



ARGUS

TOMORROW.
TOGETHER.

SEPTEMBER 2020
SIX-MONTH REPORT

TOMORROW. TOGETHER.

We look to the future with empathy and optimism. We are delivering opportunity for the people around us, our shareholders, our team, our partners and our customers, because they are what matters most today and tomorrow.

**TOMORROW. TOGETHER.
BECAUSE OUR INTEREST IS YOU.**

PERFORMANCE MEASUREMENTS

\$(0.7)m

Net Loss

67.3%

Combined Operating Ratio

\$10.2m

Operating Earnings

\$11.6m

Operating Cash Flow

\$16.7m

Combined Fee Income

6.6%

Dividend Yield

\$144.6m

Shareholders' Equity

A-(Excellent)

Financial Strength Rating -
A.M. Best

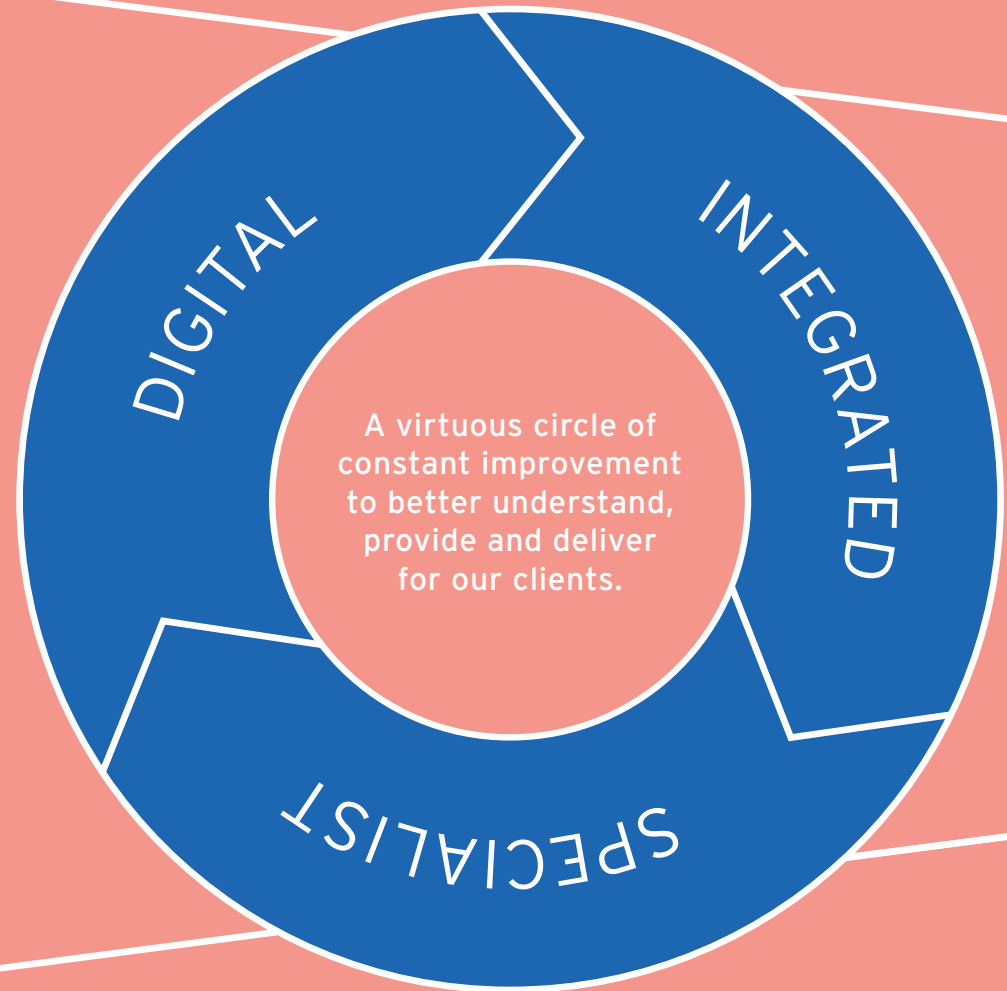
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OUR STRATEGY

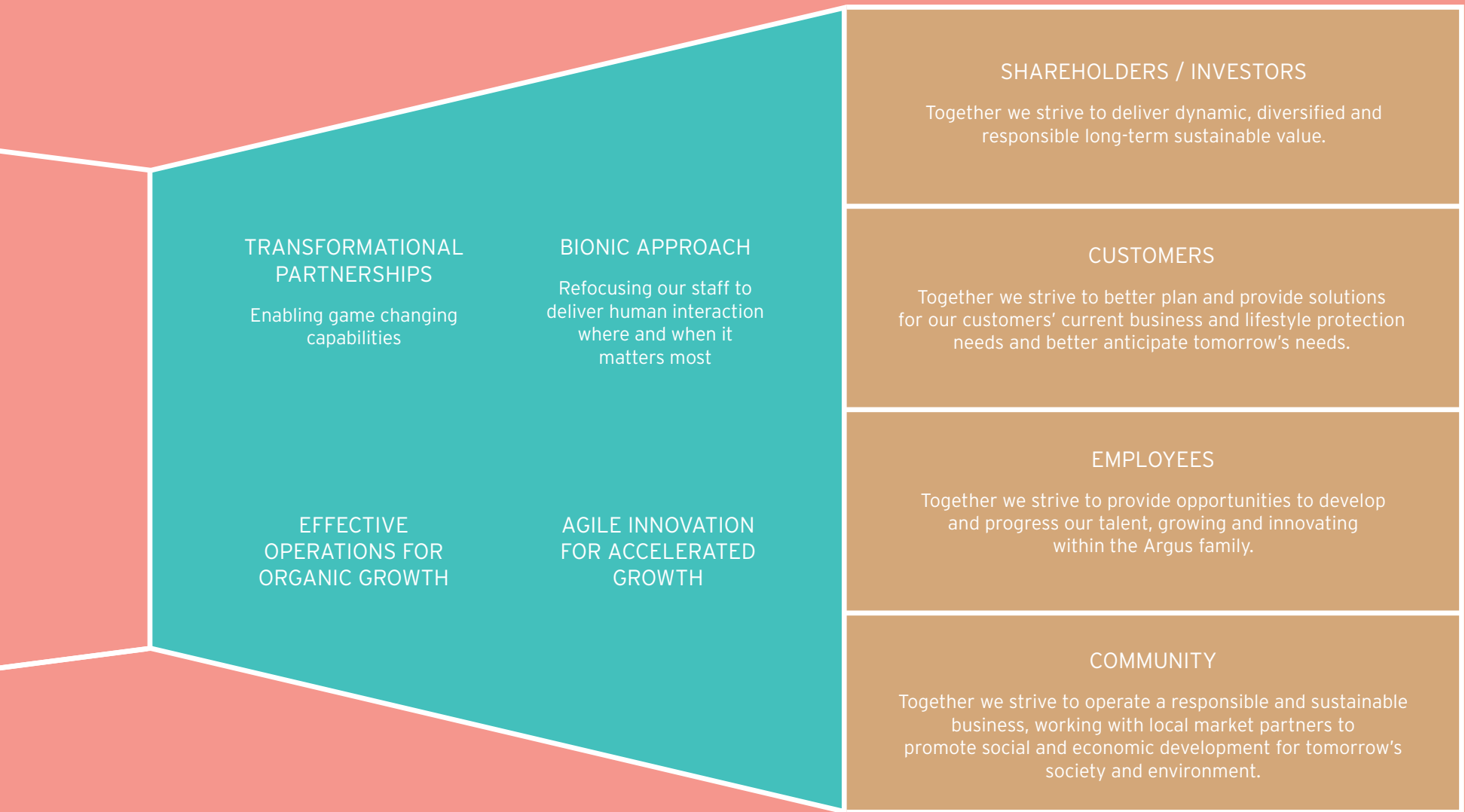
DRIVING VALUE AND OPPORTUNITY FOR STAKEHOLDERS

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| FINANCIAL PERFORMANCE Risk and financial discipline: balancing resilience and growth of earnings. |
| TALENT Unleashing the potential of engaged and empowered employees. |
| INNOVATION Acquisition of two medical practices as the foundation of creating a Better Health Partnership for Bermuda. |
| GLOBAL Successful expansion in Malta, Gibraltar and beyond. |
| DIVERSIFIED Revenues from diverse geographies and business lines. |
| 70 YEARS YOUNG Trusted and respected brand values. |
| OPERATING MODEL New structure driving autonomy, responsibility and agility. |



STRONG FOUNDATIONS FOR AN AMBITIOUS FUTURE

REALISED BY OUR CORE STRATEGY



DRIVING OUR STRATEGIC IMPERATIVES

YIELDING VALUE TODAY AND OPPORTUNITY TOMORROW FOR ALL STAKEHOLDERS

REPORT TO SHAREHOLDERS

ARGUS TODAY AND TOMORROW.

Argus celebrates its 70th anniversary this year, a time to reflect on our past and focus on our future.

Our success as a company is defined by the long-term well-being of the people that we serve, the places in which we operate, and the planet that we leave to our grandchildren. We have long understood the importance of Environmental, Social and Corporate Governance, of Black Lives Matter and Social Justice. These are our bedrock. The firm foundation on which we have built our business. The strength that we relied upon in challenging times.

This year, the world we knew suddenly changed. It changed in unexpected and unrecognisable ways. We have had to adapt swiftly to the humanitarian and economic crisis of COVID-19, focusing not only on how we support the people who rely on us right now, but also ensuring the future health and long-term sustainable growth of our business.

We know that the legacy we write over the next 70 years will be determined by our

social impact, just as much as our economic impact. This outlook is not new to Argus; it's how we've been operating for 70 years and it is pleasing to see this recognised globally by shareholders, customers, colleagues and other stakeholders as the right way for companies to operate.

We are proud of our Bermudian heritage. We are over 90 percent owned by Bermudians. 90 percent of our declared dividends get reinvested back into our community alongside the myriad of initiatives we launched this year aimed at helping people protect what matters most during the COVID-19 crisis.

We continue to monitor, evaluate and manage the impact of the pandemic on our business through our robust group-wide risk management framework. The well-being of our customers, colleagues and broader communities is paramount. Our business continuity plans remain in operation and a

significant majority of colleagues continue to work remotely, serving our customers, utilising our robust and flexible technology.

Two years ago, we recognised that we needed a new strategic vision. Health Reform in Bermuda, Brexit, tech innovation, populist politics and social change; all of these presented greater risk and uncertainty, but also new business opportunities. Above all, we knew we needed to build a more resilient business and develop our agility and adaptability to better navigate through uncertain times.

These uncertain times became very real, very quickly. Your Management and Board could be forgiven for focusing entirely on short-term crisis management. We didn't. We continue to balance stability within the Argus Group with a strategy for long-term sustainable growth. Our strategic goal to become a Digital Integrated Specialist has served us well. Within 5 days of global

COVID lockdown, we were able to service our clients whilst protecting our colleagues by working remotely in all sites, across all territories.

