ARGUS INSURANCE COMPANY LIMITED

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

March 31, 2024

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INDEPENDENT AUDITORS' REPORT

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

Opinion

We have audited the consolidated financial statements of Argus Insurance Company Limited and its subsidiaries (the "Group"), which comprise the consolidated balance sheets as of March 31, 2024 and 2023, and April 1, 2022 and the related consolidated statements of comprehensive income, changes in equity, and cash flows for the years ended March 31, 2024 and 2023, 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 Group as of March 31, 2024 and 2023, and April 1, 2022 and their financial performance and their cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

Basis for opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the *Auditors' responsibilities for the audit of the consolidated financial statements* section of our report. We are required to be independent of the Group and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. 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 IFRS as issued by IASB, 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 Group's ability to continue as a going concern for one year after the date that the consolidated financial statements are authorised for issuance.

Auditors' 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 auditors' 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.

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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 Group'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 Group'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 12, 2024

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ARGUS INSURANCE COMPANY LIMITED

Consolidated Balance Sheets
March 31, 2024, March 31, 2023 and April 1, 2022
(Expressed in thousands of Bermuda dollars)

	Note	2024	2023 Restated [(1)]	2022 Restated [(1)]
Assets				
Cash and short-term investments	3	14,548	3,524	1,974
Interest and dividends receivable		94	119	-
Investments	4	8,690	20,679	26,596
Reinsurance contract assets	8	16,190	11,876	10,425
Other assets		125	85	104
Due from parent	13	12,918	5,871	3,296
Due from associate	13	-	163	-
Investment in associate	5	2,719	2,993	2,908
Investment property	6	2,399	2,399	2,399
Property and equipment	7	4,653	1,319	1,481
Total assets		**62,336**	**49,028**	**49,183**
Liabilities				
Insurance contract liabilities	8	20,908	17,691	17,451
Due to associate	13	-	205	902
Accounts payable and accrued liabilities	10	3,180	1,330	1,379
Total liabilities		**24,088**	**19,226**	**19,732**
Equity				
Share capital		17,506	17,506	17,506
Retained earnings		19,978	11,778	11,679
Accumulated other comprehensive income		764	518	266
Total equity attributable to the shareholder of the Group		38,248	29,802	29,451
Total equity and liabilities		**62,336**	**49,028**	**49,183**

[(1)] *Restated for the adoption of IFRS 17. See Note 2.13.2 for details.*
The accompanying notes form part of these consolidated financial statements.

Signed on behalf of the Board

________________________ Director

Everard Barclay Simmons

________________________ Director

Peter Lozier

ARGUS INSURANCE COMPANY LIMITED

Consolidated Statements of Comprehensive Operations
March 31, 2024 and March 31, 2023
(Expressed in thousands of Bermuda dollars)

	Note	2024	2023 Restated [1]
Revenue			
Insurance revenue	8	35,895	33,165
Insurance service expense	8	(14,758)	(14,669)
Net expense from Reinsurance Contract	8	(10,480)	(9,160)
Insurance service result		10,657	9,336
Investment income/(loss)	11	388	(803)
Net Finance expense from insurance contract	11	(573)	(196)
Net Finance income from reinsurance contract	11	312	135
Net financial result		127	(864)
Share of earnings of associates	5	59	85
Commission expenses		(8)	-
Other Operating expenses	12	(2,635)	(2,058)
Net earnings for the year		8,200	6,499
Other comprehensive income/(loss)			
Items that will not be reclassified to net earnings:			
Remeasurement of post-employment medical benefit obligation		(1)	11
Items that are, or may subsequently be, reclassified to net earnings:			
Change in unrealized gains/(losses) on available-for-sale investments		247	241
Other comprehensive income/(loss) for the year		246	252
Total comprehensive income for the year		**8,446**	**6,751**

[1] *Restated for the adoption of IFRS 17. See Note 2.13.2 for details.*
The accompanying notes form part of these consolidated financial statements.

ARGUS INSURANCE COMPANY LIMITED

Consolidated Statements of Changes in Equity
Year ended March 31, 2024 and March 31, 2023
(Expressed in thousands of Bermuda dollars, except the number of shares)

	Note	2024	2023 *Restated* [1]
Share capital			
Authorised:			
10,000,000 common shares $2.4 each (2023 - 10,000,000)		24,000	24,000
Issued and fully paid:			
shares (2023 - 7,294,049 shares)		17,506	17,506
Retained earnings			
Balance, beginning of year		11,778	11,702
Adjustment on initial application of IFRS 17		-	(23)
Restated retained earnings balance, beginning of year		11,778	11,679
Net earnings for the year		8,200	6,499
Dividends	14	-	(6,400)
Balance, end of year		19,978	11,778
Accumulated comprehensive income			
Balance, beginning of year		518	266
Other comprehensive income/(loss) for the year		246	252
Balance, end of year		764	518
Total equity		38,248	29,802

[1] *Restated for the adoption of IFRS 17. See Note 2.13.2 for details.*

ARGUS INSURANCE COMPANY LIMITED

Consolidated Statements of Cash Flows
Year ended March 31, 2024 and March 31, 2023
(Expressed in thousands of Bermuda dollars)

	2024	2023 Restated [(1)]
Operating activities		
Net earnings for the year	8,200	6,499
Adjustments to reconcile net earnings to cash basis (Footnote (i) below)	(590)	464
Change in operating balances (Footnote (ii) below)	(6,376)	(4,676)
Interest income received	659	359
Dividend income received	145	167
Cash generated from operating activities	2,038	2,813
Investing activities		
Purchase of investments	(5,093)	(29,942)
Sale of investments	17,773	35,137
Purchase of property and equipment	(3,694)	(58)
Cash generated from investing activities	8,986	5,137
Financing activities		
Dividend paid	-	(6,400)
Cash used in financing activities	-	(6,400)
Net increase in cash and short-term investments	11,024	1,550
Cash and short-term investments, beginning of year	3,524	1,974
Cash and short-term investments, end of year	14,548	3,524

Footnotes:

	2024	2023
(i) Adjustments to reconcile net earnings to cash basis:		
Interest income	(634)	(478)
Dividend income	(145)	(167)
Actuarial loss	(1)	11
Net realized and changes in unrealized (gains)/losses on investments	(111)	963
Income from associates	(59)	(85)
Depreciation	360	220
	(590)	464
(ii) Change in operating balances:		
Reinsurance contract assets	(4,314)	(1,451)
Due from parent and subsidiary	(7,089)	(3,435)
Other assets	(40)	18
Insurance contract liabilities	3,217	240
Accounts payable and accrued liabilities	1,850	(48)
	(6,376)	(4,676)

(1) Restated for the adoption of IFRS 17. See Note 2.13.2 for details.

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, 2024, were authorised for issue by the Board of Directors on July 12, 2024.

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 Sheets:

- Financial assets and financial liabilities at fair value through profit or loss (FVTPL) are measured at fair value;
- Financial assets at fair value through other comprehensive income (FVOCI) are measured at fair value;
- Investment properties are measured at fair value;
- Investment property is measured at fair value; and
- Fulfillment cash flow of an insurance contract is measured using current estimates of future cash flows, current discount rates and current estimates of the risk adjustment for non-financial risk.

