ARGUS

Insurance • Pensions • Investments

Celebrating 60 years of Experience

2010 ANNUAL REPORT

60 Years of Experience 1950-2010

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

As we celebrate our 60th year of operations, our core business units remain strong and reflect our ability to weather the challenges of a turbulent economy. With a foundation as solid as ours, the Argus Group will continue to seize opportunities to build on experience and achieve new growth.

1950 - 2010

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)

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

Individual Life and Annuities

ARGUS INTERNATIONAL LIFE INSURANCE LIMITED

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

AFL INVESTMENTS LIMITED

(Formerly: 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 PROPERTY (GIBRALTAR) LIMITED

Property Holding Company

Argus Group Holdings Limited is a public company, its shares trading on The Bermuda Stock Exchange. At March 31, 2010 it had 1,302 shareholders; 90 percent of whom were Bermudian, holding 83 percent of the issued shares.

BOARD OF DIRECTORS

Sheila E. Nicoll, FCII ■ ■
CHAIRMAN

Alan R. Thomson ■
DEPUTY CHAIRMAN

Wendall S. F. Brown ■

Peter R. Burnim ■ ■

John D. Campbell, QC, JP ■

James S. Jardine, CA, FCIS, JP ■ ■

Reginald S. Minors, JP ■

John D. Pereira* ■

The Hon. Gerald D. E. Simons, OBE
PRESIDENT & CHIEF EXECUTIVE OFFICER

Robert D. Steinhoff, FCA ■

Christopher P. Trott ■

COMMITTEES OF THE BOARD

Nominations and Governance Committee ■

Compensation Committee ■

Audit Committee ■

*not seeking re-election

GROUP MANAGEMENT

Gerald D. E. Simons, FLMI, HIA, ACS
PRESIDENT & CHIEF EXECUTIVE OFFICER

David W. Pugh, FCA
CHIEF FINANCIAL OFFICER & SECRETARY

Alison S. Hill, ACMA
CHIEF OPERATING OFFICER

Andrew I. Baker, FCII
CHIEF EXECUTIVE
ARGUS INSURANCE COMPANY (EUROPE) LIMITED.

Gary Hitchens
DIRECTOR
GLOBAL SALES & MARKETING

Wanda E. Richardson, MA, SPHR
VICE PRESIDENT
ORGANISATIONAL DEVELOPMENT

Lauren M. Bell, FLMI, HIA, ACS
EXECUTIVE VICE PRESIDENT
LIFE & PENSIONS

Michelle Jackson, MBA, MSc
EXECUTIVE VICE PRESIDENT
GROUP INSURANCE

Sheena M. Smith, CPA
VICE PRESIDENT
FINANCE

Andrew H. Bickham, ACII
EXECUTIVE VICE PRESIDENT
BROKING

Onesimus Nzabalinda, MBA, MSc
HEAD OF COMPLIANCE & RISK MANAGEMENT

Philip R. Trussell
VICE PRESIDENT & MANAGING DIRECTOR
INTERNATIONAL LIFE

Cindy F. Campbell, CPA, MBA
CHIEF OPERATING OFFICER
AFL INVESTMENTS LIMITED

Larry A. Peck, FSA, FCIA, MAAA
EXECUTIVE VICE PRESIDENT
GROUP ACTUARY

Paul Williams
EXECUTIVE VICE PRESIDENT
INFORMATION SYSTEMS

John Doherty, CPCU, ARe
VICE PRESIDENT
PROPERTY & CASUALTY

C. Joy Pimental, FLMI, ACS
HEAD OF SALES MANAGEMENT

FIVE YEAR SUMMARY

Financial and Shareholder Data

($ thousands, except share data)	2010	2009	2008	2007	2006
FOR THE YEAR					
Total revenue	131,679	32,146	138,224	153,814	134,044
(Loss)/Earnings for the year	(18,435)	(115,701)	15,479	36,927	26,988
Cash dividends	12,187	13,429	12,692	10,044	7,780
AT YEAR END					
Total General Fund Assets	518,783	528,996	643,823	535,760	471,405
Shareholders' Equity	97,479	114,837	260,665	177,504	148,614
FINANCIAL RATIOS					
(Loss)/Earnings per share – fully diluted	$(0.88)	$(5.53)	$0.73	$1.75	$1.28
Return on average Shareholders' Equity	(17.37)%	(61.62)%	7.07%	22.64%	19.26%
SHAREHOLDER DATA					
Shares in issue	21,511,163	21,485,744	21,441,618	19,418,989	17,520,161
Book value per share	$4.53	$5.34	$12.16	$9.14	$8.48
NUMBER OF EMPLOYEES	171	176	173	170	166

REPORT TO SHAREHOLDERS

The Argus Group has experienced another challenging year and, while some of our business units have recorded excellent results, a further deterioration in the value of certain of our investments resulted in a net loss of $18.4 million for the year ended March 31, 2010.

At September 30, 2009, the half year, we reported net earnings of $12.2 million and we were optimistic of meeting our annual earnings target. However, in the second half of the year the further diminution in value of $29 million to our holding in Butterfield Bank and an additional provision of $10 million against potentially uncollectable commercial loans produced negative investment earnings. Clearly, without these two investment-related losses the earnings from our core businesses would have produced net income in the region of $20 million for the year.

Shareholders will need no reminding that the Company incurred a net loss of $115.7 million in the prior year reflecting the impact of the most difficult of financial climates, the after-effects of which have lingered into the current year.

As we celebrate our 60th year of operations, we are confident that the Argus Group is well positioned for the future with core business units that are strong and producing steady cash flow.

Financial Results

The net loss for the year ended March 31, 2010 reported in the *Consolidated Statement of Income* is $18.4 million compared to the net loss of $115.7 million for the previous year.

During the year, *Shareholders' Equity* was reduced by the net loss of $18.4 million and cash dividends of $12.2 million and increased by Other Comprehensive Income of $12.7 million. At March 31, 2010 Shareholders' Equity stood at $97.5 million, substantially in excess of the statutory capital required to conduct the Group's various insurance businesses.

Gross premiums written increased by $8.1 million or 5.6 percent, arising from new business and our continuing efforts to achieve acceptable underwriting ratios by appropriate adjustments to premiums. Overall, *Claims, Policy and Actuarial benefits* rose by 7.7 percent over the prior year, reflecting the trend of increasing health care costs offset by better than anticipated claims experience in our property and casualty businesses. We were indeed fortunate to have escaped yet another year with no catastrophic events, especially major windstorms in Bermuda.

Once again, *Investment income* including the *Change in fair value of investments* has been the major area of non-performance within the Argus Group. The continuing recession, the Butterfield Bank write-down and further uncertainty regarding the collectability of certain commercial loans, mentioned above, have resulted in a negative contribution of $12.2 million to Group earnings.

By contrast, net unrealised gains recorded as *Other comprehensive income* amounted to $12.4 million which reflected the recovery in value of certain trade investments that are classified as 'available for sale'. In the prior year, unrealised losses of $13.3 million were recorded in this category.

On August 14, 1950, The Somers Isles Insurance Company Limited was incorporated with the purpose to 'transact Hospitalisation Insurance for the first time in Bermuda'.

1950s

Commissions, management fees and other income fell by 8.3 percent compared to 2009 reflecting the decrease in the market value of assets under management in our various investment-related businesses, especially in the international life and annuity portfolios. This decrease was ameliorated by enhanced ceding and profit commissions earned by our property and casualty operations.

The containment of *Operating expenses* is a key strategic objective for management and the increase for the year was held at 1.0 percent, well below inflation.

The reduction of $5.7 million in *Amortisation, depreciation and impairment* is due to depreciation expense incurred on the new corporate headquarters for the first time and the absence of the one-off impairment charge to *Intangible assets* taken in the prior year as the fraud involving Bernard L. Madoff Investment Securities LLC came to light. We continue to pursue all aspects of potential recovery available in this regard in the best interests of our policyholders and shareholders.

During the year under review, the Argus share price has oscillated between $10.00 at its highest, to a low of $6.10. Quarterly cash dividends were maintained at 16 cents per share until the most recent dividend paid in April 2010 when it was reduced to 10 cents per share. This reduction was in recognition of the downturn in 2010 results for Argus as the financial condition of Butterfield Bank was announced. The current dividend represents an annualised return of 6.1 percent based on the recent Argus share price of $6.50.

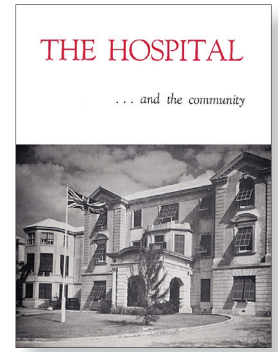
Corporate Governance and Compliance

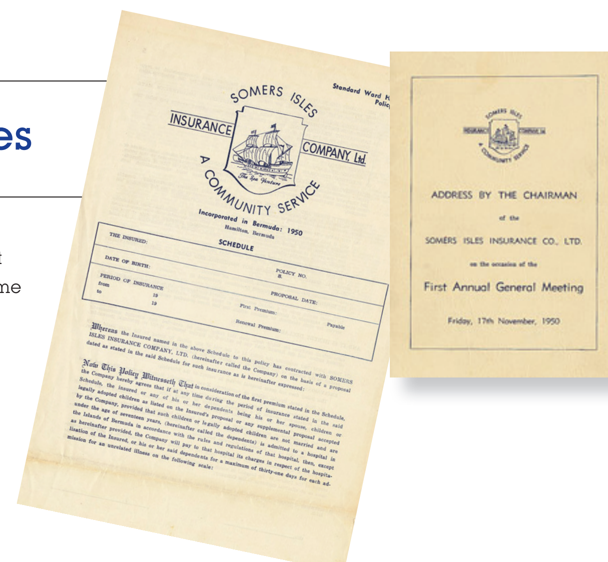
During the year, the Board of Directors reviewed the terms of reference of all Board committees to ensure that prescribed duties and responsibilities are in keeping with the current best practice. In addition, over the last two years, enterprise risk management methodologies have been implemented throughout the Company to ensure compliance with the ever expanding demands of our businesses worldwide and the regulatory bodies to whom they report.

We are pleased to welcome one of our most recent additions to the management team, Mr. Onesimus Nzabalinda as Head of Compliance & Risk Management, to assist in these efforts.

The Bermuda Life Insurance Company Limited was formed on June 3, 1957 as a subsidiary of Somers Isles for the purposes of administering life benefits and pensions.

Somers Isles funded the production of a booklet entitled "The Hospital…and the Community". Among other things, the booklet stated that it cost over £500 a day to keep the hospital functioning. The comparable daily operating figure in 2008 according to financial statements of the Bermuda Hospitals Board was $486,297.





