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 or the quarterly period ended June 30, 2018**

or

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

Commission file number: 1-15259

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

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

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

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 and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted 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 and post 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 ☐	

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

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 the number of shares outstanding (net of treasury shares) of each of the issuer's classes of common shares as of August 2, 2018 .

Title	Outstanding
Common Shares, par value $1.00 per share	33,986,441

ARGO GROUP INTERNATIONAL HOLDINGS, LTD.

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PART I. FINANCIAL INFORMATION

Item 1. Consolidated Financial Statements

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

	June 30, 2018	December 31, 2017 *
	(Unaudited)	
Assets		
Investments:		
Fixed maturities available-for-sale, at fair value (cost: 2018 - $3,338.5; 2017 - $3,320.6)	$ 3,301.4	$ 3,343.4
Equity securities, at fair value (cost: 2018 - $368.8; 2017 - $338.2)	492.2	487.4
Other investments (cost: 2018 - $516.3; 2017 - $534.1)	525.9	543.6
Short-term investments, at fair value (cost: 2018 - $449.4; 2017 - $368.5)	449.4	368.5
Total investments	4,768.9	4,742.9
Cash	126.7	176.6
Accrued investment income	24.9	23.5
Premiums receivable	698.1	598.6
Reinsurance recoverables	2,131.6	2,093.3
Goodwill	161.4	161.4
Intangible assets, net of accumulated amortization	111.9	96.8
Current income taxes receivable, net	—	1.4
Deferred acquisition costs, net	161.1	160.4
Ceded unearned premiums	493.4	399.5
Other assets	427.7	309.6
Total assets	$ 9,105.7	$ 8,764.0
Liabilities and Shareholders' Equity		
Reserves for losses and loss adjustment expenses	$ 4,242.9	$ 4,201.0
Unearned premiums	1,283.6	1,207.7
Accrued underwriting expenses	116.1	115.3
Ceded reinsurance payable, net	816.0	734.0
Funds held	40.8	42.7
Senior unsecured fixed rate notes	139.7	139.6
Other indebtedness	184.6	184.5
Junior subordinated debentures	256.8	256.6
Current income taxes payable, net	13.5	—
Deferred tax liabilities, net	15.1	31.3
Other liabilities	199.5	31.6
Total liabilities	7,308.6	6,944.3
Commitments and contingencies (Note 14)		
Shareholders' equity:		
Common shares - $1.00 par, 500,000,000 shares authorized; 45,144,646 and 40,385,309 shares issued at June 30, 2018 and December 31, 2017, respectively	45.1	40.4
Additional paid-in capital	1,365.3	1,129.1
Treasury shares (11,129,540 and 10,785,007 shares at June 30, 2018 and December 31, 2017, respectively)	(443.8)	(423.4)
Retained earnings	884.4	977.0
Accumulated other comprehensive (loss) income, net of taxes	(53.9)	96.6
Total shareholders' equity	1,797.1	1,819.7
Total liabilities and shareholders' equity	$ 9,105.7	$ 8,764.0

* Derived from audited consolidated financial statements.

See accompanying notes.

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

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2018	2017	2018	2017
Premiums and other revenue:				
Earned premiums	$ 417.7	$ 399.1	832.4	778.5
Net investment income	33.2	43.6	69.2	74.1
Fee and other income	1.9	3.8	3.9	7.4
Net realized investment gains (losses):				
Net realized investment gains	6.2	4.5	21.4	19.1
Change in fair value of equity securities	4.3	—	(26.6)	—
Net realized investment gains (losses)	10.5	4.5	(5.2)	19.1
Total revenue	463.3	451.0	900.3	879.1
Expenses:				
Losses and loss adjustment expenses	245.5	230.6	482.7	453.1
Underwriting, acquisition and insurance expenses	156.8	154.7	317.0	308.3
Interest expense	7.8	7.0	15.5	12.9
Fee and other expense	1.6	3.3	3.6	7.4
Foreign currency exchange (gains) losses	(5.5)	4.6	(0.6)	3.9
Total expenses	406.2	400.2	818.2	785.6
Income before income taxes	57.1	50.8	82.1	93.5
Income tax provision	15.3	4.8	15.5	10.8
Net income	$ 41.8	$ 46.0	$ 66.6	$ 82.7
Net income per common share:				
Basic	$ 1.23	$ 1.32	$ 1.96	$ 2.39
Diluted	$ 1.20	$ 1.29	$ 1.92	$ 2.32
Dividend declared per common share	$ 0.27	$ 0.23	$ 0.54	$ 0.47
Weighted average common shares:				
Basic	33,938,509	34,731,866	33,903,809	34,643,594
Diluted	34,668,918	35,705,484	34,704,811	35,644,640

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2018	2017	2018	2017
Net realized investment gains (losses) before other-than-temporary impairment losses	$ 11.4	$ 5.6	$ (3.3)	$ 20.6
Other-than-temporary impairment losses recognized in earnings:				
Other-than-temporary impairment losses on fixed maturities	(0.9)	—	(1.9)	—
Other-than-temporary impairment losses on equity securities	—	(1.1)	—	(1.5)
Impairment losses recognized in earnings	(0.9)	(1.1)	(1.9)	(1.5)
Net realized investment gains (losses)	$ 10.5	$ 4.5	$ (5.2)	$ 19.1

See accompanying notes.

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

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2018	2017	2018	2017
Net income	$ 41.8	$ 46.0	$ 66.6	$ 82.7
Other comprehensive (loss) income:				
Foreign currency translation adjustments	(2.9)	(1.2)	(4.0)	(0.6)
Unrealized (losses) gains on securities:				
(Losses) gains arising during the year	(36.7)	27.5	(61.4)	61.6
Reclassification adjustment for losses (gains) included in net income	15.1	(2.7)	2.6	(18.9)
Other comprehensive (loss) income before tax	(24.5)	23.6	(62.8)	42.1
Income tax provision related to other comprehensive (loss) income:				
Unrealized (losses) gains on securities:				
(Losses) gains arising during the year	(5.3)	6.1	(9.3)	15.9
Reclassification adjustment for losses (gains) included in net income	2.5	(1.0)	0.2	(6.2)
Income tax (benefit) provision related to other comprehensive income	(2.8)	5.1	(9.1)	9.7
Other comprehensive (loss) income, net of tax	(21.7)	18.5	(53.7)	32.4
Comprehensive income	$ 20.1	$ 64.5	$ 12.9	$ 115.1

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)

	Common Shares	Additional Paid-In Capital	Treasury Shares	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Shareholders' Equity
Balance, December 31, 2016	$ 40.0	$ 1,123.3	$ (378.2)	$ 959.9	$ 47.7	$ 1,792.7
Net income	—	—	—	82.7	—	82.7
Other comprehensive income, net of tax	—	—	—	—	32.4	32.4
Repurchase of common shares (46,500 at a weighted average price of $59.54)	—	—	(2.8)	—	—	(2.8)
Activity under stock incentive plans	0.4	8.1	—	—	—	8.5
Retirement of common shares (tax payments on equity compensation)	(0.1)	(6.3)	—	—	—	(6.4)
Employee stock purchase plan	—	0.8	—	—	—	0.8
Cash dividend declared - common shares ($0.47/share)	—	—	—	(16.6)	—	(16.6)
Balance, June 30, 2017	$ 40.3	$ 1,125.9	$ (381.0)	$ 1,026.0	$ 80.1	$ 1,891.3
Balance, December 31, 2017	$ 40.4	$ 1,129.1	$ (423.4)	$ 977.0	$ 96.6	$ 1,819.7
Net income	—	—	—	66.6	—	66.6
Other comprehensive loss, net of tax	—		—	—	(53.7)	(53.7)
Repurchase of common shares (344,533 at a weighted average price of $59.20)			(20.4)	—	—	(20.4)
Activity under stock incentive plans	0.4	9.3	—	—	—	9.7
Retirement of common shares (tax payments on equity compensation)	(0.1)	(6.5)	—	—	—	(6.6)
Employee stock purchase plan	—	0.5	—	—	—	0.5
15% Stock Dividend	4.4	232.9	—	(237.3)	—	—
Cash dividend declared - common shares ($0.54/share)	—	—	—	(18.7)	—	(18.7)
Cumulative effect of adoption of ASU 2016-01, net of taxes	—	—	—	117.5	(117.5)	—
Cumulative effect of adoption of ASU 2018-02, net of taxes	—	—	—	(20.7)	20.7	—
Balance, June 30, 2018	$ 45.1	$ 1,365.3	$ (443.8)	$ 884.4	$ (53.9)	$ 1,797.1

See accompanying notes.

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

	For the Six Months Ended June 30,	
	2018	2017
Cash flows from operating activities:		
Net income	$ 66.6	$ 82.7
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Amortization and depreciation	13.8	15.9
Share-based payments expense	11.0	7.6
Deferred income tax benefit, net	(6.9)	(4.7)
Net realized investment losses (gains)	5.2	(19.1)
Undistributed earnings from alternative investment portfolio	(13.9)	(32.9)
Loss on disposals of fixed assets, net	—	1.7
Change in:		
Accrued investment income	(1.2)	(2.1)
Receivables	(53.3)	(103.9)
Deferred acquisition costs	(1.5)	(13.8)
Ceded unearned premiums	(87.4)	(41.0)
Reserves for losses and loss adjustment expenses	(71.1)	85.4
Unearned premiums	67.0	53.3
Ceded reinsurance payable and funds held	80.2	57.0
Income taxes	14.9	5.9
Accrued underwriting expenses	(29.4)	(21.7)
Other, net	131.9	(33.0)
Cash provided by operating activities	125.9	37.3
Cash flows from investing activities:		
Sales of fixed maturity investments	882.0	785.8
Maturities and mandatory calls of fixed maturity investments	288.7	335.1
Sales of equity securities	104.9	107.5
Sales of other investments	38.1	65.1
Purchases of fixed maturity investments	(1,237.5)	(1,381.7)
Purchases of equity securities	(113.3)	(67.5)
Purchases of other investments	(23.3)	(16.8)
Change in foreign regulatory deposits and voluntary pools	13.1	(9.5)
Change in short-term investments	(80.7)	309.9
Settlements of foreign currency exchange forward contracts	2.3	0.5
Acquisition of Maybrooke, net of cash acquired	—	(105.2)
Cash acquired with acquisition of Ariscom	15.6	—
Purchases of fixed assets	(11.0)	(10.0)
Other, net	(16.7)	(27.7)
Cash used in investing activities	(137.8)	(14.5)
Cash flows from financing activities:		
Additional long-term borrowings	—	125.0
Activity under stock incentive plans	0.2	0.5
Repurchase of Company's common shares	(19.4)	(2.8)
Payment of cash dividends to common shareholders	(18.7)	(16.6)
Cash (used in) provided by financing activities	(37.9)	106.1
Effect of exchange rate changes on cash	(0.1)	(0.4)
Change in cash	(49.9)	128.5
Cash, beginning of year	176.6	86.0
Cash, end of period	$ 126.7	$ 214.5

See accompanying notes.

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

1. Basis of Presentation

The accompanying consolidated financial statements of Argo Group International Holdings, Ltd. ("Argo Group," "we" or the "Company") and its subsidiaries 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. 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 doubtful accounts; estimates of written and earned premiums; reinsurance premium receivable; fair value of investments and assessment of potential impairment; valuation of goodwill and intangibles and our deferred tax asset valuation allowance. Actual results could differ from those estimates. Certain financial information that normally is 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, 2017 , filed with the Securities and Exchange Commission on February 27, 2018.

Effective March 5, 2018 , we acquired 100% of the capital stock of Ariscom Compagnia di Assicurazioni S.p.A. ("Ariscom") upon its release from extraordinary administration by the Italian insurance supervisory authority ("IVASS"). The acquisition is being accounted for in accordance with Accounting Standards Codification ("ASC") 805, "Business Combinations." See Note 3, "Acquisition of Ariscom," for additional discussion regarding the acquisition. The Consolidated Financial Statements as of and for the three and six months ended June 30, 2018 and the Notes to the Consolidated Financial Statements reflect the consolidated results of Argo Group and Ariscom commencing on the date of acquisition.

The interim financial information as of, and for the three and six months ended June 30, 2018 and 2017 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.

15% Stock Dividend

On February 20, 2018 , our Board of Directors declared at 15% stock dividend, payable on March 21, 2018 , to shareholders of record at the close of business on March 7, 2018 . As a result of the stock dividend, 4,397,520 additional shares were issued. Cash was paid in lieu of fractional shares of our common shares. Excluding repurchased shares, all references to common shares associated with the recalculation of per share amounts in this document and related disclosures have been adjusted to reflect the stock dividend for all periods presented.

2. Recently Issued Accounting Pronouncements

On February 14, 2018, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2018-2, "Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income" that allows a reclassification from accumulated other comprehensive income ("AOCI") to retained earnings of the stranded tax effects in AOCI resulting from the Tax Cuts and Jobs Act ("TCJA"). Current guidance required the effect of a change in tax laws or rates on deferred tax balances to be reported in income from continuing operations in the accounting period that includes the period of enactment, even if the related income tax effects were originally charged or credited directly to AOCI. The amount of the reclassification would include the effect of the change in the US federal corporate income tax rate on the gross deferred tax amounts and related valuation allowances, if any, at the date of the enactment of TCJA related to items in AOCI. The updated guidance is effective for reporting periods beginning after December 15, 2018 and is to be applied retrospectively to each period in which the effect of the TCJA related to items remaining in AOCI are recognized or at the beginning of the period of adoption. Early adoption is permitted, including adoption in any interim period for public business entities for reporting periods for which financial statements have not yet been issued. We have adopted the guidance effective January 1, 2018. The adoption of this ASU does not affect the Company's results of operations, financial position, or liquidity. As a result of adopting this ASU, we reclassified $20.7 million of previously recognized deferred taxes from accumulated other comprehensive income into retained earnings as of January 1, 2018.

In August 2016, the FASB issued ASU 2016-15, "Classification of Certain Cash Receipts and Cash Payments (Topic 230)." ASU 2016-15 will reduce diversity in practice on how eight specific cash receipts and payments are classified on the statement of cash flows. The ASU was effective for fiscal years beginning after December 15, 2017, including interim periods within the year of adoption. This ASU will have an impact on how we present the distributions received from equity method investees in our statement of cash flows. We have adopted this ASU effective January 1, 2018. This ASU did not have a material impact on the classification of specific cash receipts and payments within the cash flow statement.

In June 2016, the FASB issued ASU 2016-13, “Measurement of Credit Losses on Financial Instruments” (Topic 326). ASU 2016-13 requires organizations to estimate credit losses on certain types of financial instruments, including receivables and available-for-sale debt securities, by introducing an approach based on expected losses. The expected loss approach will require entities to incorporate considerations of historical information, current information and reasonable and supportable forecasts. The guidance is effective for fiscal years beginning after December 15, 2019, including interim periods within the year of adoption. The guidance requires a modified retrospective transition method and early adoption is permitted. We are currently in the process of evaluating the impact that the adoption of the ASU will have on our financial results and disclosures.

In February 2016, the FASB issued ASU 2016-2, “Leases” (Topic 842). ASU 2016-2 requires organizations that lease assets to recognize on the balance sheet the assets and liabilities for the rights and obligations created by those leases. Additionally, the ASU modifies current guidance for lessors' accounting. The ASU is effective for interim and annual reporting periods beginning on or after January 1, 2019, with early adoption permitted. We do not anticipate that this ASU will have a material impact on our results of operations, but we anticipate an increase to the value of our assets and liabilities related to leases, with no material impact to equity.