The assets and liabilities in the Consolidated Balance Sheets are presented in order of decreasing liquidity.

2.2.2 Presentation currency

The financial statements are presented 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 2.7 Investment property;
Note 2.8 Insurance contracts;
Note 5 Investment in associate; and
Note 4 Investments.

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 4 Investments; and
Note 8 Insurance and reinsurance contracts.

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 Operations. 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 derecognised 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 Operations.

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) FVTPL, (ii) FVOCI, and (iii) Amortised Cost. The classification and measurement of financial assets is determined by assessing the Group's business model for managing the financial assets, and the contractual cash flow characteristics of the financial asset.

Business model test
The Group performs the business model test at a business segment level which reflects how financial assets are managed in order to achieve the Group's objectives. The assessment is based on observable factors such as:

- How the performance of the business segment and the financial assets held within that segment are evaluated and reported to the Group's key management personnel.
- The risks that affect the performance of the business segment (and the financial assets held within that business segment) and the way those risks are managed.
- How investment managers of the business are compensated; and the value of the assets managed or on the contractual cash flows collected; and
- The expected frequency, value and timing of asset sales.

Contractual cash flow test
The contractual cash flow test is performed at the individual security level to identify whether the contractual cash flows are solely payments of principal and interest (SPPI). For contractual cash flows to be SPPI they must include returns consistent with a basic lending arrangement. In performing this assessment the Group considers whether the financial assets contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet the condition. Where the contractual terms deviate from a basic lending arrangement, the SPPI criterion would not be met, and such a financial asset would be measured at FVTPL.

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)

(i) Financial assets at FVTPL

A financial asset is classified as FVTPL if it is managed in a fair value business segment or is designated as such upon initial recognition or are mandatorily required to be measured at fair value.

On initial recognition FVTPL instruments are measured at their value on the trade date, plus any directly attributable transaction costs. Any subsequent changes in the fair value of the financial instrument, as well as interest and dividend income earned is recorded in Investment income on the Consolidated Statements of Operations.

Interest income is net of investment management, legal and transaction fees.

The Group has designated certain debt investments as at FVTPL on initial recognition, because they relate to insurance contracts that are measured in a way that incorporates current information and all related insurance finance income and expenses are recognised in net income. The assets would otherwise be measured at FVOCI.

(ii) Financial assets at FVOCI

The Group applies the new category under IFRS 9 for debt instruments when (i) the instrument is held with the objective to collect the contractual cash flows and sell the asset, and (ii) the contractual term of the financial asset meets the SPPI test. These instruments largely comprise of debt instruments that have previously been classified as available-for-sale under IAS 39. Debt securities in this category are carried at fair value, with the intention of being held for an indefinite duration and may be sold in response to needs for liquidity, in response to changes in market conditions, or the requirement to stay within investment policy guidelines. On initial recognition, FVOCI investments are measured at fair value on the trade date.

After initial measurement, FVOCI financial assets are subsequently measured at fair value with unrealised gains or losses recognised in Other comprehensive income and presented on the Consolidated Statements of Comprehensive Operations. When an investment is derecognised, the cumulative gain or loss in Other comprehensive income is transferred to the Consolidated Statements of Operations. Interest income, amortisation and accretion of premiums and discounts, is recognized within the net investment income for the current period. Interest income is net of investment management, legal and transaction fees.

(iii) Financial assets at Amortised Cost

Debt instruments in this category are carried at amortised cost and are intended to be held until maturity to collect the contractual cash flows. The contractual terms of the instrument give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Interest and dividend income, including the amortisation of any premiums and discounts on these instruments are included within net investment income. Interest income is net of investment management, legal and transaction fees.

After initial recognition, debt instruments are measured at amortised cost using the effective interest method, less any impairment. Amortisation of interest is included in Investment income on the Consolidated Statements of Operations. Expected credit loss (ECL) is recognised in the Consolidated Statements of Operations when the investment is impaired.

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

2.5 **Financial instruments** (continued)

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 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.

Accounts payable and accrued liabilities are considered short-term payables with no stated interest.

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

2.6 Impairment of assets

2.6.1 Impairment of financial assets

2.6.1(a) Policies applicable beginning April 1, 2023

The Group recognises an allowance for expected credit losses (ECLs) on financial assets not designated at FVTPL. Financial assets measured at amortised cost are presented at their carrying amounts on the Consolidated Balance Sheets, which is the gross carrying amount less the allowance for ECL, with changes in the allowance for ECL recognised in Investment income on the Consolidated Statements of Operations.

The allowance for ECL on financial assets measured at FVOCI, does not reduce the carrying amount of the assets in the Consolidated Balance Sheets, which remains at fair value. Rather, an amount equal to the allowance for ECL that would arise if the assets were measured at amortised cost is recognised in Other comprehensive income, with changes in the allowance for ECL recognised in Investment income on the Consolidated Statements of Operations.

At the end of each reporting period, the Group applies a three-stage impairment approach to measure the ECL on financial assets measured at amortised cost or at FVOCI:

- Stage 1 – 12-Month ECL: For financial assets that have not experienced a significant increase in credit risk since the date of initial recognition, a loss allowance equal to the credit losses expected to result from default events occurring over the 12 months following the reporting date is recognised.
- Stage 2 – Lifetime ECL: For financial assets that have experienced a significant increase in credit risk since the date of initial recognition, a loss allowance equal to the credit losses expected to result from default events occurring over the remaining lifetime of the financial asset is recognised.
- Stage 3 – Impairment: When a financial asset is credit-impaired, a loss allowance equal to the ECL over the remaining lifetime of the financial asset is recognised. Interest income is calculated based on the carrying amount of the asset, net of the loss allowance.

The Group has not experienced any significant increase in credit risk (SICR) during the financial year and hence holds no Stage 2 or 3 assets. Furthermore, the investment policy prevents the group from holding any assets including high yield assets in excess of its asset mix permitted range. The Group monitors all financial assets that are subject to impairment for significant increase in credit risk. In making this assessment, we consider both quantitative and qualitative information such as:

- negative rating agency announcements in respect of investment issuers and debtors;
- significant reported financial difficulties of investment issuers and debtors;
- 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.

Write-offs

Financial assets are written off either partially or in their entirety only when the Group has stopped pursuing the recovery. If the amount to be written off is greater than the accumulated loss allowance, the difference is first treated as an addition to the allowance that is then applied against the gross carrying amount. Any subsequent recoveries are recorded in credit loss expense. There were no write-offs over the periods reported in these financial statements.

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

2.6 **Impairment of assets** (continued)

2.6.1(b) Policies prior to April 1, 2023

The Group's accounting policy prior to the adoption of IFRS 9 are summarised below:

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 Operations 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 Operations.

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 Operations 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 Operations. Impairment losses on available-for-sale equity securities are not reversed.

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 Operations. Reversal of a previously recognised impairment loss is made if there has been a favourable change in the estimates used to determine the recoverable amount.

2. **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 Property and equipment 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 Operations 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 Property and equipment. 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 Operations.

