UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

☒ **Quarterly report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**

For the quarterly period ended June 30, 2022
or

☐ **Transition report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the transition period from _____ to _____**

Commission file number: 1-15259

ARGO GROUP INTERNATIONAL HOLDINGS, LTD.
(Exact name of registrant as specified in its charter)

Bermuda	**98-0214719**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification Number)**
90 Pitts Bay Road	**P.O. Box HM 1282**
Pembroke HM08	**Hamilton HM FX**
Bermuda	**Bermuda**
(Address of principal executive offices)	**(Mailing address)**

(Registrant's telephone number, including area code): (441) 296-5858

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, Par Value of $1.00 Per Share	ARGO	New York Stock Exchange
6.500% Senior Notes Due 2042 issued by Argo Group U.S., Inc. and The Guarantee With Respects Thereto	ARGD	New York Stock Exchange
Depositary Shares, Each Representing a 1/1000th Interest in 7.00% Resettable Fixed Rate Preference Share, Series A, Par Value $1.00 Per Share	ARGOPrA	New York Stock Exchange

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ☒ Accelerated filer ☐ Non-accelerated filer ☐

Smaller reporting company ☐ Emerging growth company ☐

If an emerging growth company, indicate by check mark whether the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

Indicate the number of shares outstanding (net of treasury shares) of each of the issuer's classes of common shares as of August 5, 2022.

Title	Outstanding
Common Shares, par value $1.00 per share	35,020,237

ARGO GROUP INTERNATIONAL HOLDINGS, LTD.

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PART I. FINANCIAL INFORMATION

Item 1. Consolidated Financial Statements

ARGO GROUP INTERNATIONAL HOLDINGS, LTD.
CONDENSED CONSOLIDATED BALANCE SHEETS
(in millions, except number of shares and per share amounts)

	June 30, 2022	December 31, 2021
	(Unaudited)	
Assets		
Investments:		
Fixed maturities available-for-sale, at fair value (amortized cost: 2022 - $4,156.5, 2021 - $4,203.2; allowance for expected credit losses: 2022 - $2.0, 2021 - $2.5)	$ 3,849.0	$ 4,223.3
Commercial mortgage loans (cost: 2022 - $157.5)	157.5	—
Equity securities, at fair value (cost: 2022 - $58.4; 2021 - $70.3)	48.1	56.3
Other investments (cost: 2022 - $394.0; 2021 - $387.0)	394.1	387.2
Short-term investments, at fair value (amortized cost: 2022 - $464.5; 2021 - $655.4)	465.0	655.8
Total investments	4,913.7	5,322.6
Cash	165.1	146.1
Accrued investment income	22.2	20.9
Premiums receivable	674.8	648.6
Reinsurance recoverables	2,887.3	2,966.4
Goodwill	147.3	147.3
Intangible assets, net of accumulated amortization	17.3	17.3
Current income taxes receivable, net	—	7.3
Deferred tax asset, net	126.4	73.6
Deferred acquisition costs, net	174.3	168.0
Ceded unearned premiums	480.5	506.7
Operating lease right-of-use assets	58.8	81.4
Other assets	208.4	211.6
Total assets	$ 9,876.1	$ 10,317.8
Liabilities and Shareholders' Equity		
Reserves for losses and loss adjustment expenses	$ 5,595.5	$ 5,595.0
Unearned premiums	1,384.4	1,466.8
Accrued underwriting expenses and other liabilities	152.4	166.6
Ceded reinsurance payable, net	525.0	724.4
Funds held	233.1	76.6
Senior unsecured fixed rate notes	140.4	140.3
Other indebtedness	54.4	57.0
Junior subordinated debentures	258.4	258.2
Current income taxes payable, net	4.8	—
Operating lease liabilities	67.0	97.7
Total liabilities	8,415.4	8,582.6
Commitments and contingencies (Note 14)		
Shareholders' equity:		
Preferred shares and additional paid-in capital - $1.00 par, 30,000,000 shares authorized; 6,000 shares issued at June 30, 2022 and December 31, 2021, respectively; liquidation preference $25,000	144.0	144.0
Common shares - $1.00 par, 500,000,000 shares authorized; 46,291,590 and 46,192,867 shares issued at June 30, 2022 and December 31, 2021, respectively	46.3	46.2
Additional paid-in capital	1,388.9	1,386.4
Treasury shares (11,315,889 shares at June 30, 2022 and December 31, 2021, respectively)	(455.1)	(455.1)
Retained earnings	592.6	636.4
Accumulated other comprehensive income (loss), net of taxes	(256.0)	(22.7)
Total shareholders' equity	1,460.7	1,735.2
Total liabilities and shareholders' equity	$ 9,876.1	$ 10,317.8

See accompanying notes.

ARGO GROUP INTERNATIONAL HOLDINGS, LTD.
CONDENSED CONSOLIDATED STATEMENTS OF INCOME (LOSS)
(in millions, except number of shares and per share amounts)
(Unaudited)

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2022	2021	2022	2021
Premiums and other revenue:				
Earned premiums	$ 454.3	$ 470.3	$ 934.9	$ 936.4
Net investment income	29.3	52.7	67.0	97.1
Net investment and other gains (losses):				
Net realized investment and other gains (losses)	(36.9)	4.0	(77.0)	2.7
Change in fair value recognized	(3.0)	20.3	3.7	35.8
Change in allowance for credit losses on fixed maturity securities	(0.5)	0.4	(1.6)	(0.7)
Total net investment and other gains (losses)	(40.4)	24.7	(74.9)	37.8
Total revenue	443.2	547.7	927.0	1,071.3
Expenses:				
Losses and loss adjustment expenses	276.0	271.6	559.6	579.2
Underwriting, acquisition and insurance expenses	161.0	177.3	333.9	353.7
Non-operating expenses	15.6	10.8	23.0	12.7
Interest expense	6.1	5.7	11.9	10.8
Fee and other (income) expense, net	(1.1)	(0.8)	(1.9)	(0.7)
Foreign currency exchange (gains) losses	(10.3)	4.4	(7.4)	5.7
Total expenses	447.3	469.0	919.1	961.4
Income before income taxes	(4.1)	78.7	7.9	109.9
Income tax provision	12.1	8.9	25.1	10.3
Net income (loss)	$ (16.2)	$ 69.8	$ (17.2)	$ 99.6
Dividends on preferred shares	2.7	2.7	5.3	5.3
Net income (loss) attributable to common shareholders	$ (18.9)	$ 67.1	$ (22.5)	$ 94.3
Net income (loss) attributable to common shareholders per common share:				
Basic	$ (0.54)	$ 1.93	$ (0.64)	$ 2.72
Diluted	$ (0.54)	$ 1.92	$ (0.64)	$ 2.70
Dividend declared per common share	$ 0.31	$ 0.31	$ 0.62	$ 0.62
Weighted average common shares:				
Basic	34,964,773	34,820,649	34,928,555	34,766,948
Diluted	34,964,773	35,012,780	34,928,555	34,983,804

See accompanying notes.

ARGO GROUP INTERNATIONAL HOLDINGS, LTD.
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(in millions)
(Unaudited)

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2022	2021	2022	2021
Net income (loss)	$ (16.2)	$ 69.8	$ (17.2)	$ 99.6
Other comprehensive income (loss):				
Foreign currency translation:				
Foreign currency translation adjustments	(4.5)	3.4	(0.4)	2.5
Reclassification adjustment for foreign currency translation included in net income	4.5	—	31.8	—
Defined benefit pension plans:				
Net gain arising during the year	—	1.9	—	1.9
Unrealized losses on fixed maturity securities:				
(Losses) gains arising during the year	(150.4)	33.3	(322.4)	(28.8)
Reclassification adjustment for losses (gains) included in net income	—	(15.2)	(5.4)	(19.2)
Other comprehensive (loss) income before tax	(150.4)	23.4	(296.4)	(43.6)
Income tax (benefit) provision related to other comprehensive income (loss):				
Defined benefit pension plans:				
Net gain arising during the year	—	0.4	—	0.4
Unrealized gains (losses) on fixed maturity securities:				
(Losses) gains arising during the year	(29.3)	5.5	(62.1)	(6.3)
Reclassification adjustment for (gains) included in net income	—	(1.5)	(1.0)	(2.3)
Income tax (benefit) provision related to other comprehensive income (loss)	(29.3)	4.4	(63.1)	(8.2)
Other comprehensive (loss) income, net of tax	(121.1)	19.0	(233.3)	(35.4)
Comprehensive (loss) income	$ (137.3)	$ 88.8	$ (250.5)	$ 64.2

See accompanying notes.

ARGO GROUP INTERNATIONAL HOLDINGS, LTD.
CONDENSED CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
(in millions, except number of shares and per share amounts)
(Unaudited)

	Preferred Shares and Additional Paid-in Capital	Common Shares	Additional Paid-In Capital	Treasury Shares	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Shareholders' Equity
Balance, March 31, 2021	$ 144.0	$ 46.1	$ 1,381.3	$ (455.1)	$ 700.5	$ 4.2	$ 1,821.0
Net income	—	—	—	—	69.8	—	69.8
Other comprehensive loss - Change in fair value of fixed maturities, net of taxes	—	—	—	—	—	14.1	14.1
Other comprehensive loss, net - Other	—	—	—	—	—	4.9	4.9
Activity under stock incentive plans	—	0.1	2.2	—	—	—	2.3
Retirement of common shares (tax payments on equity compensation)	—	—	(1.0)	—	—	—	(1.0)
Employee stock purchase plan	—	—	0.6	—	—	—	0.6
Dividends on preferred shares	—	—	—	—	(2.7)	—	(2.7)
Cash dividend declared - common shares ($0.31/share)	—	—	—	—	(11.1)	—	(11.1)
Balance, June 30, 2021	$ 144.0	$ 46.2	$ 1,383.1	$ (455.1)	$ 756.5	$ 23.2	$ 1,897.9
Balance, March 31, 2022	$ 144.0	$ 46.3	$ 1,388.5	$ (455.1)	$ 622.0	$ (134.9)	$ 1,610.8
Net loss	—	—	—	—	(16.2)	—	(16.2)
Other comprehensive loss - Change in fair value of fixed maturities, net of taxes	—	—	—	—	—	(121.1)	(121.1)
Other comprehensive income, net - Other	—	—	—	—	—	—	—
Activity under stock incentive plans	—	—	0.2	—	—	—	0.2
Retirement of common shares (tax payments on equity compensation)	—	—	(0.3)	—	—	—	(0.3)
Employee stock purchase plan	—	—	0.5	—	—	—	0.5
Dividends on preferred shares	—	—	—	—	(2.7)	—	(2.7)
Cash dividend declared - common shares ($0.31/share)	—	—	—	—	(10.5)	—	(10.5)
Balance, June 30, 2022	$ 144.0	$ 46.3	$ 1,388.9	$ (455.1)	$ 592.6	$ (256.0)	$ 1,460.7

See accompanying notes.

	Preferred Shares and Additional Paid-in Capital	Common Shares	Additional Paid-In Capital	Treasury Shares	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Shareholders' Equity
Balance, December 31, 2020	$ 144.0	$ 46.0	$ 1,380.2	$ (455.1)	$ 684.1	$ 58.6	$ 1,857.8
Net income	—	—	—	—	99.6	—	99.6
Other comprehensive income - Change in fair value of fixed maturities, net of taxes	—	—	—	—	—	(39.4)	(39.4)
Other comprehensive loss, net - Other	—	—	—	—	—	4.0	4.0
Activity under stock incentive plans	—	0.2	4.3	—	—	—	4.5
Retirement of common shares (tax payments on equity compensation)	—	—	(2.4)	—	—	—	(2.4)
Employee stock purchase plan	—	—	1.0	—	—	—	1.0
Dividends on preferred shares	—	—	—	—	(5.3)	—	(5.3)
Cash dividend declared - common shares ($0.62/share)	—	—	—	—	(21.9)	—	(21.9)
Balance, June 30, 2021	$ 144.0	$ 46.2	$ 1,383.1	$ (455.1)	$ 756.5	$ 23.2	$ 1,897.9
Balance, December 31, 2021	$ 144.0	$ 46.2	$ 1,386.4	$ (455.1)	$ 636.4	$ (22.7)	$ 1,735.2
Net loss	—	—	—	—	(17.2)	—	(17.2)
Other comprehensive loss - change in fair value of fixed maturities, net of taxes	—	—	—	—	—	(264.7)	(264.7)
Other comprehensive income, net - other	—	—	—	—	—	31.4	31.4
Activity under stock incentive plans	—	0.1	2.9	—	—	—	3.0
Retirement of common shares (tax payments on equity compensation)	—	—	(1.3)	—	—	—	(1.3)
Employee stock purchase plan	—	—	0.9	—	—	—	0.9
Dividends on preferred shares	—	—	—	—	(5.3)	—	(5.3)
Cash dividend declared - common shares ($0.62/share)	—	—	—	—	(21.3)	—	(21.3)
Balance, June 30, 2022	$ 144.0	$ 46.3	$ 1,388.9	$ (455.1)	$ 592.6	$ (256.0)	$ 1,460.7

See accompanying notes.

ARGO GROUP INTERNATIONAL HOLDINGS, LTD.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(in millions)
(Unaudited)

	For the Six Months Ended June 30, 2022	For the Six Months Ended June 30, 2021
Cash flows provided by (used in) operating activities:		
Net income (loss)	$ (17.2)	$ 99.6
Adjustments to reconcile net income (loss) to cash provided by operating activities:		
Amortization and depreciation	11.0	14.8
Share-based payments expense	2.6	4.5
Deferred income tax benefit, net	8.8	(6.8)
Net investment and other (gains) losses	74.9	(37.8)
Undistributed earnings from alternative investment portfolio	(17.7)	(50.6)
Loss on disposals of long-lived assets, net	(0.6)	1.7
Foreign currency exchange (gains) losses	(7.4)	5.7
Change in:		
Accrued investment income	(1.3)	1.1
Receivables	(160.5)	151.3
Deferred acquisition costs	(8.1)	(4.4)
Ceded unearned premiums	10.7	(15.0)
Reserves for losses and loss adjustment expenses	195.5	(170.9)
Unearned premiums	(23.5)	6.6
Ceded reinsurance payable and funds held	(30.8)	(22.5)
Income taxes	8.6	8.5
Accrued underwriting expenses and other liabilities	18.2	23.8
Other, net	(31.3)	(22.1)
Cash provided by (used in) operating activities	31.9	(12.5)
Cash flows provided by (used in) investing activities:		
Sales of fixed maturity investments	576.4	616.4
Maturities and mandatory calls of fixed maturity investments	256.0	394.8
Sales of equity securities	12.9	33.5
Sales of other investments	32.4	62.3
Purchases of fixed maturity investments	(864.4)	(983.3)
Purchases of equity securities	(1.0)	(1.8)
Purchases of other investments	(23.5)	(31.5)
Change in foreign regulatory deposits and voluntary pools	1.5	35.9
Purchase of mortgage loans	(157.5)	—
Change in short-term investments	188.0	12.5
Settlements of foreign currency exchange forward contracts	(19.1)	(8.8)
Proceeds from business divestitures, net of cash transferred	13.1	—
Purchases of fixed assets, net	(0.4)	(13.3)
Other, net	—	(37.6)
Cash provided by investing activities	14.4	79.1
Cash flows provided by (used in) financing activities:		
Activity under stock incentive plans	1.3	0.8
Payment of cash dividends to preferred shareholders	(5.3)	(5.3)
Payment of cash dividends to common shareholders	(21.3)	(21.9)
Cash used in financing activities	(25.3)	(26.4)
Effect of exchange rate changes on cash	(2.0)	1.7
Change in cash	19.0	41.9
Cash, beginning of year	146.1	148.8
Cash, end of period	$ 165.1	$ 190.7

See accompanying notes.

ARGO GROUP INTERNATIONAL HOLDINGS, LTD.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

1. Business and Significant Accounting Policies

Business

The accompanying consolidated financial statements of Argo Group International Holdings, Ltd. and its subsidiaries ("Argo Group," "we," "us," "our" or the "Company") have been prepared in accordance with U.S. generally accepted accounting principles ("GAAP") for interim financial information and with the instructions for Form 10-Q and Article 10 of Regulation S-X. Argo Group is an underwriter of specialty insurance products in the property and casualty market.

The preparation of interim financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. The major estimates reflected in our consolidated financial statements include, but are not limited to, reserves for losses and loss adjustment expenses; reinsurance recoverables, including the reinsurance recoverables allowance for expected credit losses; estimates of written and earned premiums; reinsurance premium receivable; fair value of investments and assessment of potential impairment, including the allowance for credit losses on fixed maturity securities; valuation of goodwill and intangibles and our deferred tax asset valuation allowance. Actual results could materially differ from those estimates. Certain financial information that is normally included in annual financial statements, including certain financial statement footnotes, prepared in accordance with GAAP, is not required for interim reporting purposes and has been condensed or omitted. These statements should be read in conjunction with the consolidated financial statements and notes thereto included in our Annual Report on Form 10-K and Form 10-K/A for the year ended December 31, 2021 filed with the Securities and Exchange Commission ("SEC") (collectively, "2021 Form 10-K").

The interim financial information as of, and for, the three and six months ended, June 30, 2022 and 2021 is unaudited. However, in the opinion of management, the interim information includes all adjustments, consisting of normal recurring accruals, necessary for a fair presentation of the results presented for the interim periods. The operating results for the interim periods are not necessarily indicative of the results to be expected for the full year. All significant intercompany amounts have been eliminated in consolidation. Certain reclassifications have been made to financial information presented for prior years to conform to the current year's presentation.

Sale of ArgoGlobal SE

On June 22, 2022, we completed the sale of our Malta operations, ArgoGlobal Holdings (Malta) Ltd. and subsidiaries ("AGSE") to RiverStone Holdings Limited (part of the RiverStone International Group) for €4.9 million (approximately $5.2 million), subject to the terms and conditions set forth in the purchase agreement. AGSE is one of the business units within our International Operations reporting segment. As a result, we realized a loss on the sale of AGSE of $21.3 million, which is included as a component of *Net realized investment and other gains (losses)* in our Condensed Consolidated Statements of Income (Loss). This amount includes $4.5 million of losses from the realization of historical foreign currency translation, which was previously a component of accumulated other comprehensive income.

Loss Portfolio Transfer

In April 2022, Argo Managing Agency Limited, for and on behalf of Lloyd's Syndicate 1200, reached an agreement to enter into a loss portfolio transfer of the 2018 and 2019 years of account to Riverstone Managing Agency Limited, for and on behalf of Lloyd's Syndicate 3500, retrospectively from January 1, 2022.

Sale of Argo Seguros Brasil S.A.

On February 15, 2022, we completed the sale of our Brazilian operations, Argo Seguros Brasil S.A. ("Argo Seguros"), to Spice Private Equity Ltd., an investment company focused on global private equity investments, for a purchase price of 160 million Brazilian Reais (approximately $30.5 million), subject to the terms and conditions set forth in the purchase agreement. Argo Seguros is one of the business units within our International Operations reporting segment. As a result, in the first quarter of 2022, we realized a loss on the sale of Argo Seguros of $28.5 million, which is included as a component of *Net realized investment and other gains (losses)* in our Condensed Consolidated Statements of Income (Loss). This amount includes $27.3 million of losses from the realization of historical foreign currency translation, which was previously a component of accumulated other comprehensive income We previously recognized a $6.3 million loss during 2021 as we adjusted the carrying value of Argo Seguros to its fair value.

Basis of Presentation and Use of Estimates

Commercial Mortgage Loans

Commercial mortgages are carried at unpaid principal balances less allowance for credit losses and plus or minus adjustments for the accretion or amortization of discount or premium. Interest income on such loans is accrued as earned.

