



**KPMG Audit Limited**  
Crown House  
4 Par-la-Ville Road  
Hamilton  
HM 08  
Bermuda

Telephone +1 441 295 5063  
Fax +1 441 295 8280  
Internet [www.kpmg.bm](http://www.kpmg.bm)

## **INDEPENDENT AUDITOR'S REPORT**

### **To the Board of Directors of Bermuda Life Worldwide Limited**

We have audited the accompanying condensed financial statements of Bermuda Life Worldwide Limited (the "Company"), which comprise the condensed balance sheet as of March 31, 2019, and the related condensed statement of income and condensed statement of capital and surplus for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

### **Management's responsibility for the condensed financial statements**

Management is responsible for the preparation and fair presentation of the condensed financial statements based on the financial reporting provisions of The Insurance Act 1978, amendments thereto and the Insurance Account Rules 2016 with respect to Condensed General Purpose Financial Statements (the "Legislation"). Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of 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 condensed financial statements based on our audit. We conducted our audit 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 condensed financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the condensed financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the condensed financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Company's preparation and fair presentation of the condensed 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 Company'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 condensed financial statements.

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

### **Basis for adverse opinion on International Financial Reporting Standards**

As described in Note 3 to the condensed financial statements, the condensed financial statements are prepared by the Company on the basis of the accounting practices prescribed or permitted by the Legislation, which is a basis of accounting other than International Financial Reporting Standards.

The effects on the condensed financial statements of the variances between the basis of accounting described in Note 3 and International Financial Reporting Standards are material.



### **Adverse opinion on International Financial Reporting Standards**

In our opinion, because of the significance of the matter discussed in the “Basis for Adverse Opinion on International Financial Reporting Standards” paragraph, the condensed financial statements referred to above do not present fairly, in accordance with International Financial Reporting Standards, the financial position of the Company as of March 31, 2019, or the results of its operations or its cash flows for the year then ended.

### **Opinion on condensed financial statements**

In our opinion, the condensed financial statements referred to above present fairly, in all material respects, the financial position of the Company as of March 31, 2019, and the results of its operations for the year then ended, in accordance with the accounting practices prescribed or permitted by the Legislation described in Note 3.

*KPMG Audit Limited*

Chartered Professional Accountants  
Hamilton, Bermuda  
July 30, 2019

**CONDENSED BALANCE SHEET**

Bermuda Life Worldwide Limited

 As at **March 31, 2019**

 expressed in ['000s] **Bermuda Dollars**

LINE No.		2019	2018
1.	CASH AND CASH EQUIVALENTS	65	382
2.	QUOTED INVESTMENTS:		
(a)	Bonds and Debentures		
	i. Held to maturity	-	-
	ii. Other	9,805	9,024
(b)	Total Bonds and Debentures	9,805	9,024
(c)	Equities		
	i. Common stocks	-	-
	ii. Preferred stocks	-	-
	iii. Mutual funds	3,250	4,009
(d)	Total equities	3,250	4,009
(e)	Other quoted investments	-	-
(f)	Total quoted investments	13,055	13,033
3.	UNQUOTED INVESTMENTS:		
(a)	Bonds and Debentures		
	i. Held to maturity	-	-
	ii. Other	-	-
(b)	Total Bonds and Debentures	-	-
(c)	Equities		
	i. Common stocks	-	-
	ii. Preferred stocks	-	-
	iii. Mutual funds	-	-
(d)	Total equities	-	-
(e)	Other unquoted investments	-	-
(f)	Total unquoted investments	-	-
4.	INVESTMENTS IN AND ADVANCES TO AFFILIATES		
(a)	Unregulated entities that conduct ancillary services	-	-
(b)	Unregulated non-financial operating entities	-	-
(c)	Unregulated financial operating entities	-	-
(d)	Regulated non-insurance financial operating entities	-	-
(e)	Regulated insurance financial operating entities	-	-
(f)	Total investments in affiliates	-	-
(g)	Advances to affiliates	2,436	5,505
(h)	Total investments in and advances to affiliates	2,436	5,505
5.	INVESTMENTS IN MORTGAGE LOANS ON REAL ESTATE:		
(a)	First liens	-	511
(b)	Other than first liens	-	-
(c)	Total investments in mortgage loans on real estate	-	511
6.	POLICY LOANS	-	-
7.	REAL ESTATE:		
(a)	Occupied by the company (less encumbrances)	-	-
(b)	Other properties (less encumbrances)	-	-
(c)	Total real estate	-	-
8.	COLLATERAL LOANS	-	-
9.	INVESTMENT INCOME DUE AND ACCRUED	-	-
10.	ACCOUNTS AND PREMIUMS RECEIVABLE:		
(a)	In course of collection	-	-
(b)	Deferred - not yet due	-	-
(c)	Receivables from retrocessional contracts	-	-
(d)	Total accounts and premiums receivable	-	-
11.	REINSURANCE BALANCES RECEIVABLE:		
(a)	Foreign affiliates	-	-
(b)	Domestic affiliates	-	-
(c)	Pools & associations	-	-
(d)	All other insurers	509	82
(e)	Total reinsurance balance receivable	509	82
12.	FUNDS HELD BY CEDING REINSURERS	-	-

