ARGUS INSURANCE COMPANY LIMITED

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

March 31, 2022

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors and shareholders of Argus Insurance Company Limited

Opinion

We have audited the consolidated financial statements of Argus Insurance Company Limited and its subsidiary (the "Company"), which comprise the consolidated balance sheets as of March 31, 2022 and 2021, and the related consolidated statements of comprehensive income, changes in equity, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Company as of March 31, 2022 and 2021, and their financial performance and their cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Basis for opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America ("GAAS"). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of management for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board, and for 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.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for one year after the date that the consolidated financial statements are available to be issued.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional scepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

KPMG Audit Limited

Chartered Professional Accountants
Hamilton, Bermuda
July 25, 2022

ARGUS INSURANCE COMPANY LIMITED

Consolidated Balance Sheets
March 31, 2022 and March 31, 2021
(Expressed in thousands of Bermuda dollars)

	Note	2022	2021
Assets			
Cash and short-term investments	3	1,974	10,252
Investments	4	26,596	21,404
Insurance balances receivable	5	5,486	5,561
Reinsurers' share of:			
Claims provisions	10	6,336	5,048
Unearned premiums	10	8,387	7,473
Deferred policy acquisition costs	6	161	153
Other assets		106	69
Due from parent	16	3,296	495
Investment in associate	7	2,908	3,093
Investment property	8	2,399	2,399
Land and building	9	1,481	1,532
Total assets		**59,130**	**57,479**
Liabilities			
Insurance contract liabilities	10	21,989	19,717
Insurance balances payable	12	6,076	5,129
Due to associate	16	902	1,824
Accounts payable and accrued liabilities		689	546
Total liabilities		**29,656**	**27,216**
Equity			
Share capital		17,506	17,506
Retained earnings		11,702	11,341
Accumulated other comprehensive income	18	266	1,416
Total equity attributable to the shareholder of the Group		29,474	30,263
Total equity and liabilities		**59,130**	**57,479**

The accompanying notes form part of these consolidated financial statements.

Signed on behalf of the Board

_________________________ Director

Peter Lozier: CE-Americas

_________________________ Director

Peter Dunkerley: Group CFO

ARGUS INSURANCE COMPANY LIMITED

Consolidated Statements of Comprehensive Income
Year ended March 31, 2022 and March 31, 2021
(Expressed in thousands of Bermuda dollars)

	Note	2022	2021
Income			
Gross premiums written	10, 16	33,762	31,763
Reinsurance ceded	10	(24,143)	(21,869)
Net premiums written		9,619	9,894
Net change in unearned premiums	13	121	(62)
Net premiums earned		9,740	9,832
Investment income	4, 8	327	159
Income from associate	7	(90)	262
Commissions and other income	12, 14	9,634	9,405
Total income		19,611	19,658
Expenses			
Claims and adjustment expenses	10	6,412	6,289
Reinsurance recoveries	10	(3,351)	(3,558)
Gross change in contract liabilities		1,480	2,260
Change in reinsurers' share of claims provisions		(1,288)	(1,983)
Net benefits and claims		3,253	3,008
Commission expenses	6	1,512	1,589
Operating expenses	15, 16	6,501	6,575
Amortisation and depreciation	9	199	77
		11,465	11,249
Net earnings for the year		8,146	8,409
Other comprehensive income/(loss)			
Items that will not be reclassified to net earnings:			
Remeasurement of post-employment medical benefit obligation		4	(18)
Items that are, or may subsequently be, reclassified to net earnings:			
Change in unrealized gains/(losses) on available-for-sale investments		(1,154)	1,260
Other comprehensive income/(loss) for the year		(1,150)	1,242
Total comprehensive income/(loss) for the year		**6,996**	**9,651**

The accompanying notes form part of these consolidated financial statements.

ARGUS INSURANCE COMPANY LIMITED

Consolidated Statements of Changes in Equity
Year ended March 31, 2022 and March 31, 2021
(Expressed in thousands of Bermuda dollars, except the number of shares)

	Note	2022	2021
Share capital			
Authorised:			
10,000,000 common shares $2.40 each (2021 - 10,000,000)		24,000	24,000
Issued and fully paid:			
7,294,049 shares (2021 - 7,294,049 shares)		17,506	17,506
Retained earnings			
Balance, beginning of year		11,341	7,932
Net earnings for the year		8,146	8,409
Dividends	17	(7,785)	(5,000)
Balance, end of year		11,702	11,341
Accumulated comprehensive income			
Balance, beginning of year		1,416	174
Other comprehensive income/(loss) for the year		(1,150)	1,242
Balance, end of year		266	1,416
Total equity		29,474	30,263

ARGUS INSURANCE COMPANY LIMITED

Consolidated Statements of Cash Flows
Year ended March 31, 2022 and March 31, 2021
(Expressed in thousands of Bermuda dollars)

	2022	2021
Operating activities		
Net earnings for the year	8,146	8,409
Adjustments to reconcile net earnings to cash basis (Footnote (i) below)	(880)	(1,055)
Change in operating balances (Footnote (ii) below)	(2,533)	2,510
Interest income received	365	434
Dividend income received	168	256
Cash generated from operating activities	5,266	10,554
Investing activities		
Purchase of investments	(7,622)	(1,335)
Sale of investments	2,011	1,200
Renovations of land and building	(148)	(1,174)
Cash (used in)/generated from investing activities	(5,759)	(1,309)
Financing activities		
Dividend paid	(7,785)	(5,000)
Cash used in financing activities	(7,785)	(5,000)
Net increase in cash and short-term investments	(8,278)	4,245
Cash and short-term investments, beginning of year	10,252	6,007
Cash and short-term investments, end of year	1,974	10,252

Footnotes:

	2022	2021
(i) Adjustments to reconcile net earnings to cash basis:		
Interest income	(365)	(434)
Dividend income	(73)	(256)
Actuarial (gain)/loss	4	(18)
Net realized and changes in unrealized (gains)/losses on investments	(735)	(162)
Income from associates	90	(262)
Amortisation and depreciation	199	77
	(880)	(1,055)
(ii) Change in operating balances:		
Insurance balances receivable	75	(475)
Due from parent	(2,801)	(451)
Reinsurers' share of:		
Claims provisions	(1,288)	(1,983)
Unearned premiums	(914)	(352)
Other assets	(37)	(10)
Deferred policy acquisition costs	(8)	28
Insurance contract liabilities	2,272	2,674
Insurance balances payable	947	1,510
Due to associate	(922)	1,595
Accounts payable and accrued liabilities	143	(26)
	(2,533)	2,510

The accompanying notes form part of these consolidated financial statements.

1. Operations

Argus Insurance Company Limited (the "Company"), was incorporated on May 31, 1961 and has its registered office at The Argus Building, 14 Wesley Street, Hamilton, Bermuda HM 11. The Company is a wholly owned subsidiary of Argus Group Holdings Limited (the "Parent"), a Bermuda public company. The Company underwrites certain risks in the property and casualty classes.