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 comprised of insurance contracts issued, and reinsurance contracts held. Insurance contracts are those contracts where the Group has accepted significant insurance risk from the policyholders by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholders.

In the normal course of business, the Group uses reinsurance to mitigate its risk exposures to insurance contracts issued. A reinsurance contract held transfers significant insurance risk if it transfers substantially all the insurance risk resulting from the insured or reinsured portion of the underlying insurance contracts, even if it does not expose the reinsurer to the possibility of a significant loss.

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

2.8 **Insurance contracts** (continued)

2.8.1 Level of aggregation

The Group aggregates Insurance contracts and Reinsurance contracts held into portfolios based on the underlying risk and the management of those risks. Each portfolio is further disaggregated into groups of contracts that are issued within a financial year and the underlying expected profitability, that is (i) onerous, and (ii) other profitable contracts. The Group does not issue any insurance contracts that at initial recognition would have no significant possibility of becoming onerous. The classification of insurance contracts and reinsurance contracts into a group is not subsequently reconsidered once determined.

2.8.2 Initial Recognition and Measurement

Insurance contracts issued are recognised from the earliest of the beginning of the insurance contract's coverage period; or when payment from the policyholder becomes due or, if there is no contractual due date, when it is received.

Reinsurance contracts held are recognised from the later of the beginning of the coverage period and when the underlying insurance contract is initially recognised.

Insurance contracts issued and reinsurance contracts held that were acquired in a business combination, or a portfolio transfer, are accounted for as if they were entered into at the date of acquisition or transfer.

All insurance contracts issued by the Group are measured using the Premium Allocation Approach (PAA).

2.8.2(a) Insurance contracts issued

The Group uses the PAA for measuring eligible groups of insurance contracts with short duration and no significant variability in cashflows. This measurement model is applied to property and casualty products. On initial recognition the LRC is measured as the premiums received at initial recognition; minus any insurance acquisition cash flows allocated to the group at that date and adjusted for any amount arising from the derecognition of any assets or liabilities previously recognised for insurance acquisition cash flows. The Group has chosen not to expense insurance acquisition cash flows when they are incurred.

Subsequently, the carrying amount for a group of PAA insurance contracts is equal to the sum of the LRC and the LIC. The LRC at initial recognition is increased by any premiums received and the amortisation of insurance acquisition cash flows recognised as expenses and decreased by the amount recognised as insurance revenue for services provided and any additional insurance acquisition cash flows allocated after initial recognition. The Group will not apply discounting or interest accretion in measuring the LRC as it is expected that at the contract inception that the period between payment by the policyholder of all or substantially all the premium, and the satisfaction of the insurer's corresponding obligation to provide insurance coverage will be one year or less.

The LIC includes the fulfillment cash flows for losses on claims and expenses that have not yet been paid, inclusive of claims incurred but not reported. The future cash flows are discounted (at current rates) unless they are expected to be paid in one year or less from the date the claims are incurred.

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

2.8 **Insurance contracts** (continued)

2.8.2(b) Reinsurance contracts held

On initial recognition a group of reinsurance contracts held ARC is measured as the premium paid, adjusted for ceding commissions that are not contingent on claims and any amounts previously recognised for cash flows related to the group. If the underlying contract is onerous, a loss recovery component is created and used to adjust the ARC.

Subsequently, the carrying amount for each group of reinsurance contracts held at each reporting date is the sum of the ARC and the AIC. The ARC from initial recognition is increased by any premium paid and reduced by the amount recognised as cost of reinsurance for services provided. The AIC is measured consistent with the AIC for contracts measured under the GMM mode.

2.8.3 Contract derecognition

The Group derecognises a contract when it is extinguished, that is, when the specified obligations in the contract expire or are discharged or cancelled.

2.8.4 Insurance acquisition cash flows

Insurance acquisition cash flows are internal and external costs of selling, underwriting and starting a group of insurance contracts that are directly attributable to a portfolio. Insurance acquisition cash flows are allocated to groups of insurance contracts using a systematic and rational method and considering, in an unbiased way, all reasonable and supportable information that is available without undue cost or effort.

If insurance acquisition cash flows are directly attributable to a group of contracts, then they are allocated to that group and to the groups that will include renewals of those contracts. If insurance acquisition cash flows are directly attributable to a portfolio but not to a group of contracts, then they are allocated to groups in the portfolio using a systematic and rational method.

Where insurance acquisition cash flows have been paid or incurred before the related group of insurance contracts is recognised on the Consolidated Balance Sheets, a separate asset for insurance acquisition cash flows may be recognised for each related group. The asset is then derecognised when the insurance acquisition cash flows are included in the initial measurement of the related group of insurance contracts. The amortisation of insurance acquisition cash flows is based on the passage of time over the relevant coverage period.

The Group does not generally pay or incur significant insurance acquisition cash flows before a related group of insurance contracts is recognised on the Consolidated Balance Sheets. At each reporting date, if facts and circumstances indicate that an asset for insurance acquisition cash flows may be impaired, then the Group:

a. recognises an impairment loss on the Consolidated Statement of Operations so that the carrying amount of the asset does not exceed the expected net cash inflow for the related group; and
b. if the asset relates to future renewals, recognises an impairment in the Consolidated Statement of Operations to the extent that it expects those insurance acquisition cash flows to exceed the net cash inflow for the expected renewals and this excess has not already been recognised as an impairment loss under (a).

The Group reverses any impairment losses in income or loss and increases the carrying amount of the asset to the extent that the impairment conditions have improved.

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

2.8 **Insurance contracts** (continued)

2.8.4 Insurance acquisition cash flows (continued)

Portfolios of insurance contracts that are assets and those that are liabilities, and portfolios of reinsurance contracts that are assets and those that are liabilities, are presented separately in the Consolidated Balance Sheets. Any assets or liabilities for insurance acquisition cash flows recognised before the corresponding insurance contracts are recognised and included in the carrying amount of the related portfolios of contracts.

2.8.5 Insurance revenue

For insurance contracts measured under the PAA, the Group recognises insurance revenue based on the passage of time over the coverage period for a group of contracts.

2.8.6 Insurance service expenses

Insurance service expenses are recognised in the Consolidated Statements of Operations as they are incurred and includes incurred claims and other insurance service expenses, amortisation of insurance acquisition cash flows, losses and reversal of losses on onerous contracts and adjustments to liabilities for incurred claims.

2.8.7 Net Income/expenses from reinsurance contracts

The financial performance of groups of reinsurance contracts held is recognised on a net basis in net income/expenses from reinsurance contracts held. This represents the cost of reinsurance less recoveries from reinsurer. The cost of reinsurance is recognised as services are received from the reinsurer over the coverage period, while reinsurance recoveries are recognised as claims and other insurance service expenses are recovered.

2.8.8 Net Finance income/expenses from insurance contracts and reinsurance contracts

Net finance income or expense from insurance contracts and reinsurance contracts held are recognised as the carrying value for insurance and reinsurance contract changes as a result of i) the effect of the time value of money and changes in the time value of money; and ii) the effect of financial risk and changes in financial risk.

For contracts measured using the PAA, the Group presents finance income and expenses from insurance and reinsurance contracts in net income.

