley
Timothy Faries

Argus International Life Bermuda Limited

Paul C. Wollmann (Chairman)
Peter R. Burnim
Peter J. Dunkerley

Argus International Life Insurance Limited

Paul C. Wollmann (Chairman)
Peter R. Burnim
Peter J. Dunkerley
Alison S. Hill

Bermuda Life Worldwide Limited

Paul C. Wollmann (Chairman)
Peter R. Burnim
Peter J. Dunkerley
Alison S. Hill

Canada

One Team Health, Inc.

Alison S. Hill (Chairman)
Peter J. Dunkerley
Peter Lozier
George N.H. Jones

Gibraltar

Argus Insurance Company (Europe) Limited

Sheila E. Nicoll
Keith W. Abercromby (Chairman)
Peter R. Burnim
Alison S. Hill
Tyrone Montovio
Michael Oliver

WestMed Insurance Services Limited

Alison S. Hill (Chairman)
Tyrone Montovio
John L. Stagnetto

Malta

Argus Insurance Agencies Limited

Charles Farrugia (Chairman)
Alison S. Hill
Tyrone Montovio

Island Insurance Brokers Limited

Sheila E. Nicoll
Dr. Carmel Cascun
Peter J. Dunkerley
Alison S. Hill
Barbara J. Merry (Chairman)
Lawrence Pavia

FirstUnited Insurance Brokers Limited

Alison S. Hill (Chairman)
Salv Mifsud Bonnici
Peter J. Dunkerley
Kevin Galae Pace
Peter Grima

Condensed Consolidated Balance Sheets

<i>(In \$ thousands)</i>	Note	SEPTEMBER 30 2019 <i>(Unaudited)</i>	MARCH 31 2019 <i>(Audited)</i>	<i>(In \$ thousands)</i>	Note	SEPTEMBER 30 2019 <i>(Unaudited)</i>	MARCH 31 2019 <i>(Audited)</i>
Assets				Liabilities			
Cash and short-term investments		58,131	51,381	Insurance contract liabilities		264,596	242,737
Interest and dividends receivable		2,601	3,061	Insurance balances payable		18,291	15,426
Assets held-for-sale	4	35,245	35,355	Payables arising from investment transactions		44,668	56,561
Investments	5	448,788	463,695	Investment contract liabilities		237,929	241,782
Receivable for investments sold		43,775	29,810	Liabilities held-for-sale	4	16,431	17,701
Insurance balances receivable		16,151	17,310	Taxes payable		279	156
Reinsurers' share of:				Accounts payable and accrued liabilities	13	20,922	19,432
Claims provisions		35,934	27,304	Post-employment benefit liabilities		3,603	3,311
Unearned premiums		12,710	9,598	TOTAL GENERAL FUND LIABILITIES		606,719	597,106
Other assets		5,485	6,123	Segregated fund liabilities held-for-sale	4	591,217	594,436
Deferred policy acquisition costs		1,408	1,329	Segregated fund liabilities from continuing operations	10	975,067	936,444
Investment properties		11,300	11,300	TOTAL LIABILITIES		2,173,003	2,127,986
Investment in associates		3,045	2,874	Equity			
Property and equipment	13	55,608	54,563	Attributable to shareholders of the Company			
Intangible assets		7,253	3,387	Share capital		17,150	16,854
TOTAL GENERAL FUND ASSETS		737,434	717,090	Contributed surplus		53,249	53,161
Segregated fund assets held-for-sale	4	591,217	594,436	Retained earnings		53,106	51,295
Segregated fund assets from continuing operations	10	975,067	936,444	Accumulated other comprehensive gains/(loss)	12	7,125	(1,381)
TOTAL ASSETS		2,303,718	2,247,970	TOTAL EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY		130,630	119,929
				Attributable to non-controlling interests		85	55
				TOTAL EQUITY		130,715	119,984
				TOTAL EQUITY AND LIABILITIES		2,303,718	2,247,970

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

Condensed Consolidated Statements of Operations

<i>For the six months ended September 30 (In \$ thousands)</i>	Note	2019 <i>(Unaudited)</i>	2018 <i>(Unaudited)</i>
Revenue			
Gross premiums written		86,542	92,433
Reinsurance ceded		(21,038)	(21,941)
Net premiums written		65,504	70,492
Net change in unearned premiums		(1,596)	(1,830)
Net premiums earned		63,908	68,662
Investment income	5	13,572	7,715
Share of earnings of associates		178	162
Commissions, management fees and other	11	17,022	17,755
		94,680	94,294
Expenses			
Policy benefits		7,680	8,527
Claims and adjustment expenses		45,389	51,020
Reinsurance recoveries		(3,410)	(4,204)
Gross change in contract liabilities		15,924	(4,057)
Change in reinsurers' share of claims provisions		(8,411)	1,090
NET BENEFITS AND CLAIMS		57,172	52,376
Commission expenses		2,620	2,719
Operating expenses		28,002	26,270
Amortisation, depreciation and impairment		2,841	2,484
		90,635	83,849
EARNINGS/(LOSS) BEFORE INCOME TAXES		4,045	10,445
Income tax expense		140	424
NET EARNINGS/(LOSS) FOR THE PERIOD		3,905	10,021
Attributable to:			
Shareholders of the Company		3,866	10,002
Non-controlling interests		39	19
		3,905	10,021
Earnings per share:			
Basic	9	0.18	0.48
Fully diluted		0.18	0.48

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

Condensed Consolidated Statements of Comprehensive Income

<i>For the six months ended September 30 (In \$ thousands)</i>	2019 <i>(Unaudited)</i>	2018 <i>(Unaudited)</i>
NET EARNINGS FOR THE PERIOD	3,905	10,021
OTHER COMPREHENSIVE INCOME/(LOSS)		
Items that will not be reclassified to net earnings:		
Post-employment medical benefit obligation remeasurement	(294)	332
Items that are or may subsequently be reclassified to net earnings:		
Change in unrealised gains/(losses) on available-for-sale investments	8,557	(5,769)
Change in unrealised gains/(losses) on translating financial statements of foreign operations	243	(1,049)
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD	8,506	(6,486)
COMPREHENSIVE INCOME FOR THE PERIOD	12,411	3,535
OTHER COMPREHENSIVE INCOME/(LOSS) ATTRIBUTABLE TO:		
Shareholders of the Company	8,506	(6,486)
Non-controlling interests	-	-
	8,506	(6,486)
COMPREHENSIVE INCOME ATTRIBUTABLE TO:		
Shareholders of the Company	12,372	3,516
Non-controlling interests	39	19
	12,411	3,535