## CONDENSED BALANCE SHEET

Bermuda Life Worldwide Limited

As at **March 31, 2019**

expressed in ['000s] **Bermuda Dollars**

LINE No.		2019	2018
13.	SUNDRY ASSETS:		
(a)	Derivative instruments	-	-
(b)	Segregated accounts companies - long-term business - variable annuities	-	-
(c)	Segregated accounts companies - long-term business - other	-	-
(d)	Segregated accounts companies - general business	-	-
(e)	Deposit assets	-	-
(f)	Deferred acquisition costs	-	-
(g)	Net receivables for investments sold	-	-
(h)	Other Sundry Assets (Specify)	-	-
(i)	Other Sundry Assets (Specify)	-	-
(j)	Other Sundry Assets (Specify)	-	-
(k)	Total sundry assets	-	-
14.	LETTERS OF CREDIT, GUARANTEES AND OTHER INSTRUMENTS		
(a)	Letters of credit	-	-
(b)	Guarantees	-	-
(c)	Other instruments	-	-
(e)	Total letters of credit, guarantees and other instruments	-	-
15.	TOTAL	16,065	19,513
	<b>TOTAL INSURANCE RESERVES, OTHER LIABILITIES AND STATUTORY CAPITAL AND SURPLUS</b>		
16.	UNEARNED PREMIUM RESERVE		
(a)	Gross unearned premium reserves	-	-
(b)	Less: Ceded unearned premium reserve		
i.	Foreign affiliates	-	-
ii.	Domestic affiliates	-	-
iii.	Pools & associations	-	-
iv.	All other insurers	-	-
(c)	Total ceded unearned premium reserve	-	-
(d)	Net unearned premium reserve	-	-
17.	LOSS AND LOSS EXPENSE PROVISIONS:		
(a)	Gross loss and loss expense provisions	-	-
(b)	Less: Reinsurance recoverable balance		
i.	Foreign affiliates	-	-
ii.	Domestic affiliates	-	-
iii.	Pools & associations	-	-
iv.	All other reinsurers	-	-
(c)	Total reinsurance recoverable balance	-	-
(d)	Net loss and loss expense provisions	-	-
18.	OTHER GENERAL BUSINESS INSURANCE RESERVES	-	-
19.	TOTAL GENERAL BUSINESS INSURANCE RESERVES	-	-
	<b>LONG-TERM BUSINESS INSURANCE RESERVES</b>		
20.	RESERVE FOR REPORTED CLAIMS	-	-
21.	RESERVE FOR UNREPORTED CLAIMS	-	-
22.	POLICY RESERVES - LIFE	8,256	12,754
23.	POLICY RESERVES - ACCIDENT AND HEALTH	-	-
24.	POLICYHOLDERS' FUNDS ON DEPOSIT	-	-
25.	LIABILITY FOR FUTURE POLICYHOLDERS' DIVIDENDS	-	-
26.	OTHER LONG-TERM BUSINESS INSURANCE RESERVES	-	-
27.	TOTAL LONG-TERM BUSINESS INSURANCE RESERVES		
(a)	Total Gross Long-Term Business Insurance Reserves	8,027	12,426
(b)	Less: Reinsurance recoverable balance on long-term business		
(i)	Foreign Affiliates	-	-
(ii)	Domestic Affiliates	-	-
(iii)	Pools and Associations	-	-
(iv)	All Other Insurers	(229)	(328)
(c)	Total Reinsurance Recoverable Balance	(229)	(328)
(d)	<b>Total Net Long-Term Business Insurance Reserves</b>	<b>8,256</b>	<b>12,754</b>