The Group disaggregates changes in the risk adjustment for non-financial risk between the insurance service expenses and net finance income/expense from insurance contracts and finance income/expenses from reinsurance contracts by applying a systematic allocation method.

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

2.9 Property and equipment

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

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 Property and equipment are determined by reference to their carrying amount and are recognised in Commissions and other income in the Consolidated Statements of Comprehensive Operations.

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 Operations. Interest expenses and other expenses related to the post-employment medical benefit plan are recognised in Operating expenses in the Consolidated Statements of Comprehensive Operations.

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 Operations 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 Property and equipment 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 Operations.

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, 2023.

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

2.13 **Application of new and revised accounting standards** (continued)

2.13.1 IFRS 9, *Financial Instruments*

Effective April 1, 2023, the Company adopted IFRS 9, Financial instruments, which replaces IAS 39, Financial Instruments: Recognition and Measurement. IFRS 9 introduces three principal classification categories for financial assets. Financial assets are measured at initial recognition at fair value, and are classified as and subsequently measured at FVTPL, FVOCI or amortised cost based on the Company's business model for managing the financial asset and the contractual cash flow characteristics of the asset. The held-to-maturity, available-for-sale (AFS), and loans and receivable classification from IAS 39 are no longer applicable under IFRS 9. IFRS 9 maintains the IAS 39 classification for financial liabilities. Under IFRS 9, financial liabilities are measured at either amortised cost, FVOCI or FVTPL. The Company has applied IFRS 9 prospectively as such comparative amounts have not been restated. The impact of the transition is summarized below.

Prior Measurement (IAS 39)	Current Measurement (IFRS 9)	Net Income	Other Comprehensive Income	Total Comprehensive Income & Equity Impact
FVOCI	FVTPL	(108)	108	-

IFRS 9 maintains the IAS 39 classification for financial liabilities. It also introduces a new impairment model for financial instruments not measured at FVTPL that requires the recognition of expected credit losses at initial recognition of a financial instrument and the recognition of full lifetime expected credit losses if there is a SICR.

As permitted by IFRS 9, the Group has elected to not apply the standard retrospectively. Therefore, comparative amounts have not been restated.

2.13.2 IFRS 17, *Insurance Contracts*

IFRS 17 establishes the principles for the recognition, measurement, presentation, and disclosure of insurance contracts issued and reinsurance contracts held by the Company. The premium allocation approach, an optional simplified measurement model is applicable to short duration contracts where the policy's contract boundary is one year or less. When measuring liabilities for remaining coverage, the PAA is similar to the Company's previous accounting treatment. However, when measuring liabilities for incurred claims, the Company now discounts the future cash flows, unless they are expected to occur in one year or less from the date on which the claims are incurred and includes an explicit risk adjustment for non-financial risk. The PAA model has been applied to the Group's property and casualty insurance products.

Previously, all acquisition costs were recognised and presented as separate assets from the related insurance contracts (deferred acquisition costs) until those costs were included net earnings and OCI. Under IFRS 17, only insurance acquisition cash flows that arise before the recognition of the related insurance contracts are recognised as separate assets and are tested for recoverability. These assets are presented in the carrying amount of the related portfolio of contracts and are derecognised once the related contracts have been recognised.

Income and expenses from reinsurance contracts other than insurance finance income and expenses are now presented as a single net amount on the Consolidated Statements of Operations. Previously, amounts recovered from reinsurers and reinsurance expenses were presented separately.

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

2. **Application of new and revised accounting standards** (continued)

2.13.2 IFRS 17, *Insurance Contracts* (continued)

For presentation in the Consolidated Balance Sheets, the Company aggregates portfolios of insurance issued, and reinsurance contracts held and presents separately:

- Portfolios of insurance contracts issued that are assets.
- Portfolios of reinsurance contracts held that are assets.
- Portfolios of insurance contracts issued that are liabilities.
- Portfolios of reinsurance contracts held that are liabilities.

The portfolios referred to above are those established at initial recognition in accordance with the IFRS 17 requirements. Some line item descriptions in the Consolidated Statements of Operations have been changed significantly compared with last year.

Previously, the Company reported the following line items:

- Gross premium written
- Reinsurance ceded
- Net change in unearned premium
- Claims and adjustment expenses
- Reinsurance recoveries
- Gross change in contract liabilities
- Changes in reinsures' share of claims provisions.

Instead, IFRS 17 requires separate presentation of:

- Insurance revenue
- Insurance service expenses
- Income/expenses from reinsurance contracts held
- Net finance income/expenses from insurance contracts
- Net finance income/expenses from reinsurance contracts held.

The Company provides disaggregated qualitative and quantitative information in the notes to the consolidated financial statements about:

- Amounts recognised in its financial statements from insurance contracts.
- Significant judgements, and changes in those judgements, when applying the standard.

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

Application of new and revised accounting standards (continued)

2.13.2 IFRS 17, *Insurance Contracts* (continued)

Impact of Transition

The changes in accounting policies resulting from the adoption of IFRS 17 have been applied using a full retrospective approach.

Under the full retrospective approach, at April 1, 2022 the Company:

- identified, recognised and measured each group of insurance and reinsurance contractsas if IFRS 17 had always been applied, and
- derecognised previously reported balances that would not have existed if IFRS 17 had always been applied. These included some deferred acquisition costs for insurance contracts, and insurance receivables and payables. Under IFRS 17, they are included in the measurement of the insurance contracts.

The effects of adopting IFRS 17 to shareholder's equity comprised of :

	2023	2022
Shareholder's equity as previously reported	29,646	29,474
IFRS 17 adjustments:		
Discounting of provision for losses and loss adjustment expenses	400	216
Risk adjustment	(244)	(239)
Total adjustments	156	(23)
Shareholder's equity as restated	29,802	29,451

The comparative year has been restated resulting in an increase in the net earnings $0.2 million for the year ended March 31, 2023, and a cumulative increase in shareholders' equity of $0.2 million as at March 31, 2023. Impact on the shareholders' equity as at April 1, 2022 is negligible. These adjustments are presented in the consolidated statement of changes in equity.

2.14 Future accounting and reporting changes

A summary of the recently issued new accounting standards that will impact the Group in 2024 and beyond is as follows:

2.14.1 *Amendments to IFRS 16 Leases*

In September 2022, the IASB issued amendments to IFRS 16 Leases (IFRS 16), effective for annual reporting periods beginning on or after January 1, 2024, with early application permitted. The amendments specify how a seller-lessees should subsequently measures sales and leaseback transactions that meet the requirements in IFRS 15, Revenue from Contracts with Customers to be accounted for as a sale. The amendments require a seller-lessee to subsequently measure lease liabilities arising from a leaseback transaction such that it recognises no gain or loss relating to the right it retains. Adoption of these amendments are not expected to have a significant impact on the Group's consolidated financial statements.

2.14.2 *Amendments to IAS 12 Income Taxes*

In May 2023, the IASB issued amendments to IAS 12 Income Taxes (IAS 12), related to the OECD's International Pillar Two Tax Reform. The OECD aims to establish a global minimum tax for large international companies. In response to the OECD's reforms, in December 2023, a 15 per cent corporate income tax was enacted in Bermuda. The Group is not presently in scope of the requirements since the corporate income tax is applicable only to multinational enterprise groups with annual revenues of €750 million or more.