Our solid foundation allows us to become a Digital Integrated Specialist, enabling us to better understand, provide and deliver solutions to our clients, embracing Health Reform whilst expanding globally.

Since 2019 we have made two strategic acquisitions, each representing a step towards creating a Better Health Partnership. We are pleased to report that the integration of the two health providers in Bermuda and One Team Health in Canada with the Group's business operations have been successful. Our people, process and systems are ready to service not only the Argus policyholders, but the community at large and in One Team Health's case, other international communities. As strong client advocates,

we will continue to work with all healthcare stakeholders to support a financially sustainable, robust healthcare delivery system. We have the appropriate framework in place to ensure no conflict of interest can arise within this integrated solution.

From this position of strength, we are able to move forward, with confidence and compassion for a brighter tomorrow, together.



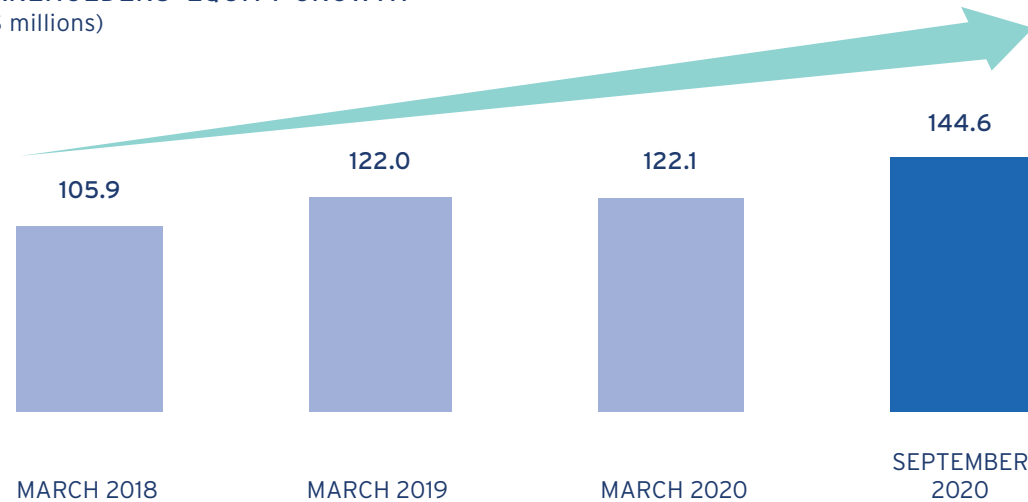
FINANCIAL POSITION AND RESULTS OF OPERATIONS

Reporting a half year loss - even a modest one of \$0.7 million - is never an enjoyable thing to do. However, when we look at the underlying earnings, and growth in shareholders' equity, it is evident that the Argus Group has had a strong six months of financial performance. The modest net loss - driven by short-term market factors that impact reported net income under current accounting rules - only tells part of the story.

Once the corresponding investment gains - reported within shareholders' equity - are factored in, our overall shareholders' equity has grown by \$22.5 million over the past six months.

Since March 2018, our shareholders' equity has increased from \$105.9 million to \$144.6 million as of September 30, 2020. During this time, we have returned \$13.3 million to shareholders through dividends. The growth in our shareholders' equity has been achieved through solid operating earnings, strategic acquisitions

SHAREHOLDERS' EQUITY GROWTH (in \$ millions)



and revenue diversification whilst maintaining a high client retention rate and continued commitment to careful and diligent custodianship of policyholder and shareholder assets.

Our track record for increasing the shareholders' equity has been solid against a backdrop of challenging times. A strong balance sheet and careful capital management have allowed us to invest in our strategy to create long-term sustainable value and growth. In addition, our statutory capital remains well in

excess of the capital required by regulators.

To understand the financial results for the six months ended September 30, 2020 we have to separate out the long-term annuity business. The annuity business has good long-term profits and returns on capital deployed, but the accounting and valuation rules we currently must follow create a lot of volatility in the reported results, especially over shorter periods. More on that later.

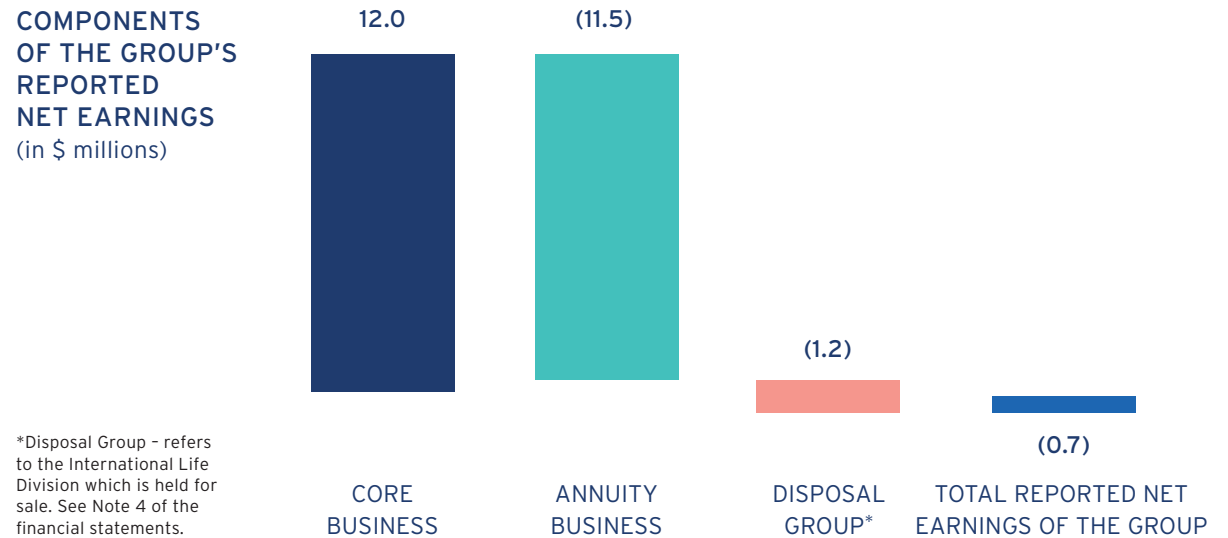
Core Business

Let's first look at the financial results of the core business for the six months to September 30, 2020.

The core business has demonstrated incredible resilience during a period of extreme economic and operational upheaval. COVID-19 has materially affected many of the businesses and individuals we serve and challenged the Argus team to find new products and innovative ways to deliver our services. Bermuda experienced a busy hurricane season, and ongoing uncertainty in the regulatory landscape in key lines of business. In Europe, Brexit has become a reality and our businesses have had to navigate the long and complex process in order to be able to continue to operate on both sides of the Brexit divide with Malta within the European Union and Gibraltar remaining part of the UK.

Despite these challenges our core business

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



generated net income for the six months of \$12.0 million. Revenue from net insurance premiums within our core business declined \$4.2 million or approximately 6.8 percent compared to the prior year. The Bermuda hospital financial reform, which took effect in June 2019 and a reduction in the insured population are the primary drivers for the decline in net insurance premiums during the period. Against the backdrop of the COVID-19 crisis and legislative changes, the team has worked tirelessly to retain and acquire new

clients through excellent client management and bespoke solutions for clients and industries hardest hit by the pandemic.

Insurance claims within our core business for the six months are notably lower than normal, primarily due to lower economic activity caused by the COVID-19 related lockdowns and restrictions. Core business claims for the six months declined \$12.3 million or approximately 29.4 percent compared to the prior year.

Limitations to healthcare access - notably elective overseas medical procedures - during the first wave of COVID-19, alongside the cost-containment measures undertaken following the acquisition of One Team Health, have contributed to the decrease in the insurance claims during the period. It is anticipated that underutilisation during periods of shelter-in-place or travel restriction will cause an uptick in claims over the coming years, as many procedures have been deferred rather than cancelled. We are analysing emerging health data to understand the potential for an increase in the frequency or severity of future health claims as a consequence of the lower utilisation of standard and preventative benefits during the past six months. We will continue to work closely with our clients to ensure plan benefits fit their evolving needs so they can continue to focus on what matters most.

Reduced traffic on roads due to COVID-19 related lockdowns has resulted in a decrease

in claims incurred in our Property and Casualty insurance business. We remain agile, sensitive and transparent, and aim to put our customers at the heart of everything that we do. In Bermuda, we passed some of these savings back to our clients in the form of rebates offered to car, motorcycle and small business customers on their motor insurance policy premiums. Hurricane losses incurred during the period from Paulette and Teddy were mitigated by our robust reinsurance programme.

We have a deliberate strategy to improve the resilience and diversification of our business by increasing the sources of fee-based income. We are therefore pleased that the commission and fee income for the six months has increased by \$4.8 million or approximately 49.4 percent compared to the prior year. This increase in the fee income when compared to the prior year is the result of the acquisition of the medical practices in Bermuda in June 2020 and the

acquisition of FirstUnited Brokers Limited in Malta in September 2019. Income from our European insurance brokerage operations have remained robust and income from our asset management and pension administration businesses have benefited from the investment market growth we've seen this year so far.

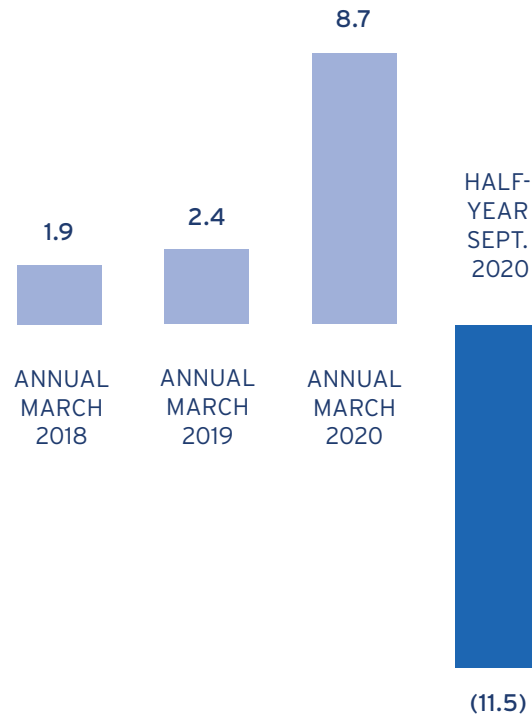
We remain committed to careful and judicious management of operating expenditure. Our recent acquisitions have added to the overall operating cost base of our core business by \$7.0 million when compared to prior year. Elsewhere in our operations we have taken meaningful steps to reduce the ongoing cost of doing business. These changes to our operations - which sadly involved saying goodbye to some of our colleagues - will ensure our long-term cost of delivering our products and services remains competitive. We also continue to make investments in our people, technology, risk management, and information security

tools necessary to enable us to deliver value to our customers, support future growth and operational resilience and efficiencies. Some investments are yielding immediate returns whilst others will emerge over a longer horizon.