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

Condensed Consolidated Statements of Changes in Equity

<i>For the six months ended September 30 (In \$ thousands)</i>	2019 <i>(Unaudited)</i>	2018 <i>(Unaudited)</i>
Share Capital		
Authorised:		
25,000,000 common shares of \$1.00 each (2017 – 25,000,000)	25,000	25,000
Issued and fully paid, beginning of period 22,105,225 shares (2018 – 21,901,634 shares)	22,105	21,902
Add: Shares issued under the dividend reinvestment plan 73,478 shares (2018 – 93,908 shares)	73	94
Deduct: Shares held in Treasury, at cost 909,468 shares (2018 – 902,593 shares)	(5,028)	(5,160)
BALANCE, NET OF SHARES HELD IN TREASURY, END OF PERIOD	17,150	16,836
Contributed Surplus		
Balance, beginning of period	53,161	52,629
Stock-based compensation expense	84	87
Treasury shares granted to employees	(154)	(164)
Shares issued under the dividend reinvestment plan	158	283
BALANCE, END OF PERIOD	53,249	52,835
Retained Earnings		
Balance, beginning of period	51,295	41,087
Net earnings for the period	3,866	10,002
Dividends	(1,910)	(1,892)
Loss on treasury shares granted to employees	(145)	(190)
BALANCE, END OF PERIOD	53,106	49,007
Accumulated Other Comprehensive Loss		
Balance, beginning of period	(1,381)	(4,337)
Other comprehensive income/(loss)	8,506	(6,486)
BALANCE, END OF PERIOD	7,125	(10,823)
TOTAL ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY	130,630	107,855
Attributable to Non-controlling Interests		
Balance, beginning of period	46	9
Net earnings for the period	39	19
TOTAL EQUITY ATTRIBUTABLE TO NON-CONTROLLING INTERESTS	85	28
TOTAL EQUITY	130,715	107,883

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

Condensed Consolidated Statements of Cash Flows

<i>For the six months ended September 30 (In \$ thousands)</i>	Note	2019 <i>(Unaudited)</i>	2018 <i>(Unaudited)</i>	<i>For the six months ended September 30 (In \$ thousands)</i>	Note	2019 <i>(Unaudited)</i>	2018 <i>(Unaudited)</i>
OPERATING ACTIVITIES				OPERATING ACTIVITIES			
Earnings before income taxes		4,045	10,445	Interest income received		7,235	5,872
Adjustments to reconcile net earnings to cash basis				Dividend income received		553	591
Interest income		(7,661)	(6,702)	Income tax recoveries/(paid)		(78)	16
Bad debt expense		374	670	CASH GENERATED FROM OPERATING ACTIVITIES		7,863	2,431
Dividend income		(553)	(591)	INVESTING ACTIVITIES			
Investment income related to Deposit administration pension plans		889	698	Purchase of investments		(655,561)	(904,666)
Net realised and unrealised (gains)/losses on investments		(6,592)	(3,131)	Sale and maturity and paydown of investments		659,145	921,220
Amortisation of net premium of bonds		605	682	Purchase of subsidiaries, net of cash acquired		(1,739)	-
Share of earnings of associates		(178)	(162)	Purchase of property and equipment		(752)	(3,055)
Net realised and unrealised (gains)/losses on investment properties		-	1,400	CASH GENERATED FROM/(USED IN) INVESTING ACTIVITIES		1,093	13,499
Amortisation, depreciation and impairment		2,841	2,484	FINANCING ACTIVITIES			
Expense on vesting of stock-based compensation		84	87	Dividends paid to shareholders		(1,758)	(1,594)
Interest expense on leases		64	-	Acquisition of shares held in Treasury		(7)	(26)
		(10,127)	(4,565)	CASH USED IN FINANCING ACTIVITIES		(1,765)	(1,620)
Change in operating balances				EFFECT OF FOREIGN EXCHANGE RATE CHANGES ON CASH AND SHORT-TERM INVESTMENTS		223	(947)
Insurance balances receivable		4,162	614	NET INCREASE/(DECREASE) IN CASH AND SHORT-TERM INVESTMENTS		7,414	13,363
Reinsurers' share of:				CASH AND SHORT-TERM INVESTMENTS, beginning of period		54,355	39,805
Claims provisions		(8,336)	1,099	CASH AND SHORT-TERM INVESTMENTS, end of period		61,769	53,168
Unearned premiums		(3,040)	(2,264)	Cash and short-term investments from continuing operations		58,131	38,627
Other assets		249	(3,176)	Cash and short-term investments held for sale	4	3,638	14,541
Deferred policy acquisition costs		-	120			61,769	53,168
Insurance contract liabilities		20,534	857				
Insurance balances payable		(481)	(4,369)				
Investment contract liabilities		(3,853)	(2,400)				
Accounts payable and accrued liabilities		(2,998)	(429)				
Post employment benefit liability		(2)	20				
		6,235	(9,928)				

The accompanying notes form part of these consolidated financial statements.

Notes to the Condensed Consolidated Financial Statements

September 30, 2019

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

1 Operations

Argus Group Holdings Limited (the Company) was incorporated in Bermuda with limited liability on May 26, 2005, as a holding company and has its registered office at the Argus Building, 14 Wesley Street, Hamilton HM 11, Bermuda. The Company's shares are traded on the Bermuda Stock Exchange. At September 30, 2019, it had 1,385 shareholders; 83.9 percent of whom were Bermudian, holding 90.8 percent of the issued shares.