3. Cash and short-term investments

As at March 31	2024	2023
Cash at bank and in hand	14,548	2,848
Short-term investments	-	676
Total	14,548	3,524

4. Investments

4.1 Carrying values and estimated fair values of investments

As at March 31	2024		2023	
	Fair Value	Carrying Value	Fair Value	Carrying Value
Investments at FVOCI				
Bonds	-	-	16,246	16,246
Equities	1,483	1,483	4,433	4,433
Total investments	1,483	1,483	20,679	20,679
Investments at FVTPL				
Bonds	7,207	7,207	-	-
Total investments	7,207	7,207	-	-
Total investments	8,690	8,690	20,679	20,679

SPPI criterion:
As discussed in Note 2.14.2, the Group has investment in funds primarily invested in bonds amounting to $7.2 million (2023 – $16.2 million) that do not meet the SPPI criterion. The bonds credit rating has been discussed in Note 9.3.2(c). The change in the fair value of these invested assets during the year is a gain of $0.1 million (2023 – gain of $0.2 million).

Investments in equity funds with a carrying value of nil (2023 – $4.4 million) do not meet the SPPI criterion as at March 31, 2024.

4.2 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, 2024 and 2023.

4. **Investments** (continued)

4.2 **Fair value measurement** (continued)

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 and fixed maturity investments and certain derivatives, such as:

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

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

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.

4. **Investments** (continued)

4.2 **Fair value measurement** (continued)

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.

4.2.1 Assets measured at fair value

The following table presents fair value of the Group's assets measured at fair value in the Consolidated Balance Sheet, categorized by lever under the fair value hierarchy.

March 31, 2024	Level 1	Level 2	Level 3	Total
Cash and short-term investments	14,548	-	-	14,548
Investments at FVOCI				
Unquoted equities	-	-	1,483	1,483
Investments at FVTPL				
Bonds	4,664	2,543	-	7,207
	19,212	2,543	1,483	23,238
Investment Property	-	-	2,399	2,399
Total assets at fair value	19,212	2,543	3,882	25,637

March 31, 2023	Level 1	Level 2	Level 3	Total
Cash and short-term investments	3,524	-	-	3,524
Available-for-sale:				
Investment in bond funds	6,069	10,177	-	16,246
Investment in equity funds	1,796	365	-	2,161
Unquoted equities	-	-	2,272	2,272
	11,389	10,542	2,272	24,203
Investment Property	-	-	2,399	2,399
Total assets at fair value	11,389	10,542	4,671	26,602

4. **Investments** (continued)

4.2.2 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, 2024 and 2023, 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	2024	2023
Balance, beginning of year	4,671	2,274
Included in Other Comprehensive Income	201	(2)
Sales/write-off	(990)	-
Investment Property reclassfied from Level 2 to Level 3	-	2,399
Balance, end of year	3,882	4,671

5. **Investment in associates**

The Group's investment in associate is comprised of 40.7 percent (2023 – 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 $2.7 million (2023 – $3.0 million). The Group's share in earnings of associates as at March 31, 2024 amounts to a profit of $0.1 million (2023 – $0.1 million profit), this was as a result of the sale of Bermuda Microsystems Group.

The financial information of CDL includes the following:

	2024	2023
Total assets	10,813	10,850
Liabilities	4,112	4,175
Net income/(loss)	233	156

The Group has issued a guarantee in respect of its proportionate share of a term bank loan facility totaling $4.0 million (2023 - $4.2 million) for this office building which is owned by CDL.

6. 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 (2023 – $nil), which is included in Investment income in the Consolidated Statements of Comprehensive Operations. Direct operating expenses included within Investment income arising in respect of such properties during the year were $0.3 million (2023 – $0.2 million).

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

7. Property and equipment

	Land and Buildings	Other Equipment	Total
Gross carrying amount			
Balance, March 31, 2022	10,648	406	11,054
Additions	21	37	58
Balance, March 31, 2023	10,669	443	11,112
Additions	3,694	-	3,694
Balance, March 31, 2024	14,363	443	14,806
Accumulated depreciation			
Balance, March 31, 2022	9,487	86	9,573
Depreciation for the year	138	82	220
Balance, March 31, 2023	9,625	168	9,793
Depreciation for the year	271	89	360
Balance, March 31, 2024	9,896	257	10,153
Net carrying amount			
As at March 31, 2023	1,044	275	1,319
As at March 31, 2024	4,467	186	4,653

Depreciation of $0.4 million (2023 - $0.2 million) refers to the depreciation of capitalised costs arising from major building renovations and the acquisition of other equipment. As of March 31, 2024, the net carrying amount of the building relates to capitalised building renovations with remaining useful lives ranging from one to ten years (2023- one to ten years).

There were no impairments recognised for the year ended March 31, 2024 and 2023.

8. **Insurance and reinsurance contracts**

The Group's Insurance contracts issued and reinsurance contracts held by operating segment and exclude intercompany balances comprised of:

As at March 31	Note	2024	2023	2022
Insurance contract liabilities	8.2	20,908	17,691	17,451
Reinsurance contract assets	8.3	16,190	11,876	10,425
Net		4,718	5,815	7,026

8.1 **Significant judgements**

Fulfilment cash flows

Fulfilment cash flows comprise:

- estimates of future cash flows;
- an adjustment to reflect the time value of money and the financial risks related to future cash flows, to the extent that the financial risks are not included in the estimates of future cash flows; and
- a risk adjustment for non-financial risk.

The Company's objective in estimating future cash flows is to determine the expected value of a range of scenarios that reflects the full range of possible outcomes. The cash flows from each scenario are discounted and weighted by the estimated probability of that outcome to derive an expected present value.

a. **Estimates of future cash flows**

In estimating future cash flows, the Company incorporates, in an unbiased way, all reasonable and supportable information that is available without undue cost or effort at the reporting date. This information includes both internal and external historical data about claims and other experiences, updated to reflect current expectations of future events. The estimates of future cash flows reflect the Company's view of current conditions at the reporting date. Cash flows within the boundary of a contract relate directly to the fulfilment of the contract, including those for which the Company has discretion over the amount or timing. These include payments to (or on behalf of) policyholders, insurance acquisition cash flows and other costs that are incurred in fulfilling contracts.

Insurance acquisition cash flows arise from the activities of selling, underwriting and starting a group of contracts that are directly attributable to the portfolio of contracts to which the group belongs. Other costs that are incurred in fulfilling the contracts include: i) claims handling, maintenance and administration costs, (ii) recurring commissions payable on instalment premiums receivable within the contract boundary, and (iii) income tax and other costs specifically chargeable to the policyholders under the terms of the contracts.

The Insurance acquisition cash flows and other costs attributable to a group of contracts comprise of both direct costs and an allocation of fixed and variable overheads. the Company allocates insurance acquisition cash flows using methods that are systematic and rational. The methods used are consistently applied to all costs that have similar characteristics.

