

December 20, 2019

Dear Shareholder,

Against the backdrop of a challenging business environment, we are pleased to announce that the Argus Group reported net earnings of \$3.9 million for the six months ended September 30, 2019 compared with net earnings of \$10.0 million in the corresponding period in 2018.

We continue to lay strong foundations from which to execute our strategy of becoming a Digital Integrated Specialist. We are delighted with our two newest acquisitions - One Team Health and FirstUnited Insurance Brokers - which further strengthen our services and market share internationally. We're investing in our strategy today to ensure sustainable value for all in the future.

The strength in our operations is reflected in the excellent combined operating ratio of 84.4% (2018: 80.5%), which is a metric to track the overall performance of our underwriting operations by comparing premium income to the cost of claims and operating expenses. All of our divisions have contributed positively to the underwriting result.

Net claims in our health division have decreased by a further \$1.0 million due to enhanced claims management. Our acquisition of One Team Health is also helping to decrease our claims costs by improving the efficiency of case management and delivering overseas network enhancements. Premiums for our health division have decreased by \$6.2 million, primarily due to hospital financing reform, partially offset by targeted rate increases for existing insureds. The 2019 Bermuda hospital financing reform has had a \$2 million adverse impact on the financial results for the first six months of our fiscal year and we anticipate that this adverse impact on the profitability of our health division will continue.

The Bermuda Government has announced another phase of its national health plan, which introduces a unified payer model of health financing with the aim of 'improving efficiency, reducing duplication and controlling health costs'. As strong client advocates, we will continue to work with all healthcare stakeholders to support a financially sustainable, robust healthcare delivery system for our community.

Interest rate volatility has caused a short-term impact on our six month financial results particularly in our Annuity business. During the period, the decline in interest rates resulted in an increase in our annuity liabilities. The Group's long-term fixed income portfolio exists to match our longer-term insurance and investment liabilities.

Despite the impact from Hurricane Humberto in Bermuda, net earnings for the Property and Casualty Division have seen a 45 percent increase over the corresponding period in 2018. We forecast that Hurricane Humberto will have a material negative economic impact on our Bermuda Property and Casualty business for the full year. Disciplined underwriting, supplemented by a strong reinsurance program, serves as the foundation for our Property and Casualty business. Our European businesses support global diversification having contributed positively to Group results through disciplined underwriting.

Fee income generated by our employee benefits, wealth management and insurance brokerage businesses of \$11.9 million remains stable.

The Group's investment portfolio has generated positive returns of \$13.6 million, an increase of \$5.9 million over the corresponding prior year period. The portfolio has benefited from its best-in-class investment managers navigating well through another roller-coaster year in investment markets, which have seen a broad-based drop in investment yields and a decline in credit spreads.

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The Group continues to hold a high quality, diversified, global investment portfolio with 87 percent of the Group's investments in fixed income bonds of which 97 percent are classified as investment grade.

Equity attributable to shareholders of the Company stands at \$130.6 million and remains well in excess of the capital required by regulators.

The Board has declared a dividend of nine cents per share payable on January 28, 2020 for shareholders of record on December 31, 2019.

I would like to take this opportunity to express my sincere appreciation to each Argus client and shareholder for their continued loyalty, support and confidence and to thank my Argus colleagues for their hard work, professionalism and commitment. It is my hope that you enjoy the forthcoming holiday season and that all of you prosper in the year ahead. Thank you for your loyalty and please accept my best wishes for 2020.

Yours sincerely,



Alison S. Hill

Chief Executive Officer



In support of our efforts to go green please find the most recent update of our Financial Report by visiting argus.bm/financial-reports

BY EMAIL

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QUESTIONS? CALL 298-0888 AND ASK FOR THE REGISTRAR