Non-Operating Expenses

Non-operating expenses represent costs not associated with our ongoing insurance or other operations, including severance expenses, certain legal costs, merger and acquisition and other transaction-related expenses, and certain non-recurring expenses.

2. Recently Issued Accounting Pronouncements

The Company evaluated recently issued accounting pronouncements and determined none are material to our results of operations or financial position reported herein.

3. Investments

Included in *Total investments* in our Consolidated Balance Sheets at June 30, 2022 and December 31, 2021 is $63.0 million and $89.6 million, respectively, of assets managed on behalf of the trade capital providers, who are third-party participants that provide underwriting capital to the operations of Syndicates 1200 and 1910.

Fixed Maturities

The amortized cost, gross unrealized gains, gross unrealized losses, allowance for credit losses, and fair value of fixed maturity investments were as follows:

June 30, 2022

(in millions)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Allowance for Credit Losses	Fair Value
Fixed maturities					
U.S. Governments	$ 511.5	$ —	$ 23.2	$ —	$ 488.3
Foreign Governments	209.2	0.4	15.2	0.5	193.9
Obligations of states and political subdivisions	178.6	1.3	7.8	0.4	171.7
Corporate bonds	1,894.3	2.6	152.6	1.0	1,743.3
Commercial mortgage-backed securities	407.7	—	40.6	—	367.1
Residential mortgage-backed securities	442.4	0.6	43.6	—	399.4
Asset-backed securities	202.7	—	10.6	0.1	192.0
Collateralized loan obligations	310.1	0.1	16.9	—	293.3
Total fixed maturities	$ 4,156.5	$ 5.0	$ 310.5	$ 2.0	$ 3,849.0

December 31, 2021

(in millions)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Allowance for Credit Losses	Fair Value
Fixed maturities					
U.S. Governments	$ 422.7	$ 5.5	$ 3.2	$ —	$ 425.0
Foreign Governments	234.7	2.2	3.9	0.2	232.8
Obligations of states and political subdivisions	166.7	5.8	1.2	—	171.3
Corporate bonds	1,972.3	33.5	20.3	2.2	1,983.3
Commercial mortgage-backed securities	416.7	6.3	4.3	—	418.7
Residential mortgage-backed securities	480.7	7.5	5.7	—	482.5
Asset-backed securities	173.0	1.3	0.6	0.1	173.6
Collateralized loan obligations	336.4	1.3	1.6	—	336.1
Total fixed maturities	$ 4,203.2	$ 63.4	$ 40.8	$ 2.5	$ 4,223.3

Contractual Maturity

The amortized cost and fair values of fixed maturity investments as of June 30, 2022, by contractual maturity, were as follows:

(in millions)	Amortized Cost	Fair Value
Due in one year or less	$ 166.4	$ 166.0
Due after one year through five years	1,861.8	1,762.9
Due after five years through ten years	688.9	603.1
Due after ten years	76.5	65.2
Structured securities	1,362.9	1,251.8
Total	$ 4,156.5	$ 3,849.0

The actual maturities may differ from the contractual maturities because debtors may have the right to call or prepay obligations.

Other Investments

Details regarding the carrying value and unfunded investment commitments of other investments as of June 30, 2022 and December 31, 2021 were as follows:

June 30, 2022

(in millions)	Carrying Value	Unfunded Commitments
Investment Type		
Hedge funds	$ 55.3	$ —
Private equity	260.7	116.8
Overseas deposits	73.4	—
Other	4.7	—
Total other investments	$ 394.1	$ 116.8

December 31, 2021

(in millions)	Carrying Value	Unfunded Commitments
Investment Type		
Hedge funds	$ 58.6	$ —
Private equity	248.9	64.2
Overseas deposits	74.9	—
Other	4.8	—
Total other investments	$ 387.2	$ 64.2

The following describes each investment type:

- **Hedge funds:** Hedge funds, carried at net asset value ("NAV") as a practical expedient of fair value, include funds that primarily buy and sell stocks, including short sales, multi-strategy credit, relative value credit and distressed credit.
- **Private equity:** Private equity includes buyout funds, real asset/infrastructure funds, credit special situations funds, mezzanine lending funds and direct investments and strategic non-controlling minority investments in private companies that are principally accounted for using the equity method of accounting.
- **Overseas deposits:** Overseas deposits are principally invested in short-term sovereign fixed income and investment grade corporate securities and international stocks.
- **Other:** Other includes participation in investment pools.

Unrealized Losses

An aging of unrealized losses on our investments in fixed maturities is presented below:

June 30, 2022	**Less Than One Year**		**One Year or Greater**		**Total**	
(in millions)	**Fair Value**	**Unrealized Losses**	**Fair Value**	**Unrealized Losses**	**Fair Value**	**Unrealized Losses**
Fixed maturities						
U.S. Governments	$ 429.0	$ 18.3	$ 48.7	$ 4.9	$ 477.7	$ 23.2
Foreign Governments	165.2	14.1	27.4	1.1	192.6	15.2
Obligations of states and political subdivisions	109.7	7.5	3.2	0.3	112.9	7.8
Corporate bonds	1,443.7	116.4	216.9	36.2	1,660.6	152.6
Commercial mortgage-backed securities	327.8	32.5	39.3	8.1	367.1	40.6
Residential mortgage-backed securities	260.2	24.6	109.3	19.0	369.5	43.6
Asset-backed securities	167.9	9.9	6.8	0.7	174.7	10.6
Collateralized loan obligations	279.9	16.5	10.8	0.4	290.7	16.9
Total fixed maturities	$ 3,183.4	$ 239.8	$ 462.4	$ 70.7	$ 3,645.8	$ 310.5

December 31, 2021	**Less Than One Year**		**One Year or Greater**		**Total**	
(in millions)	**Fair Value**	**Unrealized Losses**	**Fair Value**	**Unrealized Losses**	**Fair Value**	**Unrealized Losses**
Fixed maturities						
U.S. Governments	$ 193.4	$ 2.6	$ 14.6	$ 0.6	$ 208.0	$ 3.2
Foreign Governments	152.4	3.3	2.6	0.6	155.0	3.9
Obligations of states and political subdivisions	46.0	0.8	0.1	0.4	46.1	1.2
Corporate bonds	854.3	18.3	41.7	2.0	896.0	20.3
Commercial mortgage-backed securities	198.8	4.1	6.5	0.2	205.3	4.3
Residential mortgage-backed securities	284.2	5.6	4.0	0.1	288.2	5.7
Asset-backed securities	62.6	0.6	—	—	62.6	0.6
Collateralized loan obligations	176.1	1.6	0.5	—	176.6	1.6
Total fixed maturities	$ 1,967.8	$ 36.9	$ 70.0	$ 3.9	$ 2,037.8	$ 40.8

We hold a total of 5,118 fixed maturity securities, of which 1,247 were in an unrealized loss position for less than one year and 224 were in an unrealized loss position for a period one year or greater as of June 30, 2022.

Allowance for Credit Losses

For fixed maturities with a decline in the fair value between the amortized cost due to credit-related factors, an allowance is established for the difference between the estimated recoverable value and amortized cost with a corresponding charge to *Net investment and other gains (losses)* in the Condensed Consolidated Statements of Income (Loss). The allowance is limited to the difference between amortized cost and fair value. The estimated recoverable value is the present value of cash flows expected to be collected, as determined by management. The difference between fair value and amortized cost that is not associated with credit-related factors is recognized in the Condensed Consolidated Statements of Comprehensive Income (Loss). Accrued interest is excluded from the measurement of the allowance for credit losses.

When determining if a credit loss has been incurred, we may consider the historical performance of the security, available market information and security specific considerations such as the priority payment of the security. In addition, inputs used in our analysis include, but are not limited to, credit ratings and downgrades, delinquency rates, missed scheduled interest or principal payments, purchase yields, underlying asset performance, collateral types, modeled default rates, modeled severity rates, call/prepayment rates, expected cash flows, industry concentrations, and potential or filed bankruptcies or restructurings.

In cooperation with our investment managers, we evaluate for credit losses each quarter utilizing a bottom up review approach. At the security level, a determination is made as to whether a decline in fair value below the amortized cost basis is due to credit-related or noncredit-related factors. If we determine that all or a portion of a fixed maturity is uncollectible, the uncollectible amortized cost is written off with a corresponding reduction to the allowance for credit losses. If we collect cash flows that were previously written off, the recovery is recognized in realized investment gains. We also consider whether we intend to sell an available-for-sale security or if it is more likely than not that we will be required to sell the security before recovery of its amortized cost. In these instances, a decline in fair value is recognized in *Net investment and other gains (losses)* in the Condensed Consolidated Statements of Income (Loss) based on the fair value of the security at the time of assessment, resulting in a new cost basis for the security.

The following table presents a roll-forward of the changes in allowance for credit losses on available-for-sale fixed maturities by industry category for the three and six months ending June 30, 2022 and 2021, respectively:

(in millions)	Foreign Governments	Obligations of states and political subdivisions	Corporate bonds	Asset backed securities	Total
Beginning balance, March 31, 2022	$ 0.3	$ 0.4	$ 2.1	$ 0.1	$ 2.9
Securities for which allowance was not previously recorded	0.1	—	0.1	—	0.2
Securities sold during the period	—	—	—	—	—
Reductions for credit impairments	—	—	(1.4)	—	(1.4)
Additional net increases (decreases) in existing allowance	0.1	—	0.2	—	0.3
Ending balance, June 30, 2022	$ 0.5	$ 0.4	$ 1.0	$ 0.1	$ 2.0

(in millions)	Foreign Governments	Obligations of states and political subdivisions	Corporate bonds	Asset backed securities	Total
Beginning balance, March 31, 2021	$ 0.1	$ —	$ 7.1	$ —	$ 7.2
Securities for which allowance was not previously recorded	—	—	(0.1)	—	(0.1)
Securities sold during the period	—	—	(0.5)	—	(0.5)
Additional net increases (decreases) in existing allowance	0.1	—	(0.3)	—	(0.2)
Ending balance, June 30, 2021	$ 0.2	$ —	$ 6.2	$ —	$ 6.4

(in millions)	Foreign Governments	Obligations of states and political subdivisions	Corporate bonds	Asset backed securities	Total
Beginning balance, January 1, 2022	$ 0.2	$ —	$ 2.2	$ 0.1	$ 2.5
Securities for which allowance was not previously recorded	0.2	—	0.5	—	0.7
Securities sold during the period	—	—	(0.6)	—	(0.6)
Reductions for credit impairments	—	—	(1.4)	—	(1.4)
Additional net increases (decreases) in existing allowance	0.1	0.4	0.3	—	0.8
Ending balance, June 30, 2022	$ 0.5	$ 0.4	$ 1.0	$ 0.1	$ 2.0

(in millions)	Foreign Governments	Obligations of states and political subdivisions	Corporate bonds	Asset backed securities	Total
Beginning balance, January 1, 2021	$ 0.2	$ 0.1	$ 6.1	$ 0.2	$ 6.6
Securities for which allowance was not previously recorded	—	—	2.0	—	2.0
Securities sold during the period	—	—	(0.9)	—	(0.9)
Additional net increases (decreases) in existing allowance	—	(0.1)	(1.0)	(0.2)	(1.3)
Ending balance, June 30, 2021	$ 0.2	$ —	$ 6.2	$ —	$ 6.4

Total credit impairment (gains) losses, net of allowance for credit losses, included in *Net investment and other gains (losses)* in the Condensed Consolidated Statements of Income (Loss) was $1.9 million for the three and six months ended June 30, 2022. Total credit impairment (gains) losses, net of allowance for credit losses, included in *Net investment and other gains (losses)* in the Condensed Consolidated Statements of Income (Loss) was $(0.4) million and $0.7 million for the three and six months ended June 30, 2021, respectively.

For commercial mortgage loans an allowance for credit losses is established at the time of origination or purchase, as necessary, and is updated each reporting period. Changes in the allowance for credit losses are recorded in *Net investment and other gains (losses)*. This allowance reflects the risk of loss, even when that risk is remote, that is expected over the remaining contractual life of the loan. The allowance for credit losses considers available relevant information about the collectability of cash flows, including information about past events, current conditions, and reasonable and supportable forecasts of future economic conditions.

Commercial Mortgage Loans

Commercial mortgage loan investments are composed of participation interests in a portfolio of commercial mortgage loans. Loan collateral is diversified with regard to property type and geography. The following table presents loans by property type:

	June 30, 2022		
(in millions)	Principal Balance	Composition	Loan Count
Apartments	85.2	54.1 %	16
Hotel	25.0	15.9 %	4
Industrial	25.8	16.3 %	4
Retail	21.5	13.7 %	4
Total	157.5	100.0 %	28

The following table presents our loans by Debt Service Covenant Ratio ("DSCR"):

	June 30, 2022	
(in millions)	Principal Balance	Loan Count
1.00 to 1.50	64.8	12
Greater than 1.5 to 2.0	14.4	2
Greater than 2.0 to 3.0	41.2	8
Greater than 3.0 to 4.0	25.8	4
Greater than 4.0	11.3	2
Total	157.5	28

The following table presents loans by Loan To Value ("LTV"):

	June 30, 2022	
(in millions)	Principal Balance	Loan Count
Equal to or less than 50.0%	26.3	4
Greater than 50.0% to 55.0%	0.0	0
Greater than 55.0% to 60.0%	48.5	10
Greater than 60.0% to 70.0%	82.7	14
Greater than 70.0%	0.0	0
Total	157.5	28

The following table presents loans by maturity:

(in millions)	June 30, 2022	
	Principal Balance	Loan Count
One Year or Less	0.0	0
Greater than One Year and Less than Three	45.6	8
Greater than Three Years and Less than Five Years	42.8	8
Greater than Five Years and Less than Seven Years	20.4	4
Greater than Seven Years and Less than Ten Years	48.7	8
Greater than Ten Years	0.0	0
Total	157.5	28

Investment Gains and Losses

The following table presents our gross realized investment gains and losses:

(in millions)	For the Three Months Ended June 30, 2022	For the Three Months Ended June 30, 2021	For the Six Months Ended June 30, 2022	For the Six Months Ended June 30, 2021
Realized gains on fixed maturities and other:				
Fixed maturities	$ 4.7	$ 17.5	$ 15.9	$ 23.0
Other investments, including short-terms	10.4	9.1	12.0	11.3
	15.1	26.6	27.9	34.3
Realized losses on fixed maturities and other:				
Fixed maturities	(4.8)	(3.0)	(21.4)	(4.5)
Other investments, including short-terms	(21.3)	(8.8)	(28.1)	(14.5)
	(26.1)	(11.8)	(49.5)	(19.0)
Net (losses) recognized on fixed maturities and other:				
Credit gains (losses) on fixed maturities	(2.3)	0.4	(3.4)	(0.7)
Other[(1)]	(25.2)	(11.5)	(53.7)	(11.5)
	(27.5)	(11.1)	(57.1)	(12.2)
Equity securities:				
Net realized gains (losses) on equity securities	1.1	0.7	0.1	(1.1)
Change in unrealized gains (losses) on equity securities held at the end of the period	(3.0)	20.3	3.7	35.8
Net gains (losses) on equity securities	(1.9)	21.0	3.8	34.7
Net investment and other gains (losses) before income taxes	(40.4)	24.7	(74.9)	37.8
Income tax (benefit) provision	(1.1)	5.2	(1.8)	7.9
Net investment and other gains (losses), net of income taxes	$ (39.3)	$ 19.5	$ (73.1)	$ 29.9

(1) Refer to the sale of AGSE and Argo Seguros in Note 1, “Business and Significant Accounting Policies” for additional information.

The cost of securities sold is based on the specific identification method.

Changes in unrealized gains (losses) related to investments are summarized as follows:

(in millions)	For the Three Months Ended June 30, 2022	For the Three Months Ended June 30, 2021	For the Six Months Ended June 30, 2022	For the Six Months Ended June 30, 2021
Change in unrealized gains (losses)				
Fixed maturities	$ (151.2)	$ 18.0	$ (328.7)	$ (47.7)
Other and short-term investments	0.8	0.1	0.9	(0.3)
Net unrealized investment gains (losses) before income taxes	(150.4)	18.1	(327.8)	(48.0)
Income tax provision (benefit)	(29.3)	4.0	(63.1)	(8.6)
Net unrealized investment gains (losses), net of income taxes	$ (121.1)	$ 14.1	$ (264.7)	$ (39.4)

Foreign Currency Exchange Forward Contracts

We enter into foreign currency exchange forward contracts to manage operational currency exposure from our non-USD insurance operations, and gain exposure to a total return strategy which invests in multiple currencies. The currency forward contracts are carried at fair value in our Condensed Consolidated Balance Sheets in *Other liabilities* and *Other assets* at June 30, 2022 and December 31, 2021, respectively. The net realized gains and (losses) are included in *Net realized investment and other gains (losses)* in our Condensed Consolidated Statements of Income (Loss).

The fair value of our foreign currency exchange forward contracts as of June 30, 2022 and December 31, 2021 was as follows:

(in millions)	June 30, 2022 Notional Amount	June 30, 2022 Fair Value	December 31, 2021 Notional Amount	December 31, 2021 Fair Value
Operational currency exposure	$ 286.1	$ (3.5)	$ 276.3	$ (0.3)
Asset manager investment exposure	43.3	0.7	35.5	(0.3)
Total	$ 329.4	$ (2.8)	$ 311.8	$ (0.6)

The following table represents our gross realized investment gains and losses on our foreign currency exchange forward contracts:

(in millions)	For the Three Months Ended June 30, 2022	For the Three Months Ended June 30, 2021	For the Six Months Ended June 30, 2022	For the Six Months Ended June 30, 2021
Realized gains				
Operational currency exposure	$ 5.4	$ 3.2	$ 7.8	$ 7.1
Asset manager investment exposure	3.1	0.9	4.2	1.8
Total return strategy	—	—	—	6.1
Gross realized investment gains	8.5	4.1	12.0	15.0
Realized losses				
Operational currency exposure	(16.6)	(3.5)	(25.5)	(12.7)
Asset manager investment exposure	(1.0)	(0.8)	(1.0)	(0.8)
Total return strategy	—	—	—	(5.1)
Gross realized investment losses	(17.6)	(4.3)	(26.5)	(18.6)
Net realized investment (losses) gains on foreign currency exchange forward contracts	$ (9.1)	$ (0.2)	$ (14.5)	$ (3.6)

Regulatory Deposits, Pledged Securities and Letters of Credit

We are required to maintain assets on deposit with various regulatory authorities to support our insurance and reinsurance operations. We maintain assets pledged as collateral in support of irrevocable letters of credit issued under the terms of certain reinsurance agreements for reported loss and loss expense reserves. The following table presents our components of restricted assets:

(in millions)	June 30, 2022	December 31, 2021
Securities on deposit for regulatory and other purposes	$ 168.4	$ 195.6
Securities pledged as collateral for letters of credit and other	184.2	193.9
Securities on deposit supporting Lloyd's business [(1)]	261.6	296.8
Total restricted investments	$ 614.2	$ 686.3

[(1)] Argo Group is required to maintain Funds at Lloyd's ("FAL") to support its business for Syndicate 1200 and Syndicate 1910. At June 30, 2022 the amount of securities pledged for FAL was $261.6 million, of which $136.9 million was provided by Argo Re, Ltd.

Fair Value Measurements

Fair value is the price that would be received upon the sale of an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurement assumes that the transaction to sell the asset or transfer the liability occurs in the principal market for the asset or liability, or in the absence of a principal market, the most advantageous market. Market participants are buyers and sellers in the principal (or most advantageous) market that are independent, knowledgeable, able to transact for the asset or liability and willing to transfer the asset or liability.

