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

FORM 10-Q

(Mark One)

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

For the quarterly period ended June 30, 2019

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	**P.O. Box HM 1282**
Pembroke HM08	**Hamilton HM FX**
Bermuda	**Bermuda**
(Address of principal executive offices)	**(Mailing address)**

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

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

Title of Each Class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, par value of $1.00 per share	**ARGO**	**New York Stock Exchange**
Guarantee of Argo Group U.S., Inc. 6.500% Senior Notes due 2042	**ARGD**	**New York Stock Exchange**

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

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

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

Large accelerated filer	☒ Accelerated filer	☐ Non-accelerated filer	☐
Smaller reporting company	☐ Emerging growth company		☐

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

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

Indicate the number of shares outstanding (net of treasury shares) of each of the issuer's classes of common shares as of August 1, 2019.

Title	Outstanding
Common Shares, par value $1.00 per share	34,288,704

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, 2019	December 31, 2018 *
	(Unaudited)	
Assets		
Investments:		
Fixed maturities available-for-sale, at fair value (cost: 2019 - $3,499.5; 2018 - $3,529.1)	$ 3,533.2	$ 3,460.4
Equity securities, at fair value (cost: 2019 - $310.4; 2018 - $310.6)	421.0	354.5
Other investments (cost: 2019 - $495.5; 2018 - $482.0)	509.4	489.8
Short-term investments, at fair value (cost: 2019 - $414.0; 2018 - $482.3)	414.0	482.3
Total investments	4,877.6	4,787.0
Cash	182.3	139.2
Accrued investment income	26.7	27.2
Premiums receivable	728.0	649.9
Reinsurance recoverables	2,769.5	2,688.3
Goodwill	177.0	177.0
Intangible assets, net of accumulated amortization	92.6	93.5
Current income taxes receivable, net	3.8	8.2
Deferred acquisition costs, net	163.9	167.3
Ceded unearned premiums	593.9	457.7
Operating lease right-of-use assets	112.6	—
Other assets	438.8	362.9
Total assets	$ 10,166.7	$ 9,558.2
Liabilities and Shareholders' Equity		
Reserves for losses and loss adjustment expenses	$ 4,735.7	$ 4,654.6
Unearned premiums	1,404.0	1,300.9
Accrued underwriting expenses and other liabilities	279.4	261.9
Ceded reinsurance payable, net	1,052.8	970.5
Funds held	35.2	37.2
Senior unsecured fixed rate notes	139.9	139.8
Other indebtedness	182.3	183.4
Junior subordinated debentures	257.2	257.0
Deferred tax liabilities, net	25.4	6.2
Operating lease liabilities	125.8	—
Total liabilities	8,237.7	7,811.5
Commitments and contingencies (Note 14)		
Shareholders' equity:		
Common shares - $1.00 par, 500,000,000 shares authorized; 45,594,095 and 45,276,999 shares issued at June 30, 2019 and December 31, 2018, respectively	45.6	45.3
Additional paid-in capital	1,369.7	1,372.0
Treasury shares (11,315,889 shares at June 30, 2019 and December 31, 2018, respectively)	(455.1)	(455.1)
Retained earnings	959.9	862.6
Accumulated other comprehensive income (loss), net of taxes	8.9	(78.1)
Total shareholders' equity	1,929.0	1,746.7
Total liabilities and shareholders' equity	$ 10,166.7	$ 9,558.2

* 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,	
	2019	2018	2019	2018
Premiums and other revenue:				
Earned premiums	$ 431.7	$ 417.7	$ 852.2	$ 832.4
Net investment income	42.8	33.2	76.7	69.2
Fee and other income	2.1	1.9	4.4	3.9
Net realized investment (losses) gains:				
Net realized investment (losses) gains	(0.6)	6.2	(2.3)	21.4
Change in fair value of equity securities	12.6	4.3	66.8	(26.6)
Net realized investment gains (losses)	12.0	10.5	64.5	(5.2)
Total revenue	488.6	463.3	997.8	900.3
Expenses:				
Losses and loss adjustment expenses	284.8	245.5	522.7	482.7
Underwriting, acquisition and insurance expenses	168.9	156.8	329.6	317.0
Interest expense	9.3	7.8	17.8	15.5
Fee and other expense	1.3	1.6	2.6	3.6
Foreign currency exchange gains	(5.3)	(5.5)	(4.6)	(0.6)
Total expenses	459.0	406.2	868.1	818.2
Income before income taxes	29.6	57.1	129.7	82.1
Income tax provision	0.8	15.3	9.7	15.5
Net income	$ 28.8	$ 41.8	$ 120.0	$ 66.6
Net income per common share:				
Basic	$ 0.84	$ 1.23	$ 3.52	$ 1.96
Diluted	$ 0.83	$ 1.20	$ 3.45	$ 1.92
Dividend declared per common share	$ 0.31	$ 0.27	$ 0.62	$ 0.54
Weighted average common shares:				
Basic	34,195,250	33,938,509	34,090,372	33,903,809
Diluted	34,779,991	34,668,918	34,759,548	34,704,811

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2019	2018	2019	2018
Net realized investment gains (losses) before other-than-temporary impairment losses	$ 14.5	$ 11.4	$ 71.3	$ (3.3)
Other-than-temporary impairment losses recognized in earnings:				
Other-than-temporary impairment losses on fixed maturities	(2.5)	(0.9)	(6.8)	(1.9)
Impairment losses recognized in earnings	(2.5)	(0.9)	(6.8)	(1.9)
Net realized investment gains (losses)	$ 12.0	$ 10.5	$ 64.5	$ (5.2)

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,	
	2019	**2018**	**2019**	**2018**
Net income	$ 28.8	$ 41.8	$ 120.0	$ 66.6
Other comprehensive income (loss):				
Foreign currency translation adjustments	(0.3)	(2.9)	(0.1)	(4.0)
Unrealized gains (losses) on securities:				
Gains (losses) arising during the year	41.9	(36.7)	98.7	(61.4)
Reclassification adjustment for losses included in net income	1.8	15.1	4.9	2.6
Other comprehensive income (loss) before tax	43.4	(24.5)	103.5	(62.8)
Income tax provision related to other comprehensive income (loss):				
Unrealized gains (losses) on securities:				
Gains (losses) arising during the year	6.7	(5.3)	15.8	(9.3)
Reclassification adjustment for losses included in net income	0.2	2.5	0.7	0.2
Income tax provision (benefit) related to other comprehensive income (loss)	6.9	(2.8)	16.5	(9.1)
Other comprehensive income (loss), net of tax	36.5	(21.7)	87.0	(53.7)
Comprehensive income	$ 65.3	$ 20.1	$ 207.0	$ 12.9

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, 2017	$ 40.4	$ 1,129.1	$ (423.4)	$ 977.0	$ 96.6	$ 1,819.7
Net income	—	—	—	66.6	—	66.6
Other comprehensive loss - change in fair value of fixed maturities, net of taxes	—	—	—	—	(49.7)	(49.7)
Other comprehensive loss, net - other	—	—	—	—	(4.0)	(4.0)
Repurchase of common share (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
Balance, December 31, 2018	$ 45.3	$ 1,372.0	$ (455.1)	$ 862.6	$ (78.1)	$ 1,746.7
Net income	—	—	—	120.0	—	120.0
Other comprehensive income - change in fair value of fixed maturities, net of taxes	—	—	—	—	87.1	87.1
Other comprehensive loss, net - other	—	—	—	—	(0.1)	(0.1)
Activity under stock incentive plans	0.4	7.4	—	—	—	7.8
Retirement of common shares (tax payments on equity compensation)	(0.1)	(10.8)	—	—	—	(10.9)
Employee stock purchase plan	—	1.1	—	—	—	1.1
Cash dividend declared - common shares ($0.62/share)	—	—	—	(22.7)	—	(22.7)
Balance, June 30, 2019	$ 45.6	$ 1,369.7	$ (455.1)	$ 959.9	$ 8.9	$ 1,929.0

See accompanying notes.

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

	For the Six Months Ended June 30,	
	2019	2018
Cash flows from operating activities:		
Net income	$ 120.0	$ 66.6
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Amortization and depreciation	13.8	13.8
Share-based payments expense	8.8	11.0
Deferred income tax benefit, net	3.2	(6.9)
Net realized investment (gains) loss	(64.5)	5.2
Undistributed earnings from alternative investment portfolio	(11.4)	(13.9)
Loss on disposals of fixed assets, net	0.1	—
Change in:		
Accrued investment income	0.5	(1.2)
Receivables	(161.9)	(53.3)
Deferred acquisition costs	3.5	(1.5)
Ceded unearned premiums	(136.2)	(87.4)
Reserves for losses and loss adjustment expenses	83.2	(71.1)
Unearned premiums	103.0	67.0
Ceded reinsurance payable and funds held	80.3	80.2
Income taxes	4.4	14.9
Accrued underwriting expenses and other liabilities	12.8	156.6
Other, net	(64.5)	(54.1)
Cash (used in) provided by operating activities	(4.9)	125.9
Cash flows from investing activities:		
Sales of fixed maturity investments	751.6	882.0
Maturities and mandatory calls of fixed maturity investments	168.8	288.7
Sales of equity securities	32.2	104.9
Sales of other investments	31.1	38.1
Purchases of fixed maturity investments	(888.5)	(1,237.5)
Purchases of equity securities	(32.4)	(113.3)
Purchases of other investments	(38.2)	(23.3)
Change in foreign regulatory deposits and voluntary pools	6.3	13.1
Change in short-term investments	67.7	(80.7)
Settlements of foreign currency exchange forward contracts	9.9	2.3
Cash acquired with acquisition of Ariscom	—	15.6
Purchases of fixed assets	(15.7)	(11.0)
Other, net	(22.5)	(16.7)
Cash provided by (used in) investing activities	70.3	(137.8)
Cash flows from financing activities:		
Activity under stock incentive plans	0.9	0.2
Repurchase of Company's common shares	—	(19.4)
Payment of cash dividends to common shareholders	(22.7)	(18.7)
Cash used in financing activities	(21.8)	(37.9)
Effect of exchange rate changes on cash	(0.5)	(0.1)
Change in cash	43.1	(49.9)
Cash, beginning of year	139.2	176.6
Cash, end of period	$ 182.3	$ 126.7

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, 2018, filed with the Securities and Exchange Commission on February 25, 2019.

The interim financial information as of, and for the three and six months ended June 30, 2019 and 2018 is unaudited. However, in the opinion of management, the interim information includes all adjustments, consisting of normal recurring accruals, necessary for a fair presentation of the results presented for the interim periods. The operating results for the interim periods are not necessarily indicative of the results to be expected for the full year. All significant intercompany amounts have been eliminated in consolidation. Certain reclassifications have been made to financial information presented for prior years to conform to the current year's presentation.

2. Recently Issued Accounting Pronouncements

In August 2018, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2018-13, "Fair Value Measurement" (Topic 820). ASU 2018-13 eliminates, adds and modifies certain disclosure requirements on fair value measurements. The guidance is effective for fiscal years beginning after December 15, 2019, including interim periods within the year of adoption. The amendments on changes in unrealized gains and losses, the range and weighted average of significant unobservable inputs used to develop Level 3 fair value measurements, and the narrative description of measurement uncertainty are applied prospectively for only the most recent interim or annual period presented in the initial fiscal year adoption. All other amendments are applied retrospectively to all periods presented upon their effective date. 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 disclosures.

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 2016-02, "Leases" (Topic 842). ASU 2016-02 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. In July 2018, the FASB issued ASU 2018-11, "Leases: Targeted Improvements" (Topic 842), which provides for an alternative transition method by allowing entities to initially apply the new leases standard at the adoption date (such as January 1, 2019) and recognize a cumulative-effect adjustment to the opening balance of retained earnings in the period of adoption (comparative periods presented in the financial statements will continue to be in accordance with current GAAP (Topic 840, Leases). The standard was effective for annual and interim periods beginning after December 15, 2018, with earlier application permitted.

We have entered into operating leases for office space and certain other assets. We adopted the new standard on the effective date of January 1, 2019. We applied the following practical expedients:

- We have elected to adopt this standard using the option transition method, which allows companies to continue applying the guidance under the lease standard in effect at that time in the comparative periods presented in the consolidated financial statements. The adoption of the standard had no effect on our consolidated shareholders' equity. Prior periods were not restated.
- We have elected the "package of practical expedients", which permits us not to reassess under the new standard our prior conclusion about lease identification, lease classification and initial direct costs.
- Where we are the lessor, we have elected the practical expedient which permits us to not separate non-lease components from the associated lease components if the non-lease components otherwise would be accounted for in accordance with the new revenue standard.

For the majority of our asset classes, we elected not to separate lease and non-lease components. As a result, our right-of-use assets and lease liabilities represent base rent components of our leases. We have elected to not apply the practical expedient which allows the use of hindsight in determining the lease term and in assessing impairment of the entity's right-of-use assets. The remaining practical expedients did not specifically apply to our lease population as of the adoption date.

Please see Note 4 - "Leases" for further discussion on the impact of the adoption of this standard.

3. Investments

Included in "Total investments" in our Consolidated Balance Sheets at June 30, 2019 and December 31, 2018 is $142.8 million and $133.4 million, respectively, of assets managed on behalf of the trade capital providers, who are third-party participants that provide underwriting capital to the operations of Syndicates 1200 and 1910.

Fixed Maturities

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

June 30, 2019

(in millions)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Fixed maturities				
U.S. Governments	$ 241.7	$ 2.1	$ 0.7	$ 243.1
Foreign Governments	239.9	4.4	1.8	242.5
Obligations of states and political subdivisions	149.2	7.4	0.1	156.5
Corporate bonds	1,786.4	33.3	23.5	1,796.2
Commercial mortgage-backed securities	161.8	4.6	0.2	166.2
Residential mortgage-backed securities	506.2	9.3	1.3	514.2
Asset-backed securities	187.9	1.5	0.3	189.1
Collateralized loan obligations	226.4	0.5	1.5	225.4
Total fixed maturities	$ 3,499.5	$ 63.1	$ 29.4	$ 3,533.2

December 31, 2018

(in millions)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Fixed maturities				
U.S. Governments	$ 240.9	$ 0.2	$ 4.9	$ 236.2
Foreign Governments	224.1	0.5	7.8	216.8
Obligations of states and political subdivisions	236.7	4.3	1.2	239.8
Corporate bonds	1,808.7	7.5	58.7	1,757.5
Commercial mortgage-backed securities	205.3	0.7	3.2	202.8
Residential mortgage-backed securities	413.1	3.4	5.7	410.8
Asset-backed securities	173.6	0.4	1.2	172.8
Collateralized loan obligations	226.7	0.5	3.5	223.7
Total fixed maturities	$ 3,529.1	$ 17.5	$ 86.2	$ 3,460.4

Contractual Maturity

The amortized cost and fair values of fixed maturity investments as of June 30, 2019, by contractual maturity, were as follows:

(in millions)	Amortized Cost	Fair Value
Due in one year or less	$ 268.1	$ 268.2
Due after one year through five years	1,439.4	1,444.4
Due after five years through ten years	622.8	634.5
Thereafter	86.9	91.2
Structured securities	1,082.3	1,094.9
Total	$ 3,499.5	$ 3,533.2

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, 2019 and December 31, 2018 were as follows:

June 30, 2019

(in millions)	Carrying Value	Unfunded Commitments
Investment Type		
Hedge funds	$ 117.9	$ —
Private equity	254.1	102.6
Long only funds	133.0	—
Other	4.4	—
Total other investments	$ 509.4	$ 102.6

December 31, 2018

(in millions)	Carrying Value	Unfunded Commitments
Investment Type		
Hedge funds	$ 120.6	$ —
Private equity	211.8	120.5
Long only funds	153.0	—
Other	4.4	—
Total other investments	$ 489.8	$ 120.5

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.

