BERMUDA LIFE INSURANCE COMPANY LIMITED

Consolidated financial statements
(With Independent Auditor's Report Thereon)

March 31, 2018

KPMG Audit Limited
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INDEPENDENT AUDITOR'S REPORT

To the Shareholder and Board of Directors of
Bermuda Life Insurance Company Limited and its subsidiaries

We have audited the accompanying consolidated financial statements of Bermuda Life Insurance Company Limited and its subsidiaries (the "Group"), which comprise the consolidated balance sheets as of March 31, 2018 and 2017, and the related consolidated statements of comprehensive (loss)/income, changes in equity, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly in all material respects, the financial position of Bermuda Life Insurance Company Limited and its subsidiaries as of March 31, 2018 and 2017, and the results of their operations and their cash flows for the years then ended in accordance with International Financial Reporting Standards.

KPMG Audit Limited

Chartered Professional Accountants
Hamilton, Bermuda
July 30, 2018

BERMUDA LIFE INSURANCE COMPANY LIMITED

Consolidated Balance Sheets

March 31, 2018 and 2017
(Expressed in Thousands of Bermuda Dollars)

	Note	2018	2017
Assets			
Cash and short-term investments	3	$ 9,606	$ 35,980
Interest and dividends receivable		2,538	2,483
Investments	5,6	407,171	476,041
Receivable for investments sold		14,275	19,154
Insurance balances receivable	9	4,411	5,027
Reinsurers' share of:	12		
Claims provisions		5,076	6,692
Unearned premiums		352	339
Assets held-for-sale	4	15,831	-
Other assets	10	4,692	5,842
Investment in associate	7	-	7,551
Investment Property	8	501	400
Property and equipment	11	41,719	43,485
Total general fund assets		506,172	602,994
Segregated fund assets held-for-sale	4	143,630	-
Segregated fund assets from continuing operations	26	919,438	1,250,055
Total segregated fund assets		1,063,068	1,250,055
Total assets		$ 1,569,240	$ 1,853,049
Liabilities			
Insurance contract liabilities	12	$ 184,571	$ 175,574
Investment contract liabilities	13	237,316	242,929
Insurance balances payable	15	1,818	2,681
Payables arising from investment transactions	16	26,671	99,303
Due to parent	22.4	3,800	3,701
Accounts payable and accrued liabilities		7,814	7,218
Liabilities held-for-sale	4	3,206	-
Total general fund liabilities		465,196	531,406
Segregated fund liabilities held-for-sale		143,630	-
Segregated fund liabilities from continuing operations	26	919,438	1,250,055
Total segregated fund liabilities		1,063,068	1,250,055
Total liabilities		$ 1,528,264	$ 1,781,461
Equity			
Share capital		$ 252	$ 252
Contributed surplus		30,377	30,377
Retained earnings		12,776	40,824
Accumulated other comprehensive (loss)/ income	25	(2,429)	135
Total equity attributable to shareholders of the Group		$ 40,976	$ 71,588
Total equities and liabilities		$ 1,569,240	$ 1,853,049

The accompanying notes form part of these consolidated financial statements.

Signed on behalf of the Board

Director

Director

BERMUDA LIFE INSURANCE COMPANY LIMITED

Consolidated Statements of Comprehensive (Loss)/ Income

Years ended March 31, 2018 and 2017
(Expressed in Thousands of Bermuda Dollars)

	Note	2018	2017
Revenue			
Gross premiums written		$ 124,374	$ 117,626
Reinsurance ceded		(7,873)	(8,237)
Net premiums written		116,501	109,389
Net change in unearned premiums	17	8	61
Net premiums earned		116,509	109,450
Investment income	5.4, 8, 22.5	3,054	16,739
Share of earnings from associate	7	(5,688)	754
Commissions, management fees and other	18	14,172	14,409
Total revenue		128,047	141,352
Expenses			
Policy benefits		15,607	15,885
Claims and adjustment expenses		88,260	80,214
Reinsurance recoveries	19	(3,751)	(4,738)
Gross change in contract liabilities	20	10,843	3,501
Change in reinsurers' share of claims provisions	20	(260)	850
Net benefits and claims		110,699	95,712
Commission expenses		605	728
Operating expenses	21	30,025	31,638
Depreciation and amortization	11	1,766	1,529
Total expenses		143,095	129,607
Net (loss)/ earnings for the year		(15,048)	11,745
Items that will not be reclassified to net earnings:			
Re-measurement of post-employment medical benefit obligation		(37)	141
Items that are or may subsequently be reclassified to net earnings:			
Change in unrealised gains and losses on available-for-sale investments		(2,527)	284
Other comprehensive (loss)/ income for the year		(2,564)	425
Total comprehensive (loss)/ income for the year		**$ (17,612)**	**$ 12,170**

The accompanying notes form part of these consolidated financial statements.

Consolidated Statements of Cash Flows

Years ended March 31, 2018 and 2017
(Expressed in Thousands of Bermuda Dollars)

	2018	2017
Share capital		
Authorised, issued and fully paid:		
105,000 common shares of $2.40 each (2017 - 105,000)	$ 252	$ 252
Contributed surplus		
Balance, beginning and end of year	30,377	30,377
Retained earnings		
Balance, beginning of year	40,824	42,679
Dividends paid to parent	(13,000)	(13,600)
Net (loss) earnings for the year	(15,048)	11,745
Balance, end of year	12,776	40,824
Accumulated other comprehensive (loss)/ income		
Balance, beginning of year	135	(290)
Other comprehensive (loss)/ income for the year	(2,564)	425
Balance, end of year	(2,429)	135
Total equity	**$ 40,976**	**$ 71,588**

See accompanying notes to the consolidated financial statements.

BERMUDA LIFE INSURANCE COMPANY LIMITED

Consolidated Statements of Cash Flows

Years ended March 31, 2018 and 2017
(Expressed in Thousands of Bermuda Dollars)

	2018	2017
Operating activities		
Net (loss)/ earnings for the year	$ (15,048)	$ 11,745
Adjustments to reconcile net (loss)/ earnings to cash basis (Footnote (i) below)	6,456	(12,850)
Change in operating balances (Footnote (ii) below)	8,479	7,906
Dividend income received	521	573
Interest income received	10,356	10,135
Cash generated from operating activities	10,764	17,509
Investing activities		
Purchase of investments	(1,301,051)	(1,098,578)
Sale of investments	1,278,258	1,109,479
Purchase of property and equipment	-	(61)
Cash (used in) /generated from investing activities	(22,793)	10,842
Financing activities		
Dividends paid to parent	(13,000)	(13,600)
Cash used in financing activities	(13,000)	(13,600)
Net (decrease)/ increase in cash and short-term investments	(25,029)	14,751
Cash and short-term investments, beginning of year	35,980	21,229
Cash and short-term investments, end of year	**$ 10,951**	**$ 35,980**
Cash and short-term investments from continuing operations	$ 9,606	$ 35,980
Cash and short-term investments held-for-sale (Note 4)	1,345	-
Cash and short-term investments, end of year	**$ 10,951**	**$ 35,980**
Footnotes		
(i) Dividend income	$ (521)	$ (437)
Interest income	(12,186)	(12,168)
Investment income related to Deposit administration pension plan	1,776	2,104
Net realised and unrealised loss (gains) on investments	(1,176)	(6,564)
Amortisation of premiums on bonds	1,191	2,440
Net impairment losses	9,918	1,000
Share of earnings of associate	5,688	(754)
Depreciation of property and equipment	1,766	1,529
	$ 6,456	$ (12,850)
(ii) Insurance balances receivable	$ (1,530)	$ 434
Reinsurers' share of:		
Claims provision	839	849
Unearned premiums	(12)	11
Other assets	1,139	(3,016)
Due to/ from parent	1,708	(1,458)
Insurance contract liabilities	9,824	3,686
Insurance balances payable	1,516	(2,658)
Investment contract liabilities	(5,612)	8,515
Accounts payable and accrued liabilities	607	1,543
	$ 8,479	$ 7,906

See accompanying notes to the consolidated financial statements

1. OPERATIONS

Bermuda Life Insurance Company Limited (the "Group"), was incorporated on June 3, 1957 and has its registered office at The Argus Building, 14 Wesley Street, Hamilton, HM 11, Bermuda. The Group is a wholly-owned subsidiary of Argus Group Holdings Limited (the "Parent"), a Bermuda public company with no controlling interest vested in any one person or persons. The Group operates predominantly in Bermuda, underwriting life and health insurance. The Group also provides investment, savings and retirement products.

The Group has two wholly owned dormant subsidiaries, namely: (a) Succession Strategies (Bermuda) Limited and (b) C&S (Bermuda) Limited. All subsidiaries are included in the Group's consolidated financial statements. The Group's voting rights percentages are the same as the ownership percentages.

2. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies used in the preparation of the consolidated financial statements are discussed below and are applied consistently.

2.1 Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and in accordance with the provisions of the Bermuda Companies Act 1981, as amended.

The consolidated financial statements were authorised for issue by the Board of Directors on July 30, 2018.

2.2 Basis of presentation

2.2.1 Basis of measurement

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

- Financial assets at fair value through profit or loss ("FVTPL") are measured at fair value;
- Available-for-sale financial assets are measured at fair value;
- Derivative financial instruments are measured at fair value;
- Investment properties are measured at fair value;
- Certain segregated fund assets and liabilities are measured at fair value as reported by the third-party fund administrators; and
- Post-employment benefit liability is measured at the present value of the defined benefit obligation.

The Consolidated Balance Sheet is presented in order of decreasing liquidity.

2.2.2 Presentation currency

All amounts are in Bermuda dollars, which is the Group's presentation and functional currency and is on par with U.S. dollars.

2.2.3 Use of estimates and judgments

The preparation of the consolidated financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, revenues and expenses. Actual results will differ from those estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

2. **Significant accounting policies** (continued)

2.2 **Basis of presentation** (continued)

2.2.3 Use of estimates and judgments (continued)

Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognised in the consolidated financial statements is included in the following notes:

Note 2.7 – Insurance, investment and service contracts;
Note 2.13 and 27 – Leases and operating leases; and
Note 7 – Investment in associate.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year is included in the following notes:

Note 2.6 – Impairment of assets;
Note 6 – Fair value measurement;
Note 12 – Insurance contract liabilities; and
Note 13 – Investment contract liabilities.

2.3 **Basis of consolidation**

The Group uses the acquisition method to account for the acquisition of subsidiaries. At the date of acquisition, the Group recognises the identifiable assets acquired and liabilities assumed as part of the overall business combination transaction at their fair value. Recognition of these items is subject to the definition of assets and liabilities in accordance with the IASB's Framework for Preparation and Presentation of Financial Statements. Transaction costs that the Group incurs in connection with the business combination are expensed as incurred.

2.3.1 Business combinations

(i) Amalgamation transactions

Under a business combination where entities under common control are amalgamated, the carrying values of the assets and liabilities are combined. Transactions arising from the amalgamation of the entities under common control are eliminated in the Group's consolidated financial statements.

2.3.2 Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

The Group's consolidated financial statements include the financial statements of the Group and its subsidiaries after all significant intercompany accounts and transactions have been eliminated. The accounting policies of subsidiaries have been changed where necessary to align them with the policies adopted by the Group.

2.3.3 Investment in associate

Associates are those entities in which the Group has significant influence, but not control, over the financial and operational policies. Significant influence is normally presumed to exist when the Group holds between 20 and 50 percent of the voting power of another entity.

Investment in associate is initially recognised at cost, which includes transaction costs. Thereafter, this investment is measured using the equity method. Under the equity method, the Group records its proportionate share of earnings from such investment and its proportionate share of Other Comprehensive (Loss)/Income on the Consolidated Statement of Comprehensive (Loss)/Income. The associate has different accounting policies from the Group and, as a result, adjustments have been made to align the associate's accounting policies with the Group.

2. **Significant accounting policies** (continued)

2.3 **Basis of consolidation** (continued)

2.3.3 Investment in associate (continued)

When the Group's share of losses exceeds its interest in an investment in associate, the carrying amount of that interest is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the associate.

2.4 **Cash and short-term investments**

Cash and short-term investments include cash balances, cash equivalents and time deposits with maturities of three months or less at the date of purchase. Interest on these balances is recorded on the accrual basis and included in Investment income.

2.5 **Assets and Liabilities Held-for-Sale**

Disposal groups, which comprise of assets and liabilities, are classified as held-for-sale. It is highly probable that they will be recovered primarily through sale.

The sale is highly likely if, on the reporting date, Management has committed to detailed sale plans, is actively looking for a buyer, has set a reasonable selling price, and the sale is likely to occur within a year. Disposal groups are measured at the lower of their carrying value and fair value less costs to sell, except for assets and liabilities arising from insurance contracts which are measured on the same basis as the insurance assets and liabilities from continuing operations. Once classified as held-for-sale these assets will no longer be depreciated. See Note 4 for further explanation.

2.6 **Financial instruments**

2.6.1 Financial assets

2.6.1(a) Classification and recognition of financial assets

The Group has the following financial assets: (i) financial assets at FVTPL, (ii) available-for-sale financial assets, and (iii) loans and receivables. Management determines the classification of financial assets at initial recognition and is dependent on the nature of the assets and the purpose for which the assets were acquired.

All financial assets are required to be measured at fair value with the exception of loans and receivables and Available-for-sale equity instruments whose fair value cannot be reliably measured. The Company recognises loans and receivables at their date of inception. All other financial assets (includes assets designated at FVTPL) are recognised on the trade date at which the Company becomes a party to the contractual provisions of the instrument. Balances pending settlement as a result of sales and purchases are reflected on the Consolidated Balance Sheets as Receivable for investments sold and Payable for investment purchased.