Valuation techniques consistent with the market approach, income approach and/or cost approach are used to measure fair value. The inputs of these valuation techniques are categorized into three levels.

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that can be accessed at the reporting date. We define actively traded as a security that has traded in the past seven days.
- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. We receive one quote per instrument for Level 2 inputs.
- Level 3 inputs are unobservable inputs. Unobservable inputs reflect our own judgments about the assumptions market participants would use in pricing the asset or liability based on the best information available in the circumstances.

To validate the fair value of investments in the Company’s financial statements, we receive prices from multiple sources including third-party pricing services and our outside investment managers. Through a comparative analysis, the Company validates the reasonableness of its valuations. These prices are determined using observable market information such as dealer quotes, market spreads, cash flows, yield curves, live trading levels, trade execution data, market consensus prepayment speeds, credit information and the security’s terms and conditions, among other things. We have reviewed the processes used by the third-party providers for pricing the securities and have determined that these processes result in fair values consistent with GAAP requirements. In addition, we review these prices for reasonableness, and have not adjusted any prices received from the third-party providers as of June 30, 2022 and December 31, 2021. A description of the valuation techniques we use to measure assets at fair value is as follows:

Fixed Maturities (Available-for-Sale) Levels 1 and 2:

- United States Treasury securities are typically valued using Level 1 inputs. For these securities, we obtain fair value measurements from third-party pricing services using quoted prices (unadjusted) in active markets at the reporting date.
- United States Government agencies, non-U.S. Government securities, obligations of states and political subdivisions, credit securities and foreign denominated government and credit securities are reported at fair value using Level 2 inputs. For these securities, we obtain fair value measurements from third-party pricing services. Observable data may include dealer quotes, market spreads, yield curves, live trading levels, trade execution data, credit information and the security’s terms and conditions, among other things.
- Asset and mortgage-backed securities and collateralized loan obligations are reported at fair value using Level 2 or Level 3 inputs. For these securities, we obtain fair value measurements from third-party pricing services. Observable data may include dealer quotes, market spreads, cash flows, yield curves, live trading levels, trade execution data, market consensus prepayment speeds, credit information and the security’s terms and conditions, among other things.

Fixed Maturities (Available-for-Sale) Levels 3: We own term loans that are valued using unobservable inputs.

Equity Securities Level 1: Equity securities are principally reported at fair value using Level 1 inputs. For these securities, we obtain fair value measurements from a third-party pricing service using quoted prices (unadjusted) in active markets at the reporting date.

Equity Securities Level 3: We own certain equity securities that are reported at fair value using Level 3 inputs. The valuation techniques for these securities include the following:

- Fair value measurements for an investment in an equity fund obtained by applying final prices provided by the administrator of the fund, which is based upon certain estimates and assumptions.
- Fair value measurements from brokers and independent valuation services, both based upon estimates, assumptions and other unobservable inputs.

Other Investments Level 2: Foreign regulatory deposits are assets held in trust in jurisdictions where there is a legal and regulatory requirement to maintain funds locally in order to protect policyholders. Lloyd’s is the appointed investment manager for the funds. These assets are invested in short-term government securities, agency securities and corporate bonds and are valued using Level 2 inputs based upon values obtained from Lloyd’s.

Short-term Investments: Short-term investments are principally reported at fair value using Level 1 inputs, with the exception of short-term corporate and governmental bonds reported at fair value using Level 2 inputs as described in the fixed maturities section above. Values for the investments categorized as Level 1 are obtained from various financial institutions as of the reporting date.

Based on an analysis of the inputs, our financial assets and liabilities measured at fair value on a recurring basis have been categorized as follows:

(in millions)	June 30, 2022	Fair Value Measurements at Reporting Date Using Level 1 [(1)]	Level 2 [(2)]	Level 3 [(3)]
Fixed maturities				
U.S. Governments	$ 488.3	$ 481.2	$ 7.1	$ —
Foreign Governments	193.9	—	193.9	—
Obligations of states and political subdivisions	171.7	—	171.7	—
Corporate bonds	1,743.3	—	1,728.1	15.2
Commercial mortgage-backed securities	367.1	—	367.1	—
Residential mortgage-backed securities	399.4	—	399.4	—
Asset-backed securities	192.0	—	171.6	20.4
Collateralized loan obligations	293.3	—	293.3	—
Total fixed maturities	3,849.0	481.2	3,332.2	35.6
Equity securities	48.1	32.4	—	15.7
Other investments	73.7	—	73.7	—
Short-term investments	465.0	464.5	0.5	—
Total assets	$ 4,435.8	$ 978.1	$ 3,406.4	$ 51.3
Derivatives	$ 2.8	$ —	$ 2.8	$ —
Total liabilities	$ 2.8	$ —	$ 2.8	$ —

(1) Quoted prices in active markets for identical assets
(2) Significant other observable inputs
(3) Significant unobservable inputs

(in millions)	December 31, 2021	Fair Value Measurements at Reporting Date Using Level 1 [(1)]	Level 2 [(2)]	Level 3 [(3)]
Fixed maturities				
U.S. Governments	$ 425.0	$ 417.4	$ 7.6	$ —
Foreign Governments	232.8	—	232.8	—
Obligations of states and political subdivisions	171.3	—	171.3	—
Corporate bonds	1,983.3	—	1,980.5	2.8
Commercial mortgage-backed securities	418.7	—	418.7	—
Residential mortgage-backed securities	482.5	—	482.5	—
Asset-backed securities	173.6	—	173.6	—
Collateralized loan obligations	336.1	—	336.1	—
Total fixed maturities	4,223.3	417.4	3,803.1	2.8
Equity securities	56.3	41.6	—	14.7
Other investments	75.4	—	75.4	—
Short-term investments	655.8	653.9	1.9	—
Total assets	$ 5,010.8	$ 1,112.9	$ 3,880.4	$ 17.5
Derivatives	$ 0.6	$ —	$ 0.6	$ —
Total liabilities	$ 0.6	$ —	$ 0.6	$ —

(1) Quoted prices in active markets for identical assets
(2) Significant other observable inputs
(3) Significant unobservable inputs

The fair value measurements in the tables above do not equal *Total investments* on our Consolidated Balance Sheets as they exclude certain other investments that are accounted for under the equity-method of accounting as well as hedge funds which are carried at NAV as a practical expedient.

A reconciliation of the beginning and ending balances for the investments categorized as Level 3 are as follows:

Fair Value Measurements Using Unobservable Inputs (Level 3)

(in millions)	Credit Financial	Equity Securities	Total
Beginning balance, January 1, 2022	$ 2.8	$ 14.7	$ 17.5
Transfers into Level 3	35.4	—	35.4
Transfers out of Level 3	—	—	—
Total gains or losses (realized/unrealized):			
Included in net income	(0.4)	(0.1)	(0.5)
Included in other comprehensive income	(1.8)	—	(1.8)
Purchases, issuances, sales, and settlements:			
Purchases	1.4	1.1	2.5
Issuances	—	—	—
Sales	(1.8)	—	(1.8)
Settlements	—	—	—
Ending balance, June 30, 2022	$ 35.6	$ 15.7	$ 51.3
Amount of total gains or losses for the year included in net income attributable to the change in unrealized gains or losses relating to assets still held at June 30, 2022	$ —	$ —	$ —

(in millions)	Credit Financial	Equity Securities	Total
Beginning balance, January 1, 2021	$ 7.0	$ 17.5	$ 24.5
Transfers into Level 3	—	2.4	2.4
Transfers out of Level 3	—	—	—
Total gains or losses (realized/unrealized):			
Included in net income	—	4.2	4.2
Included in other comprehensive loss	(0.8)	—	(0.8)
Purchases, issuances, sales, and settlements:			
Purchases	0.1	1.2	1.3
Issuances	—	—	—
Sales	(3.5)	(10.6)	(14.1)
Settlements	—	—	—
Ending balance, December 31, 2021	$ 2.8	$ 14.7	$ 17.5
Amount of total gains or losses for the year included in net income attributable to the change in unrealized gains or losses relating to assets still held at December 31, 2020	$ —	$ —	$ —

At June 30, 2022 and December 31, 2021, we did not have any financial assets or financial liabilities measured at fair value on a nonrecurring basis or any financial liabilities on a recurring basis.

4. Allowance for Credit Losses

Premiums receivable

The following table represents the balances of premiums receivable, net of allowance for expected credit losses, at June 30, 2022 and January 1, 2022, and the changes in the allowance for expected credit losses for the six months ended June 30, 2022.

(in millions)	Premiums Receivable, Net of Allowance for Estimated Uncollectible Premiums	Allowance for Estimated Uncollectible Premiums
Balance, January 1, 2022	$ 648.6	$ 5.7
Current period change for estimated uncollectible premiums		0.2
Write-offs of uncollectible premiums receivable [1]		(2.1)
Balance, June 30, 2022	$ 674.8	$ 3.8

[1] Includes allowance transferred as a result of divestitures in the amount of $1.5 million.

Reinsurance Recoverables

The following table presents the balances of reinsurance recoverables, net of the allowance for estimated uncollectible reinsurance, at June 30, 2022 and January 1, 2022, and changes in the allowance for estimated uncollectible reinsurance for the six months ended June 30, 2022.

(in millions)	Reinsurance Recoverables, Net of Allowance for Estimated Uncollectible Reinsurance	Allowance for Estimated Uncollectible Reinsurance
Balance, January 1, 2022	$ 2,966.4	$ 3.8
Current period change for estimated uncollectible reinsurance		0.7
Write-offs of uncollectible reinsurance recoverables		—
Balance, June 30, 2022	$ 2,887.3	$ 4.5

We primarily utilize A.M. Best credit ratings when determining the allowance, and adjust as needed based on our historical experience with the reinsurers. A portion of our reinsurance recoverables are collateralized by letters of credit, funds held or trust agreements.

5. Reserves for Losses and Loss Adjustment Expenses

The following table provides a reconciliation of reserves for losses and loss adjustment expenses ("LAE"):

(in millions)	For the Six Months Ended June 30, 2022	2021
Net reserves beginning of the year	$ 3,123.2	$ 2,906.1
Add:		
Losses and LAE incurred during current calendar year, net of reinsurance:		
Current accident year	539.9	579.4
Prior accident years	19.7	(0.2)
Losses and LAE incurred during calendar year, net of reinsurance	559.6	579.2
Deduct:		
Losses and LAE payments made during current calendar year, net of reinsurance:		
Current accident year	52.2	59.7
Prior accident years	454.7	376.0
Losses and LAE payments made during current calendar year, net of reinsurance:	506.9	435.7
Divestitures [(1)]	(35.2)	—
Net reserves ceded:		
Loss portfolio transfer (for years of account 2019 and 2018) [(2)]	(181.2)	—
Reinsurance to close transaction (for years of account 2017 and prior) [(3)]	—	(207.8)
Change in participation interest [(4)]	28.6	12.8
Foreign exchange adjustments	1.2	6.1
Net reserves - end of period	2,989.3	2,860.7
Add:		
Reinsurance recoverables on unpaid losses and LAE, end of period	2,606.2	2,377.9
Gross reserves - end of period	$ 5,595.5	$ 5,238.6

(1) Refer to the sale of Argo Seguros and AGSE in Note 1, "Business and Significant Accounting Policies" for additional information.

(2) Loss portfolio transfer on Syndicate 1200's reserves for the 2018 and 2019 years of account. Refer to Note 1, "Business and Significant Accounting Policies" for additional information.

(3) Amount represents reserves ceded under the reinsurance to close transaction with RiverStone for Lloyd's years of account 2017 and prior, effective January 1, 2021.

(4) Amount represents the change in reserves due to changing our participation in Syndicates 1200 and 1910.

Reserves for losses and LAE represent the estimated indemnity cost and related adjustment expenses necessary to investigate and settle claims. Such estimates are based upon individual case estimates for reported claims, estimates from ceding companies for reinsurance assumed and actuarial estimates for losses that have been incurred but not yet reported to the insurer. Any change in probable ultimate liabilities is reflected in current operating results.

The impact from the (favorable) unfavorable development of prior accident years' loss and LAE reserves on each reporting segment is presented below:

(in millions)	For the Six Months Ended June 30, 2022	2021
U.S. Operations	$ 11.7	$ (0.9)
International Operations	5.2	(1.9)
Run-off Lines	2.8	2.6
Total (favorable) unfavorable prior-year development	$ 19.7	$ (0.2)

The following describes the primary factors behind each segment's prior accident year reserve development for the six months ended June 30, 2022 and 2021:

Six months ended June 30, 2022:

- *U.S. Operations*: Unfavorable development primarily related to liability, including the impact of large losses, and professional lines, partially offset by favorable development in property and specialty lines.
- *International Operations*: Unfavorable development primarily related professional and liability losses in our Bermuda insurance operations partially offset by favorable development from Syndicate 1200 property and liability lines.
- *Run-off Lines:* Unfavorable loss reserve development on prior accident years in other run-off lines.

Six months ended June 30, 2021:

- *U.S. Operations*: Favorable development primarily in specialty lines, partially offset by unfavorable development in liability and professional lines.
- *International Operations*: Favorable development in property lines, including losses associated with prior year catastrophe losses, partially offset by unfavorable development in Argo Insurance Bermuda due to large claim movements and unfavorable development in our surety business in Europe.
- *Run-off Lines:* Unfavorable loss reserve development in other run-off lines.

In the opinion of management, our reserves represent the best estimate of our ultimate liabilities, based on currently known facts, current law, current technology and reasonable assumptions where facts are not known. Due to the significant uncertainties and related management judgments, there can be no assurance that future favorable or unfavorable loss development, which may be material, will not occur.

6. Disclosures About Fair Value of Financial Instruments

Cash. The carrying amount approximates fair value.

Investment securities and short-term investments. See Note 3, "Investments," for additional information.

Premiums receivable and reinsurance recoverables on paid losses. The carrying value of current receivables and reinsurance recoverables on paid losses approximates fair value.

Debt. At June 30, 2022 and December 31, 2021, the fair value of our debt instruments is determined using both Level 1 and Level 2 inputs, as previously defined in Note 3, "Investments."

We receive fair value prices from third-party pricing services for our financial instruments as well as for similar financial instruments. These prices are determined using observable market information such as publicly traded quoted prices, and trading prices for similar financial instruments actively being traded in the current market. We have reviewed the processes used by the third-party providers for pricing the instruments and have determined that these processes result in fair values consistent with GAAP requirements. In addition, we review these prices for reasonableness, and have not adjusted any prices received from the third-party providers as of June 30, 2022 and December 31, 2021. A description of the valuation techniques we use to measure these liabilities at fair value is as follows:

Senior Unsecured Fixed Rate Notes Level 1:

- Our senior unsecured fixed rate notes are valued using Level 1 inputs. For these securities, we obtain fair value measurements from a third-party pricing service using quoted prices (unadjusted) in active markets at the reporting date.

Junior Subordinated Debentures and Floating Rate Loan Stock Level 2:

- Our trust preferred debentures, subordinated debentures and floating rate loan stock are typically valued using Level 2 inputs. For these securities, we obtain fair value measurements from a third-party pricing service using quoted prices for similar securities being traded in active markets at the reporting date, as our specific debt instruments are more infrequently traded.

A summary of our financial instruments whose carrying value did not equal fair value is shown below:

(in millions)	June 30, 2022 Carrying Amount	June 30, 2022 Fair Value	December 31, 2021 Carrying Amount	December 31, 2021 Fair Value
Junior subordinated debentures:				
Trust preferred debentures	$ 172.7	$ 169.4	$ 172.7	$ 172.9
Subordinated debentures	85.7	90.0	85.5	91.9
Total junior subordinated debentures	258.4	259.4	258.2	264.8
Senior unsecured fixed rate notes	140.4	128.2	140.3	148.4
Floating rate loan stock	54.4	53.4	57.0	57.1
	$ 453.2	$ 441.0	$ 455.5	$ 470.3

Based on an analysis of the inputs, our financial instruments measured at fair value for disclosure purposes have been categorized as follows:

	Fair Value Measurements at Reporting Date Using			
(in millions)	June 30, 2022	Level 1 [(1)]	Level 2 [(2)]	Level 3 [(3)]
Junior subordinated debentures:				
Trust preferred debentures	$ 169.4	$ —	$ 169.4	$ —
Subordinated debentures	90.0	—	90.0	—
Total junior subordinated debentures	259.4	—	259.4	—
Senior unsecured fixed rate notes	128.2	128.2	—	—
Floating rate loan stock	53.4	—	53.4	—
	$ 441.0	$ 128.2	$ 312.8	$ —

[(1)] Quoted prices in active markets for identical assets

[(2)] Significant other observable inputs

[(3)] Significant unobservable inputs

	Fair Value Measurements at Reporting Date Using			
(in millions)	December 31, 2021	Level 1 [(1)]	Level 2 [(2)]	Level 3 [(3)]
Junior subordinated debentures:				
Trust preferred debentures	$ 172.9	$ —	$ 172.9	$ —
Subordinated debentures	91.9	—	91.9	—
Total junior subordinated debentures	264.8	—	264.8	—
Senior unsecured fixed rate notes	148.4	148.4	—	—
Floating rate loan stock	57.1	—	57.1	—
	$ 470.3	$ 148.4	$ 321.9	$ —

[(1)] Quoted prices in active markets for identical assets

[(2)] Significant other observable inputs

[(3)] Significant unobservable inputs

7. Shareholders' Equity

Dividends

On May 5, 2022, our Board of Directors declared a quarterly cash dividend in the amount of $0.31 on each common share outstanding. On June 15, 2022, we paid $10.5 million to our shareholders of record on May 31, 2022.

On May 5, 2022, our Board of Directors declared a quarterly cash dividend in the amount of $437.50 per share on our 7.00% Resettable Fixed Rate Preference Shares, Series A, par value of $1.00 per share, with a liquidation preference of $25,000 per share (the "Series A Preference Shares"). Holders of depositary shares, each representing a 1/1,000th interest in a Series A Preference Share (the "Depositary Shares"), received $0.437500 per Depositary Share. On June 15, 2022, we paid $2.7 million to our shareholders of record of Series A Preference Shares on May 31, 2022.

On May 6, 2021, our Board of Directors declared a quarterly cash dividend in the amount of $0.31 on each common share outstanding. On June 4, 2021, we paid $11.1 million to our shareholders of record on May 21, 2021.

On May 6, 2021, our Board of Directors declared a quarterly cash dividend in the amount of $437.50 per share on our 7.00% Resettable Fixed Rate Preference Shares, Series A, par value of $1.00 per share, with a liquidation preference of $25,000 per share (the "Series A Preference Shares"). Holders of depositary shares, each representing a 1/1,000th interest in a Series A Preference Share (the "Depositary Shares"), received $0.437500 per Depositary Share. On June 15, 2021, we paid $2.7 million to our shareholders of record of Series A Preference Shares on May 30, 2021.

Stock Repurchases

On May 3, 2016, our Board of Directors authorized the repurchase of up to $150.0 million of our common shares ("2016 Repurchase Authorization"). The 2016 Repurchase Authorization supersedes all previous repurchase authorizations. As of June 30, 2022, availability under the 2016 Repurchase Authorization for future repurchases of our common shares was $53.3 million.

We did not repurchase any common shares for the six months ended June 30, 2022 and June 30, 2021.

