

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 March 31, 2023
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
(State or other jurisdiction of
incorporation or organization)

90 Pitts Bay Road

Pembroke HM08

Bermuda
(Address of principal executive offices)

98-0214719

(I.R.S. Employer
Identification Number)

P.O. Box HM 1282

Hamilton

Bermuda
(Mailing address)

HM FX

(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 Respect Thereto	ARGD	New York Stock Exchange
Depository 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 May 5, 2023.

As of May 5, 2023, the registrant had 35,169,460 shares of common stock outstanding (net of treasury shares).

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)

	March 31, 2023 (Unaudited)	December 31, 2022
Assets		
Investments:		
Fixed maturities available-for-sale, at fair value (amortized cost: 2023 - \$2,969.8, 2022 - \$3,016.4; allowance for expected credit losses: 2023 - \$2.7, 2022 - \$2.8)	\$ 2,664.4	\$ 2,675.5
Commercial mortgage loans (cost: 2023 - \$159.9, 2022 - \$159.9; allowance for expected credit losses: 2023 - \$0.2, 2022 - \$0.2)	159.7	159.7
Equity securities, at fair value (cost: 2023 - \$48.7; 2022 - \$54.7)	44.2	43.9
Other investments (cost: 2023 - \$323.0; 2022 - \$323.2)	323.0	323.2
Short-term investments, at fair value (amortized cost: 2023 - \$694.5; 2022 - \$449.4)	694.6	449.6
Total investments	3,885.9	3,651.9
Cash	36.4	50.2
Accrued investment income	18.8	18.6
Premiums receivable	271.1	292.0
Reinsurance recoverables	3,016.9	3,029.1
Goodwill	118.6	118.6
Current income taxes receivable, net	47.2	44.9
Deferred tax asset, net	93.5	101.2
Deferred acquisition costs, net	103.9	107.0
Ceded unearned premiums	367.8	375.5
Operating lease right-of-use assets	54.8	57.7
Other assets	189.2	121.5
Assets held-for-sale	—	2,066.2
Total assets	\$ 8,204.1	\$ 10,034.4
Liabilities and Shareholders' Equity		
Reserves for losses and loss adjustment expenses	\$ 5,184.1	\$ 5,051.6
Unearned premiums	994.3	1,039.9
Accrued underwriting expenses and other liabilities	92.5	121.3
Ceded reinsurance payable, net	174.7	158.7
Funds held	51.8	50.0
Senior unsecured fixed rate notes	140.5	140.5
Junior subordinated debentures	258.7	258.6
Operating lease liabilities	63.0	66.4
Liabilities held-for-sale	—	1,914.5
Total liabilities	6,959.6	8,801.5
Commitments and contingencies (Note 14)		
Shareholders' equity:		
Preferred shares and additional paid-in capital - \$1.00 par, 30,000,000 shares authorized; 6,000 and 6,000 shares issued at March 31, 2023 and December 31, 2022, respectively; liquidation preference \$25,000	144.0	144.0
Common shares - \$1.00 par, 500,000,000 shares authorized; 46,469,201 and 46,379,297 shares issued at March 31, 2023 and December 31, 2022, respectively	46.5	46.4
Additional paid-in capital	1,396.6	1,395.4
Treasury shares (11,318,339 and 11,318,339 shares at March 31, 2023 and December 31, 2022, respectively)	(455.1)	(455.1)
Retained earnings	370.9	407.3
Accumulated other comprehensive loss, net of taxes	(258.4)	(305.1)
Total shareholders' equity	1,244.5	1,232.9
Total liabilities and shareholders' equity	\$ 8,204.1	\$ 10,034.4

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 March 31,	
	2023	2022
Premiums and other revenue:		
Earned premiums	\$ 389.9	\$ 480.6
Net investment income	29.7	37.7
Net investment and other gains (losses):		
Net realized investment and other gains (losses)	(21.1)	(40.2)
Change in fair value recognized	3.3	6.7
Change in allowance for credit losses on fixed maturity securities	(0.1)	(1.0)
Total net investment and other gains (losses)	(17.9)	(34.5)
Total revenue	401.7	483.8
Expenses:		
Losses and loss adjustment expenses	284.6	283.6
Underwriting, acquisition and insurance expenses	137.0	172.9
Non-operating expenses	11.6	7.4
Interest expense	8.5	5.8
Fee and other (income) expense, net	(0.4)	(0.8)
Foreign currency exchange (gains) losses	2.7	2.9
Total expenses	444.0	471.8
Income (loss) before income taxes	(42.3)	12.0
Income tax provision (benefit)	(8.5)	13.0
Net income (loss)	\$ (33.8)	\$ (1.0)
Dividends on preferred shares	2.6	2.6
Net income (loss) attributable to common shareholders	\$ (36.4)	\$ (3.6)
Net income (loss) attributable to common shareholders per common share:		
Basic	\$ (1.04)	\$ (0.11)
Diluted	\$ (1.04)	\$ (0.11)
Dividend declared per common share	\$ —	\$ 0.31
Weighted average common shares:		
Basic	35,099,968	34,891,935
Diluted	35,099,968	34,891,935

See accompanying notes.

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

	For the Three Months Ended March 31,	
	2023	2022
Net income (loss)	\$ (33.8)	\$ (1.0)
Other comprehensive income (loss):		
Foreign currency translation:		
Foreign currency translation adjustments	0.4	4.1
Reclassification adjustment for foreign currency translation included in net income	—	27.3
Defined benefit pension plans:		
Net gain arising during the period	1.0	—
Unrealized gains (losses) on fixed maturity securities:		
Gains (losses) arising during the period	33.2	(172.0)
Reclassification adjustment for losses (gains) included in net income (loss)	22.2	(5.4)
Other comprehensive income (loss) before tax	56.8	(146.0)
Income tax provision (benefit) related to other comprehensive income (loss):		
Defined benefit pension plans:		
Net gain arising during the period	0.2	—
Unrealized gains (losses) on fixed maturity securities:		
Gains (losses) arising during the period	5.2	(32.8)
Reclassification adjustment for losses (gains) included in net income (loss)	4.7	(1.0)
Income tax (benefit) provision related to other comprehensive income (loss)	10.1	(33.8)
Other comprehensive income (loss), net of tax	46.7	(112.2)
Comprehensive income (loss)	\$ 12.9	\$ (113.2)

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, December 31, 2021	\$ 144.0	\$ 46.2	\$ 1,386.4	\$ (455.1)	\$ 636.4	\$ (22.7)	\$ 1,735.2
Net loss	—	—	—	—	(1.0)	—	(1.0)
Other comprehensive loss - Change in fair value of fixed maturities, net of taxes	—	—	—	—	—	(143.6)	(143.6)
Other comprehensive income, net - Other	—	—	—	—	—	31.4	31.4
Activity under stock incentive plans	—	0.1	2.7	—	—	—	2.8
Retirement of common shares (tax payments on equity compensation)	—	—	(1.0)	—	—	—	(1.0)
Employee stock purchase plan	—	—	0.4	—	—	—	0.4
Dividends on preferred shares	—	—	—	—	(2.6)	—	(2.6)
Cash dividend declared - common shares (\$0.31/share)	—	—	—	—	(10.8)	—	(10.8)
Balance, March 31, 2022	<u>\$ 144.0</u>	<u>\$ 46.3</u>	<u>\$ 1,388.5</u>	<u>\$ (455.1)</u>	<u>\$ 622.0</u>	<u>\$ (134.9)</u>	<u>\$ 1,610.8</u>
Balance, December 31, 2022	\$ 144.0	\$ 46.4	\$ 1,395.4	\$ (455.1)	\$ 407.3	\$ (305.1)	\$ 1,232.9
Net loss	—	—	—	—	(33.8)	—	(33.8)
Other comprehensive income - change in fair value of fixed maturities, net of taxes	—	—	—	—	—	45.5	45.5
Other comprehensive income, net - other	—	—	—	—	—	1.2	1.2
Activity under stock incentive plans	—	0.1	1.6	—	—	—	1.7
Retirement of common shares (tax payments on equity compensation)	—	—	(0.8)	—	—	—	(0.8)
Employee stock purchase plan	—	—	0.4	—	—	—	0.4
Dividends on preferred shares	—	—	—	—	(2.6)	—	(2.6)
Balance, March 31, 2023	<u>\$ 144.0</u>	<u>\$ 46.5</u>	<u>\$ 1,396.6</u>	<u>\$ (455.1)</u>	<u>\$ 370.9</u>	<u>\$ (258.4)</u>	<u>\$ 1,244.5</u>

See accompanying notes.

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

	For the Three Months Ended March 31,	
	2023	2022
Cash flows provided by (used in) operating activities:		
Net loss	\$ (33.8)	\$ (1.0)
Adjustments to reconcile net loss to cash provided by (used in) operating activities:		
Amortization and depreciation	4.3	5.9
Share-based payments expense	1.5	3.2
Deferred income tax benefit, net	(5.9)	9.3
Net investment and other (gains) losses	17.9	34.5
Undistributed earnings from alternative investment portfolio	0.2	(13.6)
Change in:		
Accrued investment income	(0.3)	(1.2)
Receivables	613.8	43.9
Deferred acquisition costs	(6.5)	(6.5)
Ceded unearned premiums	(50.0)	(2.9)
Reserves for losses and loss adjustment expenses	(367.2)	101.4
Unearned premiums	(3.9)	(38.5)
Ceded reinsurance payable and funds held	(60.8)	(147.8)
Income taxes	(3.0)	3.2
Accrued underwriting expenses and other liabilities	(25.1)	11.5
Other, net	(42.1)	(29.3)
Cash provided by (used in) operating activities	39.1	(27.9)
Cash flows provided by (used in) investing activities:		
Sales of fixed maturity investments	0.6	291.1
Maturities and mandatory calls of fixed maturity investments	32.5	144.3
Sales of equity securities	6.0	9.0
Sales of other investments	1.9	20.9
Purchases of fixed maturity investments	(1.7)	(597.4)
Purchases of equity securities	—	(1.0)
Purchases of other investments	(3.9)	(17.9)
Change in foreign regulatory deposits and voluntary pools	—	(8.6)
Purchase of mortgage loans	—	(46.5)
Change in short-term investments	(215.0)	234.1
Settlements of foreign currency exchange forward contracts	5.1	—
Proceeds from business divestitures, net of cash transferred	54.3	22.7
Purchases of fixed assets, net	(1.4)	(0.7)
Cash provided by (used in) investing activities	(121.6)	50.0
Cash flows provided by (used in) financing activities:		
Activity under stock incentive plans	0.5	(1.1)
Payment of cash dividends to preferred shareholders	(2.6)	(2.6)
Payment of cash dividends to common shareholders	—	(10.8)
Cash used in financing activities	(2.1)	(14.5)
Effect of exchange rate changes on cash	—	0.3
Net change in cash and restricted cash	(84.6)	7.9
Net change in cash balances classified as held-for-sale	70.8	—
Cash and restricted cash, beginning of year	50.2	146.1
Cash and restricted cash, end of period	\$ 36.4	\$ 154.0

See accompanying notes.

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

1. Business and Significant Accounting Policies

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; 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 for the year ended December 31, 2022 filed with the Securities and Exchange Commission (“SEC”) (the “2022 Form 10-K”).

The interim financial information as of, and for the three months ended, March 31, 2023 and 2022 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 Argo Underwriting Agency Limited

On September 8, 2022, Argo International Holdings Limited (the “Seller”), a wholly-owned subsidiary of the Company, and Ohio Farmers Insurance Company (the “Buyer”), part of the Westfield group of insurance companies, entered into a sale and purchase agreement (the “Transaction”) under which the Seller agreed to sell, and the Buyer agreed to purchase, the entire issued share capital of Argo Underwriting Agency Limited (“AUA”), for which the financial results are reported in our International segment. This transaction simplifies our reporting structure and is intended to drive greater efficiencies.

The base cash consideration for the purchase is \$125.0 million, which will be adjusted to reflect the extent by which AUA’s net assets at completion are greater or lesser than AUA net assets as of March 31, 2022. In the third quarter of 2022, as a result of the sale, an impairment was recorded in the amount of \$28.5 million, consisting of \$17.3 million of indefinite lived intangible assets and \$11.2 million of goodwill, representing the difference between the carrying value and implied fair value as determined by the consideration to be received. In addition, the Buyer will be obliged to replace certain funds provided by the Company to support the activities of AUA and certain of its subsidiaries at Lloyd’s of London, which would then be released to the Company.

As of December 31, 2022, the Company reported the assets and liabilities of this block of business as held-for-sale on Consolidated Balance Sheets with results continuing to be reported within the Consolidated Statements of Income (Loss) and the International Operations segment. The Company determined that the Transaction did not represent a strategic shift, and therefore, did not meet the requirements for discontinued operations.