2.6.1(b) Financial assets at FVTPL

A financial asset is classified as FVTPL if it is determined to be held-for-trading or is designated as such upon initial recognition. Financial assets are designated at FVTPL if the Company manages such investments and makes purchases and sale decisions based on their fair value in accordance with the Group's documented risk management and investment strategies.

Attributable transaction costs upon initial recognition are recognised in Investment income on the Consolidated Statement of Comprehensive (Loss)/Income as incurred. FVTPL are measured at fair value, and changes therein are recognised in Investment income on the Consolidated Statement of Comprehensive (Loss)/Income. Interest or dividend income earned from these financials assets are recorded in Investment income on the Consolidated Statement of Comprehensive (Loss)/Income. Interest income is net of investment management fees.

2. **Significant accounting policies** (continued)

2.6 **Financial instruments** (continued)

2.6.1(c) Available-for-sale financial assets

Available-for-sale financial assets include equity investments and debt securities. Equity securities classified as available-for-sale are carried at fair value except unquoted equities, which are carried at cost. Debt securities in this category are carried at fair value and are intended to be held for an indefinite period of time and it may be sold in response to needs for liquidity, in response to changes in market condition or in response to complying with investment guidelines.

After initial measurement, Available-for-sale financial assets are subsequently measured at fair value with unrealised gains or losses recognised in Other comprehensive income and presented on the Consolidated Statements of Comprehensive (Loss)/Income. When an investment is derecognised, the cumulative gain or loss in Other comprehensive loss/income is transferred to Consolidated Statements of Comprehensive (Loss)/Income.

Amortisation and accretion of premiums and discounts on Available-for-sale debt securities are calculated using effective interest rate method and are recognised in current period net investment income. Interest income is recognised on the effective interest rate method. The carrying value of accrued interest income approximates estimated fair value due to its short term nature and high-liquidity. Interest income is net of investment management fees. Dividends on equity securities are recoded as income on the date the dividends become payable to the holders of record.

2.6.1(d) Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, receivables are measured at amortised cost using the effective interest method, less any impairment losses. Amortisation of premiums is included in Investment income on the Consolidated Statements of Comprehensive (Loss)/Income. For the purposes of this classification, Loans and receivables are comprised of Mortgages and loans, Interest and dividends receivable and other receivables in Other assets on the Consolidated Balance Sheets.

2.6.1(e) Derecognition and offsetting

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire or it transfers the rights to receive the contractual cash flows of the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred, which is normally the trade date. Any interest in transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented on the Consolidated Balance Sheet when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

2.6.2 Classification, recognition

2.6.2(a) Classification and recognition of financial liabilities

The Group has the following financial liabilities: (i) financial liabilities at FVTPL and (ii) other financial liabilities. Management determines the classification of financial liabilities at initial recognition.

(i) Financial liabilities at FVTPL

The Group's financial liabilities at FVTPL relate to deposit accounted annuity policies shown under Investment contract liabilities on the Consolidated Balance Sheet. Contracts recorded at FVTPL are measured at fair value at inception and each subsequent reporting period. Changes in fair value of investment contract liabilities are recorded in Gross change in contract liabilities on the Consolidated Statements of Comprehensive (Loss)/Income.

2. Significant accounting policies (continued)

2.6 **Financial instruments** (continued)

2.6.2(a) Classification and recognition of financial liabilities (continued)

(ii) Other financial liabilities

All remaining financial liabilities are classified as other financial liabilities which include Investment contract liabilities related to the deposit administration pension plans and self-funded group health policies, Payable for investments purchased and Accounts payable and accrued liabilities. Such financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortised cost using the effective interest method.

Payables arising from investment transactions and Accounts payable and accrued liabilities are considered short-term payables with no stated interest.

All other financial liabilities (including liabilities designated at FVTPL) are recognised initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

2.6.2(b) Derecognition

The Group derecognises a financial liability when its contractual obligations are discharged, cancelled or expired.

2.6.3 Derivative financial assets

Investments in derivative instruments are measured at FVTPL and are considered to be held-for-trading. Derivatives are initially recognised at estimated fair value on the date into which a contract is entered. The attributable transaction costs are recognised in Investment income on the Consolidated Statements of Comprehensive (Loss)/Income as incurred. These investments in derivative instruments are subsequently carried at estimated fair value. Changes in the estimated fair value of instruments that do not qualify for hedge accounting are recognised in Investment income on the Consolidated Statements of Comprehensive (Loss)/ Income. The Group does not hold any derivatives classified as hedging instruments. Derivative financial assets are reported net under Investments on the Consolidated Balance Sheet.

2.6.4 Investment income

Interest income is recorded as it accrues, using the effective interest method, in Investment income on the Consolidated Statements of Comprehensive (Loss)/Income. Dividend income is recognised on the date the Group’s right to receive payment is established, which in the case of quoted securities is normally the ex-dividend date.

2.7 **Impairment of assets**

2.7.1 Impairment of financial assets

The carrying amounts of the Group's financial assets, except those classified under FVTPL, are reviewed at each reporting date for impairment and reversal of previously recognised impairment losses. These assets are considered impaired if there is objective evidence of impairment as a result of one or more loss events that have an impact that can be reliably determined based on estimated future cash flows of the asset. Objective factors that are considered when determining whether a financial asset or group of financial assets may be impaired include, but are not limited to, the following:

- negative rating agency announcements in respect of investment issuers and debtors;
- significant reported financial difficulties of investment issuers and debtors;
- actual breaches of credit terms such as persistent late payments or actual default;
- the disintegration of the active market(s) in which a particular asset is traded or deployed;
- adverse economic or regulatory conditions that may restrict future cash flows and asset recoverability;
- the withdrawal of any guarantee from statutory funds or sovereign agencies implicitly supporting the asset; and
- significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

2. Significant accounting policies (continued)

2.7 **Impairment of assets** (continued)

2.7.1(a) Available-for-sale financial assets

When there is objective evidence that an available-for-sale asset is impaired, the loss accumulated in Other comprehensive (loss)/ income is reclassified to the Consolidated Statements of Comprehensive (Loss)/Income in Investment income. The cumulative loss that is reclassified from Other comprehensive (loss)/income to Investment income is the difference between the cost and the current fair value less any impairment loss recognised previously in Investment income in the Consolidated Statements of Comprehensive (Loss)/Income. Impairment losses on available-for-sale equity securities are not reversed.

2.7.1(b) Investment in associate

When there is objective evidence that an investment in an associate is impaired, an impairment loss is measured by comparing the recoverable amount of the investment with its carrying value. The recoverable amount is determined in accordance with Note 2.7.2.

An impairment loss is recognised in Share of earnings from associate on the Consolidated Statements of Comprehensive (Loss)/Income. Reversal of a previously recognised impairment loss is made if there has been a favourable change in the estimates used to determine the recoverable amount.

2.7.2 Impairment of non-financial assets

The carrying amounts of the Group's non-financial assets comprising of Investment properties and Property and equipment are reviewed at each reporting date to determine if there is objective evidence of impairment. Objective factors that are considered when determining whether a non-financial asset may be impaired include, but are not limited to, the following:

- adverse economic, regulatory or environmental conditions that may restrict future cash flows and asset usage and/or recoverability;
- The likelihood of accelerated obsolescence arising from the development of new technologies and products; and
- The disintegration of the active market(s) to which the asset is related.

If objective evidence of impairment exists, then the asset's recoverable amount is estimated. An impairment loss is recognised in Amortisation, depreciation and impairment on the Consolidated Statements of Comprehensive (Loss)/Income if the carrying amount of an asset exceeds its estimated recoverable amount. The recoverable amount of an asset is the greater of its value-in-use and its fair value less costs to sell. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Assets which cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets.

2.7.3 Investment Properties

Investment properties are real estate and real estate fractional units primarily held to earn rental income or held for capital appreciation. Rental income from investment properties is recognised on a straight-line basis over the term of the lease. Properties that do not meet these criteria are classified as Property and equipment. Expenditures related to ongoing maintenance of properties subsequent to acquisition are expensed as incurred. Investment properties are initially recognised at the transaction price including acquisition costs on the Consolidated Balance Sheets. These properties are subsequently measured at fair value with changes in values recorded in Investment income on the Consolidated Statements of Comprehensive (Loss)/Income.

Fair values are evaluated regularly by an accredited independent valuation specialist to reflect market conditions at the reporting date.

2. Significant accounting policies (continued)

2.8 Insurance, investment and service contracts

Insurance contracts are those contracts where the Group has accepted significant insurance risk from the policyholders by agreeing to compensate the policyholders if a specified uncertain future event (the insured event) adversely affects the policyholders.

2.8.1 Premiums and acquisition costs

Premiums written on most life, annuity and health insurance contracts are recognised as revenue when due from the policyholder. For short-term insurance contracts, premiums written are earned on a pro-rata basis over the terms of the policies. The reserve for Unearned premiums represents that portion of premiums written that relates to the unexpired terms of the policies and is included in Insurance contract liabilities on the Consolidated Balance Sheets. Life and annuity premiums are recognised as income when due.

2.8.2 Receivables and payables related to insurance contracts

Receivables and payables related to insurance contracts are recognised when due and measured on initial recognition at the fair value of the consideration receivable or payable. Subsequent to initial recognition, Insurance balances receivable and Insurance balances payable are measured at amortised cost. The carrying value of Insurance balances receivable is reviewed for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable, with the impairment loss recorded in Operating expenses on the Consolidated Statements of Comprehensive (Loss)/Income.

Insurance balances receivable and Insurance balances payable are derecognised when the derecognition criteria for financial assets and financial liabilities, as described in Note 2.6.1(e) have been met.

2.8.3 Reinsurance

Reinsurance ceded premiums comprise the cost of reinsurance contracts into which the Group has entered. Reinsurance premiums are recognised from the date the reinsurer has contracted to accept the risks and the amount of premium can be measured reliably. The Reinsurers’ share of unearned premium represents that part of reinsurance premiums ceded which are estimated to be earned in future financial periods. Unearned reinsurance commissions are recognised as a liability using the same principles and are shown under Insurance balances payable on the Consolidated Balance Sheet. The Reinsurers’ share of claims provisions is estimated using the same methodology as the underlying losses. These represent the benefit derived from reinsurance agreements in force at the date of the Consolidated Balance Sheet. Amounts due to or from reinsurers with respect to premiums or claims are included in Insurance balances payable or Insurance balances receivable on the Consolidated Balance Sheets.

The Group constantly monitors the credit worthiness of the reinsurance companies to which it cedes risk and assesses any reinsurance assets for impairment, with any impairment loss recognised in Operating expense on the Consolidated Statements of Comprehensive (Loss)/Income in the period in which any impairment is determined.

2.8.4 Insurance contract liabilities

Insurance contract liabilities shown on the Consolidated Balance Sheets include (i) Life and annuity policy reserves and (ii) Provision for unpaid and unreported claims.

(i) Life and annuity policy reserves

Life and annuity policy 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. These reserves are determined using generally accepted actuarial practices according to standards established by the Canadian Institute of Actuaries (“CIA”). The CIA requires the use of the Canadian Asset Liability Method (“CALM”) for the valuation of actuarial liabilities for all lines of business. The policy actuarial liability reserves under CALM are calculated by projecting asset and liability cash flows under a variety of interest rate scenarios using best-estimate assumptions, together with margins for adverse deviations with respect to other contingencies pertinent to the valuation. The policy actuarial liability reserves make provision for the expected experience scenario and for adverse deviations in experience.

2. **Significant accounting policies** (continued)

2.8 **Insurance, investment and service contracts** (continued)

2.8.4 Insurance contract liabilities (continued)

(ii) Provision for unpaid and unreported claims

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. Any adjustments resulting from the review process, as well as differences between estimates and ultimate payments, are reflected in Claims and adjustment expenses and Gross change in contract liabilities on the Consolidated Statements of Comprehensive (Loss)/Income in the year in which they are determined. Provisions for unpaid and unreported claims are not discounted.

2.8.5 Investment contracts

Contracts issued that do not transfer significant insurance risk, but do transfer financial risk from the policyholder, are financial liabilities and are accounted for as investment contracts. Service components of investment contracts are treated as service contracts. Fees earned from the service components of investment contracts are included on the Consolidated Statements of Comprehensive (Loss)/Income under Commissions, management fees and other.

Liabilities for investment contracts are measured at FVTPL or amortised cost (Note 2.6.2).

The following contracts are the investment contract liabilities for the Group:

(i) Deposit administration pension plans are plans where the Group’s liability is linked to contributions received, plus a predetermined and guaranteed return. The liability related to these plans is carried at amortised cost.
(ii) Self-funded group health policies are refund accounting agreements which provide 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 accounted for as investment contracts. Assets and liabilities arising from this type of policy are measured at amortised cost.
(iii) Deposit accounted annuity policies relate to policies which do not transfer significant insurance risk but do transfer financial risk from the policyholders. These are measured at FVTPL.

2.9 **Property and equipment**

Owner-occupied properties and all other assets classified as Property and equipment are stated at cost less accumulated depreciation and impairment. Subsequent costs are included in the assets’ carrying amount only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The costs of the day-to-day servicing of Property and equipment are recognised as incurred in Operating expenses on the Consolidated Statements of Comprehensive (Loss)/Income.

Building depreciation is calculated so as to write the assets off over their estimated useful lives at the rate of 2.5% per annum.

Computer equipment is calculated so as to write the assets off over their estimated useful lives at the rate of 20%-33% per annum.

2. **Significant accounting policies** (continued)

2.9 **Property and equipment** (continued)

The assets' residual values, useful lives and method of depreciation are reviewed regularly, at a minimum at the end of each fiscal year, and adjusted if appropriate. Where the carrying amount of an asset is greater than its estimated recoverable amount, it is considered to be impaired and it is written down immediately to its recoverable amount. In the event of an improvement in the estimated recoverable amount, the related impairment may be reversed. Gains and losses on disposal of Property and equipment are determined by reference to their carrying amount, and are recognised in Commissions, management fees and other on the Consolidated Statements of Comprehensive (Loss)/Income.