The Company is the sole shareholder of Newstead Belmont Hills Development Company No.2 Ltd., a company incorporated in Bermuda on January 22, 2009 that operates as a property holding company. The Company and its subsidiary (the "Group") operate in Bermuda.

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 as at and for the year ended March 31, 2022, were authorised for issue by the Board of Directors on July 21, 2022.

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 items in the Consolidated Balance Sheet:

- Financial assets and financial liabilities at fair value through profit or loss ("FVTPL") are measured at fair value;
- Available-for-sale financial assets are measured at fair value;
- Investment properties are measured at fair value; and
- Provision for unpaid and unreported claims are actuarially determined and represents the best estimate of the ultimate costs of claims in the course of settlement and claims incurred but not yet reported.

The assets and liabilities in the Consolidated Balance Sheets are 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 which is on par with United States (US) dollars.

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

2.2.3 Use of critical estimates, judgments and assumptions

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 may 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.

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 4 Investments;
Note 7 Investment in associate; and
Note 8 Investment property.

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 2.8 Insurance contracts; and
Note 10 Insurance contract liabilities.

2.3 **Basis of Consolidation**

2.3.1 Subsidiaries

Subsidiaries are entities controlled by the Company. The Company 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 results and financial position of the subsidiary are included in the consolidated financial statements from the date on which control commences until the date that control ceases.

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

2.3.2 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. Other indicators that may provide evidence of significant influence include representation on the board of directors of the investee, participation in policy-making processes and provision of technical information.

Investment in associates are initially recognised at cost, which includes transaction costs. Thereafter, the investment is measured using the equity method. Under the equity method, the Group records its proportionate share of income and loss from such investments and its proportionate share of other income and loss from such investments in the Consolidated Statements of Comprehensive Income. Certain associates have 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)

2.3.2 Investment in associate (continued)

Investments in associated companies are derecognized when the Group loses significant influence. Any retained interest in the entity is remeasured at its fair value. The difference between the carrying amount of the retained investment at the date when significant influence is lost and its fair value is recognised in Share of earnings in associates in the Consolidated Statements of Comprehensive Income.

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 from the date of purchase. Interest on these balances is recorded on the accruals basis and included in Investment income.

2.5 **Financial instruments**

2.5.1 Financial assets

2.5.1(a) Classification and initial recognition of financial assets

The Group has the following classifications of 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. The Group recognizes loans and receivables at their date of inception. All other financial assets (including assets designated as FVTPL) are recognised on the trade date at which the Group becomes a party to the contractual provisions of the instrument. Balances pending settlement as a result of sales and purchases are reflected in the Consolidated Balance Sheets as Receivable from investments sold and Payable arising from investment transactions.

(i) 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 Group 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 in the Consolidated Statements of Comprehensive Income as incurred. FVTPL financial instruments are measured at fair value, and changes therein are recognised in Investment income in the Consolidated Statements of Comprehensive Income. Interest or dividend income earned from these financials assets is recorded in Investment income in the Consolidated Statements of Comprehensive Income. Interest income are net of investment management fees.

(ii) Available-for-sale financial assets

Available-for-sale financial assets include equity investments, investments in bond funds and investments in equity funds and private equity funds. 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 may be sold in response to needs for liquidity, in response to changes in market conditions or in response to stay within 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 in the Consolidated Statements of Comprehensive Income. When an investment is derecognised, the cumulative gain or loss in other comprehensive income is transferred to the Consolidated Statements of Comprehensive Income.

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

2.5 **Financial instruments** (continued)

2.5.1 Financial assets (continued)

2.5.1(a) Classification and initial recognition of financial assets (continued)

(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, receivables are measured at amortised cost using the effective interest method, less any impairment losses. Amortisation of interest is included in Investment income in the Consolidated Statements of Comprehensive Income.

2.5.1(b) 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 in the Consolidated Balance Sheets 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.

2.5.2 **Financial liabilities**

2.5.2(a) Classification and recognition of financial liabilities

The Group has other financial liabilities. Management determines the classification of financial liabilities at initial recognition.

Other financial liabilities include Insurance balance payable 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.

Insurance balance payable 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. **Significant accounting policies** (continued)

2.5 **Financial instruments** (continued)

2.5.2 Financial liabilities (continued)

2.5.2(b) Derecognition

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

2.5.3 Investment income

Interest is recorded in Investment income in the Consolidated Statements of Comprehensive Income as it accrues, using the effective interest method. 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.

2.6 **Impairment of assets**

2.6.1 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 the 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)

2.6 **Impairment of assets** (continued)

2.6.1 Impairment of financial assets (continued)

2.6.1(a) Loans and Receivables

The Group considers evidence of impairment for receivables at both a specific asset and collective level. All individually significant receivables are assessed for specific impairment. Those found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Receivables that are not individually significant are collectively assessed for impairment by grouping together receivables with similar risk characteristics.

In assessing collective impairment, the Group uses historical trends of the probability of default, the timing of recoveries and the amount of loss incurred, adjusted for Management's judgments as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends. If there is objective evidence that an impairment loss on receivables has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The impairment loss is recognised in Investment Income in the Consolidated Statements of Comprehensive Income and reflected in an allowance account against the receivables.

When an event occurring after the impairment was recognised causes the amount of impairment loss to decrease, the impairment loss is reversed in Investment Income in the Consolidated Statements of Comprehensive Income.

2.6.1(b) Available-for-sale financial assets

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

2.6.1(c) Investment in associates

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.

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

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

2.6 **Impairment of assets** (continued)

2.6.2 Impairment of non-financial assets

The carrying amounts of the Group's non-financial assets comprised of Land and building and Intangible assets 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 Amortization and depreciation in the Consolidated Statements of Comprehensive 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 that 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 **Investment property**

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

Fair values are evaluated regularly by an accredited independent valuation specialist who holds a recognised and relevant professional qualification and who has recent experience in the valuation of properties in Bermuda.

2.8 **Insurance 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. **Significant accounting policies** (continued)

2.8 **Insurance contracts** (continued)

2.8.1 Premiums and acquisition costs

Premiums written 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 in the Consolidated Balance Sheets.

Costs related to the acquisition of insurance premiums are charged to the Consolidated Statements of Comprehensive Income over the period of the policy. Acquisition costs are comprised of commissions and those associated with unearned premiums are deferred and amortised to income over the periods in which the premiums are earned. This is shown as Deferred policy acquisition costs in the Consolidated Balance Sheets. Policy acquisition costs related to unearned premiums are only deferred to the extent that they can be expected to be recovered from the unearned premiums. If the unearned premiums are insufficient to pay expected claims and expenses, a premium deficiency is recognised initially by writing down the deferred policy acquisition costs asset and subsequently by establishing a provision for losses arising from liability adequacy tests (the unexpired risk provision). Deferred policy acquisition costs written off as a result of this test cannot subsequently be reinstated.

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 in the Consolidated Statements of Comprehensive Income.