On February 2, 2023, the Seller completed the sale of the entire issued share capital of AUA. At the closing, the Company received total consideration of \$155.6 million, which included cash proceeds of \$125.0 million as base consideration and an additional \$30.6 million which was placed in escrow by the Buyer related to certain reinsurance-related recoverables. In the first quarter of 2023, \$4.8 million of the consideration placed in escrow was released to the Company. The funds in escrow may be released to the Seller over a period of two years following the closing. At the end of the two-year escrow period, any remaining balance of the escrow will be returned to the Buyer. The base consideration is subject to adjustment pending a final closing balance sheet.

As a result of the sale, we realized a loss of \$20.3 million, which is included as a component of *Net realized investment and other gains (losses)* in our Condensed Consolidated Statements of Income (Loss). This loss is due to the realization of unrealized investment losses, which was previously a component of accumulated other comprehensive income.

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 units within our International Operations reporting segment. As a result, 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 loss was primarily attributable to 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.

In third quarter of 2022, a final purchase price was established in the amount of 140 million Brazilian Reais (approximately \$26.9 million). As a result, we realized a loss on the sale of Argo Seguros of \$33.8 million in 2022, which is included as a component of *Net realized investment and other gains (losses)* in our Consolidated Statements of Income (Loss).

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 our *Assets held-for-sale* at December 31, 2022 in our Consolidated Balance Sheets is \$55.9 million 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. At March 31, 2023, the Company did not have any assets managed on behalf of the trade capital providers due the sale of AUA as described in Note 1, “Business and Significant Accounting Policies.”

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:

March 31, 2023

(in millions)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Allowance for Credit Losses	Fair Value
Fixed maturities					
U.S. Governments	\$ 412.5	\$ —	\$ 24.6	\$ —	\$ 387.9
Foreign Governments	35.8	0.4	7.2	0.8	28.2
Obligations of states and political subdivisions	109.0	0.6	8.3	0.4	100.9
Corporate bonds	1,360.5	1.1	140.7	1.4	1,219.5
Commercial mortgage-backed securities	335.2	—	50.4	—	284.8
Residential mortgage-backed securities	314.1	0.2	46.1	—	268.2
Asset-backed securities	149.3	—	12.1	0.1	137.1
Collateralized loan obligations	253.4	0.4	16.0	—	237.8
Total fixed maturities	<u>\$ 2,969.8</u>	<u>\$ 2.7</u>	<u>\$ 305.4</u>	<u>\$ 2.7</u>	<u>\$ 2,664.4</u>

December 31, 2022

(in millions)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Allowance for Credit Losses	Fair Value
Fixed maturities					
U.S. Governments	\$ 410.9	\$ —	\$ 30.2	\$ —	\$ 380.7
Foreign Governments	35.6	0.3	6.7	0.8	28.4
Obligations of states and political subdivisions	109.9	0.4	10.1	0.4	99.8
Corporate bonds	1,394.8	0.9	160.0	1.6	1,234.1
Commercial mortgage-backed securities	337.4	—	52.0	—	285.4
Residential mortgage-backed securities	320.0	0.2	50.2	—	270.0
Asset-backed securities	153.4	—	14.2	—	139.2
Collateralized loan obligations	254.4	0.3	16.8	—	237.9
Total fixed maturities	<u>\$ 3,016.4</u>	<u>\$ 2.1</u>	<u>\$ 340.2</u>	<u>\$ 2.8</u>	<u>\$ 2,675.5</u>

Contractual Maturity

The amortized cost and fair values of fixed maturity investments as of March 31, 2023, by contractual maturity, were as follows:

(in millions)	Amortized Cost	Fair Value
Due in one year or less	\$ 84.1	\$ 83.0
Due after one year through five years	1,276.3	1,179.1
Due after five years through ten years	509.4	435.5
Due after ten years	48.0	38.9
Structured securities	1,052.0	927.9
Total	<u>\$ 2,969.8</u>	<u>\$ 2,664.4</u>

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 March 31, 2023 and December 31, 2022 were as follows:

March 31, 2023

(in millions)	Carrying Value	Unfunded Commitments
Investment Type		
Hedge funds	\$ 54.7	\$ —
Private equity	263.7	107.3
Other	4.6	—
Total other investments	\$ 323.0	\$ 107.3

December 31, 2022

(in millions)	Carrying Value	Unfunded Commitments
Investment Type		
Hedge funds	\$ 54.0	\$ —
Private equity	264.6	108.9
Other	4.6	—
Total other investments	\$ 323.2	\$ 108.9

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.
- **Other:** Other includes participation in investment pools.

Unrealized Losses

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

March 31, 2023	Less Than One Year		One Year or Greater		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
(in millions)						
Fixed maturities						
U.S. Governments	\$ 17.3	\$ 0.4	\$ 370.1	\$ 24.2	\$ 387.4	\$ 24.6
Foreign Governments	13.1	2.4	7.3	4.8	20.4	7.2
Obligations of states and political subdivisions	23.3	1.0	66.4	7.3	89.7	8.3
Corporate bonds	169.9	11.1	1,027.8	129.6	1,197.7	140.7
Commercial mortgage-backed securities	29.1	2.6	255.6	47.8	284.7	50.4
Residential mortgage-backed securities	26.9	1.5	238.7	44.6	265.6	46.1
Asset-backed securities	43.8	1.9	93.1	10.2	136.9	12.1
Collateralized loan obligations	48.4	2.8	177.0	13.2	225.4	16.0
Total fixed maturities	\$ 371.8	\$ 23.7	\$ 2,236.0	\$ 281.7	\$ 2,607.8	\$ 305.4

December 31, 2022	Less Than One Year		One Year or Greater		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
(in millions)						
Fixed maturities						
U.S. Governments	\$ 271.0	\$ 18.1	\$ 109.8	\$ 12.1	\$ 380.8	\$ 30.2
Foreign Governments	16.7	4.9	2.6	1.8	19.3	6.7
Obligations of states and political subdivisions	67.4	4.1	24.3	6.0	91.7	10.1
Corporate bonds	695.1	68.3	519.6	91.7	1,214.7	160.0
Commercial mortgage-backed securities	144.2	18.6	141.2	33.4	285.4	52.0
Residential mortgage-backed securities	88.7	8.8	178.8	41.4	267.5	50.2
Asset-backed securities	93.3	7.5	45.9	6.7	139.2	14.2
Collateralized loan obligations	181.1	13.3	44.2	3.5	225.3	16.8
Total fixed maturities	\$ 1,557.5	\$ 143.6	\$ 1,066.4	\$ 196.6	\$ 2,623.9	\$ 340.2

We hold a total of 1,548 fixed maturity securities, of which 479 were in an unrealized loss position for less than one year and 1,045 were in an unrealized loss position for a period one year or greater as of March 31, 2023. The unrealized losses as of March 31, 2023 are primarily driven from interest rate movements.

Allowance for Credit Losses

For fixed maturities with a decline in fair value below 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 months ending March 31, 2023 and 2022, respectively:

(in millions)	Foreign Governments	Obligations of states and political subdivisions	Corporate bonds	Asset backed securities	Total
Beginning balance, January 1, 2023	\$ 0.7	\$ 0.4	\$ 1.6	\$ 0.1	\$ 2.8
Securities for which allowance was not previously recorded	—	—	0.2	—	0.2
Securities sold during the period	—	—	(0.3)	—	(0.3)
Reductions for credit impairments	—	—	—	—	—
Additional net increases (decreases) in existing allowance	0.1	—	(0.1)	—	—
Ending balance, March 31, 2023	<u>\$ 0.8</u>	<u>\$ 0.4</u>	<u>\$ 1.4</u>	<u>\$ 0.1</u>	<u>\$ 2.7</u>

(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	0.1	—	0.4	—	0.5
Securities sold during the period	—	—	(0.6)	—	(0.6)
Additional net increases (decreases) in existing allowance	—	0.4	0.1	—	0.5
Ending balance, March 31, 2022	<u>\$ 0.3</u>	<u>\$ 0.4</u>	<u>\$ 2.1</u>	<u>\$ 0.1</u>	<u>\$ 2.9</u>

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 \$0.1 million and \$1.0 million for the three months ended March 31, 2023, and 2022 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:

(in millions)	March 31, 2023		
	Cost	Composition	Loan Count
Apartments	\$ 87.4	54.7 %	16
Hotel	25.0	15.6 %	4
Industrial	26.0	16.3 %	4
Retail	21.5	13.4 %	4
Total	\$ 159.9	100.0 %	28

(in millions)	December 31, 2022		
	Cost	Composition	Loan Count
Apartments	\$ 87.4	54.5 %	16
Hotel	25.0	15.6 %	4
Industrial	26.0	16.3 %	4
Retail	21.5	13.6 %	4
Total	\$ 159.9	100.0 %	28

The following table presents our loans by Debt Service Coverage Ratio (“DSCR”):

(in millions)	March 31, 2023	
	Cost	Loan Count
1.00 to 1.50	\$ 30.4	6
Greater than 1.5 to 2.0	71.7	12
Greater than 2.0 to 3.0	32.0	6
Greater than 3.0 to 4.0	25.8	4
Greater than 4.0	0.0	0
Total	\$ 159.9	28

(in millions)	December 31, 2022	
	Cost	Loan Count
1.00 to 1.50	\$ 10.4	2
Greater than 1.5 to 2.0	60.4	10
Greater than 2.0 to 3.0	52.0	10
Greater than 3.0 to 4.0	25.8	4
Greater than 4.0	11.3	2
Total	\$ 159.9	28

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

(in millions)	March 31, 2023	
	Cost	Loan Count
Equal to or less than 50.0%	\$ 36.7	6
Greater than 50.0% to 55.0%	9.1	2
Greater than 55.0% to 60.0%	42.6	8
Greater than 60.0% to 70.0%	61.5	10
Greater than 70.0%	10.0	2
Total	\$ 159.9	28

(in millions)	December 31, 2022	
	Cost	Loan Count
Equal to or less than 50.0%	\$ 36.7	6
Greater than 50.0% to 55.0%	9.1	2
Greater than 55.0% to 60.0%	42.6	8
Greater than 60.0% to 70.0%	71.5	12
Total	\$ 159.9	28

The following table presents loans by maturity:

(in millions)	March 31, 2023	
	Cost	Loan Count
One Year or Less	\$ 10.0	2
Greater than One Year and Less than Three	44.8	8
Greater than Three Years and Less than Five Years	33.8	6
Greater than Five Years and Less than Seven Years	20.4	4
Greater than Seven Years and Less than Ten Years	50.9	8
Total	\$ 159.9	28

(in millions)	December 31, 2022	
	Cost	Loan Count
Greater than One Year and Less than Three	\$ 54.8	10
Greater than Three Years and Less than Five Years	33.8	6
Greater than Five Years and Less than Seven Years	20.4	4
Greater than Seven Years and Less than Ten Years	50.9	8
Total	\$ 159.9	28

Investment Gains and Losses

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

(in millions)	For the Three Months Ended March 31,	
	2023	2022
Realized gains on fixed maturities and other:		
Fixed maturities	\$ 0.2	\$ 11.2
Other investments, including short-term investments	7.8	1.5
Other assets	—	—
Total realized gains on fixed maturities and other	8.0	12.7
Realized losses on fixed maturities and other:		
Fixed maturities	(22.4)	(16.6)
Other investments, including short-term investments	(5.8)	(6.8)
Other assets	—	—
Total realized losses on fixed maturities and other	(28.2)	(23.4)
Other net losses recognized on fixed maturities and other:		
Credit losses on fixed maturities	(0.6)	(1.0)
Impairment related to change in intent	—	—
Other ⁽¹⁾	(3.6)	(28.5)
Total other net losses recognized on fixed maturities and other	(4.2)	(29.5)
Equity securities:		
Net realized gains (losses) on equity securities	0.3	(1.0)
Change in unrealized gains (losses) on equity securities held at the end of the period	6.2	6.7
Net gains (losses) on equity securities	6.5	5.7
Net investment and other gains (losses) before income taxes	(17.9)	(34.5)
Income tax (benefit) provision	(5.1)	(0.7)
Net investment and other gains (losses), net of income taxes	\$ (12.8)	\$ (33.8)

⁽¹⁾ For the three months ended March 31, 2022, refer to the sale 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 fixed maturity investments are summarized as follows:

(in millions)	For the Three Months Ended March 31,	
	2023	2022
Change in unrealized gains (losses)		
Fixed maturities	\$ 55.5	\$ (177.9)
Other and short-term investments	(0.1)	0.1
Net unrealized investment gains (losses) before income taxes	55.4	(177.8)
Income tax provision (benefit)	9.9	(33.9)
Net unrealized investment gains (losses), net of income taxes	\$ 45.5	\$ (143.9)

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 to hedge certain non-USD investment portfolio securities. The currency forward contracts are carried at fair value in our Condensed Consolidated Balance Sheets in *Other liabilities* and *Other assets* at March 31, 2023 and December 31, 2022, 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 March 31, 2023 and December 31, 2022 was as follows:

(in millions)	March 31, 2023		December 31, 2022	
	Notional Amount	Fair Value	Notional Amount	Fair Value
Operational currency exposure	\$ 125.7	\$ 1.7	\$ 148.2	\$ 5.8
Asset manager investment exposure	42.1	(0.9)	135.0	(0.6)
Total	\$ 167.8	\$ 0.8	\$ 283.2	\$ 5.2

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 March 31,	
	2023	2022
Realized gains		
Operational currency exposure	\$ 4.1	\$ 2.5
Asset manager investment exposure	—	1.1
Gross realized investment gains	\$ 4.1	3.6
Realized losses		
Operational currency exposure	(3.1)	(8.8)
Asset manager investment exposure	(0.3)	—
Gross realized investment losses	(3.4)	(8.8)
Net realized investment (losses) gains on foreign currency exchange forward contracts	\$ 0.7	\$ (5.2)

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)	March 31, 2023	December 31, 2022
Securities on deposit for regulatory and other purposes	\$ 142.8	\$ 149.3
Securities pledged as collateral for letters of credit and other	120.9	169.8
Securities on deposit supporting Lloyd's business ⁽¹⁾	173.9	171.4
Total restricted investments	\$ 437.6	\$ 490.5

⁽¹⁾ Argo Group is required to maintain Funds at Lloyd's ("FAL") to support its business for Syndicate 1200 and Syndicate 1910. At March 31, 2023 the amount of securities pledged for FAL was \$173.9 million, which was provided by Argo Re, Ltd. The Company expects the FAL to be released in the second quarter of 2023, due to the sale of AUA, subject to regulatory approval. Refer to the sale of AUA in Note 1, "Business and Significant Accounting Policies" for additional information.

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 March 31, 2023 and December 31, 2022. 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 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 and asset-back securities 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)	Fair Value Measurements at Reporting Date Using			
	March 31, 2023	Level 1 ⁽¹⁾	Level 2 ⁽²⁾	Level 3 ⁽³⁾
Fixed maturities				
U.S. Governments	\$ 387.9	\$ 385.8	\$ 2.1	\$ —
Foreign Governments	28.2	—	28.2	—
Obligations of states and political subdivisions	100.9	—	100.9	—
Corporate bonds	1,219.5	—	1,197.5	22.0
Commercial mortgage-backed securities	284.8	—	284.8	—
Residential mortgage-backed securities	268.2	—	268.2	—
Asset-backed securities	137.1	—	118.9	18.2
Collateralized loan obligations	237.8	—	237.8	—
Total fixed maturities	2,664.4	385.8	2,238.4	40.2
Equity securities	44.2	36.0	—	8.2
Other investments	0.3	—	0.3	—
Short-term investments	694.6	694.3	0.3	—
Derivatives	0.8	—	0.8	—
Total assets	\$ 3,404.3	\$ 1,116.1	\$ 2,239.8	\$ 48.4

⁽¹⁾ Quoted prices in active markets for identical assets

⁽²⁾ Significant other observable inputs

⁽³⁾ Significant unobservable inputs

(in millions)	December 31, 2022	Fair Value Measurements at Reporting Date Using		
		Level 1 ⁽¹⁾	Level 2 ⁽²⁾	Level 3 ⁽³⁾
Fixed maturities				
U.S. Governments	\$ 380.7	\$ 378.7	\$ 2.0	\$ —
Foreign Governments	28.4	—	28.4	—
Obligations of states and political subdivisions	99.8	—	99.8	—
Corporate bonds	1,234.1	—	1,212.1	22.0
Commercial mortgage-backed securities	285.4	—	285.4	—
Residential mortgage-backed securities	270.0	—	270.0	—
Asset-backed securities	139.2	—	120.5	18.7
Collateralized loan obligations	237.9	—	237.9	—
Total fixed maturities	2,675.5	378.7	2,256.1	40.7
Equity securities	43.9	28.4	—	15.5
Other investments	0.3	—	0.3	—
Short-term investments	449.6	449.3	0.3	—
Derivatives	5.2	—	5.2	—
Total assets	<u>\$ 3,174.5</u>	<u>\$ 856.4</u>	<u>\$ 2,261.9</u>	<u>\$ 56.2</u>

⁽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 primarily exclude 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, 2023	\$ 40.7	\$ 15.5	\$ 56.2
Transfers into Level 3	—	—	—
Transfers out of Level 3	—	(7.6)	(7.6)
Total gains or losses (realized/unrealized):			
Included in net income	—	0.3	0.3
Included in other comprehensive income	—	—	—
Purchases, issuances, sales, and settlements:			
Purchases	—	—	—
Issuances	—	—	—
Sales	—	—	—
Settlements	(0.5)	—	(0.5)
Ending balance, March 31, 2023	<u>\$ 40.2</u>	<u>\$ 8.2</u>	<u>\$ 48.4</u>
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 March 31, 2023	\$ —	\$ —	\$ —

(in millions)	Credit Financial	Equity Securities	Total
Beginning balance, January 1, 2022	\$ 2.8	\$ 14.7	\$ 17.5
Transfers into Level 3	36.1	1.5	37.6
Transfers out of Level 3	—	—	—
Total gains or losses (realized/unrealized):			
Included in net income	(0.4)	(0.7)	(1.1)
Included in other comprehensive loss	(4.8)	—	(4.8)
Purchases, issuances, sales, and settlements:			
Purchases	9.0	1.0	10.0
Issuances	—	—	—
Sales	(2.0)	(1.0)	(3.0)
Settlements	—	—	—
Ending balance, December 31, 2022	\$ 40.7	\$ 15.5	\$ 56.2
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, 2022	\$ —	\$ (4.4)	\$ (4.4)

At March 31, 2023 and December 31, 2022, 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.

The Company holds investments in commercial mortgage loans reported at cost, less an allowance for expected credit losses, on the Balance Sheet. The cost and estimated fair value of the investments in commercial mortgage loans were:

(in millions)	March 31, 2023		December 31, 2022	
	Cost	Fair Value	Cost	Fair Value
Commercial mortgage loans	\$ 159.9	\$ 152.3	\$ 159.9	\$ 150.7

4. Allowance for Credit Losses

Premiums receivable

The following table represents the balances of premiums receivable, net of allowance for expected credit losses, at March 31, 2023 and December 31, 2022, and the changes in the allowance for expected credit losses for the three months ended March 31, 2023 and the year ended December 31, 2022.

(in millions)	Premiums Receivable, Net of Allowance for Estimated Uncollectible Premiums	Allowance for Estimated Uncollectible Premiums
Balance, December 31, 2021	\$ 648.6	\$ 5.7
Current period change for estimated uncollectible premiums		0.2
Write-offs of uncollectible premiums receivable		(1.2)
Balance, December 31, 2022	\$ 292.0	\$ 4.7
Current period change for estimated uncollectible premiums		0.4
Write-offs of uncollectible premiums receivable		—
Balance, March 31, 2023	\$ 271.1	\$ 5.1

Reinsurance Recoverables

The following table presents the balances of reinsurance recoverables, net of the allowance for estimated uncollectible reinsurance, at March 31, 2023 and December 31, 2022, and changes in the allowance for estimated uncollectible reinsurance for the three months ended March 31, 2023 and the year ended December 31, 2022.

(in millions)	Reinsurance Recoverables, Net of Allowance for Estimated Uncollectible Reinsurance	Allowance for Estimated Uncollectible Reinsurance
Balance, December 31, 2021	\$ 2,966.4	\$ 3.8
Current period change for estimated uncollectible premiums		1.7
Write-offs of uncollectible premiums receivable		—
Reclassified to assets held-for-sale		(0.8)
Balance, December 31, 2022	\$ 3,029.1	\$ 4.7
Current period change for estimated uncollectible reinsurance		—
Write-offs of uncollectible reinsurance recoverables		—
Balance, March 31, 2023	\$ 3,016.9	\$ 4.7

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 Three Months Ended March 31,	
	2023	2022
Net reserves - beginning of the year	\$ 2,213.1	\$ 3,123.2
Add:		
Losses and LAE incurred during current calendar year, net of reinsurance:		
Current accident year	236.0	280.2
Prior accident years	48.6	3.4
Losses and LAE incurred during calendar year, net of reinsurance	284.6	283.6
Deduct:		
Losses and LAE payments made during current calendar year, net of reinsurance:		
Current accident year	36.8	19.0
Prior accident years	149.1	266.1
Losses and LAE payments made during current calendar year, net of reinsurance:	185.9	285.1
Add/(Deduct):		
Divestitures ⁽¹⁾	24.4	(31.0)
Retroactive reinsurance ⁽²⁾	21.7	—
Change in participation interest ⁽³⁾	—	48.0
Total net reserve adjustments	46.1	17.0
Foreign exchange adjustments	2.1	(0.4)
Net reserves - end of period	2,360.0	3,138.3
Add:		
Reinsurance recoverables on unpaid losses and LAE, end of period	2,824.1	2,509.8
Gross reserves - end of period	\$ 5,184.1	\$ 5,648.1

⁽¹⁾ For the three months ended March 31, 2023, the adjustment relates to the quarterly activity of Syndicate 1200 and on reinsurance contracts with AUA subsidiaries. Refer to the sale of AUA in Note 1, “Business and Significant Accounting Policies” for additional information.

For the three months ended March 31, 2022, refer to the sale of Argo Seguros in Note 1, “Business and Significant Accounting Policies” for additional information.

⁽²⁾ In connection with the sale of AUA, the Company entered into two retroactive reinsurance agreements with AUA subsidiaries.

⁽³⁾ Amount represents the change in reserves due to changing our participation in Syndicates 1200 and 1910. For the three months ended March 31, 2023, the balance has been reduced to zero as a result of the sale of AUA.

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 Three Months Ended March 31,	
	2023	2022
U.S. Operations	\$ 39.7	\$ 5.0
International Operations	7.8	(3.0)
Run-off Lines	1.1	1.4
Total (favorable) unfavorable prior-year development	\$ 48.6	\$ 3.4

The following describes the primary factors behind each segment's net prior accident year reserve development for the three months ended March 31, 2023 and 2022:

Three months ended March 31, 2023:

- *U.S. Operations:* Net unfavorable development primarily related to liability and professional lines. The liability lines development was driven by businesses we have exited. The professional lines development was driven by accident years 2019 and prior.
- *International Operations:* Net unfavorable development primarily related to movements on claims in professional lines in Argo Insurance Bermuda.
- *Run-off Lines:* Net unfavorable loss reserve development on prior accident years in other run-off lines.

Three months ended March 31, 2022:

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

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 March 31, 2023 and December 31, 2022, 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 March 31, 2023 and December 31, 2022. 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 less frequently traded.

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

(in millions)	March 31, 2023		December 31, 2022	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Junior subordinated debentures:				
Trust preferred debentures	\$ 172.7	\$ 157.8	\$ 172.7	\$ 165.8
Subordinated debentures	86.0	83.9	85.9	88.1
Total junior subordinated debentures	258.7	241.7	258.6	253.9
Senior unsecured fixed rate notes	140.5	127.5	140.5	112.7
Floating rate loan stock ⁽¹⁾	—	—	54.7	52.5
	<u>\$ 399.2</u>	<u>\$ 369.2</u>	<u>\$ 453.8</u>	<u>\$ 419.1</u>

⁽¹⁾ Floating rate loan stock reclassified to liabilities held-for-sale. See Note 1, “Business and Significant Accounting Policies” for additional information.

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

(in millions)	Fair Value Measurements at Reporting Date Using			
	March 31, 2023	Level 1 ⁽¹⁾	Level 2 ⁽²⁾	Level 3 ⁽³⁾
Junior subordinated debentures:				
Trust preferred debentures	\$ 157.8	\$ —	\$ 157.8	\$ —
Subordinated debentures	83.9	—	83.9	—
Total junior subordinated debentures	241.7	—	241.7	—
Senior unsecured fixed rate notes	127.5	127.5	—	—
	<u>\$ 369.2</u>	<u>\$ 127.5</u>	<u>\$ 241.7</u>	<u>\$ —</u>

⁽¹⁾ Quoted prices in active markets for identical assets

⁽²⁾ Significant other observable inputs

⁽³⁾ Significant unobservable inputs

(in millions)	Fair Value Measurements at Reporting Date Using			
	December 31, 2022	Level 1 ⁽¹⁾	Level 2 ⁽²⁾	Level 3 ⁽³⁾
Junior subordinated debentures:				
Trust preferred debentures	\$ 165.8	\$ —	\$ 165.8	\$ —
Subordinated debentures	88.1	—	88.1	—
Total junior subordinated debentures	253.9	—	253.9	—
Senior unsecured fixed rate notes	112.7	112.7	—	—
Floating rate loan stock	52.5	—	52.5	—
	<u>\$ 419.1</u>	<u>\$ 112.7</u>	<u>\$ 306.4</u>	<u>\$ —</u>

⁽¹⁾ Quoted prices in active markets for identical assets

⁽²⁾ Significant other observable inputs

⁽³⁾ Significant unobservable inputs

7. Shareholders' Equity

Dividends

Common Shares

On February 8, 2023, the Company entered into a definitive agreement and plan of merger (the "Merger Agreement") with Brookfield Reinsurance Ltd. ("Brookfield Reinsurance") and BNRE Bermuda Merger Sub Ltd., a wholly owned subsidiary of Brookfield Reinsurance ("Merger Sub"). As part of the Merger Agreement, the Company has agreed to suspend common stock dividends that would otherwise be declared and paid on the Company shares during the period from the date of the Merger Agreement through the earlier of the closing of the transaction and the termination of the Merger Agreement.

On February 16, 2022, our Board of Directors declared a quarterly cash dividend in the amount of \$0.31 on each common share outstanding. On March 15, 2022, we paid \$10.8 million to our shareholders of record on February 28, 2022.

Preferred Shares

On February 15, 2023, 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 \$0.43750 per Depositary Share. On March 15, 2023, we paid \$2.6 million to our shareholders of record of Series A Preference Shares on February 27, 2023.

On February 16, 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 \$0.43750 per Depositary Share. On March 15, 2022, we paid \$2.6 million to our shareholders of record of Series A Preference Shares on February 28, 2022.

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 March 31, 2023, availability under the 2016 Repurchase Authorization for future repurchases of our common shares was \$53.3 million. However, the Company does not anticipate repurchasing shares at this time.

We did not repurchase any common shares for the three months ended March 31, 2023 and March 31, 2022.

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 three months ended March 31, 2023 and 2022 is presented below:

(in millions)	Foreign Currency Translation Adjustments	Unrealized Holding Gains (Losses) on Securities	Defined Benefit Pension Plans	Total
Balance, January 1, 2023	\$ (4.2)	\$ (293.1)	\$ (7.8)	\$ (305.1)
Other comprehensive income before reclassifications	0.4	28.0	0.8	29.2
Amounts reclassified from accumulated other comprehensive loss	—	17.5	—	17.5
Net current-period other comprehensive income (loss)	0.4	45.5	0.8	46.7
Balance, March 31, 2023	<u>\$ (3.8)</u>	<u>\$ (247.6)</u>	<u>\$ (7.0)</u>	<u>\$ (258.4)</u>

(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	4.1	(139.2)	—	(135.1)
Amounts reclassified from accumulated other comprehensive loss	27.3	(4.4)	—	22.9
Net current-period other comprehensive income (loss)	31.4	(143.6)	—	(112.2)
Balance, March 31, 2022	<u>\$ (3.9)</u>	<u>\$ (123.9)</u>	<u>\$ (7.1)</u>	<u>\$ (134.9)</u>

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 March 31,	
	2023	2022
Unrealized gains and losses on securities:		
Net realized investment and other gains (losses)	\$ (22.2)	\$ 5.4
Provision for income taxes	4.7	(1.0)
Foreign currency translation adjustments:		
Net realized investment and other gains (losses) ⁽¹⁾	—	(27.3)
Total, net of taxes	<u>\$ (17.5)</u>	<u>\$ (22.9)</u>

⁽¹⁾ Foreign currency translation losses were realized as a result of the sale of Argo Seguros. Refer to 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 March 31,	
	2023	2022
Net income (loss)	\$ (33.8)	\$ (1.0)
Less: Preferred share dividends	2.6	2.6
Net income (loss) attributable to common shareholders	<u>(36.4)</u>	<u>(3.6)</u>
Weighted average common shares outstanding - basic	35,099,968	34,891,935
Effect of dilutive securities:		
Equity compensation awards	—	—
Weighted average common shares outstanding - diluted	<u>35,099,968</u>	<u>34,891,935</u>
Net income (loss) per common share:		
Basic	\$ (1.04)	\$ (0.11)
Diluted	\$ (1.04)	\$ (0.11)

Excluded from the weighted average common shares outstanding calculation at March 31, 2023 and 2022 are 11,318,339 and 11,315,889 shares, respectively, 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 62,755 and 173,541 potentially dilutive shares for the three months ended March 31, 2023 and 2022, respectively. The potentially dilutive shares were excluded due to the net loss incurred for the periods presented.

10. Supplemental Cash Flow Information

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

(in millions)	For the Three Months Ended March 31,	
	2023	2022
Senior unsecured fixed rate notes	\$ 2.3	\$ 2.3
Junior subordinated debentures	5.5	2.5
Other indebtedness	0.8	0.8
Total interest paid	\$ 8.6	\$ 5.6
Income taxes paid	\$ 0.4	\$ 0.3
Income taxes recovered	(0.1)	(0.2)
Income taxes paid, net	\$ 0.3	\$ 0.1

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 March 31, 2023 and changes during the three months then ended is as follows:

	Shares	Weighted-Average Grant Date Fair Value
Outstanding at January 1, 2023	341,670	\$ 42.19
Granted	—	—
Vested and issued	(96,472)	43.01
Expired or forfeited	(60,542)	43.38
Outstanding at March 31, 2023	184,656	\$ 41.38

The restricted shares generally vest over one to four years. Expense recognized under this plan for the restricted shares was \$1.2 million and \$2.2 million for the three months ended March 31, 2023 and 2022, 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 March 31, 2023, there was \$7.2 million of total unrecognized compensation cost related to restricted share compensation arrangements granted by Argo Group.

Performance Shares

We have issued to certain 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 March 31, 2023 and changes during the three months then ended is as follows:

	Shares	Weighted-Average Grant Date Fair Value
Outstanding at January 1, 2022	124,974	\$ 46.41
Granted	—	—
Vested and issued	—	—
Expired or forfeited	(12,762)	45.62
Outstanding at March 31, 2023	112,212	\$ 46.50

Expense recognized under this plan for the performance shares was \$0.3 million for the three months ended March 31, 2023, compared to \$0.5 million for the three months ended March 31, 2022. As of March 31, 2023, there was \$2.1 million of total unrecognized compensation cost related to performance share compensation arrangements granted by Argo Group.

Stock-settled Share Appreciation Rights

In June 2022, we issued 135,000 stock-settled share appreciation rights (“SSARs”) to our Chief Executive Officer. The SSARs vest on a pro rata basis over a three year period, and have an exercise price of \$43.80 per share. We valued the shares using the Black Scholes model, which resulted in a grant date fair value of \$8.28 per share. For the three months ended March 31, 2023, we recognized \$0.1 million in expense. Unamortized expense at March 31, 2023 was \$0.8 million.

12. Underwriting, Acquisition and Insurance Expenses

Underwriting, acquisition and insurance expenses were as follows:

(in millions)	For the Three Months Ended March 31,	
	2023	2022
Commissions	\$ 57.5	\$ 77.9
Other underwriting and insurance expenses	86.0	103.2
Total underwriting, acquisition and insurance expenses before deferral	143.5	181.1
Net deferral of policy acquisition costs	(6.5)	(8.2)
Total underwriting, acquisition and insurance expenses	\$ 137.0	\$ 172.9

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.

Argo Group International Holdings, Ltd. does not consider itself to be engaged in a trade or business in the U.S. or the U.K. and, accordingly, does 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. On February 2, 2023, Argo completed the sale of the entire issued share capital of AUA. Refer to the sale of AUA in Note 1, “Business and Significant Accounting Policies” for additional information.

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 file a consolidated U.S. federal income tax return.

We also have operations in Ireland and Italy which also are subject to income taxes imposed by the jurisdiction in which they operate. Additionally, we have operations in Barbados which is not subject to income tax under the laws of those countries.

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 months ended March 31, 2023 and 2022, pre-tax income (loss) attributable to our operations and the corresponding operations’ effective tax rates were as follows:

(in millions)	For the Three Months Ended March 31,			
	2023		2022	
	Pre-Tax Income (Loss)	Effective Tax Rate	Pre-Tax Income (Loss)	Effective Tax Rate
Bermuda	\$ (15.2)	— %	\$ (0.2)	— %
United States	(7.3)	19.7 %	38.8	21.9 %
United Kingdom	(20.1)	35.4 %	5.0	80.8 %
Barbados	— ⁽¹⁾	— %	—	— %
Brazil	—	— %	(0.1)	(422.4) %
United Arab Emirates	0.3	— %	0.6	— %
Ireland	— ⁽¹⁾	— %	(33.3)	— %
Italy	— ⁽¹⁾	— %	0.1	138.1 %
Malta	—	— %	1.1	— %
Pre-tax income (loss)	<u>\$ (42.3)</u>	20.1 %	<u>\$ 12.0</u>	109.7 %

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

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:

(in millions)	For the Three Months Ended March 31,	
	2023	2022
Income tax provision at expected rate	\$ (5.4)	\$ 9.4
Tax effect of:		
Nontaxable investment income	— ⁽¹⁾	(0.1)
Foreign exchange adjustments	(2.6)	0.1
Sale of Brazil and Malta Operations	—	1.6
Change in uncertain tax position liability	—	0.1
Change in valuation allowance	—	(1.8)
Impact of change in tax rate related to Finance Act 2021	(0.5)	0.5
Prior period adjustment	—	2.0
Other	—	1.2
Income tax provision (benefit)	\$ (8.5)	\$ 13.0

⁽¹⁾Rate impact for the respective year was less than \$0.1 million.

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 months ended March 31, 2023, the net change in valuation allowance for deferred tax assets was \$0.0 million. Existing valuation allowances pertain 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 months ended March 31, 2023, the Company had no change to uncertain tax positions related to federal or state income tax liability. A net increase of interest in the amount of \$0.1 million has been recorded in the line item Interest expense in our Consolidated Statements of Income (Loss) for the three months ended March 31, 2023. No change to penalties were recorded for the three months ended March 31, 2023.

Our U.S. subsidiaries are no longer subject to U.S. federal and state income tax examinations by tax authorities for years before 2019. Our U.K. subsidiaries are no longer subject to U.K. income tax examinations by His Majesty's Revenue and Customs for years before 2014 (in respect of Ariel Corporate Member Limited), and 2020 (in respect of Argo International Holdings Limited). The U.K. subsidiaries filed amended returns which reopened previously closed examination periods.

14. Commitments and Contingencies

Legal Actions

Argo Group's subsidiaries are parties to legal actions incidental to their business. As of March 31, 2023, management believed that the resolution of these matters would not materially affect our financial condition or results of operations.

Federal Securities Class Action

The Police & Fire Retirement System City of Detroit v. Argo Group International Holdings, Ltd., et al., No. 22-cv-8971 (S.D.N.Y.)

On October 20, 2022, a securities class action lawsuit was filed in the United States District Court for the Southern District of New York against the Company and certain of its current and former officers, alleging securities fraud violations under sections 10(b) and 20(a) of the Securities Exchange Act of 1934. On January 18, 2023, U.S. District Judge Lewis A. Kaplan granted the Police and Fire Retirement System City of Detroit and the Oklahoma Law Enforcement Retirement System's joint motion for appointment as lead plaintiff. On March 27, 2023, lead plaintiffs filed an Amended Class Action Complaint, which alleges that from June 11, 2018 through August 9, 2022, defendants made false and misleading statements concerning the Company's reserves and underwriting standards. Defendants anticipate making a motion to dismiss the amended complaint, due on or before May 26, 2023. Lead plaintiffs are expected to serve an opposition to said motion on or before July 13, 2023, after which Defendants anticipate serving a reply on or before August 14, 2023.

The Company is not able at this time to determine or predict the ultimate outcome of this proceeding or provide a reasonable estimate or range of estimates of the possible outcome or loss, if any, in this matter.

Transaction-Related Shareholder Litigation

Following the announcement of the proposed transaction with Brookfield Reinsurance Ltd. and BNRE Bermuda Merger Sub Ltd., complaints were filed in the United States District Court for the Southern District of New York: *Stein v. Argo Group Int'l Holdings, Ltd., et al.*, 1:23-cv-01947 (S.D.N.Y.); *O'Dell v. Argo Group Int'l Holdings, Ltd., et al.*, C.A. No. 1:23-cv-1999 (S.D.N.Y.); *Jones v. Argo Group Int'l Holdings, Ltd., et al.*, 1:23-cv-02606 (S.D.N.Y.); *Ballard v. Argo Group Int'l Holdings, Ltd., et al.*, 1:23-cv-02635 (S.D.N.Y.); *Montgomery v. Argo Group Int'l Holdings, Ltd., et al.*, 1:23-cv-02749 (S.D.N.Y.). The complaints each assert violations of Section 14(a) and Section 20(a) of the Exchange Act and allege that the proxy statement filed in connection with the proposed transaction between the Company and Brookfield Reinsurance Ltd. and BNRE Bermuda Merger Sub Ltd. omitted certain purportedly material information that rendered the proxy statement incomplete and misleading. The complaints sought, among other things, an order to enjoin the transaction unless additional disclosures were issued; and, if the transaction closes, damages. All of the complaints have been voluntarily dismissed.

Contractual Commitments

We have contractual commitments to invest up to \$107.3 million related to our limited partnership investments at March 31, 2023, 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 March 31,	
	2023	2022
Revenue:		
Earned premiums		
U.S. Operations	\$ 325.6	\$ 336.4
International Operations	64.3	144.2
Total earned premiums	389.9	480.6
Net investment income		
U.S. Operations	24.4	25.6
International Operations	4.6	11.4
Run-off Lines	0.7	0.7
Total net investment income	29.7	37.7
Net investment and other gains (losses)	(17.9)	(34.5)
Total revenue	\$ 401.7	\$ 483.8

(in millions)	For the Three Months Ended March 31,	
	2023	2022
Income (loss) before income taxes		
U.S. Operations	\$ (4.6)	\$ 43.9
International Operations	2.4	22.7
Run-off Lines	(0.7)	(1.0)
Total segment income (loss) before income taxes	(2.9)	65.6
Corporate and Other	(18.8)	(16.2)
Net investment and other gains (losses)	(17.9)	(34.5)
Foreign currency exchange gains (losses)	(2.7)	(2.9)
Total income (loss) before income taxes	\$ (42.3)	\$ 12.0

The table below presents earned premiums by geographic location for the three months ended March 31, 2023 and 2022. 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 March 31,	
	2023	2022
United States	\$ 325.6	\$ 336.4
United Kingdom	48.3	127.1
Bermuda	13.2	6.4
Malta	—	2.3
All other jurisdictions	2.8	8.4
Total earned premiums	\$ 389.9	\$ 480.6

The following table presents identifiable assets:

(in millions)	March 31, 2023	December 31, 2022
U.S. Operations	\$ 6,024.1	\$ 5,815.0
International Operations	1,786.6	3,791.6
Run-off Lines	266.4	284.4
Corporate and Other	127.0	143.4
Total assets	<u>\$ 8,204.1</u>	<u>\$ 10,034.4</u>

Included in total assets at March 31, 2023 and December 31, 2022 are \$0.0 million and \$303.7 million, respectively, in assets associated with trade capital providers.

16. Subsequent Events

Merger

On April 19, 2023, Argo shareholders voted to approve an agreement for Brookfield Reinsurance Ltd. ("Brookfield Reinsurance") to acquire the Company in an all-cash transaction valued at approximately \$1.1 billion (the "Merger").

On May 2, 2023, the Company received notice that certain of its shareholders, holding shares in the aggregate of approximately 15.68% of the total outstanding voting shares of the Company, applied to the Supreme Court of Bermuda (the "Court") on April 19, 2023, for an appraisal of the fair value of the shares held by such shareholders in accordance with section 106(6) of the Bermuda Companies Act 1981, as amended (the "Companies Act"). As per the Companies Act, if the Merger closes prior to the Court determination of fair value of the shares, and if the Court determines that the fair value of the shares is greater than the merger consideration, then the surviving corporation in the merger will be required to pay the difference to the dissenting shareholders, plus interest accruing from the date of the payment of the merger consideration and costs (if any) as awarded by the Court. The pending appraisal action before the Court is not a condition to closing of the Merger.

The Merger remains subject to other customary closing conditions, including receipt of required insurance regulatory approvals.

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 months ended March 31, 2023 compared with the three months ended March 31, 2022, and a discussion of our financial condition as of March 31, 2023. 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 2022 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 including, but not limited to, recent changes in interest rates and inflation, our ability to complete and realize the anticipated benefits of the merger with Brookfield Reinsurance Ltd., the adequacy of our projected loss reserves, employee retention and changes in key personnel, the ability of our insurance subsidiaries to meet risk-based capital and solvency requirements, the outcome of legal and regulatory proceedings, investigations, inquiries, claims and litigation and other risks and uncertainties discussed in our filings with the SEC. For a more detailed discussion of such risks and uncertainties, see Part II, Item 1A, "Risk Factors" herein and Part I, Item 1A, "Risk Factors" in Argo Group's Form 10-K and Form 10-K/A for the fiscal year ended December 31, 2022. 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.

Recent Developments

Merger

On February 8, 2023, we entered into an Agreement and Plan of Merger (the “Merger Agreement”), with Brookfield Reinsurance Ltd. (“Brookfield Reinsurance”) and BNRE Bermuda Merger Sub Ltd. (“Merger Sub”), a wholly owned subsidiary of Brookfield Reinsurance. The Merger Agreement provides for the merger of the Merger Sub with and into us, which we refer to as the “Merger,” with us surviving the Merger as a wholly owned subsidiary of Brookfield Reinsurance. Completion of the Merger is subject to satisfaction or waiver of customary closing conditions, including approval of the Merger by Argo’s shareholders, expiration or early termination of the waiting period under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended (the “HSR Act”), and receipt of the regulatory approvals specified in the Merger Agreement and the absence of any injunction, judgment or ruling restraining the Merger. In addition, the obligation of each party to consummate the Merger is conditioned upon, among other things, the accuracy of the representations and warranties of the other party (subject to certain materiality exceptions), and material compliance by the other party with its covenants under the Merger Agreement.

On April 19, 2023, Argo shareholders approved the Merger and the Merger Agreement.

On March 8, 2023, Argo and Brookfield Reinsurance filed the required notifications for antitrust clearance under the HSR Act. The waiting period under the HSR Act expired on April 7, 2023.

Because the required shareholder approval for the Merger has been obtained and the HSR Act waiting period has expired, the only remaining significant closing condition is the receipt of the required regulatory approvals from the insurance authorities specified in the Merger Agreement. As of the date of this filing, Brookfield Reinsurance has submitted or caused to be submitted the required regulatory filings and those regulators are reviewing the filings. The Merger is expected to close in the second half of 2023.

In addition, if the Merger is not completed by November 8, 2023 (which date may be extended until February 8, 2024 if all conditions to the Merger are satisfied or waived other than obtaining required regulatory approvals), either we or Brookfield Reinsurance may choose to terminate the Merger Agreement. Either party may also elect to terminate the Merger Agreement in certain other circumstances, including by mutual written consent of both parties.

The foregoing description of the Merger Agreement and the transactions contemplated thereby does not purport to be complete and is subject to and qualified in its entirety by reference to the Merger Agreement, a copy of which is filed as Exhibit 2.1 to the Annual Report on Form 10-K for the fiscal year ended December 31, 2022.

Sale of Argo Underwriting Agency Limited

On February 2, 2023, the Company completed the sale of the entire issued share capital of AUA. Refer to the sale of AUA in Note 1, “Business and Significant Accounting Policies” for additional information.

Consolidated Results of Operations

For the three months ended March 31, 2023, we reported a net loss attributable to common shareholders of \$36.4 million (\$1.04 per diluted common share). For the three months ended March 31, 2022, we reported net loss attributable to common shareholders of \$3.6 million (\$0.11 per diluted common share).

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

(in millions)	For the Three Months Ended March 31,	
	2023	2022
Gross written premiums	\$ 596.7	\$ 720.6
Earned premiums	\$ 389.9	\$ 480.6
Net investment income	29.7	37.7
Net investment and other gains (losses):		
Net realized investment and other gains (losses)	(21.1)	(40.2)
Change in fair value recognized	3.3	6.7
Change in allowance for credit losses on fixed maturity securities	(0.1)	(1.0)
Total net investment and other gains (losses)	(17.9)	(34.5)
Total revenue	\$ 401.7	\$ 483.8
Income (loss) before income taxes	\$ (42.3)	\$ 12.0
Income tax provision (benefit)	(8.5)	13.0
Net income (loss)	\$ (33.8)	\$ (1.0)
Less: Dividends on preferred shares	2.6	2.6
Net income (loss) attributable to common shareholders	\$ (36.4)	\$ (3.6)
GAAP Ratios:		
Loss ratio	73.0 %	59.0 %
Expense ratio	35.1 %	36.0 %
Combined ratio	108.1 %	95.0 %

The table above includes ratios in accordance with U.S. generally accepted accounting principles (“GAAP”) that we use to measure our profitability. We believe that they enhance an investor’s understanding of our profitability. They are calculated as follows:

- Loss ratio: the ratio of claims and claims expense to premiums earned. Loss ratios include the impact of catastrophe losses.
- Expense ratio: the ratio of underwriting, acquisition and insurance expense to premiums earned.
- 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.

	March 31, 2023	December 31, 2022	March 31, 2022
Book value per common share	\$ 31.31	\$ 31.06	\$ 41.97

Non-GAAP Measures

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 GAAP. Reconciliations of these financial measures to their most directly comparable GAAP measures are included in the tables below.

(in millions)	For the Three Months Ended March 31,			
	2023		2022	
	Amount	Ratio	Amount	Ratio
Earned premiums	\$ 389.9		\$ 480.6	
Losses and loss adjustment expenses, as reported	284.6	73.0 %	283.6	59.0 %
Adjustments:				
Favorable (unfavorable) prior accident year loss development	(48.6)	(12.5)%	(3.4)	(0.7)%
Catastrophe losses, including COVID-19	(3.6)	(0.9)%	(8.7)	(1.8)%
Current accident year non-catastrophe losses (non-GAAP)	\$ 232.4	59.6 %	\$ 271.5	56.5 %
Expense ratio		35.1 %		36.0 %
Current accident year non-catastrophe combined ratio (non-GAAP)		94.7 %		92.5 %

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 losses 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:

(in millions)	For the Three Months Ended March 31,			
	2023		2022	
	Gross Written	Net Earned	Gross Written	Net Earned
Property	\$ 82.3	\$ 42.7	\$ 96.5	\$ 69.9
Liability	276.8	191.5	320.0	206.0
Professional	109.7	87.1	149.4	116.3
Specialty	127.9	68.6	154.7	88.4
Total	\$ 596.7	\$ 389.9	\$ 720.6	\$ 480.6

Gross written premiums decreased \$123.9 million, or 17.2%, for the three months ended March 31, 2023, as compared to the same period ended 2022. The decrease in gross written premiums is primarily attributable to the sale of AUA and Argo Seguros as well as non-renewals in casualty and construction business units from our U.S. operations. Underwriting actions executed on certain delegated authority programs further contributed to the decrease.

Consolidated net earned premiums for the three months ended March 31, 2023 decreased \$90.7 million, or 18.9%, as compared to the same periods ended 2022. The decrease is primarily driven by the aforementioned reasons.

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 months ended March 31, 2023 was \$29.7 million compared to \$37.7 million for the same period in 2022. 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.

Net investment income from fixed maturity assets and dividends from equity securities was \$29.9 million for the three months ended March 31, 2023, compared to \$24.1 million for the same periods ended 2022, primarily due to an increase in fixed maturity securities driven by higher interest rates.

Net Investment and Other Gains and Losses

Consolidated net investment and other gains and losses decreased \$16.6 million for the three months ended March 31, 2023 as compared to the three months ended March 31, 2022. Consolidated net investment and other losses of \$17.9 million for the three months ended March 31, 2023 were primarily driven from the sale of AUA. The losses related to the sale of AUA included \$20.3 million of realized losses which were previously recognized in accumulated other comprehensive income, resulting in no impact to total shareholders' equity from this reclassification. The loss was partially offset by market value gains recognized on our equity investments.

Loss and Loss Adjustment Expenses

Consolidated losses and loss adjustment expenses decreased \$1.0 million, or 0.4% for the three months ended March 31, 2023 as compared to the three months ended March 31, 2022. The consolidated loss ratio for the three months ended March 31, 2023 was 73.0%, 14.0 percentage points higher than 59.0% for the same period in 2022, driven by higher net unfavorable prior-year reserve development in 2023 as compared to 2022 (11.8 percentage point increase) and a higher current accident year non-catastrophe loss ratio (3.1 percentage point increase), partially offset by lower catastrophe losses (0.9 percentage point decrease). Catastrophe losses for the three months ended March 31, 2023 of \$3.6 million were attributable to losses associated with U.S. storms.

The net unfavorable prior-year reserve development for the three months ended March 31, 2023 of \$48.6 million was due to \$39.7 million from U.S. Operations, \$7.8 million in International Operations and \$1.1 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 three months ended March 31, 2023 with respect to net loss reserves by line of business as of December 31, 2022.

(in millions)	Net Reserves at December 31, 2022	Net Reserve Development (Favorable) / Unfavorable for the period ended March 31, 2023	Percent of 2022 Net Reserves
Property	\$ 94.8	\$ 4.1	4.3 %
Liability	1,626.2	24.2	1.5 %
Professional	445.3	20.6	4.6 %
Specialty	46.8	(0.3)	(0.6)%
Total	\$ 2,213.1	\$ 48.6	2.2 %

In determining appropriate reserve levels for the three months ended March 31, 2023, 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 \$5,184.1 million and 5,051.6 as of March 31, 2023 and December 31, 2022, respectively. The increase was primarily driven by net unfavorable prior-year reserve development in 2023 and retroactive reinsurance contracts the Company entered into with AUA subsidiaries. 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 months ended March 31, 2023 decreased \$35.9 million, or 20.8%, as compared to the same periods ended 2022 primarily driven by business dispositions.

The consolidated expense ratio was 35.1% in the first quarter of 2023 compared to 36.0% for the three months ended March 31, 2022. The expense ratio decrease is driven by expenses incurred on business lines we have exited within our International segment. The acquisition expense ratio was 15.8% and general and administrative expense ratio was 19.3% in the first quarter of 2023 as compared to 17.2% and 18.8%, respectively, for the three months ended March 31, 2022.

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. These non-recurring costs are included in the line item *Non-operating expenses* in the Company’s Condensed Consolidated Statements of Income (Loss).

Non-operating expenses increased \$4.2 million, or 56.8%, for the three months ended March 31, 2023 as compared to the three months ended March 31, 2022. The expenses incurred for the three months ended March 31, 2023 primarily relate to legal fees for the sale of AUA and the Company’s review of strategic alternatives.

Interest Expense

Consolidated interest expense increased \$2.7 million, or 46.6%, to \$8.5 million for the three months ended March 31, 2023 as compared to the three months ended March 31, 2022. The year-over-year increase was primarily attributable to higher short-term interest rates in 2023.

Foreign Currency Exchange Gains/Losses

Consolidated foreign currency exchange losses decreased \$0.2 million for the three months ended March 31, 2023, as compared to the three months ended March 31, 2022. The changes in the foreign currency exchange losses 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 Ireland, Italy, United Kingdom, and United States operations. The Company recorded a consolidated income tax benefit of \$(8.5) million for the three months ended March 31, 2023. This is compared to the consolidated income tax provision of \$13.0 million for the same periods ended 2022.

The consolidated effective tax rate was 20.1% for the three months ended March 31, 2023 compared to the consolidated effective tax rate of 109.7% for the same period ended 2022. The primary driver for the change in the effective tax rate was due to the three month period ending March 31, 2022 including the sale of our Brazil operations for which the 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. For the period ending March 31, 2023 the effective tax rate was 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 March 31,	
	2023	2022
Gross written premiums	\$ 437.2	\$ 475.2
Earned premiums	\$ 325.6	\$ 336.4
Losses and loss adjustment expenses	239.9	206.2
Underwriting, acquisition and insurance expenses	106.7	107.7
Underwriting income (loss)	(21.0)	22.5
Net investment income	24.4	25.6
Interest expense	7.0	3.9
Fee and other expense (income), net	(0.3)	—
Non-operating expenses	1.3	0.3
Income (loss) before income taxes	\$ (4.6)	\$ 43.9
GAAP Ratios:		
Loss ratio	73.7 %	61.3 %
Expense ratio	32.7 %	32.0 %
Combined ratio	106.4 %	93.3 %

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.

(in millions)	For the Three Months Ended March 31,			
	2023		2022	
	Amount	Ratio	Amount	Ratio
Earned premiums	\$ 325.6		\$ 336.4	
Losses and loss adjustment expenses, as reported	239.9	73.7 %	206.2	61.3 %
Adjustments:				
Favorable (unfavorable) prior accident year loss development	(39.7)	(12.2)%	(5.0)	(1.5)%
Catastrophe losses, including COVID-19	(3.1)	(1.0)%	(4.0)	(1.2)%
Current accident year non-catastrophe losses (non-GAAP)	\$ 197.1	60.5 %	\$ 197.2	58.6 %
Expense ratio		32.7 %		32.0 %
Current accident year non-catastrophe combined ratio (non-GAAP)		93.2 %		90.6 %

Gross Written and Net Earned Premiums

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

(in millions)	For the Three Months Ended March 31,			
	2023		2022	
	Gross Written	Net Earned	Gross Written	Net Earned
Property	\$ 56.0	\$ 36.9	\$ 44.4	\$ 40.5
Liability	248.1	175.3	270.6	170.4
Professional	75.2	68.3	101.3	84.5
Specialty	57.9	45.1	58.9	41.0
Total	\$ 437.2	\$ 325.6	\$ 475.2	\$ 336.4

Property

Gross written premiums for property increased \$11.6 million, or 26.1%, for the three months ended March 31, 2023 as compared to the three months ended March 31, 2022. The increase was primarily due to growth from the inland marine business unit and fronted habitational programs. The decrease in net earned premium for the three months ended March 31, 2023 compared to the same period in 2022 was attributed to the sale of the contract binding and excess and surplus property businesses in 2021 partially offset by growth in the inland marine and garage business units.

Liability

Gross written premiums for liability decreased \$22.5 million, or 8.3%, for the three months ended March 31, 2023 as compared to the three months ended March 31, 2022. The decrease was mainly from reductions in casualty and construction business units partially offset by increases from the fronted programs that write both liability and workers compensation, the environmental business unit and workers compensation lines placed with Rockwood. Net earned premium increased for the three months ended March 31, 2023, respectively, compared to the same periods in 2022. The increase was largely the result of reduced reinsurance partially offset by the reductions from the contract binding business.

Professional

Gross written premiums for professional decreased \$26.1 million, or 25.8%, and for the three months ended March 31, 2023 as compared to the three months ended March 31, 2022. The reduction was from management liability and errors and omissions lines as well as delegated authority programs. The decrease in net earned premium for the three months ended March 31, 2023, compared to the same period in 2022 was also due to the reduced production from the lines noted above.

Specialty

Gross written premiums decreased \$1.0 million or 1.7%, for the three months ended March 31, 2023 as compared to the three months ended March 31, 2022. The reduction was primarily from surety lines offset by growth in fronted marine business and delegated authority programs. The increase in net earned premiums for the three months ended March 31, 2023, respectively, compared to the same period in 2022 was from surety lines and delegated authority programs.

Loss and Loss Adjustment Expenses

Loss and loss adjustment expenses were \$239.9 million and \$206.2 million for the three months ended March 31, 2023 and 2022, respectively. The higher loss ratio in the three months ended March 31, 2023 was driven by higher net unfavorable prior-year reserve development in 2023 versus 2022 (10.7 percentage point increase) and current accident year non-catastrophe losses (1.9 percentage point increase). The current accident year catastrophe loss ratio for the three months ended March 31, 2023 was not significantly different from the three months ended March 31, 2022.

The current accident year non-catastrophe loss ratios for the three months ended March 31, 2023 and 2022 were 60.5% and 58.6%, respectively. The current accident year non-catastrophe loss ratio for the three months ended March 31, 2023 was impacted by a large loss in professional lines that increased the loss ratio by 1.7 points.

Net unfavorable prior-year reserve development for the three months ended March 31, 2023 was \$39.7 million. The net unfavorable prior year reserve development for the three months ended March 31, 2023 primarily related to liability and professional lines which included \$19.3 million from businesses we have exited, including the impact of large losses, and \$11.1 million driven by large claims in professional lines primarily from accident years 2019 and prior. The remainder of the unfavorable prior year development was due to loss activity greater than expected in liability and property lines.

Net prior-year reserve development for the three months ended March 31, 2022 was \$5.0 million unfavorable. The unfavorable prior-year reserve development for the three months ended March 31, 2022 was due to liability lines.

Catastrophe losses for the three months ended March 31, 2023 and 2022 were \$3.1 million and \$4.0 million, respectively. Catastrophe losses for the three months ended March 31, 2023 were due to U.S. storms. Catastrophe losses for the three months ended March 31, 2022 were also driven by U.S. storms.

Underwriting, Acquisition and Insurance Expenses

Underwriting, acquisition and insurance expenses were \$106.7 million for the three months ended March 31, 2023 as compared to \$107.7 million for the three months ended March 31, 2022, respectively. The expense ratio increased to 32.7% for the three months ended March 31, 2023 from 32.0% for the same period 2022. Underwriting expenses decreased by \$1.0 million, but the reduction in net earned premiums resulted in an increase in the expense ratio year over year.

International Operations

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

(in millions)	For the Three Months Ended March 31,	
	2023	2022
Gross written premiums	\$ 159.5	\$ 245.4
Earned premiums	\$ 64.3	\$ 144.2
Losses and loss adjustment expenses	43.6	76.0
Underwriting, acquisition and insurance expenses	21.4	54.9
Underwriting income (loss)	(0.7)	13.3
Net investment income	4.6	11.4
Interest expense	1.3	1.7
Fee and other expense (income), net	(0.1)	(0.8)
Non-operating expenses	0.3	1.1
Income (loss) before income taxes	\$ 2.4	\$ 22.7
GAAP Ratios:		
Loss ratio	67.8 %	52.7 %
Expense ratio	33.3 %	38.1 %
Combined ratio	101.1 %	90.8 %

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.

(in millions)	For the Three Months Ended March 31,			
	2023		2022	
	Amount	Ratio	Amount	Ratio
Earned premiums	\$ 64.3		\$ 144.2	
Losses and loss adjustment expenses, as reported	43.6	67.8 %	76.0	52.7 %
Adjustments:				
Favorable (unfavorable) prior accident year loss development	(7.8)	(12.1)%	3.0	2.1 %
Catastrophe losses, including COVID-19	(0.5)	(0.8)%	(4.7)	(3.3)%
Current accident year non-catastrophe losses (non-GAAP)	\$ 35.3	54.9 %	\$ 74.3	51.5 %
Expense ratio		33.3 %		38.1 %
Current accident year non-catastrophe combined ratio (non-GAAP)		88.2 %		89.6 %

Gross Written and Net Earned Premiums

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

(in millions)	For the Three Months Ended March 31,			
	2023		2022	
	Gross Written	Net Earned	Gross Written	Net Earned
Property	\$ 26.3	\$ 5.8	\$ 52.1	\$ 29.4
Liability	28.7	16.2	49.4	35.6
Professional	34.5	18.8	48.1	31.8
Specialty	70.0	23.5	95.8	47.4
Total	<u>\$ 159.5</u>	<u>\$ 64.3</u>	<u>\$ 245.4</u>	<u>\$ 144.2</u>

Property

Gross written premiums for property decreased \$25.8 million, or 49.5%, for the three months ended March 31, 2023 as compared to the same periods in 2022. The decrease in gross written premiums was primarily due to the sale of Syndicate 1200 during the quarter, partially offset by growth arising out of our Bermuda business mainly as a result of favorable rate change. Net earned premiums for property decreased \$23.6 million for the three months ended March 31, 2023 as compared to the three months ended March 31, 2022 driven by the aforementioned reasons.

Liability

Gross written premiums for liability decreased \$20.7 million, or 41.9%, for the three months ended March 31, 2023 as compared to the same period in 2022. The reduction in gross written premiums was primarily due to the sales of Syndicate 1200 and Argo Seguros which were partially offset by growth in Bermuda as a result of favorable rate change and new business. Net earned premiums decreased for the three months ended March 31, 2023 as compared to the three months ended March 31, 2022 driven by the aforementioned reasons.

Professional

Gross written premiums for professional lines decreased \$13.6 million, or 28.3%, for the three months ended March 31, 2023 as compared to the same period in 2022. The decrease in gross written premiums was driven by the sale of Syndicate 1200 and was partially offset by higher premiums in Bermuda as a result of new business. The decrease in net earned premiums for the three months ended March 31, 2023 as compared to the three months ended March 31, 2022 was also mainly due to the sale of Syndicate 1200.

Specialty

Gross written premiums decreased \$25.8 million, or 26.9%, for the three months ended March 31, 2023 as compared to the same period in 2022. The decrease in gross written premiums was primarily driven by the sales of Syndicate 1200 and Argo Seguros. The decrease in net earned premiums for the three months ended March 31, 2023 as compared to the three months ended March 31, 2022 was driven by the aforementioned reasons.

Loss and Loss Adjustment Expenses

Loss and loss adjustment expenses were \$43.6 million and \$76.0 million for the three months ended March 31, 2023 as compared to the same period in 2022. The loss ratio for the three months ended March 31, 2023 was 67.8% compared to 52.7% for the three months ended March 31, 2022. The increase in the loss ratio was driven by net unfavorable prior-year reserve development in 2023 versus net favorable prior-year reserve development in 2022 (14.2 percentage point increase) and an increase in the current accident year non-catastrophe loss ratio (3.4 percentage point increase), partially offset by a decrease in the current accident year catastrophe loss ratio (2.5 percentage point decrease).

The current accident year non-catastrophe loss ratios for the three months ended March 31, 2023 and 2022 were 54.9% and 51.5%, respectively. The three months ended March 31, 2023 includes a different mix of business from 2022 due to the dispositions of various businesses.

Net prior-year reserve development was \$7.8 million unfavorable for the three months ended March 31, 2023. The net unfavorable prior-year reserve development for the three months ended March 31, 2023 primarily related to claim movements in professional lines in Argo Insurance Bermuda. The net favorable prior-year reserve development was \$3.0 million for the three months ended March 31, 2022 primarily related to favorable movements in catastrophe losses and Europe liability losses partially offset by unfavorable development in liability and professional losses in Argo Insurance Bermuda.

Catastrophe losses for the three months ended March 31, 2023 were \$0.5 million due to U.S. storms. Catastrophe losses for the three months ended March 31, 2022 were \$4.7 million due to the Ukraine-Russia conflict.

Underwriting, Acquisition and Insurance Expenses

Underwriting, acquisition and insurance expenses were \$21.4 million for the three months ended March 31, 2023 as compared to \$54.9 million for the three months ended March 31, 2022. The expense ratio decreased to 33.3% for the three months ended March 31, 2023 from 38.1% for the same period 2022. The acquisition expense amount and ratio decrease is driven by the sale of Syndicate 1200 as well as reduced expenses incurred from business lines we have exited.

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 expense was \$0.1 million for the three months ended March 31, 2023 as compared to \$0.8 million of income for the same periods in 2022.

Run-off Lines

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

(in millions)	For the Three Months Ended March 31,	
	2023	2022
Earned premiums	\$ —	\$ —
Losses and loss adjustment expenses	1.1	1.4
Underwriting, acquisition and insurance expenses	0.1	0.1
Underwriting income (loss)	(1.2)	(1.5)
Net investment income	0.7	0.7
Interest expense	0.2	0.2
Non-operating expenses	—	—
Income (loss) before income taxes	\$ (0.7)	\$ (1.0)

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 roll forward 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.

(in millions)	For the Three Months Ended March 31,			
	2023		2022	
	Gross	Net	Gross	Net
Asbestos and environmental:				
Loss reserves, beginning of the year	\$ 65.5	\$ 55.8	\$ 63.8	\$ 54.5
Incurred losses	0.5	0.5	0.3	0.3
Losses paid	(2.9)	(2.6)	(2.3)	(1.7)
Loss reserves - asbestos and environmental, end of period	63.1	53.7	61.8	53.1
Risk-management reserves	142.6	89.9	160.8	98.1
Run-off reinsurance reserves	0.4	0.4	0.4	0.4
Other run-off lines	21.5	14.8	33.7	23.9
Total loss reserves - Run-off Lines	<u>\$ 227.6</u>	<u>\$ 158.8</u>	<u>\$ 256.7</u>	<u>\$ 175.5</u>

Losses and loss adjustment expenses for the three months ended March 31, 2023 and 2022 were 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 for the three months ended March 31, 2023 is consistent with the same period in 2022 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 inflows 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 inflows are sufficient to cover cash outflows in the foreseeable future. We have access to additional sources of liquidity should the need for additional cash arise.

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 three months ended March 31, 2023 and 2022, cash provided by operating activities was \$39.1 million compared to cash used in operating activities of \$27.9 million, respectively. The increase in cash flows provided by operating activities in 2023 compared to 2022 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 three months ended March 31, 2023 net cash used in investing activities was \$121.6 million compared to net cash provided by investing activities of \$50.0 million for the same period in 2022. Net cash used in investing activities in 2023 was mainly the result of purchases of short-term investments, which was offset by fixed maturities. Additionally, we received \$54.3 million in net cash from the sale of AUA.

For the three months ended March 31, 2023 and 2022, net cash used in financing activities was \$2.1 million and \$14.5 million, respectively. The decrease in the net cash used in financing activities was driven by suspended common stock dividend. On February 8, 2023, the Company entered into the Merger Agreement with Brookfield Reinsurance and BNRE Bermuda Merger Sub Ltd. As part of the Merger Agreement, the Company has agreed to suspend any dividends that would otherwise be declared and paid on the Company Shares during the period from the date of the Merger Agreement through the earlier of the closing of the transaction or the termination of the Merger Agreement.

Revolving Credit Facility and Term Loan

On November 2, 2018, each of Argo Group, Argo Group US, Inc., Argo International Holdings Limited ("AIH"), and Argo Underwriting Agency Limited ("AUA"), collectively (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 2022 Form 10-K) to pay off the Term Loan in September 2020. The Credit Agreement matures on November 2, 2023. The Credit Agreement was subsequently amended to increase the revolving credit facility amount to \$220 million, and to remove AIH and AUA as Borrowers.

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. The lenders could also 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.

Preferred Stock Dividends

On May 4, 2023, 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 June 15, 2023 to our shareholders of record on May 31, 2023.

Argo Group Common Shares and Dividends

On February 8, 2023, the Company entered into the Merger Agreement with Brookfield Reinsurance and Merger Sub. As part of the Merger Agreement, the Company has agreed to suspend any dividends that would otherwise be declared and paid on the Company Shares during the period from the date of the Merger Agreement through the earlier of the closing of the transaction or the termination of the Merger Agreement.

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 March 31, 2023, availability under the 2016 Repurchase Authorization for future repurchases of our common shares was \$53.3 million. However, the Company does not anticipate repurchasing shares at this time.

We did not repurchase any common shares for the three months ended March 31, 2023.

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.

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.

On March 31, 2023, LOCs totaling \$74.6 million were outstanding, of which \$29.9 million were issued against the committed secured bilateral LOC facility and \$44.7 million were issued by commercial banks against the uncommitted, secured bilateral LOC facilities. Collateral with a market value of \$120.9 million was pledged to these banks as security against these LOCs.

Condensed Consolidating Financial Information

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 March 31, 2023, 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.

CONDENSED CONSOLIDATING BALANCE SHEET
AS OF MARCH 31, 2023
(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	\$ 1.9	\$ 3,227.9	\$ 656.1	\$ —	\$ 3,885.9
Cash	5.1	17.8	13.5	—	36.4
Accrued investment income	—	16.5	2.3	—	18.8
Premiums receivable	—	223.1	48.0	—	271.1
Reinsurance recoverables	—	2,246.4	770.5	—	3,016.9
Goodwill	—	118.6	—	—	118.6
Current income taxes receivable, net	—	46.3	0.9	—	47.2
Deferred tax assets, net	—	93.4	0.1	—	93.5
Deferred acquisition costs, net	—	106.6	(2.7)	—	103.9
Ceded unearned premiums	—	263.4	104.4	—	367.8
Operating lease right-of-use assets	—	50.4	4.4	—	54.8
Other assets	5.8	96.2	87.2	—	189.2
Intercompany notes receivable	—	63.9	(63.9)	—	—
Investments in subsidiaries	1,295.1	—	—	(1,295.1)	—
Total assets	\$ 1,307.9	\$ 6,570.5	\$ 1,620.8	\$ (1,295.1)	\$ 8,204.1
Liabilities and Shareholders' Equity					
Reserves for losses and loss adjustment expenses	\$ —	\$ 4,130.2	\$ 1,053.9	\$ —	\$ 5,184.1
Unearned premiums	—	847.1	147.2	—	994.3
Funds held	—	76.9	(25.1)	—	51.8
Ceded reinsurance payable, net	—	104.1	70.6	—	174.7
Debt	28.2	284.9	86.1	—	399.2
Accrued underwriting expenses and other liabilities	10.4	76.0	6.1	—	92.5
Operating lease liabilities	(0.3)	58.7	4.6	—	63.0
Due to (from) affiliates	25.1	(10.4)	10.4	(25.1)	—
Total liabilities	63.4	5,567.5	1,353.8	(25.1)	6,959.6
Total shareholders' equity	1,244.5	1,003.0	267.0	(1,270.0)	1,244.5
Total liabilities and shareholders' equity	\$ 1,307.9	\$ 6,570.5	\$ 1,620.8	\$ (1,295.1)	\$ 8,204.1

⁽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 THREE MONTHS ENDED MARCH 31, 2023**

(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	\$ —	\$ 324.3	\$ 65.6	\$ —	\$ 389.9
Net investment income	—	27.1	2.6	—	29.7
Net investment and other gains (losses)	—	3.5	(21.4)	—	(17.9)
Total revenue	—	354.9	46.8	—	401.7
Expenses:					
Losses and loss adjustment expenses	—	240.6	44.0	—	284.6
Underwriting, acquisition and insurance expenses	2.5	112.4	22.1	—	137.0
Non-operating expenses	7.3	4.0	0.3	—	11.6
Interest expense	0.6	5.5	2.4	—	8.5
Fee and other (income) expense, net	—	(0.3)	(0.1)	—	(0.4)
Foreign currency exchange losses	—	—	2.7	—	2.7
Total expenses	10.4	362.2	71.4	—	444.0
(Loss) income before income taxes	(10.4)	(7.3)	(24.6)	—	(42.3)
Provision for income taxes	—	(1.5)	(7.0)	—	(8.5)
Net (loss) income before equity in earnings of subsidiaries	(10.4)	(5.8)	(17.6)	—	(33.8)
Equity in undistributed earnings of subsidiaries	(34.9)	—	—	34.9	—
Net income (loss)	\$ (45.3)	\$ (5.8)	\$ (17.6)	\$ 34.9	\$ (33.8)
Dividends on preferred shares	2.6	—	—	—	2.6
Net income (loss) attributable to common shareholders	\$ (47.9)	\$ (5.8)	\$ (17.6)	\$ 34.9	\$ (36.4)

⁽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.

Related Person Transactions

Voce Voting and Support Agreement

As an inducement for Brookfield Reinsurance to enter into the Merger Agreement, on February 8, 2023, concurrently with the execution of the Merger Agreement, Brookfield Reinsurance and the Company entered into a voting and support agreement (the “Voting Agreement”) with Voce Capital Management LLC (“Voce”), which owned, as of February 8, 2023, approximately 9.47% of our issued and outstanding common shares, pursuant to which, among other things, (i) Voce agreed to vote any Company shares owned by Voce on the record date of the Company Shareholders Meeting (as defined in the Merger Agreement) in favor of the approval of the Merger Agreement, the Merger and the statutory merger agreement and (ii) Voce and the Company each agreed to a mutual release of any claims against the other party effective at the effective time of the Merger.

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 2022 Form 10-K for information on accounting estimates and 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.

There have been no material changes to our critical accounting estimates described in our 2022 Form 10-K.

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 3.18 years and 3.29 years at March 31, 2023 and December 31, 2022, 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 89.9% and 89.9% rated investment grade or better (BBB- or higher) at March 31, 2023 and December 31, 2022, 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 March 31, 2023:

Other Fixed Maturities	Book Value	Fair Value
AAA	\$ 432.6	\$ 406.5
AA	153.7	142.8
A	514.4	467.4
BBB	575.1	513.7
BB/B	126.6	112.0
CCC and Below	23.9	13.8
Unrated	91.5	80.2
Other Fixed Maturities	<u>\$ 1,917.8</u>	<u>\$ 1,736.4</u>
Structured Securities	Book Value	Fair Value
AAA	\$ 687.5	\$ 599.2
AA	113.1	100.4
A	125.6	115.6
BBB	55.6	49.8
BB/B	10.1	8.9
CCC and Below	0.3	0.4
Unrated	59.8	53.7
Structured Securities	<u>\$ 1,052.0</u>	<u>\$ 928.0</u>
Total Fixed Maturities	Book Value	Fair Value
AAA	\$ 1,120.0	\$ 1,005.7
AA	266.8	243.2
A	640	583
BBB	630.7	563.5
BB/B	136.7	120.9
CCC and Below	24.2	14.2
Unrated	151.3	133.9
Total Fixed Maturities	<u>\$ 2,969.7</u>	<u>\$ 2,664.4</u>

Our portfolio also includes alternative investments with a carrying value at March 31, 2023 and December 31, 2022 of \$323.0 million and \$323.2 million (8.2% and 8.8% 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 \$44.2 million and \$43.9 million (1.1% and 1.2% of total invested assets) at March 31, 2023 and December 31, 2022, 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 and invested assets. 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. For the three months ended March 31, 2023, we recognized \$4.1 million of gross gains and 3.4 million of gross losses from foreign exchange contracts, for a net loss of \$0.7 million. For the three months ended March 31, 2022, we recognized \$3.6 million of gross gains and \$8.8 million of gross losses from foreign exchange contracts, for a net loss of \$5.2 million. The net losses are recorded in the Net investment and other gains (losses) in the Consolidated Statements of Income (Loss). With the divestitures executed and announced in 2022, our exposure to foreign currency risk has decreased.

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 March 31, 2023, 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 March 31, 2023 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

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.

Federal Securities Class Action

The Police & Fire Retirement System City of Detroit v. Argo Group International Holdings, Ltd., et al., No. 22-cv-8971 (S.D.N.Y.)

On October 20, 2022, a securities class action lawsuit was filed in the United States District Court for the Southern District of New York against the Company and certain of its current and former officers, alleging securities fraud violations under sections 10(b) and 20(a) of the Securities Exchange Act of 1934. On January 18, 2023, U.S. District Judge Lewis A. Kaplan granted the Police and Fire Retirement System City of Detroit and the Oklahoma Law Enforcement Retirement System’s joint motion for appointment as lead plaintiff. On March 27, 2023, lead plaintiffs filed an Amended Class Action Complaint, which alleges that from June 11, 2018 through August 9, 2022, defendants made false and misleading statements concerning the Company’s reserves and underwriting standards. Defendants anticipate making a motion to dismiss the amended complaint, due on or before May 26, 2023. Lead plaintiffs are expected to serve an opposition to said motion on or before July 13, 2023, after which Defendants anticipate serving a reply on or before August 14, 2023.