2.10 **Segregated funds**

Segregated funds are lines of business in which the Group issues a contract where the benefit amount is directly linked to the reported net asset values 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 policyholder has no direct access to the specific assets, the contractual arrangements are such that the segregated fund policyholder bears the risks and rewards of the fund's investment performance.

The Group derives fee income, which is included within Commissions, management fees and other on the Consolidated Statements of Comprehensive (Loss)/Income. Deposits to segregated funds are reported as increases in Segregated funds liabilities and are not reported on the Consolidated Statements of Comprehensive (Loss)/Income.

For certain entities within the International Life Division which are registered segregated accounts companies, a segregated account is linked to each variable universal life insurance policies issued to policyholders who require U.S. compliant private placement life insurance and annuity products (Note 3).

Insurance premiums arising from these unit linked type of policies are treated as deposits and are not recorded as revenue on the Consolidated Statements of Comprehensive (Loss)/Income. Fees charged to policyholders, related to insured risk and associated administrative costs are recorded in Commissions, management fees and other on the Consolidated Statements of Comprehensive (Loss)/Income. These fees are recognised as revenue each period in accordance with the terms of the contract.

Valuations of segregated fund assets are based on net asset values reported by third parties such as investment managers and fund administrators. Segregated fund assets may not be applied against liabilities that arise from any other business of the Group. The investment results are reflected directly in segregated fund assets and liabilities.

2.11 **Employee benefits**

2.11.1 Post-employment benefits

The Group participates in the post-retirement medical benefit plan granted by the Parent where the Parent charges the Group an allocated share of the total cost of the benefits.

Re-measurement of the net defined benefit liability, which comprise actuarial gains and losses, are recognised in Other comprehensive income on the Consolidated Statements of Comprehensive (Loss)/Income. Interest expense and other expenses related to the post-employment medical benefit plan are recognised in Operating expenses on the Consolidated Statements of Comprehensive (Loss)/Income.

2.11.2 Pensions

The Parent operates a defined contribution plan. On payment of contributions to the plan there is no further legal or constructive obligation to the Group. Contributions are recognised as employee benefits on the Consolidated Statements of Comprehensive (Loss)/Income under Operating expenses in the period to which they relate.

2. **Significant accounting policies** (continued)

2.11 **Employee benefits** (continued)

2.11.3 Stock-based compensation

The Parent has issued restricted shares to certain members of management. These restricted shares are recognised as an expense pro-rata over the vesting period, adjusted for the impact of any non-market vesting conditions. The total amount to be expensed is determined by reference to the fair value of the awards estimated at the grant date, excluding the impact of any non-market vesting conditions.

2.12 **Share capital**

Common shares are classified as equity. Incremental costs directly attributable to the issue of common shares are recognised as a deduction from equity, net of any tax effects.

2.13 **Leases**

The Group is a lessor of assets, primarily in connection with office space leases. Transactions where substantially all risks and rewards incidental to ownership are transferred from the lessor to the lessee are accounted for as finance leases. All other leases are accounted for as operating leases. The Group's leases are all accounted for as operating leases.

The Group's assets held for leasing are all included in Property and equipment. Rental income from operating leases is recorded as revenue on a straight-line basis over the term of the lease. This is shown under Investment income on the Consolidated Statements of Comprehensive (Loss)/Income.

2.14 **Application of new and revised accounting standards**

The Group has applied the following new and revised standards issued by the International Accounting Standards Board (IASB) that are mandatorily effective for the accounting period beginning April 1, 2017. The adoption of the new and revised standards did not have a significant impact on the Group's consolidated financial statements.

2.14.1 Amendments to IAS 7, Statement of Cash Flows

In January 2017, the IASB issued Disclosure Initiative (Amendments to IAS 7), which amends IAS 7 Statement of Cash Flows. The amendments require entities to provide disclosure that enables users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. These amendments were applied prospectively.

2.14.2 Annual Improvements to IFRSs 2014-2016 Cycle

In December 2016, the IASB issued Annual Improvements to IFRSs 2014-2016 Cycle, which includes a minor amendment to IFRS 12 Disclosure of Interests in Other Entities ("IFRS 12"). The amendment provides clarification guidance to the scope of IFRS 12 and was applied retrospectively.

The adoption of the new and revised standards did not have a significant impact on the Group's consolidated financial statements.

(Amounts in tables are expressed in thousands of Bermuda dollars)

2. **Significant accounting policies** (continued)

2.15 **Changes in accounting policy**

2.15.1 Future accounting changes

There are a number of accounting and reporting changes issued under IFRS including those still under development by the IASB. A summary of the recently issued new accounting standards that will impact the Group in 2019 and beyond is as follows:

TOPIC	EFFECTIVE DATE FOR THE COMPANY	EXPECTED IMPACT
Amendments to IAS 40, Transfers of Investment Property	April 1, 2018	No significant impact
IFRS 15, Revenue from Contracts with Customers	April 1, 2018	Impact assessment in progress
Amendments to IFRS 4, Insurance Contracts	April 1, 2018	Impact assessment in progress
Amendments to IFRS 2, Share-based Payments	April 1, 2018	No significant impact
Annual Improvements to IFRSs 2014-2016 Cycle,	April 1, 2018	No significant impact
IFRIC 22 Foreign Currency Transactions and Advance Consideration	April 1, 2018	No significant impact
IFRS 16, Leases	April 1, 2019	Impact assessment in progress
IFRIC 23 Uncertainty over Income Tax Treatments	April 1, 2019	No significant impact
Amendments to IAS 28.	April 1, 2019	Impact assessment in progress
Annual Improvements to IFRSs 2015-2017 Cycle	April 1, 2019	Impact assessment in progress
Amendments to IAS 19 Employee Benefits	April 1, 2019	Impact assessment in progress
IFRS 9, Financial Instruments	April 1, 2021*	Impact assessment in progress
IFRS 17, Insurance Contracts	April 1, 2021	Impact assessment in progress

* This is effective April 1, 2018 but adoption can be deferred to 2021 if certain conditions are met. See note 2.15.6.

2.15.2 Proposed Amendments to IAS 40 Investment Property

In December 2017, the IASB issued Transfers of Investment Property (Amendments to IAS 40). The amendments to IAS 40 Investment Property clarify that an entity shall transfer property to, or from, investment property when, and only when, there is evidence of a change in use. Adoption of these amendments is not expected to have a significant impact on the consolidated financial statements.

2. **Significant accounting policies** (continued)

2.15 **Changes in Accounting policy** (continued)

2.15.3 IFRS 15, Revenue from Contracts with Customers

IFRS 15, Revenue from Contracts with Customers was issued in May 2014 and should be applied retrospectively or on a modified retrospective basis. IFRS 15 clarifies revenue recognition principles, provides a robust framework for recognizing revenue and cash flows arising from contracts with customers and enhances qualitative and quantitative disclosure requirements. IFRS 15 does not apply to insurance contracts, financial instruments and lease contracts. Revenues from service contracts and service components of investment contracts that are reported in Fee income and primarily arises from our asset management businesses are within the scope of IFRS 15. IFRS 15 also provides guidance related to the costs to obtain and to fulfill a contract Adoption of IFRS 15 is not expected to have a significant impact on the consolidated financial statements.

2.15.4 IFRS 16, Leases

IFRS 16 was issued in January 2016 and will be applied retrospectively or on a modified retrospective basis. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, the customer (lessee) and the supplier (lessor). The standard brings most leases on-balance sheet for lessees under a single model, eliminating the previous classifications of operating and finance leases. The only exemption to this treatment is for lease contracts with duration of less than one year. The on-balance sheet treatment will result in the grossing up of the balance sheet due to a right-of-use asset being recognised with an offsetting liability. Lessor accounting under the standard remains largely unchanged with previous classifications of operating and finance leases being maintained. Management is assessing the impact of this standard on the consolidated financial statements.

2.15.5 IFRS 9, Financial Instruments

In July 2014, the final version of IFRS 9 was issued, which replaces IAS 39 Financial Instruments: Recognition and Measurement and will be applied retrospectively, or on a modified retrospective basis. The project has been divided into three phases: classification and measurement, impairment of financial assets, and hedge accounting. IFRS 9 provides that financial assets are classified and measured on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. IFRS 9 also introduces an impairment model for financial instruments not measured at fair value through profit or loss that requires recognition of expected losses at initial recognition of a financial instrument and the recognition of full lifetime expected losses if certain criteria are met. A new model for hedge accounting aligns hedge accounting with risk management activities. Revisions issued in July 2014 replace the existing incurred loss model used for measuring the allowance for credit losses with an expected loss model. In October 2017, the IASB issued narrow-scope amendments to IFRS 9. The amendments clarify the classification of certain prepaid financial assets and the accounting of financial liabilities following modification. The amendments are effective for annual periods beginning on or after January 1, 2019. However, pursuant to the below mentioned amendments to IFRS 4, we will elect the deferral approach permitted under IFRS 4 to continue to apply IAS 39 until 2021. Management is assessing the impact of these amendments, including the new insurance standard IFRS 17, Insurance Contracts outlined below, on the consolidated financial statements.

2.15.6 Amendments to IFRS 4, Insurance Contracts/ IFRS 17, Insurance Contracts

Amendments to IFRS 4, Insurance Contracts were issued in September 2016, which will be effective for annual period beginning April 1, 2018. The amendments introduce two optional solutions to address concerns about the differing effective dates of IFRS 9 and the new insurance contracts standard, IFRS 17.

- The overlay approach provides an option for all issuers of insurance contracts to adjust profit or loss for eligible financial assets by removing any additional accounting volatility that may arise from applying IFRS 9 before the new insurance contracts standard.
- The deferral approach provides companies whose activities are predominantly related to insurance an optional temporary exemption from applying IFRS 9 until 2021.

2. **Significant accounting policies** (continued)

2.15 **Changes in Accounting policy** (continued)

2.15.6 Amendments to IFRS 4, Insurance Contracts/ IFRS 17, Insurance Contracts (continued)

Based on an analysis performed as of March 31, 2017, the Group is eligible to apply the temporary exemption as the predominance ratio reflecting the share of liabilities connected with insurance to total liabilities exceeds 90 percent. For the purpose of calculating the predominance ratio, liabilities connected with insurance include segregated fund liabilities of $1.6 billion (see Note 26). Management is proceeding on the assumption that the Group will apply the temporary exemption from the adoption of IFRS 9 and defer the implementation of IFRS 9 until a later date, however, no later than the period beginning April 1, 2021.

IFRS 17 was issued in May 2017 and provides a comprehensive guidance on accounting for insurance contracts and investment contracts with discretionary participation features. For general insurance contracts, IFRS 17 introduces mandatory discounting of loss reserves expected to be paid in more than one year as well as risk adjustment, for which confidence level equivalent disclosure will be required. Further, IFRS 17 is expected to have a significant impact on accounting for life insurance contracts as well as on the presentation of insurance contract revenue in the consolidated financial statements.

In order to evaluate the effects of adopting IFRS 17 in the consolidated financial statements, a joint IFRS 17 and IFRS 9 Group Implementation Program (Program) was set up, sponsored by Group Chief Financial Officer. A steering committee comprising senior management from Finance, Risk, Operations and Investment Management oversees the work performed by individual work streams, with a technical committee defining Group accounting policies and methodologies to be consistently applied throughout the Group and a transformation committee taking responsibility for systems implications and data flows. For the upcoming year, the focus of the Program will be on preliminary impact analysis for significant legal entities as well as documentation of Group accounting policies.

2.15.7 Amendments to IFRS 2, Share-based Payments

The amendments clarify how to account for certain types of share-based payment transactions, such as the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments. These amendments are applicable to awards granted after the adoption date and to unvested and vested but unexercised awards outstanding at that date. Adoption of these amendments is not expected to have a significant impact on the consolidated financial statements.

2.15.8 IFRIC 22 Foreign Currency Transactions and Advance Consideration

In December 2016, the IASB issued IFRIC 22 Foreign Currency Transactions and Advance which was developed by the IFRS Interpretations Committee. IFRIC 22 clarifies that for purposes of determining the exchange rate in transactions which include the receipt or payment of advance consideration in a foreign currency, the date of the transaction is the date of initial recognition of the non-monetary prepayment asset or deferred income liability. We do not expect the adoption to have a significant impact on our Consolidated Financial Statements.

2.15.9 IFRIC 23 Uncertainty over Income Tax Treatments (“IFRIC 23”),

In June 2017, the IASB issued IFRIC 23 Uncertainty over Income Tax Treatments which was developed by the IFRS Interpretations Committee. IFRIC 23 clarifies how to apply the recognition and measurement requirements in IAS 12 when there is uncertainty over income tax treatments, and requires an entity to determine whether tax treatments should be considered collectively or independently. In addition, IFRIC 23 addresses the assumptions an entity should make about the examination of tax treatments by taxation authorities, as well as how an entity should consider changes in facts and circumstances. IFRIC 23 also provides guidance on how to determine taxable profit (tax loss), tax bases, unused tax losses, unused tax credits, and tax rates, based on whether it is probable that a tax authority will accept an uncertain tax treatment used, or proposed to be used, by an entity in its income tax filings.

IFRIC is to be applied retrospectively, or on a cumulative retrospective basis. We do not expect the adoption to have a significant impact on our Consolidated Financial Statements.