8. **Insurance and reinsurance contracts** (continued)

8.1 **Significant judgements** (continued)

b. **Actuarial assumptions**

The Company based its assumptions and estimates on parameters available at the reporting date. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Company. Such changes are reflected in the assumptions when they occur. When measuring LRC, the PAA is broadly similar to the Company's previous accounting treatment under IFRS 4. However, when measuring, LIC the Company now discounts cash flows that are expected to occur more than one year after the date on which the claims are incurred and includes an explicit risk adjustment for non-financial risk.

Operating expense assumptions reflect the projected costs of servicing and maintaining the in-force policies. The assumptions are derived from internal reviews of operating costs and include an allowance for inflation. the Company prices its products to cover the expected costs of servicing and maintaining them. In addition, the Company monitors expenses quarterly, including comparisons of actual expenses to expense allowances used in pricing and valuation.

c. **Discount rate**

All cash flows are discounted using risk-free yield curves adjusted to reflect the characteristics of the cash flows and the liquidity of the insurance contracts. the Company uses a risk-free curve based on Bloomberg data for government treasuries by currency. An illiquidity premium is determined by applying a liquidity spread ratio to the total spread on the reference portfolio. An internally generated risk-free discount curve can be transparently developed from market data, ensuring consistency with IFRS 17.

The tables below set out the yield curves used to discount the cash flows of P&C contracts:

	1 year	5 years	10 years
2024	5.37%	4.77%	5.04%
2023	5.03%	4.50%	4.70%

d. **Risk adjustment for non-financial risk**

Risk adjustment for non-financial risk reflects the compensation the Company would require for bearing non-financial risk. The risk adjustment for non-financial risk is determined using the cost of capital technique. Using this technique, the Company determines the risk adjustment for non-financial risk by applying a cost-of-capital rate to the amount of capital required for each future reporting date and discounting the result using the discount curves described above.

The required capital is determined by using the Bermuda Solvency Capital Requirement (BSCR) as a basis. The cost-of-capital rate is the additional reward that investors would require for exposure to the non-financial risk. The Company's weighted-average cost-of-capital rate is 11.5% (2023: 10.6%). The risk adjustments for non-financial risk for all contracts correspond to a confidence level of approximately 66.6%, which is based on a 1-year time horizon for both years ended March 31, 2024 and 2023.

8. **Insurance and reinsurance contracts** (continued)

8.2 Insurance contracts issued

An analysis of the LRC and LIC for insurance contracts issued by the property and casualty operating segment measured under the PAA were as follows:

As at March 31	2024			
		Liabilities for Incurred Claims		
	Liabilities for Remaining Coverage	Estimates of Present Value of Future Cash Flows	Risk Adjustment for Non-financial Risk	Total
Opening insurance contract assets				
Opening insurance contract liabilities	4,206	12,911	574	17,691
Net opening balance	4,206	12,912	574	17,692
Insurance revenue	(35,895)	-	-	(35,895)
Insurance service expenses				
Incurred claims and other insurance service expenses	-	7,828	-	7,828
Amortisation of insurance acquisition cash flows	5,330	-	-	5,330
Adjustments to liabilities for incurred claims	-	1,609	(9)	1,600
Total insurance service expenses	5,330	9,437	(9)	14,758
Total insurance service result	(30,565)	9,437	(9)	(21,137)
Insurance finance income or expense				
The effect of and changes in time of time value of money and financial risk	-	551	22	573
Total changes in the consolidated statememt of comprehensive operations	(30,565)	9,988	13	(20,564)
Cash flows				
Premiums and premium tax received	37,056	-	-	37,056
Claims and other insurance service expenses paid	-	(7,925)	-	(7,925)
Insurance acquisition cash flows	(5,351)	-	-	(5,351)
Total cash flows	31,705	(7,925)	-	23,780
Net closing balance	5,346	14,975	587	20,908
Closing insurance contact assets				
Closing Insurance contract liabilities	5,346	14,975	587	20,908
Net closing balance	5,346	14,975	587	20,908

8. **Insurance and reinsurance contracts** (continued)

8.2 **Insurance contracts issued** (continued)

As at March 31	**2023**			
		Liabilities for Incurred Claims		
	Liabilities for Remaining Coverage	Estimates of Present Value of Future Cash Flows	Risk Adjustment for Non-financial Risk	Total
Opening insurance contract assets				
Opening insurance contract liabilities	5,760	11,171	520	17,451
Net opening balance	5,760	11,171	520	17,451
Insurance revenue	(33,165)	-	-	(33,165)
Insurance service expenses				
Incurred claims and other insurance service expenses	-	8,140	88	8,228
Amortisation of insurance acquisition cash flows	5,056	-	-	5,056
Adjustments to liabilities for incurred claims	-	1,428	(43)	1,385
Total insurance service expenses	5,056	9,568	45	14,669
Total insurance service result	(28,109)	9,568	45	(18,496)
Insurance finance income or expense				
The effect of and changes in time of time value of money and financial risk	-	188	8	196
Total changes in the consolidated statememt of comprehensive operations	(28,109)	9,756	53	(18,300)
Cash flows				
Premiums and premium tax received	31,600	-	-	31,600
Claims and other insurance service expenses paid	-	(8,016)	-	(8,016)
Insurance acquisition cash flows	(5,044)	-	-	(5,044)
Total cash flows	26,556	(8,016)	-	18,540
Net closing balance	4,207	12,911	573	17,691
Closing insurance contact assets				
Closing insurance contract liabilities	4,207	12,911	573	17,691
Net closing balance	4,207	12,911	573	17,691

8. **Insurance and reinsurance contracts** (continued)

8.3 Reinsurance contracts held

Reinsurance contracts held measured for the PAA - analysis by remaining coverage and incurred claims.

As at March 31	2024			
		Assets for Incurred Claims		
	Assets for Remaining Coverage	Estimates of Present Value of Future Cash Flows	Risk Adjustment for Non-financial Risk	Total
Opening reinsurance contract assets	(4,137)	(7,410)	(329)	(11,876)
Opening reinsurance contract liabilities	-	-	-	-
Net opening balance	(4,137)	(7,410)	(329)	(11,876)
Allocation of reinsurance premiums paid	18,230	-	-	18,230
Amounts recoverable from reinsurance				
Recoveries of incurred claims and other insurance service expense	-	(5,577)	-	(5,577)
Adjustment to asset for incurred claims	-	(2,132)	(41)	(2,173)
	-	(7,709)	(41)	(7,750)
Effect of changes in non-performance risk of reinsurers	-	-	-	-
Net expenses from reinsurance contracts	18,230	(7,709)	(41)	10,480
The effect of and changes in time of time value of money and financial risk	-	(300)	(12)	(312)
Net finance income from reinsurance contracts	-	(300)	(12)	(312)
Total changes in the consolidated statement of comprehensive operations	18,230	(8,009)	(53)	10,168
Cash flows				
Premiums and premium tax paid	(19,723)	-	-	(19,723)
Amounts recovered	-	5,241	-	5,241
Total cash flows	(19,723)	5,241	-	(14,482)
Net ending balance	(5,630)	(10,178)	(382)	(16,190)
Closing reinsurance contract assets	(5,630)	(10,178)	(382)	(16,190)
Closing reinsurance contract liabilities	-	-	-	-
Net ending balance	(5,630)	(10,178)	(382)	(16,190)