**CONDENSED BALANCE SHEET**

Bermuda Life Worldwide Limited

 As at **March 31, 2019**

 expressed in ['000s] **Bermuda Dollars**

LINE No.		2019	2018
	<b>OTHER LIABILITIES</b>		
28.	INSURANCE AND REINSURANCE BALANCES PAYABLE	3,603	78
29.	COMMISSIONS, EXPENSES, FEES AND TAXES PAYABLE	-	55
30.	LOANS AND NOTES PAYABLE	-	-
31.	(a) INCOME TAXES PAYABLE	-	-
	(b) DEFERRED INCOME TAXES	-	-
32.	AMOUNTS DUE TO AFFILIATES	-	-
33.	ACCOUNTS PAYABLE AND ACCRUED LIABILITIES	-	-
34.	FUNDS HELD UNDER REINSURANCE CONTRACTS:	-	-
35.	DIVIDENDS PAYABLE	-	-
36.	SUNDRY LIABILITIES:		
(a)	Derivative instruments	-	-
(b)	Segregated accounts companies	-	-
(c)	Deposit liabilities	-	-
(d)	Net payable for investments purchased	-	-
(e)	Other sundry liabilities (specify)	-	-
(f)	Other sundry liabilities (specify)	-	-
(g)	Other sundry liabilities (specify)	-	-
(h)	Total sundry liabilities	-	-
37.	LETTERS OF CREDIT, GUARANTEES AND OTHER INSTRUMENTS:		
(a)	Letters of credit	-	-
(b)	Guarantees	-	-
(c)	Other instruments	-	-
(d)	Total letters of credit, guarantees and other instruments	-	-
38.	TOTAL OTHER LIABILITIES	3,603	133
39.	TOTAL INSURANCE RESERVES AND OTHER LIABILITIES	11,859	12,887
	<b>CAPITAL AND SURPLUS</b>		
40.	TOTAL CAPITAL AND SURPLUS	4,206	6,626
41.	TOTAL	16,065	19,513

**TRUE**
**TRUE**

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**CONDENSED STATEMENT OF INCOME**