(Amounts in tables are expressed in thousands of Bermuda dollars)

2. **Significant accounting policies** (continued)

2.15 **Changes in Accounting policy** (continued)

2.15.10 Amendments to IAS 28

In October 2017, the IASB issued narrow-scope amendments to IAS 28. The amendments clarify that long-term interests in an associate or joint venture to which the equity method is not applied should be accounted for following the requirements of IFRS 9. They are to be applied retrospectively with certain exceptions. As we will not adopt IFRS 9 until 2021, we will be required to apply IAS 39 to the long-term interests in associates or joint ventures covered by these amendments. Management is assessing the impact of this standard on the consolidated financial statements.

2.15.11 Annual Improvements to IFRSs 2015-2017 Cycle

In December 2017, the IASB issued Annual Improvements to IFRSs 2015-2017 Cycle, which includes minor amendments to four IFRS standards. Management is assessing the impact of this standard on the consolidated financial statements.

2.15.12 Amendments to IAS 19 Employee Benefits

In February 2018, the IASB issued Plan Amendment, Curtailment or Settlement which amends IAS 19 Employee Benefits. Under IAS 19, when an amendment, curtailment or settlement of a defined benefit pension plan occurs, the net defined benefit liability or asset is re-measured. The amendments require an entity to use the updated assumptions from this re-measurement to determine current service cost and net interest for reporting periods after the change to the plan. Management is assessing the impact of this standard on the consolidated financial statements.

3. CASH AND SHORT-TERM INVESTMENTS

	2018	2017
Cash at bank and in hand	$ 4,743	$ 6,985
Short-term investments	4,863	28,995
	$ 9,606	$ 35,980

4. ASSETS AND LIABILITIES HELD-FOR-SALE

In March 2018, management committed to a plan to sell the International Life Division, which comprise of certain subsidiaries of the Parent operating in the private placement life business. The divestment plan includes all private placement life policies held by the Group as at March 31, 2018. The sale is expected to be finalised in the next fiscal year (see Note 29 *Subsequent events*).

Management also committed to a plan for the settlement of an outstanding mortgage loan receivable. The settlement of the outstanding loan is dependent upon the sale of the collateral property, which is expected to be finalised in the next fiscal year.

The operations and cash flows of the International Life Division were clearly distinguished and reported as part of the Parent's Wealth Management operating segment. Whilst separate, it did not represent a major line of business for the Group and was not separately disclosed as discontinued operations.

4. ASSETS AND LIABILITIES HELD-FOR-SALE (continued)

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

(in $000s)	Total
Cash and short-term investments	1,345
Insurance balances receivable	2,146
Investments	11,556
Reinsurers share of claims provisions	777
Other assets	7
Total general fund assets held-for-sale	15,831
Segregated fund assets	143,630
Assets held for sale	**159,461**
LIABILITIES	
Life and annuity policy reserves	827
Insurance balances payable	2,379
Total general fund liabilities-held-for-sale	3,206
Segregated fund liabilities	143,630
Liabilities held for sale	**146,836**

(Amounts in tables are expressed in thousands of Bermuda dollars)

5. INVESTMENTS

5.1 Carrying values and estimated fair values of investments

The carrying values and estimated fair values of investments are as follows:

	March 31, 2018		March 31, 2017	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Available-for-sale				
Bonds	$ 359,598	$ 359,598	$ 400,058	$ 400,058
Equities	10,639	10,639	11,958	11,958
	370,237	370,237	412,016	412,016
Investments at FVTPL (1)				
Bonds	$ 19,360	$ 19,360	$ 18,100	$ 18,100
Equities	2,651	2,651	3,897	3,897
	22,011	22,011	21,997	21,997
Loans and receivables				
Mortgages and loans	$ 14,272	$ 15,015	$ 41,601	$ 37,155
Policy loans	81	81	81	81
	14,353	15,096	41,682	37,236
Derivatives				
Other (2)	$ 455	$ 455	$ 283	$ 283
Foreign currency forward contracts	115	115	63	63
	570	570	346	346
Total Investments	$ **407,171**	**$ 407,914**	**$ 476,041**	**$ 471,595**

(1) Fair value through profit or loss (FVTPL)
(2) Other consists of interest rate swaps, credit default swaps, options and futures

Included in Bonds are investments of $152.7 million (2017 - $159.0 million), which are maintained under the Interest Accumulator Account. The account is set up to provide policyholders certain protection from creditors of the Group. These investments are included in the assets supporting the Group's deposit administration pension plans.

(Amounts in tables are expressed in thousands of Bermuda dollars)

5. INVESTMENTS (continued)

5.2 Derivative financial instruments

The Group's investment guidelines permit the investment managers to utilise exchange-traded futures and options contracts, and OTC instruments including interest rate swaps, credit default swaps, interest rate swaptions and forward foreign currency contracts. Derivatives are used for yield enhancement, duration management, interest rate and foreign currency exposure management or to obtain an exposure to a particular financial market. These positions are monitored regularly. The Group may also use OTC or exchange traded managed derivatives to mitigate interest rate risk and foreign currency exposures. The Group principally has exposure to derivatives related to the following types of risks: foreign currency risk, interest rate risk and credit risk.

The Group has the following transactions and balances related to its derivative activities.

At March 31		**2018**		**2017**
Derivative assets	$	570	$	346
Derivative Liabilities	$	(336)	$	(376)
Collateral	$	680	$	43

The net (loss)/income arising from the Group's derivative financial instruments recognised as Investment income on the Consolidated Statements of Comprehensive (Loss)/ Income is as follows:

For the year ended March 31	**Note**		**2018**		**2017**
Derivative financial instruments					
Foreign currency forward receivable		$	(300)	$	(5)
Other derivatives [1]		$	296	$	448
	5.4	$	(4)	$	443

[1] Other derivatives consist of futures, options, interest rate swaps, credit default swaps and swaptions.

5.2.1 Futures

Futures provide the Group with participation in market movements, determined by the underlying instrument on which the future contract is based, without holding the instrument itself or the individual securities. This approach allows the Group more efficient and less costly access to the exposure than would be available by the exclusive use of individual fixed income and money market securities. Future contracts may also be used as substitutes for ownership of the physical securities. All futures contracts are held on a non-leveraged basis. An initial margin is provided, which is a deposit of cash and/or securities in an amount equal to a prescribed percentage of the contract value. The fair value of futures contracts is estimated daily and the margin is adjusted accordingly with unrealised gains and/or losses settled daily in cash and/or securities. A realised gain or loss is recognised when the contract is closed.

Future contracts expose the Group to credit, market and liquidity risks. The Group is exposed to credit risks to the extent that the counterparties are not able to perform under the terms of the contract. Market risk arises when adverse changes occur in the estimated fair values of the underlying securities.

Liquidity risk represents the possibility that the Group may not be able to rapidly adjust the size of its forward positions at a reasonable price in times of high volatility and financial stress. Exchange-traded futures are however subject to a number of safeguards to ensure that obligations are met, including the use of clearing houses, the posting of margins and the daily settlements of unrealised gains and losses and counterparty credit risk evaluation. Credit, market and liquidity risk and how these risks are mitigated are disclosed in Note 14.

At March 31, 2018, the Group has outstanding money market futures with long positions of $12 million and short positions of $14.5 million based on notional values (2017 - long positions of $5.5 million and short position of $8 million).

5. INVESTMENTS (continued)

5.2 Derivative financial instruments (continued)

5.2.2 Options

The Group's investment guidelines permit the use of exchange-traded options on U.S. treasury future and Eurodollar futures, which are used to manage exposure to interest rate risk and also to hedge duration. Exchange-traded options are held on a similar basis to futures and are subject to similar safeguards. Options are contractual arrangements that give the purchaser the right but not the obligation, to either buy or sell an instrument at a specific set price at a predetermined future date. The Group may enter into option contracts that are secured by holdings in the underlying securities or by other means which permit immediate satisfaction of the Group's obligations.

At March 31, 2018, the Group has options with long and short positions of $Nil based on notional values (2017 - long positions of $Nil and short position of $Nil).

5.2.3 Interest rate swaps

Swaps are used to manage interest rate exposure, portfolio duration or capitalise on anticipated changes in interest rate volatility without investing directly in underlying securities. Swaps are recorded at estimated fair values at the end of each period with unrealised gains and losses recorded in Investment income on the Consolidated Statement of Comprehensive (Loss)/ Income.

Interest rate swap agreements entail the exchange of commitments to pay or receive interest, such as an exchange of floating rate payments for fixed rate payments, with respect to a notional amount of principal. These agreements involve elements of credit and market risk. Such risks include the possibility that there may not be a liquid market, that the counterparty may default on its obligation to perform or that there may be unfavourable movements in interest rates. Credit risk is mitigated by making collateral calls to mitigate exposure and counterparty credit risk evaluation. Credit, market and liquidity risks and how these risks are mitigated are disclosed in Note 14.

At March 31, 2018, the Group has open interest rate swaps with long positions of $0.7 million and short positions amounted to $8.6 million based on notional values (2017 - long positions of $0.8 million and short position of $5.3 million).

5.2.4 Credit default swaps

Credit default swaps ("CDS") are used to manage exposure to the market or certain sectors of the market. CDS contract provides protection against the decline in the value of the underlying assets as a result of specified credit events such as default or bankruptcy. CDS requires the purchaser to pay a premium to the seller of the CDS contract in return for payment contingent on the occurrence of a credit event. The protection purchaser has recourse to the protection seller for the difference between the face value of the CDS contract and the fair value of the underlying asset at the time of the settlement. Neither the purchaser nor the seller under the CDS contract has recourse to the entity that issued the reference assets.

At March 31, 2018, the Group has open CDS contracts with long positions of $4.6 million and short positions amounted to $4.2 million based on notional values (2017 - long position of $5.8 million and short position of $1.9 million).

5.2.5 Foreign currency forwards

A forward foreign currency contract is a commitment to purchase or sell a foreign currency at a future date, at a defined rate. They Group my utilize forward currency contracts to gain exposure to a certain currency or market rate or manage the input of fluctuations in foreign currencies on the value of its foreign currency denominated investments.

(Amounts in tables are expressed in thousands of Bermuda dollars)

5. INVESTMENTS (continued)

5.2 Derivative financial instruments (continued)

5.2.5 Foreign currency forwards (continued)

The notional amount of a derivative contract is the underlying quantity upon which payment obligations are calculated. A long position is equivalent to buying the underlying currency whereas short position is equivalent to having sold the underlying currency.

The Group had the following open foreign currency forward contracts:

As at March 31	**2018**		**2017**	
	Notional Short	**Notional Long**	**Notional Short**	**Notional Long**
Australian dollar	883	-	-	-
Euro	5,620	2,810	4,836	2,536
Indian Rupee	-	45,002	-	-
Mexican peso	-	20,045	-	13,940
Russian Ruble	6,967	46,315	-	-
Sterling	2,010	1,005	1,013	-

At March 31, 2018, the U.S dollar equivalent of notional value of outstanding foreign currency forward contracts with long positions and short positions amounted to $6.7 million and $10.5 million respectively (2017 - $3.5 million and $6.4 million).

The Group also held foreign currency contracts denominated in African, Asian and South American currencies as of March 31, 2018. The U.S. dollar equivalent of notional value of these outstanding foreign currency forward contracts with long positions and short positions amounted to $1.5 million and $1.3 million, respectively (2017- long positions of $1.6 million and short positions of $nil).

5.3 Reverse sale and repurchase agreements

The Group entered into reverse sale and repurchase agreements (reverse repos) on investments during the year. The money received from these agreements where the Group is the borrower (i.e. where the Group is under an obligation to take the securities back) is shown on the Consolidated Balance Sheet as a Payable arising from reverse repos in Payables arising from investment transactions (Note 16). The securities delivered to the lender continue to be reported in Investments on the Consolidated Balance Sheet in accordance with their relevant category.

As of March 31, 2018, the Group does not hold any outstanding balances arising from reverse repos. The table below shows balances arising from reverse repos and the collateral as of March 31, 2017.

March 31, 2017	Assets	Liabilities	Collateral (1)
Payable arising from reverse repos	$ 20,096	$ (20,096)	$ 20,293

(1) Securities pledged at fair value

During the year, cash flows arising from these agreements amounted to sales and purchases of $3.5 billion (2017 - $297.1 million of sales and $267.5 million of purchases) which were shown net in the cash flows generated from/(used in) investing activities on the Consolidated Statement of Cash Flows.

Transactions arising from these agreements are subject to master netting agreement that creates contingent right of set-off that does not qualify for offsetting. Therefore, the Group presents Payables arising from reverse repos on a gross basis.

(Amounts in tables are expressed in thousands of Bermuda dollars)

5. INVESTMENTS (continued)

5.4 Investment income

For the years ended March 31		2018		2017
Interest Income				
Bonds - available-for-sale	$	11,212	$	10,857
Bonds - at FVTPL		217		215
Mortgages and Loans		822		1,165
Cash and Other		(65)		(69)
		12,186		12,168
Dividend Income				
Equities - available-for-sale		372		27
Equities - at FVTPL		149		546
		521		573
Net realised and changes in unrealised gains and losses on investments				
Bonds - available-for-sale		815		350
Bonds - at FVTPL		(438)		51
Equities - at FVTPL		444		5,542
Equities - available-for-sale		463		201
Derivative financial instrument		(4)		435
Investment Properties		(104)		(100)
		1,176		6,479
Other				
Amortisation of premium on Bonds		(1,191)		(1,661)
Net rental income and other		2,056		2,284
Impairment charges on Mortgages and loans [1]		(9,918)		(1,000)
		(9,053)		(377)
Investment income before deductions		4,830		18,843
Deductions				
Investment income relating to Deposit Administration Pension Plan		(1,776)		(2,104)
Total Investment Income	**$**	**3,054**	**$**	**16,739**

[1] During the year, the Group recorded an impairment on certain non-residential mortgages, classified under assets held-for-sale. The impairment recognized is the difference between the carrying value and the recoverable value, determined based on the market value of the underlying collateral property.