8. **Insurance and reinsurance contracts** (continued)

8.3 **Reinsurance contracts held** (continued)

As at March 31	**2023**			
		Assets for Incurred Claims		
	Assets for Remaining Coverage	Estimates of Present Value of Future Cash Flows	Risk Adjustment for Non-financial Risk	Total
Opening reinsurance contract assets	(3,817)	(6,327)	(281)	(10,425)
Opening reinsurance contract liabilities	-	-	-	-
Net opening balance	(3,817)	(6,327)	(281)	(10,425)
Allocation of reinsurance premiums paid	15,593	-	-	15,593
Amounts recoverable from reinsurance				
Recoveries of incurred claims and other insurance service expense	-	(5,219)	(54)	(5,273)
Adjustment to asset for incurred claims	-	(1,172)	12	(1,160)
	-	(6,391)	(42)	(6,433)
Effect of changes in non-performance risk of reinsurers	-	-	-	-
Net expenses from reinsurance contracts	15,593	(6,391)	(42)	9,160
The effect of and changes in time of time value of money and financial risk	-	(129)	(6)	(135)
Net finance income from reinsurance contracts	-	(129)	(6)	(135)
Total changes in the consolidated statement of comprehensive operations	15,593	(6,520)	(48)	9,025
Cash flows				
Premiums and premium tax paid	(15,913)	-	-	(15,913)
Amounts recovered	-	5,437	-	5,437
Total cash flows	(15,913)	5,437	-	(10,476)
Net Closing Balance	(4,137)	(7,410)	(329)	(11,876)
Closing reinsurance contract assets	(4,137)	(7,410)	(329)	(11,876)
Closing reinsurance contract liabilities	-	-	-	-
Net ending balance	(4,137)	(7,410)	(329)	(11,876)

8. **Insurance and reinsurance contracts** (continued)

8.4 Assets for insurance acquisition cash flows

Balance, March 31, 2022	161
Amount incurred during the year	5,056
Amount derecognised and included in the measurement of insurance contracts	(5,067)
Impairment losses	-
Balance, March 31, 2023	150
Amount incurred during the year	5,330
Amount derecognised and included in the measurement of insurance contracts	(5,310)
Impairment losses	-
Balance, March 31, 2024	170

8.5 Sensitivity

The estimate of the Group’s liabilities for incurred claims is sensitive to a large number of variables and assumptions. The estimate of liabilities for incurred claims 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 liabilities for incurred claims and that another actuary, using an alternative set of reasonable assumptions, could produce a different, but reasonable, estimate of liabilities for incurred claims. The following analysis presents the sensitivities both before and after risk mitigation by reinsurance and assumes that all other variables remain constant.

	Impact on Profit or Loss and Equity	
	Gross	Net
Ultimate claims (5% increase)	(2,173)	(756)
Ultimate claims (5% decrease)	2,173	756

8. **Insurance and reinsurance contracts** (continued)

8.6 Claims development table

The following tables show the estimates of cumulative incurred claims, including both claims notified and incurred but not reported reserves for each successive accident year at each reporting date, together with cumulative payments to date.

Gross claims

Accident year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Total
Estimates of undiscounted gross cumulative claims											
as at end of accident year	41,687	3,784	7,387	6,346	4,654	14,442	7,635	8,437	6,142	6,416	
one year later	41,302	3,456	7,407	6,216	4,683	14,789	6,754	7,491	5,679	-	
two years later	41,237	3,462	7,150	6,827	4,635	15,110	9,028	7,777	-	-	
three years later	41,465	3,355	7,066	6,665	4,867	15,055	10,655	-	-	-	
four years later	41,534	3,258	6,952	6,304	5,179	15,271	-	-	-	-	
five years later	41,531	3,227	6,939	6,560	6,051	-	-	-	-	-	
six years later	41,640	3,216	6,938	6,702	-	-	-	-	-	-	
seven years later	41,713	3,202	6,918	-	-	-	-	-	-	-	
eight years later	42,242	3,202	-	-	-	-	-	-	-	-	
nine years later	42,122	-	-	-	-	-	-	-	-	-	
Current estimate of cumulative liability	42,122	3,202	6,918	6,702	6,051	15,271	10,655	7,777	5,679	6,416	**110,794**
Cumulative payments to date	(42,122)	(3,202)	(6,916)	(6,679)	(3,953)	(13,854)	(6,304)	(6,625)	(3,556)	(2,419)	**(95,630)**
Gross liabilities	-	-	2	23	2,098	1,417	4,351	1,152	2,123	3,997	**15,164**
Expense adjustment											**1,473**
Effect of discounting											**(1,662)**
Risk adjustment											**587**
Gross liabilites for incurred claims (Refer to Note 8.2)											**15,562**

8. **Insurance and reinsurance contracts** (continued)

8.6 **Claims development table** (continued)

Net claims

Accident year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Total
Estimates of undiscounted net cumulative claims											
as at end of accident year	5,493.00	2,704	3,042	3,755	3,563	5,338	3,462	3,991	3,848	3,925	
one year later	5,323.00	2,479	3,183	3,910	3,287	4,967	3,126	3,663	3,476	-	
two years later	5,483.00	2,521	2,940	4,476	3,165	4,729	2,828	3,556	-	-	
three years later	5,606.00	2,320	2,763	4,232	3,008	4,651	2,816	-	-	-	
four years later	5,546.00	2,367	2,658	4,176	3,243	4,522	-	-	-	-	
five years later	5,548.00	2,314	2,649	4,390	3,246	-	-	-	-	-	
six years later	5,645.00	2,306	2,638	4,421	-	-	-	-	-	-	
seven years later	5,734.00	2,303	2,637	-	-	-	-	-	-	-	
eight years later	5,769.00	2,301	-	-	-	-	-	-	-	-	
nine years later	5,769.00	-	-	-	-	-	-	-	-	-	
Current estimate of cumulative liability	5,769.00	2,301	2,637	4,421	3,246	4,522	2,816	3,556	3,476	3,925	**36,669**
Cumulative payments to date	(5,769.00)	(2,301)	(2,637)	(4,420)	(2,944)	(4,443)	(2,562)	(3,065)	(2,349)	(2,440)	**(32,930)**
Net liabilities	-	-	-	1	302	79	254	491	1,127	1,485	**3,739**
Expense adjustment											**1,473**
Effect of discounting											**(416)**
Risk adjustment											**206**
Net liabilites for incurred claims (Refer to Note 8.2)											**5,002**