Bermuda Life Worldwide Limited

 As at **March 31, 2019**

 expressed in ['000s] **Bermuda Dollars**

LINE No.		2019	2018
	<b>GENERAL BUSINESS UNDERWRITING INCOME</b>		
1.	GROSS PREMIUMS WRITTEN		
	(a) Direct gross premiums written	-	-
	(b) Assumed gross premiums written	-	-
	(c) Total gross premiums written	-	-
2.	REINSURANCE PREMIUMS CEDED	-	-
3.	NET PREMIUMS WRITTEN	-	-
4.	INCREASE (DECREASE) IN UNEARNED PREMIUMS	-	-
5.	NET PREMIUMS EARNED	-	-
6.	OTHER INSURANCE INCOME	-	-
7.	TOTAL GENERAL BUSINESS UNDERWRITING INCOME	-	-
	<b>GENERAL BUSINESS UNDERWRITING EXPENSES</b>		
8.	NET LOSSES INCURRED AND NET LOSS EXPENSES INCURRED	-	-
9.	COMMISSIONS AND BROKERAGE	-	-
10.	TOTAL GENERAL BUSINESS UNDERWRITING EXPENSES	-	-
11.	<b>NET UNDERWRITING PROFIT (LOSS) - GENERAL BUSINESS</b>	-	-
	<b>LONG-TERM BUSINESS INCOME</b>		
12.	GROSS PREMIUMS AND OTHER CONSIDERATIONS:		
	(a) Direct gross premiums and other considerations	164	183
	(b) Assumed gross premiums and other considerations	-	-
	(c) Total gross premiums and other considerations	164	183
13.	PREMIUMS CEDED	350	384
14.	NET PREMIUMS AND OTHER CONSIDERATIONS:		
	(a) Life	(197)	(166)
	(b) Annuities	-	-
	(c) Accident and health	-	-
	(d) Total net premiums and other considerations	(197)	(166)
15.	OTHER INSURANCE INCOME	-	-
16.	TOTAL LONG-TERM BUSINESS INCOME	(197)	(166)
	<b>LONG-TERM BUSINESS DEDUCTIONS AND EXPENSES</b>		
17.	CLAIMS - LIFE	4,380	-
18.	POLICYHOLDERS' DIVIDENDS	-	-
19.	SURRENDERS	-	-
20.	MATURITIES	-	-
21.	ANNUITIES	-	-
22.	ACCIDENT AND HEALTH BENEFITS	-	-
23.	COMMISSIONS	(55)	6
24.	OTHER	-	-
25.	TOTAL LONG-TERM BUSINESS DEDUCTIONS AND EXPENSES	4,325	6

**CONDENSED STATEMENT OF INCOME**

Bermuda Life Worldwide Limited

As at **March 31, 2019**expressed in ['000s] **Bermuda Dollars**

<b>LINE No.</b>		<b>2019</b>	<b>2018</b>
26.	INCREASE (DECREASE) IN POLICY RESERVES (ACTUARIAL LIABILITIES):		
	(a) Life	(4,498)	384
	(b) Annuities	-	-
	(c) Accident and health	-	-
	(d) Total increase (decrease) in policy reserves	(4,498)	384
27.	TOTAL LONG-TERM BUSINESS EXPENSES	(173)	390
28.	<b>NET UNDERWRITING PROFIT (LOSS) - LONG-TERM BUSINESS</b>	<b>(24)</b>	<b>(556)</b>
29.	<b>COMBINED NET UNDERWRITING RESULTS BEFORE THE UNDERNOTED ITEMS</b>	<b>(24)</b>	<b>(556)</b>
	<b>UNDERNOTED ITEMS</b>		
30.	COMBINED OPERATING EXPENSE		
	(a) General and administration	304	356
	(b) Personnel cost	-	-
	(c) Other	-	-
	(d) Total combined operating expenses	304	356
31.	COMBINED INVESTMENT INCOME - NET	901	937
32.	COMBINED OTHER INCOME (DEDUCTIONS)	-	-
33.	COMBINED INCOME BEFORE TAXES	573	25
34.	COMBINED INCOME TAXES (IF APPLICABLE):		
	(a) Current	-	-
	(b) Deferred	-	-
	(c) Total	-	-
35.	COMBINED INCOME BEFORE REALIZED GAINS (LOSSES)	573	25
36.	COMBINED REALIZED GAINS (LOSSES)	-	-
37.	COMBINED INTEREST CHARGES	-	-
38.	NET INCOME	573	25

