ARGUS

Insurance • Pensions • Investments

2008 ANNUAL REPORT

THE ARGUS GROUP

Building on decades of experience and a strong capital base, Argus provides a broad range of insurance, retirement and financial services to meet the needs of both businesses and individuals.

OUR VISION

Our vision is to be the customer's first choice for insurance, retirement and financial services. We are committed to providing our customers with financial security and peace of mind through innovative solutions, which provide excellent value.

OUR MISSION

We will achieve our vision by:

- Focusing first on the needs of the market segments we choose to serve
- Building upon the strength of the Argus name
- Introducing innovative products and enhancements
- Continuing to focus on direct distribution as our primary channel, while developing alternative channels such as intermediaries, strategic partnerships and technology
- Recruiting and retaining the very best people
- Developing knowledgeable people who provide fast, friendly and convenient service to our customers
- Developing our ability to perform as one cross-functional team
- Exploring opportunities to exploit our leading financial performance and capital position

In addition, Argus will look for growth opportunities by expanding into related business products and services.

OUR PHILOSOPHY AND VALUES

As we interact with our colleagues and meet our responsibilities to our customers, shareholders and the community, we welcome the challenge inherent in change, while adhering to values that remain constant.

- We do not compromise individual or corporate honesty or integrity
- We respect every person as an individual
- We actively promote competence and professionalism within our organisation
- We achieve higher levels of performance through teamwork
- We recognise that fairness is critical in reaching decisions
- We promote and acclaim creativity as we strive to achieve our goals

THE ARGUS GROUP

ARGUS GROUP HOLDINGS LIMITED
Group Holding Company

ARGUS INSURANCE COMPANY LIMITED
Fire and Windstorm (Home and Commercial Property), Contractors' All Risks, Liability, Marine, Motor, Employer's Indemnity (Workers' Compensation) and Group Accident Insurance

CENTURION INSURANCE SERVICES LIMITED
Insurance Agent and Licensed Broker

ARGUS INSURANCE COMPANY (EUROPE) LIMITED, Gibraltar
Home and Commercial Property, Contractors' All Risks, Liability, Marine and Motor

WESTMED INSURANCE SERVICES LIMITED, Gibraltar
Insurance Brokerage and Agency

BERMUDA LIFE INSURANCE COMPANY LIMITED
Pensions, Group Life and Long Term Disability Insurance, Individual Life and Annuities

ARGUS INTERNATIONAL LIFE BERMUDA LIMITED
(Formerly: Tremont International Insurance Ltd.) Individual Life and Annuities

ARGUS INTERNATIONAL LIFE INSURANCE LIMITED
(Formerly: MassMutual Bermuda Ltd.) Individual Life and Annuities (74% Interest)

BERMUDA LIFE WORLDWIDE LIMITED
Individual Life and Annuities (in run-off)

SOMERS ISLES INSURANCE COMPANY LIMITED
Group and Individual Health Insurance including: Major Medical, Dental and Vision Care

ARGUS FINANCIAL LIMITED
Investment Management Services (60% Interest)

ARGUS INVESTMENT NOMINEES LIMITED
Nominee Company (60% Interest)

ARGUS INTERNATIONAL MANAGEMENT LIMITED
Company Management

ARGUS MANAGEMENT SERVICES LIMITED
Financial, Investment and General Management Services

DATA COMMUNICATIONS LIMITED
Information Systems

ST. MARTIN'S REINSURANCE COMPANY, LTD.
Financial Reinsurance (in run-off)

ARGUS PROPERTY LIMITED & TROTT PROPERTY LIMITED
Property Holding Companies

Argus Group Holdings Limited is a public company, its shares trading on The Bermuda Stock Exchange.

At March 31, 2008 it had 1,178 shareholders; 90 percent of whom were Bermudian, holding 83 percent of the issued shares.

Wellness is not simply the absence of illness, but rather an improved quality of life with enhanced physical, mental and spiritual health. At Argus we believe that achieving wellness in all areas contributes to a happy and healthier life. **WORKPLACE**, **INNER**, **FINANCIAL**, **FAMILY**, **SOCIAL** and **PHYSICAL** wellness are important to personal success and to the success of Bermuda as a thriving community.

BOARD OF DIRECTORS

James A. C. King, MD
Chairman

David P. Gutteridge
Deputy Chairman

John D. Campbell, QC, JP

W. Roger Davidson*

Reginald S. Minors, JP

Sheila E. Nicoll, FCII

John D. Pereira

The Hon. Gerald D. E. Simons, OBE
President & Chief Executive Officer

Robert D. Steinhoff, FCA

Alan R. Thomson

Christopher P. Trott

COMMITTEES OF THE BOARD

Nominations and Governance Committee

Compensation Committee

Audit Committee

*Retires July 2008

GROUP MANAGEMENT

Gerald D. E. Simons, FLMI, HIA, ACS
President &
Chief Executive Officer /11

David W. Pugh, FCA
Chief Financial Officer
& Secretary /15

Andrew I. Baker, FCII
Chief Executive
Argus Insurance Company (Europe) Limited,
Gibraltar /8

Lauren M. Bell, FLMI, HIA, ACS
Executive Vice President
Life & Pensions /14

Andrew H. Bickham, ACII
Executive Vice President
Broking /16

Cindy F. Campbell, CPA, MBA
Chief Operating Officer
Argus Financial Limited /13

David J. Crowhurst, FCII, Chartered Insurer
Executive Vice President
Property & Casualty /2

John Doherty, CPCU, ARe
Vice President
Property & Casualty /5

Brian C. E. Foster, ACII, ARM
Vice President
Agency /9

Michelle Jackson, MBA, MSc
Vice President
Group Insurance /4

Larry A. Peck, FSA, FCIA, MAAA
Group Actuary /1

C. Joy Pimental, FLMI, ACS
Executive Vice President
Marketing /10

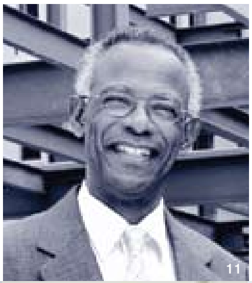
Wanda E. Richardson, MA, SPHR
Vice President
Organisational Development /6

Sheena M. Smith, CPA
Vice President
Finance /12

Philip R. Trussell
Managing Director
International Life /7

Paul Williams
Executive Vice President
Information Systems /3


9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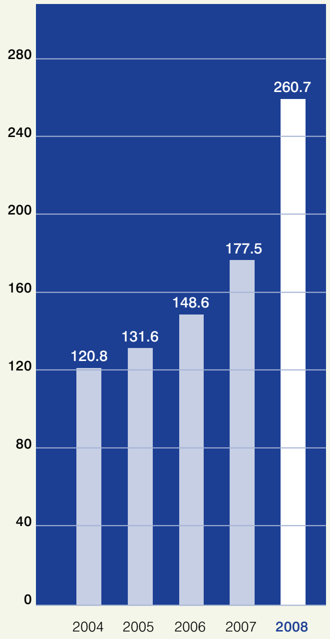
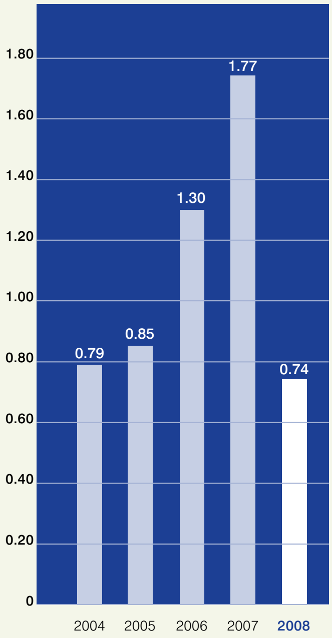
FINANCIAL HIGHLIGHTS

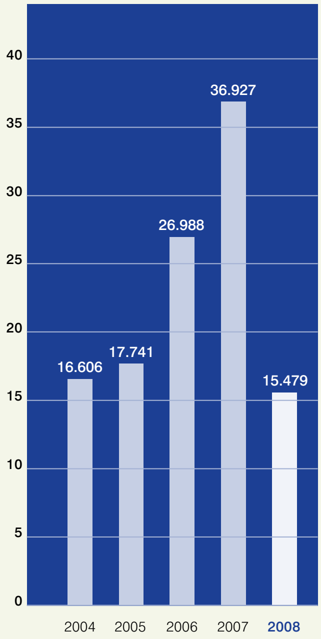
SHAREHOLDERS' EQUITY
Millions of Dollars



EARNINGS PER SHARE
(Basic) Dollars Per Share



EARNINGS FOR THE YEAR
Millions of Dollars



FIVE YEAR SUMMARY – FINANCIAL AND SHAREHOLDER DATA

(In $ thousands, except share data)	**2008**	2007	2006	2005	2004
FOR THE YEAR					
Total revenue	138,224	153,814	134,044	105,232	95,083
Earnings for the year	15,479	36,927	26,988	17,741	16,606
Cash dividends	12,692	10,044	7,780	7,057	6,218
AT YEAR END					
Total General Fund Assets	643,823	535,760	471,405	455,227	358,521
Shareholders' Equity	260,665	177,504	148,614	131,590	120,814
FINANCIAL RATIOS					
Earnings per share – fully diluted	$0.73	$1.75	$1.28	$0.83	$0.78
Return on average Shareholders' Equity	7.07%	22.64%	19.26%	14.06%	14.37%
Cash dividend payout ratio	81.99%	27.20%	28.82%	39.78%	37.44%
SHAREHOLDER DATA					
Shares in issue	21,441,618	19,418,989	17,520,161	17,488,838	17,379,055
Book value per share	$12.16	$9.14	$8.48	$7.52	$6.95
NUMBER OF EMPLOYEES	173	170	166	154	130

REPORT TO SHAREHOLDERS

The year ended March 31, 2008, was one of mixed fortunes for the Argus Group. After years of putting new systems and processes in place, each of our operating units has achieved better results than ever before. This has been offset by a sharp reduction in investment income precipitated by turbulence in world equity markets, adoption of new accounting rules and the anticipated restructuring of certain non-performing mortgage loans.