Somers Isles

Somers Isles was the first company of what became the Argus Group.

Community

Promoting itself as a 'Community Service', Somers Isles established a tradition of corporate citizenship which has been maintained to this day.

Property and Casualty

The property and casualty division, which includes the Bermuda and Gibraltar operations as well as the business from our agency in Malta, enjoyed another successful year with all main classes showing improvement over last year's strong results. The Bermuda-based subsidiaries maintained their disciplined underwriting approach and their proactive service to support customer retention in a depressed market.

In Gibraltar, where Argus dominates the local property and casualty market, strong growth was achieved for the third consecutive year. In June 2010 we completed the acquisition of the agency in Malta which has produced business for the Gibraltar company for many years. This acquision will strengthen our position in Europe and build a strong foundation from which to diversify our income generation outside of Bermuda.

In all of our property and casualty businesses our ability to deliver high quality service backed by tailored insurance solutions has continued to support above average levels of customer retention. A proactive approach to claims settlement and reduced settlement times have upheld our strong reputation for excellent service.

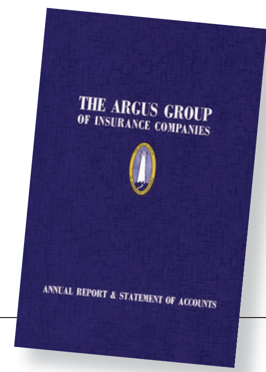
Group Health, Life & Long Term Disability

Group health claims for the year under review rose to unprecedented levels resulting in an underwriting loss for the health insurance portfolio. The increase in health claims reflects the trend of rising health care costs both locally and overseas. For several years we have expressed concern that the rate of medical inflation has been rising higher than the overall inflation rate as a result of more expensive treatment due to better technology, new drugs and an ageing population.

We recognise that the escalating costs of health care and the resulting higher premiums have been difficult for many employers and employees to bear. In 2009 and again in 2010 we have attempted to hold premium increases to a minimum. However, claims increases were higher than expected. Group health claims increased 12.4 percent during this past year which also saw higher incidences of very expensive cases, primarily due to treatments related to heart disease and cancer. Clearly, this is a

In 1952 the late J.E.P. Stewart became the first Managing Director of the Somers Isles Insurance Company and later, the Argus Group. He introduced the concept of group health insurance to Bermuda. Under his leadership Argus became the pre-eminent company providing employee benefits in Bermuda.

The Argus Insurance Company Limited was formed on June 26, 1961 as a general insurance company and the holding company of the Argus Group.



Argus Group of Insurance Companies

In Greek mythology, Argus was a giant with 100 eyes. The name Argus has been synonymous with guardianship. Extending the metaphor for protection, the lighthouse was introduced as the new corporate symbol.

Argus Insurance Group

Companies formed or aquired:

1966	Argus formed Management International Limited in partnership with the Bank of Bermuda.
	Star Insurance Company Ltd of the Bahamas was acquired.
1967	Argus Insurance Company of Jamaica Ltd was formed.
1968	Argus acquired the Anchor Life Insurance Company of Barbados.

Argus first offered Workmen's Compensation Insurance in 1965, shortly after the Workmen's Compensation Act was passed. Argus is a leader in this market, now known as Workers' Compensation.

1960s

In 1971, shares in Argus Insurance Company Limited were among the very first traded on the newly developed Bermuda Stock Exchange.

1970s

situation that cannot continue forever. The Argus Group is working with other healthcare stakeholders to find a solution in order to preserve the system of healthcare that has served Bermuda so well for over three decades.

The sixth annual Argus Health Fair was held in April 2010 on the seventh floor of the new Argus Building at 14 Wesley Street in Hamilton. The focus was on making better lifestyle choices to prevent disease. Argus continues to be the leader in advocating wellness as a key factor in controlling health care costs over the long term.

Our group life business has experienced an unusual number of large death claims in the year. The group disability and workers' compensation products, once again, produced satisfactory results.

Pensions

We are pleased to note that the general recovery in investment markets allowed our pension clients to make significant gains in their pension accounts during the year and the Argus Select Funds continue to perform well. These gains plus a steady stream of new clients saw our pension assets under management rise above $700 million for the first time.

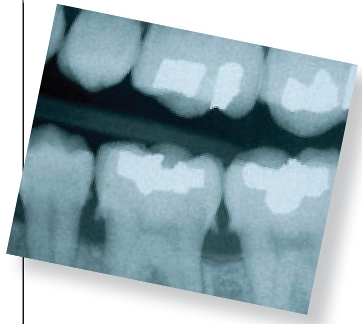
An upgrade to our pension system was successfully completed in the year, resulting in enhanced reporting capabilities on our website for members and employers. We are pleased with the number of persons who have registered for access to our website and look forward to providing additional features in the near future.

A new approach to retirement planning with customised solutions has been developed to enhance our retirement counselling services and better meet the needs of 'baby boomers' who are preparing for this important life transition. This is discussed in the following section entitled *MyArgusSolutions*.

MyArgusSolutions

The Argus Group has a well established reputation for encouraging individuals to manage their physical health. We are also concerned about our clients' financial and mental wellbeing. As a result, this year we launched an informative and inspiring executive retirement planning programme for senior managers and key employees

Argus was the first to offer dental insurance in Bermuda in 1977.



The new building at 12 Wesley Street, Hamilton, Bermuda was officially opened on May 19, 1970 and was the headquarters of Argus for nearly 40 years.

Recognising human talent

Many employees have been with Argus for most of their working lives and Long Service luncheons were introduced to recognise their loyalty.

The Hospital Insurance Act was passed in 1971, requiring employers to implement health insurance plans with a minimum level of coverage for their employees. It also provided free healthcare to children under 16.

who expect to retire within the next 20 years. The Argus Group was pleased to partner with Myera Inc., a leading provider of life transitional programmes, to offer the new programme. At the same time, we developed *MyArgusSolutions* – five bundled product solutions that offer integrated and flexible products and services, designed to meet the needs of persons planning for retirement. Within each *MyArgusSolutions* package, insurance, savings and/or annuity products have been carefully combined to ensure that assets are protected for the lifestyle that individuals plan to lead in retirement, whether their priority is travelling, looking after their family, starting a new business, protecting their wealth or simply finding personal fulfillment.

International Life and Annuities

During the year, Argus finalised a settlement agreement with certain of its affected policyholders in relation to the class action suit in the United States concerning their Madoff-related investments. This has effectively removed the Group from all litigation in this regard. Argus is now clear to pursue such legal remedies as are available in an attempt to recover sums due to it on its own behalf and, also, to assist the legal actions of policyholders relating to claims regarding their Madoff-related investments.

Despite the unfortunate events surrounding the Madoff fraud, Argus has maintained its excellent reputation in this marketplace and continues to attract new business interest. New business leads are actively being developed and we are confident that this division will contribute significant revenue to the Group in the years to come.

Asset Management

Following the difficulties experienced in 2008, the year was very positive for AFL Investments ("AFL") as our investment team delivered strong results for both our client portfolios and funds.

We were pleased to introduce two new products this year. The first was the AFL Canadian dollar portfolio which, for the first time in Bermuda, offered investors a range of options for Canadian dollar investments. We also introduced our cash management programme which is aimed at businesses looking to generate returns on cash balances deposited in traditional savings vehicles. Both products have been well received.

In 1981 E. John Sainsbury was promoted to Managing Director and Chief Executive Officer of the Group. He presided over a period of unprecedented growth in earnings and shareholders' equity.

Lauren Bell was the first Argus employee to join the new management training programme set up in 1984. She now heads the Life & Pensions Department at Argus.

First woman on management team

Joy Pimental joined the Argus Group in 1985 and in 1986 joined the management team. She was the head of the group life, disability, pensions and individual life & annuities area until 1988, when she became the head of sales and marketing.

Business sectors:

1980	Argus moved aggressively into the area of Long Term Disability.
1985	Somers Isles Insurance Company Limited maintained its position as the leading group health insurer in Bermuda.

Argus launched the Interest Accumulator, a unique way of investing pension contributions. This guaranteed fund still forms part of the successful pension portfolio of investments today. Subsequently, Argus was the first pension administrator to offer members the opportunity to invest in mutual funds.

1980s

In addition to our investment products, we continued to place emphasis on our financial planning services. We believe that good financial planning is at the root of successful wealth building. To this end, AFL has significantly increased both our public seminars and private financial planning services. This past year we were pleased to join forces with the Chamber of Commerce to sponsor a financial planning lunch-and-learn series which was exceptionally well attended.

AFL remains well-placed to assist our clients build wealth for the future.

Information Systems

The Information Systems Department has continued to work closely with the business units in order to deliver true value to Argus. Through a combination of internal systems' development and best of breed applications we have worked hard to streamline the way we deal with our customers by improving the time it takes to process customer payments at our cashiers' desk and dealing with queries in our back office Call Centre operation. This year we introduced a state of the art conferencing and training suite bringing full Audio/Visual and conferencing facilities to the training rooms in our new office building. We continued the implementation of ITIL (Information Technology Information Library) processes into the business to improve the quality of service and to reduce costs.

Community

Argus continues to support and participate in community events to the benefit of all in Bermuda. We are the principal sponsor of the Argus Tennis Open, YAO Baseball and Crime Stoppers. We were pleased to support the Bermuda Cancer & Health Centre with their SunSmart Programme, which provided backup sunscreen supplies to 50 summer camps and 30 schools last summer. To encourage healthy eating, we were the lead sponsor for the Kids Culinary Conference, an event designed to help children make healthier food choices and to learn about nutrition. We continue to encourage the community to improve its fitness and again organised the Argus Challenge consisting of two parallel training programmes, one for walkers and one for runners, to help members of the community to train for either the Catlin End-to-End/Middle-to-End

Business activity:

1991	Argus International Management (Dublin) Limited was opened.
1993	Argus was the first insurer to introduce managed care to Bermuda so that insureds received the best care overseas.
1994	St. Martin's Reinsurance Company Ltd., an underwriter of financial reinsurance, was acquired.
1996	Argus acquired Winson Holdings which owned the former Bermudiana Hotel property.
1997	Argus sold Winson Holdings to ACE Ltd. and XL Ltd.
	Argus launched the Capital Accumulator Pension Plan (CAPP).
	Bermuda Life received the Excellence in Education Award from the Life Office Management
1999	Argus purchased ... Life Worldwide Limited and changed its name to Bermuda Life Worldwide Limited.