Unrealized Losses and Other-Than-Temporary Impairments

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

June 30, 2019	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	$ 5.4	$ —	$ 90.6	$ 0.7	$ 96.0	$ 0.7
Foreign Governments	61.8	1.3	57.5	0.5	119.3	1.8
Obligations of states and political subdivisions	0.5	—	4.3	0.1	4.8	0.1
Corporate bonds	306.4	19.3	252.6	4.2	559.0	23.5
Commercial mortgage-backed securities	10.2	—	23.1	0.2	33.3	0.2
Residential mortgage-backed securities	30.0	0.3	87.3	1.0	117.3	1.3
Asset-backed securities	13.7	0.1	42.1	0.2	55.8	0.3
Collateralized loan obligations	151.7	1.2	47.9	0.3	199.6	1.5
Total fixed maturities	$ 579.7	$ 22.2	$ 605.4	$ 7.2	$ 1,185.1	$ 29.4

December 31, 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	$ 28.2	$ 0.2	$ 173.0	$ 4.7	$ 201.2	$ 4.9
Foreign Governments	73.4	3.6	125.0	4.2	198.4	7.8
Obligations of states and political subdivisions	53.3	0.6	25.3	0.6	78.6	1.2
Corporate bonds	964.3	45.7	440.8	13.0	1,405.1	58.7
Commercial mortgage-backed securities	48.5	0.6	90.6	2.6	139.1	3.2
Residential mortgage-backed securities	63.5	0.7	176.1	5.0	239.6	5.7
Asset-backed securities	73.6	0.6	64.2	0.6	137.8	1.2
Collateralized loan obligations	209.5	3.3	10.3	0.2	219.8	3.5
Total fixed maturities	$ 1,514.3	$ 55.3	$ 1,105.3	$ 30.9	$ 2,619.6	$ 86.2

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 2016-01. 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 9,406 securities, of which 1,122 were in an unrealized loss position for less than one year and 832 were in an unrealized loss position for a period one year or greater as of June 30, 2019. 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 or not an investment is other-than-temporarily impaired, 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, 2019.

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

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
(in millions)	2019	2018	2019	2018
Other-than-temporary impairment:				
Corporate bonds	$ (2.5)	$ (0.9)	$ (6.8)	$ (1.9)
Other-than-temporary impairment losses	$ (2.5)	$ (0.9)	$ (6.8)	$ (1.9)

Net Realized Investment Gains and Losses

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

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
(in millions)	2019	2018	2019	2018
Realized gains on fixed maturities and other				
Fixed maturities	$ 5.7	$ 3.7	$ 9.4	$ 11.2
Other investments	5.5	15.6	14.3	27.3
	11.2	19.3	23.7	38.5
Realized losses on fixed maturities and other				
Fixed maturities	(4.7)	(6.5)	(7.2)	(11.4)
Other investments	(5.2)	(16.3)	(13.3)	(25.6)
Other-than-temporary impairment losses on fixed maturities	(2.5)	(0.9)	(6.8)	(1.9)
	(12.4)	(23.7)	(27.3)	(38.9)
Equity securities				
Net realized gains on equity securities	0.6	10.6	1.3	21.8
Change in unrealized gains (losses) on equity securities held at the end of the period	12.6	4.3	66.8	(26.6)
Net realized gains (losses) on equity securities	13.2	14.9	68.1	(4.8)
Net realized investment gains (losses) before income taxes	12.0	10.5	64.5	(5.2)
Income tax (provision) benefit	(2.6)	(2.4)	(12.2)	0.5
Net realized investment gains (losses), net of income taxes	$ 9.4	$ 8.1	$ 52.3	$ (4.7)

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

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

(in millions)	For the Three Months Ended June 30, 2019	For the Three Months Ended June 30, 2018	For the Six Months Ended June 30, 2019	For the Six Months Ended June 30, 2018
Change in unrealized gains (losses)				
Fixed maturities	$ 39.2	$ (21.8)	$ 99.1	$ (58.9)
Other and Short-term investments	4.5	0.2	4.5	0.1
Net unrealized investment gains (losses) before income taxes	43.7	(21.6)	103.6	(58.8)
Income tax (provision) benefit	(6.9)	2.8	(16.5)	9.1
Net unrealized investment gains (losses), net of income taxes	$ 36.8	$ (18.8)	$ 87.1	$ (49.7)

Foreign Currency Exchange Forward Contracts

We entered into foreign currency exchange forward contracts to manage operational currency exposure on our Canadian dollar 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." 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, 2019 and December 31, 2018 was as follows:

(in millions)	June 30, 2019	December 31, 2018
Operational currency exposure	$ (5.4)	$ 4.4
Asset manager investment exposure	(0.3)	(0.3)
Total return strategy	0.3	(1.5)
Total	$ (5.4)	$ 2.6

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

(in millions)	For the Three Months Ended June 30, 2019	For the Three Months Ended June 30, 2018	For the Six Months Ended June 30, 2019	For the Six Months Ended June 30, 2018
Realized gains				
Operational currency exposure	$ 0.6	$ 1.7	$ 0.8	$ 6.0
Asset manager investment exposure	0.3	8.7	1.4	13.0
Total return strategy	5.9	4.3	12.3	6.9
Gross realized investment gains	6.8	14.7	14.5	25.9
Realized losses				
Operational currency exposure	(2.5)	(3.7)	(4.6)	(4.3)
Asset manager investment exposure	(0.3)	(5.7)	(0.5)	(11.6)
Total return strategy	(3.9)	(6.0)	(8.6)	(8.1)
Gross realized investment losses	(6.7)	(15.4)	(13.7)	(24.0)
Net realized investment gains on foreign currency exchange forward contracts	$ 0.1	$ (0.7)	$ 0.8	$ 1.9

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, 2019	June 30, 2018
Securities on deposit for regulatory and other purposes	$ 187.0	$ 167.0
Securities pledged as collateral for letters of credit	126.6	78.1
Securities and cash on deposit supporting Lloyd’s business	392.2	373.9
Total restricted investments	$ 705.8	$ 619.0

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, 2019 and December 31,2018. 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 3: We own certain equity securities that are reported at fair value using Level 3 inputs. The valuation techniques for these securities include the following:

- Fair value measurements for an investment in an equity fund obtained by applying final prices provided by the administrator of the fund, which is based upon certain estimates and assumptions.
- Fair value measurements from 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 six months ended June 30, 2019.

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, 2019**	**Level 1 [a]**	**Level 2 [b]**	**Level 3 [c]**
Fixed maturities				
U.S. Governments	$ 243.1	$ 237.6	$ 5.5	$ —
Foreign Governments	242.5	—	242.5	—
Obligations of states and political subdivisions	156.5	—	156.5	—
Corporate bonds	1,796.2	1.2	1,791.1	3.9
Commercial mortgage-backed securities	166.2	—	166.2	—
Residential mortgage-backed securities	514.2	—	514.2	—
Asset-backed securities	189.1	—	189.1	—
Collateralized loan obligations	225.4	—	225.4	—
Total fixed maturities	3,533.2	238.8	3,290.5	3.9
Equity securities	421.0	412.5	—	8.5
Other investments	89.1	—	89.1	—
Short-term investments	414.0	378.8	35.2	—
	$ 4,457.3	$ 1,030.1	$ 3,414.8	$ 12.4

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

(in millions)	December 31, 2018	Fair Value Measurements at Reporting Date Using Level 1 [a]	Level 2 [b]	Level 3 [c]
Fixed maturities				
U.S. Governments	$ 236.2	$ 226.7	$ 9.5	$ —
Foreign Governments	216.8	—	216.8	—
Obligations of states and political subdivisions	239.8	—	239.8	—
Corporate bonds	1,757.5	—	1,755.3	2.2
Commercial mortgage-backed securities	202.8	—	202.8	—
Residential mortgage-backed securities	410.8	—	410.8	—
Asset-backed securities	172.8	—	172.8	—
Collateralized loan obligations	223.7	—	223.7	—
Total fixed maturities	3,460.4	226.7	3,231.5	2.2
Equity securities	354.5	346.3	—	8.2
Other investments	114.4	—	114.4	—
Short-term investments	482.3	453.9	28.4	—
	$ 4,411.6	$ 1,026.9	$ 3,374.3	$ 10.4

(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, 2019	$ 2.2	$ 8.2	$ 10.4
Transfers into Level 3	—	—	—
Transfers out of Level 3	—	—	—
Total gains or losses (realized/unrealized):			
Included in net income	—	0.3	0.3
Included in other comprehensive income	(0.1)	—	(0.1)
Purchases, issuances, sales, and settlements:			
Purchases	1.8	—	1.8
Issuances	—	—	—
Sales	—	—	—
Settlements	—	—	—
Ending balance, June 30, 2019	$ 3.9	$ 8.5	$ 12.4
Amount of total gains or losses for the year included in net income attributable to the change in unrealized gains or losses relating to assets still held at June 30, 2019	$ —	$ —	$ —

(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	—	0.2	0.2
Included in other comprehensive loss	0.3	—	0.3
Purchases, issuances, sales, and settlements:			
Purchases	—	7.3	7.3
Issuances	—	—	—
Sales	—	(1.6)	(1.6)
Settlements	—	—	—
Ending balance, December 31, 2018	$ 2.2	$ 8.2	$ 10.4
Amount of total gains or losses for the year included in net income attributable to the change in unrealized gains or losses relating to assets still held at December 31, 2018	$ —	$ —	$ —

At June 30, 2019 and December 31, 2018, we did not have any financial assets or financial liabilities measured at fair value on a nonrecurring basis or any financial liabilities on a recurring basis.

4. Leases

We adopted ASU 2016-02, "Leases" on January 1, 2019, which resulted in the recognition of operating leases on the balance sheet beginning in 2019 and forward. See Note 2, “Recently Issued Accounting Pronouncements,” for additional information on the adoption of the ASU.

We determine if a contract contains a lease at inception and recognize operating lease right-of-use assets and operating lease liabilities based on the present value of the future minimum lease payments at the commencement date. As our leases do not provide an implicit interest rate, we use our incremental borrowing rate based on the information available at the commencement date to determine the present value of future payments. Lease agreements have lease and non-lease components. We account for these components separately, therefore our operating lease right-of-use asset and operating lease liabilities represent base rent only. Lease expense is recognized on a straight-line basis over the lease term.

Our operating lease obligations are for office facilities, corporate housing, and equipment, including corporate aviation. Our leases have remaining lease terms of less than 1 year to 14 years, some of which include options to extend the leases. Expenses associated with leases totaled $6.1 million and $12.2 million for the three and six months ended June 30, 2019, respectively as compared to $5.0 million and $9.7 million for the three and six months ended June 30, 2018. The components of lease expense and other lease information as of and during the six months ended June 30, 2019 are as follows:

(in millions)	June 30, 2019
Operating leases right-of-use assets	$ 112.6
Operating lease liabilities	125.8
Operating lease weighted-average remaining lease term	10.39
Operating lease weighted-average discount rate	3.87%

(in millions)	For the Three Months Ended June 30, 2019	For the Six Months Ended June 30, 2019
Operating lease costs	$ 5.1	$ 10.2
Variable lease costs	1.1	2.2
Sublease income	(0.1)	(0.2)
Total lease costs	$ 6.1	$ 12.2
Operating cash flows from operating leases (fixed payments)		$ 9.4
Operating cash flows from operating leases (liability reduction)		7.6

Our finance leases and short-term leases as of June 30, 2019 were not material.

Future minimum lease payments under operating leases as of June 30, 2019 and December 31, 2018 were as follows:

(in millions)	June 30, 2019	December 31, 2018
2019	$ 9.3	$ 18.7
2020	18.6	18.6
2021	17.5	17.5
2022	14.8	14.7
2023	12.3	12.3
Thereafter	80.9	80.1
Total future minimum lease payments	$ 153.4	$ 161.9
Less imputed interest	(27.6)	N/A
Total operating lease liability	$ 125.8	N/A

We have certain investment properties that we lease to independent, third parties. These properties consist of an office building that is currently leased through August 2026 and three condominiums that are leased on a short-term basis. The carrying value of these assets are included in "Other assets" on our consolidated balance sheet. Income for these leased properties was $0.7 million for each of the three months ended June 30, 2019 and 2018, and $1.5 million for each of the six months ended June 30, 2019 and 2018. Income for these leased properties are included in "Fee and other income" on our consolidated statements of income.

5. Reserves for Losses and Loss Adjustment Expenses

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

(in millions)	For the Six Months Ended June 30, 2019	For the Six Months Ended June 30, 2018
Net reserves beginning of the year	$ 2,562.9	$ 2,488.0
Net reserves acquired	—	49.4
Add:		
Losses and LAE incurred during current calendar year, net of reinsurance:		
Current accident year	502.9	487.1
Prior accident years	19.8	(4.4)
Losses and LAE incurred during calendar year, net of reinsurance	522.7	482.7
Deduct:		
Losses and LAE payments made during current calendar year, net of reinsurance:		
Current accident year	89.8	152.1
Prior accident years	432.4	327.0
Losses and LAE payments made during current calendar year, net of reinsurance:	522.2	479.1
Change in participation interest [1]	(14.4)	(29.4)
Foreign exchange adjustments	(13.0)	(24.0)
Net reserves - end of period	2,536.0	2,487.6
Add:		
Reinsurance recoverables on unpaid losses and LAE, end of period	2,199.7	1,755.3
Gross reserves - end of period	$ 4,735.7	$ 4,242.9

(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:

(in millions)	For the Six Months Ended June 30, 2019	For the Six Months Ended June 30, 2018
U.S. Operations	$ (9.1)	$ (4.1)
International Operations	27.2	(3.3)
Run-off Lines	1.7	3.0
Total unfavorable (favorable) prior-year development	$ 19.8	$ (4.4)

The following describes the primary factors behind each segment's prior accident year reserve development for the six months ended June 30, 2019 and 2018:

Six months ended June 30, 2019:

- *U.S. Operations:* Favorable development in general liability and surety lines, partially offset by unfavorable development in property and commercial multi-peril lines.