In January 2016, the FASB issued ASU 2016-1, “Recognition and Measurement of Financial Assets and Financial Liabilities” (Subtopic 825-10). ASU 2016-1 requires equity investments that are not consolidated or accounted for under the equity method of accounting to be measured at fair value with changes in fair value recognized in net income. This ASU also requires us to assess the ability to realize our deferred tax assets related to an available-for-sale debt security in combination with our other deferred tax assets. The ASU was effective for fiscal years beginning after December 15, 2017, including interim periods within those fiscal years. We have adopted this ASU effective January 1, 2018. Upon adoption of this ASU, cumulative net unrealized gain on equity securities of $117.5 million , net of deferred income taxes, were reclassified from accumulated other comprehensive income into retained earnings as of January 1, 2018. The change in the fair value of the noted investments is now included in “Net realized investment gains” in our consolidated statements of income. The standard increases the volatility of the results reported in our consolidated statements of income, resulting from the remeasurement of our equity investments.

In May 2014, the FASB issued ASU 2014-9, “Revenue from Contracts with Customers” (Topic 606), which replaces most existing U.S. GAAP revenue recognition guidance and permits the use of either the retrospective or cumulative effect transition method. In August 2015, “Deferral of the Effective Date” (Topic 606), deferred the effective date of this guidance to interim and annual reporting periods beginning after December 15, 2017. Subsequently, in 2016, the FASB issued implementation guidance related to ASU 2014-9, including:

- ASU 2016-8, “Principal versus Agent considerations (Reporting Revenue Gross versus Net)” (Topic 606), which is intended to provide further clarification on the application of the principal versus agent implementations;
- ASU 2016-10, “Identifying Performance Obligations and Licensing” (Topic 606), which is intended to clarify the guidance for identifying promised goods or service in a contract with a customer;
- ASU 2016-11, “Rescission of SEC Guidance Because of Accounting Standards Updates 2014-9 and 2014-16 Pursuant to Staff Announcements at the March 3, 2016 EITF Meeting” (Topics 605 & 815);
- ASU 2016-12, “Narrow-Scope Improvements and Practical Expedients” (Topic 606), provides additional guidance for quantitative and qualitative disclosures in certain cases, and makes 12 additional technical corrections and improvements to the new revenue standard.

We adopted this ASU effective January 1, 2018. The adoption of this standard did not have a material impact on our consolidated financial results.

3. Acquisition of Ariscom

Effective March 5, 2018 , we acquired 100% of the capital stock of Ariscom upon its release from extraordinary administration by IVASS. We injected an amount of capital into Ariscom necessary to meet certain regulatory requirements and thresholds. As part of this capital infusion, we have become the sole shareholder of Ariscom.

The acquisition provides Argo Group with an in-market Italian insurance platform and access to Ariscom’s broker and client network throughout Italy, with longer-term opportunities to expand our presence in continental Europe, particularly Spain and Portugal.

The acquisition is being accounted for in accordance with ASC 805, “Business Combinations.” Purchase accounting, as defined by ASC 805, requires that the assets acquired and liabilities assumed be recognized at their fair values as of the acquisition date. We are in the process of finalizing our determination of fair values, including an independent appraisal of certain assets and liabilities, including intangible assets. We anticipate closing the fair value measurement period by the end of 2018. Ariscom's financial position, results of operations, and cash flows were not material to our consolidated financial results as of and for the three and six months ended June 30, 2018 .

4. Investments

Included in "Total investments" in our Consolidated Balance Sheets at June 30, 2018 and December 31, 2017 is $113.2 million and $130.8 million , respectively, of assets managed on behalf of the trade capital providers, who are third-party participants that provide underwriting capital to the operations of Syndicate 1200.

Fixed Maturities

The amortized cost, gross unrealized gains, gross unrealized losses and fair value in fixed maturity investments were as follows:

June 30, 2018

(in millions)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Fixed maturities				
U.S. Governments	$ 268.0	$ 0.2	$ 7.0	$ 261.2
Foreign Governments	248.3	1.7	5.9	244.1
Obligations of states and political subdivisions	266.6	5.9	1.8	270.7
Corporate bonds	1,655.2	10.7	30.5	1,635.4
Commercial mortgage-backed securities	145.8	—	2.8	143.0
Residential mortgage-backed securities	375.7	2.0	9.6	368.1
Asset-backed securities	159.4	0.4	1.3	158.5
Collateralized loan obligations	219.5	1.7	0.8	220.4
Total fixed maturities	$ 3,338.5	$ 22.6	$ 59.7	$ 3,301.4

December 31, 2017

(in millions)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Fixed maturities				
U.S. Governments	$ 419.9	$ 0.2	$ 5.0	$ 415.1
Foreign Governments	229.0	6.7	2.5	233.2
Obligations of states and political subdivisions	327.7	9.3	1.1	335.9
Corporate bonds	1,514.5	24.4	13.2	1,525.7
Commercial mortgage-backed securities	136.3	0.1	1.5	134.9
Residential mortgage-backed securities	309.3	2.8	2.7	309.4
Asset-backed securities	161.3	0.7	0.8	161.2
Collateralized loan obligations	222.6	5.9	0.5	228.0
Total fixed maturities	$ 3,320.6	$ 50.1	$ 27.3	$ 3,343.4

Contractual Maturity

The amortized cost and fair values of fixed maturity investments as of June 30, 2018 , by contractual maturity, were as follows:

(in millions)	Amortized Cost	Fair Value
Due in one year or less	$ 208.9	$ 208.6
Due after one year through five years	1,482.3	1,465.7
Due after five years through ten years	597.2	588.0
Thereafter	149.7	149.1
Structured securities	900.4	890.0
Total	$ 3,338.5	$ 3,301.4

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

Other Investments

Details regarding the carrying value and unfunded investment commitments of other investments as of June 30, 2018 and December 31, 2017 were as follows:

June 30, 2018

(in millions)	Carrying Value	Unfunded Commitments
Investment Type		
Hedge funds	$ 140.0	$ —
Private equity	199.0	114.9
Long only funds	182.6	—
Other	4.3	—
Total other investments	$ 525.9	$ 114.9

December 31, 2017

(in millions)	Carrying Value	Unfunded Commitments
Investment Type		
Hedge funds	$ 163.6	$ —
Private equity	179.2	129.9
Long only funds	196.5	—
Other	4.3	—
Total other investments	$ 543.6	$ 129.9

The following describes each investment type:

- **Hedge funds:** Hedge funds 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.
- **Long only funds:** Our long only funds include a fund that primarily owns international stocks and funds that primarily own investment-grade corporate and sovereign fixed income securities.
- **Other:** Other includes participation in investment pools.

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Unrealized Losses and Other-Than-Temporary Impairments

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

June 30, 2018	**Less Than One Year**		**One Year or Greater**		**Total**	
(in millions)	**Fair Value**	**Unrealized Losses**	**Fair Value**	**Unrealized Losses**	**Fair Value**	**Unrealized Losses**
Fixed maturities						
U.S. Governments	$ 223.4	$ 6.1	$ 17.2	$ 0.9	$ 240.6	$ 7.0
Foreign Governments [(1)]	212.9	5.9	5.0	—	217.9	5.9
Obligations of states and political subdivisions	67.5	1.1	14.6	0.7	82.1	1.8
Corporate bonds	1,195.0	28.7	28.9	1.8	1,223.9	30.5
Commercial mortgage-backed securities	105.2	1.9	15.8	0.9	121.0	2.8
Residential mortgage-backed securities	288.2	8.9	14.0	0.7	302.2	9.6
Asset-backed securities	107.1	1.0	7.0	0.3	114.1	1.3
Collateralized loan obligations	129.8	0.8	—	—	129.8	0.8
Total fixed maturities	$ 2,329.1	$ 54.4	$ 102.5	$ 5.3	$ 2,431.6	$ 59.7

December 31, 2017	**Less Than One Year**		**One Year or Greater**		**Total**	
(in millions)	**Fair Value**	**Unrealized Losses**	**Fair Value**	**Unrealized Losses**	**Fair Value**	**Unrealized Losses**
Fixed maturities						
U.S. Governments	$ 313.7	$ 1.9	$ 83.7	$ 3.1	$ 397.4	$ 5.0
Foreign Governments	175.2	2.0	35.9	0.5	211.1	2.5
Obligations of states and political subdivisions	33.3	0.5	22.4	0.6	55.7	1.1
Corporate bonds	674.1	9.9	77.7	3.3	751.8	13.2
Commercial mortgage-backed securities	58.2	0.4	37.8	1.1	96.0	1.5
Residential mortgage-backed securities	164.4	1.6	52.4	1.1	216.8	2.7
Asset-backed securities	85.4	0.4	31.9	0.4	117.3	0.8
Collateralized loan obligations [(1)]	34.6	0.5	0.9	—	35.5	0.5
Total fixed maturities	$ 1,538.9	$ 17.2	$ 342.7	$ 10.1	$ 1,881.6	$ 27.3

(1) Unrealized losses one year or greater are less than $0.1 million .

We regularly evaluate our investments for other-than-temporary impairment. For fixed maturity securities, the evaluation for a credit loss is generally based on the present value of expected cash flows of the security as compared to the amortized book value. For structured securities, frequency and severity of loss inputs are used in projecting future cash flows of the securities. Loss frequency is measured as the credit default rate, which includes such factors as loan-to-value ratios and credit scores of borrowers. We also recognize other-than-temporary losses on fixed maturity securities that we intend to sell. Effective January 1, 2018, the Company adopted ASU 2016-1. As a result, changes in the fair value of equity securities are recognized in net realized investment gains in the Consolidated Statement of Income.

We hold a total of 5,260 securities, of which 3,349 were in an unrealized loss position for less than one year and 106 were in an unrealized loss position for a period one year or greater as of June 30, 2018 . Unrealized losses greater than twelve months on fixed maturities were the result of a number of factors, including increased credit spreads, foreign currency fluctuations and higher market yields relative to the date the securities were purchased, and for structured securities, by the performance of the underlying collateral, as well. In considering whether an investment is other-than-temporarily impaired or not, we also considered that we do not intend to sell the investments and it is unlikely that we will be required to sell the investments before recovery of their amortized cost bases, which may be maturity. We do not consider these investments to be other-than-temporarily impaired at June 30, 2018 .

We recognized other-than-temporary losses on our fixed maturities and equity portfolio as follows:

(in millions)	For the Three Months Ended June 30, 2018	For the Three Months Ended June 30, 2017	For the Six Months Ended June 30, 2018	For the Six Months Ended June 30, 2017
Other-than-temporary impairment:				
Corporate bonds	$ (0.9)	$ —	(1.9)	—
Equity securities	—	(1.1)	—	(1.5)
Other-than-temporary impairment losses	$ (0.9)	$ (1.1)	$ (1.9)	$ (1.5)

Net Realized Investment Gains and Losses

The following table presents our gross realized investment gains (losses):

(in millions)	For the Three Months Ended June 30, 2018	For the Three Months Ended June 30, 2017	For the Six Months Ended June 30, 2018	For the Six Months Ended June 30, 2017
Realized gains on fixed maturities and other				
Fixed maturities	$ 3.7	$ 5.5	$ 11.2	$ 12.6
Equity securities [(1)]	—	12.0	—	27.7
Other and short-term investments	15.6	5.1	27.3	11.3
	19.3	22.6	38.5	51.6
Realized losses on fixed maturities and other				
Fixed maturities	(6.5)	(5.0)	(11.4)	(11.2)
Equity securities (1)	—	(1.8)	—	(2.5)
Other and Short-term investments	(16.3)	(10.2)	(25.6)	(17.3)
Other-than-temporary impairment losses on fixed maturities	(0.9)	—	(1.9)	—
Other-than-temporary impairment losses on equity securities	—	(1.1)	—	(1.5)
	(23.7)	(18.1)	(38.9)	(32.5)
Equity securities [(1)]				
Net realized gains on equity securities sold during the period	10.6	—	21.8	—
Change in unrealized gains (losses) on equity securities held at the end of the period	4.3	—	(26.6)	—
Net realized gains (losses) on equity securities	14.9	—	(4.8)	—
Net realized investment gains (losses) before income taxes	10.5	4.5	(5.2)	19.1
Income tax (expense) benefit	(2.4)	(1.3)	0.5	(5.7)
Net realized investment gains (losses), net of income taxes	$ 8.1	$ 3.2	$ (4.7)	$ 13.4

(1) Effective January 1, 2018, we adopted ASU 2016-1. As a result, unrealized gains (losses) at the date of adoption have been reclassified from accumulated other comprehensive income to retained earnings. Additionally, all changes in the fair value of equity securities are recognized in net realized investment gains (losses). Prior periods have not been restated to conform to the current presentation. See Note 2, "Recently Issued Accounting Pronouncements."

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

Changes in unrealized appreciation (depreciation) related to investments are summarized as follows:

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
(in millions)	2018	2017	2018	2017
Change in unrealized (losses) gains				
Fixed maturities	$ (21.8)	$ 19.5	(58.9)	32
Equity securities	—	3.3	—	8.7
Other investments	0.1	2.0	0.1	2
Short-term investments	0.1	—	—	—
Net unrealized investment (losses) gains before income taxes	(21.6)	24.8	(58.8)	42.7
Income tax benefit (expense)	2.8	(5.1)	9.1	(9.7)
Net unrealized investment (losses) gains, net of income taxes	$ (18.8)	$ 19.7	$ (49.7)	$ 33.0

Foreign Currency Exchange Forward Contracts

We entered into foreign currency exchange forward contracts to manage operational currency exposure on our Canadian dollar ("CAD") investment portfolio, minimize negative impacts to investment portfolio returns, and gain exposure to a total return strategy which invests in multiple currencies. The currency forward contracts are carried at fair value in our Consolidated Balance Sheets in "Other liabilities" at June 30, 2018 and December 31, 2017 . The gains and losses are included in "Net realized investment gains (losses)" in our Consolidated Statements of Income.

The fair value of our foreign currency exchange forward contracts as of June 30, 2018 and December 31, 2017 was as follows:

(in millions)	June 30, 2018	December 31, 2017
Operational currency exposure	$ (2.2)	$ (0.2)
Asset manager investment exposure	0.2	(0.9)
Total return strategy	(0.3)	0.7
Total	$ (2.3)	$ (0.4)

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

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
(in millions)	2018	2017	2018	2017
Realized gains				
Operational currency exposure	$ 1.7	$ 3.7	$ 6.0	$ 5.7
Asset manager investment exposure	8.7	—	13.0	0.5
Total return strategy	4.3	0.5	6.9	3.6
Gross realized investment gains	14.7	4.2	25.9	9.8
Realized losses				
Operational currency exposure	(3.7)	(3.7)	(4.3)	(5.9)
Asset manager investment exposure	(5.7)	(5.4)	(11.6)	(6.8)
Total return strategy	(6.0)	(0.8)	(8.1)	(2.7)
Gross realized investment losses	(15.4)	(9.9)	(24.0)	(15.4)
Net realized investment (losses) gains on foreign currency exchange forward contracts	$ (0.7)	$ (5.7)	$ 1.9	$ (5.6)

Regulatory Deposits, Pledged Securities and Letters of Credit

We are required to maintain assets on deposit with various regulatory authorities to support our insurance and reinsurance operations. We maintain assets pledged as collateral in support of irrevocable letters of credit issued under the terms of certain reinsurance agreements for reported loss and loss expense reserves. The following table presents our components of restricted assets at June 30:

(in millions)	June 30, 2018	June 30, 2017
Securities on deposit for regulatory and other purposes	$ 167.0	$ 176.0
Securities pledged as collateral for letters of credit	78.1	29.1
Securities and cash on deposit supporting Lloyd's business	373.9	397.2
Total restricted investments	$ 619.0	$ 602.3

Fair Value Measurements

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. 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. We receive one quote per instrument for Level 1 inputs.
- 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.