Change in leadership

Gerald Simons was recruited by J.E.P. Stewart in 1966 and was offered an Argus scholarship to pursue a degree in economics in Canada. He joined the Company in 1971. Mr. Stewart encouraged Gerald to study insurance and to serve the community. Gerald holds the following designations: Fellow Life Management Institute, Health Insurance Associate and Associate in Customer Service. He has served as president of the Bermuda Insurance Institute, the Bermuda Employers' Council and the Bermuda National Trust. For 11 years ending in 1995 he was a Cabinet Minister in the Government of Bermuda. In 1996 he was made an Officer of the Most Excellent Order of the British Empire. He became President & Chief Executive Officer of the Company in 1998.

Centurion Insurance Services Limited was formed as a subsidiary to act as the exclusive Bermuda agent for the then Commercial Union Assurance Company (now part of the Aviva Group).

In 2005, Argus acquired this portfolio.

1990s

AFL Investments ('AFL') was incorporated as a fully-licensed financial services company. Based in Bermuda, AFL provides a range of investment solutions to private investors, businesses, endowments and trusts. AFL is a joint venture with Cidel Bank & Trust Inc.

2000s

Walk or the Bermuda Day Half-Marathon Derby. In addition, we partnered with The Centre on Philanthropy for the first ever Argus Walks the Walk Charity event held in February this year. This unique fundraiser allowed participants to choose the charity they wanted their entry fees to support. With some 530 people registered for the walk, over $10,000 was raised for 64 local registered charities.

This year Argus was very pleased to be one of the sponsors for the Bermuda Weather Service's Meteorological Organisation Hurricane Committee and Bermuda Hurricane Seminar held in early 2010. We recognise the role the Bermuda Weather Service plays in keeping the community aware of weather conditions thereby reducing the risks of loss.

Personnel

Argus successfully met the new standards for the Investors In People recertification process. This certification confirms that staff development activities are strongly embedded into the organisation and positively reinforced as part of the Company's business strategy.

We are pleased to welcome Mr. Gary Hitchens to Argus as our new Director of Global Sales & Marketing. He has worked in financial services for over 25 years and has in-depth experience of selling a broad range of products including health insurance, life & pensions and commercial insurance through a wide variety of distribution channels including brokers, affinity groups and direct sales. He will strengthen our sales and marketing capabilities and help drive sales growth and diversification.

Two Vice Presidents left Argus in the year. First, Ms. Sarah Cook, Vice President, International Life Operations left after more than 10 years and we wish her well as she pursues her passion in areas outside of the insurance arena. Second, Mr. David Crowhurst, Executive Vice President, Property and Casualty, transitioned from a full-time position in Bermuda to a consultant's role located in the United Kingdom. He will continue to provide technical assistance to the property and casualty businesses of the Company.

We continue to focus on succession planning and leadership development through training and coaching programmes aimed at providing assistance to staff to

Investors in People

The Hon. Terry Lister presented to Argus President & CEO Gerald Simons the Certificate of Committment which Argus received for efforts to improve its organisation and develop its people in line with IIP's international standards.

Argus moved into its new building in 2009.

Health

2000 Argus introduced a 'new approach to health insurance' with benefits that promote healthy lifestyles and support personal choice. This new approach introduced Argus Centres of Excellence which provided access to world-class North American Medical Centres.

2004 The 'Argus Network' was introduced – a worldwide network providing access to accredited physicians and hospitals in over 130 countries.

2005 The Argus Wellness Programme was launched.

Argus introduced an improved individual health plan, one of the most successful product launches in the history of Argus, with multi-level, flexible major medical options for overseas treatment.

Argus held the first Argus Health Fair.

Argus was the first in Bermuda to secure approval of its Financial Institution Pension Plan, following pension legislation in 2000.

attain their leadership goals. We also introduced a revised performance management system for the executive team and a new executive compensation plan to ensure better alignment between organisational and individual goals. In addition, the non-executive performance process was modified to ensure that corporate priorities cascade to all levels within the organisation.

At the Annual General Meeting in July 2009, Dr. James King retired from the Board of Directors after 31 years' service. Mr. Peter Burnim and Mr. James Jardine were elected to the Board. Subsequently, the Board elected Ms. Sheila Nicoll as Chairman.

Early in 2010, we were saddened by the untimely passing of Mr. David Gutteridge who had served as a Director and, more recently, as Deputy Chairman, of the Company for 31 years. He was a man of integrity who was respected by all; his wise counsel will be sadly missed.

Forward Looking Statements

Certain statements in this report may be deemed to include 'forward-looking statements' and are based on Management's current expectations and are subject to uncertainty and changes in circumstances. Actual results may differ materially from those included in these statements due to a variety of factors including worldwide economic conditions, success in business retention and obtaining new business and other factors.

Note of Appreciation

In closing, your Board has been heartened by the focus and commitment shown by each and every member of staff who have continued to give their best despite these difficult times. For this we express our appreciation. We would also like to thank our clients and shareholders for their continued loyalty and support.

Sheila E. Nicoll
CHAIRMAN

Gerald D.E. Simons
PRESIDENT & CHIEF EXECUTIVE OFFICER

July 2, 2010

Dedicated to the Community

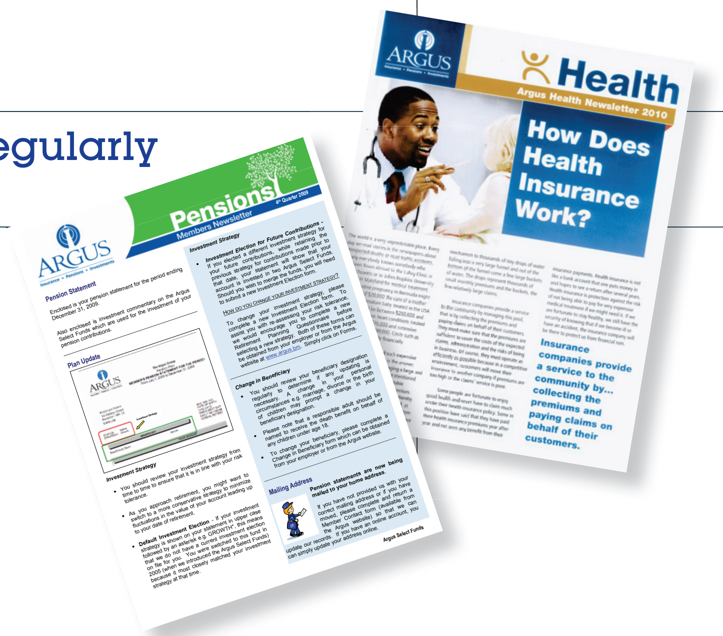
Since the inception of Argus, helping the community has been a fundamental part of its culture. Argus has supported numerous charitable organisations over the years.

During its 60th anniversary, Argus is partnering with the following six charities:

- **Crime Stoppers Bermuda** to provide a safer community
- **Bermuda Sloop Foundation** to develop character and leadership in our young Bermudians
- **Adult Education School** to assist adult learners achieve their educational and career goals
- **Bermuda Diabetes Association** to help instill healthier life styles
- **Bermuda Heart Foundation** to reduce the risk of heart disease
- **Knowledge Quest** to provide scholarships for our young people

Argus communicates regularly with its customers

Clear and concise communications, via newsletters, presentations and employee booklets, ensure clients understand the features of their benefits.



Argus is one of the most successful Bermudian-owned enterprises established in the 20th Century. Argus is not only a leader in the Bermuda marketplace but dominates the property and casualty market in Gibraltar through Argus Insurance Company (Europe) Limited which was acquired in 2005.

2010

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 a 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 Canadian generally accepted accounting principles 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 21 through 50 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 shown 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 review the activities of each and reports to the Board of Directors, oversees management's responsibilities for the financial reporting and internal control systems. The auditors have full and direct access to the Audit Committee and meet periodically with the committee, both with and without management present, to discuss their audit and related findings.

July 2, 2010

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 2010, 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, 2010 and the results of its operations and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

KPMG

Hamilton, Bermuda
July 2, 2010

Chartered Accountants

CONSOLIDATED BALANCE SHEET

(In $ thousands)	Note	March 31 2010	March 31 2009
GENERAL FUND ASSETS			
Investments	4	389,628	390,925
Cash and short-term investments		13,651	23,184
Interest and dividends receivable		820	1,294
Insurance balances receivable		11,522	14,242
Reinsurers' share of:			
Claims provisions	9	3,550	3,265
Unearned premiums		8,975	8,824
Capital assets	6	78,580	75,366
Intangible assets	7	6,123	6,649
Deferred policy acquisition costs		616	664
Other assets		5,318	4,583
TOTAL GENERAL FUND		518,783	528,996
SEGREGATED FUNDS ASSETS	19	1,169,276	969,981
GENERAL FUND LIABILITIES			
Life and annuity policy reserves		135,086	131,434
Deposit administration pension plans		169,674	158,687
Total Life and annuity policy reserves	8	304,760	290,121
Provision for unpaid and unreported claims	9	26,022	25,193
Insurance balances payable		8,632	7,700
Deposit liabilities		6,558	8,935
Unearned premiums		18,160	18,760
Note payable	4	16,750	16,750
Loan payable	10	19,843	27,753
Dividends payable		2,103	3,354
Accounts payable and accrued liabilities		16,006	14,033
Non-controlling interest		2,470	1,560
		421,304	414,159
SHAREHOLDERS' EQUITY			
Share capital	11	16,436	15,846
Contributed surplus		52,382	52,267
Retained earnings		26,494	57,299
Accumulated other comprehensive income/(loss)		2,167	(10,575)
		97,479	114,837
TOTAL GENERAL FUND		518,783	528,996
SEGREGATED FUNDS LIABILITIES	19	1,169,276	969,981

On behalf of the Board: Sheila E. Nicoll, 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 2010	March 31 2009
REVENUE			
Gross premiums written		154,570	146,406
Reinsurance ceded		(40,650)	(38,604)
Net premiums written		113,920	107,802
Net change in unearned premiums		751	2,037
Net premiums earned		114,671	109,839
Investment income	4	594	6,584
Change in fair value of investments	4	(12,781)	(116,133)
Commissions, management fees and other		29,195	31,856
		131,679	32,146
EXPENSES			
Claims and adjustment expenses	9	82,620	75,610
Policy benefits		17,483	12,541
Actuarial benefits		3,536	8,067
Commissions		3,952	4,628
Operating expenses		35,695	35,338
Amortisation, depreciation and impairment		5,581	11,320
Interest on loans		1,018	-
Non-controlling interest		229	343
		150,114	147,847
NET LOSS FOR THE YEAR		(18,435)	(115,701)
Loss per share:	12		
basic		*(0.88)*	*(5.53)*
fully diluted		*(0.88)*	*(5.53)*
OTHER COMPREHENSIVE INCOME/(LOSS)			
Net unrealised gains/(loss) on available for sale investments arising during the year		12,394	(13,265)
Reclassification of realised loss included in net income		(256)	(65)
Unrealised gains/(loss) on translating financial statements of self-sustaining foreign operations		604	(3,303)
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR		12,742	(16,633)
COMPREHENSIVE LOSS FOR THE YEAR		(5,693)	(132,334)