- *International Operations:* Unfavorable development was primarily related to certain liability, property and specialty lines. The liability charges included public utility business in our Bermuda casualty division, which we previously exited, and to a lesser extent our European and Syndicate 1200 operations. As it relates to Europe, the adverse development primarily related to certain cover-holders whose contracts were previously terminated. As it relates to Syndicate 1200, the adverse development related to businesses that we have previously exited or where aggressive remedial underwriting actions have been taken.

  The International Operations unfavorable development includes $26.4 million recognized during the second quarter of 2019. The timing of recognizing this unfavorable development was primarily due to obtaining additional information on several individual claims, including reports provided by outside counsel, audits of the underlying losses and recent jury awards. The result was an increase in the number of claims with the potential for underlying losses to reach our attachment point, particularly on aggregate treaty contracts within our Bermuda Operations. The second quarter 2019 unfavorable development was also attributable to the results of recent audits, underwriting reviews, and updated data from third party cover-holders, which included the identification of differences from original expectations with regard to the classes written, the distribution of writings by geography, and the rates charged by the cover-holders.

- *Run-off Lines:* Unfavorable development in other run-off lines, partially offset by favorable development in risk management workers compensation.

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.

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 3, “Investments,” for additional information.

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

Debt. At June 30, 2019 and December 31, 2018, 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, 2019		December 31, 2018	
(in millions)	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Junior subordinated debentures:				
Trust preferred debentures	$ 172.7	$ 158.2	$ 172.7	$ 163.2
Subordinated debentures acquired	84.5	84.1	84.3	85.0
Total junior subordinated debentures	257.2	242.3	257.0	248.2
Senior unsecured fixed rate notes	139.9	143.4	139.8	139.5
Floating rate loan stock	56.7	51.9	57.8	54.5

7. Shareholders' Equity

On May 24, 2019, our Board of Directors declared a quarterly cash dividend in the amount of $0.31 on each share of common stock outstanding. On June 21, 2019, we paid $11.9 million to our shareholders of record on June 7, 2019.

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 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 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, 2019, availability under the 2016 Repurchase Authorization for future repurchases of our common shares was $53.3 million.

We did not repurchase any common shares for the six months ended June 30, 2019.

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, 2019, and 2018 is presented below:

(in millions)	Foreign Currency Translation Adjustments	Unrealized Holding Gains on Securities	Defined Benefit Pension Plans	Total
Balance, January 1, 2019	$ (22.4)	$ (49.0)	$ (6.7)	$ (78.1)
Other comprehensive income before reclassifications	(0.1)	82.9	—	82.8
Amounts reclassified from accumulated other comprehensive income	—	4.2	—	4.2
Net current-period other comprehensive income	(0.1)	87.1	—	87.0
Balance at June 30, 2019	$ (22.5)	$ 38.1	$ (6.7)	$ 8.9

(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
Other comprehensive loss before reclassifications	(4.0)	(52.1)	—	(56.1)
Amounts reclassified from accumulated other comprehensive loss	—	2.4	—	2.4
Net current-period other comprehensive loss	(4.0)	(49.7)	—	(53.7)
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
Balance at June 30, 2018	$ (23.0)	$ (23.2)	$ (7.7)	$ (53.9)

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

(in millions)	For the Three Months Ended June 30, 2019	For the Three Months Ended June 30, 2018	For the Six Months Ended June 30, 2019	For the Six Months Ended June 30, 2018
Unrealized gains and losses on securities:				
Net realized investment loss	$ 1.8	$ 15.1	$ 4.9	$ 2.6
Benefit for income taxes	(0.2)	(2.5)	(0.7)	(0.2)
Net of taxes	$ 1.6	$ 12.6	$ 4.2	$ 2.4

9. Net Income Per Common Share

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

(in millions, except number of shares and per share amounts)	For the Three Months Ended June 30, 2019	For the Three Months Ended June 30, 2018	For the Six Months Ended June 30, 2019	For the Six Months Ended June 30, 2018
Net income	$ 28.8	$ 41.8	$ 120.0	$ 66.6
Weighted average common shares outstanding - basic	34,195,250	33,938,509	34,090,372	33,903,809
Effect of dilutive securities:				
Equity compensation awards	584,741	730,409	669,176	801,002
Weighted average common shares outstanding - diluted	34,779,991	34,668,918	34,759,548	34,704,811
Net income per common share:				
Basic	$ 0.84	$ 1.23	$ 3.52	$ 1.96
Diluted	$ 0.83	$ 1.20	$ 3.45	$ 1.92

Excluded from the weighted average common shares outstanding calculation at June 30, 2019 and 2018 are 11,315,889 shares and 11,129,540 shares, respectively, which are held as treasury shares. The shares are excluded as of their repurchase date. For the three and six months ended June 30, 2019, 5,084 shares were not included in the calculation of diluted net income per common share as these instruments were anti-dilutive. For the three and six months ended June 30, 2018, 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:

(in millions)	For the Six Months Ended June 30, 2019	For the Six Months Ended June 30, 2018
Senior unsecured fixed rate notes	$ 4.7	$ 4.7
Junior subordinated debentures	8.3	7.1
Other indebtedness	3.8	3.3
Revolving credit facility	—	0.3
Total interest paid	$ 16.8	$ 15.4
Income taxes paid	1.3	8.2
Income taxes recovered	—	—
Income taxes paid, net	$ 1.3	$ 8.2

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, 2019 and 2018:

	For the Six Months Ended June 30,	
	2019	**2018**
Risk-free rate of return	1.88%	2.73%
Expected dividend yields	1.76%	1.87%
Expected award life (years)	4.50	4.49
Expected volatility	18.37%	18.13%

Argo Group's 2019 Omnibus Incentive Plan

In May 2019, our shareholders approved the 2019 Omnibus Incentive Plan (the "2019 Plan"), which provides equity-based and cash-based performance-related incentives to key employees, non-employee directors and other service providers. The intent of the 2019 Plan is to encourage and provide for the acquisition of an ownership interest in Argo Group, enabling us to attract and retain qualified and competent persons to serve as members of a management team and the Board of Directors. The 2019 Plan authorizes 1,885,000 shares of common stock to be granted as equity-based awards. All awards granted after December 31, 2018 will be issued under the 2019 Plan. No further grants will be made under any prior plan; however, any awards under a prior plan that are outstanding as of the effective date shall remain subject to the terms and conditions of, and be governed by, such prior plan.

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

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

Restricted Shares

A summary of restricted share activity as of June 30, 2019 and changes during the six months then ended is as follows:

	Shares	**Weighted-Average Grant Date Fair Value**
Outstanding at January 1, 2019	897,005	$ 46.82
Granted	200,785	$ 68.69
Vested and issued	(399,882)	$ 35.86
Expired or forfeited	(53,116)	$ 55.04
Outstanding at June 30, 2019	644,792	$ 59.77

The restricted shares vest over one to four years. Expense recognized under this plan for the restricted shares was $3.5 million and $7.2 million for the three and six months ended June 30, 2019 respectively, as compared to $4.8 million and $8.2 million for the three and six months ended June 30, 2018. 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, 2019, there was $31.6 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, 2019 and changes during the six months then ended is as follows:

	Shares	Weighted-Average Exercise Price
Outstanding at January 1, 2019	810,759	$ 33.89
Exercised	(97,644)	$ 36.70
Expired or forfeited	(7,167)	$ 37.85
Outstanding at June 30, 2019	705,948	$ 33.46

As of June 30, 2019, all stock-settled SARs are fully vested. 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. There was no expense recognized for the three months ending June 30, 2019 for stock-settled SARs. Expense recognized for the six months ended June 30, 2019 for the stock-settled SARs was $0.4 million. 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 of June 30, 2019, there was no unrecognized compensation cost related to stock-settled SARs outstanding.

Cash-Settled SARs

A summary of cash-settled SARs activity as of June 30, 2019 and changes during the six months then ended is as follows:

	Shares	Weighted-Average Exercise Price
Outstanding at January 1, 2019	58,428	$ 30.71
Exercised	(37,330)	$ 29.53
Expired or forfeited	(1,193)	$ 19.37
Outstanding at June 30, 2019	19,905	$ 33.59

As of June 30, 2019, 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-settled SARs was $0.4 million and $0.6 million for the three and six months ended June 30, 2019 respectively, as compared to $0.3 million and $0.8 million for the three and six months ended June 30, 2018. As of June 30, 2019, 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)	2019	2018	2019	2018
Commissions	$ 56.7	$ 56.7	$ 120.0	$ 124.7
General expenses	99.0	90.6	188.1	178.4
Premium taxes, boards and bureaus	7.9	8.1	16.2	17.4
	163.6	155.4	324.3	320.5
Net deferral of policy acquisition costs	5.3	1.4	5.3	(3.5)
Total underwriting, acquisition and insurance expenses	$ 168.9	$ 156.8	$ 329.6	$ 317.0

General expenses in the table above include $7.5 million and $8.0 million of expenses associated with proxy solicitation and related activities for the three and six months ended June 30, 2019, respectively. Given the unique and non-recurring nature of the events that gave rise to these expenses, these costs are not included in the calculation of our expense and combined ratios. There were no comparable costs incurred for the three and six months ended June 30, 2018.

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, 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.

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, 2019 and 2018, pre-tax income (loss) attributable to our operations and the operations' effective tax rates were as follows:

	For the Three Months Ended June 30,			
	2019		2018	
(in millions)	Pre-Tax Income (Loss)	Effective Tax Rate	Pre-Tax Income (Loss)	Effective Tax Rate
Bermuda	$ 15.0	— %	$ (33.6)	— %
United States	22.3	14.8 %	85.7	17.1 %
United Kingdom	(8.9)	26.7 %	6.6	10.1 %
Belgium	(0.3)	29.5 %	(0.1)	36.4 %
Brazil	2.0	— %	0.1	— %
United Arab Emirates	— [(1)]	— %	0.2	— %
Ireland	— [(1)]	— %	(0.1)	— %
Italy	0.2	— %	(1.1)	— %
Malta	(0.7)	(0.1)%	(0.6)	(0.2)%
Luxembourg	—	— %	— [(1)]	— %
Switzerland	— [(1)]	— %	— [(1)]	20.8 %
Pre-tax income	$ 29.6	2.9 %	$ 57.1	26.9 %

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

(in millions)	For the Six Months Ended June 30, 2019 Pre-Tax Income (Loss)	2019 Effective Tax Rate	2018 Pre-Tax Income (Loss)	2018 Effective Tax Rate
Bermuda	$ 47.0	—%	$ (8.4)	—%
United States	91.8	14.5%	79.5	16.6%
United Kingdom	(12.4)	28.1%	12.7	17.1%
Belgium	(0.3)	29.7%	— (1)	35.8%
Brazil	3.8	—%	(1.3)	—%
United Arab Emirates	0.2	—%	0.4	—%
Ireland	(0.1)	—%	(0.1)	—%
Italy	(0.5)	—%	(1.1)	—%
Malta	0.2	0.5%	0.4	0.2%
Luxembourg	—	—%	— (1)	—%
Switzerland	— (1)	—%	— (1)	20.8%
Pre-tax income	$ 129.7	7.5%	$ 82.1	18.9%

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

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

(in millions)	For the Three Months Ended June 30, 2019	For the Three Months Ended June 30, 2018	For the Six Months Ended June 30, 2019	For the Six Months Ended June 30, 2018
Income tax provision at expected rate	$ 3.6	$ 18.8	$ 18.5	$ 18.4
Tax effect of:				
Nontaxable investment income	(0.3)	(0.5)	(0.7)	(1.0)
Foreign exchange adjustments	0.1	—	0.6	(0.2)
Withholding taxes	0.1	0.2	0.2	0.3
Change in valuation allowance	— (1)	(0.7)	(0.6)	(3.4)
Other	(2.7)	(2.5)	(8.3)	1.4
Income tax provision	$ 0.8	$ 15.3	$ 9.7	$ 15.5

(1) Tax effect of the adjustment for the respective year was less than $0.1 million.

Our gross deferred tax assets are supported by taxes paid in previous periods, reversal of taxable temporary differences and recognition of future taxable income. Management regularly evaluates the recoverability of the deferred tax assets and makes any necessary adjustments to them based upon any changes in management's expectations of future taxable income. Realization of deferred tax assets is dependent upon our generation of future taxable income sufficient to recover tax benefits that cannot be recovered from taxes paid in the carryback period, generally for our 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 $0.6 million in 2019 relating to the following: Internal Revenue Code Section 382 limited net operating loss carryforwards within the United States, cumulative losses incurred since inception, and valuation allowances acquired through or related to acquisitions. Based upon a review of our available evidence, both positive and negative discussed above, our management concluded that it is more-likely-than-not that the other deferred tax assets will be realized.

For any uncertain tax positions not meeting the "more-likely-than-not" recognition threshold, accounting standards require recognition, measurement and disclosure in a company's financial statements. We had no material unrecognized tax benefits as of June 30, 2019 and 2018. Our United States subsidiaries are no longer subject to U.S. federal and state income tax examinations by tax authorities for years before 2015. Our United Kingdom subsidiaries are no longer subject to United Kingdom income tax examinations by Her Majesty's Revenue and Customs for years before 2017.

14. Commitments and Contingencies

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

We have contractual commitments to invest up to $102.6 million related to our limited partnership investments at June 30, 2019. 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 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)	2019	2018	2019	2018
Revenue:				
Earned premiums				
U.S. Operations	$ 284.0	$ 267.0	$ 557.8	$ 529.3
International Operations	147.6	150.5	294.3	302.9
Run-off Lines	0.1	0.2	0.1	0.2
Total earned premiums	431.7	417.7	852.2	832.4
Net investment income				
U.S. Operations	29.6	20.7	52.7	43.3
International Operations	11.5	8.4	20.6	17.2
Run-off Lines	1.3	2.0	2.7	4.2
Corporate and Other	0.4	2.1	0.7	4.5
Total net investment income	42.8	33.2	76.7	69.2
Fee and other income	2.1	1.9	4.4	3.9
Net realized investment gains (losses)	12.0	10.5	64.5	(5.2)
Total revenue	$ 488.6	$ 463.3	$ 997.8	$ 900.3

(in millions)	For the Three Months Ended June 30, 2019	For the Three Months Ended June 30, 2018	For the Six Months Ended June 30, 2019	For the Six Months Ended June 30, 2018
Income (loss) before income taxes				
U.S. Operations	$ 53.2	$ 42.5	$ 96.1	$ 76.5
International Operations	(21.0)	13.2	(4.8)	36.1
Run-off Lines	(1.1)	(0.3)	(0.5)	(1.0)
Total segment income before taxes	31.1	55.4	90.8	111.6
Corporate and Other	(11.3)	(14.3)	(22.2)	(24.9)
Net realized investment and other gains (losses)	12.0	10.5	64.5	(5.2)
Foreign currency exchange gains	5.3	5.5	4.6	0.6
Other corporate expenses	(7.5)	—	(8.0)	—
Total income before income taxes	$ 29.6	$ 57.1	$ 129.7	$ 82.1

The table below presents earned premiums by geographic location for the three and six months ended June 30, 2019 and 2018. For this disclosure, we determine geographic location by the country of domicile of our subsidiaries that underwrite the business and not by the location of insureds or reinsureds from whom the business was generated.