FINANCIAL RESULTS

Earnings for the year were $15.5 million compared to $36.9 million for the previous year, a 58 percent reduction. This result provided a six percent return on revised opening shareholders' equity which had been uplifted at the beginning of the year by $81 million to reflect the adoption of new accounting rules. These new rules required us to mark the majority of the Group's investments to market or fair value. Fully diluted earnings per share were $0.73, down $1.02 compared to $1.75 last year.

Total General Fund Assets increased by $108 million to $644 million of which $81 million is attributable to the aforementioned opening adjustment to investments as the transition was made to the new accounting rules. Assets held in our separate account funds increased to $1.374 billion. The Group now has over $2 billion under its administration. Shareholders' equity at year-end had risen to $260.7 million, an increase of $83 million, or 47 percent, a large part of which is derived from the recognition of significant unrealised gains required to be booked in recognition of the investment fair values at the beginning of the year.

Gross premiums written increased by 4.4 percent reflecting our continuing efforts to achieve acceptable underwriting ratios by appropriate adjustments to premiums. Claims experience has benefitted from increased deductibles and, in certain specific areas, declinations to cover. We are pleased to note that some success has been achieved in this regard, as almost all lines of business have demonstrated improved results. This situation has, of course, been assisted by the lack of catastrophic events, especially major windstorms, and a lower than anticipated level of overseas medical claims.

It is in the area of Investment income that the Group has seen reduced performance for the first time in many years. This has arisen due to a combination of factors. Prior to 2008, generally accepted accounting principles followed in Canada, which have general application in Bermuda, allowed the Group to recognise, each year, 15 percent of the unrealised gains or losses on equities held in our life subsidiaries. This policy applied to Bermuda Life's significant investment in equities quoted on The Bermuda Stock Exchange. With effect from April 1, 2007, this moving market average method no longer applied and all such quoted investments have been classified as 'held for trading' and recorded at market value. The immediate effect of this change has been substantially increased volatility of earnings as unrealised gains and losses on all investments throughout the Group that are 'held for trading' are recognised in Net Earnings in the year in which they occur. The good news for shareholders was that upon implementation of these new accounting rules, a one time increase to opening Shareholders' equity of $81 million as at April 1, 2007, was recorded. Unfortunately, the significant drop in worldwide stock market prices during the year under review, especially in the banking and finance sectors, caused a significant decline in the fair value of our equity portfolio. This has been immediately reflected in earnings this year as unrealised investment losses. The other main factor which has affected Investment income is the accounting

workplace wellness

Argus initiated the first comprehensive insurance-led Wellness Programme in Bermuda. Many of our client companies have implemented this successful programme for their employees. The programme focuses on changing one behaviour at a time and taking small steps toward better health. Our clients, as well as the Argus staff, have benefited from the monthly wellness challenges, such as eating more fruits and vegetables and getting adequate sleep.

effect of the anticipated restructuring of certain large mortgage loans which are considered non-performing. This restructuring will include the acceptance of a reduced rate of interest in the future with repayment of principal over an extended period of time. This required the Group to create a provision totalling $13 million for the reduction in the net realisable value of future amounts receivable over time compared to the original loan expectations. Your Directors and Management are confident in the long-term integrity of the Group's investment portfolios and, whilst mindful of recent fluctuations in value, remain confident that the overall value of investments remains intact.

In addition, the Group is now required to report as 'Other Comprehensive Income' any unrealised gains and losses on financial assets classified as 'available for sale' together with any foreign currency translation adjustment of our self-sustaining foreign operations. Accordingly, at the beginning of the year the Group added almost $6 million to Shareholders'

Equity and Investments via Other Comprehensive Income as investments deemed to be 'available for sale' were adjusted to their fair value by the inclusion of unrealised gains and losses for the first time. In the year ended March 31, 2008, the net unrealised losses recorded as 'Other comprehensive loss' amounted to $340,000 and arose from the reduction in value of trade investments. Shareholders' equity includes 'Accumulated other comprehensive income' which at the year end totalled $6.1 million.

Commissions, management fees and other income increased by 27.1 percent reflecting the fees earned on additional assets under management in our international life and annuity, investment administration and pensions divisions and also ceding and profit commissions earned by our property and casualty operations.

Operating expenses increased by nine percent in the year as a result of the continuing investment in information systems and additional costs associated with the expansion of our international life and annuity division.

The Group's operating expenses expressed as a percentage of total revenue saw a year on year increase from 20.9 to 25.3 percent primarily as a result of the reduced contribution of investment income to total revenue.

At the beginning of the financial year the Argus share price was $13.64 (adjusted for the September, 2007 one-for-ten stock dividend). The year-end price of $16.00 thus represents an uplift in value of 17.3 percent. The quarterly cash dividend was raised from 14 to 16 cents per share on the additional number of shares resulting from the stock dividend, an increase in the annualised cash dividend of 15.7 percent.

A.M. Best reaffirmed the rating of "A" (Excellent) for each of the

At Argus we believe that it is important for communities to offer opportunities to stimulate the mind. The success of our employees on the job is enhanced by their involvement in the arts. Argus is committed to supporting organisations that encourage creativity and artistic expression.

Group's insurance subsidiaries in Bermuda. This is the highest rating enjoyed by any of the Bermuda-owned insurance companies.

PROPERTY AND CASUALTY

The property and casualty business, which includes both the Bermuda and Gibraltar operations, has had a successful year with the main classes performing satisfactorily. These results also include business placed by our agency in Malta.

The Bermuda-based subsidiaries continued with the implementation of their strategies of improved risk selection and stricter rating which has yielded excellent returns during the year. Our disciplined underwriting policy is a contributing factor particularly in our motor portfolio which continues to improve year over year. We note that the rate of road traffic accidents and fatalities continues to rise; Argus remains committed to supporting the efforts of Government and the Road Safety Council to promote road safety measures and to reduce the frequency and severity of road accidents. As insurers, we suffer the financial loss but the community and the families involved bear the lasting personal losses.

In Europe, our operations continued to deliver results in line with expectations with improvements across all lines of business. Gibraltar, where Argus dominates the local property and casualty market, produced strong underlying growth which is in line with our plan of attracting new clients and improving customer retention through ongoing customer service and claims initiatives. Despite strong competition from local and UK-based insurers, rating and underwriting disciplines were maintained resulting in an increased local underwriting profit. In Malta, where Argus is represented by an underwriting agency, there was a welcome return to underwriting profitability and a pleasing increase in underlying growth. These improvements were achieved by firm underwriting and claims actions, coupled with the introduction of a development strategy based around new distribution opportunities.

The outlook for property and casualty in Bermuda, Gibraltar and Malta remains positive in markets with increasing competition. With the skills and expertise of our underwriting and claims teams, we are confident of achieving our goals for the years ahead.

GROUP INSURANCE

Our health insurance division produced solid results during the year with the overall contribution being better than expected due to lower than anticipated claims.

This year our wellness initiative focused on small to mid-sized companies, many of which joined the Argus Wellness Programme. Our annual Argus Health Fair saw a 50 percent increase in attendance and the number of free screenings provided to the public almost doubled. The theme of the Argus booth, "You are what you eat", highlighted the amount of saturated fat in many of the foods that we eat which contributes to Bermuda's increasing incidence of obesity. Obesity can lead to diabetes, heart attack, having or dying from a stroke, developing arthritis, cancer and many other conditions. This topic is especially important as the Department of Health's 'Well Bermuda Strategy' identifies obesity as one of the island's top health problems.

We continue to be very active in participating in the improvement of the healthcare system in Bermuda as members of the Health Insurance Association of Bermuda and the Well Bermuda Partnership Committee and also

financial wellness

by supporting the activities of the Bermuda Health Council. These organisations are mandated to shape the future of healthcare and public health in Bermuda and Argus is pleased to provide support in their efforts to enhance the health of the people of Bermuda.

Our other group benefit products, life, long term disability, short term disability and workers' compensation continued to perform well this year.

PENSIONS

During the year, Argus celebrated 50 years in the pensions business. With life expectancy increasing and the birth rate declining, planning for retirement has never been more important. As part of our celebrations, we held the island's first Pensions Awareness Week which was dedicated to public education on pensions and the importance of planning for retirement. During the week we ran a series of educational advertisements, delivered a speech to the

We understand that with increasing life expectancy and the rising cost of living in Bermuda, financial planning for a happy retirement is of the utmost importance. In celebration of 50 years in the pensions business, Argus held the first Pensions Awareness Week in Bermuda and hosted several seminars to provide our clients with valuable information on how to prepare for their retirement.

family wellness

Parents are children's first teachers. It is from parents that children learn family values and how to lead healthy lifestyles. Argus is committed to supporting organisations like the Bermuda Aquarium, Museum and Zoo which is geared toward the whole family enjoying time together while learning about Bermuda's physical environment.

Hamilton Rotary Club and conducted a number of presentations for our plan members.

After 50 years in the business, we are one of the largest pensions administrators in Bermuda with over $600 million in assets under management. This represents a one-year increase of almost eight percent and a three-year growth rate of almost 50 percent. Our pension clients have invested over $250 million of these assets in the Argus Select Funds which are managed by Argus Financial Limited.

We continue to look for ways to expand and improve the services that we provide to our clients while streamlining processing, record-keeping and administrative procedures.

INTERNATIONAL LIFE AND ANNUITIES

With the acquisition of Tremont International Insurance Ltd during 2007, the focus for the year of the international life and annuity operations was on consolidation. Our variable life and annuity policies were consolidated on a common investment management and insurance administration platform under the Argus International Life banner. With the addition of new staff and the streamlining of operations on the new systems, Argus International Life is well positioned for growth and confirms its place as a key player in the offshore high net worth insurance market.

In February 2008, Argus acquired MassMutual Bermuda Ltd, the Bermuda-based insurer offering variable life and annuity insurance products. Having actively pursued the international wealth management market for over a decade, this acquisition further enhances the position of Argus as a leading offshore insurance provider in this field. This company has been renamed Argus International Life Insurance Limited.