Insurance balances receivable and Insurance balances payable are derecognised when the derecognition criteria for financial assets and financial liabilities, as described in Note 2.5.1(b) have been met.

2.8.3 Reinsurance

Reinsurance ceded premiums comprise the cost of reinsurance contracts into which the Group has entered. Reinsurance ceded 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 ceded premiums 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 in the Consolidated Balance Sheets. 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 financial statements. Amounts due to or from reinsurers with respect to premiums or claims are included in Insurance balances payable or Insurance balances receivable in the Consolidated Balance Sheets.

The Group periodically assesses any reinsurance assets for impairment, with any impairment loss recognised in Operating expenses in the Consolidated Statements of Comprehensive Income in the period in which any impairment is determined.

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

2.8 **Insurance contracts** (continued)

2.8.4 Insurance contract liabilities

Insurance contract liabilities shown in the Consolidated Balance Sheets include the provision for unpaid and unreported claims.

The provision for unpaid and unreported claims represents the best estimate of the ultimate costs of claims in the course of settlement and claims incurred but not yet reported. The provision is continually reviewed and updated by Management and the Group's actuaries. Any adjustments resulting from the review, as well as differences between estimates and ultimate payments, are reflected in Claims and adjustment expenses and Gross change in contract liabilities in the Consolidated Statements of Comprehensive Income in the year in which they are determined.

The provision for unpaid and unreported claims is not discounted.

2.9 **Land and building**

Owner-occupied properties and all other assets classified as Land and building 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 Land and building are included in Operating expenses in the Consolidated Statements of Comprehensive Income.

Depreciation is calculated so as to write the asset off over their estimated useful lives at the following rates per annum:

Buildings - 2.5%
Improvements - 10% to 20%

The assets' residual values, useful lives and method of depreciation are reviewed regularly, at 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 Land and building are determined by reference to their carrying amount, and are recognised in Commissions and other income in the Consolidated Statements of Comprehensive Income.

2.10 **Employee benefits**

2.10.1 Post-employment benefits

The Parent operates a post-employment medical benefit plan for the benefit of its employees. The plan is closed to new entrants effective April 1, 2011. The Group operates a post-employment medical benefits plan granted by the Parent where the Parent charges the Group an allocated share of the total cost of the benefits. The Parent accrues the cost of these defined benefits over the periods in which the employees earn the benefits. The post-employment benefit liability is calculated using the projected unit credit actuarial cost method. The present value of the defined benefit liability is determined by discounting the estimate of future cash flows using interest rates of AA rated corporate bonds that have terms to maturity that approximate the terms of the related post-employment benefit liability.

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

2.10 **Employee benefits** (continued)

2.10.1 Post-employment benefits (continued)

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

2.10.2 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 Parent. Contributions are recognised as employee benefits in the Consolidated Statements of Comprehensive Income under Operating expenses in the period to which they relate.

2.10.3 Stock-based compensation

The Parent has issued restricted shares to eligible employees. These restricted shares are recognised as an expense pro-rata over the vesting period. 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.

2.11 **Share capital**

Common shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity.

2.12 **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 included in Land and building and Investment property. 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 in the Consolidated Statements of Comprehensive Income.

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

The Group has applied the following new and revised standards, relevant to the Group, which are issued by the IASB that are mandatorily effective for the Group for the accounting period beginning April 1, 2021.

2.13.1 Amendments to IFRS 16 *COVID-19 Related Rent Concessions*

In May 2020, the IASB issued amendments to IFRS 16 *COVID-19 Related Rent Concessions*; effective for annual periods beginning on or after June 1, 2020, with earlier application permitted. The amendment provides lessees with a practical expedient to not account for COVID-19-related rent concessions as lease modifications. The adoption of these amendments 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)

2.14 Future accounting and reporting 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 2022 and beyond is as follows:

TOPIC	EFFECTIVE DATE FOR THE COMPANY	EXPECTED IMPACT
Annual Improvements to IFRS Standards 2018-2020	April 1, 2022	No significant impact
Amendments to IAS 16 *Property Plant and Equipment- Proceeds before Intended Use*	April 1, 2022	No significant impact
Amendments to IAS 37 *Onerous Contacts- Cost of fulfilling a Contract.*	April 1, 2022	No significant impact
Amendment to IAS 1 *Presentation of Financial Statements - Classification of Liabilities as Current or Non-current*	April 1, 2023	No significant impact
IFRS 9 *Financial Instruments*	April 1, 2023*	Impact assessment in progress
IFRS 17 *Insurance Contract*	April 1, 2023	Impact assessment in progress
Amendments to IAS 1 and IFRS Practice Statement 2 Disclosure of Accounting Policies	April 1, 2023	Impact assessment in progress
Amendments to IAS 8 Definition of Accounting Estimate	April 1, 2023	No significant impact

* Deferral option was exercised, refer to discussion in 2.14.5.

2.14.1 *Annual Improvements to IFRS Standards 2018-2020*

In May 2020, the IASB issued Annual Improvements to IFRS Standards 2018-2020, which includes minor amendments to three IFRS standards applicable to our Consolidated Financial Statements. The amendments are effective for annual periods beginning on or after January 1, 2022, with earlier application permitted. Adoption of these amendments did not have a significant impact on the Group’s Consolidated Financial Statements.

2.14.2 Amendments to IAS 16 *Property Plant and Equipment- Proceeds before Intended Use*

In May 2020, the IASB issued Property, Plant and Equipment - Proceeds before Intended Use, which includes amendments to IAS 16 Property, Plant and Equipment. The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. The amendments are effective for annual periods beginning on or after January 1, 2022, with earlier application permitted. Adoption of these amendments did not have a significant impact on the Group’s Consolidated Financial Statements.

2.14.3 Amendments to IAS 37 *Onerous Contacts- Cost of fulfilling a Contract.*

In May 2020, the IASB issued Onerous Contracts - Cost of Fulfilling a Contract, which includes amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets. The amendments specify that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract'. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract or an allocation of other costs that relate directly to fulfilling contracts. The amendments are effective for annual periods beginning on or after January 1, 2022. Adoption of these amendments did not have a significant impact on the Group’s Consolidated Financial Statements.

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

2.14 **Future accounting and reporting changes** (continued)

2.14.4 Amendment to IAS 1 *Classification of Liabilities as Current or Non-current*

In January 2020, the IASB issued Classification of Liabilities as Current and Non-current, which amends IAS 1 Presentation of Financial statements. The amendments are effective for annual periods beginning on or after January 1, 2023, with earlier application permitted. The amendments clarify that the classification of a liability as current or non-current should be based on the right to defer settlement that is in existence at the end of the reporting period. The classification is unaffected by the expectations about whether an entity will exercise this right. Settlement of the liability refers to the transfer to counterparty of cash, equity instruments, other assets, or services. Adoption of these amendments are not expected to have a significant impact on the Group's Consolidated Financial Statements.