During the period, we have responded to major legislative changes that allowed for eligible members to withdraw pension funds due to the economic hardship caused by the COVID-19 crisis. True to form, we adapted swiftly and continued to do the right thing, the right way for our customers, our shareholders, our colleagues and our community.

Our strong operations allowed us to support the communities where we operate with donations and in-kind support for many individuals and organisations. Together we strive to operate a responsible and sustainable business, working with local market partners to promote social and economic development for tomorrow's society and environment.

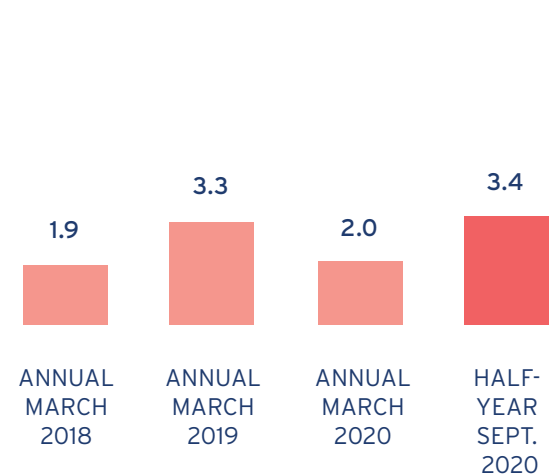
NET EARNINGS (in \$ millions)



Annuity Business

Our annuity business reported a net loss of \$11.5 million during the six months. The year on year volatility in the reported net earnings is not indicative of a change in the underlying

NET EARNINGS INCLUDING OTHER COMPREHENSIVE INCOME



profitability, but rather a result of accounting and valuation rules which we currently must follow. This means that, for at least another two years before the new accounting standards IFRS 17 and IFRS 9 are introduced,

users of financial statements have to pull together the pieces to see that the annuity business has good fundamental economics, contributing positive long-term profits and returns on capital deployed.

The previous chart shows the annuity business contribution to Group net earnings and total comprehensive income over the past three years.

To illustrate the variability in the reported results driven by the annuity business, we enjoyed an annuity profit of \$8.7 million for the full fiscal year to March 2020 yet incurred a loss of \$3.2 million in the first six months of that same fiscal year.

It is the same underlying market factors - predominately the decline in market yields - that has driven the increase in the value of the annuity liability (reported within net income) and the well matched increase in the value of the investments that back the annuity

liability (and reported as 'other comprehensive income') in the first six months of this fiscal year.

Therefore, a fairer view of the economics and underlying profitability of the annuity business is shown in the chart which brings together the impact of the increase in the annuity liability and the investment portfolio gains that are reported through 'other comprehensive income'. Annuity earnings, including other comprehensive income, for the six months stands at \$3.4 million.

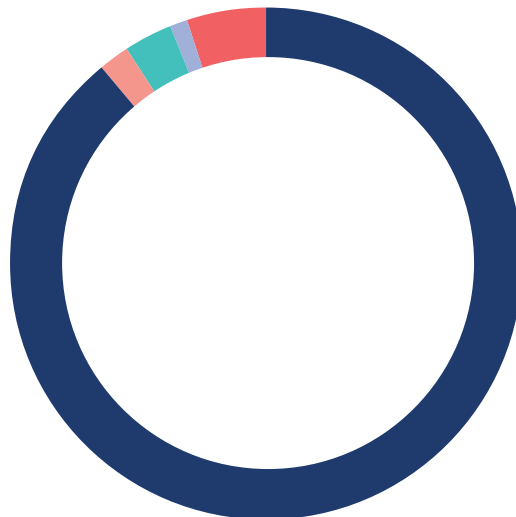
This short-term accounting mismatch will be significantly reduced by the adoption of the new accounting standards, IFRS 17 and IFRS 9 in April 2022. The annuity business remains well managed and governed, supported by best in class investment managers and a team of professional actuaries. The Group's high-quality fixed income portfolio remains well-matched to the interest rate sensitivity of our longer-term annuity liabilities.

Investments

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

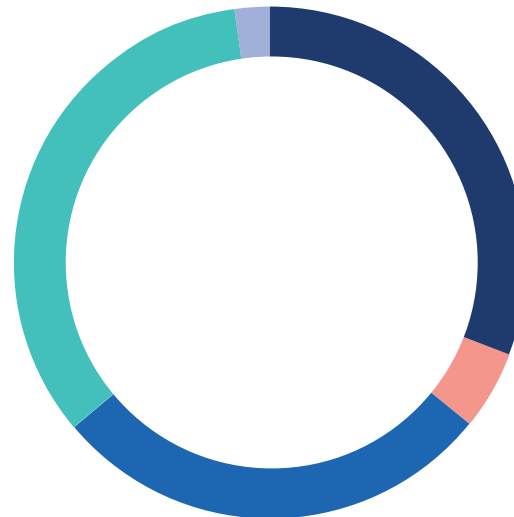
The spread of COVID-19 has profoundly affected global markets. During the last quarter of fiscal year 2020, we saw markets in turmoil as the impacts of the virus unfolded globally. However, the first half of the current fiscal year has seen a rapid recovery in equity and credit markets as lockdown measures eased, and there were signs of economic recovery. Against this backdrop, the Group's portfolio generated positive returns. Combined investments

INVESTMENT ASSETS
at September 30, 2020



- 89% FIXED INCOME
- 2% GLOBAL FUNDS
- 0% BERMUDA EQUITIES
- 3% MORTGAGE LOANS & RECEIVABLES
- 1% INVESTMENT PROPERTIES
- 5% ASSETS HELD-FOR-SALE

FIXED INCOME PORTFOLIO RATINGS
at September 30, 2020



- 31% AAA
- 5% AA
- 28% A
- 34% BBB
- 2% BELOW INVESTMENT GRADE & NOT RATED

generated a total return of \$31.3 million, \$7.4 million reported through the income statement and \$23.9 million of unrealised gains reported as other comprehensive income on the balance sheet.

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

Key Performance Metrics

The key performance metrics for the Group for the first six months of the fiscal year have remained strong, despite the economic and operational challenges that exist across the world today. Our Operating Earnings - which is a key measure of the underlying profitability of the Group and defined below - for the first six months is \$10.2 million compared to the corresponding period of 2019 of \$8.5 million.

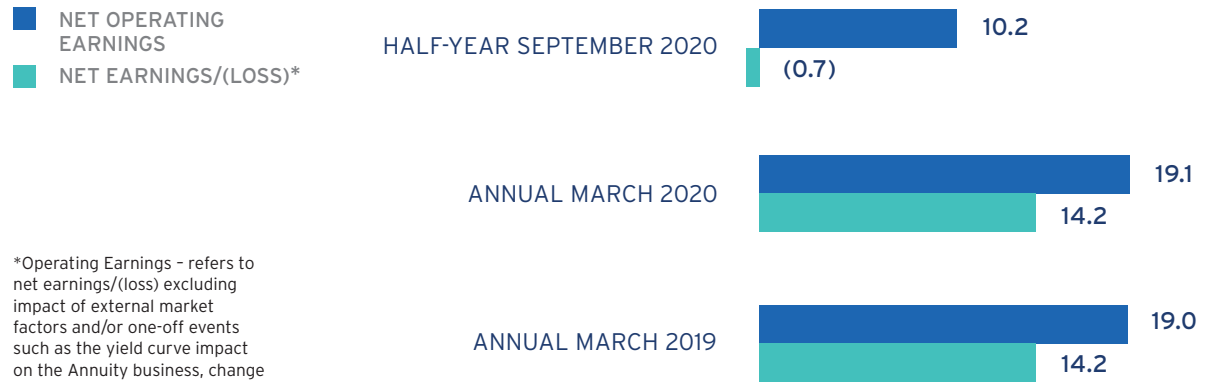
OPERATING EARNINGS PERFORMANCE
(in \$ millions)

The strength in our insurance operations is reflected in the combined operating ratio, which is a metric to track the overall performance of our underwriting operations by comparing premium income to the cost of claims and operating expenses. For the six months to September 30, 2020, the combined operating ratio for the insurance businesses within the Group was a healthy 67.3 percent compared with 84.4 percent for the corresponding period in 2019 and 80.8 percent for the year ended March 2020.

Diligent treasury management has ensured operating cash flows during the period have remained strong with a net operating cash inflow of \$11.6 million compared to net inflow of \$7.9 million over the same period last year.

Dividends

The Board has declared a dividend of nine cents per share payable on January 28, 2021 for shareholders of record on December 31, 2020.



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

This maintains the annual dividend rate at 18 cents per share. We will maintain and grow the dividends we pay to shareholders whenever possible.

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.

AGM

At the AGM of the Company held on November 26, 2020, all of the Directors were re-elected. Ms. Sheila Nicoll was re-elected Chairman.

Sheila E. Nicoll
Chairman

Alison S. Hill
Chief Executive Officer

WHAT MATTERS MOST

“It’s made me realise how important real human interaction is.

Tyrone Montovio,
Chief Executive, Argus Europe

GOVERNANCE

OUR BOARD OF DIRECTORS

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



Sheila E. Nicoll, FCII

CHIEF OPERATING OFFICER,
SIRIUS BERMUDA INSURANCE COMPANY, LTD.

Ms. Nicoll has been a member of the Argus Group Holdings Limited Board of Directors for 14 years, and Chairman since 2008. Ms. Nicoll has over 40 years of experience in the insurance/reinsurance industry in Bermuda, London and New York. She holds an MA in Chemistry from Oxford University and professional designation as a Fellow of the Chartered Institute of Insurance.



David A. Brown, CPA, FCA

INDEPENDENT DIRECTOR

David has almost 40 years' experience in the insurance industry including a number of CEO and Chairman roles. He recently stepped down after 20 years as Chairman of the Bermuda Stock Exchange, where he remains on the Board. He is currently the Chairman and interim CEO of Hamilton Re, Ltd. and also serves on the Board of Hamilton Insurance Group, where he is chair of the Governance and Finance Committee. In his career, David has served on the Boards of numerous private and public companies. David is a Fellow of the Institute of Chartered Accountants (UK) and a CPA (Bermuda).



Keith W. Abercromby, BSc FIA
NON-EXECUTIVE DIRECTOR OF CANADA LIFE LIMITED & OF LEEK UNITED BUILDING SOCIETY

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



Peter R. Burnim, MBA
CHAIRMAN AND BOARD MEMBER OF VARIOUS COMPANIES

Mr. Burnim has been a member of the Argus Group Holdings Limited Board of Directors for 10 years. He currently serves as a Trustee of Allianz VIP Trust and Allianz VIP Fund of Fund Trust, Chairman of EGB Insurance, Emrys Technology, Sterling Bank & Trust Limited, and on the Board of Sterling Trust (Cayman) Limited and Turing Motor Company. He is founder and director of Stellar Energy Foundation. He serves on numerous education, artistic, and religious not-for-profit Boards. He previously worked for Citibank/Citicorp for over 25 years in the USA and Europe, where he served as Senior Credit, Senior Securities and Senior Corporate Officer, running U.S. Corporate Banking, European Corporate Finance, European Capital Markets and U.S. Private Banking. Mr. Burnim is an honors graduate of Harvard College and Harvard Business School.