ASSET MANAGEMENT

Argus Financial Limited had a successful year after gaining significant traction in private wealth management, both domestically and abroad, and by continuing to build on its strength in the domestic pension investment management business. This company now administers close to $1.5 billion of client assets and is poised for significant growth in the future.

NEW CORPORATE HEADQUARTERS AND REAL ESTATE

The construction of the new corporate headquarters is progressing and handover for interior fit-out is expected to occur in September 2008. Accordingly, we anticipate moving into our new premises early in 2009. We expect to be able to let two floors of this new building to external tenants whilst retaining up to three floors of the current Argus Building to house

Argus realises that improving the physical environment enhances the common welfare of all Bermudians. We support the efforts of the Buy Back Bermuda campaign in conserving our green space for current and future generations to enjoy. It is important to preserve and protect Bermuda's unique heritage.

'back office' functions with the remaining floors being similarly rented to external tenants. Management and your Board continue to explore the various options available concerning the land that is surplus to the immediate needs of the Group.

INFORMATION SYSTEMS

Argus recognises the need for maintaining a solid infrastructure and robust systems for use by both our clients and staff. Our continuing plan will see a number of major projects initiated throughout the Group to provide seamless solutions across all of our businesses.

In the coming year we intend to introduce updated technologies in our new office space. This will include a brand new resilient infrastructure, fully integrated telephony and the ability to support a number of emerging technologies well into the future. Our staff will have the tools required in a demanding business environment.

These projects and the information systems team will be managed by our new Executive Vice President for Information Systems, Mr. Paul Williams, who joins Argus with 20 years of information technology experience. In this role, he will be responsible for strategically managing and supporting the information systems of the Group to enable us to operate more efficiently.

PERSONNEL AND COMMUNITY

We are pleased to advise our shareholders of other management changes within the Group in the last several months. Mrs. Cindy Campbell who previously held the position of Executive Vice President, Group Insurance, has moved to Argus Financial Limited as the Chief Operating Officer replacing Mr. Henry Perren. Mr. Perren has played a key role in the development and success of this new business and he will remain in close contact with the Group as he rejoins our joint venture partners, Cidel Bank & Trust in Toronto. Mrs. Michelle Jackson was promoted to Vice President, Group Insurance, replacing Mrs. Campbell. Mrs. Jackson joined the Group in 2004 after enjoying a career in the USA as an information systems and financial consultant. Prior to taking up her new position, she was responsible for special projects in the Group Insurance Department at Argus.

At March 31, 2008, the employee complement in Bermuda was 152 with an additional 21 staff in Gibraltar. The investment in our staff has been enhanced with a number of initiatives including an Employee Opinion Survey which was completed in November 2007. As a result of this survey, focus groups were formed which gave the employees further input into the methods of recruiting and retaining our workforce talent. We have also introduced a leadership development competency model and have completed the first phase of the succession plan which focuses on top line management.

At Argus we promote a culture of volunteerism and we are encouraged by the number of employees who give back to our community. Corporately, we continue to support and participate in community events to the benefit of all Bermuda. We are the principal sponsor of the Argus Tennis Open, YAO Baseball and Crime Stoppers Walk and Road Race. In addition we have adopted the parks at Gibbs Hill Lighthouse and St. David's Lighthouse. In the year under review Argus also gave significant support to the Bermuda School of Music, the Bermuda Sloop Foundation, the Adult Education School, Masterworks Foundation and the Bermuda Zoological Society. Most recently, in cooperation with the Bermuda Rowing Association, Argus donated six rowing machines to Dellwood Middle School to support their fitness programme.

At this year's Annual General Meeting, Mr. W. Roger Davidson will be retiring from the Board of Directors after 28 years of service. On behalf of the shareholders, the Board extend their thanks to Mr. Davidson for his valuable contribution during his tenure which has seen the Group grow exponentially. We wish him a long and happy retirement.

Finally, we once again commend our employees for their hard work and commitment to the progress of the Group. In addition, we extend our thanks to our clients and shareholders for their continued loyalty and support.

James A.C. King, *Chairman*
July 9, 2008

Gerald D.E. Simons, *President & Chief Executive Officer*

Argus is dedicated to addressing the causes of Bermuda's leading health concerns, such as obesity, and has partnered with the Bermuda Rowing Association and Dellwood Middle School to promote the school's rowing programme. Students of all fitness levels are encouraged to learn to enjoy physical exercise and to achieve healthy minds and bodies.

CONSOLIDATED FINANCIAL STATEMENTS

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The accompanying consolidated financial statements and other financial information in this Annual Report have been prepared by the Company's management, which is responsible for their integrity, consistency, objectivity and reliability. To fulfill this responsibility, the Company maintains policies, procedures and systems of internal control to ensure that its reporting practices and accounting and administrative procedures are appropriate to provide a high degree of assurance that relevant and reliable financial information is produced and assets are safeguarded. These controls include the careful selection and training of employees, the establishment of well-defined areas of responsibility and accountability for performance, and the communication of policies and code of conduct throughout the Company. In addition, the Company maintains an Internal Auditor who conducts periodic audits of all aspects of the company's operations. The Internal Auditor has full access to the Audit Committee.

These consolidated financial statements have been prepared in conformity with accounting principles generally accepted in Canada, and where appropriate, reflect estimates based on management's judgement. The financial information presented throughout this Annual Report is generally consistent with the information contained in the accompanying consolidated financial statements.

KPMG, the independent chartered accountants appointed by the shareholders, have examined the consolidated financial statements set out on pages 15 through 37 in accordance with Canadian generally accepted auditing standards to enable them to express to the shareholders their opinion on the consolidated financial statements. Their report is set out below.

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

July 9, 2008

Gerald D. E. Simons
President & Chief Executive Officer

David W. Pugh
Chief Financial Officer & Secretary

AUDITORS' REPORT

To The Shareholders

We have audited the consolidated balance sheet of Argus Group Holdings Limited and subsidiaries as at March 31, 2008 and the consolidated statements of income and comprehensive income, changes in shareholders' equity and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement.

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at March 31, 2008 and the results of its operations and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles. The comparative figures for March 31, 2007, were reported on by another firm of chartered accountants.

Hamilton, Bermuda
July 9, 2008

KPMG
Chartered Accountants

CONSOLIDATED BALANCE SHEET

(In $ thousands)	Note	March 31 2008	March 31 2007
GENERAL FUND ASSETS			
Investments	4	514,655	437,444
Cash and short-term investments		24,272	11,338
Interest and dividends receivable		730	572
Insurance balances receivable		12,460	10,241
Reinsurers' share of:			
Claims provisions	10	4,027	13,280
Unearned premiums		9,476	8,873
Capital assets	5	58,492	37,125
Intangible assets	6	13,887	11,809
Deferred policy acquisition costs		631	573
Other assets		5,193	4,505
TOTAL GENERAL FUND		643,823	535,760
SEGREGATED FUNDS ASSETS	20	1,373,907	1,046,471
GENERAL FUND LIABILITIES			
Life and annuity policy reserves	9	122,573	123,388
Deposit administration pension plans		129,808	121,820
Provision for unpaid and unreported claims	10	23,334	27,576
Insurance balances payable		10,548	8,297
Deposit liabilities		7,759	8,372
Unearned premiums		21,449	18,126
Note payable	4	20,000	20,000
Loans payable	11	27,675	10,000
Deferred net realised gains on bonds and equities		-	3,256
Dividends payable		3,353	2,664
Accounts payable and accrued liabilities		15,039	13,625
Non-controlling interest		1,620	1,132
		383,158	358,256
SHAREHOLDERS' EQUITY			
Share capital	12	16,153	15,521
Contributed surplus		52,025	26,189
General reserve	15	120,000	120,000
Retained earnings		66,429	15,460
Accumulated other comprehensive income		6,058	334
		260,665	177,504
TOTAL GENERAL FUND		643,823	535,760
SEGREGATED FUNDS LIABILITIES	20	1,373,907	1,046,471

On behalf of the Board: James A. C. King, Director

Gerald D. E. Simons, Director

See accompanying notes

CONSOLIDATED STATEMENT OF INCOME AND COMPREHENSIVE INCOME

(In $ thousands, except per share data)	*Note*	March 31 2008	March 31 2007
REVENUE			
Gross premiums written		138,086	132,249
Reinsurance ceded		(37,711)	(35,042)
Net premiums written		100,375	97,207
Net change in unearned premiums		2,720	336
Net premiums earned		103,095	97,543
Investment income	*4*	3,876	31,689
Commissions, management fees and other		31,253	24,582
		138,224	153,814
EXPENSES			
Claims and adjustment expenses	*10*	64,403	64,716
Policy benefits		12,532	9,994
Actuarial benefits		5,693	6,740
Commissions		4,434	3,079
Operating expenses		35,009	32,118
Non-controlling interest		674	240
		122,745	116,887
NET EARNINGS FOR THE YEAR		15,479	36,927
Earnings per share:	*13*		
basic		*0.74*	*1.77*
fully diluted		*0.73*	*1.75*
OTHER COMPREHENSIVE (LOSS)/INCOME			
Net unrealised gains arising during the year		3,433	-
Reclassification of realised gains included in net income		(3,773)	-
Foreign currency translation adjustment		99	1,087
OTHER COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR		(241)	1,087
COMPREHENSIVE INCOME FOR THE YEAR		15,238	38,014