2.14.5 IFRS 9, *Financial Instruments*

In July 2014, the final version of IFRS 9 Financial Instruments (IFRS 9) was issued, which replaces IAS 39 Financial Instruments: Recognition and Measurement (IAS 39) 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 prepayable financial assets and the accounting of financial liabilities following modification.

To address concerns about differing effective dates of IFRS 9 which is effective on January 1, 2018 and IFRS 17 Insurance Contracts which is effective on January 1, 2023, amendments to IFRS 4 Insurance Contracts was issued, which provide companies whose activities are predominantly related to insurance an optional temporary exemption from applying IFRS 9 until the effective date of IFRS 17. Based on an analysis performed as of March 31, 2018, the Group applied the temporary exemption as the predominance ratio reflecting the share of liabilities connected with insurance to total liabilities exceeds 90 percent.

The Group will continue to apply IAS 39 until April 1, 2023. To enable a comparison with entities applying IFRS 9, entities that apply the deferral approach are required to disclose the following information:

- Fair value and changes in fair value separately for (a) those financial assets that pass the solely payments of principal and interest (SPPI) test, excluding any financial asset that meets the definition of held for trading in IFRS 9, or that is managed and whose performance is evaluated on a fair value basis and (b) all other financial assets, including financial assets that are managed and whose performance is evaluated on a fair value basis. Refer to Note 4.1.
- Credit ratings of financial assets that pass the SPPI test. Financial assets which pass the SPPI test are assets with contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Refer to Note 4.1.

Management is assessing the impact of this standard in conjunction with IFRS 17, Insurance Contracts as discussed in Note 2.14.6.

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

2.14 **Future accounting and reporting changes** (continued)

2.14.6 IFRS 17*, Insurance Contracts*

In May 2017, the IASB issued IFRS 17, which replaces IFRS 4. IFRS 17 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts.

IFRS 17 will materially change the recognition and measurement of insurance contracts and corresponding presentation and disclosures in the financial statements. The requirements of IFRS 17 are complex and will result in significant changes in the accounting for insurance contracts and enhancements to the financial reporting systems and processes. The Group's adoption of IFRS 17 is effective April 1, 2023, and is to be applied retrospectively to each group of insurance contracts unless impracticable. If, and only if, it is impracticable to apply IFRS 17 retrospectively for a group of insurance contracts, an entity shall apply IFRS 17 using a modified retrospective approach or a fair value approach.

The key features of new insurance standard are as follows:

- The IFRS 17 general measurement model requires insurance contract liabilities to be measured using: probability-weighted estimates of future cash flows, discounting, a risk adjustment for non-financial risk and a contractual service margin representing the unearned profit that will be recognized over the coverage period.

  The premium allocation approach, an optional simplified measurement model is available for eligible group of insurance contracts.

  For long-duration life insurance contracts, the new measurement model is expected to have a significant impact on actuarial modelling, as more granular cash flow projections and regular updates of all assumptions will be required, either resulting in profit or loss or impacting the contractual service margin.

  For non-life insurance contracts, IFRS 17 introduces mandatory discounting of loss reserves as well as a risk adjustment for nonfinancial risk.

- Upfront revenue recognition is not permitted. Mandatory early recognition of losses on onerous contracts.

- Change in value of market variables as part of insurance contract liabilities valuation may go through P&L or OCI.

- Several significant changes in the presentation and disclosures, such as
  - Insurance service result will comprise of insurance revenue, insurance service expense and insurance finance income or expense which are based on insurance services provided during the period. Gross written premium will no longer be presented in the Statement of Comprehensive income.
  - Non-distinct investment components, which are defined as amounts that are repayable in all circumstances, are required to be excluded from insurance revenue and expenses.
  - The quantitative and qualitative disclosure requirements in IFRS 17 are more extensive than the current reporting frameworks in many jurisdictions under IFRS 4.

The Group has dedicated significant resources to execute and oversee the multi-year cross functional implementation plan to manage operational, regulatory, and business associated with the implementation of IFRS 17 and IFRS 9.

A joint IFRS 17 and IFRS 9 Group Implementation Programme was set up and third-party consultants were hired. A steering committee comprising of Senior Management from Finance, Actuarial, Risk, Data, Operations and Investment Management oversees the work performed by the third-party consultants and the working group. The third-party consultants work with the technical committee in the assessment of the Group's accounting policies and methodologies and for assessment of systems implications and data flows.

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

2.14 **Future accounting and reporting changes** (continued)

2.14.6 IFRS 17*, Insurance Contracts (*continued)

The Group's implementation programme is progressing in line with expectations.

Narrow-scope amendments to IFRS 17 "Insurance Contracts" were issued in December 2021 and are effective on initial application of IFRS 17 and IFRS 9 "Financial Instruments" which the Company will adopt on April 1, 2023. The amendments remove accounting mismatches between insurance contract liabilities and financial assets in scope of IFRS 9 within comparative prior periods when initially applying IFRS 17 and IFRS 9. The amendments allow insurers to present comparative information on financial assets as if IFRS 9 were fully applicable during the comparative period. The Group is considering the effect of these amendments on its IFRS 9 transition disclosures.

The requirements of IFRS 17 are complex and some material judgements are still under review. The Group continues to analyse the impacts of the standard and recent amendments. The Group continues to monitor market developments in order to assess the impact of evolving interpretations and other changes.

2.14.7 *Amendments to IAS 1 and IFRS Practice Statement 2 Disclosure of Accounting Policies*

In February 2021, the IASB issued amendments to IAS 1 Presentation of Financial Statements ("IAS 1") and IFRS Practice Statement 2 "Making Materiality Judgments", effective for annual reporting periods beginning on or after January 1, 2023, with early application permitted. The amendments to IAS 1 require companies to disclose their material accounting policies information rather than their significant accounting policies. The amendments to IFRS Practice Statement 2 provide guidance on the application of the "four-step materiality process" to support IAS 1 amendments. The Company is still assessing the impact of these amendments to the Group's financial statements.

2.14.8 *Amendments to IAS 8 Definition of Accounting Estimate*

In February 2021, the IASB issued amendments to IAS 8, Accounting Policies, Changes in Accounting Estimates and Errors ("IAS 8"), effective for annual reporting periods beginning on or after January 1, 2023, with early application permitted. The amendments replace the definition of a change in accounting estimate with a definition of accounting estimates. They further clarify how companies should distinguish changes in accounting estimates from changes in accounting policies, and correction or errors. Adoption of these amendments are not expected to have a significant impact on the Group's Consolidated Financial Statements.

2.15 **Impact of COVID 19**

In early 2020, many countries experienced an outbreak of the COVID-19 disease, which was later declared to be a global pandemic by the World Health Organization. Measures adopted by governments in countries worldwide to mitigate the spread have significantly impacted the global economy. The Group continues to monitor and evaluate the impact of the pandemic on the Group's business. The risks associated with the COVID-19 pandemic are being managed in accordance with the Group's existing risk management framework. The most recent annual solvency assessment exercise indicates resilience against the financial impact of this event. The Group remains sufficiently capitalized on a current and forward-looking basis with no adverse impact to its ability to meet policyholder obligations.