Timothy C. Faries, BA, LLB, LLM
MANAGING PARTNER, APPLEBY (BERMUDA) LIMITED

Mr. Faries has been a member of the Argus Group Holdings Limited Board of Directors for six years. In addition to being the Managing Partner, Mr. Faries is also the Bermuda Group Head of the Corporate and Commercial department and the Insurance and Reinsurance sector leader for Appleby (Bermuda) Limited. Mr. Faries qualified as a barrister and solicitor in Alberta and was called to the Bermuda Bar in 1994. He serves as director on several other Boards.

OUR BOARD OF DIRECTORS



Alison S. Hill, FCMA, CGMA

CHIEF EXECUTIVE OFFICER,
ARGUS GROUP HOLDINGS LIMITED

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



Barbara J. Merry

INDEPENDENT DIRECTOR

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



Everard Barclay Simmons,
MBA, LLB

ROSE INVESTMENT LIMITED

Mr. Simmons was a member of the Argus Group Holdings Limited Board of Directors for five years, from 2011 to 2015, and recently rejoined the Board in November 2018. Mr. Simmons qualified as a barrister in England and Wales and was called to the Bermuda Bar in 1998. Before returning to Bermuda in 2006, he completed an MBA at Harvard Business School and worked as an Investment Banker at Goldman Sachs in New York City. He serves as director on several other Boards in the Bermuda market focused on financial services regulation, banking, insurance and investments.



Kim R. Wilkerson, JP, CPCU

SENIOR VICE PRESIDENT, REGIONAL HEAD
OF CLAIMS FOR AXA XL INSURANCE

Ms. Wilkerson has been a member of the Argus Group Holdings Limited Board of Directors for two years. Ms. Wilkerson is currently the Senior Vice President, Regional Head of Claims for AXA XL insurance operations in Bermuda and also served as General Counsel of XL Insurance (Bermuda) Ltd. She has a wealth of experience in the insurance industry. In 2016, Ms. Wilkerson was appointed to Bermuda's Senate, where she served until the dissolution of Parliament in June 2017.



Paul C. Wollmann,
MBA, CPCU, ARe, ARM

CHIEF UNDERWRITING OFFICER,
ESSENT REINSURANCE LTD.

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

OFFICERS & COMMITTEES

ARGUS GROUP HOLDINGS LIMITED

Keith W. Abercromby
David A. Brown
Peter R. Burnim
Timothy C. Faries
Alison S. Hill

Barbara J. Merry
Sheila E. Nicoll (Chairman)
E. Barclay Simmons
Kim R. Wilkerson
Paul C. Wollmann

OFFICERS

Chairman - Sheila E. Nicoll
Deputy Chairman - Peter R. Burnim
Chief Executive Officer - Alison S. Hill

Chief Financial Officer - Peter J. Dunkerley
Chief Investment & Governance Officer - Simon J. Giffen
Company Secretary - Elizabeth A. Hutton

BOARD COMMITTEES

AUDIT COMMITTEE

Keith W. Abercromby (Chair)
Timothy C. Faries
Paul C. Wollmann
David A. Brown

PEOPLE, COMPENSATION & GOVERNANCE COMMITTEE

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

RISK COMMITTEE

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



OUR LEADERSHIP TEAM



PETER LOZIER
Chief Executive, Americas



TYRONE MONTOVIO
Chief Executive, Europe



SIMON GIFFEN
Chief Investment & Governance Officer



ONESIMUS NZABALINDA
Chief Global Compliance & Audit Officer



HANNAH ROSS
Chief Strategy & Capital Officer



SHEENA SMITH
Chief Human Capital, Change & Culture Officer



NIK SMALE
Chief Digital Officer



DAVID SIMONS
Managing Director, Argus Centre of Excellence

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 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.

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 with 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.

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 with 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 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.

OUR PRINCIPAL OPERATING SUBSIDIARIES

ARGUS AMERICAS

BERMUDA SUBSIDIARIES

Argus Insurance Company Limited

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

Bermuda Life Insurance Company Limited

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

Centurion Insurance Services Limited

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

Island Health Services Ltd

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

Argus Wealth Management Limited

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

Bermuda Life Worldwide Limited

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

I.H.S. Laboratories Ltd

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

Argus International Life Insurance Limited

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

Argus International Life Bermuda Limited

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

CANADA SUBSIDIARIES

One Team Health, Inc.

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

ARGUS EUROPE

GIBRALTAR SUBSIDIARIES

Argus Insurance Company (Europe) Limited

Keith W. Abercromby (Chair)

Peter R. Burnim

Alison S. Hill

Constantinos Miranthis

Tyrone Montovio

Sheila E. Nicoll

WestMed Insurance Services Limited

Alison S. Hill (Chair)

Tyrone Montovio

John L. Stagnetto

MALTA SUBSIDIARIES

Argus Insurance Agencies Limited

Charles Farrugia (Chair)

Alison S. Hill

Tyrone Montovio

Island Insurance Brokers Limited

Barbara J. Merry (Chair)

Dr. Carmel Cascun

Peter J. Dunkerley

Alison S. Hill

Lawrence Pavia

Sheila E. Nicoll

FirstUnited Insurance Brokers Limited

Alison S. Hill (Chair)

Salv Mifsud Bonnici

Peter J. Dunkerley

Peter Grima

Kevin Galea Pace

CONDENSED CONSOLIDATED BALANCE SHEETS

| <i>(In \$ thousands)</i> | Note | SEPTEMBER 30 2020 <i>(Unaudited)</i> | MARCH 31 2020 <i>(Audited)</i> |
|---|------|--|--------------------------------------|
| Assets | | | |
| Cash and short-term investments | | 58,097 | 71,501 |
| Interest and dividends receivable | | 2,546 | 2,741 |
| Assets held-for-sale | 4 | 34,116 | 31,549 |
| Investments | 5 | 477,947 | 445,586 |
| Receivable for investments sold | | 112 | 74 |
| Insurance balances receivable | | 20,930 | 19,941 |
| Reinsurers' share of: | | | |
| Claims provisions | | 19,204 | 16,507 |
| Unearned premiums | | 12,808 | 10,662 |
| Other assets | | 6,284 | 5,813 |
| Deferred policy acquisition costs | | 1,590 | 1,473 |
| Investment properties | | 2,899 | 2,899 |
| Investment in associates | | 2,866 | 2,831 |
| Property and equipment | | 62,423 | 55,257 |
| Intangible assets | 3 | 26,142 | 6,617 |
| TOTAL GENERAL FUND ASSETS | | 727,964 | 673,451 |
| Segregated fund assets held-for-sale | 4 | 479,994 | 460,449 |
| Segregated fund assets from continuing operations | 11 | 1,029,444 | 866,100 |
| TOTAL SEGREGATED FUND ASSETS | | 1,509,438 | 1,326,549 |
| TOTAL ASSETS | | 2,237,402 | 2,000,000 |

| <i>(In \$ thousands)</i> | Note | SEPTEMBER 30 2020 <i>(Unaudited)</i> | MARCH 31 2020 <i>(Audited)</i> |
|---|------|--|--------------------------------------|
| Liabilities | | | |
| Insurance balances payable | | 19,094 | 18,158 |
| Payables arising from investment transactions | | 5,575 | 3,546 |
| Liabilities held-for-sale | 4 | 17,450 | 15,269 |
| Taxes payable | | 272 | 345 |
| Accounts payable and accrued liabilities | | 37,412 | 24,673 |
| Insurance contract liabilities | 8 | 252,980 | 231,969 |
| Investment contract liabilities | | 246,244 | 253,555 |
| Post-employment benefit liability | | 4,147 | 3,670 |
| TOTAL GENERAL FUND LIABILITIES | | 583,174 | 551,185 |
| Segregated fund liabilities held-for-sale | 4 | 479,994 | 460,449 |
| Segregated fund liabilities from continuing operations | 11 | 1,029,444 | 866,100 |
| TOTAL SEGREGATED FUND LIABILITIES | | 1,509,438 | 1,326,549 |
| TOTAL LIABILITIES | | 2,092,612 | 1,877,734 |
| Equity | | | |
| Attributable to shareholders of the Company | | | |
| Share capital | | 17,510 | 17,161 |
| Contributed surplus | | 53,672 | 53,502 |
| Retained earnings | | 60,676 | 63,493 |
| Accumulated other comprehensive income/(loss) | 13 | 12,789 | (12,013) |
| TOTAL EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY | | 144,647 | 122,143 |
| Attributable to non-controlling interests | | 143 | 123 |
| TOTAL EQUITY | | 144,790 | 122,266 |
| TOTAL EQUITY AND LIABILITIES | | 2,237,402 | 2,000,000 |

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 | 2020 <i>(Unaudited)</i> | 2019 <i>(Unaudited)</i> |
|--|------|----------------------------|----------------------------|
| Revenue | | | |
| Gross premiums written | | 79,895 | 86,542 |
| Reinsurance ceded | | (21,745) | (21,038) |
| Net premiums written | | 58,150 | 65,504 |
| Net change in unearned premiums | | (1,854) | (1,596) |
| Net premiums earned | | 56,296 | 63,908 |
| Investment income | 5 | 7,320 | 13,572 |
| Share of earnings of associates | | 35 | 178 |
| Commissions, management fees and other | 12 | 22,232 | 17,022 |
| | | 85,883 | 94,680 |
| Expenses | | | |
| Policy benefits | | 7,240 | 7,680 |
| Claims and adjustment expenses | | 28,743 | 45,389 |
| Reinsurance recoveries | | (2,510) | (3,410) |
| Gross change in contract liabilities | | 15,246 | 15,924 |
| Change in reinsurers' share of claims provisions | | (2,343) | (8,411) |
| NET BENEFITS AND CLAIMS | | 46,376 | 57,172 |
| Commission expenses | | 2,573 | 2,620 |
| Operating expenses | | 34,756 | 28,002 |
| Amortisation, depreciation and impairment | | 2,580 | 2,841 |
| | | 86,285 | 90,635 |
| EARNINGS/(LOSS) BEFORE INCOME TAXES | | (402) | 4,045 |
| Income tax expense | | 319 | 140 |
| NET EARNINGS/(LOSS) FOR THE PERIOD | | (721) | 3,905 |
| Attributable to: | | | |
| Shareholders of the Company | | (741) | 3,866 |
| Non-controlling interests | | 20 | 39 |
| | | (721) | 3,905 |
| Earnings/(loss) per share: | | | |
| Basic | 10 | (0.03) | 0.18 |
| Fully diluted | | (0.03) | 0.18 |