We receive fair value prices from third-party pricing services and our outside investment managers. These prices are determined using observable market information such as dealer quotes, market spreads, cash flows, yield curves, live trading levels, trade execution data, market consensus prepayment speeds, credit information and the security's terms and conditions, among other things. We have reviewed the processes used by the third-party providers for pricing the securities, and have determined that these processes result in fair values consistent with GAAP requirements. In addition, we review these prices for reasonableness, and have not adjusted any prices received from the third-party providers as of June 30, 2018 . 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 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 2: We own interests in a mutual fund that is reported at fair value using Level 2 inputs. The valuation is based on the fund's net asset value per share, at the end of each month. The underlying assets in the fund are valued primarily on the basis of closing market quotations or official closing prices on each valuation day.

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 obtained from the National Association of Insurance Commissioners' Security Valuation Office at the reporting date.
- 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 a broker and an independent valuation service, both based upon estimates and assumptions.

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.

Transfers Between Level 1 and Level 2 Securities: There were no transfers between Level 1 and Level 2 securities during the three months ended June 30, 2018 .

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

		Fair Value Measurements at Reporting Date Using		
(in millions)	June 30, 2018	Level 1 [(a)]	Level 2 [(b)]	Level 3 [(c)]
Fixed maturities				
U.S. Governments	$ 261.2	$ 252.2	$ 9.0	$ —
Foreign Governments	244.1	—	244.1	—
Obligations of states and political subdivisions	270.7	—	270.7	—
Corporate bonds	1,635.4	—	1,631.8	3.6
Commercial mortgage-backed securities	143.0	—	143.0	—
Residential mortgage-backed securities	368.1	—	368.1	—
Asset-backed securities	158.5	—	158.5	—
Collateralized loan obligations	220.4	—	220.4	—
Total fixed maturities	3,301.4	252.2	3,045.6	3.6
Equity securities	492.2	484.1	2.1	6.0
Other investments	95.4	—	95.4	—
Short-term investments	449.4	391.8	57.6	—
	$ 4,338.4	$ 1,128.1	$ 3,200.7	$ 9.6

(a) Quoted prices in active markets for identical assets
(b) Significant other observable inputs
(c) Significant unobservable inputs

(in millions)	December 31, 2017	Fair Value Measurements at Reporting Date Using Level 1 [a]	Level 2 [b]	Level 3 [c]
Fixed maturities				
U.S. Governments	$ 415.1	$ 410.6	$ 4.5	$ —
Foreign Governments	233.2	—	233.2	—
Obligations of states and political subdivisions	335.9	—	335.9	—
Corporate bonds	1,525.7	—	1,523.8	1.9
Commercial mortgage-backed securities	134.9	—	134.9	—
Residential mortgage-backed securities	309.4	—	309.4	—
Asset-backed securities	161.2	—	161.2	—
Collateralized loan obligations	228.0	—	228.0	—
Total fixed maturities	3,343.4	410.6	2,930.9	1.9
Equity securities	487.4	483.0	2.1	2.3
Other investments	108.8	—	108.8	—
Short-term investments	368.5	333.7	34.8	—
	$ 4,308.1	$ 1,227.3	$ 3,076.6	$ 4.2

[a] Quoted prices in active markets for identical assets
[b] Significant other observable inputs
[c] Significant unobservable inputs

The fair value measurements in the tables above do not equal "Total investments" on our Consolidated Balance Sheets as they exclude certain other investments that are accounted for under the equity-method of accounting.

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

Fair Value Measurements Using Observable Inputs (Level 3)

(in millions)	Credit Financial	Equity Securities	Total
Beginning balance, January 1, 2018	$ 1.9	$ 2.3	$ 4.2
Transfers into Level 3	—	—	—
Transfers out of Level 3	—	—	—
Total gains or losses (realized/unrealized):			
Included in net income (loss)	—	—	—
Included in other comprehensive income (loss)	—	—	—
Purchases, issuances, sales, and settlements:			
Purchases	1.7	4.1	5.8
Issuances	—	—	—
Sales	—	(0.4)	(0.4)
Settlements	—	—	—
Ending balance, June 30, 2018	$ 3.6	$ 6.0	$ 9.6
Amount of total gains or losses for the year included in net income (loss) attributable to the change in unrealized gains or losses relating to assets still held at June 30, 2018	$ —	$ —	$ —

(in millions)	Credit Financial	Equity Securities	Total
Beginning balance, January 1, 2017	$ 2.0	$ 0.4	$ 2.4
Transfers into Level 3	—	—	—
Transfers out of Level 3	—	—	—
Total gains or losses (realized/unrealized):			
Included in net income (loss)	—	—	—
Included in other comprehensive income (loss)	(0.1)	0.2	0.1
Purchases, issuances, sales, and settlements:			
Purchases	—	1.7	1.7
Issuances	—	—	—
Sales	—	—	—
Settlements	—	—	—
Ending balance, December 31, 2017	$ 1.9	$ 2.3	$ 4.2
Amount of total gains or losses for the year included in net income (loss) attributable to the change in unrealized gains or losses relating to assets still held at December 31, 2017	$ —	$ —	$ —

At June 30, 2018 and December 31, 2017 , 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.

5. Reserves for Losses and Loss Adjustment Expenses

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

	For the Six Months Ended June 30,	
(in millions)	2018	2017
Net reserves beginning of the year	$ 2,488.0	$ 2,180.2
Net Maybrooke reserves acquired	—	132.6
Net Ariscom reserves acquired	49.4	—
Add:		
Losses and LAE incurred during current calendar year, net of reinsurance:		
Current accident year	487.1	447.4
Prior accident years	(4.4)	5.7
Losses and LAE incurred during calendar year, net of reinsurance	482.7	453.1
Deduct:		
Losses and LAE payments made during current calendar year, net of reinsurance:		
Current accident year	152.1	88.9
Prior accident years	327.0	290.8
Losses and LAE payments made during current calendar year, net of reinsurance:	479.1	379.7
Change in participation interest (1)	(29.4)	(23.2)
Foreign exchange adjustments	(24.0)	1.8
Net reserves - end of period	2,487.6	2,364.8
Add:		
Reinsurance recoverables on unpaid losses and LAE, end of period	1,755.3	1,268.0
Gross reserves - end of period	$ 4,242.9	$ 3,632.8

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

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

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

	For the Six Months Ended June 30,	
(in millions)	2018	2017
U.S. Operations	$ (4.1)	$ (18.0)
International Operations	(3.3)	19.6
Run-off Lines	3.0	4.1
Total (favorable) unfavorable prior-year development	$ (4.4)	$ 5.7

The following describes the primary factors behind each segment's prior accident year reserve development for the six months ended June 30, 2018 and 2017 :

Six months ended June 30, 2018 :

- *U.S. Operations:* Favorable development in liability and surety lines, partially offset by unfavorable development in commercial multi-peril lines.
- *International Operations:* Favorable development in property lines, partially offset by unfavorable development within specialty lines.
- *Run-off Lines:* Unfavorable development in risk management lines and other run-off lines.

Six months ended June 30, 2017 :

- *U.S. Operations:* Favorable development for workers compensation, surety, commercial auto, and commercial multi-peril lines.
- *International Operations:* Unfavorable development in the property, liability, and specialty lines
- *Run-off Lines:* Unfavorable development in risk management lines and other run-off lines.

In the opinion of management, our reserves represent the best estimate of our ultimate liabilities, based on currently known facts, current law, current technology and assumptions considered reasonable 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 4, "Investments," for additional information.

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

Debt . At June 30, 2018 and December 31, 2017 , the fair value of our Junior subordinated debentures, Senior unsecured fixed rate notes and Other indebtedness was estimated using appropriate market indices or quoted prices from external sources based on current market conditions. All of these debt instruments would be in Level 3 of the fair value hierarchy, as the fair value estimates shown below were calculated using unobservable inputs reflecting our assumptions about the assumptions market participants would use in pricing the liabilities.

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

	June 30, 2018		December 31, 2017	
(in millions)	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Junior subordinated debentures				
Trust preferred debentures	$ 172.7	$ 172.9	$ 172.7	$ 172.9
Subordinated debentures acquired with Maybrooke	84.1	83.3	83.9	85.0
Senior unsecured fixed rate notes	139.7	141.1	139.6	141.2
Floating rate loan stock	59.0	59.0	58.9	59.0

7. Shareholders' Equity

On February 20, 2018 , the Board of Directors declared a 15% stock dividend, payable March 21, 2018 to all shareholders of record at the close of business on March 7, 2018 . As a result of the stock dividend, 4,397,520 additional shares were issued. Cash was paid in lieu of fractional shares of our common shares. Excluding repurchased shares, all references to common shares and related per share amounts in this document and related disclosures have been adjusted to reflect the stock dividend for all periods presented.

On May 8, 2018 , our Board of Directors declared a quarterly cash dividend in the amount of $0.27 on each share of common stock outstanding. On June 15, 2018 , we paid $9.4 million to our shareholders of record on June 1, 2018 .

On June 1, 2017 , our Board of Directors declared a quarterly cash dividend in the amount of $0.23 on each share of common stock outstanding, on a post-stock dividend basis. On June 26, 2017 , we paid $8.3 million to our shareholders of record on June 12, 2017 .

On May 3, 2016, our Board of Directors authorized the repurchase of up to $150.0 million of our common shares ("2016 Repurchase Authorization"). The 2016 Repurchase Authorization supersedes all previous Repurchase Authorizations. As of June 30, 2018 , availability under the 2016 Repurchase Authorization for future repurchases of our common shares was $64.6 million .

For the six months ended June 30, 2018 , we repurchased a total of 344,533 common shares for $20.4 million . A summary of activity from January 1, 2018 through June 30, 2018 follows.

A summary of common shares repurchased for the six months ended June 30, 2018 is shown below:

Repurchase Type	Date Trading Plan Initiated	2018 Purchase Period	Number of Shares Repurchased	Average Price of Shares Repurchased	Total Cost (in millions)	Repurchase Authorization Year
10b5-1 Trading Plan	12/15/2017	01/02/2018-02/16/2018	225,281	$ 59.31	$ 13.3	2016
10b5-1 Trading Plan	6/15/2018	06/22/2018-06/29/2018	29,947	$ 58.86	1.8	2016
Open Market	N/A	02/20/2018-03/02/2018	89,305	$ 59.03	5.3	2016
Total			344,533	$ 59.20	$ 20.4	

8. Accumulated Other Comprehensive (Loss) Income

A summary of changes in accumulated other comprehensive (loss) income, net of taxes (where applicable) by component for the six months ended June 30, 2018 , and 2017 is presented below:

(in millions)	Foreign Currency Translation Adjustments	Unrealized Holding Gains on Securities	Defined Benefit Pension Plans	Total
Balance, January 1, 2018	$ (19.0)	$ 121.9	$ (6.3)	$ 96.6
Cumulative effect of adoption of ASU 2016-01	—	(117.5)	—	(117.5)
Cumulative effect of adoption of ASU 2018-02	—	22.1	(1.4)	20.7
Other comprehensive income (loss) before reclassifications	(4.0)	(52.1)	—	(56.1)
Amounts reclassified from accumulated other comprehensive income (loss)	—	2.4	—	2.4
Net current-period other comprehensive income (loss)	(4.0)	(145.1)	(1.4)	(150.5)
Balance at June 30, 2018	$ (23.0)	$ (23.2)	$ (7.7)	$ (53.9)

(in millions)	Foreign Currency Translation Adjustments	Unrealized Holding Gains on Securities	Defined Benefit Pension Plans	Total
Balance, January 1, 2017	$ (17.6)	$ 72.4	$ (7.1)	$ 47.7
Other comprehensive income (loss) before reclassifications	(0.6)	45.7	—	45.1
Amounts reclassified from accumulated other comprehensive income (loss)	—	(12.7)	—	(12.7)
Net current-period other comprehensive income (loss)	(0.6)	33.0	—	32.4
Balance at June 30, 2017	$ (18.2)	$ 105.4	$ (7.1)	$ 80.1

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

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
(in millions)	2018	2017	2018	2017
Unrealized gains and losses on securities:				
Net realized investment gains (losses)	$ 15.1	$ (2.7)	$ 2.6	$ (18.9)
Provision for income taxes	(2.5)	1.0	(0.2)	6.2
Net of taxes	$ 12.6	$ (1.7)	$ 2.4	$ (12.7)

9. Net Income Per Common Share

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

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
(in millions, except number of shares and per share amounts)	2018	2017	2018	2017
Net income	$ 41.8	$ 46.0	$ 66.6	$ 82.7
Weighted average common shares outstanding - basic	33,938,509	34,731,866	33,903,809	34,643,594
Effect of dilutive securities:				
Equity compensation awards	730,409	973,618	801,002	1,001,046
Weighted average common shares outstanding - diluted	34,668,918	35,705,484	34,704,811	35,644,640
Net income per common share:				
Basic	$ 1.23	$ 1.32	$ 1.96	$ 2.39
Diluted	$ 1.20	$ 1.29	$ 1.92	$ 2.32

Excluded from the weighted average common shares outstanding calculation at June 30, 2018 and 2017 are 11,129,540 shares and 10,075,255 shares, respectively, which are held as treasury shares. The shares are excluded as of their repurchase date. For both the three and six months ended June 30, 2018 and 2017 , there were no equity compensation awards with an anti-dilutive effect.

10. Supplemental Cash Flow Information

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

	For the Six Months Ended June 30,	
(in millions)	2018	2017
Senior unsecured fixed rate notes	$ 4.7	$ 4.7
Junior subordinated debentures	7.1	6.0
Other indebtedness	3.3	1.6
Revolving credit facility	0.3	0.3
Total interest paid	$ 15.4	$ 12.6
Income taxes paid	8.2	9.9
Income taxes recovered	—	(2.2)
Income taxes paid, net	$ 8.2	$ 7.7

11. Share-based Compensation

The fair value method of accounting is used for share-based compensation plans. Under the fair value method, compensation cost is measured based on the fair value of the award at the measurement date and recognized over the requisite service period. We use the Black-Scholes model to estimate the fair values on the measurement date for share options and share appreciation rights ("SARs"). The Black-Scholes model uses several assumptions to value a share award. The risk-free rate of return assumption is based on the five -year U.S. Treasury constant maturity rate on the measurement date. The expected dividend yield is based on our history and expected dividend payouts. The expected award life is based upon the average holding period over the history of the incentive plan. The expected volatility assumption is based on the historical change in our stock price over the previous five years preceding the measurement date.

The following table summarizes the assumptions we used for the six months ended June 30, 2018 and 2017 :

	For the Six Months Ended June 30,	
	2018	2017
Risk-free rate of return	2.73%	1.83%
Expected dividend yields	1.87%	1.68%
Expected award life (years)	4.49	4.48
Expected volatility	18.13%	18.64%

All outstanding awards were adjusted to reflect the 15% stock dividend, resulting in a 15% increase to the number of awards outstanding and a 13.04% reduction in the exercise price.

Argo Group's Long-Term Incentive Plan

In November 2007, our shareholders approved the 2007 Long-Term Incentive Plan (the "2007 Plan"), which provides for an aggregate of 4.5 million shares of our common stock that may be issued to executives, non-employee directors, and other key employees. As of May 2014, 1.46 million shares remained available for grant under the 2007 Plan. In May 2014, our shareholders approved the 2014 Long-Term Incentive Plan (the "2014 Plan"), which provides for an additional 2.8 million shares of our common stock to be available for issuance to executives, non-employee directors and other key employees. The share awards may be in the form of share options, SARs, restricted shares, restricted share awards, restricted share unit awards, performance awards, other share-based awards and other cash-based awards. Shares issued under this plan may be shares that are authorized and unissued or shares that we reacquired, including shares purchased on the open market. Share options and SARs will count as one share for the purposes of the limits under the incentive plans; restricted shares, restricted share units, performance units, performance shares or other share-based incentive awards which settle in common shares will count as 2.75 shares for purpose of the limits under the 2014 Plan.