5.5 Investment Classification

Effective April 1, 2016, the Group re-designated certain fixed income investments with a carrying value and fair value of $305.1 million from the held-for trading to the available-for-sale category. The valuation of these investments is based on Level 2 and 3 inputs in the fair value hierarchy, as defined in Note 6.

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

(Amounts in tables are expressed in thousands of Bermuda dollars)

5. **Investments** (continued)

5.5 **Investment Classification** (continued)

Management re-designated these investments to the available-for-sale category as allowed by IAS 39, Financial Instruments. These investments were designated at their fair value on April 1, 2017, and the effect of the change was applied prospectively in these financial statements from the date of re-designation.

The carrying value of the re-designated investments as of March 31, 2018 is $101.9 million.

The table below sets out the amounts designated as Investment Income on the Consolidated Statements of Comprehensive (Loss)/Income in respect of investments re-designated out of the held-for-trading category.

	Consolidated Statement of Comprehensive (Loss)/ Income	Other Comprehensive Income
Investment Income	$ 4,875	$ (976)

If the investments had not been re-designated, net unrealized losses of $0.9 million (2017- net unrealized gains of $0.6 million) would have been recognized as investment income on the Consolidated Statement of Comprehensive Income.

The effective interest rates on trading investments re-designated as available-for-sale investments at April 1, 2017 and still held at the reporting date ranged from 4.4% to 6.6%, with expected recoverable cash flows of $145.7 million.

6. FAIR VALUE MEASUREMENT

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

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

The Group determines the estimated fair value of each individual security utilising the highest level inputs available. Prices for the majority of the Group's investment portfolio are provided by a third-party investment accounting firm whose pricing processes and the controls thereon are subject to an annual audit on both the operation and the effectiveness of those controls. The audit reports are available to clients of the firm and the report is reviewed annually by management. In accordance with their pricing policy, various recognised reputable pricing sources are used including broker-dealers and pricing vendors. The pricing sources use bid prices where available, otherwise indicative prices are quoted based on observable market trade data. The prices provided are compared to the investment managers' pricing. The Group has not made any adjustments to any pricing provided by independent pricing services or its third-party investment managers for either year ending March 31, 2018 or 2017.

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

6. FAIR VALUE MEASUREMENT (continued)

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

- Broker-dealer quotes;
- Pricing models or matrix pricing;
- Future cash flows;
- Yield curves;
- Interest rates;
- Prepayment speeds; and
- Default rates.

Other similar quoted instruments or market transactions may be used.

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

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

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

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

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

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

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

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

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

(Amounts in tables are expressed in thousands of Bermuda dollars)

6. FAIR VALUE MEASUREMENT (continued)

6.1 Assets and liabilities measured at fair value

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

March 31, 2018	**Level 1**	**Level 2**	**Level 3**	**Total Fair Value**
Cash and short-term investments	$ 9,606	$ -	$ -	$ 9,606
Interest and dividends receivables	-	2,538	-	2,538
Available-for-sale investments				
Bonds	-	-	-	-
US Government	75,952	-	-	75,952
US and Bermuda Corporates	-	178,075	-	178,075
Municipal, other government and agency	-	19,359	-	19,359
Foreign bonds	-	-	-	-
Mortgage/asset-backed securities	-	70,737	-	70,737
Other - Investment in bond funds	-	15,475	-	15,475
	85,558	286,184	-	371,742
Equities				
Investment in equity funds	-	10,369	-	10,369
Private equity funds and unquoted equities	-	-	270	270
	85,558	296,553	270	382,381
Investments at FVTPL				
Bonds				
US Government	$ 19,360	$ -	$ -	$ 19,360
Equities				
Bermuda listed equities	2,500	-	-	2,500
Private equity funds and unquoted equities	-	-	151	151
	21,860	-	151	22,011
Derivatives	-	570	-	570
Investment properties	-	501	-	501
Total assets at fair value	**$ 107,418**	**$ 297,624**	**$ 421**	**$ 405,463**
Liabilities				
Investment contract liabilities	$ -	$ 2,516	$ -	$ 2,516
Payables arising from investment transactions	-	26,671	-	26,671
Total liabilities at fair value	**$ -**	**$ 29,187**	**$ -**	**$ 29,187**
Segregated funds [(1)]	**$ 14,429**	**$ 982,573**	**$ 66,066**	**$1,063,068**

(1) Segregated funds include certain segregated funds held-for-sale, which were classified Level 1 - $12.9 million, Level 2 - $64.7 million and Level 3 - $66.1 million

(Amounts in tables are expressed in thousands of Bermuda dollars)

6. FAIR VALUE MEASUREMENT (continued)

6.1 Assets and liabilities measured at fair value (continued)

March 31, 2017	**Level 1**	**Level 2**	**Level 3**	**Total Fair Value**
Cash and short-term investments	$ 35,980	$ -	$ -	$ 35,980
Available-for-sale investments				
Bonds	-	-	-	-
US Government and short-term investments [1]	79,721	11,627	-	91,348
US and Bermuda Corporates	-	145,820	-	145,820
Municipal, other government and agency	-	43,888	-	43,888
Foreign bonds	-	47,744	-	47,744
Mortgage/asset-backed securities	-	52,621	3,199	55,820
Other - Investment in bond funds	-	15,438	-	15,438
	115,701	317,138	3,199	436,038
Equities				
Investment in hedge funds and mutual funds	-	11,617	-	11,617
Private equity funds and unquoted equities	-	-	341	341
	115,701	328,755	3,540	447,996
Investments at FVTPL				
Bonds				
US Government and short-term investments	$ 18,100	$ -	$ -	$ 18,100
Equities				
Bermuda listed equities	3,746	-	-	3,746
Private equity funds and unquoted equities	-	-	151	151
	21,846	-	151	21,997
Derivatives	-	346	-	346
Investment properties	-	400	-	400
Total assets at fair value	**$ 137,547**	**$ 329,501**	**$ 3,691**	**$ 470,739**
Liabilities				
Investment contract liabilities	$ -	$ 2,384	$ -	$ 2,384
Payables arising from investment transactions	-	99,303	-	99,303
Total liabilities at fair value	**$ -**	**$ 101,687**	**$ -**	**$ 101,687**
Segregated funds	**$ 15,229**	**$ 1,208,682**	**$ 26,144**	**$ 1,250,055**

[1] Includes investments in money market funds and other short term investments held by the investment managers.

(Amounts in tables are expressed in thousands of Bermuda dollars)

6. FAIR VALUE MEASUREMENT (continued)

6.1 Assets and liabilities measured at fair value (continued)

The table below provides a fair value roll forward for the assets and liabilities measured at fair value for which significant unobservable inputs (Level 3) are used in the fair value measurement for the year ended March 31, 2018.

For the year ended March 31, 2018	At FVTPL Bonds	At FVTPL Equities	Available-for-sale Bonds	Available-for-sale Equities	Total
Balance, beginning of year	$ -	$ 151	$ 3,199	$ 341	$ 3,691
Included in Investment income	-	-	-	10	10
Included in Other comprehensive income	-	-	6	39	45
Purchases	-	-	-	-	-
Sales / Write off	-	-	(1,538)	(120)	(1,658)
Transfer to Level 2	-	-	(1,667)	-	(1,667)
Assets based on Level 3 inputs	**$ -**	**$ 151**	**$ -**	**$ 270**	**$ 421**

For the year ended March 31, 2017	At FVTPL Bonds	At FVTPL Equities	Available-for-sale Bonds	Available-for-sale Equities	Total
Balance, beginning of year	$ 1,551	$ 284	$ -	$ 399	$ 2,234
Included in Investment income	-	-	-	(3)	(3)
Included in Other comprehensive income	-	-	-	(5)	(5)
Purchases	-	-	2,444	-	2,444
Sales / Write off	-	(133)	(146)	(50)	(329)
Transfer to Level 2	-	-	(650)	-	(650)
Re-designation of investments	(1,551)	-	1,551	-	-
Assets based on Level 3 inputs	**$ -**	**$ 151**	**$ 3,199**	**$ 341**	**$ 3,691**

The roll-forward of Segregated funds measured at fair value using Level 3 inputs were not included and does not impact the Consolidated Statements of Comprehensive Operations and Cash Flows. During the year, there were no transfers made between the levels within the fair value hierarchy for Segregated funds (2017 – $Nil).

(Amounts in tables are expressed in thousands of Bermuda dollars)

6. **Fair Value Measurement** (continued)

6.2 Assets and liabilities not measured at fair value

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

March 31, 2018	**Level 1**	**Level 2**	**Level 3**	**Total fair value**	**Carrying value**
Assets					
Mortgages and loans (1)	$ -	$ 15,015	$ -	$ 15,015	$ 14,272
Policy loans	-	81	-	81	81
Assets held for sale	-	-	11,556	11,556	11,556
Total assets disclosed at fair value	**$ -**	**$ 15,096**	**$ 11,556**	**$ 26,652**	**$ 25,909**
Liabilities					
Investment contract liabilities (2)	$ -	$ 237,316	$ -	$ 237,316	$ 227,571
Total liabilities disclosed at fair value	**$ -**	**$ 237,316**	**$ -**	**$ 237,316**	**$ 227,571**

March 31, 2017	**Level 1**	**Level 2**	**Level 3**	**Total fair value**	**Carrying value**
Assets					
Mortgages and loans (1)	$ -	$ 43,282	$ -	$ 43,282	$ 41,601
Policy loans	-	81	-	81	81
Total assets disclosed at fair value	**$ -**	**$ 43,363**	**$ -**	**$ 43,363**	**$ 41,682**
Liabilities					
Investment contract liabilities (2)	$ -	$ 233,223	$ -	$ 233,223	$ 240,545
Total liabilities disclosed at fair value	**$ -**	**$ 233,223**	**$ -**	**$ 233,223**	**$ 240,545**

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

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

6.3 Transfers of Level 1, Level 2 and Level 3 assets and liabilities

The Group's policy is to record transfers of assets and liabilities between levels at their fair values as at the end of each reporting period, consistent with the date of determination of fair value. Assets are transferred out of Level 1 when they are no longer transacted with sufficient frequency and volume in an active market. Conversely, assets are transferred from Level 2 to Level 1 when transaction volume and frequency are indicative of an active market. There were no transfers between Levels 1 and 2 during the year ended March 31, 2018 and 2017.

Transfers out of Level 3 of $1.7 million during the year ended March 31, 2018 (2017- $0.7 million), as shown in Note 6.1, relate to certain investments, which were transferred to Level 2 as observable inputs became available.

(Amounts in tables are expressed in thousands of Bermuda dollars)

7. INVESTMENT IN ASSOCIATE

The Group's associate is a diversified public company engaged in various activities including distribution of automotive parts and provision of automotive services; provision of facilities management services; and the provision of cabling, networking and telephony installation and maintenance services. As a result of the continued decline in the associate's published fair value and the suspension of dividends in December 2017, the Group recognized an impairment of $5.7 million as shown in share of earnings of associates on the Consolidated Statement of Comprehensive (Loss)/ Income. The impairment is the amount equivalent to write down the equity of this Investment in associate to the published fair value.

On December 20, 2017, the associate was transferred to the Parent at an amount of $1.7 million. Management assessed that this investment is no longer aligned with the Group's investment and capital strategy.

8. INVESTMENT PROPERTY

Balance, March 31, 2017	**400**
Additions	501
Disposals	(296)
Loss on disposals	(104)
Balance, March 31, 2018	**501**

Included in the Group's investment properties are residential property. During the year, the Group acquired the ownership rights to a residential property used as a collateral for a mortgage loan. The property was recorded at discounted carry value at the acquisition date. The Group sold residential property acquired during the prior year at net proceeds of $0.3 million and $0.1 million was recorded as loss on disposition. Investment properties are held for rental income and capital appreciation.