See accompanying notes

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

(In $ thousands)	*Note*	March 31 2008	March 31 2007
SHARE CAPITAL			
Authorised:			
25,000,000 common shares of $1.00 each (2007 – 25,000,000)		25,000	25,000
Issued and fully paid, beginning of year			
19,418,989 shares (2007 – 17,520,161 shares)		19,419	17,521
Stock dividend 1,947,122 shares (2007 – 1,759,708)		1,947	1,759
Cancellation of 447 fractional shares arising from stock dividend (2007 – 377 shares)		-	-
Issue of 75,954 shares from stock options exercised (2007 – 139,497 shares)		76	139
Issued and fully paid, end of year 21,441,618 shares (2007 – 19,418,989 shares)		21,442	19,419
Deduct: Shares held in Treasury,* at cost 482,732 shares (2007 – 388,544 shares)		(5,289)	(3,898)
Total, net of shares held in Treasury		16,153	15,521
CONTRIBUTED SURPLUS			
Balance, beginning of year		26,189	1,644
Stock dividend		25,482	23,752
Stock options exercised		407	672
Stock-based compensation expense		220	121
Treasury shares granted to employees	14	(273)	-
Balance, end of year		52,025	26,189
GENERAL RESERVE			
Balance, beginning and end of year		120,000	120,000
RETAINED EARNINGS			
Balance, beginning of year		15,460	13,577
Adjustment to opening retained earnings, Section 3855	2	75,026	-
Net earnings for the year		15,479	36,927
Cash dividends		(12,692)	(10,044)
Stock dividend		(26,844)	(25,000)
Balance, end of year		66,429	15,460
ACCUMULATED OTHER COMPREHENSIVE INCOME			
Balance, beginning of year		334	(753)
Adjustment to opening balance, Section 3855	2	5,965	-
Net unrealised investment loss for the period		(340)	-
Foreign exchange translation adjustment for the period		99	1,087
Balance, end of year		6,058	334
TOTAL SHAREHOLDERS' EQUITY		260,665	177,504

* The shares held in Treasury are held by Argus Management Services Limited and the Restricted Stock Trust

See accompanying notes

CONSOLIDATED STATEMENT OF CASH FLOWS

(In $ thousands)	*Note*	**March 31 2008**	March 31 2007
OPERATING ACTIVITIES			
Net earnings for the year		**15,479**	36,927
Adjustments to reconcile net earnings to cash basis (Footnote (i) below)		**15,567**	(13,581)
Change in operating balances (Footnote (ii) below)		**14,081**	19,266
CASH GENERATED FROM OPERATIONS		**45,127**	42,612
INVESTMENT ACTIVITIES			
Purchase of investments		**(189,587)**	(233,028)
Sale of investments		**178,473**	217,930
Purchase of subsidiary, net of cash aquired	7	**260**	(8,836)
Purchase of capital assets		**(23,895)**	(20,897)
Sale of Non-controlling interest		**65**	-
Purchase of intangible assets		**(2,584)**	(850)
CASH USED IN INVESTMENT ACTIVITIES		**(37,268)**	(45,681)
FINANCING ACTIVITIES			
Dividends paid		**(12,004)**	(9,466)
Share options exercised		**483**	811
Acquisition of shares held in Treasury		**(1,079)**	(12)
Proceeds from issuance of loan payable		**17,675**	10,000
CASH ACQUIRED IN FINANCING ACTIVITIES		**5,075**	1,333
INCREASE/(DECREASE) IN CASH AND SHORT-TERM INVESTMENTS		**12,934**	(1,736)
CASH AND SHORT-TERM INVESTMENTS, beginning of year		**11,338**	13,074
CASH AND SHORT-TERM INVESTMENTS, end of year		**24,272**	11,338

Footnotes

(i) Adjustments to reconcile net earnings to cash basis:		
Depreciation of capital assets	2,528	2,196
Amortisation of intangible assets	998	540
Compensation expense on vesting of stock options	220	121
Amortisation of net premium discount of bonds	218	821
Net gains on sale and net unrealised depreciation/ (appreciation) of investments	(1,819)	(18,657)
Provision for mortgage loans	12,900	-
Foreign currency translation adjustment	99	1,087
Non-contolling interest	423	311
	15,567	(13,581)
(ii) Change in operating balances:		
Interest and dividends receivable	(158)	1,646
Insurance balances receivable	(2,219)	1,177
Reinsurers' share of:		
Claims provisions	9,253	(2,823)
Unearned premiums	(603)	(2,116)
Deferred policy acquisition costs	(58)	(339)
Other assets	(518)	(435)
Life and annuity policy reserves	(815)	9,790
Deposit administration pension plans	7,988	8,943
Provision for unpaid and unreported claims	(4,242)	3,035
Insurance balances payable	2,251	(4,989)
Deposit liabilities	(613)	764
Unearned premiums	3,312	1,780
Deferred net realised gains on bonds and equities	-	(750)
Other liabilities	503	3,583
	14,081	19,266

See accompanying notes

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2008

1. OPERATIONS

The Company through its subsidiaries (collectively the "Group") operates predominantly in Bermuda and Gibraltar underwriting life, health, property and casualty insurance. The Group also provides investment, savings and retirement products, and offers a range of administrative services including company management and accounting services.

The Company's subsidiaries are as follows:

Argus Insurance Company Limited
Centurion Insurance Services Limited
Argus Insurance Company (Europe) Limited, *Gibraltar*
Westmed Insurance Services Limited, *Gibraltar*
Bermuda Life Insurance Company Limited
Argus International Life Bermuda Limited
Argus International Life Insurance Limited
Bermuda Life Worldwide Limited
Somers Isles Insurance Company Limited
Argus Financial Limited
Argus Investment Nominees Limited
Argus International Management Limited
Argus Management Services Limited
Data Communications Limited
St. Martin's Reinsurance Company, Ltd.
Argus Property Limited
Trott Property Limited

2. NEW ACCOUNTING PRONOUNCEMENTS

CHANGES IN ACCOUNTING POLICY

FINANCIAL INSTRUMENTS AND COMPREHENSIVE INCOME

Effective April 1, 2007, the Group adopted the following accounting standards issued by the Canadian Institute of Chartered Accountants ("CICA") Handbook: Section 4211, Life Insurance Enterprises; Section 3855, Financial Instruments – Recognition and Measurement and Section 1530, Comprehensive Income.

Under the new guidance, all financial assets, including derivatives must be classified as available for sale, held for trading, held to maturity, or loans and receivables. All financial liabilities, including derivatives, must be classified as held for trading or other. All financial instruments classified as available for sale or held for trading are recognised at fair value on the Consolidated Balance Sheet while financial instruments classified as loans and receivables or other will continue to be measured at amortised cost using the effective interest rate method.

Changes in the fair value of financial instruments classified as 'held for trading' are reported in Net earnings. Unrealised gains or losses on instruments classified as available for sale are reported in other comprehensive income and will be reported in net earnings when they are realised by the Group.

The new guidance introduces the concept of consolidated other comprehensive income, which tracks unrealised gains and losses experienced by the Group on certain investments and the currency translation account movement. Consolidated other comprehensive income together with consolidated net income provides the financial statement reader with Consolidated comprehensive income. Consolidated comprehensive income is the total of all realised and unrealised income, expenses, gains and losses related to the Consolidated Balance Sheet including currency translation gains and losses on self-sustaining foreign subsidiary operations.

Certain investments, primarily investments actively traded in a public market are classified as held for trading and are measured at their fair value. Changes in the fair value of these investments flow through net earnings. Certain investment portfolios are classified as available for sale with unrealised gains and losses flowing through other comprehensive income until they are realised. Changes in fair value of held for trading investments backing the life insurance actuarial liabilities flow through net earnings. This impact is largely offset by corresponding changes in fair value of those actuarial liabilities which also flow through net earnings. There have been no changes to the Group's method of accounting for investment in affiliates and loans.

As a result of implementing these changes, Investments and total Shareholders' Equity increased by $81 million on April 1, 2007. The effect on the components of Shareholders' Equity at April 1, 2007 were as follows:

(In $ thousands)	2008
Retained earnings	
At March 31, 2007 brought forward	15,460
Adjusted for:	
Bonds, deferred net realised gain	1,290
Bonds, held for trading	264
Equities and other investments, held for trading	73,472
Retained earnings, April 1, 2007	90,486
Other comprehensive income	
At March 31, 2007 brought forward	334
Adjusted for:	
Equities and investments, available for sale	6,212
Bonds, available for sale	(247)
Other comprehensive income, April 1, 2007	6,299

RECENTLY ISSUED ACCOUNTING STANDARDS

CAPITAL DISCLOSURES

Effective April 1, 2008, the Company will be required to comply with CICA Handbook Section 3862, Capital Disclosures. The section establishes standards for disclosing information that enables users of financial statements to evaluate the entity's objectives, policies and processes for managing capital. The new requirements are for disclosure only and will not impact the financial results of the Company.

FINANCIAL INSTRUMENT DISCLOSURE AND PRESENTATION

Effective April 1, 2008, the Company will be required to comply with CICA Handbook Section 3862, Financial Instruments – Disclosures, and Section 3863 Financial Instruments – Presentation. These sections will replace existing Section 3861, Financial Instruments – Disclosure and Presentation. Presentation standards are carried forward unchanged. Disclosure standards are enhanced and expanded to complement the changes in accounting policy adopted in accordance with Section 3855, Financial Instruments – Recognition and Measurement.

3. SIGNIFICANT ACCOUNTING POLICIES

(A) PRINCIPLES OF CONSOLIDATION AND BASIS OF PRESENTATION

These consolidated financial statements have been prepared on the basis of Canadian generally accepted accounting principles since such principles have general application in Bermuda. The consolidated financial statements are stated in Bermuda dollars and include the financial statements of the Company and its subsidiaries. All significant inter-company accounts and transactions have been eliminated.

(B) USE OF ESTIMATES

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported and disclosed amounts of assets, liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the year. Actual results could differ materially from these estimates.

(C) INVESTMENTS

Investments in bonds and equities actively traded on a public market are designated as either held for trading, held to maturity or available for sale on a trade date basis, based on management's intention. Held for trading investments are recognised at fair value on the Consolidated Balance Sheet with realised and unrealised gains and losses reported as net investment income. Available for sale investments are recognised at fair value on the Consolidated Balance Sheet with unrealised gains and losses recorded in other comprehensive income. Realised gains and losses are reclassified from other comprehensive income and recorded as net investment income when the available for sale investment is sold. Interest income earned on both held for trading and available for sale bonds is recorded as investment income earned in net earnings. Held to maturity investments are recognised at amortised cost and include accrued interest, short-term cash balances held by investment managers and bonds. The amortised cost of bonds is adjusted for amortisation of premiums and accretion of discounts to maturity based on the effective interest rate method. Such amortisation and accretion is included in investment income.