Share options may be in the form of incentive share options, non-qualified share options and restorative options. Share options are required to have an exercise price that is not less than the market value on the date of grant. We are prohibited from repricing the options, except for the impact of stock dividend declarations. The term of the share options cannot exceed seven years from the grant date.

Restricted Shares

A summary of restricted share activity as of June 30, 2018 and changes during the six months ended is as follows:

	Shares	Weighted-Average Grant Date Fair Value
Outstanding at January 1, 2018	767,140	$ 42.91
Granted	319,134	$ 47.57
Vested and issued	(199,193)	$ 42.99
Expired or forfeited	(85,003)	$ 44.74
Outstanding at June 30, 2018	802,078	$ 44.55

The restricted shares vest over one to eight years. Expense recognized under this plan for the restricted shares was $4.8 million and $8.2 million for the three and six months ended June 30, 2018 , respectively, as compared to $2.4 million and $5.2 million for the three and six months ended June 30, 2017 . Compensation expense for all share-based compensation awards is included in “Underwriting, acquisition and insurance expenses” in the accompanying Consolidated Statements of Income. As of June 30, 2018 , there was $26.6 million of total unrecognized compensation cost related to restricted share compensation arrangements granted by Argo Group.

Stock-Settled SARs

A summary of stock-settled SARs activity as of June 30, 2018 and changes during the six months ended is as follows:

	Shares	Weighted-Average Exercise Price
Outstanding at January 1, 2018	1,494,458	$ 30.85
Exercised	(464,807)	$ 27.07
Expired or forfeited	(14,947)	$ 36.25
Outstanding at June 30, 2018	1,014,704	$ 32.50

The stock-settled SARs vest over a one to four -year period. Upon exercise of the stock-settled SARs, the employee is entitled to receive shares of our common stock equal to the appreciation of the stock as compared to the exercise price. Expense recognized for the stock-settled SARs was $0.4 million and $1.5 million for the three and six months ended June 30, 2018 , respectively, as compared to $2.0 million and $2.7 million for the three and six months ended June 30, 2017 . As of June 30, 2018 , there was $1.2 million of total unrecognized compensation cost related to stock-settled SARs outstanding.

Cash-Settled SARs

A summary of cash-settled SARs activity as of June 30, 2018 and changes during the six months ended is as follows:

	Shares	Weighted-Average Exercise Price
Outstanding at January 1, 2018	189,568	$ 28.95
Exercised	(68,955)	$ 28.56
Expired or forfeited	(2,568)	$ 21.23
Outstanding at June 30, 2018	118,045	$ 29.35

As of June 30, 2018 , all the cash-settled SARs are fully vested. Upon exercise of the cash-settled SARs, the employee is entitled to receive cash payment for the appreciation in the value of our common stock over the exercise price. We account for the cash-settled SARs as liability awards, which require the awards to be revalued at each reporting period. Expense recognized for the cash-settle SARs was $0.3

million and $0.8 million for the three and six months ended June 30, 2018 , respectively. For the three and six months ended June 30, 2017 , we recouped $2.3 million and $0.9 million of expense, respectively, primarily related to a decrease in the fair market value of our stock. As of June 30, 2018 , there was no unrecognized compensation cost related to cash-settled SARs outstanding.

12. Underwriting, Acquisition and Insurance Expenses

The components of our underwriting, acquisition and insurance expenses are detailed in the table below. General expenses includes certain costs associated with our holding company.

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
(in millions)	2018	2017	2018	2017
Commissions	$ 56.7	$ 69.2	$ 124.7	$ 130.4
General expenses	90.6	88.0	178.4	176.7
Premium taxes, boards and bureaus	8.1	6.7	17.4	14.1
	155.4	163.9	320.5	321.2
Net amortization (deferral) of policy acquisition costs	1.4	(9.2)	(3.5)	(12.9)
Total underwriting, acquisition and insurance expenses	$ 156.8	$ 154.7	$ 317.0	$ 308.3

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 Act, 2011, which exempts us from any Bermuda taxes computed on profits, income or any capital asset, gain or appreciation or any tax in the nature of estate duty or inheritance tax, at least until the year 2035.

We do not consider ourselves to be engaged in a trade or business in the United States or the United Kingdom and, accordingly, do not expect to be subject to direct United States or United Kingdom income taxation.

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

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

We also have operations in Belgium, Brazil, France, Ireland, Italy, Luxembourg, Malta, Spain, and Switzerland, which also are subject to income taxes imposed by the jurisdiction in which they operate. We have operations in Barbados and the United Arab Emirates, which are not subject to income tax under the laws of those countries.

On December 22, 2017, U.S. tax legislation referred to as the TCJA was enacted. The effects of changes in tax laws and tax rates are recognized in the period of enactment. Accordingly, we recorded the impacts of the TCJA in our 2017 consolidated financial statements which, among other changes, primarily includes the remeasurement of our deferred tax assets and liabilities for the reduced US federal tax rate from 35% to 21% beginning on January 1, 2018, and the computation of a provisional amount for the loss reserve discounting modifications. We are still analyzing certain aspects of the TCJA and refining our calculations, which could potentially affect the measurement of these balances or potentially give rise to new deferred tax amounts. We have not made any adjustments to the provisional amounts we recorded during the year ended December 31, 2017 . Beginning in 2018, the TCJA introduces an additional Base Erosion and Anti-abuse Tax ("BEAT") provision computed to be an additional liability in excess of the regular US tax liability based upon an alternative BEAT computation. At this time, we have not recorded any provisional amounts for BEAT as we are awaiting information from Lloyd's to determine the effect of BEAT on our US branches within our UK operations. Thus, our 2018 consolidated financial statements reflect a reasonably estimated provisional amount based on information available and in accordance with SAB 118. SAB 118 provides guidance on accounting for the effects of the U.S. tax reform where our determinations are incomplete but we are able to determine a reasonable estimate. A final determination is required to be made within a measurement period not to extend beyond one year from the enactment date of the U.S. tax reform. As additional guidance is released, the estimate will be updated as necessary.

Our expected income tax provision computed on pre-tax income (loss) at the weighted average tax rate has been calculated as the sum of the pre-tax income (loss) in each jurisdiction multiplied by that jurisdiction's applicable statutory tax rate. For the three and six months ended June 30, 2018 and 2017 , pre-tax income (loss) attributable to our operations and the operations' effective tax rates were as follows:

(in millions)	For the Three Months Ended June 30, 2018		2017	
	Pre-Tax Income (Loss)	Effective Tax Rate	Pre-Tax Income (Loss)	Effective Tax Rate
Bermuda	$ (33.6)	— %	$ 25.3	—%
United States	85.7	17.1 %	34.7	23.3%
United Kingdom	6.6	10.1 %	(6.5)	52.8%
Belgium	(0.1)	36.4 %	0.1	36.6%
Brazil	0.1	— %	0.6	—%
United Arab Emirates	0.2	— %	(2.2)	—%
Ireland	(0.1)	— %	— (1)	—%
Italy	(1.1)	— %	—	—%
Malta	(0.6)	(0.2)%	0.5	—%
Luxembourg	— (1)	— %	(1.7)	—%
Switzerland	— (1)	20.8 %	— (1)	22.1%
Pre-tax income	$ 57.1	26.9 %	$ 50.8	9.4%

(in millions)	For the Six Months Ended June 30, 2018		2017	
	Pre-Tax Income (Loss)	Effective Tax Rate	Pre-Tax Income (Loss)	Effective Tax Rate
Bermuda	$ (8.4)	—%	$ 51.7	—%
United States	79.5	16.6%	58.7	24.8%
United Kingdom	12.7	17.1%	(12.0)	32.3%
Belgium	— (1)	—%	0.1	36.2%
Brazil	(1.3)	—%	(0.2)	—%
United Arab Emirates	0.4	—%	(3.5)	—%
Ireland	(0.1)	—%	— (1)	—%
Italy	(1.1)	—%	—	—%
Malta	0.4	0.2%	1.1	—%
Luxembourg	— (1)	—%	(2.4)	—%
Switzerland	— (1)	20.8%	— (1)	20.8%
Pre-tax income	$ 82.1	18.9%	$ 93.5	11.5%

(1) Pre-tax income 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 inherit nature of our business. A reconciliation of the difference between the provision for income taxes and the expected tax provision at the weighted average tax rate is as follows:

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
(in millions)	2018	2017	2018	2017
Income tax (benefit) provision at expected rate	$ 18.8	$ 10.8	$ 18.4	$ 18.0
Tax effect of:				
Nontaxable investment income	(0.5)	(1.1)	(1.0)	(2.4)
Foreign exchange adjustments	—	(0.9)	(0.2)	(0.3)
Withholding taxes	0.2	0.2	0.3	0.3
Change in valuation allowance	(0.7)	(1.0)	(3.4)	(1.1)
Other	(2.5)	(3.2)	1.4	(3.7)
Income tax provision	$ 15.3	$ 4.8	$ 15.5	$ 10.8

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 US property and casualty insurers two years for net operating losses and for all our US 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. The net change in valuation allowance for deferred tax assets was a decrease of $3.4 million in 2018 relating to the items discussed below. 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.

Management has determined that a valuation allowance is required for a portion of the tax-effected net operating loss carryforward included as part of the United States consolidated group of $6.9 million generated from PXRE Corporation and for the tax effected net operating loss carryforward of $0.6 million from ARIS. The valuation allowances have been established as Internal Revenue Code Section 382 limits regarding the application of net operating loss carryforwards following an ownership change. The loss carryforwards available per year for both of these items are $2.8 million , as required by Internal Revenue Code Section 382.

Furthermore, due to cumulative losses incurred since inception, management has concluded that a valuation allowance is required for the full amount of the tax-effected net operating losses generated by our Brazil and Malta entities. Additionally, valuation allowances were established for our Luxembourg and US affiliates acquired in the Maybrooke transaction as well as our Italian operations acquired in the Ariscom transaction.

Accordingly, a valuation allowance is required as of June 30, 2018 of which $6.6 million relates to Brazil operations, $5.8 million relates to Italian operations and $1.2 million relates to Malta operations. During the six months ended June 30, 2018 , the affiliates of Maybrooke Holdings SA have a valuation allowance established in the amount of $1.2 million . The change from 2017 was primarily driven from the liquidation of our Luxembourg affiliate as of March 23, 2018.

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. We had no material unrecognized tax benefits as of June 30, 2018 and 2017 . Our United States subsidiaries are no longer subject to U.S. federal and state income tax examinations by tax authorities for years before 2014. Our United Kingdom subsidiaries are no longer subject to United Kingdom income tax examinations by Her Majesty's Revenue and Customs for years before 2016.

14. Commitments and Contingencies

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

We have contractual commitments to invest up to $114.9 million related to our limited partnership investments at June 30, 2018 . These commitments will be funded as required by the partnership agreements which can be called to be fulfilled at any time, not to exceed thirteen years .

15. Segment Information

We are primarily engaged in underwriting property and casualty insurance and reinsurance. We have two ongoing reporting segments: U.S. Operations and International Operations. Additionally, we have a Run-off Lines segment 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. Transactions between segments are reported in the segment that initiated the transaction.

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:

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
(in millions)	2018	2017	2018	2017
Revenue:				
Earned premiums				
U.S. Operations	$ 267.0	$ 229.1	$ 529.3	$ 450.3
International Operations	150.5	169.9	302.9	328.1
Run-off Lines	0.2	0.1	0.2	0.1
Total earned premiums	417.7	399.1	832.4	778.5
Net investment income				
U.S. Operations	20.7	27.3	43.3	47.2
International Operations	8.4	10.1	17.2	16.7
Run-off Lines	2.0	2.9	4.2	5.0
Corporate and Other	2.1	3.3	4.5	5.2
Total net investment income	33.2	43.6	69.2	74.1
Fee and other income	1.9	3.8	3.9	7.4
Net realized investment gains (losses)	10.5	4.5	(5.2)	19.1
Total revenue	$ 463.3	$ 451.0	$ 900.3	$ 879.1

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
(in millions)	2018	2017	2018	2017
Income (loss) before income taxes				
U.S. Operations	$ 42.5	$ 53.0	$ 76.5	$ 90.2
International Operations	13.2	9.1	36.1	17.4
Run-off Lines	(0.3)	(1.2)	(1.0)	(3.7)
Total segment income before taxes	55.4	60.9	111.6	103.9
Corporate and Other	(8.8)	(14.6)	(24.3)	(29.5)
Net realized investment gains (losses)	10.5	4.5	(5.2)	19.1
Total income before income taxes	$ 57.1	$ 50.8	$ 82.1	$ 93.5

The table below presents earned premiums by geographic location for the three and six months ended June 30, 2018 and 2017 . 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.

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
(in millions)	2018	2017	2018	2017
Bermuda	$ 20.9	$ 23.1	$ 41.4	$ 48.7
Brazil	10.5	12.3	23.5	25.1
Italy	2.8	—	2.8	—
Malta	15.7	1.3	21.4	2.3
United Kingdom	102.0	133.3	216.1	252.1
United States	265.8	229.1	527.2	450.3
Total earned premiums	$ 417.7	$ 399.1	$ 832.4	$ 778.5

The following table represents identifiable assets:

(in millions)	June 30, 2018	December 31, 2017
U.S. Operations	$ 4,490.6	$ 4,298.4
International Operations	3,762.7	3,553.8
Run-off Lines	453.8	449.6
Corporate and Other	398.6	462.2
Total	$ 9,105.7	$ 8,764.0

Included in total assets at June 30, 2018 and December 31, 2017 are $765.7 million and $731.8 million , respectively, in assets associated with trade capital providers.

16. Senior Unsecured Fixed Rate Notes

In September 2012, Argo Group (the "Parent Guarantor"), through its subsidiary Argo Group US (the "Subsidiary Issuer"), issued $143,750,000 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, on or after September 15, 2017 , at the Subsidiary Issuer's option, at any time and from time to time, prior to maturity at a redemption price equal to 100% of the principal amount of the Notes to be redeemed, plus accrued but unpaid interest on the principal amount being redeemed to, but not including, the redemption date.

In accordance with ASU 2015-3, "Simplifying the Presentation of Debt Issuance Costs" (Topic 835), we present the unamortized debt issuance costs in the balance sheet as a direct deduction from the carrying value of the debt liability. At June 30, 2018 and December 31, 2017 , the Notes consisted of the following:

(in millions)	June 30, 2018	December 31, 2017
Senior unsecured fixed rate notes		
Principal	$ 143.8	$ 143.8
Less: unamortized debt issuance costs	(4.1)	(4.2)
Senior unsecured fixed rate notes, less unamortized debt issuance costs	$ 139.7	$ 139.6

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 at June 30, 2018 and December 31, 2017 and for the three and six months ended June 30, 2018 and 2017 , 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, results of operations and cash flows of operating insurance company subsidiaries.