## CONDENSED STATEMENT OF CAPITAL AND SURPLUS

Bermuda Life Worldwide Limited

As at **March 31, 2019**

expressed in ['000s] **Bermuda Dollars**

LINE No.		2019	2018
1.	<b>CAPITAL:</b>		
(a)	Capital Stock		
	(i) Common Shares	2,702	5,450
	authorized 6,000,000 shares of par		
	value \$ 1,000 each issued and		
	fully paid 2,702,000 shares		
	(ii)		
	(A) Preferred shares:	-	-
	authorized _____ shares of par		
	value _____ each issued and		
	fully paid _____ shares		
	aggregate liquidation value for –		
	2019 _____		
	2018 _____		
	(B) Preferred shares issued by a subsidiary:		
	authorized _____ shares of par		
	value _____ each issued and		
	fully paid _____ shares		
	aggregate liquidation value for –		
	2019 _____		
	2018 _____		
	(iii) Treasury Shares	-	-
	repurchased _____ shares of par		
	value _____ each issued		
(b)	Contributed surplus	1,095	1,095
(c)	Any other fixed capital		
	(i) Hybrid capital instruments	-	-
	(ii) Guarantees and others	-	-
	(iii) Total any other fixed capital	-	-
(d)	Total Capital	3,797	6,545
2.	<b>SURPLUS:</b>		
(a)	Surplus - Beginning of Year	81	(508)
(b)	Add: Income for the year	573	25
(c)	Less: Dividends paid and payable	(20)	-
(d)	Add (Deduct) change in unrealized appreciation (depreciation) of investments	(225)	564
(e)	Add (Deduct) change in any other surplus	-	-
(f)	Surplus - End of Year	409	81
3.	<b>MINORITY INTEREST</b>		
4.	<b>TOTAL CAPITAL AND SURPLUS</b>	4,206	6,626



**BERMUDA LIFE WORLDWIDE LIMITED**  
**NOTES TO THE CONDENSED FINANCIAL STATEMENTS**  
**AS AT MARCH 31, 2019**

*(Amounts in Tables are Expressed in Thousands of Bermuda Dollars)*

**PART I - GENERAL NOTE TO THE CONDENSED FINANCIAL STATEMENTS**

1. Bermuda Life Worldwide Limited (the “Insurer”) is a wholly owned subsidiary of Argus International Life Bermuda Limited (“AILBL”), a Bermuda company. Prior to April 1, 2007, the Insurer was a wholly owned subsidiary of Argus Group Holdings Limited, (“the Ultimate Parent”), a Bermuda company and the parent of AILBL.
2. The Insurer writes life insurance and annuities for high net worth individuals domiciled outside Bermuda. The Insurer reinsures a book of life business and fully retrocedes this to another reinsurer.
3. These condensed general purpose financial statements are prepared in accordance with rule 17A (2A) of the Insurance Act 1978 and the Insurance Accounts Rules 2016 (the “Legislation”). The recognition and measurement principles applied are in line with International Financial Reporting Standards (“IFRS”). The Legislation differs from IFRS in a number of material ways, primarily:
  - The format of the statements is prescribed by schedules IX and X of the Legislation,
  - The Company does not prepare a Statement of Cash Flows or equivalent and
  - Certain disclosures required by IFRS are not included.

IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the recorded amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates.

4. Significant Accounting Policies:

**A. Cash and time deposits**

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.

There are no encumbrances on cash and time deposits.

**B. Financial Assets**

The Insurer has the following financial assets: (i) financial assets at Fair Value Through Profit or Loss (“FVTPL”), (ii) held-to-maturity financial assets, (iii) loans and receivables and (iv) available-for-sale financial assets. Management determines the classification of financial assets at initial recognition.

(i) Financial assets at FVTPL

A financial asset is classified at 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 Insurer manages

**BERMUDA LIFE WORLDWIDE LIMITED**  
**NOTES TO THE CONDENSED FINANCIAL STATEMENTS**  
**AS AT MARCH 31, 2019**

*(Amounts in Tables are Expressed in Thousands of Bermuda Dollars)*

such investments and makes purchase and sale decisions based on their fair value in accordance with the Insurer's documented risk management and investment strategies.