(in millions)	For the Three Months Ended June 30, 2019	For the Three Months Ended June 30, 2018	For the Six Months Ended June 30, 2019	For the Six Months Ended June 30, 2018
United States	$ 283.2	$ 265.8	$ 555.8	$ 527.2
United Kingdom	96.6	102.0	193.7	216.1
Bermuda	19.2	20.9	35.8	41.4
Malta	20.2	15.7	41.0	21.4
All other jurisdictions	12.5	13.3	25.9	26.3
Total earned premiums	$ 431.7	$ 417.7	$ 852.2	$ 832.4

The following table represents identifiable assets:

(in millions)	June 30, 2019	December 31, 2018
U.S. Operations	$ 5,234.6	$ 4,707.8
International Operations	4,380.0	3,984.7
Run-off Lines	367.3	444.8
Corporate and Other	184.8	420.9
Total	$ 10,166.7	$ 9,558.2

Included in total assets at June 30, 2019 and December 31, 2018 are $812.1 million and $880.4 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 ASC 835-30, "Interest-Imputation of Interest" 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, 2019 and December 31, 2018, the Notes consisted of the following:

(in millions)	June 30, 2019	December 31, 2018
Senior unsecured fixed rate notes		
Principal	$ 143.8	$ 143.8
Less: unamortized debt issuance costs	(3.9)	(4.0)
Senior unsecured fixed rate notes, less unamortized debt issuance costs	$ 139.9	$ 139.8

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, 2019 and December 31, 2018 and for the three and six months ended June 30, 2019 and 2018, 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, 2019
(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	$ 1.0	$ 3,294.2	$ 1,582.4	$ —	$ 4,877.6
Cash	1.9	28.3	152.1	—	182.3
Accrued investment income	—	19.4	7.3	—	26.7
Premiums receivable	—	251.1	476.9	—	728.0
Reinsurance recoverables	—	1,654.7	1,114.8	—	2,769.5
Goodwill and other intangible assets, net	41.2	123.6	104.8	—	269.6
Current income taxes receivable, net	—	4.1	(0.3)	—	3.8
Deferred acquisition costs, net	—	85.1	78.8	—	163.9
Ceded unearned premiums	—	282.7	311.2	—	593.9
Operating lease right-of-use assets	8.2	74.2	30.2	—	112.6
Other assets	9.9	171.4	257.5	—	438.8
Intercompany note receivable	—	55.2	(55.2)	—	—
Investments in subsidiaries	2,076.9	—	—	(2,076.9)	—
Total assets	$ 2,139.1	$ 6,044.0	$ 4,060.5	$ (2,076.9)	$ 10,166.7
Liabilities and Shareholders' Equity					
Reserves for losses and loss adjustment expenses	$ —	$ 2,869.8	$ 1,865.9	$ —	$ 4,735.7
Unearned premiums	—	814.9	589.1	—	1,404.0
Funds held and ceded reinsurance payable, net	—	696.0	392.0	—	1,088.0
Debt	153.4	284.8	141.2	—	579.4
Deferred tax liabilities, net	—	28.6	(3.2)	—	25.4
Accrued underwriting expenses and other liabilities	15.2	93.7	170.5	—	279.4
Operating lease liabilities	8.9	83.7	33.2	—	125.8
Due to (from) affiliates	32.6	(14.2)	14.2	(32.6)	—
Total liabilities	210.1	4,857.3	3,202.9	(32.6)	8,237.7
Total shareholders' equity	1,929.0	1,186.7	857.6	(2,044.3)	1,929.0
Total liabilities and shareholders' equity	$ 2,139.1	$ 6,044.0	$ 4,060.5	$ (2,076.9)	$ 10,166.7

(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, 2018
(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	$ 3.8	$ 3,175.9	$ 1,607.3	$ —	$ 4,787.0
Cash	1.7	31.7	105.8	—	139.2
Accrued investment income	—	20.3	6.9	—	27.2
Premiums receivable	—	229.5	420.4	—	649.9
Reinsurance recoverables	—	1,635.2	1,053.1	—	2,688.3
Goodwill and other intangible assets, net	41.9	123.8	104.8	—	270.5
Current income taxes receivable, net	—	9.1	(0.9)	—	8.2
Deferred acquisition costs, net	—	86.2	81.1	—	167.3
Ceded unearned premiums	—	250.4	207.3	—	457.7
Other assets	15.7	165.3	181.9	—	362.9
Intercompany note receivable	—	53.7	(53.7)	—	—
Investments in subsidiaries	1,852.7	—	—	(1,852.7)	—
Total assets	$ 1,915.8	$ 5,781.1	$ 3,714.0	$ (1,852.7)	$ 9,558.2
Liabilities and Shareholders' Equity					
Reserves for losses and loss adjustment expenses	$ —	$ 2,771.4	$ 1,883.2	$ —	$ 4,654.6
Unearned premiums	—	797.4	503.5	—	1,300.9
Funds held and ceded reinsurance payable, net	—	739.3	268.4	—	1,007.7
Debt	153.4	284.7	142.1	—	580.2
Deferred tax liabilities, net	—	5.6	0.6	—	6.2
Accrued underwriting expenses and other liabilities	7.2	112.4	142.3	—	261.9
Due to (from) affiliates	8.5	2.0	(2.0)	(8.5)	—
Intercompany note payable	—	19.1	(19.1)	—	—
Total liabilities	169.1	4,731.9	2,919.0	(8.5)	7,811.5
Total shareholders' equity	1,746.7	1,049.2	795.0	(1,844.2)	1,746.7
Total liabilities and shareholders' equity	$ 1,915.8	$ 5,781.1	$ 3,714.0	$ (1,852.7)	$ 9,558.2

(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, 2019
(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	$ —	$ 260.1	$ 171.6	$ —	$ 431.7
Net investment (expense) income	(0.6)	28.1	15.3	—	42.8
Fee and other income	—	0.7	1.4	—	2.1
Net realized investment (losses) gains	(0.1)	15.0	(2.9)	—	12.0
Total revenue	(0.7)	303.9	185.4	—	488.6
Expenses:					
Losses and loss adjustment expenses	—	171.3	113.5	—	284.8
Underwriting, acquisition and insurance expenses	8.2	104.2	56.5	—	168.9
Interest expense	1.7	5.2	2.4	—	9.3
Fee and other expense	—	0.9	0.4	—	1.3
Foreign currency exchange gains	—	(0.1)	(5.2)	—	(5.3)
Total expenses	9.9	281.5	167.6	—	459.0
(Loss) income before income taxes	(10.6)	22.4	17.8	—	29.6
Provision (benefit) for income taxes	—	3.3	(2.5)	—	0.8
Net (loss) income before equity in earnings of subsidiaries	(10.6)	19.1	20.3	—	28.8
Equity in undistributed earnings of subsidiaries	39.4	—	—	(39.4)	—
Net income (loss)	$ 28.8	$ 19.1	$ 20.3	$ (39.4)	$ 28.8

(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, 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 (loss)	$ 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 SIX MONTHS ENDED JUNE 30, 2019
(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	$ —	$ 526.6	$ 325.6	$ —	$ 852.2
Net investment (expense) income	(1.3)	51.9	26.1	—	76.7
Fee and other income	—	1.8	2.6	—	4.4
Net realized investment (losses) gains	(0.2)	60.9	3.8	—	64.5
Total revenue	(1.5)	641.2	358.1	—	997.8
Expenses:					
Losses and loss adjustment expenses	—	329.3	193.4	—	522.7
Underwriting, acquisition and insurance expenses	8.9	208.3	112.4	—	329.6
Interest expense	3.4	9.9	4.5	—	17.8
Fee and other expense	—	1.7	0.9	—	2.6
Foreign currency exchange losses (gains)	—	0.2	(4.8)	—	(4.6)
Total expenses	12.3	549.4	306.4	—	868.1
Income (loss) before income taxes	(13.8)	91.8	51.7	—	129.7
Provision (benefit) for income taxes	—	13.3	(3.6)	—	9.7
Net (loss) income before equity in earnings of subsidiaries	(13.8)	78.5	55.3	—	120.0
Equity in undistributed earnings of subsidiaries	133.8	—	—	(133.8)	—
Net income (loss)	$ 120.0	$ 78.5	$ 55.3	$ (133.8)	$ 120.0

(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 (loss)	$ 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 CASH FLOWS
FOR THE SIX MONTHS ENDED JUNE 30, 2019
(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	$ 19.3	$ (5.5)	$ (18.7)	$ —	$ (4.9)
Cash flows from investing activities:					
Proceeds from sales of investments	—	507.1	307.8	—	814.9
Maturities and mandatory calls of fixed maturity investments	—	131.8	37.0	—	168.8
Purchases of investments	—	(686.4)	(272.7)	—	(959.1)
Change in short-term investments and foreign regulatory deposits	2.8	74.7	(3.5)	—	74.0
Settlements of foreign currency exchange forward contracts	(0.1)	0.9	9.1	—	9.9
Purchases of fixed assets and other, net	—	(6.9)	(31.3)	—	(38.2)
Cash provided by investing activities	2.7	21.2	46.4	—	70.3
Cash flows from financing activities:					
Payment on the intercompany note	—	(19.1)	19.1	—	—
Activity under stock incentive plans	0.9	—	—	—	0.9
Payment of cash dividend to common shareholders	(22.7)	—	—	—	(22.7)
Cash (used in) provided by financing activities	(21.8)	(19.1)	19.1	—	(21.8)
Effect of exchange rate changes on cash	—	—	(0.5)	—	(0.5)
Change in cash	0.2	(3.4)	46.3	—	43.1
Cash, beginning of year	1.7	31.7	105.8	—	139.2
Cash, end of period	$ 1.9	$ 28.3	$ 152.1	$ —	$ 182.3

(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 acquired with 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.

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, 2019 compared with the three and six months ended June 30, 2018, and also a discussion of our financial condition as of June 30, 2019. 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, 2018 filed with the Securities and Exchange Commission (“SEC”) on February 25, 2019, 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, changes in asset valuations and costs associated with shareholder activism. 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, 2019, we reported net income of $28.8 million ($0.83 per diluted share) and $120.0 million ($3.45 per diluted share), respectively. 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.

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

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
(in millions)	2019	2018	2019	2018
Gross written premiums	$ 772.9	$ 702.8	$ 1,533.7	$ 1,413.3
Earned premiums	$ 431.7	$ 417.7	$ 852.2	$ 832.4
Net investment income	42.8	33.2	76.7	69.2
Fee and other income	2.1	1.9	4.4	3.9
Net realized investment (losses) gains:				
Net realized investment (losses) gains	(0.6)	6.2	(2.3)	21.4
Change in fair value of equity securities	12.6	4.3	66.8	(26.6)
Net realized investment gains (losses)	12.0	10.5	64.5	(5.2)
Total revenue	$ 488.6	$ 463.3	$ 997.8	$ 900.3
Income before income taxes	$ 29.6	$ 57.1	$ 129.7	$ 82.1
Income tax provision	0.8	15.3	9.7	15.5
Net income	$ 28.8	$ 41.8	$ 120.0	$ 66.6
Loss ratio	66.0%	58.8%	61.3%	58.0%
Expense ratio [1]	37.4%	37.5%	37.7%	38.1%
Combined ratio [1]	103.4%	96.3%	99.0%	96.1%

[1] $7.5 million and $8.0 million of other corporate expenses associated with proxy solicitation and related activities for the three and six months ended June 30, 2019, respectively, have been excluded from the calculations of the expense ratio and combined ratio.

	June 30, 2019	December 31, 2018	June 30, 2018
Book value per common share	$ 56.28	$ 51.43	$ 52.83

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, specifically the current accident year non-catastrophe loss, expense and combined ratios, 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,			
	2019		2018	
(in millions)	Amount	Ratio	Amount	Ratio
Earned premiums	$ 431.7		$ 417.7	
Losses and loss adjustment expenses, as reported	$ 284.8	66.0 %	$ 245.5	58.8 %
Less:				
(Unfavorable) favorable prior accident year loss development	(22.3)	(5.2)%	2.4	0.5 %
Catastrophe losses	(6.5)	(1.5)%	(1.7)	(0.4)%
Current accident year non-catastrophe losses	$ 256.0	59.3 %	$ 246.2	58.9 %
Expense ratio (1)		37.4 %		37.5 %
Current accident year non-catastrophe combined ratio (1)		96.7 %		96.4 %

(1) $7.5 million of other corporate expenses associated with proxy solicitation and related activities for the three ended June 30, 2019 have been excluded from the calculations of the expense ratio and current accident year non-catastrophe combined ratio.

	For the Six Months Ended June 30,			
	2019		2018	
(in millions)	Amount	Ratio	Amount	Ratio
Earned premiums, as reported	$ 852.2		$ 832.4	
Losses and loss adjustment expenses, as reported	$ 522.7	61.3 %	$ 482.7	58.0 %
Less:				
(Unfavorable) favorable prior accident year loss development	(19.8)	(2.3)%	4.4	0.5 %
Catastrophe losses	(12.0)	(1.4)%	(6.0)	(0.7)%
Current accident year non-catastrophe losses	$ 490.9	57.6 %	$ 481.1	57.8 %
Expense ratio (2)		37.7 %		38.1 %
Current accident year non-catastrophe combined ratio (2)		95.3 %		95.9 %

(2) $8.0 million of other corporate expenses associated with proxy solicitation and related activities for the six months ended June 30, 2019 have been excluded from the calculations of the expense ratio and current accident year non-catastrophe combined ratio.

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,			
	2019		2018	
(in millions)	Gross Written	Net Earned	Gross Written	Net Earned
Property	$ 217.0	$ 74.3	$ 179.3	$ 81.1
Liability	302.9	201.9	290.5	198.2
Professional	118.0	68.2	98.2	56.2
Specialty	135.0	87.3	134.8	82.2
Total	$ 772.9	$ 431.7	$ 702.8	$ 417.7

(in millions)	For the Six Months Ended June 30, 2019 Gross Written	2019 Net Earned	2018 Gross Written	2018 Net Earned
Property	$ 436.2	$ 141.4	$ 379.2	$ 173.8
Liability	592.5	409.8	580.8	390.2
Professional	234.7	129.2	191.9	110.6
Specialty	270.3	171.8	261.4	157.8
Total	$ 1,533.7	$ 852.2	$ 1,413.3	$ 832.4

Our consolidated gross written premiums increased $70.1 million, or 10.0%, for the three months ended June 30, 2019 as compared to the same period ended 2018, while net earned premiums increased $14.0 million, or 3.4%, for the comparative periods. For the six months ended June 30, 2019, consolidated gross written premiums increased $120.4 million, or 8.5%, as compared to the same period ended 2018, while net earned premiums increased $19.8 million, or 2.4%, for the comparative periods. Both U.S. Operations and International Operations saw overall rate increases for the three months and six months ended June 30, 2019.