CONDENSED CONSOLIDATING BALANCE SHEET
JUNE 30, 2018
(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	$ 1.2	$ 3,107.6	$ 1,660.1	$ —	$ 4,768.9
Cash	1.0	19.3	106.4	—	126.7
Accrued investment income	—	18.6	6.3	—	24.9
Premiums receivable	—	221.8	476.3	—	698.1
Reinsurance recoverables	—	1,548.5	583.1	—	2,131.6
Goodwill and other intangible assets, net	42.6	124.6	106.1	—	273.3
Deferred acquisition costs, net	—	82.9	78.2	—	161.1
Ceded unearned premiums	—	221.9	271.5	—	493.4
Other assets	9.6	178.4	239.7	—	427.7
Intercompany note receivable	—	52.2	(52.2)	—	—
Investments in subsidiaries	1,968.3	—	—	(1,968.3)	—
Total assets	$ 2,022.7	$ 5,575.8	$ 3,475.5	$ (1,968.3)	$ 9,105.7
Liabilities and Shareholders' Equity					
Reserves for losses and loss adjustment expenses	$ —	$ 2,575.3	$ 1,667.6	$ —	$ 4,242.9
Unearned premiums	—	721.8	561.8	—	1,283.6
Funds held and ceded reinsurance payable, net	—	754.2	102.6	—	856.8
Debt	153.4	284.7	143.0	—	581.1
Current income taxes payable, net	—	14.4	(0.9)	—	13.5
Deferred tax liabilities, net	—	15.4	(0.3)	—	15.1
Accrued underwriting expenses and other liabilities	11.2	94.6	209.8	—	315.6
Due to (from) affiliates	61.0	1.0	(1.0)	(61.0)	—
Total liabilities	225.6	4,461.4	2,682.6	(61.0)	7,308.6
Total shareholders' equity	1,797.1	1,114.4	792.9	(1,907.3)	1,797.1
Total liabilities and shareholders' equity	$ 2,022.7	$ 5,575.8	$ 3,475.5	$ (1,968.3)	$ 9,105.7

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

CONDENSED CONSOLIDATING BALANCE SHEET
DECEMBER 31, 2017
(in millions)

	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	$ 0.4	$ 3,079.0	$ 1,663.5	$ —	$ 4,742.9
Cash	0.9	47.8	127.9	—	176.6
Accrued investment income	—	18.0	5.5	—	23.5
Premiums receivable	—	216.5	382.1	—	598.6
Reinsurance recoverables	—	1,487.3	606.0	—	2,093.3
Goodwill and other intangible assets, net	43.2	124.9	90.1	—	258.2
Current income taxes receivable, net	—	2.4	(1.0)	—	1.4
Deferred acquisition costs, net	—	80.7	79.7	—	160.4
Ceded unearned premiums	—	198.5	201.0	—	399.5
Other assets	9.2	171.5	128.9	—	309.6
Intercompany note receivable	—	50.9	(50.9)	—	—
Investments in subsidiaries	1,940.0	—	—	(1,940.0)	—
Total assets	$ 1,993.7	$ 5,477.5	$ 3,232.8	$ (1,940.0)	$ 8,764.0
Liabilities and Shareholders' Equity					
Reserves for losses and loss adjustment expenses	$ —	$ 2,483.9	$ 1,717.1	$ —	$ 4,201.0
Unearned premiums	—	704.0	503.7	—	1,207.7
Funds held and ceded reinsurance payable, net	—	799.4	(22.7)	—	776.7
Long-term debt	153.4	284.5	142.8	—	580.7
Deferred tax liabilities, net	—	32.5	(1.2)	—	31.3
Accrued underwriting expenses and other liabilities	8.9	95.0	43.0	—	146.9
Due to (from) affiliates	11.7	(0.4)	0.4	(11.7)	—
Total liabilities	174.0	4,398.9	2,383.1	(11.7)	6,944.3
Total shareholders' equity	1,819.7	1,078.6	849.7	(1,928.3)	1,819.7
Total liabilities and shareholders' equity	$ 1,993.7	$ 5,477.5	$ 3,232.8	$ (1,940.0)	$ 8,764.0

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

CONDENSED CONSOLIDATING STATEMENT OF INCOME
FOR THE THREE MONTHS ENDED JUNE 30, 2018
(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	$ —	$ 267.0	$ 150.7	$ —	$ 417.7
Net investment (expense) income	(0.7)	19.0	14.9	—	33.2
Fee and other income	—	0.7	1.2	—	1.9
Net realized investment gains (losses)	0.5	14.5	(4.5)	—	10.5
Total revenue	(0.2)	301.2	162.3	—	463.3
Expenses:					
Losses and loss adjustment expenses	—	114.4	131.1	—	245.5
Underwriting, acquisition and insurance expenses	5.8	95.5	55.5	—	156.8
Interest expense	1.6	4.5	1.7	—	7.8
Fee and other expense	—	1.1	0.5	—	1.6
Foreign currency exchange losses (gains)	—	0.1	(5.6)	—	(5.5)
Total expenses	7.4	215.6	183.2	—	406.2
(Loss) income before income taxes	(7.6)	85.6	(20.9)	—	57.1
Provision for income taxes	—	14.6	0.7	—	15.3
Net (loss) income before equity in earnings of subsidiaries	(7.6)	71.0	(21.6)	—	41.8
Equity in undistributed earnings of subsidiaries	49.4	—	—	(49.4)	—
Net income	$ 41.8	$ 71.0	$ (21.6)	$ (49.4)	$ 41.8

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

CONDENSED CONSOLIDATING STATEMENT OF INCOME
FOR THE THREE MONTHS ENDED JUNE 30, 2017
(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	$ —	$ 135.5	$ 263.6	$ —	$ 399.1
Net investment (expense) income	(0.4)	29.3	14.7	—	43.6
Fee and other income	—	2.9	0.9	—	3.8
Net realized investment gains (losses)	—	5.2	(0.7)	—	4.5
Total revenue	(0.4)	172.9	278.5	—	451.0
Expenses:					
Losses and loss adjustment expenses	—	72.5	158.1	—	230.6
Underwriting, acquisition and insurance expenses	3.8	58.5	92.4	—	154.7
Interest expense	1.1	4.2	1.7	—	7.0
Fee and other expense	—	3.2	0.1	—	3.3
Foreign currency exchange (gains) losses	—	(0.1)	4.7	—	4.6
Total expenses	4.9	138.3	257.0	—	400.2
(Loss) income before income taxes	(5.3)	34.6	21.5	—	50.8
Provision (benefit) for income taxes	—	8.1	(3.3)	—	4.8
Net (loss) income before equity in earnings of subsidiaries	(5.3)	26.5	24.8	—	46.0
Equity in undistributed earnings of subsidiaries	51.3	—	—	(51.3)	—
Net income	$ 46.0	$ 26.5	$ 24.8	$ (51.3)	$ 46.0

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

CONDENSED CONSOLIDATING STATEMENT OF INCOME
FOR THE SIX MONTHS ENDED JUNE 30, 2018
(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	$ —	$ 423.9	$ 408.5	$ —	$ 832.4
Net investment (expense) income	(1.4)	41.1	29.5	—	69.2
Fee and other income	—	1.5	2.4	—	3.9
Net realized investment gains (losses)	0.1	(0.9)	(4.4)	—	(5.2)
Total revenue	(1.3)	465.6	436.0	—	900.3
Expenses:					
Losses and loss adjustment expenses	—	209.8	272.9	—	482.7
Underwriting, acquisition and insurance expenses	8.2	165.2	143.6	—	317.0
Interest expense	2.9	8.8	3.8	—	15.5
Fee and other expense	—	2.5	1.1	—	3.6
Foreign currency exchange losses (gains)	—	0.2	(0.8)	—	(0.6)
Total expenses	11.1	386.5	420.6	—	818.2
(Loss) income before income taxes	(12.4)	79.1	15.4	—	82.1
Provision for income taxes	—	13.2	2.3	—	15.5
Net (loss) income before equity in earnings of subsidiaries	(12.4)	65.9	13.1	—	66.6
Equity in undistributed earnings of subsidiaries	79.0	—	—	(79.0)	—
Net income	$ 66.6	$ 65.9	$ 13.1	$ (79.0)	$ 66.6

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

CONDENSED CONSOLIDATING STATEMENT OF INCOME
FOR THE SIX MONTHS ENDED JUNE 30, 2017
(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	$ —	$ 266.4	$ 512.1	$ —	$ 778.5
Net investment (expense) income	(2.1)	48.2	28.0	—	74.1
Fee and other income	—	5.7	1.7	—	7.4
Net realized investment gains (losses)	0.5	19.0	(0.4)	—	19.1
Total revenue	(1.6)	339.3	541.4	—	879.1
Expenses:					
Losses and loss adjustment expenses	—	148.6	304.5	—	453.1
Underwriting, acquisition and insurance expenses	12.2	116.7	179.4	—	308.3
Interest expense	1.4	8.5	3.0	—	12.9
Fee and other expense	—	6.6	0.8	—	7.4
Foreign currency exchange losses	—	—	3.9	—	3.9
Total expenses	13.6	280.4	491.6	—	785.6
(Loss) income before income taxes	(15.2)	58.9	49.8	—	93.5
Provision for income taxes	—	14.5	(3.7)	—	10.8
Net (loss) income before equity in earnings of subsidiaries	(15.2)	44.4	53.5	—	82.7
Equity in undistributed earnings of subsidiaries	97.9	—	—	(97.9)	—
Net income	$ 82.7	$ 44.4	$ 53.5	$ (97.9)	$ 82.7

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

CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED JUNE 30, 2018
(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
Net cash flows from operating activities	$ 39.2	$ 48.8	$ 37.9	$ —	$ 125.9
Cash flows from investing activities:					
Proceeds from sales of investments	—	650.8	374.2	—	1,025.0
Maturities and mandatory calls of fixed maturity investments	—	226.8	61.9	—	288.7
Purchases of investments	—	(937.5)	(436.6)	—	(1,374.1)
Change in short-term investments and foreign regulatory deposits	(0.7)	(2.8)	(64.1)	—	(67.6)
Settlements of foreign currency exchange forward contracts	(0.4)	0.2	2.5	—	2.3
Cash included in acquisition of Ariscom	—	—	15.6	—	15.6
Purchases of fixed assets and other, net	(0.1)	(14.8)	(12.8)	—	(27.7)
Cash used in investing activities	(1.2)	(77.3)	(59.3)	—	(137.8)
Cash flows from financing activities:					
Activity under stock incentive plans	0.2	—	—	—	0.2
Repurchase of Company's common shares	(19.4)	—	—	—	(19.4)
Payment of cash dividend to common shareholders	(18.7)	—	—	—	(18.7)
Cash used in financing activities	(37.9)	—	—	—	(37.9)
Effect of exchange rate changes on cash	—	—	(0.1)	—	(0.1)
Change in cash	0.1	(28.5)	(21.5)	—	(49.9)
Cash, beginning of year	0.9	47.8	127.9	—	176.6
Cash, end of period	$ 1.0	$ 19.3	$ 106.4	$ —	$ 126.7

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

CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED JUNE 30, 2017
(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
Net cash flows from operating activities	$ 5.3	$ (8.0)	$ 40.0	$ —	$ 37.3
Cash flows from investing activities:					
Proceeds from sales of investments	—	514.4	444.0	—	958.4
Maturities and mandatory calls of fixed maturity investments	—	240.6	94.5	—	335.1
Purchases of investments	—	(811.0)	(655.0)	—	(1,466.0)
Change in short-term investments and foreign regulatory deposits	0.4	72.0	228.0	—	300.4
Settlements of foreign currency exchange forward contracts	0.8	—	(0.3)	—	0.5
Acquisition of Maybrooke, net of cash and cash equivalents acquired	(235.3)	—	130.1	—	(105.2)
Issuance of intercompany note, net	—	—	(120.0)	120.0	—
Purchases of fixed assets and other, net	(0.1)	(12.7)	(24.9)	—	(37.7)
Cash (used in) provided by investing activities	(234.2)	3.3	96.4	$ 120.0	(14.5)
Cash flows from financing activities:					
Additional long-term borrowings	125.0	—	—	—	125.0
Borrowing under intercompany note, net	120.0	—	—	(120.0)	—
Activity under stock incentive plans	0.5	—	—	—	0.5
Repurchase of Company's common shares	—	(2.8)	0	0	(2.8)
Payment of cash dividend to common shareholders	(16.6)	—	—	—	(16.6)
Cash provided by (used in) financing activities	228.9	(2.8)	—	(120.0)	106.1
Effect of exchange rate changes on cash	—	—	(0.4)	—	(0.4)
Change in cash	—	(7.5)	136.0	—	128.5
Cash, beginning of year	—	53.7	32.3	—	86.0
Cash, end of period	$ —	$ 46.2	$ 168.3	$ —	$ 214.5

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

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

The following is a discussion and analysis of our results of operations for the three and six months ended June 30, 2018 compared with the three and six months ended June 30, 2017 , and also a discussion of our financial condition as of June 30, 2018 . 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 Annual Report on Form 10-K for the year ended December 31, 2017 filed with the Securities and Exchange Commission ("SEC") on February 27, 2018, including the audited Consolidated Financial Statements and notes thereto.

Forward Looking Statements

Management's Discussion and Analysis of Financial Condition and Results of Operations, Quantitative and Qualitative Disclosures about Market Risk and the accompanying Consolidated Financial Statements (including the notes thereto) may contain "forward looking statements," which are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. The forward-looking statements are based on our current expectations and beliefs concerning future developments and their potential effects on us. There can be no assurance that actual developments will be those anticipated by us. Actual results may differ materially as a result of significant risks and uncertainties, including non-receipt of expected payments, capital markets and their effect on investment income and fair value of the investment portfolio, development of claims and the effect on loss reserves, accuracy in estimating loss reserves, changes in the demand for our products, effect of general economic conditions, adverse government legislation and regulations, government investigations into industry practices, developments relating to existing agreements, heightened competition, changes in pricing environments and changes in asset valuations. For a more detailed discussion of risks and uncertainties, see our public filings made with the SEC. We undertake no obligation to publicly update any forward-looking statements.

Generally, it is our policy to communicate events that may have a material adverse impact on our operations or financial position, including property and casualty catastrophe events and material losses in the investment portfolio, in a timely manner through a public announcement. It is also our policy not to make public announcements regarding events that are believed to have no material adverse impact on our results of operations or financial position based on management's current estimates and available information, other than through regularly scheduled calls, press releases or filings.

Consolidated Results of Operations

For the three and six months ended June 30, 2018 , we reported net income of $41.8 million ($1.20 per diluted share) and $66.6 million ($1.92 per diluted share), respectively. For the three and six months ended June 30, 2017 , we reported net income of $46.0 million ($1.29 per diluted share) and $82.7 million ($2.32 per diluted share), respectively.

The following is a comparison of selected data from our operations:

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
(in millions)	2018	2017	2018	2017
Gross written premiums	$ 702.8	$ 687.2	$ 1,413.3	$ 1,285.8
Earned premiums	$ 417.7	$ 399.1	$ 832.4	$ 778.5
Net investment income	33.2	43.6	69.2	74.1
Fee and other income	1.9	3.8	3.9	7.4
Net realized investment gains (losses):				
Net realized investment gains	6.2	4.5	21.4	19.1
Change in fair value of equity securities	4.3	—	(26.6)	—
Net realized investment gains (losses)	10.5	4.5	(5.2)	19.1
Total revenue	$ 463.3	$ 451.0	$ 900.3	$ 879.1
Income before income taxes	$ 57.1	$ 50.8	$ 82.1	$ 93.5
Income tax provision	15.3	4.8	15.5	10.8
Net income	$ 41.8	$ 46.0	$ 66.6	$ 82.7
Loss ratio	58.8%	57.8%	58.0%	58.2%
Expense ratio	37.5%	38.8%	38.1%	39.6%
Combined ratio	96.3%	96.6%	96.1%	97.8%

In presenting our results in the following discussion and analysis of our results of operations, we have included certain non-generally accepted accounting principles ("non-GAAP") financial measures within the meaning of Regulation G as promulgated by the SEC. We believe that these non-GAAP measures, which may be defined differently by other companies, better explain our results of operations in a manner that allows for a more complete understanding of the underlying trends in our business. However, these measures should not be viewed as a substitute for those determined in accordance with United States generally accepted accounting principles ("GAAP"). Reconciliations of these financial measures to their most directly comparable GAAP measures are included in the tables below.