Attributable transaction costs upon initial recognition are recognised in Investment income on the Condensed Statement of Income as incurred. FVTPL financial assets are measured at fair value, and changes therein are recognised in Investment income on the Condensed Statement of Income. Dividends earned on equities are recorded in Investment income on the Condensed Statement of Income.

(ii) Held-to-maturity financial assets

If the Insurer has the positive intent and ability to hold debt securities to maturity, then such financial assets are classified as held-to-maturity. Held-to-maturity financial assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, held-to-maturity financial assets are measured at amortised cost using the effective interest method, less any impairment losses. Amortisation of premiums and accretion of discounts are included in Investment income on the Condensed Statement of Income.

Any sale or reclassification of a more than insignificant amount of held-to-maturity investments not close to their maturity would result in the reclassification of all held-to-maturity investments as available-for-sale, and prevent the Insurer from classifying investment securities as held-to-maturity for the current and the following two financial years.

(iii) 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, loans and receivables are measured at amortised cost less any impairment losses. Interest income from Loans and receivables is recognised in Investment income on the Condensed Statement of Income using the effective interest method.

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 Condensed Balance Sheet.

(iv) Available-for-sale financial assets

Available-for-sale financial assets are financial assets that are not classified in any of the previous categories. Certain equity securities of the Insurer are classified as available-for-sale financial assets. These equities are subsequently carried at fair value except unquoted equities, which are carried at cost. Changes in fair value other than impairment losses are recognised in Other comprehensive income and presented on the Condensed Statement of Capital and Surplus.

When an investment is derecognised, the cumulative gain or loss in Other comprehensive income is transferred to the Condensed Statement of Operations. Dividends earned on equities are recorded in Investment income on the Condensed Statement of Income.

**BERMUDA LIFE WORLDWIDE LIMITED**  
**NOTES TO THE CONDENSED FINANCIAL STATEMENTS**  
**AS AT MARCH 31, 2019**

*(Amounts in Tables are Expressed in Thousands of Bermuda Dollars)*

**C. Investments in mortgage loans on real estate**

Investments in mortgage loans on real estate are recorded initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, investments in mortgage loans on real estate are measured at amortized cost using the effective interest method, less any impairment losses.

A mortgage loan is classified as non-performing when, in the opinion of management, there is reasonable doubt as to the timely collectability of the full amount of principal or interest. No interest is taken into income on non-performing mortgage loans. The allowance for losses on mortgage loans and mortgage loan interest is based on management's assessment of the amount required to meet possible future losses arising on existing mortgage loans. The adequacy of the allowances for losses is continually reviewed by management, taking into consideration matters such as current economic conditions, past experience and individual circumstances which may affect a borrower's future ability to pay.

**D. Fair value measurement**

A number of the Insurer'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 Insurer categorizes its fair value measurements according to a three-level hierarchy. The hierarchy prioritizes the inputs by the Insurer's valuation techniques. A level is assigned to each fair value measurement based on the lowest level input significant to the fair value measurement in its entirety. The three levels of the fair value hierarchy are defined as follows:

Level 1 – Fair value is based on unadjusted quoted prices in active markets for identical assets or liabilities. An active market is a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2 – Fair value is based on inputs other than quoted prices included within Level 1 that are observable for the assets or liability, either directly or indirectly. These include quoted prices for similar assets and liabilities in active markets, quoted prices for identical or similar assets and liabilities in inactive markets, inputs that are observable that are not prices such as interest rates and credit risks.

Level 3 – Fair value is based on valuation techniques that require one or more significant inputs that are not based on observable market inputs. These unobservable inputs reflect the Insurer's assumptions about market participants in pricing the assets and liabilities.

When available, quoted market prices are used to determine fair value for bonds, equities and derivatives. If quoted market prices are not available, fair value is typically based upon alternative valuation techniques such as matrix pricing, net asset valuation and discounted cash flow modelling. Broker quotes are used only when external public vendor prices are not available.