In both segments, we have decreased our percentage of net retained premiums (net written premiums as a percentage of gross written premiums), and subsequently our net earned premiums, due in large part to an increase in the ongoing strategic use of reinsurance programs, most notably within Property lines, as part of overall risk management initiatives. We also increased our use of third party capital in International Operations.

Our gross written and earned premiums are further discussed by reporting segment and major lines of business in the subsequent "Segment Results" section of this document.

Net Investment Income

The increases in consolidated net investment income for both the three and six months ended June 30, 2019 as compared to the same periods in 2018 were primarily attributable to increases in net investment income from our core portfolio of $5.3 million and $10.0 million, respectively, due to growth in our invested asset base and higher investment yields.

Net investment income from our alternative investment portfolio, which is reported on a one to three-month lag, increased $4.3 million during the three months ended June 30, 2019 as compared to the same period in 2018. For the six months ended June 30, 2019 as compared to the same period in 2018, net investment income from our alternative portfolio decreased $2.5 million, which reflects the volatile markets in the latter months of 2018.

Net Realized Investment Gains/Losses

Consolidated net realized investment gains for the three months ended June 30, 2019 included a $12.6 million increase in the fair value of equity securities. The remaining $0.6 million net realized investment loss included recognizing $2.5 million in other-than-temporary impairment losses, primarily on fixed maturity securities, and $1.2 million of foreign currency exchange losses. Partially offsetting these losses were realized gains of $3.1 million from the sale of fixed maturity and equity securities.

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 six months ended June 30, 2019 included a $66.8 million increase in the fair value of equity securities. The remaining $2.3 million net realized investment loss included recognizing $6.8 million in other-than-temporary impairment losses, primarily on fixed maturity securities, and $0.4 million of net foreign currency exchange losses, which includes a gain of $0.8 million on our forward currency forward contracts. Partially offsetting these losses were realized gains of $4.9 million from the sale of fixed maturity and equity securities.

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.

Loss and Loss Adjustment Expenses

The consolidated loss ratio for the three months ended June 30, 2019 was 66.0%, compared to 58.8% for the same period in 2018, driven by net unfavorable prior-year reserve development in the second quarter of 2019, as compared to favorable net prior-year reserve development in the second quarter of 2018 (5.7 percentage points), an increase in catastrophe losses (1.1 percentage point), as well as a modest increase in the current accident year non-catastrophe loss ratio (0.4 percentage points).

The consolidated loss ratio for the six months ended June 30, 2019 was 61.3%, compared to 58.0% for the same period in 2018, driven by net unfavorable prior-year reserve development during the first six months of 2019, as compared to favorable net prior-year reserve development during the same period in 2018 (2.8 percentage points), and an increase in catastrophe losses (0.7 percentage points), partially offset by a modest decrease in the current accident year non-catastrophe loss ratio (0.2 percentage points).

The following table summarizes the above referenced prior-year loss reserve development for the six months ended June 30, 2019 with respect to net loss reserves by line of business as of December 31, 2018. Our loss and loss adjustment expenses, including the prior-year loss reserve development shown in the following table, are further discussed by reporting segment in the subsequent "Segment Results" section of this document.

(in millions)	Net Reserves 2018	Net Reserve Development (Favorable)/ Unfavorable	Percent of 2018 Net Reserves
General liability	$ 1,306.0	$ 11.4	0.9 %
Workers compensation	309.3	4.1	1.3 %
Syndicate liability	195.6	8.2	4.2 %
Commercial multi-peril	172.2	3.3	1.9 %
Syndicate property	95.4	(4.7)	(4.9)%
Fidelity/Surety	56.9	(5.2)	(9.1)%
All other lines	427.5	2.7	0.6 %
Total	$ 2,562.9	$ 19.8	0.8 %

Consolidated gross reserves for losses and loss adjustment expenses were $4,735.7 million (including $216.2 million of reserves attributable to our syndicate trade capital providers) and $4,242.9 million (including $212.1 million of reserves attributable to our syndicate trade capital providers) as of June 30, 2019 and 2018, 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 $168.9 million for the three months ended June 30, 2019 compared to $156.8 million for the same period ended 2018. The expense ratio for the three months ended June 30, 2019 was 37.4% compared to 37.5% for the same period ended 2018. Consolidated underwriting, acquisition and insurance expenses were $329.6 million for the six months ended June 30, 2019 compared to $317.0 million for the same period ended 2018. The expense ratio for the six months ended June 30, 2019 was 37.7% compared to 38.1% for the same period ended 2018. Our consolidated underwriting, acquisition and insurance expenses include certain costs associated with our holding company.

Our consolidated underwriting, acquisition and insurance expenses for the three and six months ended June 30, 2019 include $7.5 million and $8.0 million, respectively, of other corporate expenses associated with proxy solicitation and related activities. These other corporate expenses are included in our Corporate and Other reporting segment, and have been excluded from the consolidated expense and combined ratio calculations.

The modest improvement in the expense ratio during three and six months ended June 30, 2019 compared to the same periods in 2018 reflects a combination of the benefits of scale due to increased net earned premiums, particularly in our U.S. Operations, as well as effectively managing costs across our business.

Interest Expense

Consolidated interest expense was $9.3 million and $17.8 million for the three and six months ended June 30, 2019, respectively, compared to $7.8 million and $15.5 million for the same period ended 2018. The increases in the comparative periods were attributable to increases in short-term LIBOR rates during the first six months of 2019 as compared to the same period in 2018.

Foreign Currency Exchange Gains/Losses

Consolidated foreign currency exchange gains were $5.3 million and $4.6 million for the three and six months ended June 30, 2019, respectively, as compared to foreign currency exchange gains of $5.5 million and $0.6 million for the three and six months ended June 30, 2018. 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 ended June 30, 2019, the foreign currency exchange gains were primarily driven by the U.S. Dollar strengthening against the British Pound and the Australian Dollar. For the six months ended June 30, 2019, the foreign currency exchange gains were primarily driven by the U.S. Dollar strengthening against the Euro and the Australian Dollar, partially offset by the U.S. Dollar weakening against the Canadian Dollar. 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.

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 $0.8 million for the three months ended June 30, 2019 compared to $15.3 million for the same period ended 2018. The effective tax rate decreased to 2.9% for the three months ended June 30, 2019 from 26.9% for the same period ended 2018. The consolidated provision for income taxes was $9.7 million for the six months ended June 30, 2019 compared to $15.5 million for the same period ended 2018. The effective tax rate decreased to 7.5% for the six months ended June 30, 2019 from 18.9% for the same period ended 2018. The decreases 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 2019 varying compared to the respective periods in 2018.

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 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 liability 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:

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
(in millions)	2019	2018	2019	2018
Gross written premiums	$ 453.6	$ 410.0	$ 864.3	$ 782.8
Earned premiums	$ 284.0	$ 267.0	$ 557.8	$ 529.3
Losses and loss adjustment expenses	162.9	155.6	317.7	311.8
Underwriting, acquisition and insurance expenses	91.7	85.0	185.9	175.1
Underwriting income	29.4	26.4	54.2	42.4
Net investment income	29.6	20.7	52.7	43.3
Interest expense	(5.7)	(4.1)	(10.9)	(8.0)
Fee and other income	—	—	0.3	—
Fee and other expense	(0.1)	(0.5)	(0.2)	(1.2)
Income before income taxes	$ 53.2	$ 42.5	$ 96.1	$ 76.5
Loss ratio	57.4%	58.3%	57.0%	58.9%
Expense ratio	32.3%	31.8%	33.3%	33.1%
Combined ratio	89.7%	90.1%	90.3%	92.0%

The following tables contain reconciliations of certain non-GAAP financial measures, specifically the current accident year non-catastrophe loss, expense and combined ratios, to their most directly comparable GAAP measures for our U.S. Operations.

	For the Three Months Ended June 30,			
	2019		2018	
(in millions)	Amount	Ratio	Amount	Ratio
Earned premiums	$ 284.0		$ 267.0	
Losses and loss adjustment expenses, as reported	$ 162.9	57.4 %	$ 155.6	58.3 %
Less:				
Favorable prior accident year loss development	5.1	1.8 %	3.1	1.2 %
Catastrophe losses	(4.2)	(1.5)%	(1.3)	(0.5)%
Current accident year non-catastrophe losses	$ 163.8	57.7 %	$ 157.4	59.0 %
Expense ratio		32.3 %		31.8 %
Current accident year non-catastrophe combined ratio		90.0 %		90.8 %

(in millions)	For the Six Months Ended June 30, 2019 Amount	Ratio	2018 Amount	Ratio
Earned premiums	$ 557.8		$ 529.3	
Losses and loss adjustment expenses, as reported	$ 317.7	57.0 %	$ 311.8	58.9 %
Less:				
Favorable prior accident year loss development	9.1	1.6 %	4.1	0.8 %
Catastrophe losses	(8.2)	(1.5)%	(5.6)	(1.1)%
Current accident year non-catastrophe losses	$ 318.6	57.1 %	$ 310.3	58.6 %
Expense ratio		33.3 %		33.1 %
Current accident year non-catastrophe combined ratio		90.4 %		91.7 %

Gross Written and Earned Premiums

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

(in millions)	For the Three Months Ended June 30, 2019 Gross Written	2019 Net Earned	2018 Gross Written	2018 Net Earned
Property	$ 78.0	$ 33.3	$ 71.8	$ 32.4
Liability	256.4	175.4	245.6	173.8
Professional	75.9	43.6	55.9	33.4
Specialty	43.3	31.7	36.7	27.4
Total	$ 453.6	$ 284.0	$ 410.0	$ 267.0

	For the Six Months Ended June 30, 2019 Gross Written	2019 Net Earned	2018 Gross Written	2018 Net Earned
Property	$ 142.2	$ 64.8	$ 117.4	$ 67.1
Liability	499.0	353.9	488.7	345.7
Professional	136.7	75.4	103.2	62.5
Specialty	86.4	63.7	73.5	54.0
Total	$ 864.3	$ 557.8	$ 782.8	$ 529.3

Property

The increase in gross written premium for the three months ended June 30, 2019 compared to the same period in 2018 is a result of an improved rate market realized by the excess and surplus lines property and contract binding facility divisions. Property writings within the fronting programs also increased during the quarter. The increase of $24.8 million in gross written premium for the six months ended June 30, 2019 compared to the same period in 2018 is also attributable to a positive rate environment and a new fronted property program launched in 2019. Net earned premium for the three months ended June 30, 2019 compared to the same period in 2018 increased slightly by $0.9 million as a result of the excess and surplus lines property and contract binding facility's production during the past quarters, but it is offset by higher reinsurance cost. The $2.3 million decrease in net earned premium for the six months ended June 30, 2019 compared to the same period ended June 30, 2018 was primarily due to the impact from the ongoing strategic use of reinsurance programs, as a part of overall risk management, which was more pronounced for the six-month period.

Liability

The $10.8 million increase in gross written premium for the three months ended June 30, 2019 compared to the same period in 2018 is driven primarily from growth in the general casualty, programs, environmental and transportation divisions. This increase was offset by a planned contraction in the fronted workers compensation programs. The $10.3 million increase in gross written premium for the six months ended June 30, 2019 compared to the same period in 2018 is all due to the second quarter production noted above, as the first quarter of 2019 saw a modest decrease over the same quarter in 2018. The increase in net earned premium for the three months ended June 30, 2019 compared to the same period in 2018 of $1.6 million is attributed to the production growth of the general casualty, programs, environmental and transportation business units over the recent prior quarters. These divisions also account for the growth in net earned premium for the six months ended June 30, 2019 compared to the same period in 2018. However, the increase was offset by premium that earned off in 2018 from a planned exit in the allied medical lines.

Professional

Increases in gross written and net earned premiums for the three months ended June 30, 2019 as compared to the same period in 2018 are primarily due to a better rate environment for directors' and officers' liability and errors and omissions lines, and significant growth in new programs that were launched in 2018. These factors also drive the increases in gross written and net earned premiums for the six months ended June 30, 2019 as compared to the same period in 2018.

Specialty

The growth in surety business accounts for nearly all of the increases in gross written and net earned premiums for the three months ended June 30, 2019 compared to the same period in 2018. The success in adding new surety accounts and penetrating new classes of business also drive the increases in gross written and net earned premiums for the six months ended June 30, 2019 compared to the same period in 2018.

Loss and Loss Adjustment Expenses

The loss ratio for the second quarter of 2019 was 57.4%, compared to 58.3% for the second quarter of 2018. The lower loss ratio in the second quarter of 2019 is driven by a 1.3 percentage point improvement in the current accident year non-catastrophe loss ratio, an improvement of 0.6 percentage points from an increase in net favorable prior-year reserve development, partially offset by a 1.0 percentage point impact from an increase in catastrophe-related losses.

The loss ratios for the six months ended June 30, 2019 and 2018 were 57.0% and 58.9%, respectively. The lower loss ratio in the first six months of 2019 is driven by a 1.5 percentage point improvement in the current accident year non-catastrophe loss ratio, an improvement of 0.8 percentage points from an increase in net favorable prior-year reserve development, partially offset by a 0.4 percentage point impact from an increase in catastrophe-related losses.

The current accident year non-catastrophe loss ratios for the three and six months ended June 30, 2019 were 57.7% and 57.1%, respectively, compared to 59.0% and 58.6% for the three and six months ended June 30, 2018, respectively. The improvements for both the three and six month periods were driven in large part by a combination of increased rates in most lines of business and improved business mix trends. In addition, the first and second quarters of 2018 included a number of discrete non-catastrophe, weather-related property losses.

Net favorable prior-year reserve development for the second quarter of 2019 was $5.1 million and related primarily to liability lines, partially offset by unfavorable development in professional and property lines. Net favorable prior-year reserve development for the first six months of 2019 was $9.1 million and related primarily to liability and specialty lines, partially offset by unfavorable development in our professional and property lines. The net favorable prior-year reserve development for the second quarter and first six months of 2018 was $3.1 million and $4.1 million, respectively, and related primarily to certain liability and specialty lines, partially offset by adverse charges in older accident years relating to professional lines.

Catastrophe losses for the second quarter of 2019 were $4.2 million and related to U.S. storms, including losses from flooding, compared to catastrophe losses of $1.3 million in the second quarter of 2018, which were primarily related to U.S. storms. Catastrophe losses for the first six months of 2019 were $8.2 million and related to U.S. storms, including Midwest floods, as compared to catastrophe losses of $5.6 million for the first six months of 2018, which were primarily related to Northeast winter storms.