2.17 **The impact of the Ukraine Crisis on the Group**

In February, 2022, Russia launched a military attack on neighboring country Ukraine. As the war continues to evolve and additional sanctions are imposed, the Group continues to monitor the impact of the crisis on its business. The Group currently faces no direct exposure to the war. There is minimal impact to balance sheet assets, no direct impact to investments or clients, and no market risk volatility correlated to the impact of inflation. The Group's current investment strategy remains appropriate.

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

3. Cash and short-term investments

As at March 31	2022	2021
Cash at bank and in hand	1,222	8,331
Short-term investments	752	1,921
Total	1,974	10,252

4. Investments

4.1 Carrying values and estimated fair values of investments

As at March 31	2022		2021	
	Fair Value	Carrying Value	Fair Value	Carrying Value
Available-for-sale:				
Investment in bond fund	22,922	22,922	16,505	16,505
Investments in equity fund and private equity	3,674	3,674	4,899	4,899
Total investments	26,596	26,596	21,404	21,404

SPPI criterion:
As discussed in Note 2.14.2, the Group has investment in funds primarily invested in bonds amounting to $22.9 million (2021 – $16.5 million) that do not meet the SPPI criterion. The bonds credit rating has been discussed in Note 11.3.2(c). The change in the fair value of these invested assets during the year is a loss of $1.1 million (2021 – loss of $0.6 million).

Investments in equity funds with a carrying value of $1.4 million (2021 – $4.9 million) do not meet the SPPI criterion as at March 31, 2022.

4.2 Investment income

For the years ended March 31	2022	2021
Interest income:		
Investment in bond fund – available-for-sale	349	219
Cash and other	16	215
	365	434
Dividend income:		
Equities - available-for-sale	73	256
Net realised and unrealised gains/(loss) on investments:		
Equities – available-for-sale	735	-
Other:		
Net rental income/(loss) and other	(846)	(531)
Total investment income	327	159

4. **Investments** (continued)

4.3 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 operating and design 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, 2022 and 2021.

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

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

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

Other similarly quoted instruments or market transactions may be used.

The Group determines securities classified as Level 2 to include short-term investments and Bond and Equity Funds with listed underlying assets.

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.

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

4. **Investments** (continued)

4.3 **Fair value measurement** (continued)

Level 3 investments are securities for which valuation techniques are not based on observable market data. The Group classifies unquoted/ private equities as level 3, 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 value as a reasonable approximate of fair value.

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

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.

4.3.1 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 Sheets, categorised by level under the fair value hierarchy.

March 31, 2022	**Level 1**	**Level 2**	**Level 3**	**Total**
Cash and short-term investments	1,974	-	-	1,974
Available-for-sale:				
Investment in bond funds	-	22,922	-	22,922
Investment in equity funds	-	1,400	-	1,400
Unquoted equities	-	-	2,274	2,274
	1,974	24,322	2,274	28,570
Investment Property	-	2,399	-	2,399
Total assets at fair value	1,974	26,721	2,274	30,969
March 31, 2021				
Cash and short-term investments	10,252	-	-	10,252
Available-for-sale:				
Investment in bond funds	-	16,505	-	16,505
Investment in equity funds	-	3,209	-	3,209
Unquoted equities	-	-	1,690	1,690
	10,252	19,714	1,690	31,656
Investment Property	-	2,399	-	2,399
Total assets at fair value	10,252	22,113	1,690	34,055

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

4. **Investments** (continued)

4.3.2 Transfers of assets and liabilities within the fair value hierarchy

The Group's policy is to record transfers of assets and liabilities between levels at their fair values as at the end of each reporting period, consistent with the date of determination of fair value. Assets are transferred out of Level 1 when they are no longer transacted with sufficient frequency and volume in an active market. Conversely, assets are transferred from Level 2 to Level 1 when transactions volume and frequency are indicative of an active market. During the year ended March 31, 2022 and 2021, there were no transfers between Levels 1, 2 or 3.

The table below provides a fair value roll forward for the available-for-sale equities measured at fair value for which significant unobservable inputs (Level 3) are used in the fair value measurement for the year.

For the years ended March 31	**2022**	**2021**
Balance, beginning of year	1,690	722
Included in Other Comprehensive Income	584	(132)
Purchases	-	1,100
Balance, end of year	2,274	1,690

5. **Insurance balances receivable**

The Group's insurance balances receivable is comprised mainly of $5.5 million (2021 - $5.6 million) of balances due from policyholders.

6. **Deferred policy acquisition costs**

The reconciliation between opening and closing deferred policy acquisition costs is shown below:

As at March 31	**2022**	**2021**
Balance, beginning of year	153	181
Deferral during the year	1,520	1,561
Commission expense for the year	(1,512)	(1,589)
Balance, end of year	161	153

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

7. **Investment in associates**

The Group's investment in associate is comprised of 40.7 percent (2021 – 40.7 percent) investment in Corner Development Limited (CDL) and another immaterial investment in a private company. These companies are domiciled in Bermuda and the Group has significant influence over the companies operational and financial policies. CDL's revenue mainly comes from rental income generated from two commercial real estate properties located in Bermuda that CDL owns. The Group's investments are measured under the equity method, which resulted in a valuation of $2.9 million as at March 31, 2022 (2021 - $3.1 million). The Group recorded losses amounting to $0.1 million as at March 31, 2022 (2021 – gains of $0.3 million), which included dividends received of $0.1 million (2021 - $nil).

The financial information of CDL includes the following:

	2022	2021
Total assets	11,808	11,890
Liabilities	4,434	4,954
Net income/(loss)	300	463

The Group has issued a guarantee in respect of its proportionate share of a term bank loan facility totaling $4.4 million (2021 - $4.7 million) for this office building which is owned by CDL.

8. **Investment property**

Investment properties are held primarily for resale and for rental income under operating lease agreements. All investment properties are stated at fair value. Included in Group's investment properties are fractional apartment units.

The Group has entered into operating leases for its investment property. The rental income arising during the year amounted to $nil (2021 – $nil), which is included in Investment income in the Consolidated Statements of Comprehensive Income. Direct operating expenses included within Investment income arising in respect of such properties during the year were $0.3 million (2021 – $0.3 million).

There are no restrictions on the investment property. The Group has no contractual obligations to purchase, construct or develop the investment property other than normal service charge arrangements.