8. Accumulated Other Comprehensive Income (Loss)

A summary of changes in accumulated other comprehensive (loss) income, net of taxes (where applicable) by component for the six months ended June 30, 2022 and 2021 is presented below:

(in millions)	Foreign Currency Translation Adjustments	Unrealized Holding Gains (Losses) on Securities	Defined Benefit Pension Plans	Total
Balance, January 1, 2022	$ (35.3)	$ 19.7	$ (7.1)	$ (22.7)
Other comprehensive income (loss) before reclassifications	(0.4)	(260.3)	—	(260.7)
Amounts reclassified from accumulated other comprehensive loss	31.8	(4.4)	—	27.4
Net current-period other comprehensive income (loss)	31.4	(264.7)	—	(233.3)
Balance, June 30, 2022	$ (3.9)	$ (245.0)	$ (7.1)	$ (256.0)

(in millions)	Foreign Currency Translation Adjustments	Unrealized Holding Gains (Losses) on Securities	Defined Benefit Pension Plans	Total
Balance, January 1, 2021	$ (37.9)	$ 105.1	$ (8.6)	$ 58.6
Other comprehensive loss before reclassifications	2.5	(22.5)	1.5	(18.5)
Amounts reclassified from accumulated other comprehensive loss	—	(16.9)	—	(16.9)
Net current-period other comprehensive loss	2.5	(39.4)	1.5	(35.4)
Balance, June 30, 2021	$ (35.4)	$ 65.7	$ (7.1)	$ 23.2

The amounts reclassified from accumulated other comprehensive income (loss) shown in the above table have been included in the following captions in our Condensed Consolidated Statements of Income (Loss):

(in millions)	For the Three Months Ended June 30, 2022	For the Three Months Ended June 30, 2021	For the Six Months Ended June 30, 2022	For the Six Months Ended June 30, 2021
Unrealized gains and losses on securities:				
Net realized investment gains (losses)	$ —	$ (15.2)	$ (5.4)	$ (19.2)
Provision for income taxes	—	1.5	1.0	2.3
Foreign currency translation adjustments:				
Net realized foreign currency translation losses [1]	4.5	—	31.8	—
Total, net of taxes	$ 4.5	$ (13.7)	$ 27.4	$ (16.9)

[1] Foreign currency translation losses were realized as a result of the sale of Argo Seguros and AGSE. Refer to the sale of Argo Seguros and AGSE in Note 1, "Business and Significant Accounting Policies" for additional information.

Income tax effects are released from accumulated other comprehensive income (loss) for unrealized gains or losses when the gains or losses are realized, and are taxed at the statutory rate based on jurisdiction of the underlying transaction.

9. Net Income (Loss) Per Common Share

The following table presents the calculation of net income (loss) per common share on a basic and diluted basis:

(in millions, except number of shares and per share amounts)	For the Three Months Ended June 30, 2022	For the Three Months Ended June 30, 2021	For the Six Months Ended June 30, 2022	For the Six Months Ended June 30, 2021
Net income (loss)	$ (16.2)	$ 69.8	$ (17.2)	$ 99.6
Less: Preferred share dividends	2.7	2.7	5.3	5.3
Net income (loss) attributable to common shareholders	(18.9)	67.1	(22.5)	94.3
Weighted average common shares outstanding - basic	34,964,773	34,820,649	34,928,555	34,766,948
Effect of dilutive securities:				
Equity compensation awards	—	192,131	—	216,856
Weighted average common shares outstanding - diluted	34,964,773	35,012,780	34,928,555	34,983,804
Net income (loss) per common share:				
Basic	$ (0.54)	$ 1.93	$ (0.64)	$ 2.72
Diluted	$ (0.54)	$ 1.92	$ (0.64)	$ 2.70

Excluded from the weighted average common shares outstanding calculation at June 30, 2022 and 2021 are 11,315,889 shares, which are held as treasury shares. The shares are excluded as of their repurchase date. Excluded from the computation of diluted net loss per common shares were 107,431 and 140,487 potentially dilutive shares for the three and six months ended June 30, 2022, respectively. The potentially dilutive shares were excluded due to the net loss incurred for the periods presented. For the three and six months ended June 30, 2021, 36,219 and 48,272, respectively, weighted average shares were excluded from the computation of diluted net income per common shares as they were antidilutive.

10. Supplemental Cash Flow Information

Interest paid and income taxes paid (recovered) were as follows:

(in millions)	For the Six Months Ended June 30, 2022	2021
Senior unsecured fixed rate notes	$ 4.7	$ 4.7
Junior subordinated debentures	5.4	5.0
Other indebtedness	1.0	1.1
Total interest paid	$ 11.1	$ 10.8
Income taxes paid	$ 10.1	$ 8.9
Income taxes recovered	(0.5)	(0.1)
Income taxes paid, net	$ 9.6	$ 8.8

11. Share-based Compensation

Argo Group's 2019 Omnibus Incentive Plan

In May 2019, our shareholders approved the 2019 Omnibus Incentive Plan (the "2019 Plan"), which provides equity-based and cash-based incentives to key employees and non-employee directors. The intent of the 2019 Plan is to encourage and provide for the acquisition of an ownership interest in Argo Group, enabling us to attract and retain qualified and competent persons to serve as members of our management team and Board of Directors. The 2019 Plan authorizes 1,885,000 common shares to be granted as equity-based awards. No further grants will be made under any prior plan; however, any awards under a prior plan that are outstanding as of the effective date shall remain subject to the terms and conditions of, and be governed by, such prior plan.

Awards granted under the 2019 Plan may be in the form of stock options, stock appreciation rights, restricted stock awards, restricted stock unit awards, performance awards, other stock-based awards or other cash-based awards. Awards may be granted either alone, in addition to or in tandem with other awards authorized under the 2019 Plan. Awards that are settled in stock will count as one share for the purposes of reducing the share reserve under the 2019 Plan. Shares issued under this plan may be shares that are authorized and unissued or shares that we have reacquired, including shares purchased on the open market.

Stock options and stock appreciation rights are required to have an exercise price that is not less than the fair market value on the date of grant. The term of these awards is not to exceed ten years.

Restricted Shares

A summary of non-vested restricted share activity as of June 30, 2022 and changes during the six months then ended is as follows:

	Shares	Weighted-Average Grant Date Fair Value
Outstanding at January 1, 2022	278,430	$ 49.57
Granted	334,384	40.19
Reclassed from performance shares	14,373	32.61
Vested and issued	(128,390)	47.96
Expired or forfeited	(110,895)	43.49
Outstanding at June 30, 2022	387,902	$ 43.13

The restricted shares vest over one to four years. Expense recognized under this plan for the restricted shares was $1.1 million and $3.3 million for the three and six months ended June 30, 2022, respectively, as compared to $1.4 million and $2.9 million for the three and six months ended June 30, 2021, respectively. Compensation expense for all share-based compensation awards is included in *Underwriting, acquisition and insurance expenses* in the accompanying Condensed Consolidated Statements of Income (Loss). As of June 30, 2022, there was $16.0 million of total unrecognized compensation cost related to restricted share compensation arrangements granted by Argo Group.

Performance Shares

We have issued to certain key employees non-vested restricted stock awards whose vesting is subject to the achievement of certain performance measures. The non-vested performance share awards vest over three to four years. Non-vested performance share awards are valued based on the fair market value as of the grant date. Vesting of the awards is subject to the achievement of defined performance measures and the number of shares vested may be adjusted based on the achievement of certain targets. We evaluate the likelihood of the employee achieving the performance condition and include this estimate in the determination of the forfeiture factor for these grants.

A summary of non-vested performance share activity as of June 30, 2022 and changes during the six months then ended is as follows:

	Shares	Weighted-Average Grant Date Fair Value
Outstanding at January 1, 2022	200,564	$ 47.52
Granted	124,464	41.00
Reclassed to restricted shares	(14,373)	32.61
Vested and issued	(3,275)	61.05
Expired or forfeited	(175,063)	44.74
Outstanding at June 30, 2022	132,317	$ 46.34

Expense recouped under this plan for the performance shares was $1.1 million and $0.6 million for the three and six months ended June 30, 2022, respectively, compared to expense recognized of $0.9 million and $1.6 million for the three and six months ended June 30, 2021, respectively. The recoupment of expenses recognized in 2022 was primarily attributable to the forfeiture of awards due to the departure of our former president and chief executive officer. As of June 30, 2022, there was $4.1 million of total unrecognized compensation cost related to performance share compensation arrangements granted by Argo Group.

12. Underwriting, Acquisition and Insurance Expenses

Underwriting, acquisition and insurance expenses were as follows:

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
(in millions)	2022	2021	2022	2021
Commissions	$ 61.3	$ 71.7	$ 139.2	$ 148.2
Other underwriting and insurance expenses	97.1	104.0	200.3	210.6
Total underwriting, acquisition and insurance expenses before deferral	158.4	175.7	339.5	358.8
Net deferral of policy acquisition costs	2.6	1.6	(5.6)	(5.1)
Total underwriting, acquisition and insurance expenses	$ 161.0	$ 177.3	$ 333.9	$ 353.7

13. Income Taxes

We are incorporated under the laws of Bermuda and, under current Bermuda law, are not obligated to pay any taxes in Bermuda based upon income or capital gains. We have received an undertaking from the Supervisor of Insurance in Bermuda pursuant to the provisions of the Exempted Undertakings Tax Protection Amendment Act, 2011, which exempts us from any Bermuda taxes computed on profits, income or any capital asset, gain or appreciation or any tax in the nature of estate, duty or inheritance tax, at least until the year 2035.

We do not consider ourselves to be engaged in a trade or business in the U.S. or the U.K. and, accordingly, do not expect to be subject to direct U.S. or U.K. income taxation.

We have subsidiaries based in the U.K. that are subject to the tax laws of that country. Under current law, these subsidiaries are taxed at the applicable corporate tax rates. Certain of the U.K. subsidiaries are deemed to be engaged in business in the U.S., and therefore, are subject to U.S. corporate tax in respect of a proportion of their U.S. underwriting business only. Relief is available against the U.K. tax liabilities in respect of overseas taxes paid that arise from the underwriting business. Our U.K. subsidiaries file separate U.K. income tax returns.

We have subsidiaries based in the U.S. that are subject to U.S. tax laws. Under current law, these subsidiaries are taxed at the applicable corporate tax rates. Our U.S. subsidiaries generally file a consolidated U.S. federal income tax return.

We also have operations in France, Ireland, Italy, and Switzerland, which also are subject to income taxes imposed by the jurisdiction in which they operate. During the period ending June 30, 2022, our operations in Brazil and Malta were divested. We also have operations in Barbados and the United Arab Emirates, which are not subject to income tax under the laws of those countries.

On June 10, 2021, U.K. tax legislation referred to as Finance Act 2021 received Royal Assent and was enacted. The effects of changes in tax laws and tax rates are recognized in the period of enactment. Accordingly, we recorded the impacts of Finance Act 2021 in our June 30, 2021 consolidated financial statements which primarily includes the remeasurement of our deferred tax assets and liabilities for the increased U.K. federal tax rate from 19% to 25% beginning on April 1, 2023.

Our expected income tax provision computed on pre-tax income (loss) at the weighted average tax rate has been calculated as the sum of the pre-tax income (loss) in each jurisdiction multiplied by that jurisdiction's applicable statutory tax rate. For the three and six months ended June 30, 2022 and 2021, pre-tax income (loss) attributable to our operations and the corresponding operations' effective tax rates were as follows:

	For the Three Months Ended June 30,			
	2022		2021	
(in millions)	Pre-Tax Income (Loss)	Effective Tax Rate	Pre-Tax Income (Loss)	Effective Tax Rate
Bermuda	$ (49.1)	— %	$ 2.3	— %
United States	46.0	21.4 %	64.0	21.9 %
United Kingdom	8.7	26.8 %	9.3	(54.6)%
Brazil	—	— %	2.3	— %
United Arab Emirates	0.2	— %	0.1	— %
Ireland	(4.6)	— %	— (1)	— %
Italy	(0.2)	46.7 %	0.4	— %
Malta	(5.1)	— %	0.3	— %
Pre-tax income	$ (4.1)	(295.1)%	$ 78.7	11.3 %

(1) Pre-tax income (loss) for the respective year was less than $0.1 million.

	For the Six Months Ended June 30,			
	2022		2021	
(in millions)	Pre-Tax Income (Loss)	Effective Tax Rate	Pre-Tax Income (Loss)	Effective Tax Rate
Bermuda	$ (49.0)	— %	$ 7.3	— %
United States	84.7	21.7 %	105.2	19.4 %
United Kingdom	13.7	46.6 %	(8.9)	115.3 %
Brazil	(0.1)	(422.4)%	4.0	— %
United Arab Emirates	0.8	— %	0.3	— %
Ireland	(38.0)	— %	(0.1)	— %
Italy	(0.1)	(28.9)%	1.2	— %
Malta	(4.1)	— %	0.9	— %
Pre-tax income	$ 7.9	320.4 %	$ 109.9	9.3 %

Our effective tax rate may vary significantly from period to period depending on the jurisdiction generating the pre-tax income (loss) and its corresponding statutory tax rate. The geographic distribution of pre-tax income (loss) can fluctuate significantly between periods given the inherent nature of our business.

A reconciliation of the difference between the provision for income taxes and the expected tax provision at the weighted average tax rate is as follows:

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
(in millions)	2022	2021	2022	2021
Income tax provision at expected rate	$ 9.5	$ 16.5	$ 18.9	$ 22.8
Tax effect of:				
Nontaxable investment income	(0.1)	(0.1)	(0.2)	(0.3)
Foreign exchange adjustments	0.7	(0.3)	0.7	(0.5)
Withholding taxes	—	0.1	—	0.1
Sale of Brazil and Malta Operations	4.9	—	6.5	—
Change in uncertain tax position liability	0.5	0.6	0.6	(1.8)
Change in valuation allowance	(3.5)	(1.2)	(5.4)	(2.0)
Impact of change in tax rate related to Finance Act 2021	0.8	(7.4)	1.3	(7.4)
Prior period adjustment	(0.3)	—	0.9	—
Other	(0.4)	0.7	1.8	(0.6)
Income tax provision	$ 12.1	$ 8.9	$ 25.1	$ 10.3

Our gross deferred tax assets are supported by taxes paid in previous periods, reversal of taxable temporary differences and recognition of future taxable income. Management regularly evaluates the recoverability of the deferred tax assets and makes any necessary adjustments to them based upon any changes in management's expectations of future taxable income. Realization of deferred tax assets is dependent upon our generation of future taxable income sufficient to recover tax benefits that cannot be recovered from taxes paid in the carryback period, generally for our U.S. property and casualty insurers two years for net operating losses and for all our U.S. subsidiaries three years for capital losses. If a company determines that any of its deferred tax assets will not result in future tax benefits, a valuation allowance must be established for the portion of these assets that are not expected to be realized. For the three and six months ended June 30, 2022, the net change in valuation allowance for deferred tax assets was a decrease of $3.5 million and $5.4 million, respectively, relating to the following: Internal Revenue Code Section 382 limited net operating loss carryforwards within the United States, cumulative losses incurred since inception, and valuation allowances acquired through or related to acquisitions or disposals. Based upon a review of our available evidence, both positive and negative discussed above, our management concluded that it is more-likely-than-not that the other deferred tax assets will be realized.

For any uncertain tax positions not meeting the "more-likely-than-not" recognition threshold, accounting standards require recognition, measurement and disclosure in a company's financial statements. For the three and six months ended June 30, 2022, the Company had a net increase of uncertain tax positions in the amount of $0.5 million and $0.6 million related to state income tax liability. Separately, a net increase of interest in the amount of $0.0 million and $0.1 million has been recorded in the line item Interest expense in our Consolidated Statements of Income (Loss) for the three and six months ended June 30, 2022. No change to penalties were recorded for the three and six months ended June 30, 2022.

Our U.S. subsidiaries are no longer subject to U.S. federal and state income tax examinations by tax authorities for years before 2018. Our U.K. subsidiaries are no longer subject to U.K. income tax examinations by Her Majesty's Revenue and Customs for years before 2020.

Numerous foreign jurisdictions in which we operate have provided or proposed income-tax relief in response to the COVID-19 pandemic. The Company does not anticipate any of the recent legislative initiatives to have a material impact on its financial statements and will continue to analyze these initiatives in response to the COVID-19 pandemic.

14. Commitments and Contingencies

Argo Group's subsidiaries are parties to legal actions incidental to their business. Based on the opinion of legal counsel, management believes that the resolution of these matters will not materially affect our financial condition or results of operations.

We have contractual commitments to invest up to $116.8 million related to our limited partnership investments at June 30, 2022, as further disclosed in Note 3, "Investments." These commitments will be funded as required by the partnership agreements which can be called to be fulfilled at any time, not to exceed twelve years.

15. Segment Information

We are primarily engaged in underwriting property and casualty insurance. We have two ongoing reporting segments: U.S. Operations and International Operations. Additionally, we have Run-off Lines for certain products that we no longer underwrite.

We consider many factors, including the nature of each segment's insurance and reinsurance products, production sources, distribution strategies and the regulatory environment, in determining how to aggregate reporting segments.

In evaluating the operating performance of our segments, we focus on core underwriting and investing results before the consideration of realized gains or losses from investments. Realized investment gains are reported as a component of the Corporate and Other segment, as decisions regarding the acquisition and disposal of securities reside with the corporate investment function and are not under the control of the individual business segments. Identifiable assets by segment are those assets used in the operation of each segment.

Revenue and income (loss) before income taxes for each segment were as follows:

(in millions)	For the Three Months Ended June 30, 2022	For the Three Months Ended June 30, 2021	For the Six Months Ended June 30, 2022	For the Six Months Ended June 30, 2021
Revenue:				
Earned premiums				
U.S. Operations	$ 332.8	$ 314.5	$ 669.2	$ 628.9
International Operations	121.3	155.7	265.5	307.2
Run-off Lines	0.2	0.1	0.2	0.3
Total earned premiums	454.3	470.3	934.9	936.4
Net investment income				
U.S. Operations	20.0	33.7	45.6	62.5
International Operations	8.7	13.9	20.1	25.9
Run-off Lines	0.6	1.1	1.3	1.9
Corporate and Other	—	4.0	—	6.8
Total net investment income	29.3	52.7	67.0	97.1
Net investment and other gains (losses)	(40.4)	24.7	(74.9)	37.8
Total revenue	$ 443.2	$ 547.7	$ 927.0	$ 1,071.3

(in millions)	For the Three Months Ended June 30, 2022	For the Three Months Ended June 30, 2021	For the Six Months Ended June 30, 2022	For the Six Months Ended June 30, 2021
Income (loss) before income taxes				
U.S. Operations	$ 43.0	$ 53.6	$ 86.9	$ 90.2
International Operations	2.6	19.5	25.3	7.7
Run-off Lines	(1.5)	(0.1)	(2.5)	0.5
Total segment income (loss) before income taxes	44.1	73.0	109.7	98.4
Corporate and Other	(18.1)	(14.6)	(34.3)	(20.6)
Net investment and other gains (losses)	(40.4)	24.7	(74.9)	37.8
Foreign currency exchange gains (losses)	10.3	(4.4)	7.4	(5.7)
Total income (loss) before income taxes	$ (4.1)	$ 78.7	$ 7.9	$ 109.9

The table below presents earned premiums by geographic location for the three and six months ended June 30, 2022 and 2021. For this disclosure, we determine geographic location by the country of domicile of our subsidiaries that underwrite the business and not by the location of insureds or reinsureds from whom the business was generated.