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

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE OPERATIONS

| <i>For the six months ended September 30 (In \$ thousands)</i> | 2020 <i>(Unaudited)</i> | 2019 <i>(Unaudited)</i> |
|--|-----------------------------------|-----------------------------------|
| NET EARNINGS/(LOSS) FOR THE PERIOD | (721) | 3,905 |
| OTHER COMPREHENSIVE INCOME/(LOSS) | | |
| Items that will not be reclassified to net earnings/(loss): | | |
| Post-employment medical benefit obligation remeasurement | (505) | (294) |
| Items that are or may subsequently be reclassified to net earnings/(loss): | | |
| Change in unrealised gains/(losses) on available-for-sale investments | 23,927 | 8,557 |
| Change in unrealised gains/(losses) on translating financial statements of foreign operations | 1,380 | 243 |
| OTHER COMPREHENSIVE INCOME FOR THE PERIOD | 24,802 | 8,506 |
| COMPREHENSIVE INCOME FOR THE PERIOD | 24,081 | 12,411 |
| OTHER COMPREHENSIVE INCOME ATTRIBUTABLE TO: | | |
| Shareholders of the Company | 24,802 | 8,506 |
| Non-controlling interests | - | - |
| | 24,802 | 8,506 |
| COMPREHENSIVE INCOME ATTRIBUTABLE TO: | | |
| Shareholders of the Company | 24,061 | 12,372 |
| Non-controlling interests | 20 | 39 |
| | 24,081 | 12,411 |

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> | 2020 <i>(Unaudited)</i> | 2019 <i>(Unaudited)</i> |
|---|-----------------------------------|-----------------------------------|
| Share Capital | | |
| Authorised: | | |
| 25,000,000 common shares of \$1.00 each (2019 – 25,000,000) | 25,000 | 25,000 |
| Issued and fully paid, beginning of period 22,259,760 shares (2019 – 22,105,225 shares) | 22,260 | 22,105 |
| Add: Shares issued under the dividend reinvestment plan 92,473 shares (2019 – 73,478 shares) | 92 | 73 |
| Deduct: Shares held in Treasury, at cost 891,323 shares (2019 – 909,468 shares) | (4,842) | (5,028) |
| BALANCE, NET OF SHARES HELD IN TREASURY, END OF PERIOD | 17,510 | 17,150 |
| Contributed Surplus | | |
| Balance, beginning of period | 53,502 | 53,161 |
| Stock-based compensation expense | 79 | 84 |
| Treasury shares granted to employees | (122) | (154) |
| Shares issued under the dividend reinvestment plan | 213 | 158 |
| Contributed surplus on purchase of subsidiary | | |
| BALANCE, END OF PERIOD | 53,672 | 53,249 |
| Retained Earnings | | |
| Balance, beginning of period | 63,493 | 51,295 |
| Net earnings/(loss) for the period | (741) | 3,866 |
| Dividends | (1,924) | (1,910) |
| Loss on treasury shares granted to employees | (152) | (145) |
| BALANCE, END OF PERIOD | 60,676 | 53,106 |
| Accumulated Other Comprehensive Income/(Loss) | | |
| Balance, beginning of period | (12,013) | (1,381) |
| Other comprehensive income/(loss) | 24,802 | 8,506 |
| BALANCE, END OF PERIOD | 12,789 | 7,125 |
| TOTAL ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY | 144,647 | 130,630 |
| Attributable to Non-controlling Interests | | |
| Balance, beginning of period | 123 | 46 |
| Net earnings for the period | 20 | 39 |
| TOTAL EQUITY ATTRIBUTABLE TO NON-CONTROLLING INTERESTS | 143 | 85 |
| TOTAL EQUITY | 144,790 | 130,715 |

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 | 2020 <i>(Unaudited)</i> | 2019 <i>(Unaudited)</i> | <i>For the six months ended September 30 (In \$ thousands)</i> | Note | 2020 <i>(Unaudited)</i> | 2019 <i>(Unaudited)</i> |
|---|------|-----------------------------------|-----------------------------------|---|------|-----------------------------------|-----------------------------------|
| OPERATING ACTIVITIES | | | | INVESTING ACTIVITIES | | | |
| Earnings/(loss) before income taxes | | (402) | 4,045 | Purchase of investments | | (299,116) | (655,561) |
| Adjustments to reconcile net earnings/(loss) to cash basis | | | | Sale, maturity and paydown of investments | | 294,512 | 659,145 |
| Bad debt expense | | (1,031) | 374 | Purchase of subsidiary, net of cash acquired | | (16,540) | (1,739) |
| Interest income | | (6,140) | (7,661) | Purchase of property and equipment | | (3,314) | (752) |
| Dividend income | | (352) | (553) | CASH(USED IN)/GENERATED FROM | | | |
| Investment income related to Deposit administration pension plans | | 753 | 889 | INVESTING ACTIVITIES | | (24,458) | 1,093 |
| Net realised and unrealised gains on investments | | (2,511) | (6,592) | FINANCING ACTIVITIES | | | |
| Amortisation of mortgages and net premium of bonds | | 837 | 605 | Dividends paid to shareholders | | (1,636) | (1,758) |
| Net impairment losses on investments | | 231 | - | Acquisition of shares held in Treasury | | - | (7) |
| Share of earnings/(loss) of associates, including impairment | | - | (178) | Principal elements of the lease payments | | (366) | - |
| Net realised and unrealised (gains)/losses on investment properties | | 135 | - | CASH USED IN FINANCING ACTIVITIES | | (2,002) | (1,765) |
| Amortisation, depreciation and impairment | | 2,580 | 2,841 | EFFECT OF FOREIGN EXCHANGE RATE CHANGES ON CASH AND SHORT-TERM INVESTMENTS | | 1,339 | 223 |
| Expense on vesting of stock-based compensation | | 79 | 84 | NET INCREASE IN CASH AND SHORT-TERM INVESTMENTS | | (13,506) | 7,414 |
| Interest expense on leases | | 139 | 64 | CASH AND SHORT-TERM INVESTMENTS, beginning of period | | 74,251 | 54,355 |
| | | (5,280) | (10,127) | CASH AND SHORT-TERM INVESTMENTS, end of period | | 60,745 | 61,769 |
| Change in operating balances | | | | Cash and short-term investments from continuing operations | | 58,097 | 58,131 |
| Insurance balances receivable | | 565 | 4,162 | Cash and short-term investments held for sale | 4 | 2,648 | 3,638 |
| Reinsurers' share of: | | | | | | 60,745 | 61,769 |
| Claims provisions | | (2,587) | (8,336) | | | | |
| Unearned premiums | | (1,835) | (3,040) | | | | |
| Other assets | | (554) | 249 | | | | |
| Deferred policy acquisition costs | | (6) | - | | | | |
| Insurance contract liabilities | | 20,232 | 20,534 | | | | |
| Insurance balances payable | | 776 | (481) | | | | |
| Investment contract liabilities | | (7,311) | (3,853) | | | | |
| Accounts payable and accrued liabilities | | 2,552 | (2,998) | | | | |
| Post employment benefit liability | | (28) | (2) | | | | |
| | | 11,804 | 6,235 | | | | |
| Interest income received | | 5,597 | 7,235 | | | | |
| Dividend income received | | 352 | 553 | | | | |
| Income tax recoveries/(paid) | | (456) | (78) | | | | |
| CASH GENERATED FROM OPERATING ACTIVITIES | | 11,615 | 7,863 | | | | |

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2020

(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, 2020, it had 1,388 shareholders; 83.8 percent of whom were Bermudian, holding 90 percent of the issued shares.

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

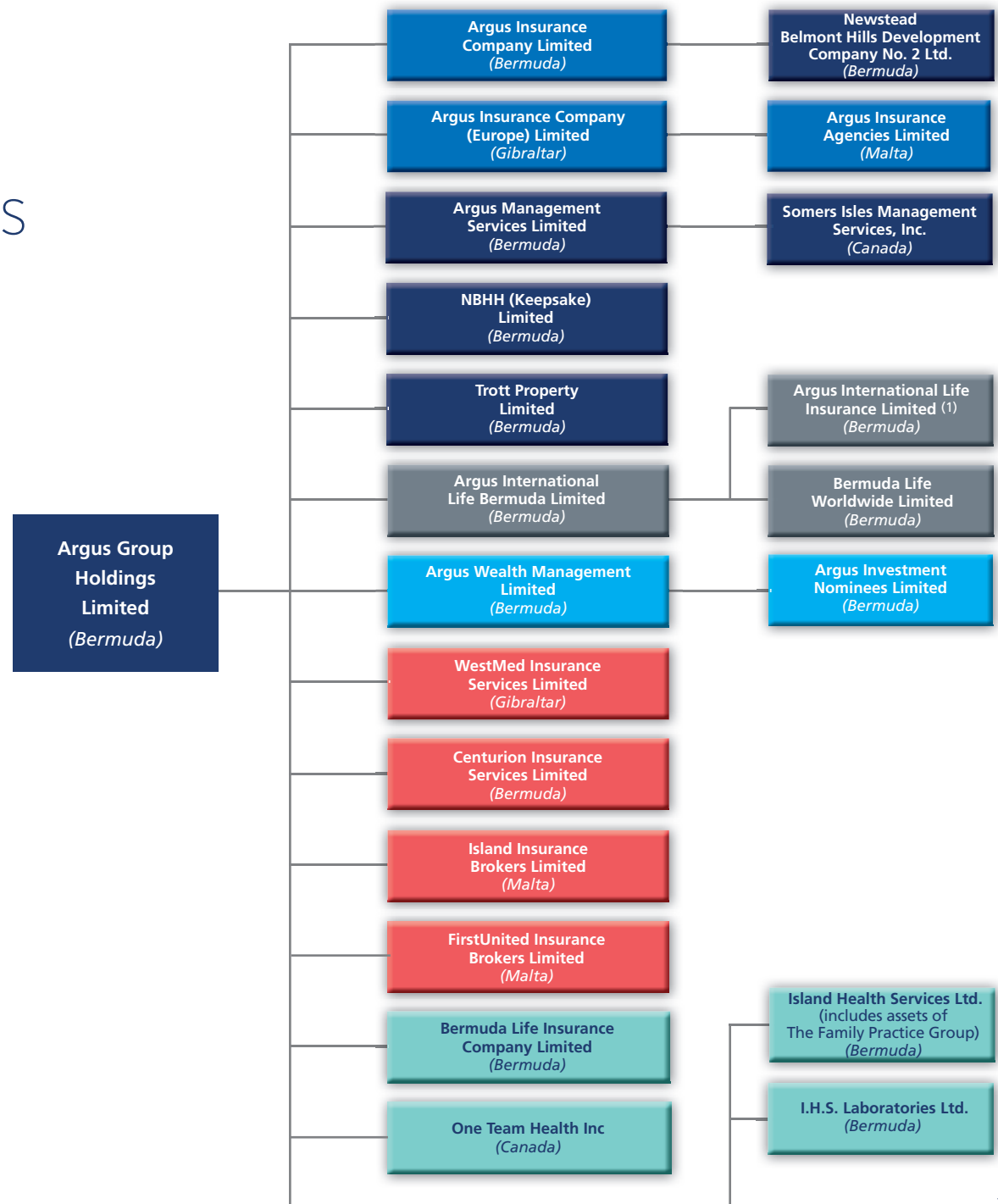
1.1 GROUP COMPOSITION

The table provides details of the significant subsidiaries as at September 30, 2020, which are directly and indirectly held by the Company.