**BERMUDA LIFE WORLDWIDE LIMITED**  
**NOTES TO THE CONDENSED FINANCIAL STATEMENTS**  
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*(Amounts in Tables are Expressed in Thousands of Bermuda Dollars)*

The Insurer has an established control framework with respect to the measurement of fair values. This included 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 (“CFO”). 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.

**E. Life and Annuity Policy Reserves**

Life and annuity policy reserves are determined by the Insurer’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 liability reserves make provision for the expected experience scenario and for adverse deviations in experience.

**F. Premium, Investment and commission income**

Life Insurance Premiums are recorded as revenue once they are due from policyholders and have been received.

Interest income earned is recorded as it accrues, using the effective interest method. Dividend income is recognized on the date the right to receive payment is established, which in the case of quoted securities is normally the ex-dividend date. Realized gains and losses on the sale of investments are reflected in income in the year they are realized.

Commission and management income is included in income as earned.

**G. Reinsurance premiums ceded**

Reinsurance premiums ceded are recorded as they are due. Reinsurance premiums ceded are netted from gross premiums.

**H. Advances to affiliates**

Amounts due from affiliates are carried at cost and have no formal repayment terms.

**I. Foreign Currency Translation**

**BERMUDA LIFE WORLDWIDE LIMITED**  
**NOTES TO THE CONDENSED FINANCIAL STATEMENTS**  
**AS AT MARCH 31, 2019**

*(Amounts in Tables are Expressed in Thousands of Bermuda Dollars)*

All amounts are expressed in Bermuda dollars which is on par with United States dollars.

5. See Part I Note 4(F).
6. See Part I Note 4(I).
- 7-12. All items outlined in the Act for Schedule X, Part I sections 7 – 12 are not applicable for the Insurer.
13. Assets and liabilities measured at fair value

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

<b>March 31, 2019</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total Fair Value</b>
<b>Assets</b>				
<b>Investments at Available-for-sale</b>				
Bonds- other <sup>(1)</sup>	-	6,968	-	6,968
Equities- Investments in Hedge funds and mutual funds	-	3,250	-	3,250
<b>Total Available-for-sale assets at fair value</b>	-	10,218	-	10,218
<b>Investments at FVTPL</b>				
Bonds- other <sup>(1)</sup>	-	2,837	-	2,837
<b>Total FVTPL assets at fair value</b>	-	13,055	-	13,055
Bonds- other <sup>(1)</sup>				

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<b>March 31, 2018</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total Fair Value</b>
<b>Assets</b>				
<b>Investments at Available-for-sale</b>				
Bonds- other <sup>(1)</sup>	-	4,868	-	4,868
Equities- Investments in Hedge funds and mutual funds	-	4,009	-	4,009
<b>Total Available-for-sale assets at fair value</b>	-	8,877	-	8,877
<b>Investments at FVTPL</b>				
Bonds- other <sup>(1)</sup>	-	4,156	-	4,156
<b>Total FVTPL assets at fair value</b>	-	13,033	-	13,033
Bonds- other <sup>(1)</sup>				

(1) Investment in Bond Funds

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14. The contractual maturity profile of the insurers' fixed maturity and short-term investments:

<b>March 31, 2019</b>	<b>Within 1 year</b>	<b>2-5 years</b>	<b>6-10 years</b>	<b>Over 10 years</b>	<b>Total</b>
Available-for-sale Bonds	-	6,968	-	-	6,968
Available-for-sale Equities	3,250	-	-	-	3,250
Bonds at FVPTL	-	2,837	-	-	2,837
	<b>3,250</b>	<b>9,805</b>	-	-	<b>13,055</b>

  

<b>March 31, 2018</b>	<b>Within 1 year</b>	<b>2-5 years</b>	<b>6-10 years</b>	<b>Over 10 years</b>	<b>Total</b>
Available-for-sale Bonds	-	4,868	-	-	4,868
Available-for-sale Equities	4,009	-	-	-	4,009
Bonds at FVPTL	-	4,156	-	-	4,156
	<b>4,009</b>	<b>9,024</b>	-	-	<b>13,033</b>

15. Significant related party transactions are as follows:

(a) Operating expenses

Operating expenses include (\$85,464) (2018 - \$177,745) representing the Insurer's allocation of group overhead expenses.