(in millions)	For the Three Months Ended June 30, 2022	For the Three Months Ended June 30, 2021	For the Six Months Ended June 30, 2022	For the Six Months Ended June 30, 2021
United States	$ 333.0	$ 314.2	$ 669.4	$ 627.0
United Kingdom	109.0	116.8	236.1	215.8
Bermuda	11.0	10.7	17.4	35.8
Malta	1.3	11.0	3.6	25.0
All other jurisdictions	—	17.6	8.4	32.8
Total earned premiums	$ 454.3	$ 470.3	$ 934.9	$ 936.4

The following table represents identifiable assets:

(in millions)	June 30, 2022	December 31, 2021
U.S. Operations	$ 5,585.2	$ 5,800.1
International Operations	3,859.3	3,932.3
Run-off Lines	287.9	314.7
Corporate and Other	143.7	270.7
Total	$ 9,876.1	$ 10,317.8

Included in total assets at June 30, 2022 and December 31, 2021 are $307.8 million and $554.2 million, respectively, in assets associated with trade capital providers.

16. Subsequent Events

The Company entered into a loss portfolio transfer agreement with a wholly owned subsidiary of Enstar Group Limited ("Enstar") covering a majority of the Company's U.S. casualty insurance reserves, including construction, for accident years 2011 to 2019.

Enstar's subsidiary will provide ground up cover of $746 million of reserves, and an additional $275 million of cover in excess of $821 million, up to a policy limit of $1,096 million. The Company will retain a loss corridor of $75 million up to $821 million.

We anticipate recognizing an after-tax charge of approximately $100 million in connection with the transaction in the third quarter of 2022. An estimate of the financial effect to the financial statements as a whole cannot be made given the timing of the transaction.

The closing of the transaction is subject to regulatory approval and other customary closing conditions.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following is a discussion and analysis of our results of operations for the three and six months ended June 30, 2022 compared with the three and six months ended June 30, 2021, and a discussion of our financial condition as of June 30, 2022. This discussion and analysis should be read in conjunction with the attached unaudited interim Condensed Consolidated Financial Statements and notes thereto and Argo Group's 2021 Form 10-K, including the audited Consolidated Financial Statements and notes thereto.

Certain reclassifications have been made to financial information presented for prior years to conform to the current year's presentation.

Forward Looking Statements

This report includes forward-looking statements that reflect our current views with respect to future events and financial performance. Forward-looking statements include all statements that do not relate solely to historical or current facts, and can be identified by the use of words such as "expect," "intend," "plan," "believe," "do not believe," "aim," "project," "anticipate," "seek," "will," "likely," "assume," "estimate," "may," "continue," "guidance," "growth," "objective," "remain optimistic," "improve," "progress," "path toward," "outlook," "trends," "future," "could," "would," "should," "target," "on track" and similar expressions of a future or forward-looking nature.

Such statements are subject to certain risks and uncertainties that could cause actual events or results to differ materially. For a more detailed discussion of such risks and uncertainties, see Item 1A, "Risk Factors" in Argo Group's 2021 Form 10-K. The inclusion of a forward-looking statement herein should not be regarded as a representation by Argo Group that Argo Group's objectives will be achieved. Argo Group undertakes no obligation to publicly update forward-looking statements, whether as a result of new information, future events or otherwise. You should not place undue reliance on any such statements.

Consolidated Results of Operations

For the three and six months ended June 30, 2022, we reported a net loss attributable to common shareholders of $18.9 million ($0.54 per diluted common share) and $22.5 million ($0.64 per diluted common share), respectively. For the three and six months ended June 30, 2021, we reported net income attributable to common shareholders of $67.1 million ($1.92 per diluted common share) and $94.3 million ($2.70 per diluted common share), respectively.

The following is a comparison of selected data from our operations, as well as book value per common share, for the relevant comparative periods:

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
(in millions)	2022	2021	2022	2021
Gross written premiums	$ 732.1	$ 815.3	$ 1,452.7	$ 1,571.8
Earned premiums	$ 454.3	$ 470.3	$ 934.9	$ 936.4
Net investment income	29.3	52.7	67.0	97.1
Net investment and other gains (losses):				
Net realized investment and other gains (losses)	(36.9)	4.0	(77.0)	2.7
Change in fair value recognized	(3.0)	20.3	3.7	35.8
Change in allowance for credit losses on fixed maturity securities	(0.5)	0.4	(1.6)	(0.7)
Total net investment and other gains (losses)	(40.4)	24.7	(74.9)	37.8
Total revenue	$ 443.2	$ 547.7	$ 927.0	$ 1,071.3
Income before income taxes	$ (4.1)	$ 78.7	$ 7.9	$ 109.9
Income tax provision	12.1	8.9	25.1	10.3
Net income (loss)	$ (16.2)	$ 69.8	$ (17.2)	$ 99.6
Less: Dividends on preferred shares	2.7	2.7	5.3	5.3
Net income (loss) attributable to common shareholders	$ (18.9)	$ 67.1	$ (22.5)	$ 94.3
GAAP Ratios:				
Loss ratio	60.8 %	57.7 %	59.9 %	61.9 %
Expense ratio	35.4 %	37.7 %	35.7 %	37.8 %
Combined ratio	96.2 %	95.4 %	95.6 %	99.7 %

The table above includes GAAP ratios we use to measure our profitability. We believe that they enhance an investor's understanding of our profitability. They are calculated as follows:

a. Loss ratio: the ratio of claims and claims expense to premiums earned. Loss ratios include the impact of catastrophe losses.

b. Expense ratio: the ratio of underwriting, acquisition and insurance expense to premiums earned.

c. Combined ratio: the sum of the loss ratio and the expense ratio. The difference between 100% and the combined ratio represents underwriting income (loss) as a percentage of premiums earned, or underwriting margin.

	June 30, 2022	December 31, 2021	June 30, 2021
Book value per common share	$ 37.65	$ 45.62	$ 50.34

Exploration of Strategic Alternatives

On April 28, 2022, we announced that our Board of Directors initiated an exploration of strategic alternatives and will consider a wide range of options for the Company, including, among other things, a potential sale, merger or other strategic transaction. There can be no assurance that this process will result in the Company pursuing a particular transaction or other strategic outcome. The Company has not set a timetable for completion of this process, and it does not intend to disclose further developments unless and until it determines that further disclosure is appropriate or necessary.

Impact of COVID-19

Beginning in March 2020 and continuing throughout 2021 and year to date 2022, the global COVID-19 pandemic, including the arrival of new strains of the virus, has resulted in significant disruptions in economic activity and financial markets. While the Company's consolidated net investment income benefited from the gradual improvement of economic conditions as the impact of the pandemic lessened during 2021, COVID-19 has directly and indirectly adversely affected the Company and may continue to do so for an uncertain period of time. The Company did not incur any COVID-19 catastrophe losses during the three and six months ended June 30, 2022, as compared to $4.6 million and $9.0 million for the three and six months ended June 30, 2021. Our liquidity and capital resources were not materially impacted by COVID-19 and related economic conditions during the six months ended June 30, 2022 or 2021. Although vaccines are now available and are in the process of being widely distributed, the extent to which COVID-19 (including emerging new strains of the COVID-19 virus) will continue to impact our business will depend on future developments that cannot be predicted, and while we have recorded our best estimates of this impact as of and for the three and six months ended June 30, 2022, actual results in future periods could materially differ from those disclosed herein.

Non-GAAP Measures

In presenting our results in the following discussion and analysis of our results of operations, we have included certain non-generally accepted accounting principles ("non-GAAP") financial measures. We believe that these non-GAAP measures, specifically current accident year non-catastrophe losses, current accident year non-catastrophe loss ratio and current accident year non-catastrophe combined ratios, which may be defined differently by other companies, explain our results of operations in a manner that allows for an understanding of the underlying trends in our business. However, these measures should not be viewed as a substitute for those determined in accordance with U.S. generally accepted accounting principles ("GAAP"). Reconciliations of these financial measures to their most directly comparable GAAP measures are included in the tables below.

	For the Three Months Ended June 30,			
	2022		2021	
(in millions)	Amount	Ratio	Amount	Ratio
Earned premiums	$ 454.3		$ 470.3	
Losses and loss adjustment expenses, as reported	276.0	60.8 %	271.6	57.7 %
Adjustments:				
Favorable (unfavorable) prior accident year loss development	(16.3)	(3.6)%	1.2	0.3 %
Catastrophe losses, including COVID-19	(2.5)	(0.6)%	(11.1)	(2.4)%
Current accident year non-catastrophe losses (non-GAAP)	$ 257.2	56.6 %	$ 261.7	55.6 %
Expense ratio		35.4 %		37.7 %
Current accident year non-catastrophe combined ratio (non-GAAP)		92.0 %		93.3 %

	For the Six Months Ended June 30,			
	2022		2021	
(in millions)	Amount	Ratio	Amount	Ratio
Earned premiums	$ 934.9		$ 936.4	
Losses and loss adjustment expenses, as reported	$ 559.6	59.9 %	$ 579.2	61.9 %
Adjustments:				
Favorable (unfavorable) prior accident year loss development	(19.7)	(2.1)%	0.2	— %
Catastrophe losses, including COVID-19	(11.2)	(1.2)%	(58.6)	(6.3)%
Current accident year non-catastrophe losses (non-GAAP)	$ 528.7	56.6 %	$ 520.8	55.6 %
Expense ratio		35.7 %		37.8 %
Current accident year non-catastrophe combined ratio (non-GAAP)		92.3 %		93.4 %

Current accident year non-catastrophe losses, current accident year non-catastrophe loss ratio and current accident year non-catastrophe combined ratio are internal performance measures used by the Company to evaluate its underwriting activity by excluding catastrophe related charges and the impact of changes to prior year loss reserves. Management believes that these non-GAAP metrics measure performance in a way that is useful to investors as it removes the impact of volatile and unpredictable catastrophe losses and prior accident year reserve development.

Gross Written and Net Earned Premiums

Consolidated gross written and net earned premiums by our four primary insurance lines were as follows:

	For the Three Months Ended June 30,			
	2022		2021	
(in millions)	Gross Written	Net Earned	Gross Written	Net Earned
Property	$ 118.4	$ 57.9	$ 153.9	$ 72.1
Liability	332.6	201.0	330.7	201.0
Professional	164.1	110.4	173.3	111.0
Specialty	117.0	85.0	157.4	86.2
Total	$ 732.1	$ 454.3	$ 815.3	$ 470.3

	For the Six Months Ended June 30,			
	2022		2021	
(in millions)	Gross Written	Net Earned	Gross Written	Net Earned
Property	$ 214.9	$ 127.8	$ 290.2	$ 156.7
Liability	652.6	407.0	654.7	397.1
Professional	313.5	226.7	338.4	215.9
Specialty	271.7	173.4	288.5	166.7
Total	$ 1,452.7	$ 934.9	$ 1,571.8	$ 936.4

Gross written premiums decreased $83.2 million, or 10.2%, for the three months ended June 30, 2022, as compared to the same period ended 2021, while decreasing $119.1 million, or 7.6%, for the six months ended June 30, 2022 as compared to the same period ended 2021. The decrease in gross written premiums is primarily attributable to the sale of Argo Seguros as well as businesses we are exiting, including contract binding and excess and surplus ("E&S") property businesses in the U.S., London direct and facultative and North American binder business in our International Operations. Re-underwriting actions across our catastrophe exposed lines of business further contributed to this decrease. Both U.S. Operations and International Operations continued to see overall rate increases (mid single to low double digits) during 2021 and 2022.

Consolidated net earned premiums for the three and six months ended June 30, 2022 decreased $16.0 million, or 3.4%, and $1.5 million, or 0.2%, respectively, as compared to the same period ended 2021. The decrease is primarily driven by the sale of Argo Seguros and the exiting of certain business lines in our European operations, partially offset by an increase in our U.S. Operations across multiple business lines. The main drivers of growth in our U.S. operations include Argo Pro, primarily driven by higher premium retention, and additional growth from in-land marine, surety, and casualty.

Our gross written and net earned premiums are further discussed by reporting segment and major lines of business below under the heading "Segment Results."

Net Investment Income

Consolidated net investment income for the three and six months ended June 30, 2022 was $29.3 million and $67.0 million, respectively, compared to $52.7 million and $97.1 million for the same periods in 2021. Consolidated net investment income decreased $30.1 million, or 31.0%, for the six months ended June 30, 2022 as compared to the six months ended June 30, 2021. The decrease in net investment income was driven by a decrease in income from our alternative investment portfolio which includes earnings from both private equity and hedge fund investments. Our alternative investment portfolio, which is reported on a one to three-month lag, produced net investment income for the three and six months ended June 30, 2022 of $4.1 million and $17.7 million, compared to $29.9 million and $50.6 million for the same period ended June 30, 2021, primarily from lower returns on hedge funds and private equity investments.

Net investment income from fixed maturity assets and dividends from equity securities was $25.2 million and $49.3 million for the three and six months ended June 30, 2022, compared to $22.8 million and $46.5 million for the same period ended 2021, primarily due to an increase in fixed maturity securities.

Net Investment and Other Gains and Losses

Consolidated net investment and other gains and losses decreased $65.1 million and $112.7 million for the three and six months ended June 30, 2022, respectively, as compared to the three and six months ended June 30, 2021. Consolidated net investment and other losses of $74.9 million for the six months ended June 30, 2022 were primarily driven from the sale of Argo Seguros and AGSE. The losses related to the sale of Argo Seguros and AGSE included $31.8 million of historical foreign currency translation losses which were previously recognized in accumulated other comprehensive income, resulting in no impact to total shareholders' equity from this reclassification. The remainder of the change is primarily driven from increased net realized losses on foreign currency forward contracts in 2022 as compared to 2021.

Loss and Loss Adjustment Expenses

Consolidated losses and loss adjustment expenses increased $4.4 million, or 1.6%, and decreased $19.6 million, or 3.4%, for the three and six months ended June 30, 2022, respectively, as compared to the three and six months ended June 30, 2021. The consolidated loss ratio for the three months ended June 30, 2022 was 60.8%, 3.1 percentage points higher than 57.7% for the same period in 2021, driven by net unfavorable prior-year reserve development in 2022 as compared to net favorable prior-year reserve development in 2021 (3.9 percentage point increase) and a higher current accident year non-catastrophe loss ratio (1.0 percentage point increase), partially offset by lower catastrophe losses including losses related to COVID-19 (1.8 percentage point decrease). Catastrophe losses for the three months ended June 30, 2022 of $2.5 million were attributable to losses associated with the Ukraine-Russia conflict and weather related losses in the U.S. The consolidated loss ratio for the six months ended June 30, 2022 was 59.9%, two percentage points lower than 61.9% for the same period in 2021, driven by lower catastrophe losses including losses related to COVID-19 (5.1 percentage point decrease), partially offset by a higher current accident year non-catastrophe loss ratio (1.0 percentage point increase), and an increase in net unfavorable prior-year reserve development in 2022 as compared to 2021 (2.1 percentage points). Catastrophe losses for the six months ended June 30, 2022 of $11.2 million are primarily attributable to losses associated with the Ukraine-Russia conflict and weather related losses in the U.S.

The net unfavorable prior-year reserve development for the three months ended June 30, 2022 of $16.3 million was due to $6.7 million from U.S. Operations, $8.2 million from International Operations and $1.4 million in Run-off lines. The net unfavorable prior-year reserve development for the six months ended June 30, 2022 of $19.7 million was due to $11.7 million from U.S. Operations, $5.2 million from International Operations and $2.8 million in Run-off lines. Our losses and loss adjustment expenses, including the prior-year loss reserve development shown in the following table, are further discussed by reporting segment under the heading "Segment Results" below. The following table summarizes the above referenced prior-year loss reserve development for the six months ended June 30, 2022 with respect to net loss reserves by line of business as of December 31, 2021.

(in millions)	Net Reserves 2021	Net Reserve Development (Favorable)/ Unfavorable	Percent of 2021 Net Reserves
General liability	$ 1,834.1	$ 14.7	0.8 %
Workers compensation	280.5	(1.8)	(0.6)%
Syndicate and U.S. special property	181.8	(0.7)	(0.4)%
Syndicate liability	121.4	—	— %
Reinsurance - nonproportional assumed property	111.1	—	— %
Commercial multi-peril	208.8	—	— %
Syndicate marine and energy	77.9	—	— %
Commercial auto liability	98.4	14.9	15.1 %
Syndicate specialty	41.1	(1.8)	(4.4)%
Fidelity/Surety	25.0	(5.6)	(22.4)%
All other lines	143.1	—	— %
Total	$ 3,123.2	$ 19.7	0.6 %

In determining appropriate reserve levels for the six months ended June 30, 2022, we maintained the same general processes and disciplines that were used to set reserves at prior reporting dates. No significant changes in methodologies were made to estimate the reserves since the last reporting date; however, at each reporting date we reassess the actuarial estimate of the reserve for loss and loss adjustment expenses and record our best estimate. Consistent with prior reserve valuations, as claims data becomes more mature for prior accident years, actuarial estimates were refined to weigh certain actuarial methods more heavily in order to respond to any emerging trends in the paid and reported loss data. Pricing, reinsurance costs, legal environment, general economic conditions including changes in inflation and many other factors impact our ultimate loss estimates. Refer to segment results for specific factors impacting our current accident year loss ratios.

Consolidated gross reserves for losses and loss adjustment expenses were $5,595.5 million (including $100.4 million of reserves attributable to our Syndicate 1200 and 1910 trade capital providers) and $5,595.0 million (including $134.6 million of reserves attributable to our Syndicate 1200 and 1910 trade capital providers) as of June 30, 2022 and December 31, 2021, respectively. Our management has recorded its best estimate of loss reserves at each date based on current known facts and circumstances. Due to the significant uncertainties inherent in the estimation of loss reserves, it is possible that future loss development, favorable or unfavorable, may occur.

Underwriting, Acquisition and Insurance Expenses

Consolidated underwriting, acquisition and insurance expense for the three and six months ended June 30, 2022 decreased $16.3 million, or 9.2% and $19.8 million, or 5.6%, respectively, as compared to the same periods ended 2021. The consolidated expense ratio was 35.7% in the second quarter of 2022 compared to 37.8% for the six months ended June 30, 2021. The expense ratio improved by 2.6% in U.S. Operations. The acquisition expense ratio was 17.2% and general and administrative expense ratio was 18.5% in the second quarter of 2022 as compared to 17.2% and 20.6%, respectively, for the six months ended June 30, 2021. The improvement in the general and administrative expense ratio reflects continued execution of our expense reduction initiatives, primarily driven by a $19.3 million decrease in general and administrative expenses in addition to growth in net earned premium for the six months ended June 30, 2022 compared to the six months ended June 30, 2021.

Our underwriting, acquisition and insurance expenses are further discussed below by reporting segment under the heading “Segment Results.”

Non-Operating Expenses

Non-operating expenses represent costs not associated with our ongoing insurance or other operations, including severance expenses, certain legal costs, merger and acquisition and other transaction-related expenses, and certain non-recurring expenses. As such, non-operating expenses have been excluded from the calculation of our expense ratio.

Non-operating expenses increased $4.8 million, or 44.4%, for the three months ended June 30, 2022 as compared to the three months ended June 30, 2021. Non-operating expenses increased $10.3 million, or 81.1%, for the six months ended June 30, 2022 as compared to the six months ended June 30, 2021. The expenses incurred for the six months ended June 30, 2022 primarily relate to advisory fees, severance expenses and retention bonuses, and legal settlements.

These non-recurring costs are included in the line item *Non-operating expenses* in the Company’s Condensed Consolidated Statements of Income (Loss), and have been excluded from the calculation of our expense ratio.

Interest Expense

Consolidated interest expense increased $0.4 million, or 7.0%, to $6.1 million for the three months ended June 30, 2022 as compared to the three months ended June 30, 2021. Consolidated interest expense increased $1.1 million, or 10.2%, to $11.9 million for the six months ended June 30, 2022 as compared to the six months ended June 30, 2021. The year-over-year increase was primarily attributable to higher short-term rates in 2022.