Nature of business:

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

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



2 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, 2020, audited consolidated 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, 2020, as discussed in the March 31, 2020, audited consolidated financial statements. However, these do not impact the condensed consolidated interim financial statements of the Group.

2.2.1 Reporting Segment

The Group is organised into operating segments based on their products and services. These operating segments mainly operate in the financial services industry. The Chief Executive Officer and the Board of Directors review the business and make strategic decisions primarily by operating segments. Effective April 1, 2020, the Group amended the structure of the reportable segments to

reflect the geographical areas, the change in the management structure and internal financial reporting of the Group.

The Group's new reportable segments are as follows:

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

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 2020 annual report.

2.4 THE IMPACT OF COVID-19 ON THE GROUP

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

3 Acquisitions

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

The purchase consideration is subject to certain adjustments dependent on the persistency of the book of business. \$17.0 million was settled on June 30, 2020, while the remaining balance is payable over the next four years. The fair value estimate of the contingent consideration as of September 30, 2020 is \$6.7 million. The contingent consideration is based on the achievement of performance-related milestones and the range of undiscounted payment outcomes is between zero and \$8.5 million.

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

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

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

From date of acquisition to September 30, 2020, the newly acquired companies generated a net profit of \$1.2 million.

4 Assets and Liabilities Held-for-Sale

Management committed to a plan to sell the International Life Division, including the related assets and liabilities. The Group is currently active in the market to locate potential buyers, has distributed offering documents and has signed nondisclosure 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.

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

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

| | SEPTEMBER 30 2020 | MARCH 31 2020 |
|---|----------------------|------------------|
| Cash and short-term investments | 2,648 | 2,750 |
| Investments | 20,179 | 18,969 |
| Reinsurers' share of: | | |
| Claims provisions | 3,651 | 2,972 |
| Unearned premium | (13) | 67 |
| Other assets | 2,421 | 1,426 |
| Investment properties | 4,365 | 4,500 |
| Intangible assets | 865 | 865 |
| Total General fund asset held-for-sale | 34,116 | 31,549 |
| Segregated fund assets held-for-sale | 479,994 | 460,449 |
| | 514,110 | 491,998 |
| LIABILITIES | | |
| Life and annuity policy reserves | 12,261 | 10,454 |
| Insurance balances payable | 4,968 | 4,576 |
| Accounts payable and accrued liabilities | 221 | 239 |
| Total General fund liabilities held-for-sale | 17,450 | 15,269 |
| Due to related parties – net ⁽¹⁾ | 1,288 | 660 |
| Segregated fund liabilities held-for-sale | 479,994 | 460,449 |
| | 498,732 | 476,378 |

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

5 Investments

5.1 CARRYING VALUES AND ESTIMATED FAIR VALUES OF INVESTMENTS

| | SEPTEMBER 30, 2020 | | MARCH 31, 2020 | |
|--|--------------------|----------------|----------------|----------------|
| | Carrying Value | Fair Value | Carrying Value | Fair Value |
| Available-for-sale | | | | |
| Bonds | 435,103 | 435,103 | 409,985 | 409,985 |
| Equities | 11,301 | 11,301 | 10,402 | 10,402 |
| | 446,404 | 446,404 | 420,387 | 420,387 |
| Investments at FVTPL ⁽¹⁾ | | | | |
| Bonds | 10,037 | 10,037 | 4,769 | 4,769 |
| Equities | 1,254 | 1,254 | 1,254 | 1,254 |
| | 11,291 | 11,291 | 6,023 | 6,023 |
| Loans and receivables | | | | |
| Mortgages and loans | 15,009 | 16,034 | 15,332 | 16,270 |
| Policy loans | 41 | 41 | 43 | 43 |
| | 15,050 | 16,075 | 15,375 | 16,313 |
| Derivatives | | | | |
| Other ⁽²⁾ | 531 | 531 | 3,731 | 3,731 |
| Foreign currency forward contracts | 4,671 | 4,671 | 70 | 70 |
| | 5,202 | 5,202 | 3,801 | 3,801 |
| TOTAL INVESTMENTS | 477,947 | 478,972 | 445,586 | 446,524 |

(1) Fair value through profit or loss.

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

Included in Bonds are investments that support the investment contract liabilities associated with deposit administration pension plans of \$157.0 million (2019 – \$230.3 million). These investments are maintained under a separate account to provide the policyholders certain protections from creditors of the Group.

During the period, cash flows arising from sales and purchases related to reverse sale and repurchase agreements on investments amounted to \$49.6 million (2019 – \$115.9 million) 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

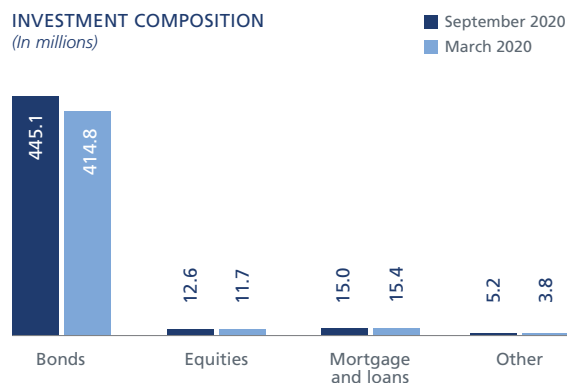
The Group has investments of \$360.6 million (March 31, 2020 – \$378.6 million) that meet the SPPI criterion. This refers to bonds, mortgages and loans, and policy loans. The change in the fair value of these invested assets during the period is a gain of \$15.2 million (March 31, 2020 – loss of \$6.2 million). In terms of credit quality of such assets (excluding mortgages and policy loan), 97 percent (March 31, 2020 – 98 percent) investments are above investment grade assets and the remaining 3 percent (March 31, 2020 – 2 percent) are below investment grade assets.

Investments with a carrying value of \$99.5 million (March 31, 2020 – \$51.5 million) do not have SPPI qualifying cash flows as at September 30, 2020. The change in the fair value of these invested assets during the year is a gain of \$4.1 million (March 31, 2020 – loss of \$1.6 million).

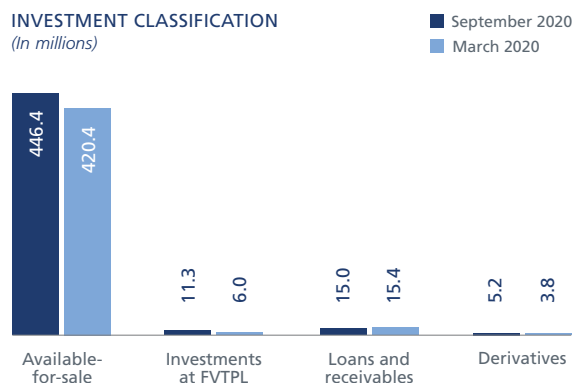
Derivatives and equities with a carrying value of \$20.8 million (March 31, 2020 – \$15.5 million) do not meet the SPPI criterion as at September 30, 2020.

Investments presented as assets held-for-sale with a carrying value of \$17.1 million (March 31, 2020 – \$19.0 million), refer to mortgages and loans and bond funds, do not have SPPI qualifying cash flows as at September 30, 2020. The change in the fair value of these invested assets during the year is a gain of \$0.5 million (March 31, 2020 – \$0.8 million).

INVESTMENT COMPOSITION
(In millions)



INVESTMENT CLASSIFICATION
(In millions)



5.2 INVESTMENT INCOME

| FOR THE SIX MONTHS ENDED SEPTEMBER 30 | 2020 | 2019 |
|--|--------------|---------------|
| Interest income | | |
| Bonds – available-for-sale | 5,937 | 6,883 |
| Bonds – at FVTPL | (1) | 113 |
| Bonds – held-to-maturity | - | 16 |
| Mortgages and loans | 290 | 327 |
| Cash and other | (87) | 322 |
| | 6,139 | 7,661 |
| Dividend income | | |
| Equities – available-for-sale | 352 | 551 |
| Equities – at FVTPL | - | 2 |
| | 352 | 553 |
| Net realised and unrealised (losses)/gains on investments | | |
| Bonds – available-for-sale | 1,973 | 5,220 |
| Bonds – at FVTPL | (4) | 73 |
| Equities – at FVTPL | - | 16 |
| Equities – available-for-sale | (86) | (146) |
| Derivative financial instruments | 629 | 1,429 |
| Investment properties | (135) | - |
| | 2,377 | 6,592 |
| Other | | |
| Amortisation of premium on bonds | (837) | (605) |
| Rental income and other | 273 | 260 |
| Net impairment losses on investments | (231) | - |
| | (795) | (345) |
| INVESTMENT INCOME BEFORE DEDUCTIONS | 8,073 | 14,461 |
| Deductions | | |
| Investment income relating to Deposit Administration Pension Plans | (753) | (889) |
| INVESTMENT INCOME | 7,320 | 13,572 |

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 strategic asset/liability management. These investments are not held for the purpose of being sold or repurchased in the near term, with the intention of profiting from short-term price changes. Management believes that the users of the financial statements 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, 2020, is \$39.0 million (March 2020 – \$42.2 million).

The table below sets out the amounts recognised as Investment income (interest / dividend income and amortisation) on the Condensed 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, \$2.9 million of unrealised gains (2019 – \$2.2 million unrealised losses) would have been recognised in Investment income on the Condensed Consolidated Statement of Operations.

The effective interest rates on trading investments redesignated as available-for-sale investments at April 1, 2016, and still held at the reporting date ranged from 2.7 percent to 5.8 percent (2019 – 4.4 percent to 6.7 percent), with expected recoverable cash flows of \$61.8 million (2019 – \$83.3 million).

| FOR THE SIX MONTHS ENDED SEPTEMBER 30 | 2020 Consolidated Statement of Operations | Other Comprehensive Loss | 2019 Consolidated Statement of Operations | Other Comprehensive Income |
|--|--|--------------------------------|--|----------------------------------|
| Investment income | 792 | - | 1,225 | - |
| Net unrealised gains/(losses) on investments | - | 2,939 | - | 2,194 |
| | 792 | 2,939 | 1,225 | 2,194 |

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, 2020, and March 31, 2020.

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

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

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

Other 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.