See accompanying notes

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

(In $ thousands)	Note	March 31 2010	March 31 2009
SHARE CAPITAL			
Authorised:			
25,000,000 common shares of $1.00 each (2009 – 25,000,000)		25,000	25,000
Issued and fully paid, beginning of year 21,485,744 shares (2009 – 21,441,618 shares)		21,486	21,442
Issue of 25,419 shares from stock options exercised (2009 – 44,126 shares)		25	44
Issued and fully paid, end of year 21,511,163 shares (2009 – 21,485,744 shares)		21,511	21,486
Deduct: Shares held in Treasury, at cost 477,724 shares (2009 – 523,372 shares)		(5,075)	(5,640)
Total, net of shares held in Treasury		16,436	15,846
CONTRIBUTED SURPLUS			
Balance, beginning of year		52,267	52,025
Stock options exercised		91	247
Stock-based compensation expense	13	386	304
Treasury shares granted to employees	13	(362)	(309)
Balance, end of year		52,382	52,267
GENERAL RESERVE			
Balance, beginning of year		-	120,000
Transfer to Retained Earnings		-	(120,000)
Balance, end of year		-	-
RETAINED EARNINGS			
Balance, beginning of year		57,299	66,429
Transfer from General Reserve		-	120,000
Net loss for the year		(18,435)	(115,701)
Cash dividends	11	(12,187)	(13,429)
Loss on Treasury shares granted to employees		(183)	-
Balance, end of year		26,494	57,299
ACCUMULATED OTHER COMPREHENSIVE INCOME/(LOSS)			
Balance, beginning of year		(10,575)	6,058
Other comprehensive income/(loss) for the year		12,742	(16,633)
Balance, end of year		2,167	(10,575)
TOTAL SHAREHOLDERS' EQUITY		97,479	114,837

See accompanying notes

CONSOLIDATED STATEMENT OF CASH FLOWS

(In $ thousands)	Note	March 31 2010	March 31 2009
OPERATING ACTIVITIES			
Net loss for the year		(18,435)	(115,701)
Adjustments to reconcile net loss to cash basis (Footnote (i) below)		28,649	136,093
Change in operating balances (Footnote (ii) below)		17,467	33,877
CASH GENERATED FROM OPERATIONS		27,681	54,269
INVESTING ACTIVITIES			
Purchase of investments		(237,443)	(206,484)
Sale of investments		228,921	192,355
Purchase of subsidiary, net of cash acquired	7	-	282
Purchase of capital assets		(8,110)	(19,759)
Purchase of intangible assets	7	(159)	(1,479)
CASH USED IN INVESTMENT ACTIVITIES		(16,791)	(35,085)
FINANCING ACTIVITIES			
Dividends paid		(13,438)	(13,428)
Share options exercised		116	291
Disposal/(acquisition) of shares held in Treasury		205	(660)
Repayment of note and loan payable		(7,910)	(3,172)
CASH USED IN FINANCING ACTIVITIES		(21,027)	(16,969)
FOREIGN CURRENCY TRANSLATION ADJUSTMENT		604	(3,303)
NET DECREASE IN CASH AND SHORT-TERM INVESTMENTS		(9,533)	(1,088)
CASH AND SHORT-TERM INVESTMENTS, beginning of year		23,184	24,272
CASH AND SHORT-TERM INVESTMENTS, end of year		13,651	23,184

Footnotes

(i) Adjustments to reconcile net loss to cash basis:		
Depreciation of capital assets	4,896	2,885
Amortisation of intangible assets	685	960
Impairment of intangible assets	-	7,475
Compensation expense on vesting of stock options	201	304
Amortisation of net premium discount of bonds	314	223
Net gains on sale and net unrealised depreciation of investments	11,643	114,306
Provision for mortgages and loans	10,000	10,000
Non-controlling interest	910	(60)
	28,649	136,093
(ii) Change in operating balances:		
Interest and dividends receivable	474	(564)
Insurance balances receivable	2,720	(1,782)
Reinsurers' share of:		
Claims provisions	(285)	762
Unearned premiums	(151)	652
Deferred policy acquisition costs	48	(33)
Other assets	(735)	610
Life and annuity policy reserves	3,652	8,861
Deposit administration pension plans	10,987	28,879
Provision for unpaid and unreported claims	829	1,859
Insurance balances payable	932	(2,848)
Deposit liabilities	(2,377)	1,176
Unearned premiums	(600)	(2,689)
Other liabilities	1,973	(1,006)
	17,467	33,877

See accompanying notes

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2010

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

2. NEW ACCOUNTING PRONOUNCEMENTS

CHANGES IN ACCOUNTING POLICY

FINANCIAL INSTRUMENT DISCLOSURE AND PRESENTATION

Effective April 1, 2009, the Group adopted the amended Canadian Institute of Chartered Accountants' ("CICA") Handbook Section 3862, Financial Instruments – Disclosures. Disclosure standards have been expanded to be consistent with new disclosure requirements made under International Financial Reporting Standards ("IFRS") that classify financial instruments measured at fair value at one of three levels according to the relative reliability of the inputs used to estimate the fair values. Any instrument within the scope of the Section that has been measured at fair value on the Consolidated Balance Sheet must be included within the hierarchy, including all instruments classified as "held for trading" or "available for sale". This new disclosure is included in Note 4 (A) of these Consolidated Financial Statements.

CREDIT RISK AND THE FAIR VALUE OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

Effective April 1, 2009, the Group adopted the CICA Emerging Issues Committee Abstract No. 173, Credit Risk and the Fair Value of Financial Assets and Financial Liabilities ("EIC 173"). EIC 173 clarifies how an entity's own credit risk and that of the relevant counterparty should be taken into account in determining the fair value of financial assets and financial liabilities, including derivative instruments. The new guidance did not have a material impact on the Consolidated Financial Statements.

EFFECTIVE INTEREST METHOD FOR FINANCIAL INSTRUMENTS SUBSEQUENT TO RECOGNITION OF AN IMPAIRMENT LOSS

Effective April 1, 2009, the Group adopted amendments to CICA Handbook Section 3855, Financial Instruments – Recognition and Measurement. The amendments clarify that, subsequent to the recognition of an impairment loss, the rate used to determine the impairment loss is used to calculate interest income on the impaired debt security. The amendments make the application of the effective interest method under Section 3855 consistent with the application of this method under IFRS. The adoption of these amendments did not have a material impact on the Consolidated Financial Statements.

IMPAIRMENT OF FINANCIAL ASSETS

In August of 2009, the CICA issued amendments to Section 3855. The amendments include a revision of the definition of loans and receivables. As a result of the amended definition, debt instruments with fixed and determinable payments that are not quoted in an active market may be classified as loans and receivables and impairment of these loans is assessed following CICA Handbook Section 3025, Impaired Loans, which assesses and measures impairment losses on an incurred credit loss basis. Impairment of held to maturity investments are also measured on this basis. Loans and receivables that an entity intends to sell immediately or in the near term must be classified as held for trading and those for which the holder may not recover substantially all of its initial investment, other than because of credit deterioration, must be classified as available for sale. The amendments also require the reversal of impairment losses on available for sale debt instruments through net income in a subsequent period when the fair value increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in net income. The amendments also permit reclassifications from available for sale and held for trading to loans and receivables under certain circumstances. The Group adopted these amendments effective October 1, 2009.

GOODWILL AND INTANGIBLE ASSETS

Effective April 1, 2009, the Group adopted CICA Handbook Section 3064, Goodwill and Intangible Assets. This section replaces Section 3062, Goodwill and Other Intangible Assets, and Section 3450, Research and Development Costs. This section establishes standards for the recognition, measurement, presentation and disclosure of goodwill and intangible assets. Provisions concerning goodwill are unchanged from the previous Section 3062. The provisions relating to intangible assets, including internally generated intangible assets, are incorporated from IFRS. The adoption of this section did not have a material impact on the Consolidated Financial Statements.

FUTURE ACCOUNTING AND REPORTING CHANGES

BUSINESS COMBINATIONS, CONSOLIDATED FINANCIAL STATEMENTS AND NON-CONTROLLING INTERESTS.

In January 2009, the CICA issued three new Handbook Sections: Section 1582, Business Combinations; Section 1601, Consolidated Financial Statements; and Section 1602, Non-Controlling Interests. Section 1582 clarifies that an acquisition occurs when an entity obtains control of a business and provides guidance on determining the date of the acquisition and the measurement and recognition of assets acquired and liabilities assumed. Section 1601 provides standards for the preparation of Consolidated Financial Statements. Section 1602 requires that non-controlling interests be presented as part of equity and that transactions between the Company and the non-controlling interests be reported as equity transactions. These sections are effective for fiscal years beginning on or after January 1, 2011, with early adoption allowed to facilitate the transition to IFRS. If early adopted, all three Sections must be early adopted effective April 1, 2010. The Group is currently evaluating whether it will early adopt these Sections.

INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS")

In February 2008, the CICA announced that Canadian generally accepted accounting principles for publicly accountable enterprises will be replaced by IFRS for fiscal years beginning on or after January 1, 2011. As a result, IFRS will be adopted by the Company on April 1, 2011 and its first set of IFRS compliant financial statements will be for the year ending March 31, 2012.

The Group continues with the assessment and evaluation phase of its IFRS implementation project and is determining the effect on its processes, systems and financial statements.

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 of all 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) FINANCIAL INVESTMENTS

Bonds

Investments in bonds are designated as held for trading, held to maturity or available for sale on the Consolidated Balance Sheet. Held for trading bonds are recognised at fair value with unrealised gains and losses recorded as Change in fair value of investments and realised gains and losses recorded as Investment income in the Consolidated Statement of Income and Comprehensive Income. Held to maturity bonds are recognised at amortised cost and are adjusted for amortisation of premiums and accretion which is included in Investment income in the Consolidated Statement of Income and Comprehensive Income. Available for sale bonds are recognised at fair value with unrealised gains and losses recorded as Net unrealised (loss)/gain in the Consolidated Statement of Income and Comprehensive Income. Realised gains and losses are reclassified from Accumulated other comprehensive income and recorded in Investment income when the available for sale bond is sold.