Foreign Currency Exchange Gains/Losses

Consolidated foreign currency exchange gains increased $14.7 million for the three months ended June 30, 2022, as compared to the three months ended June 30, 2021. Consolidated foreign currency exchange gains increased $13.1 million for the six months ended June 30, 2022, as compared to the six months ended June 30, 2021. The changes in the foreign currency exchange gains were due to fluctuations of the U.S. Dollar, on a weighted average basis, against the Canadian Dollar, Euro and the British Pound.

Income Tax Provision

The consolidated income tax provision represents the income tax expense or benefit associated with our operations based on the tax laws of the jurisdictions in which we operate. Therefore, the consolidated provision for income taxes represents taxes on net income for our Brazil, Ireland, Italy, Malta, Switzerland, United Kingdom, and U.S. operations. The consolidated provision for income taxes was $12.1 million and $25.1 million for the three and six months ended June 30, 2022, compared to the consolidated income tax provision of $8.9 million and $10.3 million for the same periods ended 2021.

The consolidated effective tax rate was (295.1)% and 320.4% for the three and six months ended June 30, 2022 compared to the consolidated effective tax rate of 11.3% and 9.3% for the same period ended 2021. The primary drivers for the increased effective tax rate resulted from the sale of our Brazil operations in February 2022 and Malta operations in June 2022. The Brazil realized foreign exchange loss was excluded from tax calculations, and the tax benefits related to the capital loss in Ireland were offset by a valuation allowance. Separately, the Malta capital loss reported in Bermuda received no tax benefit. Excluding the sale of Brazil and Malta, the effective tax rate for the periods ending March 31, 2022 and June 30, 2022 were more aligned with statutory tax rates.

Segment Results

We are primarily engaged in writing property and casualty insurance. We have two ongoing reporting segments: U.S. Operations and International Operations. Additionally, we have Run-off Lines for products that we no longer underwrite.

We consider many factors, including the nature of each segment’s insurance products, production sources, distribution strategies and regulatory environment, in determining how to aggregate reporting segments.

Our reportable segments include four primary insurance services and offerings as follows:

- **Property** includes both property insurance and reinsurance products. Insurance products cover commercial properties primarily in North America with some international covers. Reinsurance covers underlying exposures located throughout the world, including the United States. These offerings include coverages for man-made and natural disasters.
- **Liability** includes a broad range of primary and excess casualty products primarily underwritten as insurance and, to a lesser extent reinsurance, for risks on both an admitted and non-admitted basis in the United States. Internationally, Argo Group underwrites non-U.S. casualty risks primarily exposed in the United Kingdom, Canada and Australia.
- **Professional** includes various professional lines products including errors and omissions and management liability coverages (including directors and officers).
- **Specialty** includes niche insurance coverages such as marine and energy, accident and health and surety product offerings.

In evaluating the operating performance of our segments, we focus on core underwriting and investing results before consideration of realized gains or losses from the sales of investments. Realized investment gains and losses are reported as a component of the Corporate and Other segment, as decisions regarding the acquisition and disposal of securities reside with the corporate investment function and are not under the control of the individual business segments.

Since we generally manage and monitor the investment portfolio on an aggregate basis, the overall performance of the investment portfolio, and related net investment income, is discussed above on a combined basis under consolidated net investment income rather than within or by segment.

U.S. Operations

The following table summarizes the results of operations for U.S. Operations:

(in millions)	For the Three Months Ended June 30, 2022	2021	For the Six Months Ended June 30, 2022	2021
Gross written premiums	$ 501.1	$ 513.0	$ 976.3	$ 1,002.4
Earned premiums	$ 332.8	$ 314.5	$ 669.2	$ 628.9
Losses and loss adjustment expenses	202.5	183.6	408.7	379.2
Underwriting, acquisition and insurance expenses	102.1	106.0	209.8	213.5
Underwriting income (loss)	28.2	24.9	50.7	36.2
Net investment income	20.0	33.7	45.6	62.5
Interest expense	4.2	3.5	8.1	7.1
Fee and other expense (income), net	0.1	0.6	0.1	0.5
Non-operating expenses	0.9	0.9	1.2	0.9
Income before income taxes	$ 43.0	$ 53.6	$ 86.9	$ 90.2
GAAP Ratios:				
Loss ratio	60.8 %	58.3 %	61.1 %	60.3 %
Expense ratio	30.7 %	33.7 %	31.3 %	33.9 %
Combined ratio	91.5 %	92.0 %	92.4 %	94.2 %

The table above includes underwriting income (loss) which is an internal performance measure that we use to measure our insurance profitability. We believe underwriting income (loss) enhances an investor's understanding of insurance operations profitability. Underwriting income (loss) is calculated as earned premiums less losses and loss adjustment expenses less underwriting, acquisition and insurance expense. Although underwriting income (loss) does not replace net income (loss) computed in accordance with GAAP as a measure of profitability, management uses underwriting income (loss) to focus our reporting segments on generating operating income.

The following table contains a reconciliation of certain non-GAAP financial measures, specifically the current accident year non-catastrophe losses, current accident year non-catastrophe loss ratio and current accident year non-catastrophe combined ratio, to their most directly comparable GAAP measures for our U.S. Operations.

	For the Three Months Ended June 30,			
	2022		2021	
(in millions)	Amount	Ratio	Amount	Ratio
Earned premiums	$ 332.8		$ 314.5	
Losses and loss adjustment expenses, as reported	$ 202.5	60.8 %	$ 183.6	58.3 %
Adjustments:				
Favorable (unfavorable) prior accident year loss development	(6.7)	(2.0)%	0.5	0.2 %
Catastrophe losses, including COVID-19	(1.0)	(0.3)%	(2.0)	(0.6)%
Current accident year non-catastrophe losses (non-GAAP)	$ 194.8	58.5 %	$ 182.1	57.9 %
Expense ratio		30.7 %		33.7 %
Current accident year non-catastrophe combined ratio (non-GAAP)		89.2 %		91.6 %

	For the Six Months Ended June 30,			
	2022		2021	
(in millions)	Amount	Ratio	Amount	Ratio
Earned premiums	$ 669.2		$ 628.9	
Losses and loss adjustment expenses, as reported	408.7	61.1 %	379.2	60.3 %
Adjustments:				
Favorable (unfavorable) prior accident year loss development	(11.7)	(1.7)%	0.9	0.1 %
Catastrophe losses, including COVID-19	(5.0)	(0.7)%	(22.9)	(3.6)%
Current accident year non-catastrophe losses (non-GAAP)	$ 392.0	58.7 %	$ 357.2	56.8 %
Expense ratio		31.3 %		33.9 %
Current accident year non-catastrophe combined ratio (non-GAAP)		90.0 %		90.7 %

Gross Written and Earned Premiums

Gross written and earned premiums by our four primary insurance lines were as follows:

	For the Three Months Ended June 30,			
	2022		2021	
(in millions)	Gross Written	Net Earned	Gross Written	Net Earned
Property	$ 57.5	$ 39.1	$ 72.8	$ 38.3
Liability	274.5	171.7	265.0	165.4
Professional	109.7	80.0	120.2	74.7
Specialty	59.4	42.0	55.0	36.1
Total	$ 501.1	$ 332.8	$ 513.0	$ 314.5

	For the Six Months Ended June 30,			
	2022		2021	
	Gross Written	Net Earned	Gross Written	Net Earned
Property	$ 101.9	$ 79.6	$ 129.7	$ 80.8
Liability	545.1	342.1	531.5	331.1
Professional	211.0	164.5	232.2	146.4
Specialty	118.3	83.0	109.0	70.6
Total	$ 976.3	$ 669.2	$ 1,002.4	$ 628.9

Property

Gross written premiums for property decreased $15.3 million, or 21.0%, for the three months ended June 30, 2022 as compared to the three months ended June 30, 2021. Gross written premiums for property decreased $27.8 million, or 21.4%, for the six months ended June 30, 2022 as compared to the six months ended June 30, 2021. The decreases were driven from the sale of our contract binding and excess and surplus ("E&S") property business units. This was partially offset by growth from the garage, inland marine and fronting business units. The slight increase in net earned premium for the three months ended June 30, 2022 compared to the same period in 2021 was a result of a reduction in reinsurance cost for this line which outpaced the reduction in gross earned premium for the quarter. For the six months ended June 30, 2022, net earned premium decreased compared to the same period in 2021 due to the business exits noted above.

Liability

Gross written premiums for liability increased $9.5 million, or 3.6%, for the three months ended June 30, 2022 as compared to the three months ended June 30, 2021. Gross written premiums for liability increased $13.6 million, or 2.6%, for the six months ended June 30, 2022 as compared to the six months ended June 30, 2021. The increases were primarily driven by the business units that write general liability, environmental and workers compensation lines. This increase was partially offset by the sale of the contract business unit and remediation of the public entity program. The increases in net earned premium for the three and six months ended June 30, 2022, respectively, compared to the same periods in 2021 were also a result of the increased production in general liability, environmental and workers compensation lines partially offset by reductions from the contract binding business unit and the grocery and retail business unit which was put into run off in the fourth quarter of 2020.

Professional

Gross written premiums for professional decreased $10.5 million, or 8.7%, and for the three months ended June 30, 2022 as compared to the three months ended June 30, 2021.Gross written premiums for professional decreased $21.2 million, or 9.1%, for the six months ended June 30, 2022 as compared to the six months ended June 30, 2021. The decrease was due to remediation initiatives for certain errors and omission lines; a worsening market environment for management liability; and underwriting actions and structure changes for the delegated authority programs. The increase in net earned premium for the three and six months ended June 30, 2022, respectively, compared to the same period in 2021 was mainly driven by underlying growth across management liability and certain errors and omission lines as well as reduced cessions, partially offset by contraction in the delegated authority programs.

Specialty

Gross written premiums increased $4.4 million or 8.0%, for the three months ended June 30, 2022 as compared to the three months ended June 30, 2021. Gross written premiums increased $9.3 million or 8.5%, for the six months ended June 30, 2022 as compared to the six months ended June 30, 2021. The growth in gross written premium for the three months ended June 30, 2022, as compared to the same period in 2021, was due to increased production from assumed reinsurance and fronted marine programs. The increase in gross written premium for the six months ended June 30, 2022, as compared to the same period in 2021, was primarily due to surety. Net earned premiums for the three and six months ended June 30, 2022, respectively, increased compared to the same period in 2021 largely due to the growth achieved in surety lines.

Loss and Loss Adjustment Expenses

Loss and loss adjustment expenses were $202.5 million and $183.6 million for the three months ended June 30, 2022 and 2021, respectively, and $408.7 million and $379.2 million for the six months ended June 30, 2022 and 2021, respectively. The loss ratios for the three months ended June 30, 2022 and 2021 were 60.8% and 58.3%, respectively. The higher loss ratio in the three months ended June 30, 2022 was driven by net unfavorable prior-year reserve development in 2022 versus net favorable prior-year reserve development in 2021 (2.2 percentage point increase) and an increase in the current accident year non-catastrophe loss ratio (0.6 percentage point increase), partially offset by a decrease in catastrophe losses (0.3 percentage point decrease). The loss ratios for the six months ended June 30, 2022 and 2021 were 61.1% and 60.3%, respectively. The higher loss ratio in the first six months of 2022 was driven by an increase in the current accident year non-catastrophe loss ratio (1.9 percentage point increase) and net unfavorable prior-year reserve development in 2022 versus net favorable prior-year reserve development in 2021 (1.8 percentage point increase), partially offset by a decrease in catastrophe losses (2.9 percentage point decrease).

The current accident year non-catastrophe loss ratios for the three and six months ended June 30, 2022 were 58.5% and 58.7%, respectively, compared to 57.9% and 56.8% for the three and six months ended June 30, 2021, respectively. The current accident year non-catastrophe loss ratio for the three months ended June 30, 2022 was impacted by increased inflation, while the current accident non-catastrophe loss ratio for the three months ended June 30, 2021 benefited from reduced loss frequency associated with the COVID-19 pandemic. The current accident year non-catastrophe loss ratio for the six months ended June 30, 2022 was impacted by increased inflation and higher claims frequency due to the recovering economy.

Net unfavorable prior-year reserve development for the three and six months ended June 30, 2022 was $6.7 million and $11.7 million, respectively. The net unfavorable prior year reserve development for the three months ended June 30, 2022 primarily related to liability and professional lines. The net unfavorable prior year reserve development for the six months ended June 30, 2022 primarily related to liability lines, including the impact of large losses, and professional lines partially offset by favorable development in specialty and property lines.

Net favorable prior-year reserve development for the three and six months ended June 30, 2021 was $0.5 million and $0.9 million, respectively, and primarily related to favorable development in specialty lines, partially offset by unfavorable development in professional, liability and property lines.

Catastrophe losses for the three and six months ended June 30, 2022 were $1.0 million and $5.0 million, respectively, compared to $2.0 million and $22.9 million for the three and six months ended June 30, 2021, respectively. Catastrophe losses for the three and six months ended June 30, 2022 were driven by U.S. storms. Catastrophe losses for the three months ended June 30, 2021 were driven by U.S. storms. Catastrophe losses for the six months ended June 30, 2021 were driven by Winter Storm Uri and other U.S. storms.

Underwriting, Acquisition and Insurance Expenses

Underwriting, acquisition and insurance expenses were $102.1 million and $209.8 million for the three and six months ended June 30, 2022, respectively, as compared to $106.0 million and $213.5 million for the three and six months ended June 30, 2021, respectively. The expense ratio decreased to 30.7% for the three months ended June 30, 2022 from 33.7% for the same period 2021. The expense ratio decreased to 31.3% for the six months ended June 30, 2022 as compared to 33.9% for the same period 2021. The ratio improvements were primarily driven by reductions in general and administrative expenses and earned premium growth.

International Operations

The following table summarizes the results of operations for International Operations:

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
(in millions)	2022	2021	2022	2021
Gross written premiums	$ 230.8	$ 302.1	$ 476.2	$ 569.0
Earned premiums	$ 121.3	$ 155.7	$ 265.5	$ 307.2
Losses and loss adjustment expenses	72.1	86.8	148.1	197.4
Underwriting, acquisition and insurance expenses	53.4	61.4	108.3	124.1
Underwriting income (loss)	(4.2)	7.5	9.1	(14.3)
Net investment income	8.7	13.9	20.1	25.9
Interest expense	1.9	1.5	3.6	2.9
Fee and other expense (income), net	(1.2)	(0.9)	(2.0)	(0.5)
Non-operating expenses	1.2	1.3	2.3	1.5
Income (loss) before income taxes	$ 2.6	$ 19.5	$ 25.3	$ 7.7
GAAP Ratios:				
Loss ratio	59.4 %	55.7 %	55.8 %	64.3 %
Expense ratio	44.1 %	39.4 %	40.8 %	40.4 %
Combined ratio	103.5 %	95.1 %	96.6 %	104.7 %

The following table contains a reconciliation of certain non-GAAP financial measures, specifically the current accident year non-catastrophe losses, current accident year non-catastrophe loss ratio and current accident year non-catastrophe combined ratio, to their most directly comparable GAAP measures for our International Operations.

	For the Three Months Ended June 30,			
	2022		2021	
(in millions)	Amount	Ratio	Amount	Ratio
Earned premiums	$ 121.3		$ 155.7	
Losses and loss adjustment expenses, as reported	$ 72.1	59.4 %	$ 86.8	55.7 %
Adjustments:				
Favorable (unfavorable) prior accident year loss development	(8.2)	(6.8)%	1.9	1.2 %
Catastrophe losses, including COVID-19	(1.5)	(1.2)%	(9.1)	(5.9)%
Current accident year non-catastrophe losses (non-GAAP)	$ 62.4	51.4 %	$ 79.6	51.0 %
Expense ratio		44.1 %		39.4 %
Current accident year non-catastrophe combined ratio (non-GAAP)		95.5 %		90.4 %

	For the Six Months Ended June 30,			
	2022		2021	
(in millions)	Amount	Ratio	Amount	Ratio
Earned premiums	$ 265.5		$ 307.2	
Losses and loss adjustment expenses, as reported	148.1	55.8 %	197.4	64.3 %
Adjustments:				
Favorable (unfavorable) prior accident year loss development	(5.2)	(2.0)%	1.9	0.6 %
Catastrophe losses, including COVID-19	(6.2)	(2.3)%	(35.7)	(11.6)%
Current accident year non-catastrophe losses (non-GAAP)	$ 136.7	51.5 %	$ 163.6	53.3 %
Expense ratio		40.8 %		40.4 %
Current accident year non-catastrophe combined ratio (non-GAAP)		92.3 %		93.7 %

Gross Written and Earned Premiums

Gross written and earned premiums by our four primary insurance lines were as follows:

	For the Three Months Ended June 30,			
	2022		2021	
(in millions)	Gross Written	Net Earned	Gross Written	Net Earned
Property	$ 60.9	$ 18.8	$ 81.1	$ 33.8
Liability	57.9	29.1	65.5	35.5
Professional	54.4	30.4	53.1	36.3
Specialty	57.6	43.0	102.4	50.1
Total	$ 230.8	$ 121.3	$ 302.1	$ 155.7

	For the Six Months Ended June 30,			
	2022		2021	
(in millions)	Gross Written	Net Earned	Gross Written	Net Earned
Property	$ 113.0	$ 48.2	$ 160.5	$ 75.9
Liability	107.3	64.7	122.8	65.7
Professional	102.5	62.2	106.2	69.5
Specialty	153.4	90.4	179.5	96.1
Total	$ 476.2	$ 265.5	$ 569.0	$ 307.2

Property

Gross written premiums for property decreased $20.2 million, or 24.9%, and $47.5 million, or 29.6%, for the three and six months ended June 30, 2022, respectively, as compared to the same periods in 2021. The decrease in gross written premiums was primarily due a reduction in business produced by Syndicate 1200 following our exit from certain property lines of business and other international platforms where we have stopped writing business. Net earned premiums for property decreased $15.0 million and $27.7 million for the three and six months ended June 30, 2022 as compared to the three and six months ended June 30, 2021 driven by the aforementioned reasons.

Liability

Gross written premiums for liability decreased $7.6 million, or 11.6%, and $15.5 million, or 12.6%, for the three and six months ended June 30, 2022, respectively, as compared to the same period in 2021. The reduction in gross written premiums was primarily due to lower premiums from our European operations where we have stopped writing business along with the sales of Argo Seguros and AGSE. Net earned premiums decreased for the three and six months ended June 30, 2022 as compared to the three and six months ended June 30, 2021 driven by the aforementioned reasons.

Professional

Gross written premiums for professional lines decreased $1.3 million, or 2.4%, and $3.7 million, or 3.5%, for the three and six months ended June 30, 2022 as compared to the same period in 2021. The decrease in gross written premiums was driven the sale of Argo Seguros partially offset by higher premiums in Argo Insurance Bermuda. The decrease in net earned premiums for the three and six months ended June 30, 2022 as compared to the three and six months ended June 30, 2021 was mainly due to sale of Argo Seguros.

Specialty

Gross written premiums decreased $44.8 million, or 43.8%, and $26.1 million, or 14.5%, for the three and six months ended June 30, 2022 as compared to the same period in 2021 primarily driven by reductions in Syndicate 1200 mainly due to reduced reinsurance premiums, the sale of Argo Seguros and a cautious underwriting approach to trade credit risk given the current economic environment.. The decrease in net earned premiums for the three months ended June 30, 2022 as compared to the three months ended June 30, 2021 was driven by the aforementioned reasons.