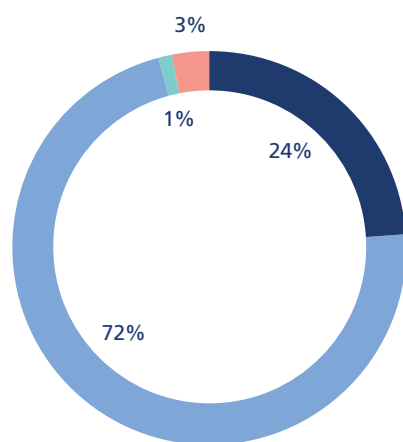
Level 3 investments are securities for which valuation techniques are not based on observable market data. The Group classifies unquoted/private equities as Level 3 assets as the valuation technique incorporates both observable and unobservable inputs. These investments may be subject to certain lock-up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

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 2020

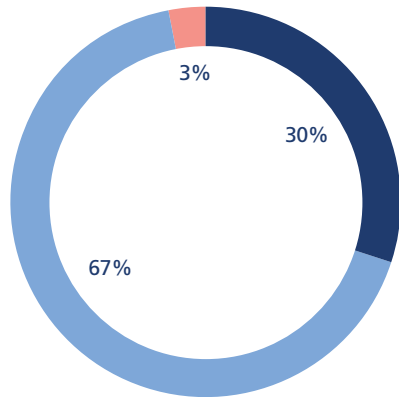


■ LEVEL 1 ■ LEVEL 3
■ LEVEL 2 ■ NOT MEASURED AT FAIR VALUE

| SEPTEMBER 30, 2020 | Level 1 | Level 2 | Level 3 | Total Fair Value |
|---|----------------|------------------|----------------|------------------|
| Cash and short-term investments | 58,097 | - | - | 58,097 |
| Interest and dividends receivable | - | 2,546 | - | 2,546 |
| Available-for-sale investments | | | | |
| Bonds | | | | |
| U.S. government | 62,946 | - | - | 62,946 |
| U.S. corporates | - | 219,936 | - | 219,936 |
| Municipal, other government and agency | - | 47,032 | - | 47,032 |
| Foreign corporates | - | 16,682 | - | 16,682 |
| Mortgage/asset-backed securities | - | 57,473 | - | 57,473 |
| Other ⁽¹⁾ | - | 31,034 | - | 31,034 |
| TOTAL AVAILABLE-FOR-SALE BONDS | 62,946 | 372,157 | - | 435,103 |
| Equities | | | | |
| Global listed equities | 2,123 | - | - | 2,123 |
| Investment in equity funds | - | 8,391 | - | 8,391 |
| Private equity funds and unquoted equities | - | - | 787 | 787 |
| Total Available-for-sale equities | 2,123 | 8,391 | 787 | 11,301 |
| TOTAL AVAILABLE-FOR-SALE INVESTMENTS | 65,069 | 380,548 | 787 | 446,404 |
| FVTPL | | | | |
| Bonds | | | | |
| U.S. government | 10,037 | - | - | 10,037 |
| TOTAL BONDS AT FVTPL | 10,037 | - | - | 10,037 |
| FVTPL | | | | |
| Equities | | | | |
| Bermuda listed equities | - | - | - | - |
| Global listed equities | - | - | - | - |
| Private equity funds and unquoted equities | - | - | 1,254 | 1,254 |
| TOTAL EQUITIES AT FVTPL | - | - | 1,254 | 1,254 |
| TOTAL INVESTMENTS AT FVTPL | 10,037 | - | 1,254 | 11,291 |
| Derivatives | - | 5,202 | - | 5,202 |
| Receivable for investments sold | - | 112 | - | 112 |
| Other financial assets under Other assets | - | 2,989 | - | 2,989 |
| Investment properties | - | 2,899 | - | 2,899 |
| TOTAL ASSETS AT FAIR VALUE | 133,203 | 394,296 | 2,041 | 529,540 |
| Liabilities | | | | |
| Investment contract liabilities | - | 418 | - | 418 |
| Payables arising from investment transactions | - | 5,575 | - | 5,575 |
| TOTAL LIABILITIES AT FAIR VALUE | - | 5,993 | - | 5,993 |
| SEGREGATED FUNDS | | | | |
| From continuing operations | 3,618 | 1,025,826 | - | 1,029,444 |
| Held-for-sale | 33,522 | 275,620 | 170,852 | 479,994 |
| | 37,140 | 1,301,446 | 170,852 | 1,509,438 |

⁽¹⁾ Investment in bond funds.

ASSET FAIR VALUE LEVELLING
MARCH 2020



■ LEVEL 1 ■ LEVEL 3
■ LEVEL 2 ■ NOT MEASURED AT FAIR VALUE

| MARCH 31, 2020 | Level 1 | Level 2 | Level 3 | Total Fair Value |
|---|----------------|----------------|--------------|------------------|
| Cash and short-term investments | 71,501 | - | - | 71,501 |
| Interest and dividends receivable | - | 2,741 | - | 2,741 |
| Available-for-sale investments | | | | |
| Bonds | | | | |
| U.S. government | 79,921 | - | - | 79,921 |
| U.S. corporates | - | 196,980 | - | 196,980 |
| Municipal, other government and agency | - | 41,015 | - | 41,015 |
| Foreign corporates | - | 14,197 | - | 14,197 |
| Mortgage/asset-backed securities | - | 47,967 | - | 47,967 |
| Other (1) | - | 29,905 | - | 29,905 |
| | 79,921 | 330,064 | - | 409,985 |
| Equities | | | | |
| Global listed equities | 1,529 | - | - | 1,529 |
| Investment in equity funds | - | 6,882 | - | 6,882 |
| Private equity funds and unquoted equities | - | - | 791 | 791 |
| | 1,529 | 6,882 | 791 | 9,202 |
| TOTAL AVAILABLE-FOR-SALE INVESTMENTS | 81,450 | 336,946 | 791 | 419,187 |
| FVTPL | | | | |
| Bonds | | | | |
| U.S. government | 4,769 | - | - | 4,769 |
| Equities | - | - | 1,254 | 1,254 |
| TOTAL INVESTMENTS AT FVTPL | 4,769 | - | 1,254 | 6,023 |
| Derivatives | - | 3,799 | - | 3,799 |
| Receivable for investments sold | - | 74 | - | 74 |
| Other financial assets under Other assets | - | 3,619 | - | 3,619 |
| Investment properties | - | 2,899 | - | 2,899 |
| TOTAL ASSETS AT FAIR VALUE | 157,720 | 350,078 | 2,045 | 509,843 |
| Liabilities | | | | |
| Investment contract liabilities | - | 526 | - | 526 |
| Payables arising from investment transactions | - | 3,546 | - | 3,546 |
| TOTAL LIABILITIES AT FAIR VALUE | - | 4,072 | - | 4,072 |
| SEGREGATED FUNDS | | | | |
| From continuing operations | 3,571 | 862,529 | - | 866,100 |
| Held-for-sale | 64,483 | 232,735 | 163,231 | 460,449 |
| | 68,054 | 1,095,264 | 163,231 | 1,326,549 |

(1) Investment in bond funds.

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

| AS AT SEPTEMBER 30, 2020 | | | | | |
|--|-------------------|----------------------|---------------------------------|------------------------------------|-------|
| | At FVTPL Bonds | At FVTPL Equities | Available- for-sale Bonds | Available- for-sale Equities | Total |
| Balance, beginning of year | - | 1,254 | - | 791 | 2,045 |
| Included in Other comprehensive income | - | - | - | (4) | (4) |
| | - | 1,254 | - | 787 | 2,041 |
| AS AT MARCH 31, 2020 | | | | | |
| | 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 | - | (520) | - | (128) | (648) |
| Included in Other comprehensive income | - | - | - | (48) | (48) |
| Purchases | - | - | - | 26 | 26 |
| Sales/Write Off | - | (102) | - | (121) | (223) |
| | - | 1,254 | - | 791 | 2,045 |

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, 2020 | Level 1 | Level 2 | Level 3 | Total Fair Value | Carrying Value |
|--|---------|---------|---------|------------------|----------------|
| ASSETS | | | | | |
| Mortgages and loans ⁽¹⁾ | - | 16,034 | - | 16,034 | 15,009 |
| Policy loans | - | 41 | - | 41 | 41 |
| TOTAL ASSETS DISCLOSED AT FAIR VALUE | - | 16,075 | - | 16,075 | 15,050 |
| LIABILITIES | | | | | |
| Investment contract liabilities ⁽²⁾ | - | 243,660 | - | 243,660 | 245,826 |
| TOTAL LIABILITIES DISCLOSED AT FAIR VALUE | - | 243,660 | - | 243,660 | 245,826 |
| MARCH 31, 2020 | | | | | |
| | Level 1 | Level 2 | Level 3 | Total Fair Value | Carrying Value |
| ASSETS | | | | | |
| Mortgages and loans ⁽¹⁾ | - | 16,270 | - | 16,270 | 15,332 |
| Private equities | - | - | 1,200 | 1,200 | 1,200 |
| Policy loans | - | 43 | - | 43 | 43 |
| TOTAL ASSETS DISCLOSED AT FAIR VALUE | - | 16,313 | 1,200 | 17,513 | 16,575 |
| LIABILITIES | | | | | |
| Investment Contract liabilities ⁽²⁾ | - | 251,609 | - | 251,609 | 253,029 |
| TOTAL LIABILITIES DISCLOSED AT FAIR VALUE | - | 251,609 | - | 251,609 | 253,029 |

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

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

- Deposit administration pension plans – based on a discounted cash flow method. Factors considered in the valuation include current yield curve, plus appropriate spreads 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, 2 and 3 during the period ended September 30, 2020 (March 2020 – nil).

7 Operating Segments

As discussed in Note 2.2.1, the Group amended the structure of the reportable segments. Previously reported segment information has been reclassified to conform with the presentation adopted in the current period. Transactions between segments consists primarily of rental and internal financing agreements and insurance contracts.

7.1 RESULTS BY SEGMENT

| FOR THE SIX MONTHS ENDED SEPTEMBER 30 | | AMERICAS | | | | | EUROPE | | | CORE | | Consolidated Total |
|---|------|----------------------------|-------------------|---------------------|-----------------|---------------|---------------------|--------------|---------------|--------------|----------------|--------------------|
| | | Employee Benefits & Health | Wealth Management | Property & Casualty | Disposal Groups | Total | Property & Casualty | Brokerage | Total | All other | Elimination | |
| Segment revenues | 2020 | 58,240 | 1,999 | 9,564 | 708 | 70,511 | 8,629 | 2,290 | 10,919 | - | (2,902) | 78,528 |
| | 2019 | 61,670 | 1,996 | 9,374 | 700 | 73,740 | 8,542 | 1,234 | 9,776 | - | (2,586) | 80,930 |
| Investment income | 2020 | 7,740 | 7 | 156 | 205 | 8,108 | (26) | - | (26) | (292) | (470) | 7,320 |
| | 2019 | 12,868 | 111 | 436 | 193 | 13,608 | 296 | - | 296 | 104 | (436) | 13,572 |
| Share of earnings of associates | 2020 | - | - | 35 | - | 35 | - | - | - | - | - | 35 |
| | 2019 | - | - | 178 | - | 178 | - | - | - | - | - | 178 |
| TOTAL SEGMENT REVENUES | 2020 | 65,980 | 2,006 | 9,755 | 913 | 78,654 | 8,603 | 2,290 | 10,893 | (292) | (3,372) | 85,883 |
| | 2019 | 74,538 | 2,107 | 9,988 | 893 | 87,526 | 8,838 | 1,234 | 10,072 | 104 | (3,022) | 94,680 |
| Amortisation, depreciation and impairment | 2020 | 1,591 | 51 | 21 | 125 | 1,788 | 259 | 87 | 346 | 318 | 128 | 2,580 |
| | 2019 | 1,474 | - | 338 | - | 1,812 | 187 | 54 | 241 | 555 | 233 | 2,841 |
| Income tax expense | 2020 | - | - | - | - | - | 30 | 326 | 356 | 8 | (45) | 319 |
| | 2019 | - | - | - | - | - | 107 | 57 | 164 | - | (24) | 140 |
| Reportable segment earnings attributable to shareholders, after tax | 2020 | 8,162 | 122 | 2,739 | (1,228) | 9,795 | 358 | 316 | 674 | (11,040) | (170) | (741) |
| | 2019 | 9,011 | 142 | 1,573 | 140 | 10,866 | 1,372 | 248 | 1,620 | (7,722) | (898) | 3,866 |