Underwriting, Acquisition and Insurance Expenses

The expense ratio for the second quarter of 2019 was 32.3%, representing a slight increase over the second quarter of 2018 (31.8%). The acquisition expense ratio increased by 1.1 percentage points in the second quarter of 2019, as compared to the second quarter of 2018, primarily as a result of a decrease in fronting fees due to planned contraction in our workers compensation fronting programs. This increase was offset by a 0.6 percentage point improvement in the non-acquisition expense ratio, as we continue to achieve scale by growing our net earned premium base with minimal increase to expense. The 33.3% expense ratio for the six months ended June 30, 2019 was relatively flat, as compared to the 33.1% expense ratio for the same period in 2018.

International Operations

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

(in millions)	For the Three Months Ended June 30, 2019	For the Three Months Ended June 30, 2018	For the Six Months Ended June 30, 2019	For the Six Months Ended June 30, 2018
Gross written premiums	$ 319.2	$ 292.6	$ 669.3	$ 630.3
Earned premiums	$ 147.6	$ 150.5	$ 294.3	$ 302.9
Losses and loss adjustment expenses	120.9	88.7	203.3	167.9
Underwriting, acquisition and insurance expenses	57.1	55.4	112.2	112.8
Underwriting (loss) income	(30.4)	6.4	(21.2)	22.2
Net investment income	11.5	8.4	20.6	17.2
Interest expense	(3.1)	(2.3)	(5.9)	(4.6)
Fee and other income	1.4	1.2	2.6	2.4
Fee and other expense	(0.4)	(0.5)	(0.9)	(1.1)
(Loss) income before income taxes	$ (21.0)	$ 13.2	$ (4.8)	$ 36.1
Loss ratio	81.9%	58.9%	69.1%	55.4%
Expense ratio	38.7%	36.8%	38.1%	37.2%
Combined ratio	120.6%	95.7%	107.2%	92.6%

The following tables contain reconciliations of certain non-GAAP financial measures, specifically the current accident year non-catastrophe loss, expense and combined ratios, to their most directly comparable GAAP measures for our International Operations.

	For the Three Months Ended June 30,			
	2019		2018	
(in millions)	Amount	Ratio	Amount	Ratio
Earned premiums	$ 147.6		$ 150.5	
Losses and loss adjustment expenses, as reported	$ 120.9	81.9 %	$ 88.7	58.9 %
Less:				
(Unfavorable) favorable prior accident year loss development	(26.4)	(17.9)%	0.5	0.3 %
Catastrophe losses	(2.3)	(1.6)%	(0.4)	(0.3)%
Current accident year non-catastrophe losses	$ 92.2	62.4 %	$ 88.8	58.9 %
Expense ratio		38.7 %		36.8 %
Current accident year non-catastrophe combined ratio		101.1 %		95.7 %

	For the Six Months Ended June 30,			
	2019		2018	
(in millions)	Amount	Ratio	Amount	Ratio
Earned premiums	$ 294.3		$ 302.9	
Losses and loss adjustment expenses, as reported	$ 203.3	69.1 %	$ 167.9	55.4 %
Less:				
(Unfavorable) favorable prior accident year loss development	(27.2)	(9.2)%	3.3	1.1 %
Catastrophe losses	(3.8)	(1.3)%	(0.4)	(0.2)%
Current accident year non-catastrophe losses	$ 172.3	58.6 %	$ 170.8	56.3 %
Expense ratio		38.1 %		37.2 %
Current accident year non-catastrophe combined ratio		96.7 %		93.5 %

Gross Written and Earned Premiums

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

	For the Three Months Ended June 30,			
	2019		2018	
(in millions)	Gross Written	Net Earned	Gross Written	Net Earned
Property	$ 139.0	$ 41.0	$ 107.5	$ 48.7
Liability	46.4	26.4	44.7	24.2
Professional	42.1	24.6	42.3	22.8
Specialty	91.7	55.6	98.1	54.8
Total	$ 319.2	$ 147.6	$ 292.6	$ 150.5

	For the Six Months Ended June 30,			
	2019		2018	
(in millions)	Gross Written	Net Earned	Gross Written	Net Earned
Property	$ 294.0	$ 76.6	$ 261.8	$ 106.7
Liability	93.4	55.8	91.9	44.3
Professional	98.0	53.8	88.7	48.1
Specialty	183.9	108.1	187.9	103.8
Total	$ 669.3	$ 294.3	$ 630.3	$ 302.9

Property

Gross written premiums for the three and six months ended June 30, 2019 increased by $31.5 million and $32.2 million, respectively, as compared to the same periods in 2018. The increases for both the three and six month periods were due to an improved rate environment and an increase in new business accounts in our Bermuda Insurance Operation. The $7.7 million and $30.1 million decreases in net earned premiums for the three and six months ended June 30, 2019, respectively, as compared to the same periods in 2018 were due to an increase in the ongoing strategic use of reinsurance programs as part of overall risk management initiatives, as well as increasing our use of third-party capital at Lloyd’s.

Liability

The modest $1.7 million and $1.5 million increases in gross written premiums for the three and six months ended June 30, 2019, respectively, as compared to the same period in 2018 were due to an increase in submissions and new business opportunities, as well as an improved rate environment in our Bermuda Casualty operation. This growth was offset by a decrease in our European operations as a result of re-underwriting actions that have been taken in this unit. The $2.2 million and $11.5 million increases in net earned premiums for the three and six months ended June 30, 2019, respectively, as compared to the same periods in 2018 were primarily due to the earning of premiums written in 2018 related to our European binder business.

Professional

The $0.2 million decrease in gross written premiums for the quarter ended June 30, 2019 as compared to the same period in 2018 arises from a change in our underwriting appetite for cyber insurance, with the variance being driven by Syndicate 1200. The reductions in this line of business are mostly offset by increased rate and submissions and new business opportunities in our Bermuda Insurance operation. The $1.8 million increase in net earned premiums for the three months ended June 30, 2019 as compared to the same period in 2018 were primarily attributable to growth in our Syndicate 1200 business driven by prior years of account binder increases in professional indemnity and directors and officers lines.

The $9.3 million and $5.7 million increase in gross written and net earned premium, respectively, for the six months ended June 30, 2019 as compared to the same period in 2018 was primarily driven by Syndicate 1200 due to prior years of account binder increases in professional indemnity and cyber lines, as well as increased current year writings in professional indemnity. Increased rate and business flow in our Bermuda Insurance operation also contributed to the year over year growth.

Specialty

The $6.4 million and $4.0 million decreases in gross written premiums for the three and six months ended June 30, 2019, respectively, as compared to the same periods in 2018, were a result of optimization efforts concentrated in Syndicate 1200, which have resulted in the exit from onshore energy and the yachts lines of business. Additionally, we experienced a shortfall in personal accident business due to the impact of Brexit, as we non-renewed certain accounts. These shortfalls were offset by growth in our Reinsurance division in the mortgage and multi-class lines of business. The variance was also impacted by premium reductions to our aerospace business in 2018 that did not reoccur in 2019. The $0.8 million increase in net earned premiums during the quarter ended June 30, 2019 as compared to the same period in 2018 was largely due to increased current year written premium in the marine Reinsurance division, as well as the aforementioned premium reduction in aerospace in 2018 which did not reoccur in 2019.

The $4.3 million increase in net earned premiums during the six months ended June 30, 2019 as compared to the same period in 2018 was due to increased current year written premium in the marine Reinsurance division, as well as earning of premiums written in 2018 in Europe.

Loss and Loss Adjustment Expenses

The loss ratio for the second quarter of 2019 was 81.9%, compared to 58.9% for the second quarter of 2018. The increase in the loss ratio includes 18.2 percentage points resulting from $26.4 million of net unfavorable prior-year reserve development in the second quarter of 2019 compared to net favorable prior-year reserves development of $0.5 million for the same period in 2018. The year-over-year increase in the loss ratio also includes a 3.5 percentage point increase in the current accident year non-catastrophe loss ratio, as well as a 1.3 percentage point increase related to higher catastrophe losses.

The loss ratios for the six months ended June 30, 2019 and 2018 were 69.1% and 55.4%, respectively. The increase in the loss ratio includes 10.3 percentage points resulting from $27.2 million of net unfavorable prior-year reserve development during the first six months of 2019 compared to net favorable prior-year reserves development of $3.3 million for the same period in 2018. The year-over-year increase in the loss ratio also includes a 2.3 percentage point increase in the current accident year non-catastrophe loss ratio, as well as a 1.1 percentage point increase related to higher catastrophe losses.

The current accident year non-catastrophe loss ratios for the three and six months ended June 30, 2019 were 62.4% and 58.6%, respectively, compared to 58.9% and 56.3% for the three and six months ended June 30, 2018, respectively. The increases in the ratios for both the three and six month periods primarily relate to a number of large losses, driven by property and energy lines.

Net unfavorable prior-year reserve development for the second quarter and first six months of 2019 was $26.4 million and $27.2 million, respectively, and was primarily related to certain liability, property and specialty lines. The liability charges included public utility business in our Bermuda casualty division, which we previously exited, and to a lesser extent our European and Syndicate 1200 operations. As it relates to Europe, the adverse development primarily related to certain cover-holders whose contracts were previously terminated. As it relates to Syndicate 1200, the adverse development related to businesses that we have previously exited or where aggressive remedial underwriting actions have been taken. The net favorable prior-year reserve development for the second quarter and first six months of 2018 was $0.5 million and $3.3 million, respectively, and related primarily to property reinsurance and professional lines, partially offset by unfavorable movements in property insurance in our Europe and Syndicate 1200 divisions.

The timing of recognizing the $26.4 million unfavorable development during the second quarter of 2019 was primarily due to obtaining additional information on several individual claims, including reports provided by outside counsel, audits of the underlying losses and recent jury awards. The result was an increase in the number of claims with the potential for underlying losses to reach our attachment point, particularly on aggregate treaty contracts within our Bermuda Operations. The second quarter 2019 unfavorable development was also attributable to the results of recent audits, underwriting reviews, and updated data from third party cover-holders, which included the identification of differences from original expectations with regard to the classes written, the distribution of writings by geography, and the rates charged by the cover-holders

Catastrophe losses for the second quarter of 2019 were $2.3 million and related to U.S. storms, including losses from flooding, compared to catastrophe losses of $0.4 million in the second quarter of 2018. Catastrophe losses for the first six months of 2019 were $3.8 million and related to the aforementioned U.S. storms during the second quarter and the first quarter floods in Australia, as compared to catastrophe losses of $0.4 million for the first six months of 2018.

Underwriting, Acquisition and Insurance Expenses

The expense ratios for the second quarter and first six months of 2019 were 38.7% and 38.1%, respectively, as compared to 36.8% and 37.2% for the same periods in 2018, respectively. The increase in the expense ratios for both periods primarily related to increased IT and other operating costs, in addition to an increase in the acquisition expense ratio as a result of business mix. Our expense ratio was also unfavorably impacted by an increase in the ongoing strategic use of reinsurance programs as part of overall risk management initiatives.

Fee and Other Income/Expense

Fee and other income represents amounts we receive in connection with the management of third party capital for our underwriting Syndicates at Lloyd's. Fee and other income for the three and six months ended June 30, 2019 was $1.4 million and $2.6 million, respectively, representing a slight increase compared to $1.2 million and $2.4 million for the three and six months ended June 30, 2018, respectively, as a result of our increased use of third party capital. Fee and other expenses were relatively unchanged for the comparable periods, at $0.4 million and $0.9 million for the three and six months ended June 30, 2019, respectively, as compared to $0.5 million and $1.1 million for three and six months ended June 30, 2018, respectively. The slight decrease in fee and other expenses was primarily due to lower personnel costs.

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)	2019	2018	2019	2018
Earned premiums	$ 0.1	$ 0.2	$ 0.1	$ 0.2
Losses and loss adjustment expenses	(1.0)	(1.2)	(1.7)	(3.0)
Underwriting, acquisition and insurance expenses	(1.1)	(0.9)	(0.9)	(1.6)
Underwriting loss	(2.0)	(1.9)	(2.5)	(4.4)
Net investment income	1.3	2.0	2.7	4.2
Interest expense	(0.4)	(0.4)	(0.7)	(0.8)
Loss before income taxes	$ (1.1)	$ (0.3)	$ (0.5)	$ (1.0)

Losses and Loss Adjustment Expenses

Losses and loss adjustment expenses for the three months ended June 30, 2019 was the result of net unfavorable loss reserve development on prior accident years in other run-off lines. 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 six months ended June 30, 2019 was the result of net unfavorable loss reserve development on prior accident years in other run-off lines of $3.5 million, partially offset by $1.8 million net favorable loss reserves development on prior accident years in Risk Management. 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.

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,			
	2019		2018	
(in millions)	Gross	Net	Gross	Net
Asbestos and environmental:				
Loss reserves, beginning of the year	$ 54.7	$ 46.2	$ 55.9	$ 47.2
Incurred losses	0.5	0.5	0.3	0.3
Losses paid	(5.7)	(4.8)	(3.8)	(3.7)
Loss reserves - asbestos and environmental, end of period	49.5	41.9	52.4	43.8
Risk management reserves	191.5	119.3	212.3	133.4
Run-off reinsurance reserves	1.6	1.6	1.7	1.7
Other run-off lines	11.8	6.7	0.8	0.8
Total loss reserves - Run-off Lines	$ 254.4	$ 169.5	$ 267.2	$ 179.7

Underwriting, Acquisition and Insurance Expenses

Underwriting, acquisition and insurance expenses for the Run-off Lines segment consists primarily of administrative expenses. The underwriting expense for the second quarter 2019 was relatively flat as compared to the same period ended 2018.

The decrease in underwriting expense for the six months ended June 30, 2019 as compared to the same period ended 2018 was primarily attributable to the combination of decreased overhead expenses and a non-recurring cash receipt for unclaimed property in the first quarter of 2019.

Liquidity and Capital Resources

Cash Flows

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, purchases of investments 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 will 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, 2019, net cash used in operating activities was $4.9 million. For the six months ended June 30, 2018, net cash provided by operating activities was $125.9 million. The decrease in cash flows from operating activities in 2019 from 2018 was attributable to various fluctuations within our operating activities, primarily related to payments on prior accident year claims during the first six months of 2019, primarily driven by catastrophe claims. Additionally, net cash flows provided by operating activities for the six months ended June 30, 2018 included approximately $112 million of cash received from certain third parties in advance of certain large claim settlements related to the third quarter 2017 hurricanes. Conversely, net cash used in operating activities for the six months ended June 30, 2019 included claim payments of approximately $10 million related to the third quarter 2017 hurricanes. This transaction is included in the line item "Accrued underwriting expense and other liabilities" in the operating activities section of our Consolidated Statements of Cash Flows.

For the six months ended June 30, 2019, net cash provided by investing activities was $70.3 million. For the six months ended June 30, 2018, net cash used in investing activities was $137.8 million. The increase in cash provided by investing was mainly the result of the increase in the proceeds from sales of short-term investments, decrease in purchase of fixed maturity securities, partially offset by the proceeds from sales and maturities of fixed securities. As of June 30, 2019, $414.0 million of the investment portfolio was invested in short-term investments.