The Company is not able at this time to determine or predict the ultimate outcome of this proceeding or provide a reasonable estimate or range of estimates of the possible outcome or loss, if any, in this matter.

Transaction-Related Shareholder Litigation

Following the announcement of the proposed transaction with Brookfield Reinsurance Ltd. and BNRE Bermuda Merger Sub Ltd., complaints were filed in the United States District Court for the Southern District of New York: *Stein v. Argo Group Int'l Holdings, Ltd., et al.*, 1:23-cv-01947 (S.D.N.Y.); *O'Dell v. Argo Group Int'l Holdings, Ltd., et al.*, C.A. No. 1:23-cv-1999 (S.D.N.Y.); *Jones v. Argo Group Int'l Holdings, Ltd., et al.*, 1:23-cv-02606 (S.D.N.Y.); *Ballard v. Argo Group Int'l Holdings, Ltd., et al.*, 1:23-cv-02635 (S.D.N.Y.); *Montgomery v. Argo Group Int'l Holdings, Ltd., et al.*, 1:23-cv-02749 (S.D.N.Y.). The complaints each assert violations of Section 14(a) and Section 20(a) of the Exchange Act and allege that the proxy statement filed in connection with the proposed transaction between the Company and Brookfield Reinsurance Ltd. and BNRE Bermuda Merger Sub Ltd. omitted certain purportedly material information that rendered the proxy statement incomplete and misleading. The complaints sought, among other things, an order to enjoin the transaction unless additional disclosures were issued; and, if the transaction closes, damages. All of the complaints have been voluntarily dismissed.

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 for the year ended December 31, 2022 (“2022 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 “Part I, Item 1A—Risk Factors” in the 2022 Form 10-K, except as described below.

Recent bank failures have created significant market volatility, regulatory uncertainty, and decreased confidence in the U.S. banking system.

Recent high-profile bank failures, including the failures of Silicon Valley Bank (“SVB”) and Signature Bank (“Signature”) in March 2023 and the failure of First Republic Bank in May 2023, and other banks requiring outside liquidity support have generated significant market volatility, regulatory uncertainty, and decreased confidence in the banking system. These events occurred during a period of rapidly rising interest rates, which, among other things, has resulted in unrealized losses in longer duration securities and more competition for bank deposits, and may increase the risk of (i) further bank failures, (ii) a deterioration of equity and capital markets and (iii) a potential economic recession in the United States.

These rapid bank failures have also highlighted risks associated with advances in technology that increase the speed at which information, concerns and rumors can spread through traditional and new media, and increase the speed at which deposits can be moved from bank to bank or outside the banking system, heightening liquidity concerns of traditional banks. While regulators and large banks have taken steps designed to increase liquidity at regional banks and strengthen depositor confidence in the broader banking industry, there can be no guarantee that these steps will stabilize the financial services industry and financial markets. In addition, regulators may adopt new regulations or increase FDIC insurance costs, which could increase our costs of doing business.

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, 2023 through March 31, 2023, 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 March 31, 2023, we have repurchased 11,318,339 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 March 31, 2023, 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 March 31, 2023, we received 30,081 common shares, with an average price paid per share of \$28.73 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 March 31, 2023. 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)
January 1 through January 31, 2023	2,324	\$ 26.56	—	\$ 53,281,805
February 1 through February 28, 2023	2,009	\$ 27.99	—	\$ 53,281,805
March 1 through March 31, 2023	25,748	\$ 28.99	—	\$ 53,281,805
Total	30,081		—	

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

Not applicable.

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
2.1	<u>Agreement and Plan of Merger, dated as of February 8, 2023, by and among Argo Group International Holdings, Ltd., Brookfield Reinsurance Ltd. and BNRE Bermuda Merger Sub Ltd. (incorporated by reference to Exhibit 2.1 to the Company's Current Report on Form 8-K filed on February 8, 2023).</u>
10.1	<u>Voting and Support Agreement, dated as of February 8, 2023, by and between Brookfield Reinsurance Ltd., Argo Group International Holdings, Ltd. and Voce Capital Management LLC. (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on February 8, 2023).</u>
10.2	<u>Form of Non-Employee Director Cash Award Agreement</u>
31.1	<u>Rule 13a – 14(a)/15d – 14(a) Certification of the Chief Executive Officer</u>
31.2	<u>Rule 13a – 14(a)/15d – 14(a) Certification of the Chief Financial Officer</u>
32.1	<u>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</u>
32.2	<u>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</u>
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.

* Portions of this exhibit have been omitted pursuant to Item 601(b)(10)(iv) of Regulation S-K

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.

May 9, 2023

By /s/ Thomas A. Bradley

Thomas A. Bradley
Chief Executive Officer and Director

May 9, 2023

By /s/ Scott Kirk

Scott Kirk
Chief Financial Officer

Participant Name	%%FIRST_NAME_MIDDLE_NAME_LAST_NAME%%-%
Grant Date	%%OPTION_DATE,'Month DD, YYYY'%%-%
Total Cash Awarded	

CASH AWARD AGREEMENT

This Cash Award Agreement (this “Agreement”) is made as of the date set forth above (“Grant Date”) between ARGO GROUP INTERNATIONAL HOLDINGS, LTD. (the “Company”), and the individual named above (“Participant”).

RECITALS

A. The Company’s 2019 Omnibus Incentive Plan (as amended from time to time, the “Plan”) provides for the granting of Other Cash-Based Awards (the “Cash Awards”) by the Company.

B. Pursuant to the Plan, the administration of the Plan has been delegated to the Human Resources Committee of the Board of Directors of the Company (the “Committee”).

C. Pursuant to the Plan, the Committee has determined that it is in the best interest of the Company and its stockholders to grant this Cash Award to Participant and has approved the execution of this Agreement.

D. Capitalized terms not defined herein shall have the meanings specified in the Plan. Reference is made to that certain Agreement and Plan of Merger, dated as of February 8, 2023, by and among the Company, Brookfield Reinsurance Ltd. (“Parent”) and BNRE Bermuda Merger Sub Ltd. (the “Merger Agreement”). For the avoidance of doubt, following the closing of the transactions contemplated by the Merger Agreement (the “Closing”), references to the Company and its Subsidiaries or Affiliates set forth in this Agreement shall include Parent and its Affiliates.

AGREEMENT

NOW, THEREFORE, the parties hereto agree as follows:

1. The Company hereby grants Participant a Cash Award having a target value as set forth above (the “Granted Cash Value”).

2. Participant shall not be deemed vested in the Granted Cash Value until it has vested as hereinafter provided (the “Vested Cash Award”). The Granted Cash Value shall become a Vested Cash Award on the day that is the first anniversary of the Grant Date. In the event that the Participant ceases for any reason (other than as indicated in Section 4 below) to be a director of the Company or any subsidiary corporation of the Company prior to the vesting date, then the Granted Cash Value shall automatically be forfeited and returned to the Company. The Vested Cash Award shall be paid by the Company in cash as promptly as practicable following the vesting date and in no event later than March 15th of the year following the year in which such vesting occurs.

3. Notwithstanding the vesting schedule set forth in Section 2, the Cash Award shall become a Vested Cash Award simultaneous with and contingent upon the occurrence of a Change in Control. For purposes of this Agreement, “Change in Control” shall have the meaning given to that term from time to time in the Plan and for the avoidance of doubt, the Closing constitutes a Change in Control.

4. Notwithstanding the vesting schedule set forth in Section 2, the Granted Cash Value of the Participant shall become a Vested Cash Award in the event that the Participant (i) resigns after being

asked to resign from the Company's Board of Directors without Cause (as defined in the Plan) by the Chairman of the Board of Directors, or (ii) ceases to be a director of the Company due to death or Disability.

5. In connection with the vesting of the Cash Award in accordance with this Agreement, or at any other time that the Company is required to make withholding under applicable tax law, the Company shall have the right to require Participant or Participant's legal successor in interest to pay the Company the amount of taxes, if any, which the Company may be required to withhold with respect to such Granted Cash Value.

6. The Cash Award and the rights and privileges pertaining thereto, shall not be transferred, assigned, pledged or hypothecated in any way, whether by operation of the law or otherwise, except by will or the laws of descent and distribution. Upon any attempt so to transfer, assign, pledge, hypothecate or otherwise dispose of the Cash Award contrary to the provisions hereof, this Agreement and all rights and privileges contained herein shall immediately become null and void and of no further force or effect.

7. If the Merger Agreement is terminated in accordance with its terms prior to the Closing occurring, upon the dissolution or liquidation of the Company, or upon a reorganization, merger or consolidation of the Company with one or more corporations as a result of which the Company is not the surviving corporation, or upon the sale of substantially all the assets or more than 80% of the then outstanding stock of the Company to another corporation, this Agreement shall terminate (except to the extent the Cash Award has vested, including, without limitation, giving effect to the acceleration provisions of Section 3 hereof) unless express written provision be made in connection with such transaction for (i) the assumption of this Agreement or the substitution therefore of a new Cash Award, with such adjustments to be conclusively determined by the Committee; (ii) the continuance of the Plan by such successor corporation in which event this Agreement shall remain in full effect under the terms so provided; or (iii) the payment in cash in complete satisfaction of the Cash Award evidenced by this Agreement.

Adjustments under this Section 7 shall be made by the Committee, whose determination as to what adjustments shall be made, and the extent thereof shall be final, binding and conclusive.

8. The Cash Award granted hereby is subject to, and the Company and Participant agree to be bound by, all of the terms and conditions of the Plan, as the same shall be amended from time to time in accordance with the terms thereof, but no such amendment shall adversely affect in any material respect Participant's rights under this grant without the prior written consent of Participant. The terms of the Plan are incorporated into and form part of this Agreement.

9. Miscellaneous.

a. No Representations or Warranties. Neither the Company nor the Committee or any of their representatives or agents has made any representations or warranties to Participant with respect to the income tax or other consequences of the transactions contemplated by this Agreement, and the Participant is in no manner relying on the Company, the Committee or any of their representatives or agents for an assessment of such tax or other consequences.

b. Necessary Acts. Participant and the Company hereby agree to perform any further acts and to execute and deliver any documents which may be reasonably necessary to carry out the provisions of this Agreement.

c. Binding Effect; Applicable Law. This Agreement shall bind and inure to the benefit of the Company and its successors and assigns, and the Participant and any heir, legatee, or legal representative of the Participant. This Agreement shall be interpreted under and governed by and constructed in accordance with the laws of Texas.

d. Administration. The authority to manage and control the operation and administration of this Agreement shall be vested in the Committee, and the Committee shall have all powers with respect

to this Agreement as it has with respect to the Plan. Any interpretation of the Agreement by the Committee and any decision made by it with respect to the Agreement are final and binding.

e. Clawback of Proceeds. The Cash Award is subject to the clawback provisions in Section 15.21 of the Plan.

f. Successors. This Agreement shall be binding upon and inure to the benefit of any successor or successors of the Company and any person or persons who shall, upon the death of the Holder, acquire any rights hereunder in accordance with this Agreement or the Plan.

g. No Service Guarantee. Nothing in this Agreement nor in the Plan nor in the making of the Award shall confer on Participant any right to or guarantee of continued service with the Company or any of its Subsidiaries or Affiliates or in any way limit the right of the Company or any of its Subsidiaries or Affiliates to terminate the service of Participant at any time.

h. Data Protection. Participant consents to the collection, holding, processing and transfer of personal data by the Company and any of its Subsidiaries for all purposes connected with this Agreement, including (i) the holding and maintenance of details of the grant; (ii) the transfer of personal data to the trustee of an employee benefit trust, the Company's registrars or brokers, any administrator of the Company's share incentive arrangements or any other relevant professional advisers or service providers to the Company or any of its Subsidiaries that is or was Participant's employer; (iii) the transfer of personal data to a prospective buyer of the Company or of any of its Subsidiaries or Affiliates or business unit that employs Participant, and the prospective buyer's professional advisers, provided that those persons irrevocably agree to use the personal data only in connection with the proposed transaction and in accordance with the data protection principles set out in the Data Protection Act 1998 (or any successor thereto); and (iv) the transfer of personal data under Section 9.h.ii or Section 9.h.iii to a person who is resident in a country or territory outside the European Economic Area that may not provide equivalent statutory protections for personal data.

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: May 9, 2023

/s/ Thomas A. Bradley

Thomas A. Bradley
Chief Executive Officer and Director

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: May 9, 2023

/s/ Scott Kirk

Scott Kirk

Chief Financial Officer

**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 March 31, 2023 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 May 2023

/s/ Thomas A. Bradley

Thomas A. Bradley

Chief Executive Officer and Director

**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 March 31, 2023 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 May 2023

/s/ Scott Kirk

Scott Kirk

Chief Financial Officer