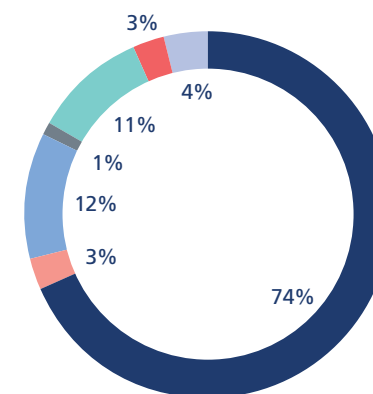
GEOGRAPHIC INFORMATION ON SEGMENT REVENUES:

| FOR THE SIX MONTHS ENDED SEPTEMBER 30 | | Americas | Europe | Total |
|---------------------------------------|------|----------|--------|--------|
| Segment revenues | 2020 | 74,990 | 10,893 | 85,883 |
| | 2019 | 84,608 | 10,072 | 94,680 |

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

SEGMENT REVENUES

- AMERICAS EMPLOYEE BENEFITS & HEALTH
- AMERICAS WEALTH MANAGEMENT
- AMERICAS P&C
- DISPOSAL GROUPS
- EUROPE P&C
- EUROPE BROKERAGE
- ELIMINATION & OTHERS



7.2 ASSETS AND LIABILITIES BY SEGMENT

| | AMERICAS | | | | Total | EUROPE | | Total | CORE | | Consolidated Total |
|-----------------------------|----------------------------|-------------------|---------------------|-----------------|-----------|---------------------|-----------|--------|-----------|-------------|--------------------|
| | Employee Benefits & Health | Wealth Management | Property & Casualty | Disposal Groups | | Property & Casualty | Brokerage | | All other | Elimination | |
| SEPTEMBER 30, 2020: | | | | | | | | | | | |
| Total General Fund Assets | 536,434 | 591 | 61,156 | 34,116 | 632,297 | 58,835 | 9,538 | 68,373 | 175,753 | (148,459) | 727,964 |
| Segregated Fund Assets | 1,029,444 | - | - | 479,994 | 1,509,438 | - | - | - | - | - | 1,509,438 |
| General Fund Liabilities | 463,276 | 418 | 31,144 | 18,738 | 513,576 | 42,582 | 8,143 | 50,725 | 20,899 | (2,026) | 583,174 |
| Segregated Fund Liabilities | 1,029,444 | - | - | 479,994 | 1,509,438 | - | - | - | - | - | 1,509,438 |
| MARCH 31, 2020: | | | | | | | | | | | |
| Total General Fund Assets | 508,846 | 305 | 48,062 | 31,549 | 588,762 | 53,423 | 10,884 | 64,307 | 156,426 | (136,044) | 673,451 |
| Segregated Fund Assets | 866,100 | - | - | 460,449 | 1,326,549 | - | - | - | - | - | 1,326,549 |
| General Fund Liabilities | 453,925 | (287) | 21,325 | 15,929 | 490,892 | 38,699 | 9,350 | 48,049 | 12,857 | (613) | 551,185 |
| Segregated Fund Liabilities | 866,100 | - | - | 460,449 | 1,326,549 | - | - | - | - | - | 1,326,549 |

8 Insurance Contract Liabilities

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

| SEPTEMBER 30, 2020 | Gross | Ceded | Net |
|---|----------------|---------------|----------------|
| Life and annuity policy reserves | 183,965 | 3,081 | 180,884 |
| Provision for unpaid and unreported claims | 44,235 | 16,123 | 28,112 |
| | 228,200 | 19,204 | 208,996 |
| Unearned premiums | 24,780 | 12,808 | 11,972 |
| TOTAL INSURANCE CONTRACT LIABILITIES | 252,980 | 32,012 | 220,968 |

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

8.1 LIFE AND ANNUITY POLICY RESERVES

The increase in the Insurance contract liabilities is mainly driven by the Life and annuity policy reserves. The changes in the net Life and annuity policy reserves for the period are as follows:

| | For the six months ended September 30, 2020 | For the year ended March 31, 2020 |
|------------------------------------|---|---|
| Balance, beginning of year | 170,963 | 167,187 |
| Changes due to: | | |
| Issuance of new policies | 2,907 | 10,350 |
| Normal in-force movement | (3,559) | (12,332) |
| Mortality/morbidity assumptions | - | (360) |
| Interest rate assumptions | 10,573 | 7,057 |
| Data validation and reconciliation | - | (927) |
| Other | - | (12) |
| | 180,884 | 170,963 |

9 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 2020 | For the year ended March 31 2020 |
|--|--|---|
| Balance, beginning of year | 3,670 | 3,311 |
| Movements during the period/year recognised in Operating expense: | | |
| Current service cost | 19 | 35 |
| Interest cost on benefit liability | 34 | 82 |
| | 53 | 117 |
| Remeasurement during the period/year included in Other comprehensive income: | | |
| Actuarial gain arising from experience adjustment | 505 | 401 |
| Benefit payments | (81) | (159) |
| BALANCE, END OF PERIOD/YEAR | 4,147 | 3,670 |

As at September 30, 2020, the present value of the defined benefit obligation was comprised of \$0.7 million (March 2020 – \$0.7 million) relating to active employees and \$3.4 million (March 2020 – \$3.0 million) relating to members in retirement.

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

- (i) Current service cost represents benefits earned in the current 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 2020 | MARCH 31 2020 |
|----------------------------|----------------------|------------------|
| Discount rate | 1.9% | 2.6% |
| Healthcare cost trend rate | 5.5% | 5.5% |

10 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 | 2020 | 2019 |
|---|------------|------------|
| Net (loss)/earnings for the period | (741) | 3,866 |
| <hr/> | | |
| AS AT SEPTEMBER 30 (number of shares) | 2020 | 2019 |
| Weighted average outstanding common share | 21,385,112 | 21,211,015 |
| Common shares and common share equivalents | 21,460,910 | 21,269,235 |

11 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 2020 | MARCH 31 2020 |
|--|----------------------|------------------|
| Additions to Segregated Funds | | |
| Premiums, contributions and transfers | 52,942 | 115,594 |
| Return on investments | 234,796 | (58,471) |
| Segregated funds acquired | - | 2,278 |
| | 287,738 | 59,401 |
| Deductions from Segregated Funds | | |
| Withdrawals, benefits paid and funds transfers to the General Fund | 96,747 | 246,825 |
| Operating expenses | 8,102 | 16,907 |
| | 104,849 | 263,732 |
| Net additions/(deductions to) Segregated funds for the period/year | 182,889 | (204,331) |
| Segregated funds, beginning of period/year | 1,326,549 | 1,530,880 |
| SEGREGATED FUNDS, END OF PERIOD/YEAR | 1,509,438 | 1,326,549 |
| SEGREGATED FUNDS CLASSIFIED UNDER HELD-FOR-SALE, END OF PERIOD/YEAR | (479,994) | (460,449) |
| SEGREGATED FUNDS FROM CONTINUING OPERATIONS, END OF PERIOD/YEAR | 1,029,444 | 866,100 |

12 Commissions, Management Fees and Other

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

| FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2020 | AMERICAS | | | EUROPE | | | Total |
|--|----------------------------|-------------------|---------------------|-----------------|---------------------|--------------|---------------|
| | Employee Benefits & Health | Wealth Management | Property & Casualty | Disposal Groups | Property & Casualty | Brokerage | |
| Fee income services contracts | | | | | | | |
| Pensions, health and policyholder administration | 9,888 | - | - | 2,054 | - | - | 11,942 |
| Investment management | - | 1,951 | - | - | - | - | 1,951 |
| Insurance brokerage | - | - | 521 | - | 188 | 2,078 | 2,787 |
| Total fee income from service contracts | 9,888 | 1,951 | 521 | 2,054 | 188 | 2,078 | 16,680 |
| Reinsurance commission income | 953 | - | 3,574 | - | 1,025 | - | 5,552 |
| | 10,841 | 1,951 | 4,095 | 2,054 | 1,213 | 2,078 | 22,232 |

| FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2020 | AMERICAS | | | EUROPE | | | Total |
|--|----------------------------|-------------------|---------------------|-----------------|---------------------|--------------|---------------|
| | Employee Benefits & Health | Wealth Management | Property & Casualty | Disposal Groups | Property & Casualty | Brokerage | |
| Fee income services contracts | | | | | | | |
| Pension and policyholder administration | 6,466 | - | - | 1,775 | 3 | - | 8,244 |
| Investment management | - | 1,948 | - | - | - | - | 1,948 |
| Insurance brokerage | - | - | 390 | - | 279 | 1,037 | 1,706 |
| Total fee income from service contracts | 6,466 | 1,948 | 390 | 1,775 | 282 | 1,037 | 11,898 |
| Reinsurance commission income | 813 | - | 3,319 | - | 992 | - | 5,124 |
| | 7,279 | 1,948 | 3,709 | 1,775 | 1,274 | 1,037 | 17,022 |

13 Components of Accumulated Other Comprehensive Income/(Loss)

| | SEPTEMBER 30 2020 | MARCH 31 2020 |
|---|----------------------|------------------|
| Remeasurement of post-employment medical benefit obligation | (1,500) | (995) |
| Available-for-sale investments | 17,035 | (6,892) |
| Translation of financial statements of foreign operations | (2,746) | (4,126) |
| TOTAL ACCUMULATED OTHER COMPREHENSIVE INCOME/(LOSS) | 12,789 | (12,013) |

14 Directors and Officers Holdings and Restricted Stock

At September 30, 2020, the Directors and Officers of the Company had combined interests totalling 96,351 shares out of 22,352,233 shares (2019 – 87,537 shares out of 21,901,634 shares) in issue on that date.

In the six-months period ended September 30, 2020, there were 14,901 (2019 – 12,601) restricted shares granted to Directors and Officers.

15 Subsequent Events

The Board has declared a final dividend of nine cents per share based upon the audited consolidated financial statements of the Group for the year ended March 31, 2020. This is payable on January 28, 2021, for shareholders of record on December 31, 2020.

16 Comparative Figures

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

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.

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