Investments in equity instruments where a market value cannot be determined are classified as available for sale and carried at cost. Investments in stocks for which the company exerts significant influence over, but does not control, are accounted for using the equity method of accounting.

Investments in mortgages and bonds not actively traded on a public market are classified as loans and receivables and are carried at amortised cost, net of any provisions for losses. A mortgage loan is classified as non-performing when, in the opinion of management, there is reasonable doubt as to the timely collectability of the full amount of principal or interest. No interest is taken into income on non-performing mortgage loans. The allowance for losses on mortgage loans is based on management's assessment of the net realisable value of future cash flows. The adequacy of the allowances for losses is continually reviewed by management, taking into consideration matters such as current economic conditions, past experience and individual circumstances which may affect a borrower's future ability to pay. Interest income earned and realised gains and losses on the sale of investments classified as loans and receivables are included in investment income.

Market values for publically traded bonds are determined using quoted market prices. Market values for bonds when there is no active market and mortgages are determined by discounting expected future cash flows related to the bond or mortgage at market interest rates. Market values for public equities are generally determined by the last bid price for the security from the exchange where it is principally traded. Market values for equities for which there is no active market are determined by discounting expected future cash flows based on expected dividends and where future cash flows can not be estimated, market value is estimated to be equal to cost.

Prior to April 1, 2007, investments in bonds were carried at amortised cost and net realised gains and losses on the sale of bonds were deferred and amortised over the remaining term to maturity of the bonds sold. Investments in equities for our life operations were carried on a moving average market basis whereby the carrying value was adjusted towards market at 15 percent per annum. Dividends were recorded on the ex-dividend date and included in investment income. Investments in equities for our general operations were carried at cost with gains and losses from the sale included in investment income in the year they were realised. The cost of the securities sold was based on the average cost method.

(D) CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash balances and time deposits with maturities of three months or less at the date of purchase. Interest on these balances is recorded on the accruals basis and included in investment income.

(E) CAPITAL ASSETS

Capital assets are stated at cost less accumulated depreciation. Depreciation is calculated so as to write the assets off evenly over their estimated useful lives at the following rates per annum:

Buildings 2.5%
Computer equipment 20 – 33%
Furniture, equipment and leasehold improvements 10 – 15%

(F) INTANGIBLE ASSETS

Intangible assets represent the estimated fair value of the policies and customer lists acquired. Intangible assets are allocated between indefinite and finite life intangible assets. Those with indefinite lives are not amortised whereas those with finite lives are amortised on a straight line basis over their estimated useful lives. Management regularly reviews the remaining portion of intangible assets based upon estimates of future earnings and recognises any permanent impairment in the year in which it is identified.

(G) LIFE AND ANNUITY POLICY RESERVES

(i) Policy actuarial liability reserves are determined by the Group's consulting actuaries and represent the amounts which, together with future premiums and investment income, are required to discharge the obligations under life and annuity contracts and to pay expenses related to the administration of those contracts.

(ii) The policy actuarial liability reserves are determined using (a) generally accepted actuarial practices according to standards established by the Canadian Institute of Actuaries ("CIA"), and (b) accounting recommendations issued by the Canadian Institute of Chartered Accountants ("CICA").

(iii) The CIA and CICA require the use of the Canadian Asset Liability Method ("CALM") for the valuation of actuarial liabilities for all lines of business. The policy actuarial liability reserves under CALM are calculated by projecting asset and liability cash flows under a variety of interest rate scenarios using best-estimate assumptions, together with margins for adverse deviations with respect to other contingencies pertinent to the valuation. The policy actuarial liability reserves make provision for the expected experience scenario and for adverse deviations in experience.

(H) PROVISION FOR UNPAID AND UNREPORTED CLAIMS

The Provision for unpaid and unreported claims represents the best estimate of the ultimate costs of claims in the course of settlement and claims incurred but not yet reported. The provision is continually reviewed and updated by management and the Group's consulting actuaries. Any adjustments resulting from the review process, as well as differences between estimates and ultimate payments, are reflected in the Consolidated Statement of Income and Comprehensive Income in the year in which they are determined.

(I) DEPOSIT ADMINISTRATION PENSION PLANS

Deposit administration pension plans are plans where the Group's liability is linked to contributions received, plus a predetermined and guaranteed return.

(J) INCOME RECOGNITION

(i) General and health premiums written and ceded, are recognised as revenue over the terms of the policies and reinsurance agreements. The reserve for Unearned premiums represents that portion of premiums written and ceded that relates to the unexpired terms of the policies or reinsurance contracts in force. Life and annuity premiums are recognised as income when due.

(ii) Certain policies are subject to agreements providing for the retroactive adjustment of premiums based upon the claims experience of the policyholder. Under these agreements any surplus arising is set off against future deficits or returned to the policyholder. Any deficit that may arise is set off against future surpluses or may be recovered in full, or in part, by lump sum payments from policyholders. As these agreements do not transfer insurance risk, funds received under these agreements are recorded as Deposit liabilities.

(iii) Premiums, benefits paid and underwriting expenses in respect of retrospectively rated policies and Segregated Funds contracts are excluded from the Consolidated Statement of Income and Comprehensive Income. The fees earned on these contracts are included in income under Commissions, management fees and other.

(iv) Costs relating to the acquisition of general and health premiums are charged to income over the period of the policy. Acquisition costs are comprised of commissions and those associated with unearned premiums are deferred and are amortised to income over the periods in which the premiums are earned. Policy acquisition costs related to unearned premiums are only deferred to the extent that they can be expected to be recovered from the unearned premiums. If the unearned premiums are insufficient to pay expected claims and expenses, a premium deficiency is recognised by writing down the deferred policy acquisition cost asset.

(v) Commissions, management fees and other are included in income as earned.

(vi) Investment income is described in Note 3 (C).

(K) SEGREGATED FUNDS

Segregated Funds are life, annuity and other contracts under which the Group's liabilities are directly linked to the market value of the investments held. As the Group assumes no underwriting or investment risk, the assets and liabilities relating to these contracts are not included in the Consolidated Balance Sheet (See Note 20).

(L) TRANSLATION OF FOREIGN CURRENCIES

United States dollars are translated into Bermuda dollars at par. Other foreign currency assets and liabilities are translated into Bermuda dollars at year-end rates of exchange. Income and expenditures are translated at rates of exchange in effect on transaction dates. Translation gains and losses are reflected in current operations. The effects of translating operations of our self-sustaining subsidiaries, with a functional currency other than the Bermuda dollar, are included in Accumulated other comprehensive income.

(M) STOCK–BASED COMPENSATION

The Company has two stock-based compensation plans for eligible employees which are accounted for under the fair value method. The fair value of stock-based awards is determined using the Black-Scholes option pricing model and is amortised into earnings over the vesting period of the award. (See Note 14).

(N) POST-EMPLOYMENT BENEFITS

The Company currently provides medical benefits to eligible retired employees and their spouses. The Company accrues the cost of these employee future benefits over the periods in which the employees earn the benefits. The post-retirement benefit liability is determined by actuarial valuation.

4. INVESTMENTS

Carrying values and estimated market values of investments are as follows:

(In $ thousands)	2008 Carrying Value	2008 Fair Value	2007 Carrying Value	2007 Fair Value
Bonds	-	-	139,780	139,807
Bonds – held to maturity	29,325	28,487	-	-
Bonds – available for sale	51,522	51,522	-	-
Bonds – held for trading	73,731	73,731	-	-
	154,578	153,740	139,780	139,807
Equities	-	-	238,556	320,153
Equities – available for sale	56,832	56,832	-	-
Equities – held for trading	237,393	237,393	-	-
	294,225	294,225	238,556	320,153
Affiliates and other	12,315	11,567	9,334	9,281
Mortgage loans	53,537	53,537	49,774	49,774
TOTAL INVESTMENTS	514,655	513,069	437,444	519,015

(A) CARRYING VALUE OF INVESTMENTS IN BONDS AND MORTGAGE LOANS

The carrying value of investments in bonds and mortgage loans by contractual maturity as of March 31, 2008, are shown below.

	Within 1 Year	1 – 5 Years	5 – 10 Years	Over 10 Years	Carrying Value	Effective Interest Rate Ranges
Bonds	8,790	59,013	69,882	16,893	154,578	4.65%–12%
Mortgage loans	27,098	10,915	1,100	14,424	53,537	6.5%–11%
	35,888	69,928	70,982	31,317	208,115	

The maturity profile of investments by contractual maturity at March 31, 2007 was as follows:

	Within 1 Year	1 – 5 Years	5 – 10 Years	Over 10 Years	Carrying Value	Effective Interest Rate Ranges
Bonds	7,852	49,598	66,425	15,905	139,780	4.82%–12%
Mortgage loans	2,947	31,175	1,558	14,094	49,774	6.5%–11%
	10,799	80,773	67,983	29,999	189,554	

Expected maturities may differ from contractual maturities in cases where borrowers have the right to call or repay obligations without prepayment penalties.

Bonds classified as held for trading are actively managed with the primary intention of increasing the overall yield of the portfolio. The Company has the ability and intent to hold securities classified as available for sale until a market price recovery and does not consider any of the investments to be other-than-temporarily impaired at March 31, 2008.

(B) EQUITIES AND OTHER INVESTMENTS

Included in Equities – held for trading are investments traded on The Bermuda Stock Exchange carried at $156,268,000 with a market value of $156,268,000 (2007 – $110,857,000 and $165,670,000). The fair value of the unlisted investments included in Equities – available for sale and Affiliates and other is not practical to determine but is, in the opinion of management, no less than their carrying value.

Included in Equities – available for sale is $20,000,000 in the redeemable share capital of an equity investment purchased through the issue of an interest-free promissory note. The note expires in March 2009, at which time the note may be redeemed or the term extended by mutual agreement between the parties.

