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Argo Group

Strategic Update Call

September 7, 2022

CORPORATE PARTICIPANTS

Andrew Hersom, *Head of Investor Relations*

Thomas A. Bradley, *Executive Chairman and Chief Executive Officer*

PRESENTATION

Andrew Hersom

Welcome to Argo's Strategic Update call. My name is Andrew Hersom, Head of IR at Argo. Presenting on today's call is Tom Bradley, Argo Group Executive Chairman and Chief Executive Officer. Tom intends to walk through the sale of Lloyd Syndicate 1200 to Westfield and Argo's recent Loss Portfolio Transfer with Enstar, as well as provide an update regarding Argo's ongoing strategic review process and how the Company is positioned today. The corresponding materials are available on the Investors section of our website at argogroup.com and have been filed with the SEC.

Today's call has been pre-recorded and accessible on the Investors section of our website.

Before we begin, I'd like to note that during the call Argo Management may make comments that reflect Argo's intentions, beliefs and expectations for the future. Such forward-looking statements are qualified by inherent risks and uncertainties surrounding future expectations generally, and may materially differ from the actual future results involving any one or more of such statements. Argo Group undertakes no obligation to publicly update forward-looking statements as a result of events or developments subsequent to this call. For a more detailed discussion of such risks and uncertainties, please see Argo Group's filing with the SEC.

Also note that we will be referencing certain non-GAAP financial information including reconciliations thereof. For additional information, please see Argo Group's current report on Form 8-K issued on August 8, 2022, which is available on the SEC's website and also at argogroup.com.

I will now turn the call over to Tom.

Thomas A. Bradley

Thank you Andrew. I will spend a few moments discussing how we got to where we are today and provide a summary of the strengths of Argo's condensed and differentiated profile and portfolio. In addition, I will walk through our sale of Lloyd Syndicate 1200 and the recent Loss Portfolio Transfer, as well as give an update on our ongoing strategic review process.

Turning to Slide 5. Over the past two years, we have made significant progress in focusing our strategy and positioning the Company to maximize our value as a U.S. underwriter of specialty insurance. We have now announced 10 business exit or sales in addition to two major risk transfer transactions. These transactions improve our financial strength and reduce volatility. I will go into more detail here in a few moments.

We have reunderwritten the core U.S. specialty business and reduced our expense ratio by 280 basis points since 2019. As a result of our efforts, Argo today is a pure play U.S. specialty business with over $2 billion in premium, along with a strong capital position, a simplified business model and a strong balance sheet. As a more focused and streamlined company, we are better positioned to drive our business strategies and evaluate further strategic opportunities to create shareholder value. Our Board is committed to maximizing shareholder value and is continuing to review strategic alternatives for the benefit of all Argo shareholders.

Turning to Slide 6. Before I get into the detail of the critical actions we've taken, I'd like to spend a moment to outline our guiding principles throughout this process. As mentioned, we have announced or closed 10 significant business divestiture or exits, primarily international businesses, including now Syndicate 1200, along with Ariel Re, our reinsurance business and businesses in Italy, Brazil and Malta. These recent announcements are underpinned by a strategic analysis of our underwriting results and competitive position in all markets where Argo operates, and are in line with our focused approach to profitable growth

As a result of this strategic analysis, we concluded that we should exit certain businesses and redeploy that capital where we view the greatest opportunity to achieve higher returns. These actions reinforce our vision of positioning Argo as a U.S.-centric specialty underwriter. Following the successful completion of these transactions, we believe we will be better positioned to consider the full range of strategic alternatives to maximize shareholder value across our businesses.

Slide 7 provides an overview of the LPT transaction we announced with Enstar in early August. As a reminder, Enstar agreed to assume the majority of our U.S. casualty insurance reserves including construction for accident years 2011 to 2019. Enstar's subsidiary will provide a ground-up cover for 746 million of U.S. casualty net reserves transferred at its inception at an additional $274 million of cover in excess of $821 million for a total policy limit of approximately $1.1 billion. Argo will retain a loss corridor of $75 million above the $746 million of reserves. The transaction's effective January 1, 2022, and is expected to close in the second half of this year. We believe It'll accelerate our de-risking plan by providing protection against reserve volatility and provide us with additional capital flexibility. We look forward to updating you on the progress of this transaction during our third quarter earnings call.

Moving to Slide 8. We continually review all lines of our business and respond to environmental changes in the marketplace, demonstrating our ability to proactively remediate or take underwriting actions in lines we view less favorably. You'll see clearly from the chart here the impact of the reunderwriting actions we've completed on our core businesses to retain ongoing profitable business lines. Over the past three years, we achieved an average combined ratio for our ongoing businesses of 93%.