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

8. **Investment property** (continued)

Balance, March 31, 2020	2,399
Net unrealised gains (losses) from change in fair value	-
Balance, March 31, 2021	2,399
Net unrealised gains (losses) from change in fair value	-
Balance, March 31, 2022	2,399

9. **Property and Equipment**

	Land and Buildings	Office Equipment	Total
Gross carrying amount			
Balance, March 31, 2020	9,732	-	9,732
Additions	892	282	1,174
Balance, March 31, 2021	10,624	282	10,906
Additions	24	124	148
Balance, March 31, 2022	10,648	406	11,054
Accumulated depreciation			
Balance, March 31, 2020	9,297	-	9,297
Depreciation for the year	66	11	77
Balance, March 31, 2021	9,363	11	9,374
Depreciation for the year	124	75	199
Balance, March 31, 2022	9,487	86	9,573
Net carrying amount			
As at March 31, 2021	1,261	271	1,532
As at March 31, 2022	1,161	320	1,481

Depreciation of $0.2 million (2021 - $0.08 million) refers to the depreciation of capitalised costs arising from major building renovations and the acquisition of office equipment. As of March 31, 2022, the net carrying amount of the building relates to capitalized building renovations with remaining useful lives ranging from one to ten years (2021- one to ten years).

There were no impairments recognized for the year ended March 31, 2022 and 2021.

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

10. **Insurance contract liabilities**

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

March 31, 2022	Note	Gross	Ceded	Net
Provision for unpaid and unreported claims	10.1	11,614	(6,336)	5,278
Unearned premiums	10.6	10,375	(8,387)	1,988
Total insurance contract liabilities		21,989	(14,723)	7,266

March 31, 2021	Note	Gross	Ceded	Net
Provision for unpaid and unreported claims	10.1	10,135	(5,048)	5,087
Unearned premiums	10.6	9,582	(7,473)	2,109
Total insurance contract liabilities		19,717	(12,521)	7,196

10.1 The table below sets out the provision for unpaid and unreported claims shown by line of business:

March 31, 2022	Gross	Reinsurers' share of claims provision	Net Total
Healthcare	1,642	(140)	1,502
Fire	2,071	(1,852)	219
Motor	7,040	(4,188)	2,852
Accident and liability	682	(44)	638
Marine	179	(112)	67
Provision for unpaid and unreported claims	11,614	(6,336)	5,278

March 31, 2021	Gross	Reinsurers' share of claims provision	Net Total
Healthcare	1,645	(181)	1,464
Fire	1,280	(1,060)	220
Motor	6,393	(3,640)	2,753
Accident and liability	698	(53)	645
Marine	119	(114)	5
Provision for unpaid and unreported claims	10,135	(5,048)	5,087

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

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

As at March 31	**2022**			**2021**		
	Provisions for unpaid and unreported claims	Reinsurance Assets	Net	Provisions for unpaid and unreported claims	Reinsurance Assets	Net
Balance, beginning of year	10,135	(5,048)	5,087	7,875	(3,065)	4,810
Claims and adjustment expenses incurred						
Current year	8,902	(4,447)	4,455	8,047	(4,172)	3,875
Prior years	(1,011)	(192)	(1,203)	502	(1,369)	(867)
	7,891	(4,639)	3,252	8,549	(5,541)	3,008
Claims and adjustment expenses paid						
Current year	(3,698)	1,809	(1,889)	(3,424)	2,153	(1,271)
Prior years	(2,714)	1,542	(1,172)	(2,865)	1,405	(1,460)
	(6,412)	3,351	(3,061)	(6,289)	3,558	(2,731)
Balance, end of year	11,614	(6,336)	5,278	10,135	(5,048)	5,087

10. **Insurance contract liabilities** (continued)

10.3 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. As the experience in each policy year matures, the weight assigned to the initial expected losses decreases with greater weight assigned to actual losses experience. The actuarial analysis performed by the Group's consulting actuary employs commonly used actuarial techniques for estimating the Group's provision for unpaid and unreported claims. These include the Paid and Reported Loss Development Method the Bornhuetter-Ferguson Method (applied to both paid and reported losses), and the Estimated Loss Ratio 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 significant 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 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 (e.g., hurricanes, earthquakes and flood damage). 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 consulting actuaries, that the provision for unpaid and unreported claims will be adequate to cover the ultimate cost of losses to the date of the financial statements, 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 period in which they are determined.

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

10. **Insurance contract liabilities** (continued)

10.4 Sensitivities

The estimate of the Group's unpaid claim liabilities is sensitive to a large number of variables and assumptions. The estimate of unpaid claim liabilities for each policy year and reserving line of business is particularly sensitive to the underlying loss development patterns and initial expected losses utilised within each methodology.

The Group's loss reserve specialist provides a range of reasonable reserve estimates that is intended to recognise the inherent uncertainty in the estimate of unpaid claim liabilities and that another actuary, using an alternative set of reasonable assumptions, could produce a different, but reasonable, estimate of unpaid claim liabilities. The following table provides the range of reasonable reserve estimates, as provided by the Group's consulting actuary, which highlights the sensitivity of the estimate of unpaid claim liabilities to the underlying assumptions and judgments.

	Impact on equity	
	Low	High
Gross	760	(944)
Net	451	(642)

10.5 Claims development table

The following tables show the estimates of cumulative incurred claims, including both claims notified and IBNR for each successive accident year at each reporting date, together with cumulative payments to date.

Gross claims

Accident year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	Total
Estimate of ultimate liability											
as at end of accident year	5,441	6,335	41,687	4,106	7,711	6,824	4,952	14,764	8,047	8,902	
one year later	5,032	7,007	41,488	3,613	7,596	6,384	4,837	15,009	6,924	-	
two years later	4,977	7,277	41,379	3,504	7,213	6,952	4,730	15,272	-	-	
three years later	5,065	6,446	41,590	3,373	7,086	6,741	4,954	-	-	-	
four years later	5,165	6,224	41,543	3,263	6,955	6,334	-	-	-	-	
five years later	5,031	6,149	41,536	3,229	6,940	-	-	-	-	-	
six years later	5,125	6,126	41,652	3,217	-	-	-	-	-	-	
seven years later	4,854	6,125	41,721	-	-	-	-	-	-	-	
eight years later	4,842	6,125	-	-	-	-	-	-	-	-	
nine years later	4,842	-	-	-	-	-	-	-	-	-	
Current estimate of cumulative liability	4,842	6,125	41,721	3,217	6,940	6,334	4,954	15,272	6,924	8,902	105,231
Cumulative payments to date	(4,787)	(6,125)	(41,610)	(3,202)	(6,916)	(5,920)	(3,751)	(13,031)	(4,577)	(3,698)	(93,617)
Total gross liability	55	(0)	111	15	24	414	1,203	2,241	2,347	5,204	11,614

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

10. **Insurance contract liabilities** (continued)

10.5 **Claims development table** (continued)