Fair values for bonds are determined using quoted market prices provided by third party independent pricing sources. Fair values for bonds when there is no active market are carried at amortised cost, net of any provision for losses. Purchases and sales of bonds are recognised on their trade dates, the date that the Group commits to purchase or sell the bond. Transaction costs are expensed.

Equities

Investments in equities are designated as available for sale or held for trading. Equities designated as held for trading are recognised at fair value with unrealised gains and losses reported as Change in fair value of investments and realised gains and losses recorded as Investment income (as disclosed in Note 4 (D)) in the Consolidated Statement of Income and Comprehensive Income. Equities designated as available for sale are recognised at fair value except unquoted equities which are carried at cost. Unrealised gains and losses recorded as Net unrealised (loss)/gain in the Consolidated Statement of Income and Comprehensive Income. Realised gains and losses are reclassified from Accumulated other comprehensive income and recorded in Investment income when the available for sale equity is sold. Dividends earned on equities are recorded in Investment income in the Consolidated Statement of Income and Comprehensive Income.

Fair values for equities are generally determined by the last bid price for the security from the exchange where it is principally traded. Fair values for equities for which there is no active market are carried at cost, net of any provision for losses. Fair values for investments in hedge funds and private equity funds are derived using net asset values from the investment manager or general partner of the respective entity. Purchases and sales of equities are recognised on their trade dates, the date that the Group commits to purchase or sell the equity. Transaction costs are expensed.

Mortgages and Loans

Investments in Mortgages and loans 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. Transaction costs are expensed immediately and interest income is recorded as Investment income in the Consolidated Statement of Income and Comprehensive Income.

Fair values for mortgages, loans and affiliates are determined by discounting expected future cash flows using current market rates.

Investment in Affiliates

Investments in affiliates are included in Investments on the Consolidated Balance Sheet. The Group accounts for its investments in affiliated companies, over which it has significant influence, on the equity basis with any income or loss recognised as Investment income in the Consolidated Statement of Income and Comprehensive Income.

Impairment of Assets

The carrying amounts of the Group's financial instruments are reviewed regularly for impairment. The Group considers various factors in the impairment evaluation process, including, but not limited to, the financial condition of the issuer, specific adverse conditions affecting an industry, decline in fair value, bankruptcy or defaults and delinquency in payments of interest or principal.

(i) Held to Maturity

Impairment losses are recognised in income when the investment is considered to be other than temporarily impaired or when the Group does not have the intent to hold the investment until the value has recovered. Once an impairment loss is recorded to income, it is not reversed.

(ii) Available for Sale

Impairment losses are recognised in income when the investment is considered to be other than temporarily impaired. Other than temporary impairment occurs when fair value has declined significantly below cost for a prolonged period of time and there is no objective evidence to support recovery in value.

When there is objective evidence that an available for sale asset is impaired and the decline in value is considered other than temporary, the loss accumulated in Other Comprehensive Income is reclassified to the Consolidated Statement of Income and Comprehensive Income in Investment income. Once an impairment loss is recorded to income, it is not reversed.

(iii) Held for Trading

Since held for trading investments are recorded at fair value with changes in fair value recorded to income, any reduction in value of the asset due to impairment is reflected in Investment income.

(iv) Mortgages and Loans

Mortgages and loans are classified as non-performing when, in the opinion of management, there is reasonable doubt as to the timely collection of the full amount of principal or interest. No interest is taken into income on non-performing mortgages and loans. The allowance for losses on mortgages and 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. The allowances are charged against Investment income in the Consolidated Statement of Income and Comprehensive Income. Once the conditions causing the impairment improve and future payments are reasonably assured, allowances are reduced and the investment is no longer classified as impaired.

Interest income earned and realised gains and losses on the sale of investments classified as loans and receivables are included in Investment income in the Consolidated Statement of Income and Comprehensive Income.

(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. The carrying value of cash and cash equivalents approximates their fair value.

(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 as a charge to earnings in the year in which it is identified.

(G) LIFE AND ANNUITY POLICY RESERVES

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

(ii) The policy 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 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 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 actuaries and is determined using generally accepted actuarial practices established by the CIA. 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 accrued to the balance sheet date.

(K) SEGREGATED FUNDS

Segregated Funds are lines of business in which the Group issues a contract where the benefit amount is directly linked to the fair value of the investments held in the particular segregated fund. Although the underlying assets are registered in the name of the Group and the segregated fund contract holder has no direct access to the specific assets, the contractual arrangements are such that the segregated fund policyholder bears the risk and rewards of the fund's investment performance.

Segregated Funds are carried at fair value except for policy loans which are carried at their unpaid balance as shown on the Consolidated Statement of Changes in Segregated funds as shown in Note 19. Fair values are determined using quoted market values or, where quoted market values are not available, estimated fair values as determined by the Group. Segregated fund assets may not be applied against liabilities that arise from any other business of the Group. The investment results of the segregated funds are reflected directly in segregated fund liabilities. Deposits to segregated funds are reported as increases in segregated funds liabilities and are not reported as income in the Consolidated Statement of Income and Comprehensive Income.

The Group derives fee income which is recorded as Commissions, management fees and other in the Consolidated Statement of Income and Comprehensive Income.

(L) TRANSLATION OF FOREIGN CURRENCIES

United States dollars are translated into Bermuda dollars at par. Other foreign currency monetary 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 the Consolidated Statement of Income and Comprehensive Income.

The Group's exchange gains and losses arising from the conversion of our self-sustaining subsidiaries, with a functional currency other than the Bermuda dollar, are included in Unrealised (loss)/gain on translating financial statements of self-sustaining foreign operations in the Consolidated Statement of Income and 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 as compensation expense in earnings over the vesting period of the award (see Note 13).

(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 (see Note 16).

4. INVESTMENTS

(A) CARRYING VALUES AND ESTIMATED FAIR VALUES OF INVESTMENTS

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

(In $ thousands)	2010		2009	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Bonds				
Bonds – held to maturity	6,201	5,451	6,238	3,408
Bonds – available for sale	65,076	65,076	54,752	54,752
Bonds – held for trading	92,714	92,714	82,368	82,368
	163,991	163,241	143,358	140,528
Equities				
Equities – available for sale	55,198	55,198	46,767	46,767
Equities – held for trading	88,353	88,353	115,711	115,711
	143,551	143,551	162,478	162,478
Affiliates and other	20,877	17,422	13,020	11,458
Mortgages and loans	61,209	60,145	72,069	70,982
TOTAL INVESTMENTS	389,628	384,359	390,925	385,446

In compliance with amendments to CICA Handbook Section 3862 described in Note 2, the Company has categorised its financial instruments that are carried at fair value based on the priority of the inputs to the valuation techniques used to measure fair value, into a three level fair value hierarchy as follows:

Level 1 – Fair value is based on unadjusted quoted prices for identical assets or liabilities in an active market. The investments classified as Level 1 include U.S. Treasury securities and exchange–traded equities.

Level 2 – Fair value is based on quoted prices for similar assets or liabilities in active markets. The valuation is based on significant observable inputs or inputs that are derived principally from or corroborated with observable market data through correlation or other means. The investments classified as Level 2 include investments in hedge funds, mutual funds and all exchange-traded bonds except U.S. Treasury securities.

Level 3 – Fair value is based on valuation techniques that require one or more significant inputs that are not based on observable market inputs. These unobservable inputs reflect the Group's assumptions about the market participants in pricing the investments. The investments classified as Level 3 include investments in private equity funds, unquoted equities and an unquoted fixed income security.

The following table presents the Company's financial instruments that are carried at fair value by Section 3862 hierarchy level as at March 31, 2010.

(In $ thousands)	Level 1	Level 2	Level 3	Total
Bonds – available for sale	-	63,976	1,100	65,076
Bonds – held for trading	2,228	90,486	-	92,714
Equities – available for sale	-	-	55,198	55,198
Equities – held for trading	49,823	32,263	6,267	88,353
TOTAL	52,051	186,725	62,565	301,341

The following table shows a reconciliation of the beginning and ending balances for financial instruments which are categorised at Level 3:

(In $ thousands)	Bonds available for sale Corporate	Equities available for sale	Equities held for trading	Total Financial instrument assets measured at fair value
Beginning balance	1,100	46,767	2,731	50,598
Included in net income (1)	-	-	36	36
Included in other comprehensive income	-	8,131	-	8,131
Purchases	-	300	3,500	3,800
Sales	-	-	-	-
Settlements	-	-	-	-
Transfers into Level 3	-	-	-	-
Transfers out of Level 3	-	-	-	-
Ending Balance	1,100	55,198	6,267	62,565

(1) This amount is reported in Investment Income on the Consolidated Statement of Income.

(B) EQUITIES AND OTHER INVESTMENTS

Included in Equities – available for sale is an investment carried at cost of $50 million which was previously carried at fair value. Effective March 31, 2010, the Group changed the valuation basis for this unquoted equity from fair value to cost since fair value cannot be measured reliably as a result of the absence of an active market of the equity. $16,750,000 (2009 – $16,750,000) of the total $50 million investment is redeemable share capital of an unlisted equity investment purchased through the issue of an interest-free promissory note. The note expired in March 2010. The note may be redeemed or the term extended by mutual agreement between the parties.

Included in Equities – held for trading are investments traded on The Bermuda Stock Exchange at a carrying and market value of $34,307,000 (2009 – $62,830,000). The remaining held for trading equity investments of $54 million (2009 – $52.9 million) are invested in a diversified portfolio of investments, substantially all of which are U.S. listed investments.

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.

(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)	2010	2009
Bonds – accrued interest	2,064	1,876
Bonds – short-term cash balances	756	2,640

(D) NET INVESTMENT INCOME

(In $ thousands)	2010	2009
Interest Income		
Bonds – held to maturity	404	491
Bonds – available for sale	3,200	2,775
Bonds – held for trading	2,348	1,795
Mortgages and loans	4,165	7,460
Cash and other	61	717
	10,178	13,238
Dividend Income		
Equities – available for sale	515	363
Equities – held for trading	4,375	6,719
	4,890	7,082
Net Realised gains/(loss) on sale of investments		
Realised gains on sale of equities – available for sale	36	-
Realised (loss)/gains on sale of equities – held for trading	(2,521)	695
Realised gains/(loss) on sale of bonds – available for sale	220	(65)
Realised gains on sale of bonds – held for trading	1,985	76
	(280)	706
Amortisation of premium on bonds	(315)	(223)
Gains on investment in affiliates	2,342	1,070
Impairment charges	(10,000)	(10,593)
Other	1,240	(10)
Deduct: Investment income relating to Deposit administration pension plans	(7,461)	(4,686)
Investment Income	594	6,584
Change in fair value of held for trading assets		
Bonds	1,818	(2,387)
Equities	(14,599)	(113,746)
Change in fair value of investments	(12,781)	(116,133)
TOTAL NET INVESTMENT INCOME	(12,187)	(109,549)

5. FINANCIAL INSTRUMENT RISK MANAGEMENT

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

- Portfolios are monitored continuously and reviewed regularly with the Board of Directors and the Investment Committee of the Board of Directors.
- Credit ratings are determined by recognised external credit rating agencies.
- Investment guidelines specify collateral requirements.
- Reinsurance is placed with counterparties that have a strong credit rating. Management continuously monitors and performs an assessment of creditworthiness of reinsurers.