Slide 9 gives you a more in-depth look at how our expense reduction efforts have translated into a lower expense ratio. We successfully reduced our expense ratio by 280 basis points since 2019. Our expense reduction efforts have focused on reductions in headcount, real estate spend and spending on third party suppliers. We believe the announcement of the sale of 1200 will further simplify our business and provide additional opportunities to streamline our operations. We are steadfast in our commitment to further reduce cost and remain very confident in our ability to continue improving the expense ratio.

Moving to Slide 11. Our most recent action is the sale of Argo Underwriting Agency Limited, including our Lloyd Syndicate 1200 to Westfield, for total cash proceeds of $125 million, subject to closing related adjustments.

When you put it all together, I think you'll get a good sense of the actions we have taken to enable Argo to operate as a nimble, U.S.-centric specialty insurer. The results of these actions are outlined in the following slides.

Turning to Slide 12. You can see that almost all of Argo's ongoing business is U.S.-based risk, and we have a variety of competitive advantages as a result. The successful implementation of our strategy to reduce property-related exposures has meaningfully reduced our cap losses. In addition to our diversified risk profile, Argo has deep and longstanding multi-channel distribution relationships, a highly specialized team with extensive industry knowledge and the ability to provide innovative and customized solutions.

These attributes further enhance the Company to better serve our customers.

Slide 13 demonstrates the positive momentum we are seeing. In streamlining our portfolio to focus on our most profitable and scalable businesses, we have achieved a compounded annual growth rate of 10.9% between 2019 and 2021 for our ongoing businesses. The growth we have experienced thus far and the progress we have made, particularly in recent months, gives us confidence in our go-forward business strategy and the long-term potential of Argo's businesses.

Moving to Slide 14. As mentioned on our second quarter call, catastrophe losses of $2.5 million in the second quarter marked the fifth consecutive quarter of year-over-year improvement and is Argo's lowest level since 2019. The reduction of our cap losses is in contrast to the level of those losses the industry is continuing to experience. The success of our strategy of reducing volatility through exiting non-core businesses is evident in these results.

As Slide 15 illustrates, today, we continue to benefit from a strong balance sheet and capital position. The sale of the Lloyd's business and the LPT transaction provides Argo with a strengthened capital position and improved capital flexibility. Beyond this, we've also seen a greater than 60% reduction in our 1-in-250 year probable maximum loss and property business since 2019.

Over the next two slides, I'll provide more detail on the sale of our Syndicate 1200 business to Westfield.

We are pleased to have entered into this agreement where we will be selling our managing agent and Lloyd Syndicate 1200. The total purchase price is $125 million and Westfield will replace our funds currently held at Lloyd's. This purchase price is approximately 16% premium over the tangible book value of that business. Westfield is a known leader in the property and casualty space and we believe it will provide the syndicate with opportunities to grow in new and current markets. I'd like to thank the Argo Group employees within those business units for their dedication to improving operational results in recent years. The transaction is subject to customary closing conditions and regulatory approvals and is expected to close in the first half of 2023.

Again, this is just the latest example of the prudent steps we are taking to strengthen our gross financial position, simplify our corporate structure and drive greater efficiencies by facilitating increased focus on core U.S. business. Following the completion of this planned transaction, we will be almost an entirely U.S.-focused company.

Slide 20 gives you an overview of the key points related to our LPT transaction. I've already discussed these so I won't go over them again here. What I will say is that we've been pleased to enter into these two transactions that resulted from the Company's ongoing strategic review process. They are consistent with our strategic priorities and will have us better positioned to drive our business forward successfully as we evaluate further strategic opportunities to create shareholder value.

Turning now to an update on our strategic alternatives process, on Slide 22. As a reminder, on April 28, 2022, Argo's Board announced an exploration of strategic alternatives and soon after formed a strategic review committee. Last month, the Board appointed Dan Plants, who currently serves as Chief Investment Officer of Voce Capital Management, and Argo's largest active shareholder, as an independent member of our Board. In addition, Dan has been appointed as Chairperson of the Strategic Review Committee and will work alongside me and the other committee members to oversee the strategic review process. Together, we have decades of finance, insurance and transaction experience, and I'm proud to note that we have made substantial progress in our review, as evidenced by the transactions discussed.

We are fully committed to the strategic review process and we continue as a full Board, along with our financial and legal advisors, to actively consider a range of options for Argo.

Wrapping up, let me summarize. We are successfully advancing our central objective to operate as a U.S.-centric specialty insurer. We have announced several significant transactions to simplify our business model, strengthen and de-risk our balance sheet and reunderwrite and drive efficiencies in our core businesses. We remain focused on our most profitable U.S.-based insurance lines to enhance growth across the business.

In addition, we continue to consider a range of options to maximize shareholder value through the ongoing strategic review process, including the potential sale or merger of the Company.

Thank you for your time and your interest in Argo.