

July 8, 2016

Dear Shareholder,

You will be pleased to learn that the Argus Group reported net earnings of \$7.3 million for the year ended March 31, 2016. Included within the net earnings figure are unrealised investment losses of \$8.0 million, which are driven by short-term volatility in global investment markets, and as such, are not reflective of longer-term expectations for investment returns. Underlying earnings from business operations remain strong with net earnings of \$15.3 million before unrealised investment losses.

The Group's investment portfolio is well positioned to deliver on our policyholder commitments and deliver appropriate long-term yields. While some investment income volatility is inherent, we are taking steps to reduce the income volatility and allow the underlying strength of the business to shine through.

Shareholders' equity has increased to \$122.6 million and remains well in excess of the capital level required by regulators to support the insurance and investment activities of the Group. This strong capital position together with the underlying earnings strength of the Group has allowed the Board to increase the interim dividend to nine cents per share. This dividend will be paid on August 4, 2016 to shareholders of record on July 11, 2016. The long-term financial strength of our operations is underpinned by our three strategic pillars of growth, advocacy and innovation.

We've cemented our position as leading advocates for health through the continued roll-out of our wellness programme: Thrive. We've launched an exciting new platform of pension fund options, which has served to meet the needs of our clients and give us a competitive edge within the market place. We believe that these investments in our business infrastructure, which support the physical and financial health of our customers, are core to generating long-term sustainable shareholder value.

Our financial results were positively impacted by our strategic focus, which led to strong sales and high client retention during the year. Our ability to retain and acquire new clients in a competitive and complex regulatory market is testament to the strength of our people and our operations. These actions have had a positive impact on our Net Premiums Earned of \$139.2 million, an increase of one percent when compared with the prior year.

Our overseas growth strategy has gained considerable momentum with the successful integration of the Millennium Insurance Agency business and we have now completed the recently announced acquisition of Island Insurance Brokers Limited in Malta.



As you are aware, on Thursday, June 23rd 2016 the United Kingdom voted to leave the European Union, and the UK Prime Minister, David Cameron, tendered his resignation, effective October 2016. The slim majority "Brexit" vote was a surprise outcome that had not been anticipated by the political and business communities. Uncertainty often triggers volatility in financial markets. Stock markets typically respond very quickly to new information, and were down sharply on the two days following the referendum. However, stocks have since recovered modestly, reflecting confidence in policy makers to take steps to manage the risk and maneuver a smooth transition.

We understand that there may be questions and concerns and we would like to take this opportunity to reassure you of the following:

- We remain committed to our long term strategic focus of growing and expanding our business in Europe. That has not changed.
- We are closely following the situation as it evolves to assess the potential impact on our European businesses.
- With significant change comes great opportunity and we are taking time and talking to global industry experts and European-based government representatives to better explore how we might capitalize on those new opportunities in Europe as they emerge.

It is far too early to understand the detailed implications of this decision; however we do not currently expect it to have any immediate impact on our business or on our business locations.

Thank you for your loyalty. We look forward to a long and profitable future together.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Alison Hill', written over a light blue circular graphic element.

Alison S. Hill  
Chief Executive Officer

**BY E-MAIL**

Registrar@argus.bm

**BY HAND**

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Hamilton HM 11  
Attention: The Registrar

**BY MAIL**

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Attention: The Registrar

**QUESTIONS? Call 298-0888 AND ASK FOR THE REGISTRAR**