For six months ended June 30, 2019 and 2018, net cash used in financing activities was $21.8 million and $37.9 million, respectively. During the first six months ended June 30, 2019, we did not repurchase any common shares. During the six months ended June 30, 2018, we repurchased 344,533 of our common shares for a total cost of $20.4 million. We paid cash dividends to our shareholders totaling $22.7 million and $18.7 million during the six months ended June 30, 2019 and 2018, respectively.

Revolving Credit Facility and Term Loan.

On November 2, 2018, each of Argo Group, Argo Group U.S., Inc., Argo International Holdings Limited, and Argo Underwriting Agency Limited (the “Borrowers”) entered into a new $325 million credit agreement (the "New Credit Agreement") with JPMorgan Chase Bank, N.A., as administrative agent. The New Credit Agreement replaced the prior $325 million Credit Agreement (the "Prior Agreement"), dated as of March 3, 2017. In connection with the consummation of the New Credit Agreement, Argo Group International Holdings, Ltd. borrowed $125 million as a term loan due on November 2, 2021, which amount was used on November 2, 2018 to pay off in its entirety the $125 million of borrowings previously outstanding under the Prior Agreement. In addition, the New Credit Agreement provides for a $200 million revolving credit facility, and the commitments thereunder shall expire on November 2, 2023 unless extended in accordance with the terms of the New Credit Agreement. At June 30, 2019, the $125.0 million drawn on this term loan remained outstanding. 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, 2019, the interest rate on this debt was equal to the three-month LIBOR (2.59% at June 30, 2019) plus 125 basis points, or 3.84%.

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, 2019, there were no borrowings outstanding and $0.5 million in LOCs against the revolving credit facility.

Argo Common Shares and Dividends

In the six months ended June 30, 2019, our Board of Directors declared quarterly cash dividends in the aggregate amount of $0.62 per share. Cash dividends paid for the six months ended June 30, 2019 was $22.7 million.

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, 2019, availability under the 2016 Repurchase Authorization for future repurchases of our common shares was $53.3 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, 2018 that Argo Group filed with the SEC on February 25, 2019 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, 2018 that we filed with the SEC on February 25, 2019 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 2.64 years and 2.78 years at June 30, 2019 and December 31, 2018, 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 85.0% and 85.6% rated investment grade or better (BBB- or higher) at June 30, 2019 and December 31, 2018, respectively.

Our portfolio also includes alternative investments with a carrying value at June 30, 2019 and December 31, 2018 of $509.4 million and $489.8 million (10.4% and 10.2% 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 $421.0 million and $354.5 million (8.6% and 7.4% of total invested assets) at June 30, 2019 and December 31, 2018, respectively. Our equity securities are exposed to equity price risk which is defined as the potential for loss in fair value due to a decline in equity prices. We believe the diversification of our equity securities among various industries, market segments and issuers, as well as the use of multiple outside investment managers, mitigates our exposure to equity price risk.

Foreign Currency Risk

We have exposure to foreign currency risk in our insurance contracts, invested assets and to a lesser extent, a portion of our debt. We attempt to manage our foreign currency risk by seeking to match our liabilities under insurance and reinsurance contracts that are payable in currencies other than the U.S. Dollar with cash and investments that are denominated in such currencies. We also use foreign exchange forward contracts to mitigate this risk. We recognized gains of $3.4 million and $2.8 million respectively for the three and six months ended June 30, 2019 from movements in foreign currency rates . We recognized gains of $0.2 million and $0.8 million respectively for the three and six months ended June 30, 2019 on our foreign currency forward contracts.

Item 4. Controls and Procedures

Argo Group, under the supervision and with the participation of its management, including the Chief Executive Officer and the Chief Financial Officer, evaluated the effectiveness of the design and operation of our “disclosure controls and procedures” (as 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, 2019 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 legal 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, 2018 and the Quarterly Report on Form 10-Q for the quarter ended March 31, 2019 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, 2019 through June 30, 2019, we did not repurchase any of our common stock. Since the inception of the repurchase authorizations through June 30, 2019, we have repurchased 11,315,889 shares of our common stock at an average price of $40.22 for a total cost of $455.1 million. These shares are being held as treasury shares in accordance with the provisions of the Bermuda Companies Act 1981. As of June 30, 2019, availability under the 2016 Repurchase Authorization for future repurchases of our common shares was $53.3 million. The following table provides information with respect to shares of our common stock that were repurchased or surrendered during the three months ended June 30, 2019:

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, 2019	22,580	$ 71.23	—	$ 53,281,805
May 1 through May 31, 2019	96,731	$ 76.66	—	$ 53,281,805
June 1 through June 30, 2019	2,703	$ 70.78	—	$ 53,281,805
Total	122,014		—	

Employees are allowed to surrender shares to settle the tax liability incurred upon the vesting or exercise of shares under our various employee equity compensation plans. For the three months ended June 30, 2019, we received 122,014 shares of our common stock, with an average price paid per share of $75.52 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
10.1	Executive Employment Agreement, dated as of April 26, 2019, by and between Argo Group International Holdings, Ltd. and Jay S. Bullock (incorporated by reference to Exhibit 10.1 to Argo Group's Current Report on Form 8-K filed with the Securities and Exchange Commission on April 29, 2019)
10.2	Letter Agreement, dated as of April 26, 2019, by and between Argo Group International Holdings, Ltd. and Jose Hernandez (incorporated by reference to Exhibit 10.2 to Argo Group's Current Report on Form 8-K filed with the Securities and Exchange Commission on April 29, 2019)
10.3	Argo Group International Holdings, Ltd. 2019 Omnibus Incentive Plan (incorporated by reference from Exhibit 99.1 to the Company's Registration Statement on Form S-8 filed with the Securities and Exchange Commission on June 25, 2019)
10.4	Form of Incentive Award Agreement (Restricted Stock Awards and Cash Awards) - 2019 Omnibus Incentive Plan
31.1	Rule 13a – 14(a)/15d – 14(a) Certification of the Chief Executive Officer
31.2	Rule 13a – 14(a)/15d – 14(a) Certification of the Chief Financial Officer
32.1	Certification of Chief Executive Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2	Certification of Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101.INS	Inline XBRL Instance Document
101.SCH	Inline XBRL Taxonomy Extension Schema Document
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104	The cover page from Argo Group International Holdings, Ltd.'s Quarterly Report on Form 10-Q for the quarter ended June 30, 2019, formatted in iXBRL.

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 6, 2019	By	/s/ Mark E. Watson III
		Mark E. Watson III
		President and Chief Executive Officer
August 6, 2019	By	/s/ Jay S. Bullock
		Jay S. Bullock
		Executive Vice President and Chief Financial Officer

INCENTIVE AWARD AGREEMENT

This Incentive Award Agreement (this "Agreement") is made as of <<DATE>>, between ARGO GROUP INTERNATIONAL HOLDINGS, LTD. (the "Company"), and <<NAME>> (the "Participant").

R E C I T A L S

A. The Company's 2019 Omnibus Incentive Plan (as amended from time to time, the "Plan") provides for the granting of Restricted Stock Awards and Other Cash-Based Awards ("Cash Awards" and, collectively with Restricted Stock Awards, "LTI Awards") by the Company.

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

C. Pursuant to the Plan, the Committee has determined that it is in the best interest of the Company and its stockholders to grant this LTI Award to Participant with the target value specified below as an inducement to remain in the employ of the Company or accept employment with the Company and as an incentive for increased effort during such service and the Committee has approved the execution of this Agreement.

D. Capitalized terms not defined herein shall have the meanings specified in the Plan.

A G R E E M E N T

NOW, THEREFORE, the parties hereto agree as follows:

A. Restricted Stock Award

1. The Company hereby grants Participant a Restricted Stock Award having a target value of <<AMOUNT>> shares of Common Stock (the "Shares"), subject to the achievement of the performance goals and thresholds set forth in Exhibit A hereto, if any. The target amount may be adjusted upwards or downwards based on the criteria set forth in Exhibit A to determine the final earned amount of the Restricted Stock Award (the "Earned Shares"). In the event the Restricted Stock Award is not subject to any performance criteria (other than Participant's continued service), the Earned Shares will be the target number of Shares set forth above.

2. Participant shall not be deemed vested in the Earned Shares (if any) and shall not have any of the rights or privileges of a stockholder of the Company in respect of the Earned Shares until such Shares become vested as hereinafter provided ("Vested Shares"). The Earned Shares shall become Vested Shares according to the following schedule, provided that on each indicated vesting date Participant remains an employee of the Company or a Subsidiary:

Vesting Date	Percentage Vested	Cumulative Percentage Vested
First Anniversary of Grant Date	25%	25%
Second Anniversary of Grant Date	25%	50%
Third Anniversary of Grant Date	25%	75%
Fourth Anniversary of Grant Date	25%	100%

In the event that Participant ceases for any reason (other than as indicated in Section C.1. and Section C.2. below) to be an employee of the Company or any Subsidiary prior to an indicated vesting date, then the portion of any Earned Shares which has not theretofore become vested shall automatically be forfeited and returned to the Company. Subject to Section A.4. below, as promptly as practicable after the Earned Shares become Vested Shares, the Company shall issue certificates representing such Shares (or register such Shares via book entry).

3. Notwithstanding anything in this Agreement to the contrary, the Company shall have the right to repurchase Earned Shares from Participant by providing written notice to Participant not less than ten (10) days prior to the date on which such Shares would otherwise become Vested Shares. The purchase price shall be paid in cash in an amount equal to the Fair Market Value of the Earned Shares to be repurchased on the date that such Shares would otherwise become Vested Shares.

4. No Vested Shares shall be issued or delivered unless and until there shall have been full compliance with all applicable requirements of the United States Securities Act of 1933, all applicable listing requirements of any national securities exchange on which shares of the same class are then listed and any other requirements of law or of any regulatory bodies having jurisdiction over such issuance and delivery.

B. Cash Award

1. The Company hereby grants a Cash Award to Participant having a target value of <<AMOUNT>>, subject to the achievement of the performance goals and thresholds set forth in Exhibit A hereto, if any. The target value may be adjusted upwards or downwards based on the criteria set forth in Exhibit A to determine the final earned amount of the Cash Award (the "Earned Cash Value"). In the event the Cash Award is not subject to any performance criteria (other than Participant's continued service), the Earned Cash Value will be the target value set forth above.

2. Participant shall not be deemed vested in the Earned Cash Value until it has vested as hereinafter provided (the "Vested Cash Award"). The Earned Cash Value shall become a Vested Cash Award according to the following schedule, provided that on each indicated Vesting Date Participant remains an employee of the Company or a Subsidiary:

Vesting Date	Percentage Vested	Cumulative Percentage Vested
First Anniversary of Grant Date	25%	25%
Second Anniversary of Grant Date	25%	50%
Third Anniversary of Grant Date	25%	75%
Fourth Anniversary of Grant Date	25%	100%

The Vested Cash Award shall be paid by the Company in cash (in the same currency as Participant's payroll) as promptly as practicable following the applicable vesting date and in no event later than March 15th of the year following the year in which such vesting occurs. In the event that Participant ceases for any reason (other than as indicated in Section C.1. and Section C.2. below) to be an employee of the Company or any Subsidiary prior to an indicated vesting date, then the portion of the Earned Cash Value which has not theretofore become vested shall automatically be forfeited and returned to the Company.

C. Additional LTI Award Terms and Conditions

1. **Change in Control.** Notwithstanding the vesting schedule set forth in Section A.2. and Section B.2. above, the following treatment shall apply in the event of a Change in Control.

a. *Determination of Earned Shares and Earned Cash Value following Change in Control*. If a Change in Control occurs prior to half-way through the performance period, the performance goals set forth in Exhibit A, if any, shall be deemed to have been satisfied at the target level. If the Change in Control occurs on or after half-way through the performance period, the Earned Shares and Earned Cash Value shall be based on the projected level of performance through the end of the performance period, as determined by the Committee prior to the date of the Change in Control taking into account performance through the date of such determination; provided, that if the Committee determines that the projected level of performance is not determinable (or, in the event, the applicable LTI Award is not subject to performance goal(s)), the Earned Shares and Earned Cash Value shall be their respective target values.

b. *Settlement of LTI Award if Not Assumed*. In the event of a Change in Control pursuant to which the LTI Award is not effectively assumed or continued by the surviving or acquiring corporation in such Change in Control (as determined by the Committee, with appropriate adjustments to the number and kind of shares relating to the Restricted Stock Award and otherwise preserves the value of the LTI Award and other material terms and conditions related thereto), the Earned Shares and Earned Cash Value determined in accordance with Section C.1. a. shall vest as of the date of the Change in Control and shall be settled in cash (based on the Change in Control transaction price) within 70 days following the Change in Control.

c. *Settlement of LTI Award if Assumed*. In the event of a Change in Control pursuant to which the LTI Award is effectively assumed or continued by the surviving or acquiring corporation in such Change in Control (as determined by the Committee, with appropriate adjustments to the number and kind of shares relating to the Restricted Stock Award and otherwise preserves the value of the LTI Award and other material terms and conditions related thereto), the Earned Shares and Earned Cash Value determined in accordance with Section C.1. a. hereof shall remain outstanding and continue to vest as of each applicable vesting date, subject to Participant's continued employment with the Company or an Affiliate as of such vesting date; provided, that if the Company terminates Participant's employment without Cause or, if applicable, Participant resigns for Good Reason (as defined in Participant's employment agreement or in a severance plan in which Participant is eligible to participate) within 24 months following such Change in Control, the Earned Shares and Earned Cash Value determined in accordance with Section C.1. a. hereof shall vest and shall be settled within 70 days following Participant's termination of employment. If, following a Change in Control, Participant experiences a termination of employment other than as set forth in this Section C.2. below, the unvested portion of the LTI Award shall be immediately forfeited by Participant and cancelled by the Company.

2. **Death and Disability; Termination for Cause**. Notwithstanding the vesting provisions set forth in Section A.2. and Section B.2 above, in the event that Participant's termination of employment is due to death or Disability then (x) the target Restricted Stock Award and Cash Award shall become immediately vested if such termination occurs before the first scheduled vesting date and (y) any unpaid Earned Shares and Earned Cash Value shall become immediately vested if such termination occurs after the first scheduled vesting date. In addition, for purposes of Section A.2. and Section B.2, the employment of Participant shall be deemed to continue during any leave of absence which has been authorized by the Company, unless the Committee makes a different or contrary determination. In the event Participant's employment is terminated for Cause, the outstanding LTI award shall be immediately forfeited by Participant and cancelled by the Company.