9. INSURANCE BALANCES RECEIVABLE

Insurance balances receivable are comprised of:

March 31, 2018	**Insured Employee Benefits**	**Life and Pensions**	**Total**
Due from policyholders, agents and brokers	$ 1,976	$ 48	$ 2,024
Due from reinsurers	2,387	-	2,387
Total insurance balances receivable	**$ 4,363**	**$ 48**	**$ 4,411**

March 31, 2017	**Insured Employee Benefits**	**Life and Pensions**	**Total**
Due from policyholders, agents and brokers	$ 1,972	$ 48	$ 2,020
Due from reinsurers	3,007	-	3,007
Total insurance balances receivable	**$ 4,979**	**$ 48**	**$ 5,027**

(Amounts in tables are expressed in thousands of Bermuda dollars)

10. OTHER ASSETS

As at March 31	**2018**	**2017**
Other financial assets		
Fees receivable	$ 680	$ 595
Receivable from self-funded group health policies	906	2,711
Notes and other receivables	328	778
Total other financial assets	**1,914**	**4,084**
Prepaid expenses	2,778	1,758
Total other assets	**$ 4,692**	**$ 5,842**

11. PROPERTY AND EQUIPMENT

	Land and buildings	**Computer equipment**	**Total**
Gross carrying amount			
Balance, March 31, 2016	$ 57,894	$ 1,652	$ 59,546
Additions	61	-	61
Balance March 31, 2017	57,955	1,652	59,607
Additions	-	-	-
Balance March 31, 2018	**$ 57,955**	**$ 1,652**	**$ 59,607**
Accumulated depreciation			
Balance, March 31, 2016	$ 12,941	$ 1,652	$ 14,593
Depreciation charge for the year	1,529	-	1,529
Balance March 31, 2017	14,470	1,652	16,122
Depreciation charge for the year	1,766	-	1,766
Balance March 31, 2018	**$ 16,236**	**$ 1,652**	**$ 17,888**
Net carrying amount, end of year			
As at March 31, 2017	$ 43,485	$ -	$ 43,485
As at March 31, 2018	**$ 41,719**	**$ -**	**$ 41,719**

(Amounts in tables are expressed in thousands of Bermuda dollars)

12. INSURANCE CONTRACT LIABILITIES

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

March 31, 2018	**Note**	**Gross**	**Ceded**	**Net**
Life and annuity policy reserves	12.1	$ 172,681	$ (5,056)	$ 167,625
Provision for unpaid and unreported claims	12.2	11,888	(20)	11,868
		184,569	(5,076)	179,493
Unearned premiums	12.4	2	(352)	(350)
Total insurance contract liabilities		**$184,571**	**(5,428)**	**179,143**

March 31, 2017	**Note**	**Gross**	**Ceded**	**Net**
Life and annuity policy reserves	12.1	$ 165,683	$ (6,672)	$ 159,011
Provision for unpaid and unreported claims	12.2	9,882	(20)	9,862
		175,565	(6,692)	168,873
Unearned premiums	12.4	9	(339)	(330)
Total insurance contract liabilities		**$ 175,574**	**(7,031)**	**168,543**

(Amounts in tables are expressed in thousands of Bermuda dollars)

12. INSURANCE CONTRACT LIABILITIES (continued)

12.1 Life and annuity policy reserves

The table below sets out the Group's life and annuity policy reserves shown by type of product and by reportable segment. The majority of the Life and annuity policy reserves relate to policies issued to individuals domiciled in Bermuda. The Reinsurers' share of claims provisions are not considered impaired as at year end. The composition of the assets supporting the net liabilities is as follows:

March 31, 2018	**Group Insurance**	**Life and pensions**	**Total**
Annuities	-	163,753	163,753
Long-term disability	6,630	-	6,630
Life	-	2,298	2,298
Life and annuity policy reserves	6,630	166,051	172,681
Reinsurers' share of claims provisions	(5,228)	172	(5,056)
Life and annuity policy reserves, net of reinsurance	**$ 1,402**	**$ 166,223**	**$ 167,625**

March 31, 2017	**Group Insurance**	**Life and pensions**	**Total**
Annuities	-	155,087	155,087
Long-term disability	6,130	-	6,130
Life	-	4,466	4,466
Life and annuity policy reserves	6,130	159,553	165,683
Reinsurers' share of claims provisions	(4,811)	(1,861)	(6,672)
Life and annuity policy reserves, net of reinsurance	**$ 1,319**	**$ 157,692**	**$ 159,011**

The Reinsurers' share of claims provisions are not considered impaired as at year end. The composition of the assets supporting the net liabilities is as follows:

March 31, 2018	**Cash**	**Bonds**	**Mortgage and loans**	**Equities**	**Land and buildings**	**Total**
Annuities	$ 7,532	128,114	9,559	3,120	15,428	163,753
Long-term disability	-	1,034	-	367	-	1,401
Life	124	1,900	-	447	-	2,471
Life and annuity policy reserves, net of reinsurance	**7,656**	**131,048**	**9,559**	**3,934**	**15,428**	**167,625**

March 31, 2017	**Cash**	**Bonds**	**Mortgage and loans**	**Equities**	**Land and buildings**	**Total**
Annuities	$ 6,603	116,110	9,059	7,315	16,000	155,087
Long-term disability	-	-	1,320	-	-	1,320
Life	250	2,378	(711)	687	-	2,604
Life and annuity policy reserves, net of reinsurance	**6,853**	**118,488**	**9,668**	**8,002**	**16,000**	**159,011**

(Amounts in tables are expressed in thousands of Bermuda dollars)

12. INSURANCE CONTRACT LIABILITIES (continued)

12.1 **Life and annuity policy reserves** (continued)

The Group examines the assumptions used in determining the Life and annuity policy reserves on an ongoing basis to ensure they appropriately reflect emerging experience and changes in risk profile. Annually the Group conducts a comprehensive review of all actuarial methods and assumptions. Changes to actuarial methods and assumptions used in determining Insurance contract liabilities will result in a change to the projected value of policy cash flows and therefore, to the Life and annuity policy reserves. The net impact of changes in actuarial methods and assumptions was an increase in reserves backing policyholder liabilities of $0.8 million (2017 – $2.3 million). These amounts are net of the impact of the reinsurance assets on policyholder liabilities of $5.8 million (2017 - $6.9 million).

The changes in the net Life and annuity policy reserves, net of reinsurance, for the year are as follows:

March 31	**2018**	**2017**
Balance, beginning of year	159,011	154,234
Changes due to:		
Issuance of new policies	15,545	9,088
Normal in-force movement	(7,731)	(5,694)
Mortality/morbidity assumptions	657	1,961
Interest rate assumptions	576	1,209
Expense assumptions	(171)	(1,787)
Other [1]	(262)	-
Balance, end of year	**$ 167,625**	**$ 159,011**

[1] For the year ended March 31, 2018, Other changes comprise of enhancements in the modelling of assets under CALM.

12.1.1 Key assumptions – Life and annuity policy reserves

ASSUMPTIONS, METHODOLOGY AND SENSITIVITIES	**RISK MANAGEMENT**
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. 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 CIA.	In conjunction with prudent business practices to manage both business and investment risks, the selection and monitoring of appropriate assumptions are designed to minimise the Group’s exposure to measurement uncertainty.

(Amounts in tables are expressed in thousands of Bermuda dollars)

12. INSURANCE CONTRACT LIABILITIES (continued)

12.1 **Life and annuity policy reserves** (continued)

12.1.1 Key assumptions – Life and annuity policy reserves (continued)

ASSUMPTIONS, METHODOLOGY AND SENSITIVITIES	RISK MANAGEMENT
(a) Mortality and morbidity risk 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. A five percentage decrease in the best estimate assumption for annuitant mortality is estimated to increase the policy reserves by $3.8 million, 2.3 percent (2017 - $3.6 million, 2.2 percent). 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.	The Group maintains underwriting standards to determine the insurability of applicants. Claim trends are monitored on an ongoing basis. To offset some of the mortality risk, the Group cedes a proportion of the risk with reinsurers. Mortality and morbidity are monitored regularly.
(b) Investment returns and interest rate risk Assets are allocated to the different business segments. For each significant operating segment, 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 CIA prescribes several representative reinvestment scenarios for use in CALM to determine the sensitivity of the Group's business to possible reinvestment risk. These represent a wide variety of interest rate scenarios. To provide a representative example, a 100 basis points increase in the best estimate investment return assumption decreases the total Life and annuity policy reserves by $13.3 million (2017 - $13.8 million). A 100 basis points decrease in the best estimate assumption increases the total Life and annuity policy reserves by $15.7 million (2017 – $16.2 million).	The Group's policy of closely matching the cash flows of assets with those of the corresponding liabilities is designed to mitigate the Group's exposure to future changes in interest rates. The interest rate risk positions in business segments are monitored on an ongoing basis. Under CALM, the re-investment rate is developed using interest rate scenario testing and reflects the interest rate risk positions. Bonds, equities, real estate and other non-fixed income assets are used to support long-dated obligations in the Group's annuity and pensions businesses, and for long-dated insurance obligations on contracts where the investment return risk is borne by the Group.

12. INSURANCE CONTRACT LIABILITIES (continued)

12.1 Life and annuity policy reserves (continued)

12.1.1 Key assumptions – Life and annuity policy reserves (continued)

ASSUMPTIONS, METHODOLOGY AND SENSITIVITIES	RISK MANAGEMENT
(c) Credit risk Credit risk is provided for by reducing investment yields assumed in the calculation of the policy reserves. Past Group 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 $1.1 million (2017 – $1.1 million) to provide for future asset defaults and loss of asset value on current assets and future purchases.	For certain policies, the premiums and benefits reflect the Group's assumed level of future credit losses at contract inception or most recent contract adjustment date. The Group holds explicit provisions in actuarial liabilities for credit risk including PfAD.
(d) Expenses Operating expense assumptions reflect the projected costs of servicing and maintaining the in-force policies. The assumptions are derived from internal reviews of operating costs and include an allowance for inflation. A ten percent increase in the best estimate assumption for unit expenses would increase the policy reserves by approximately $0.6 million (2017- $0.7 million).	The Group prices its products to cover the expected costs of servicing and maintaining them. In addition, the Group monitors expenses quarterly, including comparisons of actual expenses to expense allowances used in pricing and valuation.

(Amounts in tables are expressed in thousands of Bermuda dollars)

12. INSURANCE CONTRACT LIABILITIES (continued)

12.2 **Provision for unpaid and unreported claims**

The table below sets out the provision for unpaid and unreported claims. These all relate to healthcare. The majority of these contracts are of a short-term nature.

March 31	**2018**	**2017**
Provision for unpaid and unreported claims	11,888	9,882
Reinsurers' share of claims provision	(20)	(20)
Provision for unpaid and unreported claims, net of reinsurance	**$ 11,868**	**$ 9,862**

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

For the years ended March 31	**2018**			**2017**		
	Provision for unpaid and unreported claims	**Reinsurers' share of claims provisions**	**Net**	**Provision for unpaid and unreported claims**	**Reinsurers' share of claims provisions**	**Net**
Balance, beginning of year	$ 9,882	$ (20)	$ 9,862	$ 10,063	$ (20)	$ 10,043
Claims and adjustment expenses incurred						
Current year	81,768	(2,256)	79,512	75,739	(2,444)	73,295
Prior years	8,500	-	8,500	4,293	-	4,293
	90,268	(2,256)	88,012	80,032	(2,444)	77,588
Claims and adjustment expenses paid						
Current year	(69,951)	2,256	(67,695)	(65,901)	2,444	(63,457)
Prior years	(18,311)	-	(18,311)	(14,312)	-	(14,312)
	(88,262)	2,256	(86,006)	(80,213)	2,444	(77,769)
Balance, end of year	**$ 11,888**	**$ (20)**	**$ 11,868**	**$ 9,882**	**$ (20)**	**$ 9,862**

The amount and timing of when claims are reported and paid from Healthcare policies are typically resolved within one year.

12. INSURANCE CONTRACT LIABILITIES (continued)

12.3 Key assumptions - Provision for unpaid and unreported claims

ASSUMPTIONS AND METHODOLOGY	RISK MANAGEMENT
The risks associated with insurance contracts are complex and subject to a number of variables that complicate quantitative sensitivity analysis. Uncertainty over the timing and amount of future claim payments necessitate the holding of significant reserves for liabilities that may only emerge a number of accounting periods later. The key assumptions underlying the application of the actuarial methods and the estimate of unpaid claim liabilities are the expected development of paid and reported losses and the derivation of initial expected losses. Paid and reported loss development patterns are based on the Group's historical claims experience. These patterns are updated as of each annual evaluation to incorporate and reflect the most recent claims experience. The estimate of initial expected losses is most significant for immature policy periods, where it is given the greatest weight in determining unpaid claim liabilities. Initial expected losses are derived based on the Group's historical experience adjusted for the impact of inflationary trends on loss costs and the impact of historical changes in rates charged policyholders. As the experience in each policy year matures, the weight assigned to the initial expected losses decreases with greater weight assigned to actual loss experience. The actuarial analysis performed by the Group's actuaries employs commonly used actuarial techniques for estimating the Group's Provision for unpaid and unreported claims. These include the Paid Loss Development Method, Reported Loss Development Method, the Bornhuetter-Ferguson Method (applied to both paid and reported losses), and the Case Reserve Development Method. The particular methods employed in the analysis of each reserve segment are judgmentally selected based on the applicability of each method and the availability of data to use each particular method. There have been no material changes in the assumptions or methodology underlying the actuarial analysis in the year under review.	The Group has policies and procedures in place to reduce the risk exposure, which includes a strict claims review policies to assess all new and ongoing claims, regular detailed review of claims handling procedures and frequent investigation of possible fraudulent claims. Further, the Group enforces a policy of actively managing and promptly pursuing claims, in order to reduce its exposure to unpredictable future developments that can negatively impact the business. The Group has also limited its exposure by imposing maximum claim amounts on certain contracts as well as the use of reinsurance arrangements in order to limit exposure to catastrophic events. The purpose of these underwriting and reinsurance strategies is to limit exposure to catastrophes based on the Group's risk appetite as determined by management. Estimates of losses are continually reviewed and modified to reflect current conditions. Although management believes, based on the recommendations of the Group's actuaries, that the Provision for unpaid and unreported claims will be adequate to cover the ultimate cost of losses to the Consolidated 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 are recorded in the Gross change in contract liabilities on the Consolidated Statement of Comprehensive Income in the period in which they are determined.

(Amounts in tables are expressed in thousands of Bermuda dollars)

12. INSURANCE CONTRACT LIABILITIES (continued)

12.4 Unearned premiums

The Group is exposed to pricing risk to the extent that unearned premiums are insufficient to meet the related future policy costs. Evaluations are performed regularly to estimate future claims costs, related expenses, and expected profit in relation to unearned premiums. There was no premium deficiency at March 31, 2018 or 2017.