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

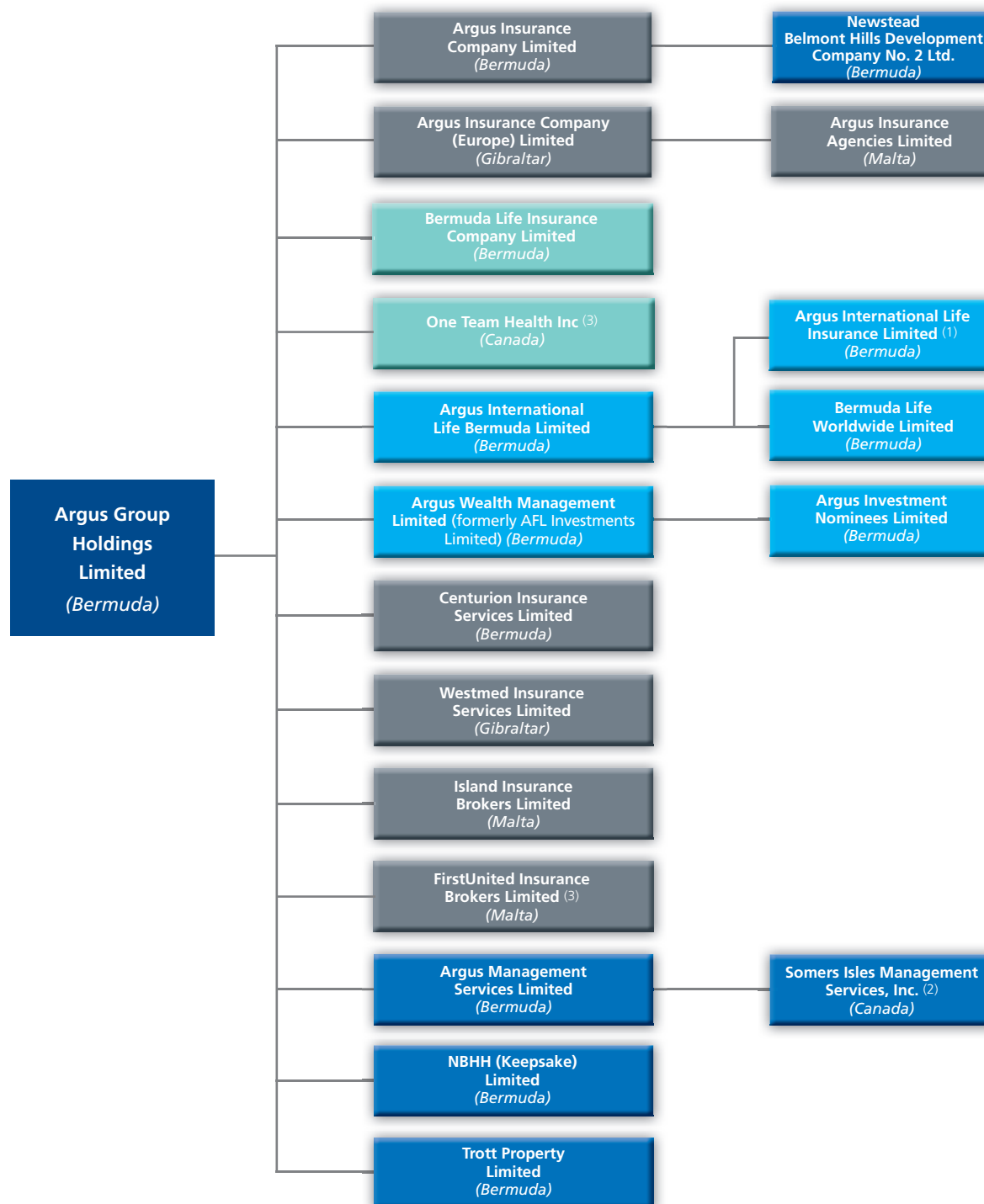
1.1 GROUP COMPOSITION

The table provides details of the significant subsidiaries as at September 30, 2019, which are directly and indirectly held by the Company.

Operating Segments as disclosed in Note 7:

- Global P&C
- Employee benefits
- Wealth Management
- All others

- (1) Argus International Life Insurance Limited (AILIL) is 74 percent owned by the Group with the remaining 26 percent owned by the non-controlling interests. Argus International Life Bermuda Limited also owns 100 percent of AILIL's preference shares.
- (2) In July 2018, the Group incorporated Somers Isles Management Services, Inc.
- (3) During the period, the Group acquired One Team Health Inc. and FirstUnited Insurance Brokers Limited.



2 Significant Accounting Policies

2.1 BASIS OF PRESENTATION

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

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

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

These condensed consolidated interim financial statements follow the same accounting policies and methods of their application as our March 31, 2019, audited financial statements and should be read in conjunction with the latter, except for any changes discussed in Note 2.2.

2.2 NEW AND REVISED ACCOUNTING POLICIES AND STANDARDS

There are amendments to existing standards and interpretations that are mandatory for the first time for financial periods beginning April 1, 2019, as discussed in the March 31, 2019, audited financial statements. However, these do not impact the condensed consolidated interim financial statements of the Group other than the adoption of IFRS 16, *Leases* as discussed below.

The Group applied IFRS 16 on a modified retrospective basis as at April 1, 2019. As a result, the comparative balances are not restated. The Group has made the following elections in the application of the standard:

- IFRS 16 has been applied to leases previously identified as such in accordance with IAS 17, *Leases* and IFRIC 4, *Determining whether an Arrangement Contains a Lease*.
- The Group has elected to use the exemption for lease periods with a term of 12 months or less, or those contracts where underlying assets are considered low-value. As a result, these leases are recognised in Operating expenses.

On April 1, 2019, the Group recognised Right-of-use assets of \$2.6 million and Lease liabilities of \$2.6 million, which are valued using a weighted average incremental borrowing rate of 5.7 percent.

Right-of-use assets are recognised in Property and equipment and Lease liabilities are recognised in Accounts payable and accrued liabilities in the Condensed Consolidated Balance Sheets. The following new accounting policies apply:

2.2.1 Right-of-use assets

Right-of-use assets are recorded at cost, which is the initial amount of the lease liability, less accumulated amortisation. Right-of-use assets consist of fixed assets such as rental space and other assets arising from leases recognised at the commencement date of the contract, which is when the leased asset is made available for the Group. The Group calculates depreciation using the straight-line method and is presented in the Amortisation, depreciation and impairment in the Condensed Consolidated Statements of Operations. The depreciation period is based on the estimated useful life. Right-of-use assets are amortised over periods ranging from 2 to 10 years.

2.2.2 Lease liabilities

At the commencement date of the contract, Lease liabilities are recognised based on the discounted value of the outstanding lease payments. The discount rate used in the valuation is the interest rate implicit in the lease, or if this rate is not available, at the incremental

borrowing rate. Subsequently, lease liabilities are recorded at amortised cost using the effective interest method and the related interest expense is recognised in Operating expenses in the Condensed Consolidated Statements of Operations. The Group has elected to recognise lease payments for short-term and low-value contracts on a straight-line basis over the lease term in Operating expenses.

2.3 SEASONALITY OF OPERATIONS

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

Details of the Group's recent exposures to these lines of business are disclosed in the March 2019 annual report.

3 Acquisitions

In line with the Group's growth strategy on geographical diversification outside of Bermuda, the Group acquired the following companies:

Effective May 15, 2019, One Team Health Inc. (OTH) became a wholly owned subsidiary of the Argus Group Holdings Limited. OTH is domiciled in Canada and is a provider of overseas healthcare management and network services. The purchase consideration is \$0.8 million.