(C) ACCRUED INTEREST AND SHORT-TERM CASH BALANCES HELD BY INVESTMENT MANAGERS

Included within Bonds and Equities and other investments are the following short-term accrued interest and cash balances held by investment managers in managed portfolios.

(In $ thousands)	2008	2007
Bonds – accrued interest	1,721	1,545
Bonds – short-term cash balances	563	963
Equities and other investments – short-term cash balances	-	1,395

(D) MORTGAGE LOANS

Included in Mortgage loans are the following:

(In $ thousands)	2008	2007
Non-performing loans	21,986	942
Allowance for credit losses	13,100	200
Changes in the allowance for credit losses are as follows:		
Balance, beginning of year	200	350
Net recoveries in year	(100)	(150)
Net provisions made in year	13,000	-
Balance, end of year	13,100	200

Where appropriate, provisions are established or write-offs made to adjust the carrying value to the net realisable amount. Whenever possible the fair value of collateral underlying the loans or observable market price is used to establish net realisable value. The increase during 2008 is based on management's expectation to reduce the interest rate and extend the original terms of certain mortgage loans.

(E) CREDIT RISK

Credit risk is the risk that a borrower will fail to fully honour its obligations to the Group. The Group manages its exposure to credit risk through an emphasis on the quality of its investments and their diversification by issuer, industry and geographical area.

(F) INVESTMENT RETURN RISK

Investment return risk relates to potential losses arising from asset returns insufficient to support product liabilities. The uncertainty related to returns achievable, on both fixed income and non-fixed income investments to be made in the future as recurring premiums are received, and the impact of mismatches between the timing and amount of current assets and the liabilities they support, are the principal components of investment return risk within the Company's General Fund.

(G) INVESTMENT INCOME

(In $ thousands)	2008	2007
Bonds	10,298	8,141
Equities and other investments	4,866	24,671
Income from affiliates	1,300	598
Mortgage loans	(8,772)	4,316
Cash and time deposits	812	699
	8,504	38,425
Deduct: Investment income relating to Deposit administration pension plans	(4,628)	(6,736)
GROUP INVESTMENT INCOME	3,876	31,689

Included in investment income for the year are $218,000 (2007 – $821,000) of amortisation of bonds, $3,773,000 (2007 – $333,000) of realised gains on the sale of investments and unrealised losses of $1,954,000 (2007, unrealised gains – $18,324,000) on investments.

5. CAPITAL ASSETS

(In $ thousands)	Cost	Accumulated Depreciation	Net Book Value 2008	Net Book Value 2007
Land and buildings	55,151	4,064	51,087	30,223
Computer equipment	17,466	11,857	5,609	4,874
Other	6,504	4,708	1,796	2,028
TOTAL	79,121	20,629	58,492	37,125

Capital assets include costs of $36,627,000 (2007 – $ 15,625,000) relating to the new corporate headquarters. These costs will not be amortised until construction is complete.

6. INTANGIBLE ASSETS

Intangible assets comprise:

(In $ thousands)	Cost	Accumulated Amortisation	Net Book Value 2008	Net Book Value 2007
Arising from:				
Continuing businesses	20,151	6,351	13,800	11,603
Run-off business	1,190	1,103	87	206
TOTAL	21,341	7,454	13,887	11,809

The following table summarises the movement in the net book value of Intangible assets:

(In $ thousands)	2008	2007
Balance, beginning of year	11,809	2,531
Acquisition of subsidiary	492	8,968
Purchase of intangible assets	-	850
Contingent consideration	2,584	-
Impairment	-	-
Amortisation for the year	(998)	(540)
Balance, end of year	13,887	11,809

Continuing business represents the accumulated cost of customer lists and policies acquired. An amortisation charge of $998,000 (2007 – $540,000) was recognised during the year and is included in Operating expenses.

7. ACQUISITION

Argus International Life Insurance Limited

Effective February 28, 2008, the Group acquired 74 percent of the share capital of MassMutual (Bermuda) Ltd. This company offers variable life and annuity products and has changed its name to Argus International Life Insurance Limited ("AILIL"). The purchase consideration is subject to certain adjustments at the end of the calendar years 2009 and 2010 dependent upon the persistency and value of the policies assumed upon acquisition. The maximum further total consideration payable will not exceed $200,000. All further consideration payable will be treated as an addition to Intangible assets as and when it becomes due.

Argus International Life Bermuda Limited

Effective December 1, 2006, the Group acquired the entire share capital of Tremont International Insurance Ltd. ("TIIL") from the Tremont Group. TIIL offers variable annuities and variable life insurance policies with a focus on hedge fund strategies. This company was originally formed in the Cayman Islands and has subsequently been redomiciled by continuance into Bermuda and changed its name to Argus International Life Bermuda Limited ("AILBL"). The purchase consideration is subject to certain adjustments at the end of the calendar year 2008 dependent upon the persistency and value of the policies assumed from acquisition. The maximum further total consideration payable will not exceed $1.7 million. All further consideration payable will be treated as an addition to Intangible assets as and when it becomes due. During the year, additional consideration of $2.6 million was paid.

Both acquisitions have been accounted for using the purchase method, and the operating results since the date of purchase are included in the Consolidated Statement of Income and Comprehensive Income.

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

	AILIL	AILBL
(In $ thousands)	2008	2007
ASSETS		
Investments	-	506
Cash	1,257	632
Reinsurers' share of claims provisions	-	1,549
Capital assets	-	5
Intangible assets	492	8,968
Other assets	170	229
TOTAL ASSETS ACQUIRED	1,919	11,889
LIABILITIES		
Life and annuity policy reserves	-	1,885
Insurance balances payable	-	4
Unearned premiums	11	-
Accounts payable and accrued liabilities	911	532
TOTAL LIABILITIES ASSUMED	922	2,421
NET ASSETS ACQUIRED	997	9,468
TOTAL PURCHASE CONSIDERATION IN CASH LESS CASH ACQUIRED	(260)	8,836

8. COMMISSIONS, MANAGEMENT FEES AND OTHER

Included in Commissions, management fees and other are the fees taken under certain contracts of reinsurance and retrocession where the risk is restricted to counter-party risk and such risk is considered remote. Premiums written and ceded under these contracts in the year totalled $197 million (2007 – $155 million).

9. LIFE AND ANNUITY POLICY RESERVES

Life and annuity policy reserves represent the amount required, together with estimates of future premiums and investment income, to provide for estimated future benefits to policyholders and administration expenses under insurance and annuity contracts net of amounts recoverable from reinsurers. These liabilities are determined in accordance with the standards established by the Canadian Institute of Actuaries.

The Group's financial position may be affected by its investment return risk. If the assets supporting the liabilities do not match the timing and amount of the policy liabilities, investment losses or gains may occur due to future changes in investment returns. To manage and mitigate investment return risk, the Group follows asset and liability management procedures for each business unit.

The Life and annuity policy reserves, net of reinsurance recoverable, are as follows:

(In $ thousands)	2008	2007
Annuities	96,514	90,220
Long term disability	1,291	5,294
Life	20,527	23,961
Other benefits	4,241	3,913
	122,573	123,388
The changes in the actuarial liabilities are as follows:		
Balance, beginning of year	115,493	111,713
Normal changes	4,027	10,303
Interest rate assumptions	3,370	702
Expense assumptions	(432)	614
Other	115	56
BALANCE, END OF YEAR	122,573	123,388

Assets supporting the Life and annuity policy reserves:

(In $ thousands)			2008		
	Bonds	Mortgages	Equities	Cash	Total
Annuities	89,175	-	7,339	-	96,514
Long term disability	-	1,291	-	-	1,291
Life	6,624	10,973	2,621	309	20,527
Other Benefits	-	-	4,241	-	4,241
	95,799	12,264	14,201	309	122,573

(In $ thousands)			2007		
	Bonds	Mortgages	Equities	Cash	Total
Annuities	43,055	-	47,165	-	90,220
Long term disability	-	5,294	-	-	5,294
Life	6,490	14,706	2,261	504	23,961
Other Benefits	-	-	3,913	-	3,913
	49,545	20,000	53,339	504	123,388

Assumptions

To estimate the life and annuity policy reserves, the Company uses assumptions based on the best estimate of future experience for certain key factors. These factors include mortality, morbidity, investment returns, policy termination and persistency and operating expenses.

To recognise the uncertainty involved in determining the best estimate assumptions a provision for adverse deviation (“PfAD”) is established. The PfAD is determined by including a margin for conservatism for each key assumption to allow for possible deterioration in experience and to help ensure the policy reserves will be adequate to pay for future benefits. The PfAD assumptions tend to be in the conservative end of the ranges suggested by the Canadian Institute of Actuaries.

The following is a description of the process used to establish the assumptions used in the valuation of the policy reserves:

(A) MORTALITY

Mortality refers to the likelihood of death. The mortality assumption is based on industry standard life insurance and standard annuity past and emerging experience. The Company's life insurance and annuity business is not sufficient to use company specific mortality tables.

To offset some of the mortality risk, the Company reinsures the mortality risk with reinsurers. The impact of the reinsurance is to reduce the policy reserves.

The mortality experience is monitored against the assumptions used in the policy reserves.

A one percent decrease in the best estimate assumption for annuitant mortality would increase the policy reserves by $296,000.

(B) MORBIDITY

Morbidity refers to the incidence of accident and sickness as well as the recovery from the incidence. The morbidity assumptions are based on the industry standard morbidity tables for the long term disability business. The frequency of claims is low and the risk is substantially reinsured.

(C) INVESTMENT RETURNS

Assets are allocated to the different business segments. For each significant business segment the Canadian Asset Liability Method ("CALM") is used to project the cash flows from the supporting assets and the cash flows from the liabilities. The projected asset cash flows are combined with the projected cash flows from future asset sales and purchases to determine the expected investment returns for all future years.