As at March 31	**2018**			**2017**		
	Unearned premiums	**Reinsurers' share of unearned premiums**	**Net**	**Unearned premiums**	**Reinsurers' share of unearned premiums**	**Net**
Balance, beginning of year	$ 9	$ (339)	$ (330)	$ 70	$ (350)	$ (280)
Premiums written during the year	124,374	(7,873)	116,501	117,626	(8,237)	109,389
Premiums earned during the year	(124,381)	7,860	(116,521)	(117,687)	8,248	(109,439)
Balance, end of year	**$ 2**	**$ (352)**	**$ (350)**	**$ 9**	**$ (339)**	**$ (330)**

13. INVESTMENT CONTRACT LIABILITIES

Carrying values and estimated fair values of the investment contract liabilities are as follows:

As at March 31	**2018**		**2017**	
	Carrying value	**Fair value**	**Carrying value**	**Fair value**
At amortised cost:				
Deposit administration pension plans	$ 224,456	214,710	$ 231,223	$ 224,559
Self-funded group health policies	10,344	10,344	9,322	9,322
	234,800	**225,054**	**240,545**	**233,881**
At FVTPL:				
Deposit administration pension plans	2,516	2,516	2,384	2,384
Total investment contract liabilities	**$ 237,316**	**227,570**	**$ 242,929**	**$ 236,265**

(Amounts in tables are expressed in thousands of Bermuda dollars)

13. INVESTMENT CONTRACT LIABILITIES (continued)

13.1 Investment contract liabilities at amortised cost

The change in investment contract liabilities measured at amortised cost is a result of the following:

March 31	**2018**	**2017**
Balance, beginning of year	$ 240,545	$ 231,694
Deposits	87,303	101,562
Withdrawals	(90,618)	(91,707)
Fees deducted	(3,860)	(3,992)
Interest	1,640	1,898
Other	(210)	1,090
Balance, end of year	**$ 234,800**	**$ 240,545**

For the year ended March 31, 2018, the net gain relating to Investment contracts liabilities measured at amortised cost is $2.6 million (2017 - net loss of $2.6 million).

13.2 Investment contract liabilities at FVTPL

The change in Investment contract liabilities measured at FVTPL is a result of the following:

March 31	**2018**	**2017**
Balance, beginning of year	$ 2,384	$ 2,719
Included in net income [(1)]	(189)	(245)
Deposits	3,472	2,769
Withdrawals	(3,151)	(2,859)
Balance, end of year	**$ 2,516**	**$ 2,384**

[(1)] Amount is recorded under Change in contract liabilities on the Consolidated Statement of Comprehensive (Loss)/ Income.

14. RISK MANAGEMENT

14.1 Governance framework

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

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

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

14.2 Operational risk and capital management

14.2.1 Operational risk

The Group adopted the Bermuda Solvency Capital Requirement ("BSCR")'s definition of operational risk. It is defined as the risk of loss or reputational damage resulting from inadequate or failed processes or systems, people (human factors) or external events. Sub-categories of operational risk include:

- **People:** Human errors, internal or external fraud, breaches of employment law, unauthorised activity, loss or lack of key personnel, inadequate training, inadequate supervision;
- **Process:** Lack of internal control procedures, project management failures, ineffective change management, payment or settlement failures, inadequate process documentation, errors in valuation and/or pricing models, accounting errors, internal or external reporting and distribution channels;
- **Systems:** Failure of systems or application software that supports daily execution of business units, lack of systems development and implementation documentation, systems security breaches, integrity of data, unavailability of systems due to computer hacking, virus attacks or denial of services; and
- **External events:** Inadequate third-party/vendor management, undocumented outsourcing process, non-compliance with regulatory requirements, natural and other disasters, political risks.

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

The Group developed an operational risk management system to capture, analyse and report on causes of control breakdowns and operational risk events including customer complaints. Details and resolution of these events are reported to the Risk Management Committee of the Parent monthly and highlights of the events are reported to the Risk Committee of the Parent on a quarterly basis.

14.2.2 Capital management

The Group's capital base is structured to exceed regulatory targets, maintain satisfactory credit ratings, align the profile of assets and liabilities taking account of risks inherent in the businesses, provide flexibility to take advantage of growth opportunities and provide an adequate return to shareholders. Capital is managed on a consolidated basis under principles that consider all the risks associated with the businesses. It is also managed at the business unit level under the principles appropriate to the jurisdiction in which it operates. The Group's capital base consists of Share capital, Contributed surplus, Retained earnings and Accumulated other comprehensive loss as disclosed on the Consolidated Balance Sheet.

14. RISK MANAGEMENT (continued)

14.2 **Operational risk and capital management** (continued)

14.2.2 Capital management (continued)

The Bermuda Monetary Authority (the "BMA") is the regulator of the Group. The laws and regulations of Bermuda require that the Group maintain a minimum amount of statutory capital and surplus based on the enhanced capital requirement. As of March 31, 2018, the amount of group statutory capital and surplus exceeds this regulatory requirement.

Management monitors the adequacy of the Group's capital from the perspective of Bermuda statutory requirements. The Bermuda Insurance Act 1978 and Related Regulations (the "Act") requires the Group to file an annual audited statutory financial return and meet minimum solvency margins and minimum liquidity ratios.

The statutory capital and surplus for the Group as at March 31, 2018 was $37.8 million (2017 - $69.5 million) and the minimum solvency margin of the Group was $23.0 million (2017 - $28.9 million).

The Bermuda Solvency Capital Requirement (BSCR) is the prescribed form of capital and solvency return in Bermuda, which was revised under new legislation enacted in 2008. The BSCR includes a standardised model used to measure the risk associated with an insurance subsidiary's assets, liabilities and premiums, and a formula to take account of catastrophe risk exposure. The BMA requires all insurers to maintain their statutory capital and surplus at a target level which is 120 percent of the amount calculated in accordance with the BSCR. As of March 31, 2018 and 2017, the statutory capital and surplus of the insurance subsidiaries exceeded this regulatory requirement.

In addition, minimum liquidity ratios must be maintained by Bermuda entities writing general insurance business whereby relevant assets, as defined by the Act, must exceed 75 percent of relevant liabilities. The Bermuda Insurance Act 1978 and Related Regulations limits the maximum amount of annual dividends and distributions that may be paid by the Group's insurance subsidiaries. Before reducing statutory capital by 15 percent or more or statutory capital and surplus by 25 percent or more, as set out in the prior year's statutory financial statements, the Group shall request the approval of the BMA. In addition, the Bermuda Companies Act 1981 limits the Group's ability to pay dividends and distributions to shareholders if there are reasonable grounds for believing that the Group would be unable to pay its liabilities as they become due, or if the realisable value of its assets would be less than the aggregate of its liabilities, issued share capital and contributed surplus accounts.

The Group relicensed from a Class C Long-Term insurer to a Class D Long-Term insurer effective for the year ended March 31, 2016. The capital requirements are now based on a Class D license, however, the minimum capital requirement increase from $0.5m (Class C) to $4.0m (Class D) did not exceed the BSCR requirement, which is immaterially affected by the change.

14.2.3 Investment Risk

Investment guidelines are established by the Risk Committee of the Parent to manage this risk. Investment guidelines set parameters within which the Group's external investment managers must operate. Important parameters include guidelines on permissible asset classes, duration ranges, credit quality, currency, maturity, sectors, geographical, sovereign and issuer exposures. Compliance with guidelines is monitored on a quarterly basis. Any adjustments to the investment guidelines are approved by the Risk Committee and the Parent.

The Group's fixed maturity portfolios are managed by two external investment managers. The Group also has a diversified low volatility multi-strategy portfolio of bond and equity funds, and a small equity portfolio. The performance of the managers is monitored on an ongoing basis.

All portfolios duration is matched to the duration of the insurance liabilities, within an agreed range. The portfolios are invested in fixed maturity securities, fixed maturity funds and cash and cash equivalents. The portfolios may, at times, contain assets significantly in excess of those required to meet insurance liabilities or other defined funding needs.

The Group reviews the composition, duration and asset allocation of its investment portfolio on a regular basis in order to respond to changes in interest rates and other market conditions. If certain asset classes are anticipated to produce a higher return within management's risk tolerance, an adjustment in asset allocation may be made. Conversely, if the risk profile is expected to move outside of tolerance levels, adjustments may be made to reduce the risks in the portfolio.

(Amounts in tables are expressed in thousands of Bermuda dollars)

14. RISK MANAGEMENT (continued)

14.2 **Operational risk and capital management** (continued)

14.2.3 Investment Risk (continued)

The Risk committee of the Parent meets quarterly to ensure that the Group's strategic and tactical investment actions are consistent with investment risk preferences, appetite, risk and return objectives and tolerances.

14.2.4 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. By the nature of the business, reinsurers interact with similar customers in similar markets. However, the Group uses a panel of reinsurers with global operations and diversified portfolios and limits its exposure to any one reinsurer.

14.2.4(a) Maximum exposure to credit risk

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

As at March 31	Note	**2018**	**2017**
Cash and short-term investments		$ 9,606	$ 35,980
Interest and dividends receivable		2,538	2,483
Bonds - at FVTPL and available-for-sale	5.1	378,958	418,157
Mortgages and loans	5.1	14,272	41,601
Policy loans	5.1	81	81
Derivative financial instruments	5.1	455	283
Other financial assets included in Other assets	10	1,921	24,996
Insurance balances receivable	9	4,411	5,027
Reinsurers' share of claims provisions	12	5,076	6,692
Total consolidated balance sheet maximum credit exposure		**$ 417,318**	**$ 535,300**

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 evaluation on a regular basis. 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.

14.2.4(b) Concentration of credit risk

Concentrations of credit risk arise from exposures to a single debtor, a group of related debtors or group 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 tables provide details of the carrying value of bonds at FVTPL and derivative financial instruments by industry sector and geographic distribution.

(Amounts in tables are expressed in thousands of Bermuda dollars)

14. RISK MANAGEMENT (continued)

14.2 **Operational risk and capital management** (continued)

14.2.4 Credit risk (continued)

14.2.4(b) Concentration of credit risk (continued)

For the years ended March 31	**2018**	**2017**
Bonds available-for-sale and FVTPL issued or guaranteed by:		
Government and Agency	$ 113,286	$ 135,672
Banking	83,963	86,189
Asset Backed Securities	69,034	76,651
Communications	23,664	25,109
Oil and Gas	17,750	19,862
Utilities and Energy	9,184	10,013
Pharmaceutical	8,924	9,325
Transportation	7,749	9,472
Manufacturing	7,487	10,427
Real estate investment trust	7,464	4,666
Insurance	5,650	6,232
Mining	2,778	3,002
Retail	2,017	1,131
Other(1)	20,008	20,406
Total bonds	**$ 378,958**	**$ 418,157**
Derivative financial instruments issued or guaranteed by:		
Other	$ 570	$ 346
Total derivative financial instruments	**$ 570**	**$ 346**

As at March 31	**2018**	**2017**
Geographical distribution of bonds available for sale and FVTPL is as follows:		
United States of America	$ 305,743	$ 337,946
United Kingdom	8,751	7,209
Cayman Islands	6,799	4,735
France	4,896	4,010
Japan	4,213	4,265
Switzerland	3,926	4,200
Mexico	3,741	3,645
Ireland	3,666	3,725
Canada	3,634	4,065
Netherlands	2,721	9,642
India	2,649	-
Australia	2,338	1,981
Other(1)	25,881	32,734
Total bonds	**$ 378,958**	**$ 418,157**
Geographical distribution of derivative financial instruments is as follows:		
United States of America	$ 570	$ 346
Total derivative financial instruments	**$ 570**	**$ 346**

(1) Includes investment with less than $2 million of concentration of credit risk by industry sector or geographical distribution and bond funds of $15.4 million (2017 - $15.4 million)

(Amounts in tables are expressed in thousands of Bermuda dollars)

14. RISK MANAGEMENT (continued)

14.2 Operational risk and capital management (continued)

14.2.4 Credit risk (continued)

14.2.4(b) Concentration of credit risk (continued)

Mortgages comprise first mortgages on real property situated in Bermuda which include certain mortgages classified under Assets held-for-sale. 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.

As at March 31	**2018**	**2017**
Residential	$ 14,272	$ 20,341
Non-residential	11,556	21,260
Total mortgages and loans	**$ 25,828**	**$ 41,601**

14.2.4(c) Asset quality

The following table provides an analysis of the carrying value of bonds and derivative financial instruments by rating.

March 31	**2018**	**2017**
Bond portfolio quality:		
AAA	$ 146,597	$ 157,021
AA	28,745	52,229
A	81,178	88,262
BBB	106,008	113,809
BB or lower	16,430	6,803
Not rated	-	33
Total bonds at FVTPL	**$ 378,958**	**$ 418,157**
Derivative financial instruments quality:		
Not Rated	$ 570	$ 346
Total derivative financial instruments	**$ 570**	**$ 346**

14.2.4(d) Allowance for credit losses on impaired investments

Mortgages and loans

Changes in the allowance for credit losses are as follows:

As at March 31	**2018**	**2017**
Balance, beginning of year	$ 1,858	$ 858
Net provisions made in year - mortgages and loans	9,918	1,000
Provisions written off during the year	(807)	-
Balance, end of year	**$ 10,969**	**$ 1,858**

(Amounts in tables are expressed in thousands of Bermuda dollars)

14. RISK MANAGEMENT (continued)

14.2 **Operational risk and capital management** (continued)

14.2.4 Credit risk (continued)

14.2.4(e) Age analysis of financial assets past due but not impaired

March 31, 2018	Past due but not impaired				
	Less than 90 days	90 to 179 days	180 days or more	Total	Total impaired during the year
Mortgages and loans[1]	$ -	$ -	$ 13,020	$ 13,020	$ 9,918
Other receivables included in Other assets	-	-	-	-	-
Total	**$ -**	**$ -**	**$ 13,020**	**$ 13,020**	**$ 9,918**

[1] *Includes certain mortgages classified under Assets held-for-sale*

March 31, 2017	Past due but not impaired				
	Less than 90 days	90 to 179 days	180 days or more	Total	Total impaired during the year
Mortgages and loans	$ -	$ -	$ 21,260	$ 21,260	$ 1,000
Other receivables included in Other assets	158	169	152	479	-
Total	**$ 158**	**$ 169**	**$ 21,412**	**$ 21,739**	**$ 1,000**

Past due financial assets 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 these financial assets.

14.2.5 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 good 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 to matching them with its liabilities. 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.

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 within 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 long-term liabilities and are reflected in the Life and annuity policy reserves. 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 meet its contractual obligations and to pay other expenses, as they fall due.