Loss and Loss Adjustment Expenses

Loss and loss adjustment expenses were $72.1 million and $148.1 million for the three and six months ended June 30, 2022, respectively. Loss and loss adjustment expenses were $86.8 million and $197.4 million for the three and six months ended June 30, 2021. The loss ratio for the three months ended June 30, 2022 was 59.4% compared to 55.7% for the three months ended June 30, 2021. The increase in the loss ratio was driven by net unfavorable prior-year reserve development in 2022 versus net favorable prior-year reserve development in 2021 (8.0 percentage point increase) and an increase in the current accident year non-catastrophe loss ratio (0.4 percentage point increase), partially offset by a decrease in catastrophe losses (4.7 percentage point decrease). The loss ratio for the six months ended June 30, 2022 was 55.8% compared to 64.3% for the six months ended June 30, 2021. The decrease in the loss ratio was driven by a decrease in catastrophe losses (9.3 percentage point decrease), a decrease in the current accident year non-catastrophe loss ratio (1.8 percentage point decrease), partially offset by net unfavorable prior-year reserve development in 2022 versus net favorable prior-year development in 2021 (2.6 percentage point increase).

The current accident year non-catastrophe loss ratios for the three and six month ended June 30, 2022 were 51.4% and 51.5%, respectively, compared to 51.0% and 53.3% for the three and six months ended June 30, 2021. The improvement in the loss ratio for the six months ended June 30, 2022 primarily related to the results of re-underwriting actions across multiple divisions in Syndicate 1200. The current accident year non-catastrophe loss ratio also benefited from rate increases earning through premiums.

Net unfavorable prior-year reserve development was $8.2 million and $5.2 million for the three and six months ended June 30, 2022, respectively. The net unfavorable prior-year reserve development for the three months ended June 30, 2022 primarily related to unfavorable development in professional lines in Argo Insurance Bermuda driven by reassessments of potential losses associated with large claims partially offset by favorable development in Syndicate 1200 property lines, including losses associated with prior year catastrophe losses, and liability lines. The net unfavorable prior-year reserve development for the six months ended June 30, 2022 primarily related to unfavorable movements in professional and liability losses in Argo Insurance Bermuda partially offset by favorable development in Syndicate 1200 property and liability lines. Net favorable prior-year reserve development was $1.9 million for both the three and six months ended June 30, 2021, primarily related to favorable development in property lines, including losses associated with prior year catastrophe losses, partially offset by unfavorable development in Argo Insurance Bermuda due to large claim movements and unfavorable development in Europe’s surety business.

Catastrophe losses including losses associated with COVID-19, were $1.5 million and $6.2 million for the three and six months ended June 30, 2022, respectively, compared to $9.1 million and $35.7 million for the three and six months ended June 30, 2021. Catastrophe losses for the three and six months ended June 30, 2022 were due the Ukraine-Russia conflict. Catastrophe losses for the three months ended June 30, 2021 included $4.5 million from Winter Storm Uri and $4.6 million associated with COVID-19, primarily resulting from contingency exposures. Catastrophe losses for the six months ended June 30, 2021 included $26.7 million from Winter Storm Uri and $9.0 million associated with COVID-19, primarily resulting from contingency exposures.

Underwriting, Acquisition and Insurance Expenses

Underwriting, acquisition and insurance expenses were $53.4 million and $108.3 million for the three and six months ended June 30, 2022, respectively, as compared to $61.4 million and $124.1 million for the three and six months ended June 30, 2021, respectively. The expense ratio increased to 44.1% for the three months ended June 30, 2022 from 39.4% for the same period 2021. The acquisition expenses increase is driven by expenses incurred on business lines we have exited. The expense ratio for the six months ended June 30, 2022 increased to 40.8%, it is broadly consistent with the same period in 2021.

Fee and Other Income/Expense

Fee and other income/expense represent amounts we receive, and costs we incur, in connection with the management of third-party capital for our underwriting Syndicates at Lloyd’s. Fee and other income was $1.2 million and $2.0 million for the three and six months ended June 30, 2022, respectively, as compared to $0.9 million and $0.5 million of expense for the same periods in 2021.

Run-off Lines

The following table summarizes the results of operations for Run-off Lines:

(in millions)	For the Three Months Ended June 30, 2022	For the Three Months Ended June 30, 2021	For the Six Months Ended June 30, 2022	For the Six Months Ended June 30, 2021
Earned premiums	$ 0.2	$ 0.1	$ 0.2	$ 0.3
Losses and loss adjustment expenses	1.4	1.2	2.8	2.6
Underwriting, acquisition and insurance expenses	0.9	—	1.0	0.3
Underwriting loss	(2.1)	(1.1)	(3.6)	(2.6)
Net investment income	0.6	1.1	1.3	1.9
Interest expense	—	0.1	0.2	0.2
Non-operating expenses	—	—	—	(1.4)
(Loss) income before income taxes	$ (1.5)	$ (0.1)	$ (2.5)	$ 0.5

Run-off Lines include liabilities associated with other liability policies that were issued in the 1960s, 1970s and into the 1980s, as well as the former risk-management business and other business no longer underwritten. Through our subsidiary Argonaut Insurance Company (“Argonaut”), we are exposed to asbestos liability at the primary level through claims filed against our direct insureds, as well as through its position as a reinsurer of other primary carriers. Argonaut has direct liability arising primarily from policies issued from the 1960s to the early 1980s, which pre-dated policy contract wording that excluded asbestos exposure. The majority of the direct policies were issued on behalf of small contractors or construction companies. We believe that the frequency and severity of asbestos claims for such insureds is typically less than that experienced for large, industrial manufacturing and distribution concerns.

Argonaut also assumed risk as a reinsurer, primarily for the period from 1970 to 1975, a portion of which was assumed from the London market. Argonaut also reinsured risks on policies written by domestic carriers. Such reinsurance typically provided coverage for limits attaching at a relatively high level, which are payable only after other layers of reinsurance are exhausted. Some of the claims now being filed on policies reinsured by Argonaut are on behalf of claimants who may have been exposed at some time to asbestos incorporated into buildings they occupied, but have no apparent medical problems resulting from such exposure. Additionally, lawsuits are being brought against businesses that were not directly involved in the manufacture or installation of materials containing asbestos. We believe that a significant portion of claims generated out of this population of claimants may result in incurred losses generally lower than the asbestos claims filed over the past decade and could be below the attachment level of Argonaut.

Losses and Loss Adjustment Expenses

The following table represents a rollforward of total gross and net reserves for the asbestos and environmental exposures in our Run-off Lines, along with the ending balances of all other reserves within Run-off Lines. Amounts in the net column are reduced by reinsurance recoverables.

	For the Six Months Ended June 30,			
	2022		2021	
(in millions)	Gross	Net	Gross	Net
Asbestos and environmental:				
Loss reserves, beginning of the year	$ 63.8	$ 54.5	$ 59.2	$ 50.6
Incurred losses	0.9	0.9	1.2	1.2
Losses paid	(4.9)	(3.6)	(6.1)	(5.2)
Loss reserves - asbestos and environmental, end of period	59.8	51.8	54.3	46.6
Risk-management reserves	159.0	97.1	159.0	92.3
Run-off reinsurance reserves	0.4	0.4	—	—
Other run-off lines	32.9	23.5	12.8	6.8
Total loss reserves - Run-off Lines	$ 252.1	$ 172.8	$ 226.1	$ 145.7

Losses and loss adjustment expenses for the six months ended June 30, 2022 and the six months ended June 30, 2021 were primarily the result of unfavorable loss reserve development in other run-off lines.

Underwriting, Acquisition and Insurance Expenses

Underwriting, acquisition and insurance expenses for the Run-off Lines increased for the three and six months ended June 30, 2022 as compared to the same periods in 2021 primarily as a result of an increase in the allowance for estimated uncollectible reinsurance.

Liquidity and Capital Resources

Cash Flows

The Company’s future cash flows largely depend on the availability of dividends or other statutorily permissible payments from subsidiaries. The ability to pay such dividends is limited by the applicable laws and regulations of the various countries and states in which these subsidiaries operate, including, among others, Bermuda.

The primary sources of our cash flows are premiums, reinsurance recoveries, proceeds from sales and redemptions of investments and investment income. The primary cash outflows are claim payments, loss adjustment expenses, reinsurance costs, underwriting, acquisition and overhead expenses, purchases of investments, payment of common and preferred dividends and income taxes. Management believes that cash receipts from premiums, proceeds from investment sales and redemptions and investment income are sufficient to cover cash outflows in the foreseeable future. We believe we have access to additional sources of liquidity should the need for additional cash arise.

Our liquidity and capital resources were not materially impacted by COVID-19 and related economic conditions during 2021 and we do not anticipate that the pandemic will have a material impact on our liquidity and capital resources in the next twelve months based on current assumptions. However, there can be no assurance that the pandemic will not cause further disruption to our business or the global economy in that time period.

Cash provided by operating activities can fluctuate due to timing differences in the collection of premiums and reinsurance recoveries and the payment of losses and expenses. For the six months ended June 30, 2022 and 2021, cash provided by operating activities was $31.9 million compared to cash used in operating activities of $12.5 million, respectively. The increase in cash flows provided by operating activities in 2022 compared to 2021 was attributable to various fluctuations within our operating activities, and primarily related to the timing of reinsurance payments and recoveries, claim payments and premium cash receipts in the respective periods.

For the six months ended June 30, 2022 net cash provided by investing activities was $14.4 million compared to net cash provided by investing activities of $79.1 million for the same period in 2021. The decrease in cash provided by investing was mainly the result of the decrease in the proceeds from fixed maturities, purchases of commercial mortgage loans, and a change in foreign regulatory pools offset by a decrease in cash used to purchase fixed maturities and an increase in short term investments. Additionally, we received $13.1 million in net cash from the sale of Argo Seguros and AGSE.

For the six months ended June 30, 2022 and 2021, net cash used in financing activities was $25.3 million and $26.4 million, respectively, driven by dividends to our common and preferred shareholders.

Revolving Credit Facility and Term Loan

On November 2, 2018, each of Argo Group, Argo Group US, Inc., Argo International Holdings Limited, and Argo Underwriting Agency Limited (the “Borrowers”) entered into a $325 million credit agreement (the “Credit Agreement”) with JPMorgan Chase Bank, N.A., as administrative agent. The Credit Agreement includes a one time borrowing of $125 million for a term loan (the “Term Loan”), and a $200 million revolving credit facility. The Company used most of the net proceeds from the Preferred Stock Offering (as defined in Note 11, “Shareholders’ Equity” of Argo Group’s 2021 Form 10-K) to pay off the Term Loan in September 2020.

Borrowings under the Credit Agreement may be used for general corporate purposes, including working capital and permitted acquisitions, and each of the Borrowers has agreed to be jointly and severally liable for the obligations of the other Borrowers under the Credit Agreement.

The Credit Agreement contains customary events of default. If an event of default occurs and is continuing, the Borrowers could be required to repay all amounts outstanding under the Credit Agreement. Lenders holding at least a majority of the loans and commitments under the Credit Agreement could elect to accelerate the maturity of the loans and/or terminate the commitments under the Credit Agreement upon the occurrence and during the continuation of an event of default. No defaults or events of defaults have occurred as of the date of this filing.

On March 2, 2022, the parties to the Credit Agreement entered into Amendment No. 1 to the Credit Agreement, which replaced LIBOR with the Euro Interbank Offered Rate (“EURIBOR”) and the Sterling Overnight Index Average (“SONIA”) as the interest rate benchmark for borrowings denominated in Euros and in Sterling, respectively. This amendment also sets forth provisions for fallback rates in the event that EURIBOR and SONIA are not available. The USD LIBOR benchmark interest rate was not replaced or affected by this amendment as USD LIBOR remains effective until June 2023.

On July 15, 2022, the parties to the Credit Agreement entered into Amendment No. 2, which revised the definition of "Tangible Net Worth".

Preferred Stock Dividends

On August 4, 2022, our Board of Directors declared a quarterly cash dividend in the amount of $437.50 per share on our Series A Preference Shares. Holders of Depositary Shares each representing a 1/1,000th interest in a share of Series A Preferred Stock will receive $0.43750 per Depositary Share. The dividend will be paid on September 15, 2022 to our shareholders of record on August 31, 2022.

Argo Group Common Shares and Dividends

On August 4, 2022, the Board declared a quarterly cash dividend in the amount of $0.31 on each share of common stock outstanding. The dividend will be paid on September 15, 2022 to our common shareholders of record on August 31, 2022.

On May 3, 2016, the Board authorized the repurchase of up to $150.0 million of our common shares ("2016 Repurchase Authorization"). The 2016 Repurchase Authorization supersedes all the previous repurchase authorizations. As of December 31, 2021, availability under the 2016 Repurchase Authorization for future repurchases of our common shares was $53.3 million.

Senior Notes

In September 2012, Argo Group International Holdings, Ltd. (the "Parent Guarantor"), through its subsidiary Argo Group U.S. (the "Subsidiary Issuer"), issued $143.8 million aggregate principal amount of the Subsidiary Issuer's 6.5% Senior Notes due September 15, 2042 (the "Notes"). The Notes are unsecured and unsubordinated obligations of the Subsidiary Issuer and rank equally in right of payment with all of the Subsidiary Issuer's other unsecured and unsubordinated debt. The Notes are guaranteed on a full and unconditional senior unsecured basis by the Parent Guarantor. The Notes may be redeemed, for cash, in whole or in part at the Subsidiary Issuer's option, at any time and from time to time, prior to maturity at a redemption price equal to 100% of the principal amount of the Notes to be redeemed, plus accrued but unpaid interest on the principal amount being redeemed to, but not including, the redemption date.

In accordance with Article 10 of SEC Regulation S-X, we have elected to present condensed consolidating financial information in lieu of separate financial statements for the Subsidiary Issuer. The following tables present condensed consolidating financial information as of and for the three months ended June 30, 2022, of the Parent Guarantor and the Subsidiary Issuer. The Subsidiary Issuer is an indirect wholly-owned subsidiary of the Parent Guarantor. Investments in subsidiaries are accounted for by the Parent Guarantor under the equity method for purposes of the supplemental consolidating presentation. Earnings of subsidiaries are reflected in the Parent Guarantor's investment accounts and earnings.

The Parent Guarantor fully and unconditionally guarantees certain of the debt of the Subsidiary Issuer. Condensed consolidating financial information of the Subsidiary Issuer is presented on a consolidated basis and consists principally of the net assets and results of operations of operating insurance company subsidiaries.

Letter of Credit Facilities

On June 22, 2022, we posted collateral in a form of a $50.0 million letter of credit under the terms of the Malta sales agreement. The letter of credit is subject to reimbursement by Argo in the event of a drawdown.

CONDENSED CONSOLIDATING BALANCE SHEET
AS OF JUNE 30, 2022
(in millions)
(Unaudited)

	Argo Group International Holdings, Ltd. (Parent Guarantor)	Argo Group US, Inc. and Subsidiaries (Subsidiary Issuer)	Other Subsidiaries and Eliminations (1)	Consolidating Adjustments (2)	Total
Assets					
Investments	$ 20.2	$ 3,719.5	$ 1,174.0	$ —	$ 4,913.7
Cash	1.7	44.1	119.3	—	165.1
Accrued investment income	—	18.3	3.9	—	22.2
Premiums receivable	—	283.9	390.9	—	674.8
Reinsurance recoverables	—	1,836.6	1,050.7	—	2,887.3
Goodwill	—	118.6	28.7	—	147.3
Intangible assets, net	—	—	17.3	—	17.3
Deferred tax assets, net	—	97.8	28.6	—	126.4
Deferred acquisition costs, net	—	101.6	72.7	—	174.3
Ceded unearned premiums	—	314.7	165.8	—	480.5
Operating lease right-of-use assets	4.9	52.6	1.3	—	58.8
Other assets	10.1	101.8	96.5	—	208.4
Intercompany notes receivable	—	61.9	(61.9)	—	—
Investments in subsidiaries	1,493.6	—	—	(1,493.6)	—
Total assets	$ 1,530.5	$ 6,751.4	$ 3,087.8	$ (1,493.6)	$ 9,876.1
Liabilities and Shareholders' Equity					
Reserves for losses and loss adjustment expenses	$ —	$ 3,811.9	$ 1,783.6	$ —	$ 5,595.5
Unearned premiums	—	922.1	462.3	—	1,384.4
Funds held	—	258.4	(25.3)	—	233.1
Ceded reinsurance payable, net	—	162.6	362.4	—	525.0
Debt	28.4	284.7	140.1	—	453.2
Current income taxes payable, net	—	13.4	(8.6)	—	4.8
Accrued underwriting expenses and other liabilities	9.8	90.9	51.7	—	152.4
Operating lease liabilities	5.1	60.6	1.3	—	67.0
Due to (from) affiliates	26.6	1.5	(1.5)	(26.6)	—
Total liabilities	69.9	5,606.1	2,766.0	(26.6)	8,415.4
Total shareholders' equity	1,460.6	1,145.3	321.8	(1,467.0)	1,460.7
Total liabilities and shareholders' equity	$ 1,530.5	$ 6,751.4	$ 3,087.8	$ (1,493.6)	$ 9,876.1

(1) Includes all other subsidiaries of Argo Group International Holdings, Ltd. and all intercompany eliminations.

(2) Includes all Argo Group International Holdings, Ltd. parent company eliminations.

CONDENSED CONSOLIDATING STATEMENT OF INCOME
FOR THE SIX MONTHS ENDED JUNE 30, 2022
(in millions)
(Unaudited)

	Argo Group International Holdings, Ltd (Parent Guarantor)	Argo Group US, Inc. and Subsidiaries (Subsidiary Issuer)	Other Subsidiaries and Eliminations [1]	Consolidating Adjustments [2]	Total
Premiums and other revenue:					
Earned premiums	$ —	$ 663.6	$ 271.3	$ —	$ 934.9
Net investment income	—	63.6	3.4	—	67.0
Net investment and other gains (losses)	—	(3.1)	(71.8)	—	(74.9)
Total revenue	—	724.1	202.9	—	927.0
Expenses:					
Losses and loss adjustment expenses	—	396.7	162.9	—	559.6
Underwriting, acquisition and insurance expenses	2.3	220.2	111.4	—	333.9
Non-operating expenses	6.1	14.5	2.4	—	23.0
Interest expense	0.7	7.9	3.3	—	11.9
Fee and other expense (income), net	—	0.1	(2.0)	—	(1.9)
Foreign currency exchange losses	—	—	(7.4)	—	(7.4)
Total expenses	9.1	639.4	270.6	—	919.1
(Loss) income before income taxes	(9.1)	84.7	(67.7)	—	7.9
Provision (benefit) for income taxes	—	18.3	6.8	—	25.1
Net (loss) income before equity in earnings of subsidiaries	(9.1)	66.4	(74.5)	—	(17.2)
Equity in undistributed earnings of subsidiaries	(8.1)	—	—	8.1	—
Net income (loss)	$ (17.2)	$ 66.4	$ (74.5)	$ 8.1	$ (17.2)
Dividends on preferred shares	$ 5.3	$ —	$ —	$ —	$ 5.3
Net income (loss) attributable to common shareholders	$ (22.5)	$ 66.4	$ (74.5)	$ 8.1	$ (22.5)

[1] Includes all other subsidiaries of Argo Group International Holdings, Ltd. and all intercompany eliminations.
[2] Includes all Argo Group International Holdings, Ltd. parent company eliminations.

Recent Accounting Standards and Critical Accounting Estimates

New Accounting Standards

The discussion of the adoption and pending adoption of recently issued accounting policies is included in Note 2, “Recently Issued Accounting Pronouncements,” in the Notes to the Consolidated Financial Statements, included in Part I, Item 1 - “Consolidated Financial Statements (unaudited).”