(A) CREDIT RISK

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

The concentration of credit risk exposures held by insurers may be expected to be greater than those associated with other industries, due to the specific nature of reinsurance markets and the extent of investments held in financial markets. In both markets, the Group interacts with a number of counterparties who are engaged in similar activities with similar customer profiles, and often in the same geographical areas and in industry sectors. Consequently, as many of these counterparties are themselves exposed to similar economic characteristics, one single localised or macroeconomic change could severely disrupt the ability of a significant number of counterparties to meet the Group's agreed contractual terms and obligations.

(i) Maximum Exposure to Credit Risk

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

(In $ thousands)	2010	2009
Cash and short-term investments	13,651	23,184
Interest and dividends receivable	820	1,294
Bonds	163,991	143,358
Mortgages and loans	61,209	72,069
Affiliates and other	20,877	13,020
Insurance balances receivable	11,522	14,242
Reinsurers' share of claims provisions	3,550	3,265
TOTAL BALANCE SHEET MAXIMUM CREDIT EXPOSURE	275,620	270,432

Credit risk is mitigated by entering into collateral agreements for mortgages and loans. The amount and type of collateral required depends on an assessment of the credit risk of the counterparty. Management monitors the value of the collateral, requests additional collateral when needed and performs an impairment valuation when applicable. The Group manages credit risk by its specific investment diversification requirements such as investing by asset class, geography and industry, review of credit quality ratings for portfolio investments and an active credit risk governance, including independent monitoring and review and reporting to senior management and the Board.

(ii) Concentration of Credit Risk

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

The following table provides details of the carrying value of bonds by industry sector and geographic distribution at March 31, 2010 and 2009.

(In $ thousands)	2010	2009
Bonds issued or guaranteed by:		
Banking and finance	65,561	56,409
Agency	30,754	23,929
Federal government	8,008	16,003
Pharmaceutical	9,928	10,440
Utilities and energy	10,511	9,989
Transportation	4,844	7,082
Supra National	14,716	1,940
Other	19,669	17,566
TOTAL BONDS	163,991	143,358

(In $ thousands)	2010	2009
Geographic distribution is as follows:		
United States	96,667	82,755
Bermuda	4,701	2,532
Supra National	13,561	10,750
United Kingdom	7,571	9,911
Netherlands	7,426	9,774
Germany	4,909	6,503
Other	29,156	21,133
TOTAL BONDS	163,991	143,358

The geographic location for all mortgages and loans is Bermuda and the following table provides details of the carrying value split into residential and non-residential. Residential mortgages include mortgages for both single and multiple family dwellings.

(In $ thousands)	2010	2009
Mortgages		
Residential	9,672	9,333
Non-residential	35,992	47,191
Loans		
Subordinated debt	15,545	15,545
TOTAL MORTGAGES AND LOANS	61,209	72,069

Mortgages are secured by Bermuda real estate.

(iii) Asset Quality

The following table provides an analysis of the carrying value of bonds by rating.

(In $ thousands)	2010	2009
Bond Portfolio Quality:		
AAA	69,281	65,201
AA	52,818	39,677
A	29,007	28,078
B and lower	5,669	4,436
Not Rated	6,460	3,326
Cash	756	2,640
TOTAL BONDS	163,991	143,358

Mortgages and Loans Past Due or Impaired

The distribution of mortgages and loans by credit quality as at March 31 is shown as follows:

(In $ thousands)	2010 Carrying Value	2010 Allowance for Losses	2009 Carrying Value	2009 Allowance For Losses
Not past due:	43,285	-	45,509	-
Past due:				
Past due less than 90 days	531	-	556	-
Past due 90 to 179 days	486	-	545	-
Past due 180 days or more	1,008	-	960	-
Impaired	15,899	33,100	24,499	23,100
BALANCE, END OF YEAR	61,209	33,100	72,069	23,100

Changes in the allowance for credit losses are as follows:

(In $ thousands)	2010	2009
Balance, beginning of year	23,100	13,100
Net provisions made in year	10,000	10,000
BALANCE, END OF YEAR	33,100	23,100

Interest earned in the year on impaired loans shown above amounted to $1.4 million.

Included in Mortgages and loans, Subordinated debt with a carrying value of $15,545,000 (2009 – $15,545,000) is stated net of a provision for impairment of $10 million (2009 – $10 million).

During the year, an additional $10 million (2009 – $13 million) provision was taken against certain commercial loans for the potential reduction in the net realisable value of future amounts receivable based upon the current economic climate.

Past due mortgages and loans of $2,025,000 at March 31, 2010 ($2,061,000 at March 31, 2009) do not have an allowance for losses because at a minimum, either the fair value of the collateral or the expected future cash flows exceed the carrying value of the mortgages and loans.

Restructured Mortgages and Loans

Mortgages and loans with a carrying value of $ nil have had their terms renegotiated during the year ended March 31, 2010 ($16,519,000 in 2009).

Possession of Collateral/Foreclosed Assets

The Group did not take possession of real estate collateral it held as security for mortgages in the year (2009 – $ nil). Included in Affiliates and other is $6 million of loans renegotiated in the prior year representing investment real estate received in exchange for debt.

Temporarily Impaired Available for Sale Assets

The available for sale assets disclosed in the following table exhibit evidence of impairment; however, the impairment loss has not been recognised in net income because the diminution in value is considered temporary. Held for trading assets are excluded from the following table as changes in fair value are recorded to net investment income. Available for sale bonds, equities and other invested assets have generally been identified as temporarily impaired if their amortised cost as at the end of the period was greater than their fair value, resulting in an unrealised loss. In connection with the Group's investment management practices and review of its investment holdings, it is believed that the contractual terms of these investments will be met and/or the Group has the ability to hold these investments until recovery in value occurs.

(In $ thousands)	2010		2009	
	Carrying Value	Unrealised Losses	Carrying Value	Unrealised Losses
Bonds – available for sale	11,313	296	22,328	2,665
Equities – available for sale	-	-	43,690	7,427
Other – available for sale	10,424	3,454	9,210	1,550

Other Than Temporarily Impaired Available for Sale Assets

The Group wrote down $ nil of impaired available for sale assets recorded at fair value during 2010 (2009 – $ nil).

Impairment of Held for Trading Assets

The Group generally maintains distinct asset portfolios for each line of business. Changes in the fair value of these assets are largely offset by changes in the fair value of actuarial liabilities, when there is an effective matching of assets and liabilities. When assets are designated as held for trading, the change in fair value arising from impairment is not required to be separately disclosed under Canadian generally accepted accounting principles. The reduction in fair values of held for trading assets attributable to impairment results in an increase in life actuarial liabilities charged through the Consolidated Statement of Income for the year.

During 2010, the net charge to the Consolidated Statement of Income attributable to impairments for held for trading assets backing life actuarial liabilities amounted to $ nil (2009 – $ nil).

(B) LIQUIDITY RISK

Liquidity risk is the risk that the Group will not be able to meet all cash outflow obligations as they come due. The Group's asset-liability management process allows it to maintain its financial position by ensuring that sufficient liquid assets are available to cover its potential funding requirements. The Group invests in various types of assets with a view of matching them with its liabilities of various durations. To strengthen its liquidity further, the Group actively manages and monitors its capital and asset levels, diversification and credit quality of its investments and cash forecasts and actual amounts against established targets.

Based on the Group's historical cash flows and current financial performance, management believes that the cash flow from the Group's operating activities will continue to provide sufficient liquidity for the Group to satisfy debt service obligations and to pay other expenses.

The maturity profile of investments by contractual maturity as of March 31, 2010 is shown below.

(In $ thousands)	Effective Interest Rate Ranges	Within 1 Year	2 – 5 Years	6 – 10 Years	Over 10 Years	Carrying Value
Bonds	1.76% – 9.07%	8,956	80,979	55,194	18,862	163,991
Mortgages and loans	6.17% – 9.38%	23,389	8,821	20,779	8,220	61,209
		32,345	89,800	75,973	27,082	225,200

The maturity profile of investments by contractual maturity as of March 31, 2009 is shown below.

(In $ thousands)	Effective Interest Rate Ranges	Within 1 Year	2 – 5 Years	6 – 10 Years	Over 10 Years	Carrying Value
Bonds	2.14% – 8.42%	12,360	73,105	43,045	14,848	143,358
Mortgages and loans	6.17% – 12.55%	12,260	20,086	19,086	20,637	72,069
		24,620	93,191	62,131	35,485	215,427

The following is an analysis by liability type of the estimated timing of net cash flows based on the Group's liabilities at March 31, 2010. The settlement profile is based on current estimates and historical trends and the actual timing of future cash flows may differ materially from the disclosure below.

(In $ thousands)	Within 1 Year	2 – 5 Years	6 – 10 Years	Over 10 Years	2010 Total
Life and annuity policy benefits	12,201	40,925	46,074	125,094	224,294
Deposit administration pension plans	21,234	148,440	-	-	169,674
Provision for unpaid and unreported claims	26,022	-	-	-	26,022
Insurance balances payable	8,632	-	-	-	8,632
Deposit liabilities	-	6,558	-	-	6,558
Note payable	16,750	-	-	-	16,750
Loan payable	6,000	13,843	-	-	19,843
Dividends payable	2,103	-	-	-	2,103
Accounts payable and accrued liabilities	16,006	-	-	-	16,006
	108,948	209,766	46,074	125,094	489,882

(In $ thousands)	Within 1 year	2 – 5 Years	6 – 10 Years	Over 10 Years	2009 Total
Life and annuity policy benefits	11,250	38,165	43,714	142,618	235,747
Deposit administration pension plans	17,514	141,173	-	-	158,687
Provision for unpaid and unreported claims	25,193	-	-	-	25,193
Insurance balances payable	7,700	-	-	-	7,700
Deposit liabilities	-	8,935	-	-	8,935
Note payable	16,750	-	-	-	16,750
Loan payable	6,000	21,753	-	-	27,753
Dividends payable	3,354	-	-	-	3,354
Accounts payable and accrued liabilities	14,033	-	-	-	14,033
	101,794	210,026	43,714	142,618	498,152

The short-term (less than one year) liquidity needs are more than adequately met by maturing bonds, mortgages and loans, the sale of equities, as well as by current operating cash flows. Historically, the Deposit administration pension plan liabilities renew for further periods upon maturity and remain with the Group. Longer duration cash flows are also backed by a broader range of asset classes including equity and other non-fixed income assets. Reinvestment strategies and policies are in place for maturing assets backing longer-term liabilities and are reflected in the Life and annuity policy reserves.