3. **Taxes.** If the Company shall be required to withhold, collect or account to any tax or other authority for any federal, state, local or foreign income tax, employment tax, social or national insurance, payroll tax, contributions, payment on account obligations or other tax-related amounts ("Taxes") in connection with the vesting of the LTI Award, it shall be a condition to such vesting that Participant pays or makes provision satisfactory to the Company for payment of all such Taxes. Participant authorizes the Company or its agents, at their discretion, to satisfy the obligations with regard to all Taxes by withholding from any wages or other cash compensation paid to Participant by the Company. The Company shall have the right, without Participant's prior approval or direction, to satisfy such withholding tax by withholding all or any part of the Earned Cash Value or the Shares that would otherwise become Vested Shares, with any Shares so withheld to be valued at the fair market value of the Common Share on the date of such withholding. Any Shares withheld to satisfy this obligation will not exceed the maximum statutory withholding requirement. Participant, with the consent of the Company, may satisfy such withholding tax (i) in cash or certified or cashier's check payable to the order of the Company, or (ii) by having the Company withhold Shares that would otherwise become Vested Shares, with any Shares so withheld

to be valued at the fair market value of the Share on the date of such withholding, or any combination thereof.

Notwithstanding any other provision of this Agreement and regardless of any action the Company takes with respect to any or all Taxes, Participant acknowledges that the ultimate liability for all Taxes is and remains his or her responsibility and may exceed the amount actually withheld by the Company. Participant further acknowledges that the Company (i) makes no representations or undertakings regarding the treatment of any Taxes in connection with any aspect of this Agreement, including the grant or vesting of the LTI Award; and (ii) does not commit to, and is under no obligation to, structure the terms of the grant or any aspect of this Agreement to reduce or eliminate Participant's liability for Taxes or achieve any particular tax result. Further, if Participant is subject to taxation in more than one jurisdiction between the date of this Agreement and the date of any relevant taxable or tax withholding event, as applicable, Participant acknowledges that the Company (or former employer, as applicable) may be required to withhold or account for Taxes in more than one jurisdiction.

4. **LTI Award Non-transferable.** The LTI Award and the rights and privileges pertaining thereto, shall not be transferred, assigned, pledged or hypothecated in any way, whether by operation of the law or otherwise, except by will or the laws of descent and distribution; provided, that the foregoing restriction on transfer shall cease to apply as and to the extent that the Shares become Vested Shares. Upon any attempt so to transfer, assign, pledge, hypothecate or otherwise dispose of the LTI Award contrary to the provisions hereof, this Agreement and all rights and privileges contained herein shall immediately become null and void and of no further force or effect. Neither Participant nor any other person legally entitled to the benefits hereof shall be entitled to any of the rights or privileges of a stockholder of the Company in respect of any Shares unless and until a certificate or certificates representing such Shares shall have been actually issued and delivered.

5. **Certain Equitable Adjustments.** If the outstanding shares of Common Stock of the Company are increased, decreased, changed into, or exchanged for a different number or kind of shares or securities of the Company through reorganization, recapitalization, reclassification, stock dividend, spin off, stock split or reverse stock split, or other similar transaction, an appropriate and proportionate adjustment (to be conclusively determined by the Committee) shall be made in the number and kind of shares subject to the Restricted Stock Award and, if appropriate, the performance goals under this Agreement.

6. **Dissolution and Liquidation.** Upon the dissolution or liquidation of the Company, or upon a reorganization, merger or consolidation of the Company with one or more corporations as a result of which the Company is not the surviving corporation, or upon the sale of substantially all the assets or more than 80% of the then outstanding stock of the Company to another corporation, this Agreement shall terminate (except to the extent the LTI Award has vested, including, without limitation giving effect to the Change in Control acceleration provisions of Section C.1. hereof)

unless express written provision be made in connection with such transaction for (i) the assumption of this Agreement or the substitution therefore of a new LTI Award, with such adjustments to be conclusively determined by the Committee; (ii) the continuance of the Plan by such successor corporation in which event this Agreement shall remain in full effect under the terms so provided; or (iii) the payment in cash in complete satisfaction of the LTI Award evidenced by this Agreement. All determinations under this Section C.6. shall be made by the Committee, whose determination as to what adjustments shall be made, and the extent thereof shall be final, binding and conclusive.

7. Confidential Information.

a. The Company shall disclose to Participant, or place Participant in a position to have access to or develop, trade secrets or confidential information of the Company or its Affiliates (as defined below); and/or shall entrust Participant with business opportunities of the Company or its Affiliates; and/or shall place Participant in a position to develop business good will on behalf of the Company or its Affiliates.

b. Participant acknowledges that during his employment with the Company he occupies a position of trust and confidence and agrees that he shall treat as confidential and shall not, without prior written authorization from the Company, directly or indirectly, disclose or make known to any person or use for his own benefit or gain, the methods, process or manner of accomplishing the business undertaken by the Company or its Affiliates, or any non-public information, plans, formulas, products, trade secrets, marketing or merchandising strategies, or confidential material or information and instructions, technical or otherwise, issued or published for the sole use of the Company, or information which is disclosed to Participant or in any acquired by him during his employment with the Company, or any information concerning the present or future business, processes, or methods of operation of the Company or its Affiliates, or concerning improvement, inventions or know how relating to the same or any part thereof, it being the intent of the Company, with which intent Participant hereby agrees, to restrict him from disseminating or using for his own benefit any information belonging directly or indirectly to the Company which is unpublished and not readily available to the general public (collectively, "Confidential Information").

c. The confidentiality obligations set forth in (a) and (b) of this Section 7 shall apply during Participant's employment by the Company and indefinitely thereafter. Nothing in this Agreement prevents Participant from providing, without prior notice to the Company, information to governmental authorities regarding possible legal violations or otherwise testifying or participating in any investigation or proceeding by any governmental authorities regarding possible legal violations, and for purpose of clarity Participant is not prohibited from providing information voluntarily to the United States Securities and Exchange Commission pursuant to Section 21F of the Exchange Act.

d. All information, ideas, concepts, improvements, discoveries, and inventions, whether patentable or not, that are conceived, made, developed or acquired by Participant, individually or in conjunction with others, during Participant's employment with the Company (whether during business hours or otherwise and whether on the premises of the Company or an Affiliate or otherwise) that relate to the business, products or services of the Company or any Affiliate shall be disclosed to the Board and are and shall be the sole and exclusive property of the Company or such Affiliate. Moreover, all documents, drawings, memoranda, notes, records, files, correspondence, manuals, models, specifications, computer programs, e-mail, voice mail, electronic data bases, maps and all other writings and materials of any type embodying any such information, ideas, concepts, improvements, discoveries and inventions are and shall be the sole and exclusive property of the Company. Upon termination of Participant's employment for any reason, Participant promptly shall deliver the same, and all copies thereof, to the Company.

e. If, during Participant's employment by the Company, Participant creates any work of authorship fixed in any tangible medium of expression that is the subject matter of copyright (such as video tapes, written presentations, or acquisitions, computer programs, e-mail, voice mail, electronic data bases, drawings, maps, architectural renditions, models, manuals, brochures or the like) relating to the Company's business, products or services, whether such work is created solely by Participant or jointly with others (whether during business hours or otherwise and whether on the Company's premises or otherwise), the Company shall be deemed the author of such work if the work is prepared by Participant in the scope of Participant's employment.

8. Non-Solicitation.

a. For the purposes of this Section, the following words have the following meanings:

i. "*Affiliate*" means, with respect to any individual or a corporation, partnership, trust, incorporated or unincorporated association, joint venture, limited liability company, joint stock company, government (or an agency or political subdivision thereof) or other entity of any kind (each a "person"), any other person that directly or indirectly controls or is controlled by or under common control with such person. For the purposes of this definition, "control" when used with respect to any person, means the possession, direct or indirect, of the power to direct or cause the direction of the management and policies of such person, whether through the ownership of voting securities, by contract or otherwise; and the terms of "affiliated", "controlling" and "controlled" have meanings correlated to the foregoing.

ii. "*Company Services*" means any services (including but not limited to technical and product support, technical advice, underwriting and customer services) supplied by the Company or its Affiliates in the specialty property and/or casualty insurance business.

iii. "*Confidential Information*" has the meaning ascribed thereto in Section 7.

iv. "*Customer*" means any person or firm or company or other organization whatsoever to whom or which the Company supplied Company Services during the Restricted Period and with whom or which, during the Restricted Period: (x) Participant had material personal dealings pursuant to his employment, or (y) any employee who was under the direct or indirect supervision of Participant had material personal dealings pursuant to his or her employment.

v. "*Prospective Customer*" means any person or firm or company or other organization whatsoever with whom or which the Company or its Affiliates shall have had negotiations or material discussions regarding the possible distribution, sale or supply of Company Services during the Restricted Period and with whom or which during such period: (x) Participant shall have had material personal dealings pursuant to his employment, or (y) any employee who was under the direct or indirect supervision of Participant shall have had material personal dealings pursuant to his or her employment, or (z) Participant was directly responsible in a client management capacity on behalf of the Company.

vi. "*Restricted Employee*" means any person who on the date of Participant's termination of employment by the Company was at the level of director, manager, underwriter or salesperson with whom Participant had material contact or dealings in the course of his employment during the Restricted Period;

vii. "*Restricted Period*" means the period of twelve months ending on the last day of Participant's employment with the Company or, in the event that no duties were assigned to Participant, the twelve months immediately preceding the last day on which Participant carried out any duties for the Company.

viii. "*Restricted Services*" means Company Services or any services of the same or of a similar kind with which Participant was materially involved during the Restricted Period.

b. Participant recognizes that, while performing his duties for the Company, he will have access to and come into contact with trade secrets and Confidential Information belonging to the Company and its Affiliates and will obtain personal knowledge of and influence over its or their customers and/or employees. Participant therefore agrees that the restrictions set out in this Section 8 are reasonable and necessary to protect the legitimate business interests of the Company and its Affiliates both during and after the termination of his employment.

c. Participant hereby undertakes with the Company that he shall not during his employment with the Company and for the period of twelve months after he ceases to be employed by the Company for any reason, whether the termination is by the Company, by Participant, due to Disability, without the prior written consent of the Company, whether by himself, through his employers or employees or agents or otherwise, howsoever and whether on his own behalf or on behalf of any other person, firm, company or other organization directly or indirectly:

i. in competition with the Company, solicit business from or endeavor to entice away or canvass any Customer or Prospective Customer if such solicitation or canvassing is in respect of Restricted Services;

ii. solicit or induce or endeavor to solicit or induce any Restricted Employee to cease working for or providing services to the Company, or hire any Restricted Employee.

d. This Section 8 shall be for the benefit of the Company and each of its Affiliates and the Company reserves the right to assign the benefit of such provisions to any of its Affiliates, in addition such provisions also apply as though there were substituted for references to “the Company” references to each of its Affiliates in relation to which Participant has in the course of his duties for the Company or by reason of rendering services to or holding office in such Affiliate: (x) acquired knowledge of its trade secrets or Confidential Information; or (y) had material personal dealings with its Customers or Prospective Customers; or (z) supervised directly or indirectly employees having material personal dealings with its Customers or Prospective Customers but so that references in this Section 8 to “the Company” shall for this purpose be deemed to be replaced by references to the relevant Affiliate. The obligations undertaken by Participant pursuant to this Section 8 shall, with respect to each Affiliate of the Company, constitute a separate and distinct covenant and the invalidity or unenforceability of any such covenant shall not affect the validity or enforceability of the covenants in favor of any other Affiliate or the Company.

e. The periods for which the restrictions in Section 8.c. apply shall be reduced by any period that Participant was not assigned any duties immediately before the cessation of Participant’s employment with the Company.

f. While the restrictions in this Section 8 (on which Participant has had the opportunity to take independent advice, as Participant hereby acknowledges) are considered by the parties to be reasonable in all the circumstances, it is agreed that if any such restrictions, by themselves, or taken together, shall be adjudged to go beyond what is reasonable in all the circumstances for the protection of the legitimate interests of the Company or its Affiliates but would be adjudged reasonable if part or parts of the wording thereof were deleted, the relevant restriction or restrictions shall apply with such deletion(s) as may be necessary to make it or them valid and effective.

9. **Plan Controls.** The LTI Award granted hereby is subject to, and the Company and Participant agree to be bound by, all of the terms and conditions of the Company's 2019 Omnibus Incentive Plan, as the same shall be amended from time to time in accordance with the terms thereof, but no such amendment shall adversely affect in any material respect Participant's rights under this grant without the prior written consent of Participant. The terms of the Plan are incorporated into and form part of this Agreement.

10. **Miscellaneous**.

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

b. No Employment Guarantee. Nothing in this Agreement nor in the Plan nor in the making of the Award shall confer on Participant any right to or guarantee of continued employment with the Company or any of its subsidiaries or in any way limit the right of the Company or any of its subsidiaries to terminate the employment of Participant at any time.

c. Relationship with Employment. Participant's rights and obligations under the terms of employment with the Company shall not be affected by this Agreement. The value of any benefit Participant realizes through the LTI Award shall not be taken into account in determining any pension or similar entitlements. Participant shall have no right to compensation or damages on account of any loss in respect of the LTI Award where this loss arises (or is claimed to arise), in whole or in part, from: (i) termination of office or employment with; or (ii) notice to terminate office or employment given by or to the Company. This exclusion of liability shall apply however termination of employment, or the giving of notice, is caused, and however compensation or damages are claimed.

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

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

f. Data Protection. Participant consents to the collection, holding, processing and transfer of personal data by the Company and any of its Subsidiaries for all purposes connected with this Agreement, including (i) the holding and maintenance of details of the grant; (ii) the transfer of personal data to the trustee of an employee benefit trust, the Company's registrars or brokers, any administrator of the Company's share incentive arrangements or any other relevant professional advisers or service providers to the Company or any of its Subsidiaries that is or was Participant's employer; (iii) the transfer of personal data to a prospective buyer of the Company or of any of its Subsidiaries or business unit that employs Participant, and the prospective buyer's professional advisers, provided that those persons irrevocably agree to use the personal data only in connection with the proposed transaction and in accordance with the data protection principles set out in the Data Protection Act 1998 (or any successor thereto); and (iv) the transfer of personal data under Section 10.f.ii or Section 10.f.iii to a person who is resident in a country or territory outside the European Economic Area that may not provide equivalent statutory protections for personal data.

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

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

i. Administration. The authority to manage and control the operation and administration of the Award Agreement shall be vested in the Committee, and the Committee shall have all powers with respect to the Award Agreement as it has with respect to the Plan. Any interpretation of the Agreement by the Committee and any decision made by it with respect to the Award Agreement are final and binding.

<u>Exhibit A</u>

The performance goals referenced in this Agreement are located within the employee's *Year End Review* in Workday. To view these, select the *Performance* worklet in Workday, and select 'Reviews'. Argo intends for LTI-eligible employees and their manager to mark mutually-agreed goal(s) as 'LTI Performance triggers' in support of the company's incentive compensation program.

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 6, 2019

/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 6, 2019

/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, 2019 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 6th day of August 2019

/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, 2019 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 6th day of August 2019	/s/ Jay S. Bullock
	Jay S. Bullock
	Executive Vice President and Chief Financial Officer