Net claims

Accident year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	Total
Estimate of net ultimate liability											
as at end of accident year	3,318	2,732	5,493	3,026	3,365	4,197	3,922	5,660	3,875	4,455	
one year later	3,044	2,735	5,509	2,638	3,350	4,087	3,442	5,187	3,296		
two years later	3,031	3,145	5,625	2,582	2,955	4,601	3,260	4,892	-		
three years later	3,134	2,954	5,719	2,326	2,783	4,308	3,095	-	-		
four years later	3,127	2,761	5,549	2,373	2,661	4,206		-	-		
five years later	3,120	2,657	5,552	2,316	2,650	-		-	-		
six years later	3,198	2,660	5,658	2,307	-	-		-	-		
seven years later	2,964	2,655	5,742		-	-		-	-		
eight years later	2,953	2,655			-	-		-	-		
nine years later	2,953	-			-	-		-	-		
Current estimate of net cumulative liability	2,953	2,655	5,742	2,307	2,650	4,206	3,095	4,892	3,296	4,455	36,252
Cumulative payments to date	(2,897)	(2,655)	(5,631)	(2,301)	(2,637)	(4,040)	(2,820)	(4,198)	(1,906)	(1,889)	(30,974)
Reserves in respect of prior years											(1)
Total net liability	56	0	111	6	13	166	275	694	1,390	2,566	5,277

10.6 **Unearned premiums**

The Group is exposed to a pricing risk to the extent that unearned premiums are insufficient to meet the related future policy cost. Evaluations are performed regularly to estimate future claim costs, related expenses, and expected profit in relation to unearned premiums. There were no premium deficiencies identified at March 31, 2022 or 2021.

As at March 31	2022			2021		
	Unearned Premiums	Reinsurers' share of Unearned premiums	Net	Unearned Premiums	Reinsurers' share of Unearned premiums	Net
Balance, beginning of year	9,582	(7,473)	2,109	9,168	(7,121)	2,047
Premiums written during the year	33,762	(24,143)	9,619	31,763	(21,869)	9,894
Premiums earned during the year	(32,969)	23,229	(9,740)	(31,349)	21,517	(9,832)
Balance, end of year	10,375	(8,387)	1,988	9,582	(7,473)	2,109

11. Risk management

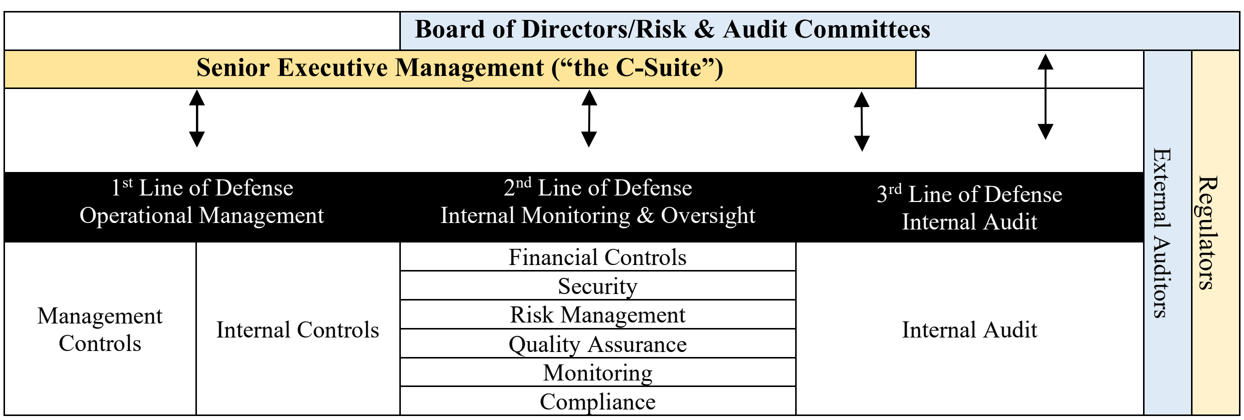
11.1 Governance framework

The Group aligns its risk management functions with that of its Parent, the Argus Group. The Group prioritises the development of a forward looking risk management framework to deal appropriately with changes in the economic, social and regulatory environment in which it operates. The risk management deployed by the Group is based on the principles set down below, which are aligned with the Group's strategy and take into account the regulatory requirements, as well as the best market practices.

- A comprehensive risk management policy, with a forward-looking approach.

  The Board of Directors approves the Group's risk management framework including related policies. The Board and meets regularly and provide oversight to the implementation of an effective risk management framework. The risk management framework defines the Group's identification of risk and its interpretation and sets out the risk profiles for the Group, to ensure the appropriate quality and diversification of assets and alignment of underwriting and reinsurance strategy to the corporate goals. The Group also ensures emerging risks and sustainability considerations are embedded within the risk management framework.
- Three lines of defense model.

  The Group has adopted the Three Lines of Defense model as shown below, which addresses how specific duties related to risks and controls are managed and coordinated within the Group.



11.2 Operational risk and Capital management

11.2.1 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 under principles that consider all the risks associated with the businesses. The Group's capital base consists of Share capital, Contributed surplus, Retained Earning and Accumulated other comprehensive income as disclosed in the Consolidated Balance Sheets.

The Bermuda Insurance Act 1978 and Related Regulations (the Act) require the Group to meet minimum solvency margins. Statutory capital and surplus for the Group as at March 31, 2022 was $30.8 million (2021 - $31.1 million) and the minimum amount required to be maintained by the Group was $5.0 million (2021 - $4.7 million). The Group's statutory capital and surplus are different from shareholder's equity due to certain items that are capitalised under IFRS but expensed or have a different valuation basis for statutory reporting, or are not admitted under the Act.

11. **Risk management** (continued)

11.2 **Operational risk and Capital management** (continued)

11.2.1 Capital management (continued)

The Bermuda Monetary Authority (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, 2022 and 2021, the amount of group statutory capital and surplus exceeds this regulatory requirement.

The Bermuda Solvency Capital Requirements (BSCR) is the prescribed form of capital and solvency reporting 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 insurer'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, 2022 and 2021, the statutory capital and surplus of the Group 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 Act limits the maximum amount of annual dividends and distributions that may be paid by the Company. 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 Company shall request the approval of the BMA. The Act also limits the Company's ability to pay dividends and distributions to shareholders if there are reasonable grounds for believing that the Company 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 meets all requirements of the Act and there are no additional restrictions on the distribution of Retained earnings.

11.3 **Financial instrument risk management**

The Group has policies relating to the identification, measurement, monitoring, mitigation, and control of risks associated with financial instruments. The key risks related to financial instruments are credit risk, liquidity risk and market risks, interest rate and other price risks including equity risks.

11.3.1 Investment Risk

Investment policy is established by the Risk Committee of the Board of Directors to manage this risk. Investment policy sets 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 policy are approved by the Risk Committee and the Board of Directors.

The Group 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 include investment in funds that invests in fixed maturity securities, fixed maturity funds and short-term investments. 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.

The Risk Committee 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.

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

11. **Risk management** (continued)

11.3 **Financial instrument risk management** (continued)

11.3.2 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.

Reinsurance is placed with counterparties that have a strong credit rating. Management regularly monitors and performs an assessment of the creditworthiness of reinsurers.

11.3.2(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.

	Note	2022	2021
Cash and short-term investments		1,974	10,252
Investment in bond fund – at available-for-sale	4.1	22,922	16,505
Insurance balances receivable	5	5,486	5,561
Due from parent	16	3,296	495
Reinsurers' share of claims provisions	10	6,336	5,048
Total Consolidated Balance Sheet maximum credit exposure		40,014	37,861

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 of Directors.