The Standards of Practice prescribe several representative reinvestment scenarios to determine the sensitivity of the Company's business to possible reinvestment risk. These scenarios provide for interest rate movements significantly in excess of one percent, but to provide a representative example a one percent increase in the best estimate investment return assumption decreases the annuity policy reserves by $7.6 million. A one percent decrease in the best estimate assumption increases the annuity policy reserves by $8.9 million.

(D) EXPENSES

Operating expense assumptions reflect the projected costs of servicing and maintaining the in-force policies. The assumptions are derived from an internal review of operating costs and include an allowance for inflation.

A 10 percent increase in the best estimate assumption for unit expenses would increase the policy reserves by approximately $473,000.

(E) POLICY TERMINATION AND PERSISTENCY

Policy termination refers to policy surrenders and lapses where lapses represent the termination of policies resulting from non-payment of premiums. Policy surrenders are voluntary. The policy termination rates are based on industry experience because there is an insufficient amount of data to use internal studies only.

(F) REINSURANCE

In order to reduce the mortality risk to the Company, part of the business is ceded to reinsurers. Reinsurance ceded does not discharge the Company of its liability towards its insureds. Therefore, failure of reinsurers to honour their obligations could result in losses for the Company. Each year, the Company ascertains that its reinsurers exceed the minimum capitalisation required by the regulatory authorities.

10. PROVISION FOR UNPAID AND UNREPORTED CLAIMS

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

(In $ thousands)	2008	2007
Gross provision, beginning of year	27,576	24,541
Reinsurers' share, beginning of year	(13,280)	(8,908)
Net provision, beginning of year	14,296	15,633
Net claims and adjustment expenses incurred		
Current year	70,287	65,765
Prior year	(5,884)	(1,049)
Total	64,403	64,716
Net claims and adjustment expenses paid		
Current year	(57,381)	(55,139)
Prior year	(2,011)	(10,914)
Total	(59,392)	(66,053)
Movement in the year	5,011	(1,337)
NET PROVISION, END OF YEAR	19,307	14,296
Represented by:		
Gross provision, end of year	23,334	27,576
Reinsurers' share, end of year	(4,027)	(13,280)
NET PROVISION, END OF YEAR	19,307	14,296

11. LOANS PAYABLE

(A) TROTT PROPERTY LIMITED

Trott Property Limited, a wholly-owned subsidiary (the "Borrower"), obtained a two-year $10 million loan from the Bank of N.T. Butterfield & Son Limited which is repayable in full in January 2009. The loan is secured upon real estate owned by the Borrower and co-collateralised by a guarantee from the Company. Interest is charged at the bank's base rate plus one percent per annum which equated to an effective rate of 5.25 percent in the year (2007 – 6.25 percent).

(B) ARGUS PROPERTY LIMITED

In April 2007 Argus Property Limited, a wholly owned subsidiary ("the Borrower"), obtained mortgage finance of $30 million from the Bank of N.T. Butterfield & Son Limited in order to finance the development of the new corporate headquarters. The loan is drawable over two years and repayable over 15 years once fully drawn. The loan is secured upon real estate owned by the Borrower and co-collateralised by a guarantee from the Company. Interest is charged at the bank's base rate plus one percent per annum and is added to the loan principal until the loan is fully drawn. At March 31, 2008, the loan outstanding was $17,675,000 which includes accrued interest of $832,000.

12. SHARE CAPITAL

On September 30, 2007, the Company declared a stock dividend to shareholders of record whereby they received one common share for each ten shares held. The dividend resulted in the issuance of 1,947,122 shares on October 4, 2007, and the payment of cash of $6,000 to those shareholders entitled to fractional shares. The Company declared cash dividends of $12,692,000 (2007 – $10,044,000) during the year.

13. EARNINGS PER SHARE

Basic earnings per share presented in the Consolidated Statement of Income and Comprehensive Income is calculated by dividing net income by the weighted average number of shares in issue during the year.
For the purposes of calculating fully diluted earnings per share, the weighted average number of shares in issue has been adjusted to reflect the additional shares that would have resulted had all stock options outstanding been exercised and in issue throughout the year.

(In $ thousands)	2008	2007
Net Earnings for the year	15,479	36,927
Weighted average outstanding common shares	20,920	20,828
Dilutive effect of outstanding options using the treasury stock method	244	268
COMMON SHARES AND COMMON SHARE EQUIVALENTS	21,164	21,096

14. STOCK–BASED COMPENSATION

As at March 31, 2008, the Company has two stock-based compensation plans, which are described below. The total compensation cost that has been charged against net income for these plans for the year ended March 31, 2008 was $220,000 (2007 – $121,000).

(i) Stock Option Plan

Under the Company's 2004 Stock Option Plan, options were granted to key management employees at exercise prices not less than the fair market value of the Company's shares on the date the option was granted. Options become exercisable at the rate of 25 percent per year commencing one year after the date of grant and options not exercised lapse ten years after the date of grant. The consideration paid by employees on exercise of share options is credited to Share capital and Contributed surplus. Shares under option and option prices per share are adjusted for all stock dividends declared subsequent to the date of grant. The fair value of these awards is recognised over the applicable vesting period as compensation expense and Contributed surplus. The fair value of options on the date of grant was determined using the Black-Scholes option pricing model.

At the Annual General Meeting of Shareholders held on July 26, 2007, the Directors were granted authority to cease issuing further stock options under the Company's 2004 Stock Option Plan and, in its stead, adopted the 2007 Restricted Stock Plan as described in note (ii) below. Stock options granted prior to this date remain valid and the terms and conditions of the 2004 Stock Option Plan continue to apply thereto until expiration. There were no stock options granted in the year ended March 31, 2008.

The following table summarises the activity under the Company's stock option plan for the year ended March 31, 2008:

	2008		2007	
	Total number of shares under option	Weighted average exercise price	Total number of shares under option	Weighted average exercise price
Outstanding, at the beginning of year	545,363	$8.69	542,317	$7.91
Changes during the year:				
Granted	-	-	92,220	$14.25
Exercised	(75,954)	$5.81	(139,497)	$5.81
Forfeited	(1,574)	$6.38	(5,438)	$9.05
Stock dividend	49,153	-	55,761	-
Outstanding, end of year	516,988	$8.22	545,363	$8.69
Exercisable, end of year	355,428	$7.22	304,278	$6.95

The weighted average remaining contractual life of options outstanding is 5.78 years (2007 – 6.43 years). The range of fair values of options outstanding is $2.72 to $5.17. The total compensation expense recognised in the current year was $129,000 (2007 – $121,000) and has been included in Operating expenses.

The characteristics as at March 31, 2008, of options granted in earlier years are as follows:

Fiscal year	Exercise Price	Number of Outstanding	Shares Exercisable
1999	$4.40	6,579	6,579
2000	$4.40	33,821	33,821
2001	$5.12	52,192	52,192
2003	$7.20	64,888	64,888
2004	$5.95	63,446	63,446
2005	$8.95	94,708	67,844
2006	$9.04	94,927	42,834
2007	$11.77	106,427	23,824
	$8.22	516,988	355,428

(ii) Restricted Stock Plan

The purpose of the 2007 Restricted Stock Plan is to enhance the Company's ability to attract and retain the services of certain key employees and to incentivise such persons to devote their utmost effort and skill to the growth of the Company by providing them with an interest in its long-term growth and stability. Under the Restricted Stock Plan, the maximum number of shares that may be granted is 250,000 over the five year life of the plan.

Shares are granted unvested and vest at the rate of 33 1/3 percent at the end of each year for three years. The fair value of each share granted under the Restricted Stock Plan was based upon the market price at the date of grant. During the year ended March 31, 2008, 17,599 shares (2007 – nil) were granted and the fair value was $273,000 (2007 – nil) which will be amortised through earnings over the vesting period. The total compensation cost recognised in the current year was $91,000 (2007 – $ nil) and has been included in Operating expenses. At March 31, 2008 there was $182,000 of total unrecognised compensation cost related to non-vested shares granted under the plan which is expected to be recognised over the next two years.

15. GENERAL RESERVE

The General reserve within Shareholders' Equity represents retained earnings of the Group that the Directors do not consider available for distribution.

16. PENSION PLAN

The Company maintains a defined contribution pension plan covering all full-time employees. For the year ended March 31, 2008, the net pension cost recorded in operating expenses was $797,000 (2007 – $685,000).

17. POST-EMPLOYMENT MEDICAL BENEFITS

Post-employment medical benefits are included in Life and annuity policy reserves and are summarised as follows:

(In $ thousands)	2008	2007
Accrued benefit liability, beginning of year	3,913	3,427
Current service cost	336	366
Interest cost	254	223
Plan amendments and net actuarial gain	(170)	(27)
Benefits paid	(92)	(76)
ACCRUED BENEFIT LIABILITY, END OF YEAR	4,241	3,913

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

(i) Current service cost represents benefits earned in the current year. These are determined with reference to the current workforce and the amount of benefits to which they will be entitled upon retirement, based on the provisions of the Company's benefit plan.

(ii) Interest cost on the benefit liability represents the increase in the liability that results from the passage of time.

(iii) Actuarial gains or losses may arise in two ways. Each year the actuaries recalculate the benefit liability and compare it to that estimated as at the prior year 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. Actuarial gains and losses arise when there are differences between expected and actual returns on plan assets.
All post-employment medical benefits are fully funded by the General Fund assets of the Company.

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

	2008	2007
Discount rate	7%	7%
Expected long-term rate of return on plan assets	9%	9%

The assumed healthcare cost trend rate is currently estimated at 9.4 percent (2007 – 9.4 percent) per annum, and the annual employee turnover rate is 9 percent (2007 – 9 percent) per annum.

Healthcare cost calculations are based on trend rate assumptions which may differ from actual results.

Changes in trend rate assumptions by one percent in either direction will change the healthcare cost as follows:

(In $ thousands)	Increase	Decrease
Aggregate of current service cost and interest cost	27	(23)
Accrued benefit liability	235	(207)

18. SEGMENT INFORMATION

The Group has adopted the accounting requirements relating to the presentation of operating segments based upon internal management reporting. The Group has four reportable segments as follows:

(i) Insured Employee Benefits – including group health, accident, life and long term disability and employer's indemnity coverage.