(C) MARKET RISK

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

(i) Currency Risk

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

- The Group constantly monitors the effect of currency translation fluctuations.
- Investments are normally made in the same currency as the liabilities supported by those investments.
- The majority of the Group's assets, liabilities and earnings are denominated in Bermuda or United States dollars.
- The assets and liabilities of the self-sustaining foreign operatives are held in the appropriate currency. The net currency exposure arising from the net equity within these operations amounts to £7 million and €1.2 million (2009 – £5 million and €1.2 million).

(ii) Interest Rate Risk

Interest rate risk is the potential for financial loss arising from changes in interest rates. Change in market interest rates can impact the reinvestment of matured investments, as the returns available on the new investment may be significantly different from the returns previously achieved. The Company manages these risks through:

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

The impact of interest rate risk for the Group's actuarial liabilities and the assets supporting those liabilities is included in Note 8. Management considers that there is no material net interest rate risk on fixed-income investments which support non-life insurance liabilities.

(iii) Equity Risk

The majority of the equities are held to back long-term liabilities or those where it is expected that the liabilities will renew at maturity at then current market rates. Equity risk is the uncertainty associated with the valuation of assets arising from changes in equity markets. Overall, it is expected that the impact of an immediate 10 percent increase in value across all equity markets would be an increase in Net income and Other comprehensive income of $9.4 million; conversely the impact of a 10 percent decrease would have an equal but opposite effect.

(D) LIMITATIONS OF SENSITIVITY ANALYSIS

The sensitivity information given in (A) to (C) above and in Note 8 demonstrates the estimated impact of a change in a major input assumption while other assumptions remain unchanged. In reality, there are normally significant levels of correlation between the assumptions and other factors. It should also be noted that these sensitivities are non-linear and larger or smaller impacts should not be interpolated or extrapolated from these results. Furthermore, estimates of sensitivity may become less reliable in unusual market conditions such as instances when risk free interest rates fall towards zero.

6. CAPITAL ASSETS

(In $ thousands)	Cost	Accumulated Depreciation	Net Book Value 2010	2009
Land and buildings	75,992	6,970	69,022	66,315
Computer equipment	24,022	16,020	8,002	7,449
Other	6,739	5,183	1,556	1,602
TOTAL	106,753	28,173	78,580	75,366

During the year, construction of the new corporate headquarters was completed and occupancy of the building commenced in April 2009.

The charge for depreciation of capital assets was $4,896,000 (2009 – $2,885,000).

7. INTANGIBLE ASSETS

Intangible assets comprise:

(In $ thousands)	Cost	Accumulated Amortisation and Other	Net Book Value 2010	2009
Arising from:				
Continuing businesses	21,430	15,307	6,123	6,649
Run-off business	1,190	1,190	-	-
TOTAL	22,620	16,497	6,123	6,649

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

(In $ thousands)	2010	2009
Balance, beginning of year	6,649	13,887
Acquisition	159	1,479
Adjustment to prior year acquisition costs	-	(282)
Impairment	-	(7,475)
Amortisation for the year	(685)	(960)
BALANCE, END OF YEAR	6,123	6,649

Continuing business represents the accumulated cost of customer lists and policies acquired. An amortisation charge of $685,000 (2009 – $960,000) was recognised during the year and is included in the Consolidated Statement of Income and Comprehensive Income as Amortisation depreciation and impairment.

During the prior year, ended March 31, 2009 the Group determined that the future expected revenue in the International Life business unit was impaired arising from the exposure of client investments to certain Madoff feeder funds. A write-down of $7,475,000 was taken and was included in Amortisation, depreciation and impairment in the Consolidated Statement of Income and Comprehensive Income for the year ended March 31, 2009.

8. 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)	2010	2009
Annuities	281,450	262,916
Long-term disability	1,230	1,254
Life	16,005	20,706
Other benefits	6,075	5,245
	304,760	290,121
The changes in the actuarial liabilities are as follows:		
Balance, beginning of year	290,121	252,381
Normal changes	12,129	31,351
Interest rate assumptions	2,005	5,727
Mortality assumptions	-	-
Expense assumptions	662	109
Other	(157)	553
BALANCE, END OF YEAR	304,760	290,121

Assets supporting the Life and annuity policy reserves are as follows:

(In $ thousands)	2010					
	Bonds	Mortgages	Equities	Real Estate	Cash	Total
Annuities	151,448	31,583	67,086	21,333	10,000	281,450
Long-term disability	-	1,230	-	-	-	1,230
Life	5,346	5,400	5,259	-	-	16,005
Other benefits	-	-	6,075	-	-	6,075
	156,794	38,213	78,420	21,333	10,000	304,760

(In $ thousands)	2009					
	Bonds	Mortgages	Equities	Real Estate	Cash	Total
Annuities	131,085	34,518	67,163	17,150	13,000	262,916
Long term disability	-	1,254	-	-	-	1,254
Life	3,252	14,082	3,372	-	-	20,706
Other benefits	-	2,400	2,845	-	-	5,245
	134,337	52,254	73,380	17,150	13,000	290,121

Assumptions

The risks associated with insurance contracts and in particular with life and annuity insurance contracts are complex and subject to a number of variables that complicate quantitative sensitivity analysis. Delays in the notification of claims necessitate the holding of significant reserves for liabilities that may only emerge a number of accounting periods later.

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 Group's life insurance and annuity business is not sufficient to use company specific mortality tables.

To offset some of the mortality risk, the Group 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 five percent decrease in the best estimate assumption for annuitant mortality would increase the policy reserves by $1.76 million (1.58 percent).

(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 AND INTEREST RATE RISK

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 Group'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 total life and annuity policy reserves by $14.4 million. A one percent decrease in the best estimate assumption increases the total life and annuity policy reserves by $17 million.

(D) CREDIT RISK

Credit risk is provided for by reducing investment yields assumed in the calculation of the policy reserves. Past company and industry experience over the long term, in addition to ongoing reviews of the current portfolio, are used to project credit losses. In addition to the allowances for losses on invested assets due to interest rate risk, the policy reserves include a provision of $7.1 million to provide for future asset defaults and loss of asset value on current assets and future purchases.

(E) 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 $896,000.

(F) 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.

(G) REINSURANCE

In order to reduce the mortality risk to the Group, part of the business is ceded to reinsurers. Reinsurance ceded does not discharge the Group of its liability towards its insureds. Therefore, failure of reinsurers to honour their obligations could result in losses for the Group. Each year, the Group ascertains that its reinsurers exceed the minimum capitalisation required by the regulatory authorities. Life and annuity policy reserves are reported net of reinsurance ceded. Reserves, before and after reinsurance ceded are shown below:

(In $ thousands)	2010	2009
Gross life and annuity policy reserves	150,418	149,815
Impact of reinsurance ceded	(15,332)	(18,381)
LIFE AND ANNUITY POLICY RESERVES	135,086	131,434

9. PROVISION FOR UNPAID AND UNREPORTED CLAIMS

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

(In $ thousands)	2010	2009
Gross provision, beginning of year	25,193	23,334
Reinsurers' share, beginning of year	(3,265)	(4,027)
Net provision, beginning of year	21,928	19,307
Net claims and adjustment expenses incurred		
Current year	81,983	76,583
Prior year	637	(973)
Total	82,620	75,610
Net claims and adjustment expenses paid		
Current year	(66,814)	(63,599)
Prior year	(15,262)	(9,390)
Total	(82,076)	(72,989)
Movement in the year	544	2,621
NET PROVISION, END OF YEAR	22,472	21,928
Represented by:		
Gross provision, end of year	26,022	25,193
Reinsurers' share, end of year	(3,550)	(3,265)
NET PROVISION, END OF YEAR	22,472	21,928

Provision for unpaid and unreported claims is based on expected trends in claim severity and frequency and other factors which may vary significantly as claims are settled. Estimates of losses are continually reviewed and modified to reflect current conditions. Although management believes, based on the recommendations of our actuary, that the provision for unpaid and unreported claims will be adequate to cover the ultimate cost of losses incurred to the balance sheet date, the provision is necessarily an estimate and claims may ultimately be settled for greater or lesser amounts. It is reasonably possible that management will revise this estimate significantly in the near term. Any subsequent differences arising are recorded in the period in which they are determined.

10. LOANS PAYABLE

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. Draw downs on the facility ceased in April 2009, with the total loan principal of $27,843,000, including $1,999,000 of accrued interest which had been capitalised. The loan is secured upon real estate owned by the Borrower and co-collateralised by guarantee from the Company and is repayable over five years at $500,000 per month plus interest, commencing April 30, 2009. Interest is charged at the bank's base rate plus one percent per annum. During the year the Company made additional payments totalling $2,000,000 towards the principal. Interest expense on the mortgage for the year was $1,018,000 (2009 – $ nil).

11. SHARE CAPITAL

The Company declared cash dividends of $12,187,000 (2009 – $13,429,000) during the year. There were no stock dividends declared during the year ended March 31, 2010 or 2009.

12. EARNINGS PER SHARE

Basic earnings per share presented in the Consolidated Statement of Income and Comprehensive Income is calculated by dividing net income (loss) 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. When an enterprise has a loss before discontinued operations and extraordinary items, no potential common shares are included in the computation of calculating fully diluted earnings per share.

(In $ thousands)	2010	2009
Net Loss for the year	(18,435)	(115,701)
Weighted average outstanding common shares	21,009	20,940
COMMON SHARES AND COMMON SHARE EQUIVALENTS	21,009	20,940

13. STOCK–BASED COMPENSATION

As at March 31, 2010, 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, 2010 was $386,000 (2009 – $304,000).

(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, 2010 or 2009.