9. Risk management

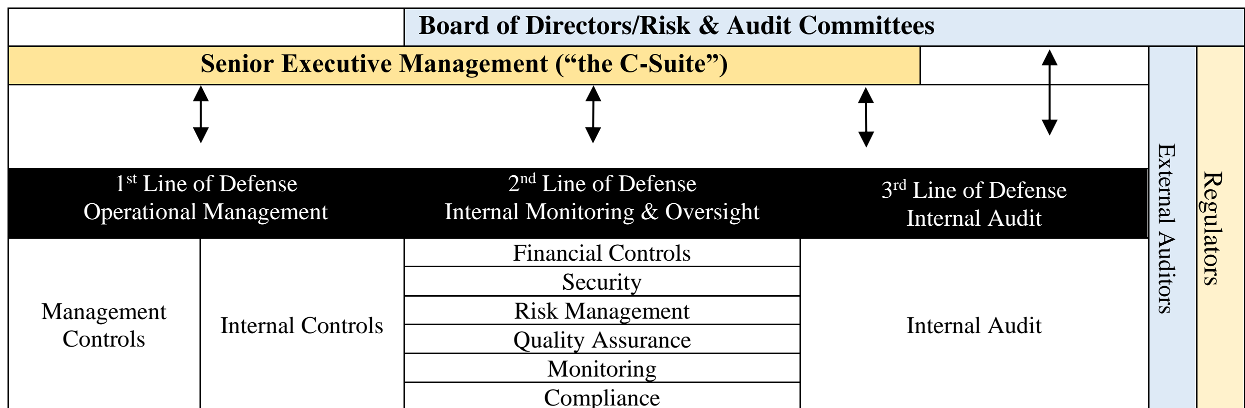
9.1 Governance framework

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.



9.2 Operational risk and Capital management

9.2.1 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, 2024 was $40.3 million (2023 - $31.4 million) and the minimum amount required to be maintained by the Group was $6.5 million (2023 - $5.0 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.

9. **Risk management** (continued)

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

9.2.1 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, 2024 and 2023, 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, 2024 and 2023, 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.

9.3 **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.

9.3.1 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.

9. **Risk management** (continued)

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

9.3.2 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.

9.3.2(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.

As at March 31	Note	2024	2023
Cash and short-term investments	3	14,548	3,524
Investment in bond fund – at available-for-sale	4.1	7,207	16,246
Due from parent	13	12,918	5,871
Due from associate	13	-	163
Reinsurance contract assets	8	16,190	11,876
Total Consolidated Balance Sheet maximum credit exposure		50,863	37,680

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.

9.3.2(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 $7.2 million at March 31, 2024 (2023 - $16.2 million).

9.3.2(c) Asset Quality

Bonds by credit rating

The Group’s investment in funds had a weighted average rating of A+ in 2024 (2023 - A) related to the underlying investments.

9. **Risk management** (continued)

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

9.3.3 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, 2024	Within 1 year	2-5 years	6-10 years	Over 10 years	Total
Insurance contract liabilities net of reinsurance [1]	2,344	2,441	144	-	4,929
Due to associate	-				-
Accounts payable and accrued liabilities	3,180	-	-	-	3,180
	5,524	2,441	144	-	8,109

As at March 31, 2023	Within 1 year	2-5 years	6-10 years	Over 10 years	Total
Insurance contract liabilities net of reinsurance [1]	3,349	2,490	132	-	5,971
Due to associate	205				205
Accounts payable and accrued liabilities	1,330	-	-	-	1,330
	4,884	2,490	132	-	7,506

(1) The amounts shown above are based on estimated net undiscounted cash flows, which differ from the amounts shown on the Consolidated Balance Sheets, which are based on discounted cashflows inclusive of risk adjustment.

9. **Risk management** (continued)

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

9.3.4 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.

9.3.4(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.

An analysis of the Group’s sensitivity to a 1% parallel increase or decrease in market interest rates at the reporting date, assuming that all other variables remain constant, is presented below.

	Impact on Profit or Loss (net)	Impact on Equity (net)
1% increase	78	78
1% decrease	(80)	(80)

9.3.4(b) Equity Risk

Equity investments are held in accordance with the Group’s investment policy as part of the well-diversified asset portfolio that are appropriate for the operating segment. Equity risk is the uncertainty associated with the valuation of assets arising from changes in equity markets. 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.

9.4 **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 claims. Therefore, the objective of the Group is to ensure that sufficient reserves are available to cover these liabilities.

9. **Risk management** (continued)

9.4 **Insurance risk management** (continued)

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

The Group purchases reinsurance as part of its 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.

The carrying amounts of the Group's insurance contracts (net of reinsurance) are analysed below by type of insurance risks:

As at March 31	2024	2023
Motor	4,385	5,171
Accident and liability	1,089	922
Property	(634)	(338)
Marine	(122)	60
Net	4,718	5,815

9.5 **Limitations of Sensitivity Analysis**

The sensitivity information given in Note 8.5 and Note 9 demonstrate 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.

10. Accounts payable and accrued liabilities

As at March 31	2024	2023
Payables and other accrued expenses	2,934	1,113
Financial services tax liability	246	217
	3,180	1,330

11. Net financial results

For the years ended March 31	2024	2023
Investment return		
Interest income (calculated using the effective interest rate method)	634	478
Dividend income	145	167
Net realised and unrealised gains/(loss) on investments	111	(963)
Rental income and other	(502)	(485)
Total investment return	388	(803)
Net finance expenses from insurance contracts		
Interest accreted	(721)	(437)
Effect of changes in interest rates and other financial assumption	148	241
Total net finance expenses from insurance contracts	(573)	(196)
Net finance income from reinsurance contracts		
Interest accreted	96	251
Effect of changes in interest rates and other financial assumption	216	(116)
Total Insurance Finance Income or Expense from Reinsurance Contracts	312	135
Net Financial Result	127	(864)

12. Operating expenses

Operating expenses incurred during the year are as follows:

For the years ended March 31	2024	2023
Employee benefits expense (see table below)	1,574	1,633
Parent allocated expenses	5,074	4,298
Depreciation	360	220
Other expenses	1,069	956
Total Operating Expenses	8,077	7,107
Amounts attributed to insurance acquisition cash flows incurred during the year	(4,005)	(3,475)
Amortisation of insurance acquisition cash flows	4,005	3,475
	8,077	7,107
Represented by:		
Insurance service expenses	5,442	5,049
Other operating expenses	2,635	2,058
Total	8,077	7,107

Employee benefits expense during the year is composed of:

For the years ended March 31	2024	2023
Salaries and other short-term benefits	1,502	1,558
Pension costs [1]	66	71
Stock-based compensation	6	4
	1,574	1,633

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

13. Related party transactions

Significant related party transactions are as follows:

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

	2024	2023
Parent and subsidiaries	0.2	0.3
Various associates	0.1	0.1
	0.3	0.4

13.2 Total operating expenses include the Group's allocation of Parent overhead expenses of $4.6 million (2023 - $3.8 million) and a management fee expense of $0.5 million (2023 - $0.5 million).

13.3 Acquisition costs reported in the Insurance service expense include commission paid to an affiliate for brokerage services provided amounting to $1.0 million (2023 - $1.1 million).

13.4 Due from parent and subsidiaries of $12.9 million (2023 - $6.0 million) includes surplus cash deposits with the Parent/subsidiaries, post-employment benefits obligation and due to associate of $nil (2023 - $0.2 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.

13.5 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 (2023 - $0.01 million).

14. **Dividends and return of capital to parent**

The Company declared and paid cash dividends of $nil (2023 - $6.4 million) to its Parent during the year.

15. **Commitments and contingencies**

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

16. **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.

17. **Subsequent events**

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