(Amounts in tables are expressed in thousands of Bermuda dollars)

14. RISK MANAGEMENT (continued)

14.2 Operational risk and capital management (continued)

14.2.6 Liability maturity profile

The following is an analysis by liability type of the estimated timing of net cash flows based on the Group's liabilities. 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.

March 31, 2018	Within 1 year	2-5 years	6-10 years	Over 10 years	Total
Life and annuity policy reserves - net of reinsurance (1)	$ 14,747	$ 54,706	$ 58,156	$ 128,125	$ 255,734
Provision for unpaid and unreported claims - net of reinsurance	18,161	6,647	1,592	127	26,527
Insurance balances payable	1,817	-	-	-	1,817
Payables arising from investment transactions	26,900	-	-	-	26,900
Investment contract liabilities (1)	43,663	34,352	37,450	111,819	227,284
Accounts payable and accrued liabilities	7,962	649	828	2,142	11,581
Total from general fund liabilities	**$ 113,250**	**$ 96,354**	**$ 98,026**	**$ 242,213**	**$ 549,843**

March 31, 2017	Within 1 year	2-5 years	6-10 years	Over 10 years	Total
Life and annuity policy reserves - net of reinsurance (1)	$ 13,757	$ 51,289	$ 55,048	$ 122,794	$ 242,888
Provision for unpaid and unreported claims - net of reinsurance	9,862	-	-	-	9,862
Insurance balances payable	2,681	-	-	-	2,681
Payables arising from investment transactions	99,303	-	-	-	99,303
Investment contract liabilities (1)	43,572	34,479	40,371	115,333	233,755
Accounts payable and accrued liabilities	7,218	-	-	-	7,218
Total from general fund liabilities	**$ 176,393**	**$ 85,768**	**$ 95,419**	**$ 238,127**	**$ 595,707**

(2) These amounts shown above are based on estimated net cash flows which differ from the amounts shown on the Consolidated Balance Sheet which are based on discounted cash flows.

14.2.7 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.

The Group has no exposure to currency risk, which is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

(Amounts in tables are expressed in thousands of Bermuda dollars)

14. RISK MANAGEMENT (continued)

14.2 **Operational risk and capital management** (continued)

14.2.7 Market risk (continued)

14.2.7(a) Interest rate risk

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

- Asset allocation and diversification of the investment portfolio;
- Investing in fixed income assets that closely match the life product liability cash flows for products with fixed and highly predictable benefit payments; and
- 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 12.

The Group issues deposit administration pension plans with a short term guaranteed rate of return. To the extent that the actual rate of return on the underlying funds differs from the guaranteed rate, the risk and rewards are borne by the Group. For this product, the Group ensures i) the liability and assets cash flows are closely matched, and ii) the valuation of the liability and asset are monitored regularly.

The sensitivity of other comprehensive income attributable to shareholders to changes in interest rates is shown below. There is no sensitivity of net earnings at March 31, 2018 and 2017.

As at March 31	**2018**		**2017**	
Change in interest rate assumptions	**Impact on net earnings**	**Impact on other comprehensive income**	**Impact on net earnings**	**Impact on other comprehensive income**
100 basis points increase	$ -	$ (5,784)	$ -	$ (6,275)
100 basis points decrease	$ -	$ 5,784	$ -	$ 6,434

14.2.7(b) Equity risk

Equity investments are held in accordance with the Group's investment policy as part of the well diversified asset portfolio that are appropriate for the operating segment. Equity risk is the uncertainty associated with the valuation of assets arising from changes in equity markets. If actual returns are lower than the expected returns, the Group's Life and annuity policy reserves will increase and will reduce the Group's net earnings. Overall, it is expected that the impact of an immediate ten percent increase in value across all equity markets would be an increase in Net Earnings and Other comprehensive income of $0.3 million and $1.1 million respectively (2017 - $0.4 million and $1.2 million respectively); conversely the impact of a ten percent decrease would have an equal but opposite effect. The direct exposure to equity markets generally falls within the risk-taking philosophy of the Group's Investment Policy and is regularly monitored by management.

14.2.8 Limitations of sensitivity analysis

The sensitivity information given above and in Note 12 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 rates fall towards zero.

14. RISK MANAGEMENT (continued)

14.2 **Operational risk and capital management** (continued)

14.2.9 Insurance risk management

The principal risk the Group faces under insurance contracts is that the actual claims and benefit payments or the timing thereof differ from expectations. This is influenced by the frequency of claims, severity of claims, actual benefits paid and subsequent development of long-term claims. Therefore, the objective of the Group is to ensure that sufficient reserves are available to cover these liabilities.

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

The Group purchases reinsurance as part of its risks mitigation programme. Reinsurance ceded is placed on both a proportional and non-proportional basis. The majority of proportional reinsurance is quota-share reinsurance which is taken out to reduce the overall exposure to mitigate both risk frequency and risk severity of the Group to certain classes of business. Non-proportional reinsurance is primarily excess-of-loss reinsurance designed to mitigate the Group's net exposure to catastrophe losses. Retention limits for the excess-of-loss reinsurance vary by product line and territory.

Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provisions and are in accordance with the reinsurance contracts. Although the Group has reinsurance arrangements, it is not relieved of its direct obligations to its policyholders and thus a credit exposure exists with respect to ceded insurance to the extent that any reinsurer is unable to meet its obligations assumed under such reinsurance agreements. The Group's placement of reinsurance is diversified such that it is neither dependent on a single reinsurer nor are the operations of the Group substantially dependent upon any single reinsurance contract.

For details on insurance risk management policies of the Group, see Note 12.

(Amounts in tables are expressed in thousands of Bermuda dollars)

15. INSURANCE BALANCES PAYABLE

Insurance balances payable is comprised of:

As at March 31, 2018	Insured employee benefits	Life and pensions	Total
Due to policyholders, agents and brokers	$ 741	$ -	$ 741
Due to reinsurers	1,077	-	1,077
Total insurance balances payable	**$ 1,818**	**$ -**	**$ 1,818**

As at March 31, 2017	Insured employee benefits	Life and pensions	Total
Due to policyholders, agents and brokers	$ 1,548	$ 371	$ 1,919
Due to reinsurers	121	641	762
Total insurance balances payable	**$ 1,669**	**$ 1,012**	**$ 2,681**

16. PAYABLES ARISING FROM INVESTMENT TRANSACTIONS

March 31	Note	2018	2017
Reverse Repos	5.3	$ -	$ 20,096
Derivatives	5.2	336	376
Investment trades awaiting settlement		26,335	78,831
		$ 26,671	**$ 99,303**

17. NET CHANGE IN UNEARNED PREMIUMS

For the years ended March 31	2018	2017
Gross change in unearned premiums	$ 8	$ 61
Change in unearned premiums on premiums ceded	-	-
Net change in unearned premiums	**$ 8**	**$ 61**

18. COMMISSIONS, MANAGEMENT FEES AND OTHER

Commission, management fees and other recognised during the year are as follows:

For the years ended March 31	2018	2017
Policyholder administration	$ 13,736	$ 13,097
Investment management services	(574)	161
Reinsurance commission income	1,010	1,151
Total commissions, management fees and other	**$ 14,172**	**$ 14,409**

(Amounts in tables are expressed in thousands of Bermuda dollars)

19. REINSURANCE RECOVERIES

For the years ended March 31	**2018**	**2017**
Claims and adjustment expenses recovered from reinsurers	$ 2,359	$ 2,444
Policy benefits recovered from reinsurers	1,392	2,294
Total reinsurance recoveries	**$ 3,751**	**$ 4,738**

20. NET CHANGE IN CONTRACT LIABILITIES

For the years ended March 31	**2018**	**2017**
Gross change in contract liabilities:		
Insurance contracts	$ 11,033	$ 3,746
Investment contracts	(190)	(245)
	10,843	3,501
Change in reinsurers' share of claims provisions - insurance contracts	(260)	850
Net change in contract liabilities	**$ 10,583**	**$ 4,351**

21. OPERATING EXPENSES

Operating expenses incurred during the year are as follows:

For the years ended March 31	**2018**	**2017**
Allocated expenses and management fees	$ 18,009	$ 20,438
Employee benefits expense (see below)	7,047	6,904
Professional fees	1,902	1,978
Provision for bad debts	(144)	(154)
IT related expenses	2,141	1,019
General and corporate expenses	244	581
Other expenses	826	872
Total operating expenses	**$ 30,025**	**$ 31,638**

Employee benefits expense during the year is comprised of:

For the years ended March 31	**2018**	**2017**
Salaries and other short-term benefits	$ 6,679	$ 6,494
Pension costs	292	360
Post-employment medical benefits	44	16
Stock-based compensation	32	34
Total employee benefits expense	**$ 7,047**	**$ 6,904**

Pension costs arise from the Parent’s defined contribution pension plan covering all full-time employees in Bermuda.

22. RELATED PARTY TRANSACTIONS

All related party transactions were conducted in the normal course of business. Significant related party transactions are as follows:

22.1 The Group provided insurance-related products and services to various significantly influenced investees. The premiums and fees received from these transactions totaled $399,000 in the year (2017 - $306,000) and are shown as Gross premium written and Commission, management fees and other on the Consolidated Statement of Comprehensive Income.

22.2 Operating expenses include the Group's allocation of group overhead expenses of $6.6 million (2017 - $6.3 million).

22.3 Netted in Operating expenses is the management fee of $275,000 (2017 - $275,000) which was charged to recover the allocated costs of administering the insurance policies of an affiliate.

22.4 Due to parent includes surplus cash deposits with the Parent. These deposits are payable on demand. Interest expense of $Nil (2017 – $Nil) is included in Investment income on the Consolidated Statement of Comprehensive Income. Netted against Due to Parent are asset transfers between the Group and the Parent. This includes the $1.7 million transfer of a local equity investment as discussed in Note 7.

22.5 The Group received facilities management services from a significant influenced investee for the consideration amount of $Nil million which is shown net of Investment income on the Consolidated Statement of Comprehensive Income (2017 - $1.4million).

22.6 Compensation of key personnel

Key personnel have been identified as the Board of Directors of the Group. These individuals have the authority and responsibility for planning, directing and controlling the activities of the Group. Fees paid to directors for the reporting period totaled $38,375 (2017 - $36,625).

22.7 Portfolio transfer to a related party

As at April 1, 2017, the Group's total assets and liabilities decreased by $269.0 million, which includes segregated fund assets and liabilities of $267.9 million as a result of an intercompany portfolio transfer to Argus International Life Bermuda Limited, an affiliate of the Group. The Group assigned and transferred all rights and obligations, title and interest in a legacy book of private placement variable universal life annuity policies to Argus International Life Bermuda Limited.

The portfolio transfer did not impact the Group's net equity position at the date of transfer, and fulfilled all terms and conditions as stated in the Amended Scheme of Transfer Order, sanctioned by the Supreme Court of Bermuda, dated March 17, 2017.

23. DIVIDENDS

The Group declared and paid dividends of $13.0 million (2017 - $13.6 million) during the year.

24. INCOME TAXES

Under Bermuda law, the Group is not obligated to pay taxes in Bermuda on either income or capital gains.

(Amounts in tables are expressed in thousands of Bermuda dollars)

25. COMPONENTS OF ACCUMULATED OTHER COMPREHENSIVE LOSS

For the years ended March 31	2018	2017
Re-measurement of post-employment medical benefit obligation	$ (2,340)	$ 246
Available-for-sale investments	(89)	(111)
Total accumulated other comprehensive (loss)/ income	**$ (2,429)**	**$ 135**

26. SEGREGATED FUNDS

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

Changes to Segregated funds are as follows:

For the year ended March 31	Note	2018	2017
Additions to Segregated Funds			
Premiums, contributions and transfers		$ 133,236	$ 176,882
Net investment income		557	1,067
Net increase in fair value of investments		106,896	86,271
Segregated Funds acquired		406	-
		241,095	**264,220**
Deductions from Segregated Funds			
Withdrawals, benefit payments and transfers to the General Fund		103,298	148,225
Operating expenses		56,857	14,808
Transfer to related party	22.7	267,927	-
		428,082	**163,033**
Net (deductions)/additions to Segregated Funds for the year		(186,987)	101,187
Segregated funds, beginning of year		1,250,055	1,148,868
Segregated Funds, end of year		**$ 1,063,068**	**$ 1,250,055**
Segregated Funds classified under held-for-sale, end of year	4	**(143,630)**	**-**
Segregated Funds from continuing operations, end of year		**$ 919,438**	**$ 1,250,055**

27. COMMITMENTS AND CONTINGENCIES

27.1 Group as a lessor

The Group has entered into non-cancellable commercial property leases on several floors of the Group's office building. These leases have remaining terms of between one and four years. All leases include a clause to enable upward revision of the rental charge on an annual basis according to prevailing market conditions.

Future minimum lease rentals receivable under non-cancellable operating leases as at March 31, 2018, are as follows:

For the years ended March 31	2018	2017
Within one year	$ 1,419	$ 1,542
After one year but no more than five years	-	1,419
	$ 1,419	**$ 2,961**

27. Commitments and contingencies (continued)

27.2 **Contingencies**

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

28**. COMPARATIVES**

Certain of the comparative figures in these consolidated financial statements and note disclosures have been reclassified to conform to the presentation adopted for the year ended March 31, 2018.

29**. SUBSEQUENT EVENTS**

Effective June 29, 2018, and pursuant to section 25 of the Insurance Act 1978, the Group completed the transfer of certain private placement variable life insurance policies to Argus International Life Bermuda Limited, with a corresponding assets and liabilities of $137.9 million. The policies were transferred in order to consolidate the international life insurance business into one company, which will facilitate a more efficient process of divesting the entire International Life Division (see Note 4).