Effective September 27, 2019, FirstUnited Insurance Brokers Limited (FirstUnited) became a wholly-owned subsidiary of the Argus Group Holdings Limited. FirstUnited is a licensed insurance brokerage company operating in Malta. The purchase consideration is €2.9 million (\$3.3 million).

The fair value of the identifiable net assets acquired as at the acquisition dates were as follows:

	As at Acquisition Date
Customer list	3,080
Net assets	273
Total identifiable net assets at fair value	3,353
Goodwill arising on acquisition	756
TOTAL CONSIDERATION	4,109

The fair values of the identifiable assets and liabilities are subject to refinement and may be retroactively adjusted to reflect any material changes arising from new information obtained about facts and circumstances that existed at the acquisition date during the measurement period.

The Group incurred acquisition-related costs of \$0.4 million on legal fees and due diligence costs which are shown in Operating expenses on the Condensed Consolidated Statements of Operations.

As at September 30, 2019, OTH's revenues were generated from a service contract with an affiliate. Total operating expenses incurred by OTH from date of acquisition to September 30, 2019 was \$0.9 million.

Meanwhile, FirstUnited's results of operations from date of acquisition to September 30, 2019 is not material.

4 Assets and Liabilities Held-for-Sale

In March 2018, Management committed to a plan to sell the International Life Division, including the related assets and liabilities. However, due to circumstances beyond the Groups control, the sale was not completed. The Group is currently active in the market to locate potential buyers, has distributed offering documents and has signed non-disclosure agreements with interested parties.

Management also committed to a plan for the settlement of an outstanding mortgage loan receivable which is fully collateralised via a first mortgage over the Whitecrest properties situated in Bermuda. The settlement of the outstanding loan is dependent upon the sale of the collateral property.

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

	SEPTEMBER 30 2019	MARCH 31 2019
Cash and short-term investments	3,638	2,974
Insurance balances receivable	210	1,574
Investments	25,089	24,611
Reinsurers' share of:		
Claims provisions	3,186	3,462
Unearned premium	13	71
Other assets	2,495	1,798
Intangible assets	614	865
Total General fund asset held-for-sale	35,245	35,355
Segregated fund assets	591,217	594,436
	626,462	629,791
LIABILITIES		
Life and annuity policy reserves	11,114	11,997
Insurance balances payable	5,007	4,663
Accounts payable and accrued liabilities	310	1,041
Total General fund liabilities held-for-sale	16,431	17,701
Due to related parties – net ⁽¹⁾	3,104	1,872
Segregated fund liabilities held-for-sale	591,217	594,436
	610,752	614,009

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

5 Investments

5.1 CARRYING VALUES AND ESTIMATED FAIR VALUES OF INVESTMENTS

	SEPTEMBER 30, 2019		MARCH 31, 2019	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Available-for-sale				
Bonds	415,991	415,991	418,933	418,933
Equities	11,877	11,877	10,840	10,840
	427,868	427,868	429,773	429,773
Investments at FVTPL				
Bonds	3,911	3,911	14,265	14,265
Equities	1,876	1,876	3,091	3,091
	5,787	5,787	17,356	17,356
Held-to-maturity				
Bonds	651	655	651	666
	651	655	651	666
Loans and receivables				
Mortgages and loans	14,611	15,107	15,086	15,445
Policy loans	44	44	40	40
	14,655	15,151	15,126	15,485
Derivatives				
Other ⁽¹⁾	(170)	(170)	707	707
Foreign currency forward contracts	(3)	(3)	82	82
	(173)	(173)	789	789
TOTAL INVESTMENTS	448,788	449,288	463,695	464,069

(1) Other consists of interest rate swaps, credit default swaps, options and futures.

Included in Bonds are investments of \$148.9 million (March 2019 – \$152.8 million), which are maintained under the Interest Accumulator Separate Account. The separate account is set up to provide policyholders certain protection from creditors of the Group. These investments are included in the assets supporting the Group's deposit administration pension plans.

During the period, cash flows arising from sales and purchases related to reverse sale and repurchase agreements on investments amounted to \$115.9 (2018 – \$783.9) which are shown net in cash flows generated from/(used in) investing activities in the Consolidated Statements of Cash Flows.

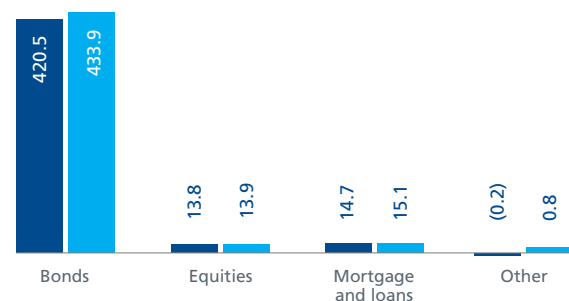
Investments that meet the SPPI criterion

As discussed in Note 2.21.8 of the March 31, 2019 annual financial statements, the Group has made an assessment of its investments against SPPI criterion. As at September 30, 2019, the Group has investments of \$404.4 million that meet the SPPI criterion. This refers to fixed income assets. Investments with a carrying value of \$30.7 million refers to investments which do not have SPPI qualifying cash flows as at September 30, 2019. The change in the fair value of these invested assets during the year is \$0.8 million in gains.

Investments presented as assets held-for-sale with a carrying value of \$25.1 million, refer to mortgages and loans and bond funds, do not have SPPI qualifying cash flows as at September 30, 2019. The change in the fair value of these invested assets during the period is a gain of \$0.8 million.

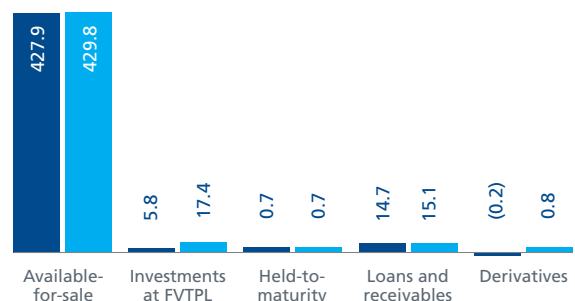
INVESTMENT COMPOSITION
(In millions)

■ September 2019
■ March 2019



INVESTMENT CLASSIFICATION
(In millions)