	For the Three Months Ended June 30,			
(in millions)	2018		2017	
	Amount	Ratio	Amount	Ratio
Earned premiums	$ 417.7		$ 399.1	
Losses and loss adjustment expenses, as reported	$ 245.5	58.8 %	$ 230.6	57.8 %
Less:				
Favorable prior accident year loss development	(2.4)	(0.5)%	(1.1)	(0.2)%
Catastrophe losses	1.7	0.4 %	4.5	1.1 %
Current accident year non-catastrophe losses	$ 246.2	58.9 %	$ 227.2	56.9 %
Expense ratio		37.5 %		38.8 %
Combined ratio, as adjusted		96.4 %		95.7 %

	For the Six Months Ended June 30,			
(in millions)	2018		2017	
	Amount	Ratio	Amount	Ratio
Earned premiums	$ 832.4		$ 778.5	
Losses and loss adjustment expenses, as reported	$ 482.7	58.0 %	$ 453.1	58.2%
Less:				
(Favorable) unfavorable prior accident year loss development	(4.4)	(0.5)%	5.7	0.7%
Catastrophe losses	6.0	0.7 %	6.3	0.8%
Current accident year non-catastrophe losses	$ 481.1	57.8 %	$ 441.1	56.7%
Underwriting, acquisition and insurance expenses, as reported	$ 317.0	38.1 %	$ 308.3	39.6%
Less:				
Non-recurring expenses	—	— %	6.5	0.8%
Underwriting, acquisition and insurance expenses, as adjusted	$ 317.0	38.1 %	$ 301.8	38.8%
Combined ratio, as adjusted		95.9 %		95.5%

Impact of recently adopted accounting standard

Effective January 1, 2018, the Company adopted ASU No. 2016-01, Financial Instruments: Recognition and Measurement of Financial Assets and Liabilities, using a cumulative effect adjustment. This adjustment transferred the unrealized gains and losses as of December 31, 2017 , net of tax, on equity securities from accumulated other comprehensive income to retained earnings, resulting in no overall impact to shareholders equity.

In accordance with this accounting standard, for the three and six months ended June 30, 2018 , we recognized the change in the fair value of our equity securities as a pre-tax gain of $4.3 million and a pre-tax loss of $26.6 million for the respective periods. These amounts are included as a component of net realized investment gains (losses) in our Consolidated Statements of Income. Amounts for the three and six months ended June 30, 2017 are not presented as a component of net income, as ASU 2016-01 was required to be adopted on a prospective basis.

Gross Written and Earned Premiums

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

	For the Three Months Ended June 30,			
	2018		2017	
(in millions)	Gross Written	Net Earned	Gross Written	Net Earned
Property	$ 179.3	$ 81.1	$ 186.7	$ 85.3
Liability	290.5	198.2	258.5	167.7
Professional	98.2	56.2	82.0	52.3
Specialty	134.8	82.2	160.0	93.8
Total	$ 702.8	$ 417.7	$ 687.2	$ 399.1

	For the Six Months Ended June 30,			
	2018		2017	
(in millions)	Gross Written	Net Earned	Gross Written	Net Earned
Property	$ 379.2	$ 173.8	$ 335.4	$ 174.9
Liability	580.8	390.2	508.5	332.1
Professional	191.9	110.6	151.3	102.4
Specialty	261.4	157.8	290.6	169.1
Total	$ 1,413.3	$ 832.4	$ 1,285.8	$ 778.5

The increase in consolidated gross written premiums for the three months ended June 30, 2018 as compared to the same period ended 2017 was attributable to growth in our U.S. Operations partially offset by planned reductions in our International Operations.

Gross written premiums for our U.S. Operations in the second quarter of 2018 of $410.0 million were up $45.0 million or 12.3% compared to the second quarter of 2017. This growth was driven by all major lines of business, reflecting the continued execution of strategic growth initiatives, our digital initiatives, and appropriate risk selection and exposure management actions.

Gross written premiums for our International Operations in the second quarter of 2018 of $292.6 million were down $29.5 million or 9.2% compared to the second quarter of 2017.

As part of the full integration of the reinsurance business of Ariel Re which we acquired in 2017, beginning in 2018 we changed the capital structure supporting that business by introducing certain third party trade capital to share in the risk and exposures we underwrite (based on predetermined percentages). This trade capital receives a corresponding proportion of the gross written premiums. As such, this structure has the effect of reducing the gross written premiums reported in our financial statements. In exchange, we receive certain remuneration for generating this business and for the underlying underwriting performance. There was no such structure for our Ariel Re business in 2017.

The decline in gross written premiums also reflects the effects of corrective underwriting actions within the Syndicate 1200 Property direct and facultative (“D&F”) business and the non-renewal of certain casualty line accounts in Bermuda. Partially offsetting these declines were increased writings in Europe, growth in our Specialty lines in Syndicate 1200, and growth in our Bermuda Professional and Property insurance lines due to new business and increased rates.

The increase in consolidated gross written premiums for the six months ended June 30, 2018 as compared to the same period ended 2017 was attributable to growth in both our U.S. and International operations.

Gross written premiums for our U.S. Operations in the first half of 2018 of $782.8 million were up $82.8 million or 11.8% compared to the same period in 2017. This growth was driven by all major lines of business, excluding Property, which reflects the effects of a terminated program.

Gross written premiums for our International Operations for the six months ended June 30, 2018 of $630.3 million were up $44.6 million or 7.6% compared to the same period in 2017.

For the six months ended June 30, 2018, the increase in premiums is due to the timing of Ariel Re acquisition, partially offset by the items noted as declines in the three month discussion. Ariel Re has a significant property contract that is subject to renewal in January of each year. The Ariel Re transaction closed in February 2017, as such the January 2017 premium for Ariel Re is not included in our results while the 2018 renewal is included in our gross written premium.

During 2018, all product lines have experienced increased competition and pressure on rates due to market conditions. However, both U.S. Operations and International Operations saw overall rate increases for the three and six months ended June 30, 2018. Consolidated earned premiums increased for the three and six months ended June 30, 2018 as compared to the same periods in 2017 due to increased gross and net written premiums in the trailing twelve-month period.

Net Investment Income

The decreases in consolidated net investment income for both the three and six months ended June 30, 2018 as compared to the same periods ended 2017 were primarily attributable to decreased income from our alternative investment portfolio. Our second quarter 2017 net investment income included $11.6 million of pre-tax net investment gains relating to net asset sales initiated by an equity investee. The decreases in net investment income from our alternative investment portfolio were partially offset by increased income from fixed maturities and short-term investments due to a combination of an increased asset base and higher yields during the three and six months ended June 30, 2018.

Net Realized Investment Gains/Losses

Consolidated net realized investment gains for the three months ended June 30, 2018 included a $4.3 million increase in the fair value of equity securities. The remaining $6.2 million net realized investment gain consisted of $8.5 million in realized gains primarily from the sale of equity securities and $1.4 million of foreign currency exchange losses. Additionally, for the three months ended June 30, 2018, we recognized $0.9 million in other-than-temporary impairment losses on fixed maturity securities.

Consolidated net realized investment gains for the three months ended June 30, 2017 consisted of $14.8 million in realized gains from the sale of equity and fixed maturity securities. Partially offsetting these realized gains was $9.2 million of realized foreign currency exchange losses generated by foreign currency rate changes, including $5.6 million realized loss on our foreign currency forward contracts and $3.3 million on our fixed maturity portfolio. For the three months ended June 30, 2017, we recognized $1.1 million in other-than-temporary impairment losses within our equity portfolio.

Consolidated net realized investment losses for the six months ended June 30, 2018 included a $26.6 million decrease in the fair value of equity securities. The remaining $21.4 million net realized investment gain consisted of $20.8 million in realized gains primarily from the sale of equity securities and $2.5 million of foreign currency exchange gains, including $1.9 million on our forward currency forward contracts. Additionally, for the six months ended June 30, 2018, we recognized $1.9 million in other-than-temporary impairment losses on fixed maturity securities.

Consolidated net realized investment gains for the six months ended June 30, 2017 consisted of $34.6 million in realized gains from the sale of equity and fixed maturity securities. Partially offsetting these realized gains was $14.0 million of realized foreign currency exchange losses generated by foreign currency rate changes, including $7.8 million on our fixed maturity portfolio and $5.6 million realized loss on our foreign currency forward contracts. For the six months ended June 30, 2017, we recognized $1.5 million in other-than-temporary impairment losses within our equity portfolio.

Loss and Loss Adjustment Expenses

The consolidated loss ratio for the three months ended June 30, 2018 was 58.8%, compared to 57.8% for the same period in 2017. The 1.0 percentage point increase was driven by a higher current accident year non-catastrophe loss ratio (2.0 percentage point impact), partially offset by lower catastrophe losses (0.7 percentage point impact) and higher net favorable prior-year reserve development (0.3 percentage point impact).

The consolidated loss ratio for the first six months of 2018 was 58.0%, compared to 58.2% for the same period in 2017. This modest decrease in the loss ratio includes a 1.2 percentage point favorable impact related to net favorable prior-year reserve development for the first six months of 2018 versus net unfavorable prior-year reserve development for the same period in 2017. Partially offsetting the impact of prior-year reserve development was a 1.1 percentage point increase in the current accident year non-catastrophe loss ratio. The loss ratio impact from catastrophe losses for the first six months of 2018 was relatively flat compared to the same period in 2017.

The following table summarizes the above referenced prior-year loss reserve development for the six months ended June 30, 2018 with respect to net loss reserves by line of business as of December 31, 2017.

(in millions)	Net Reserves 2017	Net Reserve Development (Favorable)/ Unfavorable	Percent of 2017 Net Reserves
General liability	$ 1,142.1	$ (8.6)	(0.8)%
Workers compensation	308.7	—	— %
Commercial multi-peril	147.5	6.5	4.4 %
Commercial auto liability	99.9	1.3	1.3 %
Reinsurance - nonproportional assumed property	80.7	(4.9)	(6.1)%
Special property	80.9	3.1	3.8 %
Syndicate 1200 specialty	44.2	6.7	15.2 %
Fidelity/Surety	44.1	(4.2)	(9.5)%
Syndicate 1200 property	104.2	(4.2)	(4.0)%
All other lines	435.7	(0.1)	— %
Total	$ 2,488.0	$ (4.4)	(0.2)%

Consolidated gross reserves for losses and loss adjustment expenses were $4,242.9 million (including $212.1 million of reserves attributable to our syndicate trade capital providers) and $3,632.8 million (including $200.2 million of reserves attributable to our syndicate trade capital providers) as of June 30, 2018 and 2017, respectively. 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, there can be no assurance that future favorable or unfavorable loss development, which may be material, will not occur.

Underwriting, Acquisition and Insurance Expenses

Consolidated underwriting, acquisition and insurance expenses were $156.8 million for the three months ended June 30, 2018 compared to $154.7 million for the same period ended 2017. The expense ratio for the three months ended June 30, 2018 was 37.5% compared to 38.8% for the same period ended 2017. For the six months ended June 30, 2108, consolidated underwriting, acquisition and insurance expenses were $317.0 million compared to $308.3 million for the comparable 2017 six month period. The expense ratio for the six months ended June 30, 2018 and June 30, 2017 was 38.1% and 39.6%, respectively. Our consolidated underwriting, acquisition and insurance expenses include certain costs associated with our holding company.

The improvement in both the three and six month 2018 periods compared to the 2017 periods reflect the benefits of scale due to increased net earned premiums and lower acquisition costs, notably increased reinsurance commissions. In addition, the 2017 six month period included one-time charges of $4.0 million associated with the outsourcing of certain IT functions and $2.5 million of costs related to the acquisition of Ariel Re.

Interest Expense

Consolidated interest expense was $7.8 million and $15.5 million for the three and six months ended June 30, 2018, respectively, compared to $7.0 million and $12.9 million for the same periods ended 2017. The increase was primarily attributable to increases in short-term LIBOR rates throughout the first six months of 2018, as compared to the same periods in 2017. Additionally, during the first half of 2018, we incurred a full six months of interest expense on the debt acquired as part of the February 6, 2017 Maybrooke acquisition and the $125.0 million term loan entered into during the first quarter of 2017 to help fund that transaction. Comparatively, these same debt instruments accrued interest at a lower rate and for less than the full six months during the period ended June 30, 2017.

Foreign Currency Exchange Gains/Losses

Consolidated foreign currency exchange gains were $5.5 million and $0.6 million for the three and six months ended June 30, 2018, respectively, as compared to foreign currency exchange losses of $4.6 million and $3.9 million for the three and six months ended June 30, 2017. The changes in the foreign currency exchange gains/losses were due to fluctuations of the U.S. Dollar, on a weighted average basis, against the currencies in which we transact our business. For the three months and six months ended June 30, 2018, the foreign currency exchange gains were primarily driven by the U.S. Dollar strengthening against all our major transactional currencies during both periods. For the three months and six months ended June 30, 2017, the U.S. Dollar weakened against all our major transactional currencies except the Brazilian Real.

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 provision for income taxes represents taxes on the net income for our Belgium, Brazil, Ireland, Italy, Malta, Switzerland, United Kingdom and United States operations. The consolidated provision for income taxes was $15.3 million for the three months ended June 30, 2018 compared to $4.8 million for the same period ended 2017. The effective tax rate increased to 26.9% for the three months ended June 30, 2018 from 9.4% for the same period ended 2017. The consolidated provision for income taxes was $15.5 million for the six months ended June 30, 2018 compared to $10.8 million for the same period ended 2017. The effective tax rate increased to 18.9% for the six months ended June 30, 2018 from 11.5% for the same period ended 2017. The increases in the effective tax rate for the comparative quarter-to-date and year-to-date periods were due to the jurisdictional mix of taxable income in the second quarter and first six months of 2018 being concentrated in the U.S. compared to our lower or non-taxing jurisdictions in the respective periods.

Segment Results

We are primarily engaged in writing property and casualty insurance and reinsurance. We have two ongoing reporting segments: U.S. Operations and International Operations. Additionally, we have a Run-off Lines segment for 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 regulatory environment, in determining how to aggregate reporting segments.

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

- **Property** includes both property insurance and reinsurance products. Insurance products cover commercial properties primarily in North America with some residential and international covers. Reinsurance covers underlying exposures that are 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 for risks on both an admitted and non-admitted basis in the United States. Internationally, Argo underwrites worldwide casualty risks primarily exposed in the United Kingdom, Canada, and Australia.
- **Professional** includes various professional lines products including errors & omissions, management liability (including directors and officers) and cyber coverages.
- **Specialty** includes niche insurance coverages including marine & energy, accident & 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. Intersegment transactions are allocated to the segment that initiated the transaction. 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. Although this measure of profit (loss) does not replace net income (loss) computed in accordance with GAAP as a measure of profitability, management uses this measure of profit (loss) to focus our reporting segments on generating operating income.