11.3.2(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 Group holds investments in bond funds of $22.9 million at March 31, 2022 (2021 - $16.5 million).

11.3.2(c) Asset Quality

Bonds by credit rating

The Group's investment in funds had a weighted average rating of AAA in 2022 (2021 - A+) related to the underlying investments.

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

11. **Risk management** (continued)

11.3 **Financial instrument risk management** (continued)

11.3.3 Liquidity Risk

Liquidity risk is the risk that the Group will not be able to meet all cash outflow obligations as they come due. The Group's asset-liability management process allows it to maintain its financial position by ensuring that sufficient liquid assets are available to cover its potential funding requirements. The Group invests in various types of assets with a view 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 adequately met by maturing bonds, the sale of equities, as well as by current operating cash flows. Longer duration cash flows are also backed by a broader range of asset classes including equity and other non-fixed income assets.

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.

Maturity profiles

For insurance contract liabilities and reinsurance assets, maturity profiles are determined based on estimated timing of net cash outflows from the recognised insurance liabilities. Unearned premiums and the Reinsurers' share of unearned premiums have been excluded from the analysis as they are not contractual obligations.

The estimated timing of net cash flows based on the Group's liabilities is shown in the table below. The settlement profile is based on current estimates and historical trends and the actual timing of future cash flows may differ materially from the following disclosure.

As at March 31, 2022	Within 1 year	2-5 years	6-10 years	Over 10 years	Total
Provision for unpaid and unreported claims net of reinsurance	2,872	2,299	107		5,278
Insurance balances payable	6,076				6,076
Due to associate	902				902
Accounts payable and accrued liabilities	689				689
	10,539	2,299	107	-	12,945

As at March 31, 2021	Within 1 year	2-5 years	6-10 years	Over 10 years	Total
Provision for unpaid and unreported claims net of reinsurance	2,848	2,153	86		5,087
Insurance balances payable	5,129				5,129
Due to associate	1,824				1,824
Accounts payable and accrued liabilities	546				546
	10,347	2,153	86	-	12,586

11. **Risk management** (continued)

11.3 **Financial instrument risk management** (continued)

11.3.4 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 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 or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

11.3.4(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 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.

Management considers that there is no material net interest rate risk on fixed-income investments which support the insurance contract liabilities.

11.3.4(b) Equity Risk

Equity risk is the uncertainty associated with the valuation of assets arising from changes in equity markets. The direct exposure to equity markets generally falls within the risk-taking philosophy of the Parent's investment policy and is regularly monitored by Management.

11.3.5 Limitations of Sensitivity Analysis

The sensitivity information given in Note 10 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 be noted that these sensitivities are non-linear and larger or smaller impacts should not be interpolated or extrapolated from these results. Furthermore estimates of sensitivity may become less reliable in unusual market conditions such as instances when risk free interest rate fall towards zero.

11.4 **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.

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

11. **Risk management** (continued)

11.4 **Insurance risk management** (continued)

The Group purchases reinsurance as part of its risk mitigation programme. Reinsurance 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.

Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provision 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 not dependent on a single reinsurer nor are the operations of the Group substantially dependent upon any single reinsurance contract.

12. **Insurance balances payable**

Insurance balances payable at year end is composed of:

As at March 31	**2022**	**2021**
Due to policyholders, agents and brokers	1,506	1,778
Due to reinsurers	2,054	907
Deferred commission income	2,516	2,444
Total Insurance balances payable	6,076	5,129

The deferred commission income relates to the unearned portion of the commission income arising from the reinsurance contracts.

A reconciliation of the change in deferred commission income is shown below:

For the years ended March 31	**2022**	**2021**
Balance, beginning of year	2,444	2,314
Deferral during the year	9,706	9,535
Income for the year	(9,634)	(9,405)
Balance, end of year	2,516	2,444

13. **Net change in unearned premiums**

For the years ended March 31	**2022**	**2021**
Gross change in unearned premiums	(793)	(414)
Change in unearned premiums on premiums ceded	914	352
Net change in unearned premiums	121	(62)

14. **Commissions and other income**

Commissions and other income consists of ceding commission of $7.5 million (2021 - $7.3 million) and profit commission of $2.1 million (2021 - $2.2 million) derived from the reinsurance contracts of the Group.

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

15. Operating expenses

Operating expenses incurred during the year are as follows:

For the years ended March 31	2022	2021
Employee benefits expense (see table below)	1,741	1,815
Parent allocated expenses	3,716	3,589
Other expenses	1,044	1,171
	6,501	6,575

Employee benefits expense during the year is composed of:

For the years ended March 31	2022	2021
Salaries and other short-term benefits	1,661	1,737
Pension costs (1)	77	80
Post-employment benefit	-	(4)
Stock-based compensation	3	2
	1,741	1,815

(1) Pension costs arise from the Parent's defined contribution pension plan covering all full-time employees.

16. Related party transactions

Significant related party transactions are as follows:

16.1 Gross premium written includes premiums for the insurance-related products and services provided to the Parent, its subsidiaries and various affiliates.

	2022	2021
Parent and subsidiaries	0.3	0.3
Various associates	0.1	0.1
	0.4	0.4

16.2 Operating expenses include the Group's allocation of Parent overhead expenses of $3.3 million (2021 - $3.1 million) and a management fee expense of $0.4 million (2021 - $0.5 million).

16.3 Commission expense include commission paid to an affiliate for brokerage services provided amounting to $1.1 million (2021 - $1.1 million).

16.4 Due from parent of $3.3 million (2021 - $0.5 million) includes surplus cash deposits with the Parent and due to associate of $0.9 million (2021 - $1.8 million). These deposits are available on demand and are used by the Group to fund its cash requirements. These deposits have no formal terms of repayment and bears no interest.

16.5 Compensation of key personnel

Key Management personnel have been identified as the external Board of Directors of the Group. Fees paid to directors for the reporting period totaled $0.01 million (2021 - $0.01 million).

17. Dividends and return of capital to parent

The Company declared and paid cash dividends of $7.8 million (2021 - $5.0 million) to its Parent during the year.

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

18. **Accumulated other comprehensive income**

For the years ended March 31	2022	2021
Remeasurement of post-employment medical benefit obligation	(21)	(22)
Available-for-sale investments	287	1,438
Total accumulated other comprehensive income	266	1,416

19. **Commitments and contingencies**

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

20. **Taxation**

Under current Bermuda law, the Group is not required to pay any taxes in Bermuda on either income or capital gains. The Group has received an undertaking from the Minister of Finance in Bermuda that in the event of any such taxes being imposed, the Group will be exempt from taxation until the year 2035.

21. **Comparative figures**

Certain of the comparative figures in these consolidated financial statements and note disclosures have been updated to conform to the presentation adopted for the year ended March 31, 2022. These updates have no impact on net earnings or equity.

22. **Subsequent events**

There were no material subsequent events that are required to be disclosed.