During the 2014 fiscal year, a mortgage with a carrying value of \$20 million and accrued interest of \$NIL was transferred to a related company resulting in the Advances to Affiliates balance. During the year \$3.1 million was repaid to the Insurer (2018 - \$1.1 million). The advance is carried at cost and has no formal repayment terms.

(b) Deductions other

Deductions other include the reinsurance recovery proceeds from death claims.

(c) Taxation

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In Bermuda there are no taxes on profits, income or dividends, nor is there any capital gains tax and accordingly, no provision for such tax has been recorded by the Insurer.

The Bermuda Government has enacted legislation under which the Minister of Finance is authorised to give an assurance to an exempted company that “in the event of there being enacted in these Islands any legislation imposing tax computed on profits or income or computed on any capital asset, gain or appreciation, then the imposition of any such tax shall not be applicable to such entities or any of their operations”. This assurance may be for a period ending not later than 31 March 2035; the assurance is applied for as a matter of routine by the Company and has been granted for the full period.

- 16.** The Ultimate Parent has decided to sell its private placement life business, which includes AILBL and its subsidiaries, the Insurer and Argus International Life Insurance Limited. Discussions are continuing with interested parties.



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**PART II – NOTES TO CONDENSED STATEMENT OF CAPITAL AND SURPLUS**

**A.**

<b>1(a)</b>	Capital Stock	<b>2019</b>	<b>2018</b>
	Common Shares authorized:		
	6,000,000 shares of a par value of \$1.00 each		
	Issued and fully paid 2,702,000 (2018 – 5,450,000) shares	<u>2,702</u>	<u>5,450</u>
<b>1(b)</b>	There was no change in Contributed Surplus of the insurer during the year.		
<b>2(c)</b>	Dividends of \$20,000 were declared and paid during the year.		
(a)	There was no change in authorized share capital of the insurer during the year;		
(b)(c)	There were no shares issued or redeemed, and no options to purchase shares were contracted during the year		

**PART III- NOTES TO THE CONDENSED BALANCE SHEET**

**1.** Cash – See Part I Note 4(A). There are no encumbrances on cash and time deposits.

	<b>2019</b>	<b>2018</b>
Cash and cash equivalents	25	170
Short Term investments	<u>40</u>	<u>212</u>
	<u>65</u>	<u>382</u>

**2.** Investments- Refer to Part I Note 4(B)

**3.** All items outlined Schedule X, Part III section 3 are not applicable for the Insurer.

**4.** Investment in and Advances to Affiliates of \$2,435,928 (2018 – \$5,504,689) arose from the transfer of a mortgage loan asset to a related company. The advance has no formal repayment terms.

**5.** Mortgage loans bear interest at 6.25% (2018 – 6.25%) per annum. Mortgage loans are repayable in monthly or periodic installments over periods not exceeding 20 years and are generally callable on 90 days notice. During the year the Mortgage was transferred to an affiliated company within the Group.

**7-31.** All items outlined Schedule X, Part III section 7-31 are not applicable for the Insurer.

**32.** Refer to Part III Note 4.

**33-37.** All items outlined Schedule X, Part III section 33-37 are not applicable for the Insurer.

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**PART IV- NOTES TO THE CONDENSED STATEMENT OF INCOME**

- 6.** All items outlined in the Act for Schedule II, Part IV section 6 are equivalent to line 15 of Condensed Income Statement.
  
- 15.** Long-term business investment income and Other Insurance income have been restated to report income from investments separately from commission income.
  
- 32.** Combined Other – no material items,
  
- 36.** Realized gains/(losses) are recognized in Investment income.