■ September 2019
■ March 2019



5.2 INVESTMENT INCOME

FOR THE SIX MONTHS ENDED SEPTEMBER 30	2019	2018
Interest income		
Bonds – available-for-sale	6,883	6,107
Bonds – at FVTPL	113	67
Bonds – held-to-maturity	16	17
Mortgages and loans	327	375
Cash and other	322	136
	7,661	6,702
Dividend income		
Equities – available-for-sale	551	517
Equities – at FVTPL	2	74
	553	591
Net realised and unrealised (losses)/gains on investments		
Bonds – available-for-sale	5,220	(392)
Bonds – at FVTPL	73	(227)
Equities – at FVTPL	16	1,884
Equities – available-for-sale	(146)	1,643
Derivative financial instruments	1,429	223
Investment properties	-	(1,400)
	6,592	1,731
Other		
Amortisation of premium on bonds	(605)	(682)
Rental income and other	260	71
	(345)	(611)
INVESTMENT INCOME BEFORE DEDUCTIONS	14,461	8,413
Deductions		
Investment income relating to Deposit Administration Pension Plans	(889)	(698)
INVESTMENT INCOME	13,572	7,715

5.3 INVESTMENT CLASSIFICATION

Effective April 1, 2016, the Group redesignated certain fixed income investments with a carrying value and fair value of \$318.6 million from the held-for-trading to the available-for-sale category. The valuation of these investments is based on Level 2 and 3 inputs in the fair value hierarchy, as defined in Note 6.

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

Management redesignated these investments to the available-for-sale category as allowed by IAS 39, *Financial Instruments*. The investments were redesignated at their fair values as of April 1, 2016 and the effect of

the change was applied prospectively in these financial statements from the date of redesignation.

The carrying value of the redesignated investments as of September 30, 2019 is \$56.2 million (March 2019 – \$73.1 million).

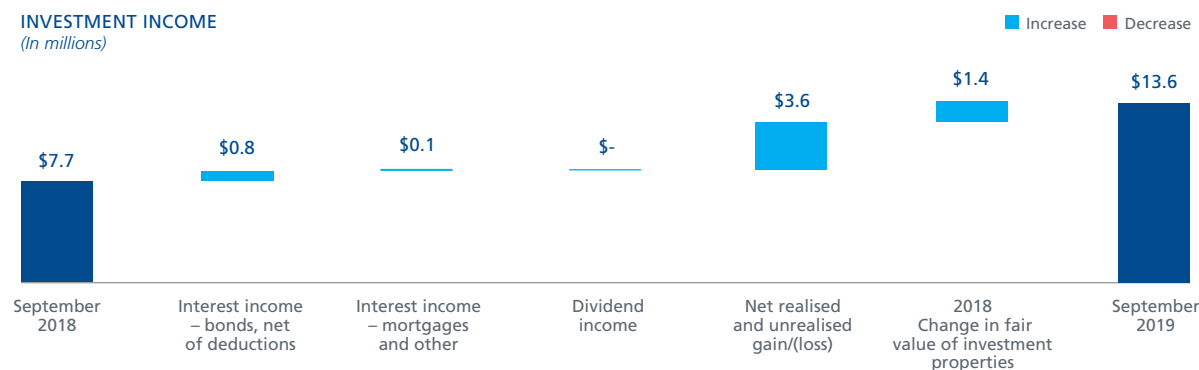
The table below sets out the amounts recognised as Investment income on the Consolidated Statement of Operations and Other comprehensive income in respect of investments redesignated out of the held-for-trading category.

If the investments had not been redesignated, \$2.2 million of unrealised losses (2018 – \$1.2 million unrealised gains) would have been recognised in Investment income on the Consolidated Statement of Operations.

The effective interest rates on trading investments redesignated as available-for-sale ranged from 4.4 percent to 6.7 percent (2018 – 3.6 percent to 6.6 percent), with expected recoverable cash flows of \$83.3 million (2018 – \$131.6 million).

FOR THE SIX MONTHS ENDED SEPTEMBER 30	2019 Consolidated Statement of Operations	Other Comprehensive Loss	2018 Consolidated Statement of Operations	Other Comprehensive Income
Investment income	1,225	-	2,065	-
Net unrealised gains/(losses) on investments	-	2,194	-	(1,227)
	1,225	2,194	2,065	(1,227)

INVESTMENT INCOME (In millions)



6 Fair Value Measurement

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

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

The Group determines the estimated fair value of each individual security utilising the highest level inputs available. Prices for the majority of the Group's investment portfolio are provided by a third-party investment accounting firm whose pricing processes and the controls thereon are subject to an annual audit on both the operation and the effectiveness of those controls. The audit reports are available to clients of the firm and the report is reviewed annually by Management. In accordance with their pricing policy, various reputable pricing sources are used including broker-dealers and pricing vendors. The pricing sources use bid prices where available, otherwise indicative prices are quoted based on observable market trade data. The prices provided are compared to the investment managers' pricing. The Group has not made adjustments to any pricing provided by independent pricing services or its third-party investment managers for either period ending September 30, 2019 and March 31, 2019.

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

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

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

Other similar quoted instruments or market transactions may be used.

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

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

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

Fair value of the Investment contract liabilities (Deposit accounted annuity policies) is determined by using valuation techniques, such as discounted cash flow methods. A variety of factors are considered in the valuation techniques, including yield curve, credit spread and default assumptions, which have market observable inputs. Accordingly, Investment contract liabilities are classified under Level 2.

The carrying values of certain short-term assets and liabilities approximate fair value and are classified as Level 2.

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

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

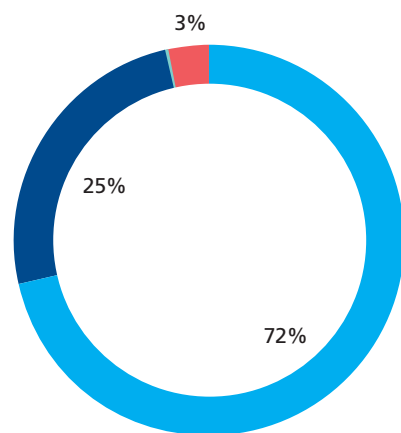
Level 3 investments are securities for which valuation techniques are not based on observable market data. The Group classifies hard-to-value assets and unquoted equities as Level 3 assets as the valuation technique incorporates both observable and unobservable inputs. These investments may be subject to certain lock-up provisions. The type of underlying investments held by the investee, which form the basis of the net asset valuation include assets such as private business ventures, to which the Group does not have access. The Group considers net asset value as a reasonable approximate of fair value.