(ii) Life and Pensions – including individual life insurance, annuities and group retirement income plans.

(iii) Property and Casualty – including fire and windstorm (home and commercial property), all risks, liability, marine and motor coverage.

(iv) All Other – representing the combined operations of the remaining components of the Group comprising two management companies, two property holding companies, a financial reinsurance company and an investment management services company.

(In $ thousands)		Insured Employee Benefits	Life and Pensions	Property and Casualty	All Other	Total per Financial Statements
Segment revenue	2008	83,497	14,092	35,406	5,229	138,224
	2007	76,629	45,509	28,220	3,456	153,814
Depreciation of capital assets	2008	1,038	1,148	1,302	38	3,526
	2007	1,016	662	1,013	45	2,736
Segment earnings	2008	13,941	(10,695)	11,379	854	15,479
	2007	9,510	21,859	5,324	234	36,927
Segment assets	2008	53,840	417,735	138,990	33,258	643,823
	2007	42,360	339,897	136,009	17,494	535,760
Capital expenditure	2008	1,088	4,004	775	21,104	26,971
	2007	545	10,039	419	19,717	30,720

Notes (a) Intersegment income has been omitted as immaterial

(b) The accounting policies of the segments are as set out in Note 2

(c) Capital assets and Capital expenditure includes Intangible assets

19. UNDERWRITING AND REINSURANCE POLICY

The Group follows the policy of underwriting and reinsuring contracts of insurance which, in the main, limit the liability of each group company on any one claim. In addition, reinsurance is purchased which limits liability both in the aggregate and in the event of multiple claims arising out of a single occurrence. In the event that a claim made against any of the Group's reinsurers is not recoverable due to the insolvency of the reinsurer, or otherwise, the group company not thus able to recover would be liable for the uncollectable amount. The Group constantly monitors the credit worthiness of the reinsurance companies to which it cedes.

20. SEGREGATED FUNDS AND SEPARATE ACCOUNTS

Assets and liabilities pertaining to certain contracts entered into by the Group's insurance companies are not included in the Consolidated Balance Sheet for the reasons set out in Note 3 (K). At March 31, 2008, these contracts comprised life policies and annuity and other contracts whereby the contract benefits are related directly to the market value of the investments held. These contracts include policies issued by Bermuda Life Insurance Company Limited for which reserves and assets have been allocated to Separate Accounts as authorised by the Bermuda Life Insurance Company (Separate Accounts) Consolidation and Amendment Act 1998.

Changes to Segregated Funds and a summary of the investments held therein are summarised below:

Consolidated Statement of Changes in Segregated Funds

(In $ thousands)	2008	2007
Additions to Segregated Funds		
Premiums, contributions and transfers	123,121	89,223
Net investment income	1,946	2,253
Net increase in fair value of investments	20,778	78,706
Segregated funds acquired	275,829	-
	421,674	170,182
Deductions from Segregated Funds		
Withdrawals, benefit payments and transfers to the General Fund	81,859	81,089
Operating expenses	12,379	8,685
	94,238	89,774
Net Additions to Segregated Funds for the year	327,436	80,408
Segregated Funds, beginning of year	1,046,471	966,063
Segregated Funds, end of year	1,373,907	1,046,471
Consisting of:		
Bonds	43,753	40,011
Stocks and other investments	1,233,509	935,401
Policy loans	39,635	48,618
Cash and short-term investments	57,097	22,515
Accounts payable and other liabilities	(87)	(74)
TOTAL SEGREGATED FUNDS NET ASSETS	1,373,907	1,046,471

Composition of segregated funds net assets

(In $ thousands)	2008	2007
Held by policyholders	1,344,733	1,021,057
Held by Company	29,174	25,414
TOTAL SEGREGATED FUNDS NET ASSETS	1,373,907	1,046,471

21. FINANCIAL INSTRUMENTS

Fair value disclosures with respect to certain financial instruments are included separately herein. For other financial instruments including Cash and short-term investments, Interest and dividends receivable, Insurance balances receivable and payable, Other assets and Accounts payable and accrued liabilities, the carrying values approximate fair value due to the short-term nature of the balances.

22. DIRECTORS' AND OFFICERS' SHARE INTERESTS AND SERVICE CONTRACTS

The total interests of all Directors and Officers of the Company in the shares of the Company at March 31, 2008, was 4,366,165 shares.

One of the Directors is a principal in the construction company which is the main contractor for construction of the new corporate headquarters as described in Note 5.

With the exception of the above and the employment contract with the President & Chief Executive Officer, Mr. G. D. E. Simons, there are no service contracts with the Directors.

23. STATUTORY REQUIREMENTS

The Bermuda Insurance Act 1978 and Related Regulations (the "Act") requires the Group's insurance subsidiaries to meet minimum solvency margins. Combined statutory capital and surplus for those companies as at March 31, 2008, was $227,100,000 (2007 – $226,200,000) and the amounts required to be maintained by those companies was $19,981,000 (2007 – $18,350,000). In addition, minimum liquidity ratios must be maintained whereby relevant assets, as defined by the Act, must exceed 75 percent of relevant liabilities.

Each one of the Group's insurance companies meets all requirements of the Act and there are no restrictions on the distribution of Retained earnings or General reserves.

24. COMMITMENTS AND CONTINGENCIES

(a) Capital Commitments

The Company has committed and contracted for $33 million of capital expenditure on the new corporate headquarters of which $28 million has been incurred to date. See note 5.

(b) Lease Obligations

The following table summarises the Group's annual commitments under operating leases over the forthcoming five years:

(In $ thousands)	
2009	903
2010	664
2011	664
2012	664
2013	523

(c) Contingent Liabilities

(i) The Company has a 34 percent interest in a company that built an office building in Hamilton, Bermuda. The Company has issued a guarantee in respect of its proportionate share of a term bank loan facility totalling $14 million for this new office building.

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

25. COMPARATIVE FIGURES

Certain of the 2007 comparative figures have been reclassified to conform to the presentation adopted for 2008.

PRESIDENT'S AWARD RECIPIENTS

LEFT TO RIGHT:
Nelda Darrell, *Leadership Award*;
Gerald Simons *(President & Chief Executive Officer)*;
Shirmelle Gomes, *Performance Excellence Award*

VICE PRESIDENTS' AWARD RECIPIENTS

LEFT TO RIGHT (front row):
Leonie Woolridge, *Performance Excellence*; Jeanine Mawer, *Performance Excellence*; Gerald Simons *(President & Chief Executive Officer)*; Maxine Lawrence, *Performance Excellence*; Shirmelle Gomes, *President's Performance Excellence*

LEFT TO RIGHT (back row):
Marvin Curtis, *Performance Excellence*; Claudette Manders, *Leadership*; Nelda Darrell, *President's Leadership*; Roberta Timmer, *Performance Excellence*

President's and Vice Presidents' Awards

Argus recognises employees who have made an outstanding contribution to our success and whose performance makes them role models for their colleagues. The Performance Excellence Award acknowledges employees who have gone the extra mile within the scope of their jobs. The Leadership Award recognises individuals for achievement resulting from their strong leadership of others. After the recipients for both categories are chosen, the President & Chief Executive Officer selects one person from each category to receive the prestigious President's Award.

GUS AWARD RECIPIENTS

LEFT TO RIGHT:
Karen Madeiros, Gerald Simons *(President & Chief Executive Officer)*, Steven Antonition, Bill Vickers *(Champion)*

Gus Awards

Argus recognises and rewards employees who are role models for their colleagues by actively pursuing healthy lifestyles and participating in the Argus Wellness Programme. Awardees are commended for their success in losing weight, revamping diets, exercising regularly and encouraging their colleagues to lead healthy lifestyles. The winners are chosen by the Argus Wellness Committee and the President & Chief Executive Officer selects the Champion.

DIRECTORS OF PRINCIPAL OPERATING SUBSIDIARIES

ARGUS INSURANCE COMPANY LIMITED

Sheila E. Nicoll
Chairman

W. Roger Davidson
Deputy Chairman

David J. Crowhurst

Brian C.E. Foster

Reginald S. Minors

David W. Pugh

Gerald D.E. Simons

BERMUDA LIFE INSURANCE COMPANY LIMITED

John D. Campbell
Chairman

Robert D. Steinhoff
Deputy Chairman

Lauren M. Bell

C. Joy Pimental

David W. Pugh

Gerald D.E. Simons

Alan R. Thomson

SOMERS ISLES INSURANCE COMPANY LIMITED

James A.C. King
Chairman

David P. Gutteridge
Deputy Chairman

Cindy F. Campbell

John D. Pereira

C. Joy Pimental

David W. Pugh

Gerald D.E. Simons

CENTURION INSURANCE SERVICES LIMITED

Sheila E. Nicoll
Chairman

Christopher P. Trott
Deputy Chairman

Andrew H. Bickham

David J. Crowhurst

W. Roger Davidson

Brian C.E. Foster

Reginald S. Minors

David W. Pugh

Gerald D.E. Simons

ARGUS INTERNATIONAL LIFE BERMUDA LIMITED, ARGUS INTERNATIONAL LIFE INSURANCE LIMITED AND BERMUDA LIFE WORLDWIDE LIMITED

John D. Campbell
Chairman

Robert D. Steinhoff
Deputy Chairman

Lauren M. Bell

Peter R. Burnim

Larry A. Peck

David W. Pugh

Gerald D.E. Simons

Alan R. Thomson

ARGUS INSURANCE COMPANY (EUROPE) LIMITED, Gibraltar

James A.C. King
Chairman

David P. Gutteridge
Deputy Chairman

Andrew I. Baker

Andrew H. Bickham

David J. Crowhurst

David W. Pugh

Gerald D.E. Simons

ARGUS FINANCIAL LIMITED

Geoffrey Matus
Chairman

Gerald D. E. Simons
Deputy Chairman

James M. Keyes

David W. Pugh

Craig Rimer

E. John Sainsbury

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