The following table summarises the activity under the Company's stock option plan for the year ended March 31, 2010:

	2010		2009	
	Total number of shares under option	Weighted average exercise price	Total number of shares under option	Weighted average exercise price
Outstanding, beginning of year	460,866	$8.32	516,988	$8.22
Changes during the year:				
Exercised	(25,419)	$4.59	(44,126)	$6.59
Expired/forfeited	(3,920)	$8.95	(11,996)	$10.49
Outstanding, end of year	431,527	$8.54	460,866	$8.32
Exercisable, end of year	402,068	$8.30	383,478	$7.81

The weighted average remaining contractual life of options outstanding is 4.11 years (2009 – 4.91 years). The range of fair values of options outstanding is $2.16 to $5.17. The total compensation expense recognised in the current year was $71,000 (2009 – $114,000) and has been included in Operating expenses.

The characteristics as at March 31, 2010, of options granted in earlier years are as follows:

Fiscal year	Exercise Price	Number of Outstanding	Shares Exercisable
2001	$5.12	48,697	48,697
2003	$7.20	59,617	59,617
2004	$5.95	57,377	57,377
2005	$8.95	82,028	82,028
2006	$9.04	85,867	85,867
2007	$11.78	97,941	68,482
	$8.54	431,527	402,068

(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 incent 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, 2010, 44,952 shares (2009 – 21,976) were granted and nil shares (2009 – 1,645) were forfeited and the net fair value was $360,000 (2009 – $309,000) which will be amortised through earnings over the vesting period. The total compensation cost recognised in the current year was $315,000 (2009 – $190,000) and has been included in Operating expenses. At March 31, 2010 there was $349,000 (2009 – $304,000) 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.

14. GENERAL RESERVE

As at March 31, 2009, the Directors considered the General reserve within Shareholders' Equity to be available for distribution and transferred the balance to Retained Earnings.

15. PENSION PLAN

The Company maintains a defined contribution pension plan covering all full-time employees. For the year ended March 31, 2010, the net pension cost recorded in Operating expenses was $774,288 (2009 – $791,000).

16. POST-EMPLOYMENT MEDICAL BENEFITS

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

(In $ thousands)	2010	2009
Accrued benefit liability, beginning of year	5,247	4,241
Current service cost	451	421
Interest cost	286	276
Plan amendments and net actuarial gain	165	397
Benefits paid	(73)	(88)
ACCRUED BENEFIT LIABILITY, END OF YEAR	6,076	5,247

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 estimated as follows:

	2010	2009
Discount rate	5%	7%
Expected long-term rate of return on plan assets	7%	9%

The assumed healthcare cost trend rate is currently estimated at 7.0 percent (2009 – 6.5 percent) per annum, and the annual employee turnover rate is 4.3 percent (2009 – 3.6 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	55	(46)
Accrued benefit liability	443	(383)

17. 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, 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, three 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	2010	94,839	5,163	23,940	7,737	131,679
	2009	94,430	(83,244)	16,513	4,447	32,146
Depreciation of capital assets	2010	1,326	935	2,212	1,108	5,581
	2009	1,146	8,706	1,409	59	11,320
Segment earnings	2010	3,321	(21,572)	(1,848)	1,664	(18,435)
	2009	12,983	(117,069)	(11,560)	(55)	(115,701)
Segment assets	2010	42,761	334,150	113,171	28,701	518,783
	2009	57,351	333,388	106,701	31,556	528,996
Capital expenditure	2010	2,643	1,461	2,366	1,799	8,269
	2009	1,277	1,435	2,641	15,885	21,238

Notes (a) Inter-segment 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

18. 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.

19. 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). These contracts comprised life policies and annuity and other contracts whereby the contract benefits are related directly to the fair value of the investments held. The reserves and assets for these contracts have been allocated to Separate Accounts as authorised by the Bermuda Life Insurance Company (Separate Accounts) Consolidation and Amendment Act 1998 and the Argus International Life Insurance Limited Consolidated and Amendment Act 2008.

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

Consolidated Statement of Changes in Segregated Funds

(In $ thousands)	2010	2009
Additions to Segregated Funds		
Premiums, contributions and transfers	103,837	113,868
Net investment income	3,687	1,160
Net increase/(decrease) in fair value of investments	181,465	(399,649)
Segregated funds acquired	3,391	3,117
	292,380	(281,504)
Deductions from Segregated Funds		
Withdrawals, benefit payments and transfers to the General Fund	80,624	109,066
Operating expenses	12,461	13,356
	93,085	122,422
Net Additions/(Reductions) to Segregated Funds for the year	199,295	(403,926)
Segregated Funds, beginning of year	969,981	1,373,907
Segregated Funds, end of year	1,169,276	969,981
Consisting of:		
Bonds	84,121	13,602
Stocks and other investments	982,948	714,621
Policy loans	41,404	38,879
Cash and short-term investments	60,927	203,184
Accounts payable and other liabilities	(124)	(305)
TOTAL SEGREGATED FUNDS NET ASSETS	1,169,276	969,981

20. 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, 2010, was 2,048,381 shares.

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

21. CAPITAL MANAGEMENT AND STATUTORY REQUIREMENTS

The Company's capital base is structured to exceed regulatory targets and desired capital ratios, maintain strong credit ratings and provide flexibility to take advantage of growth opportunities and provide an adequate return to shareholders. Capital is managed on a consolidated basis under principles that consider all the risks associated with the business. It is also managed at the business unit level under the principles appropriate to the jurisdiction in which it operates.

Management monitors the adequacy of the Company and its operating subsidiaries' capital from the perspective of both the Bermuda and Gibraltar Insurance and Companies Acts. The Company maintained levels above the minimum local regulatory requirements at March 31, 2010 and 2009 as further described below.

The Company's capital base consists of share capital, contributed surplus, retained earnings and accumulated other comprehensive income as disclosed on the Consolidated Balance Sheet.

The Bermuda Insurance Act 1978 and Related Regulations and the Gibraltar Insurance Act (the "Acts") require the Group's insurance subsidiaries to meet minimum solvency margins. Combined statutory capital and surplus for those companies as at March 31, 2010, was $94,363,000 (2009 – $100,500,000) and the amounts required to be maintained by those companies was $24,202,000 (2009 – $24,129,000). In addition, minimum liquidity ratios must be maintained whereby relevant assets, as defined by the Acts, must exceed 75 percent of relevant liabilities.

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

22. COMMITMENTS AND CONTINGENCIES

(a) Lease Obligations

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

(In $ thousands)	
2011	456
2012	108
2013	17
2014	17
2015	17

(b) Contingencies

(i) The Company has a 35 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 $11.7 million for this office building.

(ii) In January 2009, the Company and Argus International Life Bermuda Limited ("AILBL") were named with various other defendants in a class action suit filed in the United States relating to investment losses caused by Bernard L. Madoff Investment Securities LLC.
During the year ended March 31, 2010, the Company and AILBL reached an agreement to settle this class action.

The terms of the settlement incorporate a broad package of relief including loans to policyholders, the assignment of certain AILBL claims to a litigation trust and cooperation by AILBL in connection with litigation of the assigned claims. In exchange, the Company and AILBL obtained broad releases relating to the claims in the litigation and other protections and relief. No financial settlement to policyholders is involved.

The Company and AILBL continue to deny all allegations of wrongdoing or liability whatsoever with respect to the litigation but have agreed to settle the case to eliminate the burden, expense and uncertainty of litigation as well as the concomitant distraction of resources and efforts from their businesses.

(iii) In May 2009, the Company, Bermuda Life Insurance Company Limited and AILBL filed with the Supreme Court of Bermuda a claim against Tremont Group Holdings Inc and Tremont (Bermuda) Limited. The Company bought Tremont International Insurance Ltd ("TIIL") from the Tremont Group in December 2006, and subsequently changed the company's name to AILBL. The Company is pursuing a number of claims, amongst them a claim for damages for breach of warranties in the purchase agreement due to the overstatement by Tremont of the assets of TIIL.

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

23. SUBSEQUENT EVENTS

In June, 2010, the Group acquired the property and casualty agency business in Malta by the purchase of Fogg Insurance Agencies Limited. The purchase consideration and related costs are approximately €2.5 million payable over the next two years depending upon the persistency of the insurance portfolios assumed from acquisition.

24. COMPARATIVE FIGURES

Certain of the 2009 comparative figures have been reclassified to conform to the presentation adopted for 2010.

DIRECTORS OF PRINCIPAL OPERATING SUBSIDIARIES

ARGUS INSURANCE COMPANY LIMITED

Reginald S. Minors
Chairman

Wendall S. F. Brown
Deputy Chairman

John Doherty

Alison S. Hill

David W. Pugh

Gerald D. E. Simons

Christopher P. Trott

BERMUDA LIFE INSURANCE COMPANY LIMITED

John D. Campbell
Chairman

Robert D. Steinhoff
Deputy Chairman

Lauren M. Bell

Peter R. Burnim

Alison S. Hill

David W. Pugh

Gerald D. E. Simons

Alan R. Thomson

SOMERS ISLES INSURANCE COMPANY LIMITED

Sheila E. Nicoll
Chairman

James S. Jardine
Deputy Chairman

Alison S. Hill

Michelle A. Jackson

John D. Pereira

David W. Pugh

Gerald D. E. Simons

CENTURION INSURANCE SERVICES LIMITED

Reginald S. Minors
Chairman

Christopher P. Trott
Deputy Chairman

Andrew H. Bickham

Wendall S. F. Brown

David W. Pugh

Gerald D. E. Simons

ARGUS INTERNATIONAL LIFE BERMUDA LIMITED

John D. Campbell
Chairman

Robert D. Steinhoff
Deputy Chairman

Lauren M. Bell

Peter R. Burnim

David W. Pugh

Gerald D. E. Simons

Alan R. Thomson

ARGUS INSURANCE COMPANY (EUROPE) LIMITED, Gibraltar

Sheila E. Nicoll
Chairman

Peter R. Burnim
Deputy Chairman

Andrew I. Baker

Andrew H. Bickham

David Crowhurst

Alison S. Hill

Tyrone Montovio

David W. Pugh

Gerald D. E. Simons

ARGUS FINANCIAL LIMITED

Geoffrey Matus
Chairman

Gerald D. E. Simons
Deputy Chairman

James M. Keyes

Sheila E. Nicoll

David W. Pugh

Craig Rimer

ARGUS

Insurance • Pensions • Investments

The Argus Building
14 Wesley Street
P.O. Box HM 1064
Hamilton HM EX
Bermuda
Tel: (441) 295-2021
Fax: (441) 292-6763

Customer Service Centre: (441) 298-0888

e-mail: insurance@argus.bm

www.argus.bm