Critical Accounting Estimates

Refer to “Critical Accounting Estimates” in the Company’s 2021 Form 10-K for information on accounting policies that we consider critical in preparing our consolidated financial statements. These policies include significant estimates made by management using information available at the time the estimates were made. However, these estimates could change materially if different information or assumptions were used.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

We believe that we are principally exposed to four types of market risk: interest rate risk, credit risk, equity price risk and foreign currency risk.

Interest Rate Risk

Our primary market risk exposure is the exposure of our fixed maturity investment portfolio to interest rate risk and the changes in interest rates. Fluctuations in interest rates have a direct impact on the fair value of these securities. As interest rates rise, the fair value of our fixed maturity portfolio falls and the converse is also true. We manage interest rate risk through an active portfolio management strategy that involves the selection of investments with appropriate characteristics such as duration, yield, currency and liquidity that are tailored to the anticipated cash outflow characteristics of our liabilities. A significant portion of our investment portfolio matures each year, allowing for reinvestment at current market rates. The model duration of the assets comprising our fixed maturity investment portfolio was 3.08 years and 2.81 years at June 30, 2022 and December 31, 2021, respectively.

Credit Risk

We have exposure to credit risk on losses recoverable from reinsurers and receivables from insureds. Our controls to mitigate this risk include limiting our exposure to any one counterparty, evaluating the financial strength of our reinsurers, generally requiring minimum credit ratings and in certain cases receiving collateral from our reinsurers and insureds.

We also have exposure to credit risk in our investment holdings. Our risk management strategy and investment policy attempts to mitigate this risk by primarily investing in debt instruments of high credit quality issuers, limiting credit concentration, monitoring the credit quality of issuers and counterparties and diversifying issuers. The weighted average rating of our fixed maturity investments was A+ with 90.2% and 89.4% rated investment grade or better (BBB- or higher) at June 30, 2022 and December 31, 2021, respectively.

We review our investments to identify and evaluate those that may have credit impairments on a quarterly basis, considering the historical performance of the security, available market information, and credit ratings, among other things. For fixed maturity securities, the review includes consideration of current ratings and actions of major rating agencies (Standard & Poor's, Moody's and Fitch). If a security has two ratings, the lower rating is used. If a security has three ratings, the middle rating is used. The following table reflects the credit quality of our fixed maturity portfolio at June 30, 2022:

Other Fixed Maturities	Book Value	Fair Value
AAA	$ 680.7	$ 650.3
AA	254.2	241.8
A	750.7	701.2
BBB	759.8	691.7
BB/B	214	192.4
CCC and Below	22.8	15.9
Unrated	111.4	103.9
Other Fixed Maturities	$ 2,793.6	$ 2,597.2

Structured Securities	Book Value	Fair Value
AAA	$ 973.0	$ 892.0
AA	124.5	114.3
A	134.5	125
BBB	60.8	55.4
BB/B	10.5	9.5
CCC and Below	0.3	0.4
Unrated	59.3	55.2
Structured Securities	$ 1,362.9	$ 1,251.8

Total Fixed Maturities	Book Value	Fair Value
AAA	$ 1,653.7	$ 1,542.3
AA	378.7	356.1
A	885.2	826.2
BBB	820.6	747.1
BB/B	224.5	201.9
CCC and Below	23.1	16.3
Unrated	170.7	159.1
Total Fixed Maturities	$ 4,156.5	$ 3,849.0

Our portfolio also includes alternative investments with a carrying value at June 30, 2022 and December 31, 2021 of $394.1 million and $387.2 million (8.3% and 7.3% of total invested assets), respectively. We may invest in both long and short equities, corporate debt securities, currencies, real estate, commodities and derivatives. We attempt to mitigate our risk by selecting managers with extensive experience, proven track records and robust controls and processes. We also attempt to mitigate our risk by diversifying through multiple managers and different types of assets and asset classes.

Commercial mortgage loans add portfolio diversification. These assets typically afford credit protections through covenants and deeper due diligence given information access. We also monitor debt service coverage ratios and loan-to-value ratios in our assessment of credit risk and exposure.

Equity Price Risk

We hold a diversified portfolio of equity securities with a fair value of $48.1 million and $56.3 million (1.0% and 1.1% of total invested assets) at June 30, 2022 and December 31, 2021, respectively. Our equity securities are exposed to equity price risk which is defined as the potential for loss in fair value due to a decline in equity prices. We believe the diversification of our equity securities among various industries, market segments and issuers, as well as the use of multiple outside investment managers, mitigates our exposure to equity price risk.

Foreign Currency Risk

We have exposure to foreign currency risk in our insurance contracts, invested assets and to a lesser extent, a portion of our debt. We attempt to manage our foreign currency risk by seeking to match our liabilities under insurance and reinsurance contracts that are payable in currencies other than the U.S. Dollar with cash and investments that are denominated in such currencies. We also use foreign exchange forward contracts to attempt to mitigate this risk. We recognized gains in the investment portfolio of $3.1 million for the three months and $4.2 million for the six months ended June 30, 2022 on portfolio forward currency contracts. We recognized losses in the investment portfolio of $1.0 million and $1.0 million for the three and six months ended June 30, 2022 on portfolio forward currency contracts. We recognized gains of $5.4 million and $7.8 million for the three and six months ended June 30, 2022 on our operational foreign currency forward contracts. We recognized losses of $16.6 million and $25.5 million for the three and six months ended June 30, 2022 on our operational foreign currency forward contracts. We recognized losses of $3.6 million and $6.9 million for the three and six months ended June 30, 2021 on our foreign currency forward contracts.

Item 4. Controls and Procedures

Argo Group, under the supervision and with the participation of its management, including the Chief Executive Officer and the Chief Financial Officer, evaluated the effectiveness of the design and operation of our disclosure controls and procedures as of the end of the period covered by this report. Rule 13a-15(e) under the Securities Exchange Act of 1934, as amended ("Exchange Act"), defines "disclosure controls and procedures" as controls and procedures "designed to ensure that information required to be disclosed by the issuer in the reports it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the Commission's rules and forms." Based upon that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that the disclosure controls and procedures were effective as of June 30, 2022, at the reasonable assurance level to ensure that information required to be disclosed by Argo Group in the reports filed or submitted under the Exchange Act are recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms.

There were no changes in internal control over financial reporting made during the quarter ended June 30, 2022 that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

Throughout this Quarterly Report on Form 10-Q, unless the context otherwise requires, references to "Argo Group," "we," "us," "our" or the "Company" mean Argo Group International Holdings, Ltd. and all of its subsidiaries, taken together as a whole.

Item 1. Legal Proceedings

Other

We and our subsidiaries are parties to legal actions from time to time, generally incidental to our and their business. While any litigation or arbitration proceedings include an element of uncertainty, management believes that the resolution of these matters will not materially affect our financial condition or results of operations.

Item 1A. Risk Factors

In addition to the other information set forth in this report, readers should carefully consider the factors discussed in "Part I, Item 1A—Risk Factors" of Argo Group's Annual Report on Form 10-K and Form 10-K/A for the year ended December 31, 2021 (collectively, "2021 Form 10-K"), and in the Company's other filings with the SEC, which could materially affect the Company's business, financial condition, cash flows or future results. There have been no material changes from the risk factors previously disclosed in in "Part I, Item 1A—Risk Factors" in the 2021 Form 10-K, except as described below.

We may be adversely affected by changes in economic and political conditions, including inflation and changes in interest rates.

The effects of inflation could cause the cost of claims to rise in the future. Our reserve for losses and loss adjustment expenses ("LAE") includes assumptions about future payments for settlement of claims and claims handling expenses, such as medical treatments and litigation costs. To the extent inflation causes these costs to increase above reserves established for these claims, we will be required to increase our loss reserves with a corresponding reduction in our net income in the period in which the deficiency is identified. Furthermore, if we experience deflation or a lack of inflation going forward and interest rates remain very low or continue to decline, we could experience low portfolio returns because we hold fixed income investments of fairly short duration.

Additionally, our operating results are affected, in part, by the performance of our investment portfolio. Our investment portfolio may be adversely affected by inflation or changes in interest rates. Such adverse effects include the potential for realized and unrealized losses in a rising interest rate environment or the loss of income in an environment of prolonged low interest rates. Such effects may be further impacted by decisions made regarding such things as portfolio composition and duration given the prevailing market environment. Although we attempt to take measures to manage the risks of investing in changing interest rate environments, we may not be able to mitigate interest rate sensitivity effectively. During the second quarter of 2022, the Enhanced Capital Requirement ("ECR") ratio for Argo Re decreased primarily due to unrealized losses in our investment portfolio, which were driven largely by rising interest rates. While Argo Re's ECR remains below the Company's risk tolerance, Argo Re's ability to pay dividends to the Company is restricted. We are currently evaluating plans to restore Argo Re's ECR back above the Company's risk tolerance. We may not be successful in executing these plans and there can be no assurance that these plans will ultimately have the intended effects. Economic and political conditions, including inflation and fluctuation in interest rates or failure to improve Argo Re's ECR could have a material adverse effect on our business, results of operations, our ability to pay dividends and our financial condition.

Our insurance subsidiaries are subject to risk-based capital and solvency requirements in their respective regulatory domiciles and any failure to comply with these requirements may have a material adverse effect on our business.

A risk-based capital system is designed to measure whether the amount of available capital is adequate to support the inherent specific risks of each insurer. Risk-based regulatory capital is calculated at least annually. Authorities use the risk-based capital formula to identify insurance companies that may be undercapitalized and thus may require further regulatory attention. The formulas prescribe a series of risk measurements to determine a minimum capital amount for an insurance company, based on the profile of the individual company. The ratio of a company's actual policyholder surplus to its minimum capital requirements will determine whether any regulatory action is required based on the respective local thresholds. The application and methods of calculating risk-based regulatory capital are subject to change, and the ultimate impact on our solvency position from any future material changes cannot be determined at this time.

Whereas the majority of our operations operate on the basis of 'standard formula' risk-based capital systems, the Argo Lloyd's Platform consisting of Syndicate 1200 has secured approval from Lloyd's for the use of customized Economic Capital Models, known as the Internal Models. These models are used to calculate regulatory capital requirements based on each Syndicate's unique risk profile. The Internal Models have been subject to extensive internal and external scrutiny including independent validation activities. The use of any complex mathematical model however exposes the organization to the risk that these models are not built correctly, contain coding or formulaic errors or rely on unreliable or inadequate data.

As a result of these and other requirements, we may have future capital requirements that may not be available to us on commercially favorable terms. Regulatory capital and solvency requirements for our future capital requirements depend on many factors, including our ability to underwrite new business, risk propensity and ability to establish premium rates and accurately set reserves at levels adequate to cover expected losses. To the extent that the funds generated by insurance premiums received and sale proceeds and income from our investment portfolio are insufficient to fund future operating requirements and cover incurred losses and loss expenses, we may need to raise additional funds through financings or curtail our growth and reduce in size. Uncertainty in the equity and fixed maturity securities markets could affect our ability to raise additional capital in the public or private markets. Any future financing, if available at all, may be on terms that are not favorable to us and our shareholders. In the case of equity financing, dilution to current shareholdings could result, and the securities issued may have rights, preferences and privileges that are senior or otherwise superior to those of our common shares.

Failure to comply with the capital requirement laws and regulations in any of the jurisdictions where we operate, including the U.S., the E.U., the U.K. or Bermuda could result in administrative penalties imposed by a particular governmental or self-regulatory authority, unanticipated costs associated with remedying such failure or other claims, harm to our reputation, restrictions or prohibitions on the payment of dividends or other forms of distributions, or interruption of our operations, any of which could have a material and adverse impact on our business, financial position, results of operations, liquidity and cash flows.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

Issuer Purchase of Equity Securities

On May 3, 2016, our Board of Directors authorized the repurchase of up to $150.0 million of our common shares ("2016 Repurchase Authorization"). The 2016 Repurchase Authorization supersedes all the previous repurchase authorizations.

From January 1, 2022 through June 30, 2022, we did not repurchase any of our common shares. Since the inception of the repurchase authorizations (including those purchased under the 2016 Repurchase Authorization) through June 30, 2022, we have repurchased 11,315,889 of our common shares at an average price of $40.22 for a total cost of $455.1 million. These shares are being held as treasury shares in accordance with the provisions of the Bermuda Companies Act 1981. As of June 30, 2022, availability under the 2016 Repurchase Authorization for future repurchases of our common shares was $53.3 million.

Employees are allowed to surrender shares to settle the tax liability incurred upon the vesting or exercise of shares under our various employee equity compensation plans. For the three months ended June 30, 2022, we received 15,585 common shares, with an average price paid per share of $40.38 that were surrendered by employees in payment for the minimum required withholding taxes. The following table provides information with respect to our common shares that were surrendered during the three months ended June 30, 2022. In the below table, these shares are included in columns (a) and (b), but excluded from columns (c) and (d). These shares do not reduce the number of shares that may yet be purchased under the repurchase plan.

Period	Total Number of Shares Surrendered (a)	Average Price Paid per Share (b)	Total Number of Shares Purchased as Part of Publicly Announced Plan or Program (c)	Approximate Dollar Value of Shares That May Yet Be Purchased Under the Plan or Program (d)
April 1 through April 30, 2022	5,649	$ 42.60	—	$ 53,281,805
May 1 through May 31, 2022	2,805	$ 41.37	—	$ 53,281,805
June 1 through June 30, 2022	7,131	$ 38.23	—	$ 53,281,805
Total	15,585		—	

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

2022 Annual General Meeting of Shareholders

As previously disclosed by the Company, on April 26, 2022, the Board of Directors approved the postponement of the 2022 annual general meeting of shareholders of the Company (the "2022 Annual General Meeting") until the second half of 2022, as the Board of Directors believed it is in the best interests of all shareholders for the Company to conduct a strategic review process prior to holding the 2022 Annual General Meeting. The Board of Directors continues to believe it is in the best interests of all shareholders for the 2022 Annual General Meeting to be postponed until the second half of 2022. The exact date, time and location of the 2022 Annual General Meeting will be set forth in the notice to shareholders in the Company's proxy materials that will be filed in connection with the 2022 Annual General Meeting.

Pursuant to the Company's Amended and Restated Bye-Laws, shareholder director nominations or other proposals for consideration at the 2022 Annual General Meeting that are not submitted for inclusion in the Company's proxy materials pursuant to Rule 14a-8 under the Exchange Act must be submitted to the Company no later than 60 days prior to the date of the 2022 Annual General Meeting.

The 2022 Annual General Meeting will be held more than 30 days following the anniversary of the date of the Company's 2021 annual general meeting of shareholders. As a result, if a shareholder wishes to submit a proposal for inclusion in the Company's proxy statement for the 2022 Annual General Meeting pursuant to Rule 14a-8 under the Exchange Act, such proposal must be submitted a reasonable amount of time before the Company begins to print and send its proxy materials for the 2022 Annual General Meeting. Accordingly, the Company has determined that the deadline for submitting shareholder proposals pursuant to Rule 14a-8 will be August 30, 2022.

Loss Portfolio Transfer Agreement

The Company entered into a loss portfolio transfer agreement with a wholly owned subsidiary of Enstar Group Limited ("Enstar") covering a majority of the Company's U.S. casualty insurance reserves, including construction, for accident years 2011 to 2019.

Enstar's subsidiary will provide ground up cover of $746 million of reserves, and an additional $275 million of cover in excess of $821 million, up to a policy limit of $1,096 million. The Company will retain a loss corridor of $75 million up to $821 million.

We anticipate recognizing an after-tax charge of approximately $100 million in connection with the transaction in the third quarter of 2022. An estimate of the financial effect to the financial statements as a whole cannot be made given the timing of the transaction.

The closing of the transaction is subject to regulatory approval and other customary closing conditions.

Item 6. Exhibits

A list of exhibits required to be filed as part of this report is set forth in the below Exhibit Index.

EXHIBIT INDEX

Exhibit Number	Description
10.1	Separation and Release Agreement by and between Kevin J. Rehnberg and Argo Group International Holdings, Ltd. dated June 23, 2022 (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on June 23, 2022). †
10.2	Restricted Stock Award Agreement dated June 23, 2022, by and between Argo Group International Holdings, Ltd. and Thomas A. Bradley (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on June 23, 2022). †
10.3	Stock Appreciation Right Agreement dated June 23, 2022, by and between Argo Group International Holdings, Ltd. and Thomas A. Bradley (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on June 23, 2022). †
10.4	Amendment No. 2 to the Credit Agreement, dated July 15, 2022, by and among Argo Group International Holdings, Ltd., Argo Group U.S., Inc., Argo International Holdings Limited and Argo Underwriting Agency Limited, as Borrowers, and JPMorgan Chase Bank, N.A., individually and as Administrative Agent, and the other financial institutions signatory thereto (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the Securities and Exchange Committee on July 21, 2022.
31.1	Rule 13a – 14(a)/15d – 14(a) Certification of the Chief Executive Officer
31.2	Rule 13a – 14(a)/15d – 14(a) Certification of the Chief Financial Officer
32.1	Certification of Chief Executive Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2	Certification of Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101.INS	Inline XBRL Instance Document
101.SCH	Inline XBRL Taxonomy Extension Schema Document
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104	Cover Page Interactive Data File (embedded within the Inline XBRL document).

† A management contract or compensatory plan required to be filed herewith.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

	ARGO GROUP INTERNATIONAL HOLDINGS, LTD.
August 9, 2022	By /s/ Thomas A. Bradley
	Thomas A. Bradley Chief Executive Officer and Director
August 9, 2022	By /s/ Scott Kirk
	Scott Kirk Chief Financial Officer

Exhibit 31.1

Rule 13a-14(a)/15d-14(a)
Certification of the Chief Executive Officer

I, Thomas A. Bradley, Chief Executive Officer and Director of Argo Group International Holdings, Ltd., certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Argo Group International Holdings, Ltd.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 9, 2022

/s/ Thomas A. Bradley

Thomas A. Bradley
Chief Executive Officer and Director

Exhibit 31.2

Rule 13a-14(a)/15d-14(a)
Certification of the Chief Financial Officer

I, Scott Kirk, Chief Financial Officer of Argo Group International Holdings, Ltd., certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Argo Group International Holdings, Ltd.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c. Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d. Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and

5. The registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):

    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and

    b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: August 9, 2022

/s/ Scott Kirk
Scott Kirk
Chief Financial Officer

Exhibit 32.1

Certification of CEO Pursuant to
18 U.S.C. Section 1350,
as Adopted Pursuant to
Section 906 of the Sarbanes-Oxley Act of 2002

In connection with the Quarterly Report on Form 10-Q of Argo Group International Holdings, Ltd. (the "Company") for the quarterly period ended June 30, 2022 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), Thomas A. Bradley, as Chief Executive Officer and Director of the Company, hereby certifies, pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that, to the best of his knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

* * *

Certified this 9th day of August 2022

/s/ Thomas A. Bradley

Thomas A. Bradley

Chief Executive Officer and Director

Exhibit 32.2

Certification of CFO Pursuant to
18 U.S.C. Section 1350,
as Adopted Pursuant to
Section 906 of the Sarbanes-Oxley Act of 2002

In connection with the Quarterly Report on Form 10-Q of Argo Group International Holdings, Ltd. (the “Company”) for the quarterly period ended June 30, 2022 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), Scott Kirk, as Chief Financial Officer of the Company, hereby certifies, pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002 that, to the best of his knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

* * *

Certified this 9th day of August 2022

/s/ Scott Kirk
Scott Kirk
Chief Financial Officer