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 the U.S. Operations segment:

(in millions)	For the Three Months Ended June 30, 2018	For the Three Months Ended June 30, 2017	For the Six Months Ended June 30, 2018	For the Six Months Ended June 30, 2017
Gross written premiums	$ 410.0	$ 365.0	$ 782.8	$ 700.0
Earned premiums	$ 267.0	$ 229.1	$ 529.3	$ 450.3
Losses and loss adjustment expenses	155.6	122.8	311.8	245.8
Underwriting, acquisition and insurance expenses	85.0	77.0	175.1	154.4
Underwriting income	26.4	29.3	42.4	50.1
Net investment income	20.7	27.3	43.3	47.2
Interest expense	(4.1)	(3.8)	(8.0)	(6.5)
Fee and other income	—	2.4	—	4.4
Fee and other expense	(0.5)	(2.2)	(1.2)	(5.0)
Income before income taxes	$ 42.5	$ 53.0	$ 76.5	$ 90.2
Loss ratio	58.3%	53.6%	58.9%	54.6%
Expense ratio	31.8%	33.6%	33.1%	34.3%
Combined ratio	90.1%	87.2%	92.0%	88.9%

The following tables contain reconciliations of certain non-GAAP financial measures to their most directly comparable GAAP measures for our U.S. Operations.

(in millions)	For the Three Months Ended June 30, 2018 Amount	2018 Ratio	2017 Amount	2017 Ratio
Earned premiums	$ 267.0		$ 229.1	
Losses and loss adjustment expenses, as reported	$ 155.6	58.3 %	$ 122.8	53.6 %
Less:				
Favorable prior accident year loss development	(3.1)	(1.2)%	(12.8)	(5.6)%
Catastrophe losses	1.3	0.5 %	4.0	1.8 %
Current accident year non-catastrophe losses	$ 157.4	59.0 %	$ 131.6	57.4 %
Expense ratio		31.8 %		33.6 %
Combined ratio, as adjusted		90.8 %		91.0 %

(in millions)	For the Six Months Ended June 30, 2018 Amount	2018 Ratio	2017 Amount	2017 Ratio
Earned premiums	$ 529.3		$ 450.3	
Losses and loss adjustment expenses, as reported	$ 311.8	58.9 %	$ 245.8	54.6 %
Less:				
Favorable prior accident year loss development	(4.1)	(0.8)%	(18.0)	(4.0)%
Catastrophe losses	5.6	1.1 %	4.8	1.1 %
Current accident year non-catastrophe losses	$ 310.3	58.6 %	$ 259.0	57.5 %
Expense ratio		33.1 %		34.3 %
Combined ratio, as adjusted		91.7 %		91.8 %

Gross Written and Earned Premiums

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

	For the Three Months Ended June 30,			
	2018		2017	
(in millions)	Gross Written	Net Earned	Gross Written	Net Earned
Property	$ 71.8	$ 32.4	$ 69.4	$ 30.0
Liability	245.6	173.8	220.2	148.8
Professional	55.9	33.4	40.6	28.5
Specialty	36.7	27.4	34.8	21.8
Total	$ 410.0	$ 267.0	$ 365.0	$ 229.1

	For the Six Months Ended June 30,			
	2018		2017	
(in millions)	Gross Written	Net Earned	Gross Written	Net Earned
Property	$ 117.4	$ 67.1	$ 125.3	$ 59.0
Liability	488.7	345.7	438.2	294.6
Professional	103.2	62.5	73.7	54.7
Specialty	73.5	54.0	62.8	42.0
Total	$ 782.8	$ 529.3	$ 700.0	$ 450.3

Property

The 3.5% increase in gross written premiums for Property for the three months ended June 30, 2018 as compared to the same period ended 2017 was primarily attributable to increases in our excess and surplus lines business on both primary and excess layers and net increases within our program business. Within programs we generated increases in gross written premium driven by existing and new programs. These increases were partially offset by the termination of a property program and planned reductions in other classes of business, most notably within inland marine, that did not meet certain financial and operational objectives. The timing of the termination of the property program had a more pronounced impact on the gross written premiums for the six months ended June 30, 2018, resulting in a decline compared to the six months ended June 30, 2017.

Liability

The increase in gross written Liability for the three and six months ended June 30, 2018 as compared to the same periods ended 2017 was primarily attributable to capitalizing on strategic growth initiatives in the general casualty lines, growth in writings due to the upturn in the coal market, and increases in our contract binding, transportation, and environmental business partially offset by planned reductions within allied medical writings.

Professional

The growth in gross written premiums within Professional lines for the three months and six months ended June 30, 2018 compared to the same periods ended 2017 reflects continued investment in both human and technology resources, new product filings within professional liability, new business within our management liability and errors and omissions lines, and to a lesser degree the introduction of two new programs.

Specialty

The increase in gross written and earned premiums for specialty for the three and six months ended June 30, 2018 as compared to the same periods ended 2017 was driven by growth from new business in our surety lines and new products within our programs division.

Loss and Loss Adjustment Expenses

The loss ratio for the second quarter of 2018 was 58.3%, compared to 53.6% for the second quarter of 2017. The higher loss ratio in the second quarter of 2018 reflects less net favorable prior-year reserve development than the same period in 2017, partially offset by lower catastrophe losses. The current accident year non-catastrophe loss ratio for the second quarter of 2018 was 59.0%, compared to 57.4% for the second quarter of 2017. This increase is primarily related to a number of discrete non-catastrophe related property losses.

The loss ratios for the six months ended June 30, 2018 and 2017 were 58.9% and 54.6%, respectively. The higher loss ratio in the 2018 six month period reflects less net favorable prior-year reserve development than the same period in 2017. Catastrophe losses in both the 2018 and 2017 period increased the loss ratio by 1.1 percentage point. The current accident year non-catastrophe loss ratio for the six months ended June 30, 2018 was 58.6%, compared to 57.5% for the same period in 2017. This increase is primarily related to a number of discrete non-catastrophe related property losses.

Net favorable prior-year reserve development for the second quarter of 2018 was $3.1 million and $4.1 million for the six months ended June 30, 2018 and related primarily to Liability and Specialty lines, partially offset by adverse charges in older accident years relating to Professional lines. The net favorable prior-year reserve development for the second quarter of 2017 was $12.8 million and $18.0 million for the six months ended June 30, 2017, primarily to Liability and Specialty lines in both periods.

Catastrophe losses relating to US storm activity for the second quarter of 2018 were $1.3 million compared to catastrophe losses of $4.0 million in the second quarter of 2017. For the six months ended June 30, 2018 and 2017, catastrophe losses were $5.6 million and $4.8 million, respectively, both having a 1.1 percentage impact on the year to date loss ratios.

Underwriting, Acquisition and Insurance Expenses

The expense ratio for the second quarter of 2018 was 31.8%, compared to 33.6% for the second quarter of 2017. The expense ratio for the six months ended June 30, 2018 was 33.1%, compared to 34.3% for the comparable 2017 six month period. The improvement in the expense ratios reflects the overall increase in net earned premiums, and to a lesser extent lower acquisition costs, partially offset by continued strategic investments in people and technology in support of premium growth.

Fee and Other Income/Expense

Fee and other income, and the associated fee and other expense, for the three months ended June 30, 2018 decreased as compared to the same period in 2017. During the third quarter of 2017, we closed a transaction which transferred to a third party the distribution rights and operations of certain business managed on behalf of unaffiliated insurance companies. As such, fee income and expense related to this business is included in our results for the three and months ended June 30, 2017, but not the comparable 2018 periods.

International Operations

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

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
(in millions)	2018	2017	2018	2017
Gross written premiums	$ 292.6	$ 322.1	$ 630.3	$ 585.7
Earned premiums	$ 150.5	$ 169.9	$ 302.9	$ 328.1
Losses and loss adjustment expenses	88.7	106.1	167.9	203.2
Underwriting, acquisition and insurance expenses	55.4	62.8	112.8	120.3
Underwriting income	6.4	1.0	22.2	4.6
Net investment income	8.4	10.1	17.2	16.7
Interest expense	(2.3)	(2.3)	(4.6)	(4.3)
Fee and other income	1.2	0.7	2.4	1.5
Fee and other expense	(0.5)	(0.4)	(1.1)	(1.1)
Income before income taxes	$ 13.2	$ 9.1	$ 36.1	$ 17.4
Loss ratio	58.9%	62.4%	55.4%	61.9%
Expense ratio	36.8%	37.0%	37.2%	36.7%
Combined ratio	95.7%	99.4%	92.6%	98.6%

The following tables contain reconciliations of certain non-GAAP financial measures to their most directly comparable GAAP measures for our International Operations.

	For the Three Months Ended June 30,			
(in millions)	2018		2017	
	Amount	Ratio	Amount	Ratio
Earned premiums	$ 150.5		$ 169.9	
Losses and loss adjustment expenses, as reported	$ 88.7	58.9 %	$ 106.1	62.4%
Less:				
(Favorable) unfavorable prior accident year loss development	(0.5)	(0.3)%	10.0	5.9%
Catastrophe losses	0.4	0.3 %	0.5	0.2%
Current accident year non-catastrophe losses	$ 88.8	58.9 %	$ 95.6	56.3%
Expense ratio		36.8 %		37.0%
Combined ratio, as adjusted		95.7 %		93.3%

	For the Six Months Ended June 30,			
(in millions)	2018		2017	
	Amount	Ratio	Amount	Ratio
Earned premiums	$ 302.9		$ 328.1	
Losses and loss adjustment expenses, as reported	$ 167.9	55.4 %	$ 203.2	61.9%
Less:				
(Favorable) unfavorable prior accident year loss development	(3.3)	(1.1)%	19.6	6.0%
Catastrophe losses	0.4	0.2 %	1.5	0.4%
Current accident year non-catastrophe losses	$ 170.8	56.3 %	$ 182.1	55.5%
Expense ratio		37.2 %		36.7%
Combined ratio, as adjusted		93.5 %		92.2%

Gross Written and Earned Premiums

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

	For the Three Months Ended June 30,			
	2018		2017	
(in millions)	Gross Written	Net Earned	Gross Written	Net Earned
Property	$ 107.5	$ 48.7	$ 117.2	$ 55.2
Liability	44.7	24.2	38.3	18.9
Professional	42.3	22.8	41.4	23.8
Specialty	98.1	54.8	125.2	72.0
Total	$ 292.6	$ 150.5	$ 322.1	$ 169.9

	For the Six Months Ended June 30,			
	2018		2017	
(in millions)	Gross Written	Net Earned	Gross Written	Net Earned
Property	$ 261.8	$ 106.7	$ 210.0	$ 115.8
Liability	91.9	44.3	70.3	37.5
Professional	88.7	48.1	77.6	47.7
Specialty	187.9	103.8	227.8	127.1
Total	$ 630.3	$ 302.9	$ 585.7	$ 328.1

Property

Gross written premiums for property decreased for the three months ended June 30, 2018 as compared to the same period in 2017 due to a number of strategic initiatives.

As part of the full integration of the reinsurance business of Ariel Re which we acquired in 2017, beginning in 2018 we changed the capital structure supporting that business by introducing certain third party trade capital to share in the risk and exposures we underwrite (based on predetermined percentages). This trade capital receives a corresponding proportion of the gross written premiums. As such, this structure has the effect of reducing the gross written premiums reported in our financial statements. In exchange, we receive certain remuneration for generating this business and for the underlying underwriting performance. There was no such structure for our Ariel Re business in 2017.

The decline in Property premiums also reflects the effects of planned corrective underwriting actions relating to Syndicate 1200 Property D&F business, which began during 2017.

The noted declines were partially offset by geographic expansion into Europe during 2018 and growth in Bermuda driven by new business, increasing rates and increased participation on renewal business.

For the six months ended June 30, 2018, the increase in premiums is due to the timing of Ariel Re acquisition, partially offset by the items noted as declines in the three month discussion. Ariel Re has a significant property contract that is subject to renewal in January of each year. The Ariel Re transaction closed in February 2017; as such the January 2017 premium for Ariel Re is not included in our results while the 2018 renewal is included in our gross written premiums.

Liability

The increase in gross written and earned premiums for liability for the three and six months ended June 30, 2018 as compared to the same periods in 2017 was primarily attributable to planned geographic expansion into Europe, growth in new business writings in Syndicate 1200 in certain motor business, and increased writings in small-to-medium sized enterprise package business resulting from prior years of account binder premium increases. These increases are partially offset by the non-renewal of certain utility accounts previously underwritten in Bermuda.

Professional

The increase in gross written and earned premiums for professional lines for the three months and six months ended June 30, 2018 as compared to the same period in 2017 was primarily attributable to growth in Syndicate 1200 due to increased writings in cyber and medical malpractice. In addition, Bermuda and Europe increased their writings in errors and omissions and directors and officers lines. Brazil also saw an increase in written premiums, primarily due to strategic digital initiatives.

Specialty

The decrease in Specialty lines was due to the aforementioned change in capital structure of Ariel Re and the resulting use of third party trade capital, and planned non-renewal of a number of unprofitable accounts within certain classes of Syndicate 1200’s marine and energy business. This decrease was partially offset by increased writings due to geographic expansion into Europe.

Loss and Loss Adjustment Expenses

The loss ratio for the second quarter of 2018 was 58.9%, compared to 62.4% for the second quarter of 2017. The lower loss ratio in second quarter of 2018 is due to a 6.2 point improvement in net prior-year reserve development compared to the second quarter of 2017, partially offset by an increase in the current accident year non-catastrophe loss ratio. The current accident year non-catastrophe loss ratio for the second quarter of 2018 was 58.9%, compared to 56.3% for the second quarter of 2017. The increase in the current accident year non-catastrophe loss ratio is driven by business mix changes, primarily due to losses attributable to the use of trade capital for our Reinsurance Property business which generally carry a lower loss ratio than we retain across our International Operations. In addition, the current accident non-catastrophe loss ratio was adversely impacted by specific property and cargo losses.

The loss ratio for the 2018 six month period was 55.4%, compared to 61.9% for the 2017 six month period. This lower loss ratio was due to a 7.1 point improvement in net prior-year reserve development compared to the second quarter of 2017, partially offset by an increase in the current accident year non-catastrophe loss ratio. The current accident year non-catastrophe loss ratio for the 2018 six month period was 56.3%, compared to 55.5% for the 2017 six month period. The increase in the current accident year non-catastrophe loss ratio is driven by the aforementioned business mix changes and specific property and cargo losses.

For the second quarter of 2018, net favorable prior-year reserve development was $0.5 million, compared to net adverse prior-year reserve development of $10.0 million in the second quarter of 2017 which related primarily to Property, Liability, and Specialty lines. For the 2018 six month period, net favorable prior-year reserve development was $3.3 million, compared to a net adverse prior-year reserve development charge of $19.6 million. The 2017 charge includes amounts related to Hurricane Matthew and the Ogden Rate Change in the United Kingdom. The charge on Hurricane Matthew was due to an unexpected reporting lag on binder business which impacted a number of insurance carriers across the Lloyd's market.

Catastrophe losses for the second quarter of 2018 were $0.4 million, consistent with the second quarter of 2017. Catastrophe losses for the 2018 and 2017 six month period were $0.4 million (a 0.2% impact on the 2018 loss ratio) and $1.5 million (a 0.4% impact on the 2017 loss ratio), respectively.

Underwriting, Acquisition and Insurance Expenses

The expense ratio for the second quarter of 2018 was 36.8%, compared to 37.0% for the second quarter of 2017. The modest decrease in the expense ratio relates to modestly lower acquisition costs associated with syndicate operations, partially offset by certain investments in support of strategic growth areas, most notably in Europe, Latin America and Asia Pacific.

The expense ratio for the 2018 six month period was 37.2%, compared to 36.7% for the 2017 six month period. The increase in the expense ratio relates to certain investments in support of strategic growth areas, most notably in Europe, Latin America and Asia Pacific and to lower earned premium base.