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

6.1 ASSETS AND LIABILITIES MEASURED AT FAIR VALUE

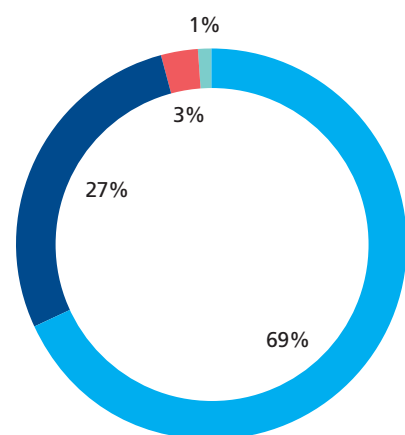
The following table presents fair value of the Group's assets and liabilities measured at fair value in the Condensed Consolidated Balance Sheets, categorised by level under the fair value hierarchy.

ASSET FAIR VALUE LEVELLING SEPTEMBER 2019



■ Level 1 ■ Level 3
■ Level 2 ■ Not measured at fair value

SEPTEMBER 30, 2019	Level 1	Level 2	Level 3	Total Fair Value
Cash and short-term investments	58,131	-	-	58,131
Interest and dividends receivable	-	2,601	-	2,601
Available-for-sale investments				
Bonds				
U.S. government	76,751	-	-	76,751
U.S. corporates	-	211,650	-	211,650
Municipal, other government and agency	-	30,395	-	30,395
Foreign corporates	-	9,753	-	9,753
Mortgage/asset-backed securities	-	57,416	-	57,416
Investment in bond funds	-	30,027	-	30,027
Total Available-for-sale bonds	76,751	339,241	-	415,992
Equities				
Global listed equities	1,909	-	-	1,909
Investment in equity funds	-	7,833	-	7,833
Private equity funds and unquoted equities	-	-	936	936
Total Available-for-sale equities	1,909	7,833	936	10,678
TOTAL AVAILABLE-FOR-SALE INVESTMENTS	78,660	347,074	936	426,670
Investments at FVTPL				
Bonds				
U.S. government	3,911	-	-	3,911
Total Bonds at FVTPL	3,911	-	-	3,911
Equities				
Private equity funds and unquoted equities	-	-	1,876	1,876
Total Equities at FVTPL	-	-	1,876	1,876
TOTAL INVESTMENTS AT FVTPL	3,911	-	1,876	5,787
Derivatives	-	(175)	-	(175)
Receivable for investments sold	-	43,775	-	43,775
Other financial assets under Other assets	-	3,571	-	3,571
Investment properties	-	11,300	-	11,300
TOTAL ASSETS AT FAIR VALUE	140,702	408,146	2,812	551,660
Liabilities				
Investment contract liabilities	-	648	-	648
Payables arising from investment transactions	-	44,668	-	44,668
Accounts payable and accrued liabilities	-	22,278	-	22,278
TOTAL LIABILITIES AT FAIR VALUE	-	67,594	-	67,594
SEGREGATED FUNDS				
From continuing operations	1,678	973,389	-	975,067
Held-for-sale	37,230	392,319	161,668	591,217
	38,908	1,365,708	161,668	1,566,284

ASSET FAIR VALUE LEVELLING
 MARCH 2019


■ Level 1 ■ Level 3
■ Level 2 ■ Not measured at fair value

MARCH 31, 2019	Level 1	Level 2	Level 3	Total Fair Value
Cash and short-term investments	51,381	-	-	51,381
Interest and dividends receivable	-	3,061	-	3,061
Available-for-sale investments				
Bonds				
U.S. government	86,177	-	-	86,177
U.S. corporates	-	207,913	-	207,913
Municipal, other government and agency	-	50,079	-	50,079
Foreign corporates	-	8,719	-	8,719
Mortgage/asset-backed securities	-	36,863	-	36,863
Investment in bond funds	-	29,182	-	29,182
Total Available-for-sale bonds	86,177	332,756	-	418,933
Equities				
Global listed equities	1,149	-	-	1,149
Investment in equity funds	-	7,413	-	7,413
Private equity funds and unquoted equities	-	-	1,062	1,062
Total Available-for-sale equities	1,149	7,413	1,062	9,624
TOTAL AVAILABLE-FOR-SALE INVESTMENTS	87,326	340,169	1,062	428,557
Investments at FVTPL				
Bonds				
U.S. government	14,265	-	-	14,265
Total Bonds at FVTPL	14,265	-	-	14,265
Equities				
Global listed equities	1,215	-	-	1,215
Private equity funds and unquoted equities	-	-	1,876	1,876
Total Equities at FVTPL	1,215	-	1,876	3,091
TOTAL INVESTMENTS AT FVTPL	15,480	-	1,876	17,356
Derivatives	-	789	-	789
Receivable for investments sold	-	29,810	-	29,810
Other financial assets under Other assets	-	3,008	-	3,008
Investment properties	-	11,300	-	11,300
TOTAL ASSETS AT FAIR VALUE	154,187	388,137	2,938	545,262
LIABILITIES				
Investment contract liabilities	-	704	-	704
Payables arising from investment transactions	-	56,561	-	56,561
Accounts payable and accrued liabilities	-	18,392	-	18,392
TOTAL LIABILITIES AT FAIR VALUE	-	75,657	-	75,657
SEGREGATED FUNDS				
From continuing operations	1,678	934,766	-	936,444
Held-for-sale	34,193	404,254	155,989	594,436
	35,871	1,339,020	155,989	1,530,880

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

AS AT SEPTEMBER 30, 2019					
	At FVTPL Bonds	At FVTPL Equities	Available- for-sale Bonds	Available- for-sale Equities	Total
Balance, beginning of year	-	1,876	-	1,062	2,938
Included in Investment income	-	-	-	(220)	(220)
Included in Other comprehensive income	-	-	-	69	69
Purchases	-	-	-	25	25
	-	1,876	-	936	2,812

AS AT MARCH 31, 2019					
	At FVTPL Bonds	At FVTPL Equities	Available- for-sale Bonds	Available- for-sale Equities	Total
Balance, beginning of year		1,946	-	961	2,907
Included in Investment income		(70)	-	-	(70)
Included in Other comprehensive income		-	-	101	101
	-	1,876	-	1,062	2,938

6.2 ASSETS AND LIABILITIES NOT MEASURED AT FAIR VALUE

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

SEPTEMBER 30, 2019	Level 1	Level 2	Level 3	Total Fair Value	Carrying Value
ASSETS					
Held-to-maturity bonds ⁽¹⁾	-	655	-	655	651
Mortgages and loans ⁽²⁾	-	15,107	-	15,107	14,617
Private equities	-	1,200	-	1,200	1,200
Policy loans	-	44	-	44	44
TOTAL ASSETS DISCLOSED AT FAIR VALUE	-	17,006	-	17,006	16,512
LIABILITIES					
Investment contract liabilities ⁽³⁾	-	231,068	-	231,068	237,281
TOTAL LIABILITIES DISCLOSED AT FAIR VALUE	-	231,068	-	231,068	237,281
MARCH 31, 2019					
	Level 1	Level 2	Level 3	Total Fair Value	Carrying Value
ASSETS					
Held-to-maturity bonds ⁽¹⁾	-	667	-	667	652
Mortgages and loans ⁽²⁾	-	15,445	-	15,445	15,086
Private equities	-	-	1,216	1,216	1,216
Policy loans	-	40	-	40	40
TOTAL ASSETS DISCLOSED AT FAIR VALUE	-	16,152	1,216	17,368	16,994
LIABILITIES					
Investment Contract liabilities ⁽³⁾	-	232,048	-	232,048	241,078
TOTAL LIABILITIES DISCLOSED AT FAIR VALUE	-	232,048	-	232,048	241,078

(1) Fair value of bonds – see Note 6 for valuation techniques used to measure fair value.

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

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

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

6.3 TRANSFERS OF ASSETS AND LIABILITIES WITHIN THE FAIR VALUE HIERARCHY

The Group's policy is to record transfers of assets and liabilities between levels at their fair values as at the end of each reporting period, consistent with the date of determination of fair value. Assets are transferred out of Level 1 when they are no longer transacted with sufficient frequency and volume in an active market. Conversely, assets are transferred from Level 2 to Level 1 when transaction volume and frequency are indicative of an active market. There were no transfers between Levels 1 and 2 during the period ended September 30, 2019 (March 2019 – nil).

There were no transfers out of Level 3 during the period ended September 30, 2019 (March 2019 – nil).

7 Operating Segments

Transactions between segments consists primarily of rental and internal financing agreements and insurance contracts. Inter-segment income has been omitted in the following table as immaterial.

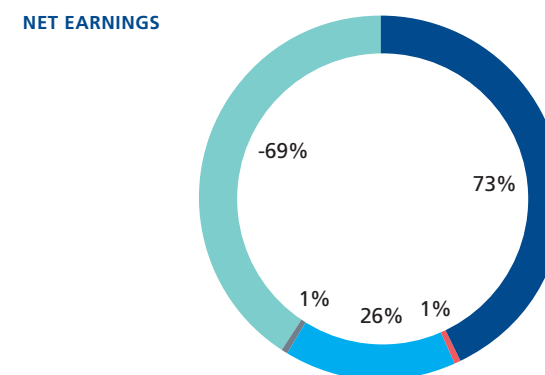
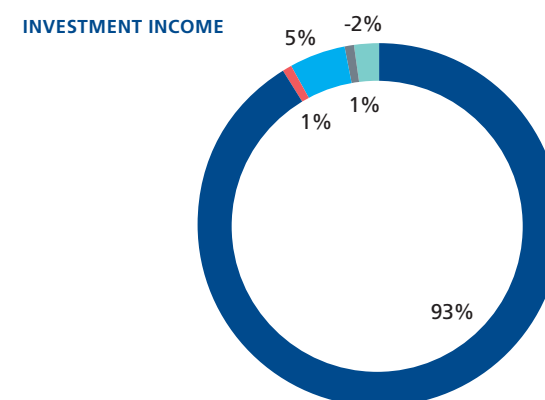
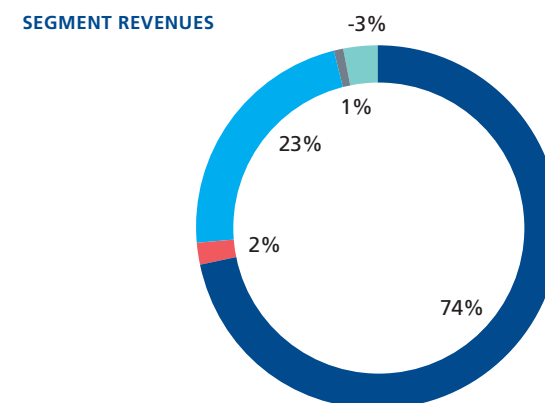
7.1 RESULTS BY SEGMENT

FOR THE SIX MONTHS ENDED SEPTEMBER 30		Employee Benefits	Wealth Management	Global Property & Casualty	All Other	Disposal Groups	Elimination	Total
Segment revenues	2019	61,670	1,996	19,151	-	700	(2,588)	80,929
	2018	66,445	1,995	18,265	13	1,139	(1,440)	86,417
Investment income	2019	12,868	111	732	103	193	(435)	13,572
	2018	8,451	20	(574)	21	640	(843)	7,715
Share of earnings of associates	2019	-	-	178	-	-	-	178
	2018	-	-	162	-	-	-	162
TOTAL SEGMENT REVENUES	2019	74,538	2,107	20,061	104	893	(3,023)	94,680
	2018	74,896	2,015	17,853	34	1,779	(2,283)	94,294
Amortisation, depreciation and impairment	2019	1,474	-	580	553	-	234	2,841
	2018	1,292	2	510	446	-	234	2,484
Income tax expense	2019	-	-	164	-	-	(24)	140
	2018	-	-	424	-	-	-	424
Reportable segment earnings attributable to shareholders, after tax	2019	9,011	142	3,194	(7,723)	140	(898)	3,866
	2018	11,481	246	2,239	(3,017)	(574)	(373)	10,002

GEOGRAPHIC INFORMATION ON SEGMENT REVENUES:

FOR THE SIX MONTHS ENDED SEPTEMBER 30		Bermuda	Europe	Total
Segment revenues	2019	84,607	10,073	94,680
	2018	84,295	9,999	94,294

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



7.2 ASSETS AND LIABILITIES BY SEGMENT

	Employee Benefits	Wealth Management	Property & Casualty	All Other	Disposal Groups	Elimination	Total
SEPTEMBER 30, 2019:							
General fund assets	535,086	1,518	132,977	171,034	32,141	(135,322)	737,434
Segregated fund assets	975,067	-	-	-	591,217	-	1,566,284
General fund liabilities	489,842	374	90,952	9,857	16,430	(736)	606,719
Segregated fund liabilities	975,067	-	-	-	591,217	-	1,566,284
MARCH 31, 2019:							
Total General Fund Assets	537,060	1,072	114,384	167,929	33,484	(136,838)	717,091
Segregated Fund Assets	936,444	-	-	-	594,436	-	1,530,880
Total General Fund Liabilities	495,899	380	70,923	12,903	17,701	(700)	597,106
Segregated Fund Liabilities	936,444	-	-	-	594,436	-	1,530,880

8 Post-employment Benefit Liability

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

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

The movement in the defined benefit liability is as follows:

	For the six months ended September 30 2019	For the year ended March 31 2019
Balance, beginning of year	3,311	3,339
Movements during the period/year recognised in Operating expense:		
Current service cost	22	41
Interest cost on benefit liability	44	101
	66	142
Remeasurement during the period/year included in Other comprehensive income:		
Actuarial gain arising from experience adjustment	294	(29)
Benefit payments	(68)	(141)
BALANCE, END OF PERIOD/YEAR	3,603	3,311

As at September 30, 2019, the present value of the defined benefit obligation was comprised of \$0.9 million (March 2019 – \$0.9 million) relating to active employees and \$2.7 million (March 2019 – \$2.4 million) relating to members in retirement.

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

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

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

	SEPTEMBER 30 2019	MARCH 31 2019
Discount rate	2.7%	3.5%
Healthcare cost trend rate	5.5%	5.5%

9 Earnings Per Share

The following table reflects the net earnings/(loss) and share data used in the basic and diluted earnings per share computations:

FOR THE SIX MONTHS ENDED SEPTEMBER 30 (in \$000's)		
	2019	2018
Net earnings/(loss) for the period	3,866	10,002
<hr/>		
AS AT SEPTEMBER 30		
	2019	2018
Common shares and common share equivalents	21,269,235	21,092,949
Weighted average outstanding common shares	21,211,015	21,022,646

10 Segregated Funds

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

Changes to Segregated Funds are as follows:

	SEPTEMBER 30 2019	MARCH 31 2019
	Note	
<hr/>		
Additions to Segregated Funds		
Premiums, contributions and transfers	56,794	84,025
Return on investments	62,148	(1,673)
Segregated funds acquired	-	31
	118,942	82,383
<hr/>		
Deductions from Segregated Funds		
Withdrawals, benefits paid and funds transfers to the General	76,367	146,357
Operating expenses	7,171	15,618
	83,538	161,975
<hr/>		
Net additions to/(deductions from) Segregated funds for the period/year		
	35,404	(79,592)
Segregated funds, beginning of period/year	1,530,880	1,610,472
<hr/>		
Segregated funds, end of period/year	1,566,284	1,530,880
<hr/>		
Segregated funds classified under held-for-sale, end of period/year		
	4 (591,217)	(594,436)
<hr/>		
Segregated funds from continuing operations, end of period/year		
	975,067	936,444

11 Commissions, Management Fees and Other

Commissions, Management Fees and Other recognised during the period are as follows:

FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2019	Employee Benefits	Wealth Management	Global Property & Casualty	Disposal Groups	Total
Fee income services contracts					
Pensions and policyholder administration	6,466	-	3	1,775	8,244
Investment management	-	1,948	-	-	1,948
Brokerage income	-	-	1,706	-	1,706
Total fee income from service contracts	6,466	1,948	1,709	1,775	11,898
Reinsurance commission income	813	-	4,311	-	5,124
	7,279	1,948	6,020	1,775	17,022
<hr/>					
FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2018	Employee Benefits	Wealth Management	Global Property & Casualty	Disposal Groups	Total
Fee income services contracts					
Pensions and policyholder administration	6,500	-	-	2,424	8,924
Investment management	-	1,745	-	-	1,745
Brokerage income	-	-	1,616	-	1,616
Total fee income from service contracts	6,500	1,745	1,616	2,424	12,285
Reinsurance commission income	1,128	-	4,342	-	5,470
	7,628	1,745	5,958	2,424	17,755

12 Components of Accumulated Other Comprehensive Income/(Loss)

	SEPTEMBER 30 2019	MARCH 31 2019
Remeasurement of post-employment medical benefit obligation	(888)	(594)
Available-for-sale investments	11,293	2,736
Translation of financial statements of foreign operations	(3,280)	(3,523)
TOTAL ACCUMULATED OTHER COMPREHENSIVE INCOME/(LOSS)	7,125	(1,381)

As at September 30, 2019, the accumulated other comprehensive income from the International Life Division was \$nil (March 2019 – \$nil).

13 Right-of-use and Lease liabilities

Effective April 1, 2019, the Group has applied IFRS 16 to the condensed consolidated interim financial statements.

The Group leases office spaces with lease terms ranging from 2 years to 10 years.

AS AT SEPTEMBER 30, 2019

Right-of-use assets

Balance, April 1, 2019	2,595
Additions ⁽¹⁾	449
	3,044
Depreciation for the period	(294)
NET CARRYING AMOUNT ⁽²⁾	2,750

(1) The additions pertain to office space rentals of OTH and FirstUnited.

(2) Included in Property and equipment.

AS AT SEPTEMBER 30, 2019

Lease liabilities

Undiscounted cashflows

Within 1 year	736
After 1 year but not more than 5 years	1,960
More than 5 years	587

Undiscounted balance	3,283
Effect of discounting	468

LEASE LIABILITIES ⁽³⁾	2,815
---	--------------

(3) Included in Accounts payable and accrued liabilities.

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

14 Directors and Officers Holdings and Restricted Stock

At September 30, 2019 the Directors and Officers of the Company had combined interests totalling 87,537 shares out of 21,901,634 shares (2018 – 76,241 shares out of 21,995,542 shares) in issue on that date.

In the six-month period ended September 30, 2019 there were 12,601 (2018 – 12,201) restricted shares granted to Directors and Officers.

15 Subsequent Events

15.1 DIVIDENDS

The Board has declared a final dividend of nine cents per share based upon the audited financial statements of the Group for the year ended March 31, 2019. This is payable on January 28, 2020 for shareholders of record on December 31, 2019.

15.2 DIVESTMENT

The Group has made considerable progress in selling certain assets and liabilities classified under held-for-sale (Note 4).

Subsequent to September 30, 2019, a sale and purchase agreement for the sale of a portion of Whitecrest properties has been agreed with a potential buyer. The completion of the sale is still subject to court approval and the potential buyer obtaining the appropriate license from the government.

Discussions regarding the sale of the International Life Division remain ongoing.

16 Comparative Figures

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

Photography

Adamkaz
Charles Anderson
Kuzmichstudio
Metamorworks
Monkeybusinessimages
Portra
Rawpixel
Victor Tongdee
Wundervisuals

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

By using this paper we have used;

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

Registered Office

The Argus Building, 14 Wesley Street, Hamilton HM 11, Bermuda
T (441) 295-2021 F (441) 292-6763

Mailing Address

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

Customer Service Centre

T (441) 298-0888
insurance@argus.bm
argus.bm