Fee and Other Income/Expense

Fee income and other income represent fees and profit commission derived from the management of third party capital for our underwriting syndicates at Lloyd’s. The increase in fee and other income for the three and six months ended June 30, 2018 as compared to the same period in 2017 was primarily due to fee income earned during the second quarter of 2018 from trade capital providers’ for managing their participation in Syndicate 1910. In 2017, Syndicate 1910 did not have trade capital participants. Fee and other expenses were comparable for the periods presented.

Run-off Lines

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

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
(in millions)	2018	2017	2018	2017
Earned premiums	$ 0.2	$ 0.1	$ 0.2	$ 0.1
Losses and loss adjustment expenses	1.2	1.7	3.0	4.1
Underwriting, acquisition and insurance expenses	0.9	2.1	1.6	4.0
Underwriting loss	(1.9)	(3.7)	(4.4)	(8.0)
Net investment income	2.0	2.9	4.2	5.0
Interest expense	(0.4)	(0.4)	(0.8)	(0.7)
Loss before income taxes	$ (0.3)	$ (1.2)	$ (1.0)	$ (3.7)

Losses and Loss Adjustment Expenses

Losses and loss adjustment expenses for the three months ended June 30, 2018 was the result of net unfavorable loss reserve development on prior accident years of $0.7 million in other run-off lines and $0.5 million in Risk Management. Losses and loss adjustment expenses for the three months ended June 30, 2017 was the result of net unfavorable loss reserve development on prior accident years of $1.0 million in our risk management lines and $0.7 million in our other run-off lines.

Losses and loss adjustment expenses for the six months ended June 30, 2018 was the result of net unfavorable loss reserve development on prior accident years of $2.0 million in other run-off lines and $1.0 million in Risk Management. Losses and loss adjustment expenses for the six months ended June 30, 2017 was the result of net unfavorable loss reserve development on prior accident years of $1.9 million in our risk management lines and $2.2 million in our other run-off lines.

The following table represents a reconciliation of total gross and net reserves for the Run-off Lines. Amounts in the net column are reduced by reinsurance recoverable.

	For the Six Months Ended June 30,			
	2018		2017	
(in millions)	Gross	Net	Gross	Net
Asbestos and environmental:				
Loss reserves, beginning of the year	$ 55.9	$ 47.2	$ 48.4	$ 40.6
Incurred losses	0.3	0.3	0.5	0.5
Losses paid	(3.8)	(3.7)	(6.2)	(5.8)
Loss reserves - asbestos and environmental, end of period	52.4	43.8	42.7	35.3
Risk management reserves	212.3	133.4	234.3	146.4
Run-off reinsurance reserves	1.7	1.7	2.0	2.0
Other run-off lines	0.8	0.8	3.6	3.6
Total loss reserves - Run-off Lines	$ 267.2	$ 179.7	$ 282.6	$ 187.3

Underwriting, Acquisition and Insurance Expenses

Underwriting, acquisition and insurance expenses for the Run-off Lines segment consists primarily of administrative expenses. The decrease in underwriting expense for three months and six months ended June 30, 2018 as compared to the same periods ended 2017 was primarily attributable to decreased overhead expenses.

Liquidity and Capital Resources

The primary sources of our cash flows are premiums, reinsurance recoveries, proceeds from sales and redemptions of investments and investment income. The primary cash outflows are claim payments, loss adjustment expenses, reinsurance costs and operating expenses. Additional cash outflow occurs through payments of underwriting and acquisition costs such as commissions, taxes, payroll and general overhead expenses. Management believes that cash receipts from premiums, proceeds from investment sales and redemptions and investment income are sufficient to cover cash outflows in the foreseeable future. Should the need for additional cash arise, we believe we have access to additional sources of liquidity.

Cash provided by operating activities can fluctuate due to a timing difference in the collection of premiums and reinsurance recoveries and the payment of losses and expenses. For the six months ended June 30, 2018 and 2017, net cash provided by operating activities was $125.9 million and $37.3 million , respectively. The increase in cash flows from operating activities in 2018 from 2017 is attributable to various fluctuations within our operating activities, primarily driven by cash received from certain third parties in advance of certain large claim settlements related to the third quarter 2017 hurricanes. This transaction is included in the line item "Other, net" in the operating activities section of our Consolidated Statements of Cash Flows.

For the six months ended June 30, 2018 and 2017 , net cash used in investing activities was $137.8 million and $14.5 million , respectively. The increase in cash used in investing was mainly the result of the increase in cash used to purchase short-term investments, partially offset by the proceeds from sales of fixed maturities and equity securities. Included in the cash used in investing activities for the six months ended June 30, 2017 was $235.3 million cash outflow related to the purchase of Maybrooke, net of $130.1 million of cash acquired. As of June 30, 2018 , $449.4 million of the investment portfolio was invested in short-term investments.

For six months ended June 30, 2018 , net cash used in financing activities was $37.9 million , as compared to net cash provided by financing activities of $106.1 million for the six months ended June 30, 2017 . During the six months ended June 30, 2017 , we borrowed $125.0 million as a term loan under our credit facility to help fund the acquisition of Maybrooke. During the six months ended June 30, 2018 and 2017, we repurchased 344,533 and 46,500 of our common shares for a total cost of $20.4 million and $2.8 million, respectively. We paid cash dividends to our shareholders totaling $18.7 million and $16.6 million during the six months ended June 30, 2018 and 2017 , respectively.

Effective February 6, 2017, we completed the acquisition of Maybrooke Holdings, S.A. for $235.3 million. We drew $125.0 million under our Credit Agreement in order to help fund the acquisition and paid the remaining $110.3 million with available cash on hand. In addition to the cash needs related to this acquisition, we will have continuing cash needs for administrative expenses, the payment of principal and interest on borrowings, shareholder dividends and taxes. Funds to meet these obligations will come primarily from parent company cash, dividends and other payments from our insurance company subsidiaries and from our line of credit.

On March 3, 2017, each of Argo Group, Argo Group US, Inc., Argo International Holdings Limited, and Argo Underwriting Agency Limited (the “Borrowers”) entered into a $325 million credit agreement (“Credit Agreement”) with JPMorgan Chase Bank, N.A., as administrative agent. The Credit Agreement replaced and terminated the original $175 million credit agreement. The Credit Agreement provides for a $200.0 million revolving credit facility with a maturity date of March 3, 2022 unless extended in accordance with the terms of the Credit Agreement. In addition, the Credit Agreement includes a $125 million term loan borrowing, which Argo Group used to pay off in its entirety the $125.0 million borrowing drawn on January 31, 2017 under the prior credit agreement to help fund the acquisition of Maybrooke. At June 30, 2018 , the $125.0 million drawn on this term loan remained outstanding, with a maturity date of March 3, 2019. The term loan bears interest based on a variable rate, which resets and is payable based on reset options we select pursuant to the terms of the Credit Agreement. As of June 30, 2018 , the interest rate on this debt was equal to the two-month LIBOR (2.12% at June 30, 2018) plus 150 basis points, or 3.62%.

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

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

Included in the Credit Agreement is a provision that allows up to $200.0 million of the revolving credit facility to be used for letters of credit (“LOCs”), subject to availability. As of June 30, 2018 , there were no borrowings outstanding and $0.5 million in LOCs against the revolving credit facility.

On August 6, 2018, our Board of Directors declared a quarterly cash dividend in the amount of $0.27 on each share of common stock outstanding. The dividend will be paid on September 14, 2018 to shareholders of record at the close of business on August 31, 2018.

On May 3, 2016, our 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. Shares purchased are being held as treasury shares in accordance with the provisions of the Bermuda Companies Act 1981. As of June 30, 2018 , availability under the 2016 Repurchase Authorization for future repurchases of our common shares was $64.6 million.

Refer to Part II, Item 7 – "Management's Discussion and Analysis of Financial Condition and Results of Operations – Liquidity and Capital Resources" in Argo Group's Annual Report on Form 10-K for the year ended December 31, 2017 that Argo Group filed with the SEC on February 27, 2018 for further discussion on Argo Group's liquidity.

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 Standards," 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 Annual Report on Form 10-K for the year ended December 31, 2017 that we filed with the SEC on February 27, 2018 for information on accounting policies that we consider critical in preparing our consolidated financial statements. These policies include significant estimates made by management using information available at the time the estimates were made. However, these estimates could change materially if different information or assumptions were used.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

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

Interest Rate Risk

Our primary market risk exposure is the exposure of our fixed maturity investment portfolio to interest rate risk and the changes in interest rates. Fluctuations in interest rates have a direct impact on the fair valuation 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 2.59 years and 2.57 years at June 30, 2018 and December 31, 2017 , 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 86.1% and 87.1% rated investment grade or better (BBB- or higher) at June 30, 2018 and December 31, 2017 , respectively.

Our portfolio also includes alternative investments with a carrying value at June 30, 2018 and December 31, 2017 of $525.9 million and $543.6 million (11.0% and 11.5% 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 mitigate our risk by diversifying through multiple managers and different types of assets and asset classes.

Equity Price Risk

We hold a diversified portfolio of equity securities with a fair value of $492.2 million and $487.4 million (10.3% and 10.3% of total invested assets) at June 30, 2018 and December 31, 2017 , 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 mitigates our exposure to equity price risk.

Foreign Currency Risk

We have exposure to foreign currency risk in our insurance contracts, invested assets and to a lesser extent, a portion of our debt. We attempt to manage our foreign currency risk by seeking to match our liabilities under insurance and reinsurance contracts that are payable in currencies other than the U.S. Dollar with cash and investments that are denominated in such currencies. We also use foreign exchange forward contracts to mitigate this risk. We recognized $19.5 million and $23.9 million in losses from movements in foreign currency rates for the three and six months ended June 30, 2018 , respectively. We recognized $7.8 million and 11.9 millions in losses from movements in foreign currency rates for the three and six months ended June 30, 2017, respectively. We recognized $0.7 million in losses and $1.9 million in gains on our foreign currency forward contacts for the three and six months ended June 30, 2018 , respectively. We recognized $5.7 million and $5.6 million in losses on our foreign currency forward contacts for the three and six months ended June 30, 2017, respectively.

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 defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended ("Exchange Act")) as of the end of the period covered by this report. In designing and evaluating these disclosure controls and procedures, Argo Group and its management recognize that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and management necessarily was required to apply its judgment in evaluating and implementing possible controls and procedures. Based upon that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that the disclosure controls and procedures were effective 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 the internal control over financial reporting made during the quarter ended June 30, 2018 that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting. We review our disclosure controls and procedures, which may include internal controls over financial reporting, on an ongoing basis. From time to time, management makes changes to enhance the effectiveness of these controls and ensure that they continue to meet the needs of our business activities over time.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

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

Item 1A. Risk Factors

See "Risk Factors" in the Argo Group Annual Report on Form 10-K for the year ended December 31, 2017 for a detailed discussion of the additional risk factors affecting us.

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

Issuer Purchase of Equity Securities

On May 3, 2016, our 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.

From January 1, 2018 through June 30, 2018 , we have repurchased a total of 344,533 shares for a total cost of $20.4 million . Since the inception of the repurchase authorizations through June 30, 2018 , we have repurchased 11,129,540 shares of our common stock at an average price of $39.87 for a total cost of $443.8 million . These shares are being held as treasury shares in accordance with the provisions of the Bermuda Companies Act 1981. As of June 30, 2018 , availability under the 2016 Repurchase Authorization for future repurchases of our common shares was $64.6 million . The following table provides information with respect to shares of our common stock that were repurchased or surrendered during the six months ended June 30, 2018 :

Period	Total Number of Shares Purchased (a)	Average Price Paid per Share (b)	Total Number of Shares Purchased as Part of Publically Announced Plan or Program (c)	Approximate Dollar Value of Shares That May Yet Be Purchased Under the Plan or Program (d)
April 1 through April 30, 2018	18,431	$ 57.35	—	$ 66,410,557
May 1 through May 31, 2018	36,242	$ 61.80	—	$ 66,410,557
June 1 through June 30, 2018	50,163	$ 60.87	29,947	$ 64,647,836
Total	104,836		29,947	

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 six months ended June 30, 2018 , we received 74,889 shares of our common stock, with an average price paid per share of $61.26 that were surrendered by employees in payment for the minimum required withholding taxes. In the above 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.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

None.

Item 6. Exhibits

A list of exhibits required to be filed as part of this report is set forth in the Exhibit Index of this Form 10-Q, which immediately precedes such exhibits, and is incorporated herein by reference.

EXHIBIT INDEX

Exhibit Number	Description
12.1	Statements of Computation of Ratios of Earnings to Fixed Charges
31.1	Rule 13a – 14(a)/15d – 14(a) Certification of the Chief Executive Officer
31.2	Rule 13a – 14(a)/15d – 14(a) Certification of the Chief Financial Officer
32.1	Certification of Chief Executive Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2	Certification of Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document

SIGNATURES

Pursuant to the requirements of the Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

	ARGO GROUP INTERNATIONAL HOLDINGS, LTD.	
August 7, 2018	By	/s/ Mark E. Watson III
		Mark E. Watson III
		President and Chief Executive Officer
August 7, 2018	By	/s/ Jay S. Bullock
		Jay S. Bullock
		Executive Vice President and Chief Financial Officer

Exhibit 12.1

ARGO GROUP INTERNATIONAL HOLDINGS, LTD.
STATEMENTS OF COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES
(in millions, except ratios)

	Six Months Ended June 30,		For the Years Ended December 31,				
	2018	**2017**	**2017**	**2016**	**2015**	**2014**	**2013**
Earnings:							
Income before provision for income taxes	$ 82.1	$ 93.5	$ 39.9	$ 181.9	$ 177.5	$ 216.0	$ 179.7
Add:							
Fixed charges	19.3	16.1	34.7	23.7	23.7	24.8	25.1
Total earnings	$ 101.4	$ 109.6	$ 74.6	$ 205.6	$ 201.2	$ 240.8	$ 204.8
Fixed charges:							
Interest expense	$ 15.5	$ 12.9	$ 27.7	$ 19.6	$ 19.0	$ 19.9	$ 20.2
Rental interest factor	3.8	3.2	7.0	4.1	4.7	4.9	4.9
Total fixed charges	$ 19.3	$ 16.1	$ 34.7	$ 23.7	$ 23.7	$ 24.8	$ 25.1
Ratio of earnings to fixed charges	5.3:1	6.8:1	2.1:1	8.7:1	8.5:1	9.7:1	8.2:1

Exhibit 31.1

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

I, Mark E. Watson III, President and Chief Executive Officer of Argo Group International Holdings, Ltd., certify that:

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

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

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

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

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

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

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

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

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

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

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

Date: August 7, 2018

/s/ Mark E. Watson III

Mark E. Watson III
President and Chief Executive Officer

Exhibit 31.2

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

I, Jay S. Bullock, Executive Vice President and Chief Financial Officer of Argo Group International Holdings, Ltd., certify that:

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

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

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

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

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

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

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

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

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

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

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

Date: August 7, 2018

/s/ Jay S. Bullock

Jay S. Bullock
Executive Vice President and Chief Financial Officer

Exhibit 32.1

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

In connection with the Quarterly Report on Form 10-Q of Argo Group International Holdings, Ltd. (the "Company") for the quarterly period ended June 30, 2018 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), Mark E. Watson III, as President and Chief Executive 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 7th day of August 2018.

/s/ Mark E. Watson III

Mark E. Watson III
President and Chief Executive Officer

Exhibit 32.2

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

In connection with the Quarterly Report on Form 10-Q of Argo Group International Holdings, Ltd. (the “Company”) for the quarterly period ended June 30, 2018 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), Jay S. Bullock, as Executive Vice President and 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 7th day of August 2018.

/s/ Jay S. Bullock

Jay S. Bullock
Executive Vice